PACK & PERFORM

Interim report Q3 2020

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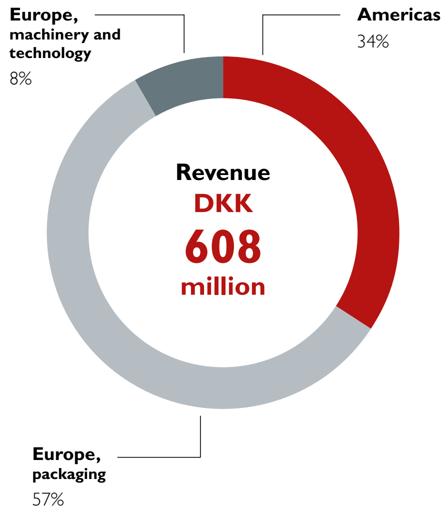
Q3 2020 highlights

Hartmann maintained an exceptionally high level of activity in Q3 2020 on the back of continued strong demand amid the COVID-19 pandemic. The group delivered a strong revenue and earnings performance during the off-season in the face of significant currency headwinds and increasing effects of COVID-19 on Hartmann's supply chain. Hartmann now expects a profit margin of 16-18%, while expectations for revenue of DKK 2.5-2.7 billion and investments of about DKK 600 million are unchanged.



Revenue

DKK 608 million

DKK 591 million in Q3 2019

Defying significant currency headwinds, Hartmann grew revenue by 3% from an already high Q3 2019 level. Growth was driven by increasing sales of egg packaging and an improved product mix. The COVID-19 pandemic led to continued strong demand for egg packaging, and Hartmann maintained stable operations and a high capacity utilisation rate at the group's production facilities in the third quarter.

Profit margin

16.0%

13.3% in Q3 2019

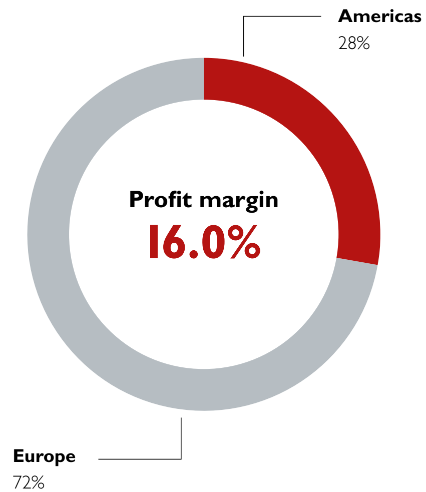
The strong earnings performance continued into the third quarter of the financial year. Supported by continued volume growth and high rates of capacity utilisation and production efficiency at its production facilities, Hartmann generated an operating profit of DKK 98 million. An improved product mix was another factor behind the strong performance relative to Q3 2019, which was supported by licence income.

Investments

DKK 58 million

DKK 58 million in Q3 2019

Hartmann maintained a high level of investment in Q3, focusing on capacity expansion at the group's production facilities in Europe and the USA and on establishing the new factory in northern Brazil. In Q4, the European capacity has been commissioned, and the capacity in the USA and Brazil is being put into operation. In Q3, Hartmann also entered into a conditional agreement to acquire Russia-based Gotek-Litar, which is expected to become a part of the group in 2020 alongside India's Mohan Fibre, the takeover of which closed in early November.



> Activity remained brisk in Q3 with demand for Hartmann's packaging products remaining exceptionally strong due to the COVID-19 pandemic. With the historically strong sales in the second quarter having nearly depleted our stocks, our production facilities worked full speed in the third quarter, while at the same time we continued the work to expand production capacity in order to accommodate customer demand.

Key figures and financial ratios for the group

DKKm	Q3 2020	Q3 2020 excl. IAS 29	Q3 2019	Q3 2019 excl. IAS 29	Year to date 2020	Year to date 2019
Comprehensive income						
Revenue	608	613	591	604	1,933	1,741
Operating profit	94	98	76	81	344	179
Special items	(1)	(1)	0	0	(8)	0
Operating profit after special items	93	97	76	81	336	179
Financial income and expenses, net	(19)	(18)	(15)	(18)	(60)	(28)
Profit before tax	75	79	61	63	276	151
Profit for the period	58	63	45	48	206	107
Comprehensive income	24	25	34	35	105	126
Cash flows						
Operating activities	102	102	130	130	362	203
Investing activities	(57)	(57)	(58)	(58)	(203)	(145)
Financing activities	(2)	(2)	(3)	(3)	(69)	(60)
Total	43	43	69	69	90	(2)
Balance sheet						
Assets	-	-	-	-	2,134	2,046
Investments in property, plant and equipment	58	58	58	58	203	144
Net working capital	-	-	-	-	340	328
Invested capital	-	-	-	-	1,481	1,500
Net interest-bearing debt (NIBD)	-	-	-	-	475	680
NIBD excl. lease liabilities	-	-	-	-	405	597
Equity	-	-	-	-	985	825

DKKm	Q3 2020	Q3 2020 excl. IAS 29	Q3 2019	Q3 2019 excl. IAS 29	Year to date 2020	Year to date 2019
Financial ratios, %						
Profit margin	15.6	16.0	12.9	13.3	17.8	10.3
Return on invested capital (ROIC), rolling 12 months	-	-	-	-	27.6	15.5
Return on equity, rolling 12 months	-	-	-	-	29.0	18.0
Equity ratio	-	-	-	-	46.1	40.3
Gearing	-	-	-	-	48.2	82.4
Share-based financial ratios						
No. of shares (excl. treasury shares)	-	-	-	-	6,915,090	6,915,090
Earnings per share, DKK (EPS)	8.4	9.1	6.4	6.9	29.7	15.4
Cash flows per share, DKK	14.8	14.8	18.7	18.7	52.3	29.4
Book value per share, DKK	-	-	-	-	142.4	119.3
Share price, DKK	-	-	-	-	508.0	280.0
Share price/book value per share	-	-	-	-	3.6	2.3
Share price/earnings (P/E), rolling 12 months	-	-	-	-	13.2	13.6
Market capitalisation, DKKm	-	-	-	-	3,563.7	1,964.2

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 Q3 2020

Supported by unusual market conditions, Hartmann maintained an exceptionally high level of activity in the third quarter of 2020, growing revenue and earnings on the back of continued volume growth in the core business and a high rate of capacity utilisation.

