HARTMANN

PACK & PERFORM

Interim report H1 2020

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Q2 2020 highlights

Hartmann lifted egg packaging sales and generated significant revenue and earnings growth in Q2 2020 on the back of growing demand in the wake of the COVID-19 outbreak combined with an improved product mix, higher capacity utilisation and production efficiency gains. Hartmann maintains its 2020 guidance of revenue of DKK 2.5-2.7 billion, a profit margin of 15-18% and the investment level, which was lifted from DKK 400 million to DKK 450 million on 19 August following a decision to invest substantially in expansion of production capacity in the USA and Europe.

Revenue

DKK 662 million

DKK 553 million in Q2 2019

Profit margin

20.5%

8.5% in Q2 2019

Investments

DKK 89 million

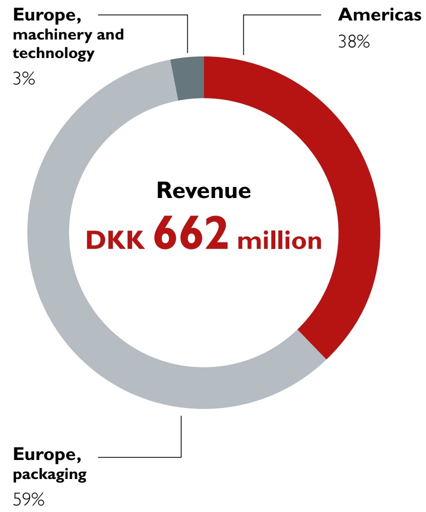
DKK 49 million in Q2 2019

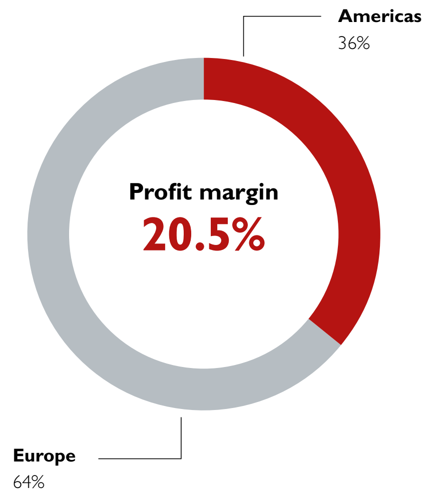
Revenue was up by 20% on the back of strong growth across the group's markets combined with an improved product mix. The COVID-19 outbreak has led to a strong increase in demand for egg packaging, and Hartmann maintained stable operations and a high capacity utilisation rate at the group's production facilities in the quarter.

Earnings growth gained momentum in Q2 and Hartmann generated an operating profit of DKK 137 million, supported by strong volume growth and a high capacity utilisation rate at all the group's factories, combined with its ongoing efforts to improve production efficiency.

The group stepped up its capital expenditure in Q2, focusing primarily on the ongoing expansion of production capacity at its factories in Europe and the USA and the establishment of a new factory in northern Brazil. In response to strong demand for its products and positive underlying market trends, Hartmann intends to invest substantially in additional production capacity in the USA and Europe and expects the new capacity to commence operations in 2021.

We successfully maintained momentum in the second quarter with the COVID-19 outbreak causing a strong increase in demand for Hartmann's packaging products. Supported by the exemplary responsibility and great flexibility of our employees, we successfully kept production going at all our factories and were able to meet customer demand amid trying times and to deliver the highest quarterly results in the group's history.





Key figures and financial ratios for the group

DKKm	Q2 2020	Q2 2020 excl. IAS 29	Q2 2019	Q2 2019 excl. IAS 29	H1 2020	H1 2019
Comprehensive income						
Revenue	662	667	553	547	1,325	1,150
Operating profit	133	137	45	47	249	103
Special items	(2)	(2)	0	0	(7)	0
Operating profit after special items	131	135	45	47	242	103
Financial income and expenses, net	(10)	(9)	(7)	(8)	(41)	(13)
Profit before tax	121	125	38	39	201	90
Profit for the period	90	95	26	30	148	62
Comprehensive income	89	91	41	36	81	92
Cash flows						
Operating activities	172	172	18	18	260	74
Investing activities	(88)	(88)	(49)	(49)	(146)	(88)
Financing activities	(51)	(51)	(55)	(55)	(67)	(57)
Total	34	34	(87)	(87)	48	(71)
Balance sheet						
Assets	-	-	-	-	2,121	2,014
Investments in property, plant and equipment	-	-	-	-	146	88
Net working capital	-	-	-	-	344	357
Invested capital	-	-	-	-	1,501	1,512
Net interest-bearing debt (NIBD)	-	-	-	-	522	735
NIBD excl. lease liabilities	-	-	-	-	449	660
Equity	-	-	-	-	960	791

DKKm	Q2 2020	Q2 2020 excl. IAS 29	Q2 2019	Q2 2019 excl. IAS 29	H1 2020	H1 2019
Financial ratios, %						
Profit margin	20.1	20.5	8.1	8.5	18.8	9.0
Return on invested capital (ROIC), rolling 12 months	-	-	-	-	26.3	12.3
Return on equity, rolling 12 months	-	-	-	-	28.7	12.5
Equity ratio	-	-	-	-	45.3	39.3
Gearing	-	-	-	-	54.4	92.9
Share-based financial ratios						
No. of shares (excl. treasury shares)	-	-	-	-	6,915,090	6,915,090
Earnings per share, DKK (EPS)	13.1	13.7	3.7	4.3	21.4	9.0
Cash flows per share, DKK	24.8	24.8	2.6	2.6	37.6	10.7
Book value per share, DKK	-	-	-	-	138.9	114.4
Share price, DKK	-	-	-	-	352.0	316.0
Share price/book value per share	-	-	-	-	2.5	2.8
Share price/earnings (P/E), rolling 12 months	-	-	-	-	9.7	22.9
Market capitalisation, DKKm	-	-	-	-	2,469.3	2,216.8

For definitions of financial ratios, see page 82 in the annual report for 2019. For purposes of this report, operating profit and profit margin are stated before special items.

In order to provide a more accurate view of Hartmann's underlying operations and performance, selected accounting figures in this interim report are presented before restatement for hyperinflation (IAS 29). Read more on page 10.

Developments in Q2 and HI 2020

Momentum in egg packaging sales accelerated further across the group's markets and Hartmann recorded its highest quarterly revenue and earnings ever in Q2 2020.

Growth was driven primarily by a significant increase in retail demand for eggs in the wake of the COVID-19 outbreak, combined with the ongoing conversion from oil-based plastic packaging to sustainable moulded-fibre packaging. Hartmann kept production going at all its factories amid the COVID-19 outbreak, while at the same time capacity utilisation was high and production efficiency improved.

