HARTMANN

PACK & PERFORM

Hartmann expanded capacity and generated record-breaking results in 2020

Annual report 2020

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While our progress in 2020 was largely driven by COVID-19-related effects, the underlying business also made considerable headway.

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COVID-19

Since March 2020, the COVID-19 pandemic has caused temporary shifts in consumption patterns, limited visibility and a changed and heightened risk landscape.

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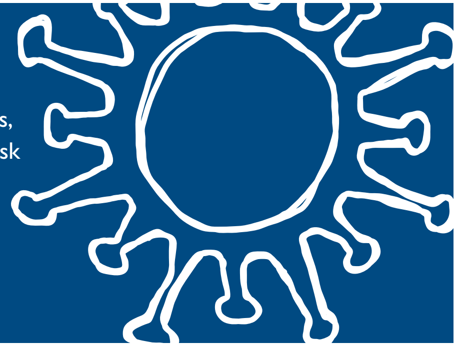

Outlook

Hartmann expects to grow core business volumes in 2021, supported by new production capacity and strong demand for eggs amid the COVID-19 pandemic.

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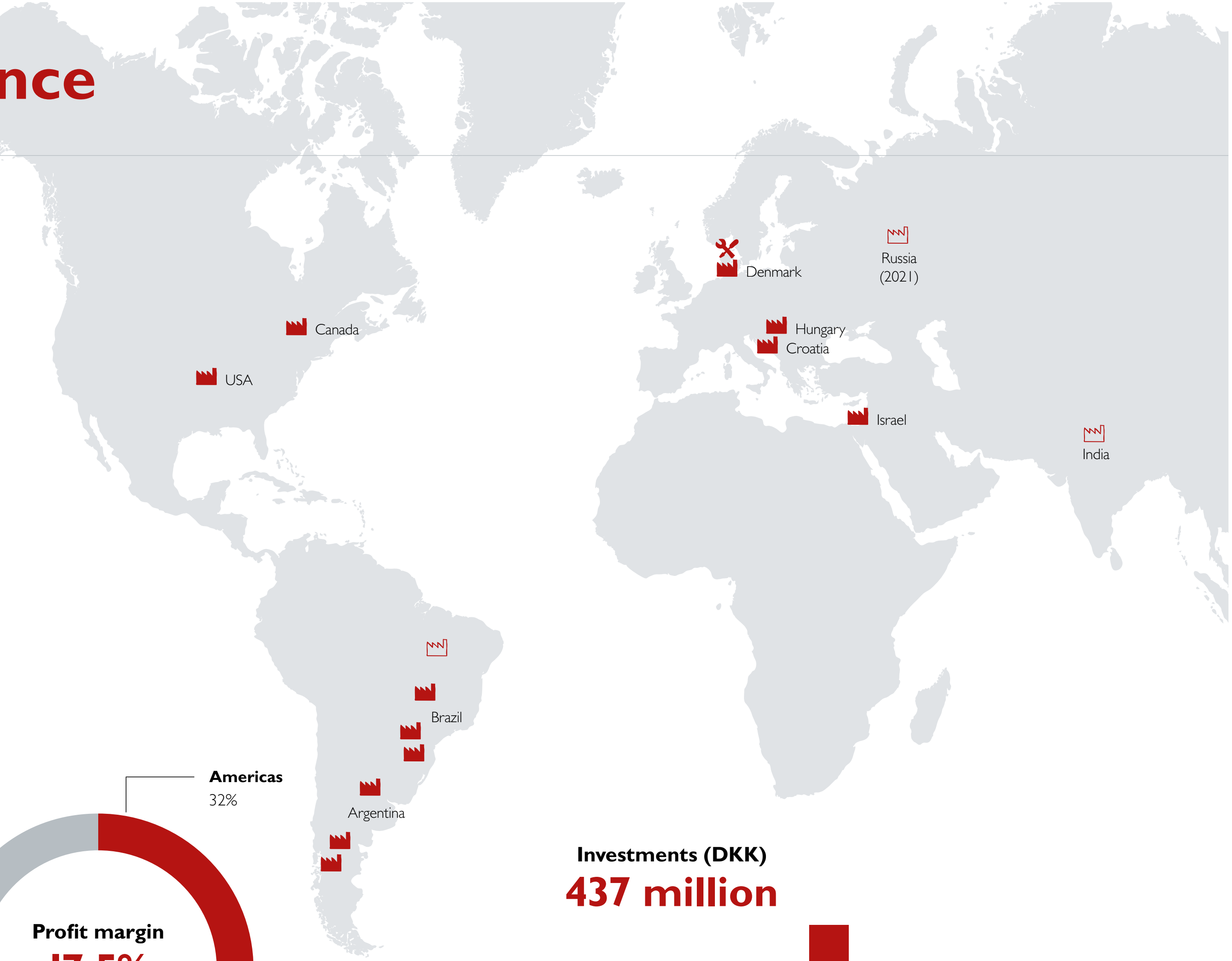
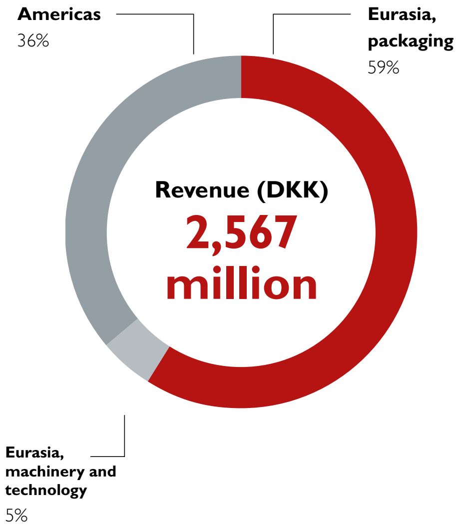
Highlights

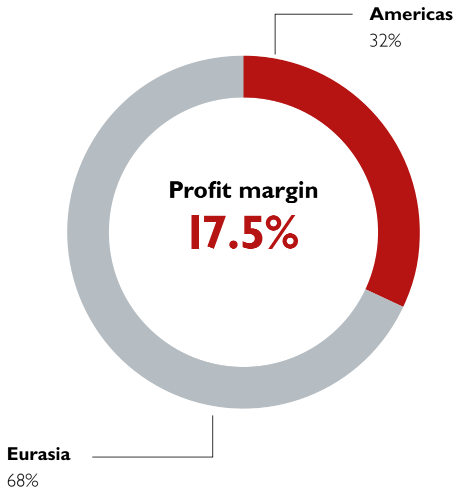

Hartmann delivered extraordinary results in an unusual year

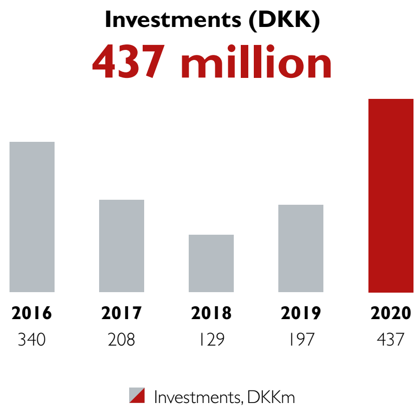
Hartmann at a glance

Hartmann is the world's leading manufacturer of moulded-fibre egg packaging and a market-leading manufacturer of fruit packaging in South America and India. The group is also 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.









Key figures and financial ratios for the group

Latest guidance: DKK 2.5-2.7 billion

DKKm	2020	2019	2018	2017	2016
Comprehensive income					
Revenue	2,567	2,356	2,207	2,207	2,096
Operating profit	437	250	215	235	248
Operating profit excl. IAS 29	*452*	*262*	*226*	*235*	*248*
Special items	(13)	0	(33)	(14)	0
Operating profit after special items	424	250	182	221	248
Financial income and expenses, net	(65)	(35)	(46)	(54)	(27)
Profit before tax	359	215	136	168	221
Profit for the year	274	167	96	122	175
Comprehensive income	146	180	85	41	239
Cash flows					
Operating activities	448	296	265	258	248
Investing activities	(436)	(197)	(128)	(205)	(337)
Financing activities	23	(92)	(68)	(78)	(26)
Total cash flows	35	7	68	(26)	(115)
Balance sheet					
Assets	2,374	2,042	1,834	1,865	1,942
Investments in property, plant and equipment	320	193	122	204	339
Net working capital	313	323	287	312	275
Invested capital	1,654	1,502	1,321	1,339	1,323
Net interest-bearing debt (NIBD)	623	634	577	641	644
NIBD excl. lease liabilities	554	556	577	641	644
Equity	1,025	879	765	746	771

In order to provide a more accurate view of Hartmann's underlying operations and performance, operating profit and profit margin are presented before special items and restatement for hyperinflation (IAS 29). Read more on page 84.

Latest guidance: 16-18%

DKKm	2020	2019	2018	2017	2016
Financial ratios, %					
Profit margin	17.0	10.6	9.7	10.7	11.8
Profit margin excl. IAS 29	*17.5*	*11.1*	*10.2*	*10.7*	*11.8*
Return on invested capital (ROIC)	28.7	16.9	16.0	17.1	20.9
Return on equity	29.0	20.5	12.8	16.2	25.0
Equity ratio	43.2	43.1	41.7	40.0	39.7
Gearing	60.8	72.1	75.4	85.9	83.6
Share-based financial ratios					
No. of shares (excl. treasury shares)	6,915,090	6,915,090	6,915,090	6,915,090	6,915,090
Earnings per share, DKK (EPS)	39.6	24.2	13.9	17.6	25.3
Cash flows per share, DKK	64.7	42.8	38.3	37.3	35.9
Dividend per share, DKK (proposed)	0.0	0.0	9.50	9.50	9.50
Book value per share, DKK	148.3	127.1	110.6	107.9	111.4
Share price, DKK	502.0	304.0	253.0	320.0	338.0
Share price/book value per share	3.4	2.4	2.3	3.0	3.0
Share price/earnings (P/E)	12.7	12.6	18.2	18.1	13.4
Payout ratio, %	0.0	0.0	69.4	54.6	38.1
Market value, DKKm	3,521.6	2,132.6	1,774.8	2,244.8	2,371.1
Employees					
Average no. of full-time employees	2,172	1,997	1,996	1,994	1,992

For definitions of financial ratios, see page 87.

Hartmann delivered record-breaking results in a year of challenge

2020 was an unusual and a challenging year. Amid the global COVID-19 pandemic, Hartmann's dedicated employees successfully kept production running in a responsible manner and delivered the group's best ever results.

On the heels of the growth recorded in the first quarter of the year, the outbreak of COVID-19 triggered a sudden and substantial increase in eggs sold in the retail industry as more meals were eaten at home. This in turn prompted unprecedented strong demand for egg packaging from our customers, who worked hard to maintain the supply of food for consumers in the countries affected by the crisis. We had to tap into our stocks and have our factories work full speed during our usual off season in the second and third quarters in order to accommodate customer demand as best as possible. Thanks to the extraordinary efforts of our people throughout the organisation, we were able to continue the strong progress made in recent years on the back of our substantial investments.

With the unusual market conditions accelerating volume growth, revenue grew by 9% despite significant currency headwinds. At the same time, we increased the share of retail packaging and maintained a high level of production efficiency, which enabled us to deliver an all-time high profit margin of 17.5% and a return on invested capital of 28.7% for 2020. While growth was largely driven by COVID-19-related effects, the underlying business also made considerable headway.

The year also saw unusually high levels of investment and activity due to the acquisition of India-based Mohan Fibre and the conditional acquisition of Russia's Gotek-Litar. The latter deal was closed in January 2021. In addition, we established a new factory in northern Brazil and added to production capacity in the USA and at several of our European factories. Expansion in new and existing markets will drive continued growth and help us achieve our ambitions to win market share and deliver strong profitability.

We continue to invest in future growth and already in 2020 launched the next round of capacity expansion. This enabled us to start up new capacity in Europe at the beginning of 2021, and additional capacity will be put into operation in Europe and at our US factory later in the year. In addition, we are in the process of integrating and enhancing the efficiency of our new factories in India and Russia, which we plan to expand over the next few years. We are able to make these investments thanks to our strong financial position, and we are determined to always have the financial muscle to tap into attractive expansion and acquisition opportunities. Therefore, the board of directors has adopted a new dividend policy and decided that, starting in 2021, Hartmann will as a general rule reinvest the free cash flow with a view to achieving our goals to deliver growth and attractive profitability.

We have another exciting year ahead of us where, using our new production capacity, we expect to grow revenue to a level between DKK 2.7 and DKK 3.0 billion for an exceptionally high profit margin in the 14-17% range. We will generate this growth based on strong demand driven by the growing focus on sustainability and positive COVID-19-related effects in the first half of the year combined with substantial licence income resulting from the settlement agreement concluded at the beginning of the year.

Jan Klarskov Henriksen
Chairman

Torben Rosenkrantz-Theil
CEO

Revenue (DKK)
2,567 million
2,356 million in 2019

Profit margin
17.5%
11.1% in 2019

Investments (DKK)
437 million
197 million in 2019

COVID-19

Impact

Since March 2020, the global outbreak of COVID-19 and the varying political measures taken to contain the virus have caused temporary shifts in consumption patterns, limited visibility and a changed and heightened risk landscape. Continually monitoring developments, we quickly implemented procedures to protect our employees and maintain stable operations at our factories with a view to keeping up deliveries to our customers, who saw increased demand for eggs from the retail industry. The temporary increase in demand is driven by consumers eating a much greater share of meals at home, which drove sales of eggs to the food service and catering industries down and sales of shell eggs to the retail industry and demand for Hartmann's products up.

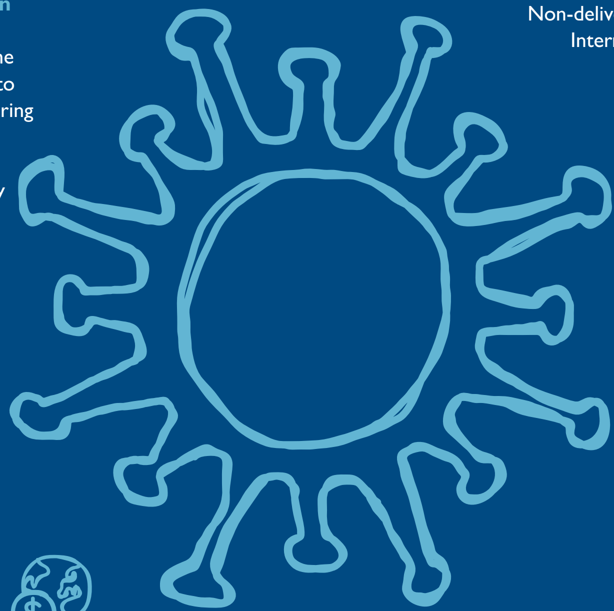
Hartmann's level of activity and our performance were favourably affected by the increased demand for eggs and egg packaging from mid-March, and this trend has continued into the beginning of 2021. While the temporary shift in consumption patterns is expected to contribute favourably to Hartmann's packaging sales in the first half of 2021, estimating the duration and scope of this effect at individual market level remains difficult.

Changing consumption patterns
More meals eaten at home
Decreasing sales of eggs to the food service and catering industries
Increasing sales of shell eggs to the retail industry

Booming demand

Heightened risk landscape
COVID-19 outbreaks at factories
Production interruption
Lockdown policies
Non-delivery of raw materials
Interruption of deliveries

Limited visibility



Difficult market conditions
Protecting employees and maintaining stable operations
Adverse economic effects
Significant currency fluctuations
Volatile raw materials prices

Adverse impact on operations

Continued uncertainty

The COVID-19 outbreak has significantly reduced visibility and is causing severe economic ramifications and currency fluctuations in several of Hartmann's markets. The business in the Americas, in particular, is expected to be hard hit in 2021.

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.

Hartmann
Eurasia

The Eurasia segment, which now also comprises India and Russia*, performed strongly in 2020

Production
6 factories*

Expertise
1,313 employees

Revenue (DKK)
1,635 million
1,406 million in 2019

Profit margin
20.1%
12.1% in 2019

Investments (DKK)
258 million
138 million in 2019

*Hartmann acquired the Russian factory at the beginning of 2021.

Eurasia

We performed strongly in the European markets in 2020, supported by exceptionally high activity levels amid the COVID-19 pandemic and the production capacity investments made over the past few years.

As a consequence of the acquisitions in India and Russia in late 2020 and early 2021, respectively, the Europe segment is now called Eurasia. The segment continues to comprise the production and sale of moulded-fibre packaging in Hartmann's markets and the production and sale of machinery and technology, which is sold globally.

Revenue

Revenue from the Eurasia segment grew to DKK 1,635 million in 2020 (2019: DKK 1,406 million) on the back of strong volume growth, a higher proportion of premium packaging in the core business during the COVID-19 outbreak and higher sales in Hartmann Technology. Revenue from egg packaging sales grew to DKK 1,517 million (2019: DKK 1,345 million), while revenue from Hartmann Technology increased to DKK 117 million (2019: DKK 61 million) in 2020.

Earnings

The high level of activity and revenue growth combined to drive operating profit to DKK 329 million (2019: DKK 170 million), for a profit margin of 20.1% (2019: 12.1%). The strong performance was driven by volume growth and high capacity utilisation rates through both the peak season and the off season as a result of COVID-19 combined with increasing sales of retail packaging and a higher contribution from Hartmann Technology. Earnings were further supported by lower raw materials prices and positive currency effects.

Investments

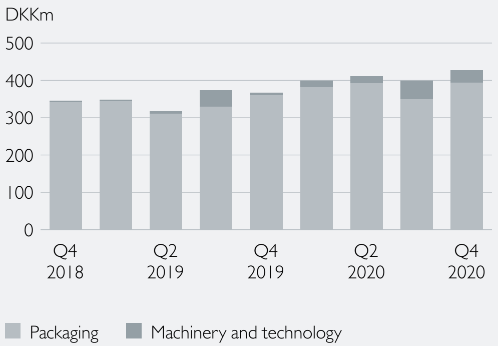
In 2020, Hartmann invested DKK 258 million (2019: DKK 138 million) in production capacity expansion at the group's factories in Europe and the acquisition of India's Mohan Fibre, which sells moulded-fibre packaging to egg and apple producers in India. Moreover, Hartmann entered into a conditional agreement 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. The deal was closed in January 2021. Hartmann put new capacity into operation in Europe at the beginning of 2021, and additional capacity is scheduled to be put into use later in the year.

Q4 2020

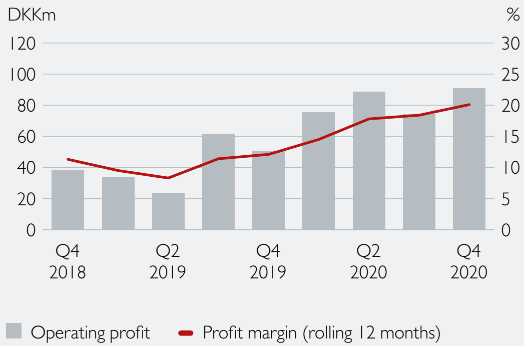
Q4 2020 revenue was up to DKK 427 million (2019: DKK 367 million) on the back of volume growth and an improved product mix in the core business, which brought revenue to DKK 394 million (2019: DKK 360 million), combined with an increased revenue contribution from Hartmann Technology of DKK 34 million (2019: DKK 8 million). Taken over in November, the Indian activities had an insignificant impact on revenue.

Revenue growth drove operating profit to DKK 91 million (2019: DKK 51 million), for a profit margin of 21.3% (2019: 13.9%) in Q4 2020. Investments amounted to DKK 189 million (2019: DKK 38 million), including the DKK 113 million acquisition of Mohan Fibre.

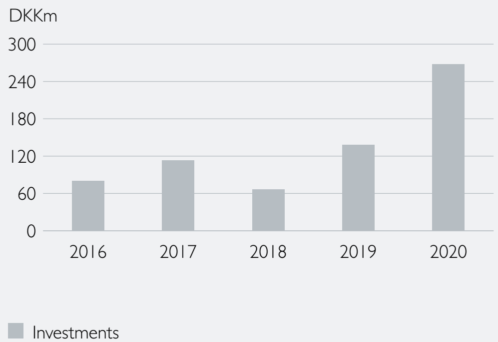
Revenue



Earnings



Investments



Hartmann

Americas

We started up new capacity in the USA and established a new factory in Brazil in 2020

Production

9 factories

Expertise

837 employees

Revenue (DKK)

933 million

951 million in 2019

Profit margin

16.2%

12.5% in 2019

Investments (DKK)

175 million

59 million in 2019

Americas

Supported by buoyant demand in the Americas during the COVID-19 pandemic, Hartmann generated strong volume growth and continued to expand production capacity in 2020.

Revenue

Adversely affected by significant currency headwinds in South America, in particular, revenue from the activities in the Americas fell slightly to DKK 933 million in 2020 (2019: DKK 951 million). Driven by strong demand for eggs during the COVID-19 pandemic combined with the ongoing conversion from oil-based plastic packaging to sustainable moulded-fibre packaging, volumes grew strongly in both North and South America. Revenue was supported by volume growth, a high rate of capacity utilisation and an improved product mix.

Earnings

Operating profit from the American activities grew to DKK 154 million in 2020 (2019: DKK 119 million), for a profit margin of 16.2% (2019: 12.5%).

The higher operating profit was driven by volume growth in both North and South America through the peak and low seasons combined with high capacity utilisation rates at the factories and an improved product mix. Earnings were adversely affected by higher raw materials prices in North America and Argentina and negative currency effects in the South American business.

Investments

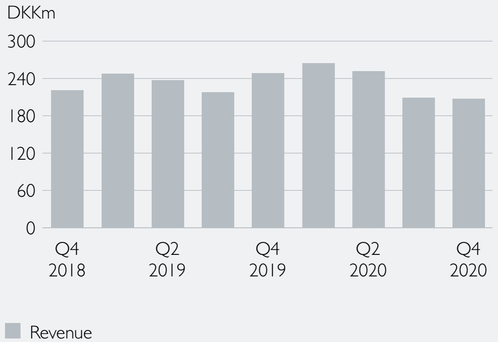
Investments in the American business were raised to DKK 175 million in 2020 (2019: DKK 59 million), with investments focused on major expansion of the US factory and the establishment of a new factory in northern Brazil. The new capacity commenced operations in Q4 2020, and additional capacity is expected to be put into operation in the USA in the second half of 2021.

Q4 2020

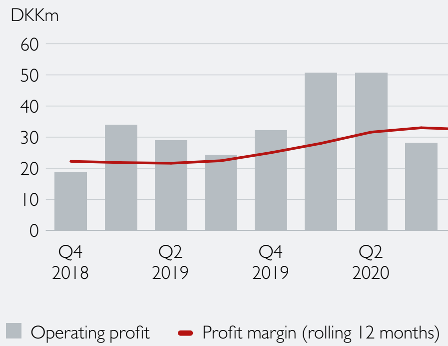
Q4 2020 revenue from the business in the Americas came to DKK 207 million (2019: DKK 248 million), reflecting stable packaging sales and significant currency headwinds.

Operating profit was DKK 25 million (2019: DKK 32 million), taking the Q4 2020 profit margin to 11.4% (2019: 13.2%). The decline was attributable to higher raw materials costs and negative currency movements. Investments were up to DKK 50 million (2019: DKK 13 million).

