HARTMANN

PACK & PERFORM

Annual report 2022

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Management report

In 2022, Hartmann successfully mitigated rising costs through continued pricing actions across markets.

Financial statements

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Sustainability report 2022
Read more about our efforts to lower our climate footprint through science-based targets and to reduce the number of work accidents

Corporate governance report 2022
Remuneration report 2022

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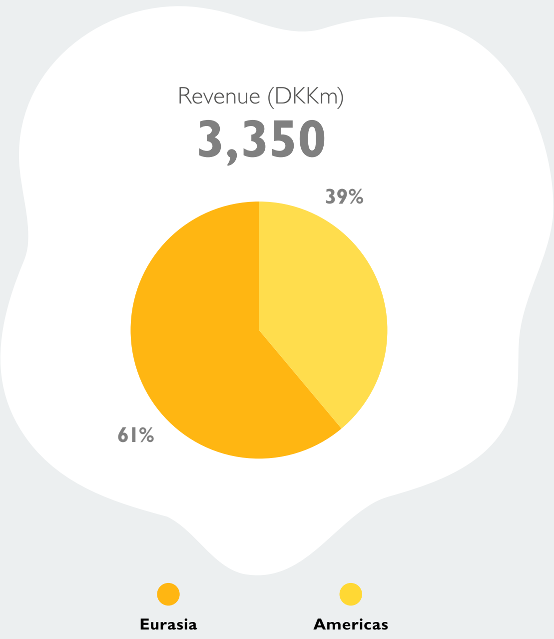
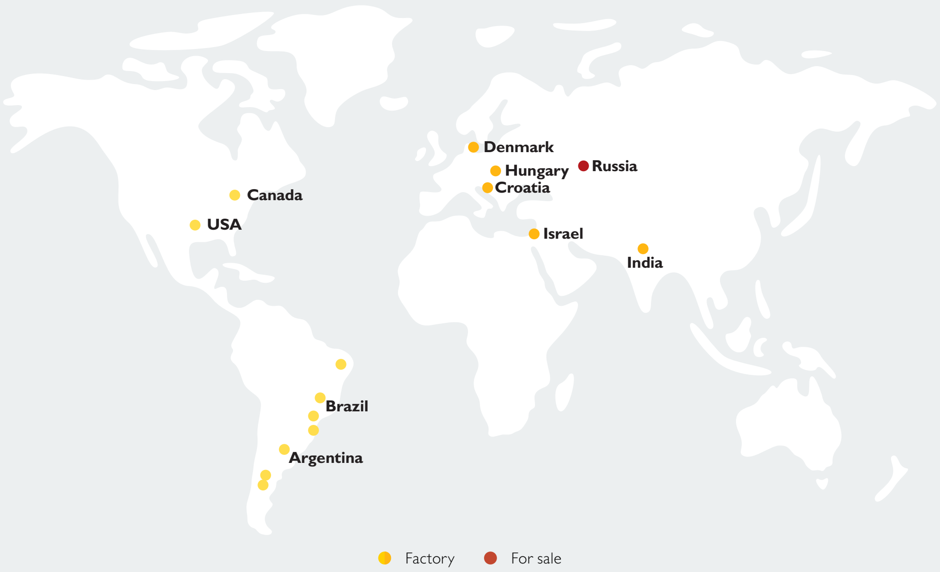
www in

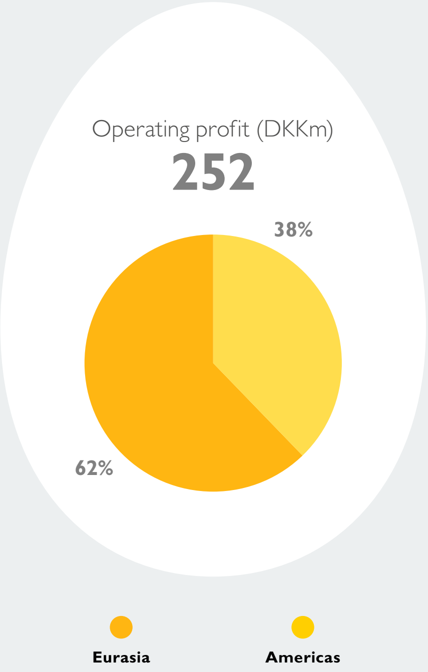
Highlights

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

Latest guidance:
Revenue of around
DKK 3.3 billion

DKKm	2022	2021	2020	2019	2018
Comprehensive income					
Revenue	3,350	2,666	2,567	2,356	2,207
Operating profit[1]	252	251	452	262	226
Operating profit after restatement for hyperinflation	238	231	437	250	215
Special items	(34)	(116)	(13)	0	(33)
Operating profit after special items	204	115	424	250	182
Net financial income and expenses	(72)	(9)	(65)	(35)	(46)
Profit before tax	132	106	359	215	136
Profit for the year	61	75	274	167	96
Result from discontinuing operations	(91)	0	-	-	-
Profit for the year incl. discontinuing operations	(30)	74	-	-	-
Comprehensive income	25	171	146	180	85
Cash flows					
Operating activities	204	241	448	296	265
Investing activities	(182)	(527)	(436)	(197)	(128)
Financing activities	54	233	23	(92)	(68)
Total cash flows	77	(53)	35	7	68
Balance sheet					
Assets	2,857	2,654	2,374	2,042	1,834
Assets incl. discontinuing operations	2,949	2,804	2,374	2,042	1,834
Investments[1]	**186**	**527**	**437**	**197**	**129**
Investments in property, plant and equipment	163	372	320	193	122
Net working capital	517	348	313	323	287
Invested capital	2,046	1,939	1,654	1,502	1,321
Net interest-bearing debt (NIBD)	938	933	623	634	577
NIBD excl. lease liabilities	871	859	554	556	577
Equity	1,222	1,197	1,025	879	765

[1] In order to provide a more accurate view of Hartmann's underlying operations and financial performance, operating profit and profit margin are stated before special items and restatement for hyperinflation (IAS 29). Furthermore, investments are presented before restatement for hyperinflation.

Actual and comparative figures have been restated to present continuing operations, unless explicitly stated that discontinuing operations are included.

Latest guidance:
Profit margin of 5-7%

DKKm	2022	2021	2020	2019	2018
Financial ratios, %					
Profit margin[1]	7.5	9.5	17.5	11.1	10.2
Profit margin after restatement for hyperinflation	7.1	8.7	17.0	10.6	9.7
Return on invested capital (ROIC)	11.1	12.3	28.7	16.9	16.0
Return on equity	4.7	6.2	29.0	20.5	12.8
Equity ratio	42.8	45.1	43.2	43.1	41.7
Gearing	76.7	78.0	60.8	72.1	75.4
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)	8.9	10.8	39.6	24.2	13.9
Cash flows per share, DKK	29.6	34.8	64.7	42.8	38.3
Dividend per share, DKK (proposed)	0.0	0.0	0.0	0.0	9.50
Book value per share, DKK	176.7	173.0	148.3	127.1	110.6
Share price, DKK	295.0	369.0	502.0	304.0	253.0
Share price/book value per share	1.7	2.1	3.4	2.4	2.3
Share price/earnings (P/E)	33.3	34.1	12.7	12.6	18.2
Payout ratio, %	0.0	0.0	0.0	0.0	69.4
Market capitalisation, DKKm	2,069.5	2,588.6	3,521.6	2,132.6	1,774.8
ESG					
Average no. of full-time employees	2,458	2,488	2,172	1,997	1,996
Share of recycled paper[2], %	98	100			
CO_2e emissions[2], scope 1 and 2, tons	210,667	207,748			
Water consumption[2], m^3	1,632,884	1,846,596			
Lost Time Injury rate[2], %	6.3	6.8	7.3	12.3	12.2

[2] Including discontinuing operations.

For definitions of key figures and financial ratios, see note 36.

Please go to the
Sustainbility Report 2022
for additional ESG key figures

Decent earnings in an extraordinarily challenging year

2022 was an extraordinarily turbulent year with unprecedented increases in energy and raw material prices, high inflationary pressure, macroeconomic challenges, and geopolitical tension. Despite the challenges, we delivered solid business performance driven by necessary pricing actions across markets and cost containment efforts.

The cost of our two most important raw materials – energy and recycled paper – rose to new heights continuing a sharp upwards trend from 2021. The cost level was accelerated by Russia's invasion of Ukraine driving natural gas and electricity prices up in all markets and to all-time highs in Europe during Q3 2022.

The overall demand for egg packaging was lower than expected and impacted by two opposite effects. High inflation rates reduced the consumers' disposable income entailing a trade-down effect where expensive protein sources such as meats and fish were replaced by eggs. At the same time, egg supply declined due to severe outbreaks of avian flu and surging feed costs causing unusually high egg prices. Despite general market softness, we grew volumes and increased market share in several markets.

Despite historical high cost levels and soft demand, we successfully grew revenue and secured a satisfactory profit margin of 7.5%.

We maintain our strategic direction as the underlying, long-term growth trends for our products are intact. We expect to continue to gain market share through customers converting

Jan Klarskov Henriksen
Chairman

Torben Rosenkrantz-Theil
CEO

"We maintain our strategic direction as the underlying, long-term growth trends for our products are intact."

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Chairman

"Despite general market softness, we grew volumes and increased market share in several markets."

Torben Rosenkrantz-Theil
CEO

from oil-based plastics to recyclable moulded-fibre packaging. We also still expect population growth, increased urbanisation, and growing prosperity to drive further demand for professionally packaged eggs sold through supermarkets.

For decades, we have delivered products based on recycled materials to our customers, and we are making targeted efforts to reduce our CO_2 footprint from our entire value chain. Last year, we committed to reducing our absolute Scope 1 and 2 CO_2e emissions by 50% by 2030 – and in 2022, we defined our Scope 3 target as a 50% relative CO_2e remission reduction by 2030 - from a 2021 base-line. All targets have been submitted for validation by the Science Based Targets initiative.

2023 is expected to be another volatile year with poor visibility on energy and raw material prices, challenging macroeconomics, avian flu, high inflation, and unpredictable geopolitics. We are however confident that we will once again navigate Hartmann through troubled waters and expect to generate revenue of DKK 3.6-4.0 billion and operating profit of DKK 220-320 million with investments of around DKK 300 million.

Financial highlights

Revenue (DKK)

3,350 million

DKK 2,666 million in 2021

Most recent guidance: Around 3.3 bn

Profit margin

7.5%

DKK 9.5% in 2021

Most recent guidance: 5-7%

Investments (DKK)

186 million

DKK 527 million in 2021

Guidance 225m

Navigating in a challenging environment

Historic high energy and raw material prices, inflation levels unseen for decades and challenging macroeconomic conditions in all geographies impacted the egg packaging market and Hartmann's performance in 2022.

Energy crisis

Natural gas and electricity prices rose to unprecedented levels in 2022. The surge was seen across all markets and most significantly in Europe where prices peaked in Q3 2022, up 72% on natural gas and 90% on electricity from end-2021, a year where prices already saw a sevenfold increase.

This development was accelerated by the Russian invasion of Ukraine in February 2022. Natural gas prices leaped on the back of the reduction of natural gas supplies from Russia to countries in the EU, which also led to increasing electricity prices.

Consequently, Hartmann's cost level was severely affected, and pricing actions were successfully implemented across all markets to mitigate the financial impact. Energy costs are expected to remain high in 2023, and the energy market volatility is unchanged.

Inflation and volatile demand

In Hartmann's markets inflation accelerated, triggered by energy price hikes in Europe, increasing shipping and food costs as well as by overheated labour markets. Increased money supply, rising consumption and supply chain disruptions in the wake of COVID-19 were also contributing factors. Combined, general consumer prices increased manyfold in Europe and North America in 2022.

These developments had opposite effects on demand for egg packaging. Inflation and lower personal disposable income led to increased demand for eggs as an affordable alternative to more expensive protein sources. At the same time, feed prices increased, and outbreaks of avian flu led to disruptions in the supply chain causing higher prices on eggs as well as reduced availability in some markets and fewer promotions in supermarkets.

Recycled paper prices
In Hartmann's markets, long-term fixed-price agreements for recycled paper are generally not obtainable, and prices of recycled paper and cardboard for packaging increased steeply during the first half of 2022. The development was driven by growing consumer demand and demand from industries traditionally using virgin paper, a market with a similar price surge. Recycled paper prices are expected to remain volatile in 2023.

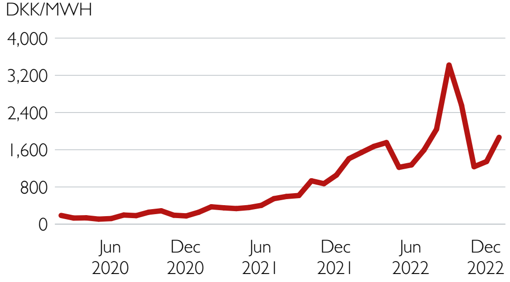
Continued uncertainty in South America
Hartmann's markets in Argentina and Brazil remained impacted by low economic growth, rising inflation, currency fluctuations, and increased political tension.

In Brazil, uncertainty is high regarding the new government's policy plans and the extent to which these could ease or aggravate fiscal and economic challenges.

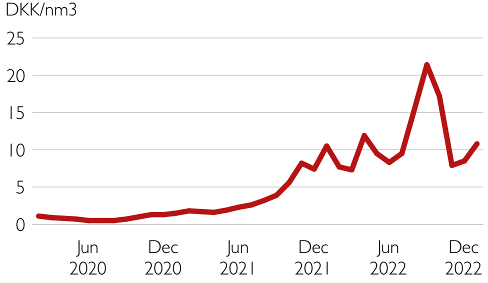
In Argentina deep macroeconomic imbalances and a highly constrained external liquidity position is increasingly undermining repayment capacity of the country's massive debt. Inflation continues to soar, growth is low and the winner of the 2023 general elections will have a considerable job at hand in devising economic recovery.

Discontinuing operations in Russia
As a consequence of the Russian invasion of Ukraine in February 2022, Hartmann initiated a sales process for its Russian factory and its activities were classified as discontinuing operations. The efforts to divest the factory were impacted by complex legal changes and challenges related to Russian as well as EU legislations and sanctions – a situation that is expected to continue in 2023. For further information see note 34.

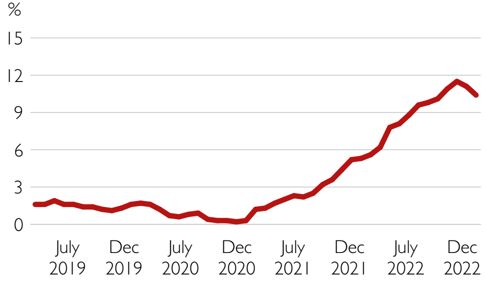
Electricity prices in Europe



Natural gas prices in Europe



Inflation rate in the EU



Production
5 factories

Expertise
1,456 employees

Revenue (DKKm)
2,032 million
DKK 1,698 million in 2021

Profit margin
8.7%
14.4% in 2021

Investments (DKKm)
65 million
DKK 347 million in 2021

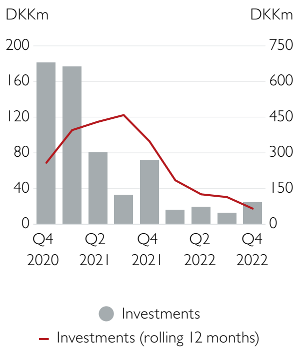
Eurasia

Hartmann successfully implemented necessary pricing actions throughout the year to partly mitigate historic high energy prices, rising recycled paper prices and inflationary pressure in Eurasia in 2022.

Revenue

Earnings

Investments



Revenue
We grew segment revenue to DKK 2,032 million (2021: DKK 1,698 million) in 2022 driven by higher average selling prices mitigating all-time high energy and raw material costs, while machinery sales were lower. The comparison period was positively impacted by licence income of DKK 78 million.

Volume dropped slightly due to loss of volume in Russia and Ukraine, market softness, fire in the factory in India, and unusually high egg prices, which led to fewer supermarket promotions. Overall, egg supply dropped due to outbreak of avian flu and increased feed costs.

Earnings
Operating profit declined to DKK 176 million (2021: DKK 245 million, positively impacted by the mentioned licence income), for a profit margin of 8.7% (2021: 14.4%) before a net income of DKK 44 million related to insurance coverage for re-establishing buildings and production capacity in India after the fire in May 2022. The positive effects of pricing actions partly mitigated the unprecedented increases in energy, recycled paper, and other raw materials prices as well as general inflation. Moreover, Hartmann optimised capacity utilisation and production allocation during the year.

Investments
The investment level was lower in 2022 compared to 2021, where the level was elevated by the acquisition of Hartmann's factory in Russia and added capicity. In 2022, DKK 65 million (2021: DKK 347 million) was invested in completing the planned capacity expansion, maintenance and efficiency improvements in Eurasia.

Q4 2022
Revenue increased to DKK 622 million (2021: DKK 407 million) driven by necessary pricing actions, which partly mitigated high energy and recycled paper prices. Operating profit improved to DKK 97 million (2021: DKK -12 million), for a profit margin of 15.7% (2021: -2.9%).

Investments were at DKK 24 million (2021: DKK 57 million).

Discontinuing operations
As a consequence of the Russian invasion of Ukraine in February 2022, Hartmann initiated a sales process for its Russian factory and its activities were classified as discontinuing operations.

The efforts to divest the factory were impacted by complex legal changes and challenges related to Russian as well as EU legislations and sanctions – a situation that is expected to continue in 2023. For further information see note 34.

case

Hartmann inspires German egg farmer to reduce climate footprint

Hornbrooker Hof has become the first carbon-neutral[1] egg producer in Germany.

Hartmann customer Hornbrooker Hof is the first carbon-neutral[1] egg producer in Germany. The owner family of Hornbrooker Hof believes that every farmer should strive to protect nature in the long term. To live up to their belief, they run their farm on solar energy and paperless communication to the extent possible, and they choose the shortest possible transport routes for their products.

Their eggs come in Hartmann's imagic2® moulded-fibre packaging and are sold in more than 160 large and small supermarkets throughout northern Germany.

Inspired by Hartmann

Hartmann's egg packaging made from recycled paper kindled the family's idea of reducing the climate impact of their egg production. Hartmann, Hornbrooker Hof and ClimatePartner, a long-standing associate and one of the world's leading climate protection consultancies, collaborated and the thought of producing eggs with reduced climate footprint to match the recycled paper-based packaging was born.

Hornbrooker Hof has calculated all carbon emissions from egg production and packaging to reduce the footprint where possible. To the extent possible, all unavoidable emissions are compensated for by certified climate protection projects – one in Namibia providing solar energy and one in Brazil conservating forest and nature conservation.

About Hornbrooker Hof

Hornbrooker Hof is a traditional family business founded more than 70 years ago by the Goldnick family and now run by the third and fourth generation.

Their focus has always been on species-appropriate animal husbandry, freshness, and well-thought-out logistics. Besides their own egg production, Hornbrooker Hof works with partners who deliver the eggs produced with similar high standards to the farm to be packed there and sold under the same label.

[1] Hornbrooker Hof's production is defined as carbon neutral according to definitions set by ClimatePartner, the German climate protection consultancy. https://www.climatepartner.com/en

Production
9 factories

Expertise
995 employees

Revenue (DKKm)
1,319 million
DKK 968 million in 2021

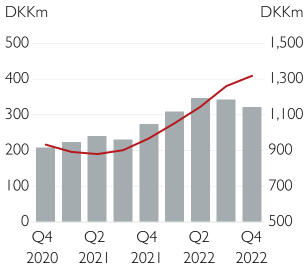
Profit margin
8.1%
3.7% in 2021

Investments (DKKm)
103 million
DKK 174 million in 2021

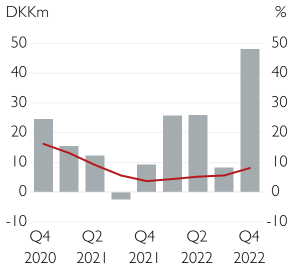
Americas

Americas delivered solid performance in 2022 despite increased energy and recycled paper prices combined with macroeconomic challenges. Higher average selling prices and volumes were the main driver for revenue growth as well as improved profitability.

