HARTMANN

PACK & PERFORM

Interim report Q2 2019

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Q2 2019 highlights

Hartmann grew core business revenue by 6% on the back of continued volume growth and delivered solid earnings in spite of high raw materials prices and the expected reduced contribution from sales of machinery and technology. The group stepped up investments in Q2 and maintains its guidance for full-year 2019.

Growing volumes in all markets

Hartmann grew packaging sales in all markets in Q2. Sales were particularly strong in Europe and North America.

Maintaining solid profitability

Hartmann was able to cushion the effects of higher raw materials prices in Q2 by improving efficiency and lifting average selling prices.

Stepping up investments

New production capacity was put into operation in Europe and Argentina, and European capacity will be further expanded in the second half of the year. As part of the group's 'Think ahead' strategy, Hartmann invests in further capacity expansion in Brazil, the USA and Europe. The new capacity is expected to be put into operation in 2020.

Machinery sales normalising at lower levels

As anticipated, sales of machinery and technology were down in Q2 compared with the year-earlier period. Sales of machinery and technology are still expected to normalise in 2019 at a level down from the 2018 high.

Revenue

DKK 553 million

DKK 542 million in Q2 2018

Profit margin*

8.5%

11.1% in Q2 2018

Capital expenditure*

DKK 49 million

DKK 28 million in Q2 2018

Currency movements, primarily related to the Argentine peso (ARS), reduced revenue by DKK 29 million and operating profit by DKK 1 million in Q2 2019.

* Before restatement for hyperinflation.

"Thanks to growing packaging sales and efficiency improvements, we continued to deliver solid earnings in Q2 in spite of higher raw materials prices. We are seeing strong demand for our products and are investing massively in new capacity across our markets in order to stay one step ahead.

Key figures and financial ratios for the group

DKKm	Q2 2019	Q2 2019 excl. IAS 29	Q2 2018*	H1 2019	H1 2019 excl. IAS 29	H1 2018*
Comprehensive income						
Revenue	553	547	542	1,150	1,145	1,166
Operating profit	45	47	60	103	108	152
Special items	0	0	(16)	0	0	(21)
Operating profit after special items	45	47	45	103	108	131
Financial income and expenses, net	(7)	(8)	(30)	(13)	(14)	(40)
Profit before tax	38	39	14	90	93	91
Profit for the period	26	30	10	62	71	68
Comprehensive income	41	36	(12)	92	84	17
Cash flows						
Operating activities	18	18	66	74	74	137
Investing activities	(49)	(49)	(28)	(88)	(88)	(38)
Financing activities	(55)	(55)	(66)	(57)	(57)	(68)
Total	(87)	(87)	(28)	(71)	(71)	31
Balance sheet						
Assets	-	-	-	2,014	1,973	1,756
Investments in property, plant and equipment	-	-	-	88	87	36
Net working capital	-	-	-	357	357	332
Invested capital	-	-	-	1,512	1,468	1,289
Net interest-bearing debt (NIBD)	-	-	-	735	735	614
NIBD excl. lease liabilities	-	-	-	660	660	614
Equity	-	-	-	791	760	697

DKKm	Q2 2019	Q2 2019 excl. IAS 29	Q2 2018*	H1 2019	H1 2019 excl. IAS 29	H1 2018*
Financial ratios, %						
Profit margin	8.1	8.5	11.1	9.0	9.4	13.0
Return on invested capital (ROIC), rolling 12 months	-	-	-	12.3	13.4	21.7
Return on equity, rolling 12 months	-	-	-	12.5	14.3	19.6
Equity ratio	-	-	-	39.3	38.5	39.7
Gearing	-	-	-	92.9	96.7	88.0
Share-based financial ratios						
No. of shares (excl. treasury shares)	-	-	-	6,915,090	6,915,090	6,915,090
Earnings per share, DKK (EPS)	3.7	4.3	1.5	9.0	10.3	9.8
Cash flows per share, DKK	2.6	2.6	9.6	10.7	10.7	19.8
Book value per share, DKK	-	-	-	114.4	110.0	100.8
Share price, DKK	-	-	-	316.0	316.0	374.0
Share price/book value per share	-	-	-	2.8	2.9	3.7
Share price/earnings (P/E), rolling 12 months	-	-	-	22.9	20.5	17.8
Market capitalisation, DKKm	-	-	-	2,216.8	2,216.8	2,623.6

For definitions of financial ratios, see page 82 in the annual report for 2018. For purposes of this report, operating profit and profit margin are stated before special items, and profit margin, return on invested capital and capital expenditure are stated before restatement for hyperinflation.

* As Hartmann implemented IAS 29 in its interim report for Q3 2018, the comparative figures for Q2 and H1 2018 have not been restated for hyperinflation.

In order to provide a more accurate view of Hartmann's underlying operations and performance, selected accounting figures in this interim report are presented before restatement for hyperinflation (IAS 29). Read more on page 10.

Developments in Q2 and H1 2019

Hartmann grew revenue in Q2 on the back of an improved core business performance that more than offset the expected reduced contribution from Hartmann Technology, which sells and delivers machinery and technology on a project basis. Continued volume growth in the core business combined with efficiency improvements and higher average selling prices contributed to ensure continued solid earnings and mitigation of the adverse effects of lower revenue from Hartmann Technology and higher raw materials prices.

Demand for sustainable moulded-fibre packaging remained strong in Q2 2019. New production capacity was commissioned in Europe and Argentina, and preparations were made for the addition and commissioning of new capacity at an additional two factories in the European business during the second half of the year.