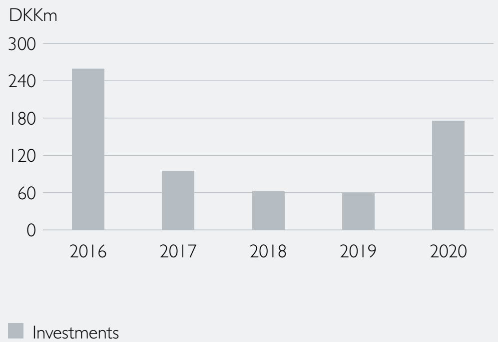
Revenue



Earnings



Investments



Business

Our business model proved its strength during the COVID-19 crisis and we continue to expand

Business model

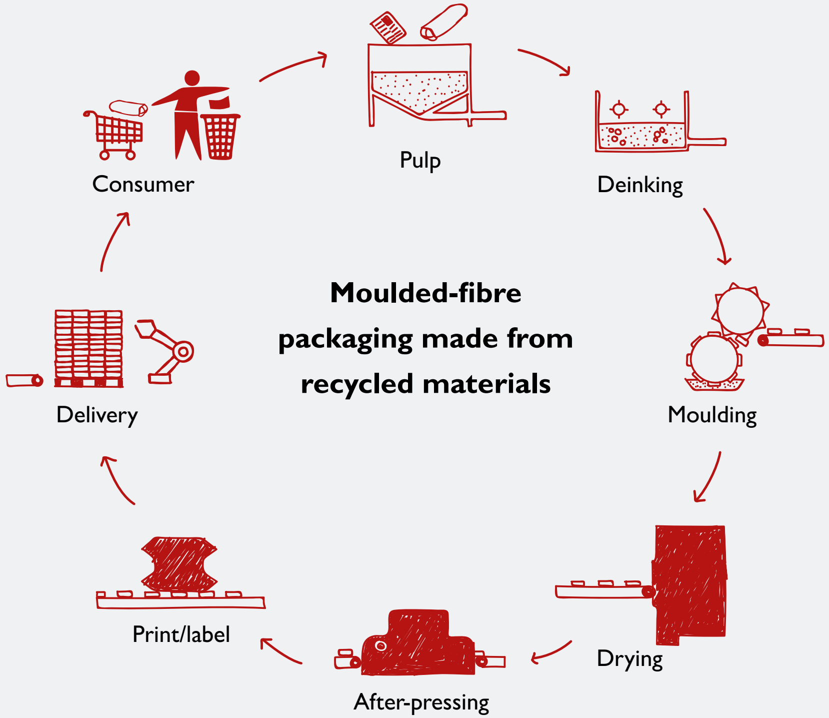
Resources

Expertise
We continually enhance our expertise on packaging production, consumer trends and the marketing of eggs

Employees
Each year, our 2,500 highly skilled and experienced employees manufacture billions of products

Technology
Our deep technology knowhow builds on decades of experience in moulded-fibre production

Core business



Customers

Manufacturer
We help egg and fruit producers grow sales and earnings through marketing and efficiency improvements

Packing business
We supply egg and fruit packing businesses with retail and transport packaging and advise them on distribution and logistics

Retail
Based on our knowledge of consumer preferences, we assist an increasing number of retail chains with the marketing of eggs and the choice of packaging

Value creation

Customers
We carry a customised portfolio of high-quality packaging products offering environmentally friendly and protective qualities

Environment
We make moulded-fibre packaging from recycled paper as a sustainable alternative to oil-based plastic packaging

Employees
We create jobs in our local communities and provide our employees with attractive working conditions and development opportunities

Shareholders
Our investments in production, products and employees generate robust, long-term returns for our shareholders

Guidance and ambitions

Guidance for 2021

We anticipate continued core business volume growth and expect to generate overall revenue of DKK 2.7-3.0 billion and a profit margin* of 14-17% in 2021.

We expect continued growth to be driven by utilisation of the capacity added in Europe, the USA and Brazil and the activities acquired in India and Russia. Demand for egg packaging is expected to remain strong in the first half of 2021 on the back of COVID-19-related effects. This is expected to translate into a continued favourable product mix and high rates of capacity utilisation and production efficiency. Guidance includes licence income of DKK 78 million resulting from the settlement in the first quarter of the year of an international intellectual property rights dispute concerning Hartmanns imagic® products.

The spread of COVID-19 is causing significantly increased operational risk, volatile 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.

Investments are expected at around DKK 550 million in 2021, including the DKK 116 million acquisition of Russian-based Gotek-Litar.

Other assumptions
Our guidance is based on the exchange rates prevailing at the date of release of the annual report. 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.

Revenue (DKK)

2.7-3.0 billion

2,567 million in 2020

Profit margin*

14-17%

17.5% in 2020

Investments (DKK)

~550 million

437 million in 2020

* Before special items and restatement for hyperinflation.

Ambitions

Hartmann aims to continually grow its core business and generate attractive profitability based on a balanced risk profile.

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

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

Investments and dividends
As a general rule, we invest our free cash flow in measures to achieve our ambitions to deliver growth and attractive profitability while maintaining a balanced risk profile. In the absence of medium-term attractive investments in profitable organic or acquisitive growth, the board of directors may decide to pay out excess capital to shareholders.

Forward-looking statements

The forward-looking statements in this annual report reflect Hartmann's current expectations for future events and financial results. Such statements are inherently subject to uncertainty, and actual results may therefore differ from expectations. Factors which may cause the actual results to deviate from expectations include general economic developments and developments in the financial markets, changes or amendments to legislation and regulation in Hartmann's markets, changes in demand for products, competition and the prices of raw materials. See also the sections on COVID-19 and risk management and note 28.

Strategy

Think ahead

In 2020, Hartmann accelerated its efforts to drive short-term and long-term core business momentum by capitalising on growing demand in existing and new markets.

Underlying demand for moulded-fibre packaging for eggs and fruit is growing, driven by favourable demographics, a growing focus on sustainability and positive shifts in consumer behaviour. Hartmann is focused on capitalising on these trends, both during and after the COVID-19 pandemic, by:

- Building sufficient production capacity to meet market demand and sustain volume growth across regions
- Enhancing utilisation of the group's total production capacity
- Improving efficiency by means of increased automation and continuous development of Hartmann's production network and technologies
- Intensifying marketing efforts with particular focus on sustainability
- Scouting for potential acquisitions in existing and new markets

Building on Hartmann's key strengths – our expertise, strong platform, diverse product range and proprietary technology – the strategy is intended to strengthen the group's positions as the world's leading manufacturer of egg packaging, the leading manufacturer of fruit packaging in selected markets and the preferred supplier of machinery and technology for the production of moulded-fibre packaging.

Trends

Demographics

Global population growth is spurring demand for food, while growing prosperity is further supporting the consumption of packed products. The world population is expected to grow to almost 10 billion by 2050, and Hartmann's markets are expected to witness varying degrees of population growth and growing prosperity.

Demographic trends and retail sector growth have led to growing use of moulded-fibre packaging and increased demand for premium products.

Sustainability

Demand for sustainable packaging is increasing in step with the growing awareness of consumers, retailers and policy- and opinion makers about the adverse impact of single-use plastic packaging on the environment, animal life and humans.

The disposal of plastics is a growing challenge, and waste products from crude oil-based plastic materials are already accumulating in oceans, drinking water and on land. At the current pace, the consumption of plastics is still expected to quadruple going forward to 2050.

Consumer behaviour

Changing consumer behaviour may drive increased egg consumption and shift demand between different types of eggs.

Eggs are considered a cheap and natural source of protein and a natural part of the varied and healthy diet prioritised by an increasing number of consumers.

The need for packaging able to differentiate eggs into different price categories is increasing in step with the growing awareness of issues such as health, nutrition, local production, recycling and animal welfare.

Strengths

Expertise

Hartmann has built a unique expertise on the marketing of eggs and production of moulded-fibre packaging since 1936. Our insights into consumer preferences and behaviour are based on ongoing consumer research that creates a data-based foundation for customers' choice of products.

Platform

Our experienced sales organisation has built solid market positions that are supported by a well-established production network which is continually optimised and expanded with a view to improving efficiency, ensuring flexibility in production and driving continued growth.

Products

Our versatile product portfolio enables us to customise the product range to specific demand patterns among customers and consumers across the group's diverse markets. We cover all customer requirements and are able to provide both premium and standard products.

Technology

Thanks to our proven technological skills, we are uniquely positioned to continually expand, optimise and automate our production facilities and to develop new cost- and energy-saving technologies, processes and production methods.

Strategy

Focus

Capacity

We will increase production capacity in order to maintain and strengthen our strong presence in existing markets, while at the same time exploring the possibilities of expanding into new geographies in order to meet growing global demand for sustainable packaging.

In 2020, we:

- Put new capacity into use in the USA and Europe
- Established a new factory in northern Brazil
- Entered the Indian market through the acquisition of Mohan Fibre
- Entered into an agreement to acquire Russia's Gotek-Litar, which deal has now been closed
- Launched major capacity expansion programmes in the USA and Europe

Through the acquisitions of Mohan Fibre in India and Gotek-Litar in Russia and the establishment of a new factory in northern Brazil, we have expanded and strengthened our positions in attractive global growth markets.

Demand for moulded-fibre packaging is growing in all three markets on the back of favourable demographics and retail trade momentum.

Efficiency improvements

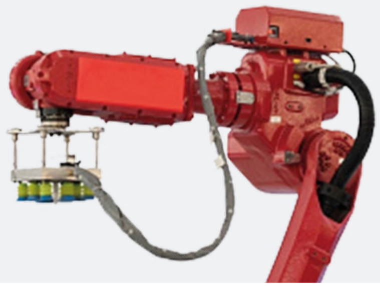
We will continually lower production costs by developing the group's production facilities and technologies and investing in automation and the development of new products, processes and production methods.

In 2020, we:

- Invested in robotics and automation
- Raised production per employee
- Optimised our energy and water consumption
- Reduced the consumption of raw materials per unit

We continued our efforts to optimise production efficiency by way of capacity expansion, investments in robotics and other automation measures and optimisation of energy and water consumption at several factories.

These ongoing operational improvements are also leading to reduced waste and a reduced climate footprint per unit produced.



Marketing

We will intensify the marketing of Hartmann's expertise and products and the benefits of moulded-fibre packaging in an effort to increase the share of premium products and help drive the conversion from oil-based plastic packaging to eco-friendly moulded-fibre packaging solutions.

In 2020, we:

- Launched new products in several markets
- Conducted several consumer surveys
- Intensified marketing efforts

In 2020, we launched a new, improved version of our Plus Pack™ packaging in our European markets.

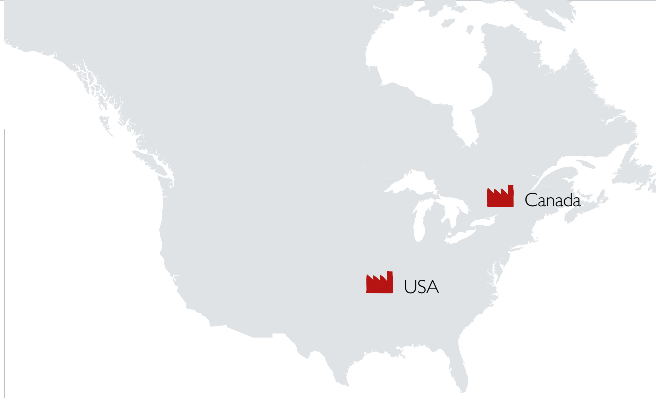
The new product offers better marketing options and enhanced packing efficiency and is almost 10% lighter than its predecessor. This entails a lower consumption of raw materials and reduced carbon dioxide emissions from both production and transport activities.

Markets and products

Hartmann operates in diverse markets with varying product offerings that are continuously adapted to regional needs. The product portfolio comprises retail and transport packaging for eggs as well as fruit packaging. In selected markets, Hartmann also sells machinery and technology to manufacturers of moulded-fibre packaging.

Retail packaging for eggs is our main product category. The segmentation into premium and standard products varies from market to market depending on factors such as the maturity of the retail trade, the penetration of moulded-fibre packaging and focus on sustainability. For sales of egg and fruit packaging, our main markets are Europe, North and South America, India and Russia, while Hartmann Technology sells machinery and technology for manufacturing of moulded-fibre packaging in selected global markets.

Demand for egg and fruit packaging is increasing steadily and is quite resilient to economic fluctuations. However, exchange rate fluctuations affect particularly South American fruit exports and, by extension, sales of fruit packaging. Under normal market conditions, demand for egg and fruit packaging is seasonal, and Hartmann's primary markets are highly competitive and served by a few large and several medium-sized players.



North America

In North America, Hartmann is a leading manufacturer in the overall market for moulded-fibre, foam and plastic egg packaging, which is growing on the back of an increasing consumption of eggs.

Growth in the North American market for moulded-fibre products is driven mainly by population growth and increasing conversion away from foam and plastic packaging. In addition, sales of free-range eggs are growing at the expense of sales of battery-cage eggs, entailing a growing flow of new products and increasing demand for premium packaging.

Products	Customers
Retail packaging for eggs	Manufacturers
	Packing plants
	Retail chains

South America

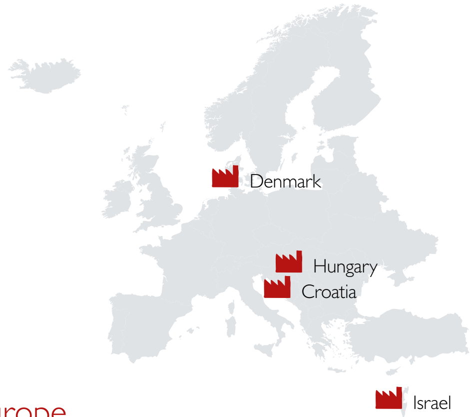
Hartmann has a market leading position in Brazil and Argentina where we sell both egg and fruit packaging.

Demand for egg packaging in these two South American markets is growing on the back of favourable demographics and continued urbanisation and the resulting shifts in consumer behaviour.

Hartmann's sales of fruit packaging are largely driven by fruit exports.

Products	Customers
Retail packaging for eggs	Manufacturers
Fruit packaging	Packing plants
Transport packaging for eggs	

Markets and products



Europe

Hartmann is the leading manufacturer of egg packaging in the relatively mature and competitive European markets.

Growth in the European markets varies across borders but is generally driven by growing demand for retail packaging on the back of continued penetration and professionalisation of the retail trade combined with the transition away from plastic in selected markets.

Products	Customers
Retail packaging for eggs	Manufacturers
Transport packaging for eggs	Packing plants
	Retail chains

Russia

Following the acquisition of Gotek-Litar at the beginning of 2021, Hartmann is among the leading manufacturers of moulded-fibre egg packaging in Russia.

Sales of eggs and moulded-fibre egg packaging in the Russian market are expected to grow as a result of urbanisation, continued retail sector growth and an increased focus on sustainability.

Products	Customers
Retail packaging for eggs	Manufacturers
Transport packaging for eggs	Packing plants

India

The group's factory in India is a regional leader in sales of moulded-fibre packaging to egg and apple producers, with a particular emphasis on the northern states of Himachal Pradesh, Punjab and Haryana.

The Indian market for egg packaging is expected to record strong growth over the next decade, driven by favourable demographics and a growing egg production. The market for fruit packaging is also expected to grow as the production of fruit is stepped up and a greater share of output is professionally packaged.

Products	Customers
Retail packaging for eggs	Manufacturers
Fruit packaging	Packing plants
Transport packaging for eggs	

Risk management

Hartmann is exposed to a number of operating risks, which we monitor and actively address on an ongoing basis with a view to identifying and prioritising key risk areas, determining how to manage these risks and optimising the risk-return balance.

Organisation
The overall responsibility for the group's risk management lies with the board of directors. Day-to-day tasks and interaction with the executive board are handled by the audit committee, which regularly reviews the group's risk assessment and risk management principles and monitors processes and developments in key risk exposures. The audit committee reports to the board of directors.

The executive board is responsible for day-to-day identification and management of risks and continuous development and adjustment of risk management principles, processes and activities. The executive board regularly reviews key risks with the audit committee and the board of directors.

Local business and production unit managers provide the executive board and group management with regular reports on risk developments and assessments through a centrally anchored, operational risk-focused steering committee headed by a factory manager and supported by the group finance function. The steering committee works continually to ensure knowledge sharing between factories, compliance with adopted standards and follow-up on investment decisions made by group management.

Initiatives in 2020
In 2020, we continued our efforts to reduce key operational risks through a number of investments approved in 2019 based on factory inspections conducted in collaboration with an insurance broker in 2018, the focus of the investments being to reduce the risk of fire.

Due to travel restrictions imposed as a consequence of the COVID-19 outbreak, the planned follow-up on the analysis through factory visits with the participation of the insurance broker was postponed along with the implementation of a few investments. Focus was instead directed to measures that could be implemented at local level, including improved testing and updating of sprinkler systems, inspections of battery charging stations and a project to create an overview of smoke detectors in all production-critical rooms. In addition, management decided to invest in a strengthening of emergency procedures and plans in the event of fire at one or more of the group's factories.

Risk assessment
In Hartmann's assessment, key risks in the period ahead are related to the consequences of the COVID-19 outbreak – which are described in more detail on page 7 – factory fires, raw materials prices and supply, disease outbreaks among laying hens, political and macroeconomic conditions and environmental issues. These risks and Hartmann's mitigating efforts are described in more detail overleaf.

Other identified risks include fluctuations in general demand for eggs and fruit, shifts in sales across product categories, the group's ability to attract and retain skilled employees and IT security and interruption. To this should be added financial risks, which are described in detail in note 28.

Risk management process

Hartmann continuously identifies risks that may affect the group's commercial activities, operations and financial performance.

Identified risks are analysed at local and central level with a view to sharing knowledge across the organisation and assessing potential impacts and risk probabilities.

On this basis, key risks are determined and prioritised in order that mitigation measures may be initiated, where relevant, and risks be monitored on an ongoing basis.

Developments in Hartmann's overall risk exposure, the assessment of key risks and mitigating measures implemented are reported on an ongoing basis to group management and the executive board, which involve and keep the audit committee and the board of directors informed.

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 15 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 not obtainable. 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, North and South America and India 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.

We reduced our injury frequency rate by 40% in 2020

Governance

Corporate social responsibility

Our CSR activities and progress are presented in the Global Compact progress report for 2020, which also constitutes the group's statutory reports on corporate social responsibility, the gender composition of management and diversity pursuant to sections 99a, 99b and 107d of the Danish Financial Statements Act. While this annual report merely provides a summary of selected activities in 2020, the full progress report is available at csr2020.hartmann-packaging.com.

Corporate social responsibility has been an integral part of our business model since we began producing sustainable moulded-fibre packaging in 1936. As consumers, retail chains and policy-makers emphasise the sustainability of packaging, pursuing corporate social responsibility is a competitive advantage and an essential parameter in the marketing of our products. Hartmann offers customers and consumers a premier, well-proven and environment-friendly alternative to oil-based plastic and polystyrene foam products. Our products are made from biodegradable recycled paper, and the conversion from plastic-based products to Hartmann's moulded-fibre packaging thus contributes to solving the growing challenges of plastic pollution.

Investing in efficient and environmentally friendly production

Hartmann kept production running at all its factories in a safe and responsible manner amid the COVID-19 outbreak, assisting customers in maintaining critical food supplies and meeting growing demand for eggs.

Besides putting its new production capacity into operation, the group made additional investments in efficient and environmentally friendly production equipment at several of its factories with a view to reducing energy and water consumption, and also invested in the development and launch of the new, improved Plus Pack™, which is almost 10% lighter than its predecessor. This entails lower consumption of raw materials, reduced carbon dioxide emissions from production and distribution and less waste.

Our efforts to reduce the group's environmental and climate footprint continued in 2020, focused on:

- Investing in new process technology
- Optimising existing technology
- Product and production development
- Waste reduction

Additional safety optimisation in a year of challenges

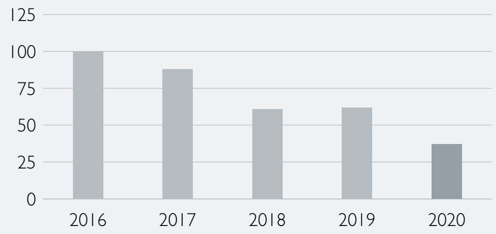
Hartmann reduced its injury frequency rate by 40% in 2020 on the back of unwavering efforts to improve safety at the group's factories.

Hartmann's CSR working group and the local safety representatives continued their efforts to ensure efficient knowledge sharing across the organisation, and the group made substantial investments in measures to improve fire safety at its factories. When the travel restrictions imposed as a consequence of the COVID-19 pandemic are lifted, Hartmann plans to make additional, already approved, investments.

Hartmann took all the necessary precautions to mitigate the effects of COVID-19 on its employees, customers, other stakeholders and activities in 2020, promptly ordering the use of personal protective equipment, hand sanitiser and physical distancing at our factories and directing office staff to work from home to the greatest possible extent. In addition, Hartmann paid for COVID-19 testing at several locations and allowed selected employees to take paid leave.

Work-related accidents

Index (2015 = 100)



Work-related accidents per million working hours (LTI-FR)

In early 2020, Hartmann was granted Prime status by rating agency ISS ESG for its sustainability profile and efforts in 2019. Hartmann was ranked among the leading businesses in the packaging industry.

Read more about ISS ESG and its rating methodology

www.issgovernance.com/esg/ratings/corporate-rating/

Corporate governance

Hartmann's statutory report on corporate governance for the 2020 financial year (see section 107 b of the Danish Financial Statements Act) is available at corporategovernance2020.hartmann-packaging.com. The report contains a detailed account of Hartmann's management structure as well as a description of the main elements of our internal controls and risk management systems relating to financial reporting.

The report furthermore describes our position on the recommendations of the Danish Committee on Corporate Governance as implemented in Nasdaq Copenhagen's Rules for issuers of shares. In 2020, we complied with the corporate governance recommendations except as stated below:

- Variable remuneration paid to the executive board consisted exclusively of a short-term cash bonus scheme
- In 2020, no external assistance had been used for the board's self-evaluation at least every three years.

Management structure

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

The board of directors is responsible for the overall management of the company and resolves matters relating to strategic development, financial forecasts, risk management, acquisitions and divestment as well as major development and investment projects. The board of directors has set up an audit committee and a combined nomination and remuneration committee, both of which report to the board of directors.

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

Remuneration

Hartmann's remuneration policy and the group's remuneration report for 2020 are available at investor.hartmann-packaging.com, and the remuneration paid for 2020 is specified in note 9 to the financial statements.

Changes on the board of directors

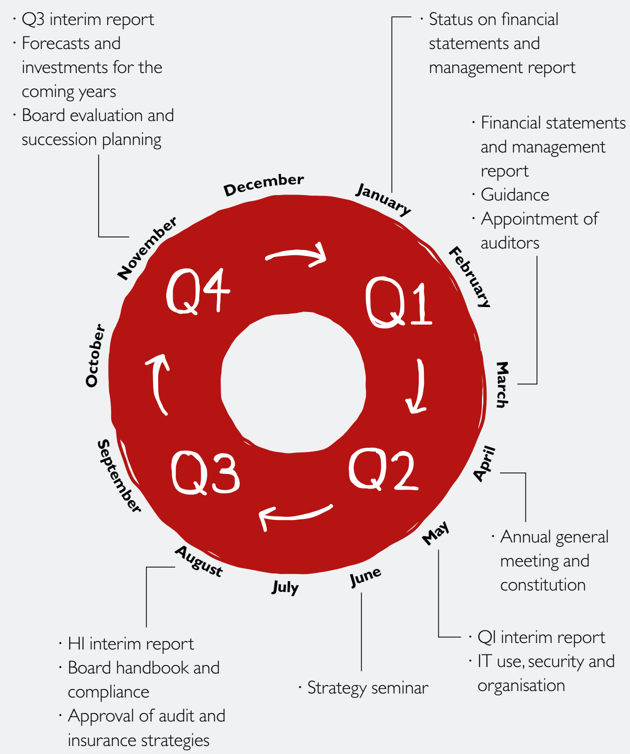
At the general meeting held on 21 April 2020, Agnete Raaschou-Nielsen, chairman of the board of directors, who did not offer herself for re-election, resigned. The board of directors appointed Jan Klarskov Henriksen new chairman of the board. In 2020, Danny Fleischer joined the board of directors as employee representative, replacing Andy Hansen, who resigned in connection with a change of jobs.

Name	Title	Board of directors	Audit committee	Nomination and remuneration committee
Jan Klarskov Henriksen	Chairman	●●●●●●●●		●●●
Steen Parsholt	Vice chairman	○●●●●●●●	●●●●●●	●●●
Jan Madsen	Board member	●●●●●●●●	●●●●●●	
Karen Angelo Hækkerup	Board member	○○●●●●●●		
Marianne Schelde	Board member	●●●●●●●●	●●●●●●	
Danny Fleischer	Board member	●●●●●●●●		
Palle Skade Andersen	Board member	●●●●●●●●		

● Attended meeting ○ Absent from meeting

Duties of the board of directors

The board's performance of its duties and efforts to secure Hartmann's value creation are based on the rules of procedure and an annual wheel as illustrated below.



