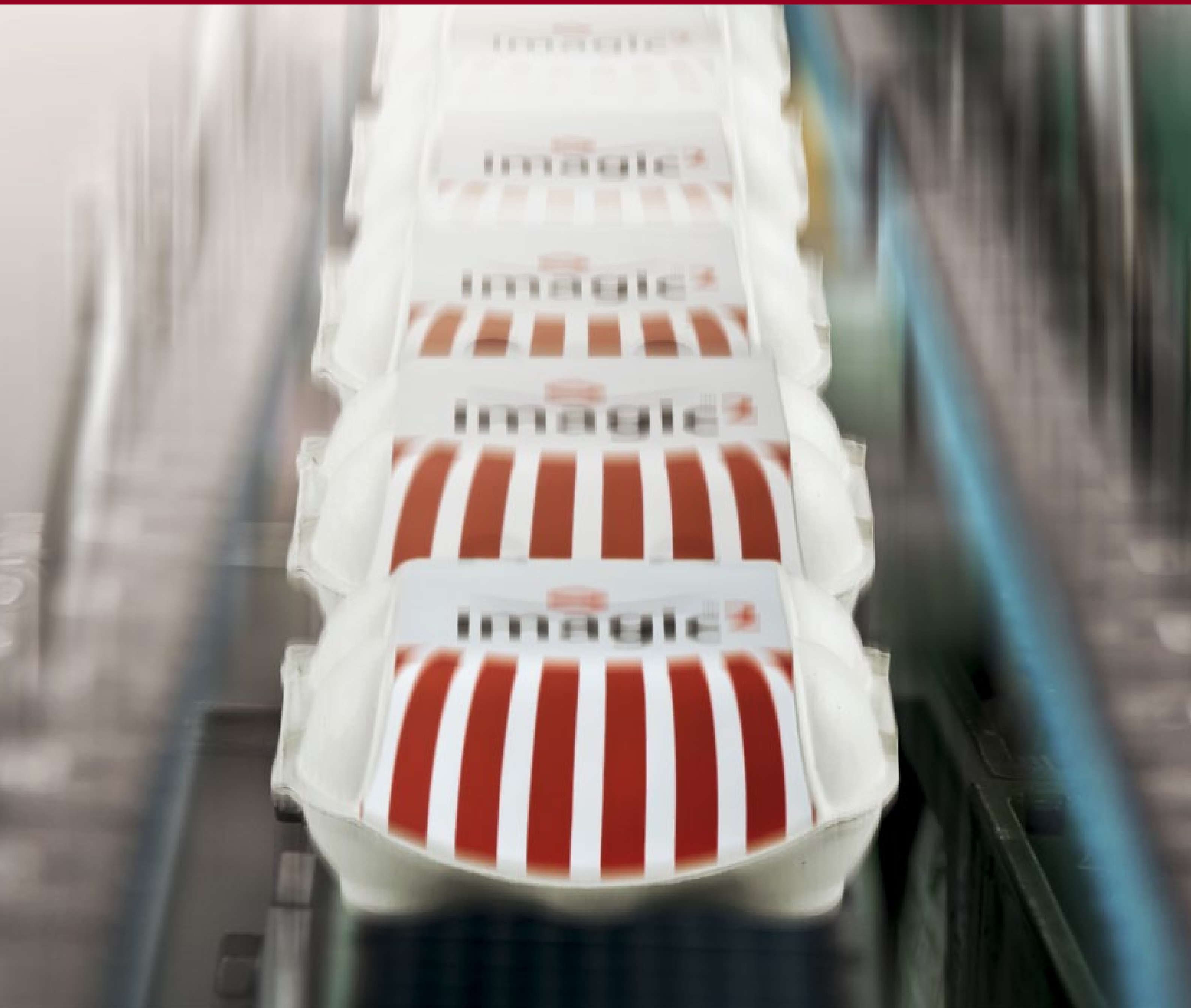
HARTMANN CHOOSE FIBRE. SAVE NATURE.®

ANNUAL REPORT 2012



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HIGHLIGHTS

- For 2012, Hartmann generated revenue of DKK 1,544 million (2011: DKK 1,488 million), operating profit* of DKK 114 million (2011: DKK 124 million) and a profit margin* of 7.4% (2011: 8.3%).
- Hartmann generated strong cash flows from operating activities of DKK 153 million (2011: DKK 155 million) and delivered a return on invested capital of 17.5% (2011: 17.8%).
- The Board of Directors proposes dividends of DKK 9.50 per share (2011: DKK 9.25 per share), equal to a pay-out ratio of 72%.
- Developments in Europe were unsatisfactory with revenue of DKK 1,277 million (2011: DKK 1,272 million) and operating profit of DKK 83 million (2011: DKK 133 million) equating a profit margin of 6.5% (2011: 10.4%).
- In North America, Hartmann's strong growth continued with revenue of DKK 267 million (2011: DKK 216 million) and operating profit of DKK 56 million (2011: DKK 20 million) corresponding to a profit margin of 20.8% (2011: 9.3%).
- Hartmann launched its new product range, imagic$^{2®}$, and additionally created a platform for streamlining its European production network by closing the group's manufacturing facility in Finland.
- For 2013, Hartmann expects to report revenue of DKK 1.5-1.6 billion and a profit margin of 7.5-9.5%.

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

A GOOD PLATFORM

We continuously work under the heading of our 'Competitive edge – driving growth' strategy, aiming to increase competitiveness and strengthen Hartmann's market position. Our efforts and initiatives rest on basic principles of sustainability as well as long-term growth and value creation.

During the year, we launched a number of initiatives and projects that gave us a good platform from which to reduce the complexity of our organisation and enhance our efficiency in both Europe and North America. In our European business, these steps have made it possible to optimise the production network through measures such as closing the manufacturing facility in Varkaus and increasing automation at the other manufacturing facilities. In North America, we improved the capacity utilisation of our existing production resources, and we improved the quality of our products and increased sales and the proportion of premium products.

Another major event of 2012 was the launch of imagic^{2}®, aimed at strengthening Hartmann's position in the premium segment in Europe. In addition, we developed new environmentally friendly products, allowing us to offer our customers egg packaging that is both FSC certified and CO_2 neutral. This, combined with Hartmann's extensive market expertise and bespoke logistics solutions, creates value for our customers by helping them cater to consumer needs and reap the benefits of marketing eggs professionally.

Hartmann generated strong cash flows again in 2012 despite an unsatisfactory decline in profitability in Europe. The trend underlines the significance of intensifying our strategic work and remaining strongly focused on cost reductions and continuous efficiency enhancements. The efficiency enhancing initiatives and the launch of new products have placed Hartmann in a strong position in the battle for customers in the European markets. The North American business continues to generate strong results and more than doubled its operating profit in 2012. In 2013, we will work diligently to continue and strengthen the success in North America.

Developments in recent years attracted a lot of interest for the company, and the Thornico Group doubled its ownership interest in Hartmann in late 2012.

The strategic initiatives launched under the 'Competitive edge – driving growth' strategy will give the company a good platform for sustaining growth and value creation in the years ahead. Against that background, the Board of Directors proposes the largest dividend distribution in Hartmann's history.

Agnete Raaschou-Nielsen
Chairman

Michael Rohde Pedersen
CEO

KEY FIGURES AND FINANCIAL RATIOS

DKKm

Group	2012	2011	2010	2009	2008
Statement of comprehensive income					
Revenue	1,544	1,488	1,483	1,380	1,491
Operating profit before depreciation, amortisation and impairment (EBITDA)	199	207	168	154	193
Operating profit before special items	114	124	73	79	91
Special items	0	0	0	(12)	(25)
Operating profit/(loss) (EBIT)	114	124	73	67	66
Financial income and expenses, net	(8)	(16)	(11)	(19)	(77)
Profit/(loss) before tax (EBT)	107	108	62	49	(11)
Profit/(loss) for the year (EAT)	93	76	50	36	(3)
Comprehensive income	104	26	53	51	(16)
Cash flows					
Cash flows from operating activities	153	155	144	76	101
Cash flows from investing activities	(57)	(35)	(55)	(94)	(83)
Cash flows from financing activities	(46)	(108)	(32)	(22)	122
Total cash flows	51	12	58	(40)	140
Balance sheet					
Assets	1,141	1,108	1,225	1,216	1,189
Invested capital (IC)	655	652	733	786	725
Net working capital (NWC)	131	116	128	151	100
Net interest-bearing debt	137	171	275	339	314
Equity	600	560	549	508	456
Financial ratios, %					
Profit margin (EBITDA)	12.9	13.9	11.3	11.2	12.9
Profit margin before special items	7.4	8.3	4.9	5.7	6.1
Profit margin (EBIT)	7.4	8.3	4.9	4.9	4.4
Return on invested capital (ROIC)	17.5	17.8	9.6	8.9	8.6
Return on equity	15.9	13.8	9.4	7.4	(0.8)
Equity ratio	52.6	50.6	44.8	41.7	38.4
Gearing	22.8	30.5	50.0	66.8	68.7
Share-based financial ratios*					
No. of shares (year end, excluding treasury shares)	6,915,090	6,915,090	6,915,090	6,915,090	6,915,090
No. of shares (average, excluding treasury shares)	6,915,090	6,915,090	6,915,090	6,915,090	5,732,568
Earnings per share, DKK (EPS)	13.4	11.0	7.2	5.2	(0.5)
Cash flows from operating activities per share, DKK	22.2	22.4	20.8	11.0	17.6
Dividend per share, DKK (proposed)	9.50	9.25	2.25	1.50	0.00
Book value per share, DKK	86.8	81.0	79.4	73.4	79.6
Market price per share, DKK	110.5	101.0	76.0	95.0	70.5
Market price/book value per share	1.3	1.2	1.0	1.3	0.9
Price/earnings	8.3	9.2	10.5	18.3	(145.5)
Pay-out ratio, %	72.0	85.0	31.6	29.4	-
Market value	764.1	698.4	525.5	656.9	487.5
Employees					
Average no. of full-time employees	1,506	1,489	1,543	1,553	1,629

* Adjusted for the bonus element in connection with the rights issue in June 2008 in accordance with IAS 33, excluding the number of shares at year end.

The financial ratios are calculated in accordance with 'Recommendations & Ratios, 2010', issued by the Danish Society of Financial Analysts. See note 37 to the financial statements.

2012 IN REVIEW

DEVELOPMENTS IN Q4 2012

Hartmann's revenue for Q4 2012 was DKK 402 million (2011: DKK 407 million). Gross profit was DKK 121 million (2011: DKK 123 million), and operating profit was DKK 28 million (2011: DKK 41 million), corresponding to a profit margin of 7.0% (2011: 10.2%).

Costs related to corporate functions amounted to DKK 6 million (2011: DKK 8 million), and financial income and expenses were a net expense of DKK 3 million (2011: a net expense of DKK 2 million).

Total cash flows from operating activities were a net cash inflow of DKK 43 million in Q4 2012 (2011: a net cash inflow of DKK 53 million). Cash flows from investing activities were a net cash outflow of DKK 15 million (2011: a net cash outflow of DKK 11 million), and cash flows from financing activities were a net cash inflow of DKK 13 million (2011: a net cash outflow of DKK 15 million).

COMPREHENSIVE INCOME 2012

Revenue

Hartmann's consolidated revenue for 2012 was DKK 1,544 million (2011: DKK 1,488 million), in line with the forecast of DKK 1.5 billion. The revenue growth was primarily attributable to the positive performance in the North American business.

Europe

The European business reported total revenue of DKK 1,277 million (2011: DKK 1,272 million). Sales of retail packaging grew moderately in 2012, but the trend was more than offset by a fall in average selling prices, mainly due to price adjustments in a few of Hartmann's mature European markets. Hartmann's other European markets contributed positively to the trend in average selling prices.