The preparations for the establishment of a new factory in Brazil progressed according to plan, and in June, Hartmann made a decision to invest about DKK 100 million in a massive capacity expansion programme at the group's US factory during 2019-2020. Plans are also underway to further increase capacity in Europe. The new production capacity in Brazil, the US and Europe is expected to be put into operation in 2020. Reflecting the decision to expand production capacity in the US, Hartmann increased capital expenditure expectations for 2019 to about DKK 300 million against the previous forecast of approximately DKK 250 million, excluding restatement for hyperinflation in Argentina and any acquisitions.

Revenue

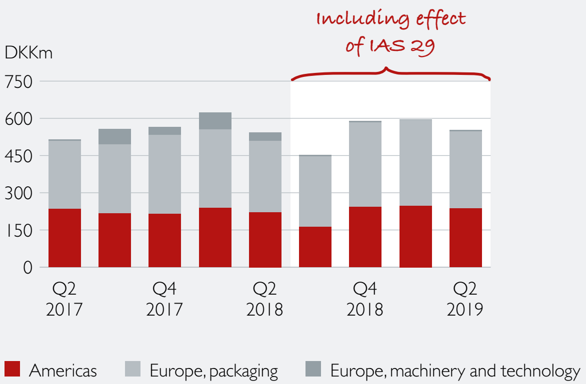
Continued volume growth in Hartmann's core business in Q2 2019 translated into total revenue of DKK 553 million (2018: DKK 542 million) after restatement for hyperinflation. While, as expected, Hartmann Technology generated significantly lower revenue than in the year-earlier period, higher packaging sales drove total revenue up.

Revenue for the first six months of 2019 was DKK 1,150 million (2018: DKK 1,166 million) after restatement for hyperinflation.

Currency movements reduced revenue by a net DKK 29 million in Q2 2019. Movements in the Argentine peso (ARS) reduced revenue by DKK 35 million, of which DKK 4 million was attributable to restatement for hyperinflation. In the first six months of the year, currency movements reduced revenue by a net DKK 68 million. ARS movements reduced revenue by DKK 77 million, of which DKK 9 million was attributable to restatement for hyperinflation.

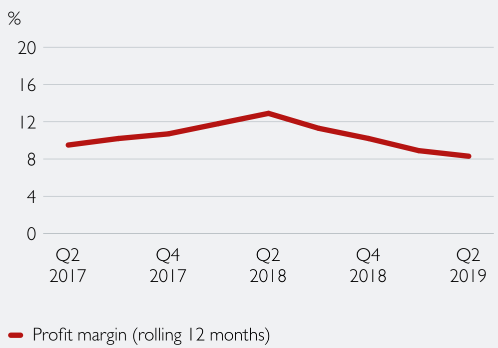
Revenue before restatement for hyperinflation was DKK 547 million in Q2 and DKK 1,145 million in H1 2019.

Revenue



Operating profit excl. effect of IAS 29

Profit margin excl. effect of IAS 29



Developments in Q2 and H1 2019

Europe
The European business generated total revenue of DKK 317 million (2018: DKK 321 million) in Q2 2019. The core business maintained momentum and lifted revenue from sales of egg packaging to DKK 311 million (2018: DKK 286 million), supported by the commissioning of new production capacity in the quarter. Revenue growth was driven by higher volumes, an increased share of retail packaging and higher average selling prices. As expected, Hartmann Technology reported revenue down to DKK 6 million from DKK 35 million in Q2 2018.

In the first half of 2019, the European business generated total revenue of DKK 665 million (2018: DKK 705 million). The core business generated revenue of DKK 655 million (2018: DKK 601 million), while, as expected, Hartmann Technology reported revenue down to DKK 10 million from DKK 104 million in H1 2018.

Americas
The group continued to grow volumes across its American markets in Q2 2019. Total revenue was up to DKK 237 million (2018: DKK 222 million) amid significant adverse currency movements in Argentina.

In North America, Q2 revenue was up on the back of favourable currency effects and continued volume growth. High capacity utilisation at the US and Canadian factories prompted management to make a decision to expand US capacity by additional production lines with a view to further strengthening Hartmann's position in the North American market and meeting growing demand. The new production capacity is expected to be put into operation towards the end of 2020.

The South American business generated moderate volume and revenue growth in Q2 despite significant adverse currency developments in Argentina. Both the Argentinian and the Brazilian operations helped drive up volumes despite lower Brazilian egg prices causing a shift in sales from retail packaging to cheaper packaging types.

H1 2019 revenue from the Americas was up to DKK 485 million (2018: DKK 461 million) after restatement for hyperinflation.

Revenue before restatement for hyperinflation was DKK 230 million in Q2 and DKK 480 million in H1 2019.

Operating profit

Operating profit before restatement for hyperinflation was DKK 47 million for Q2 2019 (2018: DKK 60 million), for a profit margin of 8.5% (2018: 11.1%). While adversely affected by higher raw materials prices and the sharply lower contribution from Hartmann Technology, the profit performance was supported by continued volume growth, efficiency improvements and higher average selling prices.

For the first half of the year, operating profit before restatement for hyperinflation was DKK 108 million (2018: DKK 131 million), for a profit margin of 9.4% (2018: 13.0%).

Currency fluctuations reduced operating profit before restatement for hyperinflation by a net DKK 1 million in Q2 2019. Movements in ARS affected operating profit by a negative DKK 5 million. In the first half of the year, currency fluctuations reduced operating profit before restatement for hyperinflation by a net DKK 6 million. Movements in ARS affected operating profit by a negative DKK 12 million.

After restatement for hyperinflation, operating profit came to DKK 45 million, for a profit margin of 8.1%, for Q2 2019 and DKK 103 million, for a profit margin of 9.0%, for H1 2019. As Hartmann implemented IAS 29 on financial reporting in hyperinflationary economies in its interim report for Q3 2018, the comparative figures for Q2 and H1 2018 have not been restated for hyperinflation.

