HARTMANN

PACK & PERFORM

Interim report Q2 2018

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Highlights

Hartmann reported profitable growth in Q2

The momentum in egg and fruit packaging sales was maintained in Q2 2018, and Hartmann lifted revenue as a result of a larger contribution from Hartmann Technology. Operating profit rose on the back of revenue growth and efficiency gains. The European business sustained growth, and the group's American activities reported positive developments in packaging volumes and earnings growth despite significant adverse currency movements.

The 'Perform 2018' programme began to show results during the quarter and is set to help sustain the momentum of Hartmann's business and performance in the upcoming period, as utilisation of the total production capacity in North America is expected to be slower than previously projected.

CEO Torben Rosenkrantz-Theil: "We boosted packaging sales in Q2 2018 and produced efficiency gains and operating profit growth across our markets, albeit at a slower pace in the North American business than we had hoped. Despite encountering adverse currency movements and being met with accounting requirements to adjust results of operations in Argentina for hyperinflation going forward, we nonetheless expect to reach the lower end of our guidance interval for 2018."

Q2 2018

- Consolidated revenue grew to DKK 542 million (2017: DKK 514 million), and operating profit* rose to DKK 60 million (2017: DKK 32 million), taking the profit margin to 11.1% (2017: 6.2%).
- Revenue from our European business grew to DKK 321 million (2017: DKK 280 million) and operating profit increased to DKK 40 million (2017: DKK 14 million), corresponding to a profit margin of 12.6% (2017: 4.9%). The improvement was driven by a larger contribution by Hartmann Technology and increasing retail and transport packaging sales volumes.
- Despite strong volume growth, the business in the Americas recorded a drop in revenue to DKK 222 million (2017: DKK 234 million) due to adverse currency movements. Higher packaging sales and improved efficiency combined to boost operating profit to DKK 29 million (2017: DKK 25 million), for a profit margin of 13.2% (2017: 10.4%).
- Currency fluctuations reduced consolidated revenue by DKK 52 million and operating profit by DKK 16 million.
- Special items amounted to a net expense of DKK 16 million (2017: DKK 0 million).
- Return on invested capital (ROIC) rose to 22% (2017: 15%).

H1 2018

- Total revenue grew to DKK 1,166 million (2017: DKK 1,087 million) with operating profit at DKK 152 million (2017: DKK 93 million), lifting the profit margin to 13.0% (2017: 8.5%).
- In the European business, revenue rose to DKK 705 million (2017: DKK 601 million), and operating profit rose to DKK 102 million (2017: DKK 55 million), taking the profit margin to 14.4% (2017: 9.1%).
- Revenue in the Americas was DKK 461 million (2017: DKK 486 million), and operating profit came to DKK 64 million (2017: DKK 55 million), corresponding to a profit margin of 13.9% (2017: 11.4%).
- Currency fluctuations reduced consolidated revenue by DKK 107 million and operating profit by DKK 30 million.
- Special items amounted to a net expense of DKK 21 million (2017: DKK 0 million).

Guidance for 2018

- We reiterate our guidance and expect to reach the lower end of our guidance interval for revenue of DKK 2.2-2.3 billion and a profit margin of 11.5-13%, despite adverse currency movements and an expected impact from adjustment for hyperinflation of our operations in Argentina as well as slower utilisation of our total capacity in North America.
- We maintain our guidance of a return on invested capital of at least 18% and total capital expenditure of around DKK 150 million.

* In this report, operating profit and profit margin are stated before special items.

Key figures and financial ratios for the group

DKKm	Q2 2018	Q2 2017	H1 2018	H1 2017
Statement of comprehensive income				
Revenue	542	514	1,166	1,087
Operating profit	60	32	152	93
Special items	(16)	0	(21)	0
Financial income and expenses, net	(30)	(30)	(40)	(33)
Profit before tax	14	2	91	60
Profit for the period	10	1	68	44
Comprehensive income	(12)	(45)	17	4
Statement of cash flows				
Cash flows from operating activities	66	57	137	92
Cash flows from investing activities	(28)	(65)	(38)	(135)
Cash flows from financing activities	(66)	(17)	(68)	(19)
Total cash flows	(28)	(25)	31	(62)
Balance sheet				
Assets	-	-	1,756	1,976
Investments in property, plant and equipment	-	-	36	134
Net working capital	-	-	332	302
Invested capital	-	-	1,289	1,372
Net interest-bearing debt	-	-	614	745
Equity	-	-	697	709

