HARTMANN

PACK & PERFORM

Interim report H1 2021

Contents

Management report

Financial statements

Q2 2021 highlights

Hartmann steered safely through the turbulent second quarter of 2021, although the exceptionally strong demand witnessed during the COVID-19 pandemic was replaced by below-normal demand during the off season. At the same time, raw materials prices continued steeply uphill. Despite the abrupt fall in consumer demand following the phasing out of COVID-19 restrictions and the gradual reopening of the restaurant and catering industries, Hartmann delivered unchanged revenue and reasonable profitability. Hartmann maintains its guidance, which was revised on 10 August.

Revenue

DKK 659 million

DKK 662 million in Q2 2020

Profit margin

10.8%

20.5% in Q2 2020

Investments

DKK 139 million

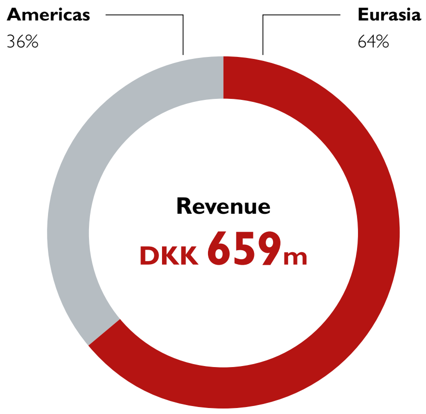
DKK 89 million in Q2 2020

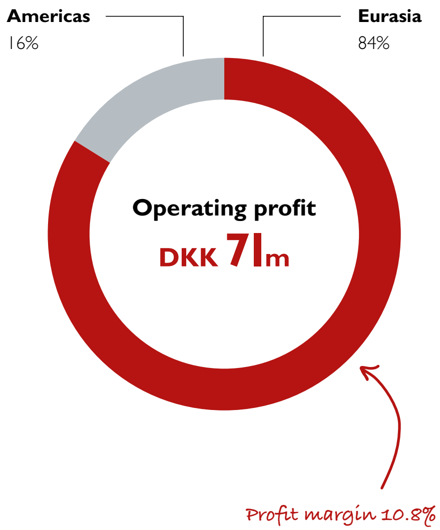
Revenue was largely unchanged in the second quarter. The Q2 performance was supported by the addition of activities in India and Russia and increased machinery sales. On the other hand, packaging sales were strongly impacted by the phasing out of COVID-19 restrictions and an abrupt decline in demand in several of the group's markets in combination with a DKK 34 million negative currency impact.

Profitability remained solid in the Q2 off season, although earnings were significantly affected by steep increases in raw materials prices and the abrupt decline in demand for eggs and packaging. Market developments led to reduced capacity utilisation and production efficiency at the group's factories, which was partly offset by an improved price and product mix.

Driven by continuing expansion and optimisation of production capacity, the level of investments increased in the second quarter. Additional production capacity is scheduled to be put into operation in the USA and Europe later in the year.

> We delivered resonable Q2 performance although raw materials prices continued uphill and the favourable knock-on effects on sales of the COVID-19 pandemic were replaced by unusually weak sales during the off season following the phasing out of COVID-19 restrictions in several markets and a temporary decline in egg promotions in supermarkets. The prolonged period of exceptionally strong sales has thus been replaced by below-normal sales, but the situation is expected to normalise towards the end of the year.





Key figures and financial ratios for the group

DKKm	Q2 2021	Q2 2020	H1 2021	H1 2020
Comprehensive income				
Revenue	659	662	1,409	1,325
Operating profit	67	133	242	249
Operating profit excl. IAS 29	*71*	137	*251*	256
Special items	0	(2)	0	(7)
Operating profit after special items	67	131	242	242
Net financial income and expenses	7	(10)	2	(41)
Profit before tax	74	121	244	201
Profit for the period	54	90	182	148
Comprehensive income	77	89	237	81
Cash flows				
Operating activities	152	172	225	260
Investing activities	(139)	(88)	(323)	(146)
Financing activities	(46)	(51)	70	(67)
Total	(33)	34	(28)	48
Balance sheet				
Assets	-	-	2,731	2,121
Investments in property, plant and equipment	-	-	46	146
Net working capital	-	-	355	344
Invested capital	-	-	2,010	1,501
Net interest-bearing debt (NIBD)	-	-	726	522
NIBD excl. lease liabilities	-	-	660	449
Equity	-	-	1,262	960

DKKm	Q2 2021	Q2 2020	H1 2021	H1 2020
Financial ratios, %				
Profit margin	10.2	20.1	17.2	18.8
Profit margin excl. IAS 29	*10.8*	20.5	*17.9*	*19.2*
Return on invested capital (ROIC), rolling 12 months	-	-	25.3	26.3
Return on equity, rolling 12 months	-	-	28.8	28.7
Equity ratio	-	-	46.2	45.3
Gearing	-	-	57.6	54.4
Share-based financial ratios				
No. of shares (excl. treasury shares)	-	-	6,915,090	6,915,090
Earnings per share, DKK (EPS)	7.8	13.1	26.3	21.4
Cash flows per share, DKK	21.9	24.8	32.5	37.6
Book value per share, DKK	-	-	182.5	138.9
Share price, DKK	-	-	520.0	352.0
Share price/book value per share	-	-	2.8	2.5
Share price/earnings (P/E), rolling 12 months	-	-	11.6	9.7
Market capitalisation, DKKm	-	-	3,647.8	2,469.3

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 420 million

DKK 410 million in Q2 2020

Profit margin

15.2%

21.6% in Q2 2020

Investments

DKK 80 million

DKK 43 million in Q2 2020

Eurasia

The Eurasia segment sustained momentum in Q2 2021 in the face of significant market changes with COVID-19 and increasing raw materials prices impeding financial performance. Sales of eggs to the retail industry receded from the above-average level witnessed during the COVID-19 pandemic to a below-normal level during the off season after restrictions were lifted, restaurant and catering industries reopened and supermarkets temporarily ran fewer special offers on eggs.