Retail demand for eggs remained strong in the wake of the COVID-19 outbreak, while at the same time the ongoing conversion from oil-based plastic packaging to sustainable moulded-fibre packaging continued. Despite the COVID-19 outbreak, Hartmann maintained stable operations and a high capacity utilisation rate at the group's production facilities, even though the third quarter is usually off-season for the core business. With the massive and atypical increase in demand in the second quarter having reduced stocks to very low levels, Hartmann was unable to fully meet the strong demand.

The work to expand capacity in Europe and at the US factory and to establish a new factory in Brazil continued in the third quarter, and the new European capacity has subsequently been commissioned just as the capacity in the USA and Brazil is being put into operation.

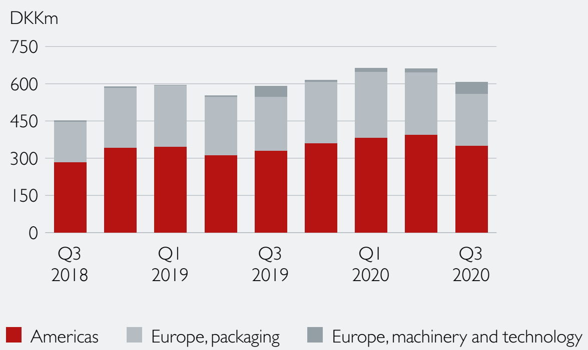
In addition, Hartmann has taken steps to further expand capacity at several of its European factories and at the factory in the USA. This work also progressed as planned in the third quarter, and the new capacity is expected to commence operations in H1 and H2 2021, respectively.

In September, Hartmann entered into a conditional agreement to acquire Russia-based Gotek-Litar, a leading manufacturer of retail and transport packaging for eggs that will provide a strong platform for long-term growth in the attractive Russian market. Gotek-Litar generated 2019 revenue of DKK 90 million and profitability in line with that of Hartmann's European packaging business in 2019. The transaction is not expected to affect the group's 2020 profit margin.

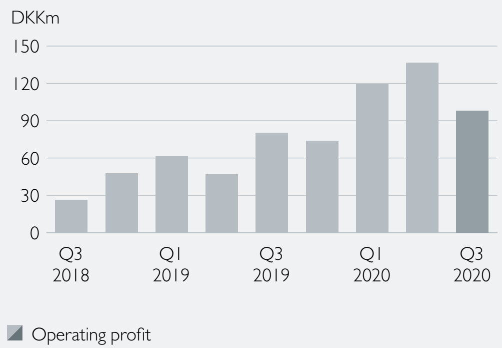
In November, Hartmann completed the acquisition of India's Mohan Fibre. The company is expected to contribute moderately to the group's financial performance in 2020.

COVID-19 led to significant fluctuations in exchange rates and raw materials prices in the third quarter, and the growing number of COVID-19 cases in Hartmann's markets in Q4 is causing political and macroeconomic uncertainty and limited visibility. The developments entail higher risk of non-delivery of raw materials and temporary fluctuations in raw materials quality and prices, potential production and logistics interruptions and adverse economic ramifications and currency fluctuations.

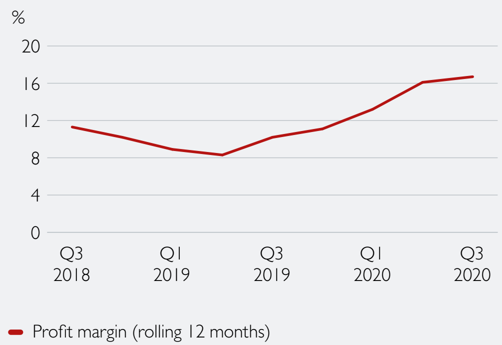
Revenue



Operating profit excl. effects of IAS 29



Profit margin excl. effects of IAS 29



Developments in Q3 2020

Revenue

Hartmann grew total revenue to DKK 608 million (2019: DKK 591 million) in Q3 2020. Growth was driven by continued volume growth in the core business and a slight increase in Hartmann Technology's sales.

Revenue for the first nine months of 2020 was up to DKK 1,933 million (2019: DKK 1,741 million).

Currency movements reduced revenue by a net DKK 61 million in the third quarter. Movements in the Argentine peso (ARS) reduced revenue by DKK 34 million, of which DKK 14 million was attributable to restatement for hyperinflation. In the first nine months of the year, currency movements reduced revenue by a net DKK 149 million. ARS movements reduced revenue by DKK 99 million, of which DKK 25 million was attributable to restatement for hyperinflation. The negative impact of restatement for hyperinflation was partially offset by the effects of price adjustments in Argentina, see page 10.

Europe

The European business maintained momentum in the third quarter, growing total revenue to DKK 399 million (2019: DKK 374 million). Sales of retail packaging grew significantly on the back of exceptionally strong demand for eggs from the European retail sector amid the COVID-19 pandemic, and core business revenue was up to DKK 349 million (2019: DKK 330 million) in the third quarter. In the year-earlier period, revenue was favourably affected by licence income resulting from the settlement of a European patent infringement dispute concerning Hartmann's imagic® products. Hartmann Technology reported revenue up to DKK 50 million from DKK 44 million in Q3 2019.

