# Brødrene Hartmann A/S

## Interim Report for 1H 2008

## List of content

### REPORT



### ACCOUNTS



The report for 1H 2008 of Brødrene Hartmann A/S is published on 28 August 2008 in Danish and English through the OMX Nordic Exchange Copenhagen as our release no. 15/2008.

In case of inconsistencies between the Danish and the English version of the report, the Danish version shall take precedence.

The release is available on our website at www.hartmann-packaging.com and is distributed electronically to everyone having signed up for Hartmann's investor service.

Enquiries concerning the present release or investor enquires in general should be addressed to the Investor Relations secretariat (p. 19).

Questions may also be put directly to the Group's CEO, Peter A. Poulsen, on tel. +45 45 97 00 00 or +45 51 51 40 69.

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# Developments in brief

- **Consolidated Revenue** for 1H 2008 reflected an increase of 8% to DKK 769 million driven by an improved product and price mix in the core business and increased revenue in other business areas.

- The period in review was affected by general increases in prices of energy and raw materials. Nonetheless, the Group posted a significantly improved result, and the amount in **normalised EBIT** (adjusted for asset impairment and non-recurring items) for the Group came to DKK 50 million against the year-earlier level of DKK 12 million, making it the third consecutive quarter in which the ongoing turnaround activities have a positive effect on the bottom line.

- Hartmann generated a **positive cash flow from operating activities** before financial income and expenses of DKK 69.2 million against DKK 19.1 million in the same period last year.

- **Financial income and expense** reflects the reclassification made in Q2 2008 of accumulated exchange rate losses of DKK 16 million from equity to financials. The reclassification was made in connection with the closing down of the operations in Asia.

- **Consolidated earnings (EAT)** in 1H 2008 came to DKK -14 million against DKK -486 million last year, the difference being due primarily to DKK -245 million from the sale of the operations in South America and DKK -212 million in impairment writedowns of assets in North America and Asia made in 1H 2007.

- In the period in review Hartmann carried out a **fully subscribed rights issue** resulting in DKK 252 million in net proceeds. The issue was given massive support by the Group's shareholders.

- The emission resulted in an increase in Hartmann's **equity interest** in 1H from 18% to 42% and a reduction of the Group's **gearing** from 269% to 61%. The Group's **equity** rose by DKK 295 million from the opening level, standing at DKK 515 million at 30 June 2008. This represents a marked **improvement in the Group's financial situation.**

- The combination of the capital injection and strong earnings growth has created a **sound basis** for the implementation of the strategy plan outlined by Management in the prospectus.

- In connection with the rights issue the Group effected a **merger of its previous three share classes** so that, moving forward, the Hartmann Group has only one class of shares.

- **The turnaround activities** continue in 2008 for the purpose of stabilising and consolidating the business. The plan is scheduled for full implementation by the end of 2008.

- **The two agreements for the sale of a building and a production line in Malaysia have now become final** and are reflected in the profit/loss for Q2 2008 in a total amount of approx. DKK 14 million (DKK 6 million in Industrial Packaging and DKK 8 million in other business areas).

- **Egg Packaging Europe** posted growth in both revenue and operating profit/loss (EBIT) in 1H 2008.

- **Egg Packaging North America** remained affected by the unfavourable hedging of exchange rates. The amount in operating result (EBIT) in 1H 2008 less impairment came to DKK -7 million against DKK-16 million in the same period last year, the improvement being due mainly to intra-group sales of production technology, lower fixed costs and a lower amount in depreciation as a result of the write-down in 2007.

- **Industrial Packaging** posted a marked decline in revenue, however with a sizeable increase in normalised operating result (EBIT). Q2 2008 included DKK 32 million in asset impairment caused by the previously announced change in the market situation.

- Hartmann **maintains the outlook** for 2008 which involves a revenue in the level of DKK 1,480 million, an operating result (EBIT) of approx. DKK 55 million and earnings for the year (EAT) of approx. DKK 0-5 million.