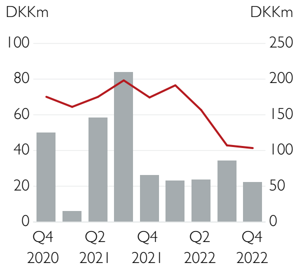
Revenue



Earnings



Investments



Revenue

In 2022, revenue for Americas increased to DKK 1,319 million (2021: DKK 968 million), through increased selling prices and volume growth with a positive impact from North American customers converting from plastics to moulded-fibre packaging. Progress was achieved in markets experiencing two opposite effects on demand. Inflation-driven reduction of personal disposable income led to replacement of expensive protein sources with eggs. At the same time, egg prices in North America reached an unusually high level on the back of declining supply due to a severe and long outbreak of avian flu and surging feed costs - which also considerably reduced supermarket promotional activity. In this subdued market, Hartmann gained market share.

The South American business contributed positively to revenue based on volume growth and higher selling prices in Argentina, and despite a challenging market in Brazil.

Earnings

Driven by higher revenue and capacity utilisation, operating profit grew to DKK 108 million (2021: DKK 35 million), for a profit margin of 8.1% (2021: 3.7%) before special items of DKK (78) million related to impairment loss of intangible assets in Brazil due to slow economic growth, growing inflation and interest rates as well as mounting political instability cf. note 15. Performance was, however, significantly impacted by increased energy and recycled paper prices, higher distribution costs, general inflationary pressure, as well as the overall macroeconomic development in South America. Additional production capacity was added in the USA, and the implementation phase reduced efficiency, which was also impacted by challenges hiring qualified personnel in an overheated labour market.

Investments

Hartmann invested DKK 103 million in Americas in 2022 (2021: DKK 174 million) mainly in new production capacity in the USA. The higher level in 2021 also related to expansion in the USA.

Q4 2022

Revenue increased to DKK 321 million (2021: DKK 273 million) from volume growth and higher selling prices as well as a strong performance in Argentina. Operating profit rose to DKK 48 million (2021: DKK 9 million), for a profit margin of 13.8% (2021: 3.5%).

Investments were at DKK 22 million (2021: DKK 26 million).

case

20 years of collaboration to reduce environmental impact

Burnbrae Farms is a 6th generation Canadian family business who have been operating in Canada for more than 130 years and committed to sustainable egg farming.

Burnbrae Farms in Canada and Hartmann have a lot in common. Both companies were founded over 100 years ago, and they have collaborated for the past 20 years.

The family-owned farm is passionate about responsible animal care and supports poultry research to improve hen health and welfare. Combined with a mission to produce nutritious, affordable eggs for Canadians, the family makes efforts to reduce environmental impact from production. They have invested in solar panels at two of the farm's operations in Ontario, one of which is the largest solar-powered egg farm in Canada.

Since 2002, Hartmann's moulded-fibre packaging has been part of Burnbrae's offering as the recyclability of the HartVue and HartTop cartons matches the company's own approach to reduce environmental impact.

Burnbrae's CEO and President, Margaret Hudson said:

"Sourcing high-quality recyclable egg packaging to transport our fragile product has always been critically important to our business – so we appreciate the quality and innovation that the Hartmann team has given us over so many years"

About Burnbrae Farms

The Hudson family farm was first founded in 1891 by Joseph and Jean Hudson in Lyn, Ontario. They named it Burnbrae in honour of their homeland and Scottish heritage – after the key features of the farm – a "burn" is the Scottish word for stream and "brae" is a hillside.

Business

Business model

Resources

Expertise

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

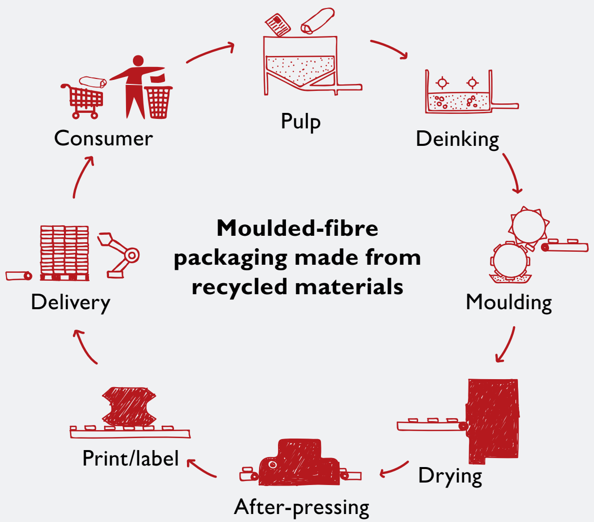
Employees

Each year, our 2,500 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 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 an 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 2023

We anticipate continued growth across our markets in 2023 and expect to generate consolidated revenue of DKK 3.6-4.0 billion for an operating profit* of DKK 220-320 million.

Revenue growth is expected to be driven by higher sales volume as well as pricing actions to counter cost inflation.

Against the background of a continued challenging macroeconomic environment with low visibility and geopolitical uncertainty, we expect prices of recycled paper and energy – our most important raw materials – to remain high and volatile. These effects may have a detrimental impact on the group's earnings and profit margin.

Persistently high raw materials prices are expected to impact production costs, which Hartmann intends to offset by efforts to adjust selling prices and improve the overall price and product mix. Due to the duration of existing customer agreements, price adjustments are implemented at a certain time lag.

In the prevailing inflationary environment we remain focused on protecting earnings by countering higher external costs through pricing actions, thus we are guiding on nominal operating profit for 2023.

Investments are expected at around DKK 300 million in 2023.

Other assumptions

Hartmann will re-establish operations at the Group's Indian factory following the fire in Q2 2022. The expected ordinary investments of DKK 300 million do not include the re-establishment compensated by insurance coverage. 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.

Ambitions

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 has a long-term target to generate a profit margin* of at least 14% under normal market conditions.

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.

Revenue (DKK)	Operating profit* (DKK)	Investments (DKK)
3.6-4.0	220-320	~300
billion	million	million
DKK 3,350 million in 2022	DKK 252 million in 2022	DKK 186 million in 2022

* Before special items and restatement for hyperinflation.

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 'Navigating in a challenging environment' as well as 'Risk Management' and note 29.

Strategy

Think ahead

Despite 2022 being turbulent and with volatile markets, Hartmann's focus to cater for long-term business growth was unchanged

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 operate factories in an efficient manner by:

- Intensifying marketing efforts with particular focus on sustainability
- Develop recyclable and bio-degradable products
- 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
- 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 to produce moulded-fibre packaging.

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 can 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.

Hartmann has built a unique expertise on the marketing of eggs and production of moulded-fibre packaging since 1936.

Read our Sustainability Report 2022 to learn more about our efforts.

Strategy

Trends

Sustainability
Demand for sustainable packaging is increasing in line 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 accumulating in oceans, drinking water and on land. At the current pace, the consumption of plastics is 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 less expensive and natural source of protein and a natural part of the varied and healthy diet prioritised by an increasing number of consumers.

Focus

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

In 2022, we:
- Implemented the remaining part of the comprehensive expansion programmes in Europe and the USA
- Optimised production allocation between factories in Europe

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 2022, we:
- Continued investing in robotics and automation
- Made efforts to reducing the consumption of raw materials per unit
- Added new recycled paper types as source for moulded-fibre packaging
- Established a competence centre focused on energy projects

Marketing
We will intensify the marketing of Hartmann's expertise and products and the benefits of moulded-fibre packaging 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 2022, we:
- Launched new products and concepts in several markets
- Intensified marketing efforts
- Conducted several consumer surveys

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 and India, 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.

Eurasia

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.

India
Hartmann is a regional leader in sales of moulded-fibre packaging to egg and apple producers, with a particular emphasis on the nortern 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.

Americas

North America
In North America, Hartmann is a leading manufacturer in the 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 increased conversion from foam and plastic packaging, and population growth. In addition, sales of cage-free and free-range eggs are rising at the expense of battery-cage eggs, entailing a growing flow of new differentiated products which increases the demand for premium packaging.

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 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.

Europe

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

India

Products	Customers
Transport packaging for eggs	Manufacturers
Fruit packaging	Packing plants

North America

Products	Customers
Retail packaging for eggs	Manufacturers
	Packing plants
	Retail chains

South America

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

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. Interaction with the executive board is 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 2022

In 2022, we continued our efforts to reduce key operational risks through decisions to establish several group reporting programmes to ensure standardised processes and investments focused on fire prevention.

To safeguard the group's assets, all Hartmann's factories were inspected in collaboration with specialised external engineers and the group's insurers, and the outcome forms the basis for implementation of an improved risk management programme. Furthermore, it was decided to implement a groupwide factory housekeeping excellence programme to ensure uniform standards, audit, and reporting on cleaning and tidiness on all sites.

In 2022, Hartmann further improved fire prevention measures by launching a group impairment reporting system for sprinklers, along with the decision to invest in an inspection, test, and maintenance programme for sprinklers, fire pumps and firehoses. Moreover, it was decided to add sprinklers in Argentina and they will also be implemented in the rebuilt factory in India.

Risk assessment

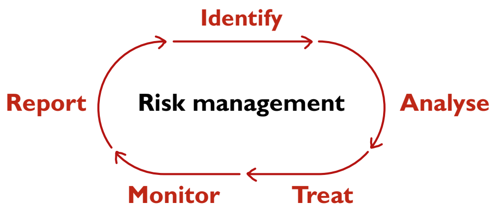
In Hartmann's assessment, key risks in the period ahead are related to rising raw material prices as consequence of the continued macroeconomic uncertainty and geopolitical instability, factory fires, continued disease outbreaks among laying hens, political and macroeconomic conditions and environmental 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, as well as IT security and interruption. To this should be added financial risks, which are described in detail in note 29.

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.

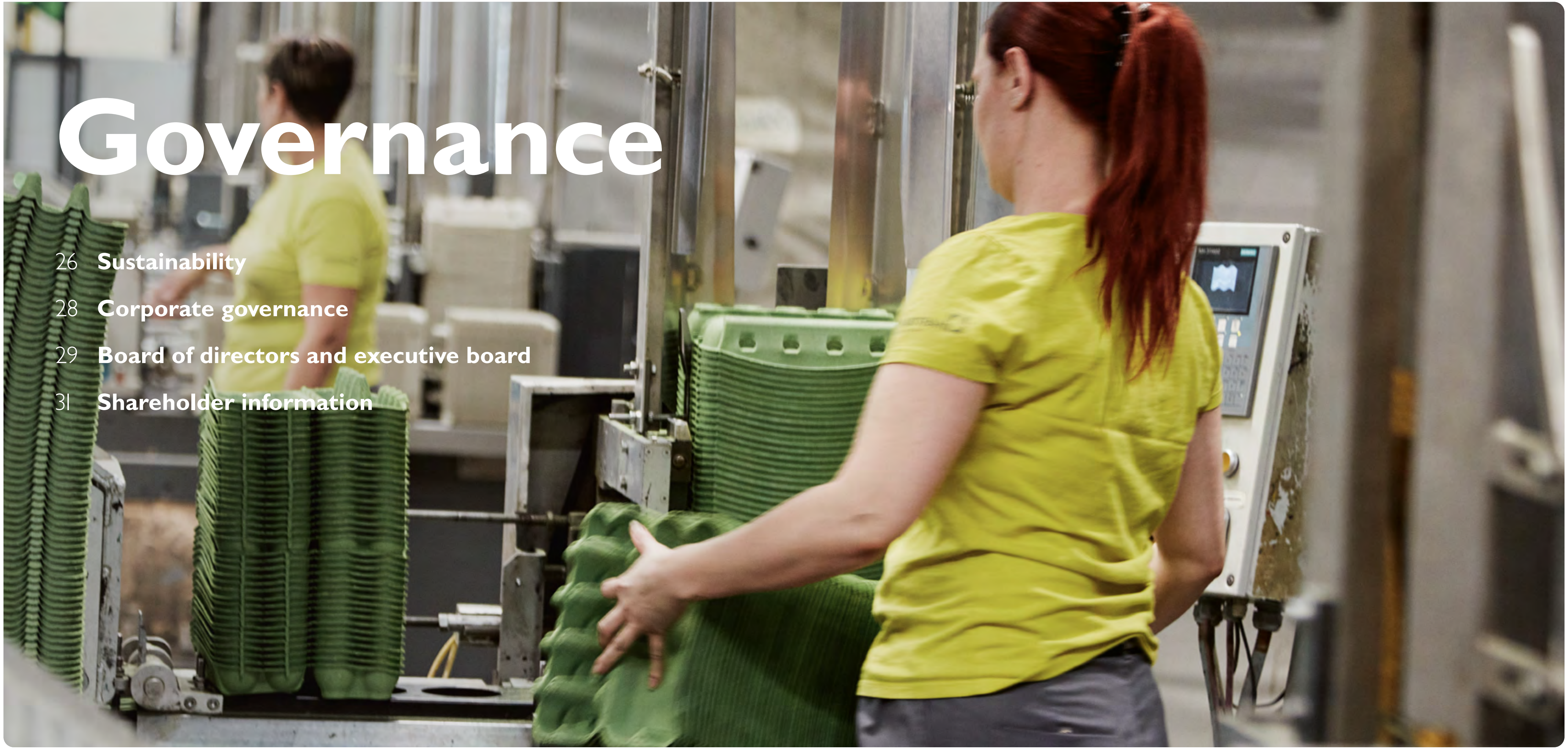
On this basis, key risks are determined and prioritised in order that mitigation measures may be initiated, where relevant, and risks be monitored on an ongoing basis. Developments in Hartmann's overall risk exposure, the assessment of key risks and mitigating measures implemented are reported on an ongoing basis to group management and the executive board, which involve and keep the audit committee and the board of directors informed.



Please go to the Sustainability Report 2022 for ESG risks

	Fire	**Raw materials**	**Disease outbreaks among hens**	**Politics and macroeconomics**	**Environment**
Description	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.	Fluctuations in procurement prices of recycled paper and energy (electricity and gas) may have a significant impact on the group's financial results. Adjustments of selling prices with a view to mitigating increases in raw material 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.	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.	While the consumption of eggs and fruit historically has 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.	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.
Mitigating action	Hartmann continuously monitors and reviews fire conditions at its factories and invests in physical separation of equipment, high-efficiency sprinkler and alarm systems, adequate water supply and other fire protection equipment as well as in the training and education of local fire brigades among our employees. The internal steering committee conducts regular factory visits and organises visits by external experts. In addition, Hartmann has taken out an all risk insurance policy for all production facilities covering fire damage, consequential loss and other incidents. In addition to strengthening the group's supply capacity, the spreading of production across 15 factories also helps to reduce the total financial impact in case of a factory fire.	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. Furthermore, several plants can use alternative sources of energy. 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 a 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.	The geographical scope of Hartmann's production with factories located in Europe, North and South America, India and Russia (discontinuing) 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.	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.	Hartmann monitors environmental risks at local and central level with a view to preventing, mitigating or minimising the group's environmental footprint. To that end, Hartmann continually invests in new production technology, optimisation of existing equipment and processes and systematic waste reduction. With a view to ensuring a structured and efficient approach to environmentally sound and energy-efficient production, a number of Hartmann's production facilities are certified to the ISO 14001 (environmental management) and ISO 50001 (energy management) standards.

Reference is made to page 8 in this report for a description of market fluctuations and to note 29 in this report for a description of Hartmann's risk management approach.



Governance

Sustainability

In 2022, we continued our sustainability journey, submitting carbon reduction targets for our full value chain for science-based validation and established a competency centre to develop new energy systems to realise our ambitions.

In our markets, customer conversion from single-use plastic products to recyclable and bio-degradable moulded-fibre packaging continued, particularly in the Americas. This trend is supported by growing global awareness of negative climate impact from non-degradable plastic waste in landfills or the oceans.

We continued collaborating with our customers to provide supermarkets and consumers with a greener end-to-end offering, promoting our packaging solutions produced from recycled raw materials as a key selling point.

Submission of science-based targets

We remain committed to be a sustainability frontrunner in our industry. In 2022, we submitted our near-term CO_2e reduction targets to the Science-Based Target initiative for validation.

We aim to reduce our absolute Scopes 1 and 2 emissions and Scope 3 emissions relative to kilogram dry matter by 50% by 2030 from a 2021 baseline.

Our manufacturing process is the primary source of CO_2e emissions - particularly the drying of our products after wet-moulding as most of our ovens are heated either through direct or indirect gas burning. Our carbon reduction trajectory is based on improvement potentials in these processes and investment opportunities in our factories.

We have intensified our development efforts as we acknowledge that a technological leap is necessary to realise our carbon emission reduction ambitions. Among others, we have established a new competency centre in Denmark to investigate and mature energy projects as key contributors to reaching our targets.

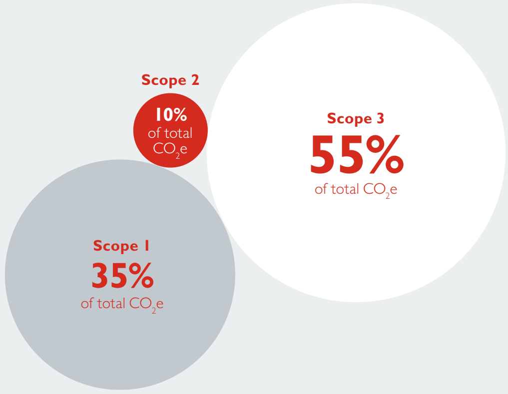
Water consumption

Hartmann's total freshwater consumption decreased by 12% in 2022, and by 8.7% per produced unit. Improved processes in more factories across geographies were the main driver.

Health and Safety

We remain committed to reaching zero category 1 work-related accidents. Against that background continuous efforts to improve safety in the workplace resulted in an 7% reduction in the number of work-related accidents per million working hours (LTI-FR) in 2022 compared to 2021 and a 48% reduction since 2018. This development corresponded to a LTI-FR rate of 6.3% in 2022, a drop from 6.8% in 2021.

COe_2 emission distribution 2022



Our sustainability activities and progress are presented in the Sustainability Report 2022. It 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 2022, the full Sustainability Report is available at csr2022.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/

Read more in our Sustainability Report 2022

Sustainability highlights

Share of recycled paper

98%

2021: 100%

CO_2e emissions Scope 1-2, up

1%

from 2021

Injury rate, LTI-FR

6.3%

2021: 6.8%

Water usage, m^3 down

12%

from 2021

2022 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

Commitments

We are committed to the UN Global Compact and company relevant UN SDG's

Science-based targets

In 2022, Hartmann submitted near-term Scope 1, 2 and 3 carbon emission reduction targets to the Science Based Target initiative for validation.

50%

reduction by 2030

From a 2021 base, we aim for:

- Scopes 1 and 2: Absolute reduction of 50% by 2030
- Scope 3: 50% relative reduction of carbon emission intensity per kilogram dry matter by 2030

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Achievement of these targets require development of new technologies for our machinery.

Corporate governance

Hartmann's statutory report on corporate governance for the 2022 financial year (see section 107 b of the Danish Financial Statements Act) is available at corporategovernance2022.hartmann-packaging.com. The report contains a decription of Hartmann's management structure and the main elements of our internal controls and risk management systems relating to financial reporting.

The report 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 2022, we complied with all the corporate governance recommendations but one.

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 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 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 2022 are available at investor.hartmann-packaging.com, and the remuneration paid for 2022 is specified in note 9 to the financial statements.

Changes on the board of directors

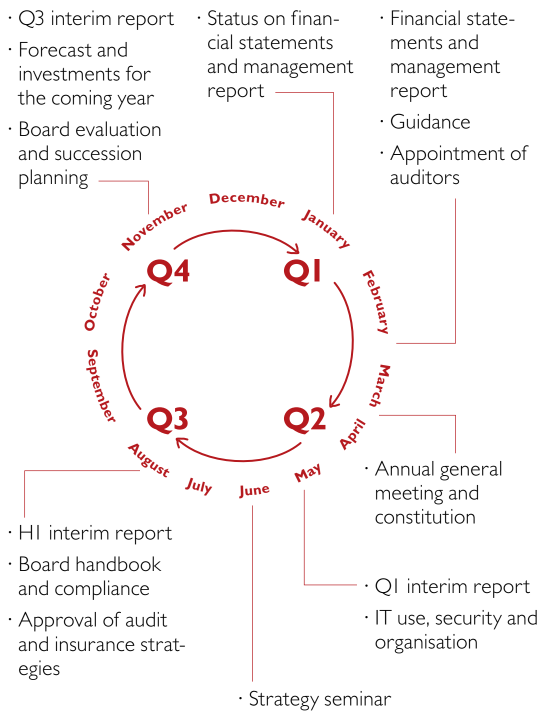
At the general meeting held on 26 April 2022, Steen Parsholt and Marianne Schelde, who did not offer themselves for re-election, resigned. Danny Fleischer stepped down as employee-elected member.