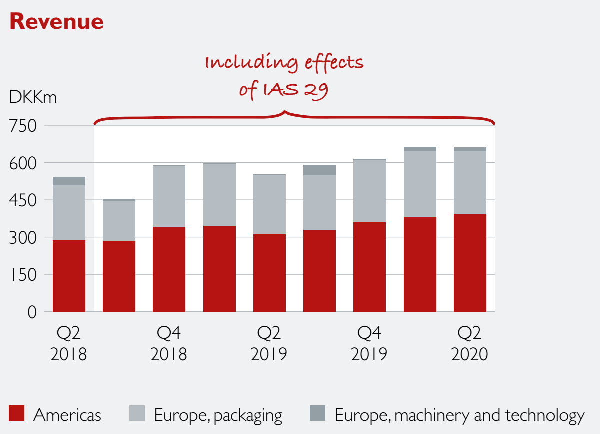
The COVID-19 pandemic is causing strong demand in Hartmann's markets, but is also accompanied by limited visibility and increased operational risk. In the American markets, in particular, there is still a significant risk of non-delivery of raw materials, temporary fluctuations in raw materials prices, potential production and logistics interruptions and adverse economic ramifications and currency fluctuations.

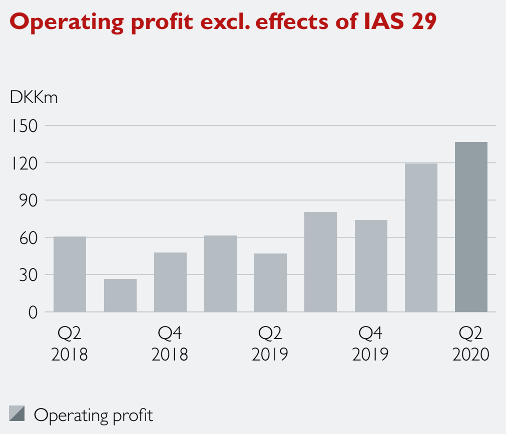
The work to expand capacity in Europe and at the US factory and to establish a new factory in Brazil continued in the second quarter. The new capacity is still expected to commence operations in 2020. Encouraged by a positive demand outlook for moulded-fibre egg packaging, Hartmann plans to invest substantially in additional production capacity at the factory in the USA and several factories in Europe. The new capacity in the USA is expected to commence operations in the second half of 2021, while the new capacity in Europe is expected to be operational during the first half of 2021.

Revenue
Hartmann grew total revenue to DKK 662 million (2019: DKK 553 million) in Q2 2020, supported by strong volume growth across the group's markets. The positive trend in the core business was accompanied by higher sales in Hartmann Technology.

Revenue for the first six months of 2020 was up to DKK 1,325 million (2019: DKK 1,150 million).

Currency movements reduced revenue by a net DKK 54 million in the second quarter. Movements in the Argentine peso (ARS) reduced revenue by DKK 35 million, of which DKK 9 million was attributable to restatement for hyperinflation. In the first six months of the year, currency movements reduced revenue by a net DKK 88 million. ARS movements reduced revenue by DKK 65 million, of which DKK 11 million was attributable to restatement for hyperinflation. The negative impact of restatement for hyperinflation was largely offset by the effects of price adjustments in Argentina, see the section on hyperinflation on page 10.





Developments in Q2 and H1 2020

Europe
The European business grew total revenue to DKK 410 million (2019: DKK 317 million) in Q2 2020. Demand for eggs from the European retail sector has grown amid the COVID-19 outbreak, and buoyant growth in sales of egg packaging and an improved product mix in the core business combined to drive Hartmann's Q2 revenue to DKK 393 million (2019: DKK 311 million). Hartmann Technology reported revenue up to DKK 18 million from DKK 6 million in Q2 2019.

In the first half of 2020, the European business generated total revenue of DKK 809 million (2019: DKK 665 million). The core business grew revenue to DKK 775 million (2019: DKK 655 million) in the first half, while Hartmann Technology contributed DKK 34 million (2019: DKK 10 million).

Americas
The business in the Americas grew overall Q2 revenue to DKK 252 million (2019: DKK 237 million). Utilising its expanded production capacity to meet growing demand amid the COVID-19 outbreak, Hartmann recorded strong volume growth in both North and South America. Further supported by an improved product mix, revenue growth was achieved amid significant currency headwinds in Argentina and Brazil.

H1 2020 revenue from the Americas was up to DKK 516 million (2019: DKK 485 million).

Operating profit

Q2 operating profit before restatement for hyperinflation was up to DKK 137 million (2019: DKK 47 million), for a profit margin of 20.5% (2019: 8.5%). The strong earnings growth was driven by buoyant volume growth, an improved product mix, high capacity utilisation and production efficiency gains across the group's production facilities.

H1 operating profit before restatement for hyperinflation was DKK 256 million (2019: DKK 108 million), for a profit margin of 19.2% (2019: 9.4%).

In the second quarter of 2020, currency fluctuations reduced operating profit before restatement for hyperinflation by a net DKK 1 million. Movements in ARS reduced operating profit by DKK 7 million. In the first six months of the year, currency fluctuations reduced operating profit by a net DKK 3 million. Movements in ARS reduced operating profit by DKK 14 million.

After restatement for hyperinflation, operating profit came to DKK 133 million (2019: DKK 45 million), for a profit margin of 20.1% (2019: 8.1%), for Q2 2020 and DKK 249 million (2019: DKK 103 million), for a profit margin of 18.8% (2019: 9.0%), for the first six months of 2020.

Europe
The European business grew operating profit to DKK 89 million for Q2 2020 (2019: DKK 24 million), taking the profit margin to 21.6% (2019: 7.5%). Driven by strong volume growth, capacity utilisation was high and production efficiency was strong in the second quarter. Earnings were further supported by an improved product mix, higher sales in Hartmann Technology and an improvement in raw materials prices.

For the first six months of 2020, operating profit from the European business grew to DKK 164 million (2019: DKK 58 million), for a profit margin of 20.3% (2019: 8.7%).

Americas
The American business grew operating profit to DKK 51 million before restatement for hyperinflation in Q2 (2019: DKK 29 million), for a profit margin of 19.7% (2019: 12.6%). The strong performance was driven mainly by volume growth, high capacity utilisation, enhanced production efficiency and product mix improvements in both North and South America, whereas significant currency headwinds in South America impacted adversely on earnings.

For the first six months of 2020, the American business grew operating profit before restatement for hyperinflation to DKK 101 million (2019: DKK 63 million), for a profit margin of 19.4% (2019: 13.1%).