Board of directors and executive board

Board of directors



Name	Jan Klarskov Henriksen	Steen Parsholt	Jan Madsen
Position	Chairman	Vice chairman	Board member
Independent	Yes	Yes	Yes
Committees	*Chairman:* Nomination and remuneration committee	*Chairman:* Audit committee *Member:* Nomination and remuneration committee	*Member:* Audit committee
Description	CEO of Aviagen Broiler Breeding Group Inc. Former CEO of Lantmännen Unibake Holding A/S, Lantmännen Kronfågel Holding AB and Danæg a.m.b.a.	Nordic head of Aon and member of its European management team until 2005. Former Group CEO of NCM Holding, Amsterdam, and Citibank, including CEO in Denmark. Currently only engaged in board work and similar work.	Managing Director of Coop Invest A/S and software company Lobyco A/S. Former Managing Director of Coop Danmark A/S and previous positions with Carlsberg Group, McKinsey & Company and Nestlé.
Special expertise	Special expertise in international food industry management and in sales and marketing in the poultry and egg industries.	Special expertise in international management, treasury and finance.	Special expertise in retailing with particular focus on food, international sales and marketing, business development, digitalisation and supply chain management.
Positions of trust	*Chairman:* BPI A/S.	*Chairman:* DADES A/S, Ejendomsaktieselskabet af 1. maj 2015, ISS Finance BV and Reviva SA. *Vice chairman:* NGF Denmark Holding ApS, NGF General Partner ApS and NGF Nature Energy Biogas A/S. *Board member:* Glitnir HoldCo ehf and N2F Management ApS.	*Chairman:* Coop Folkeskove A/S and FDB Møbler A/S. *Vice chairman:* Coop Bank A/S. *Board member:* Færch & Co. Gastro ApS (including one subsidiary), Republica A/S and Quick Info ApS.
First elected	2018	2013	2019
Born	1965	1951	1969
Gender	Male	Male	Male
Nationality	Danish	Danish	Danish
Shareholding 31 Dec. 2020	0	5,000	1,800
Change in 2020	-	-	-

Board of directors and executive board

Board of directors – continued




Name	**Karen Angelo Hækkerup**	**Marianne Schelde**	**Danny Fleischer**	**Palle Skade Andersen**
Position	Board member	Board member	Board member elected by the employees	Board member elected by the employees
Independent	Yes	No	-	-
Committees		*Member:* Audit committee		
Description	Secretary General of UNICEF Danmark since 2019. Former CEO of the Danish Agriculture & Food Council, prior to which she held various political offices, including several ministerial offices, and served on the Copenhagen City Council.	CFO of Thornico Holding A/S and CEO of subsidiary Thornico IT A/S.	Maintenance technician, Brødrene Hartmann A/S, Tønder, Denmark, since 2012. Elected by the employees in 2020 to serve until the annual general meeting to be held in 2022.	Production manager, Brødrene Hartmann A/S, Tønder, Denmark, since 1991. Elected by the employees in 2018 to serve until the annual general meeting to be held in 2022.
Special expertise	Special expertise in sustainability and international food production, trade and politics.	Special expertise in international financial management, financial reporting and accounting.		
Positions of trust	*Chairman:* Den Sociale Investeringsfond *Board member:* Danish Agro a.m.b.a.	*Board member:* Hummel Holding A/S (including in five subsidiaries), Mount Baldy A/S, Ovodan Europe ApS (including in one subsidiary), Sanovo Packaging Denmark ApS, Stanico A/S (including in one subsidiary), Thorco Africa Holding ApS, Thornico IT A/S, Thorco Projects A/S and West Star Real Estate A/S.		
First elected	2019	2019	2020	2018
Born	1974	1962	1983	1969
Gender	Female	Female	Male	Male
Nationality	Danish	Danish	Danish	Danish
Shareholding 31 Dec. 2020	171	0	0	0
Change in 2020	-	-	-	-

Board of directors and executive board

Executive board

Name	**Torben Rosenkrantz-Theil**	**Flemming Steen**
Position	CEO	CFO
Description	Former Senior Vice President and member of group management in charge of Hartmann's European business. Previous experience from position as President of the North American business and head of strategic development.	Former positions include CFO of Clipper Group, MT Højgaard and Junckers Industrier plus several positions with A. P. Møller - Mærsk, including head of strategy at Maersk Line and CFO of APM Terminals.
Special expertise	Extensive international management experience and operational and commercial packaging industry expertise.	Business-focused executive with strong economic and financial background. Comprehensive international experience and extensive IT competencies.
Positions of trust	*Board member:* Sanovo Technology A/S.	-
Employed	2007	2018
Born	1975	1966
Gender	Male	Male
Nationality	Danish	Danish
Shareholding 31 Dec. 2020	0	0
Change in 2020	-	-

Shareholder information

Share capital

Hartmann has one share class, and each share carries one vote. Accordingly, all shareholders have an equal right to submit proposals and to attend, speak and vote at general meetings. The shares are registered shares and negotiable instruments with no restrictions on their transferability. There were no changes to Hartmann's share capital in 2020.

The board of directors has been authorised by the shareholders in the period until 27 April 2020 to arrange for Hartmann to acquire treasury shares with a nominal value of up to DKK 14,030,180 at the market price ruling from time to time, subject to a deviation of up to 10%.

The Hartmann share

Hartmann's shares opened at DKK 304.0 in 2020 and closed at DKK 502.0, thus yielding a return of 65%.

The share is part of Nasdaq Copenhagen's Mid Cap segment and was included in the MSCI World Small Cap Index in 2020. Hartmann has a market making agreement which ensures liquidity in the share.

Ownership

At the end of 2020, Hartmann had approximately 3,400 registered shareholders (2019: approx. 2,900), representing 6.8 million shares in aggregate, or 97% of the share capital.

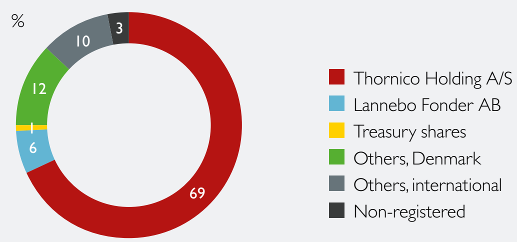
The following shareholders have notified us that they hold at least 5% of the share capital:

- Thornico Holding A/S and related parties, Odense, Denmark (68.6%)
- Lannebo Fonder AB, Stockholm, Sweden (5.6%)

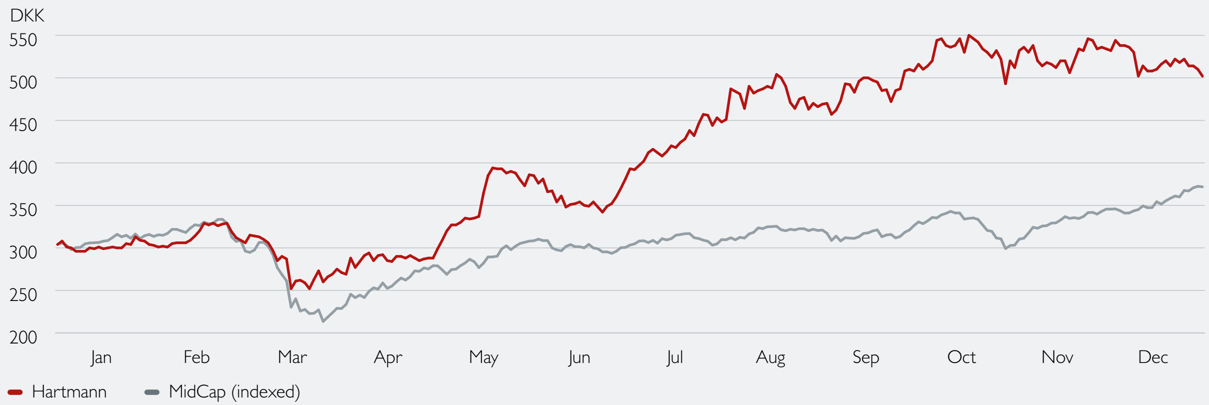
The Hartmann share

Stock exchange	Nasdaq Copenhagen
Index	Mid Cap
ISIN	DK0010256197
Symbol	HART
No. of shares (incl. 100,000 treasury shares)	7,015,090
Denomination	DKK 20
Nominal share capital	DKK 140,301,800
Bloomberg code	HART:DC

Composition of shareholders at 28 February 2021



Share price performance 2020



Shareholder information

At 31 December 2020, Hartmann's holding of treasury shares was unchanged at 1.4% of the share capital.

At 31 December 2020, the members of Hartmann's board of directors and executive board held 0.1% of the share capital. The members of the board of directors and executive board are registered on Hartmann's permanent insider list and may only trade in Hartmann shares during a four-week window following the release of profit announcements or other similar financial announcements, as set out in Hartmann's internal rules.

Dividend

The board of directors has revised the dividend policy with a view to supporting the group's strategic goals and financial ambitions. As a general rule, Hartmann invests its free cash flow in measures to achieve its ambitions to deliver growth and attractive profitability while maintaining a balanced risk profile. In the absence of medium-term attractive investments in profitable organic or acquisitive growth, the board of directors may decide to pay out excess capital to shareholders.

Based on the revised dividend policy and the substantial investments made in existing and new markets, the board of directors will propose at the general meeting to be held on 27 April 2021 that no dividend be paid for the financial year ended 31 December 2020 (2019: DKK 0 per share).

Remuneration of the executive board

If a controlling interest in Hartmann changes ownership, the notice period for members of the executive board is extended from 12 to 18 months effective from the day on which the shares are sold. The extended notice will apply for a period of 18 months after the transfer.

Financial calendar

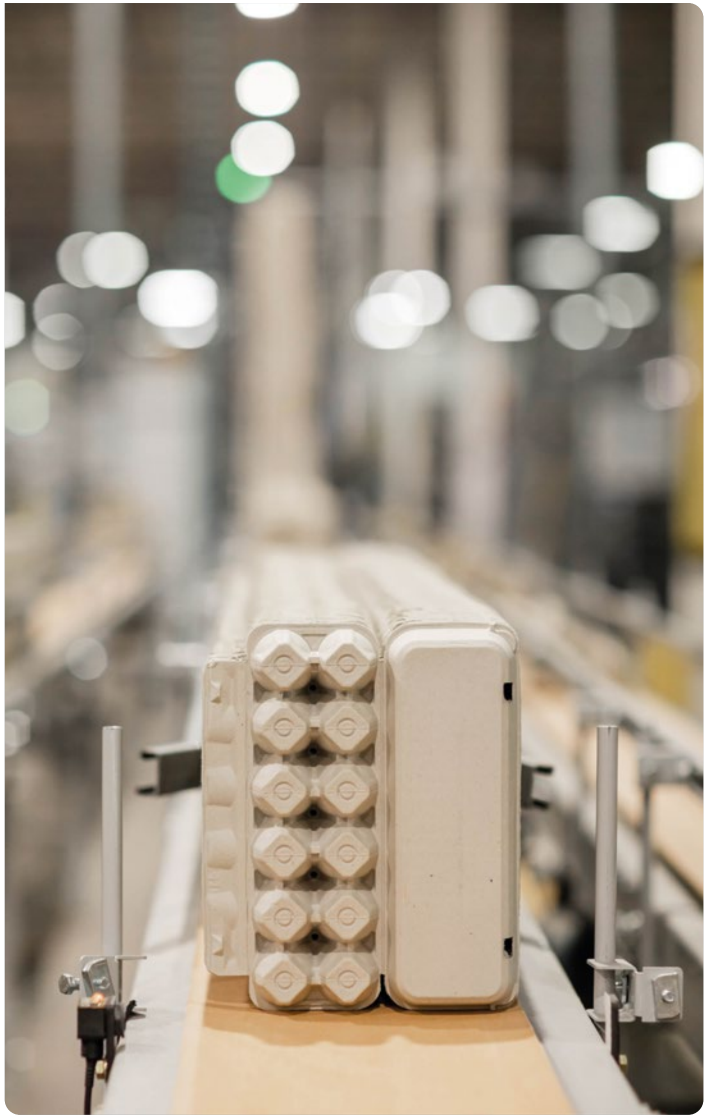
15 March 2021	Deadline for submission of business to be transacted at the annual general meeting
27 April 2021	Annual general meeting
18 May 2021	Interim report Q1 2021
17 August 2021	Interim report Q2 2021
16 November 2021	Interim report Q3 2021

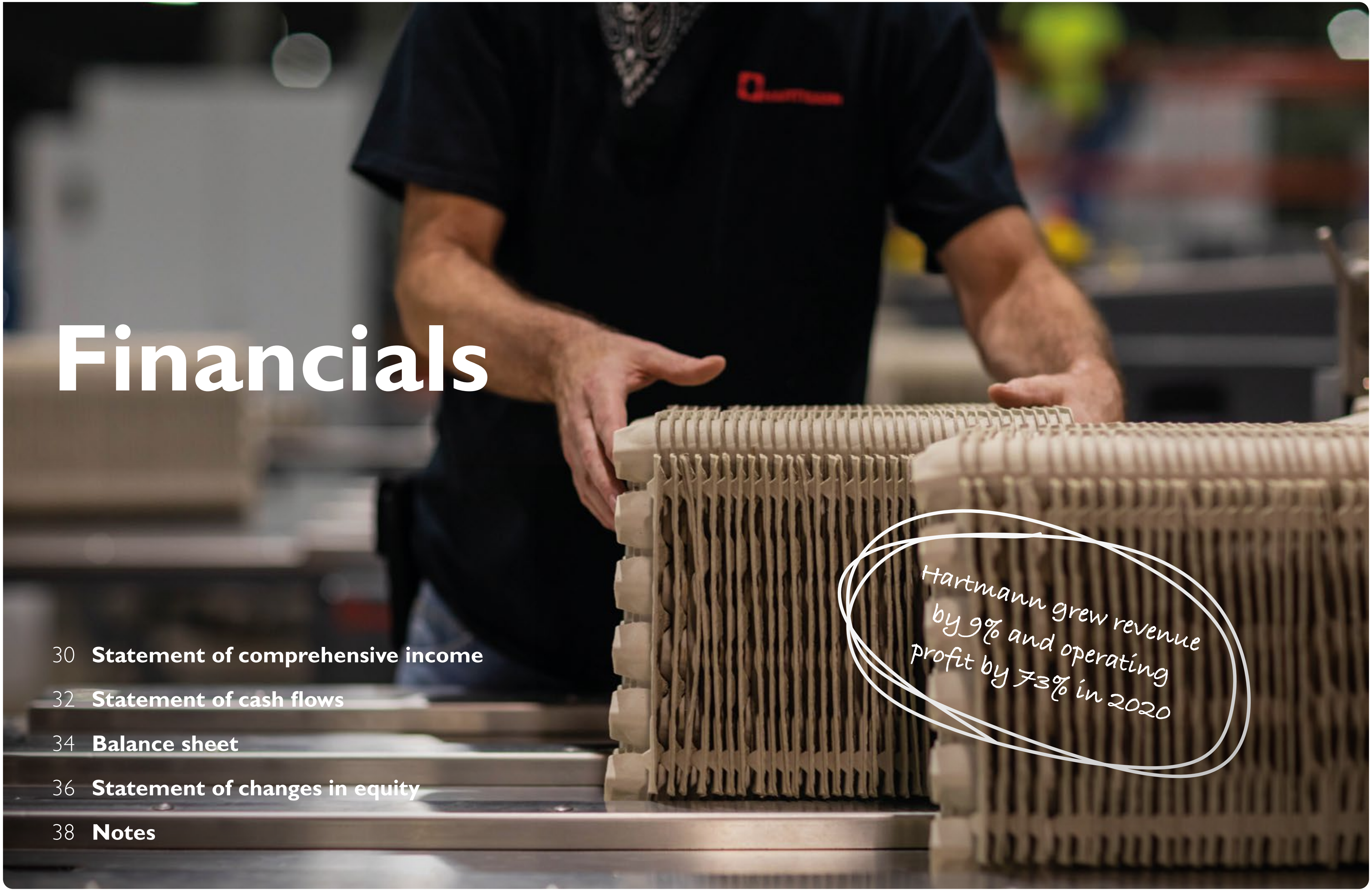
Investor relations

It is Hartmann's objective to provide investors and analysts with the best possible insights into matters deemed relevant for ensuring an effective and fair pricing of the share. The executive board and Investor Relations handle relations with investors and analysts, taking into consideration regulatory requirements and our corporate governance standards. Shareholders, investors, analysts and other stakeholders with questions about Hartmann are advised to contact Investor Relations at investor@hartmann-packaging.com. Hartmann participates in selected seminars and holds one-on-one meetings with Danish and international investors and analysts. For a period of four weeks up to the publication of the annual report, interim reports or other financial announcements, Hartmann will not comment on matters relating to financial results or guidance, unless the information has previously been made public.

Electronic communication

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




Hartmann grew revenue by 9% and operating profit by 73% in 2020

Financials

Revenue and earnings

Revenue
Growing overall revenue to DKK 2,567 million (2019: DKK 2,356 million), Hartmann performed in line with the group's most recent guidance of revenue in the DKK 2.5-2.7 billion range. Currency movements reduced 2020 revenue by a net DKK 219 million.

Operating profit
Hartmann grew its overall operating profit to DKK 452 million in 2020 (2019: DKK 262 million), taking the profit margin to 17.5% (2019: 11.1%) and meeting the group's most recent guidance of a profit margin in the range between 16% and 18%. After restatement for hyperinflation, operating profit was up to DKK 437 million (2019: DKK 250 million), for a profit margin of 17.0% (2019: 10.6%). Currency fluctuations reduced 2020 operating profit by a net DKK 13 million.

Corporate functions
Costs related to corporate functions came to DKK 32 million for 2020 (2019: DKK 29 million).

Special items
Comprising transaction costs incurred in connection with the acquisitions of Mohan Fibre in India and Gotek-Litar in Russia, special items came to DKK 13 million in 2020 (2019: DKK 0 million).

Financial income and expenses
Impacted by significant adverse foreign exchange adjustments of the financing of the group's activities in Brazil, financial income and expenses for 2020 were a net expense of DKK 65 million (2019: net expense of DKK 35 million).

Profit for the year
Consolidated profit before tax was up to DKK 359 million (2019: DKK 215 million), reflecting the higher operating profit. Tax on the profit for the year was an expense of DKK 85 million (2019: expense of DKK 48 million), and the effective tax rate increased to 24% (2019: 22%) due to non-deductible special items and restatement for hyperinflation. The effective tax rate before restatement for hyperinflation was 22%. The profit for the year was DKK 274 million after tax (2019: DKK 167 million).

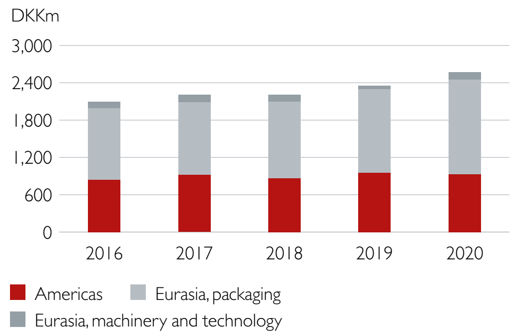
Comprehensive income
Despite the higher profit for the year, comprehensive income was down to DKK 146 million (2019: DKK 180 million), impacted by significant negative foreign exchange adjustments of subsidiaries, primarily the subsidiaries in North and South America.

Parent company
In 2020, the parent company generated revenue of DKK 1,697 million (2019: DKK 1,374 million) and operating profit of DKK 258 million (2019: DKK 75 million). The profit for the year was DKK 124 million (2019: DKK 71 million).

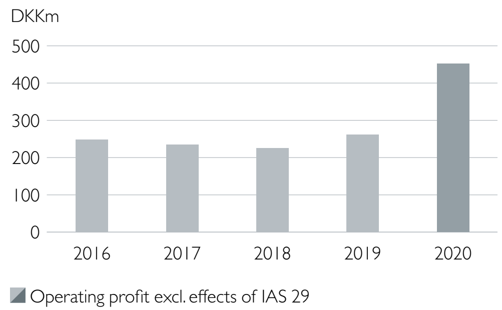
Events after the balance sheet date
On 25 January 2021, Hartmann announced the acquisition of Russia's Gotek-Litar for DKK 116 million.

On 29 January 2021, Hartmann announced that the group had settled an international intellectual property rights dispute concerning Hartmann's imagic® products. Under the settlement agreement, Hartmann will receive DKK 78 million, which amount will be recognised as licence income in Q1 2021 revenue and operating profit.

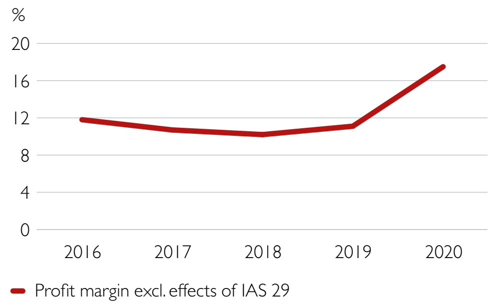
Revenue



Operating profit excl. effects of IAS 29



Profit margin excl. effects of IAS 29



Statement of comprehensive income

DKKm	Note	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Revenue	5	2,567.4	2,356.4	1,697.4	1,373.5
Production costs	6	(1,657.4)	(1,653.2)	(1,160.2)	(1,051.5)
Gross profit		**910.0**	**703.2**	**537.2**	**322.0**
Selling and distribution costs	7	(363.8)	(350.5)	(213.3)	(191.6)
Administrative expenses	8	(108.8)	(102.5)	(66.0)	(55.6)
Operating profit before special items		**437.4**	**250.2**	**257.9**	**74.8**
Special items	10	(13.3)	0.0	(13.3)	0.0
Operating profit		**424.1**	**250.2**	**244.6**	**74.8**
Profit after tax in associates	20	0.0	0.0	-	-
Financial income	11	13.9	10.5	23.0	29.2
Financial expenses	11	(79.0)	(45.4)	(90.2)	(18.2)
Profit before tax		**359.0**	**215.3**	**177.4**	**85.8**
Tax on profit for the year	12	(85.1)	(48.1)	(53.1)	(15.2)
PROFIT FOR THE YEAR		**273.9**	**167.2**	**124.3**	**70.6**
Earnings per share, DKK	13	39.6	24.2	-	-
Diluted earnings per share, DKK	13	39.6	24.2	-	-

DKKm	Note	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Profit for the year		**273.9**	**167.2**	**124.3**	**70.6**
Items that cannot be reclassified to profit or loss:					
Actuarial gains/(losses) on defined benefit plans	25	(4.3)	(3.4)	-	-
Tax	12	1.1	0.9	-	-
Items that can be reclassified to profit or loss:					
Foreign exchange adjustment of foreign subsidiaries	29	(155.2)	(18.8)	-	-
Hyperinflation restatement of non-monetary items	31	24.8	34.3	-	-
Value adjustment of hedging instruments:					
Recognised in other comprehensive income		3.0	(6.2)	1.1	(9.7)
Transferred to revenue		2.0	5.5	1.9	3.8
Transferred to production costs		3.2	0.5	3.2	0.5
Transferred to financial income and expenses		(0.7)	0.1	(0.5)	0.1
Tax	12	(1.7)	(0.2)	(1.2)	1.2
Other comprehensive income after tax		**(127.8)**	**12.7**	**4.5**	**(4.1)**
COMPREHENSIVE INCOME		**146.1**	**179.9**	**128.8**	**66.5**

Cash flows

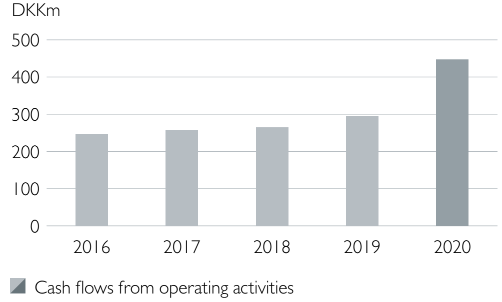
Investments and cash flows
Cash flows from operating activities were a net inflow of DKK 448 million (2019: net inflow of DKK 296 million), reflecting the strong increase in operating profit.