Revenue

Overall revenue from the Eurasia segment grew to DKK 420 million (2020: DKK 410 million) in Q2 2021, driven by the addition of activities in India and Russia combined with increased machinery sales and an improved product and price mix. On the other hand, volumes and revenue were severely impacted by the abrupt decline in demand following the phasing out of COVID-19 restrictions in several European markets.

In the first half of 2021, the Eurasia segment generated revenue of DKK 945 million (2020: DKK 809 million), supported 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

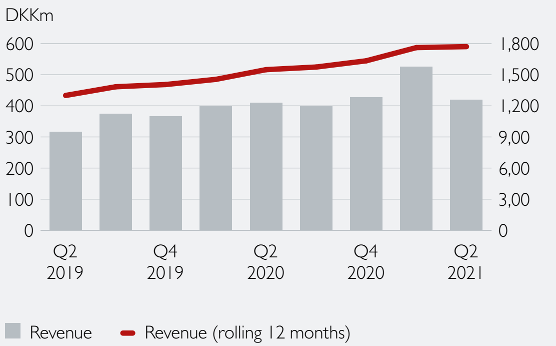
Q2 2021 operating profit came to DKK 64 million (2020: DKK 89 million), for a profit margin of 15.2% (2020: 21.6%). While earnings were adversely affected by significantly higher raw materials prices, lower volumes and weaker production efficiency, profitability remained strong thanks to an improved product and price mix and higher machinery sales.

Operating profit for H1 2021 grew by 24.8% (2020: 20.3%) to DKK 235 million (2020: DKK 164 million), including substantial licence income recognised in Q1.

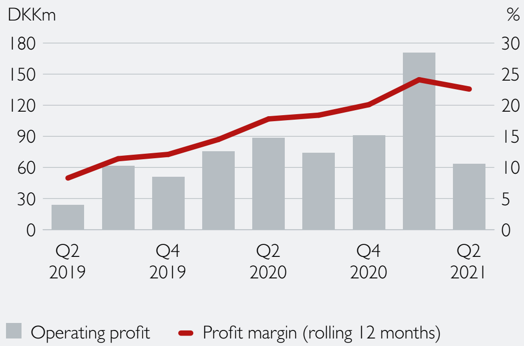
Investments

In Q2 2021, Hartmann invested DKK 80 million (2020: DKK 43 million) in new production capacity, which is still expected to start up in 2021, and in automation of existing production facilities. For H1 2021, investments amounted to DKK 258 million (2020: DKK 81 million), including the acquisition of Gotek-Litar in Russia in Q1.

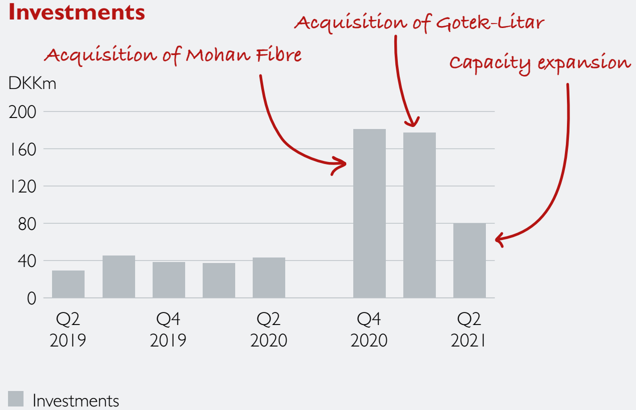
Revenue



Earnings



Investments



Hartmann

Americas

Revenue

DKK 240 million

DKK 252 million in Q2 2020

Profit margin

5.1%

19.7% in Q2 2020

Investments

DKK 59 million

DKK 44 million in Q2 2020

Americas

The Q2 performance of the business in the Americas was affected by the sudden plunge in demand for eggs, which dropped below normal during the off season in the wake of the lifting of COVID-19 restrictions, which for a while led to exceptionally strong demand for Hartmann's packaging products. In addition, the performance was significantly affected by massive increases in raw materials prices, reduced production efficiency and adverse currency effects.

Revenue

Q2 2021 revenue from the Americas totalled DKK 240 million (2020: DKK 252 million), impacted by declining volumes in the wake of the phasing out of COVID-19 restrictions, a temporary decline in special offers on eggs in supermarkets, weaker demand for egg packaging in both North and South America and significant currency headwinds in Argentina and North America. Due to periodical instability in the US labour market caused by the COVID-19 pandemic, Hartmann remained affected by staffing challenges in Q2. The situation stabilised at the beginning of Q3, though. Production efficiency was impacted by the decline in volumes.

H1 2021 revenue from the Americas came to DKK 464 million (2020: DKK 516 million).

Earnings

Impacted by massive increases in raw materials prices, lower volumes and revenue, temporary staffing challenges and currency effects, operating profit for Q2 2021 dropped to DKK 12 million (2020: DKK 51 million), for a profit margin of 5.1% (2020: 19.7%). These negative effects were partially offset by an improved product and price mix.

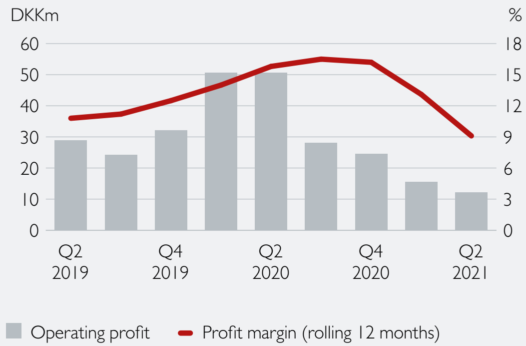
Operating profit for H1 2021 was down to DKK 28 million (2020: DKK 101 million), for a profit margin of 6.0% (2020: 19.4%).

