HARTMANN

PACK & PERFORM

We strengthened our market position amid difficult conditions

Annual report 2021

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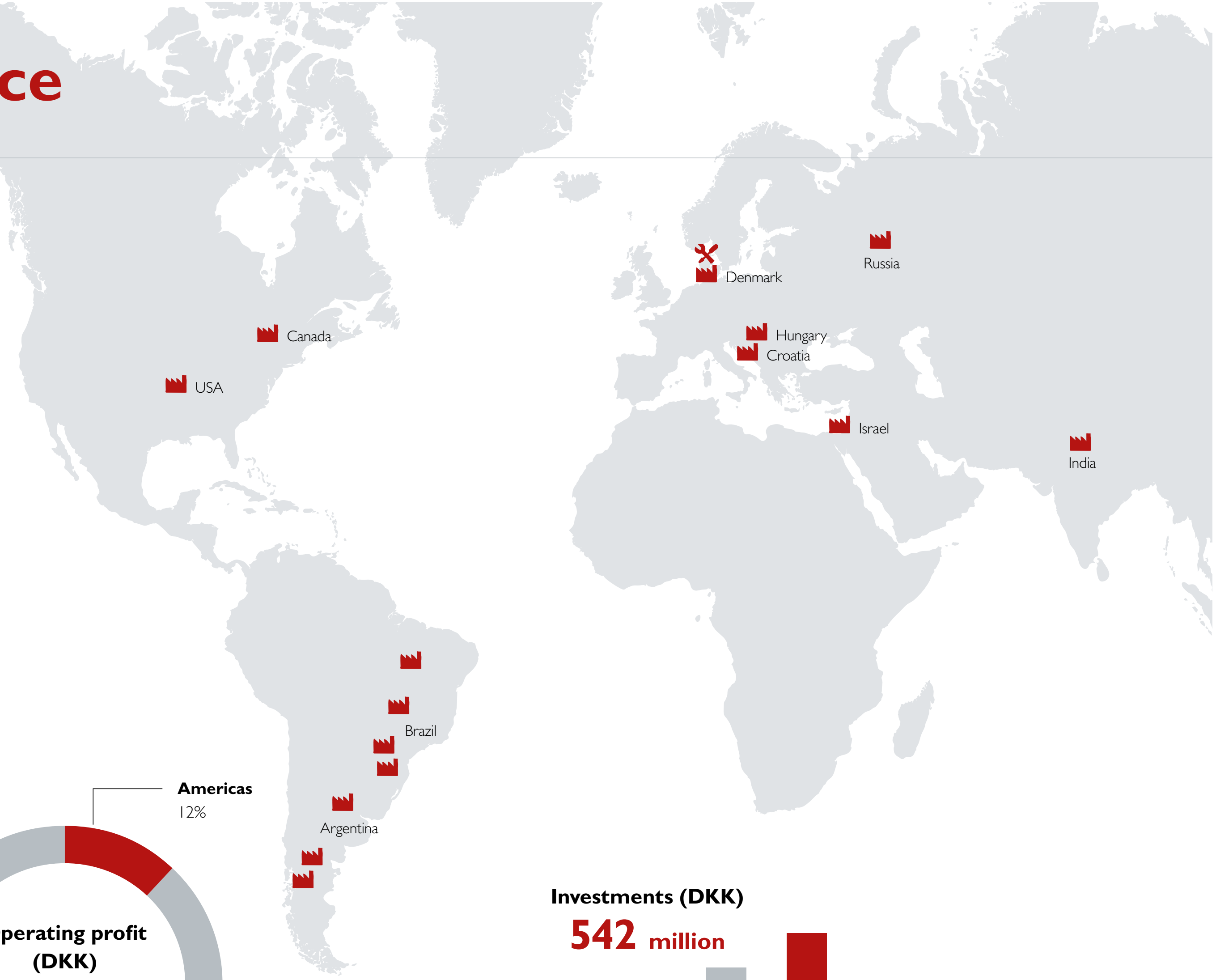
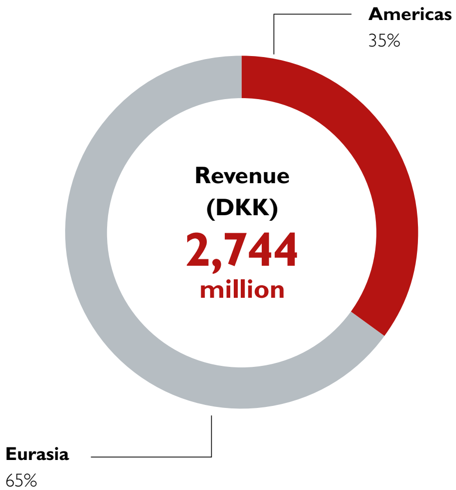
Highlights

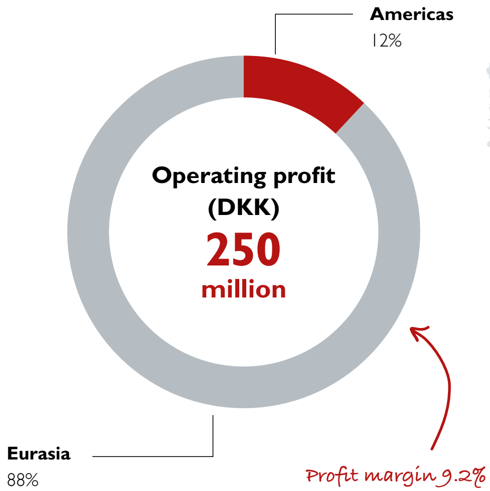
We continue to see good market potential despite significant volatility in 2021

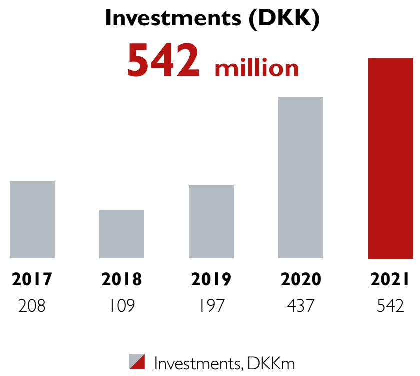
Hartmann at a glance

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









Key figures and financial ratios for the group

Latest guidance: DKK 2.6-2.8 billion

DKKm	2021	2020	2019	2018	2017
Comprehensive income					
Revenue	2,744	2,567	2,356	2,207	2,207
Operating profit	230	437	250	215	235
Operating profit excl. IAS 29	*250*	*452*	*262*	*226*	*235*
Special items	(116)	(13)	0	(33)	(14)
Operating profit after special items	114	424	250	182	221
Financial income and expenses, net	(9)	(65)	(35)	(46)	(54)
Profit before tax	105	359	215	136	168
Profit for the year	74	274	167	96	122
Comprehensive income	171	146	180	85	41
Cash flows					
Operating activities	250	448	296	265	258
Investing activities	(541)	(436)	(197)	(128)	(205)
Financing activities	233	23	(92)	(68)	(78)
Total cash flows	(58)	35	7	68	(26)
Balance sheet					
Assets	2,804	2,374	2,042	1,834	1,865
Investments in property, plant and equipment	386	320	193	122	204
Net working capital	352	313	323	287	312
Invested capital	2,072	1,654	1,502	1,321	1,339
Net interest-bearing debt (NIBD)	928	623	634	577	641
NIBD excl. lease liabilities	853	554	556	577	641
Equity	1,197	1,025	879	765	746

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 86.

Latest guidance: 7-10%

DKKm	2021	2020	2019	2018	2017
Financial ratios, %					
Profit margin	8.4	17.0	10.6	9.7	10.7
Profit margin excl. IAS 29	*9.2*	*17.5*	*11.1*	*10.2*	*10.7*
Return on invested capital (ROIC)	11.6	28.7	16.9	16.0	17.1
Return on equity	6.1	29.0	20.5	12.8	16.2
Equity ratio	42.7	43.2	43.1	41.7	40.0
Gearing	77.5	60.8	72.1	75.4	85.9
Share-based financial ratios					
No. of shares (excl. treasury shares)	6,915,090	6,915,090	6,915,090	6,915,090	6,915,090
Earnings per share, DKK (EPS)	10.8	39.6	24.2	13.9	17.6
Cash flows per share, DKK	36.1	64.7	42.8	38.3	37.3
Dividend per share, DKK (proposed)	0.0	0.0	0.0	9.50	9.50
Book value per share, DKK	173.0	148.3	127.1	110.6	107.9
Share price, DKK	369.0	502.0	304.0	253.0	320.0
Share price/book value per share	2.1	3.4	2.4	2.3	3.0
Share price/earnings (P/E)	34.3	12.7	12.6	18.2	18.1
Payout ratio, %	0.0	0.0	0.0	69.4	54.6
Market value, DKKm	2,588.6	3,521.6	2,132.6	1,774.8	2,244.8
Employees					
Average no. of full-time employees	2,761	2,172	1,997	1,996	1,994

For definitions of financial ratios, see page 89.

We increased our market share in a turbulent year

In 2021, we worked persistently and determinedly to expand Hartmann's presence and market share and to secure earnings in turbulent markets that were affected by historically steep increases in prices of recycled paper and energy and highly volatile demand for egg packaging during the COVID-19 pandemic.

The year began on a strong note with high levels of capacity utilisation during the first quarter, but during the spring months, the exceptionally strong demand experienced during the COVID-19 pandemic was replaced by below-normal demand during the off season and weaker-than-expected peak season sales in the final quarter of the year. After restaurants and the catering industry reopened and employees were able to return to work during spring and summer, consumers increasingly ate out, which triggered a sudden drop in supermarket sales of eggs, while at the same time supermarkets ran fewer special offers on eggs following a long period of buoyant sales.

2021 saw a strong increase in costs in the wake of sharp increases in prices of recycled paper and energy, the two most important raw materials for Hartmann's production. In some markets, the price of recycled paper surged by more than 60%, while the price of natural gas had increased more than seven-fold by 31 December 2021 compared to the end of 2020. Faced with these difficult conditions, we naturally continued and stepped up our efforts to enhance production efficiency, but we also had to raise average selling prices. These measures partially, and at a certain time lag, mitigated the effects of rising raw materials prices, enabling us to deliver a profit margin of 9.2%. We are continuing our efforts to deliver a satisfactory profit margin in 2022 amid the difficult conditions.

In spite of the high volatility of demand and raw materials prices witnessed in 2021, our market projections remain unchanged, and we continue to see growth potential for moulded-fibre egg packaging. At global level, the conversion from oil-based plastic packaging to sustainable paper-based moulded-fibre packaging has gathered pace, and this trend is expected to continue. At the same time, population growth and growing prosperity will continue to drive demand for eggs in supermarkets, and supermarkets will continue to develop their offerings and marketing initiatives for various types of eggs.

The growing focus on sustainability was also reflected in our efforts in 2021 as we launched a comprehensive project to map our impacts on the world around us and the risks we will be facing over the coming years. Based on this analysis and our ambition of being a frontrunner in our industry, we have set a target to reduce our scopes I and 2 greenhouse gas emissions by 50% by 2030 and committed to set science-based targets that will contribute towards limiting global warming to 1.5°C. We want our products to remain the most sustainable packaging solution for eggs, and we are confident that the growing global focus on sustainability will continue to offer attractive growth and development potential.

Holding a strong position in our markets, we continued to expand our production capacity in 2021 to accommodate long-term growth in demand and win additional market share. Our financial ambitions remain unchanged, and we will maintain a strong focus on investments in the years ahead, confident that we will continue to win market share, generate growth and deliver attractive profit margins and a strong return on investments. In 2022, we will continue our efforts to enhance production efficiency and lift selling prices with a view to steering Hartmann through a period of high volatility impacted by dramatic raw material price increases, historical geopolitical tension in the wake of Russia's invasion of Ukraine and continued effects of COVID-19. Against this background, we expect to grow revenue to DKK 2.9-3.3 billion and to deliver a profit margin of 2-7% while investing DKK 225 million.

Jan Klarskov Henriksen
Chairman

Torben Rosenkrantz-Theil
CEO

Revenue (DKK)
2,744 million
DKK 2,567 million in 2020

Profit margin
9.2%
17.5% in 2020

Investments (DKK)
542 million
DKK 437 million in 2020

Market fluctuations and COVID-19

COVID-19, volatile demand for eggs, macroeconomic uncertainty in the South American markets and steep increases in the prices of the raw materials used to manufacture moulded-fibre packaging had a severe impact on the egg packaging market and Hartmann's financial performance in 2021.

Volatile demand

In early 2021, COVID-19 restrictions meant that more meals were eaten at home.

However, in the second and third quarters of 2021, the phasing out of COVID-19 restrictions 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, faced with egg price volatility and supply chain disruption, supermarkets temporarily ran fewer campaigns.

As restrictions were reintroduced in several markets during the fourth quarter, demand rebounded, but to a below-normal peak season level.

Macroeconomic uncertainty in South America

In 2021, Hartmann's markets in Argentina and Brazil suffered from macroeconomic uncertainty that caused a significant slowdown in economic growth and reduced consumer purchasing power and demand for retail packaging. In both markets, the negative developments were exacerbated by rising inflation, significant currency depreciation and political uncertainty due to the prospects of general elections in the upcoming period.

In Brazil, the negative development is driven by a general slowdown in economic growth over the past few years, while uncertainty in the Argentinian market has increased as politicians have struggled to restore the economy and honour loan agreements with the International Monetary Fund, IMF. This macroeconomic uncertainty has affected the regional markets for moulded-fibre packaging for eggs and prompted Hartmann to recognise a DKK 112 million impairment loss on its non-current assets in South America.

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.

Continually monitoring developments, we implemented procedures to protect our employees and maintain stable operations at our factories in 2021.

The situation continues to entail 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 operations, non-delivery and lower quality of raw materials required for Hartmann's production and potential disruption of deliveries to customers.

Market fluctuations and COVID-19

Energy crisis

The prices of natural gas and electricity, which account for a large proportion of Hartmann's overall production costs, rose dramatically in 2021 and remain at a high level following a sudden and steep increase in the second half of the year. Prices rose across Hartmann's markets, most steeply in Europe, where natural gas and electricity prices had increased more than seven-fold by the end of 2021 compared to end-2020.

The historically steep price increases in 2021 were driven by strong demand for energy on the back of a high level of private spending and the reopening of production facilities across markets following the disruption of global supply chains and production conditions during the COVID-19 pandemic. At the same time, demand for natural gas is increasing in a number of Asian markets, where the green transition has led to a preference for natural gas over coal for generating power.

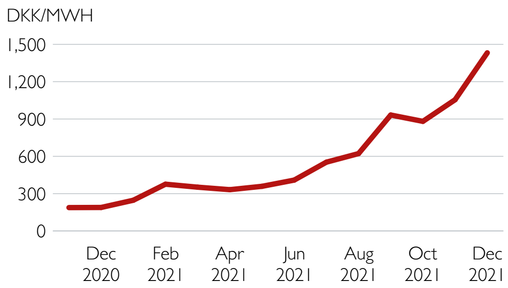
In Europe, the effects of increasing demand were exacerbated by a decline in the supply of natural gas, which is used for both heating and industrial production. At the beginning of the winter period, natural gas stocks in Europe were unusually low, while at the same time Europe's own production had gone down. The situation was aggravated by geopolitical tensions and natural gas supplies from Russia failing to keep pace with demand.

Moreover, the ongoing transition from coal to wind power has led to increased sensitivity to wind volume volatility. Power production in Europe was adversely affected by lower wind speeds in 2021 with winds weakening by up to 15% in some parts of northern Europe.

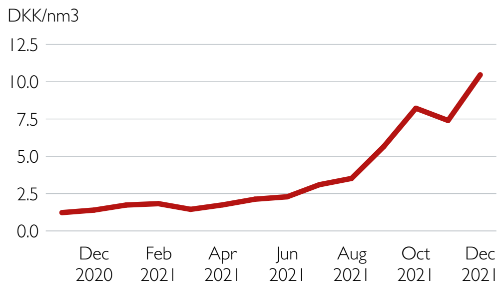
Hartmann's financial results were heavily affected by developments in energy markets and the historically steep increases in the prices of natural gas and electricity, which inflated the group's overall energy costs by 45% in 2021.

Energy costs are expected to remain high in 2022 as Russia's invasion of Ukraine is expected to cause significant volatility.

Electricity prices in Europe



Natural gas prices in Europe



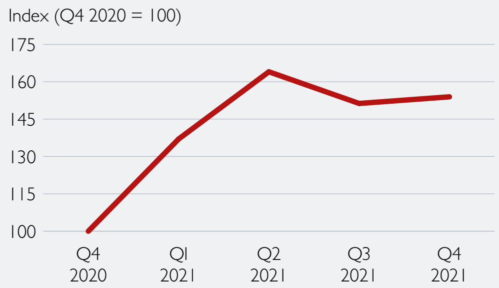
Rising prices of recycled paper

Overall, the increase in recycled paper prices was the main driver of higher production costs in 2021.

Demand for recycled paper and cardboard for the production of packaging rose on the back of growing internet shopping in the wake of COVID-19, which also caused supply chain disruption and reorganisation in some markets.

While we were able to secure the necessary raw materials in spite of the turbulent market conditions, our 2021 performance was affected by the rising prices as long-term fixed-price agreements for recycled paper are generally not obtainable in Hartmann's markets.

Average recycled paper prices



Hartmann

Eurasia

We made targeted efforts to address the historically steep inceases in energy prices

Production

6 factories

Expertise

1,800 employees

Revenue (DKK)

1,776 million

DKK 1,635 million in 2020

Profit margin

13.7%

20.1% in 2020

Investments (DKK)

362 million

DKK 258 million in 2020

Eurasia

Volatile demand for egg packaging during the COVID-19 pandemic, energy prices at historic highs and steep increases in the prices of recycled paper and other raw materials impacted adversely on the performance of the Eurasia segment in 2021. We lifted average selling prices and implemented additional price adjustments in the second half in response to the higher raw materials prices.

Revenue

The Eurasia segment grew its overall revenue to DKK 1,776 million in 2021 (2020: DKK 1,635 million), supported by the addition of activities in India and Russia, higher average selling prices and an improved product mix in combination with licence income in the amount of DKK 78 million resulting from the settlement in the first quarter of an intellectual property rights dispute concerning Hartmann's imagic® products. Revenue was adversely impacted by declining volumes in the wake of weakened demand compared with the exceptionally strong off season levels witnessed in 2020 during the COVID-19 pandemic.

Earnings

Operating profit fell to DKK 244 million (2020: DKK 329 million), taking the profit margin to 13.7% (2020: 20.1%). The decline was attributable to steep increases in the prices of energy, recycled paper and other raw materials. The Eurasia segment saw its overall energy costs surge by 58% in 2021, while recycled paper costs jumped by 51%. Moreover, volume sales declined with demand dropping from the above-normal levels witnessed during the COVID-19 crisis in 2020. Higher average selling prices and the DKK 78 million licence income recognised in Q1 were not enough to offset the overall effects of the difficult market conditions.

Investments

In 2021, Hartmann invested DKK 362 million (2020: DKK 258 million) in capacity expansion at its European factories and the acquisition of Russian-based Gotek-Litar, which is a leading manufacturer of retail and transport packaging for eggs. We started up new capacity at the beginning of 2021 and invested in additional capacity that went into operation after year-end.

Q4 2021

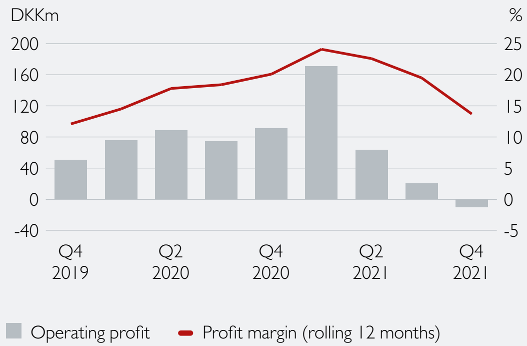
Q4 2021 revenue increased slightly to DKK 432 million (2020: DKK 428 million) following the addition of the Indian and Russian activities. Revenue was impacted by declining volumes and lower sales of machinery and technology that were not offset by a significantly improved price and product mix in the core business because the full impact of the price increases did not materialise in the quarter.

Impacted by energy prices at historic highs and spiking recycled paper prices, operating profit fell to DKK (11) million (2020: DKK 91 million), for a profit margin of (2.4)% (2020: 21.3%).

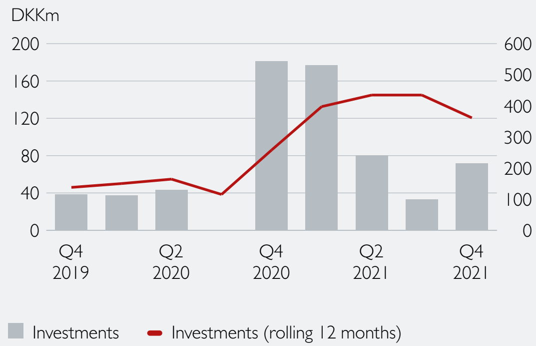
Investments dropped to DKK 72 million (2020: DKK 189 million) from a high level in the year-earlier period that included the DKK 113 million acquisition of Mohan Fibre in India.

