HARTMANN

PACK & PERFORM

Annual report 2017

Contents

Management report

Financial statements

Highlights

4 Key figures and financial ratios
5 2017 in brief
6 Hartmann at a glance
8 Hartmann generates growth
9 Financial highlights

76 Key figures and financial ratios by quarter
77 Financial ratio definitions

Business

11 2017 in review
15 Guidance and ambitions
16 Strategy
19 Markets and products
21 Risk

Governance

24 Corporate social responsibility
25 Shareholder information
27 Corporate governance
28 Board of directors and executive board

Financials

31 Statement of comprehensive income
32 Statement of cash flows
33 Balance sheet
34 Statement of changes in equity
36 Notes
78 Management statement
79 Independent auditor's report

Highlights

4 **Key figures and financial ratios**

5 **2017 in brief**

6 **Hartmann at a glance**

8 **Hartmann generates growth**

9 **Financial highlights**

Hartmann grew revenue by 5% and expects profitability to improve in 2018

Key figures and financial ratios for the group

DKKm	2017	2016	2015	2014	2013
Statement of comprehensive income					
Revenue	2,207	2,096	2,133	1,615	1,579
Operating profit	235	248	234	163	148
Special items	(14)	0	(101)	(7)	(39)
Financial income and expenses, net	(54)	(27)	(23)	(17)	(15)
Profit before tax	168	221	111	139	95
Profit for the year	122	175	111	119	86
Comprehensive income	41	239	1	117	77
Cash flows					
Cash flows from operating activities	258	248	221	141	178
Cash flows from investing activities	(205)	(337)	(512)	(98)	(112)
Cash flows from financing activities	(78)	(26)	332	(33)	(86)
Total cash flows	(26)	(115)	41	10	(20)
Balance sheet					
Assets	1,865	1,942	1,720	1,244	1,126
Investments in property, plant and equipment	204	339	186	99	115
Net working capital	312	275	308	219	186
Invested capital	1,339	1,323	1,055	736	689
Net interest-bearing debt	641	644	495	161	138
Equity	746	771	598	663	612

	2017	2016	2015	2014	2013
Financial ratios, %					
Profit margin	10.7	11.8	11.0	10.1	9.4
Return on invested capital (ROIC)	17.1	20.9	21.7	22.3	23.0
Return on equity	16.2	25.0	17.1	19.2	14.9
Equity ratio	40.0	39.7	34.7	53.3	54.4
Gearing	85.9	83.6	82.8	24.2	22.6
Share-based financial ratios					
No. of shares (excl. treasury shares)	6,915,090	6,915,090	6,915,090	6,915,090	6,915,090
Earnings per share, DKK (EPS)	17.6	25.3	16.1	17.2	12.4
Cash flows per share, DKK	37.3	35.9	32.0	20.4	25.7
Dividend per share, DKK (proposed)	9.50	9.50	9.50	9.50	9.50
Book value per share, DKK	107.9	111.4	86.4	95.8	88.5
Share price, DKK	320.0	338.0	271.0	173.0	167.0
Share price/book value per share	3.0	3.0	3.1	1.8	1.9
Share price/earnings (P/E)	18.1	13.4	16.9	10.1	13.4
Payout ratio, %	54.6	38.1	60.0	56.1	77.5
Market value, DKKm	2,244.8	2,371.1	1,901.1	1,213.6	1,171.5
Employees					
Average no. of full-time employees	1,994	1,992	2,086	1,461	1,487

For definitions of financial ratios, see page 77.

2017 in brief

Hartmann grew its revenue in 2017 on the back of increased packaging volumes in both Europe and the Americas. Though faced with challenging key markets and ongoing running-in of new production capacity, we generated a profit margin of 10.7% and produced solid cash flows.

Growth was driven by the core business lifting packaging volumes in 2017. Despite exceptionally large price differences between standard and premium eggs in North America and the discovery of fipronil-contaminated eggs in a few European markets, we were thus able to increase the utilisation rate of new production capacity.

Temporary market challenges led to slightly lower-than-expected growth rates and profitability. In 2018, we need to increase capacity utilisation even further and continue to adjust the cost base to maintain the right balance between growth and efficiency.

For 2018, we expect to report revenue of DKK 2.2-2.3 billion, a profit margin of 11.5-13% and a return on invested capital of at least 18%.

Revenue

DKKm 2,207

DKK 2,096 million in 2016

Profit margin*

10.7%

11.8% in 2016

Operating profit*

DKKm 235

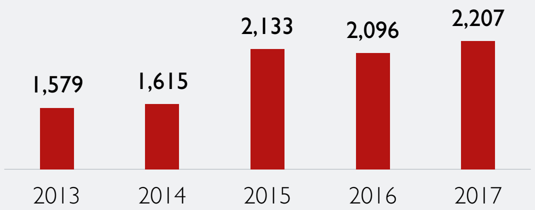
DKK 248 million in 2016

ROIC

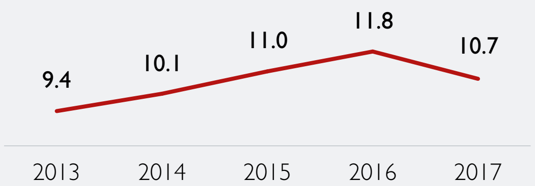
17.1%

20.9% in 2016

Revenue (DKKm)



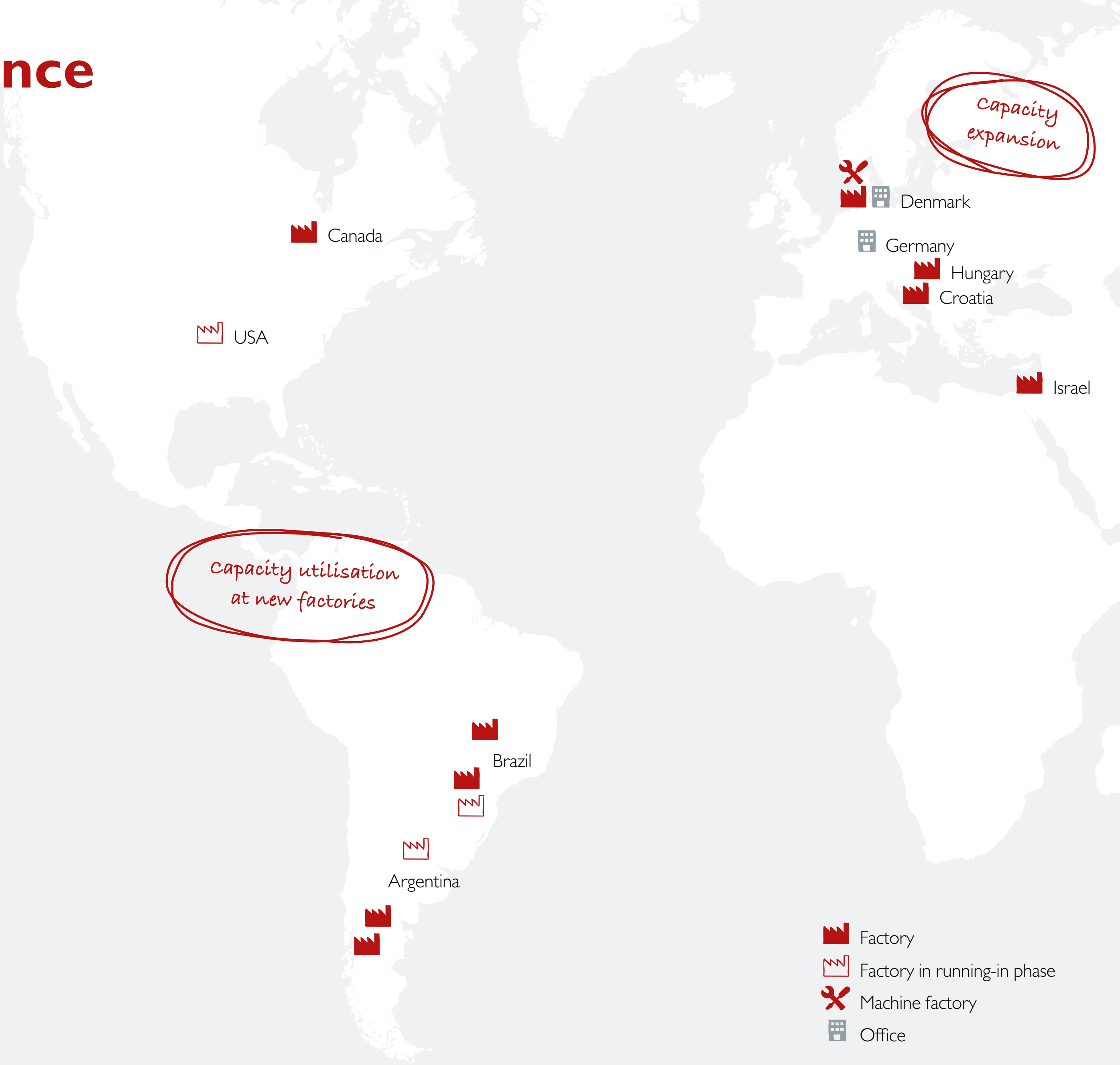
Profit margin (%)*



* For purposes of this report, operating profit refers to operating profit before special items, and profit margin refers to profit margin before special items, unless otherwise stated.

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 technology 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.



Markets

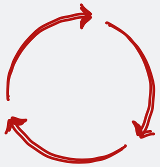
Hartmann's key markets are Europe, South America and North America, where the group has strong market positions. Hartmann is a market leader in Europe and South America, where our product portfolio also includes fruit packaging. Hartmann has a small, but growing share of the North American market. Hartmann's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

Hartmann at a glance

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 outside the group's main markets.



Sustainability

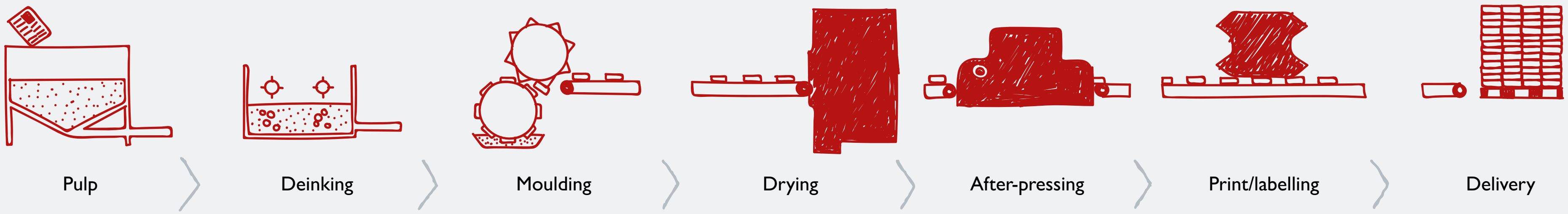
Sustainability and protection of the environment are integral components of Hartmann's business model and strategy. All Hartmann products are based on recycled paper, which is a renewable and biodegradable resource. Working closely with our customers to accommodate demand for sustainable products in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

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.

Production process



Moulded fibre is made from recycled paper and may be deinked

Packaging is produced in several shapes and colours to accommodate specific customer requirements

The graphic design of the end product may be customised prior to delivery

Hartmann generates growth

Hartmann grew its packaging volumes in 2017 although key markets were challenging. In 2018, we will focus on growing sales further and on enhancing capacity utilisation and profitability.

We lifted revenue by 5% in 2017 on the back of core business growth and capacity expansion in both the Americas and Europe. At the same time, we generated a profit margin of 10.7%, which will enable us to pay a dividend of DKK 9.50 per share.

Slower-than-expected utilisation of new production capacity impacted on the group's profitability. The new US factory was completed later than planned, and the North American market for retail packaging was affected by exceptionally low standard egg prices, which put a damper on demand for premium eggs and packaging. We have expanded the South American business since 2015, and it grew in terms of both volumes sold and earnings in 2017. Our targeted efforts to enhance efficiency, adjust costs and align production with market conditions in Brazil and Argentina were instrumental in driving the favourable performance. The European business grew packaging volumes although growth rates were slightly lower than expected in some markets due to the discovery of fipronil-contaminated eggs during the summer.

Even though some markets are temporarily challenging, we are confident that the substantial potential of Hartmann's expanded production network will enable us to leverage fundamental market drivers such as population growth, growing urbanisation and increased focus on sustainability. With the new American factories in place and our efficient European production network undergoing expansion, we find ourselves in a strong competitive position.

In 2018, we will continue to pursue the growth and efficiency targets set out in our 'Unpacking our potential' strategy, and we still expect to lift both revenue and profit margin through improved capacity utilisation across our markets combined with continued cost adjustments.

The sudden and untimely death of our CEO, Ulrik Kolding Hartvig, has left its sad mark on the early months of 2018. Ulrik passed away following a tragic bicycle accident in February. Ulrik was a visionary, highly respected and very well-liked leader, who has left a lasting impression on Hartmann and everyone who had the privilege of knowing him.

Together, we have built a stronger business and an organisation that is solidly positioned to continue the strategic work in Ulrik's spirit and to drive Hartmann forward in the years to come.

Through the long-term investments we have made in our production network over the past few years, we have built a strong platform for profitable growth, and we aim to create a business capable of winning market share, growing revenue every year and generating a profit margin of at least 14%.

Ulrik's unwavering faith in our potential is reflected in this ambition, which we are all resolved to achieve.

Marianne Rørslev Bock
CFO and interim CEO

Agnete Raaschou-Nielsen
Chairman

Financial highlights

Q4 2017

- Revenue totalled DKK 564 million (2016: DKK 523 million), and operating profit rose to DKK 74 million (2016: DKK 59 million), taking the profit margin to 13.0% (2016: 11.2%). Earnings were supported by increased sales of packaging across Hartmann's markets and in Hartmann Technology.
- The European business grew revenue to DKK 349 million (2016: DKK 313 million) and operating profit to DKK 52 million (2016: DKK 50 million), for a profit margin of 14.7% (2016: 16.1%). Revenue growth was outweighed by higher depreciation charges, lower average selling prices and adverse currency movements. Moreover, the Q4 2016 performance included a public grant for energy-efficient production companies.
- The business in the Americas grew revenue to DKK 215 million (2016: DKK 210 million) and operating profit to DKK 25 million (2016: DKK 13 million), bringing the profit margin to 11.4% (2016: 6.3%). Earnings growth was driven by the significant progress reported by the South American business, which outweighed the slightly lower earnings from the business in North America due to higher production costs and depreciation charges.
- Currency fluctuations reduced revenue by DKK 23 million and operating profit by DKK 7 million.

2017

- Consolidated revenue grew by 5% to DKK 2,207 million (2016: DKK 2,096 million), and operating profit came to DKK 235 million (2016: DKK 248 million), taking the profit margin to 10.7% (2016: 11.8%). Our total capital expenditure was DKK 208 million, and the return on invested capital was 17% (2016: 21%).
- The board of directors proposes a dividend of DKK 9.50 (2016: DKK 9.50) per share.
- The European business grew revenue to DKK 1,290 million (2016: DKK 1,258 million), while operating profit was DKK 158 million (2016: DKK 164 million), bringing the profit margin to 12.2% (2016: 13.1%).
- The business in the Americas reported revenue of DKK 917 million (2016: DKK 838 million) and operating profit of DKK 103 million (2016: DKK 116 million), for a profit margin of 11.2% (2016: 13.8%).
- Currency fluctuations, primarily in GBP, reduced both revenue and operating profit by DKK 21 million.

Guidance and ambitions

- Anticipating enhanced capacity utilisation and continued cost adjustment, we expect to generate revenue of DKK 2.2-2.3 billion and a profit margin of 11.5-13% in 2018. Slightly lower growth rates in North America and in some European markets where demand is temporarily affected by the 2017 fipronil egg contamination are expected to detract from the 2018 performance.
- The return on invested capital is expected to be at least 18% in 2018.
- It is Hartmann's ambition to gradually grow packaging volumes in step with or above market growth, continually increase consolidated revenue and generate a profit margin before special items of at least 14%.

> We lifted revenue in 2017 and focused on establishing a strong production platform to be able to leverage favourable market trends and generate attractive growth and profitability going forward.

Marianne Rørslev Bock, CFO and interim CEO

Business

11 **2017 in review**

15 **Guidance and ambitions**

16 **Strategy**

19 **Markets and products**

21 **Risk**

Our profit margin was 10.7% and is expected to be 11.5-13% in 2018

2017 in review

Q4 2017

Consolidated revenue grew to DKK 564 million in Q4 2017 (2016: DKK 523 million), driven by growing sales in Europe, the Americas and in Hartmann Technology. Currency fluctuations reduced revenue by DKK 23 million and operating profit by DKK 7 million.

The European business reported revenue of DKK 349 million (2016: DKK 313 million). Revenue from packaging sales was DKK 319 million (2016: DKK 312 million), and Hartmann Technology contributed revenue of DKK 30 million (2016: DKK 1 million) on the back of more orders delivered. Revenue from the Americas grew to DKK 215 million (2016: DKK 210 million) in the final quarter of the year.

Consolidated operating profit came to DKK 74 million (2016: DKK 59 million), and the profit margin was 13.0% (2016: 11.2%). The favourable performance was driven by significant earnings growth in Hartmann's South American business and higher revenue in Hartmann Technology.

The European business reported operating profit of DKK 52 million (2016: DKK 50 million) and a profit margin of 14.7% (2016: 16.1%). The weaker profitability was largely attributable to higher depreciation charges, lower average selling prices and adverse currency movements. Moreover, the performance in Q4 2016 was supported by a public grant for energy-efficient production companies. These effects were only partly outweighed by higher packaging sales and an increased contribution from Hartmann Technology. Hartmann's operations in the Americas grew operating profit to DKK 25 million (2016: DKK 13 million), corresponding to a profit margin of 11.4% (2016: 6.3%) on the back of a strong performance in South America outweighing a weaker earnings performance in North America where higher production costs and depreciation charges impacted on results.

Cash flows from operating activities grew to a net inflow of DKK 123 million in Q4 2017 (2016: net inflow of DKK 81 million). Cash flows from investing activities were a net outflow of DKK 31 million (2016: DKK 110 million outflow), while cash flows from financing activities were a net outflow of DKK 58 million (2016: DKK 3 million outflow) as a result of long-term debt repayments.

2017

Revenue

Consolidated revenue grew by 5% to DKK 2,207 million in 2017 (2016: DKK 2,096 million), in line with our most recent guidance of around DKK 2.2 billion. Currency fluctuations reduced revenue by DKK 21 million.

Europe

The European business lifted revenue to DKK 1,290 million (2016: DKK 1,258 million) on the back of significant growth in packaging sales and more orders being delivered by Hartmann Technology. Production capacity was expanded and the running-in of new capacity progressed according to plan despite a temporary impact on demand in a few markets in the second half of the year due to fipronil being found in eggs during the summer. Moreover, revenue was impacted by GBP movements and lower average selling prices as a result of price competition and transport packaging making up a larger proportion of total sales growth.

Selected key figures and financial ratios

DKKm	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Revenue	564	557	514	572	523
Operating profit	74	69	32	61	59
Special items	(14)	0	0	0	0
Financial income and expenses, net	(9)	(12)	(30)	(3)	(12)
Profit for the period	21	57	1	43	44
Total cash flows	34	2	(25)	(37)	(31)
Profit margin, %	13.0	12.4	6.2	10.7	11.2

The selected key figures and financial ratios are unaudited.

2017 in review

Americas
Revenue from the Americas grew to DKK 917 million (2016: DKK 838 million) thanks to a significant increase in packaging volumes sold, which resulted in improved utilisation of the group's new production capacity in North and South America.

The North American business lifted packaging sales and revenue, and capacity utilisation at the group's new US factory improved, although running-in progressed at a slower pace than originally expected. The South American business grew revenue in Brazil on the back of increased packaging sales, while revenue from the group's operations in Argentina remained stable in the face of lower fruit packaging volumes.

Operating profit

Hartmann generated operating profit of DKK 235 million in 2017 (2016: DKK 248 million), taking the profit margin to 10.7% (2016: 11.8%) and meeting the group's most recent guidance of a profit margin of about 11%. Consolidated earnings were supported by revenue growth across Hartmann's markets, while higher production costs and depreciation charges related to the establishment of new production capacity detracted from performance. Currency fluctuations reduced operating profit by DKK 21 million.

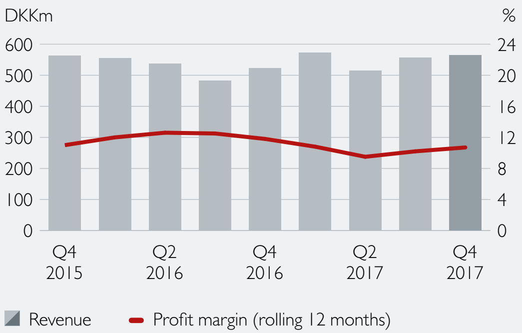
Europe
The European business reported operating profit of DKK 158 million (2016: DKK 164 million), taking the profit margin to 12.2% (2016: 13.1%). Operating profit was supported by higher sales in the core business and Hartmann Technology combined with increased production efficiency. However, sales growth was more than offset by lower average selling prices and adverse currency movements in combination with higher development costs in Hartmann Technology and increased depreciation charges relating to the new production capacity.

Americas
In the Americas, Hartmann generated operating profit of DKK 103 million (2016: DKK 116 million) and a profit margin of 11.2% (2016: 13.8%) amid the establishment and running-in of new production capacity in temporarily challenging markets.

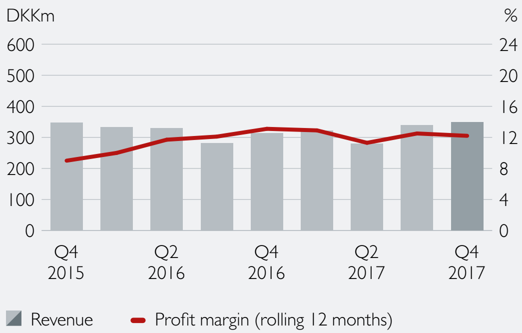
While supported by higher sales volumes in North America, operating profit declined in 2017 due to higher production costs and depreciation charges following the establishment of the group's new US factory.

Revenue and profit margin

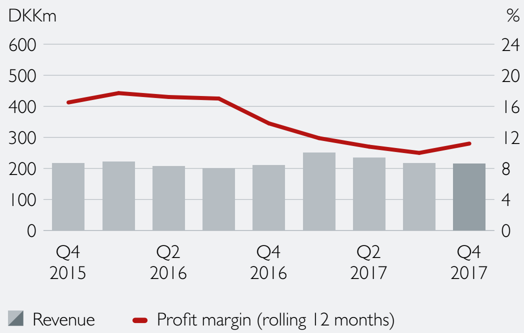
Group



Europe



Americas



2017 in review

The South American business lifted operating profit, assisted by a strong performance in Brazil on the back of revenue growth and substantial efficiency gains. Supported by efficiency-improving measures and the switching over of production to better accomodate local demand for egg packaging, earnings from the Argentinian business fell only slightly amid declining sales of fruit export packaging.

Corporate functions
Costs related to corporate functions came to DKK 27 million in 2017 (2016: DKK 32 million). The fall was attributable to lower consultancy costs.

Special items
Special items amounted to a net expense of DKK 14 million in 2017 (2016: DKK 0 million), reflecting impairment losses on receivables and legal costs associated with the ongoing dispute concerning the pricing of district heating supplied by Hartmann's combined heat and power plant, see note 11.

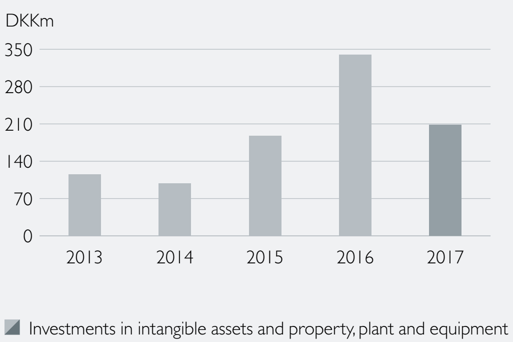
Financial income and expenses
In 2017, financial income and expenses were a net expense of DKK 54 million (2016: net expense of DKK 27 million). The higher net expenses were driven by foreign exchange losses on intra-group financing of the business in the Americas.

