

Interim report

Q1 2018



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Highlights

Hartmann maintained momentum in Q1

Hartmann successfully maintained momentum in Q1 2018, growing both packaging and technology sales. The ongoing expansion of European production capacity continued in Q1 2018, while sales and utilisation of Hartmann's total capacity in North America progressed at a slower pace.

Hartmann introduced *Perform 2018* in Q1 2018, a programme setting out to reduce costs and sustain growth in sales volumes. The programme is intended to outweigh the repercussions of the discovery of fipronil-contaminated eggs in Europe in 2017, subdued packaging sales during Easter and the slower sales and utilisation of capacity in North America.

CEO Torben Rosenkrantz-Theil: "We grew packaging sales and lifted core business earnings in the first quarter. We managed to do so although growth, as expected, was subdued. Our Q1 performance was also impacted by the slower sales and utilisation of our expanded capacity in North America. Our operating performance improved, and our new improvement programme will help us strengthen efficiency even further and assist us in reaching our targets for the year."

Q1 2018

- Consolidated revenue grew to DKK 624 million (2017: DKK 572 million), and operating profit* rose to DKK 92 million (2017: DKK 61 million), taking the profit margin to 14.7% (2017: 10.7%). The progress was driven by higher sales in the core business and growing technology sales.
- The European business grew revenue to DKK 385 million (2017: DKK 321 million) and operating profit to DKK 61 million (2017: DKK 41 million), bringing the profit margin to 16.0% (2017: 12.7%). Both revenue and earnings were supported by higher sales in Hartmann Technology combined with increased packaging volume sales.
- Although the business in the Americas sold more packaging, revenue in that market dropped to DKK 239 million (2017: DKK 251 million) due to adverse currency movements. Higher volumes and lower costs combined to lift operating profit to DKK 35 million (2017: DKK 31 million), for a profit margin of 14.6% (2017: 12.2%).
- Return on invested capital (ROIC) rose to 19% (2017: 18%).
- Currency fluctuations reduced consolidated revenue by DKK 55 million and operating profit by DKK 13 million in the first quarter of the year. Special items amounted to a net expense of DKK 6 million (2017: DKK 0 million).

Guidance for 2018

- We reiterate our guidance of revenue of DKK 2.2-2.3 billion, a profit margin of 11.5-13% and a return on invested capital of at least 18%.
- Our total capital expenditure is expected to amount to about DKK 150 million.

* In this report, operating profit and profit margin are stated before special items.

Key figures and financial ratios for the group

DKKm	Q1 2018	Q1 2017	FY 2017
Statement of comprehensive income			
Revenue	624	572	2,207
Operating profit	92	61	235
Special items	(6)	0	(14)
Financial income and expenses, net	(9)	(3)	(54)
Profit before tax	77	58	168
Profit for the period	58	43	122
Comprehensive income	29	49	41
Statement of cash flows			
Cash flows from operating activities	71	35	258
Cash flows from investing activities	(11)	(71)	(205)
Cash flows from financing activities	(1)	(2)	(78)
Total cash flows	59	(37)	(26)
Balance sheet			
Assets	1,821	2,013	1,865
Investments in property, plant and equipment	11	70	204
Net working capital	337	320	312
Invested capital	1,320	1,416	1,339
Net interest-bearing debt	576	678	641
Equity	775	819	746

	Q1 2018	Q1 2017	FY 2017
Financial ratios, %			
Profit margin	14.7	10.7	10.7
Return on invested capital (ROIC)	19.4	18.0	17.1
Return on equity (rolling 12 months)	18.4	22.7	16.2
Equity ratio	42.6	40.7	40.0
Gearing	74.3	82.7	85.9
Share-based financial ratios			
No. of shares (excluding treasury shares)	6,915,090	6,915,090	6,915,090
Earnings per share, DKK (EPS)	8.3	6.2	17.6
Cash flows per share, DKK	10.3	5.1	37.3
Book value per share, DKK	112.1	118.5	107.9
Market price, DKK	358.0	314.0	320.0
Share price/book value per share	3.2	2.7	3.0
Share price/earnings (P/E) (rolling 12 months)	18.1	13.1	18.1

For definitions of financial ratios, see page 77 in the annual report for 2017.