	Q2 2018	Q2 2017	H1 2018	H1 2017
Financial ratios, %				
Profit margin	11.1	6.2	13.0	8.5
Return on invested capital (ROIC) (rolling 12 months)	-	-	21.7	15.0
Return on equity (rolling 12 months)	-	-	19.6	16.6
Equity ratio	-	-	39.7	35.9
Gearing	-	-	88.0	105.1
Share-based financial ratios				
No. of shares (excluding treasury shares)	-	-	6,915,090	6,915,090
Earnings per share, DKK (EPS)	1.5	0.2	9.8	6.4
Cash flows per share, DKK	9.6	9.6	19.8	13.3
Book value per share, DKK	-	-	100.8	102.5
Market price, DKK	-	-	374.0	384.5
Share price/book value per share	-	-	3.7	3.7
Share price/earnings (P/E) (rolling 12 months)	-	-	17.8	21.6

For definitions of financial ratios, see page 77 in the annual report for 2017.

Developments in Q2 2018

Hartmann maintained growth in Q2 with a stronger revenue contribution from Hartmann Technology and a strong underlying egg and fruit packaging sales performance. The group lifted operating profit on the back of revenue growth and efficiency gains in the core business, and we are continuing the ongoing expansion of production capacity with further capacity being added in the European business in H2. The improvement in Q2 was achieved despite significant adverse currency movements.

The initiatives to promote sales and produce efficiency gains under the 'Perform 2018' programme are progressing as planned and had a moderately positive effect on Q2 performance. The aim of the programme is to help sustain the momentum of Hartmann's performance in the upcoming period, as utilisation of the group's total production capacity in North America is slower than previously expected.

Revenue

In Q2 2018, total revenue grew to DKK 542 million (2017: DKK 514 million), driven by a larger contribution from Hartmann Technology and higher packaging sales volumes. Consolidated revenue grew to DKK 1,166 million (2017: DKK 1,087 million) in H1 2018.

Fluctuations in exchange rates reduced revenue by DKK 52 million in Q2 and DKK 107 million in H1.

Europe

The European business reported revenue growth to DKK 321 million (2017: DKK 280 million) in Q2 2018. Despite egg sales being somewhat adversely affected by the hot summer weather towards the end of the quarter, revenue from egg packaging sales grew to DKK 286 million (2017: DKK 275 million), driven by strong volume growth in both retail and transport packaging. Hartmann Technology reported revenue of DKK 35 million (2017: DKK 5 million).

In H1 2018, the European business lifted revenue to DKK 705 million (2017: DKK 601 million), of which revenue from packaging sales amounted to DKK 601 million (2017: DKK 577 million). Hartmann Technology contributed revenue of DKK 104 million (2017: DKK 24 million) in H1 and will, as previously expected, generate significantly lower revenue in H2.

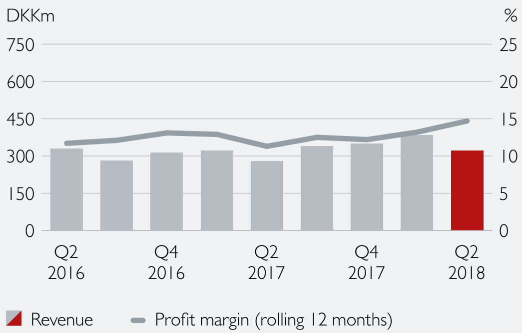
Americas

Despite increasing packaging sales volumes in the Americas in Q2, total revenue in these markets dropped to DKK 222 million (2017: DKK 234 million) due to significant adverse currency movements.

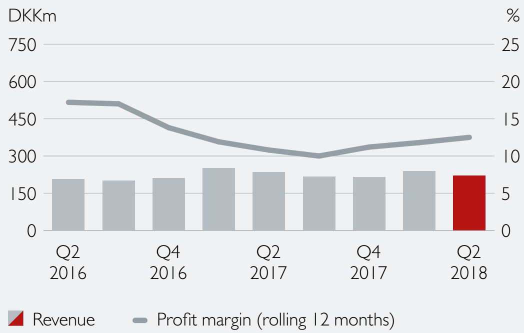
Revenue and profit margin

Group

Europe



Americas



Developments in Q2 2018

In the North American market, Hartmann lifted packaging sales volumes and the share of premium packaging in Q2 for a moderate revenue increase despite adverse currency movements and slower utilisation of the total capacity than previously expected.