Profit for the year
The profit before tax for 2017 came to DKK 168 million (2016: DKK 221 million), reflecting lower operating profit and higher financial expenses. Tax on the profit for the year was an expense of DKK 46 million (2016: expense of DKK 47 million), for an effective tax rate of 27% (2016: 21%). The higher effective tax rate can be attributed to changes in deferred tax relating to prior years in the Brazilian subsidiary. The profit for the year was DKK 122 million after tax (2016: DKK 175 million).

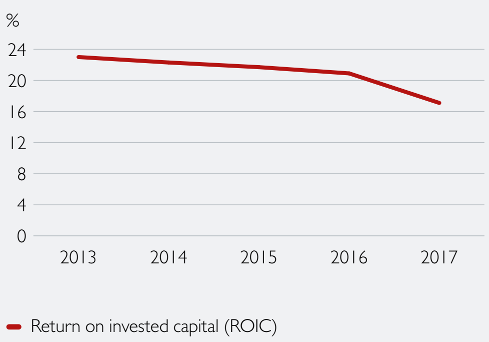
Comprehensive income
Comprehensive income fell to DKK 41 million (2016: DKK 239 million), strongly impacted by foreign exchange rate adjustments of subsidiaries in Brazil, Argentina, the USA and Canada, see note 34, and the lower profit for the year.

Investments and cash flows
At 31 December 2017, intangible assets and property, plant and equipment totalled DKK 1,086 million (2016: DKK 1,107 mil-

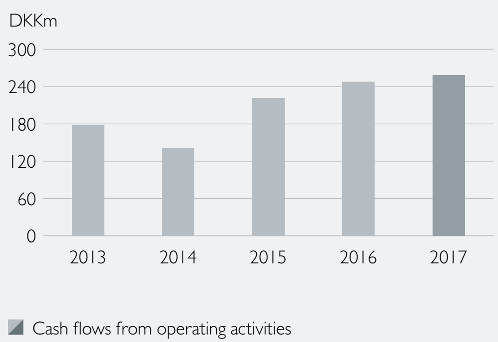
Investments



ROIC



Cash flows



2017 in review

lion). The total capital expenditure was DKK 208 million (2016: DKK 340 million), in line with the group's most recent guidance of investments of about DKK 200 million. Depreciation charges increased to DKK 133 million (2016: DKK 104 million), reflecting the expanded production platform.

Cash flows from operating activities were a net inflow of DKK 258 million (2016: net inflow of DKK 248 million).

Cash flows from investing activities amounted to a net outflow of DKK 205 million, compared with a high net outflow of DKK 337 million in 2016. Cash flows from operating and investing activities thus amounted to a net inflow of DKK 52 million (2016: net outflow of DKK 88 million).

Cash flows from financing activities came to a net outflow of DKK 78 million in 2017 (2016: net outflow of DKK 26 million), reflecting a dividend distribution of DKK 66 million and net repayments of long-term debt. In 2016, there was a net increase in long-term debt due to the high level of investments.

Net interest-bearing debt at 31 December 2017 was DKK 641 million (2016: DKK 644 million).

At 31 December 2017, financial resources amounted to DKK 294 million (2016: DKK 299 million), 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.

Assets

Assets totalled DKK 1,865 million (2016: DKK 1,942 million). The decline was attributable mainly to foreign exchange adjustments.

ROIC

Return on invested capital was 17% in 2017 against 21% in 2016, in line with the group's most recent guidance. The decline can be put down to the lower operating profit and the higher invested capital resulting from the relatively high level of investments since the beginning of 2016.

Equity

Equity at 31 December 2017 was DKK 746 million (2016: DKK 771 million), and the equity ratio was unchanged at 40% (2016: 40%). The financial gearing was 86% (2016: 84%).

Earnings per share came to DKK 17.6 (2016: DKK 25.3). At the annual general meeting to be held on 18 April 2018, the board of directors intends to propose a dividend of DKK 9.50 (2016: DKK 9.50) per share, corresponding to a payout ratio of 55% (2016: 38%).

Parent company

In 2017, the parent company generated revenue of DKK 1,226 million (2016: DKK 1,260 million) and operating profit of DKK 66 million (2016: DKK 85 million). Profit for the year was DKK 68 million (2016: DKK 96 million).

Events after the balance sheet date

On 18 February 2018, Hartmann announced that its CEO, Ulrik Kolding Hartvig, had passed away that same day due to a bicycle accident. CFO Marianne Rørslev Bock was subsequently appointed interim CEO.

Efficiency-improving measures and automation investments are paying off

Guidance and ambitions

Guidance for 2018

In 2018, Hartmann plans to accelerate growth and enhance efficiency by means of improved utilisation of production capacity and continued cost adjustment. We expect to report revenue of DKK 2.2-2.3 billion, a profit margin of 11.5-13% and a return on invested capital of at least 18% in 2018.

Assumptions
Our revenue and profit margin guidance for 2018 reflects, among other things, assumptions of unchanged foreign exchange rates and dampened growth in the North American and European markets as well as a slower running-in of the group's expanded production capacity in these markets in the first half of the year. Subsequently, we expect satisfactory running-in of and packaging sales from the group's expanded production platform. Results are expected to be further supported by continued adjustment of the group's cost base. 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. Any deviations from these assumptions may affect our 2018 performance.

Ambitions

Hartmann aims to continually grow its core business organically and generate attractive profitability.

Our ability to meet our financial ambitions will vary over time, depending on market conditions, short-term effects of capacity adjustments, business developments and fluctuations in raw materials prices, exchange rates, etc. Our ambitions reflect management's expectations for Hartmann's financial performance assuming unchanged exchange rates and relatively stable market conditions. These ambitions are supplemented by annual guidance based on expected developments in a given financial year and the assumed contribution from Hartmann Technology.

Over time, Hartmann aims to increase packaging volumes sold in step with or above market growth and grow consolidated revenue every year. Against this background, Hartmann aims to generate a profit margin before special items of at least 14%.

Ambitions

Continual growth in packaging sales

Year-on-year revenue growth

Profit margin of at least

14%

Guidance

		2017		2018
	Annual report 2016	25 October	Realised	Guidance
Revenue	DKK 2.2-2.3bn	~DKK 2.2 billion	DKK 2,207 million	DKK 2.2-2.3bn
Profit margin	11-12.5%	~11%	10.7%	11.5-13%
Return on invested capital	~18%	~16%	17.1%	At least 18%

Forward-looking statements

The forward-looking statements in this annual report reflect Hartmann's 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 and note 33.

Strategy

As an important part of our 'Unpacking our potential' strategy, Hartmann has over the past few years invested in the establishment of a platform for growth in the group's markets in the Americas.

Following the addition of the South American business in 2015, Hartmann in 2016 expanded its production network by a factory in Argentina and one in Brazil. In 2017, we put the new US factory into operation and delivered the first products to our customers in the second half of the year.

Running in new production capacity in the Americas was a key focus area in 2017, and these efforts will continue in 2018 with a view to increasing capacity utilisation and redirecting our strategic focus to efficiency to enable the American factories to contribute even more to improving the group's profitability.

In South America, our efficiency-improving measures have paid off, and we have adjusted the cost base and switched over production to better accommodate demand for egg packaging in local markets.

In North America, we have built a new factory in the USA, which is still being run in, to supplement our factory in Canada. The North American market was characterised by exceptionally large price differences between standard and premium eggs in 2017, which led to lower demand for retail and premium packaging. This protracted the running-in of our US factory, and our primary focus in the upcoming period will be on boosting packaging sales and, by extension, capacity utilisation.

In Europe, we focused on enhancing our competitive strength in markets affected by relatively fierce competition. The efficiency-improving and automation measures we have taken have gradually improved profitability and are supported by capacity expansion across the European production network. These efforts are helping Hartmann capture a larger share of the growth reported in selected European markets.

We will also continue to customise our product portfolio, aiming to accommodate requirements in our different markets and drive the transition from standard to premium products to allow customers to enjoy the unique marketing and logistic benefits that Hartmann offers.

Based on our 'Unpacking our potential' strategy, we grew our core business in 2017 and established a strong platform for future growth and value creation during the final year of our current strategy.

Potential

Leveraging and expanding our **strong positions** in existing markets and exploring our global growth potential through expansion of our production network and potential acquisitions of attractive businesses.

Applying and developing our **proven technological competencies** to optimise production, fuel machine sales and form new partnerships.

Tailoring our **versatile product portfolio** to the specific demand patterns of existing markets and increasing sales of transport packaging as well as standard and premium products.

Optimising and expanding our **well-established production platform** and increasing production efficiency and flexibility.

Strategy

Three trends driving performance

Population growth

Global population growth is boosting demand for food, and the general economic recovery is leading to increased demand for eggs and fruit.

2 billion
increase in global population by 2050 compared with 2014.

Urbanisation

Continued growth in the influx of residents to cities and urban areas is supporting retailers selling packed eggs and fruit and looking for professional business partners.

2/3
of the world population will be living in cities in 2050 (2014: 54%).

Sustainability

Growing focus on sustainability among consumers, who are increasingly able to choose moulded-fibre over plastic products.

1/3
of consumers prefer sustainable brands.

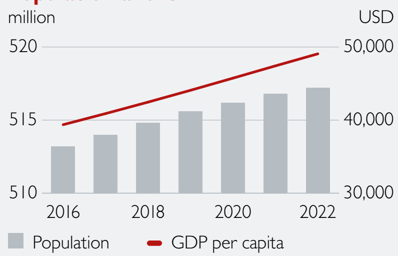
Sources:
UN Department of Economic and Social Affairs, Population Division: World Urbanization Prospects, 2014
IMF, World Economic Outlook, October 2017 (GDP per capita in USD based on purchasing power parity)
Accenture & Havas Media Group, The Consumer Study: From marketing to mattering, 2014

Europe

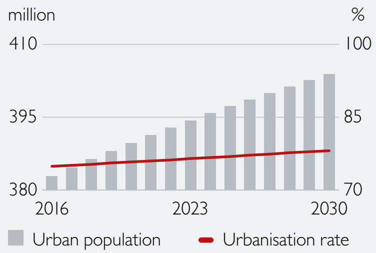
Europe (EU 28)

Hartmann's factories in Croatia, Denmark and Hungary serve the relatively mature but quite diverse European markets.

Population and GDP



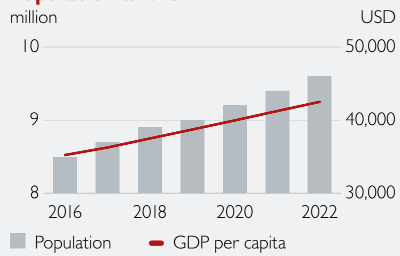
Urbanisation



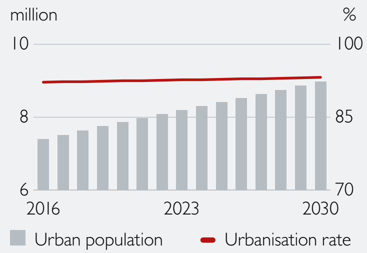
Israel

The factory in Israel manufactures and sells egg packaging in the relatively stable Israeli market.

Population and GDP



Urbanisation



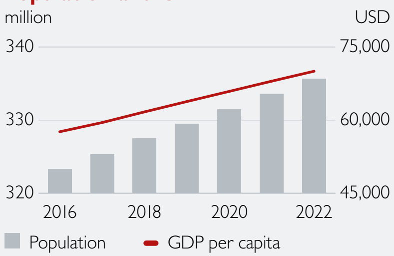
Strategy

Americas

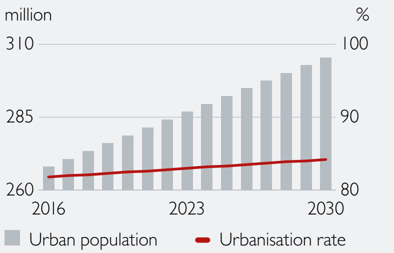
USA

In 2017, Hartmann commenced operations at the factory in Missouri with a view to strengthening US sales and establishing a new platform for growth in this large and steadily growing market.

Population and GDP



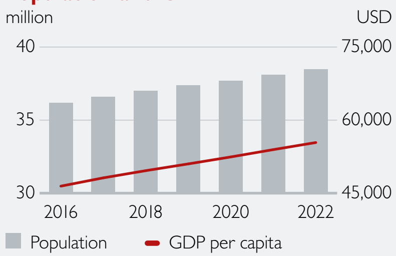
Urbanisation



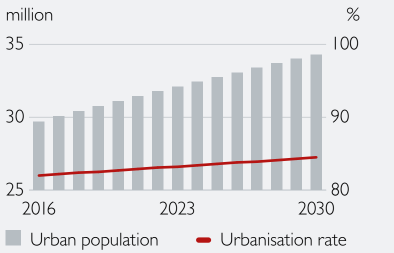
Canada

Hartmann's factory in Canada primarily serves the US market but also sells egg packaging locally.

Population and GDP



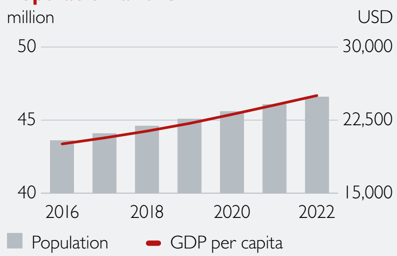
Urbanisation



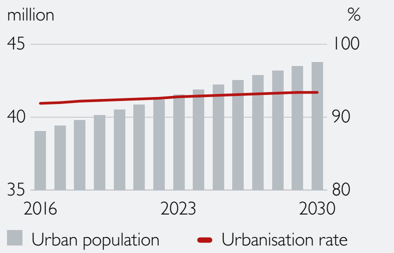
Argentina

Hartmann manufactures egg packaging for the Argentinian market and fruit packaging for use in connection with fruit exports. Following the addition of the newest factory in 2016, the group has three factories and a solid platform for growth.

Population and GDP



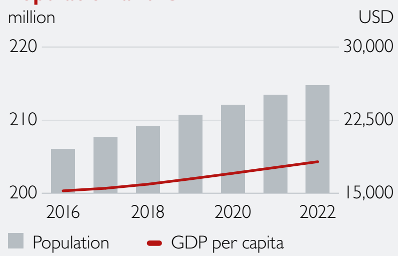
Urbanisation



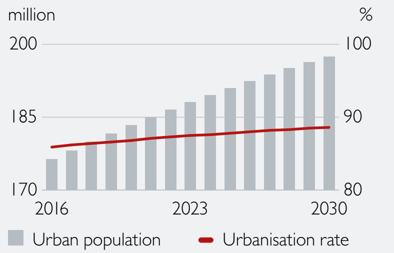
Brazil

Following the opening of the newest factory in 2016, Hartmann has three factories and a solid platform for growth in Brazil. The group manufactures egg and fruit packaging, which is sold in the attractive Brazilian market and for use in connection with fruit exports.

Population and GDP



Urbanisation



Markets and products

As a manufacturer of moulded-fibre packaging, Hartmann operates in diverse markets with varying product offerings that are continuously adapted to regional needs. Hartmann's aggregate product portfolio comprises retail packaging for eggs and transport packaging for eggs and fruit.

Retail packaging for eggs is our main product category. The segmentation into premium and standard products varies from market to market depending on factors such as the maturity of the retail trade, the penetration of moulded-fibre packaging and focus on sustainability.

For sales of egg and fruit packaging, our main markets are Europe and North and South America, while Hartmann Technology sells its technology for manufacturing of moulded-fibre packaging as well as related services globally – and mostly outside of Hartmann's markets.

Demand for egg and fruit packaging is generally stable and quite resilient to economic fluctuations. However, exchange rate fluctuations affect South American fruit exports and, by extension, sales of fruit packaging. Demand for both egg and fruit packaging is to some extent seasonal. Hartmann's primary markets are highly competitive and dominated by a few large and several medium-sized players.

Hartmann has developed and launched new product lines which have been standard-setters for quality packaging. Developing innovative products strengthens Hartmann's position as the customers' preferred supplier and entails a number of advantages in relation to manufacturing and transport. For this reason, we continuously protect our intellectual property rights in order to actively protect our products and trademarks.

Hartmann continually strives to accommodate customer demand for optimised marketing options in the premium segment for egg packaging and to develop products that satisfy the needs of our customers and facilitate production process optimisation and capacity enhancement at our factories. In 2017, we followed up on the successful introduction of additional transport packaging variants adapted to selected European markets. In addition, we carried out a number of specific projects to improve digital interaction with our customers.

Europe

Holding a market share of about 40%, Hartmann is the leading manufacturer of egg packaging in the relatively mature European markets, which were characterised by fierce competition also in 2017. We expect to see average annual growth of 1-3% in the coming period, varying across national borders but generally driven by growing demand for retail packaging on the back of continued penetration and professionalisation of the retail trade, along with the ongoing transition from plastic to moulded-fibre packaging. However, a few European markets were adversely affected by the fipronil eggs contamination incident in the summer of 2017, and this is expected to lead to reduced visibility and stability in these markets in the first half of 2018.

We regularly expand production capacity at our existing factories with a view to accommodating steadily increasing demand and win market share in selected markets.

North America

In North America, our moulded-fibre products represent just over 15% of the total market for moulded-fibre and foam egg packaging. Average annual growth in the North American market for moulded-fibre products is expected to be around 2% in the period ahead, driven by conversion from foam packaging and an increasing consumption of eggs. Customers are increasingly demanding premium products, a segment in which Hartmann holds a strong market position.

Our North American capacity was expanded in 2017 through the establishment of a factory in the state of Missouri, USA. The factory is in the running-in phase, and the new capacity will help us achieve our growth ambitions regarding existing and new customers and secure broader geographical coverage and the ability to secure supplies in the event of an unintentional production stoppage at one of the group's two North American factories.

South America

Hartmann has a market leading position in Brazil and Argentina where we sell both egg and fruit packaging, covering about one third of the demand for egg packaging. Hartmann's market share of moulded-fibre fruit packaging is about 20% in Brazil and about 50% in Argentina.

Following a period of subdued growth in these two markets, average annual market growth is expected to be at the level of 3-5% in the period ahead, driven by growing demand, favourable demographics and continued urbanisation. Hartmann's sales of fruit packaging are largely driven by exports.

The running-in of the two newest factories in Brazil and Argentina is progressing as planned under the current market conditions.

Hartmann Technology

The group leverages its technological expertise in the expansion and optimisation of its production network. Technology, machinery and related services are sold globally, primarily outside the group's primary markets, with a view to assisting customers in meeting growing demand for moulded-fibre packaging.

Markets and products

Packaging and customers

Retail packaging

Hartmann makes retail packaging for all types of customers across geographies.

Premium packaging offers the best marketing options with a broad selection of sizes, colours, design solutions, prints and labels. Packaging is often used to differentiate premium eggs such as organic eggs and free-range eggs.

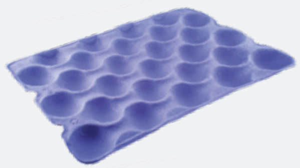
Standard packaging offers a more traditional expression that may be tailored to the needs of individual customers and is targeted at consumers demanding standard eggs. These products are well-established in the market and offer the environmentally friendly and protective qualities of moulded-fibre packaging at attractive prices.

Transport packaging

Hartmann's transport packaging for eggs and fruit is sold to producers and packing businesses. In addition, these products are used on a limited scale by retailers.

Eggs are typically packed in transport packaging in connection with distribution where protecting the eggs and ensuring efficient packing and transport is key. Packaging is produced in varying sizes to accommodate eggs of varying sizes.

Fruit requires protective and practical packaging for packing and transport within our South American home markets and on export routes. Hartmann primarily sells packaging for transport of apples and pears.



Diversified customer portfolio

Hartmann sells packaging for a geographically diversified customer portfolio comprising several large businesses and a large number of small customers.

We engage in customer relations and collaborative arrangements with players across the value chain, from egg and fruit producers over packing businesses to retail chains, who are increasingly influencing sub-suppliers' packaging choices.

We sell machinery, technology and related services globally to moulded-fibre producers outside our own markets.

Packaging types and geographies

	Europe	North America	South America	Global
Retail packaging for eggs	X	X	X	
Transport packaging for eggs	X		X	
Transport packaging for fruit			X	
Machinery and technology				X

Packaging types and customers

	Producer	Packing business	Retail chain	Moulded-fibre producer
Retail packaging for eggs	X	X	X	
Transport packaging for eggs	X	X		
Transport packaging for fruit	X	X		
Machinery and technology				X

Risk

Hartmann is exposed to operating risks, which we monitor and actively address on an ongoing basis. The executive board is responsible for identifying and managing risks in compliance with the policies approved by the board of directors. Together with the audit committee and the board of directors, the executive board reviews the risks that may affect Hartmann's operational and financial targets. The purpose of risk management is to identify risk areas, determine how to manage these risks and optimise the risk-return balance.

Commercial risks

Reliance on customers
Hartmann's customer portfolio is well-diversified and consists of several large customers as well as many small customers. The trend in our customer portfolio is towards fewer and larger customers, and we expect to become more reliant on this customer group going forward.

Demand for eggs and fruit
Our core business consists of sales of egg and fruit packaging, which are driven by demand for eggs and fruit. Consumption of eggs and fruit may be influenced by a variety of factors beyond our control, including disease outbreaks among laying hens and consumer fears of resulting health hazards, prevailing health perceptions, regional export and trading conditions, etc. Consumption and, by extension, demand for Hartmann's products is driven by demographic trends and has historically been resilient to slowdowns in economic growth.

Composition of the product portfolio
Hartmann's portfolio of moulded-fibre products comprises retail packaging for eggs and transport packaging for eggs and fruit. Retail packaging for eggs is sold as premium and standard products. The group's revenue and earnings may vary considerably due to changes in sales across product categories given that there are significant price differences between premium and standard products and between retail and transport packaging. Hartmann works continually to balance sales of individual moulded-fibre packaging categories with a view to meeting customer demand and optimising consolidated earnings.

Reliance on suppliers
We contract with a number of suppliers of recycled paper, energy and other raw materials used in our production. If contracts with one or more of these suppliers are terminated or breached, or suppliers fail to meet their contractual obligations for other reasons, we may not be able to source the necessary raw materials, or we may be compelled to purchase from alternative suppliers on different terms.

Hartmann has contracted with several different suppliers of recycled paper, energy and other raw materials with a view to mitigating this risk.

Fluctuations in raw materials prices
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 or 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.

Pending lawsuits
In 2008, district heating company Tønder Fjernvarmeselskab filed a complaint with the Danish Energy Regulatory Authority concerning the pricing of district heating supplied by Hartmann's combined heat and power plant. In 2015, the Secretariat of the Danish Energy Regulatory Authority made a decision on the principles guiding the calculation of heating prices in the period from 2003 up to and including 8 January 2015, when district heating supplies were discontinued. Hartmann appealed this decision to the Danish Energy Board of Appeal, which made a decision on 30 June 2016 that only considered the Danish Energy Regulatory Authority's powers to impose forward orders. Since the contract between Tønder Fjernvarmeselskab and Hartmann had been terminated, the 2016 decision of the Danish Energy Board of Appeal only implied that an order was not imposed on Hartmann.

As in the pending case and in related cases the Danish Energy Regulatory Authority and the Danish Energy Board of Appeal had interpreted applicable law differently, Hartmann has brought an action against the Danish Energy Board of Appeal, see company announcement 16/2016 of 22 December 2016, with a view to clarifying the law governing these linked cases. The Danish Energy Board of Appeal subsequently took up the decision of 30 June 2016 for renewed consideration, in which connection the lawsuit was put on hold. On 28 November 2017, the Danish Energy Board of Appeal reached a new decision replacing both its previous decision from 2016 and the 2015 decision of the Danish Energy Regulatory Authority. Hartmann still disagrees on the key principle governing the fixing of heating prices, as laid down in the decision, and is proceeding with the lawsuit for purposes of obtaining a legal assessment of the dispute.