Developments in Q1 2018

As expected, Hartmann successfully grew packaging sales and lifted core business operating profit in the first quarter of the year despite a higher proportion of transport packaging and significant adverse currency movements. The operating performance and earnings developed favourably across Hartmann's markets, while at the same time Hartmann Technology reported strong technology sales and thus helped drive the improved overall performance.

The ongoing expansion of European production capacity continued in Q1 2018, while sales and utilisation of the group's overall capacity in North America progressed at a slower pace.

On 15 March 2018, the board of directors appointed Torben Rosenkrantz-Theil new CEO to replace Ulrik Kolding Hartvig, who passed away following a tragic bicycle accident in February.

Perform 2018

Hartmann needs to sustain the current momentum in its operating and financial performance in order for the group to meet its guidance for 2018 and create a platform for achieving its long-term financial ambitions. To that end, Hartmann launched *Perform 2018* in Q1 2018, a programme that, through efficiency-enhancing measures, cost cuts and sales promoting initiatives, sets out to outweigh the repercussions of the discovery of fipronil-contaminated eggs in Europe in 2017, subdued packaging sales during Easter and the slower sales and utilisation of the group's overall capacity in North America.

Perform 2018 involves the transfer of a number of functions from Hartmann's office in Germany to the group's Hungarian organisation; the transfer of test centre activities from the former factory in Germany to other factories, and organisational adjustments.

Perform 2018 will have a positive effect on the profit margin for the current year and will reach full effect in 2019.

Revenue

Consolidated revenue grew to DKK 624 million in the first quarter of 2018 (2017: DKK 572 million) on the back of higher packaging volume sales across the group's markets combined with an increased contribution from Hartmann Technology. Currency fluctuations reduced revenue by DKK 55 million.

Europe

The European business lifted revenue to DKK 385 million in Q1 2018 (2017: DKK 321 million). Revenue from egg packaging sales grew to DKK 315 million (2017: DKK 302 million), although average selling prices declined due to, among other things, a larger share of transport packaging caused by temporary changes in

Revenue and profit margin

Group



Europe



Americas



Developments in Q1 2018

European transport patterns in the wake of the 2017 fipronil egg contamination. Hartmann Technology reported revenue of DKK 69 million (2017: DKK 19 million).

Americas

While growing packaging sales, Hartmann's operations in the Americas saw revenue drop to DKK 239 million in Q1 2018 (2017: DKK 251 million) amid significant adverse currency fluctuations.

Despite the adverse currency movements, the North American business reported slightly higher revenue, supported by growth in packaging sales and by sales of premium packaging growing faster than sales of standard packaging.

In South America, sales of egg and fruit packaging grew in Q1 2018, but revenue declined due to adverse currency movements. In Brazil, packaging sales increased after production was switched over to better accommodate demand for egg packaging in local markets. In Argentina, fruit packaging sales grew on the back of a good fruit crop.

Operating profit

Hartmann generated operating profit of DKK 92 million (2017: DKK 61 million), taking the profit margin to 14.7% (2017: 10.7%). Profit growth was driven by a strong performance from the business in the Americas and an increased contribution from Hartmann Technology. Currency fluctuations diluted operating profit by DKK 13 million.

Europe

The European business grew operating profit to DKK 61 million (2017: DKK 41 million), taking the profit margin to 16.0% (2017: 12.7%). The increase was driven by higher technology sales in Hartmann Technology. Operating profit was also supported by the increase in packaging volumes, but this effect was more than outweighed by lower average selling prices and higher production costs.

Americas

Operating profit from the business in the Americas grew to DKK 35 million (2017: DKK 31 million), for a profit margin of 14.6% (2017: 12.2%), reflecting progress in all markets.

In North America, operating profit grew on the back of higher sales volumes and lower fixed costs, while higher depreciation charges following the establishment of the US factory continued to detract from performance.

Thanks to a strong sales performance, the South American business grew operating profit in Q1 2018 amid adverse currency movements.

Corporate functions

Costs related to corporate functions fell to DKK 5 million in Q1 2018 (2017: DKK 11 million). The reduction was mainly attributable to lower consultancy costs compared with the same period of last year.

Special items

Special items amounted to a net expense of DKK 6 million in Q1 2018 (2017: DKK 0 million), reflecting costs associated with the transfer of activities from the test centre in Germany to other factories and the resulting organisational adjustments under the *Perform 2018* programme as well as continuing remuneration after the passing of former CEO Ulrik Kolding Hartvig in February. Special items are expected to come to a net expense of around DKK 25 million in 2018 (2017: net expense of DKK 14 million).