In the South American business, revenue declined despite higher egg and fruit packaging volumes in Q2 2018 due to significant adverse currency movements. The positive performance in the South American business was mainly driven by higher fruit packaging sales volumes in Argentina following a stronger fruit season.

Revenue from our operations in the Americas amounted to DKK 461 million (2017: DKK 486 million) in H1 2018.

Operating profit

The group's operating profit grew to DKK 60 million (2017: DKK 32 million), for a profit margin of 11.1% (2017: 6.2%), driven by a larger contribution from Hartmann Technology, a strong performance by the European business and progress in the South American business. Operating profit for H1 2018 was DKK 152 million (2017: DKK 93 million), corresponding to a profit margin of 13.0% (2017: 8.5%).

Currency fluctuations reduced operating profit by DKK 16 million in Q2 and DKK 30 million in H1.

Europe

Operating profit in Europe grew to DKK 40 million (2017: DKK 14 million), taking the profit margin to 12.6% (2017 4.9%). The improvement was driven by higher technology sales in Hartmann Technology, the increase in packaging volumes and lower paper prices. Currency movements had an adverse impact on operating profit.

In H1 2018, the European business grew its operating profit to DKK 102 million (2017: DKK 55 million), corresponding to a profit margin of 14.4% (2017: 9.1%) in H1.

Americas

Operating profit from our operations in the Americas rose to DKK 29 million (2017: DKK 25 million), for a profit margin of 13.2% (2017: 10.4%).

The improved packaging volumes and greater share of premium products were positive contributors to the operating profit of the North American business, which nevertheless ended moderately lower due to increased depreciation charges and adverse currency movements.

In the South American business, operating profit rose in Q2 2018 primarily due to higher egg and fruit packaging volumes as well as higher efficiency. Profitability was furthermore positively impacted by inflation in Argentina as Hartmann sold fruit packaging in Q2, which had been produced to stock earlier in the year ahead of the fruit season. The gross margin in Argentina is expected to normalise in H2 2018 after the end of the fruit season.

Operating profit from our operations in the Americas was DKK 64 million in H1 2018 (2017: DKK 55 million), corresponding to a profit margin of 13.9% (2017: 11.4%).

Corporate functions

Costs related to corporate functions rose to DKK 10 million in Q2 (2017: DKK 7 million). The increase was due to a change in the allocation of IT costs from business segments to corporate functions. Costs related to corporate functions stood at DKK 15 million in H1 2018 (2017: DKK 18 million).

Special items

Special items amounted to a net expense of DKK 16 million in Q2 (2017: DKK 0 million) and a net expense of DKK 21 million in H1 2018. Expenses mainly related to initiatives under the 'Perform 2018' programme, involving for example the transfer of a number of functions from Hartmann's office in Germany to the group's Hungarian organisation, the transfer of test centre activities from the former factory in Germany to other factories and organisational adjustments. Expenses also included continuing remuneration after the passing of former CEO Ulrik Kolding Hartvig in February. Special items for 2018 remain an estimated net expense of around DKK 25 million (2017: DKK net expense of DKK 14 million).

Financial income and expenses

Financial income and expenses were a net expense of DKK 30 million (2017: net expense of DKK 30 million) for Q2 2018 and a net expense of DKK 39 million (2017: net expense of DKK 33 million) for H1 2018.

Profit for the period

Profit before tax rose to DKK 14 million in Q2 (2017: DKK 2 million), and tax on the profit for the period was an expense of DKK 4 million (2017: expense of DKK 1 million). Accordingly, the profit after tax for Q2 2017 was DKK 10 million (2017: DKK 1 million). Profit before tax for H1 2018 increased to DKK 91 million (2017: DKK 60 million). Tax was an expense of DKK 23 million (2017: expense of DKK 16 million), taking the profit after tax for H1 2018 to DKK 68 million (2017: DKK 44 million).

Comprehensive income

Comprehensive income for Q2 2018 was negative at DKK 17 million (2017: negative at DKK 45 million), impacted by foreign

Developments in Q2 2018

exchange adjustments of equity in the group's foreign subsidiaries. Comprehensive income for H1 2018 was positive at DKK 17 million (2017: positive at DKK 4 million).

Cash flows

Consolidated cash flows from operating activities grew to a net inflow of DKK 66 million in Q2 2018 (2017: net inflow of DKK 57 million), supported by the higher operating profit, while the increase in the group's working capital and payment of restructuring costs both had a negative impact. Total cash flows from operating activities amounted to a net inflow of DKK 137 million in H1 2018 (2017: net inflow of DKK 92 million).