In the first nine months of 2020, the European business generated total revenue of DKK 1,207 million (2019: DKK 1,039 million), with the core business contributing DKK 1,124 million (2019: DKK 985 million). Hartmann Technology accounted for DKK 84 million (2019: DKK 54 million) of 9M 2020 revenue.

Americas

Adversely affected by significant currency headwinds in both South and North America, total revenue from the group's activities in the Americas declined to DKK 209 million in the third quarter (2019: DKK 218 million). Volumes continued to grow as a result of strong demand amid the COVID-19 pandemic, and revenue was further supported by an improved product mix.

In the first nine months of 2020, revenue from the Americas was up to DKK 725 million (2019: DKK 702 million).

Operating profit

Supported by revenue growth and high rates of capacity utilisation and production efficiency, Q3 operating profit before restatement for hyperinflation was up to DKK 98 million (2019: DKK 81 million), for a profit margin of 16.0% (2019: 13.3%).

9M operating profit before restatement for hyperinflation was up to DKK 354 million (2019: DKK 188 million), for a profit margin of 18.2% (2019: 10.8%).

Despite a slight negative impact in the amount of DKK 2 million from movements in ARS, the net impact of currency fluctuations on operating profit before restatement for hyperinflation was neutral in the third quarter of 2020. In the first nine months of the year, currency fluctuations reduced operating profit by a net DKK 6 million. Movements in ARS reduced operating profit by DKK 22 million.

After restatement for hyperinflation, Q3 2020 operating profit came to DKK 94 million (2019: DKK 76 million), for a profit margin of 15.6% (2019: 12.9%), while 9M 2020 operating profit came to DKK 344 million (2019: DKK 179 million), for a profit margin of 17.8% (2019: 10.3%).

Europe

The European business grew operating profit to DKK 74 million in Q3 2020 (2019: DKK 62 million), taking the profit margin to 18.6% (2019: 16.5%). Growth was driven by a high rate of capacity utilisation at the group's production facilities and developments in the product mix with retail packaging making up a higher proportion. In addition, earnings from the European business were moderately supported by developments in raw materials prices. Earnings were lifted relative to Q3 2019, even though that quarter was significantly affected by licence income.

For the first nine months of 2020, operating profit from the European business grew to DKK 238 million (2019: DKK 119 million), for a profit margin of 19.7% (2019: 11.5%).

Americas

The American business grew operating profit to DKK 28 million before restatement for hyperinflation in Q3 (2019: DKK 24 million), taking the profit margin to 13.1% (2019: 9.1%). Growth was driven by a high rate of capacity utilisation and an improved product mix, while higher raw materials prices in North America and Argentina and adverse currency effects impacted negatively on earnings.

For the first nine months of 2020, the American business grew operating profit before restatement for hyperinflation to DKK 130 million (2019: DKK 87 million), for a profit margin of 17.6% (2019: 12.3%).

Developments in Q3 2020

After restatement for hyperinflation, Q3 operating profit from the Americas came to DKK 25 million (2019: DKK 20 million), for a profit margin of 11.8% (2019: 9.1%), while 9M operating profit was DKK 119 million (2019: DKK 78 million), for a profit margin of 16.5% (2019: 11.1%).

Corporate functions
Costs related to corporate functions came to DKK 5 million for the third quarter (2019: DKK 6 million) and DKK 15 million for the first nine months of 2020 (2019: DKK 19 million).

Special items
Special items amounted to a net expense of DKK 1 million for Q3 (2019: DKK 0 million) and a net expense of DKK 8 million for 9M 2020 (2019: DKK 0 million) and were partially attributable to transaction costs related to the agreements to acquire India's Mohan Fibre and Russia-based Gotek-Litar.

Financial income and expenses
Financial income and expenses were a net expense of DKK 19 million (2019: net expense of DKK 15 million) for Q3 2020 and a net expense of DKK 60 million (2019: net expense of DKK 28 million) for the first nine months of 2020. Year-to-date developments are attributable to significant adverse foreign exchange adjustments of the financing of the group's activities in Brazil in the first quarter of 2020.

Profit for the period
Profit before tax was DKK 75 million (2019: DKK 61 million) for the third quarter and DKK 276 million (2019: DKK 151 million) for the first nine months of 2020.

For Q3, tax on the profit for the period was an expense of DKK 17 million (2019: expense of DKK 18 million), giving an effective tax rate of 23% (2019: 29%). For the first nine months of the year, tax on the profit for the period was an expense of DKK 70 million (2019: expense of DKK 44 million), giving an effective tax rate of 26% (2019: 29%). The effective tax rate before restatement for hyperinflation was 21% (2019: 24%) for Q3 and 24% (2019: 24%) for 9M 2020.

The profit after tax was DKK 58 million (2019: DKK 45 million) for the third quarter and DKK 206 million (2019: DKK 107 million) for the first nine months of 2020.

Comprehensive income
Although profits were up, comprehensive income was down to DKK 24 million (2019: DKK 34 million) in Q3 and DKK 105 million (2019: DKK 126 million) in the first nine months of 2020, impacted by significant negative foreign exchange adjustments of subsidiaries.

Cash flows
Despite the higher operating profit, cash flows from operating activities fell to a net inflow of DKK 102 million in Q3 (2019: DKK 130 million), reflecting working capital changes and an increase in income tax paid. In the first nine months of 2020, cash flows from operating activities grew to a net inflow of DKK 362 million (2019: net inflow of DKK 203 million), driven by higher operating profit.

