

# Interim report Q1 2022



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# Q1 2022 highlights

Hartmann delivered solid performance and maintained market share in Q1 in the face of challenging market conditions after taking decisive action to counter the negative impact of historically high raw material prices. The group generated strong revenue growth after lifting selling prices in decisive and continuous efforts to mitigate the dramatic development in external production costs and secure decent earnings. Guidance for 2022 is maintained.

Revenue

**DKK 776 million**

DKK 750 million in Q1 2021

Revenue grew significantly in the quarter compared to Q1 2021, which was impacted by licence income of DKK 78 million. Growth was particularly strong in North America and driven by an overall increase in average selling prices supported by higher sales volume. Demand for egg packaging remained subdued in the quarter.

Profit margin

**5.7%**

24.0% in Q1 2021

The historically high energy and recycled paper prices as well as general inflationary pressure entailed a significant decline in earnings and profitability in Q1 2022.

The downwards pressure on the profit margin was partly alleviated by Hartmann's targeted efforts to increase average selling prices across all markets and cost reduction initiatives.

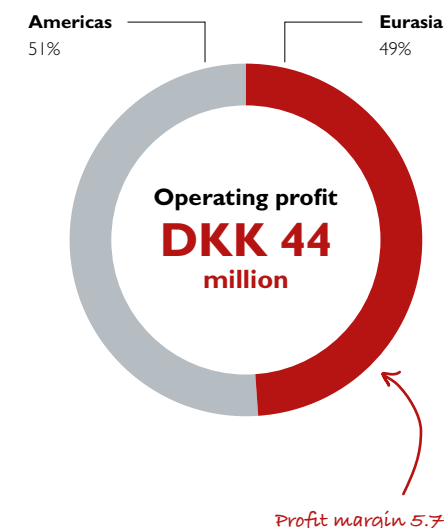
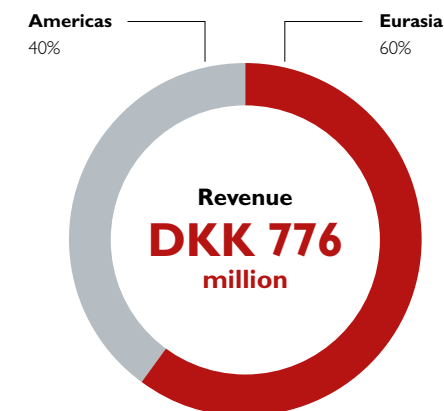
Investments

**DKK 40 million**

DKK 185 million in Q1 2021

Following a period of high investments, Hartmann reduced the investment level in Q1 2022, focusing mainly on the USA and Europe.

After the balance sheet date, Hartmann initiated a sales process for its Russian factory as a consequence of the Russian invasion of Ukraine.



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The first quarter was marked by unprecedented volatility in terms of continued increases in raw material prices driven by the intensification of the energy crisis in the wake of the war in Ukraine. We focused on protecting profitability by alleviating the negative effects through continued efforts to lift selling prices and pass on the higher raw material costs, while increasing sales volume from our expanded production platform.

# Key figures and financial ratios for the group

DKKm	Q1 2022	Q1 2021	FY 2021
<b>Comprehensive income</b>			
Revenue	776	750	2,744
Operating profit	36	175	230
Operating profit excl. IAS 29	44	180	250
Special items	0	0	(116)
Operating profit after special items	36	175	114
Net financial income and expenses	7	(5)	(9)
Profit before tax	43	170	105
Profit for the period	26	128	74
Comprehensive income	52	160	171
<b>Cash flows</b>			
Operating activities	(12)	73	250
Investing activities	(40)	(185)	(541)
Financing activities	103	117	233
Total	51	5	(58)
<b>Balance sheet</b>			
Assets	2,893	2,580	2,804
Investments in property, plant and equipment	40	46	386
Net working capital	436	417	352
Invested capital	2,200	1,934	2,072
Net interest-bearing debt (NIBD)	1,008	735	928
NIBD excl. lease liabilities	932	667	853
Equity	1,249	1,185	1,197

DKKm	Q1 2022	Q1 2021	FY 2021
<b>Financial ratios, %</b>			
Profit margin	4.6	23.4	8.4
Profit margin excl. IAS 29	5.7	24.0	9.2
Return on invested capital (ROIC), rolling 12 months	4.3	31.2	11.6
Return on equity, rolling 12 months	(2.2)	34.5	6.1
Equity ratio	43.2	46.0	42.7
Gearing	80.7	62.0	77.5
<b>Share-based financial ratios</b>			
No. of shares (excl. treasury shares)	6,915,090	6,915,090	6,915,090
Earnings per share, DKK (EPS)	3.8	18.5	10.8
Cash flows per share, DKK	(1.8)	10.6	36.1
Book value per share, DKK	180.6	171.4	173.0
Share price, DKK	284.0	522.0	369.0
Share price/book value per share	1.6	3.0	2.1
Share price/earnings (P/E), rolling 12 months	-	10.4	34.3
Market capitalisation, DKKm	1,992.3	3,661.9	2,588.6

For definitions of financial ratios, see page 89 in the annual report for 2021.

In order to provide a more accurate view of Hartmann's underlying operations and performance, operating profit and profit margin are presented before special items and restatement for hyperinflation (IAS 29). Read more on page 25.





Hartmann

## Eurasia

Revenue

**DKK 466 million**

DKK 526 million in Q1 2021



Profit margin

**5.4%**

32.5% in Q1 2021



Investments

**DKK 16 million**

DKK 177 million in Q1 2021



# Eurasia

The Eurasia segment's performance in Q1 2022 was severely impacted by steep energy and recycled paper price increases and rising inflationary pressure. The quarter was also marked by the decline in exports to Ukraine and Russia as well as reduced demand for egg packaging on the back of an outbreak of avian flu and significantly higher grain prices.