Risk

Based on an internal review of the decision and indications from external advisers, management believes that the case is very likely to be referred back once more to the Danish Energy Board of Appeal. In management's opinion, renewed consideration by the Danish Energy Board of Appeal is likely to result in an adjustment of the principle governing the fixing of heating prices. Hartmann estimates the financial implications to amount to DKK -12 million. Allowing also for legal costs, a total amount of DKK -14 million has been recognised in the statement of comprehensive income under special items. Assuming that the final decision in the case will reflect the decision of the Danish Energy Board of Appeal of 28 November 2017, Hartmann expects costs to amount to about DKK 35 million and estimates a positive cash flow effect of DKK 5 million. Tønder Fjernvarme on its part has raised a claim of DKK 88 million, which Hartmann has rejected.

Social and environmental risks

Corporate social relations and risks

We give high priority to measures safeguarding health and safety at the workplace, protecting human values in society at large as well as the people who are in contact with Hartmann or Hartmann's products. Hartmann has processes in place to ensure that health and safety conditions at the workplace comply with our group-wide regulations and that we handle our corporate social responsibility in an effective and efficient manner and act as a responsible player in the countries where we operate.

Environmental risks

Hartmann's activities, including production, sales, use, storage and disposal of products, are subject to a number of environmental laws and regulations. Environmental risk is monitored both locally and centrally at our head office, in order to prevent, remedy or minimise any adverse effect on the external environment. We use and expect to continue to use considerable resources to observe and comply with environmental laws and regulations.

We are subject to various rules, including rules governing noise reduction, wastewater discharge and waste disposal and the rules of the EU CO_2 emission trading system. Our policy is to operate all production facilities in an environmentally responsible manner and in compliance with sustainability principles. A number of Hartmann's production facilities are ISO 14001-certified.

For more information about sustainable development, see 'Corporate social responsibility' or visit csr2017.hartmann-packaging.com.

Insurance

Hartmann has a comprehensive insurance programme reflecting the scope and extent of operations and their geographical location. The programme is reviewed annually by an insurance broker and adjusted on an ongoing basis to reflect the development of the business.

Hartmann's single most significant risk is total loss at a factory from fire since the re-establishment of facilities would be very time consuming and involve the risk of both business interruption and loss of market share. Consequently, Hartmann has taken out an all risk insurance policy for all production facilities covering fire damage, consequential loss and other incidents. Also, we work systematically to prevent injury and damage, and a risk management programme has been set up with the help of an insurance broker. Hartmann's insurance programme includes commercial and product liability, property and contents, consequential loss, work-related accidents, personal injury and environmental liability.

In 2017, fire broke out at Hartmann's Danish factory. Thanks to efficient firefighting efforts, production was quickly resumed and the limited damage caused by the fire had no significant impact on production, deliveries or Hartmann's financial performance. The damage was covered by the group's all risk insurance.

Financial risks

Our financial results and equity are influenced by a number of financial risks, including interest rate, foreign exchange, liquidity and credit risks. Financial risk management is handled by our corporate finance function. Forward contracts are used to hedge currency risks attributable to our commercial activities. 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. Hartmann does not engage in speculative transactions. Financial risks and financial risk management are described in detail in note 33 to the financial statements.

Governance

24 Corporate social responsibility
25 Shareholder information
27 Corporate governance
28 Board of directors and executive board

Corporate social responsibility

Our activities and achievements in relation to corporate social responsibility are described in our Global Compact progress report for 2017, which is available at csr2017.hartmann-packaging.com in compliance with sections 99 a and 99 b of the Danish Financial Statements Act. Some of the CSR activities carried out in 2017 are described below.

Corporate social responsibility has been an integral part of our business model since we began producing sustainable moulded-fibre packaging in 1936. As consumers and retail chains in mature markets increasingly emphasise the sustainability of packaging, pursuing corporate social responsibility is a competitive advantage and an essential parameter in the marketing of many of our products.

Enhanced coordination across business areas
In 2017, we appointed a CSR chair, who reports to the executive board, and established a working group consisting of CSR coordinators from the group's factories and supported by the group finance function.

The new working group was set up to ensure structured knowledge sharing and to leverage Hartmann's total experience and know-how with a view to optimising our ability to spread the use of measures that have been successfully implemented in other parts of the group.

In 2017, the working group began its work to strengthen and harmonise data collection across entities, develop uniform reporting formats and consider the objectives of Hartmann's CSR efforts.

Reduced emissions despite geographical expansion
In 2017, we reduced the group's total CO_2 equivalent emissions per kilogramme of product by 2.5%. Our two newest factories in South America increased the proportion of sellable products following the commissioning and test production carried out in 2016.

On the other hand, emissions increased as a result of the establishment of the US factory and the higher national conversion factors between energy consumption and CO_2 equivalent emissions in the USA and Argentina where we grew total output.

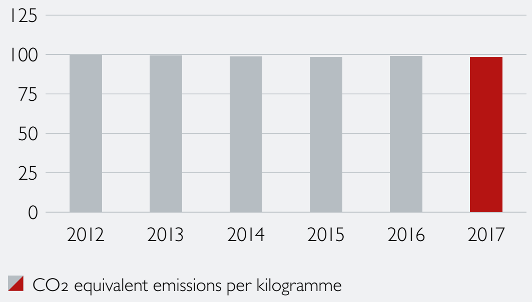
Through our geographical expansion over the past few years, we have built a stronger business with positive prospects in attractive markets. At the same time, significant changes in the group's geographical presence have entailed external conditions and reporting criteria that are inconsistent with the group's previous objective of reducing emissions per kilogramme of product by 25% by 2020. Accordingly, we have cancelled this objective and initiated a process to define a new ambition that is better aligned with Hartmann's geographical presence and the group's business development and goals. Alongside these efforts, we are continuing our work to reduce the group's environmental and climate footprint through:

- Investing in new process technology
- Optimising existing technology
- Product and production development
- Waste reduction
- Increasing the proportion of renewable energy in production

Whistleblower programme set up
In 2017, we developed a whistleblower programme that was introduced at the beginning of 2018. The programme is a voluntary alternative to our ordinary communication channels and may be used anonymously by employees noticing or suspecting serious offenses.

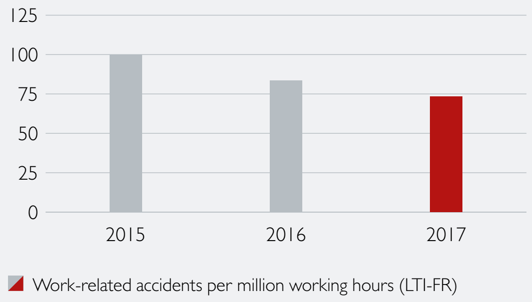
CO_2 equivalent emissions

Index (2012 = 100)



Work-related accidents

Index (2015 = 100)



Shareholder information

Share capital
Hartmann has one share class, and each share carries one vote. Accordingly, all shareholders have equal access to submit proposals and to attend, speak and vote at general meetings. The shares are registered shares and negotiable instruments with no restrictions on their transferability. There were no changes to Hartmann's share capital in 2017.

Hartmann's board of directors has been authorised by the shareholders in the period until 18 April 2018 to arrange for Hartmann to acquire treasury shares with a nominal value of up to DKK 14,030,180 at the market price ruling from time to time, subject to a deviation of up to 10%.

The Hartmann share
Hartmann's shares opened at DKK 338.0 in 2017 and closed at DKK 320.0. The group paid a dividend of DKK 9.50 per share, and its shares thus yielded a return of minus 3% in 2017.

The Hartmann share is part of Nasdaq Copenhagen's Mid Cap segment, and Hartmann has a market making agreement under which bid and ask prices are continually quoted for the Hartmann share.

Ownership
At the end of 2017, Hartmann had approximately 2,400 registered shareholders, representing 6.6 million shares in aggregate, or 94% of the share capital.

The following shareholder has notified us that it holds at least 5% of the share capital:

- Thornico Holding A/S and related parties, Odense, Denmark (68.6%)

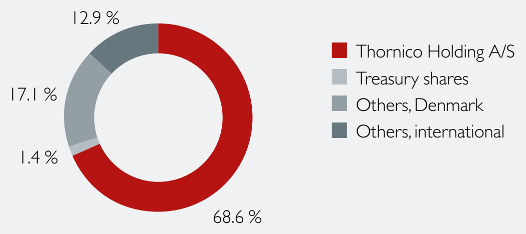
At 31 December 2017, Hartmann's holding of treasury shares was unchanged at 1.4% of the share capital.

At 31 December 2017, the members of Hartmann's board of directors and executive board held 0.2% of the share capital. The members of the board of directors and executive board are registered on Hartmann's permanent insider list and may only trade in Hartmann shares during a four-week window following the release of profit announcements or other similar financial announcements, as set out in Hartmann's internal rules.

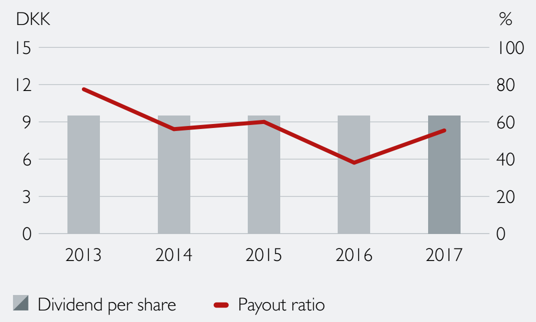
Dividend
It is the general objective of the board of directors to distribute excess capital by way of dividends in order to maintain Hartmann's equity ratio at a maximum of 45%. Our capital distributions will always take into account current growth plans and liquidity needs.

At the annual general meeting to be held on 18 April 2018, the board of directors will propose that the company distribute dividends of DKK 9.50 (2016: DKK 9.50) per share for the financial year ended 31 December 2017, equivalent to DKK 66 million or a payout ratio of 55%.

Shareholder composition at 31 December 2017



Dividend



Shareholder information

Remuneration of the executive board
If a controlling interest in Hartmann changes ownership, the notice period for CFO and interim CEO Marianne Rørslev Bock is extended from 12 to 24 months effective from the day on which the shares are sold. The extended notice will apply up to 18 months after the transfer.

Investor relations
It is Hartmann's objective to provide investors and analysts with the best possible insights into matters deemed relevant to ensuring an effective and fair pricing of the share. The executive board and Investor Relations handle relations with investors and analysts, taking into consideration regulatory requirements and our corporate governance standards. Hartmann participates in selected seminars and holds one-on-one meetings with Danish and international investors and analysts. For a period of four weeks up to the publication of the annual report, interim reports or other financial announcements, Hartmann will not comment on matters relating to financial results or guidance.

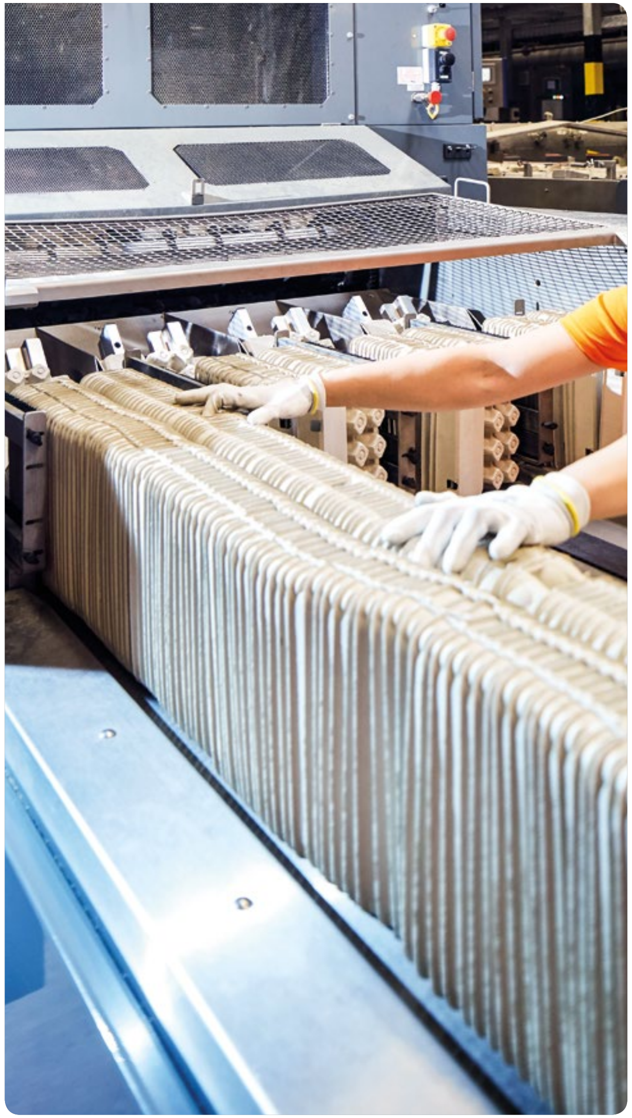
Electronic communication
Hartmann communicates electronically with its shareholders, which allows us to quickly and efficiently convene general meetings and distribute relevant information. Shareholders can register at the investor portal through investor.hartmann-packaging.com.

The Hartmann share

Stock exchange	Nasdaq Copenhagen
Index	Mid Cap
ISIN	DK0010256197
Symbol	HART
No. of shares	7,015,090
Denomination	DKK 20
Nominal share capital	DKK 140,301,800
Bloomberg code	HART:DC

Financial calendar

6 March 2018	Deadline for submission of business to be transacted at the AGM
18 April 2018	Annual General Meeting
24 May 2018	Interim report Q1 2018
21 August 2018	Interim report Q2 2018
13 November 2018	Interim report Q3 2018



Corporate governance

Hartmann's statutory report on corporate governance for the 2017 financial year (see section 107 b of the Danish Financial Statements Act) is available at corporategovernance2017.hartmann-packaging.com.

The report contains a detailed account of Hartmann's management structure as well as a description of the main elements of our internal controls and risk management systems relating to financial reporting.

The report furthermore describes our position on the recommendations of the Danish Committee on Corporate Governance as implemented in Nasdaq Copenhagen's Rules for issuers of shares. In 2017, we complied with the corporate governance recommendations except as stated below:

- The board of directors has not set up a nomination committee
- The board of directors has not set up a remuneration committee

Management structure

Hartmann operates a two-tier management structure comprising the board of directors and the executive board. The board of directors is elected by the shareholders and supervises the executive board. The board of directors and the executive board are independent of each other.

The board of directors is responsible for the overall management of the company and resolves matters relating to strategic development, financial forecasts, risk management, acquisitions and divestment as well as major development and investment projects.

In addition, the board of directors determines the executive board's employment terms and salary, which consists of a fixed annual salary and a performance-related cash bonus. Hartmann's remuneration policy is available at investor.hartmann-packaging.com, and the remuneration paid for 2017 is specified in note 9 to the financial statements.

The executive board is appointed by the board of directors and is responsible for the company's day-to-day management, including operational development, results of operations and internal development. The executive board is responsible for executing the strategy and the general decisions approved by the board of directors.

The board of directors has set up an audit committee whose main duties are monitoring the group's risk management, preparation of financial statements, financial reporting and internal controls as well as monitoring and communicating with the auditor appointed by the shareholders. The committee consists of two board members or more, and it convenes six or seven times a year and reports regularly to the board of directors.

Management changes

Hartmann's board of directors has resolved to recommend that Jan Klarskov Henriksen, CEO of Aviagen Broiler Breeding Group Inc., be elected to the board at the annual general meeting to be held on 18 April 2018. Jan Klarskov Henriksen has extensive international management experience from the food industry and special expertise in sales and marketing of poultry and eggs.

Vice chairman Niels Hermansen will not be seeking re-election at the annual general meeting to be held on 18 April 2018.

CEO Ulrik Kolding Hartvig passed away on 18 February 2018, and CFO Marianne Rørslev Bock was subsequently appointed interim CEO.

Overview

Board of directors and executive board

Board of directors

Agnete Raaschou-Nielsen
Chairman

Until 2011, Executive Vice President, COO of Aalborg Portland A/S. Former Managing Director of Zacco Denmark A/S, General Manager of Coca-Cola Tapperierne A/S and Group Vice President of Carlsberg A/S. Currently only engaged in board work and similar work.

Special expertise in the international processing industry, production, sales, management and treasury.

Directorships
Chairman: Arkil Holding A/S and the investment funds Danske Invest, Danske Invest Select, Profil Invest and ProCapture and the capital associations Danske Invest Institutional and AP Invest.
Vice chairman: Novozymes A/S (audit committee).
Board member: Aktieselskabet Schouw & Co. (audit committee) and Danske Invest Management A/S.

Niels Hermansen
Vice chairman

CEO of Stjerneskansen Holding ApS. Managing Director of packaging company Neoplex/Mondi Packaging Nyborg A/S until 2005 and, before that, Managing Director of Fritz Hansen A/S. Currently only engaged in board work and similar work.

Special expertise in general business management in the processing and packaging industries.

Directorships
Chairman: Fredericia Furniture A/S, Idavang A/S and Vikan A/S.
Board member: Nito A/S, Stjerneskansen Holding A/S, Vissing Holding A/S and Vissingfonden.

Jørn Mørkeberg Nielsen
Board member

CEO of Cembrit Group A/S. Until 2016, CEO of Xilco Holding CH AG (parent company of Sonion A/S) and chairman of a number of Sonion subsidiaries.

Special expertise in international management, innovation management, business-to-business sales and marketing, production optimisation and financial management.

Directorships
Chairman: KK Group A/S.
Board member: Cembrit Holding A/S, Skiold Group A/S and Viet-Jacobsen Fonden.

Steen Parsholt
Board member

Nordic head of Aon and member of its European management team until 2005. Former Group CEO of NCM Holding, Amsterdam, and Citibank, including CEO in Denmark. Currently only engaged in board work and similar work.

Special expertise in international management, treasury and finance.

Directorships
Chairman: Alternative Equity Partners A/S, Dades A/S, Ejendomsaktieselskabet af 1. maj 2015, Equinox Global Ltd., Pioneer Denmark Holding ApS, Secure Capital A/S, Secure Fondsmæglerselskab A/S and Reviva SA.
Board member: Fintech Solution Lab ApS, Glitnir HoldCo ehf and November First A/S.

Board of directors and executive board

Board of directors – continued

Jan Peter Antonisen
Board member elected by the employees

Team Leader Substitute, Brødrene Hartmann A/S, Tønder, Denmark, since 1993.

Niels Christian Petersen
Board member elected by the employees

Service Operator, Brødrene Hartmann A/S, Tønder, Denmark, since 1988.

Andy Hansen
Board member elected by the employees

Boiler Attendant, Brødrene Hartmann A/S, Tønder, Denmark, since 2004.

Name	Born	Gender	Natio-nality	First elected/ employed	Independent	Role	Audit committee	Shareholding 31 December 2017	Change in 2017
Board of directors									
Agnete Raaschou-Nielsen	1957	Female	Danish	2010	Yes	Chairman		2,000	0
Niels Hermansen	1953	Male	Danish	2006	Yes	Vice chairman		0	0
Jørn Mørkeberg Nielsen	1961	Male	Danish	2011	Yes	Member	Member	2,700	0
Steen Parsholt	1951	Male	Danish	2013	Yes	Member	Chairman	5,000	+2,219
Jan Peter Antonisen	1965	Male	Danish	2008	-	Member*		0	0
Niels Christian Petersen	1954	Male	Danish	2010	-	Member*		72	0
Andy Hansen	1977	Male	Danish	2014	-	Member*		56	0
Executive board									
Marianne Rørslev Bock	1963	Female	Danish	2012	-	CFO and interim CEO		1,250	0

* Board member elected by the employees for the period until the 2018 annual general meeting.

Executive board

Marianne Rørslev Bock
CFO and interim CEO

Extensive international management experience and strong expertise in finance, treasury, tax and IT. Prior to joining Hartmann, she was Senior Vice President Corporate Finance of Danisco. Trained state-authorised Public Accountant.

Directorships

Board member: Axel Muusfeldts Fond (owner of Kemp & Lauritzen A/S through a holding company), Danish Financial Supervisory Authority (chair of accounting sub-committee), Kemp & Lauritzen A/S (remuneration committee) and TDC Group (chair of audit committee).

Financials

31 Statement of comprehensive income
32 Cash flow statement
33 Balance sheet
34 Statement of changes in equity
36 Notes
78 Management statement
79 Independent auditor's report

Statement of comprehensive income

		Group		Parent company	
DKKm	Note	2017	2016	2017	2016
Revenue	5	2,207.3	2,096.1	1,226.2	1,260.0
Production costs	6	(1,550.9)	(1,428.3)	(927.6)	(948.8)
Gross profit		**656.4**	**667.8**	**298.6**	**311.2**
Selling and distribution costs	7	(325.4)	(317.0)	(159.2)	(162.5)
Administrative expenses	8	(95.8)	(102.3)	(60.0)	(63.3)
Other operating income and (expenses)	10	0.1	(0.3)	0.0	0.0
Operating profit before special items		**235.3**	**248.2**	**79.4**	**85.4**
Special items	11	(13.9)	0.0	(13.9)	0.0
Operating profit		**221.4**	**248.2**	**65.5**	**85.4**
Profit after tax in associates	20	0.1	0.1	-	-
Financial income	12	10.7	10.5	37.0	45.0
Financial expenses	12	(64.4)	(37.5)	(39.4)	(13.8)
Profit before tax		**167.8**	**221.3**	**63.1**	**116.6**
Tax on profit for the year	13	(45.8)	(46.6)	4.9	(20.2)
PROFIT FOR THE YEAR		**122.0**	**174.7**	**68.0**	**96.4**
Earnings per share, DKK	14	17.6	25.3	-	-
Diluted earnings per share, DKK	14	17.6	25.3	-	-

		Group		Parent company	
DKKm	Note	2017	2016	2017	2016
Profit for the year		**122.0**	**174.7**	**68.0**	**96.4**
Items that cannot be reclassified to profit for the year:					
Actuarial losses on defined benefit plans	26	(8.1)	(2.7)	0.0	0.0
Tax	13	2.2	0.7	0.0	0.0
Items that can be reclassified to profit for the year:					
Foreign exchange adjustment of:					
Foreign subsidiaries		(75.6)	60.8	-	-
Value adjustment of hedging instruments:					
Recognised in other comprehensive income		8.5	18.7	3.5	13.6
Transferred to revenue		(7.1)	(10.8)	(4.3)	(12.4)
Transferred to production costs		(0.7)	(1.2)	(0.7)	(1.2)
Transferred to financial income and expenses		0.1	0.2	0.1	(0.4)
Tax	13	(0.3)	(1.9)	0.3	0.1
Other comprehensive income after tax		**(81.0)**	**63.8**	**(1.1)**	**(0.3)**
COMPREHENSIVE INCOME		**41.0**	**238.5**	**66.9**	**96.1**

Statement of cash flows

		Group		Parent company	
DKKm	Note	2017	2016	2017	2016
Operating profit before special items		235.3	248.2	79.4	85.4
Depreciation and amortisation		133.2	104.2	40.6	33.7
Adjustment for other non-cash items	15	(0.1)	0.3	0.0	0.0
Change in working capital etc.	15	(88.0)	33.9	19.5	(21.7)
Restructuring costs etc. paid		(2.4)	(70.6)	(2.4)	(70.6)
Cash generated from operations		**278.0**	**316.0**	**137.1**	**26.8**
Interest etc. received		8.4	2.2	12.6	7.4
Interest etc. paid		(29.8)	(42.9)	(11.8)	(18.1)
Income tax received/(paid), net*		1.0	(27.0)	(6.8)	(6.9)
Cash flows from operating activities		**257.6**	**248.3**	**131.1**	**9.2**
Acquisition of intangible assets		(4.6)	(0.9)	(4.3)	(0.8)
Acquisition of property, plant and equipment		(203.8)	(338.6)	(75.2)	(10.0)
Disposal of property, plant and equipment		1.9	0.3	0.0	0.0
Capital injections in subsidiaries		-	-	(123.3)	(72.4)
Repaid capital injections in subsidiaries		-	-	0.0	313.6
Dividend received from subsidiaries		-	-	24.4	24.0
Government grants received		1.1	2.7	0.0	0.0
Cash flows from investing activities		**(205.4)**	**(336.5)**	**(178.4)**	**254.4**
Cash flows from operating and investing activities		**52.2**	**(88.2)**	**(47.3)**	**263.6**
Raising of non-current debt	15	162.8	60.0	162.8	60.0
Repayment of non-current debt	15	(175.5)	(20.7)	(170.0)	0.0
Subsidiaries' raising of non-current loans	19	-	-	(24.8)	(370.5)
Subsidiaries' repayment of non-current loans	19	-	-	117.8	30.8
Dividend paid		(65.7)	(65.7)	(65.7)	(65.7)
Cash flows from financing activities		**(78.4)**	**(26.4)**	**20.1**	**(345.4)**
TOTAL CASH FLOWS		**(26.2)**	**(114.6)**	**(27.2)**	**(81.8)**

		Group		Parent company	
DKKm	Note	2017	2016	2017	2016
Total cash flows		**(26.2)**	**(114.6)**	**(27.2)**	**(81.8)**
Cash and cash equivalents at 1 January		(11.6)	104.0	(37.6)	47.0
Foreign exchange adjustment		9.5	(1.0)	7.6	(2.8)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**(28.3)**	**(11.6)**	**(57.2)**	**(37.6)**
Recognition of cash and cash equivalents at 31 December:					
Cash		52.6	54.3	3.8	4.2
Overdraft facilities		(80.9)	(65.9)	(61.0)	(41.8)
Cash and cash equivalents at 31 December		**(28.3)**	**(11.6)**	**(57.2)**	**(37.6)**

* Tax received for the group totals DKK 16.1 million for 2017 and relates to completed tax audits in Europe (2016: DKK 0.0 million).