# Financial key figures and ratios

| | Q2 2008 | Q2 2007 | H1 2008 | H1 2007 | 2007 |
|---|---|---|---|---|---|
| **Income statement (DKKm)** | | | | | |
| Revenue | 353.7 | 332.3 | 769.3 | 713.3 | 1,492.0 |
| Operating profit/(loss) before depreciation (EBITDA) | 50.1 | 3.9 | 106.9 | 34.0 | 113.0 |
| Operating profit/(loss) (EBIT) excl. impairment | 27.8 | (21.1) | 62.0 | (16.0) | 9.2 |
| Operating profit/(loss) (EBIT) | (3.8) | (176.1) | 30.4 | (171.0) | (145.8) |
| Net financial income and expenses | (31.0) | (18.2) | (43.8) | (26.5) | (51.9) |
| Profit/(loss) before tax (EBT) | (34.8) | (194.3) | (13.4) | (197.5) | (197.5) |
| Profit/(loss) for the period from continuing operations | (30.2) | (238.7) | (14.1) | (241.0) | (271.1) |
| Profit/(loss) for the period from discontinued operations | - | (244.2) | - | (244.9) | (242.3) |
| Profit/(loss) for the period (EAT) | (30.2) | (482.9) | (14.1) | (485.9) | (513.4) |
| **Statement of cash flows (DKKm)** | | | | | |
| Cash flow from operating activities | 18.0 | 6.5 | 30.8 | (5.7) | 56.1 |
| Cash flow from investing activities | (3.4) | (49.5) | (19.1) | (88.0) | (141.4) |
| Cash flow from financing activities | 148.6 | (8.3) | 135.5 | (21.0) | 73.8 |
| Cash flow from continuing operations | 163.2 | (51.3) | 147.2 | (114.7) | (11.5) |
| Cash flow from discontinued operations | - | (38.8) | - | (50.1) | (64.6) |
| Cash flow in total | 163.2 | (90.1) | 147.2 | (164.8) | (76.1) |
| **Balance sheet (DKKm)** | | | | | |
| Assets | | | 1,238.6 | 1,223.9 | 1,220.2 |
| Equity | | | 514.7 | 262.2 | 220.1 |
| Net interest-bearing debt | | | 316.2 | 585.6 | 591.5 |
| Net working capital (NWC) | | | 178.3 | 142.9 | 112.4 |
| Invested capital (IC) | | | 828.0 | 844.5 | 810.1 |
| **Financial ratios in %** | | | | | |
| Operating margin (EBITDA) | 14.2 | 1.2 | 13.9 | 4.8 | 7.6 |
| EBIT margin | (1.1) | (53.0) | 4.0 | (24.0) | (9.8) |
| Effective tax rate | 13.2 | - | - | - | - |
| Return on invested capital (ROIC) | (1.8) | (75.4) | 7.4 | (37.5) | (16.3) |
| Gearing | | | 61.4 | 223.3 | 268.7 |
| Return on equity | | | (7.7) | (241.0) | (134.3) |
| Equity interest | | | 41.6 | 21.4 | 18.0 |
| **Share-related key figures *** | | | | | |
| Number of shares (less treasury shares) | | | 6,915,090 | 3,407,545 | 3,407,545 |
| Number of shares (avarage, less treasury shares) | | | 4,537,753 | 4,484,329 | 4,484,329 |
| Earnings per share (EPS) (DKK) | | | (3.2) | (82.2) | (86.4) |
| Cash flow per share (DKK) | | | 6.8 | (1.0) | 9.5 |
| Book value per share | | | 74.4 | 58.5 | 49.1 |
| Listed price per share at period-end (DKK), theoretical | | | 99.0 | 153.5 | 112.5 |
| Listed price per share at period-end (DKK), actual | | | 99.0 | 202.0 | 148.0 |
| Listed price/book value | | | 14.6 | (158.9) | 11.8 |

* Adjusted for the bonus element in connection with issue of shares in June 2008, after IAS 33, except number of shares end of period

# Development in Group operations in 1H 2008

Hartmann's European business in egg and industrial packaging showed positive developments with strong growth in operating result adjusted for asset impairment and non-recurring costs. The Group's operations in North America remain affected by an unfavourable hedging of exchange rates. The capital increase resulted in a marked improvement of the Group's financial situation in 1H 2008.

| Amounts in DKKm | Q2 2008 | Q2 2007 | H1 2008 | H1 2007 | 2007 |
|---|---|---|---|---|---|
| **Operating profit/(loss) (EBIT)** | **(4)** | **(176)** | **30** | **(171)** | **(146)** |
| Impairment of assets in Asia | - | 40 | - | 40 | 40 |
| Impairment of assets in North America | - | 115 | - | 115 | 115 |
| Impairment of assets in Industrial Packaging | 32 | - | 32 | - | - |
| Non-recurring items, closure costs Asia activities | (8) | - | (8) | - | - |
| Sales of machine (other business areas) | (5) | - | (5) | - | - |
| Non-recurring items, restructurering organisation | 1 | 14 | 1 | 28 | 44 |
| **Operating profit/(loss) (EBIT) normalised** | **16** | **(7)** | **50** | **12** | **53** |
| **By divisions:** | | | | | |
| Egg Packaging Europe | 18 | 3 | 57 | 30 | 69 |
| Egg Packaging North America | (6) | (7) | (14) | (14) | (28) |
| Industrial Packaging | 11 | 9 | 24 | 13 | 40 |
| Other | (7) | (12) | (17) | (17) | (28) |
| **Operating profit/(loss) (EBIT) normalised** | **16** | **(7)** | **50** | **12** | **53** |

* Include a profit of DKK 6 million from intra-group sales of production technology from North America. The profit is eliminated under Other.

## Revenue and earnings

### *Revenue*

The revenue posted by Egg Packaging Europe in the period in review reflects increased volumes and an improved product and price mix. The revenue posted by Industrial Packaging was much lower due to the closing-down activities and the trimming of its product portfolio. The revenue posted by Egg Packaging North America was affected by the unfavourable development in exchange rates.

The Group posted a total of DKK 354 million in consolidated revenue in Q2 2008, up from the year-earlier level of DKK 332 million.

Consolidated revenue for 1H 2008 came to DKK 769 million against DKK 713 million last year, reflecting an increase of 8%.

### *Operating result (EBIT)*

Developments in the period in review were generally affected by increases in prices of energy and raw materials. However, the Group nevertheless achieved a considerable improvement in the operating result, making it the third consecutive quarter in which the ongoing turnaround activities have a positive effect on the bottom line.

Earnings growth was driven mainly by the activities carried out in Hartmann's European business in egg and industrial packaging in connection with the Group's turnaround plan 'Forward to basics' (p. 5).

The second-quarter operating result came to DKK -4 million against DKK -176 million last year. The amount in operating result for 1H 2008 came to DKK 30 million, up from the year-earlier level of DKK -171 million.

The amount in normalised EBIT (adjusted for asset impairment and non-recurring items) totalled DKK 16 million in Q2 2008 against DKK -7 million in the same period last year. The amount in normalised EBIT for 1H 2008 came to DKK 50 million, reflecting a considerable improvement on the year-earlier level of DKK 12 million.

### *Financial income and expenses*

Second-quarter financial income and expense totalled DKK -31 million against DKK -18 million last year. For 1H 2008 the amount in financial income and expense came to DKK -44 million against DKK -26 million in 1H 2007.

