

Annual report 2019



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Letter from management

Volume growth, higher revenue and earnings and new capacity drove solid Hartmann performance in 2019

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Strategy

In 2019, Hartmann launched its 'Think ahead' strategy, expanded capacity, improved efficiency and stepped up marketing efforts

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Think News

In 2019, Hartmann released data from surveys of consumer views on plastic and moulded-fibre packaging in its newsletter, 'Think News'

➔ Visit the website



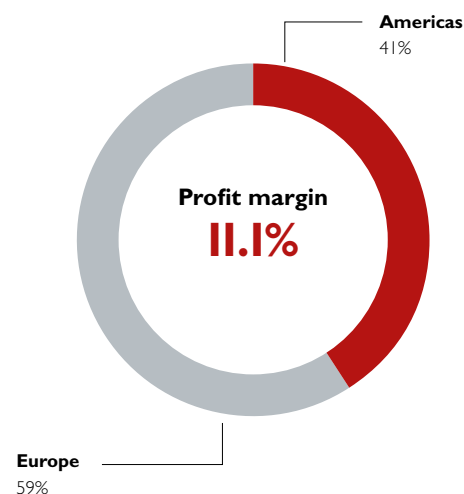
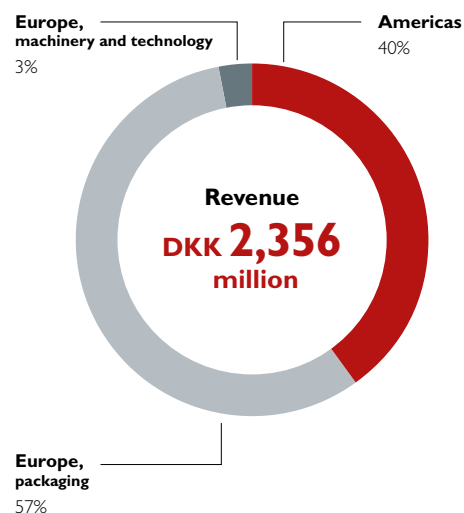
Highlights

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



Capital expenditure
DKK 197 million

Factory Planned new factory Machine factory Office

Think ahead

- Capacity added in Europe and Argentina
- New capacity in Brazil, the USA and Europe in 2020
- Conditional agreement to purchase factory in India early 2020
- Automation and new technology
- Organisational adjustments
- Increased production per employee
- Consumer surveys
- Intensified marketing efforts

Key figures and financial ratios for the group

Latest guidance: upper end of DKK 2.2-2.4 billion range

DKKm	2019	2019 Excl. IAS 29	2018	2018 Excl. IAS 29	2017	2016	2015
Comprehensive income							
Revenue	2,356	2,361	2,207	2,224	2,207	2,096	2,133
Operating profit	250	262	215	226	235	248	234
Special items	0	0	(33)	(33)	(14)	0	(101)
Operating profit after special items	250	262	182	193	221	248	133
Financial income and expenses, net	(35)	(38)	(46)	(56)	(54)	(27)	(23)
Profit before tax	215	225	136	138	168	221	111
Profit for the year	167	185	96	103	122	175	111
Comprehensive income	180	170	85	62	41	239	1
Cash flows							
Operating activities	296	296	265	265	258	248	221
Investing activities	(197)	(197)	(128)	(128)	(205)	(337)	(512)
Financing activities	(92)	(92)	(68)	(68)	(78)	(26)	332
Total	7	7	68	68	(26)	(115)	41
Balance sheet							
Assets	2,042	2,002	1,834	1,804	1,865	1,942	1,720
Investments in property, plant and equipment	193	196	122	122	204	339	186
Net working capital	323	322	287	287	312	275	308
Invested capital	1,502	1,455	1,321	1,288	1,339	1,323	1,055
Net interest-bearing debt (NIBD)	634	634	577	577	641	644	495
NIBD excl. lease liabilities	556	556	577	577	641	644	495
Equity	879	847	765	742	746	771	598

Latest guidance: About 11%

	2019	2019 Excl. IAS 29	2018	2018 Excl. IAS 29	2017	2016	2015
Financial ratios, %							
Profit margin	10.6	11.1	9.7	10.2	10.7	11.8	11.0
Return on invested capital (ROIC)	16.9	18.2	16.0	17.2	17.1	20.9	21.7
Return on equity	20.5	23.5	12.8	14.1	16.2	25.0	17.1
Equity ratio	43.1	42.3	41.7	41.1	40.0	39.7	34.7
Gearing	72.1	74.8	75.4	77.8	85.9	83.6	82.8
Share-based financial ratios							
No. of shares (excl. treasury shares)	6,915,090	6,915,090	6,915,090	6,915,090	6,915,090	6,915,090	6,915,090
Earnings per share, DKK (EPS)	24.2	26.8	13.9	14.9	17.6	25.3	16.1
Cash flows per share, DKK	42.8	42.8	38.3	38.3	37.3	35.9	32.0
Dividend per share, DKK (proposed)	0.0	0.0	9.50	9.50	9.50	9.50	9.50
Book value per share, DKK	127.1	122.4	110.6	107.3	107.9	111.4	86.4
Share price, DKK	304.0	304.0	253.0	253.0	320.0	338.0	271.0
Share price/book value per share	2.4	2.5	2.3	2.4	3.0	3.0	3.1
Share price/earnings (P/E)	12.6	11.3	18.2	16.9	18.1	13.4	16.9
Payout ratio, %	0.0	0.0	69.4	64.5	54.6	38.1	60.0
Market value, DKKm	2,132.6	2,132.6	1,774.8	1,774.8	2,244.8	2,371.1	1,901.1
Employees							
Average no. of full-time employees	1,997	1,997	1,996	1,996	1,994	1,992	2,086

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

Strong performance in 2019

Supported by the favourable trends currently driving our industry and markets, we reported growth and strong results for 2019. Demand for our packaging products is increasing in step with population growth, urbanisation and the growing structured retail trade, while at the same time consumers are increasingly expecting to find sustainable product packaging on supermarket shelves.

In 2019, we significantly grew sales of egg and fruit packaging and lifted both revenue and operating profit to the highest levels in Hartmann's history. We generated revenue of close to DKK 2.4 billion and a profit margin of 11.1% on the back of a solid core business performance.

Progress in our core business was driven by volume growth, enhanced production efficiency and high capacity utilisation. At the same time, we successfully grew the proportion of premium products and lifted average selling prices in an effort to offset higher raw materials prices, which impacted our results during the year.

In keeping with our 'Think ahead' strategy, we stepped up our capital expenditure in 2019. New production capacity was commissioned in Europe and Argentina, and we made plans to significantly expand capacity in Europe, primarily in the UK, substantially expand the existing factory in the USA and open a new factory in Brazil in the course of 2020.

At the beginning of 2020, we signed a conditional agreement to acquire Mohan Fibre, an Indian manufacturer of moulded-fibre packaging for eggs and apples.

Expecting to complete the acquisition in mid-2020, we are on track to establish a solid platform in the large, attractive Indian market,

which is characterised by favourable demographics, a growing retail sector and an increasing production of eggs and fruit.

In light of the massive investments we are making in existing and new markets, the board of directors will recommend to the shareholders at the annual general meeting that no dividend be paid to the group's shareholders in 2020. This will secure our continued ability to capitalise on future attractive expansion and acquisition opportunities in order to secure the strongest possible foundation for sustaining growth and realising the ambitions of our 'Think ahead' strategy.

In 2020, we expect to grow volumes across all our markets and to lift total revenue to a level between DKK 2.4 and DKK 2.6 billion for a profit margin in the 10-12% range.

Agnete Raaschou-Nielsen
Chairman

Torben Rosenkrantz-Theil
CEO

” *Volume growth, higher revenue and earnings and new capacity drove solid Hartmann performance in 2019*



2019 in review

Q4 2019

Q4 2019 revenue was up to DKK 615 million (2018: DKK 588 million) after restatement for hyperinflation, supported by sales and revenue growth in Europe and the Americas. Currency movements reduced revenue by a net DKK 25 million in the fourth quarter. Movements in the Argentine peso (ARS) reduced revenue by DKK 31 million, of which DKK 13 million was attributable to restatement for hyperinflation. Before restatement for hyperinflation, consolidated revenue was up to DKK 611 million (2018: DKK 566 million) in Q4 2019.

The European business reported total Q4 revenue up to DKK 367 million (2018: DKK 346 million) with revenue from packaging sales growing to DKK 360 million (2018: DKK 341 million) and Hartmann Technology slightly lifting revenue to DKK 7 million (2018: DKK 5 million). Revenue from the Americas grew to DKK 248 million (2018: DKK 243 million) after restatement for hyperinflation and DKK 244 million (2018: DKK 221 million) before restatement for hyperinflation.

Consolidated operating profit came to DKK 74 million (2018: DKK 48 million) before restatement for hyperinflation, for a profit margin of 12.1% (2018: 8.4%). Growth was driven by Europe and the Americas alike with the North American operations being the main driver behind the progress in the Americas. After restatement for hyperinflation, Q4 operating profit came to DKK 71 million (2018: DKK 49 million), taking the profit margin to 11.6% (2018: 8.4%).

The European business reported operating profit of DKK 51 million (2018: DKK 38 million), for a profit margin of 13.9% (2018: 11.1%), supported by higher average selling prices and volume growth. Operating profit from the business in the Americas totalled DKK 32 million before restatement for hyperinflation (2018: DKK

17 million), for a profit margin of 13.2% (2018: 7.8%). The main driver behind the increase was the business in North America, which grew volumes and lifted average selling prices and sales of premium products. The South American business was impacted by higher raw materials costs in Q4 2019. After restatement for hyperinflation, Q4 2019 operating profit from the Americas came to DKK 30 million (2018: DKK 19 million), for a profit margin of 11.9% (2018: 7.7%).

Q4 2019 cash flows from operating activities amounted to a net inflow of DKK 93 million (2018: net inflow of DKK 105 million). Consolidated cash flows from investing activities were a net outflow of DKK 51 million (2018: net outflow of DKK 58 million), while cash flows from financing activities were a net outflow of DKK 32 million (2018: DKK 0 million), reflecting repayment of long-term debt.

2019

Revenue

Growing consolidated revenue to DKK 2,356 million (2018: DKK 2,207 million) after restatement for hyperinflation, the group performed in line with its most recent guidance of revenue at the upper end of the DKK 2.2-2.4 billion range.

Currency movements reduced 2019 revenue by a net DKK 124 million. Movements in the Argentine peso (ARS) reduced revenue by DKK 147 million, of which DKK 44 million was attributable to restatement for hyperinflation. The negative impact of restatement for hyperinflation was largely offset by the effects of price index adjustments in Argentina, and overall group revenue before restatement for hyperinflation was up to DKK 2,361 million (2018: DKK 2,224 million), see the section on hyperinflation on page 22.

Selected key figures and financial ratios

	Q4 2019	Q4 2019 excl. IAS 29	Q3 2019	Q3 2019 excl. IAS 29	Q2 2019	Q2 2019 excl. IAS 29	Q1 2019	Q1 2019 excl. IAS 29	Q4 2018	Q4 2018 excl. IAS 29
DKKm										
Revenue	615	611	591	604	553	547	596	599	588	566
Operating profit	71	74	76	81	45	47	58	61	49	48
Special items	0	0	0	0	0	0	0	0	(3)	(3)
Financial income and expenses, net	(7)	(5)	(15)	(18)	(7)	(8)	(7)	(7)	0	3
Profit for the period	60	67	45	48	26	30	37	41	33	37
Total cash flows	9	9	69	69	(87)	(87)	16	16	47	47
Profit margin, %	11.6	12.1	12.9	13.3	8.1	8.5	9.8	10.2	8.4	8.4

The selected key figures and financial ratios are unaudited.

2019 in review

Europe

The European business grew revenue to DKK 1,406 million in 2019 (2018: DKK 1,340 million), supported by solid core business volume growth, an increased proportion of premium packaging products and higher average selling prices. Revenue from egg packaging sales grew to DKK 1,344 million (2018: DKK 1,226 million), while revenue from Hartmann Technology, as expected, dropped to DKK 61 million (2018: DKK 115 million) in 2019.

Americas

In spite of significant currency headwinds in Argentina, the business in the Americas lifted revenue to DKK 951 million (2018: DKK 867 million).

The North American business reported improved capacity utilisation and higher revenue for 2019 on the back of strong volume growth, favourable currency effects and higher average selling prices.

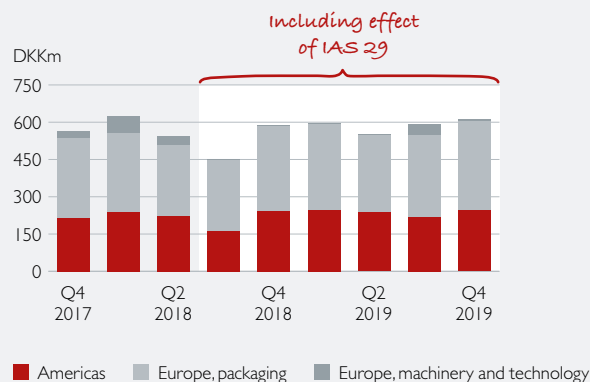
The business in South America reported slightly higher revenue for 2019, supported by continued volume growth more than offsetting significant adverse currency effects and restatement for hyperinflation in Argentina. The Argentinian business reported solid growth in sales of both egg and fruit packaging, while volume growth in Brazil was moderate.

Before restatement for hyperinflation, revenue from the Americas came to DKK 955 million (2018: DKK 884 million).

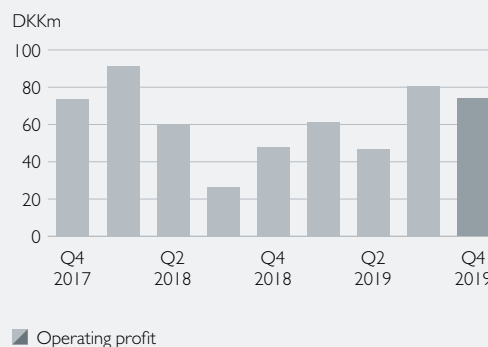
Operating profit

Hartmann generated operating profit before restatement for hyperinflation of DKK 262 million in 2019 (2018: DKK 226 million), taking the profit margin to 11.1% (2018: 10.2%) and meeting the group's most recent guidance of a profit margin of about 11% before restatement for hyperinflation. Earnings were supported by volume growth across the group's markets, higher average selling prices and licence income resulting from the settlement of a European patent infringement dispute concerning Hartmann's imagic® products, while the contribution from Hartmann Technology was sharply down on 2018. While currency movements in Argentina reduced operating profit by DKK 20 million, the net effect of currency fluctuations on operating profit before restatement for hyperinflation was negative at a moderate DKK 3 million.

Revenue



Operating profit excl. effect of IAS 29



Profit margin excl. effect of IAS 29



2019 in review

After restatement for hyperinflation, 2019 operating profit came to DKK 250 million (2018: DKK 215 million), for a profit margin of 10.6% (2018: 9.7%).

Europe

The European business generated operating profit of DKK 170 million (2018: DKK 152 million), for a profit margin of 12.1% (2018: 11.3%). Operating profit was supported by higher average selling prices and increased sales of premium products, volume growth and substantial licence income, as referred to above, while higher raw materials and freight costs had a negative impact on earnings.

Americas

Operating profit from the Americas totalled DKK 119 million before restatement for hyperinflation (2018: DKK 98 million), for a profit margin of 12.5% (2018: 11.1%).

The North American business grew operating profit on the back of strong volume growth, favourable currency effects, higher average selling prices and improved production efficiency.

Impacted by substantial adverse currency effects in Argentina and significantly higher raw materials costs in both markets, the South American business reported a year-on-year decline in operating profit before restatement for hyperinflation.

After restatement for hyperinflation, 2019 operating profit from the Americas came to DKK 107 million (2018: DKK 87 million), for a profit margin of 11.3% (2018: 10.0%).

Corporate functions

Costs related to corporate functions came to DKK 29 million in 2019 (2018: DKK 26 million).

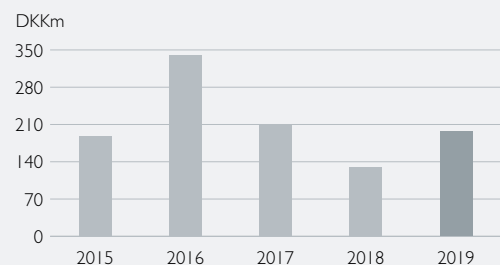
Special items

No special items were recognised in 2019 (2018: net expense of DKK 33 million).

Financial income and expenses

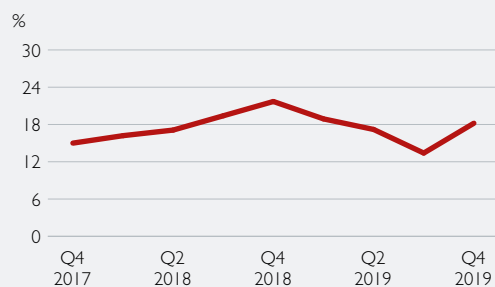
Financial income and expenses were a net expense of DKK 35 million (2018: net expense of DKK 46 million), reflecting a net currency effect of minus DKK 17 million (2018: minus DKK 36 million).

Capital expenditure excl. effect of IAS 29



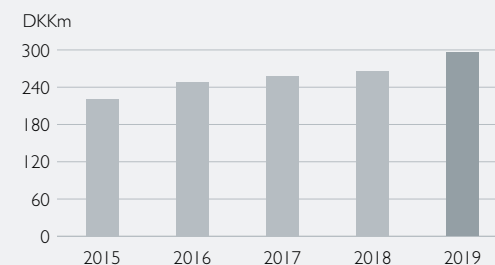
■ Investments in intangible assets and property, plant and equipment

ROIC excl. effect of IAS 29



— Return on invested capital (rolling 12 months)

Cash flows



■ Cash flows from operating activities

2019 in review

Profit for the year

The consolidated profit before tax was up to DKK 215 million (2018: DKK 136 million), reflecting increased operating profit in 2019 and substantial special costs in 2018.

Tax on the profit for the year was an expense of DKK 48 million (2018: expense of DKK 40 million), and the effective tax rate dropped to 22% (2018: 29%) after prior-year tax adjustments and a favourable impact of non-taxable income in 2019. The effective tax rate before restatement for hyperinflation was 18%.

The profit for the year was DKK 167 million after tax (2018: DKK 96 million).

Comprehensive income

Comprehensive income came to DKK 180 million for 2019 (2018: DKK 85 million), supported mainly by higher profit after tax and foreign exchange adjustments of foreign subsidiaries.

Investments and cash flows

Total assets were up to DKK 2,042 million (2018: DKK 1,834 million), driven by investments in production facilities and the recognition of lease assets in the amount of DKK 76 million following the implementation of IFRS 16 at 1 January 2019. At 31 December 2019, intangible assets and property, plant and equipment totalled DKK 1,215 million (2018: DKK 1,070 million). Capital expenditure was DKK 197 million (2018: DKK 129 million), in line with the group's most recent guidance of investments of about DKK 200 million. Depreciation and amortisation totalled DKK 141 million (2018: DKK 134 million).

Cash flows from operating activities were a net inflow of DKK 296 million (2018: net inflow of DKK 265 million), reflecting the improved operating profit for 2019 and the DKK 33 million restructuring costs incurred in 2018.

Cash flows from investing activities amounted to a net outflow of DKK 197 million (2018: net outflow of DKK 128 million), and total cash flows from operating and investing activities came to a net inflow of DKK 100 million (2018: net inflow of DKK 136 million).

Cash flows from financing activities amounted to a net outflow of DKK 92 million (2018: net outflow of DKK 68 million), driven by the repayment of debt and the raising of a new long-term credit facility in 2019.

Funding

The group's net interest-bearing debt at 31 December 2019 was DKK 634 million (2018: DKK 577 million). The increase was attributable to the implementation of IFRS 16 at 1 January 2019, which increased net interest-bearing debt by DKK 77 million at 31 December 2019 due to the recognition and capitalisation of leases, see note 17.

At 31 December 2019, financial resources amounted to DKK 394 million (2018: DKK 373 million), comprising cash and cash equivalents and undrawn loan and overdraft facilities. Hartmann's loans are subject to standard financial covenants, see note 31.

Assets

Total assets were up to DKK 2,042 million (2018: DKK 1,834 million), driven by investments in production facilities and the recognition of lease assets in the wake of the implementation of IFRS 16 at 1 January 2019.

ROIC

The return on invested capital was 18.2% (2018: 17.2%) before restatement for hyperinflation and 16.9% (2018: 16.0%) after restatement for hyperinflation. The improvement was attributable to higher operating profit.

Equity

Equity at 31 December 2019 was DKK 879 million (2018: DKK 765 million), for an equity ratio of 43% (2018: 42%). The financial gearing ratio was 72% (2018: 75%).

Earnings per share came to DKK 24.2 (2018: DKK 13.9).

Parent company

In 2019, the parent company generated revenue of DKK 1,374 million (2018: DKK 1,284 million) and operating profit of DKK 75 million (2018: DKK 55 million). Profit for the year was DKK 71 million (2018: DKK 39 million).

Pending lawsuits

Since 2008, Hartmann and district heating company Tønder Fjernvarmeselskab have disagreed on the principles for pricing district heating supplied by Hartmann's combined heat and power plant. In November 2019, the parties settled the dispute out of court and are currently awaiting the Danish Utility Regulator's approval of the settlement.

Events after the balance sheet date

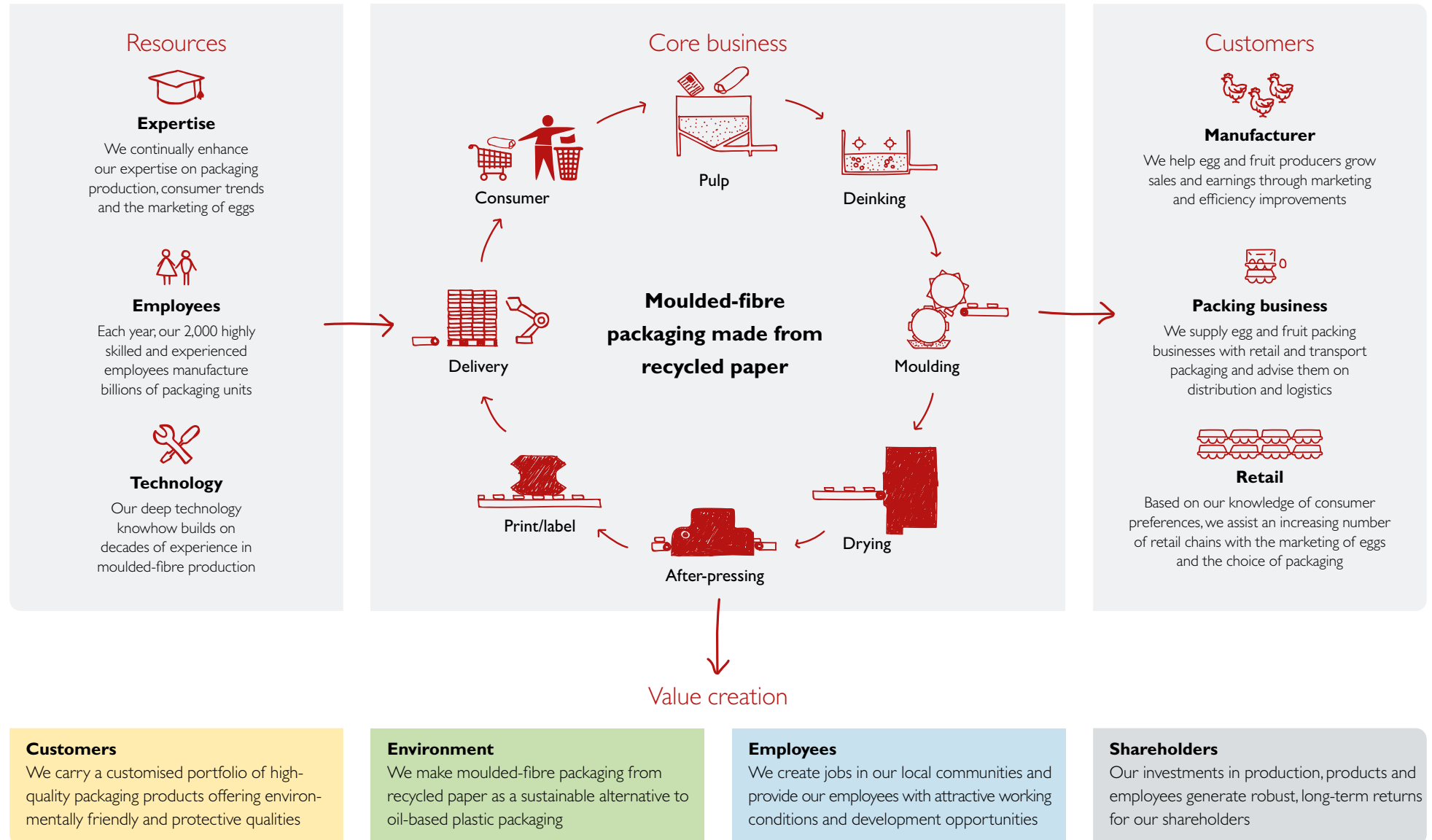
On 29 January 2020, Hartmann announced that the group had signed an agreement with the shareholders of Mohan Fibre Products Ltd. to acquire the company for a price of DKK 119 million, corresponding to an EBITDA multiple of about 9. The company, which generated 2019 revenue of DKK 75 million, sells moulded-fibre packaging to egg and apple producers in India, primarily in the northern states of Himachal Pradesh, Punjab and Haryana. The acquisition is being financed within the limits of the group's existing credit facilities and will impact favourably on Hartmann's earnings per share immediately after its completion, which is expected to take place in mid-2020, subject to the Indian authorities approving Hartmann as a buyer.