Other revenue for the business area amounted to DKK 120 million (2011: DKK 108 million). The trend was favourably impacted by a substantially higher level of activity in Hartmann Technology.

North America

Revenue in Hartmann's North American business rose to DKK 267 million (2011: DKK 216 million) on the basis of sales growth, a higher proportion of premium packaging and a resulting increase in average selling prices. The positive trend was driven by a net inflow of customers and additional sales to existing customers. Exchange rate movements also contributed positively to revenue.

Operating profit

Operating profit for 2012 was DKK 114 million (2011: DKK 124 million), corresponding to a profit margin of 7.4% (2011: 8.3%). The profit margin was in line with expectations, adjusted by management to a level of 7.5% in the interim report for 9M 2012. The negative development was attributable to a reduction in operating profit in Europe, while the favourable trend in Hartmann's North American business contributed positively to the group's consolidated operating profit.

Europe

Developments in the European business were unsatisfactory with operating profit of DKK 83 million (2011: DKK 133 million), corresponding to a profit margin of 6.5% (2011: 10.4%). The price adjustments in a few of Hartmann's mature markets were the main cause of the negative trend in operating profit, which was affected by a fall in average selling prices and a change in product mix (negative effect of DKK 18 million) relative to 2011.

Developments were further negatively impacted by higher raw material prices (negative effect of DKK 11 million), lower capacity utilisation (negative effect of DKK 13 million) and a planned increase in fixed

SELECTED KEY FIGURES AND FINANCIAL RATIOS, DKKM*

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Revenue	402	373	357	412	407
Gross profit	121	104	100	130	123
Operating profit before special items	28	24	17	45	41
Financial income and expenses, net	(3)	(1)	(2)	(2)	(2)
Profit for the period	30	18	12	33	24
Total cash flows	41	17	(119)	112	27
Profit margin before special items, %	7.0	6.5	4.7	11.0	10.2

* The selected key figures and financial ratios are unaudited.

Hartmann reported ***operating profit of DKK 114 million*** *for 2012 on revenue of DKK 1,544 million.*

costs (negative effect of DKK 10 million), attributable to various factors including the strengthening of Hartmann's organisation and competencies during 2012.

The higher level of activity in Hartmann Technology had a positive effect on operating profit (DKK 10 million).

North America
The North American business reported operating profit of DKK 56 million (2011: DKK 20 million), corresponding to a profit margin of 20.8% (2011: 9.3%). The increase was primarily attributable to the successful efforts to grow sales and the proportion of premium packaging (DKK 20 million). Lower raw material prices and more efficient utilisation of raw materials (DKK 11 million), combined with higher capacity utilisation (DKK 6 million), further contributed to operating profit growth in 2012.

Corporate functions
The costs of corporate functions fell to DKK 25 million for 2012 (2011: DKK 30 million), primarily as a result of lower staff costs and consultancy fees in 2012 compared with the preceding year.

Financial income and expenses
Hartmann's financial income and expenses amounted to a net expense of DKK 8 million for 2012 (2011: a net expense of DKK 16 million). The development was primarily attributable to foreign exchange adjustments.

Profit for the year
Hartmann generated profit before tax of DKK 107 million for 2012 (2011: DKK 108 million). Tax on profit for the year was an expense of DKK 14 million (2011: an expense of DKK 32 million), equivalent to an effective tax rate of 13% (2011: 29%). See note 12 to the financial statements. Tax for the year was favourably impacted by an expected higher rate of utilisation of tax-loss carry forwards in North America.

Profit for the year after tax was DKK 93 million (2011: DKK 76 million).

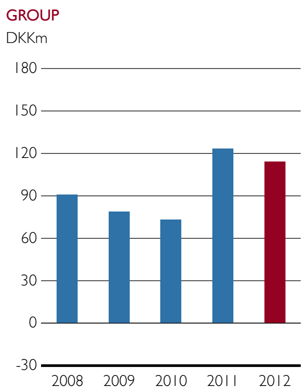
Comprehensive income
Comprehensive income for the year amounted to DKK 104 million (2011: DKK 26 million). Comprehensive income for the year was positively affected by DKK 18 million (2011: negative effect of DKK 32 million) as a result of translation into DKK of net assets in foreign subsidiaries.

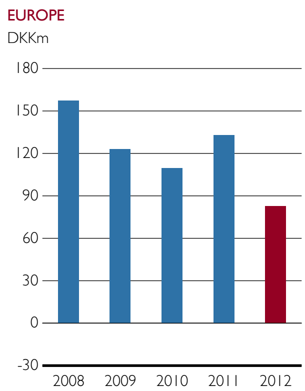
Investments and cash flows
At 31 December 2012, Hartmann's property, plant and equipment and intangible assets amounted to DKK 539 million (2011: DKK 549 million). Investments for 2012 came to DKK 62 million (2011: DKK 41 million), and depreciation and amortisation came to DKK 85 million (2011: DKK 84 million). Despite the increase compared to 2011, the investment level was relatively low because of the continued focus on maintenance and adaptation of existing production resources. The increase in the investment level was attributable to a few investments in production optimisation and automation.

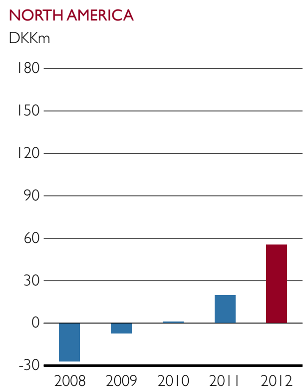
Total cash flows from operating activities were a net cash inflow of DKK 153 million in 2012 (2011: a net cash inflow of DKK 155 million).

Cash flows from investing activities were a net cash outflow of DKK 57 million for 2012 (2011: a net cash outflow of DKK 35 million). Cash flows from operating and investing activities thus amounted to a net cash inflow of DKK 96 million for 2012 (2011: a net cash inflow of DKK 120 million).

OPERATING PROFIT







At the annual general meeting, the Board of Directors will propose a distribution of ***dividends of DKK 9.50*** *per share, equal to a payout ratio of 72%.*

Cash flows from financing activities amounted to a net cash outflow of DKK 46 million (2011: a net cash outflow of DKK 108 million). The change was primarily attributable to Hartmann's repayment of existing loans and raising of a new non-current flexible loan in 2011, the comparative year. Cash flows from financing activities were also affected by a dividend distribution to Hartmann's shareholders of DKK 64 million (2011: DKK 16 million).

At 31 December 2012, Hartmann's net interest-bearing debt stood at DKK 137 million against DKK 171 million at 31 December 2011. Hartmann thus reduced its debt by DKK 34 million in 2012.

Management considers its financial resources, DKK 355 million at 31 December 2012, to be satisfactory.

BALANCE SHEET

Hartmann's total assets amounted to DKK 1,141 million at 31 December 2012 (2011: DKK 1,108 million).

ROIC

Return on invested capital was 17.5% in 2012 against 17.8% in 2011.

Equity

Equity stood at DKK 600 million at 31 December 2012 (2011: DKK 560 million). Equity was lifted by the profit for the year and foreign exchange adjustments on the translation of net assets in foreign subsidiaries. The distribution of dividends and the development in pension obligations had an adverse effect on equity.

At 31 December 2012, Hartmann's equity ratio was 53% (2011: 51%) and its gearing 23% (2011: 31%).

Earnings per share was DKK 13.4 for 2012, against DKK 11.0 for 2011. At the annual general meeting to be held on 9 April 2013, the Board of Directors will propose, consistent with Hartmann's dividend policy, that dividends of DKK 9.50 per share be distributed (2011: DKK 9.25), equal to a payout ratio of 72%.

PARENT COMPANY 2012

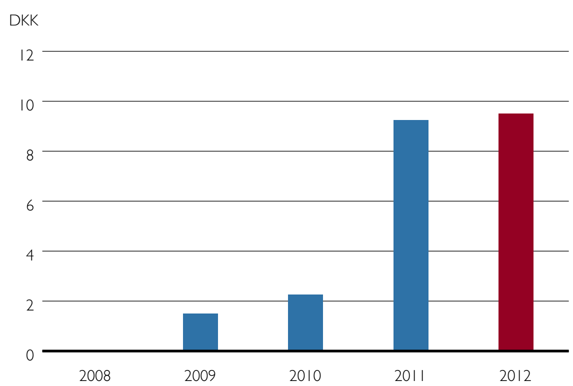
The parent company reported revenue of DKK 1,210 million for 2012 (2011: DKK 1,139 million) and an operating loss of DKK 2 million for 2012 (2011: operating profit of DKK 39 million). The trend in operating profit was primarily affected by an increase in selling and distribution costs.

Profit for the year was DKK 71 million (2011: DKK 175 million). In addition to the lower operating profit, the change was primarily attributable to a reduction in dividend payments from subsidiaries.

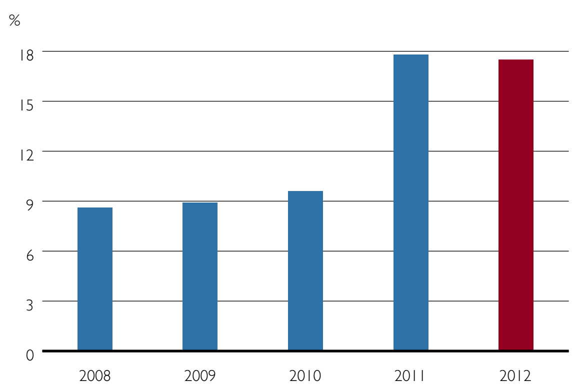
EVENTS AFTER THE BALANCE SHEET DATE

On 4 January 2013, Hartmann proposed to close its manufacturing facility in Varkaus, Finland, in order to ensure long-term profitable and sustainable growth in the European business. Hartmann commenced negotiations with employee representatives at the Finnish manufacturing facility. On 7 March 2013, on the basis of the results of the negotiations, Hartmann's Board of Directors resolved to phase out the Finnish production activities in the course of the fourth quarter of 2013. The closure is expected to lead to special items in the order of DKK 30-40 million in 2013 and contribute positively to operating profit by around DKK 10 million with full effect from 2014.

DIVIDEND PER SHARE (PROPOSED)



ROIC



OUTLOOK

The moderate growth in Hartmann's markets for moulded-fibre egg packaging is expected to continue in the coming years as international retail chains gradually gain a foothold in less mature markets. Price levels in a few of Hartmann's mature European markets settled at a new level in 2012 and are expected to remain relatively stable in 2013.

The objective of Hartmann's operations and investments is to continuously secure an attractive return on invested capital (ROIC >15%) for the company's shareholders.

Outlook for 2013
In 2012, Hartmann worked to build a stronger platform for future growth. Following the unsatisfactory developments in Europe, these efforts will be stepped up in 2013 based on:

- *Efficiency enhancements*
  Hartmann aims to enhance efficiency by remaining focused on optimising work and production processes and increasing its use of robot technology.

- *Focus on customers*
  On the basis of the new marketing and sustainability solutions offered to its customers, Hartmann will work to establish even closer ties to manufacturers, distributors and retail chains.

- *Increased proportion of premium products*
  Hartmann will work actively to offer customers the best and most innovative solutions on the market and to generate higher earnings per product sold. The launch of imagic²® in a number of markets is expected to contribute to achieving this target.

Revenue for 2013 is expected to be DKK 1.5-1.6 billion given the expected market and price trends.

In 2013, the profit margin is expected to be 7.5-9.5% based on the effect of the strategic initiatives implemented and initiated. All of Hartmann's business areas are expected to be positive contributors to the group's performance in 2013.