As announced in company announcement no. 9/2008, in connection with the closing-down of its operations in Asia the Group has effected a reclassification of DKK 16 million in accumulated foreign exchange losses in Q2 2008 from equity to financial income and expense. The reclassification affects only the income statement and has no effect on equity or cash flows.

Because of the improvement in liquidity contributed by the share issue, the amount in interest payments will decline in 2H 2008.

### *Earnings for the period (EAT)*

The Group posted a total of DKK -30 million in earnings (EAT) for Q2 2008 against DKK -483 million in Q2 2007.

Consolidated earnings for 1H 2008 aggregated DKK -14 million against DKK -486 million in the same period in 2007. Asset impairment, non-recurring costs and the earnings on discontinued operations totalled DKK -20 million in 1H 2008, respectively DKK -476 million in 1H 2007.

## Capital injection successfully completed

As announced in company announcement no. 11/2008 Hartmann carried out a fully subscribed preemptive issue in the period in review. The issue involved an offering of 3,507,545 new B shares in denominations of DKK 20 and received massive support from Hartmann's shareholders.

The new B shares were issued at a price of DKK 78 per share, resulting in DKK 274 million in gross proceeds, or DKK 252 million after deduction of the costs of the issue.

The DKK 252 million in net proceeds affected the following accounting items:

| | DKK million |
|---|---|
| Share capital, increased by | 70 |
| Free reserves, increased by | 182 |
| | 252 |
| | |
| Subordinate loan capital, reduced by | 50 |
| Long-term bank debt, reduced by | 65 |
| Improvements in cash position | 137 |
| | 252 |

The offering was made to strengthen the financial position of Hartmann and provide the financial strength to initiate a number of additional investments in the core business for the purpose of growing its earnings in the long term.

Hartmann's opening equity interest stood at 18%, the opening gearing being 269%. At 30 June 2008 the equity interest had risen to 42%, while the gearing had declined to 61%. Accordingly, the Group's financial situation has improved markedly.

The combination of a capital injection and strong earnings growth has meant a considerable strengthening of the Group and has given it a sound basis for the implementation of the strategy plan outlined in the share prospectus.

## One class of shares only

In connection with the issue the Group merged its three existing share classes into one single class of shares.

After the merger of the share classes, all of Hartmann's nominal share capital of DKK 140,301,800 is listed on the stock exchange, and the existing stock code (DK0010256197) now applies to all of the Group's shares.

Given the new and simplified share structure, the Hartmann share is expected to become more liquid.

## Turnaround: 'Forward to basics'

In order to turn around developments in the Group, Management initiated a comprehensive turnaround plan - 'Forward to basics' – in 2007 focusing on a partial global withdrawal, a trimming of the organisation and focus on earnings rather than growth.

The turnaround activities continue in 2008 for the purpose of stabilising and consolidating the business.

The plan is scheduled to be implemented by the end of 2008.

The effects of the plan were obvious already in 1H 2008, whereas the full effect of the turnaround activities is not expected until in 2009.

A progress report for the turnaround plan i 1H 2008:

***Partial global withdrawal***

Several of the operations that were previously loss-making have now been closed down entirely, thereby eliminating their adverse effect on Hartmann's earnings (see table at the top of p. 4).

The closing down of the operations in Asia went better than expected. The process of closing down production, winding up sales and laying off staff was smooth, and machinery and buildings were sold at prices significantly above the original expectations.

***Trimming the organisation – coordinating sales and production***

The improved coordination between sales and production gives the Group a better basis for planning its production, making it easier to assign production to those production facilities that have the highest efficiency and where production and distribution costs are lowest.

***Earnings rather than growth***

The ongoing trimming of the product portfolio and the optimisation of services have also had a positive effect. In a close collaborative effort with customers, Hartmann has now placed focus on those products and services that make the best contribution to the Group's earnings.

## Egg Packaging Europe

***Revenue***

Revenue in Q2 2008 totalled DKK 264 million, up 33 million (14%) from the year-earlier level of DKK 231 million.

Revenue in 1H 2008 came to DKK 558 million, reflecting an increase of DKK 54 million (11%) from the year-earlier level of DKK 504 million.

The main drivers of revenue growth were increased volumes and an improved product and price mix.

***Operating result (EBIT)***

Operating result (EBIT) for Q2 2008 totalled DKK 18 million, up DKK 14 million from the year-earlier level of DKK 4 million.

The operating result for 1H 2008 came to DKK 57 million, up DKK 26 million from the year-earlier level of DKK 31 million.

Despite generally major increases in the prices of raw materials (paper) and energy, the Group has achieved a significant improvement in operating result mainly driven by the turnaround activities: a comprehensive trimming of the product portfolio, improved production allocation and ongoing improvements in production efficiency.

***Energy costs***

Gas and electricity account for a large proportion of Hartmann's variable production costs, and the price of both types of energy rose markedly in the period in review. Whenever possible, Hartmann signs fixed-price contracts for energy. However, in some countries national legislation does not allow the signing of fixed-price contracts with energy suppliers. The fixed-price contracts ensure stable prices during the term of the contract, but they do not reduce the effect of price increases in the long term.

The Group has intensified its focus on the ongoing efforts to reduce energy consumption. Among the measures taken is the establishment of a pan-European energy optimisation project aimed at implementing best energy practice at all Hartmann's production plants in Europe.

***Restructuring and automation***

The Group continues the restructuring of its European production plants for the purpose of ensuring a competitive cost level for its future operations, and that involves the relocation of a large part of production to the plants located in low-wage countries. These efforts will be supplemented by additional investments in automation and process optimisation so as to increase production efficiency and reduce unit costs. Going forward, the initiatives launched as part of the turnaround plan will be completed and supplemented by measures to trim the product and customer portfolio.