Cash flows from investing activities were a net outflow of DKK 436 million (2019: net outflow of DKK 197 million), in line with the group's most recent guidance of investments of about DKK 450 million. The increase was driven by investments in production facilities and the acquisition of Mohan Fibre.

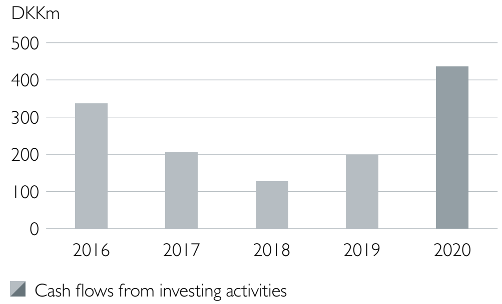
Total cash flows from operating and investing activities came to a net inflow of DKK 12 million (2019: net inflow of DKK 100 million).

Favourably affected by drawdowns on the group's existing credit facility in connection with the acquisition of Mohan Fibre in November, cash flows from financing activities amounted to a net inflow of DKK 23 million (2019: net outflow of DKK 92 million).

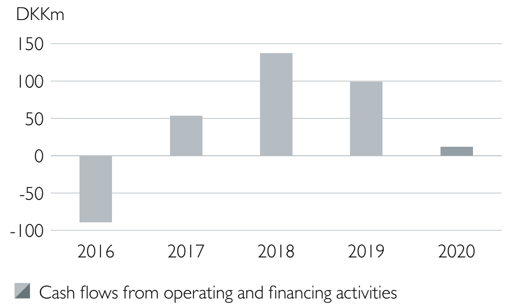
Cash flows from operating activities



Cash flows from investing activities



Free cash flow



Statement of cash flows

		Group		Parent company	
DKKm	Note	2020	2019	2020	2019
Operating profit before special items		437.4	250.2	258.0	74.8
Depreciation and amortisation		135.0	141.0	30.8	28.4
Adjustment for other non-cash items	14	8.2	6.7	(0.3)	0.0
Change in working capital etc.	14	(29.7)	(47.6)	(73.8)	(35.6)
Special items		(9.3)	0.0	(9.3)	0.0
Cash generated from operations		**541.6**	**350.3**	**205.4**	**67.6**
Interest etc. received		3.8	1.3	8.8	10.2
Interest etc. paid		(16.5)	(22.4)	(7.3)	(14.1)
Net income tax paid		(81.2)	(33.1)	(40.5)	(7.8)
Cash flows from operating activities		**447.7**	**296.1**	**166.4**	**55.9**
Acquisition of intangible assets		(3.2)	(1.1)	(3.2)	(1.1)
Acquisition of property, plant and equipment		(320.9)	(195.9)	(61.5)	(11.4)
Disposal of property, plant and equipment		1.0	0.5	0.3	0.0
Acquisition of subsidiaries		(113.0)	0.0	(158.0)	0.0
Capital injections in subsidiaries		-	-	0.0	(22.7)
Repayment of capital injections from subsidiaries		-	-	0.0	101.7
Dividend received from subsidiaries		-	-	8.5	11.8
Dividend received from associates		0.5	0.0	0.5	0.0
Cash flows from investing activities		**(435.6)**	**(196.5)**	**(213.4)**	**78.3**
Cash flows from operating and investing activities		**12.1**	**99.6**	**(47.0)**	**134.2**
Raising of non-current debt	14	124.8	652.1	124.8	603.6
Repayment of non-current debt	14	(102.1)	(678.6)	(95.1)	(616.0)
Loans to subsidiaries	19	-	-	(57.4)	(144.6)
Repayments received from subsidiaries	19	-	-	83.2	106.0
Dividend paid		0.0	(65.7)	0.0	(65.7)
Cash flows from financing activities		**22.7**	**(92.2)**	**55.5**	**(116.7)**
TOTAL CASH FLOWS		**34.8**	**7.4**	**8.5**	**17.5**

		Group		Parent company	
DKKm	Note	2020	2019	2020	2019
Total cash flows		**34.8**	**7.4**	**8.5**	**17.5**
Cash and cash equivalents at 1 January		45.6	39.3	(25.1)	(40.1)
Foreign exchange adjustment		(5.3)	(1.1)	(1.2)	(2.5)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**75.1**	**45.6**	**(17.8)**	**(25.1)**
Recognition of cash and cash equivalents at 31 December:					
Cash		209.5	84.7	95.3	5.0
Overdraft facilities		(134.4)	(39.1)	(113.1)	(30.1)
Cash and cash equivalents at 31 December		**75.1**	**45.6**	**(17.8)**	**(25.1)**

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

Of the cash balance, the purchase price held in escrow constitutes DKK 90.7 million.

Balance sheet and equity

Funding
The group's net interest-bearing debt at 31 December 2020 was DKK 623 million (2019: DKK 634 million).

At 31 December 2020, financial resources amounted to DKK 518 million (2019: DKK 394 million), comprising cash and undrawn loan and overdraft facilities. Hartmann's loans are subject to standard financial covenants, see note 28.

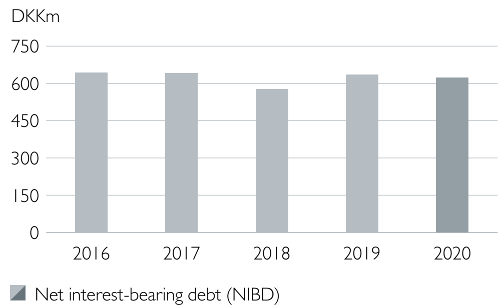
Assets
Total assets were up to DKK 2,374 million (2019: DKK 2,042 million), driven by substantial investments in production facilities and the acquisition of Mohan Fibre in India. At 31 December 2020, intangible assets and property, plant and equipment totalled DKK 1,379 million (2019: DKK 1,215 million).

ROIC
The return on invested capital was up to 28.7% (2019: 16.9%) due to the strong increase in operating profit.

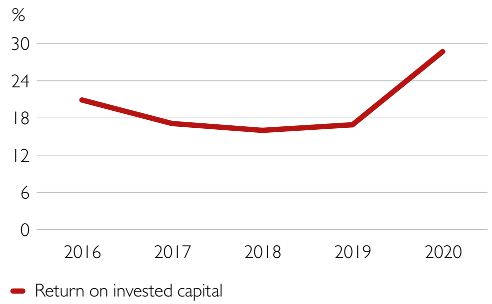
Equity
Equity at 31 December 2020 was DKK 1,025 million (2019: DKK 879 million), for an equity ratio of 43% (2019: 43%). The financial gearing ratio was 61% (2019: 72%).

Earnings per share came to DKK 39.6 (2019: DKK 24.2).

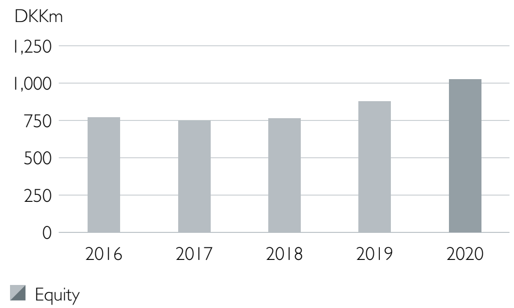
Net interest-bearing debt (NIBD)



ROIC



Equity



Balance sheet

Assets

DKKm	Note	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Goodwill		90.7	63.0	10.7	10.7
Other intangible assets		37.2	29.5	6.5	6.3
Intangible assets	**15**	**127.9**	**92.5**	**17.2**	**17.0**
Land and buildings		326.1	306.1	23.6	15.2
Plant and machinery		657.7	633.3	110.2	98.9
Other fixtures and fittings, tools and equipment		12.3	14.2	1.7	3.1
Plant under construction		188.8	93.1	23.8	6.7
Property, plant and equipment	**16**	**1,184.9**	**1,046.7**	**159.3**	**123.9**
Leased land and buildings		63.3	72.3	5.0	6.5
Other lease assets		3.0	3.7	0.7	1.2
Lease assets	**17**	**66.3**	**76.0**	**5.7**	**7.7**
Investments in subsidiaries	18	-	-	1,021.4	921.1
Receivables from subsidiaries	19	-	-	299.5	341.5
Investments in associates	20	2.6	3.0	1.2	1.2
Deferred tax	21	41.2	40.6	0.0	0.0
Other receivables		0.8	0.0	0.0	0.0
Other non-current assets		**44.6**	**43.6**	**1,322.1**	**1,263.8**
Non-current assets		**1,423.7**	**1,258.8**	**1,504.3**	**1,412.4**
Inventories	22	256.7	211.1	136.4	115.6
Trade receivables	23	347.8	369.0	215.9	220.0
Receivables from subsidiaries		-	-	136.9	75.1
Income tax		15.0	4.4	0.0	0.0
Other receivables		86.4	97.3	43.6	54.3
Prepayments		35.1	16.8	26.1	8.1
Cash*		209.5	84.7	95.3	5.0
Current assets		**950.5**	**783.3**	**654.2**	**478.1**
ASSETS		**2,374.2**	**2,042.1**	**2,158.5**	**1,890.5**

* Of the cash balance, the purchase price held in escrow constitutes DKK 90.7 million.

Equity and liabilities

DKKm	Note	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Share capital	24	140.3	140.3	140.3	140.3
Hedging reserve		1.7	(4.1)	(1.0)	(5.5)
Translation reserve		(293.8)	(163.4)	-	-
Retained earnings		1,177.1	906.4	827.5	703.2
Proposed dividend		0.0	0.0	0.0	0.0
Equity		**1,025.3**	**879.2**	**966.8**	**838.0**
Deferred tax	21	32.7	18.3	2.9	1.0
Pension obligations	25	35.2	32.2	0.0	0.0
Credit institutions	29	629.4	601.9	629.4	601.9
Lease liabilities	29	59.7	68.5	3.7	5.5
Government grants		1.5	2.7	0.0	0.0
Other payables		0.1	7.3	0.0	7.3
Non-current liabilities		**758.6**	**730.9**	**636.0**	**615.7**
Lease liabilities	29	8.9	8.8	2.1	2.2
Government grants		0.9	1.0	0.0	0.0
Overdraft facilities	29	134.4	39.1	113.1	30.1
Prepayments from customers		26.7	35.5	21.4	31.3
Trade payables		209.6	163.2	105.4	65.7
Payables to subsidiaries		-	-	180.8	199.0
Payables to associates		5.1	5.5	4.9	5.2
Income tax		30.0	18.9	24.3	12.2
Provisions	27	3.3	0.2	0.5	0.2
Other payables		171.4	159.8	103.2	90.9
Current liabilities		**590.3**	**432.0**	**555.7**	**436.8**
Liabilities		**1,348.9**	**1,162.9**	**1,191.7**	**1,052.5**
EQUITY AND LIABILITIES		**2,374.2**	**2,042.1**	**2,158.5**	**1,890.5**

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 year	-	-	-	273.9	0.0	273.9	-	-	-	167.2	0.0	167.2
Items that cannot be reclassified to profit or loss												
Actuarial gains/(losses) on defined benefit plans	-	-	-	(4.3)	-	(4.3)	-	-	-	(3.4)	-	(3.4)
Tax	-	-	-	1.1	-	1.1	-	-	-	0.9	-	0.9
Items that can be reclassified to profit or loss												
Foreign exchange adjustment of foreign subsidiaries	-	-	(155.2)	-	-	(155.2)	-	-	(18.8)	-	-	(18.8)
Hyperinflation restatement of non-monetary items	-	24.8	-	-	24.8	-	-	34.3	-	-	34.3	
Value adjustment of hedging instruments:												
Recognised in other comprehensive income	-	3.0	-	-	-	3.0	-	(6.2)	-	-	-	(6.2)
Transferred to revenue	-	2.0	-	-	-	2.0	-	5.5	-	-	-	5.5
Transferred to production costs	-	3.2	-	-	-	3.2	-	0.5	-	-	-	0.5
Transferred to financial income and expenses	-	(0.7)	-	-	-	(0.7)	-	0.1	-	-	-	0.1
Tax	-	(1.7)	-	-	-	(1.7)	-	0.2	-	-	-	(0.2)
Other comprehensive income	**0.0**	**5.8**	**(130.4)**	**(3.2)**	**0.0**	**(127.8)**	**0.0**	**(0.3)**	**15.5**	**(2.5)**	**(0.0)**	**12.7**
Total comprehensive income	**0.0**	**5.8**	**(130.4)**	**270.7**	**0.0**	**146.1**	**0.0**	**(0.3)**	**15.5**	**164.7**	**0.0**	**179.9**
Transactions with owners												
Dividend paid	-	-	-	-	0.0	0.0	-	-	-	-	(65.7)	(65.7)
Changes in equity in the year	**140.3**	**5.8**	**(130.4)**	**270.7**	**0.0**	**146.1**	**0.0**	**(0.3)**	**15.5**	**164.7**	**(65.7)**	**114.2**
Equity at 31 December	**140.3**	**1.7**	**(293.8)**	**1,177.1**	**0.0**	**1,025.3**	**140.3**	**(4.1)**	**(163.4)**	**906.4**	**0.0**	**879.2**

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

Statement of changes in equity

Parent company			**2020**					**2019**		
DKKm	**Share capital**	**Hedging reserve**	**Retained earnings**	**Proposed dividend**	**Total equity**	**Share capital**	**Hedging reserve**	**Retained earnings**	**Proposed dividend**	**Total equity**
Equity at 1 January	**140.3**	**(5.5)**	**703.2**	**0.0**	**838.0**	**140.3**	**(1.4)**	**632.6**	**65.7**	**837.2**
Profit for the year	-	-	124.3	0.0	124.3	-	-	70.6	0.0	70.6
Items that can be reclassified to profit or loss										
Value adjustment of hedging instruments:										
Recognised in other comprehensive income	-	1.1	-	-	1.1	-	(9.7)	-	-	(9.7)
Transferred to revenue	-	1.9	-	-	1.9	-	3.8	-	-	3.8
Transferred to production costs	-	3.2	-	-	3.2	-	0.5	-	-	0.5
Transferred to financial income and expenses	-	(0.5)	-	-	(0.5)	-	0.1	-	-	0.1
Tax	-	(1.2)	-	-	(1.2)	-	1.2	-	-	1.2
Other comprehensive income	**0.0**	**4.5**	**0.0**	**0.0**	**4.5**	**0.0**	**(4.1)**	**0.0**	**0.0**	**(4.1)**
Total comprehensive income	**0.0**	**4.5**	**124.3**	**0.0**	**128.8**	**0.0**	**(4.1)**	**70.6**	**0.0**	**66.5**
Transactions with owners										
Dividend paid	-	-	-	0.0	0.0	-	-	-	(65.7)	(65.7)
Changes in equity in the year	**0.0**	**4.5**	**124.3**	**0.0**	**128.8**	**0.0**	**(4.1)**	**70.6**	**(65.7)**	**0.8**
Equity at 31 December	**140.3**	**(1.0)**	**827.5**	**0.0**	**966.8**	**140.3**	**(5.5)**	**703.2**	**0.0**	**838.0**

Notes

General

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Other

Notes

General

01 Accounting policies

Basis of preparation

The consolidated financial statements and the parent company financial statements for the year ended 31 December 2020 of the group and Brødrene Hartmann A/S, respectively, have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies. Brødrene Hartmann A/S is a limited liability company and has its registered office in Denmark.

The consolidated financial statements and the parent company financial statements are presented in Danish kroner, DKK, which is the presentation currency used for the group's operations and the functional currency of the parent company. The consolidated financial statements and the parent company financial statements are prepared on the basis of the historical cost convention, with the exception of derivative financial instruments, which are measured at fair value, and non-monetary items of the group's Argentinian subsidiaries, which are restated for hyperinflation. The accounting policies have been applied consistently in the financial year and to comparative figures.

Consolidated financial statements

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

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the subsidiaries by combining like items. The financial statements used for the annual report of the group have been prepared in accordance with the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, dividends, balances, and realised and unrealised gains and losses on intra-group transactions are eliminated. The parent company's investments in consolidated subsidiaries are set off against the parent company's share of the subsidiaries' fair value of identified net assets determined at the date of consolidation.

Foreign currency translation

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

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

On recognition of foreign subsidiaries with functional currencies other than DKK, comprehensive income statement items are translated at the foreign exchange rate at the transaction date, with the exception of comprehensive income statement items for the Argentinian subsidiaries, which are translated at the foreign exchange rate at the balance sheet date under the rules on restatement for hyperinflation. The rate at the transaction date is calculated as the average rate of the relevant month. Balance sheet items of foreign subsidiaries, including goodwill, are translated at the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on the translation of opening equity of these entities at the rate at the balance sheet date and on the translation of comprehensive income statement items from average rates to the rate at the balance sheet date are recognised in the consolidated financial statements under other comprehensive income and in equity in the translation reserve.

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

Statement of comprehensive income

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

Statement of cash flows

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

Cash flows from operating activities

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

Notes

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

Cash flows from financing activities
Cash flows from financing activities comprise the raising and repayment of loans and lease liabilities, changes in the amount or composition of the share capital, including purchase and sale of treasury shares and related costs, and dividend payments to shareholders. The parent company provides funding for the subsidiaries, and loans to subsidiaries and repayments on such loans are stated in the cash flow statement of the parent company under financing activities.

Cash and cash equivalents
Cash and cash equivalents comprise cash and overdraft facilities repayable on demand.

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

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

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

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

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

Translation reserve
The translation reserve in the consolidated financial statements includes accumulated foreign exchange differences on the translation of the financial statements of foreign subsidiaries from their functional currency to the presentation currency of the group. The reserve also includes the effects of hyperinflation restatement of non-monetary items in Argentina at 31 December 2020.

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

Financial liabilities
Financial liabilities comprise payables to credit institutions, lease liabilities, trade payables, payables to subsidiaries and associates and other payables. Other non-current payables in the reference year comprise the part of the holiday pay obligation that has been frozen as a result of the transition to the new Danish Holiday Act. Payables to credit institutions are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, payables to credit institutions are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value (capital loss) is recognised in profit or loss over the term of the loan.

Other liabilities are measured at amortised cost.

02 Accounting regulations

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 financial reporting standards and interpretations has not had any significant effect on recognition or measurement in the annual report.

New financial reporting standards which have not yet come into force and which have not been adopted early
Hartmann expects to implement all new standards and interpretations in the financial year in which they become mandatory. The IASB has not issued any new standards or interpretations of significant importance for the group's financial statements that must be implemented by the group and the parent company for financial years beginning on or after 1 January 2021.

03 Significant accounting estimates and judgments

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

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

Changes to accounting estimates are recognised in the reference period in which the change occurs and in future reference periods if the change affects both the period in which the change occurs and subsequent reference periods.

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

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

Notes

04 Segment information

Activities		**2020**			**2019**	
	Eurasia	**Americas**	**Total reporting segments**	**Eurasia**	**Americas**	**Total reporting segments**
External revenue						
Moulded-fibre packaging	1,517.1	950.0	2,467.1	1,344.4	955.1	2,299.5
Machinery and technology	117.4	0.0	117.4	61.4	0.0	61.4
Revenue	**1,634.5**	**950.0**	**2,584.5**	**1,405.8**	**955.1**	**2,360.9**
Hyperinflation restatement of revenue	-	(17.1)	(17.1)	-	(4.5)	(4.5)
Revenue as per statement of comprehensive income	**1,634.5**	**932.9**	**2,567.4**	**1,405.8**	**950.6**	**2,356.4**
Operating profit before special items	329.1	154.0	483.1	170.0	119.3	289.3
Other segment information						
Depreciation and amortisation	70.4	55.1		70.5	60.1	
Investments in intangible assets, property plant and equipment and lease assets	146.6	192.2		143.9	59.3	
Net working capital	394.1	29.7		231.6	90.5	
Invested capital	1,084.8	666.8	761.5	707.9		
Segment assets	1,401.5	848.8	2,250.3	1,072.5	847.0	1,919.5

Reconciliation	2020	2019
Performance targets		
Operating profit before special items for reporting segments	483.1	289.3
Hyperinflation restatement of operating profit before special items	(14.4)	(12.0)
Non-allocated corporate functions	(33.3)	(29.0)
Eliminations	2.0	1.9
Operating profit before special items as per statement of comprehensive income	**437.4**	**250.2**
Special items	(13.3)	0.0
Operating profit as per statement of comprehensive income	**424.1**	**250.2**
Financial income	13.9	10.5
Financial expenses	(79.0)	(45.4)
Profit before tax as per statement of comprehensive income	**359.0**	**215.3**
Assets		
Assets for reporting segments	2,250.3	1,919.5
Hyperinflation restatement of non-monetary items	44.4	46.6
Non-allocated assets	322.9	139.9
Eliminations	(243.4)	(63.9)
Assets as per balance sheet	**2,374.2**	**2,042.1**

Notes

04 Segment information – continued

Geographical distribution

DKKm	Denmark	Rest of Europe	North and South America*	Rest of world	Total group
2020					
Revenue	53.9	1,368.3	1,005.1	140.1	2,567.4
Intangible assets, property, plant and equipment and lease assets	200.0	341.5	649.3	188.3	**1,379.1**
2019					
Revenue	51.8	1,202.0	1,011.3	91.3	2,356.4
Intangible assets, property, plant and equipment and lease assets	183.8	304.6	640.7	86.1	**1,215.2**

* North and South America refer to the geographical continents.

§ Accounting policies

Segment information
The reporting of business segments is in accordance with the internal reporting to the executive board and the board of directors. The executive board and the board of directors constitute Hartmann's chief operating decision maker. Hartmann's activities are segmented on the basis of the geographical location of the reporting units. No operating segments have been aggregated to represent the reporting segments.

With the exception that the transition to IAS 29 is 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.

§ Accounting policies

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:

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

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

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

Notes

Statement of comprehensive income

05 Revenue

	Group		Parent company	
DKKm	**2020**	**2019**	**2020**	**2019**
Moulded-fibre packaging	2,450.0	2,295.0	1,355.6	1,229.1
Machinery and technology	117.4	61.4	341.8	144.4
Revenue	**2,567.4**	**2,356.4**	**1,697.4**	**1,373.5**

Accounting policies

Revenue
The group and the parent company recognise revenue from the following categories:

- Sales of moulded-fibre packaging to egg and fruit producers, packing businesses and retail chains and to buyers of industrial packaging.
- Sales of machinery and technology to manufacturers of moulded-fibre packaging.

Revenue from sales of moulded-fibre packaging and from machinery and technology is recognised when the goods have been delivered in accordance with the agreed terms of delivery and control of the goods has thus been transferred to the customer.

Trade receivables are recognised when the goods have been delivered to the customer and an unconditional right to consideration for the goods has thus been obtained, as only the passage of time is required before payment of the consideration is due.

For sales of moulded-fibre packaging, the general terms of payment are 30 days. For sales of machinery and technology, prepayments are received in instalments that in aggregate make up the main part of the contract sum.

Notes

06 Production costs

	Group		Parent company	
DKKm	**2020**	**2019**	**2020**	**2019**
Cost of sales	1,201.9	1,199.6	994.0	897.1
Staff costs included in cost of sales	(332.8)	(318.6)	(120.1)	(113.8)
Inventory write-downs	1.7	0.2	1.5	0.0
Staff costs, see note 9	458.7	437.3	192.6	173.5
Depreciation and amortisation, see notes 15, 16 and 17	124.7	128.7	24.8	23.4
Other production costs	203.2	206.0	67.4	71.3
Production costs	**1,657.4**	**1,653.2**	**1,160.2**	**1,051.5**

Development costs of DKK 8.3 million for both the group and the parent company (2019: DKK 4.4 million) are included in other production costs.

§ **Accounting policies**

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

07 Selling and distribution costs

	Group		Parent company	
DKKm	**2020**	**2019**	**2020**	**2019**
Staff costs, see note 9	72.0	73.3	16.8	15.7
Depreciation and amortisation, see notes 15, 16 and 17	3.4	3.3	0.0	0.1
Other selling and distribution costs	288.4	273.9	196.5	175.8
Selling and distribution costs	**363.8**	**350.5**	**213.3**	**191.6**

Other selling and distribution costs mainly comprise freight costs.

