

Interim report Q3 2021



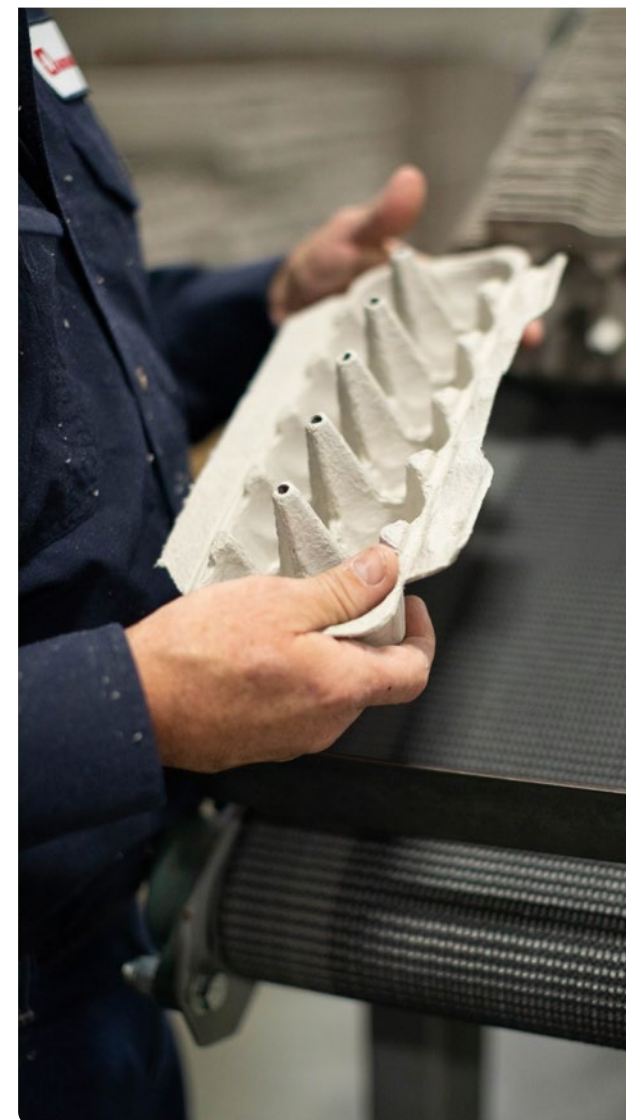
Contents

Management report

- 3 Q3 2021 highlights
- 4 Key figures and financial ratios
- 5 Eurasia
- 7 Americas
- 9 Outlook
- 10 Risk management
- 11 Management statement
- 25 Hyperinflation in Argentina
- 26 Hartmann at a glance

Financial statements

- 13 Statement of comprehensive income
- 15 Statement of cash flows
- 17 Balance sheet
- 19 Statement of changes in equity
- 20 Notes



Q3 2021 highlights

Hartmann delivered decent revenue and retained its market share in the third quarter of 2021 in the face of sharp increases in prices of energy and recycled paper and continued low off-season demand. The group initiated price adjustments and generated a small operating profit despite the extraordinary volatility, continuing its ongoing capacity expansion investments with a view to accommodating positive long-term market trends. Hartmann maintains its guidance, which was revised on 28 October.

Revenue

DKK 630 million

DKK 608 million in Q3 2020

Profit margin

1.9%

16.0% in Q3 2020

Investments

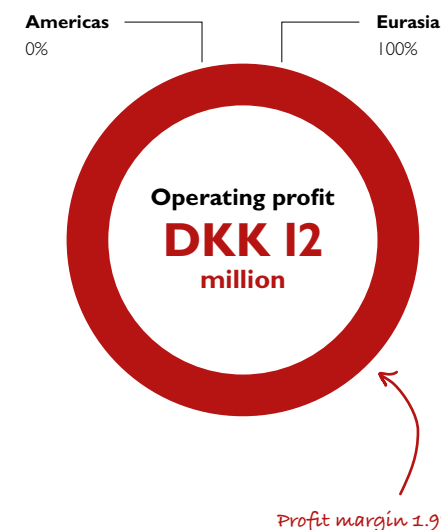
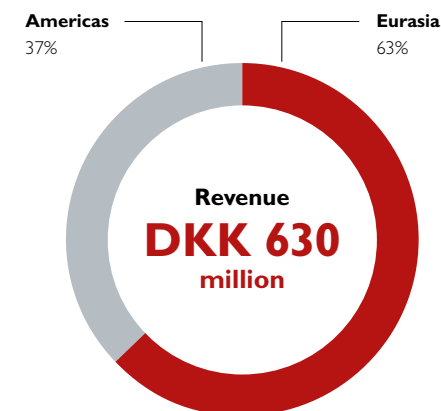
DKK 131 million

DKK 58 million in Q3 2020

Overall revenue grew moderately in Q3 2021, supported by the addition of activities in India and Russia. Demand for egg packaging remained low in the wake of COVID-19 restrictions being phased out and supermarkets running fewer special offers on eggs in Hartmann's markets.

Earnings and profitability fell sharply in Q3 2021, driven by historically steep increases in energy and recycled paper prices and low demand for eggs and egg packaging, which led to reduced production efficiency at the group's factories.

The level of investments remained high in Q3 2021, driven by continued efforts to expand and optimise production capacity in the USA and Europe.



”

Our performance in the third quarter was affected by historically steep increases in the prices of energy and recycled paper and persistently weak demand and campaign activity in supermarkets. We're focused on lifting selling prices and continue to invest in the ongoing production capacity expansion based on the positive trends that will drive market growth in the years ahead.