Cash flows from investing activities came to a net outflow of DKK 57 million for Q3 (2019: net outflow of DKK 58 million) and a net outflow of DKK 203 million for the first nine months of the year (2019: net outflow of DKK 145 million), reflecting the group's ongoing efforts to expand production capacity.

Cash flows from operating and investing activities amounted to a net inflow of DKK 45 million for Q3 2020 (2019: net inflow of DKK 72 million) and a net inflow of DKK 159 million for the first nine months of the year (2019: net inflow of DKK 58 million).

Cash flows from financing activities amounted to a net outflow of DKK 2 million for the third quarter (2019: net outflow of DKK 3 million) and a net outflow of DKK 69 million for the first nine months of the year (2019: net outflow of DKK 60 million).

Funding
Net interest-bearing debt at 30 September 2020 was down to DKK 475 million (2019: DKK 680 million).

Financial resources, comprising cash and undrawn loan and overdraft facilities, amounted to DKK 545 million at 30 September 2020 (2019: DKK 290 million). Hartmann's loans are subject to standard financial covenants.

ROIC
The return on invested capital was up to 29.4% (2019: 16.8%) before restatement for hyperinflation and 27.6% (2019: 15.5%) after restatement for hyperinflation.

Equity
Equity at 30 September 2020 stood at DKK 982 million (2019: DKK 825 million), for an equity ratio of 46.0% (2019: 40.3%). The financial gearing ratio at 30 September 2020 was 48.2% (2019: 82.4%).

Events after the balance sheet date
On 4 November 2020, Hartmann announced that the group had obtained the relevant regulatory approvals and completed the acquisition of India-based Mohan Fibre at a purchase price of DKK 119 million, as described in company announcement no. 3/2020 dated 29 January 2020. Mohan Fibre will form part of the Eurasia segment, which will replace the Europe segment and comprise the production and sale of moulded-fibre packaging across Hartmann's markets and the production and sale of machinery and technology, which is sold globally, primarily outside the group's primary markets.

Outlook

Hartmann now expects a profit margin 16-18% (previously 15-18%) before restatement for hyperinflation and special items, while the revenue guidance of DKK 2.5-2.7 billion is unchanged. The investment level of around DKK 600 million is maintained after being raised from DKK 450 million on 9 September in connection with the announcement of the conditional acquisition of Russia's Gotek-Litar.

Demand for egg packaging is expected to remain strong through 2020 as a result of the COVID-19 outbreak. This is expected to translate into a continued favourable product mix and high rates of capacity utilisation and production efficiency. However, the growing number of COVID-19 cases in Hartmann's markets is causing a significantly increased operational risk, substantial fluctuations in foreign exchange rates and raw materials prices and reduced visibility. Market conditions are particularly challenging in South America, where Hartmann expects the spread of COVID-19 to have significant adverse macroeconomic ramifications, including potential negative effects on the product mix and sales of eggs in the retail industry as well as operational challenges.

Hartmann anticipates higher sales of machinery and technology in 2020 relative to 2019 and a modest overall contribution from the acquired Indian activities and the Russian activities that are also expected to become a part of the group in 2020.

Guidance

	2020
Revenue	DKK 2.5-2.7 billion
Profit margin*	16-18%
Investments	DKK ~600 million

* Before restatement for hyperinflation and special items

The group's investment guidance is stated inclusive of the acquisition of Mohan Fibre in India for DKK 119 million and the conditional acquisition of Gotek-Litar in Russia for DKK 116 million.

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 Q3 and 9M was favourably affected by increased demand for eggs and egg packaging from mid-March, and this trend has continued into the fourth 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 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 and lower quality 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.

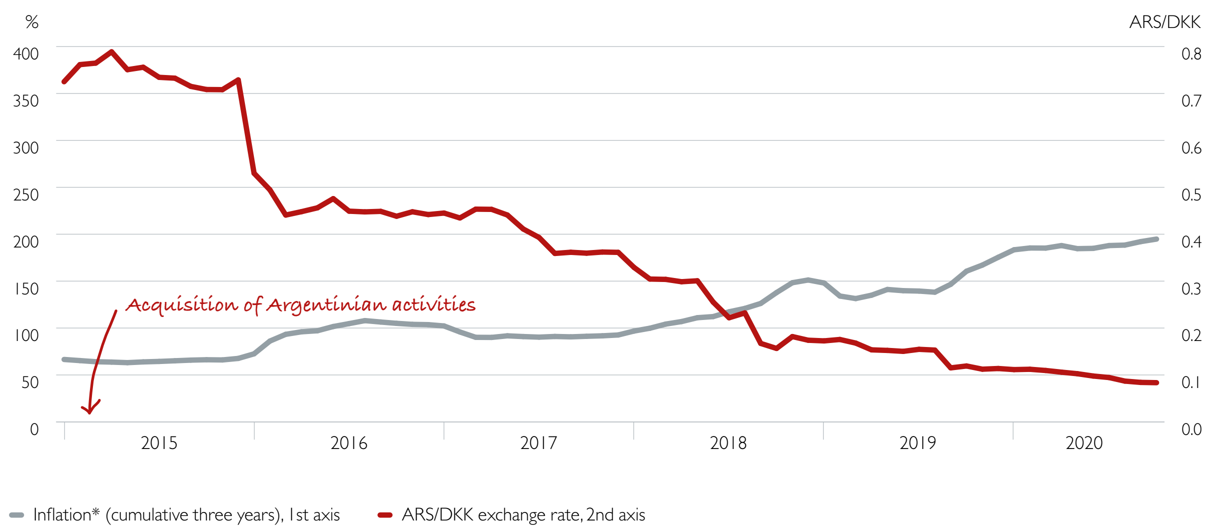
Risk management

	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.

