

Interim report Q1 2021



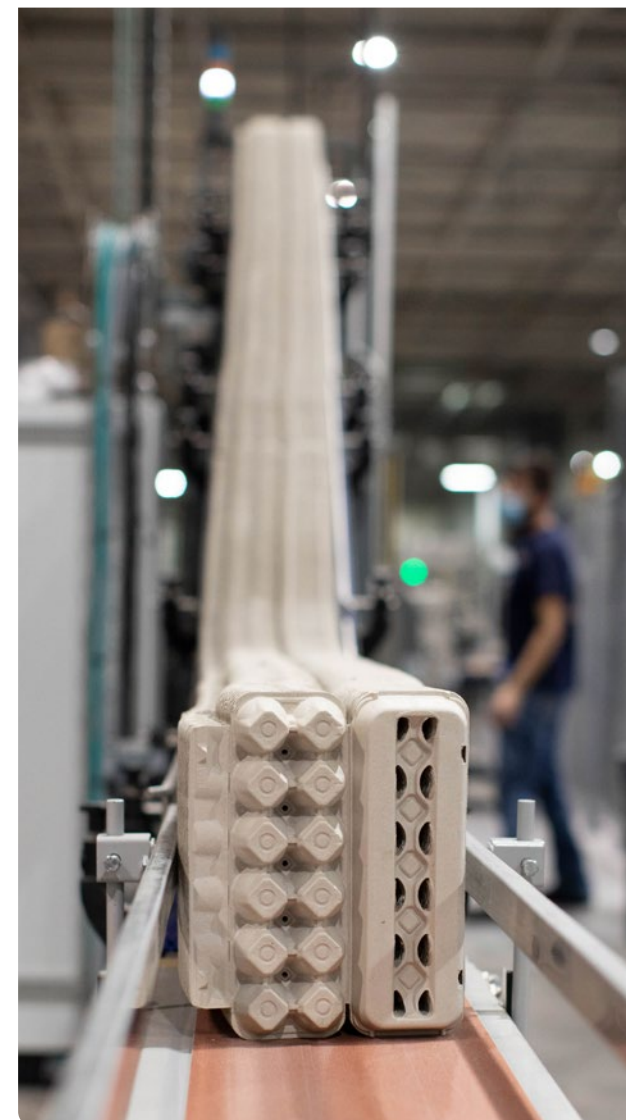
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Q1 2021 highlights

Hartmann successfully maintained momentum in the first quarter of 2021, delivering strong revenue and earnings on the back of continued buoyant demand amid the COVID-19 pandemic alongside substantial licence income. The strong performance was achieved in the face of significantly higher paper prices, increasing negative COVID-19-related impact and a temporary decline in production efficiency. Hartmann maintains its 2021 guidance of revenue of DKK 2.7-3.0 billion, a profit margin of 14-17% and investments of about DKK 550 million.

Revenue

DKK 750 million

DKK 663 million in Q1 2020

Profit margin

24.0%

18.0% in Q1 2020

Investments

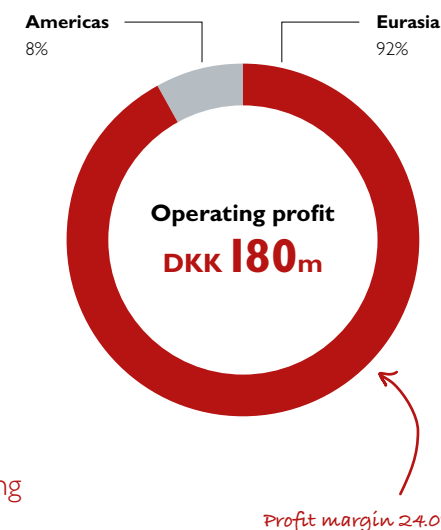
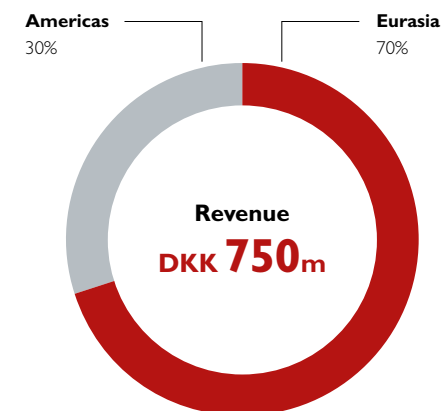
DKK 185 million

DKK 58 million in Q1 2020

Revenue grew by 13%, supported by a continued high level of activity and licence income of DKK 78 million, which more than offset the DKK 51 million negative currency impact. Eurasia reported continued volume growth on the back of new activities in India and Russia and strong new capacity utilisation, while the business in the Americas suffered a temporary decline in production efficiency in connection with the COVID-19 pandemic and the commissioning of new capacity.

Earnings soared to DKK 180 million, driven by a high level of activity, licence income and an improved price and product mix. Earnings were adversely affected by significantly higher paper prices across the group's markets and the temporary decline in production efficiency in the Americas.

The level of investments was high, reflecting the acquisition of Russia's Gotek-Litar at the beginning of 2021 and the continued capacity build-up, primarily in Europe. New capacity was started up in Europe in Q1 2021, and additional capacity is scheduled to be put into operation in both Europe and the USA later in the year.



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Q1 was a busy quarter for us with demand for Hartmann's packaging products remaining strong amid the COVID-19 pandemic. We improved our price and product mix and delivered a strong performance although earnings were affected by massive increases in raw materials prices and lower efficiency due to the commissioning of new production capacity in the Americas and challenging conditions at the US factory due to COVID-19.