The planned closure of Hartmann's production facility in Finland is expected to lead to special items in the order of DKK 30-40 million, which are not included in the guidance for 2013.

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

Hartmann's total capital expenditure is expected to be in the region of DKK 70-90 million compared to DKK 62 million in 2012 in light of the intensified focus on automation and production efficiency enhancements. Strategic deliberations concerning an increase of production capacity in North America are ongoing, but a potential investment is not included in these expectations.

Targets for 2015
In the coming years, Hartmann will be committed to lifting its competitive strength and increasing its market share in selected growth markets. Hartmann has defined an objective of achieving revenue of DKK 1.7-1.8 billion and a profit margin of 8-11% in 2015, depending on external factors such as fluctuations in raw material prices and exchange rates.

Assumptions
Hartmann's revenue and profit margin guidance for 2013 is based on the present composition of the group's business operations. In addition, the combined costs of raw materials and selling costs are assumed to remain relatively stable at the level prevailing at the date of release of this annual report. Any deviations from these assumptions may affect the 2013 performance.

Hartmann's operating profit and profit margin are mainly exposed to developments in raw material prices and exchange rates. Hartmann has hedged its primary currency exposure for the first six months of 2013.

Forward-looking statements
The forward-looking statements in this annual report reflect Hartmann's current expectations for future events and financial results. The statements are inherently subject to uncertainty, and actual results may therefore differ from expectations. Factors that may cause the actual results to deviate from expectations include, but are not limited to, general economic developments and developments in the financial markets, changes and amendments to legislation and regulation on Hartmann's markets, changes in demand for products, competition and the prices of raw materials. See also the section on risk factors and note 33 to the financial statements.

OUTLOOK AND FINANCIAL TARGETS

	2013	2015
Revenue	DKK 1.5-1.6 billion	DKK 1.7-1.8 billion
Profit margin	7.5-9,5%	8-11%

STRATEGY

Based on the 'Competitive edge – driving growth' strategy, Hartmann commits to continuously enhancing its competitive strength and expanding its position in selected markets.

Hartmann aims to generate sustainable growth by exploiting its competitive edge and retaining its leading position within the development, marketing and sale of moulded-fibre egg packaging. Hartmann's long-standing experience and technology know-how constitute the platform for the company's continued success. Strong relations with distributors and retail chains in mature markets as well as the growth markets of Eastern and Southeastern Europe will provide a basis for growth in the years ahead.

A MORE FOCUSED BUSINESS

Recent years' strategic activities have created a more focused business. In 2012, this allowed the group to complete a number of strategic initiatives to promote growth and improve earnings, in the short term and the long term.

Optimising process and production efficiency

In 2012, Hartmann worked to boost long-term efficiency and competitive strength. Among other measures, this involved intensified focus on creating dynamism and synergies across the functional organisational structure, increasing knowledge sharing, adding new skills and achieving production improvements through the use of robot technology.

Overall, these efforts provided a good platform for continuing enhancements and led the company to streamline its European production network. In early 2013, Hartmann proposed to close the manufacturing facility in Varkaus, Finland. On 7 March 2013, following negotiations with representatives of the Finnish employees, the Board of Directors resolved to phase out the Finnish production activities. As a result of the successful efficiency enhancing initiatives in the European production, the closure of the Finnish manufacturing facility is not expected to affect sales in Europe.

"Hartmann strengthened its offering to its customers in 2012 by introducing imagic²® and by increasingly providing advisory services and entering into partnerships to develop new products and marketing initiatives focused on sustainability and other values."

Added customer focus in 2012

Hartmann strengthened its offering to its customers in 2012 by introducing imagic²® and by increasingly providing advisory services and entering into partnerships to develop new products and marketing initiatives focused on sustainability and other values. Furthermore, the sales organisation was strengthened through implementation of dedicated training programmes at Hartmann's Customer Development Academy.

Hartmann is committed to strengthening relations with a number of retail chains with a view to creating a basis for further developing existing collaborative partnerships and adapting the existing product portfolio so that customers can be offered the products currently in demand in modern retailing.

Hartmann will create sustainable growth based on effective processes and focus on customer needs.

Hartmann has defined ***six focus areas*** *for enhancing its competitive strength and creating sustainable growth.*

THE WORK CONTINUES IN THE YEARS AHEAD

In the years ahead, Hartmann will focus on generating sustainable growth by continuously adding to its competitive strength and through initiatives to boost sales and position Hartmann as the stand-out market leader in selected markets. Hartmann will continue to work according to the 'Competitive edge – driving growth' strategy in the following overall focus areas:

Operational Excellence
Optimising production and enhancing the efficiency of internal work processes are prerequisites for reducing costs, improving work safety and supplying customers with premium quality products. Hartmann's Operational Excellence programme covers these focus areas.

Strong competencies
Hartmann's leading market position was established on the basis of its employees' professional qualifications and overall expertise in developing, marketing and selling moulded-fibre egg packaging. Therefore, it is important to Hartmann to continue to build specialist knowledge in these areas, and the group continuously works on initiatives designed to move Hartmann in the right direction.

One Company
The continuous efforts to enhance Hartmann's competitive strength are based on a strong corporate culture which ties its business areas still closer together and ensures a more dynamic organisation.

Strong market position in North America
Hartmann has built a strong and profitable business in North America and will work to strengthen its market position further in the years ahead. Hartmann thus expects to increase production capacity in the North American market through expansion of its existing production resources.

Focus on European growth markets
In the coming years, Hartmann will aim to accelerate growth in the less mature growth markets of Eastern and Southeastern Europe as retail chains gradually gain a foothold in these areas. Hartmann will use its presence in Croatia and Hungary as a platform for growth. This places the company in a strong position to pursue the opportunities the region has to offer.

Consolidation in mature markets
In the mature Western European markets, Hartmann will retain and increase its market share based on its well-established brand and high-quality products and by expanding existing and establishing new customer relations.

"Hartmann expects to increase production capacity in the North American market through expansion of its existing production resources."

MARKETS AND PRODUCTS

Hartmann is a leading player within the development and manufacturing of moulded-fibre egg packaging sold primarily in the European and North American markets. Hartmann also produces moulded-fibre packaging for industrial use.

Hartmann's skills are also used in Hartmann Technology, a leading player in the development, production and sale of machinery and technology for producing moulded-fibre packaging outside the group's markets.

Stable growth in Hartmann's markets

To a wide extent, demand for Hartmann's core product, moulded-fibre egg packaging, is driven by the consumption of eggs, which is relatively stable and has not to any significant degree been affected by recent years' economic crisis.

Hartmann's principal markets in Europe and North America are mature, with the consumption of eggs growing at moderate rates. In the less developed individual markets of Eastern and Southeastern Europe – which Hartmann is increasingly targeting, leveraging on its strong organisation and production in the region – growing demand is driven by factors such as population growth, demographic make-up, economic trends and professionalisation of the retail trade.

"The growing need for differentiating premium eggs from standard eggs has resulted in still growing interest in retail packaging with customised designs, colours, prints and labels."

The retail trade is continually developing the offering of eggs in order to meet consumer demand. In that context, it is important for producers, distributors and retail chains that eggs that have different properties and are sold at different prices are also marketed and presented differently. Hartmann collaborates closely with several major retail chains who seek Hartmann's experience and knowledge in the marketing of eggs.

Marketing

The growing need for differentiating premium eggs from standard eggs has resulted in still growing interest in retail packaging with customised designs, colours, prints and labels that gives retail chains and other customers the best possible marketing platform. Hartmann has success-

IMAGIC$^{2®}$ SETTING NEW STANDARDS

In November 2012, Hartmann launched a new range of retail packaging under the name of imagic$^{2®}$. The new products are based on the properties that have made imagic Hartmann's best selling product range and set the standard for high-quality packaging in Hartmann's markets for a number of years. imagic$^{2®}$ was designed to suit customer needs and with the aim of making improvements throughout the value chain. The advantages of the new product design include a new and improved closing mechanism that increases the advertising surface on the packaging by up to 25%. Moreover, product stability has increased, and the new design makes transport and handling easier for distributors.

*Sustainability is important to consumers and retail chains. Hartmann is the first manufacturer to offer FSC-certified and **CO_2-neutral retail packaging**.*

fully increased the proportion of this type of retail packaging in recent years, and the trend is expected to continue as the major retail chains gradually expand in the growth markets of Eastern and Southeastern Europe.

Towards the end of 2012, Hartmann launched a new product, imagic$^{2®}$, which offers customers better marketing opportunities and protective properties and contributes to optimising the working conditions of distributors. The introduction of imagic$^{2®}$ cements Hartmann's leading position in the market for retail packaging, and customer feedback has been positive.

Sustainability
Sustainability is an important factor for consumers and retail chains in Hartmann's mature markets. Hartmann has for many years been committed to developing and marketing sustainable products, and in early 2013 the company was the first manufacturer of egg packaging to introduce a range of FSC-certified products.

Hartmann also offers CO_2-neutral products providing its customers with unique marketing opportunities and contributing to strengthening Hartmann's position as the preferred supplier in the European and North American markets.

Consolidation and professionalisation of the industry
The European and North American markets for pre-packed eggs for retailing are relatively well consolidated with a few large and many medium-sized players.

The consolidation and professionalisation is expected to continue as major retail chains gradually gain a foothold in less mature individual markets and as public authorities step up requirements for egg producers in the areas of animal welfare and food safety. These developments result in intensified competition in the also well-consolidated markets for retail packaging and are expected to give Hartmann an advantage in the long term because of its strong position and relations in the retail trade.

While the markets may be well consolidated, the growing demand among consumers for eggs during Easter, Christmas and around Thanksgiving (North America) leads to a certain degree of necessary excess capacity in the production of egg packaging.

Because of the continued consolidation and professionalisation of the industry, structural excess capacity and technical and financial barriers to entry, Hartmann expects capacity inflow in the market to remain very limited in the coming years. Seasonal demand and structural excess capacity contribute to intensifying competition in Hartmann's markets outside the high season.

"The introduction of imagic$^{2®}$ cements Hartmann's leading position in the market for retail packaging, and customer feedback has been positive."

RISK FACTORS

Hartmann is exposed to a number of risks associated with its operations, and management continually monitors these risks. Hartmann's Executive Board is responsible for identifying and managing risks, and together with the audit committee, the Executive Board reviews the risks that may affect Hartmann's operational and financial targets. The purpose of risk management is to identify the various risk factors, determine how to manage these risks and ensure the optimum balance between risk and return.

COMMERCIAL RISKS

Dependence on customers
Hartmann's sales are distributed on a relatively limited number of major customers and a large number of small customers. Contracts with customers typically run for periods of 12 months. The customer portfolio is believed to be developing towards fewer and larger customers, and Hartmann is therefore expected to become more reliant on this group of customers in future.

Demand for eggs
Hartmann's core business consists of sales of egg packaging, which is sensitive to the demand for eggs. The consumption of eggs is sensitive to a large number of factors beyond Hartmann's control, including health perceptions among consumers, fear of potential health risks posed by diseases in laying hens, etc. Historically, the consumption of eggs, and hence the demand for Hartmann's products, has been resilient to the slowdown in economic growth.

"Historically, the consumption of eggs, and hence the demand for Hartmann's products, has been resilient to the slowdown in economic growth."

Reliance on suppliers
Hartmann contracts with a number of suppliers of recycled paper, energy and other raw materials used in production. If contracts with one or more of these suppliers are terminated or breached, or the suppliers fail to meet their contractual obligations for other reasons, Hartmann may not be able to source the necessary raw materials, or it may be compelled to make purchases from alternative suppliers and not necessarily on the same terms.

Hartmann has contracted with several different suppliers of recycled paper, energy and other raw materials. Distributing its production across several different locations in Europe also helps ensure flexibility in relation to single shipments.