Europe
The European business reported operating profit of DKK 24 million (2018: DKK 40 million), for a profit margin of 7.5% (2018: 12.6%), impacted by the sharply reduced revenue contribution from Hartmann Technology and higher raw materials prices. The factors detracting from the core business profit performance were largely offset by volume growth, higher average selling prices and efficiency improvements.

For the first half of 2019, the European business reported operating profit of DKK 58 million (2018: DKK 102 million), for a profit margin of 8.7% (2018: 14.4%).

Americas
Operating profit from the Americas totalled DKK 29 million before restatement for hyperinflation (2018: DKK 29 million), for a profit margin of 12.6% (2018: 13.2%).

Operating profit from the North American business grew on the back of favourable currency movements, improved production efficiency, continued volume growth and lower raw materials costs.

In South America, operating profit before restatement for hyperinflation fell as revenue growth and higher average selling prices were not enough to offset the significant adverse effects of currency movements in Argentina and a marked rise in raw materials prices.

For the first six months of 2019, the American operations reported total operating profit of DKK 63 million before restatement for hyperinflation (2018: DKK 64 million), for a profit margin of 13.1% (2018: 13.9%).

After restatement for hyperinflation, operating profit from the Americas came to DKK 27 million, for a profit margin of 11.3%,

Developments in Q2 and H1 2019

for the second quarter and DKK 58 million, for a profit margin of 12.0%, for the first half of the year.

Corporate functions

Costs related to corporate functions came to DKK 6 million in the second quarter (2018: DKK 10 million) and DKK 14 million in the first half of 2019 (2018: DKK 15 million).

Special items

No special items were recognised in Q2 2019 (2018: net expense of DKK 16 million) or H1 2019 (2018: net expense of DKK 21 million). In the reference period, special costs were incurred for, primarily, initiatives under the Perform 2018 programme.

Financial income and expenses

Financial income and expenses were a net expense of DKK 7 million (2018: net expense of DKK 30 million) for the second quarter and a net expense of DKK 13 million (2018: net expense of DKK 40 million) for the first half of 2019. In the reference period, the group's net financial result was adversely affected by significant foreign exchange adjustments.

Profit for the period

Consolidated profit before tax was DKK 38 million (2018: DKK 14 million) for the second quarter and DKK 90 million (2018: DKK 91 million) for the first half of 2019.

For the second quarter of the year, tax on the profit for the period was an expense of DKK 12 million (2018: expense of DKK 4 million), giving an effective tax rate of 32% (2018: 29%). For the first half of the year, tax on the profit for the period was an expense of DKK 27 million (2018: expense of DKK 23 million), giving an effective tax rate of 30% (2018: 26%). The changes were attributable to restatement for hyperinflation, and the effective tax rate before restatement for hyperinflation was 24% for both Q2 and H1 2019.

The profit after tax was DKK 26 million (2018: DKK 10 million) for the second quarter and DKK 62 million (2018: DKK 68 million) for the first half of 2019.

Comprehensive income

Comprehensive income was DKK 41 million (2018: negative at DKK 12 million) for the second quarter and DKK 92 million (2018: DKK 17 million) for the first half of 2019. The improvement reflects significant negative foreign exchange adjustments of subsidiaries in the reference period and revaluation of equity due to restatement for hyperinflation in the second quarter and first half of 2019.

Cash flows

Mainly reflecting an increase in the group's working capital and the lower operating profit, cash flows from operating activities fell to a net inflow of DKK 18 million for the second quarter (2018: net inflow of DKK 66 million). For the first half of 2019, cash flows from operating activities amounted to a net inflow of DKK 74 million (2018: DKK 137 million).

Cash flows from investing activities amounted to a net outflow of DKK 49 million for Q2 2019 (2018: net outflow of DKK 28 million), reflecting the group's ongoing efforts to expand production capacity. For the first half of the year, cash flows from investing activities came to a net outflow of DKK 88 million (2018: net outflow of DKK 38 million).

Cash flows from operating and investing activities amounted to a net outflow of DKK 31 million (2018: net inflow of DKK 38 million) for the second quarter and a net outflow of DKK 14 million (2018: net inflow of DKK 99 million) for the first half of the year.

Cash flows from financing activities amounted to a net outflow of DKK 55 million (2018: net outflow of DKK 66 million) for the second quarter and a net outflow of DKK 57 million (2018: net outflow of DKK 68 million) for the first half of the year.

Funding

The group's net interest-bearing debt at 30 June 2019 was DKK 735 million (2018: DKK 614 million). The increase was mainly attributable to the implementation of IFRS 16, which increased net interest-bearing debt by DKK 74 million at 30 June 2019 due to the recognition and capitalisation of leases, see note 1.

Financial resources amounted to DKK 290 million at 30 June 2019 (2018: DKK 339 million), comprising cash and undrawn loan and overdraft facilities.

In the second quarter of 2019, Hartmann replaced the group's former loan agreement with a new long-term credit facility consisting of a loan of DKK 750 million expiring in March 2022 with an option to extend by up to three years. Hartmann's loans are subject to customary financial covenants.

ROIC

The return on invested capital was 13.4% (2018: 21.7%) before restatement for hyperinflation and 12.3% after restatement for hyperinflation.

Equity

Equity at 30 June 2019 stood at DKK 791 million (2018: DKK 697 million), for an equity ratio of 39.3% (2018: 39.7%). The financial gearing ratio at 30 June 2019 was 92.9% (2018: 88.0%).

Events after the balance sheet date

No events have occurred in the period from the balance sheet date until the date of release of this interim report that would materially affect an evaluation of the interim report.

Outlook

Hartmann maintains its 2019 guidance of total revenue of DKK 2.2-2.4 billion after restatement for hyperinflation and a profit margin of 9-11% before restatement for hyperinflation.