Business

Profit margin up to
11.1% on the back of
volume growth and higher
selling prices

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Business model



Guidance and ambitions

Guidance for 2020

We anticipate continued core business volume growth across the group's markets in 2020. In addition, we expect sales of machinery and technology to generate slightly higher revenue than in 2019. Consolidated revenue after restatement for hyperinflation is expected to amount to DKK 2.4-2.6 billion, including a moderate contribution from the Indian activities that are expected to become a part of the group in mid-2020.

The profit margin before special items is expected to be 10-12% before restatement for hyperinflation. Special items associated with the acquisition of India's Mohan Fibre, to be determined after the expected completion of the transaction, are expected to be moderate.

Investments are expected at around DKK 400 million in 2020, including the conditional acquisition of Indian-based Mohan Fibre for DKK 119 million.

Other assumptions

Our guidance is based on the exchange rates prevailing at the date of release of the annual report and does not factor in any acquisitions besides the conditional acquisition of Mohan Fibre. Due to seasonal fluctuations in Hartmann's packaging sales, revenue and operating profit in the core business are generally higher in Q1 and Q4 than in Q2 and Q3.

Revenue

DKK 2.4-2.6 billion

DKK 2,356 million in 2019

Profit margin*

10-12%

11.1% in 2019

Investments

DKK ~400 million

DKK 197 million in 2019

* Before restatement for hyperinflation.

Ambitions

Hartmann aims to continually grow its organic business and generate attractive profitability.

Our ability to meet our financial targets will vary over time, depending on market conditions, short-term effects of capacity adjustments, business developments and fluctuations in raw materials prices, exchange rates, etc. Our targets reflect management's expectations for Hartmann's financial performance assuming unchanged exchange rates and relatively stable market conditions. These targets are supplemented by annual guidance based on expected developments in a given financial year and the assumed contribution from Hartmann Technology.

Over time, Hartmann aims to increase packaging volumes sold in step with or above market growth and grow consolidated revenue every year. Against this background, Hartmann aims to generate a profit margin before special items of at least 14% before restatement for hyperinflation.

Forward-looking statements

The forward-looking statements in this annual report reflect Hartmann's current expectations for future events and financial results. Such statements are inherently subject to uncertainty, and actual results may therefore differ from expectations. Factors which may cause the actual results to deviate from expectations include general economic developments and developments in the financial markets, changes or amendments to legislation and regulation in Hartmann's markets, changes in demand for products, competition and the prices of raw materials. See also the section on risk management and note 31.

Strategy



Think ahead

In 2019, Hartmann launched its 'Think ahead' strategy, which is designed to drive continued core business momentum by capitalising on growing demand in existing and new markets.

The growing demand for moulded-fibre packaging for eggs and fruit is driven by favourable demographics, a growing focus on sustainability and positive shifts in consumer behaviour. Guided by the 'Think ahead' strategy, Hartmann is focused on capitalising on these trends by:

- Building sufficient production capacity to meet market demand and sustain volume growth across regions
- Enhancing utilisation of the group's total production capacity
- Improving efficiency by means of increased automation and continuous development of Hartmann's production network and technologies
- Intensifying marketing efforts with particular focus on sustainability
- Exploring the potential for acquisitions in existing and new markets

Building on Hartmann's key strengths – our expertise, strong platform, diverse product range and proprietary technology – the 'Think ahead' strategy is intended to strengthen the group's positions as the world's leading manufacturer of egg packaging, the leading manufacturer of fruit packaging in selected markets and the preferred supplier of machinery and technology for the production of moulded-fibre packaging.

Strengths

Expertise



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

Our insights into consumer preferences and behaviour are based on ongoing consumer research that creates a data-based foundation for customers' choice of product range, marketing initiatives, design and in-store location.

In addition, we can leverage our extensive knowledge of the qualities and applications of moulded-fibre packaging when working with customers to optimise logistics and efficiency across the value chain – from manufacturer through packing plant to point of sale.

Platform



Our experienced sales organisation has built solid market positions that are supported by a well-established production network which is continually optimised and expanded with a view to improving efficiency, ensuring flexibility in production and building a platform for the group's continued growth.

We sell our packaging in more than 50 countries and have 12 factories in Argentina, Brazil, Canada, Denmark, Israel, Croatia, Hungary and the USA. In 2020, we expect to expand our production platform by yet another factory in Brazil and a factory purchase in India and to expand capacity in, particularly, the UK, Southern Europe and the USA.

Products



Our versatile product portfolio enables us to customise the product range to specific demand patterns among customers and consumers across the group's diverse markets.

We cover all customer requirements and are able to provide both premium and standard products for retail egg differentiation as well as transport and fruit packaging.

All our products are made from recycled paper, which is a renewable, recyclable and biodegradable resource, and we offer FSC-certified and CO₂-neutral products.

Technology



Thanks to our proven technological skills, we are uniquely positioned to continually expand, optimise and automate our production facilities and to develop new cost- and energy-saving technologies, processes and production methods.

Hartmann Technology's unwavering focus on technological development and production optimisation is the driving force behind the group's high levels of efficiency and profitability.

Our earnings are further supported by sales of machinery and technology in selected markets, which also facilitate the establishment and maintenance of valuable partnerships in new markets.

Strategy



Focus

Capacity



We will increase production capacity in order to maintain and strengthen our strong presence in existing markets, while at the same time exploring the possibilities of expanding into new geographies in order to meet growing global demand for sustainable packaging.

We have:

- Put new capacity into use in Europe
- Added capacity in Argentina
- Made a decision to establish a new factory in Brazil and expand capacity in the USA
- Signed a conditional agreement to acquire Mohan Fibre



The conditional acquisition in early 2020 of Mohan Fibre, located in Chandigarh north of New Delhi, provides a solid platform for penetrating the attractive Indian market. Demand for moulded-fibre packaging is growing on the back of favourable demographics, a strongly growing production of eggs and retail trade momentum.

Efficiency improvements



We will continually lower production costs by developing the group's production facilities and technologies and investing in automation and the development of new products, processes and production methods.

We have:

- Invested in automation
- Implemented new technology
- Made organisational adjustments
- Raised production per employee



We continually invest in robotics and other automation measures at our factories with a view to improving production efficiency.

Marketing



We will intensify the marketing of Hartmann's expertise and products and the benefits of moulded-fibre packaging in an effort to increase the share of premium products and help drive the conversion from oil-based plastic packaging to eco-friendly moulded-fibre packaging solutions.

We have:

- Conducted several consumer surveys
- Intensified marketing efforts



Customers are demanding advice on the marketing of eggs in a constantly evolving market. In 2019, Hartmann conducted a survey among Swedish consumers and retail chains in order to build a data basis for Stjärnsägg's new strategy, which has provided consumers with increased transparency and significantly lifted sales.

Strategy



Trends

Demographics



10 billion people in 2050

Global population growth is spurring demand for food, while growing prosperity is further supporting the consumption of packed products. The world population is expected to grow to almost 10 billion by 2050, and Hartmann's markets are expected to witness varying degrees of population growth and growing prosperity.

Urbanisation is spurring retail sales, and two-thirds of the world population are expected to live in towns and cities by 2050, leading to considerable expansion of the retail sector and growing demand for Hartmann's products. There is considerable upside potential in a number of Hartmann's geographical markets where eggs are largely sold in bulk.

Demographic trends and retail sector growth in Hartmann's mature markets have historically led to growing use of moulded-fibre packaging and increased demand for premium products and knowhow about consumer preferences and the marketing of eggs.

Population growth and urbanisation have led to growing use of moulded-fibre packaging

Sustainability



Plastics consumption to **quadruple** by 2050

Demand for sustainable packaging is increasing in step with the growing awareness of consumers, retailers and policy- and opinion makers about the adverse impact of single-use plastic packaging on the environment, animal life and humans. Waste products from crude oil-based plastic materials are already accumulating in oceans, drinking water and on land, and the consumption of plastics is expected to quadruple going forward to 2050.

Several retail chains have implemented targets for phasing out plastic packaging, and Hartmann's moulded-fibre packaging for eggs is a well-proven, sustainable and price-competitive alternative that also offers premier protection and hygiene standards during transportation along with better marketing options vis-à-vis consumers. In the years ahead, a growing number of retail chains are expected to switch from plastic-based to moulded-fibre egg packaging in an effort to meet growing consumer awareness of sustainability.



Consumer behaviour



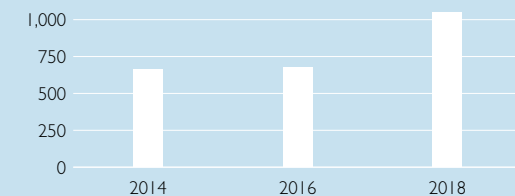
Product launches up by **58%**

Changing consumer behaviour may drive increased egg consumption and shift demand between different types of eggs. The need for packaging able to differentiate eggs into different price categories is increasing in step with the growing awareness of issues such as health, nutrition, local production, recycling and animal welfare. Between 2014 and 2018, the number of egg and egg-based product launches was up by 58%.

Eggs are a natural part of the varied and healthy diet prioritised by an increasing number of consumers. At the same time, increasing awareness of animal welfare is putting downward pressure on demand for battery-cage eggs, whereas sales of barn eggs, free-range eggs and organic eggs are on an upward trend. Hartmann assists retail chains in growing egg sales and earnings through optimisation of product ranges and a focused approach to pricing and marketing.

Steady growth in the number of product launches

Global launches of egg and egg-based products



Source: Innova, 2019

Markets and products

Hartmann operates in diverse markets with varying product offerings that are continuously adapted to regional needs. Hartmann's product portfolio comprises retail and transport packaging for eggs as well as fruit packaging. In selected markets, Hartmann also sells machinery and technology to manufacturers of moulded-fibre packaging.

Retail packaging for eggs is our main product category. The segmentation into premium and standard products varies from market to market depending on factors such as the maturity of the retail trade, the penetration of moulded-fibre packaging and focus on sustainability.

For sales of egg and fruit packaging, our main markets are Europe and North and South America, while Hartmann Technology sells machinery and technology for manufacturing of moulded-fibre packaging in selected global markets.

Demand for egg and fruit packaging is increasing steadily and is quite resilient to economic fluctuations. However, exchange rate fluctuations affect particularly South American fruit exports and, by extension, sales of fruit packaging. Demand for both egg and fruit packaging is to some extent seasonal. Hartmann's primary markets are highly competitive and served by a few large and several medium-sized players.

Hartmann has developed and launched new product lines which have been standard-setters for quality packaging. Developing innovative products strengthens Hartmann's position as the customers' preferred supplier and entails a number of advantages in relation to manufacturing and transport. For this reason, we continuously

protect our intellectual property rights in order to actively protect our products and trademarks.

Hartmann continually strives to accommodate customer demand for optimised marketing options in the premium segment for egg packaging and to develop products that satisfy the needs of our customers and facilitate production process optimisation, capacity expansion and enhanced capacity utilisation at our factories.

Europe

Holding a market share of more than 40%, Hartmann is the leading manufacturer of egg packaging in the relatively mature and competitive European markets. We expect to see average annual market growth of 1-3% in the coming period, varying across national borders but generally driven by growing demand for retail packaging on the back of continued penetration and professionalisation of the retail trade. Any additional growth will be driven by potential transition from plastic to moulded-fibre packaging in a few major markets.

North America

In North America, our moulded-fibre products represent about 20% of the total market for moulded-fibre, foam and plastic egg packaging, which is growing on the back of an increasing consumption of eggs. Average annual growth in the North American market for moulded-fibre products is expected to be around 2% in the period ahead. Any additional growth will be driven by increasing conversion away from foam and plastic packaging. Customers are increasingly demanding premium products, a segment in which Hartmann holds a strong market position.

South America

Hartmann has a market leading position in Brazil and Argentina where we sell both egg and fruit packaging. Average annual market growth in these two countries is expected to be at the level of 3-5% in the period ahead, driven by growing demand, favourable demographics and continued urbanisation. Hartmann's sales of fruit packaging are largely driven by fruit exports.

India

Hartmann expects to complete the acquisition of Mohan Fibre Products Ltd. in mid-2020. The company sells moulded-fibre packaging to egg and apple producers in India, with a particular emphasis on the northern states of Himachal Pradesh, Punjab and Haryana. When completed, the acquisition will give the group a minor share of the total Indian market, which is characterised by strong demographics and a rapidly growing egg production. Average annual market growth is expected to exceed 5% in the period ahead. India's young population, combined with expected strong population growth and growing urbanisation in the years ahead, is laying the groundwork for continued retail sector growth and increasing demand for quality packaging. In addition, the use of moulded-fibre packaging for the protection of fruit is expected to increase in step with the professionalisation of supply chains.

Hartmann Technology

The group leverages its technological expertise in the expansion and optimisation of its production network. Machinery and technology is sold in selected global markets with a view to assisting customers in meeting growing demand for moulded-fibre packaging.

Markets and products

Packaging

Retail packaging

Hartmann's retail egg packaging is sold to all types of customers across geographies.

Premium packaging offers the best marketing options with a broad selection of sizes, colours, design solutions, prints and labels. Packaging is used to differentiate premium eggs such as organic eggs and free-range eggs as well as in connection with sales campaigns.

Standard packaging offers a more traditional expression that may be tailored to the needs of individual customers and is targeted at consumers demanding standard eggs. These products are well-established in the market and offer the environmentally friendly and protective qualities of moulded-fibre packaging at attractive prices.



Transport and fruit packaging

Hartmann's transport packaging for eggs and fruit is sold to producers and packing businesses. In addition, these products are used on a limited scale by retailers.

Eggs are typically packed in transport packaging in connection with distribution where protecting the eggs and ensuring efficient packing and transport is key. Packaging is produced in varying unit sizes and for eggs of varying sizes.

Fruit requires protective and practical packaging for packing and transport within our South American home markets and on export routes. Hartmann primarily sells packaging for transport of apples, pears and melons.



Customer portfolio

Hartmann sells packaging for a geographically diversified customer portfolio comprising several large businesses and a large number of small customers.

We engage in customer relations and collaborative arrangements with players across the value chain, from egg and fruit producers over packing businesses to retail chains, who are increasingly influencing sub-suppliers' packaging choices.

	Geography			Customers		
	Europe	North America	South America	Manufacturer	Packing plant	Retail chain
Retail packaging						
Eggs	X	X	X	X	X	X
Transport and fruit packaging						
Eggs	X		X	X	X	
Fruit			X	X	X	

Risk management

Hartmann is exposed to a number of operating risks, which we monitor and actively address on an ongoing basis with a view to identifying and prioritising key risk areas, determining how to manage these risks and optimising the risk-return balance.

Organisation

The overall responsibility for the group's risk management lies with the board of directors. Day-to-day tasks and interaction with the executive board are handled by the audit committee, which regularly reviews the group's risk assessment and risk management principles and monitors processes and developments in key risk exposures. The audit committee reports to the board of directors.

The executive board is responsible for day-to-day identification and management of risks and continuous development and adjustment of risk management principles, processes and activities. The executive board regularly reviews key risks with the audit committee and the board of directors.

Local business and production unit managers provide the executive board and group management with regular reports on risk developments and assessments through a centrally anchored steering committee headed by a factory manager and supported by the group finance function. The steering committee works continually to ensure knowledge sharing between factories, compliance with adopted standards and follow-up on investment decisions made by group management.

Initiatives in 2019

In 2019, Hartmann implemented a range of initiatives based on an analysis of conditions at the group's factories conducted by Hartmann and insurance broker Willis in 2018 with a view to identifying and prioritising relevant operational risks and improvement potential. The factory review provided an overview of the group's key operational risks and led to a number of specific investment recommendations, focused especially on reducing the risk of fire, that were all approved in 2019.

In continuation of the analysis, Hartmann also set up a centrally anchored steering committee with a view to ensuring a uniform approach to stepping up efforts to mitigate operational risks across the group's factories. In addition, the steering committee will ensure follow-up on and implementation of Willis' recommendations through regular internal meetings and factory visits and is expected to pay second visits, accompanied by Willis, to all the group's factories within a period of two years.

Risk assessment

In Hartmann's assessment, key risks in the period ahead are related to factory fires, raw materials prices and supply, disease outbreaks among laying hens, political and macroeconomic conditions and environmental issues. These risks and Hartmann's mitigating efforts are described in more detail overleaf.

Other identified risks include fluctuations in general demand for eggs and fruit, shifts in sales across product categories, the group's ability to attract and retain skilled employees and IT security and interruption. To this should be added financial risks, which are described in detail in note 3I.



Risk management process

Hartmann continuously identifies risks that may affect the group's commercial activities, operations and financial performance.

Identified risks are analysed at local and central level with a view to assessing their potential impact and probability.

On this basis, key risks are determined and prioritised in order that mitigation measures may be initiated, where relevant, and risks be monitored on an ongoing basis.

Developments in Hartmann's overall risk exposure, the assessment of key risks and mitigating measures implemented are reported on an ongoing basis to group management and the executive board, which involve and keep the audit committee and the board of directors informed.

Risk management

	Description	Mitigating action
Fire 	The production of egg and fruit packaging is based on paper-based moulded fibre dried at high temperatures, and Hartmann's single most significant risk is the total loss of a factory from fire. Re-establishing the facilities would be very time consuming and involve the risk of both business interruption and loss of market share as the reliability of supply is crucial to Hartmann's customers.	Hartmann continuously monitors and reviews fire conditions at its factories and invests in physical separation of equipment, high-efficiency sprinkler and alarm systems, adequate water supply and other fire protection equipment as well as in the training and education of local fire brigades among our employees. The internal steering committee conducts regular factory visits and organises visits by external experts. In addition, Hartmann has taken out an all risk insurance policy for all production facilities covering fire damage, consequential loss and other incidents. In addition to strengthening the group's supply capacity, the spreading of production across 12 factories also helps to reduce the total financial impact in case of a factory fire.
Raw materials 	Fluctuations in the purchase price of recycled paper and energy (electricity and gas) may have a significant impact on the group's financial results with intense competition in the group's markets making it difficult to adjust selling prices in an effort to mitigate increases in raw materials prices. Inadequate supplies of raw materials for Hartmann's production may cause business interruption, impede satisfactory deliveries to customers and force the group to purchase raw materials on less attractive terms.	Hartmann works actively to enhance the efficiency of production at individual factories and optimise distribution to the group's customers in an effort to reduce its exposure to fluctuations in the prices of recycled paper and energy. These measures include efforts to reduce the volume of energy consumed during the manufacturing process, reduce waste in production and optimise allocation between the group's factories, taking into account customer demand and locations. Hartmann has contracted with several suppliers of recycled paper, energy and other raw materials with a view to mitigating the risk of non-delivery. Recycled paper systems and supply vary considerably across the group's markets, and long-term fixed-price agreements for recycled paper are generally not obtainable. In some markets, Hartmann regularly signs fixed-price agreements, typically for six or 12 months, for a substantial part of the group's energy consumption. The group continuously assesses and pursues opportunities of using alternative raw materials.
Outbreak of disease 	Egg packaging sales are exposed to changes in demand for eggs, which again may be influenced by disease outbreaks among laying hens and consumer fears of resulting health hazards. Moreover, the outbreak of diseases such as bird flu will typically entail fluctuations in the population of laying hens and volatility in egg supply and prices.	The geographical scope of Hartmann's production with factories located in Europe and North and South America helps to mitigate the total negative impact of local or regional disease outbreaks on the group's financial performance. At the same time, thanks to its versatile product portfolio and adaptability, Hartmann is able to vary its product offering according to shifts in demand patterns occurring during and in the wake of such disease outbreaks.
Politics and macroeconomics 	While the consumption of eggs and fruit has historically been resilient to slow-downs in economic growth, political and macroeconomic uncertainties may cause significant shifts in Hartmann's sales across product categories. Moreover, trade barriers and significant currency fluctuations may affect the competitive strength of some factories and, by extension, have adverse implications for the group's financial results.	Hartmann monitors its markets carefully in order to be able to respond quickly to negative trends by, for instance, changing the allocation of the group's production between factories and adjusting the product offering in the markets concerned. Any negative trade barrier impacts are mitigated by Hartmann's geographical diversification and sales to local markets.
Environment 	Violations of environmental legislation, rules or thresholds in connection with, for instance, wastewater discharge, CO₂ emissions, waste disposal or inadvertent chemical spills may lead to business interruption, fines or other sanctions and harm Hartmann's reputation and internal and external stakeholder relationships.	Hartmann monitors environmental risks at local and central level with a view to preventing, mitigating or minimising the group's environmental footprint. To that end, Hartmann continually invests in new production technology, optimisation of existing equipment and processes and systematic waste reduction. With a view to ensuring a structured and efficient approach to environmentally sound and energy-efficient production, a number of Hartmann's production facilities are certified to the ISO 14001 (environmental management) and ISO 50001 (energy management) standards.

Hyperinflation

Argentina was placed on the International Practices Task Force's (IPTF) list of hyperinflationary economies effective 1 July 2018, and Hartmann has therefore restated the contribution of the Argentinian operations to the consolidated financial statements in accordance with the requirements of IAS 29 on financial reporting in hyperinflationary economies.

No effect on group operations or performance

Restating for hyperinflation has no direct influence on Hartmann's underlying operations or performance, total cash flows or its ability to pay dividends.

To provide a more accurate illustration of Hartmann's underlying operations and performance, selected accounting figures are presented before restatement for hyperinflation. This ensures cohesion between the external reporting and the group's guidance as well as consistency with internal management reporting and performance follow-up.

As a general rule, all accounting figures stated in the management report of this annual report are presented after restatement for hyperinflation, and it is clearly specified when the reported accounting figures are supplemented by figures before restatement for hyperinflation. Hartmann's profit margin guidance is presented before restatement for hyperinflation, for example, and this performance indicator is therefore also described before restatement for hyperinflation.

Events in Argentina

Hartmann's three factories in Argentina produce egg and fruit packaging, and the activities account for less than 10% of the group's total packaging sales.

In 2019, the business reported growth in packaging sales and improved production efficiency. The basis for this progress has been created over a long high-inflation period, and the positive performance has continued after Argentina was classified as a hyperinflationary economy.

In the period between Hartmann's acquisition of its Argentinian activities at the beginning of 2015 and the country's classification as a hyperinflationary economy in May 2018, Argentina reported average annual inflation of about 25%. In 2019, average annual inflation was about 54%.

Accounting effects

Implementation of IAS 29 is intended to ensure that Hartmann's consolidated financial statements reflect the current purchasing power in Argentina and the ARS/DKK exchange rate at the balance sheet date.

The financial statements have been restated to reflect the general price index* and the ARS/DKK exchange rate at 31 December 2019, and certain accounting items are affected by changes in the price index in the period between the date of acquisition at the beginning of 2015 and 31 December 2019.

The general effects of restating for developments in the price index and in the exchange rate, respectively, are described for significant accounting items on this page and are specified for current developments overleaf, in the statement of key figures and financial ratios and in note 34.

Effects of restating for hyperinflation

Restating for changes in purchasing power in local currency

↑ Revenue

Reported revenue is favourably affected by restatement for changes in the price index between 1 January and 31 December 2019.

↓ Operating profit

Hartmann's operating profit is adversely affected by increases in costs and depreciation and amortisation charges driven by the higher price index and inflation restatement of the Argentinian non-current assets, which are revalued from the acquisition in January 2015 up to the balance sheet date.

↑ Assets, invested capital and equity

Inflation restatement of non-monetary balance sheet items relating to Argentina, including non-current assets and inventories, leads to increases in Hartmann's assets, invested capital and equity.

↓ Return on invested capital (ROIC)

The negative effect on operating profit and the increase in invested capital impact adversely on the reported return on invested capital.

↑ Capital expenditure

Hartmann's capital expenditure in Argentina during the year increases as a result of restatement for changes in the price index.

