



# INTERIM REPORT

## Q1 2011





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The interim report of Brødrene Hartmann A/S for Q1 2011 was released on 25 May 2011 in Danish and English through NASDAQ OMX Copenhagen A/S as company announcement no. 5/2011. In case of inconsistencies between the Danish and the English versions of the report, the Danish version will prevail.

The announcement is available on [www.hartmann-packaging.com](http://www.hartmann-packaging.com), and it has been sent electronically to all subscribers to Hartmann's news service. Questions concerning this interim report or investor enquires in general may be addressed to Investor Relations (see p. 22). Questions may also be addressed to Michael Rohde Pedersen, CEO, or Claus Frees Sørensen, CFO, on tel. +45 45 97 00 00.

# HIGHLIGHTS

Hartmann reported satisfactory performance for Q1 2011, which was positively impacted by the effects of the operational improvements and organisational initiatives introduced in 2010. The sale of egg packaging saw a slight decline on the year-earlier level due to timing differences of the Easter sales and a temporary drop in sales of eggs in Germany and the Netherlands caused by the discovery that illegal dioxin-contaminated animal feed had been used in German farms. Hartmann retains its full-year forecast for 2011.

- Hartmann generated revenue for Q1 2011 of DKK 375 million (2010: DKK 381 million) and operating profit\* of DKK 36 million (2010: DKK 37 million), equalling a profit margin\* of 9.5% (2010: 9.8%).
- Hartmann saw a significant improvement in its total cash flows during the first quarter of the year, with cash flows from operating activities contributing DKK 43 million (2010: cash inflow of DKK 19 million).
- With a view to obtaining a better overview of the individual business areas' contribution to overall performance, a change was implemented in Hartmann's segments. As a result of the change, the Other business areas segment has been discontinued, and Hartmann's activities will in future be allocated to the Europe and North America segments.
- The European business reported revenue for Q1 2011 of DKK 322 million (2010: DKK 328 million) and an operating profit of DKK 39 million (2010: DKK 44 million).
- The North America business area reported revenue for Q1 2011 of DKK 53 million (2010: DKK 53 million) and an operating profit of DKK 4 million (2010: DKK 2 million).
- Hartmann retains its full-year forecast for 2011 of revenue on a level with revenue for 2010 (DKK 1,483 million) and operating profit of DKK 105-125 million (2010: DKK 73 million), equalling a profit margin of 7-8.5% (2010: 4.9%).

\* References to operating profit in this report refer to operating profit before special items, and references to profit margin refer to profit margin before special items, unless otherwise stated.

# FINANCIAL HIGHLIGHTS AND KEY RATIOS

**DKKm**

	Q1 2011	Q1 2010	FY 2010
<b>Statement of comprehensive income</b>			
Revenue	375	381	1,483
Operating profit before depreciation, amortisation and impairment (EBITDA)	56	59	168
Operating profit before special items	36	37	73
Special items	0	0	0
Operating profit (EBIT)	36	37	73
Net financial income and expense	(8)	(7)	(11)
Profit before tax (EBT)	27	30	62
Profit for the period (EAT)	21	23	50
Comprehensive income	31	40	53
<b>Cash flows</b>			
Cash flows from operating activities	43	19	144
Cash flows from investing activities	(5)	(9)	(55)
Cash flows from financing activities	(6)	(6)	(32)
Total cash flows	32	5	58
<b>Balance sheet</b>			
Assets	1,225	1,265	1,225
Invested capital (IC)	725	821	733
Net working capital (NWC)	129	182	128
Net interest-bearing debt	234	344	275
Equity	580	548	549
<b>Financial ratios in per cent</b>			
Operating margin (EBITDA)	15.0	15.6	11.3
Profit margin before special items (EBIT)	9.5	9.8	4.9
Profit margin (EBIT)	9.5	9.8	4.9
Return on invested capital (ROIC, 12 months)	9.3	13.1	9.6
Return on equity (ROE, 12 months)	8.5	11.8	9.4
Equity ratio	47.3	43.3	44.8
Gearing	40.3	62.8	50.0
<b>Share-related key ratios</b>			
No. of shares (at period end, excluding treasury shares)	6,915,090	6,915,090	6,915,090
No. of shares (average, excluding treasury shares)	6,915,090	6,915,090	6,915,090
Earnings per share, DKK (EPS)	3.0	3.3	7.2
Cash flows from operating activities per share, DKK	6.2	2.8	20.8
Book value per share, DKK	83.8	79.2	79.4
Market price per share, DKK	78.0	108.0	76.0
Market price/book value per share	0.9	1.4	1.0
Price/earnings	26.0	33.0	10.5

The key ratios are calculated in accordance with 'Recommendations & Ratios, 2010', issued by the Danish Society of Financial Analysts, see note 39 to the financial statements in the annual report for 2010.

# DEVELOPMENTS IN Q1 2011

The first quarter of the year was characterised by the efforts to strengthen the organisation according to the “Competitive edge – driving growth” strategy, which was introduced in the annual report for 2010. “Competitive edge – driving growth” is a two-pronged strategy focused on enhancing Hartmann’s competitive strength and strengthening its market position.