The group's performance in the second half of the year is expected to be favourably affected by continued volume growth and efficient core business operations and adversely affected by a normalised, reduced contribution from Hartmann Technology compared with 2018 and higher paper and energy costs.

As announced on 11 June 2019, capital expenditure is expected to amount to about DKK 300 million before restatement for hyperinflation, reflecting planned and already launched production capacity expansion across the group's markets.

Assumptions

Our guidance is based on the exchange rates prevailing at the date of release of this interim report and does not factor in any acquisitions. 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.

Guidance

	2019
Revenue	DKK 2.2-2.4 billion
Profit margin*	9-11%
Capital expenditure*	DKK ~300 million

* Before restatement for hyperinflation.

Forward-looking statements

The forward-looking statements in this interim report reflect Hartmann's current expectations for future events and financial results. Such statements are inherently subject to uncertainty, and actual results may therefore differ from expectations. Factors which may cause the actual results to deviate from expectations include general economic developments and developments in the financial markets, changes or amendments to legislation and regulation in Hartmann's markets, changes in demand for products, competition and the prices of raw materials. See also the risk section in this interim report and note 33 to the financial statements in the annual report for 2018.

Risk

This interim report contains descriptions of risks which continually affect Hartmann's operations and performance. For a full description of the risks affecting Hartmann, see the risk section and note 31 in the annual report for 2018.

Raw materials

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

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

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

Product portfolio

Hartmann's portfolio of moulded-fibre products comprises retail and transport packaging for eggs as well as fruit packaging. Retail packaging for eggs is sold as premium and standard products. The group's revenue and earnings may vary considerably due to changes in sales across product categories given that there are significant price differences between premium and standard products and between retail, transport and fruit packaging.

Hartmann works continually to balance sales of individual moulded-fibre packaging categories with a view to meeting customer demand and optimising earnings.

Currency

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

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

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

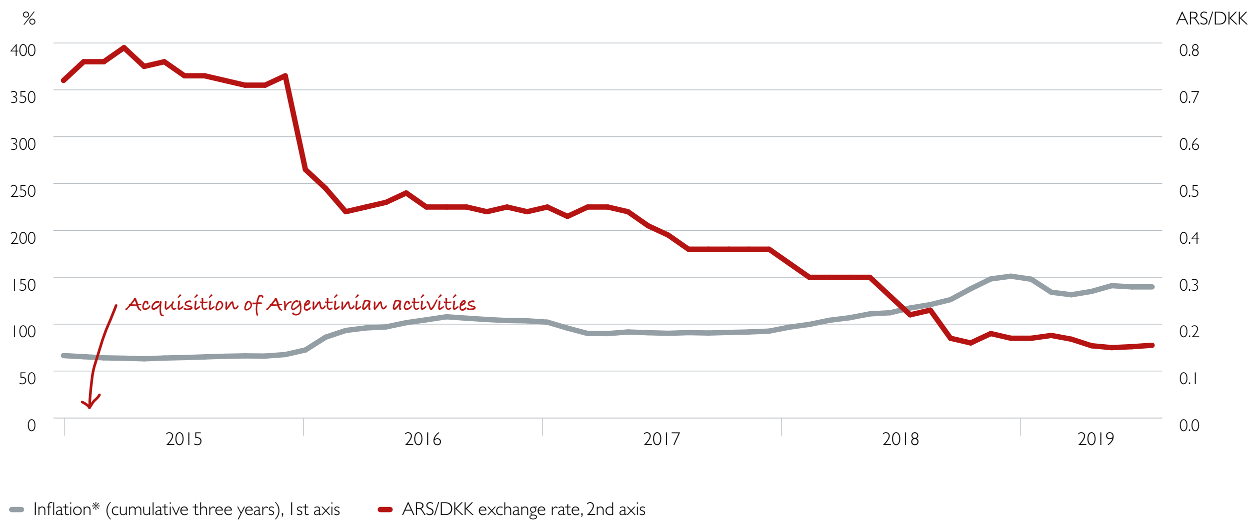
Due to our foreign subsidiaries, Hartmann is exposed to currency translation risks insofar as a part of the group's earnings and net assets relates to these foreign subsidiaries and is therefore translated and included in the consolidated financial statements, which are presented in DKK. In addition,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

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

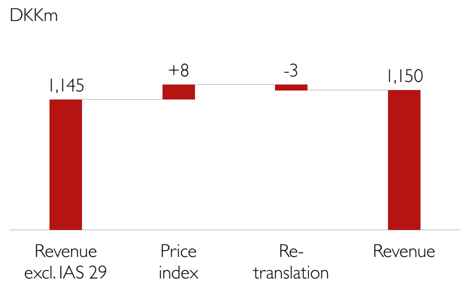
Translation risks associated with intra-group loans are hedged if they are deemed to potentially have a material impact on consolidated profits.

Hyperinflation in Argentina

Inflation and exchange rate developments in Argentina



Effect of restating year-to-date revenue



The total effect on H1 2019 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 23% during the first half of the year, boosting revenue by DKK 8 million. The increase was partially offset by a decline in the ARS/DKK cross rate from 0.173 at the beginning of the year to 0.155 at 30 June 2019 reducing revenue by DKK 3 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 1,150 million after a total positive impact of restating for hyperinflation of DKK 5 million.

Effects of restating for hyperinflation on selected accounting figures year to date

DKKm	**Excl. IAS 29**	***Price index***	***Re-translation***	***Total adjustment***	**2019 to date**
Revenue	1,145	*8*	*(3)*	*5*	1,150
Operating profit before depreciation	171	*(1)*	*(1)*	*(2)*	169
Operating profit	108	*(4)*	*(1)*	*(5)*	103
Financial income and expenses, net	(14)	*4*	*(3)*	*1*	(13)

For more information about hyperinflation, see page 23 and note 36 in the annual report for 2018.