Retranslation into Danish kroner

↓ Income statement

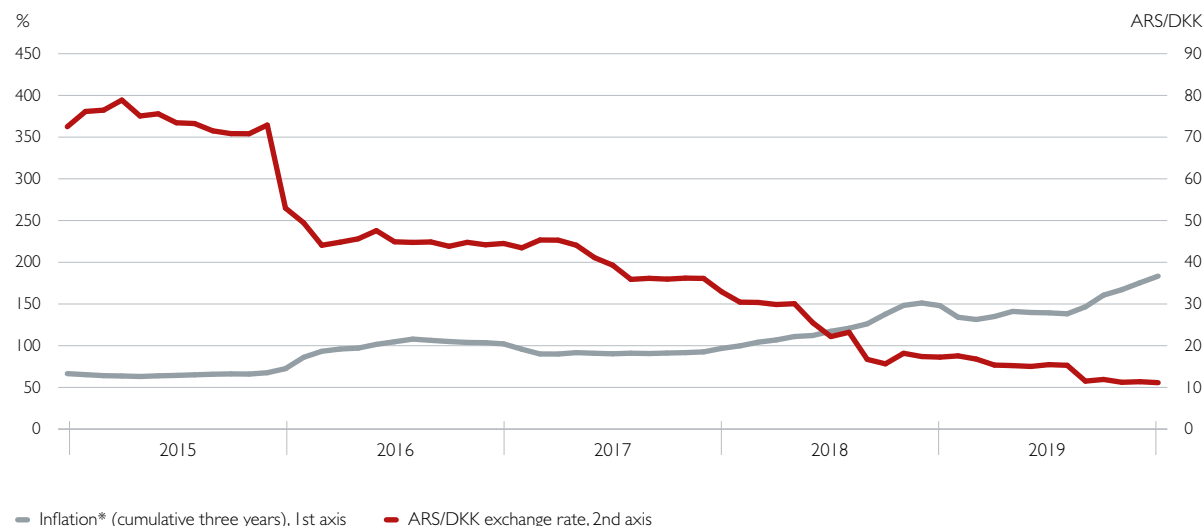
The income statement is translated on the basis of the ARS/DKK exchange rate at the balance sheet date. Negative currency movements thus lead to a negative currency effect on positive items.

Total effect of restating for hyperinflation

* Restatement for hyperinflation is made based on Argentina's Wholesale Price Index up to 31 December 2016 and on the National Consumer Price Index from 1 January 2017.

Hyperinflation

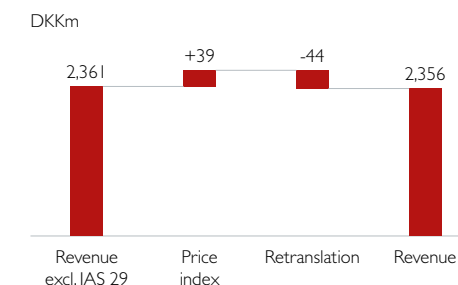
Inflation and exchange rate developments in Argentina



Effects of restating for hyperinflation on selected accounting figures

DKKm	2019 Excl. IAS 29	Price index adjustments	Re- translation	Total adjustment	2019
Revenue	2,361	39	(44)	(5)	2,356
Operating profit before depreciation	398	(1)	(6)	(7)	391
Operating profit	262	(8)	(4)	(12)	250
Financial items, net	(38)	0	3	3	(35)

Effect of restating revenue



The total effect of IAS 29 implementation on 2019 revenue is a combination of restating for price index developments and the effect of transitioning to translating the Argentine peso into Danish kroner at the balance sheet date.

Even though revenue was favourably affected in the amount of DKK 39 million by the average annual increase in the price index of 54% during the period under review, the total effect of restating for hyperinflation was negative. The ARS/DKK cross rate fell from 17.3 at the beginning of the year to 11.1 at 31 December 2019. The currency translation practice based on the exchange rate at the balance sheet date, as opposed to the exchange rate at the date of transaction, thus reduced Hartmann's revenue by DKK 44 million.

Revenue was DKK 2,356 million after a net negative impact of restating for hyperinflation of DKK 5 million.

* Restatement for hyperinflation is made based on Argentina's Wholesale Price Index up to 31 December 2016 and on the National Consumer Price Index from 1 January 2017.

Governance

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*Board of directors
reinforced by new
members and a new
committee in 2019*

Corporate social responsibility

Our CSR activities and progress are presented in the Global Compact progress report for 2019, which also constitutes the group's statutory reports on corporate social responsibility and management's gender composition pursuant to sections 99 a and 99 b of the Danish Financial Statements Act. While this annual report merely provides a summary of selected activities in 2019, the full progress report is available at csr2019.hartmann-packaging.com.

Corporate social responsibility has been an integral part of our business model since we began producing sustainable moulded-fibre packaging in 1936. As consumers, retail chains and policy-makers emphasise the sustainability of packaging, pursuing corporate social responsibility is a competitive advantage and an essential parameter in the marketing of our products. Hartmann offers customers and consumers a premier, well-proven and environment-friendly alternative to oil-based plastic and foam products. Our products are made from biodegradable recycled paper, and the conversion from plastic-based products to Hartmann's moulded-fibre packaging thus contributes to solving the growing challenges of plastic pollution.

Increased production capacity and improved efficiency

In 2019, our strategic efforts to expand production capacity and lift efficiency also comprised energy efficiency measures in the form of installing upgraded drying technology in the European business and using new technology at the group's factories in South America with a view to reducing the consumption of natural gas, electricity and water. Our North American operations received the Missouri State award for their targeted efforts to reduce and handle production waste.

Our efforts to reduce the group's environmental and climate footprint continued in 2019, focused on:

- Investing in new process technology
- Optimising existing technology
- Product and production development
- Waste reduction

Focus on safety and risk management

The work to improve safety at the group's factories continued in 2019 with particular focus on the activities in South America, and the CSR working group met regularly with local safety representatives for purposes of ensuring efficient knowledge sharing across the organisation.

The number of work-related accidents per million working hours (LTI-FR) remained unchanged in 2019. Since 2015, the number of work-related accidents per million working hours has been reduced by 49%.

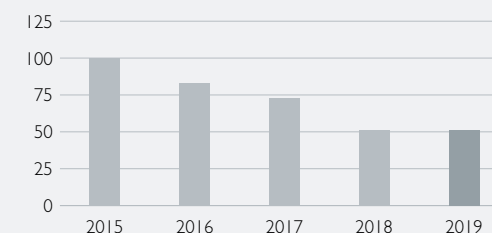
In 2019, Hartmann established a steering committee with a view to ensuring systematic, ongoing follow-up on the comprehensive analysis of factory conditions conducted by Hartmann and insurance broker Willis in 2018. The review of Hartmann's factories provided an overview of the group's key operational risks and led to a number of specific investment recommendations, focused especially on reducing the risk of fire, that were all approved in 2019.

Balancing gender composition in management

Hartmann continuously aims to balance the gender composition across the group's management tiers. In 2019, the proportion of women at other management levels was stable at 17%, while the proportion of female shareholder-elected board members increased to 50%. Accordingly, Hartmann met its target of increasing the share of female board members to at least 40%. The target is maintained, and efforts to increase the percentage of women at other management levels continue.

Work-related accidents

Index (2015 = 100)



■ Work-related accidents per million working hours (LTI-FR)



In early 2020, Hartmann was granted Prime status by rating agency ISS ESG for its sustainability profile and efforts in 2019. Hartmann was ranked among the leading businesses in the packaging industry.

Read more about ISS ESG and its rating methodology

www.issgovernance.com/esg/ratings/corporate-rating/

Corporate governance

Hartmann's statutory report on corporate governance for the 2019 financial year (see section 107 b of the Danish Financial Statements Act) is available at corporategovernance2019.hartmann-packaging.com.

The report contains a detailed account of Hartmann's management structure as well as a description of the main elements of our internal controls and risk management systems relating to financial reporting.

The report furthermore describes our position on the recommendations of the Danish Committee on Corporate Governance as implemented in Nasdaq Copenhagen's Rules for issuers of shares. In 2019, we complied with the corporate governance recommendations except as stated below:

- Variable remuneration paid to the executive board in 2019 consisted exclusively of a short-term cash bonus scheme

Management structure

Hartmann operates a two-tier management structure comprising the board of directors and the executive board. The board of directors is elected by the shareholders and supervises the executive board. The board of directors and the executive board are independent of each other.

The board of directors is responsible for the overall management of the company and resolves matters relating to strategic development, financial forecasts, risk management, acquisitions and divestment as well as major development and investment projects.

In addition, the board of directors determines the executive board's employment terms and salary, which consists of a fixed

annual salary and a performance-related cash bonus. Hartmann's remuneration policy and the group's remuneration report for 2019 are available at investor.hartmann-packaging.com, and the remuneration paid for 2019 is specified in note 9 to the financial statements.

The executive board is appointed by the board of directors and is responsible for the company's day-to-day management, including operational development, results of operations and internal development. The executive board is responsible for executing the strategy and the general decisions approved by the board of directors.

The board of directors has set up an audit committee whose primary duties are monitoring the group's risk management, preparation of financial statements, financial reporting and internal controls as well as monitoring and communicating with the auditor appointed by the shareholders. The audit committee reports regularly to the board of directors.

In 2019, the board of directors set up a combined nomination and remuneration committee with a view to enhancing the efficiency and quality of the board's work to ensure that the right skills, knowledge and experience are represented on the board of directors and the executive board at all times. The nomination and remuneration committee reports to the board of directors.

The board of directors held nine meetings in 2019 (2018: 16 meetings). The audit committee held six meetings (2018: six meetings), and the nomination and remuneration committee held two meetings.

Changes on the board of directors

At the annual general meeting held on 9 April 2019, Jan Madsen, Karen Hækkerup and Marianne Schelde were elected to the board of directors, while Jørgen Mørkeberg Nielsen, who did not offer himself for re-election, resigned.

Agnete Raaschou-Nielsen, chairman of the board of directors, will not be seeking re-election at the annual general meeting to be held on 21 April 2020. The board of directors will nominate Jan Klarskov Henriksen, member of the board of directors, for chairman of the board, while Steen Parsholt is expected to continue as vice chairman.

Board of directors and executive board

Board of directors



Agnete Raaschou-Nielsen
Chairman

Until 2011, Executive Vice President, COO of Aalborg Portland A/S. Former Managing Director of Zacco Denmark A/S, General Manager of Coca-Cola Tapperierne A/S and Group Vice President of Carlsberg A/S. Currently only engaged in board work and similar work.

Special expertise in the international processing industry, production, sales, management and treasury.

Positions of trust

Chairman: Arkil Holding A/S and the investment funds Danske Invest, Danske Invest Select, Profil Invest and Danske Invest Index and the capital associations Danske Invest Institutional and AP Invest.

Board member: Aktieselskabet Schouw & Co. (audit committee), Danske Invest Management A/S, the Committee on corporate governance and Copenhagen University.



Steen Parsholt
Vice chairman

Nordic head of Aon and member of its European management team until 2005. Former Group CEO of NCM Holding, Amsterdam, and Citibank, including CEO in Denmark. Currently only engaged in board work and similar work.

Special expertise in international management, treasury and finance.

Positions of trust

Chairman: DADES A/S, Ejendomsaktieselskabet af 1. maj 2015 and Reviva SA.

Vice chairman: NGF Denmark Holding ApS, NGF General Partner ApS and NGF Nature Energy Biogas A/S.

Board member: Glitnir HoldCo ehf and N2F Management ApS.



Jan Klarskov Henriksen
Board member

CEO of Aviagen Broiler Breeding Group Inc. Former CEO of Lantmännen Unibake Holding A/S, Lantmännen Kronfågel Holding AB and Danæg a.m.b.a.

Special expertise in international food industry management and in sales and marketing in the poultry and egg industries.

Positions of trust

Chairman: BPI A/S.



Jan Madsen
Board member

Managing Director of Coop Danmark A/S since 2010 and a member of the executive board of Coop Holding A/S since 2017. Previous positions with Carlsberg Group, McKinsey & Company and Nestlé.

Special expertise in retailing with particular focus on food, international sales and marketing, business development, digitalisation and supply chain management.

Positions of trust

Chairman: FDB Møbler A/S.

Vice chairman: Coop Bank A/S.

Board member: Fakta A/S, Quick Info ApS and 3C Odense Erhvervspark A/S.

Board of directors and executive board

Board of directors – continued



Karen Angelo Hækkerup
Board member

Secretary General of UNICEF Danmark since 2019. Former CEO of the Danish Agriculture & Food Council, prior to which she held various political offices, including several ministerial offices, and served on the Copenhagen City Council.

Special expertise in sustainability and international food production, trade and politics.



Marianne Schelde
Board member

CFO of Thornico Holding A/S and CEO of subsidiary Thornico IT A/S.

Special expertise in international financial management, financial reporting and accounting.

Positions of trust

Board member: Hummel Holding A/S (including in four subsidiaries), Mount Baldy A/S, Ovodan Europe ApS (including in one subsidiary), Sanovo Packaging Denmark ApS, Stanico A/S, Thorco Isabella ApS, Thorco Isadora ApS, Thorco Africa Holding ApS, Thornico IT A/S and West Star Real Estate A/S.



Andy Hansen
Board member elected by the employees

Repair technician, Brødrene Hartmann A/S, Tønder, Denmark, since 2004.

Elected by the employees in 2018 to serve until the annual general meeting to be held in 2022.



Palle Skade Andersen
Board member elected by the employees

Production manager, Brødrene Hartmann A/S, Tønder, Denmark, since 1991.

Elected by the employees in 2018 to serve until the annual general meeting to be held in 2022.

Name	Born	Gender	Nationality	First elected	Independent	Audit committee	Nomination and remuneration committee	Board and committee meetings*	Shareholding 31 Dec. 2019	Change in 2019
Agnete Raaschou-Nielsen	1957	Female	Danish	2010	Yes	-	Chairman	9/9 and 2/2	2,000	-
Steen Parsholt	1951	Male	Danish	2013	Yes	Chairman	Member	9/9 and 8/8	5,000	-
Jan Klarskov Henriksen	1965	Male	Danish	2018	Yes	-	-	8/9	0	-
Jan Madsen	1969	Male	Danish	2019	Yes	Member	-	6/6	1,800	+1,800
Karen Angelo Hækkerup	1974	Female	Danish	2019	Yes	-	-	6/6	171	+171
Marianne Schelde	1962	Female	Danish	2019	No	Member	-	5/6 and 6/6	0	-
Andy Hansen	1977	Male	Danish	2014	-	-	-	9/9	56	-
Palle Skade Andersen	1969	Male	Danish	2018	-	-	-	9/9	0	-

* The board of directors convened nine times, the audit committee six times and the nomination and remuneration committee two times in 2019.

Board of directors and executive board

Executive board



Torben Rosenkrantz-Theil
CEO

Extensive international management experience and operational and commercial packaging industry expertise.

Former Senior Vice President and member of the group executive board in charge of Hartmann's European business. Previous experience from position as President of the North American business and head of strategic development.

Positions of trust

Board member: Sanovo Technology A/S.



Flemming Steen
CFO

Business-focused executive with strong economic and financial background. Comprehensive international experience and extensive IT competencies.

Former positions include CFO of Clipper Group, MT Højgaard and Junckers Industrier plus several positions with A. P. Møller - Mærsk, including head of strategy at Maersk Line and CFO of APM Terminals.

Name	Born	Gender	Nationality	Employed	Shareholding 31 December 2019	Change in 2019
Torben Rosenkrantz-Theil	1975	Male	Danish	2007	0	-
Flemming Steen	1966	Male	Danish	2018	0	-

Shareholder information

Share capital

Hartmann has one share class, and each share carries one vote. Accordingly, all shareholders have an equal right to submit proposals and to attend, speak and vote at general meetings. The shares are registered shares and negotiable instruments with no restrictions on their transferability. There were no changes to Hartmann's share capital in 2019.

The board of directors has been authorised by the shareholders in the period until 21 April 2020 to arrange for Hartmann to acquire treasury shares with a nominal value of up to DKK 14,030,180 at the market price ruling from time to time, subject to a deviation of up to 10%.

The Hartmann share

Hartmann's shares opened at DKK 253.0 in 2019 and closed at DKK 304.0. The group paid a dividend of DKK 9.50 per share, and its shares thus yielded a return of 24% in 2019.

The share is part of Nasdaq Copenhagen's Mid Cap segment, and Hartmann has a market making agreement that ensures liquidity in the share.

Ownership

At the end of 2019, Hartmann had approximately 2,900 registered shareholders, representing 6.8 million shares in aggregate, or 97% of the share capital.

The following shareholders have notified us that they hold at least 5% of the share capital:

- Thornico Holding A/S and related parties, Odense, Denmark (68.6%)
- Lannebo Fonder AB, Stockholm, Sweden (6.33%)

At 31 December 2019, Hartmann's holding of treasury shares was unchanged at 1.4% of the share capital.

At 31 December 2019, the members of Hartmann's board of directors and executive board held 0.1% of the share capital. The members of the board of directors and executive board are registered on Hartmann's permanent insider list and may only trade in Hartmann shares during a four-week window following the release of profit announcements or other similar financial announcements, as set out in Hartmann's internal rules.

Dividend

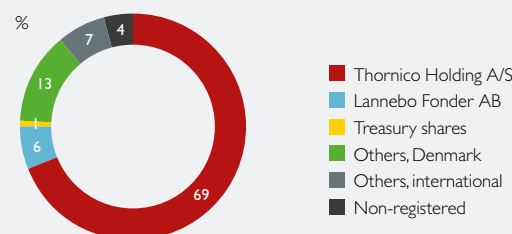
It is the general objective of the board of directors to distribute excess capital by way of dividends in order to maintain Hartmann's equity ratio at a maximum of 45%. Our capital distributions will always take into account current growth plans and liquidity needs.

At the annual general meeting to be held on 21 April 2020, the board of directors will propose that no dividend be paid for the financial year ended 31 December 2019 (2018: DKK 9.50 per share) in light of the massive investments in existing and new markets.

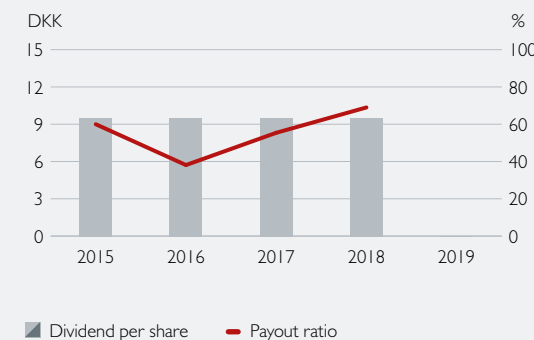
The Hartmann share

Stock exchange	Nasdaq Copenhagen
Index	Mid Cap
ISIN	DK0010256197
Symbol	HART
No. of shares	7,015,090
Denomination	DKK 20
Nominal share capital	DKK 140,301,800
Bloomberg code	HART:DC

Composition of shareholders at 29 February 2020



Dividend



Shareholder information

Remuneration of the executive board

If a controlling interest in Hartmann changes ownership, the notice period for members of the executive board is extended from 12 to 18 months effective from the day on which the shares are sold. The extended notice will apply for a period of 18 months after the transfer.

Investor relations

It is Hartmann's objective to provide investors and analysts with the best possible insights into matters deemed relevant for ensuring an effective and fair pricing of the share. The executive board and Investor Relations handle relations with investors and analysts, taking into consideration regulatory requirements and our corporate governance standards. Shareholders, investors, analysts and other stakeholders with questions about Hartmann are advised to contact Investor Relations at investor@hartmann-packaging.com. Hartmann participates in selected seminars and holds one-on-one meetings with Danish and international investors and analysts. For a period of four weeks up to the publication of the annual report, interim reports or other financial announcements, Hartmann will not comment on matters relating to financial results or guidance, unless the information has previously been made public.

Financial calendar

21 April 2020	Annual General Meeting
13 May 2020	Interim report Q1 2020
19 August 2020	Interim report Q2 2020
18 November 2020	Interim report Q3 2020

Electronic communication

Hartmann communicates electronically with its shareholders, which allows us to quickly and efficiently convene general meetings and distribute relevant information. Shareholders can register at the investor portal through investor.hartmann-packaging.com.



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Statement of comprehensive income

DKKm	Note	Group		Parent company	
		2019	2018	2019	2018
Revenue	5	2,356.4	2,207.1	1,373.5	1,284.0
Production costs	6	(1,653.2)	(1,569.5)	(1,051.5)	(986.8)
Gross profit		703.2	637.6	322.0	297.2
Selling and distribution costs	7	(350.5)	(323.9)	(191.6)	(180.7)
Administrative expenses	8	(102.5)	(99.2)	(55.6)	(61.3)
Operating profit before special items		250.2	214.5	74.8	55.2
Special items	11	0.0	(32.7)	0.0	(12.5)
Operating profit		250.2	181.8	74.8	42.7
Profit after tax in associates	20	0.0	0.0	-	-
Financial income	11	10.5	33.0	29.2	28.7
Financial expenses	11	(45.4)	(78.9)	(18.2)	(22.5)
Profit before tax		215.3	135.9	85.8	48.9
Tax on profit for the year	12	(48.1)	(39.8)	(15.2)	(9.7)
PROFIT FOR THE YEAR		167.2	96.1	70.6	39.2
Earnings per share, DKK	13	24.2	13.9	-	-
Diluted earnings per share, DKK	13	24.2	13.9	-	-

DKKm	Note	Group		Parent company	
		2019	2018	2019	2018
Profit for the year		167.2	96.1	70.6	39.2
Items that cannot be reclassified to profit for the year:					
Actuarial gains/(losses) on defined benefit plans	25	(3.4)	13.1	-	-
Tax	12	0.9	(3.5)	-	-
Items that can be reclassified to profit for the year:					
Foreign exchange adjustment of foreign subsidiaries	32	(18.8)	(45.8)	-	-
Hyperinflation restatement of non-monetary items,	34	34.3	33.5	-	-
Tax	12	-	(4.2)	-	-
Value adjustment of hedging instruments:				-	
Recognised in other comprehensive income		(6.2)	(8.3)	(9.7)	(1.7)
Transferred to revenue		5.5	1.6	3.8	(0.2)
Transferred to production costs		0.5	0.8	0.5	0.8
Transferred to financial income and expenses		0.1	0.0	0.1	(0.2)
Tax	12	(0.2)	1.5	1.2	0.3
Other comprehensive income after tax		12.7	(11.3)	(4.1)	(1.0)
COMPREHENSIVE INCOME		179.9	84.8	66.5	38.2

Statement of cash flows

DKKm	Note	Group		Parent company	
		2019	2018	2019	2018
Operating profit before special items		250.2	214.5	74.8	55.2
Depreciation and amortisation		141.0	133.8	28.4	34.4
Adjustment for other non-cash items	14	6.7	7.8	0.0	0.0
Change in working capital etc.	14	(46.6)	(23.4)	(35.6)	(48.6)
Restructuring costs etc. paid		0.0	(32.8)	0.0	(12.5)
Cash generated from operations		351.3	299.9	67.6	28.5
Interest etc. received		6.1	9.0	10.2	16.5
Interest etc. paid		(28.2)	(31.3)	(14.1)	(14.2)
Income tax received/(paid), net		(33.1)	(13.2)	(7.8)	(0.2)
Cash flows from operating activities		296.1	264.4	55.9	30.6
Acquisition of intangible assets		(1.1)	(7.0)	(1.1)	(7.0)
Acquisition of property, plant and equipment		(195.9)	(121.9)	(11.4)	(15.0)
Disposal of property, plant and equipment		0.5	0.6	0.0	0.0
Capital injections in subsidiaries		-	-	(22.7)	(44.4)
Repayment of capital injections from subsidiaries		-	-	101.7	0.0
Dividend received from subsidiaries		-	-	11.8	5.2
Dividend received from associates		0.0	0.1	0.0	0.1
Cash flows from investing activities		(196.5)	(128.2)	78.3	(61.1)
Cash flows from operating and investing activities		99.6	136.2	134.2	(30.5)
Raising of non-current debt	14	652.1	0.0	603.6	0.0
Repayment of non-current debt	14	(678.6)	(2.4)	(616.0)	0.0
Loans to subsidiaries	19	-	-	(144.6)	(13.8)
Repayments received from subsidiaries	19	-	-	106.0	130.1
Dividend paid		(65.7)	(65.7)	(65.7)	(65.7)
Cash flows from financing activities		(92.2)	(68.1)	(116.7)	50.6
TOTAL CASH FLOWS		7.4	68.1	17.5	20.1

DKKm	Note	Group		Parent company	
		2019	2018	2019	2018
Total cash flows		7.4	68.1	17.5	20.1
Cash and cash equivalents at 1 January		39.3	(28.3)	(40.1)	(57.2)
Foreign exchange adjustment		(1.1)	(0.5)	(2.5)	(3.0)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		45.6	39.3	(25.1)	(40.1)
Recognition of cash and cash equivalents at 31 December:					
Cash		84.7	83.2	5.0	3.7
Overdraft facilities		(39.1)	(43.9)	(30.1)	(43.8)
Cash and cash equivalents at 31 December		45.6	39.3	(25.1)	(40.1)