Revenue

Earnings



Investments



Hartmann Americas

Production

9 factories

Expertise

939 employees

Revenue (DKK)

968 million

DKK 933 million in 2020

Profit margin

3.7%

16.2% in 2020

Investments (DKK)

174 million

DKK 175 million in 2020

Americas

In 2021, Hartmann's activities in the Americas were affected by highly volatile demand for egg packaging and weaker production efficiency during the COVID-19 pandemic and by high and spiking prices of recycled paper and energy. We raised our selling prices during the year and continue our efforts to mitigate the effects of higher raw materials prices.

Revenue
Overall revenue from the Americas segment grew to DKK 968 million in 2021 (2020: DKK 933 million), supported by a more favourable price and product mix more than offsetting slightly lower volumes in both North and South America compared with the higher-than-normal levels witnessed during the COVID-19 outbreak in 2020. Revenue was adversely affected by significant currency headwinds, particularly in South America.

Earnings
Operating profit from the Americas fell to DKK 35 million in 2021 (2020: DKK 154 million), for a profit margin of 3.7% (2020: 16.2%). The decline was driven by massive increases in raw materials prices that caused a 72% increase in the segment's overall recycled paper costs and a 23% increase in energy costs in 2021. Moreover, declining demand reduced volumes, revenue and production efficiency. Production efficiency was also impacted by the work associated with starting up new capacity and by temporary COVID-19-driven manning challenges at the US factory. In addition, earnings were impacted by macroeconomic developments in the South American markets and currency headwinds. In response to these developments, Hartmann raised average selling prices in 2021 and is continuing its efforts to lift earnings.

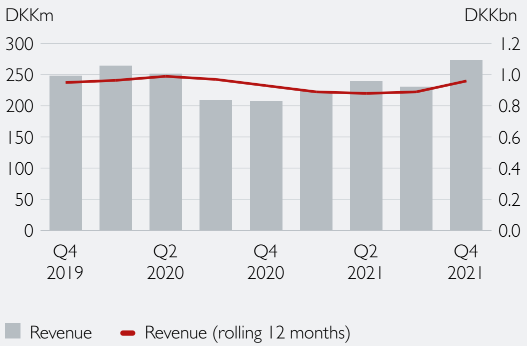
In light of the negative macroeconomic developments in the nature of slowing economic growth, higher inflation, increasing interest rates and mounting political instability in Argentina and Brazil, Hartmann has recognised a DKK 112 million impairment loss on its non-current assets in South America, see notes 15 and 16.

Investments
At DKK 174 million, investments in the American business were stable in 2021 (2020: DKK 175 million) with Hartmann continuing its expansion programme and installing new production capacity in the USA.

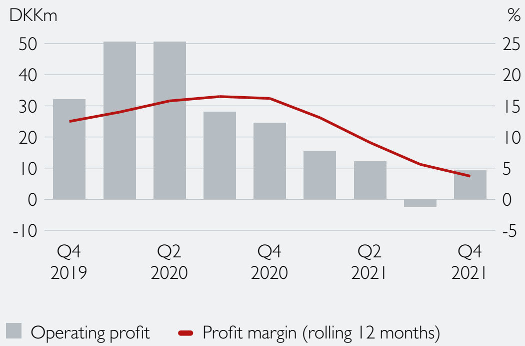
Q4 2021
Overall revenue from the Americas segment improved to DKK 273 million in Q4 2021 (2020: DKK 207 million) on the back of moderate volume growth driven by the North American operations and higher average selling prices.

Impacted by higher raw materials costs and negative currency effects, Q4 2021 operating profit fell to DKK 9 million (2020: DKK 25 million), for a profit margin of 3.5% (2020: 11.4%). Investments amounted to DKK 26 million (2020: DKK 50 million).

Revenue



Earnings



Investments

Business

Our strategy and business model secured us a strong position in a difficult market

Business model

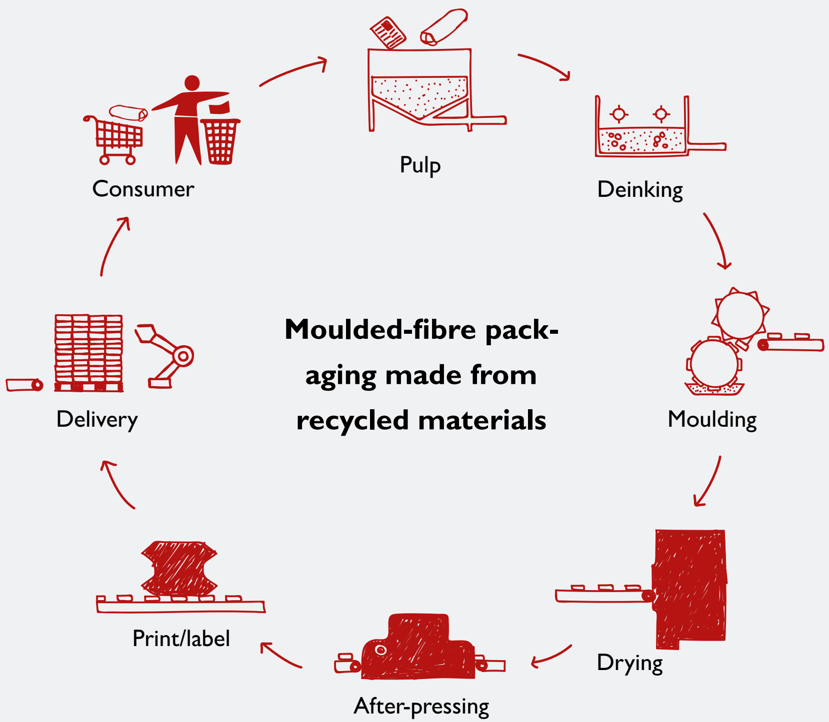
Resources

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

Employees
Each year, our 2,800 highly skilled and experienced employees manufacture billions of products

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

Core business



Customers

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

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

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

Value creation

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

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

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

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

Guidance and ambitions

Guidance for 2022

We expect to grow overall revenue to DKK 2.9-3.3 billion for a profit margin* of 2-7% in 2022 with growth being driven primarily by volume growth and improved average selling prices.

Persistently high prices of recycled paper and energy, Hartmann's most important raw materials, are expected to impact on the group's earnings and profit margin. High raw materials prices are expected to lead to a significant increase in production costs, which the group intends to offset by means of continuing efforts to adjust selling prices and improve the overall price and product mix. However, due to the duration of existing customer agreements, price adjustments will be implemented at a certain time lag. The historically high volatility of raw materials prices is causing significantly reduced visibility and increased uncertainty about developments in the group's cost levels.

COVID-19 is causing heightened operational risk and may still result in manning challenges, highly volatile foreign exchange rates and reduced visibility.

Investments are expected at around DKK 225 million in 2022.

Other assumptions
Our guidance is based on the exchange rates prevailing at the date of release of the annual report. Due to seasonal fluctuations in Hartmann's packaging sales, revenue and operating profit in the core business are generally higher in Q1 and Q4 than in Q2 and Q3.

Revenue (DKK)

DKK 2.9-3.3 billion

DKK 2,774 million in 2021

Profit margin*

2-7%

9.2% in 2021

Investments

DKK ~225 million

DKK 542 million in 2021

* Before special items and restatement for hyperinflation.

Ambitions

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

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

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

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

Forward-looking statements

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

Strategy

Think ahead

In 2021, Hartmann remained focused on accommodating long-term growth in demand by expanding production capacity despite short-term volatility during the COVID-19 pandemic.

Underlying demand for moulded-fibre packaging for eggs and fruit is growing, driven by favourable demographics, a growing focus on sustainability and positive shifts in consumer behaviour. Hartmann is committed to capitalising on these trends and to running the group's factories in an efficient mannner by:

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

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

Trends

Sustainability

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

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

Demographics

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

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

Consumer behaviour

Changing consumer behaviour drives increased egg consumption and shifts demand between different types of eggs.

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

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

Strengths

Expertise

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

Platform

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

Products

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

Technology

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

Strategy

Focus

Capacity

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

In 2021, we:
- Put new capacity into use in Europe and the USA
- Implemented most of the comprehensive expansion programmes in Europe and the USA
- Integrated the factories acquired in India and Russia
- Commissioned the new factory in northern Brazil

Since establishing its factory in Rolla, Missouri, in 2016, Hartmann has steadily expanded production capacity with a view to accommodating growing demand for sustainable moulded-fibre packaging, which is increasingly replacing crude oil-based foam plastic and plastic packaging.

Over the next few years, Hartmann will continue to expand production capacity targeted at the North American markets.

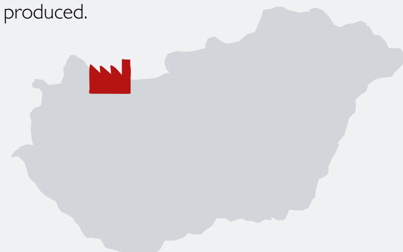
Efficiency improvements

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

In 2021, we:
- Invested in robotics and automation
- Made efforts to optimise energy and water consumption
- Focused on reducing the consumption of raw materials per unit

We continued our efforts to optimise production efficiency and reduce resource consumption, investing in, among other things, energy efficiency measures in Hungary in the form of production capacity expansion and the installation of a new high-efficient drying oven.

In addition, we invested in robotics, other automation measures and initiatives to optimise energy and water consumption at several factories. These ongoing operational improvements are intended to lead to reduced waste and a reduced climate footprint per unit produced.



Marketing

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

In 2021, we:
- Launched new products in several markets
- Conducted several consumer surveys
- Intensified marketing efforts

In 2021, we completed the roll-out of a new and improved version of our materials-efficient Plus Pack™ packaging in our European markets and phased out a number of older products.

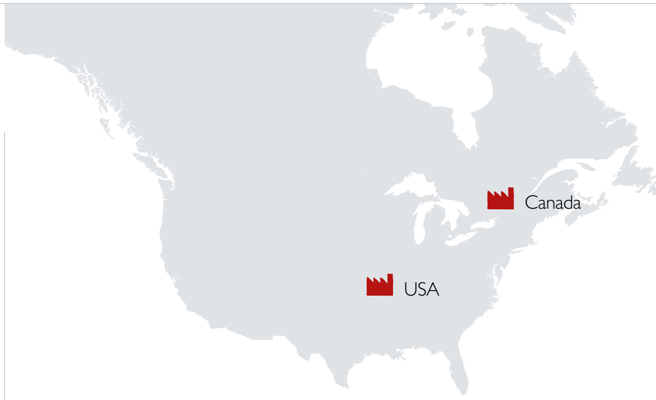
The new product offers better marketing options and enhanced packing efficiency and is almost 10% lighter than its predecessor. This entails a lower consumption of raw materials and reduced carbon dioxide emissions from both production and transport activities.

Markets and products

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

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

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



North America

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

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

Products

Retail packaging for eggs

Customers

Manufacturers

Packing plants

Retail chains

South America

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

Demand for egg packaging in these two South American markets is growing on the back of population growth and continued urbanisation and the resulting shifts in consumer behaviour. The Brazilian market is characterised by fierce price competition.

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

Products

Retail packaging for eggs

Fruit packaging

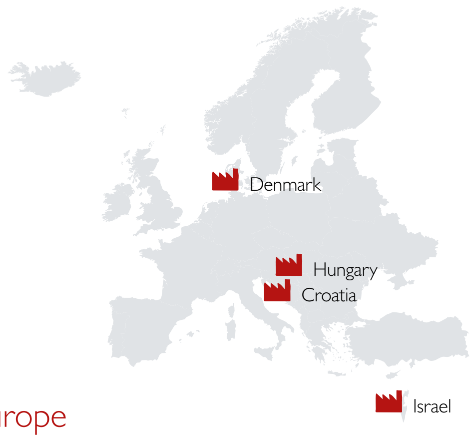
Transport packaging for eggs

Customers

Manufacturers

Packing plants

Markets and products



Europe

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

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

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

Russia

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

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

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

India

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

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

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

Risk management

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

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

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

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

Initiatives in 2021
In 2021, we continued our efforts to reduce key operational risks through the appointment of a dedicated Risk Manager, process improvements and investments focused on reducing the risk of fire.

Efforts to safeguard the group's assets were stepped up in collaboration with specialised external engineers, who inspected several of Hartmann's largest factories in 2021 despite COVID-19-related travel restrictions. At the same time, Hartmann expanded its collaboration with the group's insurers, who also took part in the inspections. These efforts will continue in 2022 by way of external inspections of the group's other factories.

In 2021, Hartmann made additional investments in fire protection measures, including improved testing and updating of sprinkler systems, inspections of battery charging stations and a project to create an overview of smoke detectors in all production-critical rooms. In addition, revised emergency plans in the event of fire at one or more of the group's factories in Europe were introduced. These procedures will be rolled out to Hartmann's other factories in 2022.

Risk assessment
In Hartmann's assessment, key risks in the period ahead are related to rising raw materials prices in the wake of geopolitical instability and the consequences of the COVID-19 outbreak – which are described in more detail on pages 7-8 – factory fires, disease outbreaks among laying hens, political and macroeconomic conditions and environmental issues. These risks and Hartmann's mitigating efforts are described in more detail overleaf.

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

Risk management process

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

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

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

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

Risk management

	Description	Mitigating action
Fire	The production of egg and fruit packaging is based on paper-based moulded fibre dried at high temperatures, and Hartmann's single most significant risk is the total loss of a factory from fire. Re-establishing the facilities would be very time consuming and involve the risk of both business interruption and loss of market share as the reliability of supply is crucial to Hartmann's customers.	Hartmann continuously monitors and reviews fire conditions at its factories and invests in physical separation of equipment, high-efficiency sprinkler and alarm systems, adequate water supply and other fire protection equipment as well as in the training and education of local fire brigades among our employees. Hartmann's internal steering committee conducts regular factory inspections together with external advisers. 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.

For more information on other risks, see our sustainability report for 2021

We have stepped up our sustainability efforts and raised our ambitions

Governance

Sustainability

Amid the massive market fluctuations witnessed in 2021, Hartmann remained focused on replacing oil-based plastic and foam plastic products by the group's moulded-fibre packaging.

Hartmann offers customers and consumers a premier, well-proven and more sustainable alternative that is also part of the solution to the world's plastic pollution crisis. We estimate that our degradable products replaced 133,000 tonnes of single-use plastic and foam plastic packaging in 2021.

Stronger climate profile

When customers replace oil-based plastic and foam plastic products by moulded-fibre packaging, it has a positive climate impact, according to a lifecycle analysis[1] of the climate impact of moulded-fibre and reusable plastic packaging.

The positive qualities of moulded-fibre packaging are primarily related to the low climate impact from paper raw materials, which are reused several times. On average, the raw materials used to manufacture moulded-fibre packaging can be recycled three times more than the raw materials used to manufacture reusable plastic, and moulded-fibre packaging can be reused twice, while plastic-based egg packaging is not reused.

Recycled raw materials and a circular business model have been the cornerstones of our business since we established our first factory in 1936. The profile of our products has been a potent competitive strength and advantage for many years, and we are working actively to improve our processes and ensure that our packaging remains the most sustainable solution going forward.

To that end, we have intensified our efforts to identify opportunities, accelerate improvement measures and report on our progress and challenges.

[1] Pöyry Management Consulting: Updated LCA for moulded fibre packaging

Materiality assessment and enhanced reporting

In 2021, we performed a thorough and structured materiality assessment according to the 'double materiality' principle and created a detailed overview of the matters we believe to be of the greatest importance to our stakeholders and Hartmann's business. Based on this assessment, we have revised our sustainability reporting and enhanced transparency in order to give our stakeholders a better understanding of Hartmann's sustainability profile as well as access to information about our energy and water consumption, carbon emissions and other relevant matters.

Ambitious goals

We have committed to set short-term and science-based targets aimed at reducing greenhouse gas emissions and thus contributing to limiting global warming to 1.5°C.

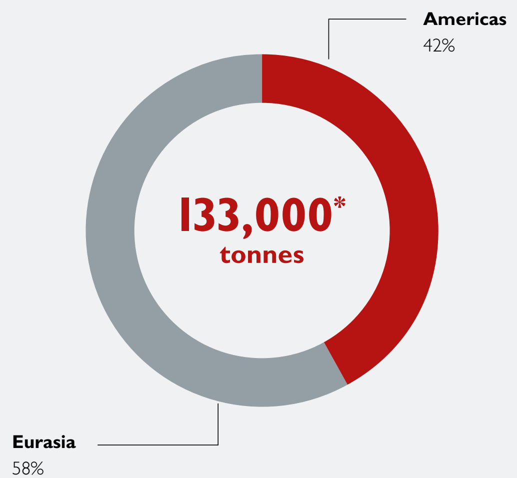
We will take targeted action to reduce the group's scopes 1 and 2 greenhouse gas emissions by 50% by 2030, while our next step will be the development of targets for scope 3 emissions.

These ambitious climate goals will be submitted for approval and validation by the recognised Science Based Targets initiative (SBTi) organisation and will constitute a cornerstone of our ongoing efforts to improve the group's sustainability profile.

We will also continue our efforts to continually improve safety across our organisation, targeting to avoid industrial injuries altogether.

Lastly, we have committed to support the UN Sustainable Development Goals (SDGs), with special focus on six areas where Hartmann is making a noticeable difference.

Reducing plastic waste



* Plastic waste saving resulting from our customers' choice of moulded fibre instead of plastic-based packaging.

Our sustainability activities and progress are presented in the Global Compact progress report for 2021, which also constitutes the group's statutory reports on corporate social responsibility, the gender composition of management and diversity pursuant to sections 99a, 99b and 107d of the Danish Financial Statements Act. While this annual report merely provides a summary of selected activities in 2021, the full progress report is available at csr2021.hartmann-packaging.com.

The group's statutory report on data ethics pursuant to section 99d of the Danish Financial Statements Act may be found at www.hartmann-packaging.com/world/investor/governance/

Sustainability report 2021

Sustainability

Hartmann's sustainability profile

Strengths

Recyclable raw materials

>95%

Degradable products

>95%

Reusable products

>95%

Ambitions

Scopes 1 and 2 reduction

50%

Work-related accidents

0%

Commitments

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

UN GLOBAL COMPACT

Ratings

SUSTAINALYTICS a Morningstar company RATED

NEGL	LOW	MED	HIGH	SEVERE
5-10	10-20	20-30	30-40	40+

Lower risk score is better.

Corporate Responsibility Prime RATED BY ISS ESG

10	9	8	7	6	5	4	3	2	1

Low relative performance — High relative performance

Corporate governance

Hartmann's statutory report on corporate governance for the 2021 financial year (see section 107 b of the Danish Financial Statements Act) is available at corporategovernance2021.hartmann-packaging.com. The report contains a detailed account of Hartmann's management structure as well as a description of the main elements of our internal controls and risk management systems relating to financial reporting.

The report furthermore describes our position on the recommendations of the Danish Committee on Corporate Governance as implemented in Nasdaq Copenhagen's Rules for issuers of shares. In 2021, we complied with the corporate governance recommendations.

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

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

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

Remuneration
Hartmann's remuneration policy and the group's remuneration report for 2021 are available at investor.hartmann-packaging.com, and the remuneration paid for 2021 is specified in note 9 to the financial statements.

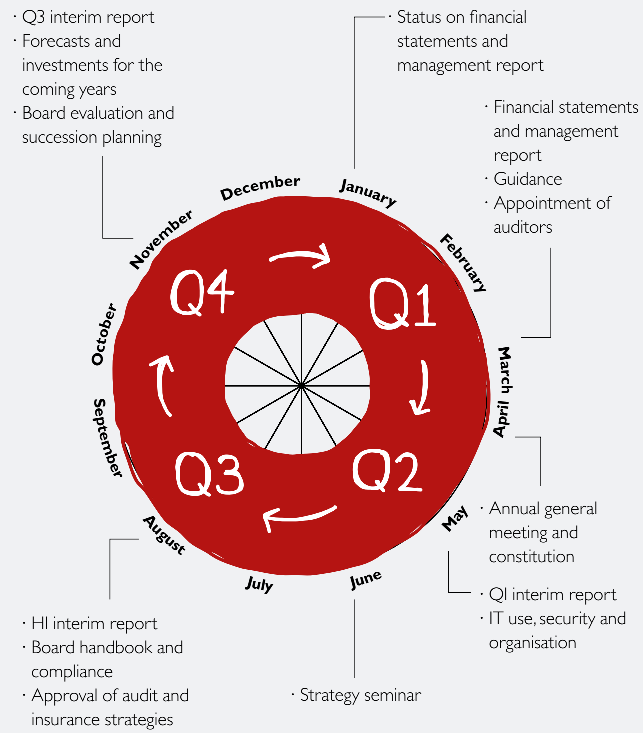
Changes on the board of directors
At the general meeting held on 27 April 2021, Karen Hækkerup, who did not offer herself for re-election, resigned.

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

● Attended meeting ○ Absent from meeting *Resigned on 27 April 2021.