Key figures and financial ratios for the group

DKKm	Q1 2021	Q1 2020	FY 2020
Comprehensive income			
Revenue	750	663	2,567
Operating profit	175	116	437
Operating profit excl. IAS 29	180	119	452
Special items	0	(5)	(13)
Operating profit after special items	175	112	424
Net financial income and expenses	(5)	(32)	(65)
Profit before tax	170	80	359
Profit for the period	128	58	274
Comprehensive income	160	(8)	146
Cash flows			
Operating activities	73	88	448
Investing activities	(185)	(58)	(436)
Financing activities	117	(16)	23
Total	5	14	35
Balance sheet			
Assets	2,580	2,054	2,374
Investments in property, plant and equipment	46	57	320
Net working capital	417	346	313
Invested capital	1,934	1,472	1,654
Net interest-bearing debt (NIBD)	735	607	623
NIBD excl. lease liabilities	667	532	554
Equity	1,185	872	1,025

DKKm	Q1 2021	Q1 2020	FY 2020
Financial ratios, %			
Profit margin	23.4	17.5	17.0
Profit margin excl. IAS 29	24.0	18.0	17.5
Return on invested capital (ROIC), rolling 12 months	31.2	20.6	28.7
Return on equity, rolling 12 months	34.5	22.4	29.0
Equity ratio	46.0	42.4	43.2
Gearing	62.0	69.6	60.8
Share-based financial ratios			
No. of shares (excl. treasury shares)	6,915,090	6,915,090	6,915,090
Earnings per share, DKK (EPS)	18.5	8.3	39.6
Cash flows per share, DKK	10.6	12.7	64.7
Book value per share, DKK	171.4	126.0	148.3
Share price, DKK	522.0	288.0	502.0
Share price/book value per share	3.0	2.3	3.4
Share price/earnings (P/E), rolling 12 months	10.4	10.6	12.7
Market capitalisation, DKKm	3,661.9	2,020.3	3,521.6

For definitions of financial ratios, see page 87 in the annual report for 2020.

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 25.

Hartmann

Eurasia



Revenue

DKK 526 million

DKK 398 million in Q1 2020



Profit margin

32.5%

18.9% in Q1 2020



Investments

DKK 177 million

DKK 37 million in Q1 2020



Eurasia

The Eurasia segment sustained momentum in Q1 2021, maintaining an exceptionally high level of activity and growing volumes on the back of the acquisitions of the Indian factory at the end of 2020 and the Russian activities at the beginning of 2021, combined with the expansion of production capacity in Europe.

Revenue

Overall revenue from the activities in the Eurasia segment grew to DKK 526 million in Q1 2021 (2020: DKK 398 million), driven by volume growth and an improved core business price and product mix as a result of the COVID-19 pandemic.

Revenue was favourably affected by licence income in the amount of DKK 78 million resulting from the settlement of an intellectual property rights dispute concerning Hartmann's imagic® products.

Earnings

Revenue growth and substantial licence income combined to drive operating profit to DKK 171 million (2020: DKK 75 million), for a Q1 2021 profit margin of 32.5% (2020: 18.9%).

Earnings were primarily supported by licence income and positive effects of the improved price and product mix, whereas significant increases in recycled paper prices across the Eurasia segment's markets impacted adversely on operating profit. Hartmann counters developments in recycled paper prices by ongoing efficiency-enhancing measures and price adjustments.

Investments

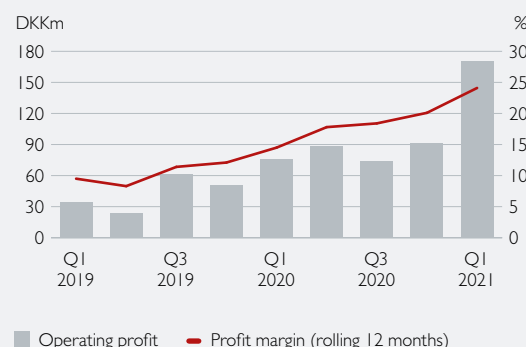
In the first quarter of 2021, Hartmann invested DKK 177 million (2020: DKK 37 million) in capacity expansion at its European factories and the acquisition of Russian-based Gotek-Litar. A leading manufacturer of retail and transport packaging for eggs, Gotek-Litar provides a strong platform for long-term growth in the attractive Russian market. Finalised in January, the acquisition in Russia accounted for DKK 113 million of the group's overall investments in the Eurasia segment in Q1 2021.

Hartmann started up new capacity in Europe at the beginning of 2021. The running-in of the new capacity is progressing, and additional production capacity is still scheduled to be put into operation by the end of the year.

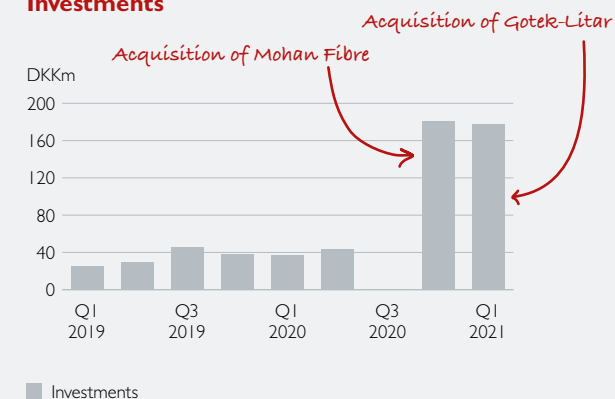
Revenue



Earnings



Investments





Americas

Impacted by higher raw materials prices and currency headwinds, revenue and earnings from the activities in the Americas dropped in Q1 2021. The COVID-19 situation continued to impact favourably on demand and adversely on operations.

Revenue

Q1 2021 revenue from the Americas totalled DKK 224 million (2020: DKK 264 million), impacted by a moderate decline in volumes and significant adverse currency effects in South America, in particular, which was not offset by higher average selling prices.

COVID-19 contributed to temporary manning problems at the US factory and delayed commissioning of the new factory in Brazil.

Moreover, production efficiency was impacted by the work associated with starting up new capacity.