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

Balance sheet

Assets

		Group		Parent company	
DKKm	Note	2017	2016	2017	2016
Goodwill		69.9	79.2	10.7	10.7
Other intangible assets		31.5	36.3	4.6	1.3
Intangible assets	16	**101.4**	**115.5**	**15.3**	**12.0**
Land and buildings		301.3	279.7	13.5	15.0
Plant and machinery		640.7	529.0	121.4	92.6
Other fixtures and fittings, tools and equipment		20.9	17.0	9.2	8.4
Plant under construction		21.7	166.2	11.2	4.3
Property, plant and equipment	17	**984.6**	**991.9**	**155.3**	**120.3**
Investments in subsidiaries	18	-	-	951.6	828.3
Receivables from subsidiaries	19	-	-	413.1	544.1
Investments in associates	20	3.1	3.0	1.2	1.2
Other receivables	21	0.0	1.6	0.0	0.0
Deferred tax	22	51.9	99.0	0.0	0.0
Other non-current assets		**55.0**	**103.6**	**1,365.9**	**1,373.6**
Non-current assets		**1,141.0**	**1,211.0**	**1,536.5**	**1,505.9**
Inventories	23	240.6	222.8	93.8	73.0
Trade receivables	24	329.6	360.3	176.4	201.8
Receivables from subsidiaries		-	-	51.2	50.1
Income tax		8.6	11.7	2.6	0.0
Other receivables		76.4	65.1	23.7	24.2
Prepayments		16.3	17.2	8.6	7.6
Cash		52.6	54.3	3.8	4.2
Current assets		**724.1**	**731.4**	**360.1**	**360.9**
ASSETS		**1,865.1**	**1,942.4**	**1,896.6**	**1,866.8**

Equity and liabilities

		Group		Parent company	
DKKm	Note	2017	2016	2017	2016
Share capital	25	140.3	140.3	140.3	140.3
Hedging reserve		0.6	0.1	(0.4)	0.8
Translation reserve		(162.4)	(86.8)	-	-
Retained earnings		701.7	651.3	659.1	656.7
Proposed dividend		65.7	65.7	65.7	65.7
Equity		**745.9**	**770.6**	**864.7**	**863.5**
Deferred tax	22	14.3	11.0	0.5	1.8
Pension obligations	26	51.4	50.8	0.0	0.0
Credit institutions	34	607.7	624.9	607.7	618.8
Government grants	27	5.9	8.2	0.9	1.4
Non-current liabilities		**679.3**	**694.9**	**609.1**	**622.0**
Credit institutions	34	4.5	7.5	0.0	0.0
Government grants	27	1.6	2.0	0.5	0.6
Overdraft facilities	34	80.9	65.9	61.0	41.8
Prepayments from customers		45.3	41.4	34.3	28.4
Trade payables		165.5	185.0	70.6	58.5
Payables to subsidiaries		-	-	165.9	140.4
Payables to associates		4.6	5.3	4.6	5.3
Income tax		1.6	9.0	0.0	8.2
Provisions	28	0.4	5.9	0.4	5.9
Other payables	29	135.5	154.9	85.5	92.2
Current liabilities		**439.9**	**476.9**	**422.8**	**381.3**
Liabilities		**1,119.2**	**1,171.8**	**1,031.9**	**1,003.3**
EQUITY AND LIABILITIES		**1,865.1**	**1,942.4**	**1,896.6**	**1,866.8**

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)**	**544.3**	**65.7**	**597.8**
Profit for the year	-	-	-	56.3	65.7	122.0	-	-	-	109.0	65.7	174.7
Items that cannot be reclassified to profit for the year												
Actuarial losses on defined benefit plans	-	-	-	(8.1)	-	(8.1)	-	-	-	(2.7)	-	(2.7)
Tax	-	-	-	2.2	-	2.2	-	-	-	0.7	-	0.7
Items that can be reclassified to profit for the year												
Foreign exchange adjustment of:												
Foreign subsidiaries	-	-	(75.6)	-	-	(75.6)	-	-	60.8	-	-	60.8
Value adjustment of hedging instruments:												
Recognised in other comprehensive income	-	8.5	-	-	-	8.5	-	18.7	-	-	-	18.7
Transferred to revenue	-	(7.1)	-	-	-	(7.1)	-	(10.8)	-	-	-	(10.8)
Transferred to production costs	-	(0.7)	-	-	-	(0.7)	-	(1.2)	-	-	-	(1.2)
Transferred to financial income and expenses	-	0.1	-	-	-	0.1	-	0.2	-	-	-	0.2
Tax	-	(0.3)	0.0	-	-	(0.3)	-	(1.9)	0.0	-	-	(1.9)
Other comprehensive income	**0.0**	**0.5**	**(75.6)**	**(5.9)**	**0.0**	**(81.0)**	**0.0**	**5.0**	**60.8**	**(2.0)**	**0.0**	**63.8**
Total comprehensive income	**0.0**	**0.5**	**(75.6)**	**50.4**	**65.7**	**41.0**	**0.0**	**5.0**	**60.8**	**107.0**	**65.7**	**238.5**
Transactions with owners												
Dividend paid	-	-	-	-	(65.7)	(65.7)	-	-	-	-	(65.7)	(65.7)
Changes in equity in the year	**0.0**	**0.5**	**(75.6)**	**50.4**	**0.0**	**(24.7)**	**0.0**	**5.0**	**60.8**	**107.0**	**0.0**	**172.8**
Equity at 31 December	**140.3**	**0.6**	**(162.4)**	**701.7**	**65.7**	**745.9**	**140.3**	**0.1**	**(86.8)**	**651.3**	**65.7**	**770.6**

Statement of changes in equity

Parent company			**2017**					**2016**		
DKKm	**Share capital**	**Hedging reserve**	**Retained earnings**	**Proposed dividend**	**Total equity**	**Share capital**	**Hedging reserve**	**Retained earnings**	**Proposed dividend**	**Total equity**
Equity at 1 January	**140.3**	**0.8**	**656.7**	**65.7**	**863.5**	**140.3**	**1.7**	**625.4**	**65.7**	**833.1**
Transfer	0.0	(0.1)	0.1	0.0	0.0	0.0	(0.6)	0.6	0.0	0.0
Profit for the year	-	-	2.3	65.7	68.0	-	-	30.7	65.7	96.4
Items that can be reclassified to profit for the year										
Value adjustment of hedging instruments:										
Recognised in other comprehensive income	-	3.5	-	-	3.5	-	13.6	-	-	13.6
Transferred to revenue		(4.3)	-	-	(4.3)	-	(12.4)	-	-	(12.4)
Transferred to production costs	-	(0.7)	-	-	(0.7)	-	(1.2)	-	-	(1.2)
Transferred to financial income and expenses	-	0.1	-	-	0.1	-	(0.4)	-	-	(0.4)
Tax	-	0.3	-	-	0.3	-	0.1	-	-	0.1
Other comprehensive income	**0.0**	**(1.1)**	**0.0**	**0.0**	**(1.1)**	**0.0**	**(0.3)**	**0.0**	**0.0**	**(0.3)**
Total comprehensive income	**0.0**	**(1.2)**	**2.4**	**65.7**	**66.9**	**0.0**	**(0.9)**	**31.3**	**65.7**	**96.1**
Transactions with owners										
Dividend paid	-	-	-	(65.7)	(65.7)	-	-	-	(65.7)	(65.7)
Changes in equity in the year	**0.0**	**(1.2)**	**2.4**	**0.0**	**1.2**	**0.0**	**(0.9)**	**31.3**	**0.0**	**30.4**
Equity at 31 December	**140.3**	**(0.4)**	**659.1**	**65.7**	**864.7**	**140.3**	**0.8**	**656.7**	**65.7**	**863.5**

Notes

General

37	Note 01	Accounting policies
38	Note 02	Accounting regulations
39	Note 03	Significant accounting estimates and judgments
40	Note 04	Segment information

Statement of comprehensive income

42	Note 05	Revenue
42	Note 06	Production costs
43	Note 07	Selling and distribution costs
43	Note 08	Administrative expenses
43	Note 09	Staff costs
45	Note 10	Other operating income and expenses
45	Note 11	Special items
46	Note 12	Financial income and expenses
47	Note 13	Tax on profit for the year
48	Note 14	Earnings per share

Statement of cash flows

48	Note 15	Cash flows

Balance sheet

48	Note 16	Intangible assets
51	Note 17	Property, plant and equipment
53	Note 18	Investments in subsidiaries
54	Note 19	Receivables from subsidiaries
54	Note 20	Investments in associates
55	Note 21	Other receivables
56	Note 22	Deferred tax
59	Note 23	Inventories
59	Note 24	Trade receivables
60	Note 25	Share capital
61	Note 26	Pension obligations
63	Note 27	Government grants
64	Note 28	Provisions
64	Note 29	Other payables

Other

64	Note 30	Fees to shareholder-appointed auditor
65	Note 31	Collateral and contingent liabilities
66	Note 32	Operating leases
66	Note 33	Financial risks
69	Note 34	Financial instruments
75	Note 35	Related parties
75	Note 36	Events after the balance sheet date

Notes

01 Accounting policies

Basis of preparation
The consolidated financial statements and the parent company financial statements for the year ended 31 December 2017 of the group and Brødrene Hartmann A/S, respectively, have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies. Brødrene Hartmann A/S is a limited liability company and has its registered office in Denmark.

The consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements are prepared on the basis of the historical cost convention, with the exception of derivative financial instruments, which are measured at fair value.

The accounting policies have been applied consistently in the financial year and to comparative figures.

Consolidated financial statements
The consolidated financial statements comprise the parent company, Brødrene Hartmann A/S, and entities in which the parent company directly or indirectly holds the majority of voting rights or which the parent company in some other way controls (subsidiaries). Entities in which the group holds between 20% and 50% of the voting rights and over which it exercises influence, but which it does not control, are considered associates.

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the subsidiaries by combining like items. The financial statements used for the annual report of the group have been prepared in accordance with the group's accounting policies.

On consolidation, intra-group income and expenses, shareholdings, dividends, balances, and realised and unrealised gains and losses on intra-group transactions are eliminated. The parent company's investments in the consolidated subsidiaries are set off against the parent company's share of the subsidiaries' fair value of identified net assets determined at the date of consolidation.

Foreign currency translation
A functional currency is designated for each of the reporting entities in the group. The functional currency is the currency used in the primary economic environment in which the reporting entity operates.

Transactions denominated in currencies other than the functional currency are transactions in foreign currency. On initial recognition, transactions denominated in foreign currency are translated into the functional currency at the exchange rate at the transaction date.

Gains and losses arising between the rate at the transaction date and the rate at the date of payment are recognised in the statement of comprehensive income under financial income and expenses. Receivables, payables and other monetary items denominated in foreign currency are translated into the functional currency at the exchange rate at the balance sheet date. Differences between the rate at the balance sheet date and the rate at the transaction date or the exchange rate stated in the latest annual report are recognised in the statement of comprehensive income under financial income and expenses.

On recognition of foreign subsidiaries and associates with functional currencies other than DKK, comprehensive income statement items are translated at the foreign exchange rate at the transaction date, and balance sheet items including goodwill are translated at the foreign exchange rate at the balance sheet date. The rate at the transaction date is calculated as the average rate of the relevant month.

Foreign exchange differences arising on the translation of opening equity of these entities at the rate at the balance sheet date and on the translation of comprehensive income statement items from average rates to the rate at the balance sheet date are recognised in the consolidated financial statements under other comprehensive income in equity as a separate translation reserve.

On full or partial divestment of a foreign entity, the part of the accumulated foreign exchange adjustment that is recognised in equity and that is attributable to that entity is recognised in profit or loss for the year together with any gains or losses from the divestment.

Statement of comprehensive income
The accounting policies applied to the items in the statement of comprehensive income are described in the respective notes to the statement of comprehensive income.

Statement of cash flows
The statement of cash flows shows the group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and bank debt and the opening and closing cash and bank debt.

Cash flows from operating activities
Cash flows from operating activities are determined using the indirect method as operating profit before special items adjusted for non-cash items, changes in working capital, interest paid and interest received, income taxes paid and restructuring costs paid.

Cash flows from investing activities
Cash flows from investing activities comprise payments in connection with acquisition and disposal of intangible assets and property, plant and equipment, acquisition of subsidiaries, capital injections in subsidiaries, dividend received from associates and subsidiaries and government grants received.

Cash flows from financing activities
Cash flows from financing activities comprise the raising and repayment of loans, changes in the amount or composition of the share capital, including purchase and sale of treasury shares and related costs, and dividend payments to shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise cash and current bank debt.

Balance sheet
The accounting policies applied to the items in the balance sheet are described in the respective notes to the balance sheet, except as stated below.

Income tax
Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account. Joint taxation contributions payable and receivable are recognised as income tax in the balance sheet.

Notes

01 Accounting policies – continued

Prepayments
Prepayments include expenses paid in respect of subsequent financial years.

Equity
Dividend
The amount proposed in dividends for the year is stated as a separate item in equity. Proposed dividend is recognised as a liability at the time it is adopted at the annual general meeting.

Treasury shares
Costs of acquisition and divestment and dividend received on treasury shares acquired by the parent company or the subsidiaries are recognised in equity as retained earnings.

Translation reserve
The translation reserve in the consolidated financial statements includes accumulated foreign exchange differences on the translation of the financial statements of foreign subsidiaries from their functional currency to the presentation currency of the group.

Hedging reserve
The hedging reserve contains the accumulated net change in the fair value of hedging transactions qualifying as cash flow hedges for which the hedged transaction has not yet been realised.

Financial liabilities
Financial liabilities comprise payables to credit institutions, trade payables, payables to subsidiaries and associates and other payables.

Payables to credit institutions are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, payables to credit institutions are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value (capital loss) is recognised in profit or loss over the term of the loan.

Other liabilities are measured at net realisable value.

02 Accounting regulations

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 or before 1 January 2017. In our assessment, these are either not relevant to the group or the parent company, or not of significant importance.

New financial reporting standards which have not yet come into force and which have not been adopted early
The IASB has issued a number of financial reporting standards, amendments and interpretations that must be implemented by the group and the parent company for financial years beginning on or after 1 January 2018. The expected effects of these are summarised below.

- IFRS 9 'Financial Instruments', which replaces IAS 39, became effective on 1 January 2018. The standard introduces a new model for classification and measurement of financial assets and liabilities based on the business model applied by the entity and the characteristics of the underlying cash flows.

  The standard also introduces a new impairment model for all financial assets, which allows for more general impairment principles.

  Hartmann has analysed the impact of implementing the standard and believes its consolidated and parent company financial statements will be affected only by the changed disclosure requirements for the notes to the financial statements. The revised impairment principle will have a negligible impact on Hartmann's current impairment process.

- IFRS 15 'Revenue from Contracts with Customers', which replaces the current revenue standards (IAS 11 and IAS 18) and interpretations, also became effective on 1 January 2018.

  The standard introduces a new model for recognition and measurement of revenue from sales contracts with customers. The new model provides a five-step model to be applied to all sales contracts with customers to determine when and how revenue is to be recognised in the statement of comprehensive income.

  Hartmann has analysed the impact of implementing IFRS 15 and believes it will not have any impact on its core business.

  In respect of Hartmann Technology, implementing IFRS 15 will mean that the recognition of revenue from certain services provided in connection with sales of machinery will be deferred as compared with current practice. However, the effects of this deferment on the consolidated and the parent company financial statements will be immaterial.

- IFRS 16 'Leases', which replaces IAS 17, will become effective on 1 January 2019. Under IFRS 16, practically all leases must be recognised in the balance sheet of the lessee's financial statements in the form of a lease obligation and an asset representing the lessee's right to use the underlying asset. Operating leases and finance leases are no longer distinguished from one another.

  Hartmann has carried out a preliminary analysis of the impact of implementing IFRS 16. Based on this analysis, Hartmann expects the capitalisation of leases to increase the group's total assets by about 6% and the parent company's total assets by about 1%. In the statement of comprehensive income, lease payments made will be replaced by a combination of depreciation charges and interest expenses. The total effect on operating profit and profit for the year is expected to be insignificant for both the consolidated financial statements and the parent company financial statements. However, the increased balance sheet totals will affect key figures and financial ratios.

Notes

03 Significant accounting estimates and judgments

In applying the group's and the parent company's accounting policies, management is required to make judgments, estimates and assumptions concerning the carrying amount of assets and liabilities that 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.

Significant accounting estimates, assumptions and uncertainties

The recognition and measurement of assets and liabilities often depend on future events that are somewhat uncertain. In that connection, it is necessary to make an assumption that reflects management's assessment of the most likely course of events.

A number of assumptions and uncertainties are worth noting since they have had a significant influence on the assets and liabilities recognised in the consolidated financial statements and the parent company financial statements and may require corrections in subsequent financial years if the assumed course of events fails to materialise as expected. Except as stated below, these assumptions and uncertainties are described in the respective notes to the financial statements.

CHP plant in Tønder

In 2008, district heating company Tønder Fjernvarmeselskab filed a complaint with the Danish Energy Regulatory Authority concerning the pricing of district heating supplied by Hartmann's combined heat and power plant. In 2015, the Secretariat of the Danish Energy Regulatory Authority made a decision on the principles guiding the calculation of heating prices in the period from 2003 up to and including 8 January 2015, when district heating supplies were discontinued. Hartmann appealed this decision to the Danish Energy Board of Appeal, which made a decision on 30 June 2016 that only considered the Danish Energy Regulatory Authority's powers to impose forward orders. Since the contract between Tønder Fjernvarmeselskab and Hartmann had been terminated, the 2016 decision of the Danish Energy Board of Appeal only implied that an order was not imposed on Hartmann.

As in the pending case and in related cases the Danish Energy Regulatory Authority and the Danish Energy Board of Appeal had interpreted applicable law differently, Hartmann has brought an action against the Danish Energy Board of Appeal, see company announcement 16/2016 of 22 December 2016, with a view to clarifying the law governing these linked cases.

In response to this lawsuit, the Danish Energy Board of Appeal took up the decision of 30 June 2016 for renewed consideration, in which connection the lawsuit was put on hold.

On 28 November 2017, the Danish Energy Board of Appeal reached a new decision replacing both its previous decision from 2016 and the 2015 decision of the Danish Energy Regulatory Authority. Hartmann still disagrees on the key principle governing the fixing of heating prices, as laid down in the decision, and is proceeding with the lawsuit for purposes of obtaining a legal assessment of the dispute.

Based on an internal review of the decision and indications from external advisers, management believes that the case is very likely to be referred back once more to the Danish Energy Board of Appeal. In management's opinion, renewed consideration by the Danish Energy Board of Appeal is likely to result in an adjustment of the principle governing the fixing of heating prices. Hartmann estimates the financial implications to amount to DKK -12 million. Allowing also for legal costs, a total amount of DKK -14 million has been recognised in the statement of comprehensive income under special items.

Assuming that the final decision in the case will reflect the decision of the Danish Energy Board of Appeal of 28 November 2017, Hartmann expects costs to amount to about DKK 35 million and estimates a positive cash flow effect of DKK 5 million. Tønder Fjernvarme on its part has raised a claim of DKK 88 million, which Hartmann has rejected.

Notes

04 Segment information

Activities	2017			2016		
	Europe	**Americas**	**Total reporting segments**	**Europe**	**Americas**	**Total reporting segments**
External revenue						
Moulded-fibre packaging	1,174.5	917.3	2,091.8	1,151.1	838.4	1,989.5
Other revenue	115.5	0.0	115.5	106.6	0.0	106.6
Revenue as per statement of comprehensive income	**1,290.0**	**917.3**	**2,207.3**	**1,257.7**	**838.4**	**2,096.1**
Operating profit before special items	157.8	102.5	260.3	164.2	115.7	279.9
Other segment information						
Depreciation and amortisation	70.0	64.8		59.2	45.7	
Investments in intangible assets and property plant and equipment	113.2	97.7		79.9	270.8	
Net working capital	144.6	167.2		154.2	121.1	
Invested capital	547.4	816.0		512.7	836.6	
Segment assets	840.6	933.0	1,773.6	807.6	992.9	1,800.5

Reconciliation	2017	2016
Performance targets		
Operating profit before special items for reporting segments	260.3	279.9
Non-allocated corporate functions	(26.7)	(32.4)
Eliminations	1.7	0.7
Operating profit before special items as per statement of comprehensive income	**235.3**	**248.2**
Special items	(13.9)	0.0
Operating profit as per statement of comprehensive income	**221.4**	**248.2**
Profit after tax in associates	0.1	0.1
Financial income	10.7	10.5
Financial expenses	(64.4)	(37.5)
Profit before tax as per statement of comprehensive income	**167.8**	**221.3**

Assets	31 Dec. 2017	31 Dec. 2016
Assets for reporting segments	1,773.6	1,800.5
Non-allocated assets	116.2	167.9
Eliminations	(24.7)	(26.0)
Assets as per balance sheet	**1,865.1**	**1,942.4**

Notes

04 Segment information – continued

Geographical distribution

DKKm	Denmark	Rest of Europe	North and South America*	Rest of world	Total group
2017					
Revenue	37.0	1,037.2	949.6	183.5	**2,207.3**
Intangible assets and property, plant and equipment	166.7	261.1	645.7	12.5	**1,086.0**
2016					
Revenue	35.0	1,042.0	886.8	132.3	**2,096.1**
Intangible assets and property, plant and equipment	131.2	253.6	708.9	13.7	**1,107.4**

* North and South America refer to the geographical continents.

The 2016 group numbers have been restated. Intangible assets and property, plant and equipment for North and South America have increased by DKK 24.6 million as a result of a misstatement in the annual report for 2016.

§ Accounting policies

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 the operating profits of the individual segments before special items. 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 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 technology, machinery and related services to manufacturers 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.

Other segment information

External revenue is allocated to geographical areas on the basis of the customer's geographical location. Allocation of intangible assets and property, plant and equipment is based on the geographical location and use of the assets.

No single customer represents more than 10% of external revenue. Revenue from external customers attributable to a single foreign country is immaterial.

Notes

05 Revenue

DKKm	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Sale of goods	2,196.4	2,081.8	1,218.2	1,244.0
Services rendered	3.8	3.5	3.7	3.6
Effect of foreign currency hedging	7.1	10.8	4.3	12.4
Revenue	**2,207.3**	**2,096.1**	**1,226.2**	**1,260.0**

§ Accounting policies

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in profit or loss when delivery and transfer of risk to the buyer has taken place, provided the income can be reliably measured and is expected to be received. Revenue relating to services is recognised as and when the services are delivered. Revenue from minor repair and renovation work is recognised when the task is completed. For major projects, revenue is recognised as and when the tasks are performed. Revenue is measured at the fair value of the agreed consideration, excluding VAT and taxes charged on behalf of third parties. All discounts granted are set off against revenue.