During Q1 2011, efforts were committed to creating a more market-driven Hartmann and improving its competitive strength through a sharp focus on securing a high and consistent level of quality and further strengthening customer relations. The ongoing efforts to further optimise operations and to improve internal collaboration and processes also continued in Q1 2011.

The work to create a stronger Hartmann has been based on measures such as strengthening competencies within the organisation. This resulted in, among other things, the appointment in April of two Vice Presidents to head production and development and sales and marketing, respectively, and in reduced expenses for external consultants.

## Change in segment reporting

In order to help the company’s management and stakeholders get a better understanding of the way Hartmann’s business is developing, efforts are regularly ongoing to improve reporting and communications and to promote a high level of information, with the aim of providing transparency about Hartmann.

In light of this, a change in segmentation was implemented, resulting in the Other business areas segment being discontinued. In future, the activities of Hartmann Technology and the combined heat and power plant will be allocated to the Europe segment, since their core functions mainly relate to the European business. In addition to serving as a service and competency centre for the European factories and provid-

ing energy for production, respectively, Hartmann Technology and the combined heat and power plant contribute to Hartmann’s revenue through external sales of machinery and services and of energy. A number of other costs that were previously allocated to Other business areas will also be allocated to the Europe segment going forward. The costs of headquarter functions will not be allocated to any of the two segments. They will instead be disclosed in note 3 to the financial statements as a reconciling item between the segments and consolidated operating profit.

For additional information about Hartmann’s segmentation, see notes 1 and 3 to the financial statements. Comparative figures have also been prepared for the four quarters of 2010 on the basis of the new segmentation. See the overview on pages 20-21.

## STATEMENT OF COMPREHENSIVE INCOME

### Revenue

Hartmann’s consolidated revenue for Q1 2011 amounted to DKK 375 million (2010: DKK 381 million).

### Europe

The European business generated revenue of DKK 322 million for Q1 2011 (2010: DKK 328 million). The fall in revenue was primarily attributable to timing differences in Easter sales. In 2010, the sale of eggs and egg packaging in connection with Easter positively affected the March revenue, whereas in 2011 part of the Easter sales was realised in April.

In January and February 2011, the sale of egg packaging was also temporarily affected by the response among German and Dutch consumers to the discovery that dioxin-contaminated vegetable fat had been used as feed for poultry and animals.

## DEVELOPMENT IN OPERATING PROFIT FROM Q1 2010 TO Q1 2011

DKKm	Europe	North America
Operating profit for Q1 2010	44	2
Effects of developments in exchange rates	7	(3)
Operational improvements, change in volume and product and price mix	2	7
Effects of fluctuating raw material prices and transport costs	(14)	(2)
<b>Operating profit for Q1 2011</b>	<b>39</b>	<b>4</b>



*“Hartmann’s operating profit was favourably impacted by the operational improvements and organisational adjustment effected in Q4 2010. These measures resulted in a reduction of fixed costs and substantial progress in the efforts to enhance both short-term and long-term competitive strength.”*

Revenue was lifted by an increased contribution from Hartmann’s combined heat and power plant. Sales of machinery in Hartmann Technology were stable, on a level with sales in Q1 2010.

**North America**

North America reported revenue for Q1 2011 of DKK 53 million (2010: DKK 53 million). While developments in exchange rates and a minor decline in volumes had a negative impact on revenue relative to the year-earlier period, an increased proportion of high-value products contributed to a continued positive trend for North America in Q1 2011.

**Operating profit**

Operating profit for Q1 2011 amounted to DKK 36 million (2010: DKK 37 million). Operating profit was favourably impacted by the operational improvements and organisational adjustment effected in Q4 2010. These measures resulted in a reduction of fixed costs and substantial progress in the efforts to enhance both short-term and long-term competitive strength. The positive effects of these measures made up for the negative consequences of the fall in revenue, increased competition, increased raw material and energy prices and increased transport costs in Q1 2011 relative to the year-earlier period.

**Europe**

Operating profit for Q1 2011 amounted to DKK 39 million (2010: DKK 44 million). The Q1 performance was adversely affected by a

fall in revenue. Moreover, the business area saw an increase in demand for transport packaging, which contributes lower earnings per product. These two factors led to a minor decrease in the average selling price. Furthermore, operating profit was negatively impacted by increased raw material prices and transport costs, whereas cost reductions in administration, production and sales, combined with favourable developments in exchange rates, were positive contributors.

**North America**

North America reported operating profit for Q1 2011 of DKK 4 million (2010: DKK 2 million). Movements in exchange rates had an adverse impact on performance, while an increased proportion of high-value packaging and significantly lower costs contributed to ensuring good financial results for the first three months of the year.

**Group costs**

Group costs for Q1 2011 amounted to DKK 7 million (2010: DKK 9 million).

**Financial income and expense**

Financial income and expense amounted to an expense of DKK 8 million for Q1 2011 (2010: an expense of DKK 7 million).