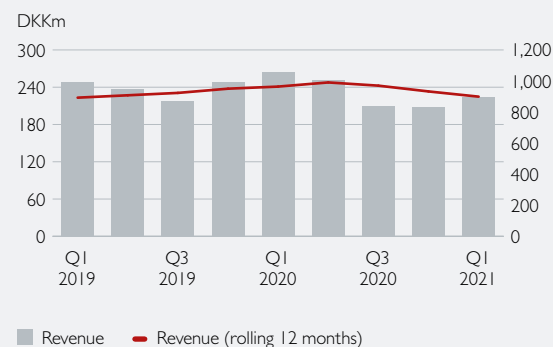
Earnings

Impacted by lower revenue, significant increases in the prices of paper and energy and lower production efficiency, Q1 2021 operating profit fell to DKK 16 million (2020: DKK 51 million), for a profit margin of 7.0% (2020: 19.1%). Hartmann is making targeted efforts to enhance production efficiency and adjust selling prices in order to mitigate the effects of these developments. Currency headwinds in South America impacted adversely on earnings.

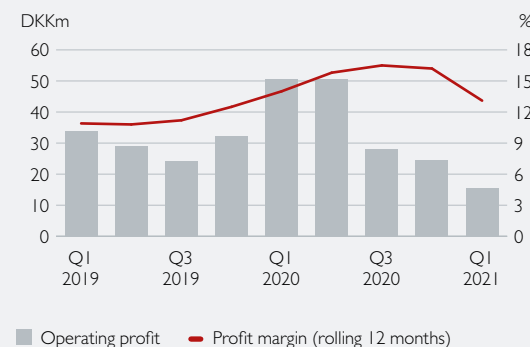
Investments

Investments in the American business amounted to DKK 7 million (2020: DKK 20 million), and Hartmann intends to make further investments in order for new capacity to be put into use in the USA in the second half of the year.

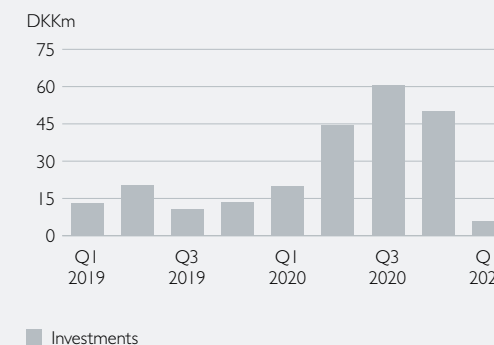
Revenue



Earnings



Investments



Outlook

Hartmann maintains its 2021 guidance of continued core business volume growth, overall revenue of DKK 2.7-3.0 billion and a profit margin* of 14-17%.

Demand for egg packaging is expected to be favourably affected by the COVID-19 situation through H1 2021, laying the foundation for a strong price and product mix and high levels of capacity utilisation and production efficiency. Hartmann expects to increase sales supported by utilisation of the capacity added in Europe, the USA and Brazil and the activities acquired in India and Russia. Guidance includes licence income of DKK 78 million resulting from the settlement in the first quarter of an intellectual property rights dispute concerning Hartmann's imagic® products.

COVID-19 is still causing significantly increased operational risk and reduced visibility, while at the same time the ramifications of the pandemic are giving rise to volatile foreign exchange rates and higher raw materials prices.

Investments are still expected at around DKK 550 million in 2021, including the DKK 113 million acquisition of Russian-based Gotek-Litar.

Guidance

	2021
Revenue	DKK 2.7-3.0 billion
Profit margin*	14-17%
Investments	DKK ~550 million

* Before restatement for hyperinflation and special items

Assumptions

Guidance is based on the exchange rates prevailing at the date of release of the interim 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.

Forward-looking statements

The forward-looking statements in this interim report reflect Hartmann's current expectations for future events and financial results. Such statements are inherently subject to uncertainty, and actual results may therefore differ from expectations. Factors which may cause the actual results to deviate from expectations include general economic developments and developments in the financial markets, changes or amendments to legislation and regulation in Hartmann's markets, changes in demand for products, competition and the prices of raw materials. See also the sections on COVID-19 and risk management in this interim report and note 28 of the annual report for 2020.








COVID-19

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

The Q1 performance benefited from strong demand for eggs and egg packaging, and this trend has continued into the second quarter, although to a lesser extent. While the temporary shift in consumption patterns is still expected to contribute favourably to Hartmann's overall packaging sales in H1 2021, although the first half of the year is expected to be affected by the usual seasonal fluctuations to a greater extent than H1 2020, estimating the duration and scope of the effects of COVID-19 at individual market level in the medium and long term remains difficult.

The COVID-19 outbreak has reduced visibility and is causing severe economic ramifications. The business in the Americas and India, 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 and lower quality of raw materials required for Hartmann's production and potential interruption of deliveries to customers. Moreover, global raw materials prices have trended upwards, and this trend is expected to accelerate in the upcoming period as a result of changes in global supply chains and production patterns.

Risk management

	Description	Mitigating action
Fire 	<p>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.</p>	<p>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.</p> <p>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.</p>
Raw materials 	<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>
Disease outbreaks among hens 	<p>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.</p>	<p>The geographical scope of Hartmann's production with factories located in Europe, North and South America, India and Russia helps to mitigate the total negative impact of local or regional disease outbreaks on the group's financial performance.</p> <p>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.</p>
Politics and macroeconomics 	<p>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.</p>	<p>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.</p> <p>Any negative trade barrier impacts are mitigated by Hartmann's geographical diversification and sales to local markets.</p>
Environment 	<p>Violations of environmental legislation, rules or thresholds in connection with, for instance, wastewater discharge, CO₂ 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.</p>	<p>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.</p>

Reference is made to page 9 in this interim report for a description of potential effects of COVID-19 and to the risk management section and note 28 in the annual report for 2020 for a full description of Hartmann's risk management approach.

Management statement

Today, the board of directors and the executive board have discussed and approved the interim report of Brødrene Hartmann A/S for the three months ended 31 March 2021.

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

In our opinion, the interim financial statements give a true and fair view of the group's assets, liabilities and financial position at 31 March 2021 and of the results of the group's operations and cash flows for the three months ended 31 March 2021.