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

Balance sheet

Assets

DKKm	Note	Group		Parent company	
		2019	2018	2019	2018
Goodwill		63.0	63.9	10.7	10.7
Other intangible assets		29.5	34.9	6.3	8.7
Intangible assets	15	92.5	98.8	17.0	19.4
Land and buildings		306.1	294.4	15.2	16.0
Plant and machinery		633.3	590.2	98.9	108.1
Other fixtures and fittings, tools and equipment		14.2	15.1	3.1	5.6
Plant under construction		93.1	71.4	6.7	7.7
Property, plant and equipment	16	1,046.7	971.1	123.9	137.4
Leased land and buildings		72.3	0.0	6.5	0.0
Other leased assets		3.7	0.0	1.2	0.0
Lease assets	17	76.0	0.0	7.7	0.0
Investments in subsidiaries	18	-	-	921.1	1,000.1
Receivables from subsidiaries	19	-	-	341.5	301.9
Investments in associates	20	3.0	3.0	1.2	1.2
Deferred tax	21	40.6	48.1	0.0	0.0
Other non-current assets		43.6	51.1	1,263.8	1,303.2
Non-current assets		1,258.8	1,121.0	1,412.4	1,460.0
Inventories	22	211.1	196.6	115.6	70.2
Trade receivables	23	369.0	329.7	220.0	191.3
Receivables from subsidiaries		-	-	75.1	76.4
Income tax		4.4	3.4	0.0	0.0
Other receivables		97.3	80.1	54.3	43.3
Prepayments		16.8	19.9	8.1	10.7
Cash		84.7	83.2	5.0	3.7
Current assets		783.3	712.9	478.1	395.6
ASSETS		2,042.1	1,833.9	1,890.5	1,855.6

Equity and liabilities

DKKm	Note	Group		Parent company	
		2019	2018	2019	2018
Share capital	24	140.3	140.3	140.3	140.3
Hedging reserve		(4.1)	(3.8)	(5.5)	(1.4)
Translation reserve		(163.4)	(178.9)	-	-
Retained earnings		906.4	741.7	703.2	632.6
Proposed dividend		0.0	65.7	0.0	65.7
Equity		879.2	765.0	838.0	837.2
Deferred tax	21	18.3	21.4	1.0	0.5
Pension obligations	25	32.2	31.7	0.0	0.0
Credit institutions	32	601.9	616.0	601.9	616.0
Lease liabilities	32	68.5	0.0	5.5	0.0
Government grants	26	2.7	3.8	0.0	0.0
Other payables		7.3	0.0	7.3	0.0
Non-current liabilities		730.9	672.9	615.7	616.5
Lease liabilities	32	8.8	0.0	2.2	0.0
Government grants	26	1.0	1.0	0.0	0.0
Overdraft facilities	32	39.1	43.9	30.1	43.8
Prepayments from customers		35.5	6.1	31.3	2.9
Trade payables		163.2	169.6	65.7	61.1
Payables to subsidiaries		-	-	199.0	181.9
Payables to associates		5.5	4.8	5.2	4.3
Income tax		18.9	12.1	12.2	6.6
Provisions	27	0.2	0.8	0.2	0.8
Other payables	28	159.8	157.7	90.9	100.5
Current liabilities		432.0	396.0	436.8	401.9
Liabilities		1,162.9	1,068.9	1,052.5	1,018.4
EQUITY AND LIABILITIES		2,042.1	1,833.9	1,890.5	1,855.6

Statement of changes in equity

Group	2019						2018					
	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividend	Total equity	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividend	Total equity
DKKmn												
Equity at 1 January	140.3	(3.8)	(178.9)	741.7	65.7	765.0	140.3	0.6	(162.4)	701.7	65.7	745.9
Profit for the year	-	-	-	167.2	0.0	167.2	-	-	-	30.4	65.7	96.1
Items that cannot be reclassified to profit for the year												
Actuarial gains/losses on defined benefit plans	-	-	-	(3.4)	-	(3.4)	-	-	-	13.1	-	13.1
Tax	-	-	-	0.9	-	0.9	-	-	-	(3.5)	-	(3.5)
Items that can be reclassified to profit for the year												
Foreign exchange adjustment of foreign subsidiaries	-	-	(18.8)	-	-	(18.8)	-	-	(45.8)	-	-	(45.8)
Hyperinflation restatement of non-monetary items	-	-	34.3	-	-	34.3	-	-	33.5	-	-	33.5
Tax	-	-	0.0	-	-	0.0	-	-	(4.2)	-	-	(4.2)
Value adjustment of hedging instruments:												
Recognised in other comprehensive income	-	(6.2)	-	-	-	(6.2)	-	(8.3)	-	-	-	(8.3)
Transferred to revenue	-	5.5	-	-	-	5.5	-	1.6	-	-	-	1.6
Transferred to production costs	-	0.5	-	-	-	0.5	-	0.8	-	-	-	0.8
Transferred to financial income and expenses	-	0.1	-	-	-	0.1	-	0.0	-	-	-	0.0
Tax	-	(0.2)	-	-	-	(0.2)	-	1.5	-	-	-	(1.5)
Other comprehensive income	0.0	(0.3)	15.5	(2.5)	(0.0)	12.7	0.0	(4.4)	(16.5)	9.6	0.0	(11.3)
Total comprehensive income	0.0	(0.3)	15.5	164.7	0.0	179.9	0.0	(4.4)	(16.5)	40.0	65.7	84.8
Transactions with owners												
Dividend paid	-	-	-	-	(65.7)	(65.7)	-	-	-	-	(65.7)	(65.7)
Changes in equity in the year	0.0	(0.3)	15.5	164.7	(65.7)	114.2	0.0	(4.4)	(16.5)	40.0	0.0	19.1
Equity at 31 December	140.3	(4.1)	(163.4)	906.4	0.0	879.2	140.3	(3.8)	(178.9)	741.7	65.7	765.0

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

Statement of changes in equity

Parent company	2019					2018				
	Share capital	Hedging reserve	Retained earnings	Proposed dividend	Total equity	Share capital	Hedging reserve	Retained earnings	Proposed dividend	Total equity
DKKkm										
Equity at 1 January	140.3	(1.4)	632.6	65.7	837.2	140.3	(0.4)	659.1	65.7	864.7
Profit for the year	-	-	70.6	0.0	70.6	-	-	(26.5)	65.7	39.2
Items that can be reclassified to profit for the year										
Value adjustment of hedging instruments:										
Recognised in other comprehensive income	-	(9.7)	-	-	(9.7)	-	(1.7)	-	-	(1.7)
Transferred to revenue	-	3.8	-	-	3.8	-	(0.2)	-	-	(0.2)
Transferred to production costs	-	0.5	-	-	0.5	-	0.8	-	-	0.8
Transferred to financial income and expenses	-	0.1	-	-	0.1	-	(0.2)	-	-	(0.2)
Tax	-	1.2	-	-	1.2	-	0.3	-	-	0.3
Other comprehensive income	0.0	(4.1)	0.0	0.0	(4.1)	0.0	(1.0)	0.0	0.0	(1.0)
Total comprehensive income	0.0	(4.1)	70.6	0.0	66.5	0.0	(1.0)	(26.5)	65.7	38.2
Transactions with owners										
Dividend paid	-	-	-	(65.7)	(65.7)	-	-	-	(65.7)	(65.7)
Changes in equity in the year	0.0	0.0	70.6	(65.7)	0.8	0.0	(1.0)	(26.5)	0.0	(27.5)
Equity at 31 December	140.3	(5.5)	703.2	0.0	838.0	140.3	(1.4)	632.6	65.7	837.2

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Notes

01 Accounting policies

Basis of preparation

The consolidated financial statements and the parent company financial statements for the year ended 31 December 2019 of the group and Brødrene Hartmann A/S, respectively, have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies. Brødrene Hartmann A/S is a limited liability company and has its registered office in Denmark.

The consolidated financial statements and the parent company financial statements are presented in Danish kroner, DKK, which is the presentation currency used for the group's operations and the functional currency of the parent company. The consolidated financial statements and the parent company financial statements are prepared on the basis of the historical cost convention, with the exception of derivative financial instruments, which are measured at fair value, and non-monetary items of the group's Argentinian subsidiaries, which are restated for hyperinflation.

The accounting policies have been applied consistently in the financial year and to comparative figures.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Brødrene Hartmann A/S, and entities in which the parent company directly or indirectly holds the majority of voting rights or which the parent company in some other way controls (subsidiaries). Entities in which the group holds between 20% and 50% of the voting rights and over which it exercises influence, but which it does not control, are considered associates.

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the subsidiaries by combining like items. The financial statements used for the annual report of the group have been prepared in accordance with the group's accounting policies.

On consolidation, intra-group income and expenses, shareholdings, dividends, balances, and realised and unrealised gains and losses on intra-group transactions are eliminated. The parent company's investments in the consolidated subsidiaries are set off against the parent company's share of the subsidiaries' fair value of identified net assets determined at the date of consolidation.

Foreign currency translation

A functional currency is designated for each of the reporting entities in the group. The functional currency is the currency used in the primary economic environment in which the reporting entity operates.

Transactions denominated in currencies other than the functional currency are transactions in foreign currency. On initial recognition, transactions denominated in foreign currency are translated into the functional currency at the exchange rate at the transaction date.

Gains and losses arising between the rate at the transaction date and the rate at the date of payment are recognised in the statement of comprehensive income under financial income and expenses, net. Receivables, payables and other monetary items denominated in foreign currency are translated into the functional currency at the exchange rate at the balance sheet date. Differences between the rate at the balance sheet date and the rate at the transaction date or the exchange rate stated in the latest annual report are recognised in the statement of comprehensive income under financial income and expenses.

On recognition of foreign subsidiaries with functional currencies other than DKK, comprehensive income statement items are translated at the foreign exchange rate at the transaction date, with the exception of comprehensive income statement items for the Argentinian subsidiaries, which are translated at the foreign exchange rate at the balance sheet date under the rules on restatement for hyperinflation. The rate at the transaction date is calculated as the average rate of the relevant month. Balance sheet items of foreign subsidiaries, including goodwill, are translated at the foreign exchange rate at the balance sheet date.

Foreign exchange differences arising on the translation of opening equity of these entities at the rate at the balance sheet date and on the translation of comprehensive income statement items from average rates to the rate at the balance sheet date are recognised in the consolidated financial statements under other comprehensive income and in equity in the translation reserve.

On full or partial divestment of a foreign entity, the part of the accumulated foreign exchange adjustment that is recognised in equity and that is attributable to that entity is recognised in profit or loss for the year together with any gains or losses from the divestment.

Statement of comprehensive income

The accounting policies applied to the items in the statement of comprehensive income are described in the respective notes to the statement of comprehensive income.

Statement of cash flows

The statement of cash flows shows the group's cash flows from operating, investing and financing activities for the year; the year's changes in cash and cash equivalents and the group's opening and closing cash and cash equivalents.

Cash flows from operating activities

Cash flows from operating activities are determined using the indirect method as operating profit before special items adjusted for non-cash items, changes in working capital, interest paid and interest received, income taxes paid and restructuring costs paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisition and disposal of intangible assets and property, plant and equipment, acquisition of subsidiaries, capital injections in subsidiaries, dividend received from associates and subsidiaries and government grants received.

Cash flows from financing activities

Cash flows from financing activities comprise the raising and repayment of loans and lease liabilities, changes in the amount or composition of the share capital, including purchase and sale of treasury shares and related costs, and dividend payments to shareholders. The parent company provides funding for the subsidiaries, and loans to subsidiaries and repayments on such loans are stated in the cash flow statement of the parent company under financing activities.

Cash and cash equivalents

Cash and cash equivalents comprise cash and overdraft facilities repayable on demand.

Balance sheet

The accounting policies applied to the items in the balance sheet are described in the respective notes to the balance sheet, except as stated below.

Income tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable

Notes

income of prior years and for tax paid on account. Joint taxation contributions payable and receivable are recognised as income tax in the balance sheet.

Prepayments

Prepayments include expenses paid in respect of subsequent financial years.

Equity

Dividend

The amount proposed in dividends for the year is stated as a separate item in equity. Proposed dividend is recognised as a liability at the time it is adopted at the annual general meeting.

Treasury shares

Costs of acquisition and divestment and dividend received on treasury shares acquired by the parent company or the subsidiaries are recognised in equity as retained earnings.

Translation reserve

The translation reserve in the consolidated financial statements includes accumulated foreign exchange differences on the translation of the financial statements of foreign subsidiaries from their functional currency to the presentation currency of the group. The reserve also includes the effects of hyperinflation restatement of non-monetary items in Argentina at 31 December 2019.

Hedging reserve

The hedging reserve contains the accumulated net change in the fair value of hedging transactions qualifying as cash flow hedges for which the hedged transaction has not yet been realised.

Financial liabilities

Financial liabilities comprise payables to credit institutions, lease liabilities, trade payables, payables to subsidiaries and associates and other payables. Other non-current payables comprise the part of the holiday pay obligation that has been frozen as a result of the transition to the new Danish Holiday Act. Payables to credit institutions are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, payables to credit institutions are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value (capital loss) is recognised in profit or loss over the term of the loan. Other liabilities are measured at amortised cost.

02 Accounting regulations

New financial reporting standards and interpretations in 2019

Hartmann has implemented all new and revised financial reporting standards and interpretations adopted by the EU that are effective for financial years beginning on 1 January 2019, including IFRS 16, which affected recognition and measurement in the annual report.

IFRS 16, Leases

The Hartmann group implemented IFRS 16, Leases, effective 1 January 2019. Under IFRS 16, which replaces IAS 17, the lessee must recognise all leases with a term of more than 12 months, unless the leased asset is of low value. IFRS 16 was implemented using the modified retrospective transition method, and therefore comparative figures have not been restated and continue to be reported under IAS 17 and IFRIC 4.

In accordance with the transition provisions of IFRS 16, the group has elected:

- Not to recognise leases with a term of less than 12 months or leases of low-value assets.
- Not to reassess whether a contract is or contains a lease.
- To determine a discount rate to a portfolio of leases with similar characteristics.

The group's leases were recognised in the balance sheet at 1 January 2019 in the form of lease liabilities and right-of-use lease assets.

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

The recognition of lease assets and lease liabilities, respectively, increased the group's total assets at 1 January 2019 by DKK 74.9 million. Lease assets primarily consist of buildings and operating equipment. The amount is specified below.

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

For purposes of measuring the lease liability, the group applied an average alternative borrowing rate of 3.4% p.a. for the discounting of future lease payments under recognised leases.

Based on the current lease composition, annual lease payments of DKK 11.3 million were replaced by depreciation of DKK 9.9 million and interest of DKK 2.8 million in 2019. IFRS 16 implementation thus increased operating profit by DKK 1.4 million and reduced pre-tax profit by a net DKK 1.4 million.

Capitalisation of leases under IFRS 16 also affects the group's key figures and financial ratios. Invested capital and net interest-bearing debt both increased by DKK 74.9 million at 1 January 2019, while, based on the current composition of leases, the return on invested capital (ROIC) was reduced by about 1.0 percentage point and the equity ratio by about 1.6 percentage points in 2019. The new IFRS 16 rules have not had any significant effect on the profit margin due to the negligible positive effect on operating profit.

New financial reporting standards which have not yet come into force and which have not been adopted early

Hartmann expects to implement all new standards and interpretations in the financial year in which they become mandatory. The IASB has not issued any new standards or interpretations of significant importance for the group's financial statements that must be implemented by the group and the parent company for financial years beginning on or after 1 January 2020.

Notes

03 Significant accounting estimates and judgments

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

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

Changes to accounting estimates are recognised in the reference period in which the change occurs and in future reference periods if the change affects both the period in which the change occurs and subsequent reference periods.

Significant accounting estimates, assumptions and uncertainties

The recognition and measurement of assets and liabilities often depend on future events that are somewhat uncertain. In that connection, it is necessary to make an assumption that reflects management's assessment of the most likely course of events.

A number of assumptions and uncertainties are worth noting since they have had a significant influence on the assets and liabilities recognised in the consolidated financial statements and the parent company financial statements and may require corrections in subsequent financial years if the assumed course of events fails to materialise as expected. Except as stated below, these assumptions and uncertainties are described in the respective notes to the financial statements.

CHP plant in Tønder

In 2008, district heating company Tønder Fjernvarmeselskab filed a complaint with the Danish Energy Regulatory Authority concerning the pricing of district heating supplied by Hartmann.

On 28 November 2017, the Danish Energy Board of Appeal made a decision concerning the principles for pricing district heating supplied by Hartmann's combined heat and power plant in the period from 2003 up to and including 8 January 2015, when district heating supplies were discontinued. Based on the Energy Board of Appeal's decision, the case was remitted for reconsideration by the Danish Utility Regulator for purposes of determining the financial consequences of the Energy Board of Appeal's decision. Based on the main elements of the Energy Board of Appeal's decision and the draft decision of the Danish Utility Regulator, Hartmann and Tønder Fjernvarmeselskab settled the dispute out of court in November 2019. The settlement is subject to approval by the Danish Utility Regulator.

Management expects the Danish Utility Regulator to approve the settlement, which will not affect the group's result, but will have a positive cash flow effect in 2020.

Notes

04 Segment information

Activities	2019			2018		
	Europe	Americas	Total reporting segments	Europe	Americas	Total reporting segments
External revenue						
Moulded-fibre packaging	1,344.4	955.1	2,299.5	1,225.7	883.9	2,109.6
Machinery and technology	61.4	0.0	61.4	114.8	0.0	114.8
Revenue	1,405.8	955.1	2,360.9	1,340.5	883.9	2,224.4
Hyperinflation restatement of revenue	-	(4.5)	(4.5)	-	(17.3)	(17.3)
Revenue as per statement of comprehensive income	1,405.8	950.6	2,356.4	1,340.5	866.6	2,207.1
Operating profit before special items	170.0	119.3	289.3	151.8	98.4	250.2
Other segment information						
Depreciation and amortisation	70.5	60.1		57.6	67.5	
Investments in intangible assets and property plant and equipment	143.9	59.3		61.8	63.3	
Net working capital	231.6	90.5		213.8	73.9	
Invested capital	761.5	707.9		611.6	699.6	
Segment assets	1,072.5	847.0	1,919.5	893.3	850.0	1,743.3
Reconciliation						
Performance targets						
Operating profit before special items for reporting segments			289.3			250.2
Hyperinflation restatement of operating profit before special items			(12.0)			(11.5)
Non-allocated corporate functions			(29.0)			(25.7)
Eliminations			1.9			1.5
Operating profit before special items as per statement of comprehensive income			250.2			214.5
Special items			0.0			(32.7)
Operating profit as per statement of comprehensive income			250.2			181.8
Financial income			10.5			33.0
Financial expenses			(45.4)			(78.9)
Profit before tax as per statement of comprehensive income			215.3			135.9
Assets						
Assets for reporting segments			1,919.5			1,743.3
Hyperinflation restatement of non-monetary items			46.6			33.2
Non-allocated assets			139.9			137.7
Eliminations			(63.9)			(80.3)
Assets as per balance sheet			2,042.1			1,833.9

Notes

04 Segment information – continued

Geographical distribution

DKKkm	Denmark	Rest of Europe	North and South America*	Rest of world	Total group
2019					
Revenue	51.8	1,202.0	1,011.3	91.3	2,356.4
Intangible assets, property, plant and equipment and lease assets	171.1	317.2	640.7	86.2	1,215.2
2018					
Revenue	35.6	1,090.1	925.4	156.0	2,207.1
Intangible assets and property, plant and equipment	164.4	260.4	634.3	10.8	1,069.9

* North and South America refer to the geographical continents.

§ Accounting policies

Segment information

The reporting of business segments is in accordance with the internal reporting to the executive board and the board of directors. The executive board and the board of directors constitute Hartmann's chief operating decision maker. Hartmann's activities are segmented on the basis of the geographical location of the reporting units. No operating segments have been aggregated to represent the reporting segments.

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

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

§ Accounting policies

Segment income and expenses as well as segment assets and liabilities comprise those items that in the internal management reporting are directly attributed to each individual segment and those items that are indirectly allocated to the individual segment on a reliable basis. Profits in associates, financial income and expenses, income taxes, investments in associates, tax assets and tax liabilities and cash and bank debt are not allocated to reporting segments.

The reporting segments are:

- **Europe** – comprising production and sales of moulded-fibre packaging. The products are manufactured at factories in Europe (including Israel) and are primarily sold to egg producers, egg packing businesses, retail chains and buyers of industrial packaging. The segment also comprises production and sales of machinery and technology to manufacturers of moulded-fibre packaging in selected markets.
- **Americas** – comprising production and sales of moulded-fibre packaging. The products are primarily manufactured at the North and South American factories and sold to egg and fruit producers, egg and fruit packing businesses and retail chains.

Other segment information

External revenue is allocated to geographical areas on the basis of the customer's geographical location. Allocation of intangible assets and property, plant and equipment is based on the geographical location and use of the assets.

No single customer represents more than 10% of external revenue. Revenue from external customers attributable to a single foreign country is immaterial.

Notes

05 Revenue

	Group		Parent company	
DKKm	2019	2018	2019	2018
Moulded-fibre packaging	2,295.0	2,092.3	1,229.1	1,116.4
Machinery and technology	61.4	114.8	144.4	167.6
Revenue	2,356.4	2,207.1	1,373.5	1,284.0

\$ Accounting policies

Revenue

The group and the parent company recognise revenue from the following categories:

- Sales of moulded-fibre packaging to egg and fruit producers, packing businesses and retail chains and to buyers of industrial packaging.
- Sales of machinery and technology to manufacturers of moulded-fibre packaging.

Revenue from sales of moulded-fibre packaging and from machinery and technology is recognised when the goods have been delivered in accordance with the agreed terms of delivery and control of the goods has thus been transferred to the customer.

Trade receivables are recognised when the goods have been delivered to the customer and an unconditional right to consideration for the goods has thus been obtained, as only the passage of time is required before payment of the consideration is due.

For sales of moulded-fibre packaging, the general terms of payment are 30 days. For sales of machinery and technology, prepayments are received in instalments that in aggregate make up the main part of the contract sum.

06 Production costs

	Group		Parent company	
DKKm	2019	2018	2019	2018
Cost of sales	1,199.6	1,133.1	897.1	838.5
Staff costs included in cost of sales	(318.6)	(302.1)	(113.8)	(113.9)
Inventory write-downs	0.2	4.7	0.0	0.2
Staff costs, see note 9	437.3	409.9	173.5	160.8
Depreciation and amortisation, see notes 16, 17 and 18	128.7	123.5	23.4	27.4
Other production costs	206.0	200.4	71.3	73.8
Production costs	1,653.2	1,569.5	1,051.5	986.8

Development costs of DKK 4.4 million for both the group and the parent company (2018: DKK 6.3 million) are included in other production costs.

\$ Accounting policies

Production costs

Production costs comprise direct and indirect costs, including depreciation and amortisation and wages and salaries, incurred in generating the revenue for the year. Production costs also comprise development costs not qualifying for capitalisation.

Notes

07 Selling and distribution costs

	Group		Parent company	
DKKm	2019	2018	2019	2018
Staff costs, see note 9	73.3	69.6	15.7	15.1
Depreciation and amortisation, see notes 16, 17 and 18	3.3	2.5	0.1	0.2
Other selling and distribution costs	273.9	251.8	175.8	165.4
Selling and distribution costs	350.5	323.9	191.6	180.7

Other selling and distribution costs mainly comprise freight costs.

\$ Accounting policies

Selling and distribution costs

Selling and distribution costs comprise the costs of freight, sales staff, advertising, exhibitions, depreciation and amortisation and credit losses.

08 Administrative expenses

	Group		Parent company	
DKKm	2019	2018	2019	2018
Staff costs, see note 9	59.1	58.2	29.7	36.4
Depreciation and amortisation, see notes 16, 17 and 18	9.0	7.8	7.1	6.8
Other administrative expenses	34.4	33.2	18.8	18.1
Administrative expenses	102.5	99.2	55.6	61.3

\$ Accounting policies

Administrative expenses

Administrative expenses comprise the expenses of the administrative staff, management, office premises not comprised by IFRS 16, office expenses, depreciation and amortisation.

Notes

09 Staff costs

	Group		Parent company	
DKKm	2019	2018	2019	2018
Wages, salaries and remuneration	498.8	492.3	198.3	193.9
Pension costs, defined benefit plans	2.7	3.4	-	-
Pension contributions, defined contribution plans	43.9	40.9	17.2	17.0
Other social security costs	24.2	23.7	3.5	3.2
Staff costs	596.6	560.3	219.0	214.1
Staff costs are recognised in the following comprehensive income statement items:				
Production costs	437.3	409.9	173.5	160.8
Selling and distribution costs	73.3	69.6	15.7	15.1
Administrative expenses	59.1	58.2	29.7	36.4
Special costs	0.0	22.6	0.0	1.8
	569.7	560.3	218.9	214.1
Number of employees				
Average number of full-time employees	1,997	1,996	416	415

For information about pension obligations, see note 25.