Duties of the board of directors

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



Board of directors and executive board

Board of directors




Name	Jan Klarskov Henriksen	Steen Parsholt	Jan Madsen	Marianne Schelde
Position	Chairman	Vice chairman	Board member	Board member
Independent	Yes	Yes	Yes	No
Committees	*Chairman:* Nomination and remuneration committee	*Chairman:* Audit committee *Member:* Nomination and remuneration committee	*Member:* Audit committee	*Member:* Audit committee
Description	CEO of Aviagen Broiler Breeding Group Inc. Former CEO of Lantmännen Unibake Holding A/S, Lantmännen Kronfågel Holding AB and Danæg a.m.b.a.	Nordic head of Aon and member of its European management team until 2005. Former Group CEO of NCM Holding, Amsterdam, and Citibank, including CEO in Denmark. Currently only engaged in board work and similar work.	Managing Director of Coop Invest A/S and software company Lobyco A/S. Former Managing Director of Coop Danmark A/S and previous positions with Carlsberg Group, McKinsey & Company and Nestlé.	CFO of Thornico Holding A/S and CEO of subsidiary Thornico IT A/S.
Special expertise	Special expertise in international food industry management and in sales and marketing in the poultry and egg industries.	Special expertise in international management, treasury and finance.	Special expertise in retailing with particular focus on food, international sales and marketing, business development, digitalisation and supply chain management.	Special expertise in international financial management, financial reporting and accounting.
Other positions:	*Chairman:* BPI A/S.	*Chairman:* Ejendomsaktieselskabet af 1. maj 2015, ISS Finance BV and Reviva Capital SA. *Vice chairman:* NGF Denmark Holding ApS, NGF General Partner ApS and Nature Energy Biogas A/S. *Board member:* Glitnir HoldCo ehf.	*Chairman:* FDB Møbler A/S and Quick Info ApS. *Vice chairman:* Coop Bank A/S. *Board member:* African Coffee Roasters, Færch & Co. Gastro ApS (including one subsidiary), Republica A/S and Severin A/S.	*Board member:* Hummel Holding A/S (including in six subsidiaries), Mount Baldy A/S, Ovodan Europe ApS (including in one subsidiary), Sanovo Packaging Denmark ApS, Stanico A/S (including in one subsidiary), Thorco Africa Holding ApS, Thornico IT A/S, Thorco Projects A/S and West Star Real Estate A/S.
First elected	2018	2013	2019	2019
Born	1965	1951	1969	1962
Gender	Male	Male	Male	Female
Nationality	Danish	Danish	Danish	Danish
Shareholding 31 Dec. 2021	1,000	6,000	1,800	0
Change in 2021	+1,000	+1,000	-	-

Board of directors and executive board

Board of directors – continued

Executive board

Name	**Danny Fleischer**	**Palle Skade Andersen**	**Torben Rosenkrantz-Theil**	**Flemming Steen**
Position	Board member elected by the employees	Board member elected by the employees	CEO	CFO
Description	Maintenance technician, Brødrene Hartmann A/S, Tønder, Denmark, since 2012. Elected by the employees in 2020 to serve until the annual general meeting to be held in 2022.	Production manager, Brødrene Hartmann A/S, Tønder, Denmark, since 1991. Elected by the employees in 2018 to serve until the annual general meeting to be held in 2022.	Former Senior Vice President and member of group management in charge of Hartmann's European business. Previous experience from position as President of the North American business and head of strategic development.	Former positions include CFO of Clipper Group, MT Højgaard and Junckers Industrier plus several positions with A. P. Møller - Mærsk, including head of strategy at Maersk Line and CFO of APM Terminals.
Special expertise			Extensive international management experience and operational and commercial packaging industry expertise.	Business-focused executive with strong economic and financial background. Comprehensive international experience and extensive IT competencies.
Other positions:			***Board member:*** Sanovo Technology A/S. ***Managing Director:*** Sanovo Packaging Denmark ApS.	-
First elected/ employed	2020	2018	2007	2018
Born	1983	1969	1975	1966
Gender	Male	Male	Male	Male
Nationality	Danish	Danish	Danish	Danish
Shareholding 31 Dec. 2021	0	0	0	1,980
Change in 2021	-	-	-	+1,980

Shareholder information

Share capital
Hartmann has one share class, and each share carries one vote. Accordingly, all shareholders have an equal right to submit proposals and to attend, speak and vote at general meetings. The shares are registered shares and negotiable instruments with no restrictions on their transferability. There were no changes to Hartmann's share capital in 2021.

The board of directors has been authorised by the shareholders in the period until 26 April 2022 to arrange for Hartmann to acquire treasury shares with a nominal value of up to DKK 14,030,180 at the market price ruling from time to time, subject to a deviation of up to 10%.

The Hartmann share
Hartmann's shares opened at DKK 502.0 in 2021 and closed at DKK 369.0, thus yielding a return of (27)%.

The share is part of Nasdaq Copenhagen's Mid Cap segment. Hartmann has a market making agreement which ensures liquidity in the share.

Ownership
At the end of 2021, Hartmann had 4,240 registered shareholders (2020: 3,414), representing 6.7 million shares in aggregate, or 96% of the share capital.

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

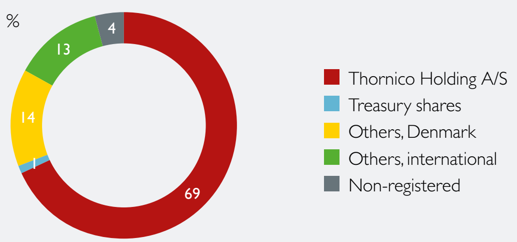
- Thornico Holding A/S and related parties, Odense, Denmark (68.6%)

At 31 December 2021, Hartmann's holding of treasury shares was unchanged at 1.4% of the share capital.

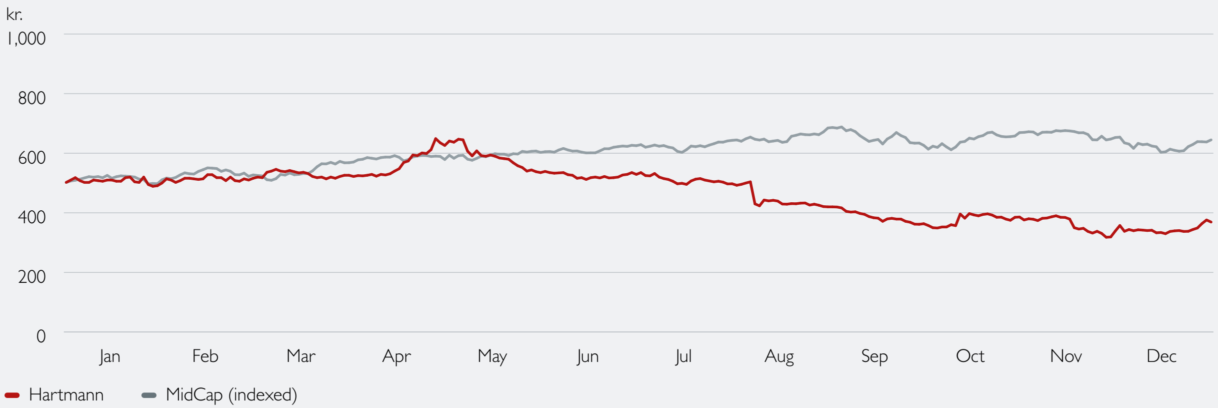
The Hartmann share

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

Composition of shareholders at 28 February 2022



Share price performance 2021



Shareholder information

At 31 December 2021, the members of Hartmann's board of directors and executive board held 0.2% of the share capital. The members of the board of directors and executive board are registered on Hartmann's permanent insider list and may only trade in Hartmann shares during a four-week window following the release of profit announcements or other similar financial announcements, as set out in Hartmann's internal rules.

Dividend

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

Based on the dividend policy and the substantial investments made in existing and new markets, the board of directors will propose at the general meeting to be held on 26 April 2022 that no dividend be paid for the financial year ended 31 December 2021 (2020: no dividend).

Remuneration of the executive board

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

Investor relations

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

Financial calendar

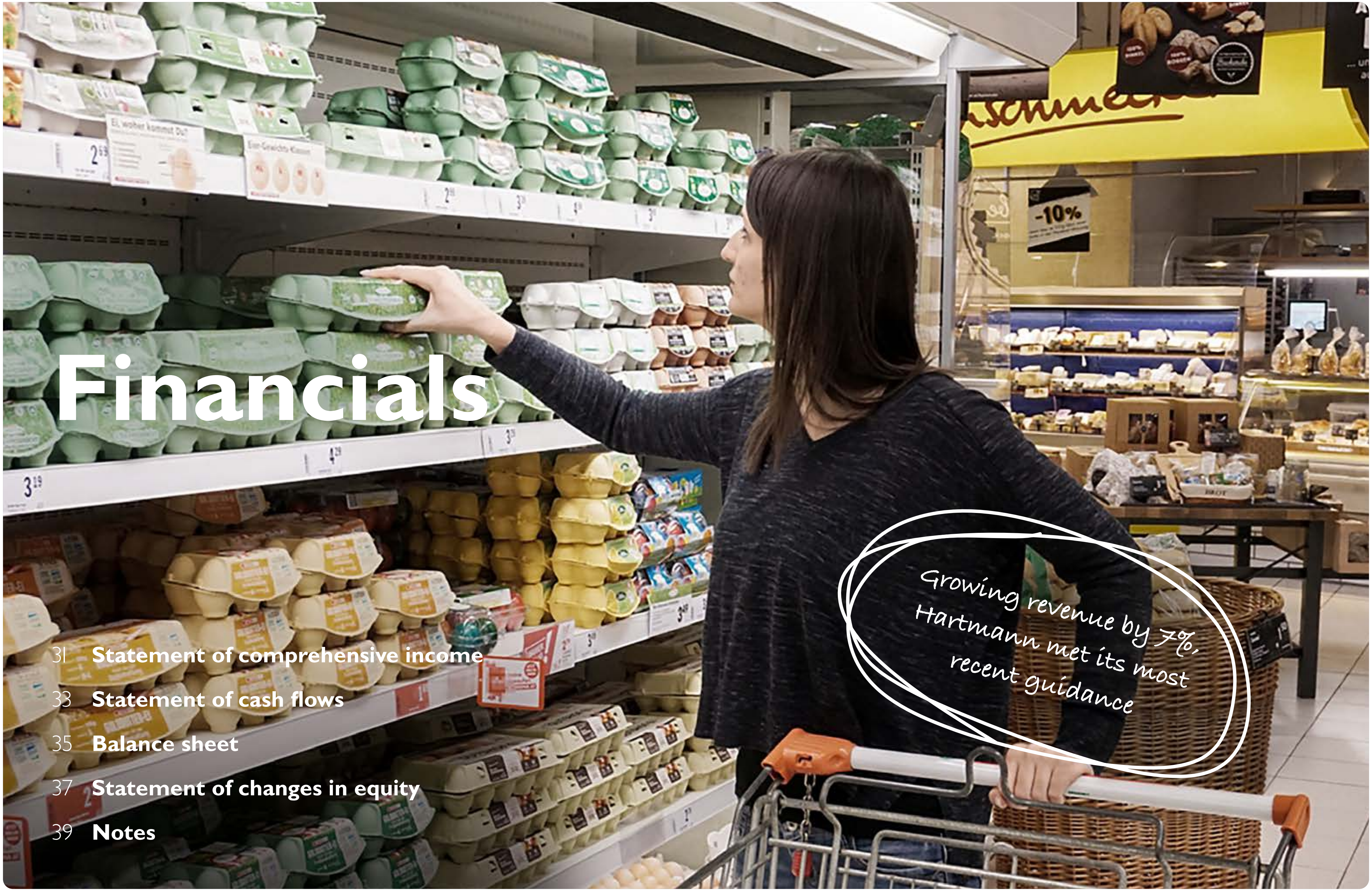
14 March 2022	Deadline for submission of business to be transacted at the annual general meeting
26 April 2022	Annual General Meeting
19 May 2022	Interim report Q1 2022
17 August 2022	Interim report Q2 2022
15 November 2022	Interim report Q3 2022

Analysts

Hartmann's shares are covered by equity analyst Frederikke Due Olesen from Carnegie Investment Bank.

Electronic communication

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



Financials

Growing revenue by 7%, Hartmann met its most recent guidance

Revenue and earnings

Revenue

Growing overall revenue to DKK 2,744 million (2020: DKK 2,567 million), including licence income of DKK 78 million, Hartmann performed in line with the group's most recent guidance of revenue in the DKK 2.6-2.8 billion range. Currency movements reduced 2021 revenue by a net DKK 100 million.

Operating profit

Generating overall operating profit of DKK 250 million (2020: DKK 452 million), including licence income of DKK 78 million, for a profit margin of 9.2% (2020: 17.5%), Hartmann met its most recent guidance of a profit margin of 7-10%. After restatement for hyperinflation, 2021 operating profit came to DKK 230 million (2020: DKK 437 million), for a profit margin of 8.4% (2020: 17.0%). Currency fluctuations reduced 2021 operating profit by a net DKK 29 million.

Corporate functions

Costs related to corporate functions came to DKK 31 million in 2021 (2020: DKK 32 million).

Special items

Special items were a net expense of DKK 116 million for 2021 (2020: net expense of DKK 13 million), reflecting mainly the impairment loss recognised on non-current assets in the group's South American entities, see notes 15 and 16, in response to adverse microeconomic developments in the nature of slowing economic growth, higher inflation, increasing interest rates and mounting political instability. Another contributory factor was the impairment loss recognised on the remaining receivables from Tønder Fjernvarme relating to the settlement concerning the sale of district heating, see note 10.

Financial income and expenses

Financial income and expenses were a net expense of DKK 9 million for 2021, down from an above-normal net expense of DKK 65 million in 2020 that was impacted by significant adverse foreign exchange adjustments of the financing of the group's activities in Brazil.

Profit for the year

Reflecting the lower operating profit, profit before tax was down to DKK 105 million (2020: DKK 359 million). Tax on the profit for the year was an expense of DKK 31 million (2020: expense of DKK 85 million), for an effective tax rate of 29% (2020: 24%). The effective tax rate before restatement for hyperinflation was 19% (2020: 22%). The profit for the year was DKK 74 million (2020: DKK 274 million).

Comprehensive income

Despite the lower profit for the year, comprehensive income was up to DKK 171 million (2020: DKK 146 million), as comprehensive income, unlike the situation in 2020, was favourably affected by foreign exchange adjustments of subsidiaries and actuarial gains.

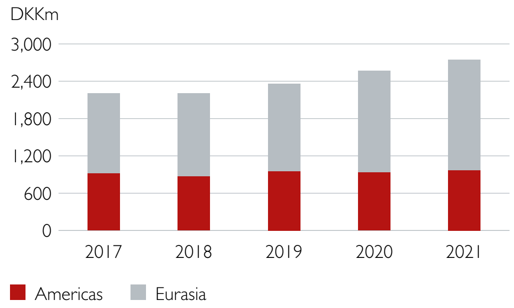
Parent company

In 2021, the parent company generated revenue of DKK 1,742 million (2020: DKK 1,697 million) and operating profit of DKK 180 million (2020: DKK 258 million). The profit for the year was DKK 3 million (2020: DKK 124 million).

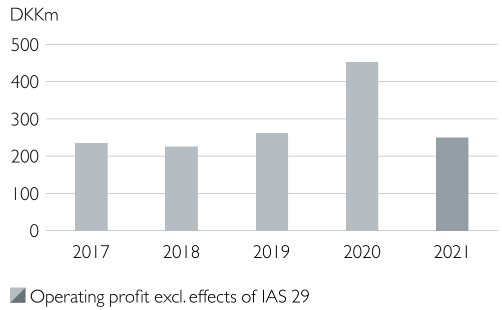
Events after the balance sheet date

On 24 February 2022, Russian military forces invaded Ukraine. The geopolitical tensions ensuing from the invasion are affecting energy markets and have led to sharp price increases and a significantly heightened risk of a shortage of natural gas for the group's European factories, which could lead to production interruption. A number of countries have imposed economic sanctions on Russia, which have put the Russian ruble (RUB) under heavy pressure, fuelled inflation and led to sharp increases in Russian interest rates. The weakening of the RUB has not affected the group's expectations for 2022, but recent developments may lead to an increase in the discount rate applied to Hartmann's Russian activities and, by extension, impairment losses on the group's non-current assets there going forward. Following the Russian invasion of Ukraine, Hartmann has suspended exports of packaging and sales of machinery and technology to Russia as well as investments in the plant.

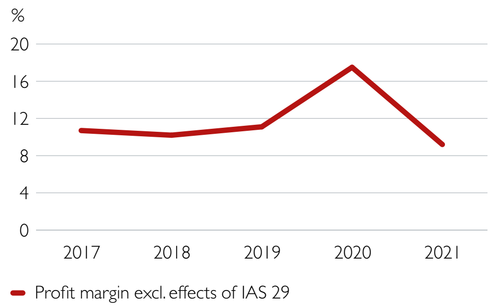
Revenue



Operating profit excl. effects of IAS 29



Profit margin excl. effects of IAS 29



Statement of comprehensive income

DKKm	Note	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Revenue	5	2,744.0	2,567.4	1,741.5	1,697.4
Production costs	6	(2,024.0)	(1,657.4)	(1,292.7)	(1,160.2)
Gross profit		**720.0**	**910.0**	**448.8**	**537.2**
Selling and distribution costs	7	(369.2)	(363.8)	(206.6)	(213.3)
Administrative expenses	8	(120.9)	(108.8)	(61.9)	(66.0)
Operating profit before special items		**229.9**	**437.4**	**180.3**	**257.9**
Special items	10	(115.9)	(13.3)	(4.3)	(13.3)
Operating profit		**114.0**	**424.1**	**176.0**	**244.6**
Financial income	11	37.8	13.9	38.9	23.0
Financial expenses	11	(46.5)	(79.0)	(170.0)	(90.2)
Profit before tax		**105.3**	**359.0**	**44.9**	**177.4**
Tax on profit for the year	12	(30.9)	(85.1)	(41.7)	(53.1)
PROFIT FOR THE YEAR		**74.4**	**273.9**	**3.2**	**124.3**
Earnings per share, DKK	13	10.8	39.6	-	-
Diluted earnings per share, DKK	13	10.8	39.6	-	-

DKKm	Note	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Profit for the year		**74.4**	**273.9**	**3.2**	**124.3**
Items that cannot be reclassified to profit or loss:					
Actuarial gains/(losses) on defined benefit plans	25	24.7	(4.3)	-	-
Tax	12	(6.2)	1.1	-	-
Items that can be reclassified to profit or loss					
Foreign exchange adjustment of foreign subsidiaries	29	40.9	(155.2)	-	-
Hyperinflation restatement of equity, 1 January	31	46.9	24.8	-	-
Value adjustment of hedging instruments:					
Recognised in other comprehensive income		(12.5)	3.0	(10.3)	1.1
Transferred to revenue		1.2	2.0	5.4	1.9
Transferred to production costs		(0.5)	3.2	(0.5)	3.2
Transferred to financial income and expenses		(0.6)	(0.7)	(0.2)	(0.5)
Tax	12	2.9	(1.7)	1.2	(1.2)
Other comprehensive income after tax		**96.8**	**(127.8)**	**(4.4)**	**4.5**
COMPREHENSIVE INCOME		**171.2**	**146.1**	**(1.2)**	**128.8**

Cash flows

Investments and cash flows
Cash flows from operating activities were a net inflow of DKK 250 million in 2021 (2020: net inflow of DKK 448 million), reflecting the decline in operating profit.

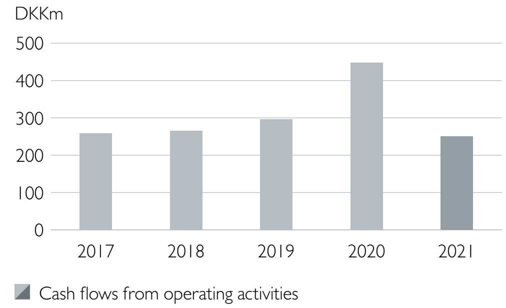
Cash flows from investing activities were a net outflow of DKK 541 million (2020: net outflow of DKK 436 million), in line with

the group's guidance of investments of about DKK 550 million. The increase was driven by investments in production facilities and the acquisition of Gotek-Litar in Russia for DKK 113 million.

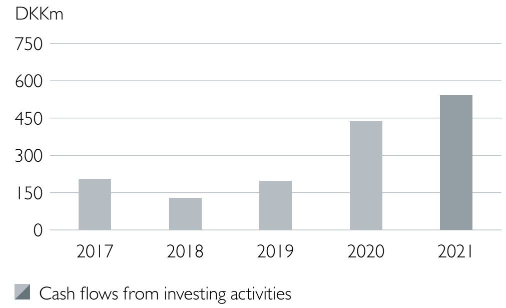
Total cash flows from operating and investing activities came to a net outflow of DKK 291 million (2020: net inflow of DKK 12 million).

Affected by drawdowns on the group's existing credit facility in connection with the acquisition of Gotek-Litar in the first quarter, cash flows from financing activities amounted to a net inflow of DKK 233 million (2020: net inflow of DKK 23 million).