§ **Accounting policies**

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

Notes

08 Administrative expenses

DKKm	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Staff costs, see note 9	60.3	59.1	33.1	29.7
Depreciation and amortisation, see notes 15, 16 and 17	6.9	9.0	6.0	7.1
Other administrative expenses	41.6	34.4	26.9	18.8
Administrative expenses	**108.8**	**102.5**	**66.0**	**55.6**

Accounting policies

Administrative expenses
Administrative expenses comprise the expenses of the administrative staff, management, office premises not comprised by IFRS 16, consultancy assistance, IT costs and depreciation and amortisation.

09 Staff costs

DKKm	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Wages, salaries and remuneration	518.4	498.8	221.2	198.3
Pension costs, defined benefit plans	4.7	2.7	-	-
Pension contributions, defined contribution plans	43.3	43.9	18.1	17.2
Other social security costs	24.6	24.3	3.2	3.4
Staff costs	**591.0**	**569.7**	**242.5**	**218.9**
Staff costs are recognised in the following comprehensive income statement items:				
Production costs	458.7	437.3	192.6	173.5
Selling and distribution costs	72.0	73.3	16.8	15.7
Administrative expenses	60.3	59.1	33.1	29.7
	591.0	**569.7**	**242.5**	**218.9**
Number of employees				
Average number of full-time employees	2,172	1,997	436	416

For information about pension obligations, see note 25.

Remuneration of the board of directors
The remuneration paid to the members of the board of directors is a fixed fee approved by the shareholders at the annual general meeting. Ordinary members each receive an annual fee of DKK 225,000. The vice chairman receives a fee equal to the ordinary fee multiplied by 1.5, and the chairman receives a fee equal to the ordinary fee multiplied by three. In addition, members of the audit committee receive a fee as set out below.

DKKm	2020	2019
Chairman	0.6	0.7
Vice chairman	0.3	0.3
Ordinary board members	1.4	1.3
	2.3	**2.3**

Notes

09 Staff costs – continued

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

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

Hartmann may terminate the executive service agreements of the members of Hartmann's executive board at 12 months' notice. In the event of a change of ownership of a controlling interest in the company, their notice of termination will be extended to 18 months effective from the date of transfer of control. The extended notice will apply for a period of 18 months after the transfer.

DKKm	Salary	Bonus	Pension	Other benefits	Total
2020					
Torben Rosenkrantz-Theil	3.8	1.7	0.4	0.2	6.1
Flemming Steen	3.1	1.3	0.0	0.2	4.6
	6.9	**3.0**	**0.4**	**0.4**	**10.7**
2019					
Torben Rosenkrantz-Theil	3.6	1.6	0.4	0.2	5.8
Flemming Steen	3.0	1.2	0.0	0.2	4.4
	6.6	**2.8**	**0.4**	**0.4**	**10.2**

Bonus reflects bonuses earned by executive board members in the respective financial years.

Remuneration of the audit committee
The remuneration paid to the members of the audit committee is a fixed fee approved by the shareholders at the annual general meeting. Ordinary committee members each receive an annual fee of DKK 112,500. The chairman receives a fee of DKK 337,500.

DKKm	2020	2019
Chairman	0.3	0.3
Ordinary committee members	0.2	0.2
	0.5	**0.5**

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

	No. of shares			
	01.01. 2020	**Purchased**	**Sold**	**31.12. 2020**
Executive board				
Torben Rosenkrantz-Theil	0	0	0	0
Flemming Steen	0	0	0	0
Board of directors				
Jan Klarskov Henriksen	0	0	0	0
Steen Parsholt	5,000	0	0	5,000
Jan Madsen	1,800	0	0	1,800
Karen Angelo Hækkerup	171	0	0	171
Marianne Schelde	0	0	0	0
Danny Fleischer	0	0	0	0
Palle Skade Andersen	0	0	0	0

Notes

10 Special items

DKKm	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Consultancy fees	13.3	0.0	13.3	0.0
Special costs	**13.3**	**0.0**	**13.3**	**0.0**
Special items	**(13.3)**	**0.0**	**(13.3)**	**0.0**
If special items had been recognised in operating profit before special items, they would have been recognised in the following items in the statement of comprehensive income:				
Administrative expenses	(13.3)	0.0	(13.3)	0.0
	(13.3)	**0.0**	**(13.3)**	**0.0**

Special costs for the year relate to consultancy fees in connection with the acquisition of India's Mohan Fibre and the conditional acquisition of Russia's Gotek-Litar.

§ Accounting policies

Special items

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

11 Financial income and expenses

DKKm	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Interest income from subsidiaries	-	-	6.8	9.5
Interest income, cash and cash equivalents etc.	1.0	0.2	0.0	0.1
Other interest income	2.8	1.1	2.0	1.7
Interest income from financial assets not measured at fair value through profit or loss	**3.8**	**1.3**	**8.8**	**11.3**
Dividend from subsidiaries	-	-	8.5	11.8
Dividend from associates	-	-	0.5	0.0
Monetary gain on hyperinflation restatement	0.0	2.7	-	-
Foreign exchange gains	8.6	5.7	4.3	6.0
Derivative financial instruments	1.5	0.8	0.9	0.1
Financial income	**13.9**	**10.5**	**23.0**	**29.2**
Interest expenses, credit institutions	10.7	15.1	7.4	11.3
Interest expenses, lease liabilities	2.5	2.8	0.1	0.1
Net interest on defined benefit plans, see note 25	0.5	0.6	-	-
Other financial expenses	2.8	3.9	0.4	0.5
Interest expenses from financial liabilities not measured at fair value through profit or loss	**16.5**	**22.4**	**7.9**	**11.9**
Impairment of investments in subsidiaries	-	-	57.7	0.0
Monetary loss on hyperinflation restatement	3.7	0.0	-	-
Foreign exchange losses	58.2	22.2	24.1	6.1
Derivative financial instruments	0.6	0.8	0.5	0.2
Financial expenses	**79.0**	**45.4**	**90.2**	**18.2**
Financial income and (expenses)	**(65.1)**	**(34.9)**	**(67.2)**	**11.0**

Notes

11 Financial income and expenses – continued

§ 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.

12 Tax on profit for the year

	Group		Parent company	
DKKm	**2020**	**2019**	**2020**	**2019**
Breakdown of tax for the year:				
Tax on profit for the year	85.1	48.1	53.1	15.2
Tax on other comprehensive income	0.6	(0.7)	1.2	(1.2)
	85.7	**47.4**	**54.3**	**14.0**
Tax on profit for the year has been calculated as follows:				
Current tax	87.0	43.2	52.5	14.3
Change in deferred tax	(1.4)	8.4	0.6	1.8
Change in deferred tax relating to prior years	0.8	1.6	0.0	0.0
Change in income tax rate	1.2	0.0	0.0	0.0
Tax relating to prior years	(2.5)	(5.1)	0.0	(0.9)
Tax on profit for the year	**85.1**	**48.1**	**53.1**	**15.2**
Tax on profit for the year may be specified as follows:				
Profit before tax	359.0	215.3	177.4	85.8
Dividend from subsidiaries and associates	0.0	0.0	(9.0)	(11.8)
Impairment of investments in subsidiaries	-	-	57.7	0.0
Profit after tax in associates	0.0	0.0	-	-
	359.0	**215.3**	**226.1**	**74.0**

12 Tax on profit for the year – continued

	Group		Parent company	
DKKm	**2020**	**2019**	**2020**	**2019**
Tax charged at 22%	79.0	47.4	49.8	16.3
Effect of differences in tax rates of foreign subsidiaries relative to 22%	1.5	0.7	-	-
Tax effect of:				
Change in income tax rate	1.2	0.0	0.0	0.0
Non-taxable income and non-deductible expenses	3.1	(4.3)	2.9	(0.3)
Hyperinflation restatement	1.6	7.7	-	-
Other tax expenses	0.4	0.1	0.4	0.1
Deferred tax relating to prior years	0.8	1.6	0.0	0.0
Tax relating to prior years	(2.5)	(5.1)	0.0	(0.9)
Tax on profit for the year	**85.1**	**48.1**	**53.1**	**15.2**
Effective tax rate	**24**	**22**	**23**	**21**
Tax on other comprehensive income:				
Actuarial losses on defined benefit plans	(1.1)	(0.9)	-	-
Hyperinflation restatement of non-monetary items, 1 January	0.0	0.0	-	-
Value adjustment of hedging instruments:				
Recognised in other comprehensive income	0.8	(1.3)	0.2	(2.1)
Transferred to revenue	0.4	1.3	0.4	0.8
Transferred to production costs	0.7	0.1	0.7	0.1
Transferred to financial income and expenses	(0.2)	0.1	(0.1)	0.0
Tax on other comprehensive income	**0.6**	**(0.7)**	**1.2**	**(1.2)**

The group's effective tax rate for 2020 increased to 24% (2019: 22%) due to non-deductible costs relating to the acquisitions of Mohan Fibre in India and Gotek-Litar in Russia, as described in note 10.

Notes

12 Tax on profit for the year – continued

§ Accounting policies

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

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

13 Earnings per share

	Group	
	2020	**2019**
Average no. of shares	7,015,090	7,015,090
Average no. of treasury shares	100,000	100,000
Average no. of shares in circulation	**6,915,090**	**6,915,090**
Average dilutive effect of outstanding subscription rights	-	-
Average no. of shares, diluted	**6,915,090**	**6,915,090**
Profit for the year attributable to the shareholders of Brødrene Hartmann A/S, DKKm	**273.9**	**167.2**
Earnings per share, DKK	39.6	24.2
Diluted earnings per share, DKK	39.6	24.2

Notes

Statement of cash flows

14 Cash flows

DKKm	Group 2020	Group 2019	Parent company 2020	Parent company 2019
(Gains) and losses on disposal of intangible assets and property, plant and equipment	(0.5)	(0.1)	(0.3)	0.0
Hyperinflation restatement	8.7	6.8	-	-
Adjustment for other non-cash items	**8.2**	**6.7**	**(0.3)**	**0.0**
Inventories	(65.2)	(20.2)	(21.0)	(45.2)
Receivables	(20.6)	(59.0)	(64.3)	(36.1)
Pension obligations	(1.1)	(3.2)	-	-
Prepayments from customers	(7.4)	29.5	(9.8)	28.4
Trade payables	59.6	(2.5)	39.7	4.6
Other payables etc.	16.3	8.8	(18.4)	12.7
Foreign exchange adjustments	(11.3)	(1.0)	0.0	0.0
Change in working capital etc.	**(29.7)**	**(47.6)**	**(73.8)**	**(35.6)**
Credit institutions at 1 January	601.9	616.0	601.9	616.0
Raising of non-current debt	124.8	652.1	124.8	603.6
Repayment of non-current debt	(93.2)	(669.9)	(93.2)	(616.0)
Foreign exchange adjustments	(4.6)	3.2	(4.6)	(0.4)
Other changes	0.5	0.5	0.5	(1.3)
Credit institutions at 31 December	**629.4**	**601.9**	**629.4**	**601.9**

Notes

Balance sheet

15 Intangible assets

Group

DKKm	Goodwill	Other	Total
Cost at 1 January 2020	63.0	49.9	112.9
Hyperinflation restatement	0.1	4.8	4.9
Foreign exchange adjustment	(20.7)	(15.0)	(36.8)
Addition on acquisition of subsidiaries	48.3	17.0	66.4
Additions	0.0	3.2	3.2
Cost at 31 December 2020	**90.7**	**59.9**	**150.6**
Amortisation and impairment at 1 January 2020	0.0	20.4	20.4
Hyperinflation restatement	0.0	1.6	1.6
Foreign exchange adjustments	0.0	(4.5)	(4.5)
Amortisation	0.0	5.2	5.2
Amortisation and impairment at 31 December 2020	**0.0**	**22.7**	**22.7**
Carrying amount at 31 December 2020	**90.7**	**37.2**	**127.9**
Cost at 1 January 2019	63.9	49.4	113.3
Hyperinflation restatement	0.1	7.1	7.2
Foreign exchange adjustment	(1.0)	(7.7)	(8.7)
Additions	0.0	1.1	1.1
Cost at 31 December 2019	**63.0**	**49.9**	**112.9**
Amortisation and impairment at 1 January 2019	0.0	14.5	14.5
Hyperinflation restatement	0.0	1.9	1.9
Foreign exchange adjustments	0.0	(2.1)	(2.1)
Amortisation	0.0	6.1	6.1
Amortisation and impairment at 31 December 2019	**0.0**	**20.4**	**20.4**
Carrying amount at 31 December 2019	**63.0**	**29.5**	**92.5**

Other intangible assets include the Sanovo Greenpack trademark carried at DKK 8.3 million (2019: DKK 10.9 million). Management expects this value can be sustained indefinitely as the trademark enjoys a strong position in the South American markets, which are expected to remain profitable in the long term. The trademark is thus believed to have an indefinite useful life. The development in 2020 can be ascribed entirely to exchange rate developments and restatement for hyperinflation.

Notes

15 Intangible assets – continued

Parent company

DKKm	Goodwill	Other	Total
Cost at 1 January 2020	10.7	14.2	24.9
Additions	0.0	3.2	3.2
Cost at 31 December 2020	**10.7**	**17.4**	**28.1**
Amortisation and impairment at 1 January 2020	0.0	7.9	7.9
Amortisation	0.0	3.0	3.0
Amortisation and impairment at 31 December 2020	**0.0**	**10.9**	**10.9**
Carrying amount at 31 December 2020	**10.7**	**6.5**	**17.2**
Cost at 1 January 2019	10.7	13.1	23.8
Additions	0.0	1.1	1.1
Cost at 31 December 2019	**10.7**	**14.2**	**24.9**
Amortisation and impairment at 1 January 2019	0.0	4.4	4.4
Amortisation	0.0	3.5	3.5
Amortisation and impairment at 31 December 2019	**0.0**	**7.9**	**7.9**
Carrying amount at 31 December 2019	**10.7**	**6.3**	**17.0**

	Group		**Parent company**	
DKKm	**2020**	**2019**	**2020**	**2019**
Amortisation is recognised in the statement of comprehensive income in the following items:				
Production costs	2.2	2.0	1.2	1.2
Selling and distribution costs	1.3	1.8	0.0	0.0
Administrative expenses	1.7	2.3	1.8	2.3
	5.2	**6.1**	**3.0**	**3.5**

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

Group

		Goodwill		**Trademarks**	
DKKm	**Segment**	**2020**	**2019**	**2020**	**2019**
Cash-generating unit					
Argentina	Americas	0.0	0.1	0.7	1.0
Brazil	Americas	36.9	52.2	4.5	6.3
India	Eurasia	43.1	0.0	0.0	0.0
Europe Moulded Fibre	Eurasia	10.7	10.7	0.0	0.0
Total		**90.7**	**63.0**	**5.2**	**7.3**

Parent company

		Goodwill	
DKKm	**Segment**	**2020**	**2019**
Cash-generating unit			
Europe Moulded Fibre	Eurasia	10.7	10.7
Total		**10.7**	**10.7**

Key assumptions
The recoverable amounts for the units are based on the value in use determined by calculating expected net cash flows on the basis of the 2021 forecast approved by the board of directors and projections for the period 2022-2025. The average growth rates applied for the terminal period are assessed not to exceed long-term average growth rates on the markets of the individual units. The calculation of the value in use includes expected investments for the period 2021-2025, and expected investments to maintain the capital apparatus are included in the terminal period.

Argentina
The rate of growth applied for the period 2021-2025 and the terminal period takes into account the expected rate of inflation. Price increases on a level with expected inflation are assumed to be realisable. Growth during the terminal period has been determined at 19.5% (2019: 12.0%). A pre-tax discount rate of 57% has been applied for 2020 (2019: 43%), which includes an expected rate of inflation of 48% (2019: 40%). The discount rate has been adjusted for a decrease in the expected inflation rate for the period 2022-2025 and for the terminal period, in which a pre-tax discount rate of 32% has been applied (2019: 19%).

Brazil
The rate of growth applied for the period 2021-2025 and the terminal period takes into account the expected rate of inflation. Price increases on a level with expected inflation are assumed to be realisable. Growth during the terminal period has been determined at 4.0% (2019: 3.5%). A pre-tax discount rate of 10% has been applied for the 2021-2025 period and for the terminal period (2019: 7%).

Notes

15 Intangible assets – continued

Sensitivity analysis
A sensitivity analysis has been performed of key assumptions in the impairment test made in respect of the cash-generating units in South America for purposes of identifying the highest discount rate and the lowest growth rate in the terminal period that will not result in impairment losses. The sensitivity analysis is outlined below:

Key assumptions	Argentina	Brazil
Pre-tax discounting factor applied in the terminal period	31.5%	10.1%
Highest pre-tax discounting factor in the terminal period	39.4%	10.3%
Growth rate applied in the terminal period	19.5%	4.0%
Lowest growth rate in the terminal period	< 9%	< 3.8%

India
Management believes that the key assumptions applied to the valuation made in connection with the acquisition of the activities in India are still valid after the acquisition.

Europe Moulded Fibre

The calculation of expected cash flows takes into account the effects of completed expansion of the European production network as well as the expected development in selling prices on European markets, which have seen intensifying price competition. Growth during the terminal period has been determined at 1.0% (2019: 1.0%), in line with the expected inflation rate. A pre-tax discount rate of 6% (2019: 7%) has been applied for the full period.

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

Significant accounting estimates and judgments

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

Accounting policies

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

Other intangible assets
Other intangible assets are software, customer relations and trademarks.
Software is measured at cost less accumulated amortisation. Software is amortised using the straight-line method over its expected useful life, which is 3-5 years.
Customer relations acquired in connection with business combinations are measured at cost less accumulated amortisation. Customer relations are amortised using the straight-line method over the expected useful life, which is ten years.
Trademarks with an indefinite useful life and acquired in connection with business combinations are measured at cost. Trademarks with an indefinite useful life are not amortised but tested for impairment at least once a year. See the section on impairment of intangible assets.

Impairment of intangible assets
Goodwill and trademarks with an indefinite useful life are tested for impairment annually, the first impairment test being performed prior to the end of the year of acquisition. Goodwill and trademarks with an indefinite useful life are tested at least once a year together with the other non-current assets and current net assets of the cash-generating unit to which the assets have been allocated and are written down to the recoverable amount in profit or loss if the carrying amount is higher. Impairment losses are not reversed. The recoverable amount is calculated as the net present value of expected future net cash flows from the cash-generating unit to which the goodwill and trademarks with indefinite useful lives are related.
Other intangible assets are written down in accordance with the accounting policies governing impairment of property, plant and equipment set out out in note 17.

Notes

16 Property, plant and equipment

DKKm	2020 Land and buildings	2020 Plant and machinery	2020 Other fixtures and fittings, tools and equipment	2020 Plant under construction	2020 Total	2019 Land and buildings	2019 Plant and machinery	2019 Other fixtures and fittings, tools and equipment	2019 Plant under construction	2019 Total
Group										
Cost at 1 January	596.0	2,169.5	81.9	93.1	2,940.5	568.3	2,019.9	84.4	71.4	2,744.0
Hyperinflation restatement	12.2	22.1	1.9	0.0	36.2	17.7	16.7	2.9	15.7	53.0
Foreign exchange adjustment	(61.1)	(160.3)	(6.3)	(15.5)	(243.2)	(11.4)	7.0	(2.7)	(16.9)	(24.0)
Transfer	0.0	77.7	0.0	(77.7)	0.0	0.0	70.2	0.0	(70.2)	0.0
Addition on acquisition of subsidiaries	37.3	19.9	0.4	0.1	57.7	0.0	0.0	0.0	0.0	0.0
Additions	37.3	90.1	4.1	188.8	320.3	24.4	70.0	5.2	93.1	192.7
Disposals	(0.3)	(41.4)	(0.7)	0.0	(42.4)	(3.0)	(14.3)	(7.9)	0.0	(25.2)
Cost at 31 December	**621.4**	**2,177.6**	**81.3**	**188.8**	**3,069.1**	**596.0**	**2,169.5**	**81.9**	**93.1**	**2,940.5**
Depreciation and impairment at 1 January	289.9	1,536.2	67.7	0.0	1,893.8	273.9	1,429.7	69.3	0.0	1,772.9
Hyperinflation restatement	0.8	6.9	1.2	0.0	8.9	0.9	7.2	1.6	0.0	9.7
Foreign exchange adjustment	(12.9)	(81.3)	(3.4)	0.0	(97.6)	0.4	11.3	(1.9)	0.0	9.8
Transfer	0.0	1.7	(1.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	17.6	97.8	5.7	0.0	121.1	17.7	101.9	6.5	0.0	126.1
Disposals	(0.1)	(41.4)	(0.5)	0.0	(42.0)	(3.0)	(13.9)	(7.8)	0.0	(24.7)
Depreciation and impairment at 31 December	**295.3**	**1,519.9**	**69.0**	**0.0**	**1,884.2**	**289.9**	**1,536.2**	**67.7**	**0.0**	**1,893.8**
Carrying amount at 31 December	**326.1**	**657.7**	**12.3**	**188.8**	**1,184.9**	**306.1**	**633.3**	**14.2**	**93.1**	**1,046.7**
Parent company										
Cost at 1 January	169.8	677.7	42.0	6.7	896.2	171.7	674.1	49.4	7.7	902.9
Transfer	0.0	7.4	(0.7)	(6.7)	0.0	0.0	7.7	0.0	(7.7)	0.0
Additions	10.4	26.1	0.7	23.8	61.0	1.1	3.2	0.4	6.7	11.4
Disposals	0.0	(6.4)	0.0	0.0	(6.4)	(3.0)	(7.3)	(7.8)	0.0	(18.1)
Cost at 31 December	**180.2**	**704.8**	**42.0**	**23.8**	**950.8**	**169.8**	**677.7**	**42.0**	**6.7**	**896.2**
Depreciation and impairment at 1 January	154.6	578.8	38.9	0.0	772.3	155.7	566.0	43.8	0.0	765.5
Depreciation	2.0	22.1	1.4	0.0	25.5	1.9	20.1	2.9	0.0	24.9
Disposals	0.0	(6.3)	0.0	0.0	(6.3)	(3.0)	(7.3)	(7.8)	0.0	(18.1)
Depreciation and impairment at 31 December	**156.6**	**594.6**	**40.3**	**0.0**	**791.5**	**154.6**	**578.8**	**38.9**	**0.0**	**772.3**
Carrying amount at 31 December	**23.6**	**110.2**	**1.7**	**23.8**	**159.3**	**15.2**	**98.9**	**3.1**	**6.7**	**123.9**

Notes

16 Property, plant and equipment – continued

	Group		Parent company	
DKKm	2020	2019	2020	2019
Breakdown of depreciation and impairment losses:				
Depreciation	121.1	126.1	25.5	24.9
Part of government grants recognised as income	(1.0)	(1.1)	0.0	0.0
	120.1	**125.0**	**25.5**	**24.9**
Depreciation and impairment losses are recognised in the following comprehensive income statement items:				
Production costs	116.9	121.0	23.6	22.2
Selling and distribution costs	0.4	0.4	0.0	0.1
Administrative expenses	2.8	3.6	1.9	2.6
	120.1	**125.0**	**25.5**	**24.9**

§ Accounting policies

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

Subsequent costs, e.g. for the replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset when it is likely that the expenditure of the replacement involves future financial benefits to the group.

The carrying amount of the replaced components ceases to be recognised in the balance sheet and is transferred to profit or loss. All other costs related to general repair and maintenance are recognised in profit or loss as and when incurred.

§ Accounting policies – continued

Items of property, plant and equipment are depreciated on a straight-line basis over their expected useful lives:

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

Land is not depreciated. The depreciation basis is determined taking into account the residual value of the asset and any impairment losses. The residual value is determined at the date of acquisition and is reassessed annually. If the residual value exceeds the carrying amount of the asset, depreciation will cease. If the depreciation period or the residual value is changed, the effect on depreciation going forward is recognised as a change in accounting estimates.

Depreciation is recognised in the statement of comprehensive income as production costs, selling and distribution costs and administrative expenses, respectively.

Gains or losses on the disposal of property, plant and equipment are stated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the statement of comprehensive income in other operating income or in other operating expenses.