Key figures and financial ratios for the group

DKKm	Q3 2021	Q3 2020	9M 2021	9M 2020
Comprehensive income				
Revenue	630	608	2,039	1,933
Operating profit	8	94	251	344
Operating profit excl. IAS 29	12	98	263	354
Special items	0	(1)	0	(8)
Operating profit after special items	8	93	251	336
Net financial income and expenses	(3)	(19)	(2)	(60)
Profit before tax	5	75	249	276
Profit for the period	1	58	182	206
Comprehensive income	8	24	245	105
Cash flows				
Operating activities	24	102	248	362
Investing activities	(131)	(57)	(454)	(203)
Financing activities	29	(2)	100	(69)
Total	(78)	43	(106)	90
Balance sheet				
Assets	-	-	2,794	2,134
Investments in property, plant and equipment	117	58	301	203
Net working capital	-	-	371	340
Invested capital	-	-	2,110	1,481
Net interest-bearing debt (NIBD)	-	-	835	475
NIBD excl. lease liabilities	-	-	768	405
Equity	-	-	1,270	985

DKKm	Q3 2021	Q3 2020	9M 2021	9M 2020
Financial ratios, %				
Profit margin	1.3	15.6	12.3	17.8
Profit margin excl. IAS 29	1.9	16.0	13.0	18.2
Return on invested capital (ROIC), rolling 12 months	-	-	12.3	27.6
Return on equity, rolling 12 months	-	-	21.9	29.0
Equity ratio	-	-	45.5	46.1
Gearing	-	-	65.7	48.2
Share-based financial ratios				
No. of shares (excl. treasury shares)	-	-	6,915,090	6,915,090
Earnings per share, DKK (EPS)	0.1	8.4	26.4	29.7
Cash flows per share, DKK	3.4	14.8	35.9	52.3
Book value per share, DKK	-	-	183.7	142.4
Share price, DKK	-	-	361.5	508.0
Share price/book value per share	-	-	2.0	3.6
Share price/earnings (P/E), rolling 12 months	-	-	10.0	13.2
Market capitalisation, DKKm	-	-	2,536.0	3,563.7

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 399 million

DKK 399 million in Q3 2020



Profit margin

5.0%

18.6% in Q3 2020



Investments

DKK 33 million

DKK 0 million in Q3 2020



Eurasia

The Q3 performance of the Eurasia segment was adversely affected by steep increases in raw materials prices and continued weak off-season demand for egg packaging after restrictions were lifted, restaurant and catering industries reopened and supermarkets ran fewer special offers on eggs. Hartmann lifted the average selling price in the quarter and initiated further price adjustments to mitigate the higher raw materials prices.

Revenue

Overall revenue from the Eurasia segment was unchanged at DKK 399 million (2020: DKK 399 million) in the third quarter, supported by the addition of activities in India and Russia and higher selling prices. Continued weak demand in the wake of COVID-19 restrictions being phased out in several European markets impacted adversely on volume sales and revenue in the third quarter. Moreover, sales of machinery and technology were considerably lower than in the year-earlier period.

Revenue for the first nine months of 2021 was up to DKK 1,345 million (2020: DKK 1,207 million), driven by increased business volumes and Q1 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

Q3 2021 operating profit fell to DKK 20 million (2020: DKK 74 million), for a profit margin of 5.0% (2020: 18.6%). The decline was driven by steep increases in the prices of energy and recycled paper; lower volumes and weaker production efficiency as well as lower sales of machinery and technology. Higher average selling prices were not sufficient to offset these factors.

Operating profit for the first nine months of the year grew by 18.9% (2020: 19.7%) to DKK 255 million (2020: DKK 238 million), including the licence income recognised in the first quarter.

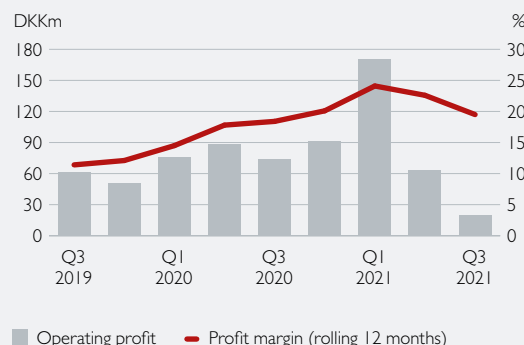
Investments

Hartmann invested DKK 33 million (2020: DKK 0 million) in new production capacity, which is now expected to start up in early 2022, and in automation of existing production facilities. For 9M 2021, investments amounted to DKK 291 million (2020: DKK 81 million), including the acquisition of Gotek-Litar in Russia in the first quarter.

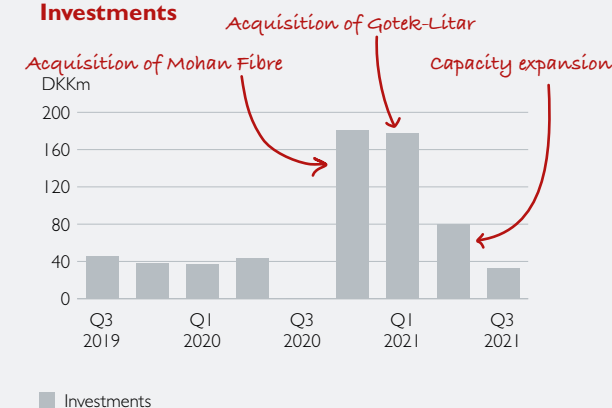
Revenue



Earnings



Investments





Hartmann

Americas



Revenue

DKK 231 million

DKK 209 million in Q3 2020



Profit margin

(2.6)%

13.1% in Q3 2020



Investments

DKK 84 million

DKK 61 million in Q3 2020



Americas

The Q3 performance of the business in the Americas was strongly affected by high and sharply increasing prices of recycled paper and energy in combination with below-normal demand for eggs during the off season. Hartmann increased selling prices on egg packaging and makes targeted efforts to lift average selling prices further to offset as much as possible of the increase in raw materials prices.