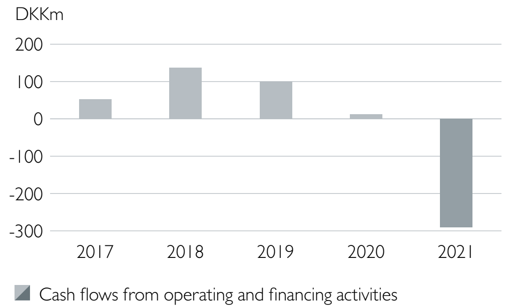
Cash flows from operating activities



Cash flows from investing activities



Free cash flow



Statement of cash flows

		Group		Parent company	
DKKm	Note	2021	2020	2021	2020
Operating profit before special items		229.9	437.4	180.3	258.0
Depreciation and amortisation		159.8	135.0	34.7	30.8
Adjustment for other non-cash items	14	10.5	8.2	0.0	(0.3)
Change in working capital etc.	14	(44.3)	(29.7)	(71.4)	(73.8)
Special items		(4.0)	(9.3)	(4.0)	(9.3)
Cash generated from operations		**351.9**	**541.6**	**282.4**	**205.4**
Interest etc. received		3.2	3.8	9.7	8.8
Interest etc. paid		(24.4)	(16.5)	(8.7)	(7.3)
Net income tax paid		(80.8)	(81.2)	(48.3)	(40.5)
Cash flows from operating activities		**249.9**	**447.7**	**235.1**	**166.4**
Acquisition of intangible assets		(29.9)	(3.2)	(29.7)	(3.2)
Acquisition of property, plant and equipment		(384.9)	(320.9)	(41.9)	(61.5)
Disposal of property, plant and equipment		0.6	1.0	0.0	0.3
Acquisition of subsidiaries	32	(112.9)	(113.0)	(101.9)	(158.0)
Acquisition of other investments		(14.0)	0.0	(14.0)	0.0
Dividend received from subsidiaries		-	-	16.4	8.5
Dividend received from associates		0.0	0.5	0.0	0.5
Cash flows from investing activities		**(541.1)**	**(435.6)**	**(171.1)**	**(213.4)**
Cash flows from operating and investing activities		**(291.2)**	**12.1**	**64.0**	**(47.0)**
Raising of debt		292.0	124.8	191.7	124.8
Repayment of debt		(59.0)	(102.1)	(39.8)	(95.1)
Loans to subsidiaries	19	-	-	(296.1)	(57.4)
Repayments received from subsidiaries	19	-	-	21.4	83.2
Cash flows from financing activities		**233.0**	**22.7**	**(122.8)**	**55.5**
TOTAL CASH FLOWS		**(58.2)**	**34.8**	**(58.8)**	**8.5**

		Group		Parent company	
DKKm	Note	2021	2020	2021	2020
Total cash flows		**(58.2)**	**34.8**	**(58.8)**	**8.5**
Cash and cash equivalents at 1 January		75.1	45.6	(17.8)	(25.1)
Foreign exchange adjustment		10.0	(5.3)	6.8	(1.2)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**26.9**	**75.1**	**(69.8)**	**(17.8)**
Recognition of cash and cash equivalents at 31 December:					
Cash		117.9	209.5	4.5	95.3
Overdraft facilities		(91.0)	(134.4)	(74.3)	(113.1)
Cash and cash equivalents at 31 December		**26.9**	**75.1**	**(69.8)**	**(17.8)**

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

A purchase price held in escrow accounted for DKK 90.7 million of the cash balance at 31 December 2020.

Balance sheet and equity

Funding
The group's net interest-bearing debt at 31 December 2021 was DKK 928 million (2020: DKK 623 million). The consolidated balance sheet remains sound, as the increase in net interest-bearing debt was attributable to the acquisition of Gotek-Litar in Russia in Q1 2021 coupled with continuing production capacity investments.

At 31 December 2021, financial resources, comprising cash and undrawn loan and overdraft facilities, amounted to DKK 434 million (2020: DKK 518 million). This level is considered satisfactory and sufficient to cover Hartmann's planned expansion. Hartmann's loans are subject to standard financial covenants, see note 28.

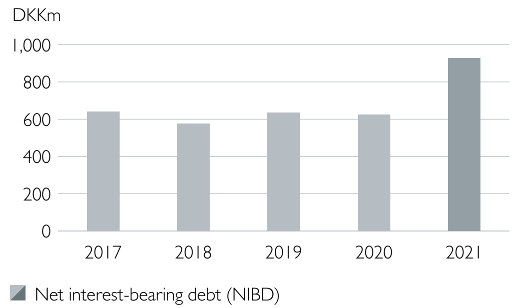
Assets
Total assets were up to DKK 2,804 million (2020: DKK 2,374 million), driven by substantial investments in production facilities and the acquisition of Gotek-Litar. At 31 December 2021, intangible assets and property, plant and equipment totalled DKK 1,733 million (2020: DKK 1,379 million).

ROIC
The return on invested capital was 11.6% in 2021 (2020: 28.7%), mirroring the decline in operating profit and the increase in invested capital.

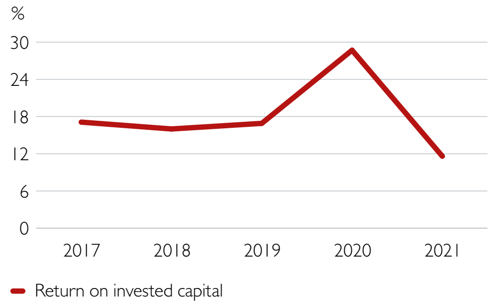
Equity
Equity at 31 December 2021 was DKK 1,197 million (2020: DKK 1,025 million), for an equity ratio of 43% (2020: 43%). The financial gearing ratio was 78% (2020: 61%).

Earnings per share came to DKK 10.8 (2020: DKK 39.6).

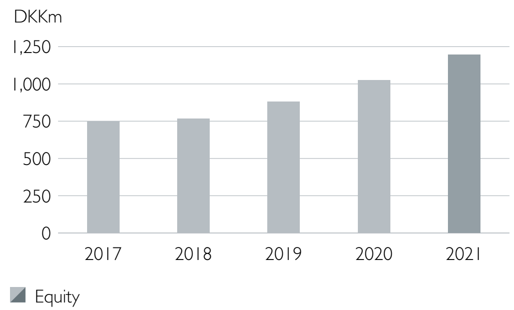
Net interest-bearing debt (NIBD)



ROIC



Equity



Balance sheet

Assets

DKKm	Note	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Goodwill		108.4	90.7	10.7	10.7
Other intangible assets		61.6	37.2	30.9	6.5
Intangible assets	15	**170.0**	**127.9**	**41.6**	**17.2**
Land and buildings		398.4	326.1	26.1	23.6
Plant and machinery		717.8	657.7	127.3	110.2
Other fixtures and fittings, tools and equipment		21.4	12.3	3.1	1.7
Plant under construction		354.2	188.8	10.1	23.8
Property, plant and equipment	16	**1,491.8**	**1,184.9**	**166.6**	**159.3**
Leased land and buildings		62.0	63.3	3.4	5.0
Other lease assets		9.4	3.0	7.3	0.7
Lease assets	17	**71.4**	**66.3**	**10.7**	**5.7**
Investments in subsidiaries	18	-	-	960.1	1,021.4
Receivables from subsidiaries	19	-	-	589.1	299.5
Investments in associates	20	2.6	2.6	1.2	1.2
Other investments		14.0	0.0	14.0	0.0
Deferred tax	21	62.0	41.2	0.0	0.0
Other receivables		0.8	0.8	0.0	0.0
Other non-current assets		**79.4**	**44.6**	**1,564.4**	**1,322.1**
Non-current assets		**1,812.6**	**1,423.7**	**1,783.3**	**1,504.3**
Inventories	22	299.9	256.7	123.8	136.4
Trade receivables	23	396.2	347.8	226.3	215.9
Receivables from subsidiaries		-	-	96.8	136.9
Income tax		28.1	15.0	0.0	0.0
Other receivables		125.2	86.4	81.2	43.6
Prepayments		24.3	35.1	9.4	26.1
Cash*		117.9	209.5	4.5	95.3
Current assets		**991.6**	**950.5**	**542.0**	**654.2**
ASSETS		**2,804.2**	**2,374.2**	**2,325.3**	**2,158.5**

* A purchase price held in escrow accounted for DKK 90.7 million of the cash balance at 31 December 2020.

Equity and liabilities

DKKm	Note	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Share capital	24	140.3	140.3	140.3	140.3
Hedging reserve		(7.8)	1.7	(5.4)	(1.0)
Translation reserve		(206.0)	(293.8)	-	-
Retained earnings		1,270.0	1,177.1	830.7	827.5
Equity		**1,196.5**	**1,025.3**	**965.6**	**966.8**
Deferred tax	21	39.7	32.7	6.4	2.9
Pension obligations	25	9.6	35.2	0.0	0.0
Credit institutions	29	782.0	629.4	782.0	629.4
Lease liabilities	29	62.8	59.7	6.3	3.7
Government grants		0.5	1.5	0.0	0.0
Other payables		2.9	0.1	0.0	0.0
Non-current liabilities		**897.5**	**758.6**	**794.7**	**636.0**
Credit institutions	29	98.1	0.0	0.0	0.0
Lease liabilities	29	11.9	8.9	4.5	2.1
Government grants		0.9	0.9	0.0	0.0
Overdraft facilities	29	91.0	134.4	74.3	113.1
Prepayments from customers		14.2	26.7	11.0	21.4
Trade payables		306.7	209.6	146.7	105.4
Payables to subsidiaries		-	-	226.1	180.8
Payables to associates		10.7	5.1	10.4	4.9
Income tax		15.3	30.0	12.9	24.3
Provisions	27	0.7	3.3	0.7	0.5
Other payables		160.7	171.4	78.4	103.2
Current liabilities		**710.2**	**590.3**	**565.0**	**555.7**
Liabilities		**1,607.7**	**1,348.9**	**1,359.7**	**1,191.7**
EQUITY AND LIABILITIES		**2,804.2**	**2,374.2**	**2,325.3**	**2,158.5**

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 year	-	-	-	74.4	-	74.4	-	-	-	273.9	0.0	273.9
Items that cannot be reclassified to profit or loss												
Actuarial gains/(losses) on defined benefit plans	-	-	-	24.7	-	24.7	-	-	-	(4.3)	-	(4.3)
Tax	-	-	-	(6.2)	-	(6.2)	-	-	-	1.1	-	1.1
Items that can be reclassified to profit or loss												
Foreign exchange adjustments of foreign subsidiaries	-	-	40.9	-	-	40.9	-	-	(155.2)	-	-	(155.2)
Hyperinflation restatement of equity, 1 January	-	-	46.9	-	-	46.9	-	-	24.8	-	-	24.8
Value adjustment of hedging instruments:												
Recognised in other comprehensive income	-	(12.5)	-	-	-	(12.5)	-	3.0	-	-	-	3.0
Transferred to revenue	-	1.2	-	-	-	1.2	-	2.0	-	-	-	2.0
Transferred to production costs	-	(0.5)	-	-	-	(0.5)	-	3.2	-	-	-	3.2
Transferred to financial income and expenses	-	(0.6)	-	-	-	(0.6)	-	(0.7)	-	-	-	(0.7)
Tax	-	2.9	-	-	-	2.9	-	(1.7)	-	-	-	(1.7)
Other comprehensive income	**0.0**	**(9.5)**	**87.8**	**18.5**	**0.0**	**96.8**	**0.0**	**5.8**	**(130.4)**	**(3.2)**	**0.0**	**(127.8)**
Total comprehensive income	**0.0**	**(9.5)**	**87.8**	**92.9**	**0.0**	**171.2**	**0.0**	**5.8**	**(130.4)**	**270.7**	**0.0**	**146.1**
Changes in equity in the year	**0.0**	**(9.5)**	**87.8**	**92.9**	**0.0**	**171.2**	**140.3**	**5.8**	**(130.4)**	**270.7**	**0.0**	**146.1**
Equity at 31 December	**140.3**	**(7.8)**	**(206.0)**	**1,270.0**	**0.0**	**1,196.5**	**140.3**	**1.7**	**(293.8)**	**1,177.1**	**0.0**	**1,025.3**

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

Statement of changes in equity

Parent company	2021					2020				
DKKm	Share capital	Hedging reserve	Retained earnings	Proposed dividend	Total equity	Share capital	Hedging reserve	Retained earnings	Proposed dividend	Total equity
Equity at 1 January	**140.3**	**(1.0)**	**827.5**	**0.0**	**966.8**	**140.3**	**(5.5)**	**703.2**	**0.0**	**838.0**
Profit for the year	-	-	3.2	0.0	3.2	-	-	124.3	0.0	124.3
Items that can be reclassified to profit or loss										
Value adjustment of hedging instruments:										
Recognised in other comprehensive income	-	(10.3)	-	-	(10.3)	-	1.1	-	-	1.1
Transferred to revenue	-	5.4	-	-	5.4	-	1.9	-	-	1.9
Transferred to production costs	-	(0.5)	-	-	(0.5)	-	3.2	-	-	3.2
Transferred to financial income and expenses	-	(0.2)	-	-	(0.2)	-	(0.5)	-	-	(0.5)
Tax	-	1.2	-	-	1.2	-	(1.2)	-	-	(1.2)
Other comprehensive income	**0.0**	**(4.4)**	**0.0**	**0.0**	**(4.4)**	**0.0**	**4.5**	**0.0**	**0.0**	**4.5**
Total comprehensive income	**0.0**	**(4.4)**	**3.2**	**0.0**	**(1.2)**	**0.0**	**4.5**	**124.3**	**0.0**	**128.8**
Changes in equity in the year	**0.0**	**(4.4)**	**3.2**	**0.0**	**(1.2)**	**0.0**	**4.5**	**124.3**	**0.0**	**128.8**
Equity at 31 December	**140.3**	**(5.4)**	**830.7**	**0.0**	**965.6**	**140.3**	**(1.0)**	**827.5**	**0.0**	**966.8**

Notes

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General

01 Accounting policies

Basis of preparation
The consolidated financial statements and the parent company financial statements for the year ended 31 December 2021 of the group and Brødrene Hartmann A/S, respectively, have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies. Brødrene Hartmann A/S is a limited liability company and has its registered office in Denmark.

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

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

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

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

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

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

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

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

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

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

Notes

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

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

Cash and cash equivalents
Cash and cash equivalents comprise cash and overdraft facilities that form an integral part of the group's ongoing cash management and are repayable on demand.

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

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

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

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

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

Translation reserve
The translation reserve in the consolidated financial statements includes accumulated foreign exchange differences on the translation of the financial statements of foreign subsidiaries from their functional currency to the presentation currency of the group. The reserve also includes the effects of hyperinflation restatement of non-monetary items in Argentina at 31 December 2021.

Hedging reserve
The hedging reserve contains the accumulated net change in fair value of hedging transactions that qualify as hedging of future cash flows and for which the hedged transaction has not yet been realised.

Financial liabilities
Financial liabilities comprise payables to credit institutions, lease liabilities, trade payables, payables to subsidiaries and associates and other payables. Debt to credit institutions is recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, payables to credit institutions are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value (capital loss) is recognised in profit or loss over the term of the loan.

Other liabilities are measured at amortised cost.

Reporting under the ESEF Regulation
In accordance with Commission Delegated Regulation (EU) 2019/815 on a single electronic reporting format (the ESEF Regulation), Hartmann has prepared this annual report in XHTML format and marked up the consolidated financial statements using inline eXtensible Business Reporting Language (iXBRL).

The iXBRL mark-up was performed using the ESEF Regulation's ESEF taxonomy, developed based on the IFRS taxonomy published by the IFRS Foundation.

As part of the mark-up, the items in the financial statements are tagged to elements of the ESEF taxonomy. Where an item is not defined in the ESEF taxonomy, extension taxonomy elements are created. Extension taxonomy elements must be anchored to the ESEF taxonomy, except where an extension element is used to mark up a disclosure that is a subtotal.

The annual report submitted to the Danish Financial Supervisory Authority (the Officially Appointed Mechanism) consists of the XHTML document and technical files, all of which are contained in a zip file named hartmann-2021-12-31-da.zip.

02 Accounting regulations

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 following amendments are relevant to Hartmann:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 concerning the IBOR reform (phase 2)

The above amendments allow temporary relief for financial statements until the existing interest rate benchmark is replaced by a "nearly risk-free alternative benchmark rate" (RFR).

The implementation of the amendments resulting from the IBOR reform (phase 2) has not affected recognition or measurement in the annual report.

New financial reporting standards which have not yet come into force and which have not been adopted early
Hartmann expects to implement all new standards and interpretations in the financial year in which they become mandatory. The IASB has not issued any new standards or interpretations of significant importance for the group's financial statements that must be implemented by the group and the parent company for financial years beginning on or after 1 January 2022.

03 Significant accounting estimates and judgments

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

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

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

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

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

Notes

04 Segment information

Activities	**2021**			**2020**		
DKKm	**Eurasia**	**Americas**	**Total reporting segments**	**Eurasia**	**Americas**	**Total reporting segments**
External revenue	1,776.0	944.5	2,720.5	1,634.5	950.0	2,584.5
Revenue	**1,776.0**	**944.5**	**2,720.5**	**1,634.5**	**950.0**	**2,584.5**
Hyperinflation restatement of revenue	-	23.5	23.5	-	(17.1)	(17.1)
Revenue as per statement of comprehensive income	**1,776.0**	**968.0**	**2,744.0**	**1,634.5**	**932.9**	**2,567.4**
Operating profit before special items	244.0	34.5	278.5	329.1	154.0	483.1
Other segment information						
Depreciation and amortisation	89.1	59.9		70.4	55.1	
Impairment losses	0.0	111.6		0.0	0.0	
Investments in intangible assets, property plant and equipment and lease assets	245.8	193.8		146.6	192.2	
Net working capital	305.0	129.1		394.1	29.7	
Invested capital	1,297.7	847.1		1,084.8	666.8	
Segment assets	1,686.5	956.4	2,642.9	1,401.5	848.8	2,250.3
Reconciliation						
Performance targets						
Operating profit before special items for reporting segments			278.5			483.1
Hyperinflation restatement of operating profit before special items			(20.0)			(14.4)
Non-allocated corporate functions			(31.3)			(33.3)
Eliminations			2.7			2.0
Operating profit before special items as per statement of comprehensive income			**229.9**			**437.4**
Special items			(115.9)			(13.3)
Operating profit as per statement of comprehensive income			**114.0**			**424.1**
Financial income			37.8			13.9
Financial expenses			(46.5)			(79.0)
Profit before tax as per statement of comprehensive income			**105.3**			**359.0**
Assets						
Assets for reporting segments			2,642.9			2,250.3
Hyperinflation restatement of non-monetary items			64.9			44.4
Non-allocated assets			302.4			322.9
Eliminations			(206.0)			(243.4)
Assets as per balance sheet			**2,804.2**			**2,374.2**

Notes

04 Segment information – continued

Geographical distribution

DKKm	Denmark	Rest of Europe	North and South America*	Rest of world	Total group
2021					
Revenue	38.9	1,519.4	1,028.7	157.0	2,744.0
Intangible assets, property, plant and equipment and lease assets	239.7	567.4	712.3	213.8	**1,733.2**
2020					
Revenue	53.9	1,368.3	1,005.1	140.1	2,567.4
Intangible assets, property, plant and equipment and lease assets	200.0	341.5	649.3	188.3	**1,379.1**

* North and South America refer to the geographical continents.

§ Accounting policies

Segment information

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

With the exception that the transition to IAS 29 is not included in the management reporting, the internal management reporting is consistent with the group's accounting policies. The effects of restating for hyperinflation are shown as separate reconciling items in this note.

Business decisions on resource allocation and performance evaluation for each of the segments are made on the basis of the operating profits of the individual segments before special items. Decisions relating to financing and taxation are made on the basis of information regarding Hartmann as a whole and are not allocated to the reporting segments. Intra-segmental transactions are priced on an arm's length basis.

§ Accounting policies

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

The reporting segments are:

- **Eurasia** – comprising production and sales of moulded-fibre packaging. The products are manufactured at factories in Europe, including India, Israel and Russia, 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 the geographical areas based on the geographical location of the customer. 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.

Notes

Statement of comprehensive income

05 Revenue

	Group		Parent company	
DKKm	**2021**	**2020**	**2021**	**2020**
Moulded-fibre packaging	2,649.8	2,450.0	1,412.5	1,355.6
Machinery and technology	94.2	117.4	329.0	341.8
Revenue	**2,744.0**	**2,567.4**	**1,741.5**	**1,697.4**

§ Accounting policies

Revenue

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

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

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

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

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

Notes

06 Production costs

	Group		Parent company	
DKKm	**2021**	**2020**	**2021**	**2020**
Cost of sales	1,488.3	1,201.9	1,117.7	994.0
Staff costs included in cost of sales	(356.8)	(332.8)	(115.9)	(120.1)
Inventory write-downs	8.9	1.7	2.4	1.5
Staff costs, see note 9	494.1	455.2	190.4	189.2
Depreciation and amortisation, see notes 15, 16 and 17	145.1	124.7	28.1	24.8
Other production costs	244.4	206.7	70.0	70.8
Production costs	**2,024.0**	**1,657.4**	**1,292.7**	**1,160.2**

Development costs of DKK 9.5 million for both the group and the parent company (2020: DKK 8.3 million) are included in other production costs.

§ **Accounting policies**

Production costs

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

07 Selling and distribution costs

	Group		Parent company	
DKKm	**2021**	**2020**	**2021**	**2020**
Staff costs, see note 9	72.6	71.9	13.9	16.7
Depreciation and amortisation, see notes 15, 16 and 17	6.4	3.4	0.0	0.0
Other selling and distribution costs	290.2	288.5	192.7	196.6
Selling and distribution costs	**369.2**	**363.8**	**206.6**	**213.3**

Other selling and distribution costs mainly comprise freight costs.