## Egg Packaging North America

### *Revenue*

Revenue in Q2 2008 came to DKK 28 million, down DKK 7 million (20%) from the year-earlier level of DKK 35 million.

Revenue in 1H 2008 came to DKK 63 million, down DKK 9 million (13%) from the year-earlier level of DKK 72 million.

The decline was attributable mainly to the unfavourable developments in the cross rate between CAD and USD (-13%) compared to 1H 2007.

### *Operating result (EBIT)*

The amount in operating result (EBIT) in Q2 2008 totalled DKK -6 million, reflecting an improvement of DKK 117 million from the year-earlier level of DKK -122 million which included DKK 115 million in asset impairment.

The amount in operating result (EBIT) in 1H 2008 came to DKK -7 million, up DKK 124 million from the year-earlier level of DKK -131 million which reflected DKK 116 million in asset impairment and non-recurring costs.

The improvement in operating result (EBIT) less impairment was driven primarily by intra-group sales of production technology, a generally lower level of fixed costs and a lower level of depreciation because of the impairment as at 30 June 2007.

### *Unfavourable cross rate*

Despite sizeable reductions in fixed costs and ongoing improvements in production, earnings from operations in North America remain adversely affected by an unfavourable hedging between CAD and USD. Because of the volatility prevailing in the currency markets in the autumn of 2007, the Group's cover of the cross rate was arranged at an unfavourable level compared to the same period last year.

### *Focus on revenue and capacity utilisation*

Both the USA and Canada are reporting of continued favourable trends in the market for moulded-fibre packaging. Growing environmental awareness helps increase the demand for sustainable packaging, and Hartmann tries to exploit these trends to improve its market position and generate revenue growth. Revenue growth remains preconditional upon sales growth and an improved utilisation of production capacity. Additional, but limited, investments in process changes and automation are expected to increase production efficiencies.

## Industrial Packaging

### *Revenue*

Revenue in Q2 2008 totalled DKK 32 million, reflecting a decline of DKK 22 million (41%) from the year-earlier level of DKK 54 million.

Revenue in 1H 2008 totalled DKK 76 million, reflecting a decline of DKK 28 million (27%) from the year-earlier level of DKK 104 million kr.

Revenue declined as a result of the closing down of the industrial packaging operations in Asia and North America last year. Also, revenue in Europe declined in 1H 2008 following a comprehensive trimming of the product portfolio.

As announced in company announcement no. 8/2008, the biggest customer of Industrial Packaging has notified Hartmann of its intention to gradually phase out purchases of the Group's moulded-fibre packaging. Sales to the customer are expected to have been fully phased out in late 2009.

The customer in question accounted for approx. 65% of the total revenue posted by Industrial Packaging in 2007.

Efforts have been launched to attract new customers to compensate for this decline in revenue, but revenue is expected to drop significantly in 2009 and 2010.

### *Operating result (EBIT)*

The amount in operating result (EBIT) in Q2 2008 came to DKK -14 million, reflecting an improvement of DKK 26 million from the year-earlier level of DKK -40 million.

The amount in operating result in 1H 2008 came to DKK -1 million, up DKK 40 million from the year-earlier level of DKK -41 million.

The positive development in operating result was driven primarily by the turnaround activities launched in 2007, which resulted in major reductions in fixed and variable costs.

In response to the expected revenue decline, Hartmann has already started up efforts to close down the production of industrial packaging at the plant in Tønder. The remaining part of the production of industrial packaging will be relocated to the production plant in Hungary.

The relocation of production from Tønder to Hungary caused a total of DKK 32 million in asset impairment and DKK 1 million in non-recurring costs, or a grand total of DKK 33 million kr. As announced in the interim report for the first quarter of 2008, the total impairment and non-recurring items for the year still are expected to amount to a total of DKK 38 million.

At the same time, the winding-up of operations in Asia contributed a positive variance of DKK 8 million, i.a. from the sale of a building in Malaysia.

The operating result for 1H 2008 thus reflects a negative impact of DKK 25 million.

The amount in normalised operating result (EBIT) in 1H 2008 came to DKK 24 million, up DKK 10 million from the year-earlier level of DKK 14 million.

## Other business areas

Other business areas include Hartmann Technology, the combined heat and power plant in Tønder and non-profit-generating corporate functions.

### *Revenue*

Second-quarter revenue totalled DKK 30 million, up DKK 17 million (131%) from the year-earlier level of DKK 13 million.

First-half year revenue came to DKK 72 million, up DKK 39 million (118%) from the year-earlier level of DKK 33 million, the main growth driver being sales of production plant in Hartmann Technology.

### *Operating result (EBIT)*

The sale of the production line in Malaysia has been closed and affects results positively by approx. DKK 8 million, which is included in the second-quarter result for other business areas.

Operating result (EBIT) in Q2 2008 came to DKK -2 million against DKK -18 million in the same period last year.

Operating result (EBIT) for 1H 2008 came to DKK -18 million against DKK -30 million in the same period last year.

## The Hartmann share

The opening price of 2008 listed for the Hartmann share was 112.48 (adjusted for the bonus element contained in the share issue in June 2008). At the closing of 1H 2008 the listed price was 99.00.

## Related parties

In connection with the share issue, the Group arranged a partial conversion of subordinate debt in the form of a DKK 50 million loan from the Hartmann Foundation into share capital (DKK 33 million). The remaining DKK 17 million loan was repaid out of the proceeds from the issue.

## Important Board resolutions

No important Board resolutions were made in 1H 2008 which have not been mentioned in the present interim report.