Revenue

The business in the Americas grew revenue to DKK 231 million (2020: DKK 209 million) in Q3 2021 due to an improved price and product mix and although impacted by weak demand and low utilisation of new production capacity. Revenue was also impacted by negative currency effects in Argentina. The phasing out of

COVID-19 restrictions and the temporarily lower number of special offers on eggs in supermarkets continued to impact adversely on packaging sales and capacity utilisation.

Revenue for the first nine months of 2021 came to DKK 694 million (2020: DKK 725 million).

Earnings

Impacted by the sharp increase in raw materials prices, continued weak demand and the resulting effects on volumes, revenue and production efficiency, operating profit dropped to DKK (2) million (2020: DKK 28 million) in Q3, taking the profit margin to (2.6)% (2020: 13.1%). In addition, earnings were impacted by currency effects. These negative effects were partially offset by an improved

product and price mix. Despite the weak demand, Hartmann remained focused on providing proper training of new employees and appropriate staffing of the expanded production capacity.

Operating profit for 9M 2021 was DKK 25 million (2020: DKK 130 million), for a profit margin of 3.7% (2020: 17.6%).

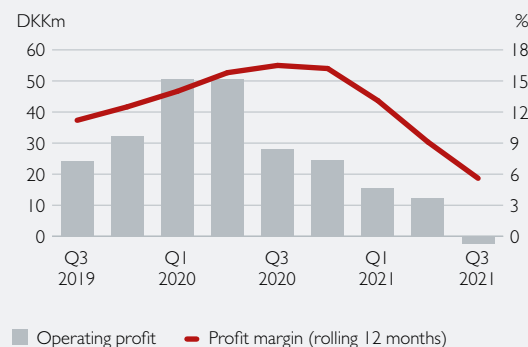
Investments

Investments in the American business were lifted to DKK 84 million in Q3 2021 (2020: DKK 61 million), driven by the continued expansion of US production capacity, which is expected to commence operations in 2021. Investments for 9M 2021 amounted to DKK 148 million (2020: DKK 125 million).

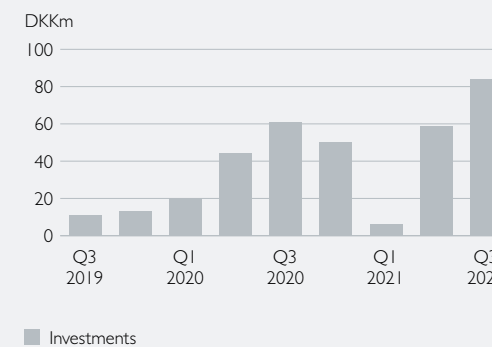
Revenue



Earnings



Investments



Outlook

Hartmann maintains its 2021 guidance of revenue in the range of DKK 2.6-2.8 billion and a profit margin* of 7-10%, as revised by company announcement no. 14/2021 of 28 October 2021 and set out in the section on events after the balance sheet date.

The group's profit margin guidance is significantly affected by persistently high prices of Hartmann's most important raw materials – recycled paper and energy – which continued to rise in the third quarter across the group's markets. Revenue guidance is affected by persistently low demand for egg packaging in the Q2-Q3 off season as a result of restrictions being phased out and the gradual reopening of the restaurant and catering industries combined with fewer special offers on eggs in supermarkets. The temporarily weak demand is expected to impact on the Q4 performance as well.

Increasing raw materials prices, the temporary decline in demand and reduced capacity utilisation combine to drive production costs significantly higher. These negative effects are partially offset by targeted efforts to adjust selling prices and improve the overall price and product mix. However, due to the duration of existing customer agreements, the expected price adjustment will be implemented at a certain time lag.

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 2.6-2.8 billion
Profit margin*	7-10%
Investments	DKK ~550 million

* Before restatement for hyperinflation and special items

Due to the historically high volatility of raw materials prices, visibility in the upcoming period will be significantly reduced, while at the same time developments in the group's costs are subject to increased uncertainty.

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.



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 and third quarters 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. 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 in Hartmann's markets. The situation also entails an increased risk of temporary production disruptions or 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.

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.

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 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.</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 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.</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. 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.</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 nine months ended 30 September 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 September 2021 and of the results of the group's operations and cash flows for the nine months ended 30 September 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, 16 November 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



- 13 Statement of comprehensive income
- 15 Statement of cash flows
- 17 Balance sheet
- 19 Statement of changes in equity
- 20 Notes

Revenue and earnings

Revenue

Overall revenue for Q3 2021 was up to DKK 630 million (2020: DKK 608 million). 9M 2021 revenue was up to DKK 2,026 million (2020: DKK 1,933 million), including licence income of DKK 78 million recognised in the first quarter.

Currency fluctuations reduced revenue by DKK 10 million in Q3 and DKK 95 million in 9M 2021.

Operating profit

Consolidated operating profit for Q3 2021 came to DKK 12 million (2020: DKK 96 million), for a profit margin of 1.9% (2020: 16.0%). Operating profit for 9M 2021 was 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 fell to DKK 8 million (2020: DKK 94 million), for a profit margin of 1.8% (2020: 15.6%), for Q3 2021 and DKK 242 million (2020: DKK 249 million), for a profit margin of 12.3% (2020: 17.8%), for the first nine months of 2021.

Currency fluctuations reduced operating profit by DKK 5 million in Q3 and DKK 17 million in 9M 2021.

Corporate functions

Costs related to corporate functions came to DKK 6 million for Q3 (2020: DKK 5 million) and DKK 19 million for 9M 2021 (2020: DKK 15 million).