Financial income and expenses

Financial income and expenses were a net expense of DKK 9 million for Q1 2018 (2017: net expense of DKK 3 million). The higher net expenses were attributable to foreign exchange adjustments of the financing of the business in the Americas.

Profit for the period

Profit before tax grew to DKK 77 million (2017: DKK 58 million), and tax on the profit for the period was an expense of DKK 19 million (2017: expense of DKK 15 million), taking the profit for the period to DKK 58 million after tax (DKK 2017: 43 million).

Comprehensive income

Comprehensive income fell to DKK 29 million in Q1 2018 (2017: DKK 49 million), impacted by foreign exchange adjustments of equity in the group's foreign subsidiaries.

Cash flows

Total cash flows from operating activities grew to a net inflow of DKK 71 million in Q1 2018 (2017: net inflow of DKK 35 million), supported by the higher operating profit, while the increase in the

Developments in Q1 2018

group's working capital, reflecting increased trade receivables, had a negative impact. Cash flows from investing activities amounted to a net outflow of DKK 11 million for Q1 2018 (2017: net outflow of DKK 71 million), the change reflecting the group's substantial capacity expansion investments in Q1 2017.

Total cash flows from operating and investing activities thus amounted to a net inflow of DKK 60 million in Q1 2018 (2017: net outflow of DKK 36 million).

Cash flows from financing activities were a net outflow of DKK 1 million for Q1 2018 (2017: net outflow of DKK 2 million).

Net interest-bearing debt at 31 March 2018 was DKK 576 million (2017: DKK 678 million).

Financial resources amounted to DKK 354 million at 31 March 2018, comprising cash and cash equivalents and undrawn loan and overdraft facilities. Hartmann's loans are subject to standard financial covenants, see note 33 to the financial statements in the annual report for 2017.

ROIC

The return on invested capital was 19% in Q1 2018 (2017: 18%).

Equity

Equity at 31 March 2018 stood at DKK 775 million (2017: DKK 819 million), for an equity ratio of 43% (2017: 41%). The decline was attributable to foreign exchange adjustments of subsidiaries. The financial gearing ratio was 74% at 31 March 2018 (2017: 83%).

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.

Outlook

Based on developments in Q1 2018 and the launch of *Perform 2018*, we maintain our guidance for 2018. With a view to generating revenue of DKK 2.2-2.3 billion, a profit margin of 11.5-13% and a return on invested capital of at least 18%, Hartmann will work to boost sales volumes, enhance capacity utilisation and efficiency and reduce costs.

Hartmann further expects its capital expenditure to total about DKK 150 million in 2018.

Assumptions

Our revenue and profit margin guidance for 2018 reflects, among other things, assumptions of unchanged foreign exchange rates and subdued growth in the North American and European markets as well as a slower sales and utilisation of overall capacity in North America in the first half of the year.

In the second half of the year, we expect satisfactory packaging sales from the group's expanded production platform as well as positive effects of the measures included in the *Perform 2018* programme.

Due to seasonal fluctuations in Hartmann's packaging sales, revenue and operating profit are generally higher in Q1 and Q4 than in Q2 and Q3.

Any deviations from these assumptions may affect our 2018 performance.

Guidance

2018

Revenue	DKK 2.2-2.3bn
Profit margin	11.5-13%
Return on invested capital	At least 18%
Capital expenditure	DKK ~150 million

Forward-looking statements

The forward-looking statements in this interim report reflect Hartmann's current expectations for future events and financial results. Such statements are inherently subject to uncertainty, and actual results may therefore differ from expectations. Factors which may cause the actual results to deviate from expectations include general economic developments and developments in the financial markets, changes or amendments to legislation and regulation in Hartmann's markets, changes in demand for products, competition and the prices of raw materials. See also the risk section in this interim report and note 33 to the financial statements in the annual report for 2017.

Risk

This interim report contains descriptions of risks which continually affect Hartmann's operations and performance. For a full description of the risks affecting Hartmann, see the risk section and note 33 to the financial statements in the annual report for 2017.