**Profit for the period**

Profit for Q1 2011 amounted to DKK 21 million (2010: DKK 23 million).

**DEVELOPMENTS IN THE PRICE OF RECYCLED PAPER**



Source: BvSE (Bundesverband Sekundärrohstoffe und Entsorgung e.V.)

The price of recycled paper displayed an upward trend during the first three months of 2011.

Hartmann works continually to standardise production and optimise production efficiency with the aim of mitigating the effects that fluctuations in the prices of raw materials invariably have on global, raw material-intensive businesses such as Hartmann’s.

*“Operating profit in Europe was negatively impacted by increased raw material prices and transport costs, whereas cost reductions in administration, production and sales, combined with favourable developments in exchange rates, were positive contributors.”*

## CASH FLOWS

### Cash flows from operating activities

Cash flows from operating activities during Q1 2011 were a cash inflow of DKK 43 million (2010: a cash inflow of DKK 19 million). The increase was due to a significant reduction in working capital.

### Cash flows from investing activities

Cash flows from investing activities during Q1 2011 were a cash outflow of DKK 5 million (2010: a cash outflow of DKK 9 million).

### Cash flows from financing activities

Cash flows from financing activities during Q1 2011 were a cash outflow of DKK 6 million (2010: a cash outflow of DKK 6 million).

## BALANCE SHEET

### Capital resources

The group's net interest-bearing debt at 31 March 2011 amounted to DKK 234 million (31 December 2010: DKK 275 million). Hartmann reduced its net interest-bearing debt by DKK 110 million from DKK 344 million at 31 March 2010.

The group's financial gearing at 31 March 2011 stood at 40% (31 December 2010: 50%).

Management considers the capital resources satisfactory.

### Equity

At 31 March 2011, the group's equity stood at DKK 580 million, up DKK 30 million from the beginning of the year. Hartmann's equity ratio rose from 45% at 31 December 2010 to 47% at 31 March 2011.

## THE HARTMANN SHARE

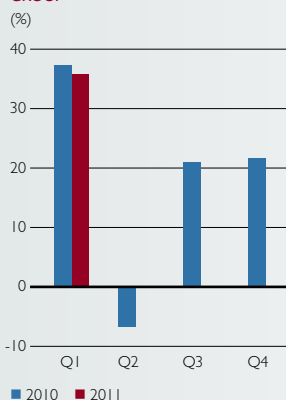
The official market price of the Hartmann share was 76 on 31 December 2010 and 78 on 31 March 2011. Information on share performance is available on Hartmann's investor section on [www.hartmann-packaging.com](http://www.hartmann-packaging.com).

## IMPORTANT BOARD RESOLUTIONS

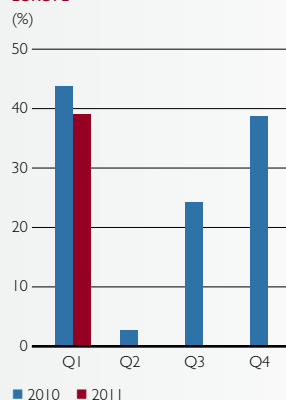
No important board resolutions were made in Q1 2011 other than as mentioned in this interim report or in the company announcements released during the period.

### OPERATING PROFIT

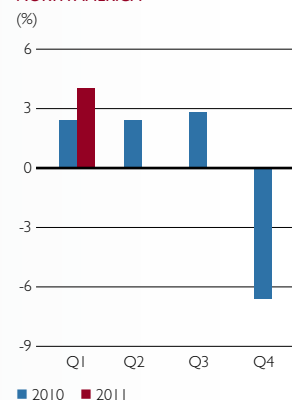
#### GROUP (%)



#### EUROPE (%)



#### NORTH AMERICA (%)





# OUTLOOK FOR 2011

Based on the performance in Q1 2011, Hartmann retains its full-year forecast for 2011 of revenue on a level with 2010 (DKK 1,483 million).

Operating profit is still expected to come to DKK 105-125 million (2010: DKK 73 million), equalling a profit margin of 7-8.5% (2010: 4.9%).

## ASSUMPTIONS

Hartmann's revenue and operating profit forecast for 2011 is based on the present composition of the group's business operations. In addition, the combined costs of energy and raw materials and selling costs are assumed to remain relatively stable at the level prevailing at the time of presentation of this interim report. Any deviations from these assumptions may affect the 2011 performance.

Hartmann's operating profit is primarily exposed to changes in the US dollar, Canadian dollar, British pound sterling, euro, Polish zloty, Swiss franc, Swedish krona and Hungarian forint rates. Hartmann has hedged its primary exchange rate exposure for most of 2011.

## FORWARD-LOOKING STATEMENTS

The forward-looking statements in this interim report reflect Hartmann's current expectations for future events and financial results. The statements are inherently subject to uncertainty, and actual results may therefore differ from expectations. Factors that may cause the actual results to deviate from expectations include, but are not limited to, general economic developments and developments in the financial markets, changes and amendments to legislation and regulation on Hartmann's markets, changes in demand for products, competition and the prices of raw materials.