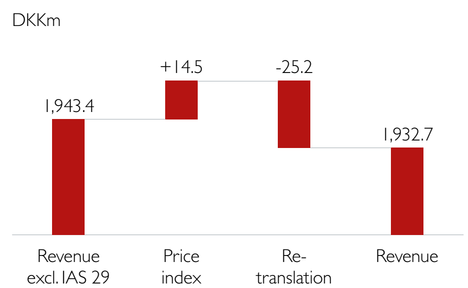
Reference is made to page 8 in this interim report for a description of potential effects of COVID-19 and to the risk management section and note 31 in the annual report for 2019 for a full description of Hartmann's risk management approach.

Hyperinflation in Argentina

Inflation and exchange rate developments in Argentina



Effects of restating year-to-date revenue



The total effect on 9M 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 22% during the first nine months of the year, boosting revenue by DKK 14.5 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 0.0835 at 30 September 2020 reducing revenue by DKK 25.2 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 1,932.7 million after a net negative impact of restating for hyperinflation of DKK 10.7 million.

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

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	1,943.4	*14.5*	*(25.2)*	*(10.7)*	1,932.7
Operating profit before depreciation	448.1	*0.6*	*(6.4)*	*(5.8)*	442.3
Operating profit	353.8	*(4.8)*	*(5.3)*	*(10.1)*	343.7
Financial items, net	(57.3)	*(4.0)*	*1.3*	*(2.7)*	(60.0)

* 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 nine months ended 30 September 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 September 2020 and of the results of the group's operations and cash flows for the nine months ended 30 September 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, 18 November 2020

Executive board:

Torben Rosenkrantz-Theil
CEO

Flemming Lorents Steen
CFO

Board of directors:

Jan Klarskov Henriksen
Chairman

Steen Parsholt
Vice chairman

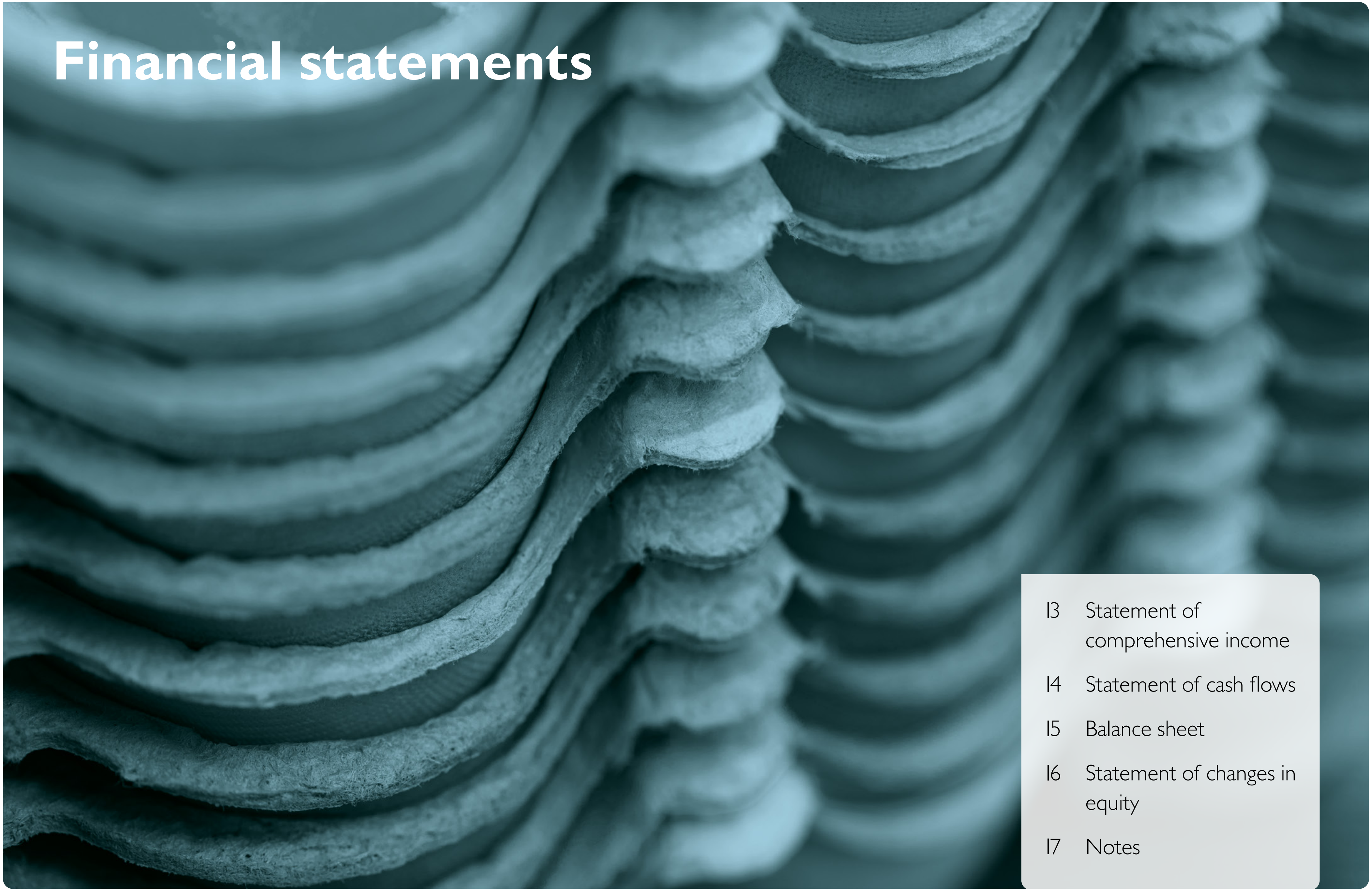
Danny Fleischer

Jan Madsen

Karen Angelo Hækkerup

Marianne Schelde

Palle Skade Andersen



Financial statements

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Statement of comprehensive income