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

Gentofte, 18 May 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

Marianne Schelde

Palle Skade Andersen

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Revenue and earnings

Revenue

Overall revenue for Q1 2021 was up to DKK 750 million (2020: DKK 663 million). Revenue was supported by licence income of DKK 78 million, whereas currency fluctuations reduced Q1 revenue by a net DKK 51 million.

Operating profit

Overall operating profit grew to DKK 180 million (2020: DKK 119 million), for a profit margin of 24.0% (2020: 18.0%). After restatement for hyperinflation, Q1 2021 operating profit was up to DKK 175 million (2020: DKK 116 million), for a profit margin of 23.4% (2020: 17.5%). Operating profit was supported by licence income of DKK 78 million, whereas currency fluctuations reduced operating profit by a net DKK 3 million.

Corporate functions

Costs related to corporate functions came to DKK 7 million in the first quarter of 2021 (2020: DKK 7 million).

Special items

The Q1 2021 performance was unaffected by special items (2020: negative effect of DKK 5 million).

Financial income and expenses

Financial income and expenses were a net expense of DKK 5 million for Q1 2021 (2020: net expense of DKK 32 million), the reference period being affected by significant adverse foreign exchange adjustments of the financing of the group's activities in Brazil.

Profit for the period

Supported by the higher operating profit, profit before tax was up to DKK 170 million (2020: DKK 80 million). Tax on the profit for the period was an expense of DKK 42 million (2020: expense of DKK 23 million), giving an effective tax rate of 25% (2020: 28%). The effective tax rate before restatement for hyperinflation was 23% (2020: 25%). The profit for the period after tax was up to DKK 128 million (2020: DKK 58 million).

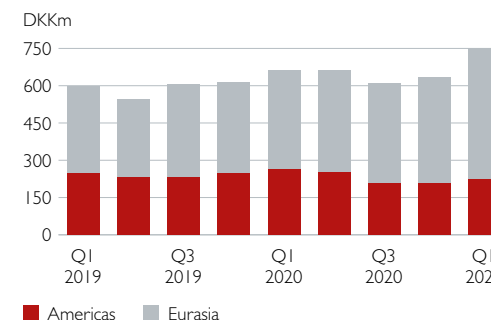
Comprehensive income

Supported by the higher profit for the period and positive foreign exchange adjustments of subsidiaries, comprehensive income was up to DKK 160 million in Q1 2021 (2020: negative at DKK 8 million).

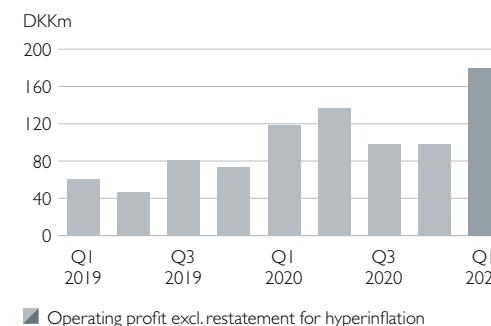
Events after the balance sheet date

No events have occurred in the period from the balance sheet date until the date of release of this interim report that would materially affect an evaluation of the interim report.

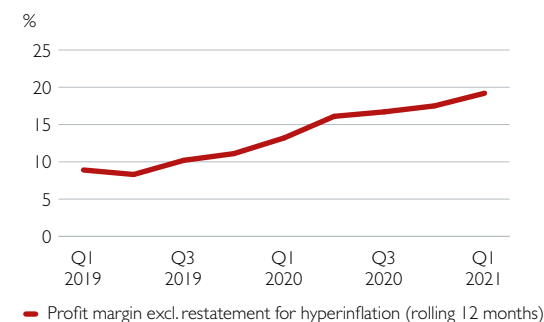
Revenue



Operating profit



Profit margin



Statement of comprehensive income

DKKm Group	Q1 2021	Q1 2020	FY 2020
Revenue	749.7	662.8	2,567.4
Production costs	(458.7)	(425.0)	(1,657.4)
Gross profit	291.0	237.8	910.0
Selling and distribution costs	(86.3)	(94.1)	(363.8)
Administrative expenses	(29.3)	(27.5)	(108.8)
Operating profit before special items	175.4	116.2	437.4
Special items	0.0	(4.7)	(13.3)
Operating profit	175.4	111.5	424.1
Financial income	3.6	3.1	13.9
Financial expenses	(9.0)	(34.6)	(79.0)
Profit before tax	170.0	80.0	359.0
Tax on profit for the period	(42.3)	(22.5)	(85.1)
PROFIT FOR THE PERIOD	127.7	57.5	273.9
Earnings per share, DKK	18.5	8.3	39.6
Diluted earnings per share, DKK	18.5	8.3	39.6

DKKm Group	Q1 2021	Q1 2020	FY 2020
Profit for the period	127.7	57.5	273.9
Items that can be reclassified to profit or loss:			
Foreign exchange adjustment of foreign subsidiaries	21.4	(63.5)	(155.2)
Hyperinflation restatement of non-monetary balance sheet items, beginning of period	12.9	7.9	24.8
Value adjustment of hedging instruments:			
Recognised in other comprehensive income	(1.8)	(16.0)	3.0
Transferred to revenue	(1.1)	2.5	2.0
Transferred to production costs	0.3	1.1	3.2
Transferred to financial income and expenses	0.1	(0.2)	(0.7)
Tax	0.6	3.1	(1.7)
Other comprehensive income after tax	32.4	(65.1)	(127.8)
COMPREHENSIVE INCOME	160.1	(7.6)	146.1

Cash flows

Investments and cash flows

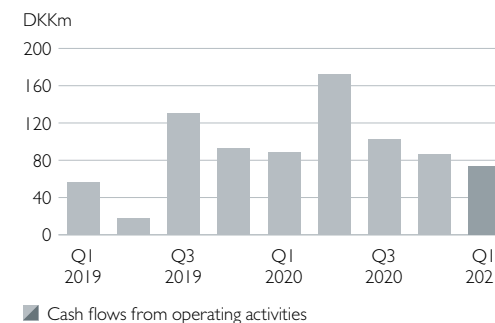
Despite the higher operating profit, cash flows from operating activities fell to a net inflow of DKK 73 million in Q1 2021 (2020: net inflow of DKK 88 million), reflecting working capital changes and an increase in income tax paid.