§ **Accounting policies**

Selling and distribution costs

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

Notes

08 Administrative expenses

	Group		Parent company	
DKKm	2021	2020	2021	2020
Staff costs, see note 9	69.5	59.7	31.2	33.1
Depreciation and amortisation, see notes 15, 16 and 17	8.2	6.9	6.6	6.0
Other administrative expenses	43.2	42.2	24.1	26.9
Administrative expenses	**120.9**	**108.8**	**61.9**	**66.0**

§ Accounting policies

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

09 Staff costs

	Group		Parent company	
DKKm	2021	2020	2021	2020
Wages, salaries and remuneration	551.5	514.3	213.2	217.7
Pension costs, defined benefit plans	6.1	4.7	-	-
Pension contributions, defined contribution plans	43.6	43.3	19.0	18.1
Other social security costs	35.0	24.6	3.3	3.2
Staff costs	**636.2**	**586.8**	**235.5**	**239.5**
Staff costs are recognised in the following comprehensive income statement items:				
Production costs	494.1	455.2	190.4	189.2
Selling and distribution costs	72.6	71.9	13.9	16.7
Administrative expenses	69.5	59.7	31.2	33.1
	636.2	**586.8**	**235.5**	**239.0**
Number of employees				
Average number of full-time employees	2,761	2,172	436	436

For information about pension obligations, see note 25.

Remuneration of the board of directors
The remuneration paid to the members of the board of directors is a fixed fee approved by the shareholders at the annual general meeting. As of the annual general meeting 2021, ordinary members each receive an annual fee of DKK 250,000 (2020: DKK 225,000). The vice chairman receives a fee equal to the ordinary fee multiplied by 1.5, and the chairman receives a fee equal to the ordinary fee multiplied by three. In addition, members of the audit committee receive a fee as set out below.

DKKm	2021	2020
Chairman	0.7	0.7
Vice chairman	0.4	0.3
Ordinary board members	1.0	1.3
	2.1	**2.3**

Notes

09 Staff costs – continued

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

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

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

DKKm	Salary	Bonus	Pension	Other benefits	Total
2021					
Torben Rosenkrantz-Theil	4.3	0.4	0.4	0.2	5.3
Flemming Steen	3.2	0.3	0.0	0.2	3.7
	7.5	**0.7**	**0.4**	**0.4**	**9.0**
2020					
Torben Rosenkrantz-Theil	3.8	1.7	0.4	0.2	6.1
Flemming Steen	3.1	1.3	0.0	0.2	4.6
	6.9	**3.0**	**0.4**	**0.4**	**10.7**

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

Remuneration of the audit committee
The remuneration paid to the members of the audit committee is a fixed fee approved by the shareholders at the annual general meeting. As of the annual general meeting 2021, ordinary committee members each receive an annual fee of DKK 125,000 (2020: DKK 112,500). The chairman receives an annual fee of DKK 375,000 (2020: DKK 337,500).

DKKm	2021	2020
Chairman	0.4	0.3
Ordinary committee members	0.2	0.2
	0.6	**0.5**

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

	No. of shares			
	01.01.2021	Purchased	Sold	31.12.2021
Executive board				
Torben Rosenkrantz-Theil	0	0	0	0
Flemming Steen	0	1,980	0	1,980
Board of directors				
Jan Klarskov Henriksen	0	1,000	0	1,000
Steen Parsholt	5,000	1,000	0	6,000
Jan Madsen	1,800	0	0	1,800
Marianne Schelde	0	0	0	0
Danny Fleischer	0	0	0	0
Palle Skade Andersen	0	0	0	0

Notes

10 Special items

	Group		Parent company	
DKKm	**2021**	**2020**	**2021**	**2020**
Impairment of non-current assets (note 15)	111.6	0.0	0.0	0.0
Impairment of trade receivables	4.3	0.0	4.3	0.0
Consultancy fees	0.0	13.3	0.0	13.3
Special costs	**115.9**	**13.3**	**4.3**	**13.3**
Special items	**(115.9)**	**(13.3)**	**(4.3)**	**(13.3)**
If special items had been recognised in operating profit before special items, they would have been recognised in the following items in the statement of comprehensive income:				
Production costs	(115.9)	0.0	0.0	0.0
Administrative expenses	0.0	(13.3)	0.0	(13.3)
	(115.9)	**(13.3)**	**(4.3)**	**(13.3)**

Special items for 2021 are related to impairment of non-current assets in Argentina and Brazil and impairment of the remaining receivables from Tønder Fjernvarme relating to the settlement concerning the sale of district heating.

Special costs for 2020 were related to consultancy fees in connection with the acquisition of India's Mohan Fibre and the acquisition of Russia's Gotek-Litar.

§ Accounting policies

Special items

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

11 Financial income and expenses

	Group		Parent company	
DKKm	**2021**	**2020**	**2021**	**2020**
Interest income from subsidiaries	-	-	8.4	6.8
Interest income, cash and cash equivalents etc.	2.1	1.0	0.0	0.0
Other interest income	1.1	2.8	0.1	2.0
Interest income from financial assets not measured at fair value through profit or loss	**3.2**	**3.8**	**8.5**	**8.8**
Dividend from subsidiaries	-	-	12.3	8.5
Dividend from associates	-	-	0.0	0.5
Monetary gain on hyperinflation restatement	0.7	0.0	-	-
Foreign exchange gains	32.3	8.6	17.2	4.3
Derivative financial instruments	1.6	1.5	0.9	0.9
Financial income	**37.8**	**13.9**	**38.9**	**23.0**
Interest expenses, credit institutions	17.1	10.7	0.3	7.4
Interest expenses, lease liabilities	2.5	2.5	7.6	0.1
Net interest on defined benefit plans; see note 25	0.4	0.5	0.2	-
Other financial expenses	4.4	2.8	0.4	0.4
Interest expenses from financial liabilities not measured at fair value through profit or loss	**24.4**	**16.5**	**8.5**	**7.9**
Impairment of investments in subsidiaries	-	-	158.9	57.7
Monetary loss on hyperinflation restatement	0.0	3.7	-	-
Foreign exchange losses	21.1	58.2	2.0	24.1
Derivative financial instruments	1.0	0.6	0.6	0.5
Financial expenses	**46.5**	**79.0**	**170.0**	**90.2**
Financial income and (expenses)	**(8.7)**	**(65.1)**	**(131.1)**	**(67.2)**

Notes

11 Financial income and expenses – continued

§ Accounting policies

Financial income and expenses

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

12 Tax on profit for the year

	Group		Parent company	
DKKm	2021	2020	2021	2020
Breakdown of tax for the year:				
Tax on profit for the year	30.9	85.1	41.7	53.1
Tax on other comprehensive income	3.3	0.6	(1.2)	1.2
	34.2	**85.7**	**40.5**	**54.3**
Tax on profit for the year has been calculated as follows:				
Current tax	56.8	87.0	40.1	52.5
Change in deferred tax	(30.0)	(1.4)	2.2	0.6
Change in deferred tax relating to prior years	5.8	0.8	2.6	0.0
Change in income tax rate	(0.1)	1.2	0.0	0.0
Tax relating to prior years	(1.6)	(2.5)	(3.2)	0.0
Tax on profit for the year	**30.9**	**85.1**	**41.7**	**53.1**
Tax on profit for the year may be specified as follows:				
Profit before tax	105.3	359.0	44.9	177.4
Dividend from subsidiaries and associates	0.0	0.0	(12.3)	(9.0)
Impairment of investments in subsidiaries	-	-	158.9	57.7
	105.3	**359.0**	**191.5**	**226.1**

12 Tax on profit for the year – continued

	Group		Parent company	
DKKm	2021	2020	2021	2020
	105.3	**359.0**	**191.5**	**226.1**
Tax charged at 22%	23.2	79.0	42.1	49.8
Effect of differences in tax rates of foreign subsidiaries relative to 22%	(18.1)	1.5	-	-
Tax effect of:				
Change in income tax rate	(0.1)	1.2	0.0	0.0
Unrecognised deferred tax assets in foreign subsidiaries	5.7	0.0	-	-
Non-taxable income and non-deductible expenses	(0.8)	3.1	0.0	2.9
Impairment of goodwill	12.6	0.0	0.0	0.0
Hyperinflation restatement	4.0	1.6	-	-
Other tax expenses	0.2	0.4	0.1	0.4
Deferred tax relating to prior years	5.8	0.8	2.6	0.0
Tax relating to prior years	(1.6)	(2.5)	(3.1)	0.0
Tax on profit for the year	**30.9**	**85.1**	**41.7**	**53.1**
Effective tax rate	**29**	**24**	**22**	**23**
Tax on other comprehensive income:				
Actuarial losses on defined benefit plans	6.2	(1.1)	-	-
Value adjustment of hedging instruments:				
Recognised in other comprehensive income	(3.0)	0.8	(0.2)	0.2
Transferred to revenue	(0.1)	0.4	(1.2)	0.4
Transferred to production costs	0.1	0.7	0.1	0.7
Transferred to financial income and expenses	0.1	(0.2)	0.1	(0.1)
Tax on other comprehensive income	**3.3**	**0.6**	**(1.2)**	**1.2**

The group's effective tax rate for 2021 increased to 29% (2020: 24%) due to adjustments of unrecognised deferred tax assets and adjustments of deferred tax relating to prior years in Sanovo Greenpack Embalagens Do Brasil Ltda.

Notes

12 Tax on profit for the year – continued

§ Accounting policies

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

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

13 Earnings per share

	Group	
	2021	**2020**
Average no. of shares	7,015,090	7,015,090
Average no. of treasury shares	100,000	100,000
Average no. of shares in circulation	**6,915,090**	**6,915,090**
Average dilutive effect of outstanding subscription rights	-	-
Average no. of shares, diluted	**6,915,090**	**6,915,090**
Profit for the year attributable to the shareholders of Brødrene Hartmann A/S, DKKm	**74.4**	**273.9**
Earnings per share, DKK	10.8	39.6
Diluted earnings per share, DKK	10.8	39.6

Notes

Statement of cash flows

14 Cash flows

DKKm	Group 2021	Group 2020	Parent company 2021	Parent company 2020
(Gains) and losses on disposal of intangible assets and property, plant and equipment	(0.2)	(0.5)	0.0	(0.3)
Hyperinflation restatement	10.7	8.7	-	-
Adjustment for other non-cash items	**10.5**	**8.2**	**0.0**	**(0.3)**
Inventories	(40.5)	(65.2)	12.6	(21.0)
Receivables	(72.0)	(20.6)	8.7	(64.3)
Pension obligations	(1.1)	(1.1)	-	-
Prepayments from customers	(12.4)	(7.4)	(10.5)	(9.8)
Trade payables	100.2	59.6	41.3	39.7
Other payables etc.	(19.5)	16.3	19.3	(18.4)
Foreign exchange adjustments	1.0	(11.3)	0.0	0.0
Change in working capital etc.	**(44.3)**	**(29.7)**	**71.4**	**(73.8)**
Credit institutions at 1 January	629.4	601.9	629.4	601.9
Raising of debt with credit Institutions	280.2	124.8	182.1	124.8
Repayment of debt to credit institutions	(35.0)	(93.2)	(35.0)	(93.2)
Foreign exchange adjustments	5.0	(4.6)	5.0	(4.6)
Other changes	0.5	0.5	0.5	0.5
Credit institutions at 31 December	**880.1**	**629.4**	**782.0**	**629.4**

Notes

Balance sheet

15 Intangible assets

Group

DKKm	Goodwill	Other	Total
Cost at 1 January 2021	90.7	59.9	150.6
Hyperinflation restatement	0.1	6.0	6.1
Foreign exchange adjustment	6.4	0.4	6.8
Addition on acquisition of subsidiaries	48.6	16.7	65.3
Additions	0.0	29.9	29.9
Disposals	0.0	(1.5)	(1.5)
Cost at 31 December 2021	**145.8**	**111.4**	**257.2**
Amortisation and impairment at 1 January 2021	0.0	22.7	22.7
Hyperinflation restatement	0.0	2.4	2.4
Foreign exchange adjustments	0.4	(0.4)	0.0
Amortisation	0.0	10.4	10.4
Impairment	37.0	16.2	53.2
Disposals	0.0	(1.5)	(1.5)
Amortisation and impairment at 31 December 2021	**37.4**	**49.8**	**87.2**
Carrying amount at 31 December 2021	**108.4**	**61.6**	**170.0**
Cost at 1 January 2020	63.0	49.9	112.9
Hyperinflation restatement	0.1	4.8	4.9
Foreign exchange adjustment	(20.7)	(15.0)	(36.8)
Addition on acquisition of subsidiaries	48.3	17.0	66.4
Additions	0.0	3.2	3.2
Cost at 31 December 2020	**90.7**	**59.9**	**150.6**
Amortisation and impairment at 1 January 2020	0.0	20.4	20.4
Hyperinflation restatement	0.0	1.6	1.6
Foreign exchange adjustments	0.0	(4.5)	(4.5)
Amortisation	0.0	5.2	5.2
Amortisation and impairment at 31 December 2020	**0.0**	**22.7**	**22.7**
Carrying amount at 31 December 2020	**90.7**	**37.2**	**127.9**

In 2020, other intangible assets included the Sanovo Greenpack trademark carried at DKK 8.3 million. The value of the trademark was written off in 2021. Additions in the year of DKK 29.9 million related to the acquisition of technology rights and knowhow.

Notes

15 Intangible assets – continued

Parent company

DKKm	Goodwill	Other	Total
Cost at 1 January 2021	10.7	17.4	28.1
Additions	0.0	29.6	29.6
Disposals	0.0	(1.6)	(1.6)
Cost at 31 December 2021	**10.7**	**45.4**	**56.1**
Amortisation and impairment at 1 January 2021	0.0	10.9	10.9
Amortisation	0.0	5.2	5.2
Disposals	0.0	(1.6)	(1.6)
Amortisation and impairment at 31 December 2021	**0.0**	**14.5**	**14.5**
Carrying amount at 31 December 2021	**10.7**	**30.9**	**41.6**
Cost at 1 January 2020	10.7	14.2	24.9
Additions	0.0	3.2	3.2
Cost at 31 December 2020	**10.7**	**17.4**	**28.1**
Amortisation and impairment at 1 January 2020	0.0	7.9	7.9
Amortisation	0.0	3.0	3.0
Amortisation and impairment at 31 December 2020	**0.0**	**10.9**	**10.9**
Carrying amount at 31 December 2020	**10.7**	**6.5**	**17.2**

	Group		Parent company	
DKKm	2021	2020	2021	2020
Amortisation and impairment losses are recognised in the statement of comprehensive income in the following items:				
Production costs	4.7	2.2	3.8	1.2
Selling and distribution costs	4.3	1.3	0.0	0.0
Administrative expenses	1.4	1.7	1.4	1.8
Special items	53.2	0.0	0.0	0.0
	63.6	**5.2**	**5.2**	**3.0**

Impairment testing

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

Group		Goodwill		Trademarks	
DKKm	Segment	2021	2020	2021	2020
Cash-generating unit					
Argentina	Americas	0.0	0.0	0.0	0.7
Brazil	Americas	0.0	36.9	0.0	4.5
India	Eurasia	45.7	43.1	0.0	0.0
Russia	Eurasia	52.0	0.0	0.0	0.0
Europe Moulded Fibre	Eurasia	10.7	10.7	0.0	0.0
Total		**108.4**	**90.7**	**0.0**	**5.2**

Parent company		Goodwill	
DKKm	Segment	2021	2020
Cash-generating unit			
Europe Moulded Fibre	Eurasia	10.7	10.7
Total		**10.7**	**10.7**

Key assumptions

The recoverable amounts for the units are based on the value in use determined by calculating expected net cash flows on the basis of the 2022 forecast approved by the board of directors and projections for the period 2023-2026. The average growth rates applied for the terminal period are assessed not to exceed long-term average growth rates on the markets of the individual units. The calculation of the value in use includes expected investments for the period 2022-2026, and expected normalised investments to maintain the capital apparatus are included in the terminal period.

Argentina

The rate of growth applied for the period 2022-2026 and the terminal period takes into account the expected rate of inflation. Price increases on a level with expected inflation are assumed to be realisable. Growth during the terminal period has been determined at 19.8% (2020: 19.5%). A pre-tax discount rate of 56% has been applied for the coming year (2020: 57%), which includes an expected rate of inflation of 44% (2020: 48%). The discount rate has been adjusted for a decrease in the expected inflation rate for the period 2023-2026 and for the terminal period, in which a pre-tax discount rate of 36% has been applied (2020: 32%).

Brazil

The rate of growth applied for the period 2022-2026 and the terminal period takes into account the expected rate of inflation. Price increases on a level with expected inflation are assumed to be realisable. Growth during the terminal period has been determined at 4.6% (2020: 4.0%). A pre-tax discount rate of 15% has been applied for the entire period (2020: 10%).

Notes

15 Intangible assets – continued

Conclusion

Based on the tests performed, management has identified an indication of impairment in the cash-generating units in Argentina and Brazil, which are part of the Americas segment, as the carrying amounts of goodwill, trademarks with indefinite useful lives and property plant and equipment exceed the recoverable amounts. In both countries, macroeconomic developments were adversely affected by slowing economic growth, higher inflation, increasing interest rates and mounting political instability in 2021. Overall, this has translated into a significant increase in the discount rates applied in the impairment tests and, by extension, triggered the indication of impairment. Moreover, hyperinflation restatement (IAS 29) of non-current assets in Argentina has led to a steep increase in the carrying amounts that are tested for impairment in local currencies. This revaluation is included as other comprehensive income.

The commercial assumptions for the impairment test are essentially unchanged.

Based on the revised accounting assumptions, the impairment loss amounts to DKK 111.6 million and is distributed on the following assets:

DKKm	**Argentina**	**Brazil**	**Total**
Goodwill	0.3	36.7	37.0
Other intangible assets	8.5	7.7	16.2
Land and buildings	4.2	20.0	24.2
Technical plant and machinery	3.5	28.3	31.8
Other fixtures and fittings, tools and equipment	0.4	2.0	2.4
Total impairment	**16.9**	**94.7**	**111.6**

Management monitors political and macroeconomic developments in Argentina and Brazil on a continuous basis. Going forward, inflationary pressure and macroeconomic instability, including a devaluation of the Argentine peso, may drive addtitional increases in discount rates in the short to medium term and thus lead to a risk of additional impairment losses.

Sensitivity analysis

A sensitivity analysis has been performed of the key assumptions in the impairment test made in respect of the cash-generating units in South America that have resulted in the above-mentioned impairment loss on non-current assets.

The purpose of this analysis is to identify any additional impairment risks or the possibility of partial reversal of impairments that may arise if terminal-period discount rates and growth rates are changed. The sensitivity analysis is outlined below:

Key assumptions	**Argentina**	**Brazil**
Increase of terminal-period pre-tax discount rate by 2 percentage points:		
Impairment risk	9.7	26.2
Reduction of terminal-period growth rate by 2 percentage points:		
Impairment risk	5.2	24.2
Impairment risk on combination of the above	13.3	41.4

Europe Moulded Fibre

The calculation of expected cash flows takes into account the effects of completed expansion of the European production network as well as the expected development in selling prices and the steep increases in energy and paper prices. Growth during the terminal period has been determined at 1.0% (2020: 1.0%), in line with the expected inflation rate. A pre-tax discount rate of 6% (2020: 6%) has been applied for the full period. The recoverable amounts are substantially higher than the carrying amounts of intangible assets and property plant and equipment.

India

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

Growth during the terminal period has been determined at 5.0%, in line with the expected inflation rate. A pre-tax discount rate of 12% has been applied for the full period.

Notes

15 Intangible assets – continued

Russia
Management believes that the key assumptions applied to the valuation made in connection with the acquisition of the activities in Russia were still valid at 31 December 2021.

Growth during the terminal period has been determined at 4.8%, in line with the expected inflation rate. A pre-tax discount rate of 13% has been applied for the full period.

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

Key assumptions	India	Russia
Pre-tax discount rate applied in the terminal period	11.5	13.2
Highest pre-tax discount rate in the terminal period	12.1	13.7
Growth rate applied in the terminal period	5.0	4.8
Lowest growth rate in the terminal period	4.4	4.3

Conclusion
Based on the impairment tests performed, management has not identified any indication of impairment of the cash-generating units in Europe Moulded Fibre, India or Russia.

The geopolitical tensions ensuing from the Russian invasion og Ukraine are affecting energy markets and have led to sharp price increases and a significantly heightened risk of a shortage of natural gas for the group's European factories, which could lead to production interruption. A number of countries have imposed economic sanctions on Russia, which have put the Russian ruble (RUB) under heavy pressure, fuelled inflation and led to sharp increases in Russian interest rates. The weakening of the RUB has not affected the group's expectations for 2022, but recent developments may lead to an increase in the discount rate applied to Hartmann's Russian activities and, by extension, impairment losses on the group's non-current assets there going forward.

Significant accounting estimates and judgments

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

§ Accounting policies

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

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

Impairment of intangible assets
Goodwill and trademarks with an indefinite useful life are tested for impairment annually, the first impairment test being performed prior to the end of the year of acquisition. Goodwill and trademarks with an indefinite useful life are tested at least once a year together with the other non-current assets and current net assets of the cash-generating unit to which the assets have been allocated and are written down to the recoverable amount in profit or loss if the carrying amount is higher. Impairment losses are not reversed. The recoverable amount is calculated as the net present value of expected future net cash flows from the cash-generating unit to which the goodwill and trademarks with indefinite useful lives are related.
Other intangible assets are written down in accordance with the accounting policies governing impairment of property, plant and equipment set out out in note 16.