* 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.

Management statement

Today, the board of directors and the executive board have discussed and approved the interim report of Brødrene Hartmann A/S for the six months ended 30 June 2019.

The interim report, which has been neither audited nor reviewed by the company's auditors, has been prepared in accordance with IAS 34 'Interim financial reporting' as adopted by the EU and Danish disclosure requirements for interim reports of listed companies.

In our opinion, the interim financial statements give a true and fair view of the group's assets, liabilities and financial position at 30 June 2019 and of the results of the group's operations and cash flows for the six months ended 30 June 2019.

We are of the opinion that the management report includes a fair review of the development in the group's operations and financial matters, the results for the period and the financial position of the consolidated entities as a whole as well as a description of the principal risks and uncertainties facing the group.

Gentofte, 13 August 2019

Executive board:

Torben Rosenkrantz-Theil
CEO

Flemming Lorents Steen
CFO

Board of directors:

Agnete Raaschou-Nielsen
Chairman

Steen Parsholt
Vice chairman

Andy Hansen

Jan Klarskov Henriksen

Jan Madsen

Karen Angelo Hækkerup

Marianne Schelde

Palle Skade Andersen

Financial statements

Statement of comprehensive income

DKKm **Group**	**Q2 2019**	**Q2 2018**	**H1 2019**	**H1 2018**
Revenue	553.4	542.3	1,149.7	1,166.0
Production costs	(398.8)	(377.6)	(819.3)	(799.5)
Gross profit	**154.6**	**164.7**	**330.4**	**366.5**
Selling and distribution costs	(85.9)	(78.5)	(178.8)	(161.2)
Administrative expenses	(24.2)	(25.8)	(48.7)	(53.4)
Operating profit before special items	**44.5**	**60.4**	**102.9**	**151.9**
Special items	0.0	(15.8)	0.0	(21.4)
Operating profit	**44.5**	**44.6**	**102.9**	**130.5**
Financial income	2.6	0.5	4.7	0.7
Financial expenses	(9.5)	(30.9)	(18.1)	(40.2)
Profit before tax	**37.6**	**14.2**	**89.5**	**91.0**
Tax on profit for the period	(12.1)	(4.1)	(27.2)	(23.3)
PROFIT FOR THE PERIOD	**25.5**	**10.1**	**62.3**	**67.7**
Earnings per share, DKK	3.7	1.5	9.0	9.8
Diluted earnings per share, DKK	3.7	1.5	9.0	9.8

DKKm **Group**	**Q2 2019**	**Q2 2018**	**H1 2019**	**H1 2018**
Profit for the period	**25.5**	**10.1**	**62.3**	**67.7**
Items that can be reclassified to profit or loss:				
Foreign exchange adjustment of foreign subsidiaries	0.6	(21.6)	6.0	(47.0)
Hyperinflation restatement of non-monetary balance sheet items, beginning of the year	9.5	-	18.5	-
Value adjustment of hedging instruments:				
Recognised in other comprehensive income	5.4	(2.5)	2.8	(5.3)
Transferred to revenue	2.1	0.8	4.1	(0.4)
Transferred to production costs	(0.2)	0.5	0.0	0.2
Transferred to financial income and expenses	(0.5)	(0.1)	(0.1)	0.1
Tax	(1.6)	0.4	(1.7)	1.4
Other comprehensive income after tax	**15.3**	**(22.5)**	**29.6**	**(51.0)**
COMPREHENSIVE INCOME	**40.8**	**(12.4)**	**91.9**	**16.7**

Statement of cash flows

DKKm **Group**	**Q2 2019**	**Q2 2018**	**H1 2019**	**H1 2018**
Operating profit before special items	44.5	60.4	102.9	151.9
Depreciation and amortisation	32.9	32.4	65.8	64.9
Adjustment for other non-cash items	0.8	(0.1)	2.4	(0.1)
Change in working capital etc.	(46.9)	(10.7)	(62.1)	(54.0)
Restructuring costs etc. paid	0.0	(7.3)	0.0	(9.5)
Cash generated from operations	**31.3**	**74.7**	**109.0**	**153.2**
Interest etc. received	0.9	1.3	1.3	0.8
Interest etc. paid	(8.8)	(6.7)	(16.1)	(11.1)
Net income tax paid	(5.7)	(3.2)	(20.5)	(5.9)
Cash flows from operating activities	**17.7**	**66.1**	**73.7**	**137.0**
Acquisition of intangible assets	(0.2)	(2.0)	(1.0)	(2.2)
Acquisition of property, plant and equipment	(48.7)	(26.0)	(86.5)	(36.5)
Disposal of property, plant and equipment	0.0	0.2	0.0	0.3
Cash flows from investing activities	**(48.9)**	**(27.8)**	**(87.5)**	**(38.4)**
Cash flows from operating and investing activities	**(31.2)**	**38.3**	**(13.8)**	**98.6**
Raising of non-current debt	652.1	0.0	652.1	0.0
Repayment of non-current debt	(641.7)	(0.7)	(643.6)	(2.0)
Dividend paid	(65.7)	(65.7)	(65.7)	(65.7)
Cash flows from financing activities	**(55.3)**	**(66.4)**	**(57.2)**	**(67.7)**
TOTAL CASH FLOWS	**(86.5)**	**(28.1)**	**(71.0)**	**30.9**
Cash and cash equivalents at beginning of period	56.3	30.9	39.3	(28.2)
Foreign exchange adjustment	0.4	(2.7)	1.9	(2.6)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**(29.8)**	**0.1**	**(29.8)**	**0.1**