Name	Title	Board of directors	Audit committee	Nomination and remuneration committee
Jan Henriksen	Chairman	●●●●●●●	●	●●
Michael Strange Midskov	Vice chairman	●●●		
Jan Madsen	Board member	●●●●●●●	●●●●●●	
Pernille Fabricius	Board member	●●●	●●●●●	●●
Steen Parsholt*	Vice chairman	●●●●	●	
Marianne Schelde*	Board member	●●●●	●	
Palle Skade Andersen	Board member	●●●●●●●		
Klaus Bysted Jensen	Board member	●●●		
Danny Fleischer*	Board member	○●●●		

● Attended meeting ○ Absent from meeting *Resigned on 26 April 2022.

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**	**Michael Strange Midskov**	**Jan Madsen**	**Pernille Fabricius**
Position	Chairman	Vice chairman	Board member	Board member
Independent	Yes	No	Yes	Yes
Committees	*Chairman:* Nomination and remuneration committee		*Member:* Audit committee	*Chairman:* Audit committee *Member:* Nomination and remuneration 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.	CEO of Sanovo Technologies A/S. Former Executive Director of Exhausto Group and former positions with Sanovo Technology Group and Roulunds Fabriker A/S.	Managing Director of Coop Invest A/S and Lobyco A/S. Former COO of Coop Danmark A/S and previous positions with Carlsberg Group, McKinsey & Company and Nestlé.	EVP, Strategy, Transformation and M&A, NNIT A/S. Former Managing Director of John Guest Group and previous positions with Getinge Group, Topaz Energy Marine, Damco, TMF Group, GN Netcom and ISS Group.
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, strategy and business development as well as sales of technology and services to the international food industry.	Special expertise in retailing with particular focus on food, international sales and marketing, business development, digitalisation and supply chain management.	Special expertise in management, strategy, accounting, auditing, financing and M&A.
Other positions:	*Chairman:* BPI A/S.	*Member:* Thornico CEO Board	*Chairman:* FDB Møbler A/S and Quick Info ApS. *Board member:* African Coffee Roasters, Færch & Co. Gastro ApS (including one subsidiary), Republica A/S and Severin A/S.	*Board member:* K3 Technology (Chair of the Audit Committee and member of Remuneration Committee), MT Højgaard Holding A/S (member of the Audit Committee), and GreenGo Energy A/S.
First elected	2018	2022	2019	2022
Born	1965	1962	1969	1966
Gender	Male	Male	Male	Female
Nationality	Danish	Danish	Danish	Danish
Shareholding 31 Dec. 2022	2,000	0	1,800	0
Change in 2022	+1,000	0	0	0

Board of directors – continued

Executive board

Name	**Klaus Bysted Jensen**	**Palle Skade Andersen**	**Torben Rosenkrantz-Theil**	**Flemming Steen**
Position	Board member elected by the employees	Board member elected by the employees	CEO	CFO
Description	Director Supply Chain, Hartmann Technology. Employed with Brødrene Hartmann A/S since 1994. Elected by the employees in 2022 to serve until the annual general meeting to be held in 2026.	Manager, Production Technology Brødrene Hartmann A/S, Tønder, Denmark. Employed with Brødrene Hartmann A/S since 1991. Elected by the employees in 2022 to serve until the annual general meeting to be held in 2026.	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 expertise in project management related to technology delivery and supply chain management.	Extensive expertise in carton after-treatment processes.	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:	-	-	***Chairman:*** Int. market committee, Confederation of Danish Industry ***Board member:*** Sanovo Technology A/S ***Member:*** Thornico CEO Board ***Managing Director:*** Sanovo Packaging Denmark ApS.	-
First elected/ employed	2022	2018	2007	2018
Born	1972	1969	1975	1966
Gender	Male	Male	Male	Male
Nationality	Danish	Danish	Danish	Danish
Shareholding 31 Dec. 2022	16	0	0	2,380
Change in 2022	0	0	0	+400

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 2022.

The board of directors has been authorised by the shareholders in the period until 25 April 2023 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 369.5 in 2022 and closed at DKK 295.0 thus yielding a return of (20)%.

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 2022, Hartmann had 4,028 registered shareholders (2021: 4,240), 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%)

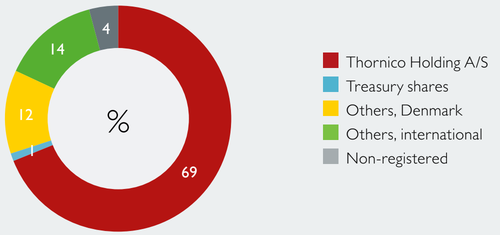
At 31 December 2022, Hartmann's holding of treasury shares was unchanged at 1.4% of the share capital.

At 31 December 2022, the members of Hartmann's board of directors and executive board held 0.1% of the share capital. The members of the board of directors and executive board 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.

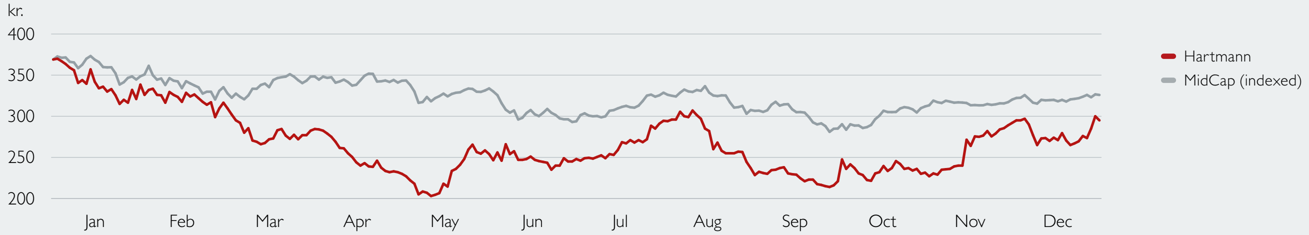
The Hartmann share

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 7 March 2023



Share price performance 2022



Financial calendar

13 March 2023	Deadline for submission of business to be transacted at the annual general meeting
25 April 2023	Annual General Meeting
9 May 2023	Interim report Q1 2023
16 August 2023	Interim report Q2 2023
15 November 2023	Interim report Q3 2023

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 25 April 2023 that no dividend be paid for the financial year ended 31 December 2022 (2021: 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 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.

Analysts

Hartmann's shares are covered by equity analyst Frederikke Due Olsen 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.

Financial statements

Revenue and earnings

Revenue
On the back of a strong Q4 2022 performance, revenue for the year increased to DKK 3,350 million (2021: DKK 2,666 million, including a licence income of DKK 78 million), corresponding to realisation of the most recent guidance of a revenue around DKK 3.3 billion. Currency movements reduced revenue by a net DKK 19 million.

Operating profit
Operating profit for 2022 came to DKK 252 million (2021: DKK 251 million, including licence income of DKK 78 million) for a profit margin of 7.5% (2021: 9.5%), exceeding the most recent guidance of a profit margin of 5-7% due to continued and necessary pricing actions combined with cost containment initiatives. Operating profit after restatement for hyperinflation amounted to DKK 238 million (2021: DKK 231 million) for a profit margin of 7.1% (2021: 8.7%). Currency fluctuations improved operating profit after restatement for hyper-inflation by a net DKK 36 million.

Corporate functions
Costs related to corporate functions amounted to DKK 36 million (2021: DKK 31 million).

Special items
Special items amounted to an expense of DKK 34 million (2021: net expense of DKK 116 million). A net income of DKK 44 million related to the effect from write down and disposal of assets on the back of the fire in the factory in India in May 2022, and the estimated insurance coverage to reestablish building and production capacity. In addition, an expense of DKK 78 million related to impairment of non-current assets in Brazil, see note 10, in response to slowing economic growth, high inflation and increasing interest rates.

Financial income and expenses
Financial income and expenses were a net expense of DKK 72 million for 2022 (2021: net expense of DKK 9 million). The development was driven by higher interest rates, exchange rate losses and monetary loss on restatement for hyperinflation.

Profit for the year
Reflecting the improved operating profit, profit before tax grew to DKK 132 million (2021: DKK 106 million). Tax on the profit for the year was an expense of DKK 71 million (2021: expense of DKK 31 million), for an effective tax rate of 54% (2021: 29%). The effective tax rate before restatement for hyperinflation was 35% (2021: 18%). The profit for the year for continuing operations increased to DKK 107 million (2021: DKK 75 million).

Result from discontinuing operations
Result from discontinuing operations showed a loss of DKK 91 million (2021: DKK 0 million). The result for 2022 included an impairment of assets held for sale of DKK 117 million.

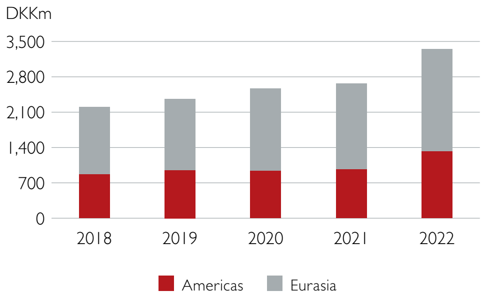
Comprehensive income
Comprehensive income was down to DKK 25 million (2021: DKK 171 million) due to the negative development in profit for the year. Furthermore, unlike the situation in 2021, comprehensive income was unfavourably affected by foreign exchange adjustments of subsidiaries and actuarial losses.

Parent company
In 2022, the parent company generated revenue of DKK 1,910 million (2021: DKK 1,742 million) and operating profit of DKK 27 million (2021: DKK 180 million). Profit for the year was negative by DKK 85 million (2021: DKK 3 million) due to impairment of assets held for sale.

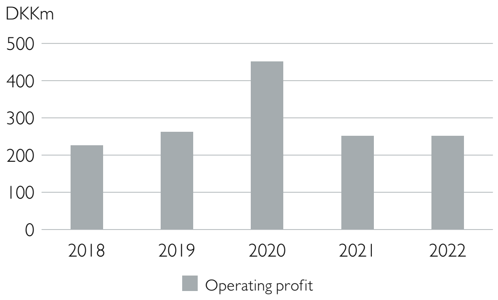
Management consider operating profit for the year as satisfactory, as market conditions in Europe were extraordinarily challenging. For the parent company, operating profit is expected at the same level for 2023.

Events after the balance sheet date
Apart from what has been recognised or disclosed in this annual report, no events have occurred after the balance sheet date of significance to the consolidated financial statements or the parent company financial statements.

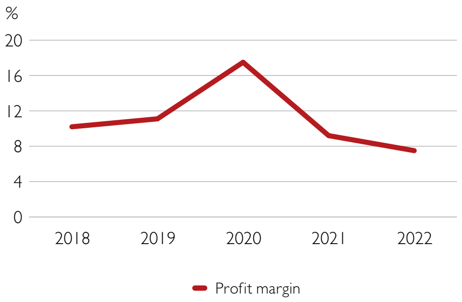
Revenue



Operating profit



Profit margin



Statement of comprehensive income

DKKm	Note	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Revenue	5	3,350.1	2,666.1	1,910.0	1,741.5
Production costs	6	(2,535.1)	(1,961.3)	(1,563.7)	(1,292.7)
Gross profit		**815.0**	**704.8**	**346.3**	**448.8**
Other operating income		8.2	0.0	0.0	0.0
Selling and distribution costs	7	(436.3)	(360.6)	(244.9)	(206.6)
Administrative expenses	8	(149.4)	(113.4)	(74.9)	(61.9)
Operating profit before special items		**237.5**	**230.8**	**26.5**	**180.3**
Special items	10	(33.6)	(115.9)	0.0	(4.3)
Operating profit after special items		**203.9**	**114.9**	**26.5**	**176.0**
Profit after tax in associates		0.2	0.0	-	-
Financial income	11	27.2	36.9	76.4	38.9
Financial expenses	11	(98.9)	(46.3)	(176.8)	(170.0)
Profit before tax		**132.4**	**105.5**	**(73.9)**	**44.9**
Tax on profit for the year	12	(71.1)	(31.0)	(10.7)	(41.7)
Profit from continuing operations		**61.3**	**74.5**	**(84.6)**	**3.2**
Result from discontinuing operations	34	(91.1)	(0.1)	-	-
Profit for the year		**(29.8)**	**74.4**	**(84.6)**	**3.2**
Earnings per share, continuing operations, DKK	13	8.9	10.8	-	-
Diluted earnings per share, continuing operations, DKK	13	8.9	10.8	-	-
Earnings per share, DKK	13	(4.3)	10.8	-	-
Diluted earnings per share, DKK	13	(4.3)	10.8	-	-

DKKm	Note	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Profit for the year		**(29.8)**	**74.4**	**(84.6)**	**3.2**
Items that cannot be reclassified to profit or loss					
Actuarial gains/(losses) on defined benefit plans	26	(12.2)	24.7	-	-
Tax	12	2.9	(6.2)	-	-
Items that can be reclassified to profit or loss					
Foreign exchange adjustment of foreign subsidiaries	30	(18.8)	40.9	-	-
Equity-like loans to subsidaries		3.7	0.0	-	-
Tax	12	(0.8)	0.0		
Hyperinflation restatement of equity at 1 January	32	72.9	46.9	-	-
Value adjustment of hedging instruments:					
Recognised in other comprehensive income		(7.1)	(12.5)	9.7	(10.3)
Transferred to revenue		7.9	1.2	4.7	5.4
Transferred to production costs		5.8	(0.5)	5.8	(0.5)
Transferred to financial income and expenses		1.6	(0.6)	(1.5)	(0.2)
Tax	12	(0.8)	2.9	(4.1)	1.2
Other comprehensive income after tax		**55.1**	**96.8**	**14.6**	**(4.4)**
Comprehensive income		**25.3**	**171.2**	**(70.0)**	**(1.2)**

Cash flows

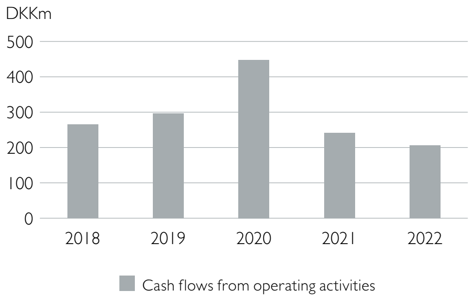
Investments and cash flows
Cash flows from operating activities were a net inflow of DKK 204 million in 2022 (2021: net inflow of DKK 241 million).

Cash flows from investing activities were a net outflow of DKK 182 million (2021: net outflow of DKK 527 million) in which gross investments amounted to DKK 186 million, slightly below the group's guidance of around DKK 225 million. The investments decreased significantly from 2021, which included substantial investments in production facilities and acquisition of Gotek-Litar in Russia.

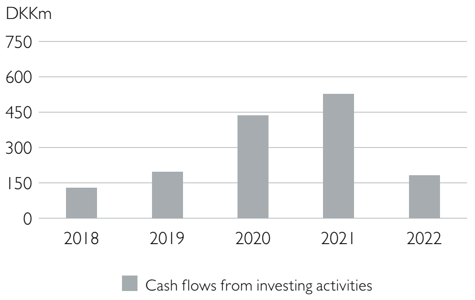
Total cash flows from operating and investing activities (free cash flow) came to a net inflow of DKK 23 million (2021: net outflow of DKK 286 million). The development was driven by the lower investment level compared to 2021.

Affected by drawdowns on the group's existing credit facility, cash flows from financing activities amounted to a net inflow of DKK 54 million (2021: net inflow of DKK 233 million).

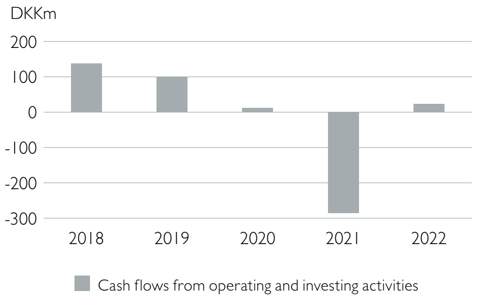
Cash flows from operating activities



Cash flows from investing activities



Free cash flow



Statement of cash flows

DKKm	Note	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Operating profit before special items		237.5	230.8	26.5	180.3
Depreciation and amortisation		176.9	153.9	39.3	34.7
Adjustment for other non-cash items	14	7.6	10.5	0.0	0.0
Change in working capital etc.	14	(137.1)	(49.0)	64.0	71.4
Special items paid		(4.3)	(4.0)	0.0	(4.0)
Cash generated from operations		**280.6**	**342.2**	**129.8**	**282.4**
Interest etc. received		6.6	2.9	23.9	9.7
Interest etc. paid		(45.7)	(23.4)	(19.8)	(8.7)
Net income tax paid		(37.1)	(80.8)	(16.7)	(48.3)
Cash flows from operating activities		**204.4**	**240.9**	**117.2**	**235.1**
Acquisition of intangible assets		(22.9)	(29.6)	(22.1)	(29.7)
Acquisition of property, plant and equipment		(163.5)	(370.7)	(61.7)	(41.9)
Disposal of intangible assets and property, plant and equipment		4.7	0.6	0.1	0.0
Acquisition of subsidiaries		0.0	(112.9)	0.0	(101.9)
Acquisition of other investments		0.0	(14.0)	0.0	(14.0)
Dividend received from subsidiaries		-	-	9.0	16.4
Cash flows from investing activities		**(181.7)**	**(526.6)**	**(74.7)**	**(171.1)**
Cash flows from operating and investing activities (free cash flow)		**22.7**	**(285.7)**	**42.5**	**64.0**
Raising of debt with credit institutions	14	580.6	280.2	580.6	182.1
Repayment of debt to credit institutions	14	(508.6)	(35.0)	(508.6)	(35.0)
Change in leasing debt		(18.2)	(12.2)	(2.7)	4.8
Loans to subsidiaries	20	-	-	(123.0)	(296.1)
Repayments received from subsidiaries	20	-	-	22.1	21.4
Cash flows from financing activities		**53.8**	**233.0**	**(31.6)**	**(122.8)**
Net cash flow from continuing operations		**76.5**	**(52.7)**	**10.9**	**(58.8)**
Net cash flow from discontinuing operations	34	10.3	(5.5)	-	-
Total cash flows		**86.8**	**(58.2)**	**10.9**	**(58.8)**

DKKm	Note	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Total cash flows		**86.8**	**(58.2)**	**10.9**	**(58.8)**
Cash and cash equivalents at 1 January		26.9	75.1	(69.8)	(17.8)
Foreign exchange adjustment		(1.9)	10.0	0.1	6.8
Cash and cash equivalents at 31 December		**111.8**	**26.9**	**(58.8)**	**(69.8)**
Of which classified as assets held for sale		16.6	0.0	-	-
Cash and cash equivalents at 31 December		**95.2**	**26.9**	**(58.8)**	**(69.8)**
Recognition of cash and cash equivalents at 31 December:					
Cash		180.2	117.9	3.4	4.5
Overdraft facilities		(85.0)	(91.0)	(62.2)	(74.3)
Cash and cash equivalents at 31 December		**95.2**	**26.9**	**(58.8)**	**(69.8)**

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

Balance sheet and equity

Funding
The group's net interest-bearing debt at 31 December 2022 was DKK 938 million (2021: DKK 933 million).

At 31 December 2022, financial resources, comprising cash and undrawn loan and overdraft facilities, amounted to DKK 419 million (2021: DKK 434 million). This level is considered satisfactory and sufficient to cover Hartmann's planned investments. Hartmann's loans are subject to standard financial covenants, see note 29.

Assets
Total assets were up to DKK 2,949 million including assets held for sale (2021: DKK 2,804 million), driven by changes in working capital.