Special items

No special items were recognised in Q3 2021 (2020: net expense of DKK 1 million) or the first nine months of the year (2020: net expense of DKK 8 million).

Financial income and expenses

Financial income and expenses were a net expense of DKK 3 million in Q3 2021 (2020: net expense of DKK 19 million) and a net expense of DKK 2 million in the first nine months of the year (2020: net expense of DKK 60 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

Profit before tax was DKK 5 million for Q3 2021 (2020: DKK 75 million) and DKK 249 million for 9M 2021 (2020: DKK 276 million). For Q3, tax on the profit for the period was an expense of DKK 4 million (2020: expense of DKK 17 million), giving an effective tax rate of 88% (2020: 23%). For 9M 2021, tax on the profit for the period was an expense of DKK 67 million (2020: expense of DKK 70 million), giving an effective tax rate of 27% (2020: 26%). Before restatement for hyperinflation, the effective tax rate was 23% (2020: 21%) for Q3 and 23% (2020: 24%) for 9M 2021. Profit after tax was DKK 1 million for Q3 2021 (2020: DKK 58 million) and DKK 182 million for 9M 2021 (2020: DKK 206 million).

Comprehensive income

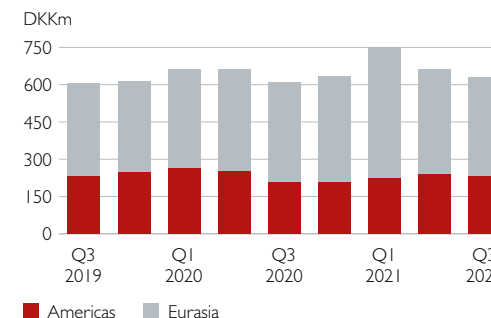
Comprehensive income came to DKK 8 million for Q3 2021 (2020: DKK 24 million) and was up to DKK 245 million for 9M 2021 (2020: DKK 105 million), supported by positive foreign exchange adjustments of subsidiaries.

Events after the balance sheet date

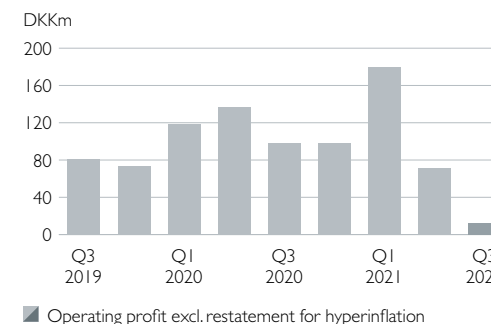
On 28 October 2021, by company announcement no. 14/2021, Hartmann adjusted its full-year 2021 guidance to revenue of DKK 2.6-2.8 billion and a profit margin of 7-10% from its previous guidance of revenue of DKK 2.6-2.9 billion and a profit margin of 10-13%, while maintaining its DKK 550 million investment 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.

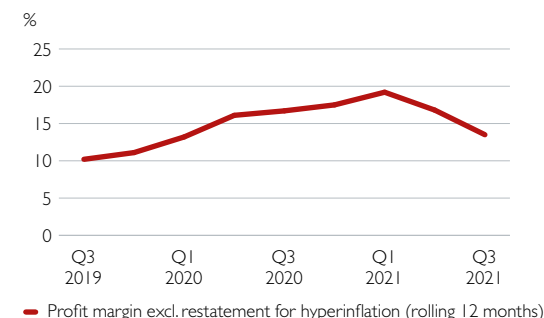
Revenue



Operating profit



Profit margin



Statement of comprehensive income

DKKm Group	Q3 2021	Q3 2020	9M 2021	9M 2020
Revenue	630.0	607.9	2,038.9	1,932.7
Production costs	(503.4)	(405.8)	(1,437.1)	(1,245.2)
Gross profit	126.6	202.1	601.8	687.5
Selling and distribution costs	(88.4)	(84.9)	(263.9)	(269.8)
Administrative expenses	(29.9)	(22.8)	(87.2)	(74.1)
Operating profit before special items	8.3	94.4	250.7	343.6
Special items	0.0	(1.0)	0.0	(7.6)
Operating profit	8.3	93.4	250.7	336.0
Financial income	15.8	0.7	32.8	11.0
Financial expenses	(19.2)	(19.3)	(34.6)	(71.0)
Profit before tax	4.9	74.8	248.9	276.0
Tax on profit for the period	(4.3)	(17.0)	(66.7)	(70.4)
PROFIT FOR THE PERIOD	0.6	57.8	182.2	205.6
Earnings per share, DKK	0.1	8.4	26.3	29.7
Diluted earnings per share, DKK	0.1	8.4	26.3	29.7

DKKm Group	Q3 2021	Q3 2020	9M 2021	9M 2020
Profit for the period	0.6	57.8	182.2	205.6
Items that can be reclassified to profit or loss:				
Foreign exchange adjustment of foreign subsidiaries	0.5	(39.5)	33.7	(124.5)
Hyperinflation restatement of non-monetary balance sheet items, beginning of period	10.7	5.5	34.6	17.7
Value adjustment of hedging instruments:				
Recognised in other comprehensive income	(4.4)	0.8	(4.7)	1.5
Transferred to revenue	0.8	(1.1)	(1.3)	4.4
Transferred to production costs	(0.8)	0.6	(1.1)	3.0
Transferred to financial income and expenses	(0.3)	0.2	(0.5)	(0.6)
Tax	1.2	(0.2)	2.0	(1.8)
Other comprehensive income after tax	7.7	(33.7)	62.7	(100.3)
COMPREHENSIVE INCOME	8.3	24.1	244.9	105.3

Cash flows

Investments and cash flows

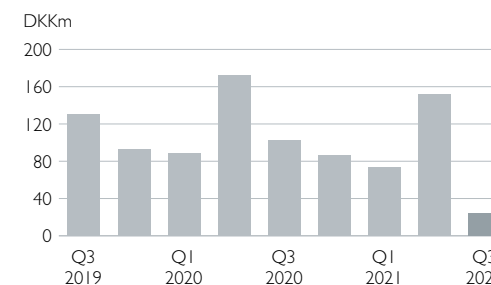
Reflecting the lower operating profit, cash flows from operating activities fell to a net inflow of DKK 24 million in Q3 2021 (2020: net inflow of DKK 109 million). In the first nine months of 2021, cash flows from operating activities amounted to a net inflow of DKK 248 million (2020: net inflow of DKK 362 million).