Investments

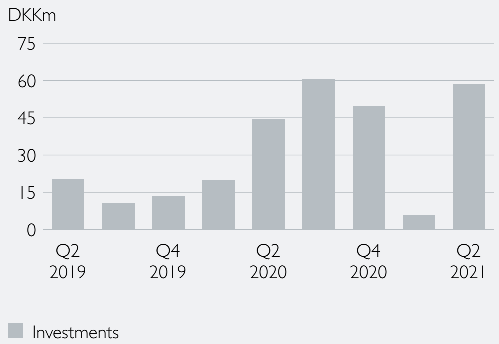
Hartmann stepped up investments in the American business in Q2 2021 to DKK 59 million (2020: DKK 44 million) with a view to starting up new capacity in the USA in the second half of the year. In H1 2021, investments amounted to DKK 65 million (2020: DKK 65 million).

Revenue

Earnings



Investments



Outlook

Hartmann maintains its 2021 guidance of revenue of DKK 2.6-2.9 billion and a profit margin* of 10-13%, as revised in company announcement no. 11/2021 of 10 August 2021 and set out in the section on events after the balance sheet date.

The group's guidance is affected by the steep upward trend in the prices of its most important raw materials – recycled paper and energy – and the abrupt decline in demand for egg packaging. The exceptionally strong retail demand for eggs witnessed during the COVID-19 pandemic has been replaced by below-normal demand in the Q2-Q3 off season as a result of the phasing out of restrictions and the gradual reopening of the restaurant and catering industries combined with fewer special offers on eggs in supermarkets.

The remaining part of 2021 is expected to be adversely impacted by additional increases in raw materials prices and below-normal demand during the Q3 off season. Increasing raw materials prices, the temporary decline in demand and reduced capacity utilisation will combine to drive production costs significantly higher. These negative effects will be partially offset by targeted efforts to adjust selling prices and improve the overall price and product mix.

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.

Guidance

	2021
Revenue	DKK 2.6-2.9 billion
Profit margin*	10-13%
Investments	DKK ~550 million

* Before restatement for hyperinflation and special items

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.

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

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 have caused 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 experiencing highly volatile demand for eggs from the retail industry amid the ongoing crisis.

As a result of the COVID-19 restrictions, more meals have been 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. However, in the second quarter of 2021, demand for eggs was adversely affected by the phasing out of COVID-19 restrictions, which drove sales below normal off season levels. Retail demand for eggs dropped because out-of-home consumption of eggs – i.e. in canteens, restaurants, schools, etc. – increased as restrictions were lifted. At the same time, supermarkets ran fewer campaigns due to egg price volatility and supply chain disruption. As opposed to 2020, the second half of 2021 is expected to be affected by the usual seasonal fluctuations, and 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 continue in the upcoming period.

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 procurement prices of recycled paper and energy (electricity and gas) may have a significant impact on the group's financial results as adjustments of selling prices with a view to mitigating increases in raw materials prices must take into account the competitive situation and will be implemented at a certain time lag. 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 seeks to make up increases in purchase prices by adjusting selling prices. In addition, 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. Hartmann has the option of signing fixed-price agreements, typically for six or 12 months, for part of the group's energy consumption with energy suppliers in areas with well-functioning markets. The group regularly analyses whether entering into such agreements is attractive and explores possibilities for using alternative types of 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, India and Russia helps to mitigate the total negative impact of local or regional disease outbreaks on the group's financial performance. At the same time, thanks to its versatile product portfolio and adaptability, Hartmann is able to vary its product offering according to shifts in demand patterns occurring during and in the wake of such disease outbreaks.
Politics and macroeconomics	While the consumption of eggs and fruit has historically been resilient to slowdowns in economic growth, political and macroeconomic uncertainties may cause significant shifts in Hartmann's sales across product categories. Moreover, trade barriers and significant currency fluctuations may affect the competitive strength of some factories and the group's financial results.	Hartmann monitors its markets carefully in order to be able to respond quickly to negative trends by, for instance, changing the allocation of the group's production between factories and adjusting the product offering in the markets concerned. Any negative trade barrier impacts are mitigated by Hartmann's geographical diversification and sales to local markets.
Environment	Violations of environmental legislation, rules or thresholds in connection with, for instance, wastewater discharge, CO_2 emissions, waste disposal or inadvertent chemical spills may lead to business interruption, fines or other sanctions and harm Hartmann's reputation and internal and external stakeholder relationships.	Hartmann monitors environmental risks at local and central level with a view to preventing, mitigating or minimising the group's environmental footprint. To that end, Hartmann continually invests in new production technology, optimisation of existing equipment and processes and systematic waste reduction. With a view to ensuring a structured and efficient approach to environmentally sound and energy-efficient production, a number of Hartmann's production facilities are certified to the ISO 14001 (environmental management) and ISO 50001 (energy management) standards.

Reference is made to page 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 six months ended 30 June 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 30 June 2021 and of the results of the group's operations and cash flows for the six months ended 30 June 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, 17 August 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

Financial statements

Revenue and earnings

Revenue
Overall revenue for Q2 2021 was DKK 659 million (2020: DKK 662 million). H1 2021 revenue was up to DKK 1,409 million (2020: DKK 1,325 million), supported by licence income of DKK 78 million recognised in the first quarter.

Currency fluctuations reduced revenue by DKK 34 million in Q2 and DKK 85 million in H1 2021.

Operating profit
Operating profit for Q2 2021 came to DKK 71 million (2020: DKK 137 million), for a profit margin of 10.8% (2020: 20.5%). Operating profit for H1 2021 amounted to DKK 251 million (2020: DKK 256 million), for a profit margin of 17.9% (2020: 19.2%), supported by licence income of DKK 78 million.

After restatement for hyperinflation, operating profit came to DKK 67 million (2020: DKK 133 million), for a profit margin of 10.2% (2020: 20.1%), for Q2 2021 and DKK 242 million (2020: DKK 249 million), for a profit margin of 17.2% (2020: 18.8%), for the first six months of 2021.

Currency fluctuations reduced operating profit by DKK 9 million in Q2 and DKK 12 million in H1 2021.