Remuneration of the board of directors

The remuneration paid to the members of the board of directors is a fixed fee approved by the shareholders at the annual general meeting. Ordinary committee members each receive an annual fee of DKK 225,000. The vice chairman receives a fee equal to the ordinary fee multiplied by 1.5, and the chairman receives a fee equal to the ordinary fee multiplied by three. In addition, members of the audit committee receive a fee as set out below.

DKKm	2019	2018
Chairman	0.7	0.7
Vice chairman	0.3	0.4
Ordinary board members	1.3	1.1
	2.3	2.2

Remuneration of the executive board

The remuneration paid to the members of the executive board is based on a fixed salary, defined contribution pension, bonus and other benefits in the form of company car and telephone. Bonuses are individual and performance-related. The remuneration policy for members of the executive board includes a one-year cash bonus programme.

The one-year bonus programme is based on financial targets and cannot exceed 50% of the individual's basic salary before pension.

Hartmann may terminate the executive service agreements of the members of Hartmann's executive board at 12 months' notice. In the event of a change of ownership of a controlling interest in the company, their notice of termination will be extended to 18 months effective from the date of transfer of control. The extended notice will apply for a period of 18 months after the transfer.

DKKm	Salary	Bonus	Pension	Other benefits	Total
2019					
Torben Rosenkrantz-Theil	3.6	1.6	0.4	0.2	5.8
Flemming Steen	3.0	1.2	0.0	0.2	4.4
	6.6	2.8	0.4	0.4	10.2

2018

Torben Rosenkrantz-Theil (appointed on 15 March 2018)	2.7	0.1	0.3	0.2	3.3
Flemming Steen (appointed on 18 September 2018)	0.8	0.0	0.0	0.0	0.8
Ulrik Kolding Hartvig (resigned on 18 February 2018)	0.5	0.0	0.1	0.2	0.8
Marianne Rørslev Bock (resigned on 18 September 2018)	2.0	0.1	0.2	0.2	2.5
	6.0	0.2	0.6	0.6	7.4

In addition to the above, continuing remuneration of DKK 1.8 million was paid in 2018 in relation to Ulrik Kolding Hartvig.

Bonus reflects bonuses earned by executive board members in the respective financial years. The previous three-year bonus programme was discontinued in 2018 with no cost incurred.

Notes

09 Staff costs – continued

Remuneration of the audit committee

The remuneration paid to the members of the audit committee is a fixed fee approved by the shareholders at the annual general meeting. Ordinary committee members each receive an annual fee of DKK 112,500. The chairman receives a fee of DKK 337,500.

DKKm	2019	2018
Chairman	0.3	0.3
Ordinary members	0.2	0.1
	0.5	0.4

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

	No. of shares			31.12. 2019
	01.01. 2019	Purchased	Sold	
Executive board				
Torben Rosenkrantz-Theil	0	0	0	0
Flemming Steen	0	0	0	0
Board of directors				
Agnete Raaschou-Nielsen	2,000	0	0	2,000
Steen Parsholt	5,000	0	0	5,000
Jan Klarskov Henriksen	0	0	0	0
Jan Madsen	0	1,800	0	1,800
Karen Angelo Hækkerup	0	171	0	171
Marianne Schelde	0	0	0	0
Andy Hansen	56	0	0	56
Palle Skade Andersen	0	0	0	0

10 Special items

DKKm	Group		Parent company	
	2019	2018	2019	2018
Severance payments and continuing remuneration	0.0	22.5	0.0	4.5
Decommissioning costs	0.0	7.5	0.0	5.9
Consultancy fees	0.0	2.7	0.0	2.1
Special costs	0.0	32.7	0.0	12.5
Special items	0.0	(32.7)	0.0	(12.5)
If special items had been recognised in operating profit before special items, they would have been recognised in the following items in the statement of comprehensive income:				
Production costs	0.0	(8.8)	0.0	(6.2)
Selling and distribution costs	0.0	(17.5)	0.0	(1.5)
Administrative expenses	0.0	(6.4)	0.0	(4.8)
	0.0	(32.7)	0.0	(12.5)

In Q1 2018, Hartmann launched 'Perform 2018', a programme encompassing efficiency-enhancing measures, cost cuts and sales promoting initiatives. The costs related to the 'Perform 2018' programme and continuing remuneration for former CEO Ulrik Kolding Hartvig were recognised under special items in 2018.

§ Accounting policies

Special items

Special items comprise significant non-recurring income and expenses of a special nature relative to the group's earnings-generating operating activities, such as the costs of extensive restructuring of processes and basic structural changes. Other significant amounts of a non-recurring nature are also recognised under this item, including impairment of intangible assets and property, plant and equipment and gains and losses on the divestment of activities. These items are presented separately in order to facilitate the comparability of the statement of comprehensive income and in order to provide a true and fair view of consolidated and parent company operating profits.

Notes

11 Financial income and expenses

DKKm	Group		Parent company	
	2019	2018	2019	2018
Interest income from subsidiaries	-	-	9.5	11.7
Interest income, cash and cash equivalents etc.	0.2	0.0	0.1	0.0
Other interest income	1.1	5.0	1.7	4.4
Interest income from financial assets not measured at fair value through profit or loss	1.3	5.0	11.3	16.1
Dividend from subsidiaries	-	-	11.8	5.2
Dividend from associates	-	-	0.0	0.1
Reversal of prior-year impairment of investments in subsidiaries, see note 18	-	-	0.0	3.9
Monetary gain on hyperinflation restatement	2.7	6.8	-	-
Foreign exchange gains	5.7	20.6	6.0	3.1
Derivative financial instruments	0.8	0.6	0.1	0.3
Financial income	10.5	33.0	29.2	28.7
Interest expenses, credit institutions	15.1	16.6	11.3	11.9
Interest expenses, lease liabilities	2.8	0.0	0.1	0.0
Net interest on defined benefit plans, see note 26	0.6	1.2	-	-
Other financial expenses	3.9	3.7	0.5	0.4
Interest expenses from financial liabilities not measured at fair value through profit or loss	22.4	21.5	11.9	12.3
Foreign exchange losses	22.2	56.8	6.1	10.1
Derivative financial instruments	0.8	0.6	0.2	0.1
Financial expenses	45.4	78.9	18.2	22.5
Financial income and (expenses)	(34.9)	(45.9)	11.0	6.2

Accounting policies

Financial income and expenses

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

Notes

12 Tax on profit/(loss) for the year

	Group		Parent company	
DKKm	2019	2018	2019	2018
Breakdown of tax for the year:				
Tax on profit for the year	48.1	39.8	15.2	9.7
Tax on other comprehensive income	(0.7)	6.2	(1.2)	(0.3)
	47.4	46.0	14.0	9.4
Tax on profit/(loss) for the year has been calculated as follows:				
Current tax	43.2	31.8	14.3	9.0
Change in deferred tax	8.4	5.9	1.8	1.1
Change in deferred tax relating to prior years	1.6	(0.9)	0.0	(0.8)
Change in income tax rate	0.0	1.4	0.0	0.0
Tax relating to prior years	(5.1)	1.6	(0.9)	0.4
Tax on profit for the year	48.1	39.8	15.2	9.7
Tax on profit for the year may be specified as follows:				
Profit before tax	215.3	135.9	85.8	48.9
Dividend from subsidiaries and associates	-	-	(11.8)	(5.3)
Reversal of impairment of investments in subsidiaries	-	-	0.0	(3.9)
Profit after tax in associates	0.0	0.0	-	-
	215.3	135.9	74.0	39.7
Tax charged at 22%	47.4	29.9	16.3	8.7
Effect of differences in tax rates of foreign subsidiaries relative to 22%	0.7	1.8	-	-
Tax effect of:				
Change in income tax rate	0.0	1.4	0.0	0.0
Recognised deferred tax assets in foreign subsidiaries	0.0	(1.9)	0.0	0.0
Non-taxable income and non-deductible expenses	(4.3)	(0.8)	(0.3)	0.5
Hyperinflation restatement	7.7	5.9	-	-
Other tax expenses	0.1	1.1	0.1	0.9
Deferred tax relating to prior years	1.6	(0.9)	0.0	(0.8)
Tax relating to prior years	(5.1)	1.6	(0.9)	0.4
Tax on profit for the year	48.1	39.8	15.2	9.7
Effective tax rate	22	29	21	24

	Group		Parent company	
DKKm	2019	2018	2019	2018
Tax on other comprehensive income:				
Actuarial losses on defined benefit plans	(0.9)	3.5	0.0	0.0
Hyperinflation restatement of non-monetary items, 1 January	0.0	4.2	-	-
Value adjustment of hedging instruments:				
Recognised in other comprehensive income	(1.3)	(2.0)	(2.1)	(0.4)
Transferred to revenue	1.3	0.4	0.8	0.0
Transferred to production costs	0.1	0.2	0.1	0.2
Transferred to financial income and expenses	0.1	(0.1)	0.0	(0.1)
Tax on other comprehensive income	(0.7)	6.2	(1.2)	(0.3)

The lower effective tax rate in 2019 was primarily attributable to prior-year tax adjustments and a positive effect of non-taxable income in 2019.

Accounting policies

Tax on profit for the year

The group's Danish entities are jointly taxed with its principal shareholder, Thornico Holding A/S, and its Danish subsidiaries. The current Danish income tax liability is allocated among the jointly taxed entities in proportion to their taxable income (full allocation subject to reimbursement in respect of tax losses).

Tax for the year, comprising current income tax for the year, joint taxation contributions for the year and changes in deferred tax for the year, including such changes as follow from changes in the tax rate, is recognised in profit/loss for the year, other comprehensive income or in equity, depending on where the item is recognised.

Notes

13 Earnings per share

	Group	
	2019	2018
Average no. of shares	7,015,090	7,015,090
Average no. of treasury shares	100,000	100,000
Average no. of shares in circulation	6,915,090	6,915,090
Average dilutive effect of outstanding subscription rights	-	-
Average no. of shares, diluted	6,915,090	6,915,090
Profit for the year attributable to the shareholders of Brødrene Hartmann A/S, DKKm	167.2	96.1
Earnings per share, DKK	24.2	13.9
Diluted earnings per share, DKK	24.2	13.9

14 Cash flows

	Group		Parent company	
DKKm	2019	2018	2019	2018
(Gains) and losses on disposal of intangible assets and property, plant and equipment	(0.1)	(0.1)	0.0	0.0
Hyperinflation restatement	6.8	7.9	-	-
Adjustment for other non-cash items	6.7	7.8	0.0	0.0
Inventories	(20.2)	27.5	(45.2)	23.5
Receivables	(59.0)	(42.5)	(36.1)	(64.3)
Pension obligations	(3.2)	(6.0)	0.0	0.0
Prepayments from customers	29.5	(37.2)	28.4	(31.4)
Trade payables	(2.5)	12.5	4.6	(9.5)
Other payables etc.	8.8	22.3	12.7	33.1
Change in working capital etc.	(46.6)	(23.4)	(35.6)	(48.6)
Credit institutions at 1 January	616.0	612.2	616.0	607.7
Raising of non-current debt	652.1	0.0	603.6	0.0
Repayment of non-current debt	(669.9)	(2.4)	(616.0)	0.0
Foreign exchange adjustments	3.2	5.9	(0.4)	8.0
Other changes	0.5	0.3	(1.3)	0.3
Credit institutions at 31 December	601.9	616.0	601.9	616.0

15 Intangible assets

Group	Goodwill	Other	Total
DKKm			
Cost at 1 January 2019	63.9	49.4	113.3
Hyperinflation restatement	0.1	7.1	7.2
Foreign exchange adjustment	(1.0)	(7.7)	(8.7)
Additions	0.0	1.1	1.1
Cost at 31 December 2019	63.0	49.9	112.9
Amortisation and impairment at 1 January 2019	0.0	14.5	14.5
Hyperinflation restatement	0.0	1.9	1.9
Foreign exchange adjustments	0.0	(2.1)	(2.1)
Amortisation	0.0	6.1	6.1
Amortisation and impairment at 31 December 2019	0.0	20.4	20.4
Carrying amount at 31 December 2019	63.0	29.5	92.5
Cost at 1 January 2018	69.9	40.1	110.0
Hyperinflation restatement	0.3	17.5	17.8
Foreign exchange adjustment	(6.3)	(15.2)	(21.5)
Additions	0.0	7.0	7.0
Cost at 31 December 2018	63.9	49.4	113.3
Amortisation and impairment at 1 January 2018	0.0	8.6	8.6
Hyperinflation restatement	0.0	3.4	3.4
Foreign exchange adjustments	0.0	(3.0)	(3.0)
Amortisation	0.0	5.5	5.5
Amortisation and impairment at 31 December 2018	0.0	14.5	14.5
Carrying amount at 31 December 2018	63.9	34.9	98.8

Other intangible assets include the Sanovo Greenpack trademark carried at DKK 10.9 million (2018: DKK 11.0 million). Management expects this value can be sustained indefinitely as the trademark enjoys a strong position in the South American markets, which are expected to remain profitable in the long term. The trademark is thus believed to have an indefinite useful life. The development in 2019 can be ascribed entirely to exchange rate developments and restatement for hyperinflation.

Notes

15 Intangible assets – continued

Parent company

DKKm	Goodwill	Other	Total
Cost at 1 January 2019	10.7	13.1	23.8
Additions	0.0	1.1	1.1
Cost at 31 December 2019	10.7	14.2	24.9
Amortisation and impairment at 1 January 2019	0.0	4.4	4.4
Amortisation	0.0	3.5	3.5
Amortisation and impairment at 31 December 2019	0.0	7.9	7.9
Carrying amount at 31 December 2019	10.7	6.3	17.0
Cost at 1 January 2018	10.7	6.1	16.8
Additions	0.0	7.0	7.0
Cost at 31 December 2018	10.7	13.1	23.8
Amortisation and impairment at 1 January 2018	0.0	1.5	1.5
Amortisation	0.0	2.9	2.9
Amortisation and impairment at 31 December 2018	0.0	4.4	4.4
Carrying amount at 31 December 2018	10.7	8.7	19.4

	Group		Parent company	
DKKm	2019	2018	2019	2018
Amortisation is recognised in the statement of comprehensive income in the following items:				
Production costs	2.0	1.1	1.2	0.3
Selling and distribution costs	1.8	1.9	0.0	0.0
Administrative expenses	2.3	2.5	2.3	2.6
	6.1	5.5	3.5	2.9

Impairment testing

Management has tested goodwill and other intangible assets with indefinite useful lives for impairment in each of the cash-generating units to which such assets have been allocated.

Group

DKKm	Segment	Goodwill		Trademarks	
		2019	2018	2019	2018
Cash-generating unit					
Argentina	Americas	0.1	0.1	1.0	1.6
Brazil	Americas	52.2	53.1	6.3	6.4
Europe Moulded Fibre	Europe	10.7	10.7	0.0	0.0
Total		63.0	63.9	7.3	8.0

Parent company

DKKm	Segment	Goodwill	
		2019	2018
Cash-generating unit			
Europe Moulded Fibre	Europe	10.7	10.7
Total		10.7	10.7

Key assumptions

The recoverable amounts for the units are based on the value in use determined by calculating expected net cash flows on the basis of the 2020 forecast approved by the board of directors and projections for the period 2021-2024. The average growth rates applied for the terminal period are assessed not to exceed long-term average growth rates on the markets of the individual units. The calculation of the value in use includes expected investments for the period 2020-2024, and expected investments to maintain the capital apparatus are included in the terminal period.

Argentina

The rate of growth applied for the period 2020-2024 and the terminal period takes into account the expected rate of inflation. Price increases on a level with expected inflation are assumed to be realisable. Growth during the terminal period has been determined at 12.0% (2018: 4.9%). A pre-tax discount rate of 43% has been applied for 2020 (2018: 45% for 2019), which includes an expected rate of inflation of 40% (2018: 36%). The discount rate has been adjusted for a decrease in the expected inflation rate for the period 2021-2024 and for the terminal period, in which a pre-tax discount rate of 19% has been applied (2018: 19%).

Brazil

The rate of growth applied for the period 2020-2024 and the terminal period takes into account the expected rate of inflation. Price increases on a level with expected inflation are assumed to be realisable. Growth during the terminal period has been determined at 3.5% (2018: 4.6%). A pre-tax discount rate of 7% has been applied for the 2020-2024 period and for the terminal period (2018: 12%).

Notes

15 Intangible assets – continued

Sensitivity analysis

A sensitivity analysis has been performed of key assumptions in the impairment test made in respect of the cash-generating units in South America for purposes of identifying the highest discount rate and the lowest growth rate in the terminal period that will not result in impairment losses. The sensitivity analysis is outlined below:

Key assumptions	Argentina	Brazil
Pre-tax discounting factor applied in the terminal period	18.5%	7.3%
Highest pre-tax discounting factor in the terminal period	31.1%	14.3%
Growth rate applied in the terminal period	12.0%	3.5%
Lowest growth rate in the terminal period	< 0%	< 0%

Europe Moulded Fibre

The calculation of expected cash flows takes into account the effect of restructuring measures implemented in the European production network and at the head office as well as the expected development in selling prices on the European markets, which has been characterised by intensifying price competition. Growth during the terminal period has been determined at 1.0% (2018: 1.0%), in line with the expected inflation rate. A pre-tax discount rate of 7% (2018: 8%) has been applied for the full period.

Conclusion

Based on the tests performed, management has concluded that no intangible assets are impaired. While management acknowledges that in the South American markets there is a higher risk of financial scenarios that may change assumptions to the effect that the carrying amount of goodwill and trademarks with indefinite useful lives will exceed the recoverable amount, management finds such scenarios predominantly unlikely. Management monitors macro-economic developments in Argentina and Brazil on a continuous basis and currently finds it predominantly unlikely that changes in assumptions would lead to the carrying amount of goodwill and trademarks with indefinite useful lives significantly exceeding the recoverable amount.

i Significant accounting estimates and judgments

Recoverable amount of goodwill and trademarks with an indefinite useful life

In order to determine whether goodwill and trademarks with indefinite useful lives are impaired, values in use for the cash-generating units to which such assets have been allocated must be calculated. The calculation of the value in use assumes that an estimate of future expected cash flows in the individual cash-generating unit has been made and that a reasonable discount rate has been determined.

\$ Accounting policies

Goodwill

On initial recognition, goodwill is recognised at cost in the balance sheet. Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is not amortised but tested for impairment at least once a year. See the section on impairment of intangible assets. The carrying amount of goodwill is allocated to the group's cash-generating units at the date of acquisition. Cash-generating units are determined based on the management structure and internal financial controlling.

Other intangible assets

Other intangible assets are software, customer relations and trademarks.

Software is measured at cost less accumulated amortisation. Software is amortised using the straight-line method over its expected useful life, which is 3-5 years.

Customer relations acquired in connection with business combinations are measured at cost less accumulated amortisation. Customer relations are amortised using the straight-line method over the expected useful life, which is ten years.

Trademarks with an indefinite useful life and acquired in connection with business combinations are measured at cost. Trademarks with an indefinite useful life are not amortised but tested for impairment at least once a year. See the section on impairment of intangible assets.

Impairment of intangible assets

Goodwill and trademarks with an indefinite useful life are tested for impairment annually, the first impairment test being performed prior to the end of the year of acquisition. Goodwill and trademarks with an indefinite useful life are tested at least once a year together with the other non-current assets and current net assets of the cash-generating unit to which the assets have been allocated and are written down to the recoverable amount in profit or loss if the carrying amount is higher. Impairment losses are not reversed. The recoverable amount is calculated as the net present value of expected future net cash flows from the cash-generating unit to which the goodwill and trademarks with indefinite useful lives are related.

Other intangible assets are written down in accordance with the accounting policies governing impairment of property, plant and equipment set out in note 17.

Notes

I 6 Property, plant and equipment

DKKm	2019					2018				
	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant under construction	Total	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant under construction	Total
Group										
Cost at 1 January	568.3	2,019.9	84.4	71.4	2,744.0	592.3	2,189.6	104.2	21.7	2,907.8
Hyperinflation restatement	17.7	16.7	2.9	15.7	53.0	25.9	35.5	6.0	0.6	68.0
Foreign exchange adjustment	(11.4)	7.0	(2.7)	(16.9)	(24.0)	(27.2)	(57.2)	(6.3)	(0.5)	(91.2)
Transfer	0.0	70.2	0.0	(70.2)	0.0	0.0	18.2	3.6	(21.8)	0.0
Additions	24.4	70.0	5.2	93.1	192.7	10.1	38.9	1.5	71.4	121.9
Disposals	(3.0)	(14.3)	(7.9)	0.0	(25.2)	(32.8)	(205.1)	(24.6)	0.0	(262.5)
Cost at 31 December	596.0	2,169.5	81.9	93.1	2,940.5	568.3	2,019.9	84.4	71.4	2,744.0
Depreciation and impairment at 1 January	273.9	1,429.7	69.3	0.0	1,772.9	291.0	1,548.9	83.3	0.0	1,923.2
Hyperinflation restatement	0.9	7.2	1.6	0.0	9.7	1.2	4.1	10.3	0.0	15.6
Foreign exchange adjustment	0.4	11.3	(1.9)	0.0	9.8	(3.3)	(27.6)	(3.7)	0.0	(34.6)
Transfer	0.0	0.0	0.0	0.0	0.0	0.0	3.6	(3.6)	0.0	0.0
Depreciation	17.7	101.9	6.5	0.0	126.1	17.8	105.5	7.5	0.0	130.8
Disposals	(3.0)	(13.9)	(7.8)	0.0	(24.7)	(32.8)	(204.8)	(24.5)	0.0	(262.1)
Depreciation and impairment at 31 December	289.9	1,536.2	67.7	0.0	1,893.8	273.9	1,429.7	69.3	0.0	1,772.9
Carrying amount at 31 December	306.1	633.3	14.2	93.1	1,046.7	294.4	590.2	15.1	71.4	971.1
Parent company										
Cost at 1 January	171.7	674.1	49.4	7.7	902.9	167.2	831.7	70.1	11.2	1,080.2
Transfer	0.0	7.7	0.0	(7.7)	0.0	0.0	11.2	0.0	(11.2)	0.0
Additions	1.1	3.2	0.4	6.7	11.4	5.0	1.9	0.4	7.7	15.0
Disposals	(3.0)	(7.3)	(7.8)	0.0	(18.1)	(0.5)	(170.7)	(21.1)	0.0	(192.3)
Cost at 31 December	169.8	677.7	42.0	6.7	896.2	171.7	674.1	49.4	7.7	902.9
Depreciation and impairment at 1 January	155.7	566.0	43.8	0.0	765.5	153.7	710.3	60.9	0.0	924.9
Depreciation	1.9	20.1	2.9	0.0	24.9	2.5	26.4	4.0	0.0	32.9
Disposals	(3.0)	(7.3)	(7.8)	0.0	(18.1)	(0.5)	(170.7)	(21.1)	0.0	(192.3)
Depreciation and impairment at 31 December	154.6	578.8	38.9	0.0	772.3	155.7	566.0	43.8	0.0	765.5
Carrying amount at 31 December	15.2	98.9	3.1	6.7	123.9	16.0	108.1	5.6	7.7	137.4

Notes

16 Property, plant and equipment – continued

	Group		Parent company	
DKKm	2019	2018	2019	2018
Breakdown of depreciation and impairment losses:				
Depreciation	126.1	130.8	24.9	32.9
Part of government grants recognised as income	(0.9)	(2.5)	0.0	(1.4)
	125.0	128.3	24.9	31.5
Depreciation and impairment losses are recognised in the following comprehensive income statement items:				
Production costs	121.0	122.4	22.2	27.1
Selling and distribution costs	0.4	0.6	0.1	0.2
Administrative expenses	3.6	5.3	2.6	4.2
	125.0	128.3	24.9	31.5

§ Accounting policies

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the asset is available for use. The cost of self-constructed assets comprises costs related to wages and salaries, materials, components and sub-suppliers. Borrowing costs are not recognised if production periods are short. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Subsequent costs, e.g. for the replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset when it is likely that the expenditure of the replacement involves future financial benefits to the group.

The carrying amount of the replaced components ceases to be recognised in the balance sheet and is transferred to profit or loss. All other costs related to general repair and maintenance are recognised in profit or loss as and when incurred.