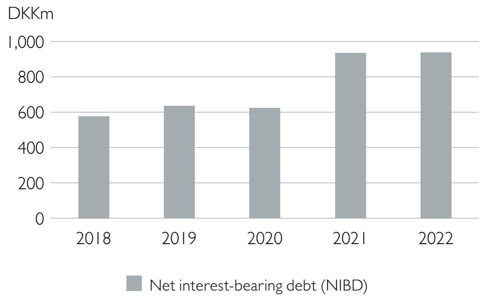
ROIC
Return on invested capital was 11.1% in 2022 (2021: 12.3%).

Equity
Equity at 31 December 2022 was DKK 1,222 million (2021: DKK 1,197 million), for an equity ratio of 41% (2021: 45%) including assets held for sale. Excluding assets held for sale the group equity ratio reached 43%.

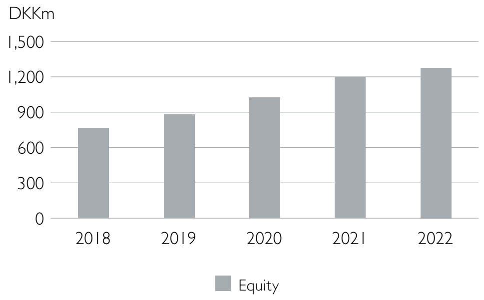
The financial gearing ratio at 31 December 2022 showed 77% (2021: 78%).

Earnings per share came to DKK 8.9 (2021: DKK 10.8) for the groups continuing operations. Including discontinuing operations earnings per share was a negative DKK 4.3, as the the Russian subsidiary, classified as held for sale, was written down to net realisable value, see note 34.

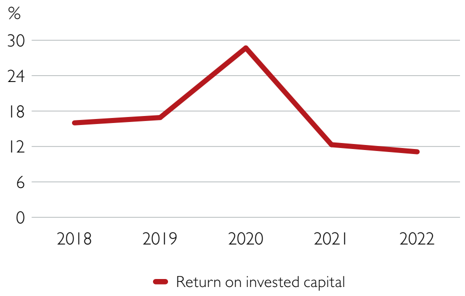
Net interest-bearing debt (NIBD)



Equity



ROIC



Balance sheet

Assets

DKKm	Note	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Goodwill		54.4	108.4	10.7	10.7
Other intangible assets		60.3	61.6	47.4	30.9
Intangible assets	**15**	**114.7**	**170.0**	**58.1**	**41.6**
Land and buildings		362.1	398.4	25.0	26.1
Plant and machinery		876.4	717.8	132.9	127.3
Other fixtures and fittings, tools and equipment		20.7	21.4	3.2	3.1
Plant under construction		112.7	354.2	35.8	10.1
Property, plant and equipment	**16**	**1,371.9**	**1,491.8**	**196.9**	**166.6**
Leased land and buildings		55.1	62.0	2.3	3.4
Other lease assets		8.2	9.4	6.0	7.3
Lease assets	**18**	**63.3**	**71.4**	**8.3**	**10.7**
Investments in subsidiaries	19	-	-	834.5	960.1
Receivables from subsidiaries	20	-	-	640.7	589.1
Investments in associates	21	2.9	2.6	1.2	1.2
Other investments		14.0	14.0	14.0	14.0
Deferred tax	22	63.2	62.0	0.0	0.0
Other receivables		0.8	0.8	0.0	0.0
Other non-current assets		**80.9**	**79.4**	**1,490.4**	**1,564.4**
Non-current assets		**1,630.8**	**1,812.6**	**1,753.7**	**1,783.3**
Inventories	23	327.6	299.9	119.1	123.8
Trade receivables	24	459.5	396.2	275.8	226.3
Receivables from subsidiaries		-	-	89.2	96.8
Income tax		24.2	28.1	0.0	0.0
Other receivables		209.2	125.2	55.2	81.2
Prepayments		25.5	24.3	10.2	9.4
Cash		180.2	117.9	3.4	4.5
Current assets		**1,226.2**	**991.6**	**552.9**	**542.0**
Assets held for sale	33	91.5	-	73.1	-
Assets		**2,948.5**	**2,804.2**	**2,379.7**	**2,325.3**

Equity and liabilities

DKKm	Note	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Share capital	25	140.3	140.3	140.3	140.3
Hedging reserve		(0.4)	(7.8)	9.2	(5.4)
Translation reserve		(149.0)	(206.0)	0.0	-
Retained earnings		1,230.9	1,270.0	746,1	830.7
Equity		**1,221.8**	**1,196.5**	**895.6**	**965.6**
Deferred tax	22	60.3	39.7	13.4	6.4
Pension obligations	26	20.3	9.6	0.0	0.0
Credit institutions	30	860.3	782.0	860.3	782.0
Lease liabilities	30	53.4	62.8	3.5	6.3
Government grants		0.3	0.5	0.0	0.0
Other payables		0.6	2.9	0.0	0.0
Non-current liabilities		**995.2**	**897.5**	**877.2**	**794.7**
Credit institutions	30	105.5	98.1	0.0	0.0
Lease liabilities	30	13.5	11.9	4.7	4.5
Government grants		0.1	0.9	0.0	0.0
Overdraft facilities	30	85.0	91.0	62.2	74.3
Prepayments from customers		17.5	14.2	15.0	11.0
Trade payables		319.7	306.7	131.4	146.7
Payables to subsidiaries		-	-	316.2	226.1
Payables to associates		9.2	10.7	8.9	10.4
Income tax		12.2	15.3	4.0	12.9
Provisions		0.3	0.7	0.3	0.7
Other payables		150.1	160.7	64.2	78.4
Current liabilities		**713.1**	**710.2**	**606.9**	**565.0**
Liabilities		**1,708.3**	**1,607.7**	**1,484.1**	**1,359.7**
Liabilities related to assets held for sale	33	18.4	-	0.0	-
Equity and liabilities		**2,948.5**	**2,804.2**	**2,379.7**	**2,325.3**

Statement of changes in equity

Group	2022						2021					
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**	**(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**
Profit for the year	-	-	-	(29.8)	-	(29.8)	-	-	-	74.4	-	74.4
Other comprehensive income												
Items that cannot be reclassified to profit or loss												
Actuarial gains/(losses) on defined benefit plans	-	-	-	(12.2)	-	(12.2)	-	-	-	24.7	-	24.7
Tax	-	-	-	2.9	-	2.9	-	-	-	(6.2)	-	(6.2)
Items that can be reclassified to profit or loss												
Foreign exchange adjustments of foreign subsidiaries	-	-	(18.8)	-	-	(18.8)	-	-	40.9	-	-	40.9
Equity-like loans to subsidaries	-	-	3.7	-	-	3.7	-	-	0.0	-	-	0.0
Tax	-	-	(0.8)	-	-	(0.8)	-	-	0.0	-	-	0.0
Hyperinflation restatement of equity at 1 January	-	-	72.9	-	-	72.9	-	-	46.9	-	-	46.9
Value adjustment of hedging instruments:												
Recognised in other comprehensive income	-	(7.1)	-	-	-	(7.1)	-	(12.5)	-	-	-	(12.5)
Transferred to revenue	-	7.9	-	-	-	7.9	-	1.2	-	-	-	1.2
Transferred to production costs	-	5.8	-	-	-	5.8	-	(0.5)	-	-	-	(0.5)
Transferred to financial income and expenses	-	1.6	-	-	-	1.6	-	(0.6)	-	-	-	(0.6)
Tax	-	(0.8)	-	-	-	(0.8)	-	2.9	-	-	-	2.9
Other comprehensive income	**0.0**	**7.4**	**57.0**	**(9.3)**	**0.0**	**55.1**	**0.0**	**(9.5)**	**87.8**	**18.5**	**0.0**	**96.8**
Total comprehensive income	**0.0**	**7.4**	**57.0**	**(39.1)**	**0.0**	**25.3**	**0.0**	**(9.5)**	**87.8**	**92.9**	**0.0**	**171.2**
Changes in equity in the year	**0.0**	**7.4**	**57.0**	**(39.1)**	**0.0**	**25.3**	**0.0**	**(9.5)**	**87.8**	**92.9**	**0.0**	**171.2**
Equity at 31 December	**140.3**	**(0.4)**	**(149.0)**	**1,230.9**	**0.0**	**1,221.8**	**140.3**	**(7.8)**	**(206.0)**	**1,270.0**	**0.0**	**1,196.5**

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

Statement of changes in equity

Parent company	**2022**					**2021**				
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**	**(5.4)**	**830.7**	**0.0**	**965.6**	**140.3**	**(1.0)**	**827.5**	**0.0**	**966.8**
Profit for the year	-	-	(84.6)	0.0	(84.6)	-	-	3.2	0.0	3.2
Other comprehensive income										
Items that can be reclassified to profit or loss										
Value adjustment of hedging instruments:										
Recognised in other comprehensive income	-	9.7	-	-	9.7	-	(10.3)	-	-	(10.3)
Transferred to revenue	-	4.7	-	-	4.7	-	5.4	-	-	5.4
Transferred to production costs	-	5.8	-	-	5.8	-	(0.5)	-	-	(0.5)
Transferred to financial income and expenses	-	(1.5)	-	-	(1.5)	-	(0.2)	-	-	(0.2)
Tax	-	(4.1)	-	-	(4.1)	-	1.2	-	-	1.2
Other comprehensive income	**0.0**	**14.6**	**0.0**	**0.0**	**14.6**	**0.0**	**(4.4)**	**0.0**	**0.0**	**(4.4)**
Total comprehensive income	**0.0**	**14.6**	**(84.6)**	**0.0**	**(70.0)**	**0.0**	**(4.4)**	**3.2**	**0.0**	**(1.2)**
Changes in equity in the year	**0.0**	**14.6**	**(84.6)**	**0.0**	**(70.0)**	**0.0**	**(4.4)**	**3.2**	**0.0**	**(1.2)**
Equity at 31 December	**140.3**	**9.2**	**746.1**	**0.0**	**895.6**	**140.3**	**(5.4)**	**830.7**	**0.0**	**965.6**

Notes

General

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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 2022 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 from development in exchange rate from the transaction date to the date of payment are recognised in the statement of comprehensive income under financial income and financial expenses, respectively. Receiv-

Notes

ables, payables and other monetary items denominated in foreign currency are translated into the functional currency at the exchange rate at the balance sheet date. Gains and losses arising from development in exchange rate from the transaction date or the date of the latest consolidated financial statements to the balance sheet date are recognised in the statement of comprehensive income under financial income and financial expenses, respectively.

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 are translated at the foreign exchange rate at the balance sheet date. Foreign exchange differences arising from translation of opening equity and from translation of comprehensive income statement items to the exchange rate at the balance sheet date are recognised in the statement of comprehensive income under other comprehensive income and in equity under 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 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.

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 of approval 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 2022.

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 fair value corresponding to 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.

Notes

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 and notes 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 and notes 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-2022-12-31-en.zip.

02 Accounting regulations

New financial reporting standards and interpretations in 2022
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 2022. The following amendments are relevant to Hartmann:

- Amendments to IFRS 3 Reference to the Conceptual Framework; clarify the prohibition for recognizing contingent assets acquired in a business combination and replaces outdated references to the Framework.
- Amendments to IAS 16 Property, Plant and Equipment; prohibits the deduction from the cost of an item of property, plant and equipment, of any proceeds of the sale of items produced while bringing that asset to the location and condition, necessary for it, to be capable of operating in the manner intended by management.
- Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract; specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract including both incremental costs and an allocation of costs directly related to contract activities.
- Annual Improvements to IFRS Standards 2018-2020 contains minor changes to four standards.

The implementation of the amendments have 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 2023.

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. Below are the accounting estimates and judgements, which Management considers significant to the preparation of the consolidated financial statements:

- Impairment testing (note 17)
- Collateral and contingent liabilities (note 28)
- Discontinuing operations and assets held for sale (note 34)

The Russian invasion of Ukraine further augmented the heightened volatility in the global supply chains, which impacted the annual report for 2022 after having prevailed since the end of the financial year 2021. Continued increases in energy prices contributed to rising inflation, and fluctuations in foreign exchange rates as well as subdued demand continue to impact Hartmann's financial performance and key estimates. The decision to sell the Russian entity was made on 1 April 2022, and the sales process has subsequently been initiated. However; the sales process is complex and prolonged due to legal changes and challenges and was not completed in 2022. On the balance sheet date, the Russian entity is treated and measured as discontinuing operations. Hartmann will continue to operate the facilities and fulfil obligations within the limits of imposed sanctions and restrictions until a sale is made.

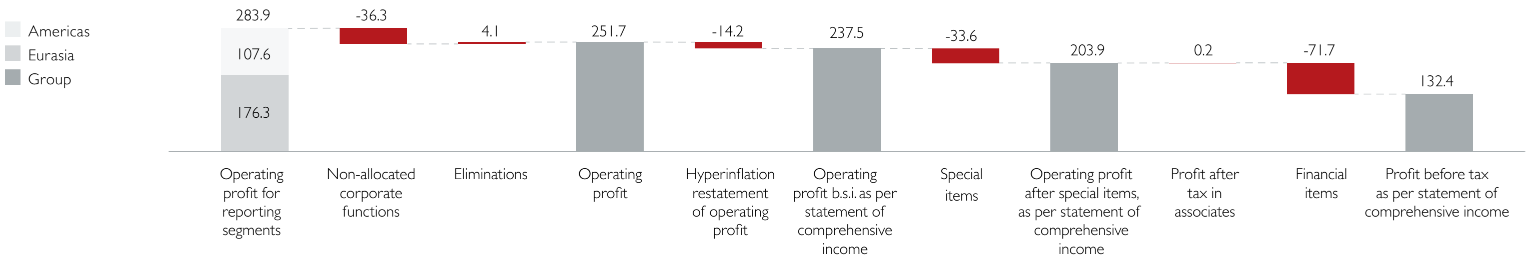
Management has assessed the potential impact from the resulting uncertainties on the estimated values for the liabilities and assets in the group's Russian entity as well as other potentially affected assets and liabilities.

Notes

04 Segment information

Activities	2022			2021		
DKKm	Eurasia	Americas	Total reporting segments	Eurasia	Americas	Total reporting segments
External revenue	**2,031.5**	**1,322.7**	**3,354.2**	**1,698.1**	**944.5**	**2,642.6**
Hyperinflation restatement of revenue			(4.1)			23.5
Revenue, as per statement of comprehensive income			**3,350.1**			**2,666.1**
Operating profit for reporting segments	**176.3**	**107.6**	**283.9**	**244.9**	**34.5**	**279.4**
Non-allocated corporate functions			(36.3)			(31.3)
Eliminations			4.1			2.7
Operating profit			**251.7**			**250.8**
Hyperinflation restatement of operating profit			(14.2)			(20.0)
Operating profit before special items, as per statement of comprehensive income			**237.5**			**230.8**
Special items			(33.6)			(115.9)
Operating profit after special items, as per statement of comprehensive income			**203.9**			**114.9**
Profit after tax in associates			0.2			0.0
Financial items			(71.7)			(9.4)
Profit before tax, as per statement of comprehensive income			**132.4**			**105.5**

Reconciliaton of segment operating profit



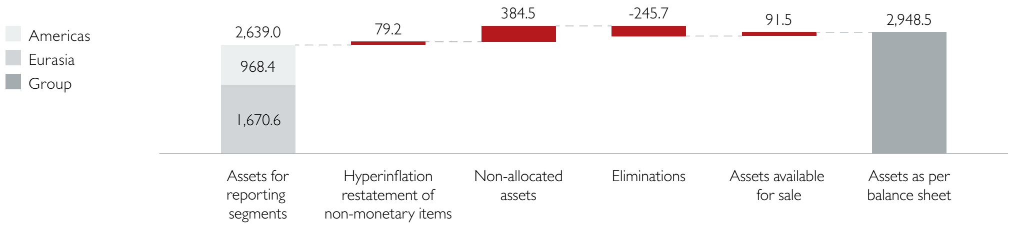
Notes

04 Segment information – continued

Reconciliation

DKKm	2022 Eurasia	2022 Americas	2022 Total reporting segments	2021 Eurasia	2021 Americas	2021 Total reporting segments
Segment assets	**1,670.6**	**968.4**	**2,639.0**	**1,686.5**	**956.4**	**2,642.9**
Hyperinflation restatement of non-monetary items			79.2			64.9
Non-allocated assets			384.5			302.4
Eliminations			(245.7)			(206.0)
Assets available for sale			91.5			0.0
Assets, as per balance sheet			**2,948.5**			**2,804.2**
Other segment information						
Depreciation and amortisation	91.3	78.0		83.2	59.9	
Impairment losses	0.0	77.6		0.0	111.6	
Investments in intangible assets, property plant and equipment and lease assets	70.8	95.9		245.8	193.8	
Net working capital	514.2	108.2		305.0	129.1	
Invested capital	1,311.0	786.4		1,297.7	847.1	

Reconciliaton of segment assets



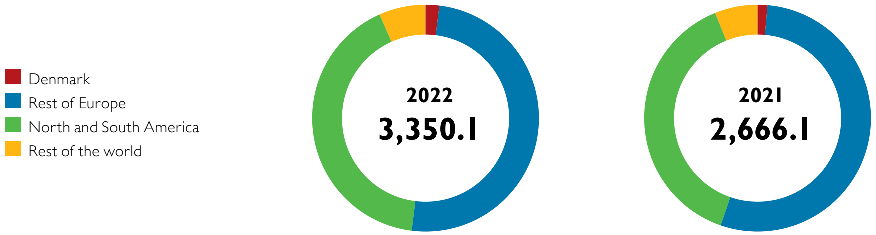
Notes

04 Segment information – continued

Geographical distribution

DKKm	Denmark	Rest of Europe	North and South America	Rest of world	Total group
2022					
Revenue	73.7	1,672.8	1,381.1	222.5	**3,350.1**
Intangible assets, property, plant and equipment and lease assets	257.9	387.7	763.8	185.2	**1,594.6**
2021					
Revenue	38.9	1,441.5	1,028.7	157.0	**2,666.1**
Intangible assets, property, plant and equipment and lease assets	239.7	567.4	712.3	213.8	**1,733.2**

Split in revenue



§ 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 and restatement for hyperinflation. 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.

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 and Israel, 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

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Moulded-fibre packaging	3,265.1	2,571.9	1,702.7	1,412.5
Machinery and technology	85.0	94.2	207.3	329.0
Revenue	**3,350.1**	**2,666.1**	**1,910.0**	**1,741.5**

§ 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 30-60 days depending on market. 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

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Cost of sales excl. wages and salaries	1,583.8	1,102.2	1,275.5	1,001.8
Inventory write-downs	2.2	8.8	0.7	2.4
Staff costs, see note 9	545.6	483.0	183.6	190.4
Depreciation and amortization, see notes 15, 16 and 18	166.2	140.9	33.9	28.1
Other production costs	237.3	226.4	70.0	70.0
Production costs	**2,535.1**	**1,961.3**	**1,563.7**	**1,292.7**

Development costs of DKK 10.3 million for both the group and the parent company (2021: DKK 9.5 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.

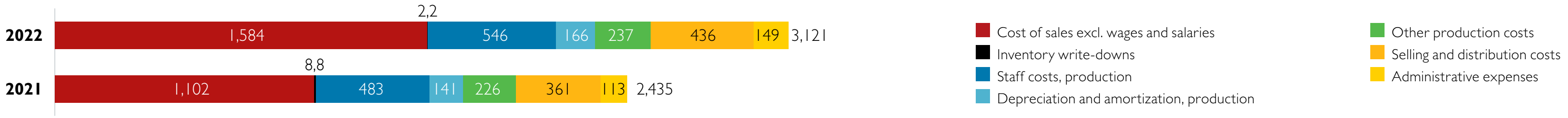
07 Selling and distribution costs

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Staff costs, see note 9	72.7	72.0	12.2	13.9
Depreciation and amortisation, see notes 15, 16 and 18	3.5	4.7	0.0	0.0
Other selling and distribution costs	360.1	283.9	232.7	192.7
Selling and distribution costs	**436.3**	**360.6**	**244.9**	**206.6**

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

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Staff costs, see note 9	77.4	65.6	37.6	31.2
Depreciation and amortisation, see notes 15, 16 and 18	7.1	8.1	5.3	6.6
Other administrative expenses	64.9	39.7	32.0	24.1
Administrative expenses	**149.4**	**113.4**	**74.9**	**61.9**

§ Accounting policies

Administrative expenses

Administrative expenses comprise the expenses of the administrative staff, management, office premises, consultancy assistance, IT costs and depreciation and amortisation.