06 Production costs

DKKm	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Cost of sales	1,091.6	1,014.3	779.6	806.3
Staff costs included in cost of sales	(291.9)	(287.0)	(98.0)	(100.1)
Inventory write-downs	0.8	0.8	(1.3)	(1.0)
Staff costs, see note 9	423.3	407.2	147.6	149.7
Depreciation and amortisation, see notes 16 and 17	123.7	95.9	34.9	28.7
Other production costs	204.1	198.3	65.5	66.4
Effect of foreign currency hedging	(0.7)	(1.2)	(0.7)	(1.2)
Production costs	**1,550.9**	**1,428.3**	**927.6**	**948.8**

Development costs of DKK 15.6 million for both the group and the parent company (2016: DKK 2.9 million) are included in other production costs.

§ Accounting policies

Production costs

Production costs comprise direct and indirect costs, including depreciation and amortisation and wages and salaries, incurred in generating the revenue for the year. Production costs also comprise research costs and any development costs not qualifying for capitalisation.

Notes

07 Selling and distribution costs

DKKm	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Staff costs, see note 9	69.5	77.9	15.8	17.1
Depreciation and amortisation, see notes 16 and 17	3.3	3.1	0.2	0.2
Other selling and distribution costs	252.6	236.0	143.2	145.2
Selling and distribution costs	**325.4**	**317.0**	**159.2**	**162.5**

Other selling and distribution costs mainly comprise freight costs.

§ **Accounting policies**

Selling and distribution costs
Selling and distribution costs comprise the costs of freight, sales staff, advertising, exhibitions, depreciation and amortisation.

08 Administrative expenses

DKKm	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Staff costs, see note 9	47.5	52.9	29.6	33.7
Depreciation and amortisation, see notes 16 and 17	6.2	5.2	5.5	4.8
Other administrative expenses	42.1	44.2	24.9	24.8
Administrative expenses	**95.8**	**102.3**	**60.0**	**63.3**

§ **Accounting policies**

Administrative expenses
Administrative expenses comprise the expenses of the administrative staff, management, office premises, office expenses, depreciation and amortisation.

09 Staff costs

DKKm	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Wages, salaries and remuneration	469.5	465.9	173.9	182.3
Pension costs, defined benefit plans	3.0	3.1	0.0	0.0
Pension contributions, defined contribution plans	42.1	42.1	15.9	15.5
Other social security costs	25.7	26.9	3.2	2.7
Staff costs	**540.3**	**538.0**	**193.0**	**200.5**
Staff costs are recognised in the following comprehensive income statement items:				
Production costs	423.3	407.2	147.6	149.7
Selling and distribution costs	69.5	77.9	15.8	17.1
Administrative expenses	47.5	52.9	29.6	33.7
	540.3	**538.0**	**193.0**	**200.5**
Number of employees				
Average number of full-time employees	1,994	1,992	410	383

For information about pension obligations, see note 26.

Remuneration of the board of directors
The remuneration paid to the members of the board of directors is a fixed fee approved by the shareholders at the annual general meeting. Ordinary board members each receive an annual fee of DKK 225,000. The vice chairman receives a fee equal to the ordinary fee multiplied by two, and the chairman receives a fee equal to the ordinary fee multiplied by three. In addition, members of the audit committee receive a fee as set out in separate table.

DKKm	2017	2016
Chairman	0.7	0.6
Vice chairman	0.4	0.4
Ordinary board members	1.1	1.0
	2.2	**2.0**

Notes

09 Staff costs – continued

Remuneration of the executive board
The remuneration paid to the members of the executive board is based on a fixed salary, defined contribution pension, bonus and other benefits in the form of company car and telephone. Bonuses are individual and performance-related. The remuneration policy for members of the executive board includes a one-year and a three-year bonus programme.

The one-year bonus programme is based on financial targets and cannot exceed 50% of the individual's basic salary before pension.

The three-year bonus programme is based on a nominal increase in the consolidated operating profit before special items and cannot exceed 50% of the individual's basic salary before pension during the vesting period.

Hartmann may terminate the contract with CFO and interim CEO Marianne Rørslev Bock at 12 months' notice. In the event of a change of ownership of a controlling interest in the company, their notice of termination will be extended to 24 months effective from the date when the shareholding is sold. The extended notice will apply for a period of 18 months after the transfer.

DKKm	Salary	Bonus	Pension	Other benefits	Total
2017					
Ulrik Kolding Hartvig	3.4	(0.4)	0.4	0.2	3.6
Marianne Rørslev Bock	2.3	(0.2)	0.3	0.2	2.6
	5.7	**(0.6)**	**0.7**	**0.4**	**6.2**
2016					
Ulrik Kolding Hartvig	3.3	1.0	0.3	0.2	4.8
Marianne Rørslev Bock	2.3	0.6	0.2	0.2	3.3
	5.6	**1.6**	**0.5**	**0.4**	**8.1**

The negative bonus in 2017 relates to the year's adjustment of the executive board's three-year bonus programme.

Remuneration of the audit committee
The remuneration paid to the members of the audit committee is a fixed fee approved by the shareholders at the annual general meeting. Ordinary committee members each receive an annual fee of DKK 112,500. The chairman receives a fee of DKK 337,000. If the chairman is also the vice chairman of the board of directors, the chairman will only receive the fee paid to ordinary committee members.

DKKm	2017	2016
Chairman	0.3	0.3
Ordinary committee members	0.1	0.1
	0.4	**0.4**

Shares held by members of the executive board and the board of directors

	No. of shares			
	1 Jan. 2017	Purchased	Sold	31 Dec. 2017
Executive board				
Marianne Rørslev Bock	1,250	0	0	1,250
Board of directors				
Agnete Raaschou-Nielsen	2,000	0	0	2,000
Niels Hermansen	0	0	0	0
Jørn Mørkeberg Nielsen	2,700	2,700	2,700	2,700
Steen Parsholt	2,781	2,219	0	5,000
Jan Peter Antonisen	0	0	0	0
Andy Hansen	56	0	0	56
Niels Christian Petersen	72	0	0	72

Notes

10 Other operating income and expenses

DKKm	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Gain/(loss) on disposal of intangible assets and property, plant and equipment	0.1	(0.3)	0.0	0.0
Other operating income and expenses	**0.1**	**(0.3)**	**0.0**	**0.0**

§ Accounting policies

Other operating income and expenses
Other operating income and expenses comprise items of a secondary nature, including gains and losses from disposal of intangible assets and property, plant and equipment.

11 Special items

DKKm	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Impairment of trade receivables	12.1	0.0	12.1	0.0
Legal costs	1.8	0.0	1.8	0.0
Special costs	**13.9**	**0.0**	**13.9**	**0.0**
Special items	**(13.9)**	**0.0**	**(13.9)**	**0.0**
If special items had been recognised in operating profit before special items, they would have been recognised in the following items in the statement of comprehensive income:				
Revenue	(12.1)	0.0	(12.1)	0.0
Administrative expenses	(1.8)	0.0	(1.8)	0.0
	(13.9)	**0.0**	**(13.9)**	**0.0**

On 28 November 2017, the Danish Energy Board of Appeal reached a new decision in the case concerning the pricing of district heating in the 2003-2014 period. Hartmann still disagrees on the key principle governing the fixing of heating prices, as laid down in the decision, and is proceeding with the lawsuit for purposes of obtaining a legal assessment of the dispute.

Based on an internal review of the decision and indications from external advisers, management believes that the case is very likely to be referred back once more to the Danish Energy Board of Appeal. In management's opinion, renewed consideration by the Danish Energy Board of Appeal is likely to result in an adjustment of the principle governing the fixing of heating prices. Hartmann estimates the financial implications to amount to DKK -12.1 million, implying that the carrying amount of the receivable from Tønder Fjernvarme was reduced by DKK 12,1 million in 2017 from the original amount of DKK 39,0 million.

In addition, legal costs of DKK 1.8 million relating to the pending and related cases have been recognised.

The DKK 12.1 million write-down on the receivable and the legal costs of DKK 1.8 million were classified as special items in 2017.

§ Accounting policies

Special items
Special items comprise significant non-recurring income and expenses of a special nature relative to the group's earnings-generating operating activities, such as the costs of extensive restructuring of processes and basic structural changes. Other significant amounts of a non-recurring nature are also recognised under this item, including impairment of intangible assets and property, plant and equipment and gains and losses on the divestment of activities. These items are presented separately in order to facilitate the comparability of the statement of comprehensive income and in order to provide a true and fair view of consolidated and parent company operating profits.

Notes

12 Financial income and expenses

	Group		Parent company	
DKKm	**2017**	**2016**	**2017**	**2016**
Interest income, subsidiaries	-	-	12.3	7.0
Interest income, cash and cash equivalents etc.	0.1	0.6	0.0	0.1
Other interest income	7.7	1.1	0.1	0.3
Interest income from financial assets not measured at fair value through profit or loss	**7.8**	**1.7**	**12.4**	**7.4**
Dividend from subsidiaries	-	-	24.4	24.0
Reversal of prior-year impairment of investments in subsidiaries, see note 18	-	-	0.0	8.5
Foreign exchange gains	2.3	7.7	0.0	4.6
Interest rate effect on discounting of non-current receivables	0.2	0.6	0.0	0.0
Derivative financial instruments	0.4	0.5	0.2	0.5
Financial income	**10.7**	**10.5**	**37.0**	**45.0**
Interest expenses, subsidiaries	-	-	0.0	2.9
Interest expenses, credit institutions	23.0	30.9	10.9	9.7
Net interest on defined benefit plans, see note 26	1.1	1.6	-	-
Other expenses	3.2	4.3	0.6	1.1
Interest expenses from financial liabilities not measured at fair value through profit or loss	**27.3**	**36.8**	**11.5**	**13.7**
Foreign exchange losses	36.6	0.0	27.6	0.0
Derivative financial instruments	0.5	0.7	0.3	0.1
Financial expenses	**64.4**	**37.5**	**39.4**	**13.8**
Financial income and (expenses)	**(53.7)**	**(27.0)**	**(2.4)**	**31.2**

§ Accounting policies

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised foreign exchange adjustments, amortisation and surcharges and allowances under the tax prepayment scheme. Also included are realised and unrealised gains and losses relating to derivative financial instruments not qualifying as effective hedges.

Notes

13 Tax on profit for the year

	Group		Parent company	
DKKm	**2017**	**2016**	**2017**	**2016**
Breakdown of tax for the year:				
Tax on profit for the year	45.8	46.6	(4.9)	20.2
Tax on other comprehensive income	(1.9)	1.2	(0.3)	(0.1)
	43.9	**47.8**	**(5.2)**	**20.1**
Tax on profit for the year has been calculated as follows:				
Current tax	25.0	19.6	10.0	3.8
Change in deferred tax	11.2	33.9	(1.2)	16.4
Change in deferred tax relating to prior years	39.2	(3.2)	0.2	(0.7)
Change in income tax rate	0.2	(2.3)	0.0	0.0
Tax relating to prior years	(29.8)	(1.4)	(13.9)	0.7
Tax on profit for the year	**45.8**	**46.6**	**(4.9)**	**20.2**
Tax on profit for the year can be specified as follows:				
Profit before tax	167.8	221.3	63.1	116.6
Dividend from subsidiaries and associates	-	-	(24.4)	(24.0)
Reversal of impairment of investments in subsidiaries	-	-	0.0	(8.5)
Profit after tax in associates	0.0	(0.1)	-	-
	167.8	**221.2**	**38.7**	**84.1**
Tax charged at 22%	36.9	48.7	8.5	18.5
Adjustment of tax calculated for foreign subsidiaries relative to 22%	2.6	4.5	-	-
Tax effect of:				
Change in income tax rate	0.2	(2.3)	0.0	0.9
Recognised deferred tax assets in foreign subsidiaries	(3.0)	(1.3)	0.0	0.0
Non-taxable income and non-deductible expenses	(0.5)	1.1	0.1	0.5
Other tax expenses	0.2	0.3	0.2	0.3
Deferred tax relating to prior years	39.2	(3.2)	0.2	(0.7)
Tax relating to prior years	(29.8)	(1.4)	(13.9)	0.7
Tax on profit for the year	**45.8**	**46.6**	**(4.9)**	**20.2**
Effective tax rate	**27**	**21**	**(13)**	**24**

	Group		Parent company	
DKKm	**2017**	**2016**	**2017**	**2016**
Tax on other comprehensive income:				
Actuarial losses on defined benefit plans	(2.2)	(0.7)	0.0	0.0
Foreign exchange adjustment of equity-like loans to subsidiaries	0.0	0.0	0.0	0.0
Value adjustment of hedging instruments:				
Recognised in other comprehensive income	2.4	5.1	0.8	3.0
Transferred to revenue	(2.0)	(3.0)	(0.9)	(2.7)
Transferred to production costs	(0.2)	(0.3)	(0.2)	(0.3)
Transferred to financial income and expenses	0.1	0.1	0.0	(0.1)
Tax on other comprehensive income	**(1.9)**	**1.2**	**(0.3)**	**(0.1)**

The higher effective tax rate in 2017 was primarily attributable to a changed deferred tax basis for the group's Brazilian subsidiary. In 2016, the effective tax rate was reduced as a result of the Hungarian tax rate being lowered to 9%.

Tax on the parent company's profit for the year was favourably affected by the completion of tax audits in Germany and Poland in 2017.

§ Accounting policies

Tax on profit for the year

The group's Danish entities are jointly taxed with its principal shareholder, Thornico Holding A/S, and its Danish subsidiaries. The current Danish income tax liability is allocated among the jointly taxed entities in proportion to their taxable income (full allocation subject to reimbursement in respect of tax losses).

Tax for the year, comprising current income tax for the year, joint taxation contributions for the year and changes in deferred tax, including such changes as follow from changes in the tax rate, is recognised in profit or loss, other comprehensive income or in equity, depending on where the item is recognised.

Notes

14 Earnings per share

	Group 2017	Group 2016
Average no. of shares	7,015,090	7,015,090
Average no. of treasury shares	(100,000)	(100,000)
Average no. of shares in circulation	**6,915,090**	**6,915,090**
Average dilutive effect of outstanding subscription rights	0	0
Average no. of shares, diluted	**6,915,090**	**6,915,090**
Profit for the year attributable to the shareholders of Brødrene Hartmann A/S, DKKm	**122.0**	**174.7**
Earnings per share, DKK	17.6	25.3
Diluted earnings per share, DKK	17.6	25.3

15 Cash flows

	Group		Parent company	
DKKm	2017	2016	2017	2016
(Gains) and losses on disposal of intangible assets and property, plant and equipment	(0.1)	0.3	0.0	0.0
Adjustment for other non-cash items	**(0.1)**	**0.3**	**0.0**	**0.0**
Inventories	(33.9)	(9.5)	(20.8)	14.7
Receivables	(15.9)	0.7	9.9	7.5
Pension obligations	(6.4)	(1.9)	0.0	0.0
Prepayments from customers	5.9	8.7	5.9	(0.4)
Trade payables	(20.6)	23.4	12.1	(3.2)
Other payables etc.	(17.1)	12.5	12.4	(40.3)
Change in working capital etc.	**(88.0)**	**33.9**	**19.5**	**(21.7)**
Credit institutions at 1 January	**632.4**		**618.8**	
Raising of non-current debt	162.8		162.8	
Repayment of non-current debt	(175.5)		(170.0)	
Foreign exchange adjustments	(8.1)		(4.5)	
Other changes	0.6		0.6	
Credit institutions at 31 December	**612.2**		**607.7**	

16 Intangible assets

Group

DKKm	Goodwill	Other	Total
Cost at 1 January 2017	79.2	42.5	121.7
Foreign exchange adjustment	(9.3)	(7.0)	(16.3)
Additions	0.0	4.6	4.6
Cost at 31 December 2017	**69.9**	**40.1**	**110.0**
Amortisation and impairment at 1 January 2017	0.0	6.2	6.2
Foreign exchange adjustments	0.0	(1.4)	(1.4)
Amortisation	0.0	3.8	3.8
Amortisation and impairment at 31 December 2017	**0.0**	**8.6**	**8.6**
Carrying amount at 31 December 2017	**69.9**	**31.5**	**101.4**
Cost at 1 January 2016	65.5	38.2	103.7
Foreign exchange adjustment	13.7	3.4	17.1
Additions	0.0	0.9	0.9
Cost at 31 December 2016	**79.2**	**42.5**	**121.7**
Amortisation and impairment at 1 January 2016	0.0	2.6	2.6
Foreign exchange adjustments	0.0	0.5	0.5
Amortisation	0.0	3.1	3.1
Amortisation and impairment at 31 December 2016	**0.0**	**6.2**	**6.2**
Carrying amount at 31 December 2016	**79.2**	**36.3**	**115.5**

Other intangible assets include the Sanovo Greenpack trademark carried at DKK 10.2 million (2016: DKK 12.4 million). Management expects this value can be sustained indefinitely as the trademark enjoys a strong position in the South American markets, which are expected to remain profitable in the long term. The trademark is thus believed to have an indefinite useful life. The development in 2017 can be ascribed entirely to exchange rate developments.

Notes

16 Intangible assets – continued

Parent company

DKKm	Goodwill	Other	Total
Cost at 1 January 2017	10.7	1.8	12.5
Additions	0.0	4.3	4.3
Cost at 31 December 2017	**10.7**	**6.1**	**16.8**
Amortisation and impairment at 1 January 2017	0.0	0.5	0.5
Amortisation	0.0	1.0	1.0
Amortisation and impairment at 31 December 2017	**0.0**	**1.5**	**1.5**
Carrying amount at 31 December 2017	**10.7**	**4.6**	**15.3**
Cost at 1 January 2016	10.7	1.0	11.7
Additions	0.0	0.8	0.8
Cost at 31 December 2016	**10.7**	**1.8**	**12.5**
Amortisation and impairment at 1 January 2016	0.0	0.0	0.0
Amortisation	0.0	0.5	0.5
Amortisation and impairment at 31 December 2016	**0.0**	**0.5**	**0.5**
Carrying amount at 31 December 2016	**10.7**	**1.3**	**12.0**

	Group		**Parent company**	
DKKm	**2017**	**2016**	**2017**	**2016**
Amortisation is recognised in the statement of comprehensive income in the following items:				
Production costs	0.1	0.0	0.0	0.0
Selling and distribution costs	2.7	2.6	0.0	0.0
Administrative expenses	1.0	0.5	1.0	0.5
	3.8	**3.1**	**1.0**	**0.5**

Impairment testing
Management has tested goodwill and other intangible assets with indefinite useful lives for impairment in each of the cash-generating units to which such assets have been allocated.

Group		**Goodwill**		**Trademarks**	
DKKm	**Segment**	**2017**	**2016**	**2017**	**2016**
Cash-generating unit					
Argentina	Americas	0.2	0.2	3.0	4.1
Brazil	Americas	59.0	68.3	7.2	8.3
Europe Moulded Fibre	Europe	10.7	10.7	0.0	0.0
Total		**69.9**	**79.2**	**10.2**	**12.4**

Parent company		**Goodwill**	
DKKm	**Segment**	**2017**	**2016**
Cash-generating unit			
Europe Moulded Fibre	Europe	10.7	10.7
Total		**10.7**	**10.7**

Key assumptions
The recoverable amounts for the units are based on the value in use determined by calculating expected net cash flows on the basis of the 2018 forecast approved by the board of directors and projections for the period 2019-2022.

The calculation of the value in use includes expected investments for the period 2018-2022, and expected investments to maintain the operating assets are included in the terminal period. The weighted average growth rates applied for the terminal period are assessed not to exceed long-term average growth rates on the markets of the individual units.

Argentina
The rate of growth applied for the period 2018-2022 and the terminal period takes into account the expected rate of inflation. Price increases on a level with expected inflation are assumed to be realisable. Growth during the terminal period has been determined at 4.9% (2016: 5.9%). A pre-tax discount rate of 29% has been applied for 2018 (2016: 37% for 2017), which includes an expected rate of inflation of

Notes

16 Intangible assets – continued

15% (2016: 23%). The discount rate has been adjusted for a decrease in the expected inflation rate for the period 2019-2022 and for the terminal period, in which a pre-tax discount rate of 22% has been applied (2016: 19%).

Brazil
The rate of growth applied for the period 2018-2022 and the terminal period takes into account the expected rate of inflation. Price increases on a level with expected inflation are assumed to be realisable. Growth during the terminal period has been determined at 4.3% (2016: 3.5%). A pre-tax discount rate of 12% has been applied for the 2018-2022 period and for the terminal period (2016: 18%).

Europe Moulded Fibre
The calculation of expected cash flows takes into account the effect of restructuring measures initiated in the European production network and at the head office as well as the expected development in selling prices on the European markets, which has been characterised by intensifying price competition. Growth during the terminal period has been determined at 1.0% (2016: 1.0%), in line with the expected inflation rate. A pre-tax discount rate of 10% (2016: 13%) has been applied for the full period.

Conclusion
Based on the tests performed, management has concluded that no intangible assets are impaired. While management acknowledges that in the South American markets there is a higher risk of financial scenarios that may change assumptions to the effect that the carrying amount of goodwill and trademarks with indefinite useful lives will exceed the recoverable amount, management finds such scenarios predominantly unlikely. In management's opinion, it is predominantly unlikely that changes in assumptions would lead to the carrying amount of goodwill and trademarks with indefinite useful lives significantly exceeding the recoverable amount. Management monitors macro-economic developments in Argentina and Brazil on a continuous basis.

Significant accounting estimates and judgments

Recoverable amount of goodwill and trademarks with an indefinite useful life
In order to determine whether goodwill and trademarks with indefinite useful lives are impaired, values in use for the cash-generating units to which such assets have been allocated must be calculated. The calculation of the value in use assumes that an estimate of future expected cash flows in the individual cash-generating unit has been made and that a reasonable discount rate has been determined.

Accounting policies

Goodwill
On initial recognition, goodwill is recognised at cost in the balance sheet. Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is not amortised but tested for impairment at least once a year. See the section on impairment of intangible assets. The carrying amount of goodwill is allocated to the group's cash-generating units at the date of acquisition. Cash-generating units are determined based on the management structure and internal financial controlling.

Other intangible assets
Other intangible assets are software, customer relations and trademarks.

Software is measured at cost less accumulated amortisation. Software is amortised using the straight-line method over its expected useful life, which is 3-5 years.

Customer relations acquired in connection with business combinations are measured at cost less accumulated amortisation. Customer relations are amortised using the straight-line method over the expected useful life, which is ten years.

Trademarks with an indefinite useful life and acquired in connection with business combinations are measured at cost. Trademarks with an indefinite useful life are not amortised but tested for impairment at least once a year. See the section on impairment of intangible assets.

Impairment of intangible assets
Goodwill and trademarks with an indefinite useful life are tested for impairment annually, the first impairment test being performed prior to the end of the year of acquisition. Goodwill and trademarks with an indefinite useful life are tested at least once a year together with the other non-current assets and current net assets of the cash-generating unit to which the assets have been allocated and are written down to the recoverable amount in profit or loss if the carrying amount is higher. Impairment losses are not reversed. The recoverable amount is calculated as the net present value of expected future net cash flows from the cash-generating unit to which the goodwill and trademarks with indefinite useful lives are related.

Other intangible assets are written down in accordance with the accounting policies governing impairment of property, plant and equipment set out out in note 17.