Hartmann safeguarded profitability in the segment and took steps to mitigate the negative external effects by lifting the average selling price and through cost reduction measures.

## Revenue

Segment revenue declined to DKK 466 million (2021: DKK 526 million) in Q1 2022 from a high level in the comparison period, which was impacted by licence income in the amount of DKK 78 million resulting from the settlement of an intellectual property rights dispute concerning Hartmann's *imagic*® products.

Core business revenue grew moderately in Q1 2022 driven mainly by higher selling prices and a slight increase in sales volume following the addition of production capacity and despite lower exports to Ukraine and Russia. Demand remained weak due to the outbreak of avian flu and significantly higher grain prices and compared to the exceptionally strong demand witnessed during COVID-19.

## Earnings

Q1 2022 operating profit dropped to DKK 25 million (2021: DKK 171 million), for a profit margin of 5.4% (2021: 32.5%).

The decline was caused by steep increases in the prices of energy and recycled paper as well as general inflation. The comparison period was furthermore positively impacted by licence income of DKK 78 million. The segment's earnings were partly protected through a strict focus on lifting average selling prices to offset the

higher raw material prices albeit with some delay, and measures were taken to reduce cost through optimisation of production allocation between factories.

## Russian activities

Based on the negative development in the political and economic climate in Russia following the Russian invasion of Ukraine in late February 2022, Hartmann has initiated a sales process for the group's Russian factory on 1 April 2022.

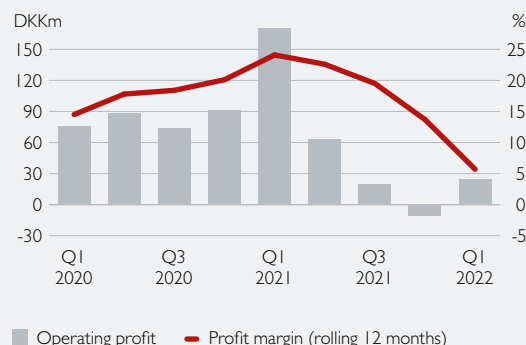
## Investments

In Q1 2022, Hartmann invested DKK 16 million (2021: DKK 177 million) in the Eurasia segment, including final installation of new production capacity, which went into operation in early 2022. The comparison period was significantly impacted by the DKK 113 million investment in the Russian factory.

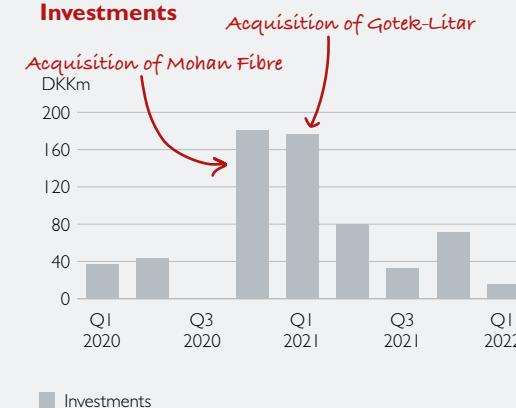
## Revenue



## Earnings



## Investments





Hartmann

## Americas

Revenue

**DKK 309 million**

DKK 224 million in Q1 2021



Profit margin

**8.3%**

7.0% in Q1 2021



Investments

**DKK 23 million**

DKK 6 million in Q1 2021



# Americas

The Americas segment improved performance in Q1 2022 despite the impact of avian flu and higher grain prices in North America and increasing energy and recycled paper costs as well as mounting inflation in both North America and Brazil. The positive traction was realised as improvements in North America and a solid development in Argentina outweighed the impact of difficult market conditions and fierce competition in Brazil.

## Revenue

Hartmann's Americas business grew revenue to DKK 309 million (2021: DKK 224 million) in Q1 2022 after increasing selling prices on egg packaging to offset as much as possible of the increase in raw material prices.

The positive development was furthermore driven by solid sales volume growth in North America where Hartmann enjoyed higher market share and additional volume from new customers converting from plastic-based packaging to Hartmann products. The Argentinian business continued on the positive trajectory delivering solid performance in the quarter.

The North American market remained impacted by the phasing out of COVID-19 restrictions in addition to the effects of avian flu and higher grain prices. The South American business was adversely impacted by the fierce competition in Brazil, higher egg prices and lower consumption.

## Earnings

Earnings were positively impacted by the targeted efforts to lift selling prices and generate volume growth in the quarter.

The segment's operating profit increased to DKK 26 million (2021: DKK 16 million), taking the profit margin to 8.3% (2021: 7.0%) in Q1 2022 in the face of significantly higher raw material prices and challenging macroeconomic developments and market conditions in South America.

## Investments

Hartmann invested DKK 23 million (2021: DKK 6 million) in the Americas in Q1 2022, primarily focusing on the continued expansion of US production capacity.

## Revenue



## Earnings



## Investments





# Outlook

Hartmann maintains 2022 guidance, expecting to grow overall revenue to DKK 2.9-3.3 billion for a profit margin\* of 2-7% with growth being driven by both improved average selling prices and volume growth.

Persistently high prices of recycled paper and energy as well as rising inflation are expected to impact on the group's earnings and profit margin. High raw materials prices are expected to lead to a continuation of the increases in production costs, which the group intends to offset by means of continuing efforts to adjust selling prices, improve the overall price and product mix, and reduce the cost level. Price adjustments will, however, be implemented at a certain time lag.

Full-year revenue will be negatively impacted by Hartmann's decision to initiate a sales process for the group's Russian factory and stop all export sales to Russia as well as a dramatic decline in sales to Ukraine following the Russian invasion.

The historically high volatility of energy and recycled paper prices is causing significantly reduced visibility and increased uncertainty about developments in the group's cost levels.