Cash flows from investing activities rose significantly to a net outflow of DKK 131 million for Q3 (2020: net outflow of DKK 57 million) and a net outflow of DKK 454 million for 9M 2021 (2020: net outflow of DKK 203 million), reflecting measures to expand production capacity and the acquisition of Russia's GoteK-Litar in Q1 2021.

Cash flows from operating and investing activities came to a net outflow of DKK 107 million for Q3 2021 (2020: net inflow of DKK 45 million) and a net outflow of DKK 206 million for 9M 2021 (2020: net inflow of DKK 159 million).

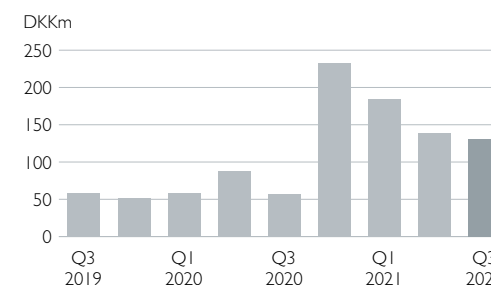
Cash flows from financing activities were a net inflow of DKK 29 million in Q3 2021 (2020: net outflow of DKK 2 million). Affected by drawdowns on the group's flexible credit facility in connection with the acquisition of GoteK-Litar in Q1 2021, cash flows from financing activities amounted to a net inflow of DKK 100 million for 9M 2021 (2020: net outflow of DKK 69 million).

Cash flows from operating activities



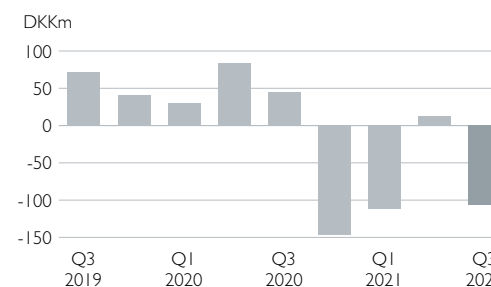
■ Cash flows from operating activities

Cash flows from investing activities



■ Cash flows from investing activities

Free cash flow



■ Cash flows from operating and financing activities

Statement of cash flows

DKKm Group	Q3 2021	Q3 2020	9M 2021	9M 2020
Operating profit before special items	8.3	94.4	250.7	343.6
Depreciation and amortisation	40.8	31.4	114.9	98.6
Adjustment for other non-cash items	1.3	2.0	5.6	5.7
Change in working capital etc.	(17.4)	(9.9)	(53.2)	(32.4)
Special items paid	0.0	(1.0)	(4.0)	(7.6)
Cash generated from operations	33.0	116.9	314.0	407.9
Interest received	1.1	0.7	2.8	1.4
Interest paid	(5.2)	(3.5)	(14.0)	(12.3)
Net income tax paid	(5.4)	(12.1)	(54.7)	(35.0)
Cash flows from operating activities	23.5	102.0	248.1	362.0
Acquisition of intangible assets	(1.7)	0.0	(27.2)	(1.0)
Acquisition of property, plant and equipment	(116.0)	(57.5)	(300.7)	(203.0)
Disposal of property, plant and equipment	0.5	0.2	0.6	0.6
Acquisition of subsidiaries	0.4	0.0	(112.9)	0.0
Acquisition of other securities and investments	(14.0)	0.0	(14.0)	0.0
Dividend received from associates	0.0	0.0	0.0	0.5
Cash flows from investing activities	(130.8)	(57.3)	(454.2)	(202.9)
Cash flows from operating and investing activities	(107.3)	44.7	(206.1)	159.1
Raising of non-current debt	31.8	0.0	182.1	0.0
Repayment of non-current debt	(2.5)	(2.1)	(82.2)	(68.7)
Dividend paid	0.0	0.0	0.0	0.0
Cash flows from financing activities	29.3	(2.1)	99.9	(68.7)
TOTAL CASH FLOWS	(78.0)	42.6	(106.2)	90.4
Cash and cash equivalents, beginning of period	45.8	91.7	75.1	45.6
Foreign exchange adjustment	3.7	(2.0)	2.6	(3.7)
CASH AND CASH EQUIVALENTS, END OF PERIOD	(28.5)	132.3	(28.5)	132.3

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

DKKm Group	Q3 2021	Q3 2020	9M 2021	9M 2020
Recognition of cash and cash equivalents, end of period:				
Cash	105.4	147.6	105.4	147.6
Overdraft facilities	(133.9)	(15.3)	(133.9)	(15.3)
Cash and cash equivalents, end of period	(28.5)	132.3	(28.5)	132.3

Balance sheet and equity

Funding

Net interest-bearing debt at 30 September 2021 was DKK 835 million (2020: DKK 475 million). The consolidated balance sheet remains sound, as the increase in net interest-bearing debt was attributable to the acquisitions of Mohan Fibre in India in November 2020 and Gotek-Litar in Russia in January 2021 coupled with continued production capacity investments.