Cash flows from investing activities rose significantly to a net outflow of DKK 185 million (2020: net outflow of DKK 58 million), reflecting the acquisition of Russia's Gotek-Litar and production facility investments in Q1 2021.

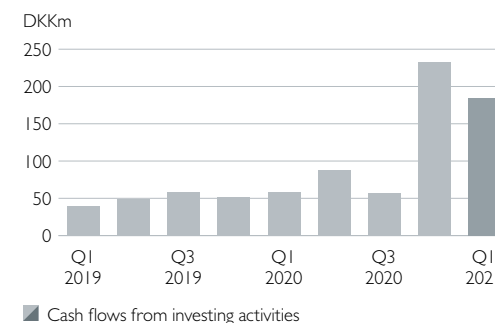
Total cash flows from operating and investing activities came to a net outflow of DKK 112 million (2020: net inflow of DKK 30 million).

Affected by drawdowns on the group's existing credit facility in connection with the acquisition of Gotek-Litar, cash flows from financing activities amounted to a net inflow of DKK 117 million (2020: net outflow of DKK 16 million).

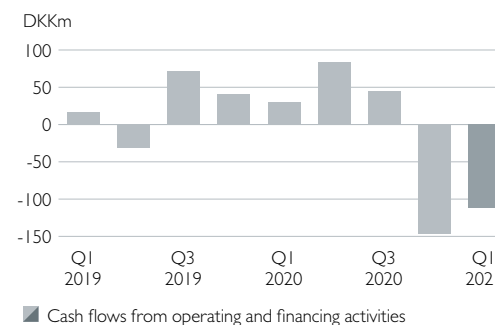
Cash flows from operating activities



Cash flows from investing activities



Free cash flow



Statement of cash flows

DKKm Group	Q1 2021	Q1 2020	FY 2020
Operating profit before special items	175.4	116.2	437.4
Depreciation and amortisation	35.4	35.0	135.0
Adjustment for other non-cash items	2.6	1.4	8.2
Change in working capital etc.	(95.0)	(42.2)	(29.7)
Special items paid	(4.0)	(4.7)	(9.3)
Cash generated from operations	114.4	105.7	541.6
Interest received	0.8	0.2	3.8
Interest paid	(4.1)	(4.2)	(16.5)
Net income tax paid	(38.1)	(13.7)	(81.2)
Cash flows from operating activities	73.0	88.0	447.7
Acquisition of intangible assets	(25.5)	(1.0)	(3.2)
Acquisition of property, plant and equipment	(46.0)	(57.0)	(320.9)
Disposal of property, plant and equipment	0.0	0.1	1.0
Acquisition of subsidiaries	(113.3)	0.0	(113.0)
Dividend received from associates	0.0	0.0	0.5
Cash flows from investing activities	(184.8)	(57.9)	(435.6)
Cash flows from operating and investing activities	(111.8)	30.1	12.1
Raising of non-current debt	119.0	0.0	124.8
Repayment of non-current debt	(2.3)	(16.0)	(102.1)
Dividend paid	0.0	0.0	0.0
Cash flows from financing activities	116.7	(16.0)	22.7
TOTAL CASH FLOWS	4.9	14.1	34.8
Cash and cash equivalents, beginning of period	75.1	45.6	45.6
Foreign exchange adjustment	3.0	(0.9)	(5.3)
CASH AND CASH EQUIVALENTS, END OF PERIOD	83.0	58.8	75.1

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

DKKm Group	Q1 2021	Q1 2020	FY 2020
Recognition of cash and cash equivalents, end of period:			
Cash*	115.0	79.4	209.5
Overdraft facilities	(32.0)	(20.6)	(134.4)
Cash and cash equivalents, end of period	83.0	58.8	75.1

* Of the cash balance at 31 December 2020, the purchase price held in escrow constitutes DKK 90.7 million.

Balance sheet and equity

Funding

Net interest-bearing debt at 31 March 2021 was DKK 735 million (2020: DKK 607 million).

Financial resources, comprising cash and undrawn loan and overdraft facilities, amounted to DKK 527 million at 31 March 2021 (2020: DKK 418 million). The loans are subject to standard financial covenants.

Assets

Total assets were up to DKK 2,580 million (2020: DKK 2,054 million), driven by substantial investments in production capacity and the acquisitions of Mohan Fibre Products in India and Gotek-Litar in Russia.

ROIC

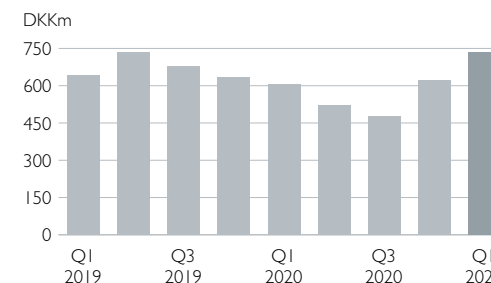
The return on invested capital was up to 31.2% in Q1 2021 (2020: 20.6%) due to the increase in operating profit.

Equity

Equity at 31 March 2021 amounted to DKK 1,185 million (2020: DKK 872 million), for an equity ratio of 46% (2020: 42%). The financial gearing ratio was 62% (2020: 70%).