09 Staff costs

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Wages, salaries and remuneration	601.7	539.8	210.8	213.2
Pension costs, defined benefit plans	6.2	6.1	-	-
Pension contributions, defined contribution plans	43.5	43.6	18.9	19.0
Other social security costs	44.3	31.1	3.7	3.3
Staff costs	**695.7**	**620.6**	**233.4**	**235.5**
Staff costs are recognised in the following comprehensive income statement items:				
Production costs	545.6	483.0	183.6	190.4
Selling and distribution costs	72.7	72.0	12.2	13.9
Administrative expenses	77.4	65.6	37.6	31.2
	695.7	**620.6**	**233.4**	**235.5**
Number of employees				
Average number of full-time employees	2,458	2,488	407	436

For information about pension obligations, see note 26.

Notes

09 Staff costs – continued

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 2022, ordinary members each receive an annual fee of DKK 250,000 (2021: DKK 250,000). 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	**2022**	**2021**
Chairman	0.8	0.7
Vice chairman	0.4	0.4
Ordinary board members	1.0	1.0
	2.2	**2.1**

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 2022, ordinary committee members each receive an annual fee of DKK 125,000 (2021: DKK 125,000). The chairman receives an annual fee of DKK 375,000 (2021: DKK 375,000).

DKKm	**2022**	**2021**
Chairman	0.4	0.4
Ordinary committee members	0.2	0.2
	0.6	**0.6**

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**
2022					
Torben Rosenkrantz-Theil	4.4	2.0	0.4	0.2	7.0
Flemming Steen	3.3	1.4	0.0	0.2	4.9
	7.7	**3.4**	**0.4**	**0.4**	**11.9**
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**

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

Notes

09 Staff costs – continued

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

	No. of shares			
	1 Jan 2022	Purchased	Sold	31 Dec 2022
Executive board				
Torben Rosenkrantz-Theil	0	0	0	0
Flemming Steen	1,980	400	0	2,380
Board of directors				
Jan Klarskov Henriksen	1,000	1,000	0	2,000
Michael Strange Midskov	0	0	0	0
Pernille Fabricius	0	0	0	0
Jan Madsen	1,800	0	0	1,800
Palle Skade Andersen	0	0	0	0
Klaus Bysted Jensen	16	0	0	16

10 Special items

	Group		Parent company	
DKKm	2022	2021	2022	2021
Insurance coverage	73.5	0.0	0.0	0.0
Write down and disposal of assets	(29.5)	0.0	0.0	0.0
Impairment of non-current assets, see note 17	(77.6)	(111.6)	0.0	0.0
Impairment of trade receivables	0.0	(4.3)	0.0	(4.3)
Special income/(costs)	**(33.6)**	**(115.9)**	**0.0**	**(4.3)**
Special items	**(33.6)**	**(115.9)**	**0.0**	**(4.3)**
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:				
Other operating income	73.5	0.0	0.0	0.0
Production costs	(107.1)	(115.9)	0.0	(4.3)
	(33.6)	**(115.9)**	**0.0**	**(4.3)**

Special items for the year include write down of assets related to the fire in the factory in India in May 2022, and estimated insurance coverage to reestablish the building and production capacity. Furthermore special items for 2022 include impairment of non-current assets in Brazil.

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

§ Accounting policies

Special items

Special items comprise significant non-recurring income and expenses of a special nature, such as the costs of extensive restructuring of processes and fundamental 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, insurance coverage, 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.

Notes

11 Financial income and expenses

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Interest income from subsidiaries	-	-	20.0	8.4
Interest income, cash and cash equivalents etc.	4.2	1.9	2.0	0.0
Net interest on defined benefit plans; see note 26	0.2	0.0	0.0	0.0
Other interest income	2.2	1.1	0.4	0.1
Interest income from financial assets not measured at fair value through profit or loss	**6.6**	**3.0**	**22.4**	**8.5**
Dividend from subsidiaries	-	-	9.0	12.3
Monetary gain on hyperinflation restatement	0.0	0.7	-	-
Foreign exchange gains	19.1	31.6	43.5	17.2
Derivative financial instruments	1.5	1.6	1.5	0.9
Financial income	**27.2**	**36.9**	**76.4**	**38.9**
Interest expenses to subsidiaries	-	-	0.5	0.3
Interest expenses, credit institutions	36.4	17.1	18.1	7.6
Interest expenses, lease liabilities	2.7	2.5	0.2	0.2
Net interest on defined benefit plans; see note 26	0.0	0.4	0.0	0.0
Other financial expenses	6.6	4.3	1.2	0.4
Interest expenses from financial liabilities not measured at fair value through profit or loss	**45.7**	**24.3**	**20.0**	**8.5**
Impairment of investments in subsidiaries	-	-	23.8	158.9
Impairment of investments in subsidiaries classified as assets held for sale	-	-	56.6	0.0
Write-down on loans and receivables to subsidiaries	0.0	0.0	47.7	0.0
Monetary loss on hyperinflation restatement	20.4	0.0	-	-
Foreign exchange losses	29.7	21.0	28.7	2.0
Derivative financial instruments	3.1	1.0	0.0	0.6
Financial expenses	**98.9**	**46.3**	**176.8**	**170.0**
Financial income and (expenses)	**(71.7)**	**(9.4)**	**(100.4)**	**(131.1)**

§ 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 and losses on restatement for hyperinflation.

12 Tax on profit for the year

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Breakdown of tax for the year:				
Tax on profit for the year	71.1	31.0	10.7	41.7
Tax on result from discontinuing operations	(4.9)	(0.1)	0.0	0.0
Tax on other comprehensive income	(1.3)	3.3	4.1	(1.2)
	64.9	**34.2**	**14.8**	**40.5**
Tax on profit for the year has been calculated as follows:				
Current tax	39.7	56.8	9.0	40.1
Change in deferred tax	29.2	(29.9)	2.8	2.2
Change in deferred tax relating to prior years	1.2	5.8	0.1	2.6
Change in income tax rate	0.0	(0.1)	0.0	0.0
Tax relating to prior years	1.0	(1.6)	(1.2)	(3.2)
Tax on profit for the year	**71.1**	**31.0**	**10.7**	**41.7**
Tax on profit for the year can be specified as follows:				
Profit before tax	132.4	105.5	(73.9)	44.9
Dividend from subsidiaries and associates	0.0	0.0	(9.0)	(12.3)
Impairment of investments in and loans to subsidiaries	-	-	128.1	158.9
Profit after tax in associates	(0.2)	0.0	0.0	0.0
	132.2	**105.5**	**45.2**	**191.5**

Notes

12 Tax on profit for the year – continued

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
	132.2	**105.5**	**45.2**	**191.5**
Tax charged at 22%	29.1	23.2	9.9	42.1
Effect of differences in tax rates of foreign subsidiaries relative to 22%	(13.2)	(18.2)	0.0	0.0
Tax effect of:				
Change in income tax rate	0.0	(0.1)	0.0	0.0
Unrecognised deferred tax assets in foreign subsidiaries	15.6	5.7	0.0	0.0
Non-taxable income and non-deductible expenses	0.3	(0.6)	0.0	0.0
Impairment of non-current assets	26.3	12.6	0.0	0.0
Hyperinflation restatement	4.3	4.0	0.0	0.0
Other tax expenses	6.5	0.2	1.9	0.1
Deferred tax relating to prior years	1.2	5.8	0.1	2.6
Tax relating to prior years	1.0	(1.6)	(1.2)	(3.1)
Tax on profit for the year	**71.1**	**31.0**	**10.7**	**41.7**
Effective tax rate	**54**	**29**	**24**	**22**
Tax on other comprehensive income:				
Actuarial losses on defined benefit plans	(2.9)	6.2	0.0	0.0
Equity-like loans to subsidiaries	0.8	0.0	-	-
Value adjustment of hedging instruments:				
Recognised in other comprehensive income	4.3	(3.0)	6.1	(0.2)
Transferred to revenue	(1.8)	(0.1)	(1.0)	(1.2)
Transferred to production costs	(1.3)	0.1	(1.3)	0.1
Transferred to financial income and expenses	(0.4)	0.1	0.3	0.1
Tax on other comprehensive income	**(1.3)**	**3.3**	**4.1**	**(1.2)**

The group's effective tax rate for 2022 increased to 54% (2021: 29%) due to increase in unrecognised deferred tax assets and effect of impairment of non-current assets in Sanovo Greenpack Embalagens Do Brasil Ltda.

§ 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 2022	Group 2021
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 for continuing operations, DKKm	**61.3**	**74.5**
Earnings per share, DKK	8.9	10.8
Diluted earnings per share, DKK	8.9	10.8
Profit for the year attributable to the shareholders of Brødrene Hartmann A/S, DKKm	**(29.8)**	**74.4**
Earnings per share, DKK	(4.3)	10.8
Diluted earnings per share, DKK	(4.3)	10.8

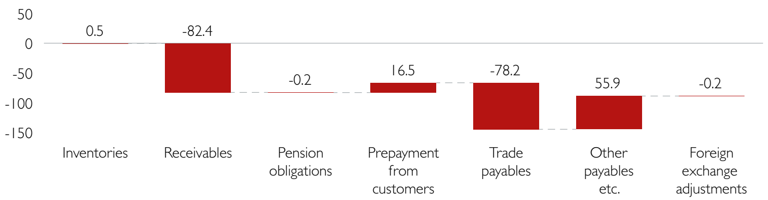
Notes

Statement of cash flows

14 Cash flows

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
(Gains) and losses on disposal of intangible assets and property, plant and equipment	0.2	(0.2)	0.0	0.0
Hyperinflation restatement	7.4	10.7	-	-
Adjustment for other non-cash items	**7.6**	**10.5**	**0.0**	**0.0**
Inventories	(42.6)	(43.1)	4.7	12.6
Receivables	(154.9)	(72.5)	(7.6)	8.7
Pension obligations	(1.6)	(1.4)	-	-
Prepayments from customers	3.9	(12.6)	4.1	(10.5)
Trade payables	20.8	99.0	(15.3)	41.3
Other payables etc.	36.6	(19.3)	78.1	19.3
Foreign exchange adjustments	0.7	0.9	0.0	0.0
Change in working capital etc.	**(137.1)**	**(49.0)**	**64.0**	**71.4**
Credit institutions at 1 January	880.1	629.4	782.0	629.4
Raising of debt with credit Institutions	580.6	280.2	580.6	182.1
Repayment of debt to credit institutions	(508.6)	(35.0)	(508.6)	(35.0)
Foreign exchange adjustments	17.4	5.0	6.1	5.0
Other changes	(3.7)	0.5	0.2	0.5
Credit institutions at 31 December	**965.8**	**880.1**	**860.3**	**782.0**

Cash flow from working capital development 2021 vs 2022



Notes

Balance sheet

15 Intangible assets

Group

DKKm	Goodwill	Other	Total
Cost at 1 January 2022	145.8	111.4	257.2
Transferred to assets held for sale	(52.0)	(18.2)	(70.2)
Hyperinflation restatement	0.3	15.1	15.4
Foreign exchange adjustment	2.2	(10.8)	(8.6)
Transfer from plant under construction	0.0	4.2	4.2
Additions	0.0	18.8	18.8
Disposals	0.0	(2.4)	(2.4)
Cost at 31 December 2022	**96.3**	**118.1**	**214.4**
Amortisation and impairment at 1 January 2022	37.4	49.8	87.2
Transferred to assets held for sale	0.0	(1.7)	(1.7)
Hyperinflation restatement	0.3	15.1	15.4
Foreign exchange adjustments	4.2	(10.2)	(6.0)
Amortisation	0.0	7.2	7.2
Disposals	0.0	(2.4)	(2.4)
Amortisation and impairment at 31 December 2022	**41.9**	**57.8**	**99.7**
Carrying amount at 31 December 2022	**54.4**	**60.3**	**114.7**
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
Acquisitions 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**

Additions of DKK 18.8 million in 2022 relates to investments in ERP software (2021: DKK 29.9 million, related to acquisition of technology rights and knowhow). Additional DKK 4.2 million of software was transferred from plant under construction during the year.

Notes

15 Intangible assets – continued

Parent company DKKm	Goodwill	Other	Total
Cost at 1 January 2022	10.7	45.4	56.1
Transfer from plant under construction	0.0	3.8	3.8
Additions	0.0	18.3	18.3
Disposals	0.0	(2.4)	(2.4)
Cost at 31 December 2022	**10.7**	**65.1**	**75.8**
Amortisation and impairment at 1 January 2022	0.0	14.5	14.5
Amortisation	0.0	5.6	5.6
Disposals	0.0	(2.4)	(2.4)
Amortisation and impairment at 31 December 2022	**0.0**	**17.7**	**17.7**
Carrying amount at 31 December 2022	**10.7**	**47.4**	**58.1**
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**

Additions of DKK 18.3 million in 2022 relates to investments in ERP software (2021: DKK 29.6 million, related to acquisition of technology rights and knowhow). Additional DKK 3.8 million of software was transferred from plant under construction during the year.

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Amortisation and impairment losses are recognised in the statement of comprehensive income in the following items:				
Production costs	4.3	4.7	4.3	3.8
Selling and distribution costs	1.6	2.7	0.0	0.0
Administrative expenses	1.3	1.4	1.3	1.4
Special items	0.0	53.2	0.0	0.0
Result from discontinuing operations	0.0	1.6	0.0	0.0
	7.2	**63.6**	**5.6**	**5.2**

For 2021 amortisation and impairment losses includes DKK 1.6 million related to assets held for sale in Hartmanns Russian activities. For 2022 intangible assets and related amortisation and impairment losses are reported for continuing operations and does not include transactions related to assets held for sale and discontinuing operations.

§ 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 note 17 regarding impairment of non-current assets.

Notes

16 Property, plant and equipment

DKKm	2022 Land and buildings	2022 Plant and machinery	2022 Other fixtures and fittings, tools and equipment	2022 Plant under construction	2022 Total	2021 Land and buildings	2021 Plant and machinery	2021 Other fixtures and fittings, tools and equipment	2021 Plant under construction	2021 Total
Group										
Cost at 1 January	737.7	2,383.0	94.2	354.2	3,569.1	621.4	2,177.6	81.3	188.8	3,069.1
Transferred to assets held for sale	(19.8)	(35.8)	(0.2)	(11.8)	(67.6)	0.0	0.0	0.0	0.0	0.0
Hyperinflation restatement	49.2	73.0	11.4	1.3	134.9	15.1	27.0	3.0	2.9	48.0
Foreign exchange adjustment	(33.5)	(68.8)	(7.8)	1.5	(108.6)	14.0	52.7	0.0	4.3	71.0
Transfer	16.6	324.7	2.7	(348.2)	(4.2)	39.2	122.8	0.0	(162.0)	0.0
Additions on acquisition of subsidiaries	0.0	0.0	0.0	0.0	0.0	15.4	34.3	0.1	1.6	51.4
Additions	8.1	37.5	5.9	115.7	167.2	39.3	12.7	15.8	318.6	386.4
Disposals	(40.3)	(267.2)	(43.4)	0.0	(350.9)	(6.7)	(44.1)	(6.0)	0.0	(56.8)
Cost at 31 December	**718.0**	**2,446.4**	**62.8**	**112.7**	**3,339.9**	**737.7**	**2,383.0**	**94.2**	**354.2**	**3,569.1**
Depreciation and impairment at 1 January	339.3	1,665.3	72.9	0.0	2,077.5	295.3	1,519.9	69.0	0.0	1,884.2
Transferred to assets held for sale	(1.5)	(2.8)	(0.1)	0.0	(4.4)	0.0	0.0	0.0	0.0	0.0
Hyperinflation restatement	8.2	31.6	4.6	0.0	44.4	1.4	11.7	1.9	0.0	15.0
Foreign exchange adjustment	(6.6)	(40.0)	(4.3)	0.0	(50.9)	4.5	34.1	0.0	0.0	38.6
Depreciation	21.5	128.3	6.4	0.0	156.2	20.6	111.8	5.5	0.0	137.9
Impairment	32.4	44.8	0.4	0.0	77.6	24.2	31.8	2.4	0.0	58.4
Disposals	(37.4)	(257.2)	(37.8)	0.0	(332.4)	(6.7)	(44.1)	(6.0)	0.0	(56.8)
Depreciation and impairment at 31 December	**355.9**	**1,570.0**	**42.1**	**0.0**	**1,968.0**	**339.3**	**1,665.2**	**72.8**	**0.0**	**2,077.3**
Carrying amount at 31 December	**362.1**	**876.4**	**20.7**	**112.7**	**1,371.9**	**398.4**	**717.8**	**21.4**	**354.2**	**1,491.8**
Parent company										
Cost at 1 January	178.2	719.2	40.4	10.1	947.9	180.2	704.8	42.0	23.8	950.8
Transfer	1.1	30.8	1.5	(37.2)	(3.8)	0.0	23.8	0.0	(23.8)	0.0
Additions	0.0	(0.0)	0.0	62.9	62.9	4.4	15.5	2.3	10.1	32.3
Disposals	(35.0)	(192.3)	(28.2)	0.0	(255.5)	(6.4)	(24.9)	(3.9)	0.0	(35.2)
Cost at 31 December	**144.3**	**557.7**	**13.7**	**35.8**	**751.5**	**178.2**	**719.2**	**40.4**	**10.1**	**947.9**
Depreciation and impairment at 1 January	152.2	591.8	37.3	0.0	781.3	156.6	594.6	40.4	0.0	791.6
Depreciation	2.1	25.1	1.3	0.0	28.5	1.9	22.2	0.8	0.0	24.9
Disposals	(35.0)	(192.1)	(28.2)	0.0	(255.3)	(6.4)	(24.9)	(3.9)	0.0	(35.2)
Depreciation and impairment at 31 December	**119.3**	**424.8**	**10.4**	**0.0**	**554.5**	**152.1**	**591.9**	**37.3**	**0.0**	**781.3**
Carrying amount at 31 December	**25.0**	**132.9**	**3.3**	**35.8**	**197.0**	**26.1**	**127.3**	**3.1**	**10.1**	**166.6**

Notes

16 Property, plant and equipment – continued

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Breakdown of depreciation and impairment losses:				
Depreciation	156.2	137.9	28.5	24.9
Impairment	77.6	58.4	0.0	0.0
Government grants recognised as income	(0.8)	(1.0)	0.0	0.0
	233.0	**195.3**	**28.5**	**24.9**
Depreciation and impairment losses are recognised in the following comprehensive income statement items:				
Production costs	152.7	130.6	27.3	24.3
Selling and distribution costs	0.4	0.4	0.0	0.0
Administrative expenses	2.3	1.6	1.2	0.6
Special items	77.6	58.4	0.0	0.0
Result from discontinuing operations	0.0	4.3	0.0	0.0
	233.0	**195.3**	**28.5**	**24.9**

§ 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 and depreciated separately. Spare parts that meet the definition of property, plant and equipment are capitalised and accounted for accordingly. If spare parts do not meet the recognition criteria they are carried in inventory or recognised in profit and loss as and when incurred. 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 Impairment of non-current assets

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.

Cash-generating unit		**Goodwill**		**Trademarks**	
DKKm	**Segment**	**2022**	**2021**	**2022**	**2021**
Group					
Argentina	Americas	0.0	0.0	0.0	0.0
Brazil	Americas	0.0	0.0	0.0	0.0
India	Eurasia	43.7	45.7	0.0	0.0
Europe Moulded Fibre	Eurasia	10.7	10.7	0.0	0.0
Russia (transferred to assets held for sale in 2022)	Eurasia	-	52.0	-	0.0
Total		**54.4**	**108.4**	**0.0**	**0.0**
Parent company					
Europe Moulded Fibre	Eurasia	10.7	10.7	0.0	0.0
Total		**10.7**	**10.7**	**0.0**	**0.0**

Goodwill and trademarks allocated to Argentina and Brazil were impaired in 2021.

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 2023 forecast approved by the board of directors and projections for the period 2024-2027. 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 2023-2027, and expected normalised investments to maintain the current capacity are included in the terminal period.

Brazil

The rate of growth applied for the period 2023-2027 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% (2021: 4.6%). A pre-tax discount rate of 18% has been applied for the entire period (2021: 15%).