Financial resources, comprising cash and undrawn loan and overdraft facilities, amounted to DKK 518 million at 30 September 2021 (2020: DKK 545 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 2,794 million (2020: DKK 2,134 million), driven by investments in production capacity and the acquisitions of Mohan Fibre in India and Gotek-Litar in Russia.

ROIC

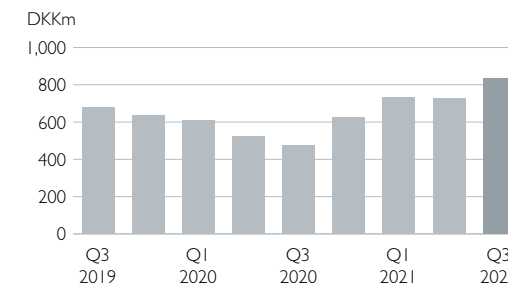
The return on invested capital was 12.3% in 9M 2021 (2020: 27.6%), mirroring the decline in earnings in Q3 2021 and the increase in invested capital.

Equity

Equity at 30 September 2021 amounted to DKK 1,270 million (2020: DKK 985 million), for an equity ratio of 46% (2020: 45%). The financial gearing ratio was 66% (2020: 48%).

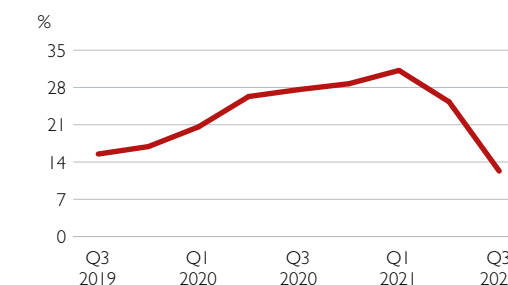
Earnings per share were DKK 0.1 for Q3 2021 (2020: DKK 8.4) and DKK 26.4 for 9M 2021 (2020: DKK 29.7).

Net interest-bearing debt (NIBD)



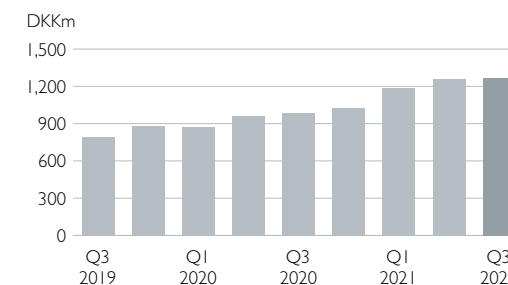
■ Net interest-bearing debt (NIBD)

ROIC



— Return on invested capital

Equity



■ Equity

Balance sheet

Assets

DKKm Group	30 Sep. 2021	30 Sep. 2020	31 Dec. 2020
Goodwill	168.2	46.3	90.7
Other intangible assets	54.3	21.6	37.2
Intangible assets	222.5	67.9	127.9
Land and buildings	400.2	286.6	326.1
Plant and machinery	763.0	516.1	657.7
Other fixtures and fittings, tools and equipment	23.7	11.8	12.3
Plant under construction	302.0	244.3	188.8
Property, plant and equipment	1,488.9	1,058.8	1,184.9
Leased land and buildings	60.3	64.1	63.3
Other leased assets	3.3	3.0	3.0
Lease assets	63.6	67.1	66.3
Investments in associates	2.6	2.5	2.6
Other securities and investments	14.0	0.0	0.0
Deferred tax	49.1	31.4	41.2
Other receivables	1.5	0.0	0.8
Other non-current assets	67.2	33.9	44.6
Non-current assets	1,842.2	1,227.7	1,423.7
Inventories	305.5	253.4	256.7
Trade receivables	383.4	360.9	347.8
Income tax	40.4	7.2	15.0
Other receivables	100.5	99.0	86.4
Prepayments	16.9	37.8	35.1
Cash*	105.4	147.6	209.5
Current assets	952.1	905.9	950.5
ASSETS	2,794.3	2,133.6	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 Sep. 2021	30 Sep. 2020	31 Dec. 2020
Share capital	140.3	140.3	140.3
Hedging reserve	(3.9)	2.4	1.7
Translation reserve	(225.5)	(270.2)	(293.8)
Retained earnings	1,359.3	1,112.0	1,177.1
Proposed dividend	0.0	0.0	0.0
Equity	1,270.2	984.5	1,025.3
Deferred tax	48.7	20.4	32.7
Pension obligations	34.1	29.1	35.2
Credit institutions	739.7	537.8	629.4
Lease liabilities	57.5	60.5	59.7
Government grants	0.8	1.7	1.5
Other payables	1.4	20.9	0.1
Non-current liabilities	882.2	670.4	758.6
Lease liabilities	8.9	8.6	8.9
Government grants	0.9	0.9	0.9
Overdraft facilities	133.9	15.3	134.4
Prepayments from customers	7.4	26.6	26.7
Trade payables	242.5	209.8	209.6
Payables to associates	10.5	5.3	5.1
Income tax	63.7	42.7	30.0
Provisions	0.7	0.5	3.3
Other payables	173.4	169.0	171.4
Current liabilities	641.9	478.7	590.3
Liabilities	1,524.1	1,149.1	1,348.9
EQUITY AND LIABILITIES	2,794.3	2,133.6	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	-	-	-	182.2	-	182.2	-	-	-	205.6	-	205.6
Other comprehensive income												
Items that can be reclassified to profit or loss												
Foreign exchange adjustments of foreign subsidiaries	-	-	33.7	-	-	33.7	-	-	(124.5)	-	-	(124.5)
Hyperinflation restatement of non-monetary balance sheet items	-	-	34.6	-	-	34.6	-	-	17.7	-	-	17.7
Value adjustment of hedging instruments:												
Recognised in other comprehensive income	-	(4.7)	-	-	-	(4.7)	-	1.5	-	-	-	1.5
Transferred to revenue	-	(1.3)	-	-	-	(1.3)	-	4.4	-	-	-	4.4
Transferred to production costs	-	(1.1)	-	-	-	(1.1)	-	3.0	-	-	-	3.0
Transferred to financial income and expenses	-	(0.5)	-	-	-	(0.5)	-	(0.6)	-	-	-	(0.6)
Tax	-	2.0	-	-	-	2.0	-	(1.8)	-	-	-	(1.8)
Other comprehensive income	0.0	(5.6)	68.3	0.0	0.0	62.7	0.0	6.5	(106.8)	0.0	0.0	(100.3)
Total comprehensive income	0.0	(5.6)	68.3	182.2	0.0	244.9	0.0	6.5	(106.8)	205.6	0.0	105.3
Transactions with owners												
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
Total changes in equity	0.0	(5.6)	68.3	182.2	0.0	244.9	0.0	6.5	(106.8)	205.6	0.0	105.3
Equity at 30 September	140.3	(3.9)	(225.5)	1,359.3	0.0	1,270.2	140.3	2.4	(270.2)	1,112.0	0.0	984.5