Cash flows from investing activities amounted to a net outflow of DKK 28 million for Q2 2018 (2017: net outflow of DKK 65 million) and a net outflow of DKK 38 million for H1 2018 (2017: net outflow of DKK 135 million). The change reflected the group's substantial investments in expanding production capacity in 2017.

Total cash flows from operating and investing activities improved to a net inflow of DKK 38 million for Q2 2018 (2017: net outflow of DKK 8 million) and a net inflow of DKK 99 million for H1 2017 (2017: net outflow of DKK 43 million).

Cash flows from financing activities were a net outflow of DKK 66 million for Q2 2018 (2017: net outflow of DKK 17 million), the change reflecting non-current debt raised in Q2 2017. For the first half of 2018, cash flows from financing activities amounted to a net outflow of DKK 68 million (2017: net outflow of DKK 19 million).

Net interest-bearing debt at 30 June 2018 was DKK 614 million (2017: DKK 745 million).

Financial resources amounted to DKK 339 million at 30 June 2018, comprising cash and cash equivalents and undrawn loan and overdraft facilities. Hartmann's loans are subject to standard financial covenants, see note 33 to the financial statements in the annual report for 2017.

ROIC

The return on invested capital rose to 22% in Q2 2018 (2017: 15%).

Equity

Equity at 30 June 2018 stood at DKK 697 million (2017: DKK 709 million), for an equity ratio of 40% (2017: 36%). The decline was attributable to foreign exchange adjustments of subsidiaries. The financial gearing ratio was 88% at 30 June 2018 (2017: 105%).

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.

Due to rising inflation over the past three years, Argentina was added to IPTF's watch list of hyperinflationary economies at the end of Q2 2018. Accordingly, as from the interim report for Q3 2018, the group's operations in Argentina will be accounted for in accordance with the requirements of IAS 29, Financial reporting in hyperinflationary economies. As a result of this change in accounting policy, the operations in Argentina are required to be adjusted for the effects of hyperinflation on recognition in the consolidated financial statements as from 1 July 2018 with effect from 1 January 2018.

Outlook

Based on the positive performance in H1 2018 and the 'Perform 2018' programme progressing as planned, we maintain our guidance for 2018. The group expects to reach the lower end of our guidance interval for revenue of DKK 2.2-2.3 billion and a profit margin of 11.5-13%. The clarification was made in response to the significant adverse currency movements in H1 and the IAS 29 requirement for the results of the operations in Argentina to be adjusted for the effects of hyperinflation going forward as well as the expectation that utilisation of Hartmann's total capacity in North America will remain slower in H2.

We maintain our guidance of a return on invested capital of at least 18% and total capital expenditure of around DKK 150 million.

Guidance

	2018
Revenue	DKK 2.2-2.3bn
Profit margin	11.5-13%
Return on invested capital	At least 18%
Capital expenditure	DKK ~150 million

Assumptions

Our revenue and profit margin guidance for 2018 reflects assumptions of unchanged foreign exchange rates and a positive impact of the initiatives under the 'Perform 2018' programme as well as continued slow capacity utilisation in North America.

Due to seasonal fluctuations in Hartmann's packaging sales, revenue and operating profit are generally higher in Q1 and Q4 than in Q2 and Q3.

Any deviations from these assumptions may affect our full-year performance.

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 2017.

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 33 to the financial statements in the annual report for 2017.

Raw materials

Hartmann is exposed to changes in purchase prices of the raw materials used in our production. We are particularly sensitive to fluctuations in purchase prices 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.

We regularly sign 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.

We strive to reduce our sensitivity to fluctuations in raw materials prices through continuous implementation of technological innovation and optimisation of work processes.

Product portfolio

Hartmann's portfolio of moulded-fibre products comprises retail packaging for eggs and transport packaging for eggs and fruit. 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 and transport 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 one of the group's single largest transaction risks. This exposure results from the main part of sales generated in the North American business being invoiced in USD, while 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.

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 2018.

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 2018 and of the results of the group's operations and cash flows for the six months ended 30 June 2018.