After restatement for hyperinflation, Q2 operating profit from the Americas came to DKK 47 million (2019: DKK 27 million), for a profit margin of 18.7% (2019: 11.3%), while H1 operating profit was DKK 95 million (2019: DKK 58 million), for a profit margin of 18.3% (2019: 12.0%).

Corporate functions

Costs related to corporate functions came to DKK 3 million in the second quarter (2019: DKK 6 million) and DKK 11 million in the first half of 2020 (2019: DKK 14 million).

Special items

Special items amounted to a net expense of DKK 2 million for Q2 (2019: DKK 0 million) and a net expense of DKK 7 million for H1 2020 (2019: DKK 0 million) and were partially attributable to costs related to the conditional agreement to acquire India's Mohan Fibre.

Developments in Q2 and HI 2020

Financial income and expenses

Financial income and expenses for Q2 2020 were a net expense of DKK 10 million (2019: net expense of DKK 7 million). Impacted by significant adverse foreign exchange adjustments of the financing of the group's activities in Brazil in the first quarter of 2020, financial income and expenses for the first six months of the year were a net expense of DKK 41 million (2019: net expense of DKK 13 million).

Profit for the period

Consolidated profit before tax was DKK 121 million (2019: DKK 38 million) for the second quarter and DKK 201 million (2019: DKK 90 million) for the first six months of 2020.

For Q2, tax on the profit for the period was an expense of DKK 31 million (2019: expense of DKK 12 million), giving an effective tax rate of 26% (2019: 32%). For the first six months of the year, tax on the profit for the period was an expense of DKK 53 million (2019: expense of DKK 27 million), giving an effective tax rate of 27% (2019: 30%). The effective tax rate before restatement for hyperinflation was 24% (2019: 24%) for Q2 and 25% (2019: 24%) for HI 2020.

The profit after tax was DKK 90 million (2019: DKK 26 million) for the second quarter and DKK 148 million (2019: DKK 62 million) for the first six months of 2020.

Comprehensive income

Supported by profit growth, comprehensive income was up to DKK 89 million (2019: DKK 41 million) in Q2 2020. In spite of the profit growth achieved in the first six months of 2020, HI comprehensive income was down to DKK 81 million (2019: DKK 92 million), impacted by significant negative foreign exchange adjustments of subsidiaries.

Cash flows

Cash flows from operating activities grew to a net inflow of DKK 172 million in Q2 (2019: DKK 18 million) and DKK 260 million in HI 2020 (2019: DKK 74 million), supported by higher operating profit and working capital changes.

Cash flows from investing activities increased to a net outflow of DKK 88 million for Q2 (2019: net outflow of DKK 49 million) and a net outflow of DKK 146 million for the first six months of the year (2019: net outflow of DKK 88 million), reflecting the ongoing expansion of the group's production capacity.

Cash flows from operating and investing activities came to a net inflow of DKK 84 million for Q2 (2019: net outflow of DKK 31 million) and a net inflow of DKK 114 million for HI 2020 (2019: net outflow of DKK 14 million).

Impacted by repayment of long-term debt, cash flows from financing activities were a net outflow of DKK 51 million for Q2 2020 (2019: net outflow of DKK 55 million). For the first six months of 2020, cash flows from financing activities amounted to a net outflow of DKK 67 million (2019: net outflow of DKK 57 million).

Funding

Net interest-bearing debt at 30 June 2020 was down to DKK 522 million (2019: DKK 735 million).

Financial resources, comprising cash and undrawn loan and overdraft facilities, amounted to DKK 501 million at 30 June 2020 (2019: DKK 290 million). Hartmann's loans are subject to standard financial covenants.

ROIC

The return on invested capital was up to 28.1% (2019: 13.4%) before restatement for hyperinflation and 26.3% (2019: 12.3%) after restatement for hyperinflation.

Equity

Equity at 30 June 2020 stood at DKK 960 million (2019: DKK 791 million), for an equity ratio of 45.3% (2019: 39.3%). The financial gearing ratio at 30 June 2020 was 54.4% (2019: 92.9%).

Events after the balance sheet date

On 5 August 2020, Hartmann upgraded its 2020 guidance to revenue of DKK 2.5-2.7 billion and a profit margin before restatement for hyperinflation and special items of 15-18%, from the group's previous forecasts of revenue of DKK 2.4-2.6 billion and a profit margin of 12-15%.

On 19 August 2020, Hartmann decided to invest around DKK 150 million in 2020-2021 in a significant expansion of the group's existing factory in Missouri, USA. Hartmann furthermore decided to invest in additional capacity at factories in Europe. Hartmann adjusted the expected investment level for 2020 to DKK 450 million from previous expectations of around DKK 400 million.

Outlook

Hartmann maintains its 2020 guidance of revenue of DKK 2.5-2.7 billion, a profit margin before restatement for hyperinflation and special items of 15-18%, and the investment level, which was lifted from DKK 400 million to DKK 450 million on 19 August following a decision to invest substantially in expansion of production capacity in the USA and Europe.

On 5 August 2020, Hartmann upgraded its 2020 guidance from its previous forecasts of revenue of DKK 2.4-2.6 billion and a profit margin of 12-15%. The upgrade was triggered by strong growth in sales of egg packaging in the wake of the COVID-19 outbreak, an improved product mix and high rates of capacity utilisation and production efficiency. This trend is expected to continue through 2020, while at the same time the COVID-19 outbreak is causing reduced visibility and increased operating risk. In addition, Hartmann anticipates a slight increase in sales of machinery and technology and a modest contribution from the acquired Indian activities that are now expected to become a part of the group in the second half of 2020.

The group's investment guidance is stated inclusive of the conditional acquisition of India's Mohan Fibre for DKK 119 million. The acquisition is still expected to entail moderate special items for 2020 as a whole following the expected completion of the transaction.

Guidance

	2020
Revenue	DKK 2.5-2.7 billion
Profit margin*	15-18%
Investments	DKK ~450 million

* Before restatement for hyperinflation and special items

Assumptions

Our guidance is based on the exchange rates prevailing at the date of release of this interim report and does not factor in any acquisitions. Due to seasonal fluctuations in Hartmann's packaging sales, revenue and operating profit in the core business are generally higher in Q1 and Q4 than in Q2 and Q3.

Forward-looking statements

The forward-looking statements in this interim 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 Hartmann's markets, changes in demand for products, competition and the prices of raw materials. See also the risk management section in this interim report and note 31 to the financial statements in the annual report for 2019.