* 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 66 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 Q3 2021.

Notes

03 Segment information

Activities	2021						2020					
	Eurasia		Americas		Total reporting segments		Eurasia		Americas		Total reporting segments	
	Q3	9M	Q3	9M	Q3	9M	Q3	9M	Q3	9M	Q3	9M
External revenue	399.0	1,344.5	222.7	681.7	621.7	2,026.2	398.8	1,207.3	214.2	736.1	613.0	1,943.4
Revenue	399.0	1,344.5	222.7	681.7	621.7	2,026.2	398.8	1,207.3	214.2	736.1	613.0	1,943.4
Hyperinflation restatement of revenue	-	-	8.3	12.7	8.3	12.7	-	-	(5.1)	(10.7)	(5.1)	(10.7)
Revenue as per statement of comprehensive income	399.0	1,344.5	231.0	694.4	630.0	2,038.9	398.8	1,207.3	209.1	725.4	607.9	1,932.7
Operating profit before special items	20.0	254.5	(2.4)	25.3	17.6	279.8	74.1	238.2	28.1	129.5	102.2	367.2
Other segment information												
Depreciation and amortisation	22.7	63.6	15.3	44.0			16.4	49.8	15.0	48.8		
Investments in intangible assets and property plant and equipment	-	179.1	-	166.3			-	77.8	-	141.0		
Net working capital	-	362.8	-	105.6			-	420.7	-	13.1		
Invested capital	-	1,312.4	-	892.3			-	953.9	-	630.7		
Segment assets	-	1,648.7	-	1,054.3	-	2,703.0	-	1,294.0	-	814.6	-	2,108.6
Reconciliation												
Performance targets												
Operating profit before special items for reporting segments					17.6	279.8					102.2	367.7
Hyperinflation restatement of operating profit before special items					(3.7)	(12.0)					(3.4)	(10.1)
Non-allocated corporate functions					(6.3)	(19.1)					(4.9)	(15.4)
Eliminations					0.7	2.0					0.5	1.4
Operating profit before special items as per statement of comprehensive income					8.3	250.7					94.4	343.6
Special items					0.0	0.0					(1.0)	(7.6)
Operating profit as per statement of comprehensive income					8.3	250.7					93.4	336.0
Financial income					15.8	32.8					0.7	11.0
Financial expenses					(19.2)	(34.6)					(19.3)	(71.0)
Profit before tax as per statement of comprehensive income					4.9	248.9					74.8	276.0
Assets												
Assets for reporting segments						2,703.0					-	2,108.6
Hyperinflation restatement of non-monetary balance sheet items						59.0					-	44.4
Non-allocated assets						261.8					-	250.9
Eliminations						(229.5)					-	(270.3)
Assets as per balance sheet						2,794.3					-	2,133.6

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

	Q3 2021	Q3 2020	9M 2021	9M 2020
Interest income, cash and cash equivalents etc.	0.5	0.5	0.7	0.7
Other interest income	0.6	0.2	2.1	0.7
Interest income from financial assets not measured at fair value through profit or loss	1.1	0.7	2.8	1.4
Foreign exchange gains	14.6	0.0	29.1	8.6
Derivative financial instruments	0.4	0.0	1.2	1.0
Financial income	16.1	0.7	33.1	11.0
Interest expenses, credit institutions	3.1	2.3	8.7	8.0
Interest expenses, lease liabilities	0.6	0.6	1.7	1.9
Other interest expenses	1.5	0.6	3.6	2.4
Interest expenses from financial liabilities not measured at fair value through profit or loss	5.2	3.5	14.0	12.3
Foreign exchange losses	14.0	14.5	17.3	55.4
Loss on net monetary position on hyperinflation restatement	0.3	1.1	2.9	2.9
Derivative financial instruments	0.0	0.2	0.7	0.4
Financial expenses	19.5	19.3	34.9	71.0
Financial income and (expenses)	(3.4)	(18.6)	(1.8)	(60.0)