## OUTLOOK FOR 2011 AND MEDIUM-TERM FINANCIAL TARGETS

	2011	Medium term
Revenue growth	0-2%	4-7%
Profit margin	7-8.5%	7-10%
ROIC	>15%	>15%



# RISK FACTORS

See the section on risk factors and note 35 to the financial statements in the annual report for 2010 for a full description of Hartmann's risk factors.

## RAW MATERIALS

Hartmann is dependent on the purchase prices of the raw materials used in the group's production. Hartmann is particularly exposed to fluctuations in the purchase price of recycled paper and energy (electricity and gas), which are the most important raw materials used in production.

There is limited scope for reducing Hartmann's sensitivity to developments in the price of recycled paper if deliveries of required volumes are to be secured and maintained. Hartmann uses other types of paper in production and to some extent substitutes some types of papers for other types if prices are more favourable.

Hartmann regularly signs fixed-price agreements with energy suppliers, typically for periods of 12 months, covering a substantial part of the group's energy consumption. However, some of the countries in which Hartmann operates do not permit fixed-price agreements with energy suppliers. Furthermore, Hartmann is committed to reducing its sensitivity to fluctuations in the prices of raw materials and energy through continual implementation of technological improvements and optimisation of work processes.

## CURRENCY

Hartmann's currency risk stems partly from an imbalance between income and expenses in the individual currencies (transaction risk) due to Hartmann's international business profile with foreign subsidiaries (translation risk), and from part of its net assets being denominated in foreign currency. Hartmann is exposed to transaction risk due to cross-border transactions, leading to contractual cash flows in foreign currency.

Hartmann's sales in North America are denominated in USD, whereas costs are denominated in CAD. Therefore, the currency exposure in relation to the USD/CAD exchange rate constitutes one of the group's single largest transaction risks.

Operating profit is also exposed to transaction risk with respect to the currencies CHF, EUR, GBP, HUF, PLN and SEK. Due to its foreign subsidiaries, Hartmann is exposed to currency risks in the form of translation risks, as a major part of earnings derive from these foreign subsidiaries and is translated and included in the group's profit/loss in DKK. Foreign subsidiaries' reporting in the currencies CAD, EUR, HRK and HUF represents Hartmann's greatest translation exposure.

# MANAGEMENT STATEMENT

The Board of Directors and the Executive Board have today considered and approved the interim report of Brødrene Hartmann A/S for the three months ended 31 March 2011.

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

In our opinion, the interim financial statements give a true and fair view of the group's assets, liabilities and financial position at 31 March 2011 and of the results of the group's operations and cash flows for the three months ended 31 March 2011.

We are furthermore of the opinion that the management report includes a fair review of the development and performance of the group's business and financial position, the results for the period and the group's overall financial position together with a description of the principal risks and uncertainties that the group faces.

Gentofte, 25 May 2011

**Executive Board:**

Michael Rohde Pedersen  
*Chief Executive Officer*

Claus Frees Sørensen  
*Chief Financial Officer*

**Board of Directors:**

Agnete Raaschou-Nielsen  
*Chairman*

Walther V. Paulsen  
*Vice Chairman*

Jan Peter Antonisen

Niels Hermansen

Jørn Mørkeberg Nielsen

Niels Christian Petersen

Peter-Ulrik Plesner

# INTERIM FINANCIAL **STATEMENTS**

# STATEMENT OF COMPREHENSIVE INCOME

DKK m

	Q1 2011	Q1 2010	FY 2010
Revenue	374.9	380.6	1,482.7
Production costs	(266.4)	(263.5)	(1,090.9)
<b>Gross profit</b>	<b>108.5</b>	<b>117.1</b>	<b>391.8</b>
Selling and distribution costs	(56.5)	(58.7)	(231.0)
Administrative expenses	(16.8)	(21.6)	(80.9)
Other operating income	0.6	0.4	2.0
Other operating expenses	(0.1)	0.0	(8.7)
<b>Operating profit before special items</b>	<b>35.7</b>	<b>37.2</b>	<b>73.2</b>
Special items	0.0	0.0	0.0
<b>Operating profit (EBIT)</b>	<b>35.7</b>	<b>37.2</b>	<b>73.2</b>
Profit after tax in associates	0.0	0.0	0.2
Financial income	0.2	0.2	9.3
Financial expense	(8.5)	(7.3)	(20.5)
<b>Profit before tax (EBT)</b>	<b>27.4</b>	<b>30.1</b>	<b>62.2</b>
Tax on profit for the period	(6.6)	(7.5)	(12.3)
<b>Profit for the period (EAT)</b>	<b>20.8</b>	<b>22.6</b>	<b>49.9</b>
Foreign exchange adjustment, foreign subsidiaries	8.1	20.1	13.0
Hedge accounting of net investments	3.0	(8.7)	(11.4)
Foreign exchange adjustments, equity-like loans to subsidiaries	(3.3)	6.9	8.8
Value adjustment of hedging instruments transferred to revenue	(0.7)	3.5	(15.3)
Value adjustment of hedging instruments transferred to financial income and expense	0.0	1.1	1.5
Value adjustment of hedging instruments	3.1	(5.9)	(0.2)
Pension obligations	0.0	0.0	2.2
Tax on other comprehensive income	(0.6)	0.8	4.1
<b>Other comprehensive income</b>	<b>9.6</b>	<b>17.8</b>	<b>2.7</b>
<b>Total comprehensive income</b>	<b>30.4</b>	<b>40.4</b>	<b>52.6</b>
Earnings per share, DKK (EPS)	3.0	3.3	7.2
Earnings per share, DKK, diluted (EPS-D)	3.0	3.3	7.2