Raw materials

Hartmann is exposed to changes in purchase prices of the raw materials used in our production. We are particularly sensitive to fluctuations in purchase prices of recycled paper and energy (electricity and gas), which are the most important raw materials used in our production.

There is limited scope for reducing sensitivity to developments in the price of recycled paper if supplies of the required volumes are to be secured and maintained.

We regularly sign fixed-price agreements with energy suppliers, typically for six or 12 months, covering a substantial part of our energy consumption. However, it is not possible to sign fixed-price agreements with energy suppliers in all the countries in which we operate.

We strive to reduce our sensitivity to fluctuations in raw materials prices through continuous implementation of technological innovation and optimisation of work processes.

Product portfolio

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

Currency

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

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

Hartmann hedges its transaction risks to the effect that primary currencies are continuously hedged for a period of not less than nine and not more than 12 months.

Due to our foreign subsidiaries, Hartmann is exposed to currency translation risks insofar as a part of the group's earnings and net assets relates to these foreign subsidiaries and is therefore translated and included in the consolidated financial statements, which are presented in DKK. In addition, the group is exposed to currency translation risks in connection with the granting of intra-group loans to foreign subsidiaries. In terms of net position, foreign subsidiaries reporting in the currencies ARS, BRL, CAD, HRK, HUF, ILS and USD and intra-group loans denominated in USD represent Hartmann's greatest translation exposure.

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

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

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 2018.

The interim report, which has been neither audited nor reviewed by the company's auditors, has been 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 2018 and of the results of the group's operations and cash flows for the three months ended 31 March 2018.

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, 24 May 2018

Executive board:

Torben Rosenkrantz-Theil
CEO

Marianne Rørslev Bock
CFO

Board of directors:

Agnete Raaschou-Nielsen
Chairman

Steen Parsholt
Vice chairman

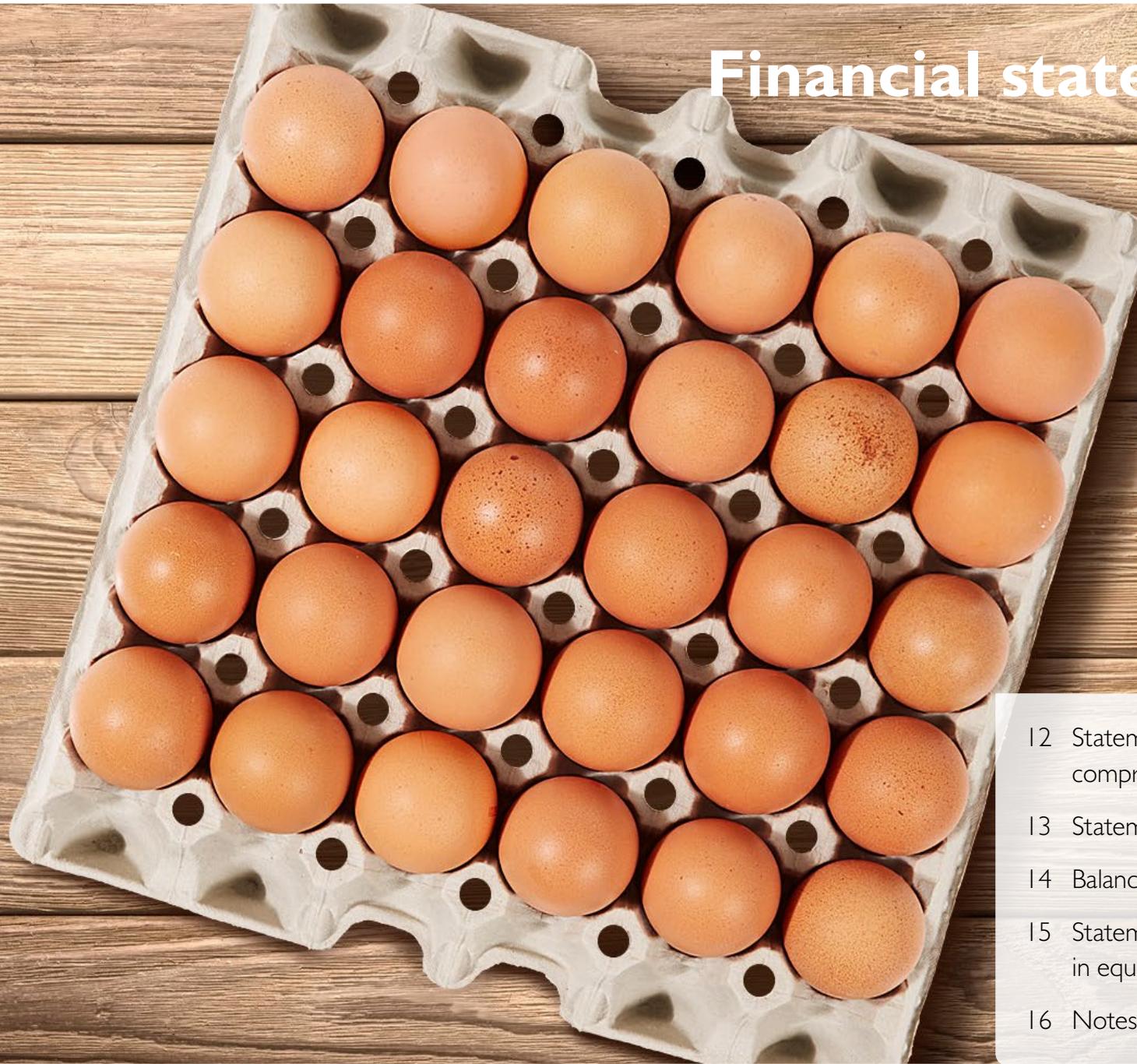
Andy Hansen

Jan Klarskov Henriksen

Jørn Mørkeberg Nielsen

Palle Skade Andersen

Financial statements



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Statement of comprehensive income

DKM Group	Q1 2018	Q1 2017	FY 2017
Revenue	623.7	572.3	2,207.3
Production costs	(421.9)	(396.1)	(1,550.9)
Gross profit	201.8	176.2	656.4
Selling and distribution costs	(82.7)	(84.6)	(325.4)
Administrative expenses	(27.6)	(30.6)	(95.8)
Other operating income	0.0	0.0	0.1
Operating profit before special items	91.5	61.0	235.3
Special items	(5.6)	0.0	(13.9)
Operating profit	85.9	61.0	221.4
Profit after tax in associates	0.0	0.0	0.1
Financial income	0.2	2.5	10.7
Financial expenses	(9.3)	(5.4)	(64.4)
Profit before tax	76.8	58.1	167.8
Tax on profit for the period	(19.2)	(15.1)	(45.8)
PROFIT FOR THE PERIOD	57.6	43.0	122.0
Earnings per share, DKK	8.3	6.2	17.6
Diluted earnings per share, DKK	8.3	6.2	17.6

DKM Group	Q1 2018	Q1 2017	FY 2017
Profit for the period	57.6	43.0	122.0
Items that cannot be reclassified to profit for the period:			
Actuarial losses on defined benefit plans	0.0	0.0	(8.1)
Tax	0.0	0.0	2.2
Items that can be reclassified to profit for the period:			
Foreign exchange adjustment of:			
Foreign subsidiaries	(25.4)	6.1	(75.6)
Value adjustment of hedging instruments:			
Recognised in other comprehensive income	(2.8)	0.3	8.5
Transferred to revenue	(1.2)	(0.9)	(7.1)
Transferred to production costs	(0.3)	(0.1)	(0.7)
Transferred to financial income and expenses	0.2	0.2	0.1
Tax	1.0	0.1	(0.3)
Other comprehensive income after tax	(28.5)	5.7	(81.0)
COMPREHENSIVE INCOME	29.1	48.7	41.0