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, 21 August 2018

Executive board:

Torben Rosenkrantz-Theil
CEO

Marianne Rørslev Bock
CFO

Board of directors:

Agnete Raaschou-Nielsen
Chairman

Steen Parsholt
Vice chairman

Andy Hansen

Jan Klarskov Henriksen

Jørn Mørkeberg Nielsen

Palle Skade Andersen

Financial statements

Statement of comprehensive income

DKKm **Group**	**Q2 2018**	**Q2 2017**	**H1 2018**	**H1 2017**
Revenue	542.3	514.3	1,166.0	1,086.6
Production costs	(377.6)	(375.7)	(799.5)	(771.8)
Gross profit	**164.7**	**138.6**	**366.5**	**314.8**
Selling and distribution costs	(78.5)	(80.1)	(161.2)	(164.7)
Administrative expenses	(25.8)	(26.7)	(53.4)	(57.3)
Other operating income	0.0	0.1	0.0	0.1
Operating profit before special items	**60.4**	**31.9**	**151.9**	**92.9**
Special items	(15.8)	0.0	(21.4)	0.0
Operating profit	**44.6**	**31.9**	**130.5**	**92.9**
Financial income	0.5	0.5	0.7	3.0
Financial expenses	(30.9)	(30.6)	(40.2)	(36.0)
Profit before tax	**14.2**	**1.8**	**91.0**	**59.9**
Tax on profit for the period	(4.1)	(0.5)	(23.3)	(15.6)
PROFIT FOR THE PERIOD	**10.1**	**1.3**	**67.7**	**44.3**
Earnings per share, DKK	1.5	0.2	9.8	6.4
Diluted earnings per share, DKK	1.5	0.2	9.8	6.4

DKKm **Group**	**Q2 2018**	**Q2 2017**	**H1 2018**	**H1 2017**
Profit for the period	**10.1**	**1.3**	**67.7**	**44.3**
Items that can be reclassified to profit for the period:				
Foreign exchange adjustment of:				
Foreign subsidiaries	(21.6)	(48.3)	(47.0)	(42.2)
Value adjustment of hedging instruments:				
Recognised in other comprehensive income	(2.5)	5.6	(5.3)	5.9
Transferred to revenue	0.8	(1.6)	(0.4)	(2.5)
Transferred to production costs	0.5	(0.2)	0.2	(0.3)
Transferred to financial income and expenses	(0.1)	(0.5)	0.1	(0.3)
Tax	0.4	(0.9)	1.4	(0.8)
Other comprehensive income after tax	**(22.5)**	**(45.9)**	**(51.0)**	**(40.2)**
COMPREHENSIVE INCOME	**(12.4)**	**(44.6)**	**16.7**	**4.1**

Statement of cash flows

DKKm **Group**	**Q2 2018**	**Q2 2017**	**H1 2018**	**H1 2017**
Operating profit before special items	60.4	31.9	151.9	92.9
Depreciation and amortisation	32.4	32.8	64.9	61.8
Adjustment for other non-cash items	(0.1)	(0.1)	(0.1)	(0.1)
Change in working capital etc.	(10.7)	2.2	(54.0)	(42.6)
Restructuring costs etc. paid	(7.3)	(0.9)	(9.5)	(1.4)
Cash generated from operations	**74.7**	**65.9**	**153.2**	**110.6**
Interest etc. received	1.3	0.1	0.8	0.3
Interest etc. paid	(6.7)	(6.4)	(11.1)	(11.8)
Net income tax paid	(3.2)	(2.5)	(5.9)	(6.9)
Cash flows from operating activities	**66.1**	**57.1**	**137.0**	**92.2**
Acquisition of intangible assets	(2.0)	(0.5)	(2.2)	(1.0)
Acquisition of property, plant and equipment	(26.0)	(64.3)	(36.5)	(134.5)
Disposal of property, plant and equipment	0.2	0.1	0.3	0.1
Cash flows from investing activities	**(27.8)**	**(64.7)**	**(38.4)**	**(135.4)**
Cash flows from operating and investing activities	**38.3**	**(7.6)**	**98.6**	**(43.2)**
Raising of non-current debt	0.0	50.0	0.0	50.0
Repayment of non-current debt	(0.7)	(1.3)	(2.0)	(3.0)
Dividend paid	(65.7)	(65.7)	(65.7)	(65.7)
Cash flows from financing activities	**(66.4)**	**(17.0)**	**(67.7)**	**(18.7)**
TOTAL CASH FLOWS	**(28.1)**	**(24.6)**	**30.9**	**(61.9)**
Cash and cash equivalents at 1 January	30.9	(47.0)	(28.2)	(11.6)
Foreign exchange adjustment	(2.7)	4.3	(2.6)	6.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**0.1**	**(67.3)**	**0.1**	**(67.3)**