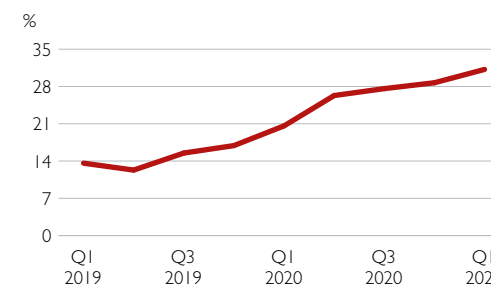
Q1 2021 earnings per share came to DKK 18.5 (2020: DKK 8.3).

Net interest-bearing debt (NIBD)



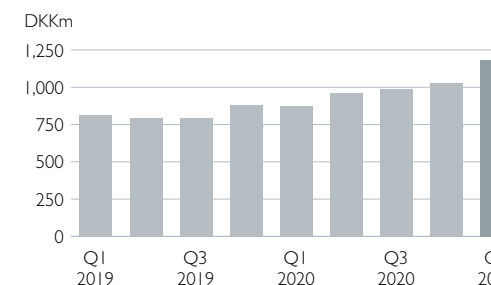
■ Net interest-bearing debt (NIBD)

ROIC



— Return on invested capital

Equity



■ Equity

Balance sheet

Assets

DKKm Group	31 March 2021	31 March 2020	31 Dec. 2020
Goodwill	165.0	52.2	90.7
Other intangible assets	54.3	26.4	37.2
Intangible assets	219.3	78.6	127.9
Land and buildings	351.2	290.9	326.1
Plant and machinery	725.2	588.7	657.7
Other fixtures and fittings, tools and equipment	12.9	14.1	12.3
Plant under construction	178.8	127.1	188.8
Property, plant and equipment	1,268.1	1,020.8	1,184.9
Leased land and buildings	61.7	69.9	63.3
Other leased assets	3.7	3.4	3.0
Lease assets	65.4	73.3	66.3
Investments in associates	2.6	3.0	2.6
Deferred tax	42.6	41.6	41.2
Other receivables	1.4	0.0	0.8
Other non-current assets	46.6	44.6	44.6
Non-current assets	1,599.4	1,217.3	1,423.7
Inventories	264.9	218.7	256.7
Trade receivables	441.7	401.1	347.8
Income tax	24.4	6.5	15.0
Other receivables	112.6	98.5	86.4
Prepayments	21.7	32.4	35.1
Cash*	115.0	79.4	209.5
Current assets	980.3	836.6	950.5
ASSETS	2,579.7	2,053.9	2,374.2

Equity and liabilities

DKKm Group	31 March 2021	31 March 2020	31 Dec. 2020
Share capital	140.3	140.3	140.3
Hedging reserve	(0.2)	(13.6)	1.7
Translation reserve	(259.5)	(219.0)	(293.8)
Retained earnings	1,304.8	963.9	1,177.1
Proposed dividend	0.0	0.0	0.0
Equity	1,185.4	871.6	1,025.3
Deferred tax	42.6	16.4	32.7
Pension obligations	34.4	31.2	35.2
Credit institutions	749.9	590.7	629.4
Lease liabilities	59.0	66.2	59.7
Government grants	1.3	2.2	1.5
Other payables	0.4	12.4	0.1
Non-current liabilities	887.6	719.1	758.6
Lease liabilities	8.9	8.7	8.9
Government grants	0.9	0.9	0.9
Overdraft facilities	32.0	20.6	134.4
Prepayments from customers	15.5	24.7	26.7
Trade payables	207.9	200.0	209.6
Payables to associates	7.4	5.3	5.1
Income tax	41.6	27.9	30.0
Provisions	0.7	0.2	3.3
Other payables	191.8	174.9	171.4
Current liabilities	506.7	463.2	590.3
Liabilities	1,394.3	1,182.3	1,348.9
EQUITY AND LIABILITIES	2,579.7	2,053.9	2,374.2

* Of the cash balance at 31 December 2020, the purchase price held in escrow constitutes DKK 90.7 million.

Statement of changes in equity

Group	2021						2020					
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	1.7	(293.8)	1,177.1	0.0	1,025.3	140.3	(4.1)	(163.4)	906.4	0.0	879.2
Profit for the period	-	-	-	127.7	-	127.7	-	-	-	57.5	-	57.5
Other comprehensive income												
Items that can be reclassified to profit or loss												
Foreign exchange adjustments of foreign subsidiaries	-	-	21.4	-	-	21.4	-	-	(63.5)	-	-	(63.5)
Hyperinflation restatement of non-monetary balance sheet items, beginning of period	-	-	12.9	-	-	12.9	-	-	7.9	-	-	7.9
Value adjustment of hedging instruments:												
Recognised in other comprehensive income	-	(1.8)	-	-	-	(1.8)	-	(16.0)	-	-	-	(16.0)
Transferred to revenue	-	(1.1)	-	-	-	(1.1)	-	2.5	-	-	-	2.5
Transferred to production costs	-	0.3	-	-	-	0.3	-	1.1	-	-	-	1.1
Transferred to financial income and expenses	-	0.1	-	-	-	0.1	-	(0.2)	-	-	-	(0.2)
Tax	-	0.6	-	-	-	0.6	-	3.1	-	-	-	3.1
Other comprehensive income	0.0	(1.9)	34.3	0.0	0.0	32.4	0.0	(9.5)	(55.6)	0.0	0.0	(65.1)
Total comprehensive income	0.0	(1.9)	34.3	127.7	0.0	160.1	0.0	(9.5)	(55.6)	57.5	0.0	7.6
Transactions with owners												
Dividend paid	-	-	-	-	0.0	0.0	-	-	-	-	0.0	0.0
Total changes in equity	0.0	(1.9)	34.3	127.7	0.0	160.1	0.0	(9.5)	(55.6)	57.5	0.0	(7.6)
Equity at 31 March	140.3	(0.2)	(259.5)	1,304.8	0.0	1,185.4	140.3	(13.6)	(219.0)	963.9	0.0	871.6

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

Notes

01 Accounting policies

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

The accounting policies applied in the interim financial statements are consistent with the accounting policies applied in the consolidated financial statements for 2020. The accounting policies are described in note 1 to the financial statements in the annual report for 2020, to which reference is made.