§ Accounting policies – continued

Items of property, plant and equipment are depreciated on a straight-line basis over their expected useful lives:

- Buildings and building components, 10-25 years
- Plant and machinery, 3-25 years
- Fixtures and operating equipment, 5-10 years
- IT equipment including basic programs, 3-5 years

Land is not depreciated. The depreciation basis is determined taking into account the residual value of the asset and any impairment losses. The residual value is determined at the date of acquisition and is reassessed annually. If the residual value exceeds the carrying amount of the asset, depreciation will cease. If the depreciation period or the residual value is changed, the effect on depreciation going forward is recognised as a change in accounting estimates.

Depreciation is recognised in the statement of comprehensive income as production costs, selling and distribution costs and administrative expenses, respectively.

Gains or losses on the disposal of property, plant and equipment are stated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the statement of comprehensive income in other operating income or in other operating expenses.

Impairment of property, plant and equipment

Items of property, plant and equipment are reviewed for impairment once a year. When there is an indication that an asset may be impaired, the recoverable amount of that asset is determined. The recoverable amount is the higher of the asset's net selling price and the net present value of expected future net cash flows. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount of the asset or its cash-generating unit. Impairment losses are recognised in profit or loss.

Impairment losses on property, plant and equipment are reversed to the extent that changes have occurred in the assumptions and estimates on the basis of which the impairment loss was recognised. Impairment losses are reversed only to the extent that the new carrying amount of the asset does not exceed the carrying amount it would have had net of depreciation if the impairment loss had not been recognised.

Notes

17 Leases

	2019		
	Land and buildings	Other fixtures and fittings, tools and equipment	Total
DKKm			
Group			
Effect on transition at 1 January 2019	68.3	6.6	74.9
Adjusted balance sheet at 1 January	68.3	6.6	74.9
Foreign exchange adjustment	6.5	0.0	6.5
Additions	4.9	1.1	6.0
Disposals	0.0	(2.1)	(2.1)
Depreciation	(7.4)	(2.6)	(9.9)
Reversal of depreciation on disposal	0.0	0.7	0.6
Balance sheet at 31 December	72.3	3.7	76.0
Parent company			
Effect on transition at 1 January 2019	8.0	1.9	9.9
Adjustment, balance sheet at 1 January	8.0	1.9	9.9
Additions	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
Depreciation	(1.5)	(0.7)	(2.2)
Balance sheet at 31 December	6.5	1.2	7.7

	Group 2019	Parent company 2019
DKKm		
Depreciation and impairment losses are recognised in the following comprehensive income statement items:		
Production costs	5.7	-
Selling and distribution costs	1.1	-
Administrative expenses	3.1	2.2
	9.9	2.2

	Group 2019	Parent company 2019
DKKm		
Costs relating to current lease assets	2.9	1.5
Costs relating to leases of low-value assets	0.8	0.0

For 2019, payments related to leases amounted to DKK 11.3 million, of which interest payments relating to recognised lease liabilities accounted for DKK 2.8 million and repayment of recognised lease liabilities accounted for DKK 8.5 million.

Notes

17 Leases – continued

§ Accounting policies

Leases

A lease asset and a lease liability are recognised in the balance sheet when a right-of-use lease asset is transferred to the group or the parent company for the term of the lease pursuant to a concluded lease agreement and the group obtains the right to substantially all of the economic benefits from the use of the identifiable asset and the right to control the use of the identifiable asset.

On initial recognition, lease liabilities are measured at the present value of the future lease payments, discounted using an alternative interest rate.

The lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a change in the underlying contractual cash flows due to changes in an index or an interest rate, if there is a change to the estimate of a residual value guarantee, or if there is a change to the assessment as to whether it is reasonably certain that a purchase option, an extension option or a termination option will be exercised.

On initial recognition, the right-of-use asset is measured at cost, corresponding to the value of the lease liability adjusted for prepaid lease payments plus any initial direct costs and estimated costs for dismantling, removing and restoring or similar and less any discounts or other types of incentive payments granted by the lessor.

On subsequent recognition, the asset is measured at cost less any accumulated depreciation and impairment. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the asset. Depreciation charges are recognised in the income statement on a straight-line basis.

The right-of-use asset is adjusted for any changes in the lease liability due to changes in the lease terms or changes in the contractual cash flows as a result of changes in an index or an interest rate.

Lease assets are depreciated on a straight-line basis over the estimated lease term.

The lease asset and the lease liability are presented separately by the group and the parent company in the balance sheet.

The group and the parent company have elected not to recognise right-of-use assets of low value and short-term leases in the balance sheet and instead to recognise lease payments concerning these leases in the income statement on a straight-line basis.

18 Investments in subsidiaries

DKKm	Parent company	
	2019	2018
Cost at 1 January	1,026.4	981.8
Additions	22.7	44.6
Disposals	(101.7)	0.0
Cost at 31 December	947.4	1,026.4
Impairment at 1 January	26.3	30.2
Reversal of impairment losses in the year	0.0	(3.9)
Impairment at 31 December	26.3	26.3
Carrying amount at 31 December	921.1	1,000.1

The year's addition of DKK 22.7 million relates to the contribution of capital to Sanova Greenpack Argentina SRL. The year's disposal of DKK 101.7 million relates to a capital reduction in Hartmann Canada Inc. The addition of DKK 44.6 million in 2018 related to the contribution of capital to Sanova Greenpack Argentina SRL.

Reversal of impairment losses of DKK 3.9 million in 2018 related to full reversal of prior-year impairment losses on the Hartmann Italiana S.r.l. subsidiary.

§ Accounting policies

Investments in subsidiaries in the parent company financial statements

Investments in subsidiaries are measured at cost. Where the recoverable amount is lower than cost, the investments are written down to this lower value. In connection with reversal of impairment losses, the carrying amount is revalued at the recoverable amount, which cannot exceed cost.

Dividend from investments in subsidiaries in the parent company financial statements

Dividend from investments in subsidiaries is recognised in the parent company's profit or loss for the financial year in which it is declared.

Notes

18 Investments in subsidiaries – continued

Name	Registered office	Ownership interest
Hartmann Canada Inc.	Canada	100%
Hartmann Dominion Inc. (subsidiary of Hartmann Canada Inc.)	Canada	100%
Hartmann d.o.o.	Serbia	100%
Hartmann Finance A/S	Denmark	100%
Hartmann France S.a.r.l.	France	100%
Hartmann-Hungary Kft.	Hungary	100%
Hartmann Italiana S.r.l.	Italy	100%
Hartmann-Mai Ltd.	Israel	100%
Hartmann Papirna Ambalaža d.o.o.	Croatia	100%
Hartmann Polska Sp. z o.o.	Poland	100%
Hartmann (UK) Ltd.	England	100%
Hartmann USA Inc. (subsidiary of Hartmann Canada Inc.)	USA	100%
Hartmann US Inc.	USA	100%
Hartmann-Varkaus Oy	Finland	100%
Hartmann Verpackung AG	Switzerland	100%
Molarsa Chile SPA (subsidiary of Moldeados Argentinos SA)	Chile	100%
Moldeados Argentinos SA (subsidiary of Projects A/S)	Argentina	100%
Projects A/S	Denmark	100%
Sanovo Greenpack Argentina SRL (subsidiary of Projects A/S)	Argentina	100%
Sanovo Greenpack Embalagens Do Brasil Ltda (subsidiary of Projects A/S)	Brazil	100%

§ Accounting policies – continued

Impairment of investments in subsidiaries in the parent company financial statements

Investments in subsidiaries are reviewed for impairment once a year. If there are indications that an investment may be impaired, the recoverable amount of that investment is computed as the net present value of expected future net cash flows. An impairment loss is recognised if the carrying amount is higher than the recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are reversed to the extent that changes have occurred in the assumptions and estimates on the basis of which the impairment loss was recognised, but the revalued carrying amount cannot exceed cost.

19 Receivables from subsidiaries (non-current)

DKKm	Parent company	
	2019	2018
Carrying amount at 1 January	301.9	413.1
Foreign exchange adjustment	1.0	5.1
Additions	144.6	13.8
Disposals	(106.0)	(130.1)
Carrying amount at 31 December	341.5	301.9

§ Accounting policies

Receivables from subsidiaries in the parent company financial statements

Receivables from subsidiaries are measured at amortised cost, which usually corresponds to nominal value less expected credit losses. Where a receivable is considered to be impaired, an impairment loss covering the total expected credit loss is recognised.

Notes

20 Investments in associates

DKK m	Group		Parent company	
	2019	2018	2019	2018
Cost at 1 January	1.2	1.2	1.2	1.2
Cost at 31 December	1.2	1.2	1.2	1.2
Value adjustments at 1 January	1.8	1.9	0.0	0.0
Dividend	0.0	(0.1)	-	-
Share of profit for the year	0.0	0.0	-	-
Value adjustments at 31 December	1.8	1.8	0.0	0.0
Carrying amount at 31 December	3.0	3.0	1.2	1.2

Name	Registered office	Ownership	Gross profit interest	Profit for the year*	Assets	Liabilities	Equity
2019							
DanFiber A/S	Allerød	49.0%	4.8	0.1	15.2	9.0	6.2
2018							
DanFiber A/S	Allerød	49.0%	4.4	0.1	26.6	20.5	6.1

* Profit for the year is attributable to continuing operations and is identical to comprehensive income for the year.

Accounting policies

Investments in associates in the consolidated financial statements

Investments in associates are measured using the equity method. Investments in associates are measured in the balance sheet at the proportionate share of the companies' net asset value calculated in accordance with the group's accounting policies.

Investments in associates in the parent company financial statements

Investments in subsidiaries and associates are measured at cost. Where the cost is higher than the recoverable amount, the carrying amount is reduced to the lower value. In connection with reversal of impairment losses, the carrying amount is revalued at the recoverable amount, which cannot exceed cost.

Profit/loss from investments in associates in the consolidated financial statements

The proportionate share of the profit/loss from associates after tax and after elimination of the proportionate share of intra-group gains is recognised in the consolidated statement of comprehensive income.

Dividend from investments in associates in the parent company financial statements

Dividend from investments in associates is recognised in the parent company's profit or loss for the financial year in which it is declared.

Notes

21 Deferred tax

Temporary differences between the carrying amount and the tax base

DKKm	Intangible and equipment	Property, plant assets	Current assets	Liabilities	Other	Tax loss carried forward	Total
Group							
Deferred tax at 1 January 2019	5.1	42.1	0.6	(20.9)	(18.6)	(35.0)	(26.7)
Foreign exchange adjustment	(0.7)	(2.5)	0.0	(0.2)	1.2	(0.3)	(2.5)
Adjustment relating to prior years	0.0	2.0	0.0	0.0	0.0	0.0	2.0
Hyperinflation restatement	0.0	(2.4)	0.0	0.0	0.0	0.0	(2.4)
Recognised in profit for the year, net	0.3	11.3	(0.2)	3.1	(3.4)	(3.1)	8.0
Recognised through other comprehensive income, net	0.0	0.0	0.0	(0.9)	0.2	0.0	(0.7)
Deferred tax at 31 December 2019	4.7	50.6	0.4	(18.9)	(20.6)	(38.4)	(22.3)
Deferred tax at 1 January 2018	6.5	10.6	0.2	(17.5)	(13.1)	(24.3)	(37.6)
Foreign exchange adjustment	(1.7)	(1.9)	0.0	0.9	0.0	1.1	(1.6)
Adjustment relating to prior years	0.0	(0.1)	0.0	(0.8)	0.0	0.0	(0.9)
Hyperinflation restatement	0.0	4.2	0.0	0.0	0.0	0.0	4.2
Recognised in profit for the year, net	0.3	29.3	0.4	(7.0)	(4.0)	(11.8)	7.2
Recognised through other comprehensive income, net	0.0	0.0	0.0	3.5	(1.5)	0.0	2.0
Deferred tax at 31 December 2018	5.1	42.1	0.6	(20.9)	(18.6)	(35.0)	(26.7)
Parent company							
Deferred tax at 1 January 2019	1.7	2.0	0.7	(3.5)	(0.4)	0.0	0.5
Adjustment relating to prior years	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recognised in profit for the year, net	(0.5)	1.1	0.1	0.6	0.4	0.0	1.7
Recognised through other comprehensive income, net	0.0	0.0	0.0	0.0	(1.2)	0.0	(1.2)
Deferred tax at 31 December 2019	1.2	3.1	0.8	(2.9)	(1.2)	0.0	1.0
Deferred tax at 1 January 2018	1.1	0.9	0.7	(2.2)	0.0	0.0	0.5
Adjustment relating to prior years	0.0	0.0	0.0	(0.8)	0.0	0.0	(0.8)
Recognised in profit for the year, net	0.6	1.1	0.0	(0.5)	(0.1)	0.0	1.1
Recognised through other comprehensive income, net	0.0	0.0	0.0	0.0	(0.3)	0.0	(0.3)
Deferred tax at 31 December 2018	1.7	2.0	0.7	(3.5)	(0.4)	0.0	0.5

The item 'Other' includes the expected tax effect of corresponding adjustments as a result of completed tax audits of the group's transfer prices still awaiting final settlement between the tax authorities of the countries involved. 'Other' also includes deferred tax of recapture balances relating to losses utilised in foreign subsidiaries.

Notes

21 Deferred tax – continued

Deferred tax assets and liabilities

DKKm	2019			2018		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Group						
Intangible assets	(1.9)	6.6	4.7	(3.2)	8.3	5.1
Property, plant and equipment	(15.4)	66.0	50.6	(16.8)	58.9	42.1
Current assets	(0.4)	0.8	0.4	(0.1)	0.7	0.6
Liabilities	(18.9)	0.0	(18.9)	(20.9)	0.0	(20.9)
Other	(21.0)	0.5	(20.6)	(19.4)	0.8	(18.6)
Tax loss carry-forwards	(38.4)	0.0	(38.4)	(35.0)	0.0	(35.0)
Deferred tax (assets)/liabilities	(96.0)	73.9	(22.3)	(95.4)	68.7	(26.7)
Set-off within legal tax entities	55.4	(55.4)	0.0	47.3	(47.3)	0.0
Total deferred tax (assets)/liabilities, net	(40.6)	18.5	(22.3)	(48.1)	21.4	(26.7)
Parent company						
Intangible assets	0.0	1.2	1.2	0.0	1.7	1.7
Property, plant and equipment	(0.8)	3.9	3.1	(0.9)	2.9	2.0
Current assets	0.0	0.8	0.8	0.0	0.7	0.7
Liabilities	(2.9)	0.0	(2.9)	(3.5)	0.0	(3.5)
Other	(1.6)	0.4	(1.2)	(0.9)	0.5	(0.4)
Total deferred tax (assets)/liabilities, net	(5.3)	6.3	1.0	(5.3)	5.8	0.5
Set-off within legal tax entities	5.3	(5.3)	0.0	5.3	(5.3)	0.0
Total deferred tax liabilities, net	0.0	1.0	1.0	0.0	0.5	0.5

Other group items primarily concern the expected effects of completed tax audits in Europe still awaiting final settlement.

Notes

21 Deferred tax – continued

Unrecognised deferred tax assets

DKKm	Group		Parent company	
	2019	2018	2019	2018
Unrecognised deferred tax assets at 1 January	3.0	5.2	0.0	0.0
Foreign exchange adjustment	(0.1)	(0.4)	0.0	0.0
Disposals	0.0	(1.8)	0.0	0.0
Unrecognised deferred tax assets at 31 December	2.9	3.0	0.0	0.0

The DKK 1.8 million disposals for 2018 related to a reassessment of previously unrecognised deferred tax assets in Brazil and Germany.

Deferred tax assets that are not expected to be realised or are otherwise subject to significant risks of not being utilised are not recognised. Unrecognised deferred tax assets for 2019 relate to the subsidiary in Brazil (2018: Brazil). The utilisation of unrecognised tax assets is not subject to any time limit.

i Significant accounting estimates and judgments

Deferred tax assets

In the measurement of deferred tax assets, it is assessed whether, on the basis of financial forecasts and operating plans, future earnings will allow for and render probable the utilisation of the temporary differences between tax bases and carrying amounts and tax loss carry-forwards. The net carrying amount of deferred tax assets for the group amounted to DKK 22.3 million at 31 December 2019 (2018: DKK 26.7 million), of which DKK 21.2 million can be attributed to the estimated tax effect of corresponding adjustments relating to pending tax audits in Hungary.

§ Accounting policies

Deferred tax

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and office buildings and other items where temporary differences – other than business acquisitions – arise at the date of acquisition without affecting either the profit or loss for the year or the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured on the basis of planned use of the asset as decided by management, or settlement of the liability, respectively. Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised under other non-current assets at the expected value of their utilisation, either as a set-off against tax on future earnings or as a set-off against deferred tax liabilities within the same legal tax entity and jurisdiction. Adjustment is made to deferred tax relating to eliminations made of unrealised intra-group gains and losses. Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Impairment of deferred tax assets

Deferred tax assets are reviewed for impairment annually and are written down if it is deemed likely that the deferred tax asset cannot be utilised against tax on future income or set off against deferred tax liabilities in the same legal tax entity and jurisdiction. This assessment takes into account the type and nature of the recognised deferred tax asset, the estimated time frame for the set-off of the asset, etc.

Notes

22 Inventories

	Group		Parent company	
DKKm	2019	2018	2019	2018
Raw materials and consumables	131.3	116.9	64.1	40.4
Work in progress	18.3	4.0	31.1	5.9
Finished goods and goods for resale	61.5	75.7	20.4	23.9
Inventories	211.1	196.6	115.6	70.2
Inventories recognised at net realisable value	8.7	8.8	3.1	3.4

The group has not pledged any inventories as collateral in favour of any third party.

§ Accounting policies

Inventories

Inventories are measured at cost using the FIFO method.

Goods for resale, raw materials and consumables are measured at cost, comprising the purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct labour costs and production overheads. Production overheads comprise indirect materials and labour costs as well as maintenance and depreciation of production machinery, factory buildings and equipment and factory administration and management costs.

Where the net realisable value is lower than cost, inventories are written down to such lower value. The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and developments in the expected selling price.

23 Trade receivables

	Group		Parent company	
DKKm	2019	2018	2019	2018
Trade receivables, gross	408.9	368.4	256.9	226.1
Changes in credit loss allowance:				
Allowance at 1 January	38.7	42.0	34.8	37.1
Additions in the year	3.3	0.3	3.2	0.3
Realised in the year	(0.3)	(0.2)	(1.1)	(0.0)
Reversal in the year	(1.8)	(3.4)	(0.0)	(2.6)
Allowance at 31 December	39.9	38.7	36.9	34.8
Trade receivables, net	369.0	329.7	220.0	191.3

The total impairment loss relates partly to doubtful debts, primarily customers in receivership or under reconstruction, partly to impairment of the receivable from Tønder Fjernvarmeselskab, see note 3. As these matters have still to be settled, no losses were recognised in the year.

§ Accounting policies

Trade receivables

Trade receivables are measured at amortised cost, which usually corresponds to nominal value less expected credit losses.

A total expected credit loss on trade receivables is recognised for the group and the parent company, respectively, based on the simplified 'expected credit loss' model. Expected credit losses are reassessed in connection with each financial reporting to reflect the change in credit risk since initial recognition. Expected credit losses are presented in a provision matrix to reflect historical credit losses incurred by the group and the parent company, respectively, adjusted for specific circumstances relating to each customer, insured receivables and general market conditions for each customer. Credit loss allowances are recognised in the statement of comprehensive income under selling and distribution costs.

Outstanding contractual performance obligations

In pursuance of the exemption clause of IFRS 15.121, Hartmann does not disclose information on performance obligations as the group's contracts have an expected duration of less than one year.

Notes

23 Trade receivables – continued

The provision matrix below illustrates the risk profile of the group's and the parent company's trade receivables. As the credit loss patterns of the group and the parent company are not very different for the various customer segments, a breakdown by customer groups is not provided.

DKKm	Not overdue	Overdue by				Total
		0-30 days	31-60 days	61-90 days	over 90 days	
Group						
31 December 2019						
Expected loss rate	0%	1%	0%	0%	62%	10%
Trade receivables	311.5	30.6	0.1	2.3	64.4	408.9
Expected credit loss	0.0	0.2	0.0	0.0	39.7	39.9
31 December 2018						
Expected loss rate	0%	0%	0%	3%	61%	11%
Trade receivables	290.1	12.5	2.5	0.4	62.9	368.4
Expected credit loss	0.1	0.0	0.0	0.0	38.6	38.7
Parent company						
31 December 2019						
Expected loss rate	0%	0%	0%	0%	62%	14%
Trade receivables	180.1	15.4	0.0	1.9	59.5	256.9
Expected credit loss	0.0	0.0	0.0	0.0	36.9	36.9
31 December 2018						
Expected loss rate	0%	0%	0%	0%	61%	15%
Trade receivables	163.6	4.5	1.0	(0.1)	57.1	226.1
Expected credit loss	0.0	0.0	0.0	0.0	34.8	34.8

24 Share capital

DKKm	Parent company	
Share capital at 1 January 2015		140.3
Share capital at 31 December 2019	7,015,090 shares of DKK 20 each	140.3

No shares carry special rights.

Treasury shares

Brødrene Hartmann A/S has been authorised by the shareholders to acquire up to 10% of its own shares. The authorisation is valid until 21 April 2020.

At 31 December 2019, Hartmann held 100,000 treasury shares (2018: 100,000) representing a nominal value of DKK 2 million, or 1.4% of the total share capital. The value of the shares at 31 December 2019 was DKK 30.4 million (2018: DKK 25.3 million).

Dividend

Proposed dividend

For the financial year ended 31 December 2019, the board of directors has proposed that no dividend is paid (2018: DKK 65.7 million, corresponding to DKK 9.50 per share).

Dividend paid

In the financial year ended 31 December 2019, Hartmann distributed dividends of DKK 65.7 million (2018: DKK 65.7 million), corresponding to DKK 9.50 (2018: DKK 9.50) per share.

Notes

25 Pension obligations

Defined contribution plans

Hartmann offers pension plans to certain groups of employees. These pension plans are generally defined contribution plans. Under these pension plans, Hartmann recognises regular payments of premiums (e.g. a fixed amount or a fixed percentage of the salary) to independent insurers who are responsible for the pension obligations.

Under a defined contribution plan, the group carries no risk in relation to future developments in interest rates, inflation, mortality or disability. Once the contributions under a defined contribution plan have been paid, Hartmann has no further pension obligations towards existing or former employees.

Defined benefit plans

Under a defined benefit plan, Hartmann has an obligation to pay a specific benefit (e.g. retirement pension in the form of a fixed proportion of the exit salary). Under these plans, Hartmann carries the risk in relation to future developments in interest rates, inflation, mortality, etc. A change in the assumptions upon which the calculation is based results in a change in the actuarial present value.

In the event of changes in the assumptions used in the calculation of defined benefit plans for existing and former employees, actuarial gains and losses are recognised in other comprehensive income.

The total pension obligations relate to two funded plans in the subsidiary Hartmann Canada Inc. and one unfunded plan in the subsidiary Hartmann Verpackung GmbH.

The weighted average duration of the obligations is 17-19 years in Canada and 15 years in Germany.

DKKm	Group	
	2019	2018
Recognition of defined benefit plans in the statement of comprehensive income:		
Pension costs for the year	2.7	3.4
Costs of plan administration for the year	0.3	0.5
Interest expenses on asset cap	0.2	0.5
Interest expenses, net	0.5	0.7
Recognised in profit for the year	3.7	5.1
Return on plan assets		
(excluding amounts recognised in interest expenses, net)	(13.1)	6.2
Actuarial losses:		
– From changes in demographic assumptions	0.8	0.6
– From changes in financial assumptions	20.1	(11.4)
– From experience-based adjustments	0.6	0.5
Change in assets not recognised due to asset cap	(5.0)	(9.0)
Tax	(0.9)	3.5
Recognised in other comprehensive income	2.5	(9.6)
Recognised in comprehensive income	6.2	(4.5)
Recognition of defined benefit plans in the balance sheet:		
Present value of liability with plan assets	125.9	95.3
Market value of plan assets	(124.6)	(98.3)
Net obligation of plans with plan assets	1.3	(3.0)
Present value of plans without plan assets	30.8	30.2
Assets not recognised due to asset cap	0.0	4.5
Recognised net obligation	32.2	31.7

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

Notes

25 Pension obligations – continued

DKKm	Group	
	2019	2018
Change in defined benefit plan obligations		
Present value of pension obligations at 1 January	125.5	135.8
Foreign exchange adjustment	6.7	(3.6)
Pension costs for the year	2.7	3.4
Interest on pension obligation	4.6	4.1
Contributions from plan participants	2.7	2.8
Actuarial losses:		
– From changes in demographic assumptions	0.8	0.6
– From changes in financial assumptions	20.1	(11.4)
– From experience-based adjustments	0.7	0.5
Pension benefits paid	(7.1)	(6.7)
Present value of pension obligations at 31 December	156.7	125.5
Changes in defined benefit plan assets		
Fair value of plan assets at 1 January	98.3	97.8
Foreign exchange adjustment	7.0	(3.5)
Return on plan assets (excluding amounts recognised in interest expenses, net)	13.1	(6.2)
Interest on plan assets	4.1	3.4
Administrative expenses	(0.2)	(0.5)
Employer contributions	7.3	11.9
Pension benefits paid	(5.0)	(4.6)
Fair value of plan assets at 31 December	124.6	98.3
Breakdown of actual return on plan assets		
Return on plan assets (excluding amounts recognised in interest expenses, net)	13.1	(6.2)
Interest on plan assets	4.1	3.4
	17.2	(2.8)

Hartmann expects to contribute DKK 10.0 million (2018: DKK 10.3 million relating to 2019) to pension plans in 2020.