Corporate functions
Costs related to corporate functions came to DKK 6 million in Q2 2021 (2020: DKK 3 million) and DKK 13 million in H1 2021 (2020: DKK 11 million).

Special items
No special items were recognised in Q2 2021 (2020: net expense of DKK 2 million) or H1 2021 (2020: net expense of DKK 7 million).

Financial income and expenses
Financial income and expenses were a net income of DKK 7 million for Q2 2021 (2020: net expense of DKK 10 million). Financial income and expenses for H1 2021 amounted to net income DKK 2 million (2020: net expense of DKK 41 million). These developments were driven by positive foreign exchange adjustments in 2021 and significant adverse foreign exchange adjustments of the financing of the group's activities in Brazil in the reference period.

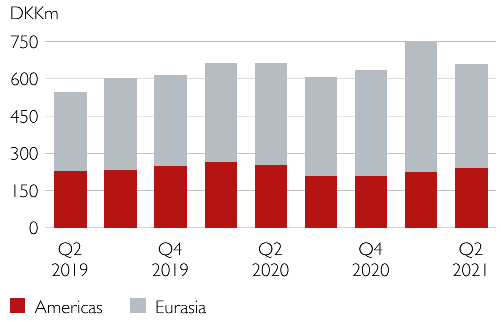
Profit for the period
Profit before tax was DKK 74 million for Q2 2021 (2020: DKK 121 million) and was up to DKK 244 million for H1 2021 (2020: DKK 201 million), supported by positive developments in the group's net financials. For Q2, tax on the profit for the period was an expense of DKK 20 million (2020: expense of DKK 31 million), giving an effective tax rate of 27% (2020: 26%). For H1 2021, tax on the profit for the period was an expense of DKK 62 million (2020: expense of DKK 53 million), giving an effective tax rate of 26% (2020: 27%). Before restatement for hyperinflation, the effective tax rate was 23% (2020: 24%) for Q2 and 23% (2020: 25%) for H1 2021. The profit after tax was DKK 54 million (2020: DKK 90 million) for Q2 and DKK 182 million (2020: DKK 148 million) for H1 2021.

Comprehensive income
Comprehensive income came to DKK 77 million for Q2 2021 (2020: DKK 89 million) and was up to DKK 237 million for H1 2021 (2020: DKK 81 million), supported by profit growth and positive foreign exchange adjustments of subsidiaries.

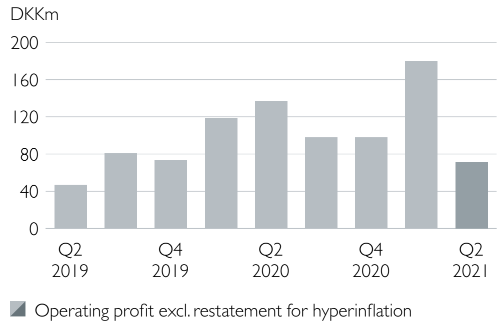
Events after the balance sheet date
On 10 August 2021, by company announcement no. 11/2021, Hartmann adjusted its 2021 guidance to revenue of DKK 2.6-2.9 billion and a profit margin of 10-13% from its previous guidance of revenue of DKK 2.7-3.0 billion and a profit margin of 14-17%, while maintaining its DKK 550 million investment forecast.

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.

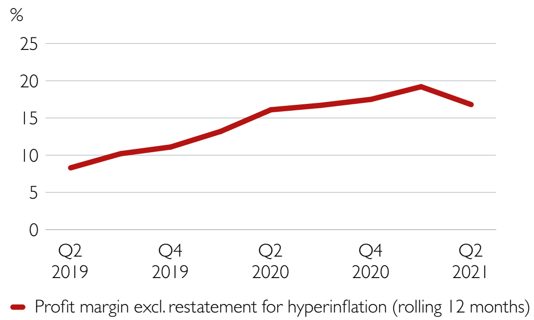
Revenue



Operating profit



Profit margin



Statement of comprehensive income

DKKm **Group**	**Q2 2021**	**Q2 2020**	**H1 2021**	**H1 2020**
Revenue	659.2	662.0	1,408.9	1,324.8
Production costs	(475.0)	(414.4)	(933.7)	(839.4)
Gross profit	**184,2**	**247,6**	**475,2**	**485,4**
Selling and distribution costs	(89.2)	(90.8)	(175.5)	(184.9)
Administrative expenses	(28.0)	(23.8)	(57.3)	(51.3)
Operating profit before special items	**67.0**	**133.0**	**242.4**	**249.2**
Special items	0.0	(1.9)	0.0	(6.6)
Operating profit	**67.0**	**131.1**	**242.4**	**242.6**
Financial income	13.4	7.1	17.0	10.2
Financial expenses	(6.4)	(17.0)	(15.4)	(51.6)
Profit before tax	**74.0**	**121.2**	**244.0**	**201.2**
Tax on profit for the period	(20.1)	(30.9)	(62.4)	(53.4)
PROFIT FOR THE PERIOD	**53.9**	**90.3**	**181.6**	**147.8**
Earnings per share, DKK	7.8	13.1	26.3	21.4
Diluted earnings per share, DKK	7.8	13.1	26.3	21.4

DKKm **Group**	**Q2 2021**	**Q2 2020**	**H1 2021**	**H1 2020**
Profit for the period	**53.9**	**90.3**	**181.6**	**147.8**
Items that can be reclassified to profit or loss:				
Foreign exchange adjustment of foreign subsidiaries	11.8	(21.5)	33.2	(85.0)
Hyperinflation restatement of non-monetary balance sheet items, beginning of period	11.0	4.3	23.9	12.2
Value adjustment of hedging instruments:				
Recognised in other comprehensive income	1.5	16.7	(0.3)	0.7
Transferred to revenue	(1.0)	3.0	(2.1)	5.5
Transferred to production costs	(0.6)	1.3	(0.3)	2.4
Transferred to financial income and expenses	(0.3)	(0.6)	(0.2)	(0.8)
Tax	(0.2)	(4.7)	0.8	(1.6)
Other comprehensive income after tax	**22.6**	**(1.5)**	**55.0**	**(66.6)**
COMPREHENSIVE INCOME	**76.5**	**88.8**	**236.6**	**81.2**