New financial reporting standards and interpretations in 2021

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 2021.

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

02 Significant accounting estimates and judgments

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

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

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

Reference is made to note 3 to the financial statements in the annual report for 2020 for a full description of significant accounting estimates, assumptions and uncertainties.

Other matters

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

In autumn 2019, the Brazilian tax authorities raised a claim of BRL 56 million, corresponding to DKK 62 million, against Hartmann's Brazilian subsidiary, Sanovo Greenpack Embalagens Do Brasil Ltda., concerning the alleged non-payment of industrial products tax (IPI) on sales of the company's products in 2015 and 2016. Based on judicial practice and statements from its legal and tax advisers, Hartmann is of the opinion that the company's products are not liable to IPI tax and accordingly considers the claim to be unjustified. Hartmann therefore disputes the claim. Hartmann does not expect the claim to materially affect the company's financial position, results of operations or cash flows. If, contrary to expectations, the claim is upheld, similar claims are expected to be raised for the period after 2016. There was no development in the case in Q1 2021.

Notes

03 Segment information

Activities	Q1 2021			Q1 2020		
	Eurasia	Americas	Total reporting segments	Eurasia	Americas	Total reporting segments
External revenue	526.0	222.5	748.5	398.4	265.0	663.4
Revenue	526.0	222.5	748.5	398.4	265.0	663.4
Hyperinflation restatement of revenue	-	1.2	1.2	-	(0.6)	(0.6)
Revenue as per statement of comprehensive income	526.0	223.7	749.7	398.4	264.4	662.8
Operating profit before special items	170.8	15.5	186.3	75.4	50.7	126.1
Other segment information						
Depreciation and amortisation	19.3	14.0		17.5	14.8	
Investments in intangible assets and property plant and equipment	65.3	10.4		37.6	22.7	
Net working capital	460.2	63.4		360.0	80.9	
Invested capital	1,328.3	705.0		892.1	657.9	
Segment assets	1,679.4	872.1	2,551.5	1,211.6	807.8	2,019.4
Reconciliation						
Performance targets						
Operating profit before special items for reporting segments			186.3			126.1
Hyperinflation restatement of operating profit before special items			(4.3)			(3.2)
Non-allocated corporate functions			(7.3)			(7.2)
Eliminations			0.7			0.5
Operating profit before special items as per statement of comprehensive income			175.4			116.2
Special items			0.0			(4.7)
Operating profit as per statement of comprehensive income			175.4			111.5
Financial income			3.6			3.1
Financial expenses			(9.0)			(34.6)
Profit before tax as per statement of comprehensive income			170.0			80.0
Assets						
Assets for reporting segments			2,551.5			2,019.4
Hyperinflation restatement of non-monetary balance sheet items			49.7			48.5
Non-allocated assets			240.1			193.2
Eliminations			(261.6)			(207.2)
Assets as per balance sheet			2,579.7			2,053.9

Notes

03 Segment information – continued

§ 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, Israel, Russia 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. The 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.

04 Financial income and expenses

	Q1 2021	Q1 2020
Other interest income	0.8	0.2
Interest income from financial assets not measured at fair value through profit or loss	0.8	0.2
Foreign exchange gains	2.4	2.5
Derivative financial instruments	0.4	0.4
Financial income	3.6	3.1
Interest expenses, credit institutions	2.5	2.6
Interest expenses, lease liabilities	0.6	0.6
Other expenses	1.0	1.0
Interest expenses from financial liabilities not measured at fair value through profit or loss	4.1	4.2
Foreign exchange losses	3.0	29.1
Loss on net monetary position on hyperinflation restatement	1.4	1.1
Derivative financial instruments	0.4	0.2
Financial expenses	9.0	34.6
Financial income and (expenses)	(5.4)	(31.5)

§ Accounting policies*Financial income and expenses*

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

Notes

05 Financial instrument categories

Financial instrument categories

DKKm	31 March 2021		31 March 2020		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Derivative financial instruments to hedge future cash flows	3.6	3.6	1.7	1.7	4.3	4.3
Financial assets used as hedging instruments	3.6	3.6	1.7	1.7	4.3	4.3
Trade receivables	441.7	441.7	401.1	401.1	347.8	347.8
Other receivables	133.4	133.4	103.3	103.3	97.0	97.0
Cash	115.0	115.0	79.4	79.4	209.5	209.5
Loans and receivables	690.1	690.1	583.8	583.8	654.3	654.3
Derivative financial instruments to hedge future cash flows	3.7	3.7	19.4	19.4	2.0	2.0
Financial liabilities used as hedging instruments	3.7	3.7	19.4	19.4	2.0	2.0
Credit institutions	781.9	782.5	611.3	612.5	763.9	764.6
Lease liabilities	67.9	71.0	74.9	82.4	68.6	73.9
Other liabilities	445.8	445.8	388.6	388.6	416.7	416.7
Financial liabilities measured at amortised cost	1,295.6	1,299.3	1,074.8	1,083.5	1,249.2	1,255.2

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

Notes

06 Acquisitions

Business combinations

Hartmann acquired Gotek-Litar JSC (Gotek-Litar) at 25 January 2021. 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.

A leading manufacturer of retail and transport packaging for eggs, Gotek-Litar provides a strong platform for long-term growth in the attractive Russian market, where sales of eggs and moulded-fibre packaging for eggs are driven by urbanisation, continued retail sector growth and an increased focus on sustainability. The production facilities at the company's factory are based on machine technology developed and manufactured by Hartmann. The company has 250 employees.

Specification of recognition of acquired assets and liabilities

	Provisional
Intangible assets	16.7
Property, plant and equipment	51.4
Inventories	4.7
Receivables	9.6
Cash	7.6
Deferred tax liabilities	(8.3)
Trade payables	(4.1)
Other payables	(3.8)
Provisions	(1.2)
Net assets acquired	72.6
Goodwill	48.3
Purchase consideration	120.9
Of which cash	(7.6)
Cash purchase consideration	113.3

Goodwill represents the value of the existing staff and access to new markets. The recognised goodwill is not tax deductible.