COVID-19

The global outbreak of COVID-19 and the varying political measures taken to contain the virus are causing temporary shifts in consumption patterns, limited visibility and a changed and heightened risk exposure. Hartmann continually monitors developments and has established procedures to protect its employees and maintain stable operations at its factories with a view to keeping up deliveries to its customers, who are seeing increased demand for eggs from the retail industry amid the ongoing crisis. The temporary increase in demand is predominantly due to the fact that more meals are eaten at home, which has driven sales of eggs to the food service and catering industries down and sales of shell eggs to the retail industry up.

The performance in Q2 and H1 was favourably affected by increased demand for eggs and egg packaging from mid-March, and this trend has continued into the third quarter. While the temporary shift in consumption patterns is expected to contribute favourably to Hartmann's overall packaging sales in 2020, estimating the duration and scope of this effect at individual market level is difficult.

The COVID-19 outbreak has significantly reduced visibility and is causing severe economic ramifications and currency fluctuations in several of Hartmann's markets. The South American business, in particular, is expected to be hard hit during the remaining part of 2020. The situation also entails an increased risk of temporary production interruptions at one or more of Hartmann's factories caused by the potential spread of COVID-19, political decisions dictating a full or partial shut-down of production activities, non-delivery of raw materials required for Hartmann's production and potential interruption of deliveries to customers. Moreover, Hartmann anticipates continued fluctuations in raw materials prices in the upcoming period as a result of changes in global supply chains and production patterns.

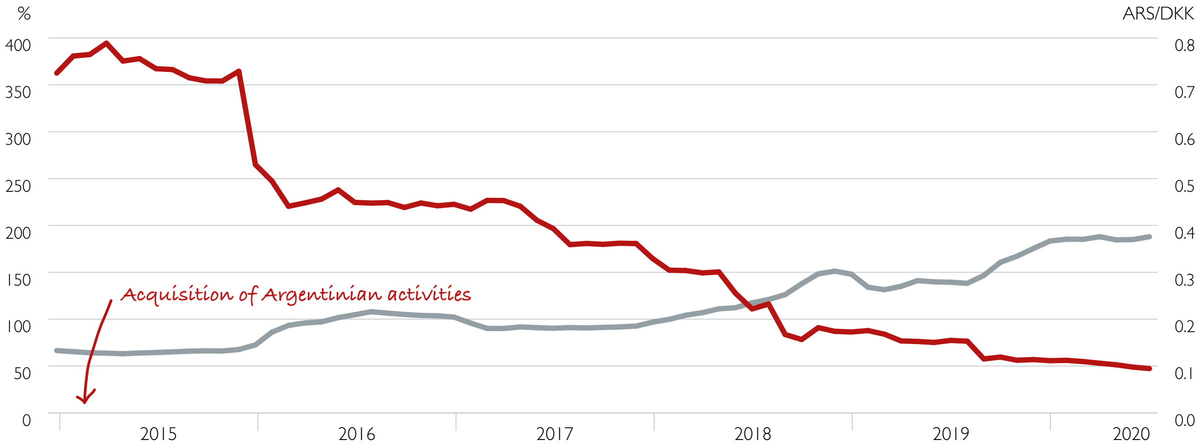
Risk management

	Description	Mitigating action
Fire	The production of egg and fruit packaging is based on paper-based moulded fibre dried at high temperatures, and Hartmann's single most significant risk is the total loss of a factory from fire. Re-establishing the facilities would be very time consuming and involve the risk of both business interruption and loss of market share as the reliability of supply is crucial to Hartmann's customers.	Hartmann continuously monitors and reviews fire conditions at its factories and invests in physical separation of equipment, high-efficiency sprinkler and alarm systems, adequate water supply and other fire protection equipment as well as in the training and education of local fire brigades among our employees. The internal steering committee conducts regular factory visits and organises visits by external experts. In addition, Hartmann has taken out an all risk insurance policy for all production facilities covering fire damage, consequential loss and other incidents. In addition to strengthening the group's supply capacity, the spreading of production across 12 factories also helps to reduce the total financial impact in case of a factory fire.
Raw materials	Fluctuations in the purchase price of recycled paper and energy (electricity and gas) may have a significant impact on the group's financial results with intense competition in the group's markets making it difficult to adjust selling prices in an effort to mitigate increases in raw materials prices. Inadequate supplies of raw materials for Hartmann's production may cause business interruption, impede satisfactory deliveries to customers and force the group to purchase raw materials on less attractive terms.	Hartmann works actively to enhance the efficiency of production at individual factories and optimise distribution to the group's customers in an effort to reduce its exposure to fluctuations in the prices of recycled paper and energy. These measures include efforts to reduce the volume of energy consumed during the manufacturing process, reduce waste in production and optimise allocation between the group's factories, taking into account customer demand and locations. Hartmann has contracted with several suppliers of recycled paper, energy and other raw materials with a view to mitigating the risk of non-delivery. Recycled paper systems and supply vary considerably across the group's markets, and long-term fixed-price agreements for recycled paper are generally impossible to obtain. In some markets, Hartmann regularly signs fixed-price agreements, typically for six or 12 months, for a substantial part of the group's energy consumption. The group continuously assesses and pursues opportunities of using alternative raw materials.
Disease outbreaks among hens	Egg packaging sales are exposed to changes in demand for eggs, which in turn may be influenced by disease outbreaks among laying hens and consumer fears of resulting health hazards. Moreover, the outbreak of diseases such as bird flu will typically entail fluctuations in the population of laying hens and volatility in egg supply and prices.	The geographical scope of Hartmann's production with factories located in Europe and North and South America helps to mitigate the total negative impact of local or regional disease outbreaks on the group's financial performance. At the same time, thanks to its versatile product portfolio and adaptability, Hartmann is able to vary its product offering according to shifts in demand patterns occurring during and in the wake of such disease outbreaks.
Politics and macroeconomics	While the consumption of eggs and fruit has historically been resilient to slowdowns in economic growth, political and macroeconomic uncertainties may cause significant shifts in Hartmann's sales across product categories. Moreover, trade barriers and significant currency fluctuations may affect the competitive strength of some factories and the group's financial results.	Hartmann monitors its markets carefully in order to be able to respond quickly to negative trends by, for instance, changing the allocation of the group's production between factories and adjusting the product offering in the markets concerned. Any negative trade barrier impacts are mitigated by Hartmann's geographical diversification and sales to local markets.
Environment	Violations of environmental legislation, rules or thresholds in connection with, for instance, wastewater discharge, CO_2 emissions, waste disposal or inadvertent chemical spills may lead to business interruption, fines or other sanctions and harm Hartmann's reputation and internal and external stakeholder relationships.	Hartmann monitors environmental risks at local and central level with a view to preventing, mitigating or minimising the group's environmental footprint. To that end, Hartmann continually invests in new production technology, optimisation of existing equipment and processes and systematic waste reduction. With a view to ensuring a structured and efficient approach to environmentally sound and energy-efficient production, a number of Hartmann's production facilities are certified to the ISO 14001 (environmental management) and ISO 50001 (energy management) standards.