Cash flows

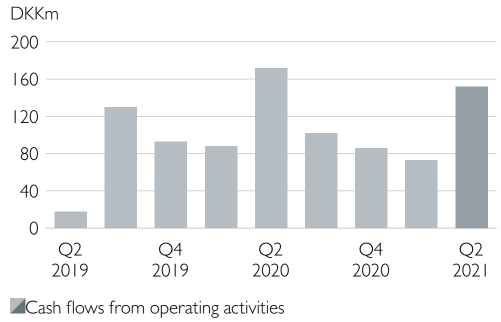
Investments and cash flows
Reflecting lower operating profit, cash flows from operating activities fell to a net inflow of DKK 152 million in Q2 2021 (2020: net inflow of DKK 172 million). The setback in operating profit was partially offset by a favourable impact of working capital changes. For H1 2021, cash flows from operating activities amounted to a net inflow of DKK 225 million (2020: net inflow of DKK 260 million).

Cash flows from investing activities rose significantly to a net outflow of DKK 139 million for Q2 (2020: net outflow of DKK 88 million) and a net outflow of DKK 323 million for H1 2021 (2020: net outflow of DKK 146 million), reflecting additional measures to expand production capacity in Q2 and the acquisition of Russia's Gotek-Litar and production facility investments in Q1 2021.

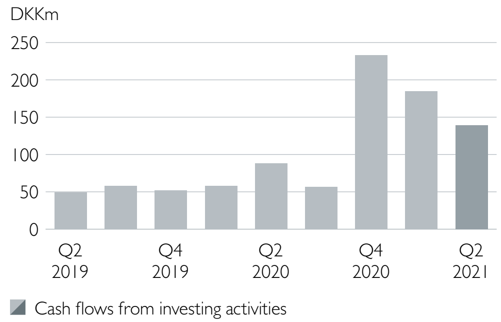
Cash flows from operating and investing activities came to a net inflow of DKK 13 million for Q2 (2020: net inflow of DKK 84 million) and a net outflow of DKK 99 million for H1 2021 (2020: net inflow of DKK 114 million).

Cash flows from financing activities were a net outflow of DKK 46 million in Q2 2021 (2020: net outflow of DKK 51 million). Affected by drawdowns on the group's existing credit facility in connection with the acquisition of Gotek-Litar in Q1 2021, cash flows from financing activities amounted to a net inflow of DKK 70 million for H1 2021 (2020: net outflow of DKK 67 million).

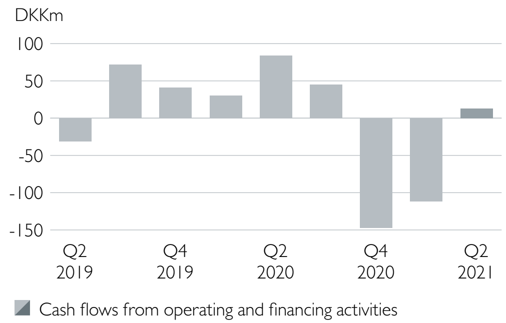
Cash flows from operating activities



Cash flows from investing activities



Free cash flow



Statement of cash flows

DKKm Group	Q2 2021	Q2 2020	H1 2021	H1 2020
Operating profit before special items	67.0	133.0	242.4	249.2
Depreciation and amortisation	38.7	32.2	74.0	67.2
Adjustment for other non-cash items	1.7	2.2	4.5	3.6
Change in working capital etc.	58.9	19.7	(36.1)	(22.4)
Special items paid	0.0	(1.9)	(4.0)	(6.6)
Cash generated from operations	**166.3**	**185.2**	**280.8**	**291.0**
Interest received	0.9	0.5	1.7	0.7
Interest paid	(4.7)	(4.6)	(8.8)	(8.8)
Net income tax paid	(10.8)	(9.3)	(48.9)	(22.9)
Cash flows from operating activities	**151.7**	**171.8**	**224.8**	**260.0**
Acquisition of intangible assets	0.0	0.0	(25.5)	(1.0)
Acquisition of property, plant and equipment	(138.7)	(88.5)	(184.7)	(145.5)
Disposal of property, plant and equipment	0.1	0.3	0.1	0.4
Acquisition of subsidiaries	0.0	0.0	(113.3)	0.0
Dividend received from associates	0.0	0.5	0.0	0.5
Cash flows from investing activities	**(138.6)**	**(87.7)**	**(323.4)**	**(145.6)**
Cash flows from operating and investing activities	**13.1**	**84.1**	**(98.6)**	**114.4**
Raising of non-current debt	31.2	0.0	150.2	0.0
Repayment of non-current debt	(77.4)	(50.5)	(79.8)	(66.6)
Dividend paid	0.0	0.0	0.0	0.0
Cash flows from financing activities	**(46.2)**	**(50.5)**	**70.4**	**(66.6)**
TOTAL CASH FLOWS	**(33.1)**	**33.6**	**(28.2)**	**47.8**
Cash and cash equivalents, beginning of period	83.0	58.8	75.1	45.6
Foreign exchange adjustment	(4.1)	(0.7)	(1.1)	(1.7)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**45.8**	**91.7**	**45.8**	**91.7**

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

DKKm Group	Q2 2020	Q2 2019	H1 2020	H1 2019
Recognition of cash and cash equivalents, end of period:				
Cash	164.9	105.5	164.9	105.5
Overdraft facilities	(119.1)	(13.8)	(119.1)	(13.8)
Cash and cash equivalents, end of period	**45.8**	**91.7**	**45.8**	**91.7**

Balance sheet and equity

Funding
Net interest-bearing debt at 30 June 2021 was DKK 726 million (2020: DKK 522 million), reflecting the acquisition of Gotek-Litar and production capacity investments.