## Forward-looking statements

The forward-looking statements in this interim report reflect Hartmann's current expectations for future events and financial results. Such statements are inherently subject to uncertainty, and actual results may therefore differ from expectations. Factors which may cause the actual results to deviate from expectations include general economic developments and developments in the financial markets, changes or amendments to legislation and regulation in Hartmann's markets, changes in demand for products, competition and the prices and supply of raw materials. See the sections on market fluctuations and risk management in this interim report and note 28 of the 2021 annual report.

## Guidance

2022

Revenue	DKK 2.9-3.3 billion
Profit margin*	2-7%
Investments	DKK ~225 million

\* Before restatement for hyperinflation and special items

Investments are still expected at around DKK 225 million in 2022.

## Assumptions

Guidance is based on the exchange rates prevailing at the date of release of the interim report. 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.



## Market fluctuations






Russia's invasion of Ukraine, steep increases in the prices of raw materials, macroeconomic uncertainty in the South American markets, COVID-19 and volatile demand for eggs will continue to impact the egg packaging market and Hartmann's financial performance in 2022.

Following the Russian invasion of Ukraine in Q1, geopolitical tension has increased and given rise to extremely volatile and high energy prices and accelerating inflationary pressure as well as currency fluctuations and an upwards trend in interest rates. The situation furthermore entails a mounting risk of energy shortage and rationing, which could severely impact Hartmann's operational capabilities and financial performance.

The macroeconomic uncertainty in Hartmann's South American markets may accelerate in connection with upcoming elections and could result in deteriorating market conditions due to currency devaluation, deepening recession or social unrest.

COVID-19 continues to cause shifts in consumption patterns, limited visibility and a changed and heightened operational risk exposure. Demand for eggs remains adversely affected by the phasing out of COVID-19 restrictions, which have driven sales below normal levels. The situation also entails an increased risk of temporary production disruptions at one or more of Hartmann's factories, and supply chain interruption in the wake of lockdown measures in China entails shortage of components in Hartmann Technology and a negative impact on machinery and technology deliveries.

# Risk management

	Description	Mitigating action
<b>Fire</b> 	<p>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.</p>	<p>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.</p> <p>In addition to strengthening the group's supply capacity, the spreading of production across 15 factories also helps to reduce the total financial impact in case of a factory fire.</p>
<b>Raw materials</b> 	<p>Fluctuations in procurement prices of recycled paper and energy (electricity and gas) may have a significant impact on the group's financial results as adjustments of selling prices with a view to mitigating increases in raw materials prices must take into account the competitive situation and will be implemented at a certain time lag.</p> <p>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.</p>	<p>Hartmann seeks to make up increases in purchase prices by adjusting selling prices. In addition, 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.</p> <p>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. Hartmann has the option of signing fixed-price agreements, typically for six or 12 months, for part of the group's energy consumption with energy suppliers in areas with well-functioning markets. The group regularly analyses whether entering into such agreements is attractive and explores possibilities for using alternative types of raw materials.</p>
<b>Disease outbreaks among hens</b> 	<p>Egg packaging sales are exposed to changes in demand for eggs, which in turn 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.</p>	<p>The geographical scope of Hartmann's production with factories located in Europe, North and South America, India and Russia helps to mitigate the total negative impact of local or regional disease outbreaks on the group's financial performance.</p> <p>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.</p>
<b>Politics and macroeconomics</b> 	<p>While the consumption of eggs and fruit has historically been resilient to slowdowns 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 the group's financial results.</p>	<p>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.</p> <p>Any negative trade barrier impacts are mitigated by Hartmann's geographical diversification and sales to local markets.</p>
<b>Environment</b> 	<p>Violations of environmental legislation, rules or thresholds in connection with, for instance, wastewater discharge, CO<sub>2</sub> 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.</p>	<p>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.</p>

Reference is made to page 9 in this interim report for a description of market fluctuations and to the risk management section and note 28 in the annual report for 2021 for a full description of Hartmann's risk management approach.

# Management statement

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Today, the board of directors and the executive board have discussed and approved the interim report of Brødrene Hartmann A/S for the three months ended 31 March 2022.

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

In our opinion, the interim financial statements give a true and fair view of the group's assets, liabilities and financial position at 31 March 2022 and of the results of the group's operations and cash flows for the three months ended 31 March 2022.

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

Gentofte, 19 May 2022

## Executive board:

Torben Rosenkrantz-Theil  
*CEO*

Flemming Lorents Steen  
*CFO*

## Board of directors:

Jan Klarskov Henriksen  
*Chairman*

Michael Strange Midskov  
*Vice chairman*

Pernille Fabricius

Jan Madsen

Palle Skade Andersen

Klaus Bysted Jensen



# Financial statements

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# Revenue and earnings

## Revenue

Hartmann grew consolidated revenue to DKK 776 million (2021: DKK 750 million) in Q1 2022. The comparison period was positively impacted by licence income of DKK 78 million.

Currency fluctuations lifted revenue by DKK 11 million in Q1 2022.

## Operating profit

The group's operating profit for Q1 2022 came to DKK 44 million (2021: DKK 180 million), for a profit margin of 5.7% (2021: 24.0%). Q1 2021 was positively impacted by the licence income of DKK 78 million.

Operating profit after restatement for hyperinflation declined to DKK 36 million (2021: DKK 175 million), for a profit margin of 4.6% (2021: 23.4%).

Currency fluctuations reduced operating profit by DKK 2 million in Q1 2022.

## Corporate functions

In Q1 2022, costs related to corporate functions came to DKK 8 million (2021: DKK 7 million).

## Special items

No special items were recognised in Q1 2022 (2021: no special items).

## Financial income and expenses

Financial income and expenses were a net income of DKK 7 million in Q1 2022 (2021: net expense of DKK 5 million). Gain on net monetary position on hyperinflation restatement was positive with DKK 8 million.