Impairment of property, plant and equipment
Items of property, plant and equipment are reviewed for impairment once a year. When there is an indication that an asset may be impaired, the recoverable amount of that asset is determined. The recoverable amount is the higher of the asset's net selling price and the net present value of expected future net cash flows. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount of the asset or its cash-generating unit. Impairment losses are recognised in profit or loss.

Impairment losses on property, plant and equipment are reversed to the extent that changes have occurred in the assumptions and estimates on the basis of which the impairment loss was recognised. Impairment losses are reversed only to the extent that the new carrying amount of the asset does not exceed the carrying amount it would have had net of depreciation if the impairment loss had not been recognised.

Notes

17 Leases

	2020			2019		
DKKm	Land and buildings	Other fixtures and fittings, tools and equipment	Total	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Group						
Balance sheet at 1 January	72.3	3.7	76.0	-	-	-
Effect on transition at 1 January 2019	-	-	-	68.3	6.6	74.9
Adjusted balance sheet at 1 January	72.3	3.7	76.0	68.3	6.6	74.9
Foreign exchange adjustment	(1.3)	(0.1)	(1.4)	6.3	0.0	6.3
Additions	0.0	1.5	1.5	4.9	1.1	6.0
Disposals	0.0	(0.1)	(0.1)	0.0	(1.3)	(1.3)
Depreciation	(7.7)	(2.0)	(9.7)	(7.2)	(2.7)	(9.9)
Balance sheet at 31 December	**63.3**	**3.0**	**66.3**	**72.3**	**3.7**	**76.0**
Parent company						
Balance sheet at 1 January	6.5	1.2	7.7	-	-	-
Effect on transition at 1 January 2019	-	-	-	8.0	1.9	9.9
Adjusted balance sheet at 1 January	6.5	1.2	7.7	8.0	1.9	9.9
Additions	0.0	0.5	0.5	0.0	0.0	0.0
Disposals	0.0	(0.2)	(0.2)	0.0	0.0	0.0
Depreciation	(1.5)	(0.8)	(2.3)	(1.5)	(0.7)	(2.2)
Balance sheet at 31 December	**5.0**	**0.7**	**5.7**	**6.5**	**1.2**	**7.7**

	Group		Parent company	
DKKm	2020	2019	2020	2019
Depreciation and impairment losses are recognised in the following comprehensive income statement items:				
Production costs	5.6	5.7	0.0	0.0
Selling and distribution costs	1.7	1.1	0.0	0.0
Administrative expenses	2.4	3.1	2.3	2.2
	9.7	**9.9**	**2.3**	**2.2**
Costs relating to current lease assets	4.7	2.9	2.5	1.5
Costs relating to leases of low-value assets	1.2	0.8	0.1	0.0

For 2020, payments related to leases amounted to DKK 11.3 million (2019: DKK 11.3 million), of which interest payments relating to recognised lease liabilities accounted for DKK 2.5 million (2019: DKK 2.8 million) and repayment of recognised lease liabilities accounted for DKK 8.8 million (2019: DKK 8.5 million).

Notes

17 Leases – continued

§ Accounting policies

Leases
A lease asset and a lease liability are recognised in the balance sheet when a right-of-use lease asset is transferred to the group or the parent company for the term of the lease pursuant to a concluded lease agreement and the group or the parent obtains the right to substantially all of the economic benefits from the use of the identifiable asset and the right to control the use of the identifiable asset.

On initial recognition, lease liabilities are measured at the present value of the future lease payments, discounted using an alternative interest rate.

The lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a change in the underlying contractual cash flows due to changes in an index or an interest rate, if there is a change to the estimate of a residual value guarantee, or if there is a change to the assessment as to whether it is reasonably certain that a purchase option, an extension option or a termination option will be exercised.

On initial recognition, the right-of-use asset is measured at cost, corresponding to the value of the lease liability adjusted for prepaid lease payments plus any initial direct costs and estimated costs for dismantling, removing and restoring or similar and less any discounts or other types of incentive payments granted by the lessor.

On subsequent recognition, the asset is measured at cost less any accumulated depreciation and impairment. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. Depreciation charges are recognised in the income statement on a straight-line basis over the estimated lease term.

The right-of-use asset is adjusted for any changes in the lease liability due to changes in the lease terms or changes in the contractual cash flows as a result of changes in an index or an interest rate.

The lease asset and the lease liability are presented separately by the group and the parent company in the balance sheet.

The group and the parent company have elected to not recognise right-of-use assets of low value and short-term leases in the balance sheet and instead to recognise lease payments concerning these leases in the income statement on a straight-line basis.

18 Investments in subsidiaries

	Parent company	
DKKm	**2020**	**2019**
Cost at 1 January	947.4	1,026.4
Additions	158.0	22.7
Disposals	0.0	(101.7)
Cost at 31 December	**1,105.4**	**947.4**
Impairment at 1 January	26.3	26.3
Impairment losses in the year	57.7	0.0
Impairment at 31 December	**84.0**	**26.3**
Carrying amount at 31 December	**1,021.4**	**921.1**

The year's addition of DKK 158.0 million relates to the acquisition of India-based Mohan Fibre. The DKK 22.7 million addition in 2019 related to the contribution of capital to Sanova Greenpack Argentina SRL, while the DKK 101.7 million disposal in 2019 related to a capital reduction in Hartmann Canada Inc.

The impairment loss recognised in 2020 concerns the group's investments in South America, the carrying amount of which was reduced to the recoverable amount as a result of massive currency depreciation.

§ Accounting policies

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

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

Notes

18 Investments in subsidiaries – continued

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

§ Accounting policies – continued

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

19 Receivables from subsidiaries (non-current)

	Parent company	
DKKm	2020	2019
Carrying amount at 1 January	341.5	301.9
Foreign exchange adjustment	(16.2)	1.0
Additions	57.4	144.6
Disposals	(83.2)	(106.0)
Carrying amount at 31 December	**299.5**	**341.5**

§ Accounting policies

Receivables from subsidiaries in the parent company financial statements
Receivables from subsidiaries are measured at amortised cost, which usually corresponds to nominal value less expected credit losses. Where a receivable is considered to be impaired, an impairment loss covering the total expected credit loss is recognised.

Notes

20 Investments in associates

	Group		Parent company	
DKKm	**2020**	**2019**	**2020**	**2019**
Cost at 1 January	1.2	1.2	1.2	1.2
Cost at 31 December	**1.2**	**1.2**	**1.2**	**1.2**
Value adjustments at 1 January	1.8	1.8	0.0	0.0
Dividend	(0.5)	0.0	-	-
Share of profit for the year	0.1	0.0	-	-
Value adjustments at 31 December	**1.4**	**1.8**	**0.0**	**0.0**
Carrying amount at 31 December	**2.6**	**3.0**	**1.2**	**1.2**

Name	**Regi-stered office**	**Owner-ship interest**	**Gross profit**	**Profit for the year***	**Assets**	**Lia-bilities**	**Equity**
2020							
DanFiber A/S	Allerød	49.0%	4.9	0.1	17.3	12.1	5.2
2019							
DanFiber A/S	Allerød	49.0%	4.8	0.1	15.2	9.0	6.2

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

§ Accounting policies

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

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

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

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

Notes

21 Deferred tax

Temporary differences between the carrying amount and the tax base

DKKm	Intangible and equipment	Property, plant assets	Current assets	Liabilities	Other	Tax loss carried forward	Total
Group							
Deferred tax at 1 January 2020	4.7	50.5	0.4	(18.9)	(20.6)	(38.4)	(22.3)
Foreign exchange adjustment	(1.5)	(12.3)	0.1	1.7	2.2	5.5	(4.3)
Adjustment relating to prior years	0.0	0.8	0.0	0.0	0.0	0.0	0.8
Acquisitions	0.0	16.9	0.0	0.0	0.0	0.0	16.9
Recognised in profit for the year, net	5.3	(7.3)	(3.8)	4.4	(2.6)	3.8	(0.2)
Recognised through other comprehensive income, net	0.0	0.0	0.0	(1.1)	1.7	0.0	0.6
Deferred tax at 31 December 2020	**8.5**	**48.6**	**(3.3)**	**(13.9)**	**(19.3)**	**(29.1)**	**(8.5)**
Deferred tax at 1 January 2019	5.1	42.1	0.6	(20.9)	(18.6)	(35.0)	(26.7)
Foreign exchange adjustment	(0.7)	(2.5)	0.0	(0.2)	1.2	(0.3)	(2.5)
Adjustment relating to prior years	0.0	2.0	0.0	0.0	0.0	0.0	2.0
Hyperinflation restatement	0.0	(2.4)	0.0	0.0	0.0	0.0	(2.4)
Recognised in profit for the year, net	0.3	11.3	(0.2)	3.1	(3.4)	(3.1)	8.0
Recognised through other comprehensive income, net	0.0	0.0	0.0	(0.9)	0.2	0.0	(0.7)
Deferred tax at 31 December 2019	**4.7**	**50.5**	**0.4**	**(18.9)**	**(20.6)**	**(38.4)**	**(22.3)**
Parent company							
Deferred tax at 1 January 2020	1.2	3.1	0.8	(2.9)	(1.2)	0.0	1.0
Adjustment relating to prior years	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recognised in profit for the year, net	(0.1)	1.4	(0.1)	(0.5)	2.4	0.0	3.1
Recognised through other comprehensive income, net	0.0	0.0	0.0	0.0	(1.2)	0.0	(1.2)
Deferred tax at 31 December 2020	**1.1**	**4.5**	**0.7**	**(3.4)**	**0.0**	**0.0**	**2.9**
Deferred tax at 1 January 2019	1.7	2.0	0.7	(3.5)	(0.4)	0.0	0.5
Adjustment relating to prior years	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recognised in profit for the year, net	(0.5)	1.1	0.1	0.6	0.4	0.0	1.7
Recognised through other comprehensive income, net	0.0	0.0	0.0	0.0	(1.2)	0.0	(1.2)
Deferred tax at 31 December 2019	**1.2**	**3.1**	**0.8**	**(2.9)**	**(1.2)**	**0.0**	**1.0**

The item 'Other' includes the expected tax effect of corresponding adjustments as a result of completed tax audits of the group's transfer prices still awaiting final settlement between the tax authorities of the countries involved. 'Other' also includes deferred tax of recapture balances relating to losses utilised in foreign subsidiaries.

Notes

21 Deferred tax – continued

Deferred tax assets and liabilities

	2020			2019		
DKKm	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Group						
Intangible assets	0.0	8.5	8.5	(1.9)	6.6	4.7
Property, plant and equipment	(20.2)	68.8	48.6	(15.4)	65.9	50.5
Current assets	(4.1)	0.8	(3.3)	(0.4)	0.8	0.4
Liabilities	(14.9)	1.0	(13.9)	(18.9)	0.0	(18.9)
Other	(19.3)	0.0	(19.3)	(21.0)	0.4	(20.6)
Tax loss carry-forwards	(29.1)	0.0	(29.1)	(38.4)	0.0	(38.4)
Deferred tax (assets)/liabilities	**(87.6)**	**79.1**	**(8.5)**	**(96.0)**	**73.7**	**(22.3)**
Set-off within legal tax entities	46.4	(46.4)	0.0	55.4	(55.4)	0.0
Total deferred tax (assets)/liabilities, net	**(41.2)**	**32.7**	**(8.5)**	**(40.6)**	**18.3**	**(22.3)**
Parent company						
Intangible assets	0.0	1.2	1.2	0.0	1.2	1.2
Property, plant and equipment	0.0	4.4	4.4	(0.8)	3.9	3.1
Current assets	0.0	0.7	0.7	0.0	0.8	0.8
Liabilities	(3.4)	0.0	(3.4)	(2.9)	0.0	(2.9)
Other	0.0	0.0	0.0	(1.6)	0.4	(1.2)
Total deferred tax (assets)/liabilities, net	**(3.4)**	**6.3**	**2.9**	**(5.3)**	**6.3**	**1.0**
Set-off within legal tax entities	3.4	(3.4)	0.0	5.3	(5.3)	0.0
Total deferred tax liabilities, net	**0.0**	**2.9**	**2.9**	**0.0**	**1.0**	**1.0**

Other group items primarily concern the expected effects of completed tax audits in Europe still awaiting final settlement.

Notes

21 Deferred tax – continued

Unrecognised deferred tax assets

DKKm	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Unrecognised deferred tax assets at 1 January	2.9	3.0	0.0	0.0
Foreign exchange adjustment	(0.8)	(0.1)	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Unrecognised deferred tax assets at 31 December	**2.1**	**2.9**	**0.0**	**0.0**

Deferred tax assets that are not expected to be realised or are otherwise subject to significant risks of not being utilised are not recognised. Unrecognised deferred tax assets for 2020 relate to the subsidiary in Brazil (2019: Brazil). The utilisation of unrecognised tax assets is not subject to any time limit.

Significant accounting estimates and judgments

Deferred tax assets

In the measurement of deferred tax assets, it is assessed whether, on the basis of financial forecasts and operating plans, future earnings will allow for and render probable the utilisation of the temporary differences between tax bases and carrying amounts and tax loss carry-forwards. The net carrying amount of deferred tax assets for the group amounted to DKK 41.2 million at 31 December 2020 (2019: DKK 40.6 million), of which DKK 21.2 million can be attributed to the estimated tax effect of corresponding adjustments relating to pending tax audits in Hungary.

Accounting policies

Deferred tax

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

Impairment of deferred tax assets

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

Notes

22 Inventories

	Group		Parent company	
DKKm	2020	2019	2020	2019
Raw materials and consumables	188.1	131.3	91.4	64.1
Work in progress	13.5	18.3	27.2	31.1
Finished goods and goods for resale	55.1	61.5	17.8	20.4
Inventories	**256.7**	**211.1**	**136.4**	**115.6**
Inventories recognised at net realisable value	9.0	8.7	3.7	3.1

Work in progress for the parent company includes plant under construction for internal use which in the consolidated financial statements has been reclassified as property, plant and equipment.

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

§ Accounting policies

Inventories
Inventories are measured at cost using the FIFO method.

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

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

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

23 Trade receivables

	Group		Parent company	
DKKm	2020	2019	2020	2019
Trade receivables, gross	370.0	408.9	234.7	256.9
Changes in credit loss allowance:				
Allowance at 1 January	39.9	38.7	36.9	34.8
Additions in the year	0.7	3.3	0.0	3.2
Realised in the year	(1.9)	(0.3)	(1.9)	(1.1)
Reversal in the year	(16.5)	(1.8)	(16.2)	(0.0)
Allowance at 31 December	22.2	39.9	18.8	36.9
Trade receivables, net	**347.8**	**369.0**	**215.9**	**220.0**

The total impairment loss relates partly to doubtful debts, primarily customers in receivership or under reconstruction. Reversals in the year relate primarily to the settled dispute with Tønder Fjernvarme.

§ Accounting policies

Trade receivables
Trade receivables are measured at amortised cost, which usually corresponds to nominal value less expected credit losses.

A total expected credit loss on trade receivables is recognised for the group and the parent company, respectively, based on the simplified 'expected credit loss' model. Expected credit losses are reassessed in connection with each financial reporting to reflect the change in credit risk since initial recognition. Expected credit losses are presented in a provision matrix to reflect historical credit losses incurred by the group and the parent company, respectively, adjusted for specific circumstances relating to each customer, insured receivables and general market conditions for each customer. Credit loss allowances are recognised in the statement of comprehensive income under selling and distribution costs.

Outstanding contractual performance obligations
In pursuance of the exemption clause of IFRS 15.121, Hartmann does not disclose information on performance obligations as the group's contracts have an expected duration of less than one year.

Notes

23 Trade receivables – continued

The provision matrix below illustrates the risk profile of the group's and the parent company's trade receivables. As the credit loss patterns of the group and the parent company are not very different for the various customer segments, a breakdown by customer groups is not provided.

		Overdue by				
DKKm	**Not overdue**	**0-30 days**	**31-60 days**	**61-90 days**	**over 90 days**	**Total**
Group						
31 December 2020						
Expected loss rate	0%	0%	10%	0%	49%	6%
Trade receivables	278.8	32.3	1.9	13.5	43.5	370.0
Expected credit loss	0.6	0.1	0.2	0.0	21.3	22.2
31 December 2019						
Expected loss rate	0%	1%	0%	0%	62%	10%
Trade receivables	311.5	30.6	0.1	2.3	64.4	408.9
Expected credit loss	0.0	0.2	0.0	0.0	39.7	39.9
Parent company						
31 December 2020						
Expected loss rate	0%	0%	0%	0%	47%	8%
Trade receivables	160.3	21.2	0.0	12.7	40.5	234.7
Expected credit loss	0.0	0.0	0.0	0.0	18.8	18.8
31 December 2019						
Expected loss rate	0%	0%	0%	0%	62%	14%
Trade receivables	180.1	15.4	0.0	1.9	59.5	256.9
Expected credit loss	0.0	0.0	0.0	0.0	36.9	36.9

24 Share capital

DKKm		**Parent company**
Share capital at 1 January 2016		140.3
Share capital at 31 December 2020	**7,015,090 shares of DKK 20 each**	**140.3**

No shares carry special rights.

Treasury shares
Brødrene Hartmann A/S has been authorised by the shareholders to acquire up to 10% of its own shares. The authorisation is valid until 27 April 2021.

At 31 December 2020, Hartmann held 100,000 treasury shares (2019: 100,000) representing a nominal value of DKK 2 million, or 1.4% of the total share capital. The value of the shares at 31 December 2020 was DKK 50.2 million (2019: DKK 30.4 million).

Dividend
Proposed dividend
The board of directors has proposed that no dividend be paid for the financial year ended 31 December 2020.

Dividend paid
No dividend was paid in the financial year ended 31 December 2020 (2019: DKK 65.7 million).

Notes

25 Pension obligations

Defined contribution plans
Hartmann offers pension plans to certain groups of employees. These pension plans are generally defined contribution plans. Under these pension plans, Hartmann recognises regular payments of premiums (e.g. a fixed amount or a fixed percentage of the salary) to independent insurers who are responsible for the pension obligations.

Under a defined contribution plan, the group carries no risk in relation to future developments in interest rates, inflation, mortality or disability. Once the contributions under a defined contribution plan have been paid, Hartmann has no further pension obligations towards existing or former employees.

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

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

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

The weighted average duration of the obligations is 17-18 years in Canada and 15 years in Germany.

	Group	
DKKm	**2020**	**2019**
Recognition of defined benefit plans in the statement of comprehensive income:		
Pension costs for the year	4.7	2.7
Costs of plan administration for the year	0.4	0.3
Interest expenses on asset cap	0.0	0.2
Interest expenses, net	0.5	0.5
Recognised in profit for the year	**5.6**	**3.7**
Return on plan assets (excluding amounts recognised in interest expenses, net)	(8.2)	(13.1)
Actuarial losses:		
– From changes in demographic assumptions	0.0	0.8
– From changes in financial assumptions	12.7	20.1
– From experience-based adjustments	(0.1)	0.6
Change in assets not recognised due to asset cap	0.0	(5.0)
Tax	(1.2)	(0.9)
Recognised in other comprehensive income	**3.2**	**2.5**
Recognised in comprehensive income	**8.8**	**6.2**
Recognition of defined benefit plans in the balance sheet:		
Present value of liability with plan assets	134.0	125.9
Market value of plan assets	(130.0)	(124.6)
Net obligation of plans with plan assets	4.0	1.3
Present value of plans without plan assets	31.2	30.9
Assets not recognised due to asset cap	0.0	0.0
Recognised net obligation	**35.2**	**32.2**

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

Notes

25 Pension obligations – continued

DKKm	Group 2020	Group 2019
Change in defined benefit plan obligations		
Present value of pension obligations at 1 January	156.7	125.5
Foreign exchange adjustment	(9.1)	6.7
Pension costs for the year	4.7	2.7
Interest on pension obligation	4.2	4.6
Contributions from plan participants	2.8	2.7
Actuarial losses:		
– From changes in demographic assumptions	0.0	0.8
– From changes in financial assumptions	12.7	20.1
– From experience-based adjustments	(0.1)	0.7
Pension benefits paid	(6.7)	(7.1)
Present value of pension obligations at 31 December	**165.2**	**156.7**
Changes in defined benefit plan assets		
Fair value of plan assets at 1 January	124.6	98.3
Foreign exchange adjustment	(8.9)	7.0
Return on plan assets (excluding amounts recognised in interest expenses, net)	8.2	13.1
Interest on plan assets	3.7	4.1
Administrative expenses	(0.5)	(0.2)
Employer contributions	7.4	7.3
Pension benefits paid	(4.5)	(5.0)
Fair value of plan assets at 31 December	**130.0**	**124.6**
Breakdown of actual return on plan assets		
Return on plan assets (excluding amounts recognised in interest expenses, net)	8.2	13.1
Interest on plan assets	3.7	4.1
	11.9	**17.2**

Hartmann expects to contribute DKK 11.7 million (2019: DKK 10.0 million relating to 2020) to pension plans in 2021.

	2020 DKKm	2020 %	2019 DKKm	2019 %
Composition of plan assets:				
Shares and investment funds	95.8	73.7	92.3	74.1
Bonds and other securities	34.2	26.3	32.3	25.9
	130.0	**100.0**	**124.6**	**100.0**

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

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

DKKm	2020 +1% point	2020 -1% point	2019 +1% point	2019 -1% point
Pension obligation sensitivity to changes in the discount rate:				
– Germany	(2.9)	3.2	(2.9)	3.1
– Canada, wage earners	(15.4)	20.9	(15.4)	20.1
– Canada, salaried employees	(5.4)	6.9	(5.5)	7.1

Notes

25 Pension obligations – continued

%	Group 2020	Group 2019
Defined benefit plans have been calculated based on the following actuarial assumptions:		
Discount rate		
– Germany	1.19	1.73
– Canada, wage earners	2.60	3.10
– Canada, salaried employees	2.60	3.10
Expected pay rise		
– Germany	-	-
– Canada, wage earners	-	-
– Canada, salaried employees	2.00	2.00

§ Accounting policies

Pension obligations

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

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

Notes

Other

26 Fees to shareholder-appointed auditor

	Group		Parent company	
DKKm	**2020**	**2019**	**2020**	**2019**
Fees to Deloitte				
Statutory audit	2.4	2.1	1.1	1.0
Assurance engagements other than audits	0.0	0.3	0.0	0.0
Tax and VAT-related services	0.7	0.6	0.0	0.0
Other services	1.0	0.2	1.0	0.2
Fees to shareholder-appointed auditor	**4.1**	**3.2**	**2.1**	**1.2**

Fees paid to Deloitte Statsautoriseret Revisionspartnerselskab (Deloitte Danmark) for non-audit services amount to DKK 1.0 million for both the group and the parent company and concern various services in connection with the acquisition of India's Mohan Fibre (2019: DKK 0.2 million concerning audit-related services and consultancy services)..

Notes

27 Collateral and contingent liabilities

Guarantees
Brødrene Hartmann A/S has provided a parent company guarantee to Hartmann (UK) Ltd. (CRN 00734190) to allow the subsidiary to claim exemption from audit under section 479A of the British Companies Act 2006. At 31 December 2020, the amount owed to creditors of Hartmann (UK) Ltd. was DKK 0.8 million (2019: DKK 0.9 million).

Joint taxation
Brødrene Hartmann A/S and its Danish subsidiaries are taxed jointly with Thornico Holding A/S, which is the management company.

The company and its Danish subsidiaries thus have secondary liability with respect to income taxes etc. and any obligations to withhold taxes on interest, royalties and dividends applying to the jointly taxed entities. Such secondary liability is, however, capped at an amount equal to the portion of the share capital in the company held directly or indirectly by the ultimate parent company.

The total tax obligation of the jointly taxed entities is disclosed in the financial statements of the management company.

Other matters
In autumn 2019, the Brazilian tax authorities raised a claim of BRL 56 million, corresponding to DKK 66 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 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.

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

Notes

28 Financial risks

The group's overall financial risk management guidelines are set out in its finance policy. The finance policy comprises the group's foreign exchange policy, investment policy, funding policy and policy regarding credit risks in relation to financial counterparties.

The finance policy is updated and approved by the board of directors on an annual basis.