# STATEMENT OF CASH FLOWS

DKK m

	Q1 2011	Q1 2010	FY 2010
Operating profit before special items	35.7	37.2	73.2
Depreciation and amortisation	20.6	22.1	94.3
Adjustment for other non-cash items	(0.2)	0.0	8.2
Change in working capital	(0.2)	(25.1)	15.9
<b>Cash generated from operating activities</b>	<b>55.9</b>	<b>34.2</b>	<b>191.6</b>
Interest, etc. received	0.2	0.2	2.0
Interest, etc. paid	(6.1)	(5.5)	(19.8)
Net restructuring costs etc. paid	(0.6)	0.0	0.0
Net income tax paid	(6.3)	(9.7)	(29.9)
<b>Cash flows from operating activities</b>	<b>43.1</b>	<b>19.2</b>	<b>143.9</b>
Disposals of property, plant and equipment	0.3	0.0	0.7
Acquisition of intangible assets	0.0	0.0	(1.2)
Acquisition of property, plant and equipment	(5.6)	(8.9)	(58.7)
Dividend received from associates	0.0	0.0	0.2
Government grants received	0.0	0.0	4.3
<b>Cash flows from investing activities</b>	<b>(5.3)</b>	<b>(8.9)</b>	<b>(54.7)</b>
<b>Cash flows from operating and investing activities</b>	<b>37.8</b>	<b>10.3</b>	<b>89.2</b>
Repayment of non-current liabilities	(5.6)	(5.6)	(21.3)
Dividend paid	0.0	0.0	(10.4)
<b>Cash flows from financing activities</b>	<b>(5.6)</b>	<b>(5.6)</b>	<b>(31.7)</b>
<b>Total cash flows</b>	<b>32.2</b>	<b>4.7</b>	<b>57.5</b>
Cash and cash equivalents and bank debt at beginning of period	6.1	(39.1)	(39.1)
Foreign exchange adjustment	3.2	(10.0)	(12.3)
<b>Cash and cash equivalents and bank debt at end of period</b>	<b>41.5</b>	<b>(44.4)</b>	<b>6.1</b>
<b>Recognition of cash and cash equivalents and bank debt at end of period:</b>			
Cash and cash equivalents	119.0	51.1	69.1
Bank debt (current liabilities)	(77.5)	(95.5)	(63.0)
<b>Total cash and cash equivalents and bank debt</b>	<b>41.5</b>	<b>(44.4)</b>	<b>6.1</b>

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



# BALANCE SHEET, ASSETS

DKKm

	31 March 2011	31 March 2010	31 Dec. 2010
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Goodwill	10.7	10.7	10.7
Other intangible assets	8.2	9.5	8.8
<b>Total intangible assets</b>	<b>18.9</b>	<b>20.2</b>	<b>19.5</b>
<i>Property, plant and equipment</i>			
Land and buildings	171.1	166.3	171.4
Technical plant and machinery	397.5	444.9	405.7
Fixtures and fittings, other plants and equipment	9.3	13.6	10.3
Technical plant under construction	14.0	15.8	13.4
<b>Total property, plant and equipment</b>	<b>591.9</b>	<b>640.6</b>	<b>600.8</b>
<i>Other non-current assets</i>			
Investments in associates	3.8	3.8	3.8
Other receivables	9.2	30.7	8.8
Deferred tax asset	90.9	80.6	95.6
<b>Total other non-current assets</b>	<b>103.9</b>	<b>115.1</b>	<b>108.2</b>
<b>Total non-current assets</b>	<b>714.7</b>	<b>775.9</b>	<b>728.5</b>
<i>Current assets</i>			
Inventories	107.5	124.2	108.8
Trade receivables	228.0	245.3	266.8
Income tax receivable	9.1	13.3	6.5
Other receivables	37.3	45.7	39.9
Prepayments	9.3	9.4	5.3
Cash and cash equivalents	119.0	51.1	69.1
<b>Total current assets</b>	<b>510.2</b>	<b>489.0</b>	<b>496.4</b>
<b>Total assets</b>	<b>1,224.9</b>	<b>1,264.9</b>	<b>1,224.9</b>