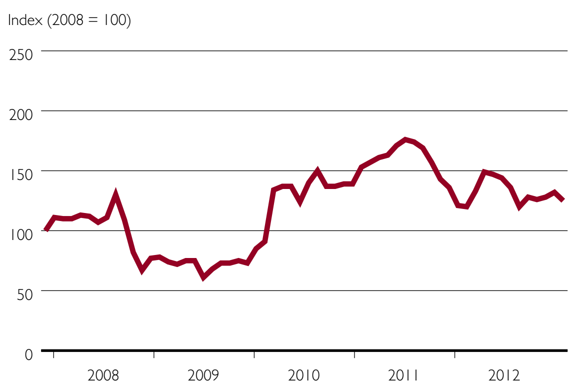
Fluctuations in the prices of raw materials
Hartmann is dependent on the purchase prices of the raw materials used in production. Hartmann is particularly exposed to fluctuations in the purchase prices of recycled paper and energy (electricity and gas); the most important raw materials used in production.

There is limited scope for reducing Hartmann's sensitivity to developments in the price of recycled paper if supplies of the required volumes are to be secured and maintained. Hartmann substitutes to some extent certain types of paper for other types if prices are more favourable. Other things being equal, a price increase of 5% on all types of paper used in Hartmann's production will adversely affect operating profit by approximately DKK 6 million.

Hartmann regularly signs fixed-price agreements with energy suppliers, typically for periods of 6 or 12 months, covering a substantial part of the group's energy consumption. However, it is not possible to sign fixed-price agreements with energy suppliers in all of the countries in which Hartmann operates. A general price increase of 5% on Hartmann's purchases of energy will, all else being equal, adversely affect operating profit by approximately DKK 5 million.

Hartmann is committed to reducing its sensitivity to fluctuations in the prices of raw materials through continual implementation of technological improvements and optimisation of work processes.

DEVELOPMENTS IN THE PRICE OF RECYCLED PAPER



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

*Hartmann's European production facilities are all certified to the **ISO 14001** standard.*

ENVIRONMENTAL AND SOCIAL RISKS

Environmental risks

Hartmann's activities, including production, sales, use, storage and disposal of products, are subject to a number of environmental laws and regulations. Environmental risks are monitored both locally and from Hartmann's head office. STEP® Environment, Hartmann's environment management model, is an effective and professional tool that helps prevent, remedy or minimise any adverse effects on the external environment. Hartmann incurs and expects to continue to incur substantial expenditure and resources towards complying with and meeting environmental laws and regulations in the countries in which it operates.

Hartmann is subject to various rules, including rules governing noise reduction, waste water discharge and waste disposal and the rules of the EU CO_2 emission trading system. Hartmann's policy is to operate all production facilities in an environmentally responsible manner and in compliance with the group's sustainability principles and environment management model. Hartmann's European production facilities are all certified to the ISO 14001 standard.

For more information about sustainable development, see 'Corporate social responsibility' or visit www.csr2012.hartmann-packaging.com.

Corporate social relations and risks

Hartmann gives high priority to measures safeguarding health and safety in the workplace, protecting human values in society at large and protecting the people that come into contact with Hartmann or its products. STEP® Human, a Hartmann management model, ensures compliance with the group's standards in relation to health and safety in the workplace. The management model also ensures that Hartmann handles its corporate social responsibility effectively and efficiently and acts as a responsible player in all countries where the group operates.

INSURANCE

Hartmann has a comprehensive insurance programme, which reflects the scope and extent of its operations and their geographical location. The insurance programme is reviewed once a year together with an insurance broker, and adjustments are made on an ongoing basis to support changes to Hartmann's circumstances.

The total loss of a manufacturing facility from fire constitutes the single most important risk for the group, as the re-establishment of production facilities would be very time-consuming and thus involve the risk of business interruption and loss of market share. Therefore, Hartmann has taken out an all-risk insurance policy for all production facilities, which includes fire events, consequential loss and other incidents. Furthermore, systematic efforts are made to prevent injury and damage, and a risk management programme has been set up with the help of an insurance broker. Hartmann's insurance programme includes commercial and product liability, property and contents, consequential loss, work-related accidents, personal injury and environmental liability.

FINANCIAL RISKS

Hartmann's financial results and equity are influenced by a number of financial risks, among them interest rate, currency, liquidity and credit risks.

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

Hartmann uses interest rate swaps and forward contracts to hedge some of the financial risks that may arise out of its commercial activities. Hartmann does not engage in transactions for the purpose of speculation.

Financial risks and financial risk management are described in detail in note 33 to the financial statements.

CORPORATE SOCIAL RESPONSIBILITY

Hartmann's CSR activities and the results achieved are presented in Hartmann's Global Compact progress report for 2012, which is available at www.csr2012.hartmann-packaging.com. The information in this annual report constitutes a voluntary presentation of the key CSR activities of 2012.

Hartmann is committed to long-term, responsible value creation, and a systematic approach to sustainability remains an integral part of its business model, supporting its profile and reputation. Hartmann's CSR activities are directly linked to its business, adding to the company's competitive strength through focus on relations with customers and suppliers and continuous production optimisation.

Environmentally friendly packaging ensuring competitive strength

In 2012, Hartmann strengthened its position as a leading provider of environmentally friendly moulded-fibre packaging solutions by developing new sustainable marketing concepts.

Hartmann teamed up with a customer and with Climate Partner, a TÜV-certified consultancy, to develop CO_2-neutral packaging.

Hartmann also began a certification process to ensure that its customers will be offered FSC-certified retail packaging from 2013. These activities are founded on customers' positive feedback on Hartmann's launch of FSC-certified labels in 2011 and will contribute to a further strengthening of Hartmann's environment-friendly profile and provide its customers with improved marketing opportunities.

New CO_2 targets for 2020

For a number of years, Hartmann has aimed to bring down its energy consumption, successfully reducing its total energy consumption by 23% per kilogramme of product during the period 2008-2012. The operational improvements and cost reductions were achieved based on knowledge sharing and central management and have contributed to enhancing Hartmann's competitive strength.

Based on the successful efforts to reduce its energy consumption, Hartmann will continue its work to lessen its environmental impact in the coming years. Against this backdrop, Hartmann has defined an overall target to reduce its CO_2 emissions per kilogramme of product by 25% from the 2012 level by 2020. The target will be achieved through:

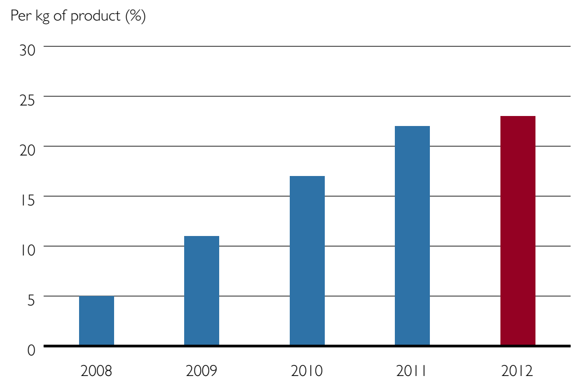
- Extended use of renewable energy in production
- Investment in new process technology
- Optimisation of existing technology

Corporate safety standards producing results

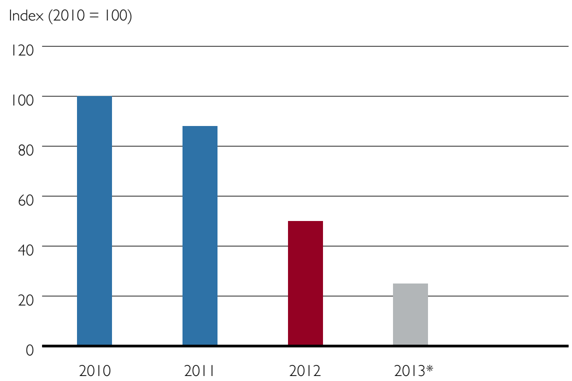
Hartmann launched its new corporate safety standards in 2011, and they were finally implemented at all European manufacturing facilities in 2012. The new standards involve stricter requirements for personal safety equipment, standardised events reporting, near-miss reporting and other requirements. In 2012, the efforts to create a safer working environment for Hartmann's employees resulted in a 38% reduction of work-related accidents against the level in 2011.

Hartmann has defined a target of reducing the number of work-related accidents by 50% in 2013 relative to the level in 2012. In the long term, Hartmann aims to completely eliminate work-related accidents in all parts of the business.

ACCUMULATED ENERGY REDUCTION



WORK-RELATED ACCIDENTS



* Target

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, attend, speak and vote at general meetings. The shares are negotiable instruments with no restrictions on their transferability, and they are issued to bearer.

No changes to the share capital occurred in 2012.

The company's Board of Directors has been authorised by the shareholders in the period until 11 October 2013 to allow the company to acquire up to 10% of the company's shares at the market price prevailing from time to time, subject to a deviation of up to 10%.

The Hartmann share opened 2012 at a price of DKK 101.0 and closed the year at DKK 110.5, an increase of 9%. Including the dividends distributed of DKK 9.25 per share, the Hartmann share yielded a return of 19% in 2012.

Hartmann has a market making agreement, which ensures that bid and ask prices are continually quoted for the Hartmann share.

Ownership
At the end of 2012, Hartmann had just over 1,900 registered shareholders, representing 6.5 million shares in aggregate, or 93% of Hartmann's share capital.

The following shareholder has notified Hartmann that it holds 5% or more of the share capital:

- Thornico A/S and related parties, Copenhagen, Denmark (68.5%)

In December 2012, Thornico A/S and related parties reached a shareholding of 68.5% of the company's share capital by acquiring shareholdings from former major shareholders LD Equity I K/S and B.H.F. Invest A/S (the Brødrene Hartmann Foundation).

At 31 December 2012, Hartmann held treasury shares representing 1.4% of the share capital.

At 31 December 2012, 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 the Executive Board are registered on Hartmann's insider list, and they can only trade in Hartmann shares during a four-week period following the release of profit announcements or other similar financial announcements. Trading in shares by insiders is subject to a reporting duty.

Dividends
The Board of Directors takes the general view that excess capital should be distributed by means of dividends or share buy-backs in order to generally maintain Hartmann's equity ratio at a maximum of 45%. However, the distribution of capital will always take into account Hartmann's growth plans and liquidity requirements. At the annual general meeting to be held on 9 April 2013, the Board of Directors will propose that dividends of DKK 9.50 per share be distributed for 2012, corresponding to DKK 66 million, or 72% of the profit for the year.

Investor relations
Hartmann aims to provide investors and analysts with the best possible insight into matters deemed relevant in ensuring an effective and fair pricing of the Hartmann share. The Executive Board and Investor Relations handle the contact to analysts and investors, taking into consideration regulatory requirements and based on Hartmann's corporate governance standards.

DATA – THE HARTMANN SHARE

Exchange	NASDAQ OMX Copenhagen A/S
Index	SmallCap
ISIN	DK0010256197
Symbol	HART
No. of shares	7,015,090
Denomination	DKK 20
Nominal share capital	DKK 140,301,800
Bloomberg code	HART:DC

FINANCIAL CALENDAR 2013

7 March 2013	Annual report 2012
9 April 2013	Annual general meeting
13 May 2013	Interim report Q1 2013
21 August 2013	Interim report H1 2013
14 November 2013	Interim report Q3 2013

CORPORATE GOVERNANCE

MANAGEMENT STRUCTURE

Shareholders

Shareholders can exercise their rights at the general meeting, which is the company's supreme governing body. All shareholders are entitled to attend and vote at general meetings, in person or by proxy. Generally, resolutions passed at general meetings are passed by a simple majority of votes. However, resolutions to amend the company's articles of association and certain other resolutions require the support of two-thirds of both the votes cast and of the voting stock represented at the general meeting.