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

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

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

Translation risk
The group is exposed to currency translation risks insofar as earnings and net assets relating to foreign subsidiaries as well as intra-group loans are translated and included in the consolidated financial statements, which are presented in DKK. Translation risks associated with the translation of earnings and net assets in foreign subsidiaries into DKK are not hedged as they have no direct impact on cash resources or underlying cash flows. Translation risks associated with intra-group loans are hedged if they are deemed to potentially have a material impact on consolidated profits.

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

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

Other significant transaction risks relate to the currencies CHF, EUR, GBP, HRK, HUF and PLN.

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

A 5% increase in the year-end exchange rate against DKK or EUR would result in fair value adjustment of other comprehensive income by DKK 0.1 million (2019: DKK 0.1 million).

The group's exposure to fluctuations in exchange rates is illustrated by the graph below, which shows the change in the profit for the year on a 5% increase in relevant exchange rates, all other things being equal.

Notes

28 Financial risks – continued

Currency table

Exchange rate, DKK per 100		2020	2019
ARS	Average rate	9.4	14.2
	Year-end rate	7.2	11.1
	Change in year-end rate, %	(35.4)	(35.5)
BRL	Average rate	128.3	169.3
	Year-end rate	116.7	165.5
	Change in year-end rate, %	(29.4)	(1.5)
CAD	Average rate	487.8	502.6
	Year-end rate	476.0	511.8
	Change in year-end rate, %	(7.0)	7.0
EUR	Average rate	745.4	746.6
	Year-end rate	744.1	747.2
	Change in year-end rate, %	(0.4)	0.1
GBP	Average rate	838.9	851.7
	Year-end rate	827.7	878.2
	Change in year-end rate, %	(5.8)	5.2
HRK	Average rate	98.9	100.6
	Year-end rate	98.5	100.4
	Change in year-end rate, %	(1.9)	(0.3)
HUF	Average rate	2.12	2.30
	Year-end rate	2.04	2.26
	Change in year-end rate, %	(9.5)	(2.8)
ILS	Average rate	190.1	187.1
	Year-end rate	188.7	192.6
	Change in year-end rate, %	(2.1)	10.7
PLN	Average rate	167.9	173.7
	Year-end rate	163.2	175.5
	Change in year-end rate, %	(7.0)	1.1
USD	Average rate	654.2	666.9
	Year-end rate	606.4	665.1
	Change in year-end rate, %	(8.8)	2.0

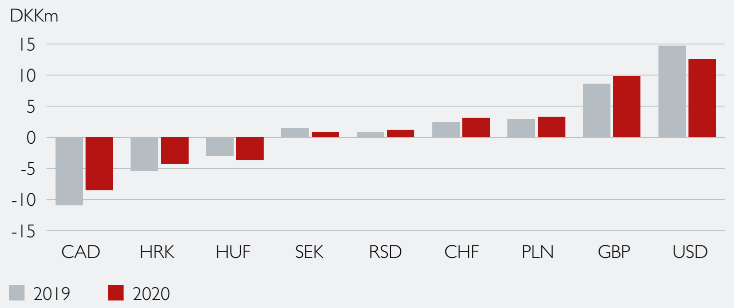
Interest rate risk

Hartmann seeks to reduce to the greatest extent possible the impact of interest rate fluctuations on its profits and financial position, which includes assessing on an ongoing basis if benefits may be gained from converting a proportion of the group's non-current credit facilities into fixed-rate facilities using interest-rate swaps.

The group's long-term and committed credit facilities are predominantly denominated in DKK and USD. Credit facilities carry a floating rate, and Hartmann has opted not to convert them into fixed-rate facilities for the time being.

A 1 percentage point change in the general interest rate level related to committed credit facilities in DKK would affect pre-tax profits by approximately DKK 5 million (2019: approx. DKK 6 million).

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



Notes

28 Financial risks – continued

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

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

The group's long-term loan agreement comprises a committed credit facility of DKK 750 million expiring at 23 May 2023 but with an option to extend by up to two years plus an option to expand the credit facility by DKK 300 million for the funding of acquisitions subject to approval by the group's lenders. In 2020, the group's lenders approved a DKK 245 million expansion of the credit facility for the funding of acquisitions in India and Russia. The interest margin on both loans is floating and is fixed each quarter based on the group's earnings. The loans are subject to covenants, including covenants concerning the financial ratio 'Net interest-bearing debt' to 'Operating profit before depreciation, amortisation and impairment'. The group complied with all covenants in 2020. In addition, the loan agreements contain cross-default and change-of-control clauses.

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

While subsidiary financing requirements are primarily covered by the parent company, local conditions may result in financing being arranged through one of the group's foreign banks.

Total liquidity available to the group (DKKm)	2020	2019
Undrawn credit facilities with banks at 31 December	399	309
Cash at 31 December	210	85
Amount held in escrow, not available	(91)	0.0
Liquidity available at 31 December	**518**	**394**

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

Reference is made to note 29, Financial instruments, for an overview of due dates by debt category.

Credit risk
The group's credit risk is primarily related to trade receivables and cash deposits.

It is Hartmann's policy to take out credit insurance on its trade receivables. Where local conditions make it impossible to take out credit insurance, a stricter internal credit assessment procedure is applied.

Note 23, Trade receivables, provides a specification of the group's trade receivables. Assumed to approximate fair value, the carrying amount of trade receivables captures the maximum credit risk associated with trade receivables.

Investments of surplus liquidity are confined to banks with satisfactory credit ratings from one or more credit rating agencies. The maximum credit risk corresponds to the carrying amount.

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

Dividend distributions will always take into account current growth plans and liquidity needs. The loan agreement further contains restrictions with respect to Brødrene Hartmann A/S's possibility of distributing dividends, since changes in the general dividend policy are subject to consent from the bank.

Notes

29 Financial instruments

Maturities of financial liabilities including interest payments

	2020					2019				
DKKm	Carrying amount	Payment obligation	In 1 year or less	In 1-5 years	After 5 years	Carrying amount	Payment obligation	In 1 year or less	In 1-5 years	After 5 years
Group										
Credit institutions	629.4	641.7	4.8	636.9	0.0	601.9	614.4	4.7	609.7	0.0
Overdraft facilities	134.4	134.4	134.4	0.0	0.0	39.1	39.1	39.1	0.0	0.0
Lease liabilities	68.6	81.5	11.3	41.2	29.0	77.3	85.2	9.2	39.5	36.5
Trade payables	209.6	209.6	209.6	0.0	0.0	163.2	163.2	163.2	0.0	0.0
Payables to associates	5.1	5.1	5.1	0.0	0.0	5.5	5.5	5.5	0.0	0.0
Other payables	171.5	171.5	171.4	0.1	0.0	167.1	167.1	167.1	0.0	0.0
	1,218.5	**1,243.7**	**536.6**	**678.2**	**29.0**	**1,054.1**	**1,074.5**	**388.8**	**649.2**	**36.5**
Parent company										
Credit institutions	629.4	641.7	4.8	636.9	0.0	601.9	614.4	4.7	609.7	0.0
Overdraft facilities	113.1	113.1	113.1	0.0	0.0	30.1	30.1	30.1	0.0	0.0
Lease liabilities	5.8	6.1	2.3	3.8	0.0	7.7	8.1	2.4	5.7	0.0
Trade payables	105.4	105.4	105.4	0.0	0.0	65.7	65.7	65.7	0.0	0.0
Payables to subsidiaries	180.8	180.8	180.8	0.0	0.0	199.0	199.0	199.0	0.0	0.0
Payables to associates	4.9	4.9	4.9	0.0	0.0	5.2	5.2	5.2	0.0	0.0
Other payables	103.2	103.2	103.2	0.0	0.0	98.2	98.2	98.2	0.0	0.0
	1,142.6	**1,155.2**	**514.5**	**640.7**	**0.0**	**1,007.8**	**1,020.7**	**405.3**	**615.4**	**0.0**

Notes

29 Financial instruments – continued

	Group				Parent company			
	2020		2019		2020		2019	
Financial instrument categories DKKm	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Derivative financial instruments to hedge future cash flows	4.3	4.3	2.0	2.0	0.6	0.6	0.1	0.1
Financial assets used as hedging instruments	**4.3**	**4.3**	**2.0**	**2.0**	**0.6**	**0.6**	**0.1**	**0.1**
Trade receivables	347.8	347.8	369.0	369.0	215.9	215.9	220.0	220.0
Receivables from subsidiaries	-	-	-	-	136.9	136.9	75.1	75.1
Other receivables	97.0	97.0	99.7	99.7	43.7	43.7	54.2	54.2
Cash	209.5	209.5	84.7	84.7	95.3	95.3	5.0	5.0
Loans and receivables	**654.3**	**654.3**	**553.4**	**553.4**	**491.8**	**491.8**	**354.3**	**354.3**
Derivative financial instruments to hedge future cash flows	2.0	2.0	7.2	7.2	2.0	2.0	7.2	7.2
Financial liabilities used as hedging instruments	**2.0**	**2.0**	**7.2**	**7.2**	**2.0**	**2.0**	**7.2**	**7.2**
Credit institutions	763.9	764.6	641.0	642.2	742.6	743.3	632.0	633.2
Lease liabilities	68.6	73.9	77.3	85.2	5.8	5.7	7.7	8.1
Payables to subsidiaries	-	-	-	-	180.8	180.8	199.0	199.0
Other liabilities	416.7	416.7	347.6	347.6	395.8	395.8	372.5	375.5
Financial liabilities measured at amortised cost	**1,249.2**	**1,255.2**	**1,065.9**	**1,075.0**	**1,325.0**	**1,325.6**	**1,211.2**	**1,215.8**

Notes

29 Financial instruments – continued

Fair value of derivative financial instruments

Hartmann's primary currency exposure relates to sales denominated in currencies other than the functional currency of the individual group entities. Forward exchange contracts are used to hedge future cash flows. The fair value of forward contracts is based on observable data (level 2) and has been recognised in receivables and payables at 31 December 2020. Changes in the fair value of financial instruments qualifying as hedges of future cash flows are recognised in other comprehensive income.

	Group								Parent company					
Forward contracts	**2020**				**2019**				**2020**			**2019**		
DKKm	**Average hedging exchange rate**	**Positive**	**Negative**	**Net**	**Average hedging exchange rate**	**Positive**	**Negative**	**Net**	**Positive**	**Negative**	**Net**	**Positive**	**Negative**	**Net**
CHF/DKK	6.91	0.1	(0.1)	0.0	6.82	0.0	(0.2)	(0.2)	0.1	(0.1)	0.0	0.0	(0.2)	(0.2)
EUR/HRK	7.55	0.0	(0.1)	(0.1)	7.42	0.0	(0.3)	(0.3)	0.0	(0.1)	(0.1)	0.0	(0.3)	(0.3)
EUR/HUF	362.58	0.1	(0.4)	(0.3)	331.48	0.1	(0.1)	0.0	0.1	(0.4)	(0.3)	0.1	0.0	0.1
GBP/DKK	8.15	0.0	(0.9)	(0.9)	8.27	0.0	(5.1)	(5.1)	0.0	(0.9)	(0.9)	0.0	(5.1)	(5.1)
PLN/DKK	1.64	0.1	0.0	0.1	1.69	0.0	(0.9)	(0.9)	0.1	0.0	0.1	0.0	(0.9)	(0.9)
SEK/DKK	0.72	0.0	(0.6)	(0.6)	0.69	0.0	(0.6)	(0.6)	0.0	(0.6)	(0.6)	0.0	(0.6)	(0.6)
USD/CAD	1.32	3.8	0.0	3.8	1.33	1.9	0.0	1.9	-	-	-	-	-	-
Option contract, EUR/RUB		0.3	0.0	0.3		0.0	0.0	0.0	0.3	(0.0)	0.3	0.0	0.0	0.0
		4.4	**(2.1)**	**2.3**		**2.0**	**(7.2)**	**(5.2)**	**0.6**	**(2.1)**	**(1.5)**	**0.1**	**(7.1)**	**(7.0)**
Expected maturity														
In 1 year or less		4.4	(2.1)	2.3		2.0	(7.2)	(5.2)	0.6	(2.1)	(1.5)	0.1	(7.1)	(7.0)
		4.4	**(2.1)**	**2.3**		**2.0**	**(7.2)**	**(5.2)**	**0.6**	**(2.1)**	**(1.5)**	**0.1**	**(7.1)**	**(7.0)**

§ Accounting policies

Derivative financial instruments

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

Notes

29 Financial instruments – continued

	2020			2019		
Hedging of future cash flows DKKm	**Notional amount**	**Fair value**	**Recognised in other comprehensive income**	**Notional amount**	**Fair value**	**Recognised in other comprehensive income**
Group						
Forward contract, CHF/DKK	35.1	(0.1)	(0.1)	23.2	(0.2)	(0.2)
Forward contract, SEK/DKK	18.9	(0.6)	(0.6)	18.2	(0.6)	(0.6)
Forward contract, EUR/HRK	66.6	(0.1)	(0.1)	45.3	(0.3)	(0.3)
Forward contract, DKK/HRK	0.0	0.0	0.0	0.0	0.0	0.0
Forward contract, EUR/HUF	55.8	(0.4)	(0.4)	47.4	0.0	0.0
Forward contract, GBP/DKK	49.7	(0.9)	(0.9)	92.2	(5.1)	(5.1)
Forward contract, PLN/DKK	24.5	0.0	0.0	30.5	(0.9)	(0.9)
Forward contract, USD/CAD	100.0	0.0	0.0	86.4	1.9	1.9
Option contract, EUR/RUB	0.3	0.0	0.0	0.0	0.0	0.0
	350.9	**(2.1)**	**(2.1)**	**343.2**	**(5.2)**	**(5.2)**
Parent company						
Forward contract, CHF/DKK	35.1	(0.1)	(0.1)	23.2	(0.2)	(0.2)
Forward contract, SEK/DKK	18.9	(0.6)	(0.6)	18.2	(0.6)	(0.6)
Forward contract, EUR/HRK	66.6	(0.1)	(0.1)	45.3	(0.3)	(0.3)
Forward contract, DKK/HRK	0.0	0.0	0.0	0.0	0.0	0.0
Forward contract, EUR/HUF	55.8	(0.4)	(0.4)	47.4	0.0	0.0
Forward contract, GBP/DKK	49.7	(0.9)	(0.9)	92.2	(5.1)	(5.1)
Forward contract, PLN/DKK	24.5	0.0	0.0	30.5	(0.9)	(0.9)
Option contract, EUR/RUB	0.3	0.0	0.0	0.0	0.0	0.0
	250.9	**(2.1)**	**(2.1)**	**256.8**	**(7.1)**	**(7.1)**

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

Notes

29 Financial instruments – continued

Fair value hedging	2020				2019			
	Monetary items		Hedged through hedging instruments	Net position	Monetary items		Hedged through hedging instruments	Net position
DKKm	Assets	Liabilities			Assets	Liabilities		
Group								
ARS	33.7	(16.2)	0.0	17.5	37.7	(19.6)	0.0	18.1
BRL	43.6	(46.3)	0.0	(2.7)	62.1	(34.0)	0.0	28.1
CAD	34.3	(37.7)	0.0	(3.4)	34.1	(39.4)	0.0	(5.3)
CHF	7.8	(0.7)	0.0	7.1	10.5	(0.7)	0.0	9.8
EUR	159.7	(158.2)	0.0	1.5	128.8	(43.4)	0.0	85.4
GBP	20.7	(0.8)	0.0	19.9	30.3	(0.9)	0.0	29.4
HUF	19.0	(28.3)	0.0	(9.3)	17.2	(29.8)	0.0	(12.6)
ILS	32.5	(7.7)	0.0	24.8	31.6	(7.5)	0.0	24.1
PLN	9.9	(0.3)	0.0	9.6	14.4	(2.6)	0.0	11.8
SEK	0.6	(2.7)	0.0	(2.1)	4.7	(0.9)	0.0	3.8
USD	66.9	(55.6)	0.0	11.3	69.7	(101.4)	0.0	(31.7)
Other currencies	76.8	(14.1)	0.0	62.7	28.0	(16.1)	0.0	11.9
Parent company								
BRL	32.4	0.0	0.0	32.4	33.2	0.0	0.0	33.2
CAD	1.6	0.0	0.0	1.6	2.6	0.0	0.0	2.6
CHF	5.8	(1.0)	0.0	4.8	7.5	(0.1)	0.0	7.4
EUR	388.7	(285.3)	0.0	103.4	358.5	(164.7)	0.0	193.8
GBP	20.7	(4.8)	0.0	15.9	30.3	(4.8)	0.0	25.5
HUF	7.4	0.0	0.0	7.4	0.0	(32.0)	0.0	(32.0)
PLN	9.8	(1.9)	0.0	7.9	14.3	(4.3)	0.0	10.0
SEK	0.6	(2.7)	0.0	(2.1)	4.7	(0.9)	0.0	3.8
USD	105.4	(30.6)	0.0	74.8	140.0	(93.8)	0.0	46.2
ILS	1.0	0.0	0.0	1.0	0.3	0.0	0.0	0.3
Other currencies	8.8	(1.8)	0.0	7.0	9.9	(11.7)	0.0	(1.8)

Notes

29 Financial instruments – continued

Hedging of net assets in foreign subsidiaries DKKm	**2020** Investment	Amount hedged	Net position	The year's value adjustment recognised in other comprehensive income	**2019** Investment	Amount hedged	Net position	The year's value adjustment recognised in other comprehensive income
Group								
ARS	107.8	0.0	107.8	(37.2)	109.0	0.0	109.0	(33.6)
BRL	129.6	0.0	129.6	(53.4)	183.0	0.0	183.0	(2.9)
CAD	208.7	0.0	208.7	(12.8)	157.3	0.0	157.3	13.4
CHF	2.1	0.0	2.1	0.0	2.0	0.0	2.0	0.1
EUR	97.0	0.0	97.0	(0.4)	90.7	0.0	90.7	0.1
GBP	3.9	0.0	3.9	(0.3)	3.9	0.0	3.9	0.1
HRK	76.9	0.0	76.9	(1.3)	66.2	0.0	66.2	(0.2)
HUF	129.0	0.0	129.0	(13.3)	132.5	0.0	132.5	(3.8)
ILS	49.9	0.0	49.9	(1.0)	48.5	0.0	48.5	4.9
INR	138.8	0.0	138.8	(18.0)	0.0	0.0	0.0	0.0
PLN	1.7	0.0	1.7	(0.1)	1.8	0.0	1.8	0.0
USD	177.1	0.0	177.1	(17.2)	186.7	0.0	186.7	3.4
Other currencies	2.5	0.0	2.5	(0.2)	2.1	0.0	2.1	(0.3)
	1,125.0	**0.0**	**1,125.0**	**(155.2)**	**983.7**	**0.0**	**983.7**	**(18.8)**

Interest rate risk DKKm	Nominal value	Carrying amount	Interest rate	Interest rate risk	Nominal value	Carrying amount	Interest rate	Interest rate risk
Group								
Credit institutions, floating rate	630.1	629.4	0.8%	Cash flow	603.1	601.9	0.8%	Cash flow
Parent company								
Credit institutions, floating rate	630.1	629.4	0.8%	Cash flow	603.1	601.9	0.8%	Cash flow
Receivables from subsidiaries								
Fixed rate	31.8	31.8	3-8%	Fair value	32.5	32.5	8.0%	Fair value
Floating rate	267.7	267.7	0.95%-1.74%	Cash flow	302.2	302.2	1.13%-3.91%	Cash flow

Notes

30 Related parties

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

No collateral or guarantees have been provided in respect of any balances at the balance sheet date. Receivables and trade payables are settled in cash. No credit losses or provisions for credit losses have been recognised on receivables from related parties.

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

	Group		Parent company	
DKKm	2020	2019	2020	2019
Companies with a controlling interest				
Joint taxation contributions paid	37.2	5.8	37.2	5.8
Adjustment of joint taxation contributions paid in prior years	0.0	0.0	0.0	0.0
Other receivables	0.0	0.7	0.0	0.0
Other payables	0.2	2.0	0.0	0.0
Associates				
Production costs	48.9	62.1	44.7	58.5
Payables to associates	5.1	5.5	4.9	5.2
Subsidiaries				
Revenue	-	-	217.7	107.5
Production costs	-	-	487.1	473.3
Other income/(expenses) recognised in operating profit	-	-	0.1	6.8
Interest income	-	-	6.8	9.5
Receivables from subsidiaries, non-current	-	-	299.5	341.5
Receivables from subsidiaries, current	-	-	136.9	75.1
Payables to subsidiaries	-	-	180.8	199.0
Other related parties				
Revenue	12.7	0.0	12.7	0.0
Prepayments from customers	0.0	0.2	0.0	0.2

Companies with a controlling interest in Brødrene Hartmann A/S consist of Thornico Food & Food Technology Group A/S, owned by Thornico A/S, which is the immediate majority owner, and Thornico Holding A/S, which is the ultimate majority owner. Brødrene Hartmann A/S is included in the consolidated financial statements of Thornico Holding A/S.

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

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

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

In 2020, Hartmann entered into an agreement with Thornico Food & Food Technology Group A/S on the establishment of an egg packaging plant in China. Hartmann delivered most of the production equipment in 2020 and expects to deliver the rest in Q2 2021. In return, Hartmann expects to obtain an ownership interest in the Chinese company of about 20%. As part of the agreement, Hartmann has an option to acquire the remaining ownership interest in the Chinese company. The option cannot be exercised until two years after the Chinese factory has commenced egg packaging production.

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

Notes

31 Accounting effect of hyperinflation in Argentina

Transition to hyperinflation
Argentina was placed on the International Practices Task Force's (IPTF) list of hyperinflationary economies effective 1 July 2018 based on a number of qualitative and quantitative characteristics, including that the 3-year cumulative inflation rate exceeded 100% following a prolonged period of rising inflation.

Based on the IPTF's classification, Hartmann has implemented IAS 29 on financial reporting in hyperinflationary economies for the group's Argentinian subsidiaries.

Under IAS 29, the accounting figures for the Argentinian subsidiaries must be restated to reflect the purchasing power at the end of the reporting period. In that connection, non-monetary items, including non-current assets, inventories and equity, and the income statement are restated to reflect the purchasing power at the balance sheet date. Monetary items such as receivables, payables, bank debt, etc. already reflect the purchasing power at the closing date as these items consist of balances, receivables or payables in the relevant monetary unit.

IAS 29, in combination with IAS 21 on currency translation, also requires all the year's transactions in the hyperinflationary exchange rate, the Argentine peso (ARS), to be translated into the group's presentation currency, Danish kroner (DKK), using the exchange rate at the balance sheet date. Accordingly, while the group usually translates income statement transactions at the exchange rate at the date of transaction, all transactions in Argentina have been translated into DKK using the exchange rate at 31 December 2020.

Basis for hyperinflation restatements
Price index:
Hyperinflation restatements of the accounting figures for the Argentinian activities are based on developments in the general price index in Argentina, which is the Wholesale Price Index (WPI) for the period from the acquisition of Hartmann's Argentinian activities at the beginning of January 2015 up to December 2016 and the National Consumer Price Index (IPC) for the period from January 2017.

Exchange rate:
All accounting numbers concerning the Argentinian activities, in the balance sheet as well as the income statement, are translated into the group's presentation currency, DKK, using the ARS/DKK exchange rate at the balance sheet date, as opposed to the group's usual practice of translating the income statement using the exchange rate at the transaction date.

Inflation and exchange rate developments in 2020:
Following a prolonged period of rising inflation in Argentina, the cumulative 3-year inflation rate exceeded 100% in May 2018. In 2020, the rate of inflation in Argentina was 36%.

The ARS/DKK exchange rate fell from 11.1 at the beginning of the year to 7.2 at 31 December 2020.