## Profit for the period

Hartmann's profit before tax declined to DKK 42 million for Q1 2022 (2021: DKK 170 million) following the significant decrease in operating profit. Tax on the profit for the period was an expense of DKK 17 million (2021: expense of DKK 42 million), giving an effective tax rate of 39% (2021: 25%). Before restatement for hyperinflation, the effective tax rate was 23% (2021: 23%) for Q1 2022. Profit after tax declined to DKK 26 million for Q1 2022 (2021: DKK 128 million).

## Comprehensive income

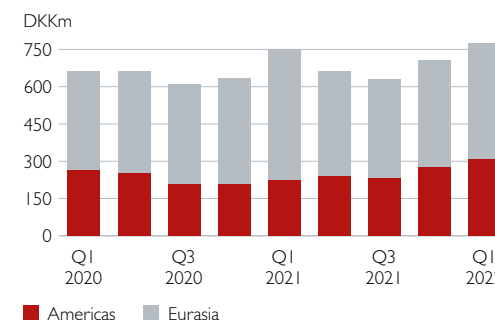
Comprehensive income came to DKK 52 million (2021: DKK 160 million) in Q1 2022.

## Events after the balance sheet date

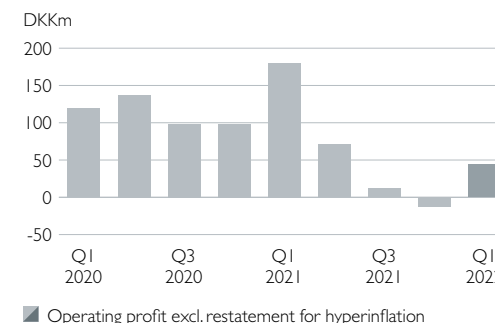
On 1 April 2022, by company announcement no. 3/2022, Hartmann announced the initiation of a sales process for the group's Russian activities with a view to leave Russia where the current political and economic climate prevents the realisation of Hartmann's business plan. On the balance sheet date, the Russian entity is treated and valued as continuing operations as Hartmann will continue to operate the facilities and fulfill obligations within the limits of imposed sanctions and restrictions. Management has assessed the potential impact from the resulting uncertainties on the estimated values for the liabilities and assets in the group's Russian entity as well as other potentially affected assets and liabilities.

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

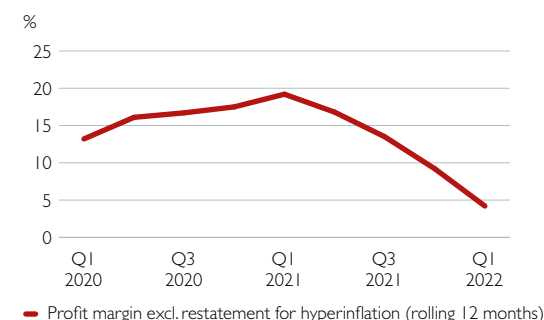
## Revenue



## Operating profit



## Profit margin



# Statement of comprehensive income

DKKm Group	Q1 2022	Q1 2021	FY 2021
Revenue	775.5	749.7	2,744.0
Production costs	(596.9)	(458.7)	(2,024.0)
<b>Gross profit</b>	<b>178.6</b>	<b>291.0</b>	<b>720.0</b>
Selling and distribution costs	(101.6)	(86.3)	(369.2)
Administrative expenses	(41.0)	(29.3)	(120.9)
<b>Operating profit before special items</b>	<b>36.0</b>	<b>175.4</b>	<b>229.9</b>
Special items	0	0.0	(115.9)
<b>Operating profit</b>	<b>36.0</b>	<b>175.4</b>	<b>114.0</b>
Financial income	15.2	3.6	37.8
Financial expenses	(8.6)	(9.0)	(46.5)
<b>Profit before tax</b>	<b>42.6</b>	<b>170.0</b>	<b>105.3</b>
Tax on profit for the period	(16.6)	(42.3)	(30.9)
<b>PROFIT FOR THE PERIOD</b>	<b>26.0</b>	<b>127.7</b>	<b>74.4</b>
Earnings per share, DKK	3.8	18.5	10.8
Diluted earnings per share, DKK	3.8	18.5	10.8

DKKm Group	Q1 2022	Q1 2021	FY 2021
<b>Profit for the period</b>	<b>26.0</b>	<b>127.7</b>	<b>74.4</b>
<b>Items that may be reclassified to profit or loss:</b>			
Foreign exchange adjustment of foreign subsidiaries	3.9	21.4	40.9
Equity-like loans to subsidiaries	(1.2)	0.0	0.0
Hyperinflation restatement of non-monetary balance sheet items, beginning of period	18.9	12.9	46.9
<b>Value adjustment of hedging instruments:</b>			
Recognised in other comprehensive income	2.3	(1.8)	(12.5)
Transferred to revenue	3.1	(1.1)	1.2
Transferred to production costs	0.5	0.3	(0.5)
Transferred to financial income and expenses	(0.1)	0.1	(0.6)
Tax	(1.4)	0.6	2.9
<b>Other comprehensive income after tax</b>	<b>26.0</b>	<b>32.4</b>	<b>96.8</b>
<b>COMPREHENSIVE INCOME</b>	<b>52.0</b>	<b>160.1</b>	<b>171.2</b>



# Cash flows

## Investments and cash flows

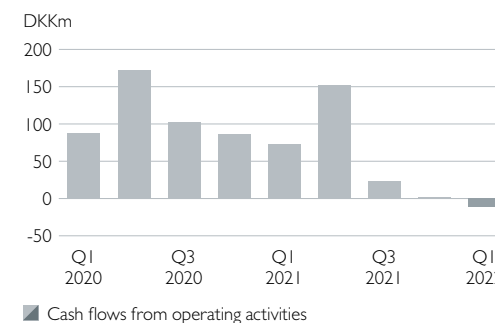
Cash flows from operating activities fell to a net outflow of DKK 12 million in Q1 2022 (2021: net inflow of DKK 73 million) following the significant decline in operating profit.