Statement of cash flows

DKM Group	Q1 2018	Q1 2017	FY 2017
Operating profit	91.5	61.0	235.3
Depreciation and amortisation	32.5	29.0	133.2
Adjustment for other non-cash items	0.0	0.0	(0.1)
Change in working capital etc.	(43.3)	(44.8)	(88.0)
Restructuring costs etc. paid	(2.2)	(0.5)	(2.4)
Cash generated from operations	78.5	44.7	278.0
Interest etc. received	(0.5)	0.2	8.4
Interest etc. paid	(4.4)	(5.4)	(29.8)
Net income tax paid	(2.7)	(4.4)	1.0
Cash flows from operating activities	70.9	35.1	257.6
Acquisition of intangible assets	(0.2)	(0.5)	(4.6)
Acquisition of property, plant and equipment	(10.5)	(70.2)	(203.8)
Disposal of property, plant and equipment	0.1	0.0	1.9
Government grants received	0.0	0.0	1.1
Cash flows from investing activities	(10.6)	(70.7)	(205.4)
Cash flows from operating and investing activities	60.3	(35.6)	52.2
Raising of non-current debt	0.0	0.0	162.8
Repayment of non-current debt	(1.3)	(1.7)	(175.5)
Dividend paid	0.0	0.0	(65.7)
Cash flows from financing activities	(1.3)	(1.7)	(78.4)
TOTAL CASH FLOWS	59.0	(37.3)	(26.2)
Cash and cash equivalents at 1 January	(28.3)	(11.6)	(11.6)
Foreign exchange adjustment	0.2	1.9	9.5
CASH AND CASH EQUIVALENTS AT END OF PERIOD	30.9	(47.0)	(28.3)

DKM Group	Q1 2018	Q1 2017	FY 2017
Recognition of cash and cash equivalents at end of period:			
Cash	54.2	53.9	52.6
Overdraft facilities	(23.3)	(100.9)	(80.9)
Cash and cash equivalents at end of period	30.9	(47.0)	(28.3)

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

Balance sheet

Assets

DKKm Group	31 March 2018	31 March 2017	31 Dec. 2017
Goodwill	68.1	80.3	69.9
Other intangible assets	29.4	37.6	31.5
Intangible assets	97.5	117.9	101.4
Land and buildings	290.5	278.0	301.3
Plant and machinery	607.1	513.1	640.7
Other fixtures and fittings, tools and equipment	19.1	15.4	20.9
Plant under construction	23.6	229.0	21.7
Property, plant and equipment	940.3	1,035.5	984.6
Investments in associates	3.1	3.0	3.1
Other receivables	0.0	1.7	0.0
Deferred tax	47.7	95.4	51.9
Other non-current assets	50.8	100.1	55.0
Non-current assets	1,088.6	1,253.5	1,141.0
Inventories	202.8	222.8	240.6
Trade receivables	373.0	384.6	329.6
Income tax	6.3	10.5	8.6
Other receivables	74.6	69.1	76.4
Prepayments	21.4	18.3	16.3
Cash	54.2	53.9	52.6
Current assets	732.3	759.2	724.1
ASSETS	1,820.9	2,012.7	1,865.1

Equity and liabilities

DKKm Group	31 March 2018	31 March 2017	31 Dec. 2017
Share capital	140.3	140.3	140.3
Hedging reserve	(2.4)	(0.3)	0.6
Translation reserve	(187.8)	(80.7)	(162.4)
Retained earnings	759.2	694.3	701.7
Proposed dividend	65.7	65.7	65.7
Equity	775.0	819.3	745.9
Deferred tax	13.0	11.4	14.3
Pension obligations	48.5	49.3	51.4
Credit institutions	603.8	623.2	607.7
Government grants	5.5	7.8	5.9
Non-current liabilities	670.8	691.7	679.3
Credit institutions	2.8	7.7	4.5
Government grants	1.6	2.0	1.6
Overdraft facilities	23.3	100.9	80.9
Prepayments from customers	14.0	45.6	45.3
Trade payables	153.3	175.7	165.5
Payables to associates	6.5	0.0	4.6
Income tax	13.0	14.8	1.6
Provisions	0.7	5.0	0.4
Other payables	159.9	150.0	135.5
Current liabilities	375.1	501.7	439.9
Liabilities	1,045.9	1,193.4	1,119.2
EQUITY AND LIABILITIES	1,820.9	2,012.7	1,865.1