# BALANCE SHEET, EQUITY AND LIABILITIES

DKK m

	31 March 2011	31 March 2010	31 Dec. 2010
<b>Equity</b>			
Share capital	140.3	140.3	140.3
Hedging reserve	2.0	9.3	0.2
Translation reserve	(14.5)	(14.6)	(22.3)
Dividend, proposed	15.6	10.5	15.6
Retained earnings	436.4	402.4	415.6
<b>Total equity</b>	<b>579.8</b>	<b>547.9</b>	<b>549.4</b>
<i>Non-current liabilities</i>			
Deferred tax	14.9	13.9	14.1
Pension obligations	24.8	28.8	25.1
Loans	118.3	278.3	118.3
Government grants	21.6	47.7	21.5
<b>Total non-current liabilities</b>	<b>179.6</b>	<b>368.7</b>	<b>179.0</b>
<i>Current liabilities</i>			
Current portion of loans	156.8	21.5	162.4
Current portion of government grants	2.5	4.5	2.4
Bank loans	77.5	95.5	63.0
Prepayments from customers	15.1	0.2	5.0
Trade payables	93.5	92.0	127.7
Payable to associates	1.0	3.4	3.2
Income tax	0.4	12.5	0.8
Provisions	9.6	0.7	1.1
Other payables	109.1	118.0	130.9
<b>Total current liabilities</b>	<b>465.5</b>	<b>348.3</b>	<b>496.5</b>
<b>Total liabilities</b>	<b>645.1</b>	<b>717.0</b>	<b>675.5</b>
<b>Total equity and liabilities</b>	<b>1,224.9</b>	<b>1,264.9</b>	<b>1,224.9</b>

# STATEMENT OF CHANGES IN EQUITY

**DKKm**

	Share capital	Hedging reserve	Translation reserve	Dividend proposed	Retained earnings	Total equity
<b>Equity at 1 January 2011</b>	<b>140.3</b>	<b>0.2</b>	<b>(22.3)</b>	<b>15.6</b>	<b>415.6</b>	<b>549.4</b>
Profit for the period	-	-	-	-	20.8	20.8
Other comprehensive income for the period	-	1.8	7.8	0.0	0.0	9.6
Comprehensive income at 31 March	0.0	1.8	7.8	0.0	20.8	30.4
Total changes in equity	0.0	1.8	7.8	0.0	20.8	30.4
<b>Equity at 31 March 2011</b>	<b>140.3</b>	<b>2.0</b>	<b>(14.5)</b>	<b>15.6</b>	<b>436.4</b>	<b>579.8</b>
<b>Equity at 1 January 2010</b>	<b>140.3</b>	<b>10.2</b>	<b>(33.3)</b>	<b>10.5</b>	<b>379.8</b>	<b>507.5</b>
Profit for the period	-	-	-	-	22.6	22.6
Other comprehensive income for the period	-	(0.9)	18.7	0.0	0.0	17.8
Comprehensive income at 31 March	0.0	(0.9)	18.7	0.0	22.6	40.4
Total changes in equity	0.0	(0.9)	18.7	0.0	22.6	40.4
<b>Equity at 31 March 2010</b>	<b>140.3</b>	<b>9.3</b>	<b>(14.6)</b>	<b>10.5</b>	<b>402.4</b>	<b>547.9</b>

# NOTES

## 1. Accounting policies

The interim financial statements are presented as condensed financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and Danish disclosure requirements for interim reports of listed companies. No interim financial statements have been prepared for the parent company. The interim financial statements are presented in Danish kroner (DKK), which is the parent company's functional currency.

The accounting policies applied in the interim financial statements are consistent with the accounting policies applied in the consolidated financial statements for 2010, which are in accordance with the International Financial Reporting Standards as adopted by the EU. The annual report for 2010 contains a more detailed description of the accounting policies applied, including the definitions of the ratios used, which are calculated in accordance with the definitions in 'Recommendations & Financial Ratios 2010' issued by the Danish Society of Financial Analysts.

### *New financial reporting standards in 2011*

Hartmann has implemented all new and amended financial reporting standards and interpretations adopted by the EU that apply to financial years beginning on or after 1 January 2011. Hartmann has assessed that the new and amended standards and interpretations that are effective for financial years beginning on or after 1 January 2011 are either not relevant or not of significant importance.

### *Changes in accounting policies*

A change was made in the internal financial management and management reporting. As a result, the Other business areas segment has been discontinued, and the activities of Hartmann Technology and the combined heat and power plant and a number of costs that were previously allocated to Other business areas will in future be allocated to the Europe segment.

Comparative figures have been restated in accordance with the change in segment reporting.

The change does not affect the group's financial results, comprehensive income, cash flows, assets, liabilities or equity.

## 2. Significant accounting estimates and judgments and other factors

### *Significant accounting estimates and judgments*

In applying the group's accounting policies, management is required to make judgments, estimates and assumptions concerning the carrying amounts 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 that management considers reasonable under the circumstances, but which are inherently uncertain and unpredictable.

The estimates and underlying assumptions are regularly assessed. Changes to accounting estimates are recognised in the reference period in which the change occurs and in future reference periods if the change affects the period in which it is made as well as subsequent reference periods.