Conclusion

Based on the test performed, management has identified an indication of impairment in the cash-generating unit in Brazil, which is part of the Americas segment, as the carrying amounts of remaining non-current assets exceed the recoverable amounts. In Brazil, macroeconomic developments were adversely affected by slowing economic growth, higher inflation, increasing interest rates and mounting political instability in 2022. Overall, this has translated into an increase in the discount rate applied in the impairment test. Furthermore, an increased competition in especially the egg retail market has lead to higher pressure on margins impacting financial performance in the Brazilian entity.

Based on the revised accounting assumptions, the impairment loss amounts to DKK 77.6 million wich is distributed to the following asset classes:

		2022			
DKKm	**Segment**	**Land and buildings**	**Plant and machinery**	**Other fixtures, fittings, tools and equipment**	**Total impairment**
Group					
Brazil	Americas	32.4	44.8	0.4	77.6
Total		**32.4**	**44.8**	**0.4**	**77.6**

Management monitors political and macroeconomic development in Brazil on a continuous basis as well as the financial performance of the entity.

Notes

17 Impairment of non-current assets – continued

Sensitivity analysis

A sensitivity analysis has been performed of the key assumptions in the impairment test made in respect of the cash-generating unit in Brazil 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	Brazil
Increase of terminal-period pre-tax discount rate by 2 percentage points:	
Impairment risk	8.6
Reduction of terminal-period growth rate by 2 percentage points:	
Impairment risk	8.2
Impairment risk on combination of the above	28.4

India

The calculation of the expected cash flows takes into account the effects of the fire in the Indian production site and the opportunity to expand capacity and product portfolio. The Indian production site is expected to be fully operating in the second half of 2023. Growth during the terminal period has been determined at 5.0% (2021: 5.0%), in line with the expected inflation rate. A pre-tax discount rate of 14% (2021: 12%) has been applied for the full period.

Argentina

The rate of growth applied for the period 2023-2027 and the terminal period takes into account the expected rate of inflation. Price increases on level with the expected inflation are assumed to be realisable. Growth during the terminal period has been determined at 18.9% (2021: 19.8%). A pre-tax discount rate of 91% (2021: 56%) has been applied for the coming year, which includes an expected inflation rate of 87% (2021: 44%). The discount rate has been adjusted for a decrease in the expected inflaiton rate or the period 2024-2027 and for the terminal period, in which a pretax discount rate of 32% (2021: 36%) has been applied.

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 Argentina 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	Argentina
Pre-tax discount rate applied in the terminal period	13.8%	32.0%
Highest pre-tax discount rate in the terminal period	14.7%	32.9%
Growth rate applied in the terminal period	5.0%	18.9%
Lowest growth rate in the terminal period	3.8%	17.2%

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% (2021: 1.0%), in line with the expected long-term inflation rate. A pre-tax discount rate of 6% (2021: 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.

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 Argentina.

Management monitors political and macroeconomic developments in Argentina 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 in the Argentinian entity on top of the one made in 2021.

Notes

17 Impairment of non-current assets – continued

Significant accounting estimates and judgements

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

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

18 Leases

DKKm	2022 Land and buildings	2022 Other fixtures and fittings, tools and equipment	2022 Total	2021 Land and buildings	2021 Other fixtures and fittings, tools and equipment	2021 Total
Group						
Balance sheet at 1 January	62.0	9.4	71.4	63.3	3.0	66.3
Foreign exchange adjustment	(3.6)	(0.1)	(3.7)	6.1	(0.1)	6.0
Additions	6.4	3.6	10.0	0.8	11.1	11.9
Disposals	0.0	(0.2)	(0.2)	0.0	(0.4)	(0.4)
Depreciation	(9.7)	(4.5)	(14.2)	(8.2)	(4.2)	(12.4)
Balance sheet at 31 December	**55.1**	**8.2**	**63.3**	**62.0**	**9.4**	**71.4**
Parent company						
Balance sheet at 1 January	3.4	7.3	10.7	5.0	0.7	5.7
Additions	0.7	2.0	2.7	0.0	9.7	9.7
Disposals	0.0	0.0	0.0	0.0	(0.1)	(0.1)
Depreciation	(1.8)	(3.3)	(5.1)	(1.6)	(3.0)	(4.6)
Balance sheet at 31 December	**2.3**	**6.0**	**8.3**	**3.4**	**7.3**	**10.7**

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Depreciation and impairment losses are recognised in the following comprehensive income statement items:				
Production costs	9.2	5.6	2.3	0.0
Selling and distribution costs	1.5	1.7	0.0	0.0
Administrative expenses	3.5	5.1	2.8	4.6
	14.2	**12.4**	**5.1**	**4.6**
Costs relating to current lease assets	3.3	3.9	0.0	0.3
Costs relating to leases of low-value assets	0.5	0.4	0.1	0.0

For 2022, payments related to leases amounted to DKK 16.3 million (2021: DKK 14.3 million), of which interest payments relating to recognised lease liabilities accounted for DKK 2.7 million (2021: DKK 2.5 million) and repayment of recognised lease liabilities accounted for DKK 13.6 million (2021: DKK 11.8 million).

Notes

18 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 statement of comprehensive income on a straight-line basis.

19 Investments in subsidiaries

	Parent company	
DKKm	**2022**	**2021**
Cost at 1 January	1,181.8	1,105.4
Transferred to assets held for sale	(101.9)	0.0
Additions	0.0	101.9
Disposals	0.0	(25.5)
Cost at 31 December	**1,079.9**	**1,181.8**
Impairment at 1 January	221.7	84.0
Impairment losses in the year	23.8	158.9
Reversal of impairment losses in the year	0.0	(21.2)
Impairment at 31 December	**245.5**	**221.7**
Carrying amount at 31 December	**834.4**	**960.1**

The addition of DKK 101.9 million in 2021 relates to the acquisition of Russian-based Gotek-Litar JSC. Following the decision to divest the shares in the Russian subsidiaries the cost of DKK 101.9 million is transferred to assets held for sale in 2022.

The impairment loss during the year of DKK 23.8 million is related to the investment in the Brazilian subsidiary due to significant adverse changes in the underlying macroeconomic factors..

In 2021, the disposal of DKK 25.5 million and the reversal of impairment losses of DKK 21.2 million relate to the winding-up of the Finnish company Hartmann-Varkaus Oy. The 2021 impairment loss of DKK 158.9 million is related to the Brazilian subsidiary.

§ 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

19 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 Verpackung GmbH	Germany	100%
Hartmann (UK) Ltd.	England	100%
Hartmann US Inc.	USA	100%
Hartmann Verpackung AG	Switzerland	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%
Investments in subsidiaries classified as assets held for sale		
JSC Hartmann-Rus (subsidiary of OOO EKU-Holding)	Russia	100%
OOO EKU-Holding	Russia	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.

20 Receivables from subsidiaries (non-current)

DKKm	Parent company 2022	2021
Carrying amount at 1 January	589.1	299.5
Transferred to assets held for sale	(23.0)	0.0
Foreign exchange adjustments	17.7	14.9
Additions	123.0	296.1
Disposals	(21.7)	(21.4)
Impairment	(44.4)	0.0
Carrying amount at 31 December	**640.7**	**589.1**

The impairment loss of DKK 44 million relates to loan issued to the Brazilian subsidiary.

§ 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

21 Investments in associates

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
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	1.4	0.0	0.0
Dividend	0.0	0.0	-	-
Share of profit for the year	0.3	0.0	-	-
Value adjustments at 31 December	**1.7**	**1.4**	**0.0**	**0.0**
Carrying amount at 31 December	**2.9**	**2.6**	**1.2**	**1.2**

Name	Registered office	Ownership interest	Gross profit	Profit for the year*	Assets	Liabilities	Equity
2022							
DanFiber A/S	Allerød	49.0%	5.9	0.5	22.1	16.3	5.8
2021							
DanFiber A/S	Allerød	49.0%	5.0	0.1	30.8	25.4	5.4

* 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

22 Deferred tax

Temporary differences between the carrying amount and the tax base

DKKm	Intangible assets	Property, plant and equipment	Current assets	Liabilities	Other	Tax loss carried forward	Total
Group							
Deferred tax at 1 January 2022	9.4	34.8	(2.3)	(5.7)	(29.1)	(29.4)	(22.3)
Transferred to liabilities related to assets held for sale	(3.3)	(6.2)	0.3	0.7	0.0	0.2	(8.3)
Foreign exchange adjustment	(0.2)	(5.5)	(0.1)	0.2	6.0	(1.8)	(1.4)
Adjustment relating to prior years	0.0	1.2	0.0	0.0	0.0	0.0	1.2
Recognised in profit from continuing operations, net	0.8	57.6	2.2	(5.9)	(21.4)	(4.1)	29.2
Recognised through other comprehensive income, net	0.0	0.0	0.0	(2.9)	1.6	0.0	(1.3)
Deferred tax at 31 December 2022	**6.7**	**81.9**	**0.1**	**(13.6)**	**(42.9)**	**(35.1)**	**(2.9)**
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 from continuing operations, net	0.6	(22.1)	1.3	(0.7)	(7.4)	(1.6)	(29.9)
Recognised in profit from discontinuing operations, net	0.0	(0.1)	0.0	0.0	0.0	0.0	(0.1)
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)**
Parent company							
Deferred tax at 1 January 2022	1.9	5.9	0.7	(0.3)	(1.8)	0.0	6.4
Adjustment relating to prior years	1.3	(1.4)	0.0	0.2	0.0	0.0	0.1
Recognised in profit for the year, net	0.0	1.9	0.1	0.0	0.8	0.0	2.8
Recognised through other comprehensive income, net	0.0	0.0	0.0	0.0	4.1	0.0	4.1
Deferred tax at 31 December 2022	**3.2**	**6.4**	**0.8**	**(0.1)**	**3.1**	**0.0**	**13.4**
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**

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 2022 (2021: DKK 21.2 million). Tax loss carry-forwards are attributable to the group's companies in Argentina, Brazil, India and the USA.

Notes

22 Deferred tax – continued

Deferred tax assets and liabilities

DKKm	2022 Deferred tax assets	2022 Deferred tax liabilities	2022 Net	2021 Deferred tax assets	2021 Deferred tax liabilities	2021 Net
Group						
Intangible assets	0.0	6.7	6.7	0.0	9.4	9.4
Property, plant and equipment	(22.4)	104.3	81.9	(27.7)	62.5	34.8
Current assets	(1.5)	1.6	0.1	(3.3)	1.0	(2.3)
Liabilities	(8.1)	(5.5)	(13.6)	(7.4)	1.7	(5.7)
Other	(46.1)	3.2	(42.9)	(29.2)	0.1	(29.1)
Tax loss carry-forwards	(35.1)	0.0	(35.1)	(29.4)	0.0	(29.4)
Deferred tax (assets)/liabilities	**(113.2)**	**110.3**	**(2.9)**	**(97.0)**	**74.7**	**(22.3)**
Set-off within legal tax entities	50.0	(50.0)	0.0	35.0	(35.0)	0.0
Total deferred tax (assets)/liabilities, net	**(63.2)**	**60.3**	**(2.9)**	**(62.0)**	**39.7**	**(22.3)**
Parent company						
Intangible assets	0.0	3.2	3.2	0.0	1.9	1.9
Property, plant and equipment	0.0	6.4	6.4	0.0	5.9	5.9
Current assets	0.0	0.8	0.8	0.0	0.7	0.7
Liabilities	(0.1)	0.0	(0.1)	(0.3)	0.0	(0.3)
Other	0.0	3.1	3.1	(1.8)	0.0	(1.8)
Total deferred tax (assets)/liabilities, net	**(0.1)**	**13.5**	**13.4**	**(2.1)**	**8.5**	**6.4**
Set-off within legal tax entities	0.1	(0.1)	0.0	2.1	(2.1)	0.0
Total deferred tax liabilities, net	**0.0**	**13.4**	**13.4**	**0.0**	**6.4**	**6.4**

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 2022 (2021: DKK 21.2 million).

Notes

22 Deferred tax – continued

Unrecognised deferred tax assets

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Unrecognised deferred tax assets at 1 January	8.3	3.7	0.0	0.0
Foreign exchange adjustment	1.0	(1.6)	0.0	0.0
Adjustment to prior year	(3.8)	0.0	0.0	0.0
Change in income tax rate	0.0	0.5	0.0	0.0
Additions	15.6	5.7	0.0	0.0
Unrecognised deferred tax assets at 31 December	**21.1**	**8.3**	**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 2022 relate to the subsidiary in Brazil (2021: Brazil). The utilisation of unrecognised tax assets is not subject to any time limit.

Significant accounting estimates and judgements

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 63.2 million at 31 December 2022 (2021: DKK 62.0 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.

Notes

23 Inventories

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Raw materials and consumables	232.2	210.8	85.4	84.0
Work in progress	4.1	5.6	6.8	19.6
Finished goods and goods for resale	91.3	83.5	26.9	20.2
Inventories	**327.6**	**299.9**	**119.1**	**123.8**
Inventories recognised at net realisable value	22.8	14.0	7.0	5.9

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.

24 Trade receivables

DKKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Trade receivables, gross	462.4	418.1	276.9	244.7
Changes in credit loss allowance:				
Allowance at 1 January	21.9	22.2	18.4	18.8
Additions in the year	0.4	0.6	1.1	0.2
Realised in the year	(18.6)	(0.1)	(18.2)	(0.6)
Reversal in the year	(0.8)	(0.8)	(0.2)	0.0
Allowance at 31 December	2.9	21.9	1.1	18.4
Trade receivables, net	**459.5**	**396.2**	**275.8**	**226.3**

In 2022 the group and parent company realised an allowance of DKK 18.2 million related to the settlement with Tønder Fjernvarme which formalised in 2022. The settlement had no financial impact in 2022.

§ 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

24 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	31-60 days	61-90 days	over 90 days	Total
Group						
31 December 2022						
Expected loss rate	0%	0%	0%	8%	76%	1%
Trade receivables	418.9	33.4	6.5	0.2	3.4	462.4
Expected credit loss	0.2	0.1	0.0	0.0	2.6	2.9
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
Parent company						
31 December 2022						
Expected loss rate	0%	0%	0%	14%	62%	0%
Trade receivables	251.6	19.0	4.4	0.1	1.8	276.9
Expected credit loss	0.0	0.0	0.0	0.0	1.1	1.1
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

25 Share capital

DKKm	Parent company
Share capital at 1 January 2017	140.3
Share capital at 31 December 2022	**140.3**
Shares of DKK 20 each	7,015,090

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 25 April 2023.

At 31 December 2022, Hartmann held 100,000 treasury shares (2021: 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 2022 was DKK 29.5 million (2021: DKK 36.9 million).

Dividend

Proposed dividend
The board of directors has proposed that no dividend be paid for the financial year ended 31 December 2022.

Dividend paid
No dividend was paid in the financial year ended 31 December 2022 (2021: no dividend paid).

Notes

26 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 11-16 years in Canada and 15 years in Germany.

	Group	
DKKm	**2022**	**2021**
Recognition of defined benefit plans in the statement of comprehensive income:		
Current service cost	6.1	6.1
Costs of plan administration for the year	0.3	0.6
Interest expenses on asset cap	0.0	0.0
Interest expenses, net	(0.2)	0.4
Recognised in profit for the year	**6.2**	**7.1**
Return on plan assets (excluding amounts recognised in interest expenses, net)	30.1	(12.5)
Actuarial losses:		
– From changes in demographic assumptions	0.0	0.0
– From changes in financial assumptions	(44.3)	(10.7)
– From experience-based adjustments	0.4	(1.5)
Change in assets not recognised due to asset cap	26.0	0.0
Tax	(2.9)	6.2
Recognised in other comprehensive income	**9.3**	**(18.5)**
Recognised in comprehensive income	**15.5**	**(11.4)**
Recognition of defined benefit plans in the balance sheet:		
Present value of liability with plan assets	109.6	140.7
Market value of plan assets	(135.6)	(158.4)
Net obligation of plans with plan assets	(26.0)	(17.7)
Present value of plans without plan assets	20.3	27.3
Assets not recognised due to asset cap	26.0	0.0
Recognised net obligation	**20.3**	**9.6**

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

Notes

26 Pension obligations – continued

DKKm	Group 2022	Group 2021
Change in defined benefit plan obligations		
Present value of pension obligations at 1 January	168.0	165.2
Foreign exchange adjustment	(0.9)	11.6
Pension costs for the year	6.1	6.1
Interest on pension obligation	4.9	4.0
Contributions from plan participants	3.1	3.1
Actuarial losses:		
– From changes in demographic assumptions	0.0	0.0
– From changes in financial assumptions	(44.3)	(10.7)
– From experience-based adjustments	0.4	(1.5)
Pension benefits paid	(7.3)	(9.8)
Present value of pension obligations at 31 December	**130.0**	**168.0**
Changes in defined benefit plan assets		
Fair value of plan assets at 1 January	158.4	130.0
Foreign exchange adjustment	(1.0)	11.3
Return on plan assets (excluding amounts recognised in interest expenses, net)	(30.1)	12.5
Interest on plan assets	5.1	3.6
Administrative expenses	(0.3)	(0.5)
Employer contributions	8.8	9.2
Pension benefits paid	(5.3)	(7.7)
Fair value of plan assets at 31 December	**135.6**	**158.4**
Breakdown of actual return on plan assets		
Return on plan assets (excluding amounts recognised in interest expenses, net)	(30.1)	12.5
Interest on plan assets	5.0	3.6
	(25.1)	**16.1**

Hartmann expects to contribute DKK 14.1 million to pension plans in 2023 (2021: DKK 13.2 million relating to 2022).

	2022 DKKm	2022 %	2021 DKKm	2021 %
Composition of plan assets:				
Shares and investment funds	108.9	80.3	122.8	77.5
Bonds and other securities	26.7	19.7	35.6	22.5
	135.6	**100.0**	**158.4**	**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	2022 +1% point	2022 -1% point	2021 +1% point	2021 -1% point
Pension obligation sensitivity to changes in the discount rate:				
– Germany	(1.5)	1.6	(2.4)	2.6
– Canada, wage earners	(7.7)	10.6	(15.1)	20.7
– Canada, salaried employees	(3.9)	4.8	(5.7)	7.3

Notes

26 Pension obligations – continued

%	Group 2022	2021
Defined benefit plans have been calculated based on the following actuarial assumptions:		
Discount rate		
– Germany	3.84	0.84
– Canada, wage earners	5.1	3.00
– Canada, salaried employees	5.1	3.00
Expected pay rise		
– Germany	-	-
– Canada, wage earners	0.00	0.00
– 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

27 Fees to shareholder-appointed auditor

	Group		**Parent company**	
DKKm	**2022**	**2021**	**2022**	**2021**
Fees to shareholder-appointed auditor				
Statutory audit, EY	3.0	0.0	1.9	0.0
Other services, EY	0.1	0.0	0.1	0.0
Statutory audit, Deloitte (regarding 2021)	0.7	2.5	0.7	1.2
Other services, Deloitte (regarding 2021)	0.0	0.3	0.0	0.3
Fees to shareholder-appointed auditor	**3.8**	**2.8**	**2.7**	**1.5**

Fees paid to EY Godkendt Revisionspartnerselskab for non-audit services amount to DKK 0.1 million for both the group and the parent company and concern various services in connection with the Russian subsidiary and general accounting advice (2021: Fees to Deloitte Statsautoriseret Revisionspartnerselskab, DKK 0.3 million, concerning general accounting advice).

Notes

28 Collateral and contingent liabilities

Guarantees
Brødrene Hartmann A/S has provided a guarantee of BRL 80 million, corresponding to DKK 106 million, in favour of Skandinaviske Enskilda Banken AB for the credit facility issued to the subsidiary Sanovo Greenpack Embalagens Do Brasil Ltda.

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 2022, the amount owed to creditors of Hartmann (UK) Ltd. was DKK 0.7 million (2021: DKK 0.8 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 including interest and fines of BRL 56 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. Accumulated calculated interests and fines related to the claim up until December 2022 not claimed by the tax authorities is estimated to BRL 12 million leading to a total estimated claim of BRL 68 million, corresponding to DKK 90 million. The tax authorities have not raised any claims against Hartmann's Brazilian subsidiary for the subsequent years 2017-2022.