DKKm **Group**	**Q3 2020**	**Q3 2019**	**9M 2020**	**9M 2019**
Revenue	607.9	591.3	1,932.7	1,741.0
Production costs	(405.8)	(408.4)	(1,245.2)	(1,227.7)
Gross profit	**202,1**	**182,9**	**687,5**	**513,3**
Selling and distribution costs	(84.9)	(81.8)	(269.8)	(260.6)
Administrative expenses	(22.8)	(25.1)	(74.1)	(73.8)
Operating profit before special items	**94.4**	**76.0**	**343.6**	**178.9**
Special items	(1.0)	0.0	(7.6)	0.0
Operating profit	**93.4**	**76.0**	**336.0**	**178.9**
Financial income	0.7	5.1	11.0	9.8
Financial expenses	(19.3)	(19.9)	(71.0)	(38.0)
Profit before tax	**74.8**	**61.2**	**276.0**	**150.7**
Tax on profit for the period	(17.0)	(16.7)	(70.4)	(43.9)
PROFIT FOR THE PERIOD	**57.8**	**44.5**	**205.6**	**106.8**
Earnings per share, DKK	8.4	6.4	29.7	15.4
Diluted earnings per share, DKK	8.4	6.4	29.7	15.4

DKKm **Group**	**Q3 2020**	**Q3 2019**	**9M 2020**	**9M 2019**
Profit for the period	**57.8**	**44.5**	**205.6**	**106.8**
Items that can be reclassified to profit or loss:				
Foreign exchange adjustment of foreign subsidiaries	(39.5)	(13.6)	(124.5)	(7.6)
Hyperinflation restatement of non-monetary balance sheet items, beginning of period	5.5	5.7	17.7	24.2
Value adjustment of hedging instruments:				
Recognised in other comprehensive income	0.8	(4.2)	1.5	(1.4)
Transferred to revenue	(1.1)	0.4	4.4	4.5
Transferred to production costs	0.6	0.1	3.0	0.1
Transferred to financial income and expenses	0.2	(0.1)	(0.6)	(0.2)
Tax	(0.2)	0.9	(1.8)	(0.8)
Other comprehensive income after tax	**(33.7)**	**(10.8)**	**(100.3)**	**18.8**
COMPREHENSIVE INCOME	**24.1**	**33.7**	**105.3**	**125.6**

Statement of cash flows

DKKm **Group**	**Q3 2020**	**Q3 2019**	**9M 2020**	**9M 2019**
Operating profit before special items	94.4	76.0	343.6	178.9
Depreciation and amortisation	31.4	39.4	98.6	105.1
Adjustment for other non-cash items	2.0	3.6	5.7	6.0
Change in working capital etc.	(9.9)	19.2	(32.4)	(47.6)
Special items	(1.0)	0.0	(7.6)	0.0
Cash generated from operations	**116.9**	**138.2**	**407.9**	**242.4**
Interest received	0.7	0.4	1.4	1.3
Interest paid	(3.5)	(5.3)	(12.3)	(16.4)
Net income tax paid	(12.1)	(3.8)	(35.0)	(24.2)
Cash flows from operating activities	**102.0**	**129.5**	**362.0**	**203.1**
Acquisition of intangible assets	0.0	(0.2)	(1.0)	(1.1)
Acquisition of property, plant and equipment	(57.5)	(57.7)	(203.0)	(144.2)
Disposal of property, plant and equipment	0.2	0.3	0.6	0.3
Dividend received from associates	0.0	0.0	0.5	0.0
Cash flows from investing activities	**(57.3)**	**(57.6)**	**(202.9)**	**(145.0)**
Cash flows from operating and investing activities	**44.7**	**71.9**	**159.1**	**58.1**
Raising of non-current debt	0.0	0.0	0.0	652.1
Repayment of non-current debt	(2.1)	(2.8)	(68.7)	(646.3)
Dividend paid	0.0	0.0	0.0	(65.7)
Cash flows from financing activities	**(2.1)**	**(2.8)**	**(68.7)**	**(59.9)**
TOTAL CASH FLOWS	**42.6**	**69.1**	**90.4**	**(1.8)**
Cash and cash equivalents, beginning of period	91.7	(29.8)	45.6	39.3
Foreign exchange adjustment	(2.0)	(2.0)	(3.7)	(0.2)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**132.3**	**37.3**	**132.3**	**37.3**

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

DKKm **Group**	**Q3 2020**	**Q3 2019**	**9M 2020**	**9M 2019**
Recognition of cash and cash equivalents, end of period:				
Cash	147.6	77.1	147.6	77.1
Overdraft facilities	(15.3)	(39.8)	(15.3)	(39.8)
Cash and cash equivalents, end of period	**132.3**	**37.3**	**132.3**	**37.3**