Financial resources, comprising cash and undrawn loan and overdraft facilities, amounted to DKK 534 million at 30 June 2021 (2020: DKK 501 million). This level is considered satisfactory and sufficient to cover Hartmann's planned expansion. The loans are subject to standard financial covenants.

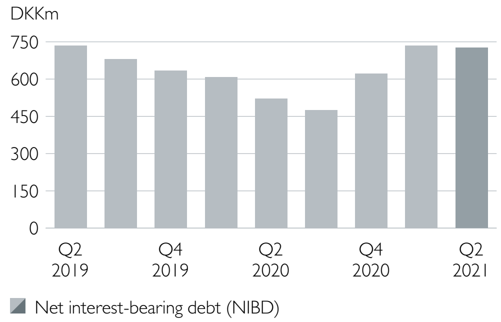
Assets
Total assets were up to DKK 2,731 million (2020: DKK 2,121 million), driven by investments in production capacity and the acquisitions of Mohan Fibre Products in India and Gotek-Litar in Russia.

ROIC
The return on invested capital was 25.3% in H1 2021 (2020: 26.3%), mirroring the strong earnings performance.

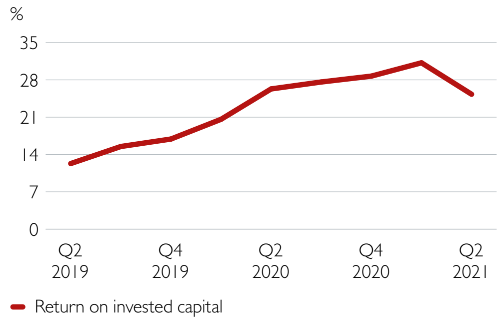
Equity
Equity at 30 June 2021 amounted to DKK 1,262 million (2020: DKK 960 million), for an equity ratio of 46% (2020: 45%). The financial gearing ratio was 58% (2020: 54%).

Earnings per share were DKK 7.8 million for Q2 (2020: DKK 13.1 million) and DKK 26.3 million for H1 2021 (2020: DKK 21.4 million).

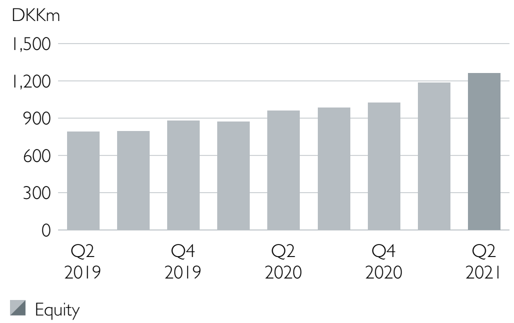
Net interest-bearing debt (NIBD)



ROIC



Equity



Balance sheet

Assets

DKKm **Group**	**30 June 2021**	**30 June 2020**	**31 Dec. 2020**
Goodwill	168.5	49.3	90.7
Other intangible assets	53.6	24.0	37.2
Intangible assets	**222.1**	**73.3**	**127.9**
Land and buildings	357.8	299.0	326.1
Plant and machinery	758.5	549.5	657.7
Other fixtures and fittings, tools and equipment	17.8	13.2	12.3
Plant under construction	270.7	203.2	188.8
Property, plant and equipment	**1,404.8**	**1,064.9**	**1,184.9**
Leased land and buildings	60.3	68.1	63.3
Other leased assets	3.5	3.5	3.0
Lease assets	**63.8**	**71.6**	**66.3**
Investments in associates	2.6	2.5	2.6
Deferred tax	44.9	34.5	41.2
Other receivables	1.4	0.0	0.8
Other non-current assets	**48.9**	**37.0**	**44.6**
Non-current assets	**1,739.6**	**1,246.8**	**1,423.7**
Inventories	296.0	238.8	256.7
Trade receivables	390.2	381.0	347.8
Income tax	32.1	5.3	15.0
Other receivables	92.3	113.3	86.4
Prepayments	16.1	29.9	35.1
Cash*	164.9	105.5	209.5
Current assets	**991.6**	**873.8**	**950.5**
ASSETS	**2,731.2**	**2,120.6**	**2,374.2**

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

Equity and liabilities

DKKm **Group**	**30 June 2021**	**30 June 2020**	**31 Dec. 2020**
Share capital	140.3	140.3	140.3
Hedging reserve	(0.4)	2.1	1.7
Translation reserve	(236.7)	(236.2)	(293.8)
Retained earnings	1,358.7	1,054.2	1,177.1
Proposed dividend	0.0	0.0	0.0
Equity	**1,261.9**	**960.4**	**1,025.3**
Deferred tax	44.7	19.8	32.7
Pension obligations	34.1	31.1	35.2
Credit institutions	705.8	540.6	629.4
Lease liabilities	57.6	64.7	59.7
Government grants	1.1	2.0	1.5
Other payables	0.7	18.1	0.1
Non-current liabilities	**844.0**	**676.3**	**758.6**
Lease liabilities	8.8	8.7	8.9
Government grants	1.0	0.9	0.9
Overdraft facilities	119.1	13.8	134.4
Prepayments from customers	21.5	40.6	26.7
Trade payables	224.1	204.6	209.6
Payables to associates	10.3	6.0	5.1
Income tax	57.6	41.1	30.0
Provisions	0.7	0.3	3.3
Other payables	182.2	167.9	171.4
Current liabilities	**625.3**	**483.9**	**590.3**
Liabilities	**1,469.3**	**1,160.2**	**1,348.9**
EQUITY AND LIABILITIES	**2,731.2**	**2,120.6**	**2,374.2**