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 but acknowledges that the case is complicated and that the legal proceedings are to take place in a complex judicial environment. Based on this Management underline, that the outcome is subject to a degree of uncertainty.

There has been no significant development in the case in 2022. A lengthy process is expected before the case will be finally settled.

Hartmann has not recognized any provision and as such the claim has not affected 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

29 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.

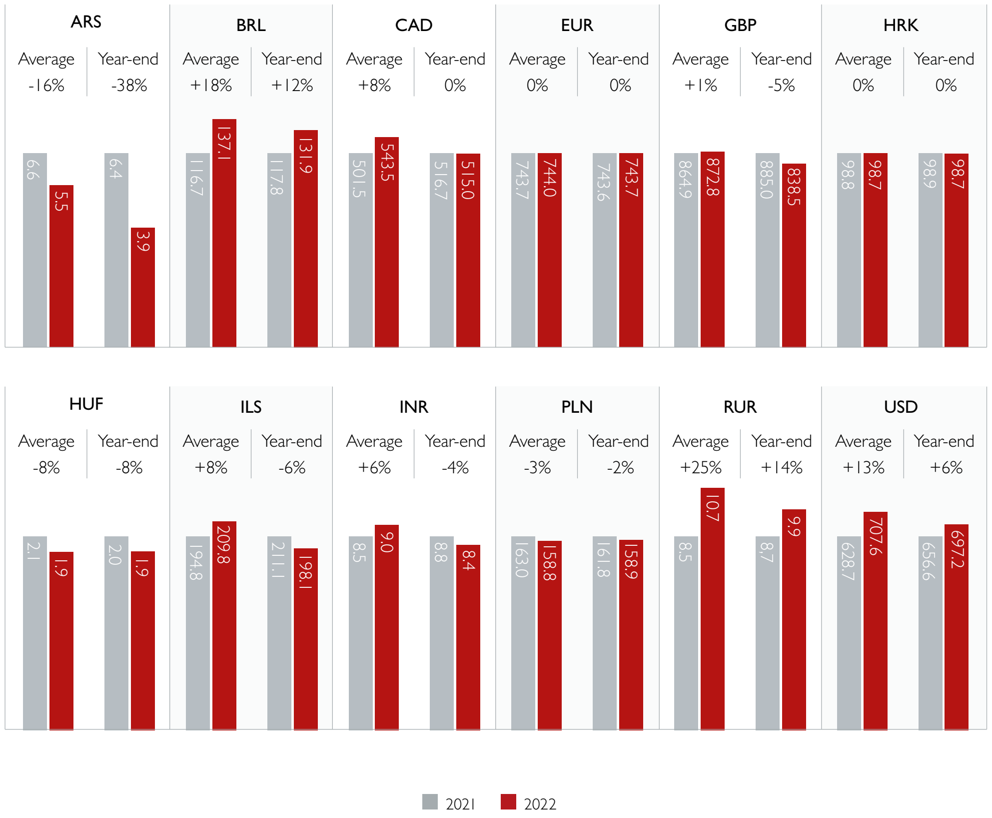
Hartmann uses financial instruments to hedge some of the financial risks that arise out of the group's operating, investing and financing activities. The group does not engage in transactions for the purpose of speculation.

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.

Currency table

Exchange rate, DKK per 100



Notes

29 Financial risks – continued

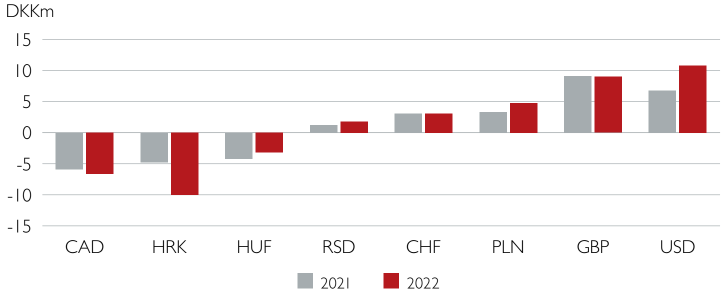
Transaction risk
As part of the group's currency policy, Hartmann seeks to reduce to the greatest extent possible the impact of exchange rate fluctuations on its profits and financial position.

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, HUF, PLN and HRK, of which the latter was officially replaced by the EUR at 1 January 2023.

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.

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



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 0.5 million (2021: DKK 0.4 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.

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, and the credit facilities carry a floating rate. In 2022 Hartmann has hedged the interest risk related to EUR 60 million, corresponding to DKK 446 million, through an interest cap with strike 2.5%. The interest cap expires in September 2027.

A 1%-point change in the general interest rate level related to committed credit facilities would affect pre-tax profits by approximately DKK 4 million (2021: approx. DKK 5 million).

Notes

29 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 DKK 995 million expiring at 23 May 2024. 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 2022. 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)	**2022**	**2021**
Undrawn credit facilities with banks at 31 December	222	316
Cash at 31 December	197	118
Liquidity available at 31 December	**419**	**434**

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

Reference is made to note 30 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 24, 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.

Notes

30 Financial instruments

Maturities of financial liabilities including interest payments

	2022					2021				
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	965.8	1,032.1	156.9	875.2	0.0	880.1	892.5	103.1	789.4	0.0
Overdraft facilities	85.0	85.0	85.0	0.0	0.0	91.0	91.0	91.0	0.0	0.0
Lease liabilities	66.9	76.2	15.6	43.8	16.8	74.7	86.8	14.3	47.7	24.8
Trade payables	319.7	319.7	319.7	0.0	0.0	306.7	306.7	306.7	0.0	0.0
Payables to associates	9.2	9.2	9.2	0.0	0.0	10.7	10.7	10.7	0.0	0.0
Other payables	150.1	150.1	150.1	0.0	0.0	160.7	160.7	160.7	0.0	0.0
	1,596.7	**1,672.3**	**736.5**	**919.0**	**16.8**	**1,523.9**	**1,548.4**	**686.5**	**837.1**	**24.8**
Parent company										
Credit institutions	860.3	911.0	35.8	875.2	0.0	782.0	794.4	5.0	789.4	0.0
Overdraft facilities	62.2	62.2	62.2	0.0	0.0	74.3	74.3	74.3	0.0	0.0
Lease liabilities	8.2	8.3	4.8	3.5	0.0	10.8	11.0	4.6	6.4	0.0
Trade payables	131.4	131.4	131.4	0.0	0.0	146.7	146.7	146.7	0.0	0.0
Payables to subsidiaries	316.2	316.2	316.2	0.0	0.0	226.1	226.1	226.1	0.0	0.0
Payables to associates	8.9	8.9	8.9	0.0	0.0	10.4	10.4	10.4	0.0	0.0
Other payables	64.2	64.2	64.2	0.0	0.0	78.4	78.4	78.4	0.0	0.0
	1,451.4	**1,502.2**	**623.5**	**878.7**	**0.0**	**1,328.7**	**1,341.3**	**545.5**	**795.8**	**0.0**

Notes

30 Financial instruments – continued

	Group				Parent company			
	2022		2021		2022		2021	
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	14.5	14.5	0.9	0.9	14.4	14.4	0.6	0.6
Financial assets used as hedging instruments	**14.5**	**14.5**	**0.9**	**0.9**	**14.4**	**14.4**	**0.6**	**0.6**
Trade receivables	459.5	459.5	396.2	396.2	275.8	275.8	226.3	226.3
Receivables from subsidiaries	-	-	-	-	93.9	93.9	96.8	96.8
Other receivables	218.9	218.9	156.5	156.5	67.2	67.2	81.2	81.2
Cash	180.2	180.2	117.9	117.9	3.4	3.4	4.5	4.5
Loans and receivables	**858.6**	**858.6**	**670.6**	**670.6**	**440.3**	**440.3**	**408.8**	**408.8**
Derivative financial instruments to hedge future cash flows	15.9	15.9	10.9	10.9	2.6	2.6	7.6	7.6
Financial liabilities used as hedging instruments	**15.9**	**15.9**	**10.9**	**10.9**	**2.6**	**2.6**	**7.6**	**7.6**
Credit institutions and overdraft facilities	1,050.8	1,050.8	971.1	971.3	922.5	922.5	856.3	856.5
Lease liabilities	66.9	76.2	74.7	86.8	8.2	8.3	10.8	11.1
Payables to subsidiaries	-	-	-	-	316.2	316.2	226.1	226.1
Other liabilities	475.3	475.3	483.2	483.2	205.8	205.8	246.4	246.4
Financial liabilities measured at amortised cost	**1,593.0**	**1,602.3**	**1,529.0**	**1,541.3**	**1,452.7**	**1,452.8**	**1,339.6**	**1,340.1**

Notes

30 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 2022. Changes in the fair value of financial instruments qualifying as hedges of future cash flows are recognised in other comprehensive income.

	Group								Parent company					
	2022				2021				2022			2021		
DKKm	Average hedging exch. rate	Positive	Negative	Net	Average hedging exch. rate	Positive	Negative	Net	Positive	Negative	Net	Positive	Negative	Net
Forward contracts														
CHF/DKK	7.60	0.5	(0.8)	(0.3)	6.93	0.0	(1.7)	(1.7)	0.5	(0.8)	(0.3)	0.0	(1.7)	(1.7)
EUR/HRK	-	0.0	0.0	0.0	7.46	0.0	(0.8)	(0.8)	0.0	0.0	0.0	0.0	(0.8)	(0.8)
EUR/HUF	435.47	1.7	0.0	1.7	365.60	0.0	(3.0)	(3.0)	1.7	0.0	1.7	0.0	(3.0)	(3.0)
GBP/DKK	8.48	3.8	(0.0)	3.8	8.69	0.0	(2.0)	(2.0)	3.8	(0.0)	3.8	0.0	(2.0)	(2.0)
PLN/DKK	1.50	0.0	(1.8)	(1.8)	1.60	0.6	(0.1)	0.5	0.0	(1.8)	(1.8)	0.6	(0.1)	0.5
USD/CAD	1.33	0.1	(4.8)	(4.7)	1.26	0.3	(3.3)	(3.0)	-	-	-	-	-	-
		6.1	**(7.4)**	**(1.3)**		**0.9**	**(10.9)**	**(10.0)**	**6.0**	**(2.6)**	**3.4**	**0.6**	**(7.6)**	**(7.0)**
Interest cap, EUR	2.5%	8.4	0.0	8.4	-	-	-	-	8.4	0.0	8.4	-	-	-
Energy contracts	-	0.0	(8.5)	(8.5)	-	-	-	-	-	-	-	-	-	-
		14.5	**(15.9)**	**(1.4)**		**0.9**	**(10.9)**	**(10.0)**	**14.4**	**(2.6)**	**11.8**	**0.6**	**(7.6)**	**(7.0)**
Expected maturity														
In 1 year or less		7.7	(13.4)	(5.7)		0.9	(10.9)	(10.0)	7.6	(2.6)	5.0	0.6	(7.6)	(7.0)
In 1 - 5 years		6.8	2.5	4.3		0.0	0.0	0.0	6.8	0.0	6.8	0.0	0.0	0.0
		14.5	**(15.9)**	**(1.4)**		**0.9**	**(10.9)**	**(10.0)**	**14.4**	**(2.6)**	**11.8**	**0.6**	**(7.6)**	**(7.0)**

§ 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

30 Financial instruments – continued

Hedging of future cash flows DKKm	**2022** **Recognised in Notional amount**	**Fair value**	**Other comprehensive income**	**2021** **Recognised in Notional amount**	**Fair value**	**Other comprehensive income**
Group						
Forward contract, CHF/DKK	49.1	(0.3)	(0.3)	49.7	(1.7)	(1.7)
Forward contract, EUR/HRK	0.0	0.0	0.0	88.4	(0.8)	(0.8)
Forward contract, EUR/HUF	42.5	1.7	1.7	86.3	(3.0)	(3.0)
Forward contract, GBP/DKK	178.9	3.8	3.8	148.7	(2.0)	(2.0)
Forward contract, PLN/DKK	55.4	(1.8)	(1.8)	58.6	0.5	0.5
Forward contract, USD/CAD	109.5	(4.7)	(4.7)	108.5	(3.0)	(3.0)
Interest cap, EUR	446.2	8.4	8.4	0.0	0.0	0.0
Energy contracts	23.2	(8.5)	(8.5)	0.0	0.0	0.0
	904.8	**(1.4)**	**(1.4)**	**540.2**	**(10.0)**	**(10.0)**
Parent company						
Forward contract, CHF/DKK	49.1	(0.3)	(0.3)	49.7	(1.7)	(1.7)
Forward contract, EUR/HRK	0.0	0.0	0.0	88.4	(0.8)	(0.8)
Forward contract, EUR/HUF	42.5	1.7	1.7	86.3	(3.0)	(3.0)
Forward contract, GBP/DKK	178.9	3.8	3.8	148.7	(2.0)	(2.0)
Forward contract, PLN/DKK	55.4	(1.8)	(1.8)	58.6	0.5	0.5
Interest cap, EUR	446.2	8.4	8.4	0.0	0.0	0.0
	772.1	**11.8**	**11.8**	**431.7**	**(7.0)**	**(7.0)**

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

Notes

30 Financial instruments – continued

Fair value hedging	2022				2021			
	Monetary items		Hedged through hedging instruments		Monetary items		Hedged through hedging instruments	
DKKm	Assets	Liabilities		Net position	Assets	Liabilities		Net position
Group								
ARS	61.9	(19.7)	0.0	42.2	47.4	(18.8)	0.0	28.6
BRL	43.4	(158.8)	0.0	(115.4)	41.8	(133.3)	0.0	(91.5)
CAD	64.9	(55.5)	0.0	9.4	69.7	(41.9)	0.0	27.8
CHF	12.8	(1.2)	0.0	11.6	5.7	(3.3)	0.0	2.4
EUR	206.8	(770.8)	0.0	(564.0)	144.5	(283.0)	0.0	(138.5)
GBP	41.6	(2.6)	0.0	39.0	39.4	(0.9)	0.0	38.5
HRK	9.4	(73.8)	0.0	(64.4)	12.9	(26.2)	0.0	(13.3)
HUF	83.9	(61.0)	0.0	22.9	23.1	(45.0)	0.0	(21.9)
ILS	43.4	(9.9)	0.0	33.5	39.6	(9.6)	0.0	30.0
INR	91.2	13.4	0.0	104.6	44.7	(16.3)	0.0	28.4
PLN	21.0	4.5	0.0	25.5	11.4	(0.6)	0.0	10.8
SEK	0.7	(0.1)	0.0	0.6	0.5	(0.7)	0.0	(0.2)
USD	115.2	(123.2)	0.0	(8.0)	68.5	(131.1)	0.0	(62.6)
Other currencies	16.3	0.0	0.0	16.3	20.3	(0.1)	0.0	20.2
Parent company								
BRL	0.9	0.0	0.0	0.9	27.8	0.0	0.0	27.8
CAD	0.0	(15.0)	0.0	(15.0)	1.1	0.0	0.0	1.1
CHF	10.5	(1.7)	0.0	8.8	3.4	(3.3)	0.0	0.1
EUR	609.3	(889.6)	0.0	(280.3)	445.1	(385.2)	0.0	59.9
GBP	41.6	(7.6)	0.0	34.0	39.4	(5.2)	0.0	34.2
HRK	0.0	(73.9)	0.0	(73.9)	0.0	(33.0)	0.0	(33.0)
HUF	0.0	(95.2)	0.0	(95.2)	0.1	(49.3)	0.0	(49.2)
ILS	1.4	0.0	0.0	1.4	1.5	0.0	0.0	1.5
INR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PLN	21.0	0.9	0.0	21.9	11.3	(2.1)	0.0	9.2
SEK	0.7	(0.1)	0.0	0.6	0.5	(0.7)	0.0	(0.2)
USD	305.5	(94.9)	0.0	210.6	265.7	(98.6)	0.0	167.1
Other currencies	33.1	0.0	0.0	33.1	37.3	0.0	0.0	37.3

Notes

30 Financial instruments – continued

Hedging of net assets in foreign subsidiaries DKKm	**2022** **Investment**	**Amount hedged**	**Net position**	**The year's value adjustment recognised in other comprehensive income**	**2021** **Investment**	**Amount hedged**	**Net position**	**The year's value adjustment recognised in other comprehensive income**
Group								
ARS	167.5	0.0	167.5	(47.5)	131.5	0.0	131.5	(11.6)
BRL	(78.7)	0.0	(78.7)	7.6	38.5	0.0	38.5	0.2
CAD	245.7	0.0	245.7	(1.3)	236.7	0.0	236.7	17.5
CHF	2.4	0.0	2.4	0.1	2.2	0.0	2.2	0.1
EUR	110.1	0.0	110.1	0.3	98.1	0.0	98.1	(6.3)
GBP	4.1	0.0	4.1	(0.3)	4.1	0.0	4.1	0.3
HRK	109.8	0.0	109.8	(0.2)	91.8	0.0	91.8	0.4
HUF	152.5	0.0	152.5	(6.6)	144.9	0.0	144.9	(1.8)
ILS	59.3	0.0	59.3	(4.0)	60.4	0.0	60.4	6.3
INR	173.1	0.0	173.1	(10.3)	143.7	0.0	143.7	8.8
PLN	2.8	0.0	2.8	(0.0)	1.6	0.0	1.6	0.0
RUB	45.3	0.0	45.3	30.8	107.3	0.0	107.3	12.5
USD	229.5	0.0	229.5	12.3	202.0	0.0	202.0	15.3
Other currencies	3.9	0.0	3.9	0.3	2.9	0.0	2.9	(0.8)
	1,227.3	**0.0**	**1,227.3**	**(18.8)**	**1,265.7**	**0.0**	**1,265.7**	**40.9**

Notes

30 Financial instruments – continued

Interest rate risk DKKm	**2022** **Nominal value**	**Carrying amount**	**Interest rate**	**Interest rate risk**	**2021** **Nominal value**	**Carrying amount**	**Interest rate**	**Interest rate risk**
Group								
Credit institutions, floating rate	414.1	414.1	4.8%	Cash flow	782.2	782.0	0.6%	Cash flow
Credit institutions, floating rate with cap	446.2	446.2	3.6%	Cash flow	0.0	0.0	-	-
Parent company								
Credit institutions, floating rate	414.1	414.1	4.8%	Cash flow	782.2	782.0	0.6%	Cash flow
Credit institutions, floating rate with cap	446.2	446.2	3.6%	Cash flow	0.0	0.0	-	-
Receivables from subsidiaries								
Fixed rate	71.0	26.5	4.25% - 14.50%	Fair value	51.1	51.1	3.00%-6.65%	Fair value
Floating rate	640.7	640.7	1.35% - 3.80%	Cash flow	538.6	538.6	0.92%-2.21%	Cash flow

Notes

31 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.

Brødrene Hartmann A/S has provided a guarantee of BRL 80.0 million, corresponding to DKK 105.5 million, in favour of Skandinaviske Enskilda Banken AB for the credit facility issued to the subsidiary Sanovo Greenpack Embalagens Do Brasil Ltda.

Brødrene Hartmann A/S has recognised an impairment of DKK 44.4 million related to the loan issued to the subsidiary Sanovo Greenpack Embalagens Do Brasil Ltda.

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	2022	2021	2022	2021
Companies with a controlling interest				
Joint taxation contributions paid	13.0	49.0	13.0	49.0
Adjustment of joint taxation contributions paid in prior years	(0.9)	(2.8)	(0.9	(2.8)
Associates				
Production costs	89.8	81.0	89.8	81.1
Payables to associates	9.2	10.7	8.9	10.4
Subsidiaries				
Revenue	-	-	126.6	254.0
Production costs	-	-	845.1	532.3
Other income/(expenses) recognised in operating profit	-	-	(0.7)	(1.4)
Interest income	-	-	20.0	8.4
Interest expenses	-	-	(0.5)	(0.3)
Receivables from subsidiaries, non-current	-	-	667.1	589.1
Receivables from subsidiaries, current	-	-	93.9	96.8
Payables to subsidiaries	-	-	316.2	226.1
Other related parties				
Revenue	7.0	2.0	7.0	2.0

Thornico Holding A/S is the ultimate majority owner. Brødrene Hartmann A/S is included in the consolidated financial statements of Thornico Holding A/S. 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.