In Q1 2022, cash flows from investing activities decreased significantly to a net outflow of DKK 40 million (2021: net outflow of DKK 185 million) as the comparison period was affected by measures to expand production capacity and the acquisition of Russia's Goteik-Litar.

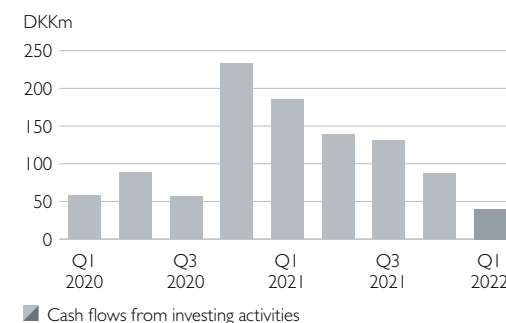
The group's cash flows from operating and investing activities came to a net outflow of DKK 53 million in Q1 2022 (2021: net outflow of DKK 112 million).

Cash flows from financing activities were a net inflow of DKK 103 million in Q1 2022 (2021: net inflow of DKK 117 million).

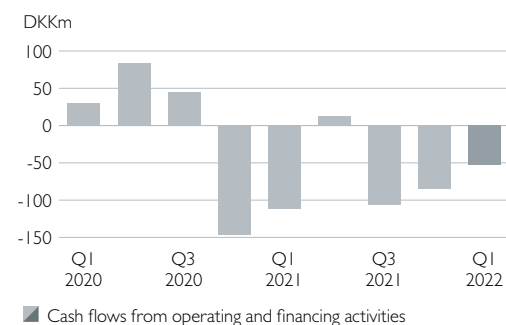
## Cash flows from operating activities



## Cash flows from investing activities



## Free cash flow



# Statement of cash flows

DKKm Group	Q1 2022	Q1 2021	FY 2021
Operating profit before special items	36.0	175.4	229.9
Depreciation and amortisation	43.1	35.4	159.8
Adjustment for other non-cash items	6.3	2.6	10.5
Change in working capital etc.	(72.3)	(95.0)	(44.3)
Special items paid	0.0	(4.0)	(4.0)
<b>Cash generated from operations</b>	<b>13.1</b>	<b>114.4</b>	<b>351.9</b>
Interest received	1.2	0.8	3.2
Interest paid	(7.6)	(4.1)	(24.4)
Net income tax paid	(19.0)	(38.1)	(80.8)
<b>Cash flows from operating activities</b>	<b>(12.3)</b>	<b>73.0</b>	<b>249.9</b>
Acquisition of intangible assets	(0.4)	(25.5)	(29.9)
Acquisition of property, plant and equipment	(40.1)	(46.0)	(384.9)
Disposal of property, plant and equipment	0.3	0.0	0.6
Acquisition of subsidiaries	0.0	(113.3)	(112.9)
Acquisition of other securities and investments	0.0	0.0	(14.0)
<b>Cash flows from investing activities</b>	<b>(40.2)</b>	<b>(184.8)</b>	<b>(541.1)</b>
<b>Cash flows from operating and investing activities</b>	<b>(52.5)</b>	<b>(111.8)</b>	<b>(291.2)</b>
Raising of non-current debt	104.4	119.0	292.0
Repayment of non-current debt	(1.3)	(2.3)	(59.0)
<b>Cash flows from financing activities</b>	<b>103.1</b>	<b>116.7</b>	<b>233.0</b>
<b>TOTAL CASH FLOWS</b>	<b>50.6</b>	<b>4.9</b>	<b>(58.2)</b>
Cash and cash equivalents, beginning of period	26.9	75.1	75.1
Foreign exchange adjustment	(1.7)	3.0	10.0
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>75.8</b>	<b>83.0</b>	<b>26.9</b>

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

DKKm Group	Q1 2022	Q1 2021	FY 2021
<b>Recognition of cash and cash equivalents, end of period:</b>			
Cash	99.5	115.0	117.9
Overdraft facilities	(23.7)	(32.0)	(91.0)
<b>Cash and cash equivalents, end of period</b>	<b>75.8</b>	<b>83.0</b>	<b>26.9</b>

# Balance sheet and equity

## Funding

The group's net interest-bearing debt increased to DKK 1,008 million (2021: DKK 735 million) at 31 March 2022. The consolidated balance sheet remains sound, as the increase in net interest-bearing debt was attributable to the continued production capacity investments throughout 2021 in particular.

Financial resources, comprising cash and undrawn loan and overdraft facilities, amounted to DKK 353 million at 31 March 2022 (2021: DKK 527 million). This level is considered satisfactory and sufficient to cover Hartmann's planned expansion. The loans are subject to standard financial covenants.

## Assets

Total assets increased to DKK 2,893 million (2021: DKK 2,580 million) following investments in production capacity.

## ROIC

The return on invested capital dropped to 4.3% in Q1 2022 (2021: 31.2%) as a consequence of lower earnings in the quarter and the increase in invested capital.

## Equity

Equity at 31 March 2022 amounted to DKK 1,249 million (2021: DKK 1,185 million), for an equity ratio of 43% (2021: 46%). The financial gearing ratio increased to 81% (2021: 62%).

Earnings per share were DKK 3.8 in Q1 2022 (2021: DKK 18.5).