Board of Directors

Hartmann's Board of Directors is responsible for the overall management of the company and resolves matters relating to Hartmann's strategic development, budgets, risk factors, acquisitions and divestments as well as major development and investment projects. Furthermore, the Board of Directors supervises the Executive Board.

The Board of Directors consists of seven members, five of whom are elected by the shareholders, and two by the employees. Board members elected by the shareholders are elected for terms of one year. They are eligible for re-election and must resign from the Board of Directors not later than at the first annual general meeting held after their 70th birthday. Board members elected by the employees are elected for terms of four years in accordance with the provisions of the Danish Companies Act.

Board members are nominated for election at the general meeting on the basis of an overall assessment of individual competencies and their contribution to an appropriate composition of the shared competencies and the profile of the Board of Directors. Priority is given to ensuring that the Board of Directors possesses skills in the areas of international management, the processing industry and packaging business, business-to-business sales and marketing, international production and supply chain management as well as finance and accounting. In connection with the nomination of new candidates for the Board of Directors at a general meeting, a presentation is submitted to the shareholders of the candidates' competencies and other directorships and managerial positions as well as of the criteria applied by the Board of Directors in the nomination.

Board work is governed by rules of procedure, which have been prepared in accordance with the provisions of the Danish Companies Act and are subject to annual review. In 2012, the Board of Directors held eleven meetings with five instances of non-attendance by a member. Two of these instances of non-attendance were due to Peter-Ulrik Plesner being disqualified from discussing changes to Hartmann's group of owners owing to his position as chairman of the board of the Brødrene Hartmann Foundation, a former major shareholder. The chairman of the Board of Directors performed the self-evaluation of the Board for 2012. The evaluation was performed in an internal process and did not give rise to any changes to the Board's work.

The members of the Executive Board participate in board meetings with a view to ensuring that the Board of Directors is kept well informed about the company's operations. The members of the Executive Board may speak but cannot vote at board meetings, and they are not present when matters reserved for the Board of Directors are considered.

Executive Board

The Executive Board of Hartmann is appointed by the Board of Directors and is responsible for the company's day-to-day management, including the development of the company's operations, results of operation and internal development. The Executive Board is responsible for implementing Hartmann's strategy and the overall resolutions approved by the Board of Directors.

Remuneration of members of the Board of Directors and the Executive Board

Hartmann seeks to ensure that the remuneration of the Board of Directors and the Executive Board is at a competitive and reasonable level compared with companies of the same size and with the same complexity as that of Hartmann with a view to ensuring that Hartmann is able to attract and retain competent executives.

The members of the company's Board of Directors receive a fixed fee, the amount of which is subject to shareholder approval. The members of the Board of Directors are not eligible for any incentive-based remuneration.

The remuneration and employment terms of the members of the Executive Board are determined by the Board of Directors, which also evaluates the work of the Executive Board. The members of the Executive Board receive a fixed annual salary and a performance-related cash bonus. Hartmann's remuneration policy is available at www.hartmann-packaging.com, and the remuneration paid for 2012 is specified in note 9 to the financial statements.

Changes in 2012

In April 2012, Marianne Rørslev Bock joined Hartmann as CFO and member of the Executive Board.

In January 2012, Hartmann established an audit committee. The main duties of the committee lie within the fields of risk management, preparation of financial statements, financial reporting and internal controls. The committee meets at least four times a year and reports to the Board of Directors on a regular basis. The charter of the committee is available at www.hartmann-packaging.com.

CORPORATE GOVERNANCE AT HARTMANN

The Board of Directors regularly considers the corporate governance recommendations which were revised by the Danish Committee on Corporate Governance in August 2011 and subsequently implemented in NASDAQ OMX Copenhagen A/S' 'Rules for issuers of shares' in October 2011. The recommendations are publicly available at www.corporategovernance.dk. Hartmann complies with the vast majority of the recommendations, but in 2012 the company deviated in the following areas:

- The Board of Directors has not defined any specific objectives for ensuring diversity at management levels or equal opportunities for both genders. The Board of Directors has discussed the company's activities in the area and has assessed that Hartmann offers equal opportunities for employees regardless of gender, nationality, etc. Hartmann is a signatory to the UN Global Compact, and compliance with the Global Compact and Hartmann's own corporate governance and conduct principles contributes to ensuring diversity in all parts of the business.

- Hartmann's Board of Directors has not set up nomination or remuneration committees. Board duties relating to nomination and remuneration are undertaken by the chairman and the vice chairman, who submit their proposals to the entire Board of Directors.

Hartmann's full, statutory corporate governance report is available at www.corporategovernance2012.hartmann-packaging.com.

INTERNAL CONTROLS AND RISK MANAGEMENT

In connection with its financial reporting process, Hartmann has set up a number of internal controls to ensure that the company's financial reporting gives a true and fair view free from material misstatement. The internal control and risk management systems also ensure that the financial reporting is in compliance with applicable laws and standards.

The audit committee regularly considers whether there is a need for establishing an internal audit function. Due to Hartmann's limited size and the complexity of its accounting and auditing, these tasks are undertaken by the central finance function and the individual subsidiaries.

Hartmann continually enhances its control and risk management systems, which serve to reduce the risk of errors or irregularities not being detected and corrected in due time. These systems may be divided into:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

Control environment

The audit committee assesses at regular intervals Hartmann's overall organisational structure and organisation and the staffing of the functions that are important to internal controls and risk management.

The overall operational responsibility for risk management and internal controls relating to financial reporting rests with the Executive Board. In collaboration with the local management of the individual subsidiaries, the Executive Board assesses whether the group has an appropriate and effective control environment. The Executive Board reports regularly to the Board of Directors on the development of Hartmann's operations, the company's financial performance and risk position.

Hartmann's central finance function is responsible for risk management and internal controls relating to the financial reporting. The finance function prepares group policies and instructions in the accounting area and ensures that the company has permanent procedures in place for the preparation of financial statements, including an assessment of new accounting regulation and the presentation of the financial reporting to Hartmann's stakeholders.

The financial reporting process is subject to systematic assessment on an ongoing basis in collaboration with the audit committee. The tasks and focus areas of the audit committee are updated every year in the form of an annual plan. According to the annual plan, the tasks of the audit committee include monitoring the financial reporting process in connection with the publication of annual and interim reports, including a review of accounting policies and significant accounting estimates and judgments.

Risk assessment
The audit committee regularly assesses the most significant risks to which Hartmann is exposed. The assessment is based on regular reporting by the Executive Board and reporting in connection with significant external or internal events. The assessment also comprises a formal assessment of the risks relating to all important resolutions, e.g. in relation to major investments etc.

The Board of Directors regularly assesses risks that directly or indirectly affect the financial reporting, including risks relating to IT, fraud or irregularities.

Control activities
Compliance with the rules on internal control and risk management is controlled locally and as part of the controlling of companies and activities. Hartmann's control activities are intended to ensure that its rules and procedures are complied with, that errors, irregularities and flaws are reduced to the extent possible and that rules and procedures are developed.

The auditor appointed by the shareholders reports any material weaknesses of the internal control and risk management systems to the audit committee and the Board of Directors or, in the event of less severe matters, to the Executive Board. The audit committee, the Board of Directors and the Executive Board are responsible for addressing such weaknesses.

Information and communication
Hartmann's financial reporting procedures are set out in reporting instructions, which are updated as and when needed. The instructions are intended to ensure that Hartmann complies with its disclosure requirements in accordance with laws, executive orders and other regulations. Hartmann endeavours to maintain a high information and communication level in order to ensure a high level of quality in its regular reporting, which forms the basis of the company's presentation of financial statements and financial control.

Monitoring
Hartmann monitors and collects financial reporting data through an integrated finance and information system, which provides the finance function with a high degree of transparency in relation to the individual business units. This enables the finance function to analyse the reported data for errors or irregularities and to detect any weaknesses in the internal controls, as well as any non-compliance with the company's procedures, policies, etc.

The Executive Board and the Board of Directors receive monthly reports.

BOARD OF DIRECTORS AND EXECUTIVE BOARD

BOARD OF DIRECTORS

Agnete Raaschou-Nielsen (1957)
Joined the Board of Directors in 2010
Chairman since 2010

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

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

Directorships and other managerial positions:
Chairman: The pension fund Juristernes og Økonomernes Pensionskasse.
Vice chairman: The investment fund Investeringsforeningen Danske Invest and 5 other investment funds etc.
Board member: Aktieselskabet Schouw & Co., Arkil A/S, Arkil Holding A/S, Dalhoff Larsen & Horneman A/S, Danske Invest Management A/S, Novozymes A/S and Solar A/S.

No. of shares held: 2,000

Walther Vishof Paulsen (1949)
Joined the Board of Directors in 2005
Vice Chairman since 2005
Chairman of the audit committee

CFO and member of the Executive Board of Carlsberg A/S until 2000. Now only engages in board work and similar work.

Special expertise in general management, treasury and finance.

Directorships and other managerial positions:
Chairman: Hotel Koldingfjord A/S.
Board member: Arkil A/S, Arkil Holding A/S, Det Obelske Familiefond, Gerda og Victor B. Strands Fond (Toms Gruppens Fond) and Investeringsforeningen Danske Invest and 5 other investment funds etc.

No. of shares held: 1,255

Niels Hermansen (1953)
Joined the Board of Directors in 2006

CEO of Stjerneskansen Holding ApS. Managing Director of packaging company Neoplex/Mondi Packaging Nyborg A/S until 2005 and, before that, Managing Director of Fritz Hansen A/S. Now only engages in board work and similar work.

Special expertise in general business management in the processing and packaging industries.

Directorships and other managerial positions:
Chairman: Fredericia Furniture A/S, R. Færch Plast A/S and Signal Clothing A/S.
Vice chairman: VIKAN A/S and Vissingfonden.
Board member: Færch Holding ApS.

No. of shares held: 0

Jørn Mørkeberg Nielsen (1961)
Joined the Board of Directors in 2011
Member of the audit committee

President & CEO of Sonion A/S, Xilco A/S and Xilco Holding A/S.

Special expertise in international management, innovation management, business-to-business sales and marketing, production optimisation and financial management.

Directorships and other managerial positions:
Chairman: Five subsidiaries of Sonion A/S.

No. of shares held: 2,700

BOARD OF DIRECTORS, cont'd

Peter-Ulrik Plesner* (1946)
Joined the Board of Directors in 1982

Attorney since 1974 and Partner of PLESNER law firm from 1978.

Special expertise in law and general business management.

Directorships and other managerial positions:
Chairman: The Brødrene Hartmann Foundation, B.H.F. Invest A/S, EVA SOLO A/S, Johan Mangor A/S, Piet Hein A/S and Triumph International Textil A/S.
Board member: The Ida Løfberg Foundation.
Chairman of the Association for the Protection of Industrial Rights and member of several law associations in Denmark and abroad.

No. of shares held: 570

Jan Peter Antonisen (1965)**
Joined the Board of Directors in 2008

Team Leader Substitute at Brødrene Hartmann A/S in Tønder, Denmark, since 1993.

No. of shares held: 0

Niels Christian Petersen (1954)**
Joined the Board of Directors in 2010

Service Operator at Brødrene Hartmann A/S in Tønder, Denmark, since 1988.

No. of shares held: 72

EXECUTIVE BOARD

Michael Rohde Pedersen (1957)
CEO of Brødrene Hartmann A/S since 2010. International experience from companies including A.P. Møller and IBM as well as from businesses engaged in the processing industry: Georgia-Pacific, a US-based company with activities within building products and paper, and SCA Hygiene Products.

Directorships and other managerial positions:
Board member: Danish Council for Sustainable Business Development.