Notes

16 Property, plant and equipment

	2021					2020				
DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant under construction	Total	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant under construction	Total
Group										
Cost at 1 January	621.4	2,177.6	81.3	188.8	3,069.1	596.0	2,169.5	81.9	93.1	2,940.5
Hyperinflation restatement	15.1	27.0	3.0	2.9	48.0	12.2	22.1	1.9	0.0	36.2
Foreign exchange adjustment	14.0	52.7	0.0	4.3	71.0	(61.1)	(160.3)	(6.3)	(15.5)	(243.2)
Transfer	39.2	122.8	0.0	(162.0)	0.0	0.0	77.7	0.0	(77.7)	0.0
Addition on acquisition of subsidiaries	15.4	34.3	0.1	1.6	51.4	37.3	19.9	0.4	0.1	57.7
Additions	39.3	12.7	15.8	318.6	386.4	37.3	90.1	4.1	188.8	320.3
Disposals	(6.7)	(44.1)	(6.0)	0.0	(56.8)	(0.3)	(41.4)	(0.7)	0.0	(42.4)
Cost at 31 December	**737.7**	**2,383.0**	**94.2**	**354.2**	**3,569.1**	**621.4**	**2,177.6**	**81.3**	**188.8**	**3,069.1**
Depreciation and impairment at 1 January	295.3	1,519.9	69.0	0.0	1,884.2	289.9	1,536.2	67.7	0.0	1,893.8
Hyperinflation restatement	1.4	11.7	1.9	0.0	15.0	0.8	6.9	1.2	0.0	8.9
Foreign exchange adjustment	4.5	34.1	0.0	0.0	38.6	(12.9)	(81.3)	(3.4)	0.0	(97.6)
Transfer	0.0	0.0	0.0	0.0	0.0	0.0	1.7	(1.7)	0.0	0.0
Depreciation	20.6	111.8	5.5	0.0	137.9	17.6	97.8	5.7	0.0	121.1
Impairment	24.2	31.8	2.4	0.0	58.4	0.0	0.0	0.0	0.0	0.0
Disposals	(6.7)	(44.1)	(6.0)	0.0	(56.8)	(0.1)	(41.4)	(0.5)	0.0	(42.0)
Depreciation and impairment at 31 December	**339.3**	**1,665.2**	**72.8**	**0.0**	**2,077.3**	**295.3**	**1,519.9**	**69.0**	**0.0**	**1,884.2**
Carrying amount at 31 December	**398.4**	**717.8**	**21.4**	**354.2**	**1,491.8**	**326.1**	**657.7**	**12.3**	**188.8**	**1,184.9**
Parent company										
Cost at 1 January	180.2	704.8	42.0	23.8	950.8	169.8	677.7	42.0	6.7	896.2
Transfer	0.0	23.8	0.0	(23.8)	0.0	0.0	7.4	(0.7)	(6.7)	0.0
Additions	4.4	15.5	2.3	10.1	32.3	10.4	26.1	0.7	23.8	61.0
Disposals	(6.4)	(24.9)	(3.9)	0.0	(35.2)	0.0	(6.4)	0.0	0.0	(6.4)
Cost at 31 December	**178.2**	**719.2**	**40.4**	**10.1**	**947.9**	**180.2**	**704.8**	**42.0**	**23.8**	**950.8**
Depreciation and impairment at 1 January	156.6	594.6	40.4	0.0	791.6	154.6	578.8	38.9	0.0	772.3
Depreciation	1.9	22.2	0.8	0.0	24.9	2.0	22.1	1.4	0.0	25.5
Disposals	(6.4)	(24.9)	(3.9)	0.0	(35.2)	(0.0)	(6.3)	(0.0)	0.0	(6.3)
Depreciation and impairment at 31 December	**152.1**	**591.9**	**37.3**	**0.0**	**781.3**	**156.6**	**594.6**	**40.3**	**0.0**	**791.5**
Carrying amount at 31 December	**26.1**	**127.3**	**3.1**	**10.1**	**166.6**	**23.6**	**110.2**	**1.7**	**23.8**	**159.3**

Notes

16 Property, plant and equipment – continued

	Group		Parent company	
DKKm	**2021**	**2020**	**2021**	**2020**
Breakdown of depreciation and impairment losses:				
Depreciation	137.9	121.1	24.9	25.5
Impairment	58.4	0.0	0.0	0.0
Part of government grants recognised as income	(1.0)	(1.0)	0.0	0.0
	195.3	**120.1**	**24.9**	**25.5**
Depreciation and impairment losses are recognised in the following comprehensive income statement items:				
Production costs	134.8	116.9	24.3	23.6
Selling and distribution costs	0.4	0.4	0.0	0.0
Administrative expenses	1.7	2.8	0.6	1.9
Special items	58.4	0.0	0.0	0.0
	195.3	**120.1**	**24.9**	**25.5**

§ Accounting policies

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

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

The carrying amount of the replaced components is no longer recognised in the balance sheet, but is transferred to the profit/loss for the year. All other costs related to general repair and maintenance are recognised in profit or loss as and when incurred.

§ Accounting policies – continued

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

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

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

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

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

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

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

Notes

17 Leases

DKKm	2021 Land and buildings	2021 Other fixtures and fittings, tools and equipment	2021 Total	2020 Land and buildings	2020 Other fixtures and fittings, tools and equipment	2020 Total
Group						
Balance sheet at 1 January	63.3	3.0	66.3	72.3	3.7	76.0
Foreign exchangeadjustment	6.1	0.1	6.0	(1.3)	(0.1)	(1.4)
Additions	0.8	11.1	11.9	0.0	1.5	1.5
Disposals	0.0	(0.4)	(0.4)	0.0	(0.1)	(0.1)
Depreciation	(8.2)	(4.2)	(12.4)	(7.7)	(2.0)	(9.7)
Balance sheet at 31 December	**62.0**	**9.4**	**71.4**	**63.3**	**3.0**	**66.3**
Parent company						
Balance sheet at 1 January	5.0	0.7	5.7	6.5	1.2	7.7
Additions	0.0	9.7	9.7	0.0	0.5	0.5
Disposals	0.0	(0.1)	(0.1)	0.0	(0.2)	(0.2)
Depreciation	(1.6)	(3.0)	(4.6)	(1.5)	(0.8)	(2.3)
Balance sheet at 31 December	**3.4**	**7.3**	**10.7**	**5.0**	**0.7**	**5.7**

DKKm	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Depreciation and impairment losses are recognised in the following comprehensive income statement items:				
Production costs	5.6	5.6	0.0	0.0
Selling and distribution costs	1.7	1.7	0.0	0.0
Administrative expenses	5.1	2.4	4.6	2.3
	12.4	**9.7**	**4.6**	**2.3**
Costs relating to current lease assets	3.9	4.7	0.3	2.5
Costs relating to leases of low-value assets	0.4	1.2	0.0	0.1

For 2021, payments related to leases amounted to DKK 14.3 million (2020: DKK 11.3 million), of which interest payments relating to recognised lease liabilities accounted for DKK 2.5 million (2020: DKK 2.5 million) and repayment of recognised lease liabilities accounted for DKK 11.8 million (2020: DKK 8.8 million).

Notes

17 Leases – continued

§ Accounting policies

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

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

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

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

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

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

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

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

18 Investments in subsidiaries

	Parent company	
DKKm	**2021**	**2020**
Cost at 1 January	1,105.4	947.4
Additions	101.9	158.0
Disposals	(25.5)	0.0
Cost at 31 December	**1,181.8**	**1,105.4**
Impairment at 1 January	84.0	26.3
Impairment losses in the year	158.9	57.7
Reversal of impairment losses in the year	(21.2)	0,0
Impairment at 31 December	**221.7**	**84.0**
Carrying amount at 31 December	**960.1**	**1,021.4**

The year's addition of DKK 101.9 million relates to the acquisition of Russian-based Gotek-Litar JSC. The DKK 158.0 million addition in 2020 related to the acquisition of India-based Mohan Fibre.

The year's disposal of DKK 25.5 million and the year's reversal of impairment losses in the amount of DKK 21.2 million relate to the winding-up of the Finnish company Hartmann-Varkaus Oy.
The year's impairment loss of DKK 158.9 million concerns the investment in the Brazilian subsidiary, the carrying amount of which has been reduced to the recoverable amount due to significant adverse changes in the underlying macroeconomic factors. The DKK 57.7 million impairment loss recognised in 2020 concerns the group's investments in South America, the carrying amount of which was reduced to the recoverable amount as a result of massive currency depreciation.

§ Accounting policies

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

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

Notes

18 Investments in subsidiaries – continued

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

§ Accounting policies – continued

Impairment of investments in subsidiaries in the parent company financial statements

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

19 Receivables from subsidiaries (non-current)

	Parent company	
DKKm	**2021**	**2020**
Carrying amount at 1 January	299.5	341.5
Foreign exchange adjustment	14.9	(16.2)
Additions	296.1	57.4
Disposals	(21.4)	(83.2)
Carrying amount at 31 December	**589.1**	**299.5**

§ Accounting policies

Receivables from subsidiaries in the parent company financial statements

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

Notes

20 Investments in associates

	Group		Parent company	
DKKm	2021	2020	2021	2020
Cost at 1 January	1.2	1.2	1.2	1.2
Cost at 31 December	**1.2**	**1.2**	**1.2**	**1.2**
Value adjustments at 1 January	1.4	1.8	0.0	0.0
Dividend	0.0	(0.5)	-	-
Share of profit for the year	0.0	0.1	-	-
Value adjustments at 31 December	**1.4**	**1.4**	**0.0**	**0.0**
Carrying amount at 31 December	**2.6**	**2.6**	**1.2**	**1.2**

Name	Registered office	Ownership interest	Gross profit	Profit for the year*	Assets	Liabilities	Equity
2021							
DanFiber A/S	Allerød	49.0%	5.0	0.1	30.8	25.4	5.4
2020							
DanFiber A/S	Allerød	49.0%	4.9	0.1	17.3	12.1	5.2

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

§ Accounting policies

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

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

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

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

Notes

21 Deferred tax

Temporary differences between the carrying amount and the tax base

DKKm	Intangible and equipment	Property, plant assets	Current assets	Liabilities	Other	Tax loss carried forward	Total
Group							
Deferred tax at 1 January 2021	8.5	48.6	(3.3)	(13.9)	(19.3)	(29.1)	(8.5)
Foreign exchange adjustment	0.3	0.4	(0.3)	(0.4)	0.8	(1.8)	(1.0)
Adjustment relating to prior years	0.0	(0.2)	0.0	3.1	(0.2)	3.1	5.8
Acquisitions	0.0	8.2	0.0	0.0	0.0	0.0	8.2
Recognised in profit for the year, net	0.6	(22.2)	1.3	(0.7)	(7.4)	(1.6)	(30.0)
Recognised through other comprehensive income, net	0.0	0.0	0.0	6.2	(3.0)	0.0	3.2
Deferred tax at 31 December 2021	**9.4**	**34.8**	**(2.3)**	**(5.7)**	**(29.1)**	**(29.4)**	**(22.3)**
Deferred tax at 1 January 2020	4.7	50.5	0.4	(18.9)	(20.6)	(38.4)	(22.3)
Foreign exchange adjustment	(1.5)	(12.3)	0.1	1.7	2.2	5.5	(4.3)
Adjustment relating to prior years	0.0	0.8	0.0	0.0	0.0	0.0	0.8
Acquisitions	0.0	16.9	0.0	0.0	0.0	0.0	16.9
Recognised in profit for the year, net	5.3	(7.3)	(3.8)	4.4	(2.6)	3.8	(0.2)
Recognised through other comprehensive income, net	0.0	0.0	0.0	(1.1)	1.7	0.0	0.6
Deferred tax at 31 December 2020	**8.5**	**48.6**	**(3.3)**	**(13.9)**	**(19.3)**	**(29.1)**	**(8.5)**
Parent company							
Deferred tax at 1 January 2021	1.1	4.5	0.7	(3.4)	0.0	0.0	2.9
Adjustment relating to prior years	0.0	(0.2)	0.0	3.0	(0.2)	0.0	2.6
Recognised in profit for the year, net	0.8	1.6	0.0	0.1	(0.4)	0.0	2.1
Recognised through other comprehensive income, net	0.0	0.0	0.0	0.0	(1.2)	0.0	(1.2)
Deferred tax at 31 December 2021	**1.9**	**5.9**	**0.7**	**(0.3)**	**(1.8)**	**0.0**	**6.4**
Deferred tax at 1 January 2020	1.2	3.1	0.8	(2.9)	(1.2)	0.0	1.0
Adjustment relating to prior years	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recognised in profit for the year, net	(0.1)	1.4	(0.1)	(0.5)	2.4	0.0	3.1
Recognised through other comprehensive income, net	0.0	0.0	0.0	0.0	(1.2)	0.0	(1.2)
Deferred tax at 31 December 2020	**1.1**	**4.5**	**0.7**	**(3.4)**	**0.0**	**0.0**	**2.9**

The item 'Other' includes the expected tax effect of corresponding adjustments as a result of completed tax audits of the group's transfer prices still awaiting final settlement between the tax authorities of the countries involved. The amount was DKK 21.2 million in 2021 (2020: DKK 21.2 million). Tax loss carry-forwards are attributable to the group's companies in Argentina, Brazil, India and the USA.

Notes

21 Deferred tax – continued

Deferred tax assets and liabilities

	2021			2020		
DKKm	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Group						
Intangible assets	0.0	9.4	9.4	0.0	8.5	8.5
Property, plant and equipment	(27.7)	62.5	34.8	(20.2)	68.8	48.6
Current assets	(3.3)	1.0	(2.3)	(4.1)	0.8	(3.3)
Liabilities	(7.4)	1.7	(5.7)	(14.9)	1.0	(13.9)
Other	(29.2)	0.1	(29.1)	(19.3)	0.0	(19.3)
Tax loss carry-forwards	(29.4)	0.0	(29.4)	(29.1)	0.0	(29.1)
Deferred tax (assets)/liabilities	**(97.0)**	**74.7**	**(22.3)**	**(87.6)**	**79.1**	**(8.5)**
Set-off within legal tax entities	35.0	(35.0)	0.0	46.4	(46.4)	0.0
Total deferred tax (assets)/liabilities, net	**(62.0)**	**39.7**	**(22.3)**	**(41.2)**	**32.7**	**(8.5)**
Parent company						
Intangible assets	0.0	1.9	1.9	0.0	1.2	1.2
Property, plant and equipment	0.0	5.9	5.9	0.0	4.4	4.4
Current assets	0.0	0.7	0.7	0.0	0.7	0.7
Liabilities	(0.3)	0.0	(0.3)	(3.4)	0.0	(3.4)
Other	(1.8)	0.0	(1.8)	0.0	0.0	0.0
Total deferred tax (assets)/liabilities, net	**(2.1)**	**8.5**	**6.4**	**(3.4)**	**6.3**	**2.9**
Set-off within legal tax entities	2.1	(2.1)	0.0	3.4	(3.4)	0.0
Total deferred tax liabilities, net	**0.0**	**6.4**	**6.4**	**0.0**	**2.9**	**2.9**

The item 'Other' includes the expected tax effect of corresponding adjustments as a result of completed tax audits of the group's transfer prices still awaiting final settlement between the tax authorities of the countries involved. The amount was DKK 21.2 million in 2021 (2020: DKK 21.2 million).

Notes

21 Deferred tax – continued

Unrecognised deferred tax assets

DKKm	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Unrecognised deferred tax assets at 1 January	3.7	2.9	0.0	0.0
Foreign exchange adjustment	0.0	(0.8)	0.0	0.0
Change in income tax rate	0.5	0.0	0.0	0.0
Additions	5.7	1.6	0.0	0.0
Fair value adjustment of financial instruments recognised through other comprehensive income	4.5	0.0	0.0	0.0
Unrecognised deferred tax assets at 31 December	**13.4**	**3.7**	**0.0**	**0.0**

Deferred tax assets that are not expected to be realised or are otherwise subject to significant risks of not being utilised are not recognised. Unrecognised deferred tax assets for 2021 relate to the subsidiary in Brazil (2020: Brazil). The utilisation of unrecognised tax assets is not subject to any time limit.

Significant accounting estimates and judgments

Deferred tax assets

In the measurement of deferred tax assets, it is assessed whether, on the basis of financial forecasts and operating plans, future earnings will allow for and render probable the utilisation of the temporary differences between tax bases and carrying amounts. Tax loss carry-forwards are recognised based on utilisation within five years. The net carrying amount of deferred tax assets for the group amounted to DKK 62.0 million at 31 December 2021 (2020: DKK 41.2 million), of which DKK 21.2 million can be attributed to the estimated tax effect of corresponding adjustments relating to pending tax audits in Hungary.

§ Accounting policies

Deferred tax

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

Impairment of deferred tax assets

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

Notes

22 Inventories

DKKm	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Raw materials and consumables	210.8	188.1	84.0	91.4
Work in progress	5.6	13.5	19.6	27.2
Finished goods and goods for resale	83.5	55.1	20.2	17.8
Inventories	**299.9**	**256.7**	**123.8**	**136.4**
Inventories recognised at net realisable value	14.0	9.0	5.9	3.7

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

The group has not pledged inventories as security for debt items to any third party.

§ Accounting policies

Inventories
Inventories are measured at cost using the FIFO method.

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

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

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

23 Trade receivables

DKKm	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Trade receivables, gross	418.1	370.0	244.7	234.7
Changes in credit loss allowance:				
Allowance at 1 January	22.2	39.9	18.8	36.9
Additions in the year	0.6	0.7	0.2	0.0
Realised in the year	(0.1)	(1.9)	(0.6)	(1.9)
Reversal in the year	(0.8)	(16.5)	0.0	(16.2)
Allowance at 31 December	21.9	22.2	18.4	18.8
Trade receivables, net	**396.2**	**347.8**	**226.3**	**215.9**

The total impairment loss relates partly to doubtful debts, primarily customers in receivership or under reconstruction.

§ Accounting policies

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

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

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

Notes

23 Trade receivables – continued

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

DKKm	Not overdue	Overdue by 1-30 days	Overdue by 31-60 days	Overdue by 61-90 days	Overdue by over 90 days	Total
Group						
31 December 2021						
Expected loss rate	0%	1%	4%	15%	62%	5%
Trade receivables	355.4	26.7	1.6	0.6	33.8	418.1
Expected credit loss	0.6	0.2	0.1	0.1	20.9	21.9
31 December 2020						
Expected loss rate	0%	0%	10%	0%	49%	6%
Trade receivables	278.8	32.3	1.9	13.5	43.5	370.0
Expected credit loss	0.6	0.1	0.2	0.0	21.3	22.2
Parent company						
31 December 2021						
Expected loss rate	0%	0%	7%	15%	59%	8%
Trade receivables	199.5	13.4	0.7	0.2	30.9	244.7
Expected credit loss	0.0	0.0	0.0	0.0	18.4	18.4
31 December 2020						
Expected loss rate	0%	0%	0%	0%	47%	8%
Trade receivables	160.3	21.2	0.0	12.7	40.5	234.7
Expected credit loss	0.0	0.0	0.0	0.0	18.8	18.8

24 Share capital

DKKm	Parent company
Share capital at 1 January 2017	140.3
Share capital at 31 December 2021	**7,015,090**
Shares of DKK 20 each	**140.3**

No shares confer special rights.

Treasury shares
Brødrene Hartmann A/S has been authorised by its shareholders to acquire up to 10% of its own shares. The authorisation is valid until 26 April 2022.

At 31 December 2021, Hartmann held 100,000 treasury shares (2020: 100,000) representing a nominal value of DKK 2 million, or 1.4% of the total share capital. The value of the shares at 31 December 2021 was DKK 36.9 million (2020: DKK 50.2 million).

Dividend
Proposed dividend
The board of directors has proposed that no dividend be paid for the financial year ended 31 December 2021.

Dividend paid
No dividend was paid in the financial year ended 31 December 2021 (2020: DKK 0.0 million).

Notes

25 Pension obligations

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

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

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

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

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

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

	Group	
DKKm	**2021**	**2020**
Recognition of defined benefit plans in the statement of comprehensive income:		
Pension costs for the year	6.1	4.7
Costs of plan administration for the year	0.6	0.4
Interest expenses on asset cap	0.0	0.0
Interest expenses, net	0.4	0.5
Recognised in profit for the year	**7.1**	**5.6**
Return on plan assets (excluding amounts recognised in interest expenses, net)	(12.5)	(8.2)
Actuarial losses:		
– From changes in demographic assumptions	0.0	0.0
– From changes in financial assumptions	(10.7)	12.7
– From experience-based adjustments	(1.5)	(0.1)
Change in assets not recognised due to asset cap	0.0	0.0
Tax	6.2	(1.2)
Recognised in other comprehensive income	**(18.5)**	**3.2**
Recognised in comprehensive income	**(11.4)**	**8.8**
Recognition of defined benefit plans in the balance sheet:		
Present value of liability with plan assets	140.7	134.0
Market value of plan assets	(158.4)	(130.0)
Net obligation of plans with plan assets	(17.7)	4.0
Present value of plans without plan assets	27.3	31.2
Assets not recognised due to asset cap	0.0	0.0
Recognised net obligation	**9.6**	**35.2**

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

Notes

25 Pension obligations – continued

DKKm	Group 2021	Group 2020
Change in defined benefit plan obligations		
Present value of pension obligations at 1 January	165.2	156.7
Foreign exchange adjustment	11.6	(9.1)
Pension costs for the year	6.1	4.7
Interest on pension obligation	4.0	4.2
Contributions from plan participants	3.1	2.8
Actuarial losses:		
– From changes in demographic assumptions	0.0	0.0
– From changes in financial assumptions	(10.7)	12.7
– From experience-based adjustments	(1.5)	(0.1)
Pension benefits paid	(9.8)	(6.7)
Present value of pension obligations at 31 December	**168.0**	**165.2**
Changes in defined benefit plan assets		
Fair value of plan assets at 1 January	130.0	124.6
Foreign exchange adjustment	11.3	(8.9)
Return on plan assets (excluding amounts recognised in interest expenses, net)	12.5	8.2
Interest on plan assets	3.6	3.7
Administrative expenses	(0.5)	(0.5)
Employer contributions	9.2	7.4
Pension benefits paid	(7.7)	(4.5)
Fair value of plan assets at 31 December	**158.4**	**130.0**
Breakdown of actual return on plan assets		
Return on plan assets (excluding amounts recognised in interest expenses, net)	12.5	8.2
Interest on plan assets	3.6	3.7
	16.1	**11.9**

Hartmann expects to contribute DKK 13.2 million to pension plans in 2022 (2020: DKK 11.7 million relating to 2021).