# Cash flows and capital resources

The Group's cash flows reflect a positive impact of the significant improvement in first-half earnings and of the capital injection that gave Hartmann a total of DKK 252 million in net proceeds.

***Cash flows from operating activities***

Second-quarter cash flows from operating activities in 2008 totalled DKK 18 million against the year-earlier level of DKK 7 million, the growth driver being the significant improvement in earnings.

First half-year cash flows from operating activities in 2008 totalled DKK 31 million against the year-earlier level of DKK -6 million

***Cash flows from investing activities***

Due to less investing activities cash flows from investing activities in Q2 2008 totalled DKK -3 million against DKK -50 million in the same period last year.

Cash flows from investing activities in 1H 2008 totalled DKK -19 million against DKK -88 million in the same period last year.

***Cash flows from financing activities***

Second-quarter cash flows from financing activities in 2008 totalled DKK 149 million, reflecting a major improvement (DKK 151 million) from the year-earlier level due to the net proceeds of the share issue.

First half-year cash flows from financing activities in 2008 totalled DKK 136 million against DKK -21 million in the same period last year.

***Capital resources***

The Group had a total of DKK 316 million in net interest-bearing debt at 30 June 2008 against DKK 592 million at 31 December 2007.

The Group's financial gearing at 30 June 2008 stood at 61% against the opening level of 269%.

The Group's unutilised bank credit lines amounted to DKK 147 million at 30 June 2008 against DKK 138 million at 31 December 2007. Cash and cash equivalents came to DKK 93 million at 30 June 2008 against DKK 52 million at 31 December 2007, resulting in a total amount in cash resources available to the Group of DKK 240 million at 30 June 2008 against DKK 190 million at 31 December 2007.

In May 2008 Hartmann carried out a conversion of loans and credit facilities with its two main banks, Danske Bank A/S and Nordea Bank Danmark A/S.

The credits and loans granted by Danske Bank A/S and Nordea Bank Danmark A/S consist of a combination of loans (committed credit facilities) of approx. DKK 328 million ('the Loan') and an undrawn credit facility of DKK 210 million ('Uncommitted Credit Facility'). The loan runs for 3 years and has a total of DKK 20 million in annual service payments.

The loan has been granted on the usual terms ('covenants') to be fulfilled by the company in order for the Loan to continue, including special financial covenants.

The credit facilities consist of short-term credit facilities for the company to draw on. The facilities may be terminated at any time by Danske Bank A/S and Nordea Bank Danmark A/S.

It is the opinion of Management that the Group has sufficient capital resources to cover the ongoing financing of current and planned operations, including the investment initiatives outlined in the share prospectus.

## Movements in equity

Equity came to DKK 515 million at 30 June 2008, reflecting an increase of DKK 295 million from the opening level (DKK 220 million at 31 December 2007), primarily because of DKK 252 million in net proceeds from the share issue. Consequently, Hartmann's equity interest increased from 18% at the beginning of the year to 42% as of 30 June 2008.

# Outlook for 2008

Hartmann maintains the outlook for the full year with regard to consolidated revenue, operating result (EBIT) and consolidated earnings (EAT) announced in the interim report for Q1 2008 and the offering circular as of 27 May 2008.

| Amounts in DKKm | Outlook announced in Annual Report 2007 | Outlook as at Q1 2008 and offering circular | Outlook as at 28 August 2008 |
|---|---|---|---|
| Revenue | approx. 1,460 | approx. 1,480 | approx. 1,480 |
| Operating profit/(loss) (EBIT) | approx. 70 | approx. 55 | approx. 55 |
| Profit/(loss) for the year (EAT) | approx. 20 | approx. 0-5 | approx. 0-5 |

## Revenue

Hartmann maintains the revenue forecast for 2008 of DKK 1,480 million, unchanged from the announcement in the first-quarter report for 2008 and the offering circular.

## Operating result (EBIT)

The developments in operating result in 1H 2008 support the most recently announced expectations to earnings on operations. For that reason Hartmann maintains the forecast of a consolidated operating result (EBIT) in 2008 of approx. 55 million.

As announced in company announcement no. 8/2008, the biggest customer of Industrial Packaging has notified Hartmann of its intention to gradually phase out purchases of the Group's moulded-fibre packaging. Sales to the customer are expected to have been fully phased out in late 2009. Consequently, the total impairment and non-recurring items for the year still are expected to amount to a total of DKK 38 million. This is included in the above-mentioned outlook.

## Earnings for the year (EAT)

The Group maintains the forecast of consolidated earnings (EAT) for the year in the region of DKK 0-5 million. The previous announcements concerning the outlook for 2008 made in the Annual Report 2007, the first-quarter report for 2008 and the offering circular stated that the share issue would have a positive effect on financial net costs and, hence, on the level of earnings after tax. However, the level of financial net costs will reflect a negative effect of exchange rate losses in particular, but also of increasing interest rates, and the combined effect of these factors is expected to offset the positive effect of the share issue.

## Risks

### *Currency risks*

As stated in the Annual Report 2007, the Group's most significant risks still relate to the cross rate between CAD and USD. The Group has arranged cover of the primary currencies, apart from EUR, for the full year of 2008.

### *Operational risks*

Recycled paper and energy (electricity and gas) constitute the most important raw materials in Hartmann's production. Accordingly, fluctuations in prices of paper and energy have a major impact on developments in the Group's results.

Whenever possible, Hartmann signs fixed-price contracts for paper and energy. However, in some countries national legislation does not allow the signing of fixed-price contracts with energy suppliers. The fixed-price contracts ensure stable prices during the term of the contract, but they do not reduce the effect of price increases in the long term.

Whenever possible, the Group tries to obtain compensation for the price increases in sales prices.