Notes

17 Property, plant and equipment

	2017					2016				
DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant under construction	Total	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant under construction	Total
Group										
Cost at 1 January	560.8	2,039.1	106.5	166.2	2,872.6	400.5	1,878.8	103.5	118.5	2,501.3
Foreign exchange adjustment	(27.1)	(55.3)	(1.3)	(18.7)	(102.4)	12.3	48.4	0.7	17.2	78.6
Transfer	50.5	97.0	0.0	(147.5)	0.0	43.0	74.6	0.9	(118.5)	0.0
Additions	12.6	157.6	11.9	21.7	203.8	105.1	77.3	7.2	149.0	338.6
Disposals	(4.5)	(48.8)	(12.9)	0.0	(66.2)	(0.1)	(40.0)	(5.8)	0.0	(45.9)
Cost at 31 December	**592.3**	**2,189.6**	**104.2**	**21.7**	**2,907.8**	**560.8**	**2,039.1**	**106.5**	**166.2**	**2,872.6**
Depreciation and impairment at 1 January	281.1	1,510.1	89.5	0.0	1,880.7	264.5	1,442.1	88.6	0.0	1,795.2
Foreign exchange adjustment	(2.3)	(21.7)	(0.4)	0.0	(24.4)	2.6	24.0	0.3	0.0	26.9
Depreciation	16.7	107.6	7.1	0.0	131.4	14.1	83.4	6.4	0.0	103.9
Disposals	(4.5)	(47.1)	(12.9)	0.0	(64.5)	(0.1)	(39.4)	(5.8)	0.0	(45.3)
Depreciation and impairment at 1 December	**291.0**	**1,548.9**	**83.3**	**0.0**	**1,923.2**	**281.1**	**1,510.1**	**89.5**	**0.0**	**1,880.7**
Carrying amount at 31 December	**301.3**	**640.7**	**20.9**	**21.7**	**984.6**	**279.7**	**529.0**	**17.0**	**166.2**	**991.9**
Parent company										
Cost at 1 January	166.4	815.2	74.9	4.3	1,060.8	166.2	834.6	76.8	15.4	1,093.0
Transfer	0.0	4.3	0.0	(4.3)	0.0	0.0	15.4	0.0	(15.4)	0.0
Additions	0.8	58.0	5.2	11.2	75.2	0.2	2.8	2.7	4.3	10.0
Disposals	0.0	(45.8)	(10.0)	0.0	(55.8)	0.0	(37.6)	(4.6)	0.0	(42.2)
Cost at 31 December	**167.2**	**831.7**	**70.1**	**11.2**	**1,080.2**	**166.4**	**815.2**	**74.9**	**4.3**	**1,060.8**
Depreciation and impairment at 1 January	151.4	722.6	66.5	0.0	940.5	148.8	733.0	67.0	0.0	948.8
Depreciation	2.3	33.5	4.4	0.0	40.2	2.6	27.2	4.1	0.0	33.9
Disposals	0.0	(45.8)	(10.0)	0.0	(55.8)	0.0	(37.6)	(4.6)	0.0	(42.2)
Depreciation and impairment at 31 December	**153.7**	**710.3**	**60.9**	**0.0**	**924.9**	**151.4**	**722.6**	**66.5**	**0.0**	**940.5**
Carrying amount at 31 December	**13.5**	**121.4**	**9.2**	**11.2**	**155.3**	**15.0**	**92.6**	**8.4**	**4.3**	**120.3**

Notes

17 Property, plant and equipment – continued

	Group		Parent company	
DKKm	**2017**	**2016**	**2017**	**2016**
Breakdown of depreciation and impairment losses:				
Depreciation	131.4	103.9	40.2	33.9
Part of government grants recognised as income	(2.0)	(2.8)	(0.6)	(0.7)
	129.4	**101.1**	**39.6**	**33.2**
Depreciation and impairment losses are recognised in the following comprehensive income statement items:				
Production costs	123.6	95.9	34.9	28.7
Selling and distribution costs	0.6	0.5	0.2	0.2
Administrative expenses	5.2	4.7	4.5	4.3
	129.4	**101.1**	**39.6**	**33.2**

§ Accounting policies

Property, plant and equipment
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the asset is available for use. The cost of self-constructed assets comprises costs related to wages and salaries, materials, components and sub-suppliers. Borrowing costs are not recognised if production periods are short. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately. Subsequent costs, e.g. for the replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset when it is likely that the expenditure of the replacement involves future financial benefits to the group.

§ Accounting policies – continued

The carrying amount of the replaced components ceases to be recognised in the balance sheet and is transferred to profit or loss. All other costs related to general repair and maintenance are recognised in profit or loss as and when incurred. Items of property, plant and equipment are depreciated on a straight-line basis over their expected useful lives:

- Buildings and building components, 10-25 years
- Plant and machinery, 3-25 years
- Fixtures and operating equipment, 5-10 years
- IT equipment including basic programs, 3-5 years

Land is not depreciated. The depreciation basis is determined taking into account the residual value of the asset and any impairment losses. The residual value is determined at the date of acquisition and is reassessed annually. If the residual value exceeds the carrying amount of the asset, depreciation will cease. If the depreciation period or the residual value is changed, the effect on depreciation going forward is recognised as a change in accounting estimates. Depreciation is recognised in the statement of comprehensive income as production costs, selling and distribution costs and administrative expenses, respectively. Gains or losses on the disposal of property, plant and equipment are stated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the statement of comprehensive income in other operating income or in other operating expenses.

Impairment of property, plant and equipment
Items of property, plant and equipment are reviewed for impairment once a year. When there is an indication that an asset may be impaired, the recoverable amount of that asset is determined. The recoverable amount is the higher of the asset's net selling price and the net present value of expected future net cash flows. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount of the asset or its cash-generating unit. Impairment losses are recognised in profit or loss. Impairment losses on property, plant and equipment are reversed to the extent that changes have occurred in the assumptions and estimates on the basis of which the impairment loss was recognised. Impairment losses are reversed only to the extent that the new carrying amount of the asset does not exceed the carrying amount it would have had net of depreciation if the impairment loss had not been recognised.

Notes

18 Investments in subsidiaries

DKKm	Parent company 2017	Parent company 2016
Cost at 1 January	858.5	1,099.7
Additions	123.3	72.4
Disposals	0.0	(313.6)
Cost at 31 December	**981.8**	**858.5**
Impairment at 1 January	30.2	38.7
Reversal of impairment losses in the year	0.0	(8.5)
Impairment at 31 December	**30.2**	**30.2**
Carrying amount at 31 December	**951.6**	**828.3**

The year's addition of DKK 123.3 million and the DKK 72.4 million addition in 2016 relate to the establishment of a subsidiary in the USA. The DKK 313.6 million disposal in 2016 related to the repayment of share capital from Hartmann Canada Inc.

Reversal of impairment losses of DKK 8.5 million in 2016 related to full reversal of impairment losses on the Hartmann Schwedt GmbH subsidiary in Germany.

§ Accounting policies

Investments in subsidiaries in the parent company financial statements
Investments in subsidiaries are measured at cost. Where the cost is higher than the recoverable amount, the carrying amount is reduced to the lower value. In connection with reversal of impairment losses, the carrying amount is revalued at the recoverable amount, which cannot exceed cost.

Dividend from investments in subsidiaries in the parent company financial statements
Dividend from investments in subsidiaries is recognised in the parent company's profit or loss for the financial year in which it is declared.

Name	Registered office	Ownership interest
Hartmann Canada Inc.	Canada	100%
Hartmann Dominion Inc. (subsidiary of Hartmann Canada Inc.)	Canada	100%
Hartmann d.o.o.	Serbia	100%
Hartmann Finance A/S	Denmark	100%
Hartmann France S.a.r.l.	France	100%
Hartmann-Hungary Kft.	Hungary	100%
Hartmann Italiana S.r.l.	Italy	100%
Hartmann-Mai Ltd.	Israel	100%
Hartmann Papirna Ambalaža d.o.o.	Croatia	100%
Hartmann Pólska Sp. z o.o.	Poland	100%
Hartmann-Schwedt GmbH	Germany	100%
Hartmann (UK) Ltd.	England	100%
Hartmann USA Inc. (subsidiary of Hartmann Canada Inc.)	USA	100%
Hartmann US Inc.	USA	100%
Hartmann-Varkaus Oy	Finland	100%
Hartmann Verpackung AG	Switzerland	100%
Hartmann Verpackung GmbH (subsidiary of Hartmann Schwedt GmbH)	Germany	100%
Molarsa Chile SPA (subsidiary of Moldeados Argentinos SA)	Chile	100%
Moldeados Argentinos SA (subsidiary of Projects A/S)	Argentina	100%
Projects A/S	Denmark	100%
Sanovo Greenpack Argentina SRL (subsidiary of Projects A/S)	Argentina	100%
Sanovo Greenpack Embalagens Do Brasil Ltda (subsidiary of Projects A/S)	Brazil	100%

§ Accounting policies (continued)

Impairment of investments in subsidiaries in the parent company financial statements
Investments in subsidiaries are reviewed for impairment once a year. If there are indications that an investment may be impaired, the recoverable amount of that investment is computed as the net present value of expected future net cash flows. An impairment loss is recognised if the carrying amount is higher than the recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are reversed to the extent that changes have occurred in the assumptions and estimates on the basis of which the impairment loss was recognised, but the revalued carrying amount cannot exceed cost.

Notes

19 Receivables from subsidiaries

	Parent company	
DKKm	**2017**	**2016**
Carrying amount at 1 January	544.1	191.6
Foreign exchange adjustment	(38.0)	12.8
Additions	24.8	371.0
Disposals	(117.8)	(31.3)
Carrying amount at 31 December	**413.1**	**544.1**

§ Accounting policies

Receivables from subsidiaries in the parent company financial statements
Receivables from subsidiaries are measured at amortised cost. Where a receivable is considered to be impaired, an impairment loss is recognised.

20 Investments in associates

	Group		Parent company	
DKKm	**2017**	**2016**	**2017**	**2016**
Cost at 1 January	1.2	1.2	1.2	1.2
Additions	0.0	0.0	0.0	0.0
Cost at 31 December	**1.2**	**1.2**	**1.2**	**1.2**
Value adjustments at 1 January	1.8	1.7	-	-
Share of profit for the year	0.1	0.1	-	-
Value adjustments at 31 December	**1.9**	**1.8**	**0.0**	**0.0**
Carrying amount at 31 December	**3.1**	**3.0**	**1.2**	**1.2**

Name	Registered office	Ownership interest	Gross profit	Profit for the year*	Assets	Liabilities	Equity
2017							
DanFiber A/S	Allerød	49.0%	4.5	0.2	28.6	22.3	6.3
2016							
DanFiber A/S	Allerød	49.0%	4.5	0.1	25.5	19.5	6.0

* Profit for the year is attributable to continuing operations and is identical to comprehensive income for the year.

Notes

20 Investments in associates – continued

§ Accounting policies

Investments in associates in the consolidated financial statements
Investments in associates are measured using the equity method. Investments in associates are measured in the balance sheet at the proportionate share of the companies' net asset value calculated in accordance with the group's accounting policies.

Investments in associates in the parent company financial statements
Investments in subsidiaries and associates are measured at cost. Where the cost is higher than the recoverable amount, the carrying amount is reduced to the lower value. In connection with reversal of impairment losses, the carrying amount is revalued at the recoverable amount, which cannot exceed cost.

Profit/loss from investments in associates in the consolidated financial statements
The proportionate share of the profit/loss from associates after tax and after elimination of the proportionate share of intra-group gains is recognised in the consolidated statement of comprehensive income.

Dividend from investments in associates in the parent company financial statements
Dividend from investments in associates is recognised in the parent company's profit or loss for the financial year in which it is declared.

21 Other receivables

	Group		Parent company	
DKKm	**2017**	**2016**	**2017**	**2016**
Carrying amount at 1 January	1.6	5.1	0.0	0.0
Foreign exchange adjustment	0.0	0.0	0.0	0.0
Received	(1.1)	(2.7)	0.0	0.0
Write-down	(0.7)	(1.4)	0.0	0.0
Interest rate effect on discounting	0.2	0.6	0.0	0.0
Carrying amount at 31 December	**0.0**	**1.6**	**0.0**	**0.0**
Other non-current receivables are expected to fall due as follows:				
In 1 year or less	0.0	1.6	0.0	0.0
In 1-5 years	0.0	0.0	0.0	0.0
	0.0	**1.6**	**0.0**	**0.0**

The Hungarian subsidiary has received government grants in the form of reduced future tax payments for the years 2008-2017. Due to the reduction of the corporate income tax rate in Hungary to 9% in 2016 and lower taxable income in 2017, the receivable has been reassessed and written down. See also note 27.

§ Accounting policies

Other receivables (non-current)
Other receivables consist of government grants receivable and are measured at amortised cost. The carrying amount of government grants receivable is reassessed on an annual basis.

Notes

22 Deferred tax

Temporary differences between the carrying amount and the tax base

DKKm	Intangible assets	Property, plant and equipment	Current assets	Liabilities	Other	Tax loss carried forward	Total
Group							
Deferred tax at 1 January 2017	8.8	(7.5)	(0.1)	(16.5)	(43.9)	(28.8)	(88.0)
Foreign exchange adjustment	(1.6)	0.1	0.1	0.9	0.0	2.3	1.8
Adjustment relating to prior years	0.0	6.4	0.0	0.0	32.8	0.0	39.2
Recognised in profit for the year, net	(0.7)	11.6	0.2	0.2	(2.2)	2.2	11.3
Recognised through other comprehensive income, net	0.0	0.0	0.0	(2.1)	0.2	0.0	(1.9)
Deferred tax at 31 December 2017	**6.5**	**10.6**	**0.2**	**(17.5)**	**(13.1)**	**(24.3)**	**(37.6)**
Deferred tax at 1 January 2016	8.6	(1.1)	(1.7)	(32.8)	(51.7)	(35.0)	(113.7)
Foreign exchange adjustment	0.8	(0.6)	0.0	(0.7)	(0.1)	(3.3)	(3.9)
Adjustment relating to prior years	0.0	0.0	0.0	(0.1)	(1.8)	(1.3)	(3.2)
Recognised in profit for the year, net	(0.6)	(5.8)	1.6	17.8	7.8	10.8	31.6
Recognised through other comprehensive income, net	0.0	0.0	0.0	(0.7)	1.9	0.0	1.2
Deferred tax at 31 December 2016	**8.8**	**(7.5)**	**(0.1)**	**(16.5)**	**(43.9)**	**(28.8)**	**(88.0)**
Parent company							
Deferred tax at 1 January 2017	1.0	0.6	0.8	(1.3)	0.7	0.0	1.8
Adjustment relating to prior years	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Recognised in profit for the year, net	0.1	0.1	(0.1)	(0.9)	(0.4)	0.0	(1.2)
Recognised through other comprehensive income, net	0.0	0.0	0.0	0.0	(0.3)	0.0	(0.3)
Deferred tax at 31 December 2017	**1.1**	**0.9**	**0.7**	**(2.2)**	**0.0**	**0.0**	**0.5**
Deferred tax at 1 January 2016	1.1	0.3	0.7	(17.8)	1.9	0.0	(13.8)
Adjustment relating to prior years	0.0	0.0	0.0	(0.1)	(0.6)	0.0	(0.7)
Recognised in profit for the year, net	(0.1)	0.3	0.1	16.6	(0.5)	0.0	16.4
Recognised through other comprehensive income, net	0.0	0.0	0.0	0.0	(0.1)	0.0	(0.1)
Deferred tax at 31 December 2016	**1.0**	**0.6**	**0.8**	**(1.3)**	**0.7**	**0.0**	**1.8**

The item 'Other' includes the expected tax effect of corresponding adjustments in the respective subsidiaries of the ongoing tax audit of the group's transfer prices for prior financial years. 'Other' also includes deferred tax of recapture balances relating to losses utilised in foreign subsidiaries.

Notes

22 Deferred tax – continued

Deferred tax assets and liabilities

DKKm	2017 Deferred tax assets	2017 Deferred tax liabilities	2017 Net	2016 Deferred tax assets	2016 Deferred tax liabilities	2016 Net
Group						
Intangible assets	(3.7)	10.2	6.5	(4.2)	13.0	8.8
Property, plant and equipment	(13.2)	23.8	10.6	(16.6)	9.1	(7.5)
Current assets	(0.5)	0.7	0.2	(0.9)	0.8	(0.1)
Liabilities	(17.5)	0.0	(17.5)	(16.5)	0.0	(16.5)
Other	(13.7)	0.6	(13.1)	(45.3)	1.4	(43.9)
Tax loss carry-forwards	(24.3)	0.0	(24.3)	(28.8)	0.0	(28.8)
Deferred tax (assets)/liabilities	**(72.9)**	**35.3**	**(37.6)**	**(112.3)**	**24.3**	**(88.0)**
Set-off within legal tax entities	21.0	(21.0)	0.0	13.3	(13.3)	0.0
Total deferred tax (assets)/liabilities, net	**(51.9)**	**14.3**	**(37.6)**	**(99.0)**	**11.0**	**(88.0)**
Parent company						
Intangible assets	0.0	1.1	1.1	0.0	1.0	1.0
Property, plant and equipment	(1.3)	2.2	0.9	(1.4)	2.0	0.6
Current assets	0.0	0.7	0.7	0.0	0.8	0.8
Liabilities	(2.2)	0.0	(2.2)	(1.3)	0.0	(1.3)
Other	(0.5)	0.5	0.0	(0.3)	1.0	0.7
Total deferred tax (assets)/liabilities, net	**(4.0)**	**4.5**	**0.5**	**(3.0)**	**4.8**	**1.8**
Set-off within legal tax entity	4.0	(4.0)	0.0	4.8	4.8	0.0
Total deferred tax liabilities, net	**0.0**	**0.5**	**0.5**	**1.8**	**0.0**	**1.8**

Notes

22 Deferred tax – continued

Unrecognised deferred tax assets

DKKm	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Unrecognised deferred tax assets at 1 January	11.8	9.6	0.0	0.0
Foreign exchange adjustment	(1.3)	1.9	0.0	0.0
Additions	0.0	2.2	0.0	0.0
Disposals	(5.3)	(1.3)	0.0	0.0
Forfeiture of loss due to limitation	0.0	(0.6)	0.0	0.0
Unrecognised deferred tax assets at 31 December	**5.2**	**11.8**	**0.0**	**0.0**

Disposals for the year of DKK 5.3 million related to a reassessment of previously unrecognised deferred tax assets, mainly in Brazil, which have now been recognised in profit or loss (2016: DKK 1.3 million relating to Finland). The addition in reference period was attributable to tax loss carry-forwards in Germany

Deferred tax assets that are not expected to be realised or are otherwise subject to significant risks of not being utilised are not recognised. Unrecognised deferred tax assets relate to subsidiaries in Brazil and Germany where the utilisation of such assets is not subject to any time limit.

Significant accounting estimates and judgments

Deferred tax assets

In the measurement of deferred tax assets, it is assessed whether, on the basis of financial forecasts and operating plans, future earnings will allow for and render probable the utilisation of the temporary differences between tax bases and carrying amounts and tax loss carry-forwards. The net carrying amount of deferred tax assets amounted to DKK 37.6 million at 31 December 2017 (2016: DKK 88.0 million), of which DKK 21.2 million can be attributed to the estimated tax effect of corresponding adjustments relating to pending tax audits in Hungary. The decrease reflects the utilisation of a tax asset in Canada and the completion of tax audits in Germany and Poland.

§ Accounting policies

Deferred tax

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and office buildings and other items where temporary differences – other than business acquisitions – arise at the date of acquisition without affecting either the profit or loss for the year or the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured on the basis of planned use of the asset as decided by management, or settlement of the liability, respectively. Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised under other non-current assets at the expected value of their utilisation, either as a set-off against tax on future earnings or as a set-off against deferred tax liabilities within the same legal tax entity and jurisdiction. Adjustment is made to deferred tax relating to eliminations made of unrealised intra-group gains and losses. Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Impairment of deferred tax assets

Deferred tax assets are reviewed for impairment annually and are written down if it is deemed likely that the deferred tax asset cannot be utilised against tax on future income or set off against deferred tax liabilities in the same legal tax entity and jurisdiction. This assessment takes into account the type and nature of the recognised deferred tax asset, the estimated time frame for the set-off of the asset, etc.

Notes

23 Inventories

DKKm	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Raw materials and consumables	141.3	116.0	58.0	39.3
Work in progress	12.5	12.7	12.0	10.9
Finished goods and goods for resale	86.8	94.1	23.8	22.8
Inventories	**240.6**	**222.8**	**93.8**	**73.0**
Inventories recognised at net realisable value	5.8	7.4	2.8	2.9

The group has not pledged any inventories as collateral in favour of any third party.

§ Accounting policies

Inventories
Inventories are measured at cost using the FIFO method.

Goods for resale, raw materials and consumables are measured at cost, comprising the purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct labour costs and production overheads. Production overheads comprise indirect materials and labour costs as well as maintenance and depreciation of production machinery, factory buildings and equipment and factory administration and management costs.

Where the net realisable value is lower than cost, inventories are written down to such lower value. The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and developments in the expected selling price.

24 Trade receivables

DKKm	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Trade receivables, gross	371.6	387.9	213.5	225.1
Write-down for bad and doubtful debts:				
Write-down at 1 January	27.6	29.3	23.3	23.1
Write-down for the year, net	14.4	(1.7)	13.8	0.2
Write-down at 31 December	42.0	27.6	37.1	23.3
Trade receivables, net	**329.6**	**360.3**	**176.4**	**201.8**

The total write-down relates partly to doubtful debts, primarily customers in receivership or under reconstruction, partly to write-down of the receivable from Tønder Fjernvarmeselskab, see note 3. As these matters have still to be settled, no losses were recognised in the year.

§ Accounting policies

Trade receivables
Trade receivables are measured at amortised cost. Where a receivable is considered to be written down, a write-down is recognised. Write-downs are recognised on an individual basis.

Notes

24 Trade receivables – continued

	Group		Parent company	
DKKm	**2017**	**2016**	**2017**	**2016**
Trade receivables, net correspond to an average credit period of (days)	55	63	53	59
Specification of trade receivables not written down:				
Not due	267.0	256.0	134.5	122.9
Overdue by:				
1-30 days	22.7	37.5	11.6	27.0
31-60 days	3.1	5.7	0.6	2.8
More than 60 days	3.5	5.6	0.7	1.8
	296.3	**304.8**	**147.4**	**154.5**
Specification of trade receivables written down:				
Not due	4.2	11.2	3.3	3.5
Overdue by:				
1-30 days	0.6	0.7	0.0	0.7
31-60 days	0.2	0.9	0.0	0.9
More than 60 days	28.3	42.7	25.7	42.2
	33.3	**55.5**	**29.0**	**47.3**
Trade receivables, net	**329.6**	**360.3**	**176.4**	**201.8**

Impaired trade receivables overdue by more than 60 days primarily comprise the receivable from Tønder Fjernvarmeselskab, see note 3.

25 Share capital

DKKm		Parent company
Share capital at 1 January 2013		140.3
Share capital at 31 December 2017	**7,015,090 shares of DKK 20 each**	**140.3**

No shares carry special rights.

Treasury shares
Brødrene Hartmann A/S has been authorised by the shareholders to acquire up to 10% of its own shares. The authorisation is valid until 18 April 2018.

At 31 December 2017, Hartmann held 100,000 treasury shares (2016: 100,000) representing a nominal value of DKK 2 million, or 1.4% of the total share capital. The value of the shares at 31 December 2017 was DKK 32.0 million (2016: DKK 33.8 million).

Dividend
Proposed dividend
For the financial year ended 31 December 2017, the board of directors has proposed a dividend of DKK 65.7 million (2016: DKK 65.7 million), corresponding to DKK 9.50 (2016: DKK 9.50) per share to be paid to the shareholders immediately after the annual general meeting to be held on 18 April 2018, subject to the shareholders' approval of the proposal. As the dividends are subject to approval by the shareholders, they have not been recognised as a liability in the balance sheet at 31 December 2017. Proposed dividend does not include dividend on treasury shares.

Dividend paid
In the financial year ended 31 December 2017, Hartmann distributed dividends of DKK 65.7 million (2016: DKK 65.7 million), corresponding to DKK 9.50 (2016: DKK 9.50) per share.

Notes

26 Pension obligations

Defined contribution plans
Hartmann offers pension plans to certain groups of employees. These pension plans are generally defined contribution plans. Under these pension plans, Hartmann recognises regular payments of premiums (e.g. a fixed amount or a fixed percentage of the salary) to independent insurers who are responsible for the pension obligations. Under a defined contribution plan, the group carries no risk in relation to future developments in interest rates, inflation, mortality or disability. Once the contributions under a defined contribution plan have been paid, Hartmann has no further pension obligations towards existing or former employees.

Defined benefit plans
Under a defined benefit plan, Hartmann has an obligation to pay a specific benefit (e.g. retirement pension in the form of a fixed proportion of the exit salary). Under these plans, Hartmann carries the risk in relation to future developments in interest rates, inflation, mortality, etc. A change in the assumptions upon which the calculation is based results in a change in the actuarial present value.