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

DKKm **Group**	**Q2 2019**	**Q2 2018**	**H1 2019**	**H1 2018**
Recognition of cash and cash equivalents at end of period:				
Cash	63.6	58.4	63.6	58.4
Overdraft facilities	(93.4)	(58.3)	(93.4)	(58.3)
Cash and cash equivalents at end of period	**(29.8)**	**0.1**	**(29.8)**	**0.1**

Balance sheet

Assets

DKKm **Group**	**30 June 2019**	**30 June 2018**	**31 Dec. 2018**
Goodwill	65.0	63.1	63.9
Other intangible assets	33.8	27.1	34.9
Intangible assets	**98.8**	**90.2**	**98.8**
Land and buildings	294.6	284.0	294.4
Plant and machinery	575.2	585.5	590.2
Other fixtures and fittings, tools and equipment	13.5	17.2	15.1
Plant under construction	133.0	33.6	71.4
Property, plant and equipment	**1,016.3**	**920.3**	**971.1**
Leased land and buildings	68.3	0.0	0.0
Other leased assets	5.7	0.0	0.0
Lease assets	**74.0**	**0.0**	**0.0**
Investments in associates	3.0	3.0	3.0
Deferred tax	46.2	45.8	48.1
Other non-current assets	**49.2**	**48.8**	**51.1**
Non-current assets	**1,238.3**	**1,059.3**	**1,121.0**
Inventories	224.7	195.9	196.6
Trade receivables	373.6	338.7	329.7
Income tax	7.9	8.1	3.4
Other receivables	91.4	76.4	80.1
Prepayments	14.3	18.8	19.9
Cash	63.6	58.4	83.2
Current assets	**775.5**	**696.3**	**712.9**
ASSETS	**2,013.8**	**1,755.6**	**1,833.9**

Equity and liabilities

DKKm **Group**	**30 June 2019**	**30 June 2018**	**31 Dec. 2018**
Share capital	140.3	140.3	140.3
Hedging reserve	1.3	(3.4)	(3.8)
Translation reserve	(154.4)	(209.4)	(178.9)
Retained earnings	804.0	769.4	741.7
Proposed dividend	0.0	0.0	65.7
Equity	**791.2**	**696.9**	**765.0**
Deferred tax	25.3	11.9	21.4
Pension obligations	30.0	47.2	31.7
Credit institutions	630.4	612.6	616.0
Lease liabilities	66.8	0.0	0.0
Government grants	3.2	4.9	3.8
Non-current liabilities	**755.7**	**676.6**	**672.9**
Credit institutions	0.0	1.1	0.0
Lease liabilities	8.1	0.0	0.0
Government grants	1.0	1.5	1.0
Overdraft facilities	93.4	58.3	43.9
Prepayments from customers	24.7	2.3	6.1
Trade payables	174.0	149.0	169.6
Payables to associates	6.3	4.3	4.8
Income tax	17.4	12.3	12.1
Provisions	0.4	12.2	0.8
Other payables	141.6	141.1	157.7
Current liabilities	**466.9**	**382.1**	**396.0**
Liabilities	**1,222.6**	**1,058.7**	**1,068.9**
EQUITY AND LIABILITIES	**2,013.8**	**1,755.6**	**1,833.9**

Statement of changes in equity

Group			**2019**						**2018**			
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**	**(3.8)**	**(178.9)**	**741.7**	**65.7**	**765.0**	**140.3**	**0.6**	**(162.4)**	**701.7**	**65.7**	**745.9**
Profit for the period	-	-	-	62.3	-	62.3	-	-	-	67.7	-	67.7
Other comprehensive income												
Items that can be reclassified to profit or loss												
Foreign exchange adjustments of foreign subsidiaries	-	-	6.0	-	-	6.0	-	-	(47.0)	-	-	(47.0)
Hyperinflation restatement of non-monetary balance sheet items, beginning of the year	-	-	18.5	-	-	18.5	-	-	-	-	-	-
Value adjustment of hedging instruments:												
Recognised in other comprehensive income	-	2.8	-	-	-	2.8	-	(5.3)	-	-	-	(5.3)
Transferred to revenue	-	4.1	-	-	-	4.1	-	(0.4)	-	-	-	(0.4)
Transferred to production costs	-	0.0	-	-	-	0.0	-	0.2	-	-	-	0.2
Transferred to financial income and expenses	-	(0.1)	-	-	-	(0.1)	-	0.1	-	-	-	0.1
Tax	-	(1.7)	-	-	-	(1.7)	-	1.4	-	-	-	1.4
Other comprehensive income	**0.0**	**5.1**	**24.5**	**0.0**	**0.0**	**29.6**	**0.0**	**(4.0)**	**(47.0)**	**0.0**	**0.0**	**(51.0)**
Total comprehensive income	**0.0**	**5.1**	**24.5**	**62.3**	**0.0**	**91.9**	**0.0**	**(4.0)**	**(47.0)**	**67.7**	**0.0**	**16.7**
Transactions with owners												
Dividend paid	-	-	-	-	(65.7)	(65.7)	-	-	-	-	(65.7)	(65.7)
Total changes in equity	**0.0**	**5.1**	**24.5**	**62.3**	**(65.7)**	**26.2**	**0.0**	**(4.0)**	**(47.0)**	**67.7**	**(65.7)**	**(49.0)**
Equity at 30 June	**140.3**	**1.3**	**(154.4)**	**804.0**	**0.0**	**791.2**	**140.3**	**(3.4)**	**(209.4)**	**769.4**	**0.0**	**696.9**

* Translation reserve includes reserve for foreign exchange adjustment of foreign subsidiaries and hyperinflation restatement of non-monetary opening balance sheet items for the Argentinian activities. The comparative figures have not been restated for hyperinflation as Hartmann implemented IAS 29 effective 1 July 2018 without restatement of comparative figures, see note 1.