	2021 DKKm	2021 %	2020 DKKm	2020 %
Composition of plan assets:				
Shares and investment funds	122.8	77.5	95.8	73.7
Bonds and other securities	35.6	22.5	34.2	26.3
	158.4	**100.0**	**130.0**	**100.0**

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

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

DKKm	2021 +1% point	2021 -1% point	2020 +1% point	2020 -1% point
Pension obligation sensitivity to changes in the discount rate:				
– Germany	(2.4)	2.6	(2.9)	3.2
– Canada, wage earners	(15.1)	20.7	(15.4)	20.9
– Canada, salaried employees	(5.7)	7.3	(5.4)	6.9

Notes

25 Pension obligations – continued

	Group	
%	2021	2020
Defined benefit plans have been calculated based on the following actuarial assumptions:		
Discount rate		
– Germany	0.66	1.19
– Canada, wage earners	3.00	2.60
– Canada, salaried employees	3.00	2.60
Expected pay rise		
– Germany	-	-
– Canada, wage earners	0.0	0.0
– Canada, salaried employees	2.00	2.00

§ Accounting policies

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

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

Notes

Other

26 Fees to shareholder-appointed auditor

	Group		Parent company	
DKKm	**2021**	**2020**	**2021**	**2020**
Fees to Deloitte				
Statutory audit	2.5	2.4	1.2	1.1
Tax and VAT-related services	0.0	0.7	0.0	0.0
Other services	0.3	1.0	0.3	1.0
Fees to shareholder-appointed auditor	**2.8**	**4.1**	**1.5**	**2.1**

Fees paid to Deloitte Statsautoriseret Revisionspartnerselskab (Deloitte Danmark) for non-audit services amount to DKK 0.3 million for both the group and the parent company and concern general accounting services) (2020: DKK 1.0 million concerning various services in connection with the acquisition of Mohan Fibre in India).

Notes

27 Collateral and contingent liabilities

Guarantees
Brødrene Hartmann A/S has provided a parent company guarantee to Hartmann (UK) Ltd. (CRN 00734190) to allow the subsidiary to claim exemption from audit under section 479A of the British Companies Act 2006. At 31 December 2021, the amount owed to creditors of Hartmann (UK) Ltd. was DKK 0.8 million (2020: DKK 0.9 million).

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

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

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

Other matters
In autumn 2019, the Brazilian tax authorities raised a claim of BRL 56 million, corresponding to DKK 66 million, against Hartmann's Brazilian subsidiary, Sanovo Greenpack Embalagens Do Brasil Ltda., concerning non-payment of industrial products tax (IPI) on sales of the company's products in 2015 and 2016. Based on judicial practice and statements from its legal advisers, Hartmann is of the opinion that the company's products are not liable to IPI tax and accordingly considers the claim to be unjustified. Hartmann therefore disputes the claim.

There has been no significant development in the case in 2021. A lengthy process is expected before the case will be finally settled.

Hartmann does not expect the claim to materially affect the company's financial position, results of operations or cash flows.

Pending lawsuits
The group is party to a few lawsuits and disputes. Management believes that these lawsuits and disputes will not significantly affect the financial position of the group or the parent company.

Notes

28 Financial risks

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

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

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

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

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

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

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

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

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

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

A 5% increase in the year-end exchange rate against DKK or EUR would result in fair value adjustment of other comprehensive income by DKK 0.4 million (2020: DKK 0.1 million).

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

Notes

28 Financial risks – continued

Currency table

Exchange rate, DKK per 100		**2021**	**2020**
ARS	Average rate	6.6	9.4
	Year-end rate	6.4	7.2
	Change in year-end rate, %	(11.3)	(35.4)
BRL	Average rate	116.7	128.3
	Year-end rate	117.8	116.7
	Change in year-end rate, %	0.9	(29.4)
CAD	Average rate	501.5	487.8
	Year-end rate	516.7	476.0
	Change in year-end rate, %	8.5	(7.0)
EUR	Average rate	743.7	745.4
	Year-end rate	743.6	744.1
	Change in year-end rate, %	(0.1)	(0.4)
GBP	Average rate	864.9	838.9
	Year-end rate	885.0	827.7
	Change in year-end rate, %	6.9	(5.8)
HRK	Average rate	98.8	98.9
	Year-end rate	98.9	98.5
	Change in year-end rate, %	0.4	(1.9)
HUF	Average rate	2.08	2.12
	Year-end rate	2.01	2.04
	Change in year-end rate, %	(1.5)	(9.5)
ILS	Average rate	194.8	190.1
	Year-end rate	211.1	188.7
	Change in year-end rate, %	11.9	(2.1)
INR	Average rate	8.5	8.8
	Year-end rate	8.8	8.3
	Change in year-end rate, %	6.4	(10.9)
PLN	Average rate	163.0	167.9
	Year-end rate	161.8	163.2
	Change in year-end rate, %	(0.9)	(7.0)
RUB	Average rate	8.5	8.3
	Year-end rate	8.7	8.1
	Change in year-end rate, %	7.2	N/A
USD	Average rate	628.7	654.2
	Year-end rate	656.6	606.4
	Change in year-end rate, %	8.3	(8.8)

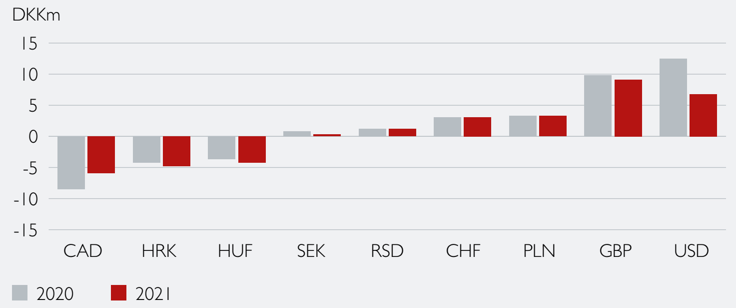
Interest rate risk

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

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

A 1 percentage point change in the general interest rate level related to committed credit facilities would affect pre-tax profits by approximately DKK 5 million (2020: approx. DKK 4 million).

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



Notes

28 Financial risks – continued

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

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

The group's long-term loan agreement comprises a committed credit facility of an original amount of DKK 750 million expiring at 23 May 2024 but with an option to extend by one year. The credit facility has been expanded by DKK 245 million for the funding of acquisitions in India and Russia. The interest margin on both loans is floating and is fixed each quarter based on the group's earnings. The loans are subject to covenants, including covenants concerning the financial ratio 'Net interest-bearing debt' to 'Operating profit before depreciation, amortisation and impairment'. The group complied with all covenants in 2021. In addition, the loan agreements contain cross-default and change-of-control clauses.

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

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

Total liquidity available to the group (DKKm)	**2021**	**2020**
Undrawn credit facilities with banks at 31 December	316	399
Cash at 31 December	118	210
Amount held in escrow, not available	0	-91
Liquidity available at 31 December	**434**	**518**

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

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

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

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

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

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

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

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

Notes

29 Financial instruments

Maturities of financial liabilities including interest payments

	2021					2020				
DKKm	Carrying amount	Payment obligation	In 1 year or less	In 1-5 years	After 5 years	Carrying amount	Payment obligation	In 1 year or less	In 1-5 years	After 5 years
Group										
Credit institutions	880.1	892.5	103.1	789.4	0.0	629.4	641.7	4.8	636.9	0.0
Overdraft facilities	91.0	91.0	91.0	0.0	0.0	134.4	134.4	134.4	0.0	0.0
Lease liabilities	74.7	86.8	14.3	47.7	24.8	68.6	81.5	11.3	41.3	29.0
Trade payables	306.7	306.7	306.7	0.0	0.0	209.6	209.6	209.6	0.0	0.0
Payables to associates	10.7	10.7	10.7	0.0	0.0	5.1	5.1	5.1	0.0	0.0
Other payables	160.7	160.7	160.7	0.0	0.0	171.4	171.4	171.4	0.0	0.0
	1,523.9	**1,548.4**	**686.5**	**837.0**	**24.8**	**1,218.5**	**1,243.7**	**536.6**	**678.2**	**29.0**
Parent company										
Credit institutions	782.0	794.4	5.0	789.4	0.0	629.4	641.7	4.8	636.9	0.0
Overdraft facilities	74.3	74.3	74.3	0.0	0.0	113.1	113.1	113.1	0.0	0.0
Lease liabilities	10.8	11.0	4.6	6.4	0.0	5.8	6.1	2.3	3.8	0.0
Trade payables	146.7	146.7	146.7	0.0	0.0	105.4	105.4	105.4	0.0	0.0
Payables to subsidiaries	226.1	226.1	226.1	0.0	0.0	180.8	180.8	180.8	0.0	0.0
Payables to associates	10.4	10.4	10.4	0.0	0.0	4.9	4.9	4.9	0.0	0.0
Other payables	78.4	78.4	78.4	0.0	0.0	103.2	103.2	103.2	0.0	0.0
	1,328.7	**1,341.3**	**545.5**	**795.7**	**0.0**	**1,142.6**	**1,155.2**	**514.5**	**640.7**	**0.0**

Notes

29 Financial instruments – continued

	Group				Parent company			
	2021		2020		2021		2020	
Financial instrument categories DKKm	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Derivative financial instruments to hedge future cash flows	0.9	0.9	4.4	4.4	0.6	0.6	0.6	0.6
Financial assets used as hedging instruments	**0.9**	**0.9**	**4.4**	**4.4**	**0.6**	**0.6**	**0.6**	**0.6**
Trade receivables	396.2	396.2	347.8	347.8	226.3	226.3	215.9	215.9
Receivables from subsidiaries	-	-	-	-	96.8	96.8	136.9	136.9
Other receivables	156.5	156.5	97.0	97.0	81.2	81.2	43.6	43.6
Cash	117.9	117.9	209.5	209.5	4.5	4.5	95.3	95.3
Loans and receivables	**670.6**	**670.6**	**654.3**	**654.3**	**408.8**	**408.8**	**491.7**	**491.7**
Derivative financial instruments to hedge future cash flows	10.9	10.9	2.1	2.1	7.6	7.6	2.1	2.1
Financial liabilities used as hedging instruments	**10.9**	**10.9**	**2.1**	**2.1**	**7.6**	**7.6**	**2.1**	**2.1**
Credit institutions and overdraft facilities	971.1	971.3	763.9	764.6	856.3	856.5	742.5	743.2
Lease liabilities	74.7	86.8	68.6	81.5	10.8	11.0	5.8	6.1
Payables to subsidiaries	-	-	-	-	226.1	226.1	180.8	180.8
Other liabilities	483.2	483.2	416.7	416.7	466.8	466.8	416.6	416.6
Financial liabilities measured at amortised cost	**1,529.0**	**1,541.3**	**1,249.2**	**1,262.8**	**1,560.0**	**1,560.4**	**1,345.7**	**1,346.7**

Notes

29 Financial instruments – continued

Fair value of derivative financial instruments

Hartmann's primary currency exposure relates to sales denominated in currencies other than the functional currency of the individual group entities. Forward exchange contracts are used to hedge future cash flows. The fair value of forward contracts is based on observable data (level 2) and has been recognised in receivables and payables at 31 December 2021. Changes in the fair value of financial instruments qualifying as hedges of future cash flows are recognised in other comprehensive income.

	Group								Parent company					
Forward contracts	**2021**				**2020**				**2021**			**2020**		
DKKm	**Average hedging exchange rate**	**Positive**	**Negative**	**Net**	**Average hedging exchange rate**	**Positive**	**Negative**	**Net**	**Positive**	**Negative**	**Net**	**Positive**	**Negative**	**Net**
CHF/DKK	6.93	0.0	(1.7)	(1.7)	6.91	0.1	(0.1)	0.0	0.0	(1.7)	(1.7)	0.1	(0.1)	0.0
EUR/HRK	7.46	0.0	(0.8)	(0.8)	7.55	0.0	(0.1)	(0.1)	0.0	(0.8)	(0.8)	0.0	(0.1)	(0.1)
EUR/HUF	365.60	0.0	(3.0)	(3.0)	362.58	0.1	(0.4)	(0.3)	0.0	(3.0)	(3.0)	0.1	(0.4)	(0.3)
GBP/DKK	8.69	0.0	(2.0)	(2.0)	8.15	0.0	(0.9)	(0.9)	0.0	(2.0)	(2.0)	0.0	(0.9)	(0.9)
PLN/DKK	1.60	0.6	(0.1)	0.5	1.64	0.1	0.0	0.1	0.6	(0.1)	0.5	0.1	0.0	0.1
SEK/DKK	0.0	0.0	0.0	0.0	0.72	0.0	(0.6)	(0.6)	0.0	0.0	0.0	0.0	(0.6)	(0.6)
USD/CAD	1.26	0.3	(3.3)	(3.0)	1.32	3.8	0.0	3.8	-	-	-	-	-	-
Option contract, EUR/RUB		0.0	0.0	0.0		0.3	0.0	0.3	0.0	0.0	0.0	0.3	0.0	0.3
		0.9	**(10.9)**	**(10.0)**		**4.4**	**(2.1)**	**2.3**	**0.6**	**(7.6)**	**(7.0)**	**0.6**	**(2.1)**	**(1.5)**
Expected maturity														
In 1 year or less		0.9	(10.9)	(10.0)		4.4	(2.1)	2.3	0.6	(7.6)	(7.0)	0.6	(2.1)	(1.5)
		0.9	**(10.9)**	**(10.0)**		**4.4**	**(2.1)**	**2.3**	**0.6**	**(7.6)**	**(7.0)**	**0.6**	**(2.1)**	**(1.5)**

§ Accounting policies

Derivative financial instruments

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

Notes

29 Financial instruments – continued

Hedging of future cash flows DKKm	**2021** **Notional amount**	**Fair value**	**Recognised in other comprehensive income**	**2020** **Notional amount**	**Fair value**	**Recognised in Other comprehensive income**
Group						
Forward contract, CHF/DKK	49.7	(1.7)	(1.7)	35.1	0.0	0.0
Forward contract, SEK/DKK	0.0	0.0	0.0	18.9	(0.6)	(0.6)
Forward contract, EUR/HRK	88.4	(0.8)	(0.8)	66.6	(0.1)	(0.1)
Forward contract, DKK/HRK	0.0	0.0	0.0	0.0	0.0	0.0
Forward contract, EUR/HUF	86.3	(3.0)	(3.0)	55.8	(0.3)	(0.3)
Forward contract, GBP/DKK	148.7	(2.0)	(2.0)	49.7	(0.9)	(0.9)
Forward contract, PLN/DKK	58.6	0.5	0.5	24.5	0.1	0.1
Forward contract, USD/CAD	108.5	(3.0)	(3.0)	100.0	3.8	3.8
Option contract, EUR/RUB	0.0	0.0	0.0	0.3	0.3	0.3
	540.2	**(10.0)**	**(10.0)**	**350.9**	**2.3**	**2.3**
Parent company						
Forward contract, CHF/DKK	49.7	(1.7)	(1.7)	35.1	0.0	0.0
Forward contract, SEK/DKK	0.0	0.0	0.0	18.9	(0.6)	(0.6)
Forward contract, EUR/HRK	88.4	(0.8)	(0.8)	66.6	(0.1)	(0.1)
Forward contract, DKK/HRK	0.0	0.0	0.0	0.0	0.0	0.0
Forward contract, EUR/HUF	86.3	(3.0)	(3.0)	55.8	(0.3)	(0.3)
Forward contract, GBP/DKK	148.7	(2.0)	(2.0)	49.7	(0.9)	(0.9)
Forward contract, PLN/DKK	58.6	0.5	0.5	24.5	0.1	0.1
Option contract, EUR/RUB	0.0	0.0	0.0	0.3	0.3	0.3
	431.7	**(7.0)**	**(7.0)**	**250.9**	**(1.5)**	**(1.5)**

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

Notes

29 Financial instruments – continued

Fair value hedging	2021				2020			
	Monetary items		Hedged through hedging	Net	Monetary items		Hedged through hedging	Net
DKKm	Assets	Liabilities	instruments	position	Assets	Liabilities	instruments	position
Group								
ARS	47.4	(18.8)	0.0	28.6	33.7	(16.2)	0.0	17.5
BRL	37.8	(35.2)	0.0	2.6	43.6	(46.3)	0.0	(2.7)
CAD	69.7	(41.9)	0.0	27.8	34.3	(37.7)	0.0	(3.4)
CHF	5.7	(3.3)	0.0	2.4	7.8	(0.7)	0.0	7.1
EUR	143.6	(283.0)	0.0	(139.4)	159.7	(158.2)	0.0	1.5
GBP	39.4	(0.9)	0.0	38.5	20.7	(0.8)	0.0	19.9
HUF	23.1	(45.0)	0.0	(21.9)	19.0	(28.3)	0.0	(9.3)
ILS	39.6	(9.6)	0.0	30.0	32.5	(7.7)	0.0	24.8
PLN	11.4	(0.6)	0.0	10.8	9.9	(0.3)	0.0	9.6
SEK	0.5	(0.7)	0.0	(0.2)	0.6	(2.7)	0.0	(2.1)
USD	68.5	(131.1)	0.0	(62.6)	66.9	(55.6)	0.0	11.3
Other currencies	81.9	(42.6)	0.0	39.3	76.8	(14.1)	0.0	62.7
Parent company								
BRL	27.8	0.0	0.0	27.8	32.4	0.0	0.0	32.4
CAD	1.1	0.0	0.0	1.1	1.6	0.0	0.0	1.6
CHF	3.4	(3.3)	0.0	0.1	5.8	(1.0)	0.0	4.8
EUR	445.1	(385.2)	0.0	59.9	388.7	(285.3)	0.0	103.4
GBP	39.4	(5.2)	0.0	34.2	20.7	(4.8)	0.0	15.9
HUF	0.1	(49.3)	0.0	(49.2)	7.4	0.0	0.0	7.4
PLN	11.3	(2.1)	0.0	9.2	9.8	(1.9)	0.0	7.9
SEK	0.5	(0.7)	0.0	(0.2)	0.6	(2.7)	0.0	(2.1)
USD	265.7	(98.6)	0.0	167.1	105.4	(30.6)	0.0	74.8
ILS	1.5	0.0	0.0	1.5	1.0	0.0	0.0	1.0
Other currencies	37.3	(32.9)	0.0	4.4	8.8	(1.8)	0.0	7.0

Notes

29 Financial instruments – continued

Hedging of net assets in foreign subsidiaries DKKm	2021 Investment	2021 Amount hedged	2021 Net position	2021 The year's value adjustment recognised in other comprehensive income	2020 Investment	2020 Amount hedged	2020 Net position	2020 The year's value adjustment recognised in other comprehensive income
Group								
ARS	131.5	0.0	131.5	(11.6)	107.8	0.0	107.8	(37.2)
BRL	38.5	0.0	38.5	0.2	129.6	0.0	129.6	(53.4)
CAD	236.7	0.0	236.7	17.5	208.7	0.0	208.7	(12.8)
CHF	2.2	0.0	2.2	0.1	2.1	0.0	2.1	0.0
EUR	98.1	0.0	98.1	(6.3)	97.0	0.0	97.0	(0.4)
GBP	4.1	0.0	4.1	0.3	3.9	0.0	3.9	(0.3)
HRK	91.8	0.0	91.8	0.4	76.9	0.0	76.9	(1.3)
HUF	144.9	0.0	144.9	(1.8)	129.0	0.0	129.0	(13.3)
ILS	60.4	0.0	60.4	6.3	49.9	0.0	49.9	(1.0)
INR	143.7	0.0	143.7	8.8	138.8	0.0	138.8	(18.0)
PLN	1.6	0.0	1.6	0.0	1.7	0.0	1.7	(0.1)
RUB	107.3	0.0	107.3	12.5	0.0	0.0	0.0	0.0
USD	202.0	0.0	202.0	15.3	177.1	0.0	177.1	(17.2)
Other currencies	2.9	0.0	2.9	(0.8)	2.5	0.0	2.5	(0.2)
	1,353.5	**0.0**	**1,353.5**	**40.9**	**1,125.0**	**0.0**	**1,125.0**	**(155.2)**

Interest rate risk DKKm	2021 Nominal value	2021 Carrying amount	2021 Interest rate	2021 Interest rate risk	2020 Nominal value	2020 Carrying amount	2020 Interest rate	2020 Interest rate risk
Group								
Credit institutions, floating rate	782.2	782.0	0.6%	Cash flow	630.1	629.4	0.8%	Cash flow
Parent company								
Credit institutions, floating rate	782.2	782.0	0.6%	Cash flow	630.1	629.4	0.8%	Cash flow
Receivables from subsidiaries								
Fixed rate	51.1	51.1	3-6.65%	Fair value	31.8	31.8	3-8%	Fair value
Floating rate	538.6	538.6	0.92%-2.21%	Cash flow	267.7	267.7	0.95%-1.74%	Cash flow

Notes

30 Related parties

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

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

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

	Group		**Parent company**	
DKKm	**2021**	**2020**	**2021**	**2020**
Companies with a controlling interest				
Joint taxation contributions paid	49.0	37.2	49.0	37.2
Adjustment of joint taxation contributions paid in prior years	(2.8)	0.0	(2.8)	0.0
Other receivables	0.0	0.0	0.0	0.0
Other payables	0.0	0.2	0.0	0.0
Associates				
Production costs	81.0	48.9	81.1	44.7
Payables to associates	10.7	5.1	10.4	4.9
Subsidiaries				
Revenue	-	-	254.0	217.7
Production costs	-	-	532.3	487.1
Other income/(expenses) recognised in operating profit	-	-	(1.4)	0.1
Interest income	-	-	8.4	6.8
Receivables from subsidiaries, non-current	-	-	589.1	299.5
Receivables from subsidiaries, current	-	-	96.8	136.9
Payables to subsidiaries	-	-	226.1	180.8
Other related parties				
Revenue	2.0	12.7	2.0	12.7
Prepayments from customers	0.0	0.0	0.0	0.0

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

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

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

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

In 2020, Hartmann entered into an agreement with Thornico Food & Food Technology Group A/S on the establishment of an egg packaging plant in China. Hartmann delivered most of the production equipment in 2020 and an additional shipment in 2021. The rest of the equipment is scheduled for delivery in Q1 2022. In return, Hartmann obtained an ownership interest in the Chinese company of about 20% in 2021. The investment in the Chinese company amounts to DKK 14.0 million and has been recognised under other investments. As part of the agreement, Hartmann has an option to acquire the remaining ownership interest in the Chinese company. The option cannot be exercised until two years after the Chinese factory has commenced egg packaging production.