Reference is made to page 8 in this interim report for a description of potential effects of COVID-19 and to the risk management section and note 31 in the annual report for 2019 for a full description of Hartmann's risk management approach.

Hyperinflation in Argentina

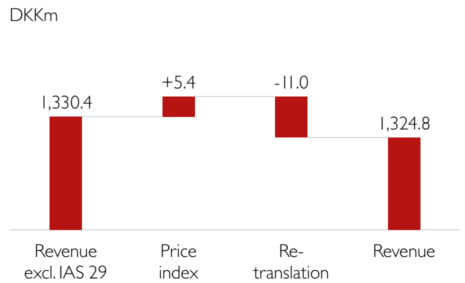
Inflation and exchange rate developments in Argentina



Effects of restating for hyperinflation on selected accounting figures year to date

DKKm	Excl. IAS 29	*Price index*	*Re-translation*	*Total adjustment*	2020 to date
Revenue	1,330.4	*5.4*	*(11.0)*	*(5.6)*	1,324.8
Operating profit before depreciation	320.2	*(0.8)*	*(2.9)*	*(3.7)*	316.4
Operating profit	249.4	*(4.4)*	*(2.4)*	*(6.8)*	242.6
Financial items, net	(39.7)	*(2.2)*	*0.5*	*(1.7)*	(41.4)

Effects of restating year-to-date revenue



The total effect on H1 2020 revenue of restating for hyperinflation under IAS 29 is a combination of restating for price index developments and the effect of using the exchange rate at the balance sheet date for purposes of translating from the Argentine peso into Danish kroner.

The price index rose by 14% during the first six months of the year, boosting revenue by DKK 5.4 million. However, the increase was offset by a decline in the ARS/DKK cross rate from 0.1114 at the beginning of the year to 0.09447 at 30 June 2020 reducing revenue by DKK 11.0 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 1,324.8 million after a net negative impact of restating for hyperinflation of DKK 5.6 million.

For more information about hyperinflation, see page 21 and note 34 in the annual report for 2019.

* Restatement for hyperinflation is made based on Argentina's Wholesale Price Index up to 31 December 2016 and on the National Consumer Price Index from 1 January 2017.

Management statement

Today, the board of directors and the executive board have discussed and approved the interim report of Brødrene Hartmann A/S for the six months ended 30 June 2020.

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

In our opinion, the interim financial statements give a true and fair view of the group's assets, liabilities and financial position at 30 June 2020 and of the results of the group's operations and cash flows for the six months ended 30 June 2020.

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

Gentofte, 19 August 2020

Executive board:

Torben Rosenkrantz-Theil
CEO

Flemming Lorents Steen
CFO

Board of directors:

Jan Klarskov Henriksen
Chairman

Steen Parsholt
Vice chairman

Danny Fleischer

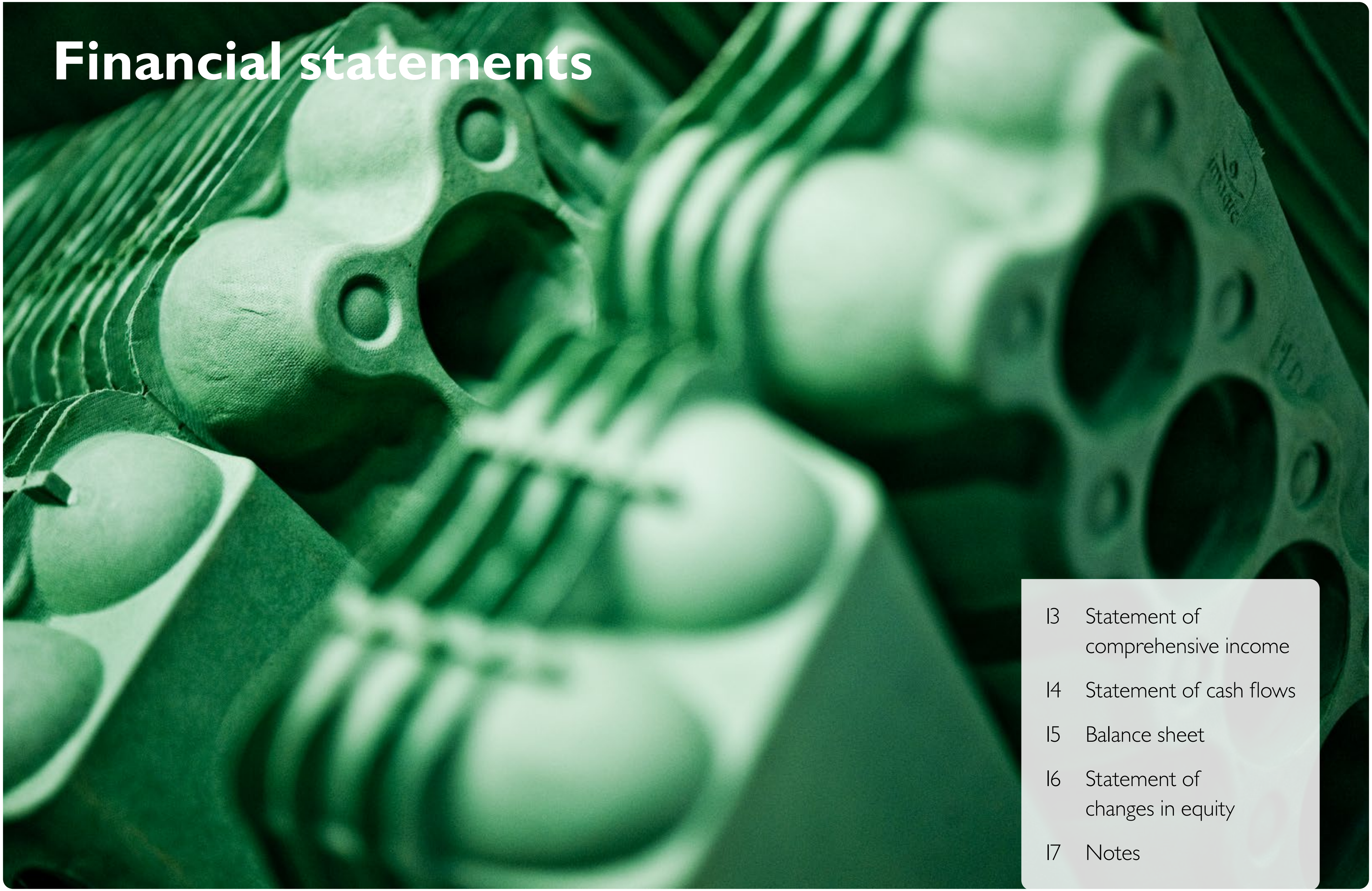
Jan Madsen

Karen Angelo Hækkerup

Marianne Schelde

Palle Skade Andersen

Financial statements



Statement of comprehensive income

DKKm **Group**	**Q2 2020**	**Q2 2019**	**H1 2020**	**H1 2019**
Revenue	662.0	553.4	1,324.8	1,149.7
Production costs	(414.4)	(398.8)	(839.4)	(819.3)
Gross profit	**247,6**	**154,6**	**485,4**	**330,4**
Selling and distribution costs	(90.8)	(85.9)	(184.9)	(178.8)
Administrative expenses	(23.8)	(24.2)	(51.3)	(48.7)
Operating profit before special items	**133.0**	**44.5**	**249.2**	**102.9**
Special items	(1.9)	0.0	(6.6)	0.0
Operating profit	**131.1**	**44.5**	**242.6**	**102.9**
Financial income	7.1	2.6	10.2	4.7
Financial expenses	(17.0)	(9.5)	(51.6)	(18.1)
Profit before tax	**121.2**	**37.6**	**201.2**	**89.5**
Tax on profit for the period	(30.9)	(12.1)	(53.4)	(27.2)
PROFIT FOR THE PERIOD	**90.3**	**25.5**	**147.8**	**62.3**
Earnings per share, DKK	13.1	3.7	21.4	9.0
Diluted earnings per share, DKK	13.1	3.7	21.4	9.0

DKKm **Group**	**Q2 2020**	**Q2 2019**	**H1 2020**	**H1 2019**
Profit for the period	**90.3**	**25.5**	**147.8**	**62.3**
Items that can be reclassified to profit or loss:				
Foreign exchange adjustment of foreign subsidiaries	(21.5)	0.6	(85.0)	6.0
Hyperinflation restatement of non-monetary balance sheet items, beginning of period	4.3	9.5	12.2	18.5
Value adjustment of hedging instruments:				
Recognised in other comprehensive income	16.7	5.4	0.7	2.8
Transferred to revenue	3.0	2.1	5.5	4.1
Transferred to production costs	1.3	(0.2)	2.4	0.0
Transferred to financial income and expenses	(0.6)	(0.5)	(0.8)	(0.1)
Tax	(4.7)	(1.6)	(1.6)	(1.7)
Other comprehensive income after tax	**(1.5)**	**15.3**	**(66.6)**	**29.6**
COMPREHENSIVE INCOME	**88.8**	**40.8**	**81.2**	**91.9**

Statement of cash flows

DKKm Group	Q2 2020	Q2 2019	H1 2020	H1 2019
Operating profit before special items	133.0	44.5	249.2	102.9
Depreciation and amortisation	32.2	32.9	67.2	65.8
Adjustment for other non-cash items	2.2	0.8	3.6	2.4
Change in working capital etc.	19.7	(48.3)	(22.4)	(66.7)
Special items	(1.9)	0.0	(6.6)	0.0
Cash generated from operations	**185.2**	**29.9**	**291.0**	**104.4**
Interest received	0.5	0.7	0.7	0.9
Interest paid	(4.6)	(7.2)	(8.8)	(11.1)
Net income tax paid	(9.3)	(5.7)	(22.9)	(20.5)
Cash flows from operating activities	**171.8**	**17.7**	**260.0**	**73.7**
Acquisition of intangible assets	0.0	(0.2)	(1.0)	(1.0)
Acquisition of property, plant and equipment	(88.5)	(48.7)	(145.5)	(86.5)
Disposal of property, plant and equipment	0.3	0.0	0.4	0.0
Dividend received from associates	0.5	0.0	0.5	0.0
Cash flows from investing activities	**(87.7)**	**(48.9)**	**(145.6)**	**(87.5)**
Cash flows from operating and investing activities	**84.1**	**(31.2)**	**114.4**	**(13.8)**
Raising of non-current debt	0.0	652.1	0.0	652.1
Repayment of non-current debt	(50.5)	(641.7)	(66.6)	(643.6)
Dividend paid	0.0	(65.7)	0.0	(65.7)
Cash flows from financing activities	**(50.5)**	**(55.3)**	**(66.6)**	**(57.2)**
TOTAL CASH FLOWS	**33.6**	**(86.5)**	**47.8**	**(71.0)**
Cash and cash equivalents, beginning of period	58.8	56.3	45.6	39.3
Foreign exchange adjustment	(0.7)	0.4	(1.7)	1.9
CASH AND CASH EQUIVALENTS, END OF PERIOD	**91.7**	**(29.8)**	**91.7**	**(29.8)**

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

DKKm Group	Q2 2020	Q2 2019	H1 2020	H1 2019
Recognition of cash and cash equivalents, end of period:				
Cash	105.5	63.6	105.5	63.6
Overdraft facilities	(13.8)	(93.4)	(13.8)	(93.4)
Cash and cash equivalents, end of period	**91.7**	**(29.8)**	**91.7**	**(29.8)**

Balance sheet

Assets

DKKm **Group**	**30 June 2020**	**30 June 2019**	**31 Dec. 2019**
Goodwill	49.3	65.0	63.0
Other intangible assets	24.0	33.8	29.5
Intangible assets	**73.3**	**98.8**	**92.5**
Land and buildings	299.0	294.6	306.1
Plant and machinery	549.5	575.2	633.3
Other fixtures and fittings, tools and equipment	13.2	13.5	14.2
Plant under construction	203.2	133.0	93.1
Property, plant and equipment	**1,064.9**	**1,016.3**	**1,046.7**
Leased land and buildings	68.1	68.3	72.3
Other leased assets	3.5	5.7	3.7
Lease assets	**71.6**	**74.0**	**76.0**
Investments in associates	2.5	3.0	3.0
Deferred tax	34.5	46.2	40.6
Other non-current assets	**37.0**	**49.2**	**43.6**
Non-current assets	**1,246.8**	**1,238.3**	**1,258.8**
Inventories	238.8	224.7	211.1
Trade receivables	381.0	373.6	369.0
Income tax	5.3	7.9	4.4
Other receivables	113.3	91.4	97.3
Prepayments	29.9	14.3	16.8
Cash	105.5	63.6	84.7
Current assets	**873.8**	**775.5**	**783.3**
ASSETS	**2,120.6**	**2,013.8**	**2,042.1**