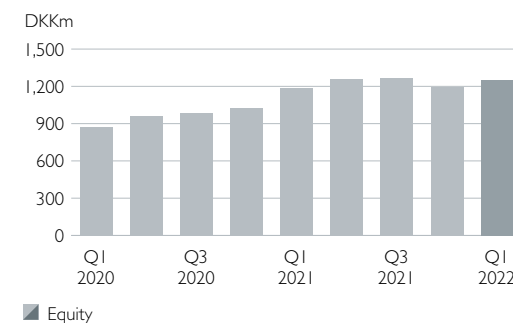
## Net interest-bearing debt (NIBD)



## ROIC



## Equity





# Balance sheet

## Assets

DKKm Group	31 March 2022	31 March 2021	31 Dec. 2021
Goodwill	103.4	165.0	108.4
Other intangible assets	59.1	54.3	61.6
<b>Intangible assets</b>	<b>162.5</b>	<b>219.3</b>	<b>170.0</b>
Land and buildings	423.9	351.2	398.4
Plant and machinery	950.8	725.2	717.8
Other fixtures and fittings, tools and equipment	24.5	12.9	21.4
Plant under construction	140.1	178.8	354.2
<b>Property, plant and equipment</b>	<b>1,539.3</b>	<b>1,268.1</b>	<b>1,491.8</b>
Leased land and buildings	62.3	61.7	62.0
Other leased assets	10.6	3.7	9.4
<b>Lease assets</b>	<b>72.9</b>	<b>65.4</b>	<b>71.4</b>
Investments in associates	2.6	2.6	2.6
Other securities and investments	14.0	0.0	14.0
Deferred tax	44.1	42.6	62.0
Other receivables	0.8	1.4	0.8
<b>Other non-current assets</b>	<b>61.5</b>	<b>46.6</b>	<b>79.4</b>
<b>Non-current assets</b>	<b>1,836.2</b>	<b>1,599.4</b>	<b>1,812.6</b>
Inventories	341.3	264.9	299.9
Trade receivables	478.5	441.7	396.2
Income tax	28.0	24.4	28.1
Other receivables	83.8	112.6	125.2
Prepayments	25.9	21.7	24.3
Cash	99.5	115.0	117.9
<b>Current assets</b>	<b>1,057.0</b>	<b>980.3</b>	<b>991.6</b>
<b>ASSETS</b>	<b>2,893.2</b>	<b>2,579.7</b>	<b>2,804.2</b>

## Equity and liabilities

DKKm Group	31 March 2022	31 March 2021	31 Dec. 2021
Share capital	140.3	140.3	140.3
Hedging reserve	(3.4)	(0.2)	(7.8)
Translation reserve	(184.4)	(259.5)	(206.0)
Retained earnings	1,296.0	1,304.8	1,270.0
<b>Equity</b>	<b>1,248.5</b>	<b>1,185.4</b>	<b>1,196.5</b>
Deferred tax	28.0	42.6	39.7
Pension obligations	9.0	34.4	9.6
Credit institutions	888.6	749.9	782.0
Lease liabilities	63.8	59.0	62.8
Government grants	0.5	1.3	0.5
Other payables	1.7	0.4	2.9
<b>Non-current liabilities</b>	<b>991.6</b>	<b>887.6</b>	<b>897.5</b>
Credit institutions	118.7	0.0	98.1
Lease liabilities	12.5	8.9	11.9
Government grants	0.7	0.9	0.9
Overdraft facilities	23.7	32.0	91.0
Prepayments from customers	34.7	15.5	14.2
Trade payables	292.3	207.9	306.7
Payables to associates	9.6	7.4	10.7
Income tax	2.9	41.6	15.3
Provisions	0.5	0.7	0.7
Other payables	157.5	191.8	160.7
<b>Current liabilities</b>	<b>653.1</b>	<b>506.7</b>	<b>710.2</b>
<b>Liabilities</b>	<b>1,644.7</b>	<b>1,394.3</b>	<b>1,607.7</b>
<b>Equity and liabilities</b>	<b>2,893.2</b>	<b>2,579.7</b>	<b>2,804.2</b>

# Statement of changes in equity

Group	2022						2021					
	Share capital	Hedging reserve	Translation reserve*	Retained earnings	Proposed dividend	Total equity	Share capital	Hedging reserve	Translation reserve*	Retained earnings	Proposed dividend	Total equity
DKKm												
<b>Equity at 1 January</b>	<b>140.3</b>	<b>(7.8)</b>	<b>(206.0)</b>	<b>1,270.0</b>	<b>0.0</b>	<b>1,196.5</b>	<b>140.3</b>	<b>1.7</b>	<b>(293.8)</b>	<b>1,177.1</b>	<b>0.0</b>	<b>1,025.3</b>
Profit for the period	-	-	-	26.0	-	26.0	-	-	-	127.7	-	127.7
<b>Other comprehensive income</b>												
Items that can be reclassified to profit or loss												
Foreign exchange adjustments of foreign subsidiaries	-	-	3.9	-	-	3.9	-	-	21.4	-	-	21.4
Equity-like loans to subsidiaries	-	-	(1.2)	-	-	(1.2)	-	-	-	-	-	-
Hyperinflation restatement of non-monetary balance sheet items, beginning of period	-	-	18.9	-	-	18.9	-	-	12.9	-	-	12.9
Value adjustment of hedging instruments:					-							
Recognised in other comprehensive income	-	2.3	-	-	-	2.3	-	(1.8)	-	-	-	(1.8)
Transferred to revenue	-	3.1	-	-	-	3.1	-	(1.1)	-	-	-	(1.1)
Transferred to production costs	-	0.5	-	-	-	0.5	-	0.3	-	-	-	0.3
Transferred to financial income and expenses	-	(0.1)	-	-	-	(0.1)	-	0.1	-	-	-	0.1
Tax	-	(1.4)	-	-	-	(1.4)	-	0.6	-	-	-	0.6
<b>Other comprehensive income</b>	<b>0.0</b>	<b>4.4</b>	<b>21.6</b>	<b>0.0</b>	<b>0.0</b>	<b>26.0</b>	<b>0.0</b>	<b>(1.9)</b>	<b>34.3</b>	<b>0.0</b>	<b>0.0</b>	<b>32.4</b>
<b>Total comprehensive income</b>	<b>0.0</b>	<b>4.4</b>	<b>21.6</b>	<b>26.0</b>	<b>0.0</b>	<b>52.0</b>	<b>0.0</b>	<b>(1.9)</b>	<b>34.3</b>	<b>127.7</b>	<b>0.0</b>	<b>160.1</b>
<b>Total changes in equity</b>	<b>0.0</b>	<b>4.4</b>	<b>21.6</b>	<b>26.0</b>	<b>0.0</b>	<b>52.0</b>	<b>0.0</b>	<b>(1.9)</b>	<b>34.3</b>	<b>127.7</b>	<b>0.0</b>	<b>160.1</b>
<b>Equity at 31 March</b>	<b>140.3</b>	<b>(3.4)</b>	<b>(184.4)</b>	<b>1,296.0</b>	<b>0.0</b>	<b>1,248.5</b>	<b>140.3</b>	<b>(0.2)</b>	<b>(259.5)</b>	<b>1,304.8</b>	<b>0.0</b>	<b>1,185.4</b>