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	-	-	-	181.6	-	181.6	-	-	-	147.8	-	147.8
Other comprehensive income												
Items that can be reclassified to profit or loss												
Foreign exchange adjustments of foreign subsidiaries	-	-	33.2	-	-	33.2	-	-	(85.0)	-	-	(85.0)
Hyperinflation restatement of non-monetary balance sheet items	-	-	23.9	-	-	23.9	-	-	12.2	-	-	12.2
Value adjustment of hedging instruments:												
Recognised in other comprehensive income	-	(0.3)	-	-	-	(0.3)	-	0.7	-	-	-	0.7
Transferred to revenue	-	(2.1)	-	-	-	(2.1)	-	5.5	-	-	-	5.5
Transferred to production costs	-	(0.3)	-	-	-	(0.3)	-	2.4	-	-	-	2.4
Transferred to financial income and expenses	-	(0.2)	-	-	-	(0.2)	-	(0.8)	-	-	-	(0.8)
Tax	-	0.8	-	-	-	0.8	-	(1.6)	-	-	-	(1.6)
Other comprehensive income	**0.0**	**(2.1)**	**57.1**	**0.0**	**0.0**	**55.0**	**0.0**	**6.2**	**(72.8)**	**0.0**	**0.0**	**(66.6)**
Total comprehensive income	**0.0**	**(2.1)**	**57.1**	**181.6**	**0.0**	**236.6**	**0.0**	**6.2**	**(72.8)**	**147.8**	**0.0**	**81.2**
Transactions with owners												
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
Total changes in equity	**0.0**	**(2.1)**	**57.1**	**181.6**	**0.0**	**236.6**	**0.0**	**6.2**	**(72.8)**	**147.8**	**0.0**	**81.2**
Equity at 30 June	**140.3**	**(0.4)**	**(236.7)**	**1,358.7**	**0.0**	**1,261.9**	**140.3**	**2.1**	**(236.2)**	**1,054.2**	**0.0**	**960.4**

* 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 71 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 H1 2021.

Notes

03 Segment information

Activities	**2021**						**2020**					
	Eurasia		**Americas**		**Total reporting segments**		**Eurasia**		**Americas**		**Total reporting segments**	
	Q2	**H1**	**Q2**	**H1**	**Q2**	**H1**	**Q2**	**H1**	**Q2**	**H1**	**Q2**	**H1**
External revenue	419.5	945.4	236.5	459.0	656.0	1,404.4	410.1	808.5	256.9	521.9	667.0	1,330.4
Revenue	**419.5**	**945.4**	**236.5**	**459.0**	**656.0**	**1,404.4**	**410.1**	**808.5**	**256.9**	**521.9**	**667.0**	**1,330.4**
Hyperinflation restatement of revenue	-	-	3.2	4.5	3.2	4.5	-	-	(5.0)	(5.6)	(5.0)	(5.6)
Revenue as per statement of comprehensive income	**419.5**	**945.4**	**239.7**	**463.5**	**659.2**	**1,408.9**	**410.1**	**808.5**	**251.9**	**516.3**	**662.0**	**1,324.8**
Operating profit before special items	63.7	234.5	12.2	27.7	75.9	262.2	88.6	164.0	50.7	101.4	139.3	265.4
Other segment information												
Depreciation and amortisation	21.5	40.8	14.6	28.7			16.0	33.4	13.9	28.8		
Investments in intangible assets and property plant and equipment	-	145.9	-	71.0			-	81.5	-	74.0		
Net working capital	-	342.8	-	134.5			-	375.8	-	44.8		
Invested capital	-	1,279.5	-	844.6			-	936.5	-	640.3		
Segment assets	-	1,632.1	-	966.1	-	2,598.2	-	1,281.3	-	805.7	-	2,087.0

Reconciliation	**2021 Total reporting segments Q2**	**2021 Total reporting segments H1**	**2020 Total reporting segments Q2**	**2020 Total reporting segments H1**
Performance targets				
Operating profit before special items for reporting segments	75.9	262.2	139.3	265.4
Hyperinflation restatement of operating profit before special items	(4.0)	(8.4)	(3.6)	(6.8)
Non-allocated corporate functions	(5.6)	(12.8)	(3.2)	(10.3)
Eliminations	0.7	1.4	0.5	0.9
Operating profit before special items as per statement of comprehensive income	**67.0**	**242.4**	**133.0**	**249.2**
Special items	0.0	0.0	(1.9)	(6.6)
Operating profit as per statement of comprehensive income	**67.0**	**242.4**	**131.1**	**242.6**
Financial income	13.4	17.0	7.1	10.2
Financial expenses	(6.4)	(15.4)	(17.0)	(51.6)
Profit before tax as per statement of comprehensive income	**74.0**	**244.0**	**121.2**	**201.2**
Assets				
Assets for reporting segments	-	2,598.2	-	2,087.0
Hyperinflation restatement of non-monetary balance sheet items	-	53.1	-	45.7
Non-allocated assets	-	280.7	-	232.1
Eliminations	-	(200.8)	-	(244.2)
Assets as per balance sheet	**-**	**2,731.2**	**-**	**2,120.6**

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

	Q2 2021	Q2 2020	H1 2021	H1 2020
Interest income, cash and cash equivalents etc.	0.2	0.2	0.2	0.2
Other interest income	0.7	0.3	1.5	0.5
Interest income from financial assets not measured at fair value through profit or loss	**0.9**	**0.5**	**1.7**	**0.7**
Foreign exchange gains	12.1	6.1	14.5	8.6
Derivative financial instruments	0.4	0.6	0.8	1.0
Financial income	**13.4**	**7.2**	**17.0**	**10.3**
Interest expenses, credit institutions	3.1	3.1	5.6	5.7
Interest expenses, lease liabilities	0.5	0.7	1.1	1.3
Other expenses	1.1	0.8	2.1	1.8
Interest expenses from financial liabilities not measured at fair value through profit or loss	**4.7**	**4.6**	**8.8**	**8.8**
Foreign exchange losses	0.3	11.8	3.3	40.9
Loss on net monetary position on hyperinflation restatement	1.2	0.7	2.6	1.8
Derivative financial instruments	0.2	0.0	0.7	0.2
Financial expenses	**6.4**	**17.1**	**15.4**	**51.7**
Financial income and (expenses)	**7.0**	**(9.9)**	**1.6**	**(41.4)**