Equity and liabilities

DKKm **Group**	**30 June 2020**	**30 June 2019**	**31 Dec. 2019**
Share capital	140.3	140.3	140.3
Hedging reserve	2.1	1.3	(4.1)
Translation reserve	(236.2)	(154.4)	(163.4)
Retained earnings	1,054.2	804.0	906.4
Proposed dividend	0.0	0.0	0.0
Equity	**960.4**	**791.2**	**879.2**
Deferred tax	19.8	25.3	18.3
Pension obligations	31.1	30.0	32.2
Credit institutions	540.6	630.4	601.9
Lease liabilities	64.7	66.8	68.5
Government grants	2.0	3.2	2.7
Other payables	18.1	0.0	7.3
Non-current liabilities	**676.3**	**755.7**	**7.3**
Lease liabilities	8.7	8.1	8.8
Government grants	0.9	1.0	1.0
Overdraft facilities	13.8	93.4	39.1
Prepayments from customers	40.6	24.7	35.5
Trade payables	204.6	174.0	163.2
Payables to associates	6.0	6.3	5.5
Income tax	41.1	17.4	18.9
Provisions	0.3	0.4	0.2
Other payables	167.9	141.6	159.8
Current liabilities	**483.9**	**466.9**	**432.0**
Liabilities	**1,160.2**	**1,222.6**	**1,162.9**
EQUITY AND LIABILITIES	**2,120.6**	**2,013.8**	**2,042.1**

Statement of changes in equity

Group	2020						2019					
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**	**(4.1)**	**(163.4)**	**906.4**	**0.0**	**879.2**	**140.3**	**(3.8)**	**(178.9)**	**741.7**	**65.7**	**765.0**
Profit for the period	-	-	-	147.8	-	147.8	-	-	-	62.3	-	62.3
Other comprehensive income												
Items that can be reclassified to profit or loss												
Foreign exchange adjustment of foreign subsidiaries	-	-	(85.0)	-	-	(85.0)	-	-	6.0	-	-	6.0
Hyperinflation restatement of non-monetary balance sheet items	-	-	12.2	-	-	12.2	-	-	18.5	-	-	18.5
Value adjustment of hedging instruments:												
Recognised in other comprehensive income	-	0.7	-	-	-	0.7	-	2.8	-	-	-	2.8
Transferred to revenue	-	5.5	-	-	-	5.5	-	4.1	-	-	-	4.1
Transferred to production costs	-	2.4	-	-	-	2.4	-	0.0	-	-	-	0.0
Transferred to financial income and expenses	-	(0.8)	-	-	-	(0.8)	-	(0.1)	-	-	-	(0.1)
Tax	-	(1.6)	-	-	-	(1.6)	-	(1.7)	-	-	-	(1.7)
Other comprehensive income	**0.0**	**6.2**	**(72.8)**	**0.0**	**0.0**	**(66.6)**	**0.0**	**5.1**	**24.5**	**0.0**	**0.0**	**29.6**
Total comprehensive income	**0.0**	**6.2**	**(72.8)**	**147.8**	**0.0**	**81.2**	**0.0**	**5.1**	**24.5**	**62.3**	**0.0**	**91.9**
Transactions with owners												
Dividend paid	-	-	-	-	-	-	-	-	-	-	(65.7)	(65.7)
Total changes in equity	**0.0**	**6.2**	**(72.8)**	**147.8**	**0.0**	**81.2**	**0.0**	**5.1**	**24.5**	**62.3**	**(65.7)**	**26.2**
Equity at 30 June	**140.3**	**2.1**	**(236.2)**	**1,054.2**	**0.0**	**960.4**	**140.3**	**1.3**	**(154.4)**	**804.0**	**0.0**	**791.2**

* Translation reserve includes reserve for foreign exchange adjustment of foreign subsidiaries and hyperinflation restatement of non-monetary balance sheet items for the Argentinian activities.

Notes

01 Accounting policies

The consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and Danish disclosure requirements for listed companies. Interim financial statements have not been prepared for the parent company. The interim financial statements are presented in Danish kroner (DKK), which is the presentation currency used for the group's operations and the functional currency of the parent company.

The accounting policies applied in the interim financial statements are consistent with the accounting policies applied in the consolidated financial statements for 2019. The accounting policies are described in note 1 to the financial statements in the annual report for 2019, to which reference is made.

New financial reporting standards and interpretations in 2020
Hartmann has implemented all new and revised financial reporting standards and interpretations adopted by the EU that are effective for financial years beginning on 1 January 2020.

The implementation of these changes has not resulted in any changes to the accounting policies.

02 Significant accounting estimates and judgments

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

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

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

Reference is made to note 3 to the financial statements in the annual report for 2019 for a full description of significant accounting estimates, assumptions and uncertainties.

Other matters
Due to seasonal fluctuations in Hartmann's packaging sales, core business revenue and operating profit are generally higher in Q1 and Q4.

In autumn 2019, the Brazilian tax authorities raised a claim of BRL 56 million, corresponding to DKK 68 million, against Hartmann's Brazilian subsidiary, Sanovo Greenpack Embalagens Do Brasil Ltda., concerning non-payment of industrial products tax (IPI) on sales of the company's products in 2015 and 2016. Based on judicial practice and statements from its legal and tax advisers, Hartmann is of the opinion that the company's products are not liable to IPI tax and accordingly considers the claim to be unjustified. Hartmann therefore disputes the claim. Hartmann does not expect the claim to materially affect the company's financial position, results of operations or cash flows. There was no development in the case in Q2 2020.