# Statement by the Board of Directors and Executive Board

The Board of Directors and the Executive Board today discussed and approved the interim report for the period 1 January – 30 June 2008 of Brødrene Hartmann A/S.

The interim report, which is unaudited and has not been reviewed by the Group's auditor, is presented in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies.

In our opinion, the interim report gives a true and fair view of the Group's assets and liabilities and financial position at 30 June 2008 and of the result of the Group's operations and cash flows in the period 1 January – 30 June 2008.

We are furthermore of the opinion that the management's report gives a true and fair review of developments in the Group's operations and financial situation, the result for the period in review and the Group's financial position in general, as well as a description of the material risks and uncertainties affecting it.

Gentofte, 28 August 2008

Excutive Board:

Peter Arndrup Poulsen
Administrerende direktør

Tom Wrensted
Koncernfinansdirektør

Board of Directors:

Erik Højsholt
Formand

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# Income statement

| Amounts in DKKm | Q2 2008 | Q2 2007 | H1 2008 | H1 2007 |
|---|---|---|---|---|
| Revenue | 353.7 | 332.3 | 769.3 | 713.3 |
| Production costs * | (248.9) | (268.5) | (542.4) | (549.2) |
| **Gross profit** | **104.8** | **63.8** | **226.9** | **164.1** |
| Sales and distribution costs * | (60.3) | (62.3) | (126.5) | (136.7) |
| Administrative expenses * | (17.1) | (23.0) | (39.1) | (45.0) |
| Other operating income | 0.4 | 0.4 | 0.7 | 1.6 |
| **Operating profit/(loss) before impairment** | **27.8** | **(21.1)** | **62.0** | **(16.0)** |
| Impairment of fixed assets ** | (31.6) | (155.0) | (31.6) | (155.0) |
| **Operating profit/(loss) (EBIT)** | **(3.8)** | **(176.1)** | **30.4** | **(171.0)** |
| Other financial income | 0.3 | 0.7 | 0.6 | 1.2 |
| Other financial expenses *** | (31.3) | (18.9) | (44.4) | (27.7) |
| **Profit/(loss) before tax (EBT) from continuing operations** | **(34.8)** | **(194.3)** | **(13.4)** | **(197.5)** |
| Tax on the profit for the period from continuing operations | 4.6 | (44.4) | (0.7) | (43.5) |
| **Profit/(loss) for the period from continuing operations** | **(30.2)** | **(238.7)** | **(14.1)** | **(241.0)** |
| Profit/(loss) for the period from discontinued operations | - | (244.2) | - | (244.9) |
| **Net profit/(loss) for the period (EAT)** | **(30.2)** | **(482.9)** | **(14.1)** | **(485.9)** |
| **The profit/(loss) for the period is attributable to:** | | | | |
| Shareholders of Brødrene Hartmann A/S | (30.3) | (482.4) | (14.3) | (485.1) |
| Minority interests | 0.1 | (0.5) | 0.2 | (0.8) |
| | **(30.2)** | **(482.9)** | (14.1) | (485.9) |
| **Earnings per share** | | | | |
| Earnings per share in DKK (EPS) | (6.7) | (81.8) | (3.2) | (82.2) |
| Earnings per share in DKK, diluted (EPS-D) | (6.7) | (81.8) | (3.2) | (82.2) |
| Earnings per share in DKK for continuing operations | (6.7) | (40.4) | (3.2) | (40.7) |
| Earnings per share in DKK for continuing operations, diluted | (6.7) | (40.4) | (3.2) | (40.7) |

* In Q2 2007 Production costs and Administration expenses were adversely affected by non-recurring items of DKK 11 million and DKK 4 million. In Q2 2008 Production costs are positively influcenced by DKK 12 million.

In 1H 2007 Production costs, Sales- and distribution costs and Administration expenses were adversely affected by non-recurring items of DKK 16 million, DKK 4 million and DKK 8 million. In 1H 2008 Production costs are positively influenced by DKK 12 million.

** In Q2 2007 an impairment of assets totalled of DKK 155 million were made. DKK 40 million related to Industrial Packaging in Asia and DKK 115 million related to Egg Packaging in North America. I Q2 2008 an impairment of assets amounted to DKK 32 million related to Industrial Packaging was made.

*** In Q2 2008 are other financial expenses adversely affected by an amount of DKK 16 million as a consequence of a reclassification of accumulated foreign exchange losses from equity to the income statement, winding up the activities in Asia.