§ Accounting policies

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

Notes

05 Financial instrument categories

Financial instrument categories

DKKm	30 June 2021 Carrying amount	30 June 2021 Fair value	30 June 2020 Carrying amount	30 June 2020 Fair value	31 December 2020 Carrying amount	31 December 2020 Fair value
Derivative financial instruments to hedge future cash flows	2.5	2.5	3.5	3.5	4.3	4.3
Financial assets used as hedging instruments	**2.5**	**2.5**	**3.5**	**3.5**	**4.3**	**4.3**
Trade receivables	390.2	390.2	381.0	381.0	347.8	347.8
Other receivables	121.9	121.9	115.2	115.2	97.0	97.0
Cash	164.9	164.9	105.5	105.5	209.5	209.5
Loans and receivables	**677.0**	**677.0**	**601.7**	**601.7**	**654.3**	**654.3**
Derivative financial instruments to hedge future cash flows	2.9	2.9	0.9	0.9	2.0	2.0
Financial liabilities used as hedging instruments	**2.9**	**2.9**	**0.9**	**0.9**	**2.0**	**2.0**
Credit institutions	824.9	825.3	554.3	555.4	763.9	764.6
Lease liabilities	66.4	68.0	73.4	79.5	68.6	73.9
Other liabilities	472.0	472.0	418.7	418.7	416.7	416.7
Financial liabilities measured at amortised cost	**1,363.3**	**1,365.3**	**1,046.4**	**1,053.6**	**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 half of 2021.

Of the DKK 1,409 million consolidated revenue for H1 2021, DKK 33 million may be attributed to Gotek-Litar. Of the group's DKK 182 million profit for H1 2021, DKK (0.7) million may be attributed to Gotek-Litar. The result includes depreciation of assets adjusted to fair value. If Gotek-Litar had been acquired at the beginning of the financial year, H1 2021 profit would have amounted to DKK 181 million and revenue to DKK 1,415 million.

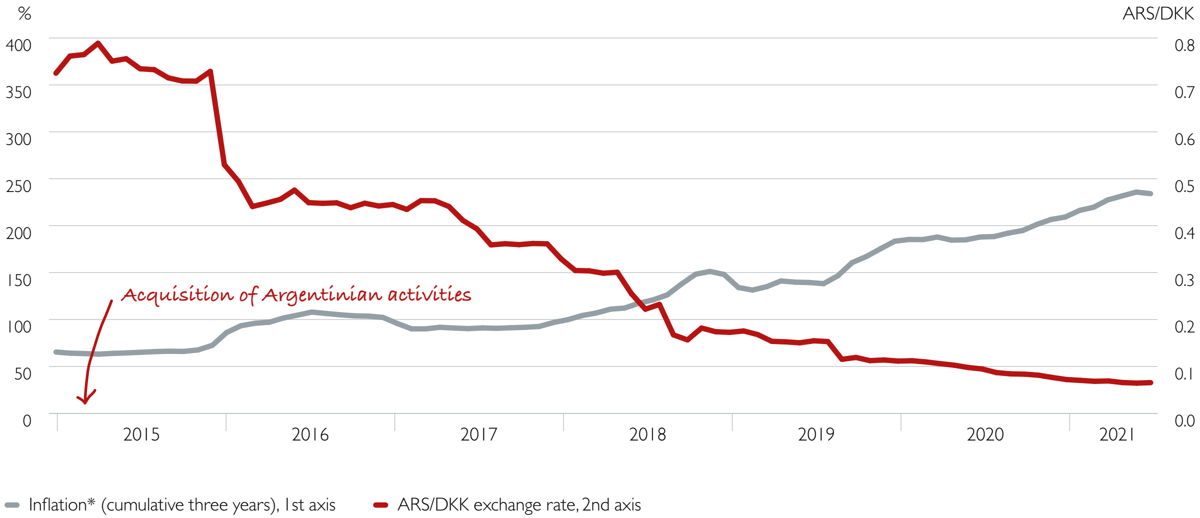
07 Events after the balance sheet date

On 10 August 2021, by company announcement no. 11/2021, Hartmann adjusted its 2021 guidance to revenue of DKK 2.6-2.9 billion and a profit margin of 10-13% from its previous guidance of revenue of DKK 2.7-3.0 billion and a profit margin of 14-17%, while maintaining its DKK 550 million investment forecast.

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

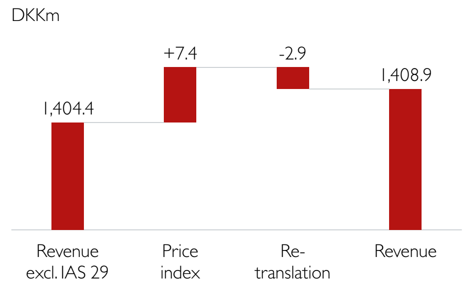
Inflation and exchange rate developments in Argentina



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	1,404.4	*7.4*	*(2.9)*	*4.5*	1,408.9
Operating profit before depreciation	320.9	*(4.0)*	*(0.5)*	*(4.5)*	316.4
Operating profit	250.8	*(8.1)*	*(0.3)*	*(8.4)*	242.4
Net financial items	4.2	*(2.7)*	*0.1*	*(2.6)*	1.6

Effects of restating year-to-date revenue



The total effect on H1 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 25% during the first six months of the year, boosting revenue by DKK 7.4 million. The increase offset a decline in the ARS/DKK cross rate from 0.07199 at the beginning of the year to 0.06537 at 30 June 2021 reducing revenue by DKK 2.9 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 1,408.9 million after a net positive impact of restating for hyperinflation of DKK 4.5 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 CO_2-neutral retail packaging.

Markets
Hartmann's key markets are Europe, South America and North America, where the group has strong market positions. Hartmann is a market leader in Europe and in South America and India, where 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 and are included in the Mid Cap index. 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

16 November 2021	Interim report Q3 2021

This interim report was released in Danish and English through Nasdaq Copenhagen as company announcement no. 12/2021. In case of discrepancies between the two versions, or in case of doubt, the Danish version prevails.

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