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

DKKm **Group**	**Q2 2018**	**Q2 2017**	**H1 2018**	**H1 2017**
Recognition of cash and cash equivalents at end of period:				
Cash	58.4	61.4	58.4	61.4
Overdraft facilities	(58.3)	(128.7)	(58.3)	(128.7)
Cash and cash equivalents at end of period	**0.1**	**(67.3)**	**0.1**	**(67.3)**

Balance sheet

Assets

DKKm **Group**	**30 June 2018**	**30 June 2017**	**31 Dec. 2017**
Goodwill	63.1	73.2	69.9
Other intangible assets	27.1	33.3	31.5
Intangible assets	**90.2**	**106.5**	**101.4**
Land and buildings	284.0	262.3	301.3
Plant and machinery	585.5	494.8	640.7
Other fixtures and fittings, tools and equipment	17.2	15.1	20.9
Plant under construction	33.6	245.9	21.7
Property, plant and equipment	**920.3**	**1,018.1**	**984.6**
Investments in associates	3.0	3.1	3.1
Other receivables	0.0	1.7	0.0
Deferred tax	45.8	91.3	51.9
Other non-current assets	**48.8**	**96.1**	**55.0**
Non-current assets	**1,059.3**	**1,220.7**	**1,141.0**
Inventories	195.9	223.6	240.6
Trade receivables	338.7	375.6	329.6
Income tax	8.1	11.3	8.6
Other receivables	76.4	63.1	76.4
Prepayments	18.8	20.2	16.3
Cash	58.4	61.4	52.6
Current assets	**696.3**	**755.2**	**724.1**
ASSETS	**1,755.6**	**1,975.9**	**1,865.1**

Equity and liabilities

DKKm **Group**	**30 June 2018**	**30 June 2017**	**31 Dec. 2017**
Share capital	140.3	140.3	140.3
Hedging reserve	(3.4)	2.2	0.6
Translation reserve	(209.4)	(129.1)	(162.4)
Retained earnings	769.4	695.6	701.7
Proposed dividend	0.0	0.0	65.7
Equity	**696.9**	**709.0**	**745.9**
Deferred tax	11.9	11.0	14.3
Pension obligations	47.2	47.1	51.4
Credit institutions	612.6	671.0	607.7
Government grants	4.9	7.3	5.9
Non-current liabilities	**676.6**	**736.4**	**679.3**
Credit institutions	1.1	6.8	4.5
Government grants	1.5	2.0	1.6
Overdraft facilities	58.3	128.7	80.9
Prepayments from customers	2.3	55.7	45.3
Trade payables	149.0	180.9	165.5
Payables to associates	4.3	0.0	4.6
Income tax	12.3	11.5	1.6
Provisions	12.2	3.2	0.4
Other payables	141.1	141.7	135.5
Current liabilities	**382.1**	**530.5**	**439.9**
Liabilities	**1,058.7**	**1,266.9**	**1,119.2**
EQUITY AND LIABILITIES	**1,755.6**	**1,975.9**	**1,865.1**

Statement of changes in equity

Group	2018						2017					
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**	**0.6**	**(162.4)**	**701.7**	**65.7**	**745.9**	**140.3**	**0.1**	**(86.8)**	**651.3**	**65.7**	**770.6**
Profit for the period	-	-	-	67.7	-	67.7	-	-	-	44.3	-	44.3
Other comprehensive income												
Items that can be reclassified to profit for the period												
Foreign exchange adjustment of:												
Foreign subsidiaries	-	-	(47.0)	-	-	(47.0)	-	-	(42.2)	-	-	(42.2)
Value adjustment of hedging instruments:												
Recognised in other comprehensive income	-	(5.3)	-	-	-	(5.3)	-	5.9	-	-	-	5.9
Transferred to revenue	-	(0.4)	-	-	-	(0.4)	-	(2.5)	-	-	-	(2.5)
Transferred to production costs	-	0.2	-	-	-	0.2	-	(0.3)	-	-	-	(0.3)
Transferred to financial income and expenses	-	0.1	-	-	-	0.1	-	(0.3)	-	-	-	(0.3)
Tax	-	1.4	-	-	-	1.4	-	(0.8)	0.0	-	-	(0.8)
Other comprehensive income	**0.0**	**(4.0)**	**(47.0)**	**0.0**	**0.0**	**(51.0)**	**0.0**	**2.0**	**(42.2)**	**0.0**	**0.0**	**(40.2)**
Total comprehensive income	**0.0**	**(4.0)**	**(47.0)**	**67.7**	**0.0**	**16.7**	**0.0**	**2.0**	**(42.2)**	**44.3**	**0.0**	**4.1**
Transactions with owners												
Dividend paid	-	-	-	-	(65.7)	(65.7)	-	-	-	-	(65.7)	(65.7)
Total changes in equity	**0.0**	**(4.0)**	**(47.0)**	**67.7**	**(65.7)**	**(49.0)**	**0.0**	**2.0**	**(42.2)**	**44.3**	**(65.7)**	**(61.6)**
Equity at 30 June	**140.3**	**(3.4)**	**(209.4)**	**769.4**	**0.0**	**696.9**	**140.3**	**2.1**	**(129.0)**	**695.6**	**0.0**	**709.0**