Notes

03 Segment information

Activities	**2020**						**2019**					
	Europe		**Americas**		**Total reporting segments**		**Europe**		**Americas**		**Total reporting segments**	
	Q2	**H1**	**Q2**	**H1**	**Q2**	**H1**	**Q2**	**H1**	**Q2**	**H1**	**Q2**	**H1**
External revenue												
Moulded-fibre packaging	392.6	774.6	256.9	521.9	649.5	1,296.5	310.7	655.3	229.9	480.3	540.6	1,135.6
Machinery and technology	17.5	33.9	-	-	17.5	33.9	5.9	9.8	-	-	5.9	9.8
Revenue	**410.1**	**808.5**	**256.9**	**521.9**	**667.0**	**1,330.4**	**316.6**	**665.1**	**229.9**	**480.3**	**546.5**	**1,145.4**
Hyperinflation restatement of revenue	-	-	(5.0)	(5.6)	(5.0)	(5.6)	-	-	6.9	4.3	6.9	4.3
Revenue as per statement of comprehensive income	**410.1**	**808.5**	**251.9**	**516.3**	**662.0**	**1,324.8**	**316.6**	**665.1**	**236.8**	**484.6**	**553.4**	**1,149.7**
Operating profit before special items	88.6	164.0	50.7	101.4	139.3	265.4	23.7	57.6	28.9	62.9	52.6	120.2
Other segment information												
Depreciation and amortisation	16.0	33.4	13.9	28.8			15.6	31.1	14.6	29.4		
Investments in intangible assets and property plant and equipment	-	81.5	-	74.0			-	55.0	-	32.6		
Net working capital	-	375.8	-	44.8			-	258.1	-	98.7		
Invested capital	-	936.5	-	640.3			-	744.1	-	736.9		
Segment assets	-	1,281.3	-	805.7	-	2,087.0	-	1,023.3	-	897.9	-	1,921.2
Reconciliation												
Performance targets												
Operating profit before special items for reporting segments					139.3	265.4					52.6	120.5
Hyperinflation restatement of operating profit before special items					(3.6)	(6.8)					(2.1)	(4.9)
Non-allocated corporate functions					(3.2)	(10.3)					(6.5)	(13.6)
Eliminations					0.5	0.9					0.5	0.9
Operating profit before special items as per statement of comprehensive income					**133.0**	**249.2**					**44.5**	**102.9**
Special items					(1.9)	(6.6)					0.0	0.0
Operating profit as per statement of comprehensive income					**131.1**	**242.6**					**44.5**	**102.9**
Financial income					7.1	10.2					2.6	4.7
Financial expenses					(17.0)	(51.6)					(9.5)	(18.1)
Profit before tax as per statement of comprehensive income					**121.2**	**201.2**					**37.6**	**89.5**
Assets												
Assets for reporting segments					-	2,087.0					-	1,921.2
Hyperinflation restatement of non-monetary balance sheet items					-	45.7					-	44.1
Non-allocated assets					-	232.1					-	128.9
Eliminations					-	(244.2)					-	(80.4)
Assets as per balance sheet					**-**	**2,120.6**					**-**	**2,013.8**

Notes

03 Segment information – continued

§ Accounting policies

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.

With the exception that the restatements made in pursuance of IAS 29 are not included in the management reporting, the internal management reporting is consistent with the group's accounting policies. The effects of restating for hyperinflation are shown as separate reconciling items in this note.

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 regarding 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 machinery and technology to manufacturers of moulded-fibre packaging in selected markets.

- **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.

04 Financial income and expenses

	Q2 2020	**Q2 2019**	**H1 2020**	**H1 2019**
Interest income, cash and cash equivalents etc.	0.2	0.1	0.2	0.1
Other interest income	0.3	0.6	0.5	0.8
Interest income from financial assets not measured at fair value through profit or loss	**0.5**	**0.7**	**0.7**	**0.9**
Foreign exchange gains	6.1	0.3	8.6	1.9
Gain on net monetary position on hyperinflation restatement	0.0	1.2	0.0	1.3
Derivative financial instruments	0.6	0.4	1.0	0.6
Financial income	**7.2**	**2.6**	**10.3**	**4.7**
Interest expenses, credit institutions	3.1	5.9	5.7	8.1
Interest expenses, lease liabilities	0.7	0.6	1.3	1.3
Other expenses	0.8	0.7	1.8	1.7
Interest expenses from financial liabilities not measured at fair value through profit or loss	**4.6**	**7.2**	**8.8**	**11.1**
Foreign exchange losses	11.8	2.3	40.9	6.4
Loss on net monetary position on hyperinflation restatement	0.7	0.0	1.8	0.0
Derivative financial instruments	0.0	0.0	0.2	0.6
Financial expenses	**17.1**	**9.5**	**51.7**	**18.1**
Financial income and (expenses)	**(9.9)**	**(6.9)**	**(41.4)**	**(13.4)**

§ 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 as well as monetary gains on restatement for hyperinflation.

Notes

05 Financial instrument categories

Financial instrument categories

DKKm	30 June 2020 Carrying amount	30 June 2020 Fair value	30 June 2019 Carrying amount	30 June 2019 Fair value	31 December 2019 Carrying amount	31 December 2019 Fair value
Derivative financial instruments to hedge future cash flows	3.5	3.5	3.3	3.3	0.2	0.2
Financial assets used as hedging instruments	**3.5**	**3.5**	**3.3**	**3.3**	**0.2**	**0.2**
Trade receivables	381.0	381.0	373.6	373.6	369.0	369.0
Other receivables	115.2	115.2	96.0	96.0	99.7	99.7
Cash	105.5	105.5	63.6	63.6	84.7	84.7
Loans and receivables	**601.7**	**601.7**	**533.2**	**533.2**	**553.4**	**553.4**
Derivative financial instruments to hedge future cash flows	0.9	0.9	1.6	1.6	7.2	7.2
Financial liabilities used as hedging instruments	**0.9**	**0.9**	**1.6**	**1.6**	**7.2**	**7.2**
Credit institutions	554.3	555.4	723.7	725.2	641.0	642.2
Lease liabilities	73.4	79.5	74.9	86.5	77.3	85.2
Other liabilities	418.7	418.7	337.5	337.5	347.6	347.6
Financial liabilities measured at amortised cost	**1,046.4**	**1,053.6**	**1,136.1**	**1,149.2**	**1,065.9**	**1,075.0**

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

06 Events after the balance sheet date

On 5 August 2020, Hartmann upgraded its 2020 guidance to revenue of DKK 2.5-2.7 billion and a profit margin before restatement for hyperinflation and special items of 15-18%, from the group's previous forecasts of revenue of DKK 2.4-2.6 billion and a profit margin of 12-15%.

On 19 August 2020, Hartmann decided to invest around DKK 150 million in 2020-2021 in a significant expansion of the group's existing factory in Missouri, USA. Hartmann furthermore decided to invest in additional capacity at factories in Europe. Hartmann adjusted the expected investment level for 2020 to DKK 450 million from previous expectations of around DKK 400 million.

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 the world's largest manufacturer 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 sustainable moulded-fibre production dating back to 1936.

Sustainability

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

Markets

Hartmann's key markets are Europe, South America and North America, where the group has strong market positions. Hartmann is a market leader in Europe and in South America, where our product portfolio also includes fruit packaging. Hartmann claims a growing share of the North American market and also sells machinery and technology in selected markets.

Products and customers

Hartmann sells egg and fruit packaging to manufacturers, distributors and retail chains, which are increasingly demanding sustainable packaging solutions and specialised marketing expertise. Our versatile product portfolio is customised to accommodate customer and consumer needs in each individual market. Hartmann sells machinery and technology to manufacturers of moulded-fibre packaging in selected markets.

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 empower us to develop and maintain our production platform. Each year, the group's 2,000 employees manufacture billions of moulded-fibre packaging units and machinery and technology for the manufacturing of packaging.

The Hartmann share

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

Financial calendar 2020

18 November 2020	Interim report Q3 2020

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