No. of shares held: 2,000

Marianne Rørslev Bock (1963)
CFO of Brødrene Hartmann A/S since 2012. Extensive international management experience and specialist expertise in finance, treasury, taxation and IT. Previous positions include Senior Vice President Corporate Finance, Danisco. State-authorised Public Accountant.

No. of shares held: 0

* Because of his role as a professional adviser to the company and his seat on the Board of Directors for more than 12 years, Peter-Ulrik Plesner is not an independent board member according to the corporate governance recommendations of NASDAQ OMX Copenhagen A/S.

** Board member elected by the employees for a term ending in 2014.

FINANCIAL STATEMENTS

Consolidated and parent company financial statements

STATEMENT OF COMPREHENSIVE INCOME

DKKm

		Group		Parent company	
Note		2012	2011	2012	2011
5	Revenue	1,544.1	1,488.1	1,209.8	1,138.8
6, 9	Production costs	(1,089.6)	(1,063.0)	(976.1)	(895.4)
	Gross profit/(loss)	**454.5**	**425.1**	**233.7**	**243.4**
7, 9	Selling and distribution costs	(284.8)	(246.5)	(187.4)	(157.6)
8, 9	Administrative expenses	(57.8)	(57.7)	(50.2)	(48.9)
10	Other operating income	2.5	2.6	2.2	2.2
	Operating profit/(loss) before special items	**114.4**	**123.5**	**(1.7)**	**39.1**
	Special items	0.0	0.0	0.0	0.0
	Operating profit/(loss)	**114.4**	**123.5**	**(1.7)**	**39.1**
11	Financial income	11.0	7.7	90.0	181.1
11	Financial expenses	(18.7)	(23.2)	(18.8)	(39.6)
	Profit/(loss) before tax	**106.7**	**108.0**	**69.5**	**180.6**
12	Tax on profit/(loss) for the year	(14.2)	(31.7)	1.3	(5.8)
	Profit/(loss) for the year	**92.5**	**76.3**	**70.8**	**174.8**
25	Actuarial losses on pension obligations	(12.5)	(12.4)	0.0	0.0
	Hedging of net assets	0.0	(0.1)	-	-
	Foreign exchange adjustment of:				
	Foreign subsidiaries	17.6	(31.6)	-	-
	Equity-like loans to subsidiaries	(0.1)	(1.0)	-	-
	Value adjustment of hedging instruments:				
	Recognised in equity	3.6	(9.3)	2.3	(5.0)
	Transferred to revenue	(5.8)	1.8	(6.0)	0.2
	Transferred to production costs	5.9	(3.8)	5.9	(3.8)
	Transferred to financial income and expenses	0.8	0.2	0.8	0.2
12	Tax on other comprehensive income	2.0	6.3	(0.7)	2.1
	Other comprehensive income	**11.5**	**(49.9)**	**2.3**	**(6.3)**
	Comprehensive income	**104.0**	**26.4**	**73.1**	**168.5**
13	Earnings per share, DKK	13.4	11.0	-	-
13	Earnings per share, DKK, diluted	13.4	11.0	-	-

STATEMENT OF CASH FLOWS

DKKm

		Group		Parent company	
Note		2012	2011	2012	2011
	Operating profit/(loss) before special items	114.4	123.5	(1.7)	39.1
	Depreciation and amortisation	84.5	83.7	32.8	31.0
14	Adjustment for other non-cash items	(0.3)	(0.6)	0.0	(0.1)
14	Change in working capital	(13.8)	(15.4)	(11.7)	(53.9)
	Restructuring costs etc. paid	(2.4)	(2.4)	0.0	0.0
	Cash generated from operating activities	**182.4**	**188.8**	**19.4**	**16.1**
	Interest, etc. received	6.3	4.5	5.2	3.9
	Interest, etc. paid	(18.7)	(20.3)	(15.0)	(17.2)
	Net income tax paid	(16.6)	(18.0)	(1.1)	(1.0)
	Cash flows from operating activities	**153.4**	**155.0**	**8.5**	**1.8**
	Disposals of property, plant and equipment	0.6	0.7	5.9	0.5
	Acquisitions of property, plant and equipment	(62.1)	(40.8)	(59.1)	(5.9)
	Dividend received from associates	0.0	2.1	0.0	2.1
	Dividend received from subsidiaries	-	-	80.7	173.1
	Government grants received	4.5	3.0	0.0	0.0
	Capital injections in subsidiaries	-	-	0.0	0.0
	Cash flows from investing activities	**(57.0)**	**(35.0)**	**27.5**	**169.8**
	Cash flows from operating and investing activities	**96.4**	**120.0**	**36.0**	**171.6**
	Raising of non-current debt	83.3	120.4	83.3	120.4
	Repayment of non-current debt	(65.1)	(212.8)	(65.1)	(212.8)
	Subsidiaries' raising of non-current loans	-	-	(35.5)	(52.4)
	Subsidiaries' repayment of non-current loans	-	-	71.4	28.3
	Dividend paid	(64.0)	(15.6)	(64.0)	(15.6)
	Cash flows from financing activities	**(45.8)**	**(108.0)**	**(9.9)**	**(132.1)**
	Total cash flows	**50.6**	**12.0**	**26.1**	**39.5**
	Cash and cash equivalents and bank debt at 1 January	13.8	6.1	(26.4)	(62.9)
	Foreign exchange adjustment	2.0	(4.3)	1.5	(3.0)
	Cash and cash equivalents and bank debt at 31 December	**66.4**	**13.8**	**1.2**	**(26.4)**
	Recognition of cash and cash equivalents and bank debt at 31 December:				
	Cash and cash equivalents	77.0	40.3	11.8	0.1
	Overdraft facilities	(10.6)	(26.5)	(10.6)	(26.5)
		66.4	**13.8**	**1.2**	**(26.4)**

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

BALANCE SHEET
ASSETS

DKKm

		Group		Parent company	
Note		2012	2011	2012	2011
	Goodwill	10.7	10.7	10.7	10.7
	Other intangible assets	3.8	6.3	3.8	6.3
15	**Intangible assets**	**14.5**	**17.0**	**14.5**	**17.0**
	Land and buildings	167.1	162.5	25.7	28.5
	Technical plant and machinery	332.3	348.3	123.3	110.6
	Fixtures and fittings, tools and equipment	6.5	7.5	2.7	2.9
	Technical plant under construction	18.1	14.1	13.1	0.7
16	**Property, plant and equipment**	**524.0**	**532.4**	**164.8**	**142.7**
17	Investments in subsidiaries	-	-	316.2	320.0
18	Receivables from subsidiaries	-	-	69.2	104.8
19	Investments in associates	1.7	1.7	0.3	0.3
20	Other receivables	10.8	13.9	0.0	0.0
21	Deferred tax	92.9	91.2	53.9	50.2
	Other non-current assets	**105.4**	**106.8**	**439.6**	**475.3**
	Non-current assets	**643.9**	**656.2**	**618.9**	**635.0**
22	Inventories	130.7	119.0	61.6	50.1
23	Trade receivables	238.2	241.7	185.2	189.6
	Receivables from subsidiaries	-	-	26.6	29.3
	Income tax receivable	7.1	7.7	1.1	0.0
	Other receivables	38.7	34.5	14.6	12.8
	Prepayments	5.8	8.3	4.5	4.3
	Cash and cash equivalents	77.0	40.3	11.8	0.1
	Current assets	**497.5**	**451.5**	**305.4**	**286.2**
	Assets	**1,141.4**	**1,107.7**	**924.3**	**921.2**

BALANCE SHEET
EQUITY AND LIABILITIES

DKKm

		Group		Parent company	
Note		2012	2011	2012	2011
24	Share capital	140.3	140.3	140.3	140.3
	Hedging reserve	(4.8)	(8.1)	(4.3)	(6.6)
	Translation reserve	(37.1)	(54.6)	-	-
	Proposed dividend	65.7	64.0	65.7	64.0
	Retained earnings	436.1	418.6	192.6	187.5
	Equity	**600.2**	**560.2**	**394.3**	**385.2**
21	Deferred tax	15.2	17.5	0.0	0.0
25	Pension obligations	46.8	36.0	0.0	0.0
	Credit institutions	203.1	184.9	203.1	184.9
26	Government grants	22.2	24.7	4.1	4.8
	Other payables	1.5	3.2	1.5	3.2
	Non-current liabilities	**288.8**	**266.3**	**208.7**	**192.9**
26	Government grants	3.1	3.0	0.7	0.8
	Overdraft facilities	10.6	26.5	10.6	26.5
	Prepayments from customers	12.1	24.4	12.1	24.1
	Trade payables	120.0	118.6	66.9	65.7
	Payables to subsidiaries	-	-	165.6	166.1
	Payables to associates	2.0	3.7	2.0	3.7
	Income tax	0.3	0.5	0.0	0.1
27	Provisions	2.2	1.6	2.2	1.6
28	Other payables	102.1	102.9	61.2	54.5
	Current liabilities	**252.4**	**281.2**	**321.3**	**343.1**
	Liabilities	**541.2**	**547.5**	**530.0**	**536.0**
	Equity and liabilities	**1,141.4**	**1,107.7**	**924.3**	**921.2**

STATEMENT OF CHANGES IN EQUITY

DKKm

Group	Share capital	Hedging reserve	Translation reserve	Proposed dividend	Retained earnings	Total equity
Equity at 1 January 2012	**140.3**	**(8.1)**	**(54.6)**	**64.0**	**418.6**	**560.2**
Profit/(loss) for the year	-	-	-	65.7	26.8	92.5
Other comprehensive income						
Actuarial losses on pension obligations	-	-	-	-	(12.5)	(12.5)
Foreign exchange adjustment of:						
Foreign subsidiaries	-	-	17.6	-	-	17.6
Equity-like loans to subsidiaries	-	-	(0.1)	-	-	(0.1)
Value adjustment of hedging instruments:						
Recognised in equity	-	3.6	-	-	-	3.6
Transferred to revenue	-	(5.8)	-	-	-	(5.8)
Transferred to production costs	-	5.9	-	-	-	5.9
Transferred to financial income and expenses	-	0.8	-	-	-	0.8
Tax on other comprehensive income	-	(1.2)	0.0	-	3.2	2.0
Total comprehensive income	**0.0**	**3.3**	**17.5**	**65.7**	**17.5**	**104.0**
Transactions with owners						
Dividend paid	-	-	-	(64.0)	-	(64.0)
Changes in equity in 2012	**0.0**	**3.3**	**17.5**	**1.7**	**17.5**	**40.0**
Equity at 31 December 2012	**140.3**	**(4.8)**	**(37.1)**	**65.7**	**436.1**	**600.2**

Equity at 1 January 2011	**140.3**	**0.2**	**(22.3)**	**15.6**	**415.6**	**549.4**
Profit/(loss) for the year	-	-	-	64.0	12.3	76.3
Other comprehensive income						
Actuarial losses on pension obligations	-	-	-	-	(12.4)	(12.4)
Hedging of net assets	-	-	(0.1)	-	-	(0.1)
Foreign exchange adjustment of:						
Foreign subsidiaries	-	-	(31.6)	-	-	(31.6)
Equity-like loans to subsidiaries	-	-	(1.0)	-	-	(1.0)
Value adjustment of hedging instruments:						
Recognised in equity	-	(9.3)	-	-	-	(9.3)
Transferred to revenue	-	1.8	-	-	-	1.8
Transferred to production costs	-	(3.8)	-	-	-	(3.8)
Transferred to financial income and expenses	-	0.2	-	-	-	0.2
Tax on other comprehensive income	-	2.8	0.4	-	3.1	6.3
Total comprehensive income	**0.0**	**(8.3)**	**(32.3)**	**64.0**	**3.0**	**26.4**
Transactions with owners						
Dividend paid	-	-	-	(15.6)	-	(15.6)
Changes in equity in 2011	**0.0**	**(8.3)**	**(32.3)**	**48.4**	**3.0**	**10.8**
Equity at 31 December 2011	**140.3**	**(8.1)**	**(54.6)**	**64.0**	**418.6**	**560.2**