In the event of changes in the assumptions used in the calculation of defined benefit plans for existing and former employees, actuarial gains and losses are recognised in other comprehensive income.

The total pension obligations relate to funded plans in the subsidiary Hartmann Canada Inc. and unfunded plans in the subsidiary Hartmann Verpackung GmbH.

The weighted average duration of the obligations is 16-18 years in Canada and 15 years in Germany.

	Group	
DKKm	**2017**	**2016**
Recognition of defined benefit plans in the statement of comprehensive income:		
Pension costs for the year	2.9	3.2
Costs of plan administration for the year	0.7	0.3
Interest expenses on asset cap	0.4	0.5
Interest expenses, net	0.7	1.0
Recognised in profit for the year	**4.7**	**5.0**
Return on plan assets (excluding amounts recognised in interest expenses, net)	(3.4)	(0.9)
Actuarial losses:		
– From changes in demographic assumptions	0.0	0.0
– From changes in financial assumptions	8.5	4.7
– From experience-based adjustments	0.3	0.4
Change in assets not recognised due to asset cap	2.7	(1.5)
Tax	(2.2)	(0.7)
Recognised in other comprehensive income	**5.9**	**2.0**
Recognised in comprehensive income	**10.6**	**7.0**
Recognition of defined benefit plans in the balance sheet:		
Present value of plans with plan assets	105.9	97.4
Market value of plan assets	(97.8)	(89.0)
Net obligation of plans with plan assets	8.1	8.4
Present value of plans without plan assets	29.9	31.3
Assets not recognised due to asset cap	13.4	11.1
Recognised net obligation	**51.4**	**50.8**

The majority of pensions fall due more than one year after the balance sheet date.

Notes

26 Pension obligations – continued

DKKm	Group 2017	Group 2016
Change in defined benefit plan obligations		
Present value of pension obligations at 1 January	129.0	113.7
Foreign exchange adjustment	(5.6)	5.2
Pension costs for the year	2.9	3.2
Interest on pension obligation	4.2	4.3
Contributions from plan participants	2.8	2.4
Actuarial losses:		
– From changes in demographic assumptions	0.0	0.0
– From changes in financial assumptions	8.5	4.7
– From experience-based adjustments	0.3	0.4
Pension benefits paid	(6.3)	(4.9)
Present value of pension obligations at 31 December	**135.8**	**129.0**
Changes in defined benefit plan assets		
Fair value of plan assets at 1 January	89.1	73.5
Foreign exchange adjustment	(5.2)	4.8
Return on plan assets (excluding amounts recognised in interest expenses, net)	3.4	0.9
Interest on plan assets	3.5	3.2
Administrative expenses	(0.6)	(0.2)
Employer contributions	11.9	9.8
Pension benefits paid	(4.3)	(2.9)
Fair value of plan assets at 31 December	**97.8**	**89.1**
Breakdown of actual return on plan assets		
Return on plan assets (excluding amounts recognised in interest expenses, net)	3.4	0.9
Interest on plan assets	3.5	3.2
	6.9	**4.1**

Hartmann expects to contribute DKK 10.0 million (2016: DKK 9.8 million relating to 2017) to pension plans in 2018.

	2017 DKKm	2017 %	2016 DKKm	2016 %
Composition of plan assets:				
Shares and investment funds	73.0	74.6	54.7	61.4
Bonds and other securities	24.8	25.4	21.2	23.8
Cash and cash equivalents	0.0	0.0	13.2	14.8
	97.8	**100.0**	**89.1**	**100.0**

Plan assets are measured at fair value based on prices quoted in an active market. No plan assets have any relation to group entities.

The primary assumption applied in the calculation of pension obligations is the discount rate. The sensitivity analysis below indicates the development of the pension obligation on a change in the discount rate by 1 percentage point up or down.

DKKm	2017 + 1%	2017 - 1%	2016 + 1%	2016 - 1%
Pension obligation sensitivity to changes in the discount rate:				
– Germany	(5.7)	6.2	(3.2)	3.3
– Canada, wage earners	(12.2)	15.9	(11.0)	14.1
– Canada, salaried employees	(4.7)	6.1	(4.3)	5.5

Notes

26 Pension obligations – continued

%	Group 2017	Group 2016
Defined benefit plans have been calculated based on the following actuarial assumptions:		
Discount rate		
– Germany	1.58	1.41
– Canada, wage earners	3.40	3.90
– Canada, salaried employees	3.40	3.90
Expected pay rise		
– Germany	-	-
– Canada, wage earners	0.00	0.00
– Canada, salaried employees	3.00	3.00

§ Accounting policies

Pension obligations
Payments relating to defined contribution plans, under which the group regularly pays fixed contributions into an independent pension fund, are recognised in profit or loss in the period in which they are earned, and outstanding payments are recognised in the balance sheet under other payables.

For defined benefit plans, annual actuarial calculations are made of the present value of future benefits payable under the pension plan. The present value is calculated based on assumptions about future developments in variables such as salary levels and interest, inflation and mortality rates. The present value is only calculated for benefits earned by the employees through their employment with the group to date. The actuarial calculation of present value less the fair value of any plan assets is recognised in the balance sheet as pension obligations. The pension costs for the year, based on actuarial estimates and financial forecasts at the beginning of the year, are recognised in profit or loss. The difference between the forecast development in pension assets and liabilities and the realised values is called actuarial gains or losses and is recognised in the statement of comprehensive income through other comprehensive income. If a pension plan constitutes a net asset, the asset is recognised only to the extent that it equals the value of future repayments under the plan or it leads to a reduction of future contributions to the plan.

27 Government grants

DKKm	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Government grants at 1 January	10.2	14.3	2.0	2.7
Foreign exchange adjustment	0.0	0.1	-	-
Disposals	(0.7)	(1.4)	0.0	0.0
Recognised in the statement of comprehensive income	(2.0)	(2.8)	(0.6)	(0.7)
Government grants at 31 December	**7.5**	**10.2**	**1.4**	**2.0**
Of which recognised as non-current liabilities	5.9	8.2	0.9	1.4
Of which recognised as current liabilities	1.6	2.0	0.5	0.6
	7.5	**10.2**	**1.4**	**2.0**

Hartmann regularly receives government grants for development-related and energy-saving projects.

In 1995, Brødrene Hartmann A/S received a major grant for the construction of a combined heat and power plant.

In addition, the Hungarian subsidiary has received government grants in the form of direct grants and reduced tax payments in the years 2008-2017. The grants were capped at 50% of the DKK 72.3 million investment made in the period 2006-2008, of which direct grants represented DKK 9.0 million. Government grants received in the form of reduced tax payments were an accumulated DKK 25.2 million at 31 December 2017 (2016: DKK 24.1 million). The grants are currently not subject to any repayment obligations. The amounts recognised in non-current liabilities and current liabilities, respectively, relate to amortisation of grants received, which are recognised over the economic life of the investments to which the grants relate.

§ Accounting policies

Government grants
Government grants relating to property, plant and equipment are recognised in the balance sheet under liabilities. The grants are recognised in profit or loss over the useful lives of the assets.

Notes

28 Provisions

	Group		Parent company	
DKKm	2017	2016	2017	2016
Warranty commitments at 1 January	3.5	2.6	3.5	2.3
Additions	0.4	2.8	0.4	2.8
Disposals	(3.5)	(1.9)	(3.5)	(1.6)
Warranty commitments at 31 December	**0.4**	**3.5**	**0.4**	**3.5**
Restructuring at 1 January	2.4	73.0	2.4	73.0
Additions	0.0	0.0	0.0	0.0
Paid	(2.4)	(70.6)	(2.4)	(70.6)
Restructuring at 31 December	**0.0**	**2.4**	**0.0**	**2.4**
Provisions at 31 December	**0.4**	**5.9**	**0.4**	**5.9**

Provision has been made for warranty commitments in cover of contract-related warranty complaints for goods already delivered. Provisions for restructuring in the comparative period comprise restructuring measures decided in 2015 in connection with organisational adjustments of the European production network and the head office, as well as costs related to the closure of Hartmann's German factory.

§ Accounting policies

Provisions
Provisions are recognised when, as a result of events occurring before or at the balance sheet date, the group has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at management's best estimate of the amount required to settle the obligation at the balance sheet date.

Warranty commitments are recognised as goods are sold and are calculated on the basis of historical warranty costs.

Restructuring costs are recognised as liabilities when a detailed, formal restructuring plan has been announced not later than at the balance sheet date to the parties affected by the plan.

29 Other payables

	Group		Parent company	
DKKm	2017	2016	2017	2016
Wages, salaries and holiday pay, etc.	70.9	86.5	34.0	42.9
VAT and other indirect taxes	0.8	2.8	0.0	1.9
Forward exchange contracts	3.3	4.4	3.2	3.5
Other debt	60.5	61.2	48.3	43.9
Other payables	**135.5**	**154.9**	**85.5**	**92.2**

§ Accounting policies

Other payables
Other payables are measured at net realisable value.

30 Fees to shareholder-appointed auditor

	Group		Parent company	
DKKm	2017	2016	2017	2016
Fees to Deloitte				
Statutory audit	3.1	3.2	1.1	1.6
Tax and VAT-related services	0.6	0.5	0.1	0.4
Other services	0.7	1.4	0.3	1.3
Fees to shareholder-appointed auditor	**4.4**	**5.1**	**1.5**	**3.3**

Fees paid to Deloitte Statsautoriseret Revisionspartnerselskab for non-audit services amount to DKK 0.4 million for both the group and the parent company and concern general accounting and tax advisory services.

Notes

31 Collateral and contingent liabilities

Guarantees
Brødrene Hartmann A/S has provided a parent company guarantee to Hartmann (UK) Ltd. (CRN 00734190) to allow that company to claim exemption from audit under section 479A of the British Companies Act 2006. At 31 December 2017, the amount owed to creditors of Hartmann (UK) Ltd. was DKK 0.4 million (2016: DKK 0.4 million).

Joint taxation
Brødrene Hartmann A/S and its Danish subsidiaries are taxed jointly with Thornico Holding A/S, which is the management company. The company and its Danish subsidiaries thus have secondary liability with respect to income taxes etc. and any obligations to withhold taxes on interest, royalties and dividends applying to the jointly taxed entities. Such secondary liability is, however, capped at an amount equal to the portion of the share capital in the company held directly or indirectly by the ultimate parent company. The total tax obligation of the jointly taxed entities is disclosed in the financial statements of the management company.

Pending litigation
As stated in note 3, Hartmann is a party to a dispute with district heating company Tønder Fjernvarmeselskab. In 2008, Tønder Fjernvarmeselskab filed a complaint with the Danish Energy Regulatory Authority concerning the pricing of district heating supplied by Hartmann's combined heat and power plant. In 2015, the Secretariat of the Danish Energy Regulatory Authority made a decision on the principles guiding the calculation of heating prices in the period from 2003 up to and including 8 January 2015, when district heating supplies were discontinued. Hartmann appealed this decision to the Danish Energy Board of Appeal, which made a decision on 30 June 2016 that only considered the Danish Energy Regulatory Authority's powers to impose forward orders. Since the contract between Tønder Fjernvarmeselskab and Hartmann had been terminated, the 2016 decision of the Danish Energy Board of Appeal only implied that an order was not imposed on Hartmann.

As in the pending case and in related cases the Danish Energy Regulatory Authority and the Danish Energy Board of Appeal had interpreted applicable law differently, Hartmann has brought an action against the Danish Energy Board of Appeal, see company announcement 16/2016 of 22 December 2016, with a view to clarifying the law governing these linked cases.

In response to this lawsuit, the Danish Energy Board of Appeal took up the decision of 30 June 2016 for renewed consideration, in which connection the lawsuit was put on hold.

On 28 November 2017, the Danish Energy Board of Appeal reached a new decision replacing both its previous decision from 2016 and the 2015 decision of the Danish Energy Regulatory Authority. Hartmann still disagrees on a key principle governing the fixing of heating prices and is proceeding with the lawsuit for purposes of obtaining a legal assessment of the dispute.

Based on an internal review of the decision and indications from external advisers, management believes that the case is very likely to be referred back once more to the Danish Energy Board of Appeal. In management's opinion, renewed consideration by the Danish Energy Board of Appeal is likely to result in an adjustment of the principle governing the fixing of heating prices. Hartmann estimates the financial implications to amount to DKK -12 million. Allowing also for legal costs, a total amount of DKK -14 million has been recognised in the statement of comprehensive income under special items.

Assuming that the final decision in the case will reflect the decision of the Danish Energy Board of Appeal of 28 November 2017, Hartmann expects costs to amount to about DKK 35 million and estimates a positive cash flow effect of DKK 5 million. Tønder Fjernvarme on its part has raised a claim of DKK 88 million, which Hartmann has rejected.

Furthermore, the group is a party to a limited number of lawsuits and disputes. In management's opinion, these lawsuits and disputes will not significantly affect the financial position of the group or the parent company.

Government grants received
Brødrene Hartmann A/S is entitled to receive a subsidy for energy-efficient manufacturers that was introduced in 2013 and expires in 2020. In 2017, the Danish Energy Agency put the subsidy scheme on hold because of uncertainty as to the terms of grant and the rules governing the determination of over-compensation. If the Danish Energy Agency finds that Brødrene Hartmann A/S has been over-compensated, it may lead to costs of up to DKK 7 million and a negative cash flow effect of up to DKK 19 million. If the Danish Energy Agency finds that Brødrene Hartmann A/S has not been over-compensated, it will entail income of DKK 12 million.

Notes

32 Operating leases

	Group		Parent company	
DKKm	2017	2016	2017	2016
Expected maturity				
In 1 year or less	12.1	14.3	4.8	6.3
In 1-5 years	37.2	18.7	9.1	7.1
After 5 years	55.8	0.0	2.0	0.0
Rental and leasing obligations	**105.1**	**33.0**	**15.9**	**13.4**
Rental and leasing expenses, operating leases	14.3	13.6	6.3	6.5

33 Financial risks

General
Hartmann's financial results and equity are influenced by a number of financial risks, including interest rate, currency, liquidity and credit risks.

See note 34 for a specification of financial instruments.

Financial risk management
The guidelines for managing Hartmann's financial risks are set out in the group's finance and credit policy, which is approved by the board of directors once a year.

Hartmann uses financial instruments to hedge some of the financial risks that arise out of the group's commercial activities. The group does not engage in transactions for the purpose of speculation.

Hartmann has centralised the management of financial risks in its finance function, which also acts as a service centre to all subsidiaries.

Interest rate risk
Hartmann's interest rate risk relates mainly to the group's interest-bearing debt to credit institutions.

Management of interest rate risk
It is Hartmann's policy to seek to reduce to the greatest extent possible the impact of interest rate fluctuations on its profits and financial position.

Financing is primarily arranged in the form of non-current, committed credit facilities in DKK and USD.

It is Hartmann's policy to assess on an ongoing basis if benefits may be gained from converting a proportion of the group's non-current credit facilities into fixed-rate facilities using interest-rate swaps.

The group's credit facilities carry a floating rate, and Hartmann has opted not to convert them into fixed-rate facilities.

A 1 percentage point change in the general interest rate level related to committed credit facilities in DKK would affect pre-tax profits by approximately DKK 6 million (2016: approx. DKK 6 million).

Currency risk
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 currency 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 addition, the group is exposed to currency translation risks in connection with the granting of intra-group loans to foreign subsidiaries.

In terms of net positions, foreign subsidiaries reporting in the currencies ARS, BRL, CAD, HRK, HUF, ILS and USD and intra-group loans denominated in USD represent Hartmann's greatest translation exposures.

Notes

33 Financial risks – continued

Currency table

Exchange rate, DKK per 100		2017	2016
ARS	Average rate	40.1	45.7
	Year-end rate	32.9	44.5
	Change in year-end rate, %	(26.1)	(16.0)
BRL	Average rate	207.1	194.1
	Year-end rate	187.4	216.7
	Change in year-end rate, %	(13.5)	25.2
CAD	Average rate	508.3	508.1
	Year-end rate	495.0	524.0
	Change in year-end rate, %	(5.5)	6.1
EUR	Average rate	743.9	744.5
	Year-end rate	744.5	743.4
	Change in year-end rate, %	0.1	(0.4)
GBP	Average rate	849.5	912.1
	Year-end rate	839.1	868.3
	Change in year-end rate, %	(3.4)	(14.6)
HRK	Average rate	99.7	98.8
	Year-end rate	100.1	98.3
	Change in year-end rate, %	1.8	0.7
HUF	Average rate	2.41	2.39
	Year-end rate	2.40	2.40
	Change in year-end rate, %	0.0	1.6
ILS	Average rate	183.3	175.3
	Year-end rate	179.3	183.8
	Change in year-end rate, %	(2.5)	4.6
PLN	Average rate	174.8	170.7
	Year-end rate	178.2	168.6
	Change in year-end rate, %	5.7	(3.7)
USD	Average rate	660.1	673.2
	Year-end rate	620.8	705.3
	Change in year-end rate, %	(12.0)	2.9

Management of currency risk
As part of the group's currency policy, Hartmann seeks to reduce to the greatest extent possible the impact of exchange rate fluctuations on its profits and financial position.

The chart below illustrates the group's exposure to currency fluctuations, showing the profit impact of a 5% change in exchange rates.

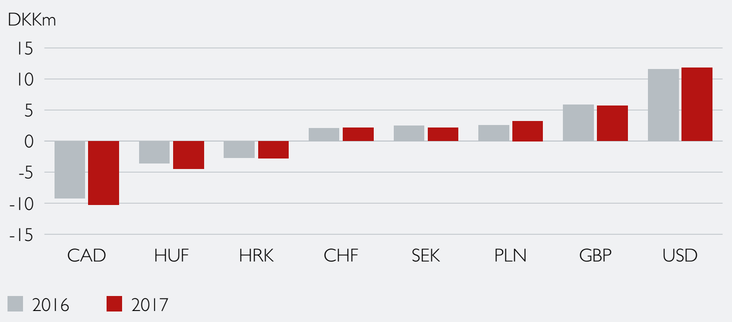
Hartmann hedges its transaction risks to the effect that primary currencies are continuously hedged for a period of not less than nine and not more than 12 months. Gains and losses on derivative financial instruments are recognised in profit or loss as the hedged transactions are realised. The effectiveness of hedges is assessed on an ongoing basis.

A 5% increase in the year-end exchange rate against DKK or EUR would affect the fair value adjustment of other comprehensive income by DKK 0.1 million (2016: DKK -0.1 million).

Translation risks associated with the translation of earnings and net assets in the group's foreign subsidiaries into DKK are not hedged as they have no direct impact on cash resources or underlying cash flows.

Translation risks associated with intra-group loans are hedged if they are deemed to potentially have a material impact on consolidated profits.

Change in profit for the year on 5% change in exchange rate



Notes

33 Financial risks – continued

Liquidity risk
Liquidity risk is the risk that Hartmann will be unable to meet its obligations as they fall due because of its inability to liquidate assets or obtain adequate funding.

Management of liquidity risk
It is Hartmann's policy to maintain maximum flexibility and sufficient cash resources to allow the company to continue to operate adequately in case of unforeseen fluctuations in liquidity.

The group's non-current committed facility is a loan of DKK 350 million. In 2015, the group raised a five-year loan of DKK 400 million for the purpose of acquiring subsidiaries in South America. In 2016, Hartmann exercised its option to extend the DKK 350 million facility to the effect that both loans now expire at 31 December 2019.

The interest margin on both loans is floating and is fixed each quarter based on the group's earnings.

The loans are subject to standard covenants which Hartmann must observe in order to maintain the loans, including financial covenants concerning the financial ratios 'solvency' and 'net interest-bearing debt' relative to 'operating profit/(loss) before depreciation, amortisation and impairment'. The group complied with all covenants in 2017.

The agreement on the loans further contains a number of provisions whereby significant credit facilities may be withdrawn in the event of a change of control of Hartmann.

The agreement also contains cross-default clauses.

The group's short-term liquidity is managed primarily by the transfer of liquidity from the subsidiaries to the parent company for the purpose of directing cash to entities with cash requirements. Cash pooling is used to effectively manage the group's liquidity in GBP, PLN and EUR.

Financing in Hartmann's subsidiaries is primarily arranged through the parent company. However, local conditions may result in financing being arranged through one of the group's foreign banks.

The drawing rights are short-term credit facilities on which the group may draw and which may at any time be terminated by the bank.

The group's undrawn credit facilities with banks amounted to DKK 241 million at 31 December 2017 (2016: DKK 244 million). Cash amounted to DKK 53 million at 31 December 2017 (2016: DKK 54 million). Total liquidity available to the group thus amounted to DKK 294 million at 31 December 2017 (2016: DKK 299 million). The group's total liquidity has been calculated with due consideration to compliance with covenants.

Management believes the group has sufficient cash resources to cover planned operations and ongoing investments.

Credit risk
Hartmann's credit risk arises in relation to the risk of losses on receivables, financial instruments with a positive fair value and cash.

Management of credit risk
It is Hartmann's policy to take out credit insurance on its trade receivables. Local conditions may make it impossible to take out credit insurance. In these cases, Hartmann applies a stricter internal credit assessment procedure, retrieving credit information from various sources.

Write-downs for bad and doubtful debts are made individually. The credit risk in relation to receivables is therefore considered to be reflected in carrying amounts.

It is Hartmann's policy to limit trading in derivative financial instruments and investments of surplus liquidity to banks with satisfactory credit ratings from one or more credit rating agencies.

Hartmann does not have any significant credit risk in relation to derivative financial instruments or cash. The maximum credit risk corresponds to the carrying amount.

Capital structure
It is the group's objective to maintain a level of flexibility sufficient to carry out and fulfil its strategic objectives while at the same time delivering competitive returns to its shareholders. The group also strives to secure financial stability for the purpose of reducing the cost of capital.

It is the board of directors' general objective to distribute excess capital in the form of dividends or share buy-backs in order to generally maintain Hartmann's equity ratio at a maximum of 45%. However, the level of dividend declared will always take into account Hartmann's growth plans and liquidity requirements. The loan agreement further contains restrictions with respect to Brødrene Hartmann A/S's possibility of distributing dividends, since changes in the general dividend policy are subject to consent from the bank.

At the annual general meeting to be held on 18 April 2018, the board of directors will propose that the company distribute dividends of DKK 9.50 per share for the financial year ended 31 December 2017 (2016: DKK 9.50 per share).