# Statement of cash flows

| Amounts in DKKm | Q2 2008 | Q2 2007 | H1 2008 | H1 2007 |
|---|---|---|---|---|
| Profit/(loss) for the period from continuing operations | (30.2) | (238.7) | (14.1) | (241.0) |
| Adjustments | 75.3 | 243.8 | 115.0 | 277.7 |
| Changes in working capital | (3.7) | 13.0 | (31.7) | (17.6) |
| **Cash flows from operating activities before interest income and expense and similar items** | **41.4** | **18.1** | **69.2** | **19.1** |
| Financial income | 0.3 | 0.7 | 0.6 | 1.2 |
| Financial expenses | (14.3) | (7.7) | (24.5) | (14.0) |
| **Cash flows from ordinary activities** | **27.4** | **11.1** | **45.3** | **6.3** |
| Net income tax paid | (9.4) | (4.6) | (14.5) | (12.0) |
| **Cash flows from operating activities** | **18.0** | **6.5** | **30.8** | **(5.7)** |
| Acquisition of property, plant and equipment | (9.0) | (49.6) | (26.6) | (88.2) |
| Disposal of property, plant and equipment | 5.6 | 0.1 | 7.5 | 0.2 |
| **Cash flows from investing activities** | **(3.4)** | **(49.5)** | **(19.1)** | **(88.0)** |
| **Cash flows from operating and investing activities** | **14.6** | **(43.0)** | **11.7** | **(93.7)** |
| Repayment of non-current loans | (58.8) | (8.3) | (71.9) | (21.0) |
| Income from selling preemptive rights on own shares | 2.2 | - | 2.2 | - |
| Proceeds from issue of shares * | 221.9 | - | 221.9 | - |
| Subordinated loan | (16.7) | - | (16.7) | - |
| **Cash flows from financing activities** | **148.6** | **(8.3)** | **135.5** | **(21.0)** |
| **Cash flows from continuing operations** | **163.2** | **(51.3)** | **147.2** | **(114.7)** |
| **Cash flows from discontinued operations** | **-** | **(38.8)** | **-** | **(50.1)** |
| **Total cash flows** | **163.2** | **(90.1)** | **147.2** | **(164.8)** |
| Cash and cash equivalents at 1 January | (145.5) | (128.9) | (131.1) | (54.5) |
| Foreign exchange translation differences | 1.6 | (0.8) | 3.2 | (0.5) |
| **Cash and cash equivalents at 30 June** | **19.3** | **(219.8)** | **19.3** | **(219.8)** |
| **Recognition of cash and cash equivalents at 30 June:** | | | | |
| Cash | 93.2 | 77.4 | 93.2 | 77.4 |
| Banks (current liabilities) | (73.9) | (297.2) | (73.9) | (297.2) |
| **Total cash and bank debt** | **19.3** | **(219.8)** | **19.3** | **(219.8)** |

* Proceeds from issue of shares are calculated as net proceeds amounted to DKK 252 million, deducted converting of subordinated loan of DKK 33 million and added outstanding payments of expenses in connection with the rights issue of DKK 3 million.

# Balance sheet, assets

| Amounts in DKKm | June 30, 2008 | June 30, 2007 | Dec. 31, 2007 |
|---|---|---|---|
| ***Non-current assets*** | | | |
| ***Intangible assets*** | | | |
| Development projects | 0.2 | 0.9 | 0.3 |
| Goodwill | 10.7 | 10.7 | 10.7 |
| **Total intangible assets** | **10.9** | **11.6** | **11.0** |
| ***Property, plant and equipment*** | | | |
| Land and buildings | 170.0 | 167.2 | 169.4 |
| Technical plant and machinery | 425.9 | 415.7 | 475.5 |
| Other operating equipment and fixtures | 21.4 | 15.7 | 19.0 |
| Plant under construction | 21.7 | 72.5 | 26.1 |
| **Total property, plant and equipment** | **639.0** | **671.1** | **690.0** |
| ***Other non-current assets*** | | | |
| Investments in associates | 3.7 | 4.0 | 3.9 |
| Deferred tax asset | 36.4 | 35.5 | 34.3 |
| **Total other non-current assets** | **40.1** | **39.5** | **38.2** |
| **Total non-current assets** | **690.0** | **722.2** | **739.2** |
| ***Current assets*** | | | |
| Inventories | 121.2 | 110.7 | 110.8 |
| Trade receivables | 238.5 | 249.7 | 273.8 |
| Contract work in progress | 0.2 | 3 | 4.4 |
| Corporation tax receivables | 2.6 | 9.4 | 4.5 |
| Other receivables | 69.9 | 30.9 | 15.2 |
| Prepayment | 23.0 | 21.0 | 20.0 |
| Cash and cash equivalents | 93.2 | 77.4 | 52.3 |
| **Total current assets** | **548.6** | **501.7** | **481.0** |
| **Total assets** | **1,238.6** | **1,223.9** | **1,220.2** |

# Balance sheet, equity and liabilities

| Amounts in DKKm | June 30, 2008 | June 30, 2007 | Dec. 31, 2007 |
|---|---|---|---|
| ***Equity*** | | | |
| Share capital | 140.3 | 70.2 | 70.2 |
| Retained earnings | 374.4 | 188.9 | 149.9 |
| Equity attributable to the shareholders of Brødrene Hartmann A/S | 514.7 | 259.1 | 220.1 |
| Minority interests | - | 3.1 | - |
| **Total equity** | **514.7** | **262.2** | **220.1** |
| ***Non-current liabilities*** | | | |
| Deferred tax | 19.4 | 9.2 | 24.6 |
| Pension obligations | 19.3 | 18.1 | 18.4 |
| Mortgages | 2.0 | 3.4 | 2.7 |
| Bank debt | 308.9 | 333.1 | 328.0 |
| Other debt | 0.8 | 0.7 | 2.4 |
| Government grants | 13.1 | 10.9 | 13.1 |
| **Total non-current liabilities** | **363.5** | **375.4** | **389.2** |
| ***Current liabilities*** | | | |
| Current portion of non-current liabilities | 24.6 | 29.3 | 79.7 |
| Bank debt | - | - | 50.0 |
| Subordinated loan | 73.9 | 297 | 183 |
| Prepayments from customers | 0.1 | - | 4.0 |
| Trade payables | 93.4 | 102.1 | 121.9 |
| Payables to associates | 3.0 | 3.9 | 4.9 |
| Corporation tax | 6.7 | 5.9 | 4.4 |
| Provisions | - | 1 | 0.9 |
| Other payables | 158.7 | 146.6 | 161.5 |
| **Total current liabilities** | **360.4** | **586.3** | **610.9** |
| **Total liabilities** | **723.9** | **961.7** | **1,000.1** |
| **Total equity and liabilities** | **1,238.6** | **1,223.9** | **1,220.2** |