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

Notes

31 Accounting effect of hyperinflation in Argentina

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

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

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

IAS 29, in combination with IAS 21 on currency translation, also requires all the year's transactions in the hyperinflationary exchange rate, the Argentine peso (ARS), to be translated into the group's presentation currency, Danish kroner (DKK), using the exchange rate at the balance sheet date. Accordingly, while the group usually translates income statement transactions at the exchange rate at the date of transaction, all transactions in Argentina have been translated into DKK using the exchange rate at 31 December 2021.

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

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

Inflation and exchange rate developments in 2021:
Following a prolonged period of rising inflation in Argentina, the cumulative 3-year inflation rate exceeded 100% in May 2018. In 2021, the rate of inflation in Argentina was 51%.

The ARS/DKK exchange rate fell from 7.2 at the beginning of the year to 6.4 at 31 December 2021.

Recognised hyperinflation restatements
Inflation restatements in local currency:
- Intangible assets, items of property, plant and equipment and inventories in Hartmann's business in Argentina have been restated for the effects of inflation based on changes in the price index in the period from initial recognition up to 31 December 2021 or, if relevant, the date of disposal or cost of sales in 2021. The restatements were made effective the date of initial recognition of the items, however not earlier than 6 January 2015 when Hartmann acquired the Argentinian activities and the non-monetary items were translated and recognised in the consolidated financial statements at fair value, reflecting the purchasing power at 6 January 2015. The restatement has significantly increased the value of the group's intangible assets and property plant and equipment and moderately increased the value of inventories. The restatement has also led to higher expenses in the income statement in the form of higher cost of sales relating to the restated inventories and significantly higher amortisation and depreciation charges due to the restated cost of intangible assets and property plant and equipment.

- The equity of the Argentinian business has been restated for the effects of inflation based on developments in the price index in financial year 2021 in order to reflect the purchasing power at the balance sheet date. The revaluation of equity based on developments in the price index in the financial year has been recognised with set-off against financial income and expenses in the income statement.

- All income statement transactions in 2021 have been restated to reflect changes in the price index in the period from the month of recognition in the income statement up to 31 December, with the exception of amortisation and depreciation of intangible assets and property, plant and equipment, which has been recalculated separately based on the inflation-adjusted cost of intangible assets and property plant and equipment as stated above. The recalculation of amortisation and depreciation has been made based on the normal useful lives of the relevant Argentinian assets. The restatement for inflation of the income statement has significantly increased the value of income statement items in local currency due to developments in the price index from the date of recognition to the end of the year.

Retranslation from ARS to DKK
- The financial statements of the Argentinian operations after inflation restatements in local currency have been translated into DKK by translating the balance sheet and all income statement transactions in the financial year using the ARS/DKK exchange rate at the balance sheet date (6.4). While the translation of the items in the balance sheet is unchanged compared with the usual practice, the new translation principle has had a significant effect on the items of the income statement, which have been translated based on an exchange rate of 6.4 as opposed to translation at the exchange rate at the transaction date.

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

Notes

31 Accounting effect of hyperinflation in Argentina – continued

Overview of hyperinflation restatements
The table below shows the total effect in 2021 of restating for hyperinflation in the group's Argentinian subsidiaries.

	2021				2020			
	Restatement of non-monetary items	**Restatement of income statement**	**Re-translation**	**Total restatement**	**Restatement of non-monetary items**	**Restatement of income statement**	**Re-translation**	**Total restatement**
Revenue	-	30.5	(7.0)	23.5	-	32.7	(49.8)	(17.1)
Cost of sales	(12.8)	(21.4)	4.8	(29.4)	(4.7)	(19.4)	29.4	5.3
Depreciation and amortisation	(9.7)	-	0.4	(9.3)	(7.9)	-	2.4	(5.5)
Other costs	-	(6.2)	1.4	(4.8)	-	(5.6)	8.4	2.8
Operating profit before special items	**(22.5)**	**2.9**	**(0.4)**	**(20.0)**	**(12.6)**	**7.7**	**(9.6)**	**(14.5)**
Special items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	**(22.5)**	**2.9**	**(0.4)**	**(20.0)**	**(12.6)**	**7.7**	**(9.6)**	**(14.5)**
Financial items	0.2	0.1	0.1	0.4	(1.1)	(4.8)	2.6	(3.3)
Profit before tax	**(22.3)**	**3.0**	**(0.3)**	**(19.6)**	**(13.7)**	**2.9**	**(7.0)**	**(17.8)**
Tax on profit for the year	(8.5)	(3.0)	0.5	(11.0)	(4.4)	(2.9)	4.3	(3.0)
Profit for the year	**(30.8)**	**0.0**	**0.2**	**(30.6)**	**(18.1)**	**0.0**	**(2.7)**	**(20.8)**
Intangible assets	7.8	-	-	7.8	6.2	-	-	6.2
Property, plant and equipment	56.3	-	-	56.3	37.5	-	-	37.5
Deferred tax	(16.4)	-	-	(16.4)	(7.0)	-	-	(7.0)
Inventories	0.8	-	-	0.8	0.7	-	-	0.7
Assets	**48.5**	**-**	**-**	**48.5**	**37.4**	**-**	**-**	**37.4**
Profit for the year	(30.8)	-	0.2	(30.6)	(18.1)	-	(2.7)	(20.8)
Foreign exchange adjustment of foreign subsidiaries	27.6	-	1.5	29.1	18.9	-	8.9	27.8
Hyperinflation restatement of equity, 1 January	48.6	-	(1.7)	46.9	31.0	-	(6.2)	24.8
Equity	**45.4**	**-**	**-**	**45.4**	**31.8**	**-**	**-**	**31.8**
Deferred tax	3.1	-	-	3.1	5.6	-	-	5.6
Equity and liabilities	**48.5**	**-**	**-**	**48.5**	**37.4**	**-**	**-**	**37.4**

Notes

32 Acquisitions

Business combinations
Hartmann acquired Russian Gotek-Litar JSC (Gotek-Litar) at 25 January 2021. The transaction was executed as a purchase of shares by Brødrene Hartmann A/S. Hartmann acquired 100% of the voting rights and the ownership interest.

Gotek-Litar is a leading manufacturer of retail and transport packaging for eggs. The production facilities at the company's factory are based on machine technology developed and manufactured by Hartmann. The company has 250 employees. The company has subsequently been renamed JSC Hartmann-Rus.

Specification of recognition of acquired assets and liabilities

	2021 Gotek-Litar Provisional	2020 Mohan Fibre Final
Intangible assets	16.7	17.0
Property, plant and equipment	51.4	57.7
Inventories	4.7	8.4
Receivables	9.6	7.8
Cash	9.7	45.0
Deferred tax liabilities	(8.7)	(19.2)
Trade payables	(4.1)	(0.8)
Other payables	(3.7)	(2.0)
Provisions	(1.6)	(4.2)
Net assets acquired	**74.0**	**109.7**
Goodwill	48.6	48.3
Purchase consideration	**122.6**	**158.0**
Of which cash	(9.7)	(45.0)
Cash purchase consideration	**112.9**	**113.0**
Overdraft facilities	0.0	0.0
Cash flow effect	**112.9**	**113.0**

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 2021.

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

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

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

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

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

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill – representing the value of the existing staff and access to new markets – was determined at DKK 48.6 million. The recognised goodwill is not tax deductible.

Of the group's 2021 revenue of DKK 2,744 million, DKK 78 million may be attributed to Gotek-Litar. Of the group's 2021 profit of DKK 166 million, DKK (1) million may be attributed to Gotek-Litar. If the company had been acquired at the beginning of the financial year, profit for the year would have been largely the same.

Business combinations 2020
At 3 November 2020, Brødrene Hartmann A/S acquired all the shares in Mohan Fibre Products Pvt. Ltd., India's largest and leading manufacturer of quality packaging for eggs and fruit. Mohan Fibre (subsequently renamed Hartmann India Ltd.) is part of the Eurasia segment.

Notes

32 Acquisitions – continued

§ Accounting policies

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

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

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

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

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

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

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

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

§ Accounting policies – continued

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

i Significant accounting estimates and judgments

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

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

33 Events after the balance sheet date

On 24 February 2022, Russian military forces invaded Ukraine. The geopolitical tensions ensuing from the invasion are affecting energy markets and have led to sharp price increases and a significantly heightened risk of a shortage of natural gas for the group's European factories, which could lead to production interruption. A number of countries have imposed economic sanctions on Russia, which have put the Russian ruble (RUB) under heavy pressure, fuelled inflation and led to sharp increases in Russian interest rates. The weakening of the RUB has not affected the group's expectations for 2022, but recent developments may lead to an increase in the discount rate applied to Hartmann's Russian activities and, by extension, impairment losses on the group's non-current assets there. Following the Russian invasion of Ukraine, Hartmann has suspended exports of packaging and sales of machinery and technology to Russia as well as investments in the plant.

Hyperinflation

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

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

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

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

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

The Argentinian activities performed well in terms of packaging sales and production efficiency in 2021. The basis for the progress recorded by the Argentinian business has been created over a long high-inflation period, and the positive performance has continued after Argentina was classified as a hyperinflationary economy.

In the period between Hartmann's acquisition of its Argentinian activities at the beginning of 2015 and the country's classification as a hyperinflationary economy in May 2018, Argentina reported average annual inflation of about 25%. In 2021, average annual inflation was about 51%.

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

The financial statements have been restated to reflect the general price index* and the ARS/DKK exchange rate at 31 December 2021, and certain accounting items are affected by changes in the price index in the period between the date of acquisition at the beginning of 2015 and 31 December 2021.

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

* Restatement for hyperinflation is made based on Argentina's Wholesale Price Index up to 31 December 2016 and on the National Consumer Price Index from 1 January 2017.

Effects of restating for hyperinflation

Restating for changes in purchasing power in local currency

↑ **Revenue**
Reported revenue is favourably affected by restatement for changes in the price index between 1 January and 31 December 2021.

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

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

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

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

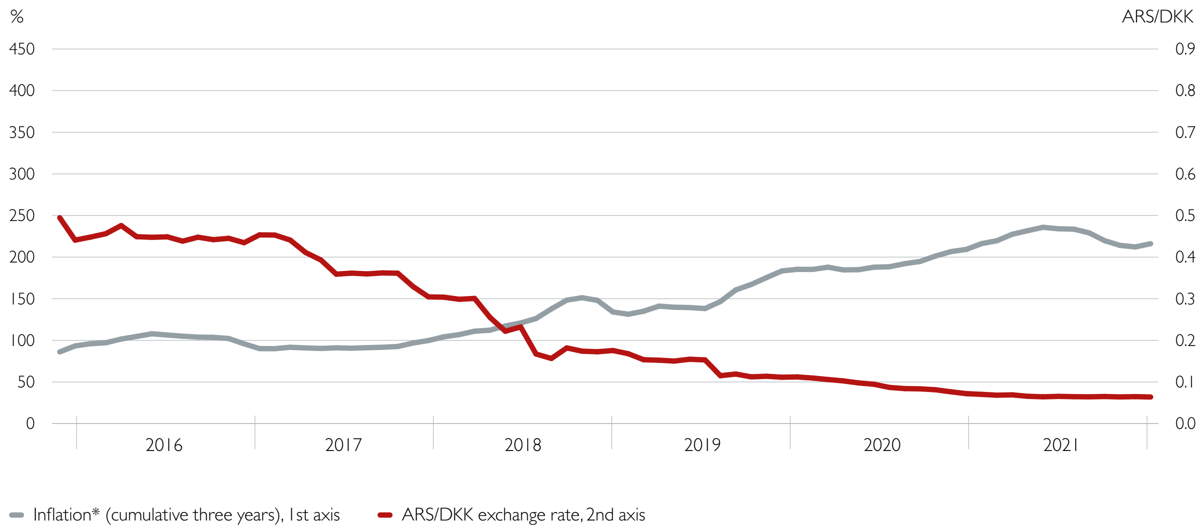
Total effect of restating for hyperinflation

Retranslation into Danish kroner

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

Hyperinflation

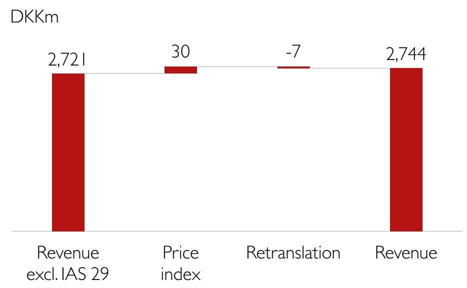
Inflation and exchange rate developments in Argentina



Effects of restating for hyperinflation on selected accounting figures

DKKm	2021 Excl. IAS 29	*Price index adjustments*	*Re-translation*	*Total adjustment*	2021
Revenue	2,721	*30*	*(7)*	*23*	2,744
Operating profit before depreciation	400	*(10)*	*(1)*	*(11)*	389
Operating profit	250	*(20)*	*0*	*(20)*	230
Financial items, net	(9)	*0*	*0*	*0*	(9)

Effect of restating revenue



The total effect of IAS 29 implementation on 2021 revenue is a combination of restating for price index developments and the effect of transitioning to translating the Argentine peso into Danish kroner at the exchange rate at the balance sheet date.

Revenue was favourably affected in the amount of DKK 30 million by the average annual increase in the price index of 51% during the period under review, reflecting the effects of restatement for hyperinflation. The ARS/DKK cross rate fell from 7.2 at the beginning of the year to 6.4 at 31 December 2021. The new currency translation practice based on the exchange rate at the balance sheet date, as opposed to the exchange rate at the date of transaction, thus reduced Hartmann's revenue by DKK 7 million.

Revenue was DKK 2,744 million after a net positive impact of restating for hyperinflation of DKK 23 million.

* Restatement for hyperinflation is made based on Argentina's Wholesale Price Index up to 31 December 2016 and on the National Consumer Price Index from 1 January 2017.

Key figures and financial ratios by quarter (unaudited)

	Q4		Q3		Q2		Q1	
	2021	2020	2021	2020	2021	2020	2021	2020
Statement of comprehensive income								
Revenue	705	635	630	608	659	662	750	663
- Eurasia	432	428	399	399	419	410	526	398
- Americas	273	207	231	209	240	252	224	265
Operating profit/(loss)	(21)	94	8	94	67	133	175	116
Operating profit/(loss) excl. IAS 29	*(13)*	*98*	*12*	*98*	*71*	*137*	*180*	*119*
Special items	(116)	(6)	0	(1)	0	(2)	0	(5)
Financial income and expenses, net	(7)	(5)	(3)	(19)	7	(10)	(5)	(32)
Profit before tax	(144)	83	5	75	74	121	170	80
Profit for the period	(108)	68	1	58	54	90	128	58
Comprehensive income	(73)	21	8	24	77	89	160	(8)
Cash flows								
Cash flows from operating activities	2	86	24	102	152	172	73	88
Cash flows from investing activities	(87)	(233)	(131)	(57)	(139)	(88)	(185)	(58)
Cash flows from financing activities	133	91	29	(2)	(46)	(51)	117	(16)
Total cash flows	48	(56)	(78)	43	(33)	34	5	14
Balance sheet								
Assets	2,804	2,374	2,794	2,134	2,731	2,121	2,580	2,054
Investments in property, plant and equipment	84	118	117	58	139	89	46	57
Net working capital	352	313	371	340	355	344	417	346
Invested capital	2,072	1,654	2,110	1,481	2,010	1,501	1,934	1,472
Net interest-bearing debt	928	623	835	475	726	522	735	607
Equity	1,197	1,025	1,270	985	1,262	960	1,185	872
Financial ratios, %								
Profit margin	(3,0)	14.8	1.3	15.6	10.2	20.1	23.4	17.5
Profit margin excl. IAS 29	*(1.8)*	*15.3*	*1.9*	*16.0*	*10.8*	*20.5*	*24.0*	*18.0*
Return on invested capital (ROIC), rolling 12 months	11.6	28.7	12.3	27.6	25.3	26.3	31.2	20.6
Return on equity, rolling 12 months	6.1	29.0	21.9	29.0	28.8	28.7	34.5	22.4
Equity ratio	42.7	43.2	45.5	46.1	46.2	45.3	46.0	42.4
Gearing	77.5	60.8	65.7	48.2	57.6	54.4	62.0	69.6

For definitions of financial ratios, see page 89.

Definitions of financial ratios

Operating profit
Operating profit before special items

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Management statement

The board of directors and the executive board today considered and approved the annual report of Brødrene Hartmann A/S for the financial year ended 31 December 2021.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31 December 2021 and of the results of the group's and the parent company's operations and cash flows for the financial year ended 31 December 2021.

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

In our opinion, the annual report of Brødrene Hartmann A/S for 2021 with the file name hartmann-2021-12-31-da.zip has been prepared, in all material respects, in compliance with the ESEF Regulation.

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

Gentofte, 8 March 2022

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

Independent auditor's report

To the shareholders of Brødrene Hartmann A/S

Conclusion

We have audited the consolidated financial statements and the parent financial statements of Brødrene Hartmann A/S for the financial year 1 January - 31 December 2021, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2021, and of the results of their operations and cash flows for the financial year 1 January - 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

Basis for opinion

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

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

We were appointed auditors of Brødrene Hartmann A/S for the first time on 21 April 2009 for the financial year 2009. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 13 years up to and including the financial year 2021 including 3 years after we were reappointed on 9 April 2019 after a tender process.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January - 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of goodwill and intangible assets with indefinite useful lives and other non- current assets for the South American activities

Goodwill, other intangible assets and other non-current assets have been allocated to five cash-generating units; Argentina, Brazil, India, Russia and Europe Moulded Fibre. Reference is made to note 15 to the consolidated financial statements.

An impairment loss of DKK 94.7 million in Brazil and DKK

16.9 million in Argentina have been recognised for goodwill, intangible assets with indefinite useful life and other non-current assets. The impairment loss is caused by the macroeconomic developments in 2021 that have been adversely affected by slowing economic growth, higher inflation, increasing interest rates and mounting political instability, which have led to an increased discount rate applied for especially Brazil. The hyperinflation restatement of goodwill and non-current assets in Argentina has led to an increase in the carrying amounts that are tested for impairment.

How our audit addressed the matter

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

We:

- obtained insights into the expected business development and business plans for the cash- generating units in Argentina and Brazil and thus the basis that has been used in determining the recoverable amounts;

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

Independent auditor's report

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

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

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

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

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

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

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

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

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

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

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

Independent auditor's report

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

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

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

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

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

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

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

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

Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and the parent financial statements of Brødrene Hartmann A/S we performed procedures to express an opinion on whether the annual report for the financial year 1 January – 31 December 2021, with the file name hartmann-2021-12-31-da.zip, is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation), which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;

- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;

- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human readable format; and

- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the annual report of Brødrene Hartmann A/S for the financial year 1 January - 31 December 2021, with the file name hartmann-2021-12-31-da.zip, is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 8 March 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Kim Takata Mücke

State-authorised public accountant

mne10944

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