§ Accounting policies*Financial income and expenses*

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

Notes

05 Financial instrument categories

Financial instrument categories

DKKm	30 September 2021		30 September 2020		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Derivative financial instruments to hedge future cash flows	0.6	0.6	3.6	3.6	4.3	4.3
Financial assets used as hedging instruments	0.6	0.6	3.6	3.6	4.3	4.3
Trade receivables	383.4	383.4	360.9	360.9	347.8	347.8
Other receivables	140.5	140.5	102.6	102.6	97.0	97.0
Cash	105.4	105.4	147.6	147.6	209.5	209.5
Loans and receivables	629.3	629.3	611.1	611.1	654.3	654.3
Derivative financial instruments to hedge future cash flows	5.7	5.7	0.4	0.4	2.0	2.0
Financial liabilities used as hedging instruments	5.7	5.7	0.4	0.4	2.0	2.0
Credit institutions	873.6	873.9	553.0	553.9	763.9	764.6
Lease liabilities	66.4	67.1	69.1	76.7	68.6	73.9
Other liabilities	485.1	485.1	429.3	429.3	416.7	416.7
Financial liabilities measured at amortised cost	1,425.1	1,426.1	1,051.4	1,059.9	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) effective 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	9.7
Deferred tax liabilities	(8.7)
Trade payables	(4.1)
Other payables	(3.7)
Provisions	(1.6)
Net assets acquired	74.0
Goodwill	48.6
Purchase consideration	122.6
Of which cash	(9.7)
Cash purchase consideration	112.9

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 nine months of 2021.

Of the DKK 2,039 million consolidated revenue for 9M 2021, DKK 54 million may be attributed to Gotek-Litar. Of the group's DKK 182 million profit for 9M 2021, DKK (2) 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, 9M 2021 profit would have amounted to DKK 181 million and revenue to DKK 2,045 million.

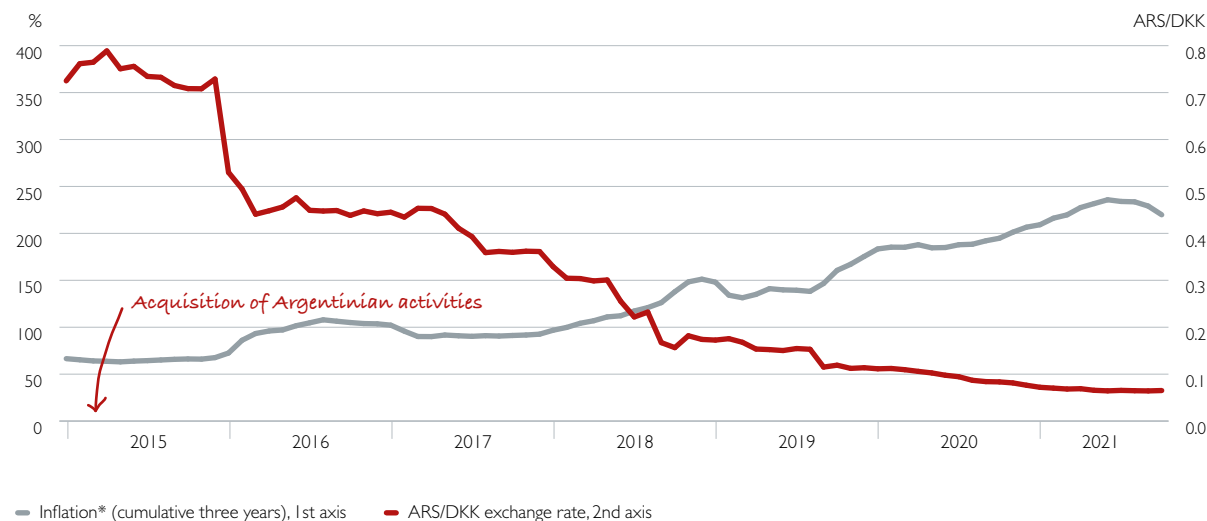
07 Events after the balance sheet date

On 28 October 2021, by company announcement no. 14/2021, Hartmann adjusted its full-year 2021 guidance to revenue of DKK 2.6-2.8 billion and a profit margin of 7-10% from its previous guidance of revenue of DKK 2.6-2.9 billion and a profit margin of 10-13%, 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

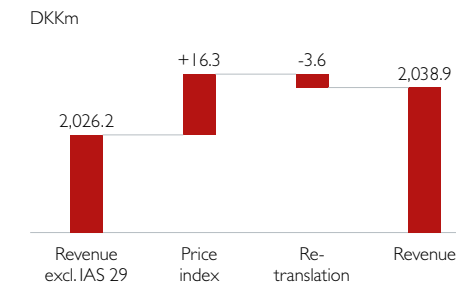
Inflation and exchange rate developments in Argentina



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	2,026.2	16.3	(3.6)	12.7	2,038.9
Operating profit before depreciation	371.4	(5.2)	(0.6)	(5.8)	365.6
Operating profit	262.7	(11.6)	(0.4)	(12.0)	250.7
Net financial items	1.2	(3.2)	0.2	(3.0)	(1.8)

Effects of restating year-to-date revenue



The total effect on 9M 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 37% during the first nine months of the year, boosting revenue by DKK 16.3 million. The increase offset a decline in the ARS/DKK cross rate from 0.07199 at the beginning of the year to 0.06505 at 30 September 2021 reducing revenue by DKK 3.6 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 2,038.9 million after a net positive impact of restating for hyperinflation of DKK 12.7 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 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 2022

8 March 2022	Annual report 2021
14 March 2022	Deadline for submission of business to be transacted at the annual general meeting
26 April 2022	Annual General Meeting
19 May 2022	Interim report Q1 2022
17 August 2022	Interim report Q2 2022
15 November 2022	Interim report Q3 2022

This interim report was released in Danish and English through Nasdaq Copenhagen as company announcement no. I5/202I. In case of discrepancies between the two versions, or in case of doubt, the Danish version prevails.

All trademarks such as trade names and other names and designations highlighted in this report are trademarks protected and owned by Brødrene Hartmann A/S.

© 202I Brødrene Hartmann A/S

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