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

# Notes

## 01 Accounting policies

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

The interim financial statements contain selected accounting policies and should therefore be read in conjunction with the consolidated financial statements for 2021. The accounting policies applied in the interim financial statements are consistent with the accounting policies applied in the consolidated financial statements for 2021 as described in note 1.

### **New financial reporting standards and interpretations in 2022**

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 2022.

The implementation of these changes has not resulted in any changes to the accounting policies.

## 02 Significant accounting estimates and judgments

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

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

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

Reference is made to note 3 to the financial statements in the annual report for 2021 for a full description of significant accounting estimates, assumptions and uncertainties

The Russian invasion of Ukraine further augmented the heightened volatility in the global supply chains, which impacted the first quarter of 2022 after having prevailed since the end of the financial year 2021. Continued increases in energy prices contributed to rising inflation, and fluctuations in foreign exchange rates as well as subdued demand continue to impact Hartmann's financial performance and key estimates.

The decision to sell the Russian entity was made on 1 April 2022, and the sales process has subsequently been initiated. On the balance sheet date, the Russian entity is treated and valued as continuing operations as Hartmann will continue to operate the facilities and fulfill obligations within the limits of imposed sanctions and restrictions. Management has assessed the potential impact from the resulting uncertainties on the estimated values for the liabilities and assets in the group's Russian entity as well as other potentially affected assets and liabilities.

The change in estimates had no material impact on the financial statements in the first quarter of 2022. By the nature, the updated key accounting estimates contain uncertainties, and it is possible that the outcomes in the next financial period can differ from those on which management's estimates are based.

### **Other matters**

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

In autumn 2019, the Brazilian tax authorities raised a claim of BRL 56 million, corresponding to DKK 77 million, against Hartmann's Brazilian subsidiary, Sanovo Greenpack Embalagens Do Brasil Ltda., concerning the alleged 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 and tax 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. If, contrary to expectations, the claim is upheld, similar claims are expected to be raised for the period after 2016. There was no development in the case in Q1 2022.



# Notes

## 03 Segment information

Activities	Q1 2022			Q1 2021		
	Eurasia	Americas	Total reporting segments	Eurasia	Americas	Total reporting segments
External revenue	466.3	307.9	774.2	526.0	222.5	748.5
<b>Revenue</b>	<b>466.3</b>	<b>307.9</b>	<b>774.2</b>	<b>526.0</b>	<b>222.5</b>	<b>748.5</b>
Hyperinflation restatement of revenue	-	1.3	1.3	-	1.2	1.2
<b>Revenue as per statement of comprehensive income</b>	<b>466.3</b>	<b>309.2</b>	<b>775.5</b>	<b>526.0</b>	<b>223.7</b>	<b>749.7</b>
Operating profit before special items	25.0	25.7	50.7	170.8	15.5	186.3
<b>Other segment information</b>						
Depreciation and amortisation	24.0	17.6		19.3	14.0	
Investments in intangible assets and property plant and equipment	20.6	20.1		65.3	10.4	
Net working capital	368.1	170.1		460.2	63.4	
Invested capital	1,349.1	940.0		1,328.3	705.0	
Segment assets	1,720.4	1,069.6	2,790.0	1,679.4	872.1	2,551.5
<b>Reconciliation</b>						
<b>Performance targets</b>						
Operating profit before special items for reporting segments			50.7			186.3
Hyperinflation restatement of operating profit before special items			(7.9)			(4.3)
Non-allocated corporate functions			(7.8)			(7.3)
Eliminations			1.0			0.7
<b>Operating profit before special items as per statement of comprehensive income</b>			<b>36.0</b>			<b>175.4</b>
Special items			0			0.0
<b>Operating profit as per statement of comprehensive income</b>			<b>36.0</b>			<b>175.4</b>
Financial income			15.2			3.6
Financial expenses			(8.6)			(9.0)
<b>Profit before tax as per statement of comprehensive income</b>			<b>42.6</b>			<b>170.0</b>
<b>Assets</b>						
Assets for reporting segments			2,790.0			2,551.5
Hyperinflation restatement of non-monetary balance sheet items			63.9			49.7
Non-allocated assets			236.8			240.1
Eliminations			(197.5)			(261.6)
<b>Assets as per balance sheet</b>			<b>2,893.2</b>			<b>2,579.7</b>

## Notes

## 03 Segment information – continued

**§ 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:

- **Eurasia** – comprising production and sales of moulded-fibre packaging. The products are manufactured at factories in Europe, Israel, Russia and India and are primarily sold to egg and fruit producers, egg and fruit 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. The 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.