Notes

01 Accounting policies

The consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and Danish disclosure requirements for listed companies. Interim financial statements have not been prepared for the parent company. The interim financial statements are presented in Danish kroner (DKK), which is the presentation currency used for the group's operations and the functional currency of the parent company.

Except for the implementation of IFRS 16, the accounting policies applied in the interim financial statements are consistent with the accounting policies applied in the consolidated financial statements for 2018. The accounting policies are described in note 1 to the financial statements in the annual report for 2018, to which reference is made. The effects of transitioning to IFRS 16 are described below.

Hartmann implemented IAS 29 on financial reporting in hyperinflationary economies effective 1 July 2018. In accordance with IAS 29, the implementation was made without restatement of comparative figures. Accordingly, the accounting figures for the reference period, Q2 2018 and H1 2018, have not been restated for hyperinflation.

New financial reporting standards and interpretations in 2019
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 2019, including IFRS 16.

IFRS 16
The Hartmann group implemented IFRS 16, Leases, effective 1 January 2019. Under IFRS 16, which replaces IAS 17, the lessee must recognise all leases with a term of more than 12 months, unless the leased asset is of low value. Accordingly, the group's leases were recognised in the balance sheet at 1 January in the form of lease liabilities and lease assets representing Hartmann's right to use the underlying assets.

As regards the income statement, IFRS 16 implementation has resulted in lease payments being replaced by depreciation of lease assets and interest on lease liabilities.

The recognition of lease assets and lease liabilities, respectively, resulted in an increase of the group's total assets of DKK 74.9 million at 1 January 2019. The amount is specified below.

DKKm	**Group**
Lease liabilities 31 December 2018	96.8
Short-term leases (less than 12 months)	(4.7)
Leases of a low value (less than DKK 0.1 million)	(0.5)
Basis for recognition at 1 January 2019	91.6
Discounting	(16.7)
Lease liabilities recognised at 1 January 2019	**74.9**

Based on the current lease composition, IFRS 16 implementation will mean that annual leasing expenses of DKK 10.3 million are replaced by depreciation of DKK 9.3 million and interest of DKK 2.7 million in 2019. Implementation will thus increase operating profit by DKK 0.9 million, but reduce pre-tax profit by DKK 1.8 million. In the first half of 2019, implementation increased operating profit by DKK 0.5 million and reduced pre-tax profit by DKK 0.9 million.

The group's key figures and financial ratios are also affected by capitalisation of leases under IFRS 16. Invested capital and net interest-bearing debt both increased by DKK 74.0 million at 30 June 2019, and based on the current composition of leases, implementation is expected to reduce the return on invested capital (ROIC) by about 0.7 of a percentage point and the equity ratio by about 1.6 percentage points. The new IFRS 16 rules are not expected to have any significant effect on the profit margin due to the negligible positive effect on operating profit.

Any new leases entered into in 2019 will be recognised as additions of lease assets and liabilities, respectively, which will enhance the effect on the above-mentioned accounting items and ratios in 2019. No significant new leases were entered into in H1 2019.

02 Significant accounting estimates and judgments

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

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

Estimates and underlying assumptions are assessed on an ongoing basis. Changes to accounting estimates are recognised in the reference period in which the change occurs and in future reference periods if the change affects both the period in which the change occurs and subsequent reference periods.

Reference is made to note 3 to the financial statements in the annual report for 2018 for a full description of significant accounting estimates, assumptions and uncertainties.

Other matters
Due to seasonal fluctuations in Hartmann's packaging sales, core business revenue and operating profit are generally higher in Q1 and Q4.

Notes

03 Segment information

Activities	2019						2018					
	Europe		Americas		Total reporting segments		Europe		Americas		Total reporting segments	
	Q2	H1	Q2	H1	Q2	H1	Q2	H1	Q2	H1	Q2	H1
External revenue												
Moulded-fibre packaging	310.7	655.3	229.9	480.3	540.6	1,135.6	286.1	601.4	221.5	460.7	507.6	1,062.1
Machinery and technology	5.9	9.8	-	-	5.9	9.8	34.7	103.9	-	-	34.7	103.9
Revenue	**316.6**	**665.1**	**229.9**	**480.3**	**546.5**	**1,145.4**	**320.8**	**705.3**	**221.5**	**460.7**	**542.3**	**1,166.0**
Hyperinflation restatement of revenue	-	-	6.9	4.3	6.9	4.3	-	-	-	-	-	-
Revenue as per statement of comprehensive income	**316.6**	**665.1**	**236.8**	**484.6**	**553.4**	**1,149.7**	**320.8**	**705.3**	**221.5**	**460.7**	**542.3**	**1,166.0**
Operating profit before special items	23.7	57.6	28.9	62.9	52.6	120.2	40.4	101.8	29.2	64.1	69.6	165.9
Other segment information												
Depreciation and amortisation	15.6	31.1	14.6	29.4			14.4	28.8	16.9	33.8		
Investments in intangible assets and property plant and equipment	-	55.0	-	32.6			-	21.5	-	17.4		
Net working capital	-	258.1	-	98.7			-	190.5	-	131.1		
Invested capital	-	744.1	-	736.9			-	571.7	-	729.7		
Segment assets	-	1,023.3	-	897.9	-	1,921.2	-	835.5	-	863.7	-	1,699.2
Reconciliation												
Performance targets												
Operating profit before special items for reporting segments					52.6	120.5					69.6	165.9
Hyperinflation restatement of operating profit before special items					(2.1)	(4.9)					-	-
Non-allocated corporate functions					(6.5)	(13.6)					(9.6)	(14.8)
Eliminations					0.5	0.9					0.4	0.8
Operating profit before special items as per statement of comprehensive income					**44.5**	**102.9**					**60.4**	**151.9**
Special items					0.0	0.0					(15.8)	(21.4)
Operating profit as per statement of comprehensive income					**44.5**	**102.9**					**44.6**	**130.5**
Financial income					2.6	4.7					0.5	0.7
Financial expenses					(9.5)	(18.1)					(30.9)	(40.2)
Profit before tax as per statement of comprehensive income					**37.6**	**89.5**					**14.2**	**91.0**
Assets												
Assets for reporting segments					-	1,921.2					-	1,699.2
Hyperinflation restatement of non-monetary balance sheet items					-	44.1					-	-
Non-allocated assets					-	128.9					-	115.4
Eliminations					-	(80.4)					-	(59.0)
Assets as per balance sheet					**-**	**2,013.8**					**-**	**1,755.6**