Statement of changes in equity

Group	2018						2017						
	DKKm	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividend	Total equity	DKKm	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividend
Equity at 1 January	140.3	0.6	(162.4)	701.7	65.7	745.9	140.3	0.1	(86.8)	651.3	65.7	770.6	
Profit for the period	-	-	-	57.6	-	57.6	-	-	-	43.0	-	43.0	
Other comprehensive income													
Items that can be reclassified to profit for the period													
Foreign exchange adjustment of:													
Foreign subsidiaries	-	-	(25.4)	-	-	(25.4)	-	-	6.1	-	-	6.1	
Value adjustment of hedging instruments:													
Recognised in other comprehensive income	-	(2.8)	-	-	-	(2.8)	-	0.3	-	-	-	0.3	
Transferred to revenue	-	(1.2)	-	-	-	(1.2)	-	(0.9)	-	-	-	(0.9)	
Transferred to production costs	-	(0.3)	-	-	-	(0.3)	-	(0.1)	-	-	-	(0.1)	
Transferred to financial income and expenses	-	0.2	-	-	-	0.2	-	0.2	-	-	-	0.2	
Tax	-	1.0	-	-	-	1.0	-	0.1	-	-	-	0.1	
Other comprehensive income	0.0	(3.1)	(25.4)	0.0	0.0	(28.5)	0.0	(0.4)	6.1	0.0	0.0	5.7	
Total comprehensive income	0.0	(3.1)	(25.4)	57.6	0.0	29.1	0.0	(0.4)	6.1	43.0	0.0	48.7	
Transactions with owners													
Dividend paid													
Total changes in equity	0.0	(3.1)	(25.4)	57.6	0.0	29.1	0.0	(0.4)	6.1	43.0	0.0	48.7	
Equity at 31 March	140.3	(2.5)	(187.8)	759.3	65.7	775.0	140.3	(0.3)	(80.7)	694.3	65.7	819.3	

Notes

01 Accounting policies

Except as set out below with respect to IFRS 9 and IFRS 15, the accounting policies applied in the interim financial statements are consistent with the accounting policies applied in the consolidated financial statements for 2017. The accounting policies are described in note 1 to the financial statements in the annual report for 2017, to which reference is made. The change of accounting policies has not had any financial impact.

New financial reporting standards and interpretations in 2018

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 2018, including IFRS 9 and IFRS 15.

Effective 1 January 2018, Hartmann has implemented IFRS 9 'Financial Instruments', which replaces IAS 39. The standard introduces a new model for classification and measurement of financial assets and liabilities based on the business model applied by the entity and the characteristics of the underlying cash flows. It also introduces a new impairment model for all financial assets. Hartmann has analysed the impact of implementing the standard and believes its consolidated and parent company financial statements will be affected only by the changed disclosure requirements for the notes to the financial statements. The revised impairment principle has had a negligible impact on Hartmann's current impairment process and, by extension, an insignificant effect on the interim report.

Effective 1 January 2018, Hartmann has implemented IFRS 15 'Revenue from Contracts with Customers', which replaces the current revenue standards (IAS 11 and IAS 18) and interpretations. The standard introduces a new model for recognition and measurement of revenue from sales contracts with customers. The new model provides a five-step model to be applied to all sales contracts with customers to determine when and how revenue is to be recognised in the statement of comprehensive income. Hartmann has analysed the impact of implementing IFRS 15 and believes it will not have any impact on its core business.

In respect of Hartmann Technology, implementing IFRS 15 means that the recognition of revenue from certain services provided in connection with sales of machinery will be deferred as compared with current practice. However, the effects of this deferment on the interim report are negligible.

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 2017 for a full description of significant accounting estimates, assumptions and uncertainties.

Other matters

Due to seasonal fluctuations, consolidated revenue and operating profit are generally higher in the first and fourth quarters of the year.

03 Segment information

The reporting of business segments is in accordance with the internal reporting to the executive board and the board of directors. The executive board and the board of directors constitute Hartmann's chief operating decision maker.

Hartmann's activities are segmented on the basis of the geographical location of the reporting units.

No operating segments have been aggregated to represent the reporting segments.

The internal management reporting complies with the group's accounting policies. Business decisions on resource allocation and performance evaluation for each of the segments are made on the basis of operating profit/(loss). Decisions relating to financing and taxation are made on the basis of information on Hartmann as a whole and are not allocated to the reporting segments. Intra-segmental transactions are priced on an arm's length basis.

Segment income and expenses as well as segment assets and liabilities comprise those items that in the internal management reporting are directly attributed to each individual segment and those items that are indirectly allocated to the individual segment on a reliable basis. Profits/losses in associates, financial income and expenses, income taxes, investments in associates, tax assets and tax liabilities and cash and bank debt are not allocated to reporting segments.

The reporting segments are:

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

- **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.