STATEMENT OF CHANGES IN EQUITY

DKKm

Parent company	Share capital	Hedging reserve	Dividend proposed	Retained earnings	Total equity
Equity at 1 January 2012	**140.3**	**(6.6)**	**64.0**	**187.5**	**385.2**
Profit/(loss) for the year	-	-	65.7	5.1	70.8
Other comprehensive income					
Value adjustment of hedging instruments:					
Recognised in equity	-	2.3	-	-	2.3
Transferred to revenue	-	(6.0)	-	-	(6.0)
Transferred to production costs	-	5.9	-	-	5.9
Transferred to financial income and expenses	-	0.8	-	-	0.8
Tax on other comprehensive income	-	(0.7)	-	-	(0.7)
Total comprehensive income	**0.0**	**2.3**	**65.7**	**5.1**	**73.1**
Transactions with owners					
Dividend paid	-	-	(64.0)	-	(64.0)
Changes in equity in 2012	**0.0**	**2.3**	**1.7**	**5.1**	**9.1**
Equity at 31 December 2012	**140.3**	**(4.3)**	**65.7**	**192.6**	**394.3**

Equity at 1 January 2011	**140.3**	**(0.3)**	**15.6**	**76.7**	**232.3**
Profit/(loss) for the year	-	-	64.0	110.8	174.8
Other comprehensive income					
Value adjustment of hedging instruments:					
Recognised in equity	-	(5.0)	-	-	(5.0)
Transferred to revenue	-	0.2	-	-	0.2
Transferred to production costs	-	(3.8)	-	-	(3.8)
Transferred to financial income and expenses	-	0.2	-	-	0.2
Tax on other comprehensive income	-	2.1	-	-	2.1
Total comprehensive income	**0.0**	**(6.3)**	**64.0**	**110.8**	**168.5**
Transactions with owners					
Dividend paid	-	-	(15.6)	-	(15.6)
Changes in equity in 2011	**0.0**	**(6.3)**	**48.4**	**110.8**	**152.9**
Equity at 31 December 2011	**140.3**	**(6.6)**	**64.0**	**187.5**	**385.2**

NOTES

Notes – Statement of comprehensive income

Notes – Statement of cash flows

Notes – Balance sheet

Notes without reference

NOTES

01 BASIS OF PREPARATION

The consolidated financial statements and the parent company financial statements for the year ended 31 December 2012 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 annual reports of listed companies, cf. the Danish Statutory Order on Adoption of IFRS issued in pursuance of the Danish Financial Statements Act. Brødrene Hartmann A/S is a public limited 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 financial instruments, which are measured at fair value.

The accounting policies, which are described in note 37 to the financial statements, have been consistently applied for the financial year and for the comparative figures.

02 ACCOUNTING REGULATIONS

New financial reporting standards and interpretations in 2012
Hartmann has implemented all new and revised financial reporting standards and interpretations adopted by the EU that are effective for financial years beginning on or after 1 January 2012. Hartmann has assessed that the new and revised standards and interpretations that are effective for financial years beginning on or after 1 January 2012 are either not relevant to the group or the parent company, or not of significant importance.

New financial reporting standards which have not yet come into force and which have not been prospectively implemented
The IASB has issued a number of financial reporting standards, amendments and interpretations with which the group and the parent company must comply for financial years beginning on or after 1 January 2013.

The financial reporting standards, amendments and interpretations which have not yet come into force are not expected to significantly affect the consolidated financial statements or the parent company in future financial years.

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 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.

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

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 probable course of events. In respect of the consolidated financial statements and the parent company financial statements for 2012, the following assumptions and uncertainties should especially be noted, as they had a significant influence on the assets and liabilities recognised in the consolidated financial statements and the parent company financial statements and may necessitate corrections in subsequent financial years if the assumed course of events fails to materialise as expected:

Recoverable amount of goodwill

Determining any need for impairment write-down of recognised goodwill requires a calculation of the values in use of the cash-generating units to which the goodwill amounts have been allocated. The calculation of value in use requires an estimate of the expected future cash flows of each cash-generating unit and the determination of a discount rate. The carrying amount of goodwill recognised in the consolidated financial statements amounted to DKK 10.7 million at 31 December 2012. (2011: DKK 10.7 million). For a detailed description of discount rates etc. see note 15.

Recoverable amount of the combined heat and power plant in Tønder, Denmark

In 2008, the district heating company Tønder Fjernvarme filed a complaint with the Danish Energy Regulatory Authority concerning the pricing of surplus heat. In 2012, discussions have been ongoing with the Danish Energy Regulatory Authority and Tønder Fjernvarme concerning the pricing. The authority has not yet made a final decision, and management believes that the outcome of the matter involves a number of factors of uncertainty. Depending on the decision, management intends to reassess the basis of operation of the combined heat and power plant, since the current price level is decisive for the valuation and the continued operation of the plant. The carrying amount of property, plant and equipment at 31 December 2012 relating to the plant was DKK 29.1 million. The receivable at 31 December 2012 was DKK 16.9 million, of which DKK 14.8 million was due.

Deferred tax assets

In the measurement of deferred tax assets, it is assessed whether, on the basis of budgets and operating plans, future earnings will allow the utilisation of the temporary differences between tax bases and carrying amounts or tax loss carry-forwards. The assessment also includes pending tax audits. The net carrying amount of deferred tax assets was DKK 77.7 million at 31 December 2012 (2011: DKK 73.7 million). For a detailed description of the utilisation period etc., see note 21.

Recoverable amount of other non-current receivables

Determining the need for impairment write-down of recognised other non-current receivables which relate to government grants not yet received depends on a number of estimates and judgments. The carrying amount of other non-current receivables amounted to DKK 10.8 million at 31 December 2012. (2011: DKK 13.9 million). For a detailed description of the terms of the grants etc. see notes 20 and 26.

NOTES

04 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 the chief operating decision maker of Hartmann.

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

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

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

Segment income and 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 segments on a reliable basis. Profits in associates, financial income and expenses, income taxes, investments in associates, tax assets and tax liabilities, and cash and cash equivalents and bank debt are not allocated to reporting segments.

The reporting segments are:

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

- **North America** comprises production and sales of moulded-fibre packaging. Products are primarily produced at the North American manufacturing facility and sold to egg producers, egg packing businesses and retail chains.

Other segment information
External revenue is allocated to the geographical areas based on the geographical location of the customer. Allocation of intangible assets and property, plant and equipment is based on the geographical location of the assets.

No single customer accounts for more than 10% of external revenue.

Revenue from external customers attributable to a single foreign country is immaterial.

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04 SEGMENT INFORMATION CONT'D

OPERATIONS 2012

	Europe	North America	Total reporting segments
Moulded fibre	1,156.7	267.3	1,424.0
Other revenue	120.1	0.0	120.1
Revenue	**1,276.8**	**267.3**	**1,544.1**
Operating profit/(loss) before special items	**82.9**	**55.5**	**138.4**
Other segment information			
Depreciation, amortisation and impairment	72.7	12.4	
Investments in intangible assets and property, plant and equipment	49.2	12.9	
Net working capital (NWC)	124.6	6.7	
Invested capital	540.3	116.9	
ROIC, %	15.3	48.7	
Segment assets	803.0	161.6	964.6

GEOGRAPHICAL INFORMATION 2012

	Denmark	Other Europe	North America	Other world	Total group
External revenue	94.0	1,035.2	269.5	145.4	**1,544.1**
Intangible assets and property, plant and equipment*	179.2	241.9	108.2	9.2	**538.5**

* Other Europe includes intangible assets and property, plant and equipment in Hungary of DKK 142.0 million.

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04 SEGMENT INFORMATION CONT'D

OPERATIONS 2011

	Europe	North America	Total reporting segments
Moulded fibre	1,164.9	215.7	1,380.6
Other revenue	107.5	0.0	107.5
Revenue	**1,272.4**	**215.7**	**1,488.1**
Operating profit/(loss) before special items	**132.8**	**20.0**	**152.8**
Other segment information			
Depreciation, amortisation and impairment	72.6	11.7	
Investments in intangible assets and property, plant and equipment	29.9	10.9	
Net working capital (NWC)	115.3	1.0	
Invested capital	543.6	110.9	
ROIC, %	23.3	16.8	
Segment assets	809.8	159.5	969.3

GEOGRAPHICAL INFORMATION 2011

	Denmark	Other Europe	North America	Other world	Total group
External revenue	104.8	1,072.3	216.9	94.1	**1,488.1**
Intangible assets and property, plant and equipment*	159.7	272.5	107.2	10.0	**549.4**

* Other Europe includes intangible assets and property, plant and equipment in Hungary of DKK 161.4 million.

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04 SEGMENT INFORMATION CONT'D

RECONCILIATION

	2012	2011
Revenue		
Revenue for reporting segments	1,544.1	1,488.1
Revenue, cf. the financial statements	**1,544.1**	**1,488.1**
Performance targets		
Operating profit/(loss) before special items for reporting segments	138.4	152.8
Non-allocated corporate functions	(24.6)	(29.9)
Eliminations	0.6	0.6
Operating profit/(loss) before special items, cf. the financial statements	114.4	123.5
Special items for reporting segments	0.0	0.0
Operating profit/(loss), cf. the financial statements	114.4	123.5
Financial income	11.0	7.7
Financial expenses	(18.7)	(23.2)
Profit/(loss) before tax, cf. the financial statements	**106.7**	**108.0**
Assets		
Assets for reporting segments	964.6	969.3
Non-allocated assets	178.9	141.1
Eliminations	(2.1)	(2.7)
Assets, cf. the financial statements	**1,141.4**	**1,107.7**

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05 REVENUE

	Group		Parent company	
	2012	2011	2012	2011
Value of goods sold	1,549.8	1,486.3	1,215.7	1,142.4
Value of services sold	0.1	0.0	0.1	0.0
Value adjustment of derivative financial instruments	(5.8)	1.8	(6.0)	(3.6)
Revenue	**1,544.1**	**1,488.1**	**1,209.8**	**1,138.8**

06 PRODUCTION COSTS

	Group		Parent company	
	2012	2011	2012	2011
Cost of sales for the year	770.8	729.7	859.9	763.6
Staff costs included in cost of sales	(214.1)	(194.3)	(91.5)	(84.0)
Inventory write-downs for the year	2.3	0.9	1.3	0.3
Staff costs, cf. note 9	327.1	305.9	143.6	138.1
Depreciation and impairment, cf. note 16	76.1	79.4	25.1	27.1
Other production costs	133.3	137.6	43.6	46.5
Value adjustment of derivative financial instruments	(5.9)	3.8	(5.9)	3.8
Production costs	**1,089.6**	**1,063.0**	**976.1**	**895.4**

07 SELLING AND DISTRIBUTION COSTS

	Group		Parent company	
	2012	2011	2012	2011
Staff costs, cf. note 9	64.9	62.3	14.4	11.2
Depreciation and impairment, cf. note 16	5.8	0.4	5.1	0.0
Other selling and distribution costs	214.1	183.8	167.9	146.4
Selling and distribution costs	**284.8**	**246.5**	**187.4**	**157.6**

08 ADMINISTRATIVE EXPENSES

	Group		Parent company	
	2012	2011	2012	2011
Staff costs, cf. note 9	43.6	38.4	37.3	33.7
Depreciation, amortisation and impairment, cf. notes 15 and 16	2.6	3.9	2.6	3.9
Other administrative expenses	11.6	15.4	10.3	11.3
Administrative expenses	**57.8**	**57.7**	**50.2**	**48.9**

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09 STAFF COSTS

	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Wages, salaries and remuneration	380.4	351.6	176.2	164.1
Pension costs, defined benefit plans	3.0	2.3	0.0	0.0
Pension contributions, defined contribution plans	34.7	31.7	15.7	14.8
Other social security costs	17.5	21.0	3.4	4.1
Staff costs	**435.6**	**406.6**	**195.3**	**183.0**
Recognition of staff costs in the financial statements:				
Production costs	327.1	305.9	143.6	138.1
Selling and distribution costs	64.9	62.3	14.4	11.2
Administrative expenses	43.6	38.4	37.3	33.7
	435.6	**406.6**	**195.3**	**183.0**
Number of employees				
Average no. of full-time employees	1,506	1,489	426	392

For information about pension obligations, see note 25.