Balance sheet

Assets

DKKm **Group**	**30 Sep. 2020**	**30 Sep. 2019**	**31 Dec. 2019**
Goodwill	46.3	62.8	63.0
Other intangible assets	21.6	30.5	29.5
Intangible assets	**67.9**	**93.3**	**92.5**
Land and buildings	286.6	297.8	306.1
Plant and machinery	516.1	612.1	633.3
Other fixtures and fittings, tools and equipment	11.8	14.0	14.2
Plant under construction	244.3	106.1	93.1
Property, plant and equipment	**1,058.8**	**1,030.0**	**1,046.7**
Leased land and buildings	64.1	76.1	72.3
Other leased assets	3.0	5.2	3.7
Lease assets	**67.1**	**81.3**	**76.0**
Investments in associates	2.5	3.0	3.0
Deferred tax	31.4	45.4	40.6
Other non-current assets	**33.9**	**48.4**	**43.6**
Non-current assets	**1,227.7**	**1,253.0**	**1,258.8**
Inventories	253.4	219.2	211.1
Trade receivables	360.9	390.6	369.0
Income tax	7.2	4.4	4.4
Other receivables	99.0	89.9	97.3
Prepayments	37.8	12.0	16.8
Cash	147.6	77.1	84.7
Current assets	**905.9**	**793.2**	**783.3**
ASSETS	**2,133.6**	**2,046.2**	**2,042.1**

Equity and liabilities

DKKm **Group**	**30 Sep. 2020**	**30 Sep. 2019**	**31 Dec. 2019**
Share capital	140.3	140.3	140.3
Hedging reserve	2.4	(1.6)	(4.1)
Translation reserve	(270.2)	(162.3)	(163.4)
Retained earnings	1,112.0	848.5	906.4
Proposed dividend	0.0	0.0	0.0
Equity	**984.5**	**824.9**	**879.2**
Deferred tax	20.4	24.0	18.3
Pension obligations	29.1	29.4	32.2
Credit institutions	537.8	634.7	601.9
Lease liabilities	60.5	72.9	68.5
Government grants	1.7	2.9	2.7
Other payables	20.9	0.0	7.3
Non-current liabilities	**670.4**	**763.9**	**7.3**
Lease liabilities	8.6	9.6	8.8
Government grants	0.9	1.0	1.0
Overdraft facilities	15.3	39.8	39.1
Prepayments from customers	26.6	37.2	35.5
Trade payables	209.8	190.7	163.2
Payables to associates	5.3	6.5	5.5
Income tax	42.7	23.9	18.9
Provisions	0.5	0.3	0.2
Other payables	169.0	148.4	159.8
Current liabilities	**478.7**	**457.4**	**432.0**
Liabilities	**1,149.1**	**1,221.3**	**1,162.9**
EQUITY AND LIABILITIES	**2,133.6**	**2,046.2**	**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	-	-	-	205.6	-	205.6	-	-	-	106.8	-	106.8
Other comprehensive income												
Items that can be reclassified to profit or loss												
Foreign exchange adjustment of foreign subsidiaries	-	-	(124.5)	-	-	(124.5)	-	-	(7.6)	-	-	(7.6)
Hyperinflation restatement of non-monetary balance sheet items, beginning of period	-	-	17.7	-	-	17.7	-	-	24.2	-	-	24.2
Value adjustment of hedging instruments:												
Recognised in other comprehensive income	-	1.5	-	-	-	1.5	-	(1.4)	-	-	-	(1.4)
Transferred to revenue	-	4.4		-	-	4.4	-	4.5	-	-	-	4.5
Transferred to production costs	-	3.0	-	-	-	3.0	-	0.1	-	-	-	0.1
Transferred to financial income and expenses	-	(0.6)	-	-	-	(0.6)	-	(0.2)	-	-	-	(0.2)
Tax	-	(1.8)	-	-	-	(1.8)	-	0.8	-	-	-	(0.8)
Other comprehensive income	**0.0**	**6.5**	**(106.8)**	**0.0**	**0.0**	**(100.3)**	**0.0**	**2.2**	**16.6**	**0.0**	**0.0**	**18.8**
Total comprehensive income	**0.0**	**6.5**	**(106.8)**	**205.6**	**0.0**	**105.3**	**0.0**	**2.2**	**16.6**	**106.8**	**0.0**	**125.6**
Transactions with owners												
Dividend paid	-	-	-	-	-	-	-	-	-	-	(65.7)	(65.7)
Total changes in equity	**0.0**	**6.5**	**(106.8)**	**205.6**	**0.0**	**105.3**	**0.0**	**2.2**	**16.6**	**106.8**	**(65.7)**	**59.9**
Equity at 30 September	**140.3**	**2.4**	**(270.2)**	**1,112.0**	**0.0**	**984.5**	**140.3**	**(1.6)**	**(162.3)**	**848.5**	**0.0**	**824.9**

* 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 63 million, against Hartmann's Brazilian subsidiary, Sanovo Greenpack Embalagens Do Brasil Ltda., concerning alleged 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. If, contrary to expectations, the claim is upheld, similar claims are expected to be raised for the period after 2016. There was no development in the case in Q3 2020.

Notes

03 Segment information

Activities	2020						2019					
	Europe		Americas		Total reporting segments		Europe		Americas		Total reporting segments	
	Q3	9M	Q3	9M	Q3	9M	Q3	9M	Q3	9M	Q3	9M
External revenue												
Moulded-fibre packaging	349.1	1,123.6	214.2	736.1	563.3	1,859.7	329.5	984.9	230.8	711.0	560.3	1,695.9
Other revenue	49.7	83.7	-	-	49.7	83.7	44.1	53.9	-	-	44.1	53.9
Revenue	**398.8**	**1,207.3**	**214.2**	**736.1**	**613.0**	**1,943.4**	**373.6**	**1,038.8**	**230.8**	**711.0**	**604.4**	**1,749.8**
Hyperinflation restatement of revenue	-	-	(5.1)	(10.7)	(5.1)	(10.7)	-	-	(13.1)	(8.8)	(13.1)	(8.8)
Revenue as per statement of comprehensive income	**398.8**	**1,207.3**	**209.1**	**725.4**	**607.9**	**1,932.7**	**373.6**	**1,038.8**	**217.7**	**702.2**	**591.3**	**1,741.0**
Operating profit before special items	74.1	238.2	28.1	129.5	102.2	367.2	61.5	119.1	24.3	87.1	85.8	206.2
Other segment information												
Depreciation and amortisation	16.4	49.8	15.0	48.8			21.9	53.0	15.3	44.7		
Investments in intangible assets and property plant and equipment	-	77.8	-	141.0			-	106.4	-	44.3		
Net working capital	-	420.7	-	13.1			-	254.9	-	72.6		
Invested capital	-	953.9	-	630.7			-	767.3	-	702.6		
Segment assets	-	1,294.0	-	814.6	-	2,108.6	-	1,084.3	-	863.5	-	1,947.8