### *Other factors*

The revenue and results of operations of the group are affected by seasonal fluctuations.

## 3. Segment information

### **Segment information**

The reporting of business segments is in accordance with the internal reporting to the Group Executive Board and the Board of Directors. The Group Executive Board and the Board of Directors constitute the chief operating decision maker of Hartmann.

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.

The internal management reporting follows the group's accounting policies. Business-related decisions on resource allocation and performance evaluation for each of the segments are made on the basis of the operating profit before special items of the individual segments. Decisions relating to financing and taxation are made on the basis of information on Hartmann as a whole and are not allocated to the reporting segments. The pricing of inter-segment transactions is made on an arm's length basis.

Segment income and costs 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 directly allocated to the individual segments on a reliable basis. Profit in associates, financial income and expense, income taxes, investments in associates, tax assets and tax liabilities, and cash and cash equivalents and bank debt are not allocated to reporting segments.

The reporting segments comprise:

- **Europe** comprises production and sale of moulded-fibre packaging. Products are produced at factories in Europe (including Israel) and are primarily sold to egg producers, egg packing businesses and retail chains and buyers of industrial packaging. The segment also comprises the sale of machinery for production of moulded-fibre packaging and the combined heat and power plant in Tønder, Denmark.
- **North America** comprises production and sale of moulded-fibre packaging. Products are primarily produced at the North American factory and sold to egg producers, egg packing businesses and retail chains.

# NOTES

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## 3. Segment information, cont'd

Q1 2011	Europe	North America	Total reporting segments
<b>External revenue</b>			
Moulded fibre	292.4	52.7	345.1
Other revenue	29.8	0.0	29.8
<b>Total</b>	<b>322.2</b>	<b>52.7</b>	<b>374.9</b>
<b>Operating profit before special items</b>	<b>39.0</b>	<b>4.0</b>	<b>43.0</b>
<b>Other segment information</b>			
Depreciation and amortisation	17.7	3.0	
Investments in intangible assets and property, plant and equipment	2.9	2.7	
Net working capital	116.4	11.7	
Invested capital	608.0	118.9	
ROIC, % (12 months)	16.7	1.9	
Segment assets	849.9	150.7	1,000.6

Q1 2010	Europe	North America	Total reporting segments
<b>External revenue</b>			
Moulded fibre	306.0	52.6	358.6
Other revenue	22.0	0.0	22.0
<b>Total</b>	<b>328.0</b>	<b>52.6</b>	<b>380.6</b>
<b>Operating profit before special items</b>	<b>43.7</b>	<b>2.4</b>	<b>46.1</b>
<b>Other segment information</b>			
Depreciation and amortisation	19.2	3.1	
Investments in intangible assets and property, plant and equipment	7.4	1.5	
Net working capital	148.8	40.7	
Invested capital	649.0	159.0	
ROIC, % (12 months)	21.6	(2.6)	
Segment assets	914.1	187.6	1,101.7



# NOTES

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## 3. Segment information, cont'd

RECONCILIATION	Q1 2011	Q1 2010
<b>Revenue</b>		
External revenue for reporting segments	374.9	380.6
<b>Total revenue, see interim financial statements</b>	<b>374.9</b>	<b>380.6</b>
<b>Performance targets</b>		
<b>Operating profit before special items for reporting segments</b>	<b>43.0</b>	<b>46.1</b>
Non-allocated group functions	(7.5)	(9.1)
Eliminations	0.2	0.2
<b>Operating profit before special items, see interim financial statements</b>	<b>35.7</b>	<b>37.2</b>
Profit after tax in associates	0.0	0.0
Financial income	0.2	0.2
Financial expense	(8.5)	(7.3)
<b>Profit before tax, see interim financial statements</b>	<b>27.4</b>	<b>30.1</b>
	<b>31 March 2011</b>	<b>31 March 2010</b>
<b>Assets</b>		
Assets for reporting segments	1,000.6	1,101.7
Non-allocated assets	227.4	167.2
Eliminations	(3.1)	(4.0)
<b>Total assets, see interim financial statements</b>	<b>1,224.9</b>	<b>1,264.9</b>