Associates consist of Danfiber A/S, see note 21.

Subsidiaries consist of companies in which Brødrene Hartmann A/S has a controlling interest, see note 19. Transactions with subsidiaries have been eliminated in the consolidated financial statements in accordance with the group's accounting policies.

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 finalised the delivery and installation of production equipment during 2022. Hartmann obtained an ownership interest in the Chinese company of around 20%. 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 can be exercised from May 2023.

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

32 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 2022.

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 2022

Following a prolonged period of rising inflation in Argentina, the cumulative 3-year inflation rate exceeded 100% in May 2018. In 2022, the rate of inflation in Argentina was 95%. The ARS/DKK exchange rate fell from 6.4 at the beginning of the year to 3.9 at 31 December 2022.

Notes

32 Accounting effect of hyperinflation in Argentina – continued

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 2022 or, if relevant, the date of disposal or cost of sales in 2022. 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 2022 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 2022 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 (DKK 3.9 per 100). 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 the ARS/DKK exchange rate at the balance sheet date 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

32 Accounting effect of hyperinflation in Argentina – continued

Overview of hyperinflation restatements

The table below shows the total effect for the year by restating for hyperinflation in the group's Argentinian subsidiaries.

	2022				2021			
	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	0.0	88.8	(92.9)	(4.1)	-	30.5	(7.0)	23.5
Cost of sales	(6.0)	(58.4)	60.1	(4.3)	(12.8)	(21.4)	4.8	(29.4)
Depreciation and amortisation	(10.1)	0.0	3.3	(6.8)	(9.7)	-	0.4	(9.3)
Other costs	0.0	(13.5)	14.5	1.0	-	(6.2)	1.4	(4.8)
Operating profit before special items	**(16.1)**	**16.9**	**(15.0)**	**(14.2)**	**(22.5)**	**2.9**	**(0.4)**	**(20.0)**
Special items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit after special items	**(16.1)**	**16.9**	**(15.0)**	**(14.2)**	**(22.5)**	**2.9**	**(0.4)**	**(20.0)**
Financial items	(16.8)	(12.1)	8.5	(20.4)	0.2	0.1	0.1	0.4
Profit before tax	**(32.9)**	**4.8**	**(6.5)**	**(34.6)**	**(22.3)**	**3.0**	**(0.3)**	**(19.6)**
Tax on profit for the year	(19.3)	(4.8)	10.9	(13.2)	(8.5)	(3.0)	0.5	(11.0)
Profit for the year	**(52.2)**	**0.0**	**4.4**	**(47.8)**	**(30.8)**	**0.0**	**0.2**	**(30.6)**
Intangible assets	0.0	-	-	0.0	7.8	-	-	7.8
Property, plant and equipment	78.0	-	-	78.0	56.3	-	-	56.3
Deferred tax	(19.5)	-	-	(19.5)	(16.4)	-	-	(16.4)
Inventories	1.2	-	-	1.2	0.8	-	-	0.8
Assets	**59.7**	**-**	**-**	**59.7**	**48.5**	**-**	**-**	**48.5**
Profit for the year	(52.2)	-	4.4	(47.8)	(30.8)	-	0.2	(30.6)
Foreign exchange adjustment of foreign subsidiaries	7.5	-	22.8	30.3	27.6	-	1.5	29.1
Hyperinflation restatement of equity at 1 January	100.1	-	(27.2)	72.9	48.6	-	(1.7)	46.9
Equity	**55.4**	**-**	**0.0**	**55.4**	**45.4**	**-**	**-**	**45.4**
Deferred tax	4.3	-	0.0	4.3	3.1	-	-	3.1
Equity and liabilities	**59.7**	**-**	**0.0**	**59.7**	**48.5**	**-**	**-**	**48.5**

Notes

33 Business combinations

Acquisitions

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 Final
Intangible assets	16.7
Property, plant and equipment	51.4
Inventories	4.7
Receivables	9.6
Cash	9.7
Deferred tax liabilities	(8.7)
Trade payables	(4.1)
Other payables	(3.7)
Provisions	(1.6)
Net assets acquired	**74.0**
Goodwill	48.6
Purchase consideration	**122.6**
Of which cash	(9.7)
Cash purchase consideration	**112.9**
Overdraft facilities	0.0
Cash flow effect	**112.9**

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 was 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 was determined by means of the multi-period excess earnings method (MEEM). Customer relations were 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 was 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 was determined at replacement cost.

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

Notes

33 Business combinations – 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. Discontinuing operations and assets held for sale are presented separately.

On acquisition of new businesses in which Hartmann assumes control over the acquired business, the acquisition 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 purchase price over the fair value of net identifiable assets acquired and liabilities assumed, 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.

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.

Notes

34 Discontinuing operations and Assets held for sale

On 1 April 2022 Hartmann announced that a sales process for Hartmann's Russian business unit was initiated following Russia's invasion of Ukraine, as the current political and economic climate prevents the realisation of Hartmann's business plan in the country.

JSC Hartmann-Rus is presented as discontinuing operations and assets held for sale and consequently presented separately in the statement of comprehensive income, statement of cash flows and balance sheet. The comparative figures have been restated for 2021 except in the balance sheet.

Being classified as discontinuing operations the Russian business unit is no longer included in the Eurasia segment.

Following the classification as assets held for sale the net assets in the Russian business unit was measured at fair value less cost to sell, resulting in an impairment of DKK 81 million. The fair value was reassessed as of 31 December 2022 as the conditions for divesting a Russian business unit has changed significantly as legal and practical clarifications evolves. The reassessment resulted in an additional impairment of DKK 36 million as of 31 December 2022 totalling DKK 117 million.

The fair value calculation is not based on external offers but calculated in local currency on a weighted average of various valuation methods including fair value assessment of net assets in use and transaction multiples.

As there is no official guidance on valuation methods for companies wanting to exit Russia the applied valuation method is what we currently believe will be accepted by the Russian authorities based on guidance from advisors. Completing a sales process is subject to approval from the Special Government Commission in Russia and both approval of a potential buyer and the valuation is highly impacted by uncertainties arising from the political situation in Russia.

The fair value is recognised in local currency and has been translated into the Group's presentation currency (DKK) at the official exchange rate as of 31 December 2022. Any adjustments to the consolidated value of the Russian business unit due to changes in the exchange rate has been recognised in other comprehensive income and included in the translation reserve within equity.

On completion of a divestment at the current valuation, the currency translation within equity related to the Russian business unit will be reclassified from equity to the statement of comprehensive income and included as financial income and expenses in the result from discontinuing operations. As of 31 December 2022 the accumulated currency translation reserve amounted to a profit around DKK 39 million including after-tax currency adjustment on equity loan.

	Group	
Profit and loss	**2022**	**2021**
Revenue	120.9	78.0
Expenses	(100.1)	(72.7)
Depreciation/amortization and impairment	(121.3)	(5.9)
Financial items, net	4.5	0.4
Profit/(loss) before tax	**(96.0)**	**(0.2)**
Tax	4.9	0.1
Profit/(loss) for the period	**(91.1)**	**(0.1)**
Earnings per share	(13.2)	(0.0)

Net cash flows incurred by JSC Hartmann-Rus are, as follows:

	Group	
Cash flows	**2022**	**2021**
Operating activities	19.6	9.0
Investment activities	(9.3)	(14.5)
Financing activities	0.0	0.0
Net cash flow	**10.3**	**(5.5)**

Notes

34 Discontinuing operations and Assets held for sale – continued

The major classes of assets and liabilities of JSC Hartmann-Rus classified as held for sale as of 31 December 2022 are, as follows:

	2022	
Balance sheet	**Group**	**Parent**
Assets		
Intangible assets	10.2	-
Property, plant, and equipment	48.7	-
Investments in subsidiaries	-	45.3
Receivables from subsidiaries, non-current	-	26.4
Inventory	6.4	-
Receivables	9.5	-
Receivables from subsidiaries, current	-	1.4
Cash	16.7	-
Assets held for sale	**91.5**	**73.1**
Liabilities		
Deferred tax	1.4	-
Other liabilities	17.0	-
Liabilities related to assets held for sale	**18.4**	**-**

In 2022 the investment in JSC Hartmann-Rus of originally DKK 101.9 million was written down to its net realisable value, DKK 45.3 million, as a result of the political situation and sanctions on the back of the Russian invasion of Ukraine.

Significant accounting estimates and judgements

Classification as discontinuing operations and assets held for sale
When classifying assets and liabilities as held for sale a number of judgments as to the estimated fair value of the non-current assets and disposal groups are performed. Depending on the nature of the disposal group's activities, assets and liabilities, the estimated fair value may be associated with different levels of uncertainty, and subsequent adjustments might be necessary.

The fair value was not based on external offers for the business but on estimations on net present value in local currency. Major internal assumptions cover the extent of imposed sanctions, developments in the Russian egg market, the competitive environment and macroeconomic assumptions such as inflation and interest rates.

§ Accounting policies

Non-current assets held for sale and discontinuing operations
Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the balance sheet.

Discontinuing operations are excluded from the profit from continuing operations and are presented as a single amount as result from discontinuing operations in the statement of comprehensive income.

In the cash flow statement, cash flows from discontinuing operations are excluded from the net cash flow from continuing operations and presented separately as net cash flow from discontinuing operations. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

35 Events after the balance sheet date

Apart from what has been recognised or disclosed in this annual report, no events have occurred after the balance sheet date of significance to the consolidated financial statements or the parent company financial statements.

Notes

36 Definitions of key figures and financial ratios

Revenue
Revenue after restatement for hyperinflation (IAS 29).

Operating profit
Operating profit before special items and restatement for hyperinflation (IAS 29).

Operating profit after restatement for hyperinflation
Operating profit before special items.

Investments
Investments in property, plant and equipment, intangible assets and business combinations before restatement for hyperinflation.

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
$$\frac{\text{Operating profit before special items and IAS 29} \times 100}{\text{Revenue}}$$

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

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

Market capitalisation
Share price x total no. of shares

ESG key figures
For definitions of ESG key figures, please see page 31 in the Sustainability report 2022.

Financial ratios are calculated in order to present the groups continuing operations, unless explicitly stated that discontinuing operations are included.

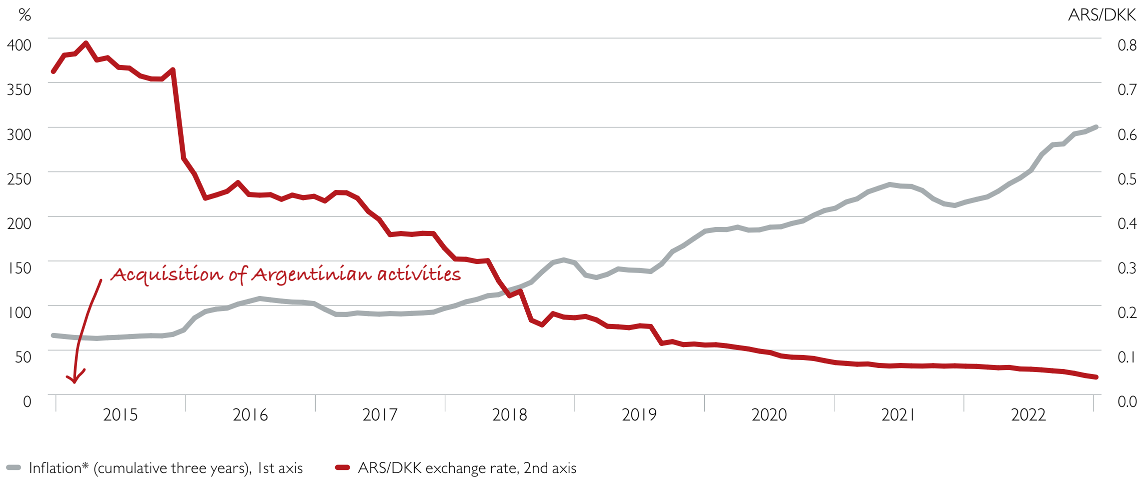
Earnings per share (EPS) is calculated according to IAS 33.

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

Other

Hyperinflation in Argentina (unaudited)

Inflation and exchange rate developments in Argentina

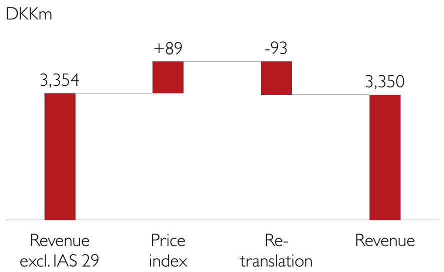


Effects of restating for hyperinflation on selected accounting figures

DKKm	Excl. IAS 29	Price index	Re-translation	Total adjustment	2022
Revenue	3.354	89	(93)	(4)	3.350
Operating profit before depreciation	422	11	(19)	(8)	414
Operating profit	252	1	(15)	(14)	238
Net financial items	(50)	(29)	9	(20)	(70)

* 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 revenue for 2022



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

The price index rose by 95% during the year, boosting revenue by DKK 89 million. The increase offset a decline in the ARS/DKK cross rate from 0.06385 at the beginning of the year to 0.03937 at 31 December 2022 reducing revenue by DKK 93 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 3,350 million after a net negative impact of restating for hyperinflation of DKK 4 million.

Key figures and financial ratios by quarter (unaudited)

	Q1 2022	Q1 2021	Q2 2022	Q2 2021	Q3 2022	Q3 2021	Q4 2022	Q4 2021
Statement of comprehensive income								
Revenue	753	737	794	639	861	609	943	681
- Eurasia	443	513	448	399	519	378	622	407
- Americas	309	224	346	240	342	231	321	274
Operating profit	42	180	55	72	25	13	129	(14)
Operating profit after restatement for hyperinflation	34	176	46	68	11	9	146	(22)
Special items	-	-	-	-	44	-	(32)	(116)
Financial income and expenses, net	7	(5)	(9)	7	(10)	(3)	(60)	(7)
Profit before tax	41	170	37	75	46	6	54	(145)
Profit for the period	25	128	21	54	25	1	35	(109)
Profit for the period incl. discontinuing operations	26	128	(53)	54	29	1	13	(108)
Comprehensive income	52	160	53	76	80	8	(106)	(73)
Cash flows								
Cash flows from operating activities	(16)	74	69	145	40	24	111	(2)
Cash flows from investing activities	(32)	(183)	(40)	(136)	(54)	(122)	(56)	(86)
Cash flows from financing activities	103	117	(8)	(47)	7	30	(48)	133
Total cash flows	55	8	21	(38)	(7)	(68)	7	45
Balance sheet								
Assets	2,745	2,438	2,819	2,586	3,078	2,642	2,914	2,652
Assets incl. discontinuing operations	2,893	2,580	2,987	2,731	3,243	2,794	3,005	2,804
Investments in property, plant and equipment	34	44	46	137	51	108	32	84
Net working capital	434	412	447	355	522	371	517	348
Invested capital	2,070	1,810	2,103	1,889	2,206	1,978	2,091	1,939
Net interest-bearing debt	1,016	743	991	739	1,016	844	938	933
Equity	1,249	1,185	1,301	1,262	1,382	1,270	1,276	1,197
Financial ratios, %								
Profit margin	5.6	24.5	7.1	11.3	2.9	2.2	13.3	(2.1)
Profit margin after restatement for hyperinflation	4.6	23.8	5.8	10.6	1.3	1.5	15.5	(3.2)
Return on invested capital (ROIC), rolling 12 months	4.5	31.5	3.4	26.0	3.4	19.5	11.1	12.3
Return on equity, rolling 12 months	(2.3)	34.5	(4.9)	28.9	(2.9)	22.0	8.2	6.2
Equity ratio	45.5	48.6	46.2	48.8	44.9	48.1	43.8	45.1
Gearing	81.4	62.7	76.2	58.5	73.5	66.4	73.5	78.0

For definitions of financial ratios, see page 96.

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 2022.

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 2022 and of the results of the group's and the parent company's operations and cash flows for the financial year ended 31 December 2022.

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 2022 with the file name hartmann-2022-12-31-en.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, 7 March 2023

Executive board:

Torben Rosenkrantz-Theil
CEO

Flemming Lorents Steen
CFO

Board of directors:

Jan Klarskov Henriksen
Chairman

Michael Strange Midskov
Vice chairman

Jan Madsen

Pernille Fabricius

Klaus Bysted Jensen

Palle Skade Andersen

Independent auditor's report

To the shareholders of Brødrene Hartmann A/S

Report on the audit of the Consolidated Financial Statements and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Brødrene Hartmann A/S for the financial year 1 January – 31 December 2022, pp. 33-96, which comprise statement of comprehensive income, statement of cash flows, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company 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 company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2022 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 long-form audit report 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 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 company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of Brødrene Hartmann A/S on 26 April 2022 for the financial year 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2022. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment of non-current assets for the South American entities

The determination of the recoverable amount of non-current assets in the cash-generating units in Brazil and Argentina is subject to a high degree of estimate and judgment performed by Management. The high degree of estimate and judgment relates to determining cash flow forecasts, growth rates and discount rates in the light of slowing economic growth, increasing interest rates and political instability in Brazil, as well as hyperinflation in Argentina.

An impairment loss of DKK 77.6 million in Brazil has been recognised for non-current assets. Reference is made to note 17 'Impairment of non-current assets' in the consolidated financial statements.

Due to the inherent uncertainty and high degree of estimate and judgment involved in determining the net present value of future cash flows in Brazil and Argentina, we considered these impairment tests to be a key audit matter.

How our audit addressed the key audit matter
As part of our audit procedures, among others, we:

- Assessed whether the impairment tests are prepared on a consistent basis and based on recognised methods;
- Assessed whether Management's expectations regarding future revenue, earnings and investments applied in the calculation models, are in line with forecasts approved by the Board of Directors and projections approved by Management;
- Obtained insights into the expected business development and business plans for the cash- generating units in Brazil and Argentina and thus the basis that has been used in determining the recoverable amounts;
- Compared the earnings estimates applied in the calculation models with historical results;
- Involved our internal valuation experts to test the fixed discount rate for Brazil and the determination of the dynamic discount rates and terminal growth rate applied in the impairment test for Argentina due to hyperinflation in Argentina;
- Reperformed Management's sensitivity analysis used in the models; and
- Assessed whether the disclosures are in accordance with the requirements of applicable accounting standards.

Accounting for contingent liabilities arising from disputes of industrial product tax in Brazil
Brødrene Hartmann's Brazilian subsidiary Sanovo Greenpack Embalages Do Brasil Ltda. is disputing a claim raised by the Brazilian tax authorities regarding industrial products tax (IPI) for the period 2015 and 2016. The tax dispute could result in additional tax payments, including interest and penalties, that could have a material effect on Sanovo Greenpack Embalages Do Brasil Ltda.'s ability to operate as a going concern.

Reference is made to note 28 'Collateral and contingent liabilities' in the consolidated financial statements.

The IPI tax rules are complex and significant judgment is therefore required by Management in determining the measurement and outcome of the contingent liabilities arising from the dispute. On this basis, we considered contingent liabilities arising from the IPI tax dispute to be a key audit matter.

How our audit addressed the key audit matter
As part of our audit procedures, among others, we:

- Evaluated Management's assessment of the outcome of the IPI tax dispute;
- Obtained and assessed correspondence with the Brazilian tax authorities;
- Evaluated the tax opinions and memorandums provided by third-party tax advisors;
- Assessed the adequacy of disclosures related to the IPI tax uncertainty included in the notes to the consolidated financial statements.

Statement on the Management's review
Management is responsible for the Management's review, pp. 1-32.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the 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's review.

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements and parent company 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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 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.

- 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 Company'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 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 Company'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 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 Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the 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, actions taken to eliminate threats or safeguards applied.

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 company 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.

Report on compliance with the ESEF Regulation

As part of our audit of the Consolidated Financial Statements and Parent Company Financial Statements of Brødrene Hartmann A/S, we performed procedures to express an opinion on whether the annual report of Brødrene Hartmann A/S for the financial year 1 January – 31 December 2022 with the file name hartmann-2022-12-31-en.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 including notes.

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 including notes;
- 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 2022, with the file name hartmann-2022-12-31-en.zip, is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 7 March 2023

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jan C. Olsen	Kennet Hartmann
State Authorised Public Accountant	State Authorised Public Accountant
mne33717	mne40036

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