## 04 Financial income and expenses

	Q1 2022	Q1 2021
Interest income, cash and cash equivalents etc.	0.6	0.0
Other interest income	0.6	0.8
<b>Interest income from financial assets not measured at fair value through profit or loss</b>	<b>1.2</b>	<b>0.8</b>
Foreign exchange gains	6.0	2.4
Gain on net monetary position on hyperinflation restatement	7.9	0.0
Derivative financial instruments	0.1	0.4
<b>Financial income</b>	<b>15.2</b>	<b>3.6</b>
Interest expenses, credit institutions	6.2	2.5
Interest expenses, lease liabilities	0.6	0.6
Other expenses	0.8	1.0
<b>Interest expenses from financial liabilities not measured at fair value through profit or loss</b>	<b>7.6</b>	<b>4.1</b>
Foreign exchange losses	1.0	3.0
Loss on net monetary position on hyperinflation restatement	0.0	1.4
Derivative financial instruments	0.0	0.4
<b>Financial expenses</b>	<b>8.6</b>	<b>9.0</b>
<b>Financial income and (expenses)</b>	<b>6.6</b>	<b>(5.4)</b>

**§ Accounting policies***Financial income and expenses*

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

# Notes

## 05 Financial instrument categories

Financial instrument categories	31 March 2022		31 March 2021		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
DKKm						
Derivative financial instruments to hedge future cash flows	1.6	1.6	3.6	3.6	0.9	0.9
<b>Financial assets used as hedging instruments</b>	<b>1.6</b>	<b>1.6</b>	<b>3.6</b>	<b>3.6</b>	<b>0.9</b>	<b>0.9</b>
Trade receivables	478.5	478.5	441.7	441.7	396.2	396.2
Other receivables	110.4	110.4	133.4	133.4	156.5	156.5
Cash	99.5	99.5	115.0	115.0	117.9	117.9
<b>Loans and receivables</b>	<b>688.4</b>	<b>688.4</b>	<b>690.1</b>	<b>690.1</b>	<b>670.6</b>	<b>670.6</b>
Derivative financial instruments to hedge future cash flows	5.9	5.9	3.7	3.7	10.9	10.9
<b>Financial liabilities used as hedging instruments</b>	<b>5.9</b>	<b>5.9</b>	<b>3.7</b>	<b>3.7</b>	<b>10.9</b>	<b>10.9</b>
Credit institutions	1,031.0	1,031.1	781.9	782.5	971.1	971.3
Lease liabilities	76.3	86.8	67.9	71.0	74.7	86.8
Other liabilities	455.5	455.5	445.8	445.8	483.2	483.2
<b>Financial liabilities measured at amortised cost</b>	<b>1,562.8</b>	<b>1,573.4</b>	<b>1,295.6</b>	<b>1,299.3</b>	<b>1,529.0</b>	<b>1,541.3</b>

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

## 06 Events after the balance sheet date

On 1 April 2022, by company announcement no. 3/2022, Hartmann announced the initiation of a sales process for the group's Russian activities with a view to leave Russia where the current political and economic climate prevents the realisation of Hartmann's business plan. On the balance sheet date, the Russian entity is treated and valued as continuing operations as Hartmann will continue to operate the facilities and fulfill obligations within the limits of imposed sanctions and restrictions. Management has assessed the potential impact from the resulting uncertainties on the estimated values for the liabilities and assets in the group's Russian entity as well as other potentially affected assets and liabilities.

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

# Hyperinflation in Argentina

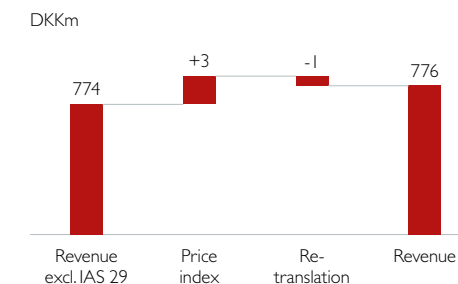
## Inflation and exchange rate developments in Argentina



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

DKKm	Excl. IAS 29	Price index	Re-translation	Total adjustment	2022 to date
Revenue	774	3	(1)	2	776
Operating profit before depreciation	86	(6)	(1)	(7)	79
Operating profit	44	(8)	0	(8)	36
Net financial items	(1)	8	0	8	7

## Effects of restating year-to-date revenue



The total effect on Q1 2022 revenue of restating for hyperinflation under IAS 29 is a combination of restating for price index developments and the effect of using the exchange rate at the balance sheet date for purposes of translating from the Argentine peso into Danish kroner.

The price index rose by 16% during the first three months of the year, boosting revenue by DKK 3 million. The increase offset a decline in the ARS/DKK cross rate from 0.06385 at the beginning of the year to 0.06037 at 31 March 2022 reducing revenue by DKK 1 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 776 million after a net positive impact of restating for hyperinflation of DKK 2 million.

For more information about hyperinflation, see page 86 and note 31 in the annual report for 2021

\* 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.



# 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 India 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.

## Sustainability

Sustainability and protection of the environment are integral components of Hartmann's business model and strategy. All Hartmann's products are based on recycled paper, which is a renewable and biodegradable resource. Working closely with customers to accommodate demand for sustainable products in the retail industry, Hartmann was the first manufacturer to offer both FSC-certified and CO<sub>2</sub>-neutral retail packaging.

## Markets

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

## Products and customers

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

## Production

Hartmann's production platform consists of 15 factories in Europe, Israel, North and South America, India and Russia. Hartmann's deep technology know-how and extensive experience in manufacturing moulded-fibre packaging empower the group to develop and maintain its production platform. Each year, the group's 2,800 employees manufacture billions of moulded-fibre packaging units and machinery and technology for the manufacturing of packaging.

## The Hartmann share

Hartmann's shares have been listed on Nasdaq Copenhagen since 1982 and are included in the Mid Cap index. Hartmann has one class of shares, and each share carries one vote. Financial reports and company announcements may be obtained by subscribing to Hartmann's news service at [investor@hartmann-packaging.com](mailto:investor@hartmann-packaging.com).

## Financial calendar 2022

17 August 2022	Interim report Q2 2022
15 November 2022	Interim report Q3 2022

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