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 as set out below with respect to IFRS 9 and IFRS 15, the accounting policies applied in the interim financial statements are consistent with the accounting policies applied in the consolidated financial statements for 2017. The accounting policies are described in note 1 to the financial statements in the annual report for 2017, to which reference is made. The change of accounting policies has not had any financial impact.

New financial reporting standards and interpretations in 2018
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 2018, including IFRS 9 and IFRS 15.

Effective 1 January 2018, Hartmann has implemented IFRS 9 'Financial Instruments', which replaces IAS 39. The standard introduces a new model for classification and measurement of financial assets and liabilities based on the business model applied by the entity and the characteristics of the underlying cash flows. It also introduces a new impairment model for all financial assets. Hartmann has analysed the impact of implementing the standard and believes its consolidated and parent company financial statements will be affected only by the changed disclosure requirements for the notes to the financial statements. The revised impairment principle has had a negligible impact on Hartmann's current impairment process and, by extension, an insignificant effect on the interim report.

Effective 1 January 2018, Hartmann has implemented IFRS 15 'Revenue from Contracts with Customers', which replaces the current revenue standards (IAS 11 and IAS 18) and interpretations. The standard introduces a new model for recognition and measurement of revenue from sales contracts with customers. The new model provides a five-step model to be applied to all sales contracts with customers to determine when and how revenue is to be recognised in the statement of comprehensive income.

Hartmann has analysed the impact of IFRS 15 and believes it will not have any impact on its core business. In respect of Hartmann Technology, implementing IFRS 15 means that the recognition of revenue from certain services provided in connection with sales of machinery will be deferred as compared with former practice. However, the effects of this deferment on the interim report are negligible.

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 2017 for a full description of significant accounting estimates, assumptions and uncertainties.

Other matters
Due to seasonal fluctuations, consolidated revenue and operating profit are generally higher in the first and fourth quarters of the year.

03 Segment information

The reporting of business segments is in accordance with the internal reporting to the executive board and the board of directors. The executive board and the board of directors constitute Hartmann's chief operating decision maker.

Hartmann's activities are segmented on the basis of the geographical location of the reporting units.

No operating segments have been aggregated to represent the reporting segments.

The internal management reporting complies with the group's accounting policies. Business decisions on resource allocation and performance evaluation for each of the segments are made on the basis of operating profit. 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. 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/losses 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 technology for production of moulded-fibre packaging and related services.

- **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.

Notes

03 Segment information – continued

Activities	2018						2017					
	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	286.1	601.4	221.5	460.7	507.6	1,062.1	274.9	577.1	234.4	485.5	509.3	1,062.6
Other revenue	34.7	103.9	-	-	34.7	103.9	5.0	24.0	-	-	5.0	24.0
Revenue as per statement of comprehensive income	**320.8**	**705.3**	**221.5**	**460.7**	**542.3**	**1,166.0**	**279.9**	**601.1**	**234.4**	**485.5**	**514.3**	**1,086.6**
Operating profit before special items	40.4	101.8	29.2	64.1	69.6	165.9	13.8	54.5	24.5	55.1	38.3	109.6
Other segment information												
Depreciation and amortisation	14.4	28.8	16.9	33,8	-	-	17.7	32.9	15.6	29.8	-	-
Investments in intangible assets and property plant and equipment	-	21.5	-	17.4	-	-	-	74.9	-	60.9	-	-
Net working capital	-	190.5	-	131.1	-	-	-	138.1	-	164.0	-	-
Invested capital	-	571.7	-	729.7	-	-	-	541.7	-	855.8	-	-
Segment assets	-	835.5	-	863.7	-	1,699.2	-	851.5	-	982.8	-	1,834.3