Notes

03 Segment information – continued

Accounting policies

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

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

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:

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

04 Financial income and expenses

	Q2 2019	Q2 2018	H1 2019	H1 2018
Interest income, cash and cash equivalents etc.	0.1	0.0	0.1	0.0
Other interest income	0.6	0.5	0.8	0.5
Interest income from financial assets not measured at fair value through profit or loss	**0.7**	**0.5**	**0.9**	**0.5**
Foreign exchange gains	0.3	0.0	1.9	0.0
Gain on net monetary position on hyperinflation restatement	1.2	-	1.3	-
Derivative financial instruments	0.4	0.0	0.6	0.2
Financial income	**2.6**	**0.5**	**4.7**	**0.7**
Interest expenses, credit institutions	5.9	4.8	8.1	8.0
Interest expenses, lease liabilities	0.6	0.0	1.3	0.0
Other expenses	0.7	0.3	1.7	1.5
Interest expenses from financial liabilities not measured at fair value through profit or loss	**7.2**	**5.1**	**11.1**	**9.5**
Foreign exchange losses	2.3	25.8	6.4	30.4
Derivative financial instruments	0.0	0.0	0.6	0.3
Financial expenses	**9.5**	**30.9**	**18.1**	**40.2**
Financial income and (expenses)	**(6.9)**	**(30.4)**	**(13.4)**	**(39.5)**

Accounting policies

Financial income and expenses

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

Notes

05 Financial instrument categories

Financial instrument categories

DKKm	30 June 2019 Carrying amount	30 June 2019 Fair value	30 June 2018 Carrying amount	30 June 2018 Fair value	31 December 2018 Carrying amount	31 December 2018 Fair value
Derivative financial instruments to hedge future cash flows	3.3	3.3	1.6	1.6	0.2	0.2
Financial assets used as hedging instruments	**3.3**	**3.3**	**1.6**	**1.6**	**0.2**	**0.2**
Trade receivables	373.6	373.6	338.7	338.7	329.7	329.7
Other receivables	96.0	96.0	82.9	82.9	83.3	83.3
Cash	63.6	63.6	58.4	58.4	83.2	83.2
Loans and receivables	**533.2**	**533.2**	**480.0**	**480.0**	**496.2**	**496.2**
Derivative financial instruments to hedge future cash flows	1.6	1.6	6.3	6.3	5.3	5.3
Financial liabilities used as hedging instruments	**1.6**	**1.6**	**6.3**	**6.3**	**5.3**	**5.3**
Credit institutions	723.7	725.2	672.0	672.3	659.9	660.2
Other liabilities	337.5	337.5	311.8	311.8	338.7	338.7
Financial liabilities measured at amortised cost	**1,061.2**	**1,062.7**	**983.8**	**984.1**	**998.6**	**998.9**

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

In the second quarter of 2019, Hartmann replaced the group's former loan agreement with a new long-term credit facility consisting of a loan of DKK 750 million expiring in March 2022 with an option to extend by up to three years. Hartmann's loans are subject to customary financial covenants.

06 Events after the balance sheet date

No events have occurred in the period from the balance sheet date until the date of release of this interim report that would materially affect an evaluation of the interim report.

Hartmann at a glance

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

Sustainability
Sustainability and protection of the environment are integral components of Hartmann's business model and strategy. All Hartmann's products are based on recycled paper, which is a renewable and biodegradable resource. Working closely with our customers to accommodate demand for sustainable products in the retail industry, Hartmann was the first manufacturer to offer both FSC-certified and CO_2-neutral retail packaging.

Markets
Hartmann's key markets are Europe, South America and North America, where the group has strong market positions. Hartmann is a market leader in Europe and in South America, where our product portfolio also includes fruit packaging. Hartmann claims a growing share of the North American market and also sells machinery and technology in selected markets.

Products and customers
Hartmann sells egg and fruit packaging to manufacturers, distributors and retail chains, which are increasingly demanding sustainable packaging solutions and specialised marketing expertise. Our versatile product portfolio is customised to accommodate customer and consumer needs in each individual market. Hartmann sells machinery and technology to manufacturers of moulded-fibre packaging in selected markets.

Production
Hartmann's production platform consists of 12 factories in Europe, Israel and North and South America. Our deep technology know-how and extensive experience in manufacturing moulded-fibre packaging empower us to develop and maintain our production platform. Each year, the group's 2,000 employees manufacture billions of moulded-fibre packaging units and machinery and technology for the manufacturing of packaging.

The Hartmann share
Hartmann's shares have been listed on Nasdaq Copenhagen since 1982. We have one class of shares, and each share carries one vote. Financial reports and company announcements may be obtained by subscribing to Hartmann's news service at investor.hartmann-packaging.com.

Financial calendar 2019

13 November 2019	Interim report Q3 2019

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