# Statement of recognised income and expenses

| Amounts in DKKm | Q2 2008 | Q2 2007 | H1 2008 | H1 2007 |
|---|---|---|---|---|
| Foreign exchange translation differences, foreign subsidiaries | 35.5 | 200.4 | 33.1 | 196.0 |
| Foreign exchange translation, equity-like loans to subsidiaries | 3.9 | (3.8) | 4.0 | (3.1) |
| Revaluation on hedging instruments transferred to the income statement (before tax) | 1.0 | (1.0) | (8.8) | (0.4) |
| Revaluation on hedging instruments | 24.0 | 5.9 | 28.3 | 10.0 |
| Actuarial loss on defined-benefit plans | - | - | - | (0.1) |
| Tax on movements in equity | 0.2 | 2.9 | (2.1) | 1.4 |
| Income from selling preemptive rights on own shares | 2.2 | - | 2.2 | - |
| **Profit/(loss) recognised directly in equity** | **66.8** | **204.4** | **56.7** | **203.8** |
| Profit/(loss) for the period | (30.2) | (482.9) | (14.1) | (485.9) |
| **Total recognised income and expense for the period** | **36.6** | **(278.5)** | **42.6** | **(282.1)** |
| **Attributable to:** | | | | |
| Shareholders of Brødrene Hartmann A/S | 36.6 | (278.0) | 42.6 | (281.4) |
| Minority interests | - | (0.5) | - | (0.7) |
| **Total** | **36.6** | **(278.5)** | **42.6** | **(282.1)** |

# Revenue and operating profit/(loss) by division

| Amounts in DKKm | Q2 2008 | Q2 2007 | H1 2008 | H1 2007 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Egg Packaging Europe | 264.2 | 231.2 | 558.4 | 504.2 |
| Egg Packaging North America | 27.7 | 34.5 | 63.3 | 72.5 |
| Industrial Packaging | 32.1 | 53.6 | 75.6 | 103.6 |
| Other | 29.7 | 13.0 | 72.0 | 33.0 |
| **Total** | **353.7** | **332.3** | **769.3** | **713.3** |
| | | | | |
| **Operating profit/(loss) (EBIT)** | | | | |
| Egg Packaging Europe | 17.8 | 4.1 | 56.6 | 31.0 |
| Egg Packaging North America | (5.6) | (7.3) | (7.1) | (16.3) |
| Egg Packaging North America incl. impairment | (5.6) | (122.3) | (7.1) | (131.3) |
| Industrial Packaging | 17.5 | 9.0 | 30.6 | 7.9 |
| Industrial Packaging incl. impairment | (14.1) | (40.0) | (1.0) | (41.1) |
| Other | (1.9) | (17.9) | (18.1) | (29.6) |
| **Total** | **(3.8)** | **(176.1)** | **30.4** | **(171.0)** |

# Notes

### *1. Accounting policies*

The interim report is presented in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies. The applied accounting policies are the same as those applied in the Annual Report 2007, which contains the policies in extenso.

For definitions of key figures and ratios, see the Annual Report 2007.

### *2. Accounting judgments and estimates*

When presenting an interim report, Management has to make accounting judgments and estimates that affect the application of the accounting policies and the recognised assets, liabilities, income and expenses. The actual values may differ from these judgments. In the presentation of the consolidated interim report, the critical judgments made by Management in the application of the Group's accounting policies, and the considerable uncertainty inherent in judgments related thereto, are identical to those applying to the presentation of the Annual Report 2007.

### *3. Non-recurring items*

The first-half figures for 2008 reflect the negative effect of DKK 20 million related to asset impairment, non-recurring items and reorganisation costs. See also the table on p. 4.

### *4. Property, plant and equipment*

In 1H 2008, the Group acquired assets in a total amount of DKK 27 million. The acquisitions in 1H 2008 related primarily to the continued expansion of the production plant in Hungary and are on a par with expectations.

Besides the building and production line in Malaysia, no important assets were divested in 1H 2008.

The first half of 2008 included a total of DKK 32 million in impairment of property, plant and equipment caused by the relocation of production from Denmark to Hungary.

### *5. Proceeds from share issue*

The following accounting items were directly affected by the share issue in June 2008:

| | DKK million |
|---|---|
| Share capital, increased by | 70 |
| Free reserves, increased by | 182 |
| | 252 |
| | |
| Subordinate loan capital, reduced by | 50 |
| Long-term bank debt, reduced by | 65 |
| Improvements in cash position | 137 |
| | 252 |

### *6. Subsequent events*

In a conclusive decision made in July 2008, the Energy Complaints Board turned down the application filed by the district heating utility Tønder Fjernvarme for the construction of a new wood-chip-fired power plant. It will thus remain possible for Hartmann to sell excess heat from its combined heat and power plant in Tønder to the local utility, and for that reason the decision does not impact the current power supply set-up for the plant. The decision does not affect Hartmann's outlook for 2008.

Other than that no significant events occurred after the balance sheet day in the interim report for 1H 2008 that will affect the Group's assets, liabilities and financial position as at 30 June 2008 and its result and cash flows for the period 1 January 2008 – 30 June 2008.

### *7. Seasonal fluctuations*

The revenue and result posted by the Group for 1H 2008 reflect the effect of the usual seasonal fluctuations.

# Additional information

It is possible to sign up for Hartmann's news service on www.hartmann-packaging.com. Subscribers will receive communications by email at the same time as they are sent to the market.

***Financial diary for the remaining part of 2008***

Friday, 29 August 2008:
Investor presentation of 1H 2008

Monday, 17 November 2008:
Interim report for Q3 2008

Teh Group's website, www.hartmann-packaging.com, contains historical and topical information about its operations, company announcements, accounts, investor presentations, etc.

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