Notes

34 Financial instruments

Maturities of financial liabilities including interest payments

	2017					2016				
DKKm	Carrying amount	Payment obligation	In 1 year or less	In 1-5 years	After 5 years	Carrying amount	Payment obligation	In 1 year or less	In 1-5 years	After 5 years
Group										
Credit institutions	612.2	633.0	18.1	614.9	0.0	632.4	659.8	17.4	642.5	0.0
Overdraft facilities	80.9	80.9	80.9	0.0	0.0	65.9	65.9	65.9	0.0	0.0
Trade payables	165.5	165.5	165.5	0.0	0.0	185.0	185.0	185.0	0.0	0.0
Payables to associates	4.6	4.6	4.6	0.0	0.0	5.3	5.3	5.3	0.0	0.0
Restructuring provision	0.0	0.0	0.0	0.0	0.0	2.4	2.4	2.4	0.0	0.0
Other payables	135.5	135.5	135.5	0.0	0.0	154.9	154.9	154.9	0.0	0.0
	998.7	**1,019.5**	**404.6**	**614.9**	**0.0**	**1,045.9**	**1,073.3**	**430.9**	**642.5**	**0.0**
Parent company										
Credit institutions	607.7	627.9	9.8	618.1	0.0	618.8	641.9	7.3	634.6	0.0
Overdraft facilities	61.0	61.0	61.0	0.0	0.0	41.8	41.8	41.8	0.0	0.0
Trade payables	70.6	70.6	70.6	0.0	0.0	58.5	58.5	58.5	0.0	0.0
Payables to subsidiaries	165.9	165.9	165.9	0.0	0.0	140.4	140.4	140.4	0.0	0.0
Payables to associates	4.6	4.6	4.6	0.0	0.0	5.3	5.3	5.3	0.0	0.0
Restructuring provision	0.0	0.0	0.0	0.0	0.0	2.4	2.4	2.4	0.0	0.0
Other payables	85.5	85.5	85.5	0.0	0.0	92.2	92.2	92.2	0.0	0.0
	995.3	**1,015.5**	**397.4**	**618.1**	**0.0**	**959.4**	**982.5**	**347.9**	**634.6**	**0.0**

Notes

34 Financial instruments – continued

	Group				Parent company			
	2017		2016		2017		2016	
Financial instrument categories DKKm	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Derivative financial instruments to hedge future cash flows	4.2	4.2	4.5	4.5	2.7	2.7	4.5	4.5
Financial assets used as hedging instruments	**4.2**	**4.2**	**4.5**	**4.5**	**2.7**	**2.7**	**4.5**	**4.5**
Trade receivables	329.6	329.6	360.3	360.3	176.4	176.4	201.8	201.8
Other receivables	80.8	80.8	72.0	72.0	21.0	21.0	19.7	19.7
Cash	52.6	52.6	54.3	54.3	3.8	3.8	4.2	4.2
Loans and receivables	**463.0**	**463.0**	**486.6**	**486.6**	**201.2**	**201.2**	**225.7**	**225.7**
Derivative financial instruments to hedge future cash flows	3.3	3.3	4.4	4.4	3.2	3.2	3.5	3.5
Financial liabilities used as hedging instruments	**3.3**	**3.3**	**4.4**	**4.4**	**3.2**	**3.2**	**3.5**	**3.5**
Credit institutions	693.1	693.7	698.3	699.5	668.7	668.7	660.6	661.8
Other liabilities	303.8	303.8	352.1	352.1	323.3	323.3	302.5	302.5
Financial liabilities measured at amortised cost	**996.9**	**997.5**	**1,050.4**	**1,051.6**	**992.0**	**992.0**	**963.1**	**964.3**

Notes

34 Financial instruments – continued

Fair value of derivative financial instruments
Hartmann's primary currency exposure relates to sales denominated in currencies other than the functional currency of the individual group entities. Interest rate exposure relates to changes in the market rate applicable to the group's interest-bearing debt. Forward exchange contracts are used to hedge future cash flows. In accordance with the group's accounting policies, the fair value of financial instruments has been recognised in receivables and payables at 31 December 2017. Changes in the fair value of financial instruments qualifying as hedges of future cash flows are recognised in other comprehensive income. The fair value of derivative financial instruments to hedge future cash flows is based on observable data (level 2).

	Group						Parent company					
	2017			2016			2017			2016		
DKKm	Positive	Negative	Net	Positive	Negative	Net	Positive	Negative	Net	Positive	Negative	Net
Forward contract, CHF/DKK	1.1	0.0	1.1	0.1	(0.2)	(0.1)	1.1	0.0	1.1	0.1	(0.2)	(0.1)
Forward contract, DKK/HUF	-	-	-	0.0	(0.4)	(0.4)	-	-	-	0.0	(0.4)	(0.4)
Forward contract, EUR/HRK	0.0	(0.5)	(0.5)	0.0	(0.6)	(0.6)	0.0	(0.5)	(0.5)	0.0	(0.6)	(0.6)
Forward contract, EUR/HUF	0.3	(0.3)	0.0	0.0	(0.3)	(0.3)	0.3	(0.3)	0.0	0.0	(0.3)	(0.3)
Forward contract, GBP/DKK	0.8	(0.4)	0.4	4.1	(1.4)	2.7	0.8	(0.4)	0.4	4.1	(1.4)	2.7
Forward contract, PLN/DKK	0.0	(2.0)	(2.0)	0.3	0.0	0.3	0.0	(2.0)	(2.0)	0.3	0.0	0.3
Forward contract, SEK/DKK	0.4	0.0	0.4	0.0	(0.6)	(0.6)	0.4	0.0	0.4	0.0	(0.6)	(0.6)
Forward contract, USD/CAD	1.5	(0.1)	1.4	0.0	(0.9)	(0.9)	-	-	-	-	-	-
	4.1	**(3.3)**	**0.8**	**4.5**	**(4.4)**	**0.1**	**2.6**	**(3.2)**	**(0.6)**	**4.5**	**(3.5)**	**1.0**
Expected maturity												
In 1 year or less	4.1	(3.3)	0.8	4.5	(4.4)	0.1	2.6	(3.2)	(0.6)	4.5	(3.5)	1.0
	4.1	**(3.3)**	**(0.8)**	**4.5**	**(4.4)**	**0.1**	**2.6**	**(3.2)**	**(0.6)**	**4.5**	**(3.5)**	**1.0**

§ Accounting policies

Derivative financial instruments
The group uses forward exchange contracts to limit its currency exposure. Derivative financial instruments are not used for speculative purposes. Derivative financial instruments are recognised at cost at the date of transaction and are subsequently recognised at fair value at the balance sheet date. The fair value of derivative financial instruments is recognised in other receivables (positive value) and other payables (negative value). Realised and unrealised gains and losses on contracts are recognised in the statement of comprehensive income under financial income and expenses, unless the derivative financial instruments have been used to hedge future cash flows. Value adjustments of derivative financial instruments to hedge future cash flows are recognised in other comprehensive income if the hedge is effective. Value adjustments of any ineffective part of the relevant derivative financial instruments are recognised in financial income and expenses. When the hedged transaction is realised, the gain or loss on the hedging instrument is recognised in the same item as the hedged item, and the amount recognised in other comprehensive income is reversed. If a hedged transaction is no longer expected to take place, the accumulated net gains or net losses are transferred from other comprehensive income to profit or loss. The fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Notes

34 Financial instruments – continued

Hedging of future cash flows DKKm	**2017** **Notional amount**	**Fair value**	**Recognised in other comprehensive income**	**2016** **Notional amount**	**Fair value**	**Recognised in other comprehensive income**
Group						
Forward contract, CHF/DKK	40.1	1.1	1.1	39.5	(0.1)	(0.1)
Forward contract, DKK/HUF	0.0	0.0	0.0	18.0	(0.4)	(0.4)
Forward contract, SEK/DKK	21.6	0.4	0.4	31.1	(0.6)	(0.6)
Forward contract, EUR/HRK	71.9	(0.5)	(0.5)	47.2	(0.6)	(0.6)
Forward contract, DKK/HRK	9.8	0.0	0.0	0.0	0.0	0.0
Forward contract, EUR/HUF	43.0	0.0	0.0	36.0	(0.3)	(0.3)
Forward contract, GBP/DKK	88.1	0.5	0.5	91.2	2.7	2.7
Forward contract, PLN/DKK	58.8	(2.0)	(2.0)	67.8	0.3	0.3
Forward contract, USD/CAD	92.2	1.3	1.3	101.8	(0.9)	(0.9)
	425.5	**0.8**	**0.8**	**432.6**	**0.1**	**0.1**
Parent company						
Forward contract, CHF/DKK	40.1	1.1	1.1	39.5	(0.1)	(0.1)
Forward contract, DKK/HUF	0.0	0.0	0.0	18.0	(0.4)	(0.4)
Forward contract, SEK/DKK	21.6	0.4	0.4	31.1	(0.6)	(0.6)
Forward contract, EUR/HRK	71.9	(0.5)	(0.5)	47.2	(0.6)	(0.6)
Forward contract, DKK/HRK	9.8	0.0	0.0	0.0	0.0	0.0
Forward contract, EUR/HUF	43.0	0.0	0.0	36.0	(0.3)	(0.3)
Forward contract, GBP/DKK	88.1	0.5	0.5	91.2	2.7	2.7
Forward contract, PLN/DKK	58.8	(2.0)	(2.0)	67.8	0.3	0.3
	333.3	**(0.5)**	**(0.5)**	**330.8**	**1.0**	**1.0**

All forward contracts are transferred to profit or loss within one year.

Notes

34 Financial instruments – continued

Fair value hedging	2017				2016			
	Monetary items		Hedged through hedging instruments	Net position	Monetary items		Hedged through hedging instruments	Net position
DKKm	Assets	Liabilities			Assets	Forpligtelser		
Group								
ARS	59.7	(69.0)	0.0	(9.3)	53.3	(50.3)	0.0	3.0
BRL	63.5	(33.6)	0.0	29.9	50.8	(44.9)	0.0	5.8
CAD	22.6	(23.2)	0.0	(0.6)	26.3	(23.3)	0.0	3.0
CHF	5.7	(1.8)	0.0	3.9	6.6	(0.1)	0.0	6.5
EUR	86.5	(45.8)	0.0	40.7	107.0	(46.9)	0.0	60.1
GBP	27.2	(1.2)	0.0	26.0	25.3	(0.4)	0.0	24.8
HUF	17.5	(19.7)	0.0	(2.2)	21.2	(24.3)	0.0	(3.1)
ILS	29.7	(8.0)	0.0	21.7	27.9	(10.6)	0.0	17.4
PLN	19.5	(1.2)	0.0	18.3	18.8	(0.8)	0.0	18.1
SEK	7.9	(1.5)	0.0	6.4	9.5	0.0	0.0	9.5
USD	38.5	(226.4)	0.0	(187.9)	49.3	(21.5)	0.0	27.8
Other currencies	34.3	(11.6)	0.0	22.7	34.1	(10.3)	0.0	23.7
Parent company								
BRL	40.8	0.0	0.0	40.8	47.8	0.0	0.0	47.8
CAD	1.5	0.0	0.0	1.5	3.1	0.0	0.0	3.1
CHF	3.7	(2.0)	0.0	1.7	4.0	0.2	0.0	4.2
EUR	304.0	(132.1)	0.0	171.9	325.8	(98.4)	0.0	227.5
GBP	27.1	(4.1)	0.0	23.0	25.2	(7.0)	0.0	18.2
HUF	6.2	(39.1)	0.0	(32.9)	6.3	(49.4)	0.0	(43.1)
PLN	19.5	(2.7)	0.0	16.8	18.8	(2.0)	0.0	16.8
SEK	7.9	(1.5)	0.0	6.4	9.5	0.0	0.0	9.5
USD	197.1	(216.2)	0.0	(19.1)	311.2	(0.6)	0.0	310.6
Other currencies	10.7	(13.0)	0.0	(2.3)	11.8	(11.1)	0.0	0.7

Notes

34 Financial instruments – continued

Hedging of net assets in foreign subsidiaries DKKm	**2017** **Investment**	**Amount hedged**	**Net position**	**The year's value adjustment recognised in other comprehensive income**	**2016** **Investment**	**Amount hedged**	**Net position**	**The year's value adjustment recognised in other comprehensive income**
Group								
ARS	47.6	0.0	47.6	(17.2)	60.2	0.0	60.2	(11.3)
BRL	203.3	0.0	203.3	(31.5)	228.3	0.0	228.3	45.5
CAD	159.0	0.0	159.0	(8.3)	125.4	0.0	125.4	24.2
CHF	1.8	0.0	1.8	(0.2)	1.9	0.0	1.9	0.0
EUR	66.4	0.0	66.4	(0.4)	37.9	0.0	37.9	(0.1)
GBP	2.7	0.0	2.7	(0.2)	5.9	0.0	5.9	(1.0)
HRK	43.2	0.0	43.2	0.9	48.8	0.0	48.8	0.2
HUF	114.5	0.0	114.5	0.1	101.8	0.0	101.8	1.5
ILS	47.6	0.0	47.6	(1.2)	44.0	0.0	44.0	1.8
PLN	1.4	0.0	1.4	(0.0)	1.0	0.0	1.0	(0.1)
USD	160.2	0.0	160.2	(17.5)	62.2	0.0	62.2	0.0
Other currencies	3.5	0.0	3.5	(0.1)	1.4	0.0	1.4	0.1
	851.2	0.0	**851.2**	(75.6)	**718.8**	**0.0**	**718.8**	**60.8**

Interest rate risk DKKm	**2017** **Nominal value**	**Carrying amount**	**Interest rate**	**Interest rate risk**	**2016** **Nominal value**	**Carrying amount**	**Interest rate**	**Interest rate risk**
Group								
Credit institutions								
Fixed rate	4.5	4.5	19.0%	Fair value	13.6	13.6	19.0%	Fair value
Floating rate	608.3	607.7	1.6%	Cash flow	620.0	618.8	1.2%	Cash flow
Parent company								
Receivables from subsidiaries								
Fixed rate	40.0	40.0	8%	Fair value	47.1	47.1	8.0%	Fair value
Floating rate	373.1	373.1	0.8%-3.3%	Cash flow	496.1	497.0	0.8%-3.3%	Cash flow
Credit institutions								
Floating rate	450.0	448.2	1.6%	Cash flow	620.0	618.2	1.2%	Cash flow

Notes

35 Related parties

Sales of goods to related parties are made at ordinary selling prices. Purchases of goods are also made at market prices less discounts offered on the basis of volumes purchased.

No collateral or guarantees have been provided in respect of any balances at the balance sheet date. Receivables and trade payables are settled in cash. No losses have been incurred and no write-downs for probable losses have been made in respect of receivables from related parties.

In addition to distribution of dividend and payment of remuneration, the related party transactions below are reflected in the statement of comprehensive income and the balance sheet

	Group		Parent company	
DKKm	2017	2016	2017	2016
Companies with a controlling interest				
Joint taxation contributions paid	5.2	6.2	5.2	6.2
Other receivables	6.2	1.3	0.0	0.0
Other payables	2.8	2.8	0.0	0.0
Associates				
Production costs	59.6	49.5	56.1	49.5
Payables to associates	4.6	5.3	4.6	5.3
Subsidiaries				
Revenue	-	-	46.3	111.6
Production costs	-	-	432.6	405.8
Other income recognised in operating profit	-	-	11.4	1.4
Interest income	-	-	12.3	7.0
Interest expenses	-	-	0.0	2.9
Receivables from subsidiaries, non-current	-	-	413.1	544.1
Receivables from subsidiaries, current	-	-	51.2	50.1
Payables to subsidiaries	-	-	165.9	140.4
Other related parties				
Revenue	0.1	(2.0)	0.1	(2.0)
Prepayments from customers	0.0	2.1	0.0	2.1

The amount of the parent company's 2016 production costs relating to subsidiaries has been reduced by DKK 62.3 million due to a misstatement in the annual report for 2016.

Companies with a controlling interest in Brødrene Hartmann A/S consist of Lactosan-Sanovo Holding A/S, which is the immediate majority owner, and Thornico Holding A/S, which is the ultimate majority owner. Brødrene Hartmann A/S is included in the consolidated financial statements of Thornico Holding A/S.

Associates consist of Danfiber A/S, see note 20.

Subsidiaries consist of companies in which Brødrene Hartmann A/S has a controlling interest, see note 18. Transactions with subsidiaries have been eliminated in the consolidated financial statements in accordance with the group's accounting policies.

Other related parties consist of other companies controlled by Hartmann's ultimate majority owner, Thornico Holding A/S, that are not controlled by Brdr. Hartmann A/S.

The company's related parties also comprise the members of the board of directors and the executive board as well as these persons' family members. Remuneration paid to members of the executive board and the board of directors is disclosed in note 9.

36 Events after the balance sheet date

On 18 February 2018, Hartmann announced that its CEO, Ulrik Kolding Hartvig, had passed away that same day due to a bicycle accident. CFO Marianne Rørslev Bock was subsequently appointed interim CEO.

Other than as set out above, no significant events have occurred after the balance sheet date of significance to the consolidated financial statements or the parent company financial statements other than what has been recognised or mentioned in this annual report.

Key figures and financial ratios by quarter (unaudited)

	Q4		Q3		Q2		Q1	
DKKm	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Statement of comprehensive income								
Revenue	564	523	557	482	514	537	572	554
- Europe, moulded-fibre packaging	319	312	279	277	275	263	302	299
- Europe, other revenue	30	1	61	5	5	67	19	34
- Americas	215	210	217	200	234	207	251	221
Operating profit	74	59	69	47	32	63	61	80
Special items	(14)	0	0	0	0	0	0	0
Financial income and expenses, net	(9)	(12)	(12)	(1)	(30)	(5)	(3)	(10)
Profit before tax	51	47	57	46	2	58	58	70
Profit for the period	29	44	48	35	1	43	43	53
Comprehensive income	(1)	64	38	24	(45)	81	49	71
Statement of cash flows								
Cash flows from operating activities	123	81	43	30	57	44	35	94
Cash flows from investing activities	(31)	(110)	(39)	(82)	(65)	(77)	(71)	(68)
Cash flows from financing activities	(58)	(3)	(2)	(1)	(17)	(21)	(2)	(1)
Total cash flows	34	(31)	2	(54)	(25)	(54)	(37)	25
Balance sheet								
Assets	1,865	1,942	1,987	1,842	1,976	1,830	2,013	1,811
Investments in property, plant and equipment	31	111	39	82	64	77	70	68
Net working capital	312	275	351	307	302	306	320	246
Invested capital	1,339	1,323	1,413	1,252	1,372	1,198	1,416	1,095
Net interest-bearing debt	641	644	737	612	745	560	678	462
Equity	746	771	747	707	709	683	819	668
Financial ratios, %								
Profit margin	13.0	11.2	12.4	9.7	6.2	11.6	10.7	14.5
Return on invested capital (ROIC) (rolling 12 months)	17.1	20.9	16.2	23.7	15.0	25.2	18.0	23.8
Return on equity (rolling 12 months)	16.2	25.0	18.2	32.0	16.6	22.2	22.7	16.7
Equity ratio	40.0	39.7	37.6	38.4	35.9	37.3	40.7	36.9
Gearing	85.9	83.6	98.8	86.6	105.1	81.9	82.7	69.1

For definitions of financial ratios, see page 77.

Definitions of financial ratios

Net working capital
Inventories + receivables + other current operating assets - trade payables - other current operating liabilities (excluding restructuring)

Invested capital
Net working capital + intangible assets + property, plant and equipment + other non-current receivables - pension obligations - government grants

Net interest-bearing debt
Credit institutions + overdraft facilities - cash

Profit margin
$$\frac{\text{Operating profit before special items} \times 100}{\text{Revenue}}$$

Return on invested capital (ROIC)
$$\frac{\text{Operating profit before special items} \times 100}{\text{Average invested capital}}$$

Return on equity
$$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$$

Equity ratio
$$\frac{\text{Equity at year-end} \times 100}{\text{Assets at year-end}}$$

Gearing
$$\frac{\text{Net interest-bearing debt} \times 100}{\text{Equity at year-end}}$$

Earnings per share (EPS)
$$\frac{\text{Profit for the year}}{\text{Average no. of shares (excluding treasury shares)}}$$

Cash flow per share
$$\frac{\text{Cash flows from operating activities}}{\text{Average no. of shares (excluding treasury shares)}}$$

Book value per share
$$\frac{\text{Equity at year-end}}{\text{No. of shares (excluding treasury shares) at year-end}}$$

Share price/earnings (P/E)
$$\frac{\text{Market price}}{\text{Earnings per share (EPS)}}$$

Payout ratio
$$\frac{\text{Total dividend paid} \times 100}{\text{Profit for the year}}$$

Earnings per share (EPS) are calculated according to IAS 33.

Profit margin and return on invested capital (ROIC) are calculated on the basis of operating profit before special items as this is the group's key performance indicator.

Other financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

Management statement

The board of directors and the executive board today considered and approved the annual report of Brødrene Hartmann A/S for the financial year ended 31 December 2017.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31 December 2017 and of the results of the group's and the parent company's operations and cash flows for the financial year ended 31 December 2017.

We are of the opinion that the management report includes a fair review of the development and performance of the group's and the parent company's business and financial position, the results for the year, cash flows and financial position as well as a description of the principal risks and uncertainties that the group and the parent company face.

The annual report is recommended for approval by the annual general meeting.

Gentofte, 28 February 2018

Executive board:

Marianne Rørslev Bock
CFO and interim CEO

Board of directors:

Agnete Raaschou-Nielsen
Chairman

Niels Hermansen
Vice chairman

Jan Peter Antonisen

Jørn Mørkeberg Nielsen

Steen Parsholt

Niels Christian Petersen

Andy Hansen

Independent auditor's report

To the shareholders of Brødrene Hartmann A/S

Opinion
We have audited the consolidated financial statements and the parent company financial statements of Brødrene Hartmann A/S for the financial year 1 January - 31 December 2017, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including the accounting policies, for the group as well as the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the group and the parent company at 31 December 2017 and of the results of their operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements under the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements' section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Brødrene Hartmann A/S for the first time on 21 April 2009 for the financial year 2009. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 9 years up to and including the financial year 2017.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent company financial statements for the financial year 2017. These matters were addressed in the context of our audit of the consolidated financial statements and the parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of goodwill and intangible assets with indefinite useful lives and other non-current assets
Consolidated goodwill has been allocated to three cash-generating units; Argentina, Brazil and Europe Moulded Fibre as stated in note 16, which provides a detailed description of the annual impairment test performed by management. No impairment losses were recognised in the year.

In performing our audit procedures, we focused on this area because impairment testing relies on significant, complex management estimates concerning future earnings.

In performing our audit procedures, we focused in particular on the impairment tests performed in relation to Argentina and Brazil because both these regions face a high rate of inflation and a depreciating currency and consequently rely to the greatest extent on estimates and account for the largest proportion of the total carrying amount of goodwill and other intangible assets with indefinite useful lives.

How our audit addressed the matter
As part of our audit procedures, we assessed whether the method applied to calculate values in use is appropriate and whether management's expectations regarding future earnings and the documentation submitted provide a reasonable basis for a calculation of values in use. We:

- obtained supportive documentation for accounting judgments and significant assumptions applied for purposes of the impairment testing, focused on expectations regarding revenue, earnings and inflation, and discussed these with management;

- compared estimates of future results with the latest forecast approved by the board of directors and historical results;

Independent auditor's report

- evaluated the assumptions applied for purposes of the impairment testing, including the use of dynamic discount rates in the impairment test performed in relation to Argentina based on the country's high level of inflation, and, consulting our internal valuation experts, evaluated whether the impairment test was prepared on a consistent basis and using generally recognised terms and methods;
- tested management's sensitivity calculations; and
- assessed whether the disclosures are in accordance with the requirements of applicable accounting standards and are sufficient and adequate.

Action against Tønder Fjernvarmeselskab
Brødrene Hartmann A/S is a party to a pending lawsuit against Tønder Fjernvarmeselskab concerning the collection of a receivable relating to district heating supplied to Tønder Fjernvarmeselskab from Brødrene Hartmann's combined heat and power plant during the 2003-2014 period. Tønder Fjernvarmeselskab disagrees on the pricing and has raised a counterclaim as described in note 3, which Brødrene Hartmann A/S has rejected.

We attached significance to this area because the outcome of the case is subject to uncertainty. If the outcome of the case is different than anticipated by management, this may have a significant impact on the consolidated financial statements.

How our audit addressed the matter
As part of our audit of management's assessment of the case and its accounting treatment, we:

- discussed the pending case with management and responsible employees and obtained management's memo concerning the case and the estimates made in relation thereto;
- reviewed relevant documentation supporting management's assessment of the case and the impairment loss calculated on the recognised receivable from Tønder Fjernvarmeselskab, including correspondence in the case, decisions made by the Danish Energy Regulatory Authority and the Danish Energy Board of Appeal and the counterclaim raised by Tønder Fjernvarmeselskab;
- obtained an assessment from and conducted discussions with the group's external legal advisers to ensure that the legal assessments obtained support the accounting treatment, including the impairment loss recognised in 2017 on the receivable from Tønder Fjernvarmeselskab; and
- reviewed the disclosures to ensure that they adequately describe the case, the uncertainty associated with its outcome and its potential impact on the financial statements.

Statement on the management report
Management is responsible for the management report.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the management report, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the management report and, in doing so, consider whether the management report is materially inconsistent with the consolidated financial statements or the parent company financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management report provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management report is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management report.

Management's responsibilities for the consolidated financial statements and the parent company financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements under the Danish Financial Statements Act, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, management is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements unless management either intends to liquidate the group or the parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company fi-

Independent auditor's report

nancial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the parent company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the parent company to cease to continue as a going concern;

- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view; and

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 28 February 2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Company reg. (CVR) no. 33 96 35 56

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State-authorised public accountant
mne10944

Morten Dandanell Kiærskou
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