	2019		2018	
	DKKm	%	DKKm	%
Composition of plan assets:				
Shares and investment funds	92.3	74.1	72.8	74.1
Bonds and other securities	32.3	25.9	25.5	25.9
	124.6	100.0	98.3	100.0

Plan assets are measured at fair value based on prices quoted in an active market. No plan assets have any relation to group entities.

The primary assumption applied in the calculation of pension obligations is the discount rate. The sensitivity analysis below indicates the development of the pension obligation on a change in the discount rate by 1 percentage point up or down.

DKKm	2019		2018	
	+1% point	-1% point	+1% point	-1% point
Pension obligation sensitivity to changes in the discount rate:				
– Germany	(2.9)	3.1	(2.8)	3.1
– Canada, wage earners	(15.4)	20.1	(10.8)	13.9
– Canada, salaried employees	(5.5)	7.1	(3.9)	5.0

Notes

25 Pension obligations – continued

	Group	
%	2019	2018
Defined benefit plans have been calculated based on the following actuarial assumptions:		
<i>Discount rate</i>		
– Germany	1.73	1.58
– Canada, wage earners	3.10	4.00
– Canada, salaried employees	3.10	3.90
<i>Expected pay rise</i>		
– Germany	-	-
– Canada, wage earners	-	-
– Canada, salaried employees	2.00	3.00

§ Accounting policies

Pension obligations

Payments relating to defined contribution plans, under which the group regularly pays fixed contributions into an independent pension fund, are recognised in profit or loss in the period in which they are earned, and outstanding payments are recognised in the balance sheet under other payables.

For defined benefit plans, annual actuarial calculations are made of the present value of future benefits payable under the pension plan. The present value is calculated based on assumptions about future developments in variables such as salary levels and interest, inflation and mortality rates. The present value is only calculated for benefits earned by the employees through their employment with the group to date. The actuarial calculation of present value less the fair value of any plan assets is recognised in the balance sheet as pension obligations. The pension costs for the year, based on actuarial estimates and financial forecasts at the beginning of the year, are recognised in profit or loss. The difference between the forecast development in pension assets and liabilities and the realised values is called actuarial gains or losses and is recognised in the statement of comprehensive income through other comprehensive income. If a pension plan constitutes a net asset, the asset is recognised only to the extent that it equals the value of future repayments under the plan or it leads to a reduction of future contributions to the plan.

26 Government grants

	Group		Parent company	
DKKm	2019	2018	2019	2018
Government grants at 1 January	4.8	7.5	0.0	1.4
Foreign exchange adjustment	(0.1)	(0.2)	-	-
Disposals	0.0	0.0	0.0	0.0
Recognised in the statement of comprehensive income	(1.0)	(2.5)	0.0	(1.4)
Government grants at 31 December	3.7	4.8	0.0	0.0
Of which recognised as non-current liabilities	2.7	3.8	0.0	0.0
Of which recognised as current liabilities	1.0	1.0	0.0	0.0
	3.7	4.8	0.0	0.0

Hartmann regularly receives government grants for development-related and energy-saving projects.

In 1995, Brødrene Hartmann A/S received a major grant for the construction of a combined heat and power plant. The grant has been recognised in full in the statement of comprehensive income at 31 December 2018.

In addition, the Hungarian subsidiary has received government grants in the form of direct grants and reduced tax payments in the years 2008-2017. The grants were capped at 50% of the DKK 72.3 million investment made in the period 2006-2008, of which direct grants represented DKK 9.0 million. Government grants in the form of reduced tax payments amount to an accumulated DKK 25.2 million for the grant period. The grants are currently not subject to any repayment obligations. The amounts recognised in non-current liabilities and current liabilities, respectively, relate to amortisation of grants received, which are recognised over the economic life of the investments to which the grants relate.

§ Accounting policies

Government grants

Government grants relating to property, plant and equipment are recognised in the balance sheet under liabilities. The grants are recognised in profit or loss over the useful lives of the assets.

Notes

27 Provisions

	Group		Parent company	
DKKm	2019	2018	2019	2018
Warranty commitments at 1 January	0.8	0.4	0.8	0.4
Additions	0.2	0.8	0.2	0.8
Disposals	(0.8)	(0.4)	(0.8)	(0.4)
Warranty commitments at 31 December	0.2	0.8	0.2	0.8
Provisions at 31 December	0.2	0.8	0.2	0.8

Provision has been made for warranty commitments in cover of contract-related warranty complaints for goods already delivered.

§ Accounting policies

Provisions

Provisions are recognised when, as a result of events occurring before or at the balance sheet date, the group has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at management's best estimate of the amount required to settle the obligation at the balance sheet date.

Warranty commitments are recognised as goods are sold and are calculated on the basis of historical warranty costs.

Restructuring costs are recognised as liabilities when a detailed, formal restructuring plan has been announced not later than at the balance sheet date to the parties affected by the plan.

28 Other payables

	Group		Parent company	
DKKm	2019	2018	2019	2018
Wages, salaries and holiday pay, etc.	93.5	80.6	43.5	39.1
VAT and other indirect taxes	2.1	1.0	0.0	0.0
Forward exchange contracts	7.2	5.3	7.2	2.0
Other debt	64.3	70.8	47.5	59.4
Other payables	167.1	157.7	98.2	100.5

Other payables primarily consist of unpaid customer bonuses.

§ Accounting policies

Other payables

Other payables are measured at amortised cost.

29 Fees to shareholder-appointed auditor

	Group		Parent company	
DKKm	2019	2018	2019	2018
Fees to Deloitte				
Statutory audit	2.4	2.9	1.0	1.4
Tax and VAT-related services	0.6	0.6	0.0	0.0
Other services	0.2	0.9	0.2	0.9
Fees to shareholder-appointed auditor	3.2	4.4	1.2	2.3

Fees paid to Deloitte Statsautoriseret Revisionspartnerselskab (Deloitte Danmark) for non-audit services amount to DKK 1.0 million for both the group and the parent company and concern financial services (2018: DKK 0.9 million concerning general accounting and tax services).

Notes

30 Collateral, contingent assets and contingent liabilities

Guarantees

Brødrene Hartmann A/S has provided a parent company guarantee to Hartmann (UK) Ltd. (CRN 00734190) to allow the subsidiary to claim exemption from audit under section 479A of the British Companies Act 2006. At 31 December 2019, the amount owed to creditors of Hartmann (UK) Ltd. was DKK 0.7 million (2018: DKK 0.7 million).

Joint taxation

Brødrene Hartmann A/S and its Danish subsidiaries are taxed jointly with Thornico Holding A/S, which is the management company.

The company and its Danish subsidiaries thus have secondary liability with respect to income taxes etc. and any obligations to withhold taxes on interest, royalties and dividends applying to the jointly taxed entities. Such secondary liability is, however, capped at an amount equal to the portion of the share capital in the company held directly or indirectly by the ultimate parent company.

The total tax obligation of the jointly taxed entities is disclosed in the financial statements of the management company.

Other matters

In autumn 2019, the Brazilian tax authorities raised a claim of BRL 56 million, corresponding to DKK 93 million, against Hartmann's Brazilian subsidiary, Sanovo Greenpack Embalagens Do Brasil Ltda., concerning non-payment of industrial products tax (IPI) on sales of the company's products in 2015 and 2016. Based on judicial practice and statements from its legal advisers, Hartmann is of the opinion that the company's products are not liable to IPI tax and accordingly considers the claim to be unjustified. Hartmann therefore disputes the claim.

Hartmann does not expect the claim to materially affect the company's financial position, results of operations or cash flows.

Pending lawsuits

CHP plant in Tønder

In 2008, district heating company Tønder Fjernvarmeselskab filed a complaint with the Danish Energy Regulatory Authority concerning the pricing of district heating supplied by Hartmann.

On 28 November 2017, the Danish Energy Board of Appeal made a decision concerning the principles for pricing district heating supplied by Hartmann's combined heat and power plant in the period from 2003 up to and including 8 January 2015, when district heating supplies were discontinued. Based on the Energy Board of Appeal's decision, the case was remitted for reconsideration by the Danish Utility Regulator for purposes of determining the financial consequences of the Energy Board of Appeal's decision. Based on the main elements of the Energy Board of Appeal's decision and the draft decision of the Danish Utility Regulator, Hartmann and Tønder Fjernvarmeselskab settled the dispute out of court in November 2019. The settlement is subject to approval by the Danish Utility Regulator.

Management expects the Danish Utility Regulator to approve the settlement, which will not affect the group's result, but will have a positive cash flow effect in 2020.

Patent disputes

Hartmann continuously monitors the marketplace for infringement of its patents and is a party to pending litigation in that respect. The outcomes of these cases depend on several uncertain future events that are beyond Hartmann's control. In management's opinion, final outcomes are currently too uncertain for potential damages to be reliably determined for pending cases.

In addition to this, the group is a party to a limited number of other lawsuits and disputes. In management's opinion, these lawsuits and disputes will not significantly affect the financial position of the group or the parent company.

Notes

31 Financial risks

The group's overall financial risk management guidelines are set out in its finance policy. The finance policy comprises the group's foreign exchange policy, investment policy, funding policy and policy regarding credit risks in relation to financial counterparties.

The finance policy is updated and approved by the board of directors on an annual basis.

Hartmann has centralised the management of financial risks in its finance function, which also acts as a service centre to all subsidiaries.

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

Currency risk

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

Translation risk

The group is exposed to currency translation risks insofar as earnings and net assets relating to foreign subsidiaries as well as intra-group loans are translated and included in the consolidated financial statements, which are presented in DKK. Translation risks associated with the translation of earnings and net assets in foreign subsidiaries into DKK are not hedged as they have no direct impact on cash resources or underlying cash flows. Translation risks associated with intra-group loans are hedged if they are deemed to potentially have a material impact on consolidated profits.

Transaction risk

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

Hartmann is exposed to transaction risks due to cross-border transactions leading to contractual cash flows in foreign currency. The USD/CAD exchange rate exposure constitutes one of the group's single largest transaction risks. This exposure results from the main part of sales generated in the North American business being invoiced in USD, while a significant part of costs is incurred in CAD.

Other significant transaction risks relate to the currencies CHF, EUR, GBP, HRK, HUF and PLN.

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

Currency table

Exchange rate, DKK per 100		2019	2018
ARS	Average rate	14.2	24.0
	Year-end rate	11.1	17.3
	Change in year-end rate, %	(35.5)	(47.6)
BRL	Average rate	169.3	173.6
	Year-end rate	165.5	168.0
	Change in year-end rate, %	(1.5)	(10.3)
CAD	Average rate	502.6	487.3
	Year-end rate	511.8	478.5
	Change in year-end rate, %	7.0	(3.3)
EUR	Average rate	746.6	745.3
	Year-end rate	747.2	746.7
	Change in year-end rate, %	0.1	0.3
GBP	Average rate	851.7	842.5
	Year-end rate	878.2	834.8
	Change in year-end rate, %	5.2	(0.5)
HRK	Average rate	100.6	100.5
	Year-end rate	100.4	100.7
	Change in year-end rate, %	(0.3)	0.7
HUF	Average rate	2.30	2.34
	Year-end rate	2.26	2.33
	Change in year-end rate, %	(2.8)	(3.0)
ILS	Average rate	187.1	176.3
	Year-end rate	192.6	174.0
	Change in year-end rate, %	10.7	(2.9)
PLN	Average rate	173.7	175.0
	Year-end rate	175.5	173.6
	Change in year-end rate, %	1.1	(2.6)
USD	Average rate	666.9	631.5
	Year-end rate	665.1	652.2
	Change in year-end rate, %	2.0	5.1

Notes

31 Financial risks – continued

months are not hedged. Gains and losses on derivative financial instruments are recognised in profit or loss as the hedged transactions are realised. The effectiveness of hedges is assessed on an ongoing basis.

A 5% increase in the year-end exchange rate against DKK or EUR would result in fair value adjustment of other comprehensive income by DKK 0.1 million (2018: DKK 0.1 million).

The group's exposure to fluctuations in exchange rates is illustrated by the graph below, which shows the change in the profit for the year on a 5% increase in relevant exchange rates, all other things being equal.

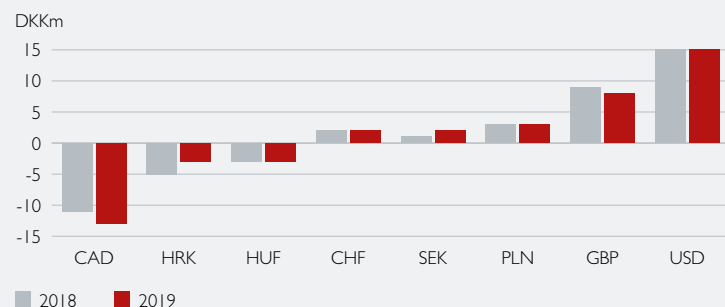
Interest rate risk

Hartmann seeks to reduce to the greatest extent possible the impact of interest rate fluctuations on its profits and financial position, which includes assessing on an ongoing basis if benefits may be gained from converting a proportion of the group's non-current credit facilities into fixed-rate facilities using interest-rate swaps.

The group's long-term and committed credit facilities are predominantly denominated in DKK and USD. Credit facilities carry a floating rate, and Hartmann has opted not to convert them into fixed-rate facilities for the time being.

A 1 percentage point change in the general interest rate level related to committed credit facilities in DKK would affect pre-tax profits by approximately DKK 6 million (2018: approx. DKK 6 million).

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



Liquidity risk

Liquidity risk is the risk that Hartmann will be unable to meet its obligations as they fall due because of its inability to liquidate assets or obtain adequate funding.

It is Hartmann's policy to maintain maximum flexibility and sufficient cash resources to allow the company to continue to operate adequately in case of unforeseen fluctuations in liquidity.

The group's long-term loan agreement comprises a committed credit facility of DKK 750 million expiring at 23 May 2022 but with an option to extend by up to three years plus an option to expand the credit facility by DKK 300 million for the funding of acquisitions subject to approval by the group's lenders. The interest margin on both loans is floating and is fixed each quarter based the group's earnings. The loans are subject to covenants, including covenants concerning the financial ratio 'Net interest-bearing debt' to 'Operating profit before depreciation, amortisation and impairment'. The group complied with all covenants in 2019. In addition, the loan agreements contain cross-default and change-of-control clauses.

The group's short-term liquidity is managed primarily by the transfer of excess liquidity from the subsidiaries to the parent company for the purpose of directing cash to subsidiaries with cash requirements. Cash pooling is used to manage the group's liquidity in GBP, PLN and EUR.

While subsidiary financing requirements are primarily covered by the parent company, local conditions may result in financing being arranged through one of the group's foreign banks.

Total liquidity available to the group (DKKm)	2019	2018
Undrawn credit facilities with banks at 31 December	309	290
Cash at 31 December	85	83
Liquidity available at 31 December	394	373

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

Reference is made to note 32, Financial instruments, for an overview of due dates by debt category.

31 Financial risks – continued

Credit risk

The group's credit risk is primarily related to trade receivables and cash deposits.

It is Hartmann's policy to take out credit insurance on its trade receivables. Where local conditions make it impossible to take out credit insurance, a stricter internal credit assessment procedure is applied.

Note 23, Trade receivables, provides a specification of the group's trade receivables. Assumed to approximate fair value, the carrying amount of trade receivables captures the maximum credit risk associated with trade receivables.

Investments of surplus liquidity are confined to banks with satisfactory credit ratings from one or more credit rating agencies. The maximum credit risk corresponds to the carrying amount.

Capital structure

It is the group's objective to maintain a level of flexibility sufficient to carry out and fulfil its strategic objectives while at the same time delivering competitive returns to its shareholders. The group also strives to secure financial stability for the purpose of reducing the cost of capital.

It is the general objective of the board of directors to distribute excess capital by way of dividends in order to maintain Hartmann's equity ratio at a maximum of 45%. Our dividend distributions will always take into account current growth plans and liquidity needs. The loan agreement further contains restrictions with respect to Brødrene Hartmann A/S's possibility of distributing dividends, since changes in the general dividend policy are subject to consent from the bank.

Notes

32 Financial instruments

Maturities of financial liabilities including interest payments

	2019					2018				
	Carrying amount	Payment obligation	In 1 year or less	In 1-5 years	After 5 years	Carrying amount	Payment obligation	In 1 year or less	In 1-5 years	After 5 years
DKKm										
Group										
Credit institutions	601.9	614.4	4.7	609.7	0.0	616.0	628.6	11.4	617.2	0.0
Overdraft facilities	39.1	39.1	39.1	0.0	0.0	43.9	43.9	43.9	0.0	0.0
Lease liabilities	77.3	85.2	9.2	39.5	36.5	0.0	0.0	0.0	0.0	0.0
Trade payables	163.2	163.2	163.2	0.0	0.0	169.6	169.6	169.6	0.0	0.0
Payables to associates	5.5	5.5	5.5	0.0	0.0	4.8	4.8	4.8	0.0	0.0
Other payables	167.1	167.1	167.1	0.0	0.0	157.7	157.7	157.7	0.0	0.0
	1,054.1	1,074.5	388.8	609.7	36.5	992.0	1,004.6	387.4	617.2	0.0
Parent company										
Credit institutions	601.9	614.4	4.7	609.7	0.0	616.0	628.6	11.4	617.2	0.0
Overdraft facilities	30.1	30.1	30.1	0.0	0.0	43.9	43.9	43.9	0.0	0.0
Lease liabilities	7.7	8.1	2.4	5.7	0.0	0.0	0.0	0.0	0.0	0.0
Trade payables	65.7	65.7	65.7	0.0	0.0	61.1	61.1	61.1	0.0	0.0
Payables to subsidiaries	199.0	199.0	199.0	0.0	0.0	181.9	181.9	181.9	0.0	0.0
Payables to associates	5.2	5.2	5.2	0.0	0.0	4.3	4.3	4.3	0.0	0.0
Other payables	98.2	98.2	98.2	0.0	0.0	100.5	100.5	100.5	0.0	0.0
	1,007.8	1,020.7	405.3	615.4	0.0	1,007.7	1,020.3	403.1	617.2	0.0

Notes

32 Financial instruments – continued

Financial instrument categories DKKm	Group				Parent company			
	2019		2018		2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Derivative financial instruments to hedge future cash flows	2.0	2.0	0.2	0.2	0.1	0.1	0.2	0.2
Financial assets used as hedging instruments	2.0	2.0	0.2	0.2	0.1	0.1	0.2	0.2
Trade receivables	369.0	369.0	329.7	329.7	220.0	220.0	191.3	191.3
Receivables from subsidiaries	-	-	-	-	75.1	75.1	76.4	76.4
Other receivables	99.7	99.7	83.3	83.3	54.2	54.2	43.1	43.1
Cash	84.7	84.7	83.2	83.2	5.0	5.0	3.7	3.7
Loans and receivables	553.4	553.4	496.2	496.2	354.3	354.3	314.5	314.5
Derivative financial instruments to hedge future cash flows	7.2	7.2	5.3	5.3	7.2	7.2	2.0	2.0
Financial liabilities used as hedging instruments	3.3	3.3	5.3	5.3	3.2	3.2	2.0	2.0
Credit institutions	641.0	642.2	659.9	660.2	632.0	633.2	659.9	660.2
Lease liabilities	77.3	85.2	0.0	0.0	7.7	8.1	0.0	0.0
Payables to subsidiaries	-	-	-	-	199.0	199.0	181.9	181.9
Other liabilities	347.6	347.6	338.7	338.7	372.5	375.5	351.1	351.1
Financial liabilities measured at amortised cost	1,065.9	1,075.0	998.6	998.9	1,211.2	1,215.8	1,192.9	1,193.2

Notes

32 Financial instruments – continued

Fair value of derivative financial instruments

Hartmann's primary currency exposure relates to sales denominated in currencies other than the functional currency of the individual group entities. Forward exchange contracts are used to hedge future cash flows. The fair value of forward contracts is based on observable data (level 2) and has been recognised in receivables and payables at 31 December 2019. Changes in the fair value of financial instruments qualifying as hedges of future cash flows are recognised in other comprehensive income.

Forward contracts	Group								Parent company					
	2019				2018				2019			2018		
	Average hedging exchange rate	Positive	Negative	Net	Average hedging exchange rate	Positive	Negative	Net	Positive	Negative	Net	Positive	Negative	Net
DKKm														
CHF/DKK	6.82	0.0	(0.2)	(0.2)	6.53	0.1	(0.4)	(0.3)	0.0	(0.2)	(0.2)	0.1	(0.4)	(0.3)
EUR/HRK	7.42	0.0	(0.3)	(0.3)	7.43	0.0	(0.6)	(0.6)	0.0	(0.3)	(0.3)	0.0	(0.6)	(0.6)
EUR/HUF	331.48	0.1	(0.1)	0.0	320.62	0.0	(0.4)	(0.4)	0.1	0.0	0.1	0.0	(0.4)	(0.4)
GBP/DKK	8.27	0.0	(5.1)	(5.1)	8.30	0.1	(0.1)	0.0	0.0	(5.1)	(5.1)	0.1	(0.1)	0.0
PLN/DKK	1.69	0.0	(0.9)	(0.9)	1.71	0.0	(0.2)	(0.2)	0.0	(0.9)	(0.9)	0.0	(0.2)	(0.2)
SEK/DKK	0.69	0.0	(0.6)	(0.6)	0.72	0.0	(0.3)	(0.3)	0.0	(0.6)	(0.6)	0.0	(0.3)	(0.3)
USD/CAD	1.33	1.9	0.0	1.9	1.29	0.0	(3.3)	(3.3)	-	-	-	-	-	-
		2.0	(7.2)	(5.2)		0.2	(5.3)	(5.1)	0.1	(7.1)	(7.0)	0.2	(2.0)	(1.8)
Expected maturity														
In 1 year or less		2.0	(7.2)	(5.2)		0.2	(5.3)	(5.1)	0.1	(7.1)	(7.0)	0.2	(2.0)	(1.8)
		2.0	(7.2)	(5.2)		0.2	(5.3)	(5.1)	0.1	(7.1)	(7.0)	0.2	(2.0)	(1.8)

§ Accounting policies

Derivative financial instruments

The group uses forward exchange contracts to limit its currency exposure. Derivative financial instruments are not used for speculative purposes. Derivative financial instruments are recognised at cost at the date of transaction and are subsequently recognised at fair value at the balance sheet date. The fair value of derivative financial instruments is recognised in other receivables (positive value) and other payables (negative value). Realised and unrealised gains and losses on contracts are recognised in the statement of comprehensive income under financial income and expenses, unless the derivative financial instruments have been used to

hedge future cash flows. Value adjustments of derivative financial instruments to hedge future cash flows are recognised in other comprehensive income if the hedge is effective. Value adjustments of any ineffective part of the relevant derivative financial instruments are recognised in financial income and expenses. When the hedged transaction is realised, the gain or loss on the hedging instrument is recognised in the same item as the hedged item, and the amount recognised in other comprehensive income is reversed. If a hedged transaction is no longer expected to take place, the accumulated net gains or net losses are transferred from other comprehensive income to profit or loss. The fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Notes

32 Financial instruments – continued

Hedging of future cash flows DKKm	2019			2018		
	Notional amount	Fair value	Recognised in other comprehensive income	Notional amount	Fair value	Recognised in other comprehensive income
Group						
Forward contract, CHF/DKK	23.2	(0.2)	(0.2)	18.9	(0.3)	(0.3)
Forward contract, SEK/DKK	18.2	(0.6)	(0.6)	20.5	(0.3)	(0.3)
Forward contract, EUR/HRK	45.3	(0.3)	(0.3)	66.3	(0.6)	(0.6)
Forward contract, DKK/HRK	0.0	0.0	0.0	0.0	0.0	0.0
Forward contract, EUR/HUF	47.4	0.0	0.0	31.6	(0.4)	(0.4)
Forward contract, GBP/DKK	92.2	(5.1)	(5.1)	75.1	0.0	0.0
Forward contract, PLN/DKK	30.5	(0.9)	(0.9)	28.6	(0.2)	(0.2)
Forward contract, USD/CAD	86.4	1.9	1.9	68.0	(3.2)	(3.2)
	343.2	(5.2)	(5.2)	309.0	(5.0)	(5.0)
Parent company						
Forward contract, CHF/DKK	23.2	(0.2)	(0.2)	18.9	(0.3)	(0.3)
Forward contract, SEK/DKK	18.2	(0.6)	(0.6)	20.5	(0.3)	(0.3)
Forward contract, EUR/HRK	45.3	(0.3)	(0.3)	66.3	(0.6)	(0.6)
Forward contract, DKK/HRK	0.0	0.0	0.0	0.0	0.0	0.0
Forward contract, EUR/HUF	47.4	0.0	0.0	31.6	(0.4)	(0.4)
Forward contract, GBP/DKK	92.2	(5.1)	(5.1)	75.1	0.0	0.0
Forward contract, PLN/DKK	30.5	(0.9)	(0.9)	28.6	(0.2)	(0.2)
	256.8	(7.1)	(7.1)	241.0	(1.8)	(1.8)