Notes

03 Segment information – continued

Activities	Q1 2018			Q1 2017		
	Europe	Americas	Total reporting segments	Europe	Americas	Total reporting segments
External revenue						
Moulded-fibre packaging	315.3	239.2	554.5	302.1	251.1	553.2
Other revenue	69.2	-	69.2	19.1	0.0	19.1
Revenue as per statement of comprehensive income	384.5	239.2	623.7	321.2	251.1	572.3
Operating profit for reporting segments	61.4	34.9	96.3	40.7	30.6	71.3
Other segment information						
Depreciation and amortisation	14.4	16.9		15.2	14.2	
Investments in intangible assets and property plant and equipment	3.6	7.1		25.7	45.4	
Net working capital	148.8	188.4		151.2	169.2	
Invested capital	537.4	805.3		524.2	918.3	
Segment assets	825.9	906.9	1,732.8	829.0	1,047.0	1,876.0
Reconciliation						
Performance targets				Q1 2018		Q1 2017
Operating profit for reporting segments			96.3			71.3
Non-allocated corporate functions			(5.2)			(10.7)
Eliminations			0.4			0.4
Operating profit before special items as per statement of comprehensive income			91.5			61.0
Special items			(5.6)			0.0
Operating profit as per statement of comprehensive income			85.9			61.0
Financial income			0.2			2.5
Financial expenses			(9.3)			(5.4)
Profit before tax as per statement of comprehensive income			76.8			58.1
Assets						
				31 March 2018		31 March 2017
Assets for reporting segments			1,732.8			1,876.0
Non-allocated assets			111.3			162.8
Eliminations			(23.2)			(26.1)
Assets as per balance sheet			1,820.9			2,012.7

Notes

04 Financial instrument categories

Financial instrument categories

DKKm	31 March 2018		31 March 2017		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Derivative financial instruments to hedge future cash flows	1.5	1.5	3.1	3.1	4.2	4.2
Financial assets used as hedging instruments	1.5	1.5	3.1	3.1	4.2	4.2
Trade receivables	373.0	373.0	384.6	384.6	329.6	329.6
Other receivables	79.5	79.5	76.6	76.6	80.8	80.8
Cash	54.2	54.2	53.9	53.9	52.6	52.6
Loans and receivables	506.7	506.7	515.1	515.1	463.0	463.0
Derivative financial instruments to hedge future cash flows	4.7	4.7	3.5	3.5	3.3	3.3
Financial liabilities used as hedging instruments	4.7	4.7	3.5	3.5	3.3	3.3
Credit institutions	629.9	630.3	731.8	732.8	693.1	693.7
Other liabilities	327.8	327.8	338.9	338.9	303.8	303.8
Financial liabilities measured at amortised cost	957.7	958.1	1,070.7	1,071.7	996.9	997.5

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

05 Events after the balance sheet date

Except as recognised or mentioned in this interim report, no significant events have occurred after the balance sheet date at 31 March 2018 of significance to the consolidated financial statements.

Hartmann at a glance

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

Sustainability

Sustainability and protection of the environment are integral components of Hartmann's business model and strategy. All Hartmann products are based on recycled paper, which is a renewable and biodegradable resource. Working closely with our customers to accommodate demand for sustainable products in the retail industry, Hartmann was the first manufacturer to offer both FSC-certified and 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 South America, where our product portfolio also includes fruit packaging. Hartmann has a small, but growing share of the North American market. Hartmann's technology and related services are also sold globally outside Hartmann's main markets.

Products and customers

Hartmann sells egg and fruit packaging to manufacturers, distributors and retail chains, which are increasingly demanding specialised marketing expertise. Our comprehensive product portfolio is customised to accommodate customer and consumer needs in each individual market. Hartmann's technology and related services are sold to manufacturers of moulded-fibre packaging outside the group's main markets.

Production

Hartmann's production platform consists of 12 factories in Europe, Israel and North and South America. Our deep technology know-how and extensive experience in manufacturing moulded-fibre packaging form the basis of the establishment, development and maintenance of our production platform. Each year, the group's 2,000 employees manufacture billions of moulded-fibre packaging units.

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 2018

21 August 2018 Interim report Q2 2018

13 November 2018 Interim report Q3 2018

This interim report was released in Danish and English through Nasdaq Copenhagen as company announcement no. 8/2018. In case of discrepancies between the two versions, or in case of doubt, the Danish version prevails.

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