In connection with the acquisition, Hartmann incurred transaction costs of about DKK 8.7 million, primarily for consultancy services, which were recognised in special items in the statement of comprehensive income for 2020. No transaction costs were incurred in the first quarter of 2021.

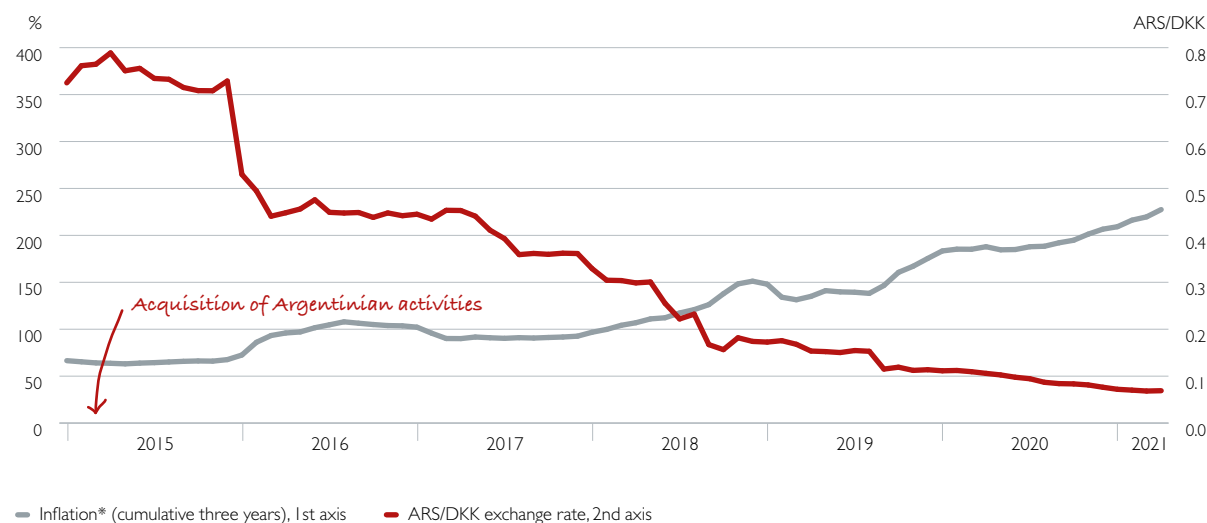
Of the DKK 750 million consolidated revenue for Q1 2021, DKK 13 million may be attributed to Gotek-Litar. Of the group's DKK 128 million profit for Q1 2021, DKK (0.2) million may be attributed to Gotek-Litar. The result includes depreciations of fair value adjusted assets. If Gotek-Litar had been acquired at the beginning of the financial year, Q1 2021 profit would have amounted to DKK 127 million and revenue to DKK 756 million.

07 Events after the balance sheet date

No events have occurred in the period from the balance sheet date until the date of release of this interim report that would materially affect an evaluation of the interim report.

Hyperinflation in Argentina

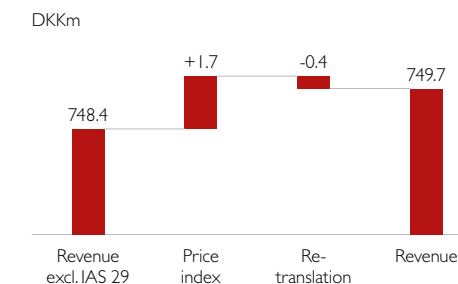
Inflation and exchange rate developments in Argentina



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

DKKm	Excl. IAS 29	Price index	Re-translation	Total adjustment	2021 to date
Revenue	748.4	1.7	(0.4)	1.3	749.7
Operating profit before depreciation	213.4	(2.5)	(0.1)	(2.6)	210.8
Operating profit	179.7	(4.3)	0.0	(4.3)	175.4
Net financial items	(4.0)	(1.3)	(0.1)	(1.4)	(5.4)

Effects of restating year-to-date revenue



The total effect on Q1 2021 revenue of restating for hyperinflation under IAS 29 is a combination of restating for price index developments and the effect of using the exchange rate at the balance sheet date for purposes of translating from the Argentine peso into Danish kroner.

The price index rose by 13% during the first three months of the year, boosting revenue by DKK 1.7 million. The increase offset a decline in the ARS/DKK cross rate from 0.07199 at the beginning of the year to 0.06896 at 31 March 2021 reducing revenue by DKK 0.4 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 749.7 million after a net positive impact of restating for hyperinflation of DKK 1.3 million.

For more information about hyperinflation, see page 84 and note 31 in the annual report for 2020

* 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.

Hartmann at a glance

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

Sustainability

Sustainability and protection of the environment are integral components of Hartmann's business model and strategy. All Hartmann's products are based on recycled paper, which is a renewable and biodegradable resource. Working closely with customers to accommodate demand for sustainable products in the retail industry, Hartmann was the first manufacturer to offer both FSC-certified and CO₂-neutral retail packaging.

Markets

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

Products and customers

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

Production

Hartmann's production platform consists of 15 factories in Europe, Israel, North and South America, India and Russia. Hartmann's deep technology know-how and extensive experience in manufacturing moulded-fibre packaging empower the group to develop and maintain its production platform. Each year, the group's 2,500 employees manufacture billions of moulded-fibre packaging units and machinery and technology for the manufacturing of packaging.

The Hartmann share

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

Financial calendar 2021

17 August 2021	Interim report Q2 2021
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16 November 2021	Interim report Q3 2021
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This interim report was released in Danish and English through Nasdaq Copenhagen as company announcement no. 8/2021. In case of discrepancies between the two versions, or in case of doubt, the Danish version prevails.

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