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

Notes

32 Financial instruments – continued

Fair value hedging DKKm	2019				2018			
	Monetary items		Hedged through hedging instruments	Net position	Monetary items		Hedged through hedging instruments	Net position
	Assets	Liabilities			Assets	Liabilities		
Group								
ARS	37.7	(19.6)	0.0	18.1	44.3	(17.9)	0.0	26.4
BRL	62.1	(34.0)	0.0	28.1	59.8	(25.5)	0.0	34.3
CAD	34.1	(39.4)	0.0	(5.3)	20.4	(31.5)	0.0	(11.1)
CHF	10.5	(0.7)	0.0	9.7	9.6	(0.9)	0.0	8.8
EUR	128.8	(43.4)	0.0	85.4	103.6	(42.7)	0.0	60.9
GBP	30.3	(0.9)	0.0	29.4	30.4	(1.4)	0.0	29.0
HUF	17.2	(29.8)	0.0	(12.7)	19.2	(24.5)	0.0	(5.4)
ILS	31.6	(7.5)	0.0	24.1	31.9	(7.6)	0.0	24.3
PLN	14.4	(2.6)	0.0	11.8	17.6	(0.6)	0.0	16.9
SEK	4.7	(0.9)	0.0	3.9	5.1	(0.2)	0.0	4.9
USD	69.7	(101.4)	0.0	(31.7)	52.0	(177.0)	0.0	(125.0)
Other currencies	28.0	(16.1)	0.0	11.9	31.3	(17.2)	0.0	14.1
Parent company								
BRL	33.2	0.0	0.0	33.2	35.2	0.0	0.0	35.2
CAD	2.6	0.0	0.0	2.6	2.2	0.0	0.0	2.2
CHF	7.5	(0.1)	0.0	7.5	6.9	(0.7)	0.0	6.2
EUR	358.5	(164.7)	0.0	193.8	322.1	(145.6)	0.0	176.6
GBP	30.3	(4.8)	0.0	25.4	30.4	(4.8)	0.0	25.6
HUF	0.0	(32.0)	0.0	(32.0)	0.0	(31.6)	0.0	(31.6)
PLN	14.3	(4.3)	0.0	10.0	17.5	(1.7)	0.0	15.8
SEK	4.7	(0.9)	0.0	3.9	5.1	(0.2)	0.0	4.9
USD	140.0	(93.8)	0.0	46.2	111.8	(166.5)	0.0	(54.8)
ILS	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other currencies	9.9	(11.7)	0.0	(1.7)	12.1	(8.2)	0.0	3.9

Notes

32 Financial instruments – continued

Hedging of net assets in foreign subsidiaries DKKm	2019				2018			
	Investment	Amount hedged	Net position	The year's value adjustment recognised in other comprehensive income	Investment	Amount hedged	Net position	The year's value adjustment recognised in other comprehensive income
Group								
ARS	109.0	0.0	109.0	(33.6)	94.4	0.0	94.4	(22.8)
BRL	183.0	0.0	183.0	(2.9)	185.5	0.0	185.5	(21.5)
CAD	157.3	0.0	157.3	13.4	184.4	0.0	184.4	(5.6)
CHF	2.0	0.0	2.0	0.1	1.9	0.0	1.9	0.1
EUR	90.7	0.0	90.7	0.1	79.2	0.0	79.2	0.2
GBP	3.9	0.0	3.9	0.1	3.3	0.0	3.3	0.0
HRK	66.2	0.0	66.2	(0.2)	54.6	0.0	54.6	0.4
HUF	132.5	0.0	132.5	(3.8)	119.8	0.0	119.8	(3.5)
ILS	48.5	0.0	48.5	4.9	46.3	0.0	46.3	(1.4)
PLN	1.8	0.0	1.8	0.0	1.2	0.0	1.2	0.0
USD	186.7	0.0	186.7	3.4	173.2	0.0	173.2	8.1
Other currencies	2.1	0.0	2.1	(0.3)	1.8	0.0	1.8	(0.2)
	983.7	0.0	983.7	(18.8)	945.6	0.0	945.6	(45.8)
Interest rate risk DKKm	Nominal value	Carrying amount	Interest rate	Interest rate risk	Nominal value	Carrying amount	Interest rate	Interest rate risk
Group								
Credit institutions, fixed-rate	0.0	0.0	-	-	0.0	0.0	-	-
Credit institutions, floating rate	603.1	601.9	0.8%	Cash flow	616.3	616.0	1.8%	Cash flow
Overdraft facilities, floating rate	0.0	0.0	-	Cash flow	43.9	43.9	1.0%	Cash flow
Parent company								
Credit institutions, floating rate	603.1	601.9	0.8%	Cash flow	616.3	616.0	1.8%	Cash flow
Overdraft facilities, floating rate	0.0	0.0	-	Cash flow	43.9	43.8	1.0%	Cash flow
Receivables from subsidiaries								
Fixed rate	32.5	32.5	8.0%	Fair value	34.5	34.5	8.0%	Fair value
Floating rate	302.2	302.2	1.13%-3.91%	Cash flow	267.4	267.4	0.43%-4.19%	Cash flow

Notes

33 Related parties

Sales of goods to related parties are made at ordinary selling prices. Purchases of goods are also made at market prices less discounts offered on the basis of volumes purchased.

No collateral or guarantees have been provided in respect of any balances at the balance sheet date. Receivables and trade payables are settled in cash. No credit losses or provisions for credit losses have been recognised on receivables from related parties.

In addition to distribution of dividend and payment of remuneration, the related party transactions below are stated in the statement of comprehensive income and the balance sheet.

DKK m	Group		Parent company	
	2019	2018	2019	2018
Companies with a controlling interest				
Joint taxation contributions paid	5.8	8.3	5.8	8.3
Adjustment of joint taxation contributions paid in prior years	0.0	(10.5)	0.0	(10.5)
Other receivables	0.7	2.0	0.0	0.0
Other payables	2.0	0.6	0.0	0.0
Associates				
Production costs	62.1	63.5	58.5	60.9
Payables to associates	5.5	4.8	5.2	4.3
Subsidiaries				
Revenue	-	-	107.5	60.0
Production costs	-	-	473.3	435.4
Other income/(expenses) recognised in operating profit	-	-	6.8	(1.6)
Interest income	-	-	9.5	11.7
Receivables from subsidiaries, non-current	-	-	341.5	301.9
Receivables from subsidiaries, current	-	-	75.1	76.4
Payables to subsidiaries	-	-	199.0	181.9
Other related parties				
Revenue	0.0	0.0	0.0	0.0

Companies with a controlling interest in Brødrene Hartmann A/S consist of Thornico Food & Food Technology Group A/S, owned by Thornico A/S, which is the immediate majority owner, and Thornico Holding A/S, which is the ultimate majority owner. Brødrene Hartmann A/S is included in the consolidated financial statements of Thornico Holding A/S.

Associates consist of Danfiber A/S, see note 20.

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

Other related parties consist of other companies controlled by Hartmann's ultimate majority owner, Thornico Holding A/S, that are not controlled by Brødrene Hartmann A/S.

The company's related parties also comprise the members of the board of directors and the executive board as well as these persons' family members. Remuneration paid to members of the executive board and the board of directors is disclosed in note 9.

Notes

34 Accounting effect of hyperinflation in Argentina

Transition to hyperinflation

Argentina was placed on the International Practices Task Force's (IPTF) list of hyperinflationary economies effective 1 July 2018 based on a number of qualitative and quantitative characteristics, including that the 3-year cumulative inflation rate exceeded 100% following a prolonged period of rising inflation.

Based on the IPTF's classification, Hartmann has implemented IAS 29 on financial reporting in hyperinflationary economies for the group's Argentinian subsidiaries.

Under IAS 29, the accounting figures for the Argentinian subsidiaries must be restated to reflect the purchasing power at the end of the reporting period. In that connection, non-monetary items, including non-current assets, inventories and equity, and the income statement are restated to reflect the purchasing power at the balance sheet date. Monetary items such as receivables, payables, bank debt, etc. already reflect the purchasing power at the closing date as these items consist of balances, receivables or payables in the relevant monetary unit.

IAS 29, in combination with IAS 21 on currency translation, also requires all the year's transactions in the hyperinflationary exchange rate, the Argentine peso (ARS), to be translated into the group's presentation currency, Danish kroner (DKK), using the exchange rate at the balance sheet date. Accordingly, while the group usually translates income statement transactions at the exchange rate at the date of transaction, all transactions in Argentina have been translated into DKK using the exchange rate at 31 December 2019.

Basis for hyperinflation restatements

Price index:

Hyperinflation restatements of the accounting figures for the Argentinian activities are based on developments in the general price index in Argentina, which is the Wholesale Price Index (WPI) for the period from the acquisition of Hartmann's Argentinian activities at the beginning of January 2015 up to December 2016 and the National Consumer Price Index (IPC) for the period from January 2017.

Exchange rate:

All accounting numbers concerning the Argentinian activities, in the balance sheet as well as the income statement, are translated into the group's presentation currency, DKK, using the ARS/DKK exchange rate at the balance sheet date, as opposed to the group's usual practice of translating the income statement using the exchange rate at the transaction date.

Inflation and exchange rate developments in 2019:

Following a prolonged period of rising inflation in Argentina, the cumulative 3-year inflation rate exceeded 100% in May 2018. In 2019, the rate of inflation in Argentina was 54%.

The ARS/DKK exchange rate fell from 17.3 at the beginning of the year to 11.1 at the end of the year following sharp ARS devaluations in August.

Recognised hyperinflation restatements

Inflation restatements in local currency:

- Intangible assets, items of property, plant and equipment and inventories in Hartmann's business in Argentina have been restated for the effects of inflation based on changes in the price index in the period from initial recognition up to 31 December 2019 or, if relevant, the date of disposal or cost of sales in 2019. The restatements were made effective the date of initial recognition of the items, however not earlier than 6 January 2015 when Hartmann acquired the Argentinian activities and the non-monetary items were translated and recognised in the consolidated financial statements at fair value, reflecting the purchasing power at 6 January 2015. The restatement has significantly increased the value of the group's intangible assets and property plant and equipment and moderately increased the value of inventories. The restatement has also led to higher expenses in the income statement in the form of higher cost of sales relating to the restated inventories and significantly higher amortisation and depreciation charges due to the restated cost of intangible assets and property plant and equipment.

- The equity of the Argentinian business has been restated for the effects of inflation based on developments in the price index in financial year 2019 in order to reflect the purchasing power at the balance sheet date. The revaluation of equity based on developments in the price index in the financial year has been recognised with set-off against financial income and expenses in the income statement.
- All income statement transactions in 2019 have been restated to reflect changes in the price index in the period from the month of recognition in the income statement up to 31 December, with the exception of amortisation and depreciation of intangible assets and property, plant and equipment, which has been recalculated based on the inflation-adjusted cost of intangible assets and property plant and equipment as stated above. The recalculation of amortisation and depreciation has been made based on the normal useful lives of the relevant Argentinian assets. The restatement for inflation of the income statement has significantly increased the value of income statement items in local currency due to developments in the price index from the date of recognition to the end of the year.

Retranslation from ARS to DKK:

- The financial statements of the Argentinian operations after inflation restatements in local currency have been translated into DKK by translating the balance sheet and all income statement transactions in the financial year using the ARS/DKK exchange rate at the balance sheet date (11.1). While the translation of the items in the balance sheet is unchanged compared with the usual practice, the new translation principle has had a significant effect on the items of the income statement, which have been translated based on an exchange rate of 11.1 as opposed to translation at the exchange rate at the transaction date.

Recognition time and method:

IAS 29 was implemented effective 1 January 2018, and restatements for hyperinflation were recognised for the first time in the interim report for Q3 2018, at the total effect for the period 1 January to 30 September 2018.

Notes

34 Accounting effect of hyperinflation in Argentina – continued

Overview of hyperinflation restatements

The table below shows the total effect in 2019 of restating for hyperinflation in the group's Argentinian subsidiaries.

	2019				2018			
	Restatement of non- monetary items	Restatement of income statement	Re- translation	Total restatement	Restatement of non- monetary items	Restatement of income statement	Re- translation	Total restatement
Revenue	-	38.8	(43.3)	(4.5)	-	41.0	(58.3)	(17.3)
Cost of sales	(6.3)	(26.0)	29.3	(3.1)	(3.8)	(22.5)	32.1	5.8
Depreciation and amortisation	(6.8)	-	1.6	(5.2)	(5.5)	-	1.9	(3.6)
Other costs	-	(7.2)	8.0	0.8	-	(8.8)	12.4	3.6
Operating profit before special items	(13.2)	5.6	(4.4)	(12.0)	(9.3)	9.7	(11.9)	(11.5)
Special items	0.0	0.0	0.0	0.0	-	(0.2)	0.3	0.1
Operating profit	(13.2)	5.6	(4.4)	(12.0)	(9.3)	9.5	(11.6)	(11.4)
Financial items	2.4	(2.5)	3.0	2.9	7.0	(7.9)	10.6	9.7
Profit before tax	(10.8)	3.1	(1.4)	(9.1)	(2.3)	1.6	(1.0)	(1.7)
Tax on profit for the year	(9.3)	(3.1)	3.4	(9.0)	(6.0)	(1.6)	2.1	(5.5)
Profit for the year	(20.1)	0.0	2.0	(18.1)	(8.3)	-	1.1	(7.2)
Intangible assets	7.2	-	-	7.2	7.0	-	-	7.0
Property, plant and equipment	38.8	-	-	38.8	25.6	-	-	25.6
Deferred tax	(6.6)	-	-	(6.6)	(3.2)	-	-	(3.2)
Inventories	0.7	-	-	0.7	0.6	-	-	0.6
Assets	40.1	-	-	40.1	30.0	-	-	30.0
Profit for the year	(20.1)	-	2.0	(18.1)	(8.3)	-	1.1	(7.2)
Foreign exchange adjustment of foreign subsidiaries	11.0	-	5.5	16.5	(12.5)	-	13.7	1.2
Hyperinflation restatement of non-monetary items, 1 January	41.8	-	(7.5)	34.3	50.4	-	(16.9)	33.5
Tax	0.0	-	0.0	0.0	(6.3)	-	2.1	(4.2)
Equity	32.7	-	-	32.7	23.3	-	-	23.3
Deferred tax	7.4	-	-	7.4	6.8	-	-	6.8
Equity and liabilities	40.1	-	-	40.1	30.0	-	-	30.0

Notes

35 Events after the balance sheet date

On 29 January 2020, Hartmann announced that the group had signed an agreement with the shareholders of Mohan Fibre Products Ltd. to acquire the company for a price of DKK 119 million, corresponding to an EBITDA multiple of about 9. The company, which generated 2019 revenue of DKK 75 million, sells moulded-fibre packaging to egg and apple producers in India, primarily in the northern states of Himachal Pradesh, Punjab and Haryana. The acquisition is being financed within the limits of the group's existing credit facilities and will impact favourably on Hartmann's earnings per share immediately after its completion, which is expected to take place in mid-2020, subject to the Indian authorities approving Hartmann as a buyer.

Key figures and financial ratios by quarter (unaudited)

	Q4				Q3				Q2			Q1		
	2019	2019 excl. IAS 29	2018	2018 excl. IAS 29	2019	2019 excl. IAS 29	2018	2018 excl. IAS 29	2019	2019 excl. IAS 29	2018	2019	2019 excl. IAS 29	2018
DKKkm														
Statement of comprehensive income														
Revenue	615	611	588	566	591	604	453	492	553	547	542	596	599	624
- Europe, moulded-fibre packaging	360	360	341	341	330	330	283	283	311	311	286	345	345	315
- Europe, machinery and technology	7	7	5	5	44	44	6	6	6	6	35	4	4	69
- Americas	248	244	243	221	231	218	163	202	230	237	222	248	250	239
Operating profit	71	74	49	48	76	81	13	26	45	47	60	58	61	92
Special items	0	0	(3)	(3)	0	0	(9)	(9)	0	0	(16)	0	0	(6)
Financial income and expenses, net	(7)	(5)	0	3	(15)	(18)	(7)	(20)	(7)	(8)	(30)	(7)	(7)	(9)
Profit before tax	65	69	47	48	61	63	(2)	(2)	38	39	14	52	54	77
Profit for the period	60	67	33	37	45	48	(5)	(1)	26	30	10	37	41	58
Comprehensive income	54	51	65	53	34	35	7	(8)	41	36	(12)	51	49	29
Cash flows														
Cash flows from operating activities	93	93	105	105	130	130	22	22	18	18	66	56	56	71
Cash flows from investing activities	(52)	(52)	(58)	(58)	(58)	(58)	(32)	(32)	(49)	(49)	(28)	(39)	(39)	(11)
Cash flows from financing activities	(32)	(32)	0	0	(3)	(3)	0	0	(55)	(55)	(66)	(2)	(2)	(1)
Total cash flows	9	9	47	47	69	69	(10)	(10)	(87)	(87)	(28)	16	16	59
Balance sheet														
Assets	2,042	2,002	1,834	1,804	2,046	2,006	1,770	1,750	2,014	1,973	1,756	1,975	1,941	1,821
Investments in property, plant and equipment	52	54	55	54	56	55	30	32	50	49	36	38	38	11
Net working capital	323	322	287	287	328	327	336	336	357	357	332	304	304	337
Invested capital	1,502	1,455	1,321	1,288	1,500	1,457	1,309	1,286	1,512	1,512	1,289	1,434	1,397	1,320
Net interest-bearing debt	634	634	577	577	680	680	620	620	735	735	614	640	640	576
Equity	879	847	765	742	795	825	704	689	791	760	697	816	791	775
Financial ratios, %														
Profit margin	11.6	12.1	8.4	8.4	12.9	13.3	2.9	5.4	8.1	8.5	11.1	9.8	10.2	14.7
Return on invested capital (ROIC), rolling 12 months	16.9	18.2	16.0	17.2	15.5	16.8	17.7	18.9	12.3	13.4	21.7	13.6	14.7	19.4
Return on equity, rolling 12 months	20.5	23.5	12.8	14.1	18.0	20.3	12.4	13.0	12.5	14.3	19.6	10.5	11.8	18.4
Equity ratio	43.1	42.3	41.7	41.1	40.3	39.6	39.8	39.4	39.3	38.5	39.7	41.3	40.7	42.6
Gearing	72.1	74.8	75.4	77.8	82.4	85.5	88.1	90.0	92.9	96.7	88.0	78.4	80.9	74.3

For definitions of financial ratios, see page 82.

Definitions of financial ratios

Operating profit

Operating profit before special items

Net working capital

Inventories + receivables + other current operating assets - trade payables - other current operating liabilities (excluding restructuring)

Invested capital

Net working capital + intangible assets + property, plant and equipment + lease assets + other non-current receivables - pension obligations - government grants

Net interest-bearing debt

Credit institutions + overdraft facilities + lease liabilities - cash

Profit margin

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

Return on invested capital (ROIC)

$\frac{\text{Operating profit before special items} \times 100}{\text{Average invested capital}}$

Return on equity

$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$

Equity ratio

$\frac{\text{Equity at year-end} \times 100}{\text{Assets at year-end}}$

Gearing

$\frac{\text{Net interest-bearing debt} \times 100}{\text{Equity at year-end}}$

Earnings per share (EPS)

$\frac{\text{Profit for the year}}{\text{Average no. of shares (excluding treasury shares)}}$

Cash flow per share

$\frac{\text{Cash flows from operating activities}}{\text{Average no. of shares (excluding treasury shares)}}$

Book value per share

$\frac{\text{Equity at year-end}}{\text{No. of shares (excluding treasury shares) at year-end}}$

Share price/earnings (P/E)

$\frac{\text{Share price}}{\text{Earnings per share (EPS)}}$

Payout ratio

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

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

Operating profit, profit margin and return on invested capital (ROIC) are calculated on the basis of operating profit before special items as this is the group's key performance indicator.

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

Management statement

The board of directors and the executive board today considered and approved the annual report of Brødrene Hartmann A/S for the financial year ended 31 December 2019.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31 December 2019 and of the results of the group's and the parent company's operations and cash flows for the financial year ended 31 December 2019.

We are of the opinion that the management report includes a fair review of the development and performance of the group's and the parent company's business and financial position, the results for the year, cash flows and financial position as well as a description of the principal risks and uncertainties that the group and the parent company face.

The annual report is recommended for approval by the annual general meeting.

Gentofte, 10 March 2020

Executive board:

Torben Rosenkrantz-Theil
CEO

Flemming Lorents Steen
CFO

Board of directors:

Agnete Raaschou-Nielsen
Chairman

Steen Parsholt
Vice chairman

Andy Hansen

Jan Klarskov Henriksen

Jan Madsen

Karen Angelo Hækkerup

Marianne Schelde

Palle Skade Andersen

Independent auditor's report

To the shareholders of Brødrene Hartmann A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Brødrene Hartmann A/S for the financial year 1 January - 31 December 2019, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including the accounting policies, for the group as well as the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the group and the parent company at 31 December 2019 and of the results of their operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements under the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the audit committee and the board of directors

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements' section of our report. We are independent of the group in accordance with the International

Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(l) of Regulation (EU) no.537/2014 were not provided.

We were first appointed auditors of Brødrene Hartmann A/S on 21 April 2009 and have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 11 years up to and including the financial year 2019, including a year after we were reappointed on 9 April 2019 after a tender process.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent company financial statements for the financial year 2019. These matters were addressed in the context of our audit of the consolidated financial statements and the parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of goodwill and intangible assets with indefinite useful lives and other non-current assets

Consolidated goodwill has been allocated to three cash-generating units; Argentina, Brazil and Europe Moulded Fibre. Reference is made to note 15 to the consolidated financial statements. No impairment losses were recognised in the year.

In performing our audit procedures, we focused on this area because impairment testing relies on significant, complex management estimates concerning future earnings and the fixing of discount rates.

In performing our audit procedures, we focused in particular on the impairment test performed in relation to Argentina because this region faces a high rate of inflation and revaluation of carrying amounts as a result of the implementation of IAS 29 on hyperinflation, which leads to increased complexity of accounting estimates and a higher risk of impairment.

How our audit addressed the matter

As part of our audit procedures, we assessed whether the model applied to calculate values in use is appropriate and whether management's expectations regarding future earnings and the documentation submitted provide a reasonable basis for a calculation of values in use.

We:

- obtained supportive documentation for significant assumptions applied for purposes of the impairment testing, focused on expectations regarding revenue, earnings, investments and inflation, and discussed these with management;
- compared the earnings estimates applied by the calculation model with the latest forecasts and projections approved by the board of directors and historical results;
- evaluated the assumptions applied for purposes of the impairment testing, including the use of dynamic discount rates in the impairment test performed in relation to Argentina based on

Independent auditor's report

the country's high level of inflation, and, consulting our internal valuation experts, evaluated whether the impairment test was prepared on a consistent basis and using generally recognised methods;

- tested management's sensitivity calculations; and
- assessed whether the disclosures are in accordance with the requirements of applicable accounting standards and are sufficient and adequate.

Statement on the management report

Management is responsible for the management report.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the management report, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the management report and, in doing so, consider whether the management report is materially inconsistent with the consolidated financial statements or the parent company financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management report provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management report is in accordance with the consolidated financial statements and the parent company financial statements and

has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management report.

Management's responsibilities for the consolidated financial statements and the parent company financial statements

Management is responsible for preparing consolidated financial statements and Parent Company's financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act. Management is also responsible for the internal control that it considers necessary for preparing consolidated financial statements and Parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement,

whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the parent company's internal control;

Independent auditor's report

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the parent company to cease to continue as a going concern;
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company finan-

cial statements represent the underlying transactions and events in a manner that gives a true and fair view; and

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance

in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 10 March 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Kim Takata Mücke
State-authorized
public accountant
mnel0944

Morten Dandanell Kiærskou
State-authorized
public accountant
mne33749

This annual report was released in Danish and English through Nasdaq Copenhagen as company announcement no. 6/2020. In case of discrepancies between the two versions, or in case of doubt, the Danish version prevails.

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