# NOTES

DKKm

## 3. Segment information, cont'd

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	FY 2010
<b>EUROPE</b>					
<b>External revenue</b>					
Moulded fibre	306.0	255.8	274.5	330.6	1,166.9
Other revenue	22.0	15.6	9.5	50.6	97.7
<b>Total</b>	<b>328.0</b>	<b>271.4</b>	<b>284.0</b>	<b>381.2</b>	<b>1,264.6</b>
<b>Operating profit before special items</b>	<b>43.7</b>	<b>2.8</b>	<b>24.3</b>	<b>38.8</b>	<b>109.6</b>
<b>Other segment information</b>					
Depreciation and amortisation	19.2	18.6	17.8	21.7	77.3
Investments in intangible assets and property plant and equipment	7.4	11.1	13.9	18.1	50.5
Net working capital	148.8	111.9	117.6	123.4	
Invested capital	649.0	590.0	598.3	598.8	
ROIC, % (12 months)	21.6	19.2	18.9	17.1	
Segment assets	914.1	827.2	847.8	851.6	
	Q1 2010	Q2 2010	Q3 2010	Q4 2010	FY 2010
<b>NORTH AMERICA</b>					
<b>External revenue</b>					
Moulded fibre	52.6	54.1	54.2	57.2	218.1
Other revenue	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>52.6</b>	<b>54.1</b>	<b>54.2</b>	<b>57.2</b>	<b>218.1</b>
<b>Operating profit before special items</b>	<b>2.4</b>	<b>2.4</b>	<b>2.8</b>	<b>(6.6)</b>	<b>1.0</b>
<b>Other segment information</b>					
Depreciation and amortisation	3.1	3.5	4.8	6.6	18.0
Investments in intangible assets and property plant and equipment	1.5	2.4	1.9	2.4	8.2
Net working capital	40.7	39.4	30.4	15.4	
Invested capital	159.0	163.9	141.8	126.6	
ROIC, % (12 months)	(2.6)	0.6	4.5	0.8	
Segment assets	187.6	191.8	167.0	161.4	

# NOTES

**DKK**m

## 3. Segment information, cont'd

RECONCILIATION	Q1 2010	Q2 2010	Q3 2010	Q4 2010	FY 2010
<b>Revenue</b>					
External revenue for reporting segments	380.6	325.5	338.2	438.4	1,482.7
<b>Total revenue, see interim financial statements</b>	<b>380.6</b>	<b>325.5</b>	<b>338.2</b>	<b>438.4</b>	<b>1,482.7</b>
<b>Performance targets</b>					
Operating profit before special items	46.1	5.2	27.1	32.2	110.6
Non-allocated group functions	(9.1)	(12.1)	(6.5)	(10.7)	(38.4)
Eliminations	0.2	0.3	0.2	0.3	1.0
<b>Operating profit before special items, see interim financial statements</b>	<b>37.2</b>	<b>(6.6)</b>	<b>20.8</b>	<b>21.8</b>	<b>73.2</b>
Profit after tax in associates	0.0	0.0	0.0	0.2	0.2
Financial income	0.2	0.8	0.2	8.1	9.3
Financial expense	(7.3)	(2.7)	(4.9)	(5.6)	(20.5)
<b>Profit/(loss) before tax, see interim financial statements</b>	<b>30.1</b>	<b>(8.5)</b>	<b>16.1</b>	<b>24.5</b>	<b>62.2</b>
<b>Assets</b>					
Assets for reporting segments	1,101.7	1,019.0	1,014.8	1,013.0	
Non-allocated assets	167.2	191.8	204.8	215.2	
Eliminations	(4.0)	(3.7)	(3.5)	(3.3)	
<b>Total assets, see interim financial statements</b>	<b>1,264.9</b>	<b>1,207.1</b>	<b>1,216.1</b>	<b>1,224.9</b>	

## 4. Events after the balance sheet date

No significant events have occurred after the balance sheet date of the interim report for Q1 2011, other than those mentioned in this interim report, that affect Hartmann's assets, liabilities or financial position as at 31 March 2011 and its results of operations and cash flows for Q1 2011.



## ADDITIONAL INFORMATION

### FINANCIAL CALENDAR 2011

Thursday, 25 August 2011:  
Interim report for the first half of 2011

Thursday, 24 November 2011:  
Interim report for the nine months ended 30 September 2011

Historical and current information about Hartmann's operations, company announcements, financial statements, investor presentations, etc. are available on Hartmann's website, [www.hartmann-packaging.com](http://www.hartmann-packaging.com). It is also possible to sign up for Hartmann's news service on our website. Subscribers receive communications by e-mail at the same time as the market.

### CONTACTS

Questions concerning this interim report may be addressed to:

#### CEO

Michael Rohde Pedersen  
e-mail: [mpe@hartmann-packaging.com](mailto:mpe@hartmann-packaging.com)  
Tel.: +45 45 97 00 00

#### CFO

Claus Frees Sørensen  
E-mail: [cfs@hartmann-packaging.com](mailto:cfs@hartmann-packaging.com)  
Tel.: +45 45 97 00 00

#### IR Manager

Aske Hougaard  
E-mail: [aho@hartmann-packaging.com](mailto:aho@hartmann-packaging.com)  
Tel.: +45 45 97 00 00 or +45 31 21 68 72

#### Investor Relations Secretariat

Ruth Pedersen, Executive Secretary  
E-mail: [rp@hartmann-packaging.com](mailto:rp@hartmann-packaging.com)  
Tel.: +45 45 97 00 00 or +45 21 20 60 28

**Brødrene Hartmann A/S**

Ørnegårdsvej 18  
DK-2820 Gentofte  
Denmark

Tel.: +45 45 97 00 00

Fax: +45 45 97 00 01

E-mail: [bh@hartmann-packaging.com](mailto:bh@hartmann-packaging.com)

<http://www.hartmann-packaging.com>

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