Reconciliation	2018		2017	
	Q2	H1	Q2	H1
Performance targets				
Operating profit before special items for reporting segments	69.6	165.9	38.3	109.6
Non-allocated corporate functions	(9.6)	(14.8)	(6.9)	(17.6)
Eliminations	0.4	0.8	0.5	0.9
Operating profit before special items as per statement of comprehensive income	**60.4**	**151.9**	**31.9**	**92.9**
Special items	(15.8)	(21.4)	0.0	0.0
Operating profit as per statement of comprehensive income	**44.6**	**130.5**	**31.9**	**92.9**
Financial income	0.5	0.7	0.5	3.0
Financial expenses	(30.9)	(40.2)	(30.6)	(36.0)
Profit before tax as per statement of comprehensive income	**14.2**	**91.0**	**1.8**	**59.9**

Assets	30 June 2018	30 June 2017
Assets for reporting segments	1,699.2	1,834.3
Non-allocated assets	115.4	167.1
Eliminations	(59.0)	(25.5)
Assets as per balance sheet	**1,755.6**	**1,975.9**

Notes

04 Special items

	Q2 2018	Q2 2017	H1 2018	H1 2017
Severance payments, continuing remuneration, etc.	13.5	0.0	15.3	0.0
Other expenses	2.3	0.0	6.1	0.0
Special costs	**15.8**	**0.0**	**21.4**	**0.0**

05 Financial instrument categories

Financial instrument categories

	30 June 2018		30 June 2017		31 December 2017	
DKKm	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Derivative financial instruments to hedge future cash flows	1.6	1.6	5.3	5.3	4.2	4.2
Financial assets used as hedging instruments	**1.6**	**1.6**	**5.3**	**5.3**	**4.2**	**4.2**
Trade receivables	338.7	338.7	375.6	375.6	329.6	329.6
Other receivables	82.9	82.9	69.1	69.1	80.8	80.8
Cash	58.4	58.4	61.4	61.4	52.6	52.6
Loans and receivables	**480.0**	**480.0**	**506.1**	**506.1**	**463.0**	**463.0**
Derivative financial instruments to hedge future cash flows	6.3	6.3	2.3	2.3	3.3	3.3
Financial liabilities used as hedging instruments	**6.3**	**6.3**	**2.3**	**2.3**	**3.3**	**3.3**
Credit institutions	672.0	672.3	806.5	807.4	693.1	693.7
Other liabilities	311.8	311.8	332.8	332.8	303.8	303.8
Financial liabilities measured at amortised cost	**983.8**	**984.1**	**1,139.3**	**1,140.2**	**996.9**	**997.5**

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

06 Events after the balance sheet date

Except as recognised or mentioned in this interim report, no significant events have occurred after the balance sheet date at 30 June 2018 of significance to the consolidated financial statements.

Due to rising inflation over the past three years, Argentina was added to IPTF's watch list of hyperinflationary economies at the end of Q2 2018. Accordingly, as from the interim report for Q3 2018, the group's operations in Argentina will be accounted for in accordance with the requirements of IAS 29, Financial reporting in hyperinflationary economies. As a result of this change in accounting policy, the operations in Argentina are required to be adjusted for the effects of hyperinflation on recognition in the consolidated financial statements as from 1 July 2018 with effect from 1 January 2018.

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 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 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 South America, where our product portfolio also includes fruit packaging. Hartmann has a small, but growing share of the North American market. Hartmann's technology and related services are also sold globally outside Hartmann's main markets.

Products and customers

Hartmann sells egg and fruit packaging to manufacturers, distributors and retail chains, which are increasingly demanding specialised marketing expertise. Our comprehensive product portfolio is customised to accommodate customer and consumer needs in each individual market. Hartmann's technology and related services are sold to manufacturers of moulded-fibre packaging outside the group's main 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 form the basis of the establishment, development and maintenance of our production platform. Each year, the group's 2,000 employees manufacture billions of moulded-fibre packaging units.

The Hartmann share

Hartmann's shares have been listed on Nasdaq Copenhagen since 1982. Hartmann has 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 2018

13 November 2018	Interim report Q3 2018

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