Recognised hyperinflation restatements

Inflation restatements in local currency:

- Intangible assets, items of property, plant and equipment and inventories in Hartmann's business in Argentina have been restated for the effects of inflation based on changes in the price index in the period from initial recognition up to 31 December 2020 or, if relevant, the date of disposal or cost of sales in 2020. The restatements were made effective the date of initial recognition of the items, however not earlier than 6 January 2015 when Hartmann acquired the Argentinian activities and the non-monetary items were translated and recognised in the consolidated financial statements at fair value, reflecting the purchasing power at 6 January 2015. The restatement has significantly increased the value of the group's intangible assets and property plant and equipment and moderately increased the value of inventories. The restatement has also led to higher expenses in the income statement in the form of higher cost of sales relating to the restated inventories and significantly higher amortisation and depreciation charges due to the restated cost of intangible assets and property plant and equipment.

- The equity of the Argentinian business has been restated for the effects of inflation based on developments in the price index in financial year 2020 in order to reflect the purchasing power at the balance sheet date. The revaluation of equity based on developments in the price index in the financial year has been recognised with set-off against financial income and expenses in the income statement.

- All income statement transactions in 2020 have been restated to reflect changes in the price index in the period from the month of recognition in the income statement up to 31 December, with the exception of amortisation and depreciation of intangible assets and property, plant and equipment, which has been recalculated separately based on the inflation-adjusted cost of intangible assets and property plant and equipment as stated above. The recalculation of amortisation and depreciation has been made based on the normal useful lives of the relevant Argentinian assets. The restatement for inflation of the income statement has significantly increased the value of income statement items in local currency due to developments in the price index from the date of recognition to the end of the year.

Retranslation from ARS to DKK

- The financial statements of the Argentinian operations after inflation restatements in local currency have been translated into DKK by translating the balance sheet and all income statement transactions in the financial year using the ARS/DKK exchange rate at the balance sheet date (7.2). While the translation of the items in the balance sheet is unchanged compared with the usual practice, the new translation principle has had a significant effect on the items of the income statement, which have been translated based on an exchange rate of 7.2 as opposed to translation at the exchange rate at the transaction date.

Recognition time and method:
IAS 29 was implemented effective 1 January 2018, and restatements for hyperinflation were recognised for the first time in the interim report for Q3 2018, at the total effect for the period 1 January to 30 September 2018.

Notes

31 Accounting effect of hyperinflation in Argentina – continued

Overview of hyperinflation restatements
The table below shows the total effect in 2020 of restating for hyperinflation in the group's Argentinian subsidiaries.

	2020				2019			
	Restatement of non-monetary items	Restatement of income statement	Re-translation	Total restatement	Restatement of non-monetary items	Restatement of income statement	Re-translation	Total restatement
Revenue	-	32.7	(49.8)	(17.1)	-	38.8	(43.3)	(4.5)
Cost of sales	(4.7)	(19.4)	29.4	5.3	(6.4)	(26.0)	29.3	(3.1)
Depreciation and amortisation	(7.9)	-	2.4	(5.5)	(6.8)	-	1.6	(5.2)
Other costs	-	(5.6)	8.4	2.8	-	(7.2)	8.0	0.8
Operating profit before special items	**(12.6)**	**7.7**	**(9.6)**	**(14.5)**	**(13.2)**	**5.6**	**(4.4)**	**(12.0)**
Special items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	**(12.6)**	**7.7**	**(9.6)**	**(14.5)**	**(13.2)**	**5.6**	**(4.4)**	**(12.0)**
Financial items	(1.1)	(4.8)	2.6	(3.3)	2.4	(2.5)	3.0	2.9
Profit before tax	**(13.7)**	**2.9**	**(7.0)**	**(17.8)**	**(10.8)**	**3.1**	**(1.4)**	**(9.1)**
Tax on profit for the year	(4.4)	(2.9)	4.3	(3.0)	(9.3)	(3.1)	3.4	(9.0)
Profit for the year	**(18.1)**	**0.0**	**(2.7)**	**(20.8)**	**(20.1)**	**0.0**	**2.0**	**(18.1)**
Intangible assets	6.2	-	-	6.2	7.2	-	-	7.2
Property, plant and equipment	37.5	-	-	37.5	38.8	-	-	38.8
Deferred tax	(7.0)	-	-	(7.0)	(6.6)	-	-	(6.6)
Inventories	0.7	-	-	0.7	0.7	-	-	0.7
Assets	**37.4**	**-**	**-**	**37.4**	**40.1**	**-**	**-**	**40.1**
Profit for the year	(18.1)	-	(2.7)	(20.8)	(20.1)	-	2.0	(18.1)
Foreign exchange adjustment of foreign subsidiaries	18.9	-	8.9	27.8	11.0	-	5.5	16.5
Hyperinflation restatement of non-monetary items, 1 January	31.0	-	(6.2)	24.8	41.8	-	(7.5)	34.3
Tax	0.0	-	0.0	0.0	0.0	-	0.0	0.0
Equity	**31.8**	**-**	**-**	**31.8**	**32.7**	**-**	**-**	**32.7**
Deferred tax	5.6	-	-	5.6	7.4	-	-	7.4
Equity and liabilities	**37.4**	**-**	**-**	**37.4**	**40.1**	**-**	**-**	**40.1**

Notes

32 Acquisitions

Business combinations
Hartmann acquired Mohan Fibre Products Pvt. Ltd. (Mohan Fibre) at 3 November 2020. The transaction was executed as a purchase of shares, in which Brødrene Hartmann A/S acquired 100% of the voting rights as well as of the shares.

Mohan Fibre is India's largest and leading manufacturer of quality packaging for eggs and fruit. Through the transaction, Hartmann has established a solid platform in the attractive Indian market, which is characterised by favourable demographics and a growing production of eggs and fruit. The combination of population growth and growing urbanisation in the years ahead is laying the groundwork for continued retail sector growth and increasing demand for quality egg packaging. In addition, the use of moulded-fibre packaging for the protection of fruit is expected to increase in step with the professionalisation of supply chains.

Specification of recognition of acquired assets and liabilities

	Provisional
Intangible assets	17.0
Property, plant and equipment	57.7
Inventories	8.4
Receivables	7.8
Cash	45.0
Deferred tax liabilities	(19.2)
Trade payables	(0.8)
Other payables	(2.0)
Provisions	(4.2)
Net assets acquired	**109.7**
Goodwill	48.3
Purchase consideration	**158.0**
Of which cash	(45.0)
Cash purchase consideration	**113.0**
Overdraft facilities	0.0
Cash flow effect	**113.0**

In connection with the acquisition, Hartmann incurred transaction costs of about DKK 5 million, primarily for consultancy services, recognised in special items in the statement of comprehensive income for 2020.

The fair value of acquired technical plant is estimated on the basis of the depreciated replacement cost. In connection with the acquisition, a separate intangible asset was identified in the form of customer relations.

The fair value of customer relations is determined by means of the multi-period excess earnings method (MEEM). Customer relations are calculated as the present value of the net cash flow generated by sales to customers after deduction of a reasonable return on all other assets which contribute to generating the cash flows in question.

The fair value of the acquired finished goods and work in progress is determined on the basis of expected selling prices to be obtained in the course of normal business operations less expected completion costs and costs incurred to execute the sale, and less a reasonable profit on the sales effort and a reasonable profit on the completion.

The fair value of the acquired raw materials and goods for sale is determined at replacement cost.

Receivables are measured at the fair value of the amounts that are expected to be received less expected costs for collection. Liabilities are measured at the present value of the amounts that are required for settling the liabilities. The group's loan interest rate before tax is used for discounting purposes.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill – representing the value of the existing staff and access to new markets – was determined at DKK 49 million. The recognised goodwill is not tax deductible.

Of the group's 2020 revenue of DKK 2,567 million, DKK 3.5 million may be attributed to Mohan Fibre. Of the group's 2020 profit of DKK 255 million, DKK (1) million may be attributed to Mohan Fibre. If the companies had been combined at the beginning of the financial year, profit for the year would have amounted to DKK 267 million and revenue to DKK 2,615 million.

Business combinations after the balance sheet date
At 25 January 2021, Hartmann acquired all the shares in Gotek-Litar JSC, a leading Russian manufacturer of retail and transport packaging for eggs. The purchase consideration was DKK 116 million in cash. The short time span between the acquisition and the release of the annual report has not allowed the purchase price to be allocated to the acquired assets and liabilities ahead of the publication of the annual report. The purchase price allocation is expected to be included in the Q1 2021 interim report. The purchase price is expected to be allocated mainly to goodwill, trademarks, customer contracts and property, plant and equipment.

Notes

32 Acquisitions – continued

Accounting policies

Newly acquired or newly formed businesses are recognised in the consolidated financial statements from the date of acquisition. Businesses sold or wound up are recognised in the consolidated financial statements until the date of disposal. Comparative figures are not restated for newly acquired businesses. Discontinued operations and assets held for sale are presented separately.

On acquisition of new businesses in which Hartmann assumes control over the acquired business, the purchase method is applied. The identifiable assets, liabilities and contingent liabilities of acquired businesses are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they can be separated or if they arise from a contractual right. Deferred tax is recognised on the basis of the revaluations made.

The acquisition date is the date on which Hartmann effectively assumes control of the acquired business.

Any excess of, on the one hand, the purchase consideration, the value of non-controlling interests in the acquired business and the fair value of any previously acquired investments over, on the other, the fair value of the identifiable assets, liabilities and contingent liabilities acquired (goodwill) is recognised as goodwill under intangible assets. Goodwill is not amortised, but is tested annually for impairment, the first impairment test being performed before the expiry of the year of acquisition.

On acquisition, goodwill is allocated to the cash-generating units that will subsequently form the basis for impairment testing. Any goodwill arising and any fair value adjustments made on the acquisition of a foreign entity whose functional currency is not the same as the group's presentation currency are accounted for as assets and liabilities of the foreign entity and translated on initial recognition to the foreign entity's functional currency at the exchange rate ruling at the transaction date.

Any negative differences (negative goodwill) are recognised in the profit for the year at the date of acquisition.

The consideration for a business consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events occurring or on agreed conditions being met, that part of the consideration is recognised at fair value at the acquisition date. Contingent consideration that is not an equity instrument is subsequently measured at fair value through profit or loss.

Accounting policies (continued)

Costs attributable to acquisitions are recognised in special items in the year in which they are incurred.

If uncertainties exist regarding identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase consideration, initial recognition will take place on the basis of provisional values. If the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities on initial recognition subsequently proves to have been incorrect, the calculation is adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures are restated. Subsequently, goodwill is not adjusted. Changes to estimates of contingent purchase consideration are recognised in profit or loss for the year.

Significant accounting estimates and judgments

On acquisition of businesses, the identifiable assets, liabilities and contingent liabilities of the acquired business are recognised at fair value under the purchase method. The most significant assets are generally goodwill, property, plant and equipment and intangible assets, receivables and inventories. For a large part of assets and liabilities taken over, no active markets exist which may be used to determine their fair value. This applies in particular to acquired intangible assets. The methods most commonly applied are based on the present value of future cash flows based on, e.g., royalty rates or other expected net cash flows related to the asset, or the cost approach, which is based on, e.g., the replacement cost.

Accordingly, management uses estimates in determining the fair value of the acquired assets, liabilities and contingent liabilities. Depending on the nature of the item, the determination of fair value may be subject to uncertainty and may subsequently be adjusted.

33 Events after the balance sheet date

On 25 January 2021, Hartmann announced the acquisition of Russia's Gotek-Litar for DKK 116 million.

On 29 January 2021, Hartmann announced that the group had settled an international intellectual property rights dispute concerning Hartmann's imagic® products. Under the settlement agreement, Hartmann will receive DKK 78 million, which amount will be recognised as licence income in Q1 2021 revenue and operating profit.

Hyperinflation

Argentina was placed on the International Practices Task Force's (IPTF) list of hyperinflationary economies effective 1 July 2018, and Hartmann has therefore restated the contribution of the Argentinian operations to the consolidated financial statements in accordance with the requirements of IAS 29 on financial reporting in hyperinflationary economies.

No effect on group operations or performance
Restating for hyperinflation has no direct influence on Hartmann's underlying operations or performance, total cash flows or its ability to pay dividends.

To provide a more accurate illustration of Hartmann's underlying operations and performance, selected accounting figures are presented before restatement for hyperinflation. This ensures cohesion between the external reporting and the group's guidance as well as consistency with internal management reporting and performance follow-up.

As a general rule, accounting figures stated in the management report of this annual report are presented after restatement for hyperinflation. Profit margin guidance is presented before restatement for hyperinflation, and developments in operating profit and profit margin are therefore also described before restatement for hyperinflation.

Events in Argentina
Hartmann's three factories in Argentina produce egg and fruit packaging, and the activities account for less than 10% of the group's total packaging sales.

The Argentinian activities grew packaging sales and improved production efficiency in 2020. The basis for this progress has been created over a long high-inflation period, and the positive performance has continued after Argentina was classified as a hyperinflationary economy.

In the period between Hartmann's acquisition of its Argentinian activities at the beginning of 2015 and the country's classification as a hyperinflationary economy in May 2018, Argentina reported average annual inflation of about 25%. In 2020, average annual inflation was about 36%.

Accounting effects
Implementation of IAS 29 is intended to ensure that Hartmann's consolidated financial statements reflect the current purchasing power in Argentina and the ARS/DKK exchange rate at the balance sheet date.

The financial statements have been restated to reflect the general price index* and the ARS/DKK exchange rate at 31 December 2020, and certain accounting items are affected by changes in the price index in the period between the date of acquisition at the beginning of 2015 and 31 December 2020.

The general effects of restating for developments in the price index and in the exchange rate, respectively, are described for significant accounting items on this page and are specified for current developments overleaf, in the statement of key figures and financial ratios and in note 31.

* 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.

Effects of restating for hyperinflation

Restating for changes in purchasing power in local currency

↑ **Revenue**
Reported revenue is favourably affected by restatement for changes in the price index between 1 January and 31 December 2020.

↓ **Operating profit**
Hartmann's operating profit is adversely affected by increases in costs and depreciation and amortisation charges driven by the higher price index and inflation restatement of the Argentinian non-current assets, which are revalued from the acquisition in January 2015 up to the balance sheet date.

↑ **Assets, invested capital and equity**
Inflation restatement of non-monetary balance sheet items relating to Argentina, including non-current assets and inventories, leads to increases in Hartmann's assets, invested capital and equity.

↓ **Return on invested capital (ROIC)**
The negative effect on operating profit and the increase in invested capital impact adversely on the reported return on invested capital.

↑ **Capital expenditure**
Hartmann's capital expenditure in Argentina during the year increases as a result of restatement for changes in the price index.

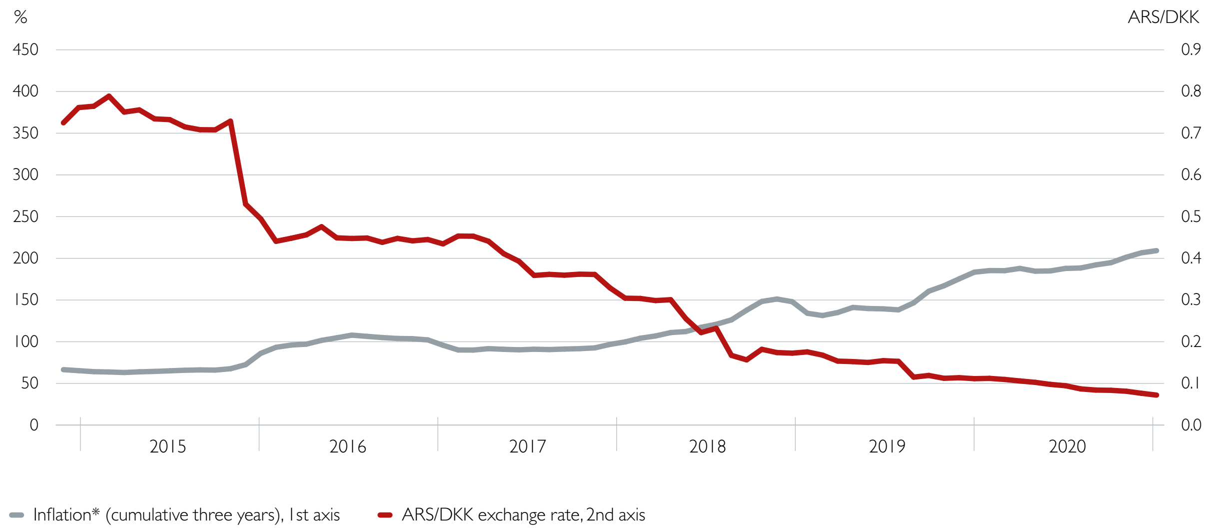
Retranslation into Danish kroner

↓ **Income statement**
The income statement is translated on the basis of the ARS/DKK exchange rate at the balance sheet date. Negative currency movements thus lead to a negative currency effect on positive items.

Total effect of restating for hyperinflation

Hyperinflation

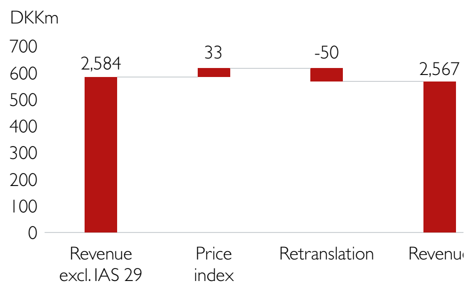
Inflation and exchange rate developments in Argentina



Effects of restating for hyperinflation on selected accounting figures

DKKm	2020 Excl. IAS 29	*Price index adjustments*	*Re-translation*	*Total adjustment*	2020
Revenue	2,584	*33*	*(50)*	*(17)*	2,567
Operating profit before depreciation and amortisation	581	*3*	*(12)*	*(9)*	572
Operating profit	452	*(5)*	*(10)*	*(14)*	437
Financial items, net	(62)	*(6)*	*3*	*(3)*	(65)

Effect of restating revenue



The total effect of IAS 29 implementation on 2020 revenue is a combination of restating for price index developments and the effect of transitioning to translating the Argentine peso into Danish kroner at the exchange rate at the balance sheet date.

Even though revenue was favourably affected in the amount of DKK 33 million by the average annual increase in the price index of 36% during the period under review, the total effect of restating for hyperinflation was negative. The ARS/DKK cross rate fell from 11.1 at the beginning of the year to 7.2 at 31 December 2020. The new currency translation practice based on the exchange rate at the balance sheet date, as opposed to the exchange rate at the date of transaction, thus reduced Hartmann's revenue by DKK 50 million.

Revenue came to DKK 2,567 million after a net negative impact of restating for hyperinflation of DKK 17 million.

* 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.

Key figures and financial ratios by quarter (unaudited)

	Q4		Q3		Q2		Q1	
	2020	2019	2020	2019	2020	2019	2020	2019
Statement of comprehensive income								
Revenue	635	615	608	591	662	553	663	596
- Eurasia, moulded-fibre packaging	394	360	349	330	393	311	382	345
- Eurasia, machinery and technology	34	7	50	44	17	6	16	4
- Americas	207	248	209	231	252	230	265	248
Operating profit	94	71	94	76	133	45	112	58
Operating profit excl. IAS 29	*98*	*74*	*98*	*81*	*137*	*47*	*115*	*61*
Special items	(6)	0	(1)	0	(2)	0	(5)	0
Financial income and expenses, net	(5)	(7)	(19)	(15)	(10)	(7)	(32)	(7)
Profit before tax	83	65	75	61	121	38	80	52
Profit for the period	68	60	58	45	90	26	58	37
Comprehensive income	21	54	24	34	89	41	(8)	51
Cash flows								
Cash flows from operating activities	86	93	102	130	172	18	88	56
Cash flows from investing activities	(233)	(52)	(57)	(58)	(88)	(49)	(58)	(39)
Cash flows from financing activities	91	(32)	(2)	(3)	(51)	(55)	(16)	(2)
Total cash flows	(56)	9	43	69	34	(87)	14	16
Balance sheet								
Assets	2,374	2,042	2,134	2,046	2,121	2,014	2,054	1,975
Investments in property, plant and equipment	118	52	58	56	146	50	57	38
Net working capital	313	323	340	328	344	357	346	304
Invested capital	1,654	1,502	1,481	1,500	1,501	1,512	1,472	1,434
Net interest-bearing debt	623	634	475	680	522	735	607	640
Equity	1,025	879	985	795	960	791	872	816
Financial ratios, %								
Profit margin	14.8	11.6	15.6	12.9	20.1	8.1	17.5	9.8
Profit margin excl. IAS 29	*15.3*	*12.1*	*16.0*	*13.3*	*20.5*	*8.5*	*18.0*	*10.2*
Return on invested capital (ROIC), rolling 12 months	28.7	16.9	27.6	15.5	26.3	12.3	20.6	13.6
Return on equity, rolling 12 months	29.0	20.5	29.0	18.0	28.7	12.5	22.4	10.5
Equity ratio	43.2	43.1	46.1	40.3	45.3	39.3	42.4	41.3
Gearing	60.8	72.1	48.2	82.4	54.4	92.9	69.6	78.4

For definitions of financial ratios, see page 87.

Definitions of financial ratios

Operating profit
Operating profit before special items

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Management statement

The board of directors and the executive board today considered and approved the annual report of Brødrene Hartmann A/S for the financial year ended 31 December 2020.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31 December 2020 and of the results of the group's and the parent company's operations and cash flows for the financial year ended 31 December 2020.

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

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

Gentofte, 9 March 2021

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

Independent auditor's report

To the shareholders of Brødrene Hartmann A/S

Opinion
We have audited the consolidated financial statements and the parent financial statements of Brødrene Hartmann A/S for the financial year 1 January 2020 – 31 December 2020, which comprise the income statement, statement of comprehensive income, balance sheet , statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2020, and of the results of their operations and cash flows for the financial year 1 January 2020 – 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

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

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

We were appointed auditors of Brødrene Hartmann A/S for the first time on 21 April 2009 for the financial year 2009. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 12 years up to and including the financial year 2020, including 2 years after we were reappointed on 9 April 2019 after a tender process

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January 2020 – 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of goodwill and intangible assets with indefinite useful lives and other non-current assets
Goodwill has been allocated to four cash-generating units; Argentina, Brazil, India and Europe Moulded Fibre. Reference is made to note 15 to the consolidated financial statements. No impairment losses were recognised in the year.

In performing our audit procedures, we focused on this area because impairment testing for the South American activities relies on significant and complex management estimates used to determine future earnings and discount rates for the use to calculate recoverable amounts. The South American activities are to a great extent affected by uncertainty of macroeconomic circumstances in both Argentina and Brazil which lead to that it is more difficult to determine estimates concerning future earnings and determining discount rates and that collectively can lead to increased complexity of accounting estimates and a higher risk of impairment for these cash-generating units

How our audit addressed the matter
As part of our audit procedures, we assessed whether the model applied to calculate recoverable amounts is appropriate and whether Management's expectations regarding future earnings and discount rates, including the documentation provide a reasonable basis for the determination of recoverable amounts.

We:

- obtained insight into the expected business development and business plans for the cash-generating units in Argentina and Brazil and thus the basis that has been used in connection with the determination of the recoverable amounts;

- obtained supporting documentation for significant assumptions applied for purposes of the impairment testing, with focus on expectations regarding revenue, earnings, investments and inflation, and discussed these with management;

Independent auditor's report

- compared the earnings estimates applied in the calculation models with the latest forecasts and projections approved by the Board of Directors and historical results;
- involved our internal valuation experts to test the determination of the dynamic discount rates applied in the impairment test for Argentina due to hyperinflation in Argentina and the fixed discount rate for Brazil;
- tested whether the impairment tests are prepared on a consistent basis and based on recognised methods;
- tested Management's sensitivity calculations; and
- assessed whether the disclosures are in accordance with the requirements of applicable accounting standards and are sufficient and adequate.

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

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

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

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

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

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

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

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

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

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

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

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

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

Copenhagen, 9 March 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Kim Takata Mücke	Casper Hjerresen Buhl Christensen
State-authorised public accountant	State-authorised public accountant
mne10944	mne41363

This annual report was released in Danish and English through Nasdaq Copenhagen as company announcement no. 4/2021. In case of discrepancies between the two versions, or in case of doubt, the Danish version prevails.

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Design and production: Noted

Brødrene Hartmann A/S
Ørnegårdsvej 18
DK-2820 Gentofte

Tel: (+45) 45 97 00 00
E-mail: investor@hartmann-packaging.com
Web: hartmann-packaging.com

Company reg. (CVR) no. 63 04 96 11