Reconciliation

	2020 Q3	2020 9M	2019 Q3	2019 9M
Performance targets				
Operating profit before special items for reporting segments	102.2	367.7	85.8	206.2
Hyperinflation restatement of operating profit before special items	(3.4)	(10.1)	(4.5)	(9.4)
Non-allocated corporate functions	(4.9)	(15.4)	(5.8)	(19.3)
Eliminations	0.5	1.4	0.5	1.4
Operating profit before special items as per statement of comprehensive income	**94.4**	**343.6**	**76.0**	**178.9**
Special items	(1.0)	(7.6)	0.0	0.0
Operating profit as per statement of comprehensive income	**93.4**	**336.0**	**76.0**	**178.9**
Financial income	0.7	11.0	5.1	9.8
Financial expenses	(19.3)	(71.0)	(19.9)	(38.0)
Profit before tax as per statement of comprehensive income	**74.8**	**276.0**	**61.2**	**150.7**
Assets				
Assets for reporting segments	-	2,108.6	-	1,947.8
Hyperinflation restatement of non-monetary balance sheet items	-	44.4	-	42.5
Non-allocated assets	-	250.9	-	137.5
Eliminations	-	(270.3)	-	(81.6)
Assets as per balance sheet	**-**	**2,133.6**	**-**	**2,046.2**

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

	Q3 2020	Q3 2019	9M 2020	9M 2019
Interest income, cash and cash equivalents etc.	0.5	0.1	0.7	0.2
Other interest income	0.2	0.3	0.7	1.1
Interest income from financial assets not measured at fair value through profit or loss	**0.7**	**0.4**	**1.4**	**1.3**
Foreign exchange gains	0.0	2.1	8.6	4.0
Gain on net monetary position on hyperinflation restatement	0.0	2.4	0.0	3.7
Derivative financial instruments	0.0	0.2	1.0	0.8
Financial income	**0.7**	**5.1**	**11.0**	**9.8**
Interest expenses, credit institutions	2.3	3.4	8.0	11.5
Interest expenses, lease liabilities	0.6	0.8	1.9	2.1
Other interest expenses	0.6	1.1	2.4	2.8
Interest expenses from financial liabilities not measured at fair value through profit or loss	**3.5**	**5.3**	**12.3**	**16.4**
Foreign exchange losses	14.5	14.6	55.4	21.0
Loss on net monetary position on hyperinflation restatement	1.1	0.0	2.9	0.0
Derivative financial instruments	0.2	0.0	0.4	0.6
Financial expenses	**19.3**	**19.9**	**71.0**	**38.0**
Financial income and (expenses)	**(18.6)**	**(14.8)**	**(60.0)**	**(28.2)**

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 as well as monetary gains on restatement for hyperinflation.

Notes

05 Financial instrument categories

Financial instrument categories

DKKm	30 September 2020 Carrying amount	30 September 2020 Fair value	30 September 2019 Carrying amount	30 September 2019 Fair value	31 December 2019 Carrying amount	31 December 2019 Fair value
Derivative financial instruments to hedge future cash flows	3.6	3.6	2.1	2.1	0.2	0.2
Financial assets used as hedging instruments	**3.6**	**3.6**	**2.1**	**2.1**	**0.2**	**0.2**
Trade receivables	360.9	360.9	360.6	390.6	369.0	369.0
Other receivables	102.6	102.6	92.1	92.1	99.7	99.7
Cash	147.6	147.6	77.1	77.1	84.7	84.7
Loans and receivables	**611.1**	**611.1**	**559.8**	**559.8**	**553.4**	**553.4**
Derivative financial instruments to hedge future cash flows	0.4	0.4	4.2	4.2	7.2	7.2
Financial liabilities used as hedging instruments	**0.4**	**0.4**	**4.2**	**4.2**	**7.2**	**7.2**
Credit institutions	553.0	553.9	674.5	675.8	641.0	642.2
Lease liabilities	69.1	76.7	82.5	83.3	77.3	85.2
Other liabilities	429.3	429.3	365.3	365.3	347.6	347.6
Financial liabilities measured at amortised cost	**1,051.4**	**1,059.9**	**1,122.3**	**1,124.4**	**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 4 November 2020, Hartmann announced that the group had obtained the relevant regulatory approvals and completed the acquisition of India-based Mohan Fibre at a purchase price of DKK 119 million, as described in company announcement no. 3/2020 dated 29 January 2020. Mohan Fibre will form part of the Eurasia segment, which will replace the Europe segment and comprise the production and sale of moulded-fibre packaging across Hartmann's markets and the production and sale of machinery and technology, which is sold globally, primarily outside the group's primary markets.

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 India 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 and India, 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 13 factories in Europe, Israel, North and South America and India. 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 2,200 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.

This interim report was released in Danish and English through Nasdaq Copenhagen as company announcement no. 21/2020. In case of discrepancies between the two versions, or in case of doubt, the Danish version prevails.

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