REMUNERATION TO MEMBERS OF THE EXECUTIVE BOARD

The remuneration of members of the Executive Board is based on a fixed salary, pension, bonus and other benefits in the form of company car and phone. Bonuses are allocated on an individual basis and are performance-related.

Members of Hartmann's Executive Board are entitled to a notice of termination of 12 months on the part of Hartmann. In the event of a change of ownership of a controlling interest in the company, their notice of termination will be extended to 24 months effective from the date when the shareholding is sold. The extended notice will apply until 18 months after the transfer.

On 18 December 2012, Thornico A/S and related parties reached a shareholding of 68.5% in Brødrene Hartmann A/S and thus obtained a controlling interest in the company. Accordingly, the Executive Board is entitled to the extended notice of termination of 24 months until 18 June 2014.

	Salary	Bonus	Pension	Other benefits	Total
2012					
Michael Rohde Pedersen	2.7	0.0	0.3	0.3	3.3
Marianne Rørslev Bock (appointed as of 18 April 2012)	1.3	0.0	0.1	0.0	1.4
Claus Frees Sørensen (resigned as of 18 April 2012)	1.0	0.0	0.1	0.1	1.2
	5.0	**0.0**	**0.5**	**0.4**	**5.9**
2011					
Michael Rohde Pedersen	2.7	1.2	0.3	0.3	4.5
Claus Frees Sørensen	1.9	0.8	0.2	0.1	3.0
	4.6	**2.0**	**0.5**	**0.4**	**7.5**

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09 STAFF COSTS CONT'D

REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration paid to the Board of Directors is a fixed fee which is approved by the shareholders at the annual general meeting. Ordinary board members each receive an annual fee of DKK 200,000. The vice chairman receives a fee equal to the ordinary fee multiplied by two, and the chairman receives a fee equal to the ordinary fee multiplied by three.

	2012	2011
Chairman	0.6	0.6
Vice chairman	0.4	0.4
Ordinary board members	1.0	0.9
	2.0	**1.9**

REMUNERATION OF THE AUDIT COMMITTEE

The remuneration paid to the members of the audit committee is a fixed fee which is approved by the shareholders at the annual general meeting. Ordinary committee members each receive an annual fee of DKK 100,000. The chairman receives a fee equal to the ordinary fee multiplied by two. If the chairman is also the vice chairman of the Board of Directors, the chairman will only receive the fee paid to ordinary committee members.

	2012	2011
Chairman	0.1	-
Ordinary members	0.1	-
	0.2	**-**

Prior to 1 January 2012, the duties of the audit committee were undertaken by the entire Board of Directors, and the board members did not receive any separate remuneration in that respect.

SHARES HELD BY MEMBERS OF THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

	No. of shares			
	01.01.2012	Purchased	Sold	31.12.2012
Executive Board				
Michael Rohde Pedersen	2,000	0	0	2,000
Marianne Rørslev Bock	0	0	0	0
Board of Directors				
Agnete Raaschou-Nielsen	2,000	0	0	2,000
Walther V. Paulsen	1,255	0	0	1,255
Niels Hermansen	0	0	0	0
Jørn Mørkeberg Nielsen	2,700	0	0	2,700
Peter-Ulrik Plesner	570	0	0	570
Jan Peter Antonisen	0	0	0	0
Niels Christian Petersen	72	0	0	72

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10 OTHER OPERATING INCOME

	Group		Parent company	
	2012	2011	2012	2011
Gains on the sale of intangible assets and property, plant and equipment	0.3	0.6	0.0	0.1
Licence fees	2.2	2.0	2.2	2.1
Other operating income	**2.5**	**2.6**	**2.2**	**2.2**

11 FINANCIAL INCOME AND EXPENSES

	Group		Parent company	
	2012	2011	2012	2011
Interest income, subsidiaries	-	-	2.4	2.6
Interest income, cash and cash equivalents, etc.	1.0	1.1	0.6	0.6
Other interest income	2.8	0.4	2.2	0.4
Interest income from financial assets not measured at fair value through profit or loss	**3.8**	**1.5**	**5.2**	**3.6**
Dividend from subsidiaries	-	-	80.7	173.1
Dividend from associates	-	-	0.0	2.1
Foreign exchange gains, net	4.5	0.0	4.1	0.0
Calculated expected return on assets held in defined benefit pension plans, cf. note 25	2.5	3.0	0.0	0.0
Interest rate effect on discounting of non-current receivables	0.2	0.9	0.0	0.0
Value adjustment of derivative financial instruments	0.0	2.3	0.0	2.3
Financial income	**11.0**	**7.7**	**90.0**	**181.1**
Interest expenses, subsidiaries	-	-	2.3	2.1
Interest expenses, credit institutions	10.4	12.9	10.3	12.7
Other interest expenses	3.2	2.4	1.6	0.9
Interest expenses from financial liabilities not measured at fair value through profit or loss	**13.6**	**15.3**	**14.2**	**15.7**
Impairment of investments in subsidiaries	-	-	3.8	16.6
Foreign exchange losses, net	0.0	3.9	0.0	7.3
Calculated interest on liabilities under defined benefit plans, cf. note 25	4.3	4.0	0.0	0.0
Value adjustment of derivative financial instruments	0.8	0.0	0.8	0.0
Financial expenses	**18.7**	**23.2**	**18.8**	**39.6**
Financial income and expenses	**(7.7)**	**(15.5)**	**71.2**	**141.5**

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12 TAX ON PROFIT/(LOSS) FOR THE YEAR

	Group		Parent company	
	2012	2011	2012	2011
Breakdown of tax for the year:				
Tax on profit/(loss) for the year	14.2	31.7	(1.3)	5.8
Tax on other comprehensive income	(2.0)	(6.3)	0.7	(2.1)
	12.2	**25.4**	**(0.6)**	**3.7**
Tax on profit/(loss) for the year has been calculated as follows:				
Current tax	15.4	15.9	1.7	1.1
Change in deferred tax	(1.5)	9.9	(4.4)	4.7
Change in income tax rate	(1.1)	5.8	0.0	0.0
Tax relating to prior years	1.4	0.1	1.4	0.0
	14.2	**31.7**	**(1.3)**	**5.8**
Tax on profit/(loss) for the year can be specified as follows:				
Profit/(loss) before tax	106.7	108.0	69.5	180.6
Dividend from subsidiaries and associates	-	-	(80.7)	(175.2)
Non-deductible impairment write-down of investments in subsidiaries	-	-	3.9	16.6
	106.7	**108.0**	**(7.3)**	**22.0**
Tax charged at 25%	26.7	27.0	(1.8)	5.5
Adjustment of tax calculated for foreign subsidiaries in relation to 25%	(1.4)	(2.1)	-	-
Tax effect of:				
Change in income tax rate	(1.1)	5.8	0.0	0.0
Recognised deferred tax assets in foreign subsidiaries	(16.4)	0.0	0.0	0.0
Non-taxable income and non-deductible expenses	0.1	0.6	0.2	0.0
Change in valuation of net tax assets	10.4	0.0	0.0	0.0
Other tax costs	0.1	0.3	0.2	0.3
Tax relating to prior years	(4.2)	0.1	0.1	0.0
	14.2	**31.7**	**(1.3)**	**5.8**
Effective tax rate	**13**	**29**	**18**	**26**
Tax on other comprehensive income:				
Actuarial losses on pension obligations	(3.2)	(3.1)	0.0	0.0
Foreign exchange adjustment of equity-like loans to subsidiaries	0.0	(0.4)	0.0	0.0
Value adjustment of hedging instruments:				
Recognised in equity	0.9	(2.3)	0.5	(1.3)
Transferred to revenue	(1.4)	0.4	(1.5)	0.1
Transferred to production costs	1.5	(1.0)	1.5	(1.0)
Transferred to financial income and expenses	0.2	0.1	0.2	0.1
	(2.0)	**(6.3)**	**0.7**	**(2.1)**

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13 EARNINGS PER SHARE

	Group	
	2012	2011
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	0	0
Average no. of shares, diluted	**6,915,090**	**6,915,090**
Profit/(loss) for the year attributable to the shareholders of Brødrene Hartmann A/S	**92.5**	**76.3**
Earnings per share, DKK	13.4	11.0
Earnings per share, DKK, diluted	13.4	11.0

14 CASH FLOWS

	Group		Parent company	
	2012	2011	2012	2011
Profits/(losses) from sales of intangible assets and property, plant and equipment	0.3	0.6	0.0	0.1
Adjustment for other non-cash items	**0.3**	**0.6**	**0.0**	**0.1**
Inventories	(10.1)	(12.3)	(11.5)	(8.6)
Receivables	3.1	20.2	4.9	(72.0)
Trade payables	0.1	(6.9)	1.2	1.1
Prepayments from customers	(12.3)	19.4	(12.0)	19.4
Other payables etc.	7.4	(33.9)	5.7	6.2
Pension obligations	(2.0)	(1.9)	0.0	0.0
Change in working capital	**(13.8)**	**(15.4)**	**(11.7)**	**(53.9)**

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15 INTANGIBLE ASSETS

Group and parent company	Goodwill	Other intangible assets	Total
Cost at 1 January 2012	22.8	12.9	35.7
Cost at 31 December 2012	**22.8**	**12.9**	**35.7**
Amortisation and impairment at 1 January 2012	12.1	6.6	18.7
Amortisation	0.0	2.5	2.5
Amortisation and impairment at 31 December 2012	**12.1**	**9.1**	**21.2**
Carrying amount at 31 December 2012	**10.7**	**3.8**	**14.5**
Cost at 1 January 2011	22.8	12.9	35.7
Cost at 31 December 2011	**22.8**	**12.9**	**35.7**
Amortisation and impairment at 1 January 2011	12.1	4.1	16.2
Amortisation	0.0	2.5	2.5
Amortisation and impairment at 31 December 2011	**12.1**	**6.6**	**18.7**
Carrying amount at 31 December 2011	**10.7**	**6.3**	**17.0**

	Group and parent company	
	2012	2011
Amortisation is recognised in the statement of comprehensive income in the following items:		
Administrative expenses	2.5	2.5
	2.5	**2.5**

Goodwill

Goodwill has been allocated to the Europe segment.

Based on expected future net cash flows, management believes that the carrying amount of goodwill will not significantly exceed the recoverable amount. The estimate is based on the results achieved and the expected level of future earnings.

The recoverable amount is based on the value in use determined by means of expected net cash flows on the basis of approved budgets for 2013 and forecasts for the period 2014-2017 and by using a pre-tax discount rate of 10% (2011: 10%) which takes into account the specific risks characterising the European market. The calculation is not based on significant growth assumptions.

Other intangible assets

In 2012, development costs totalled DKK 2.0 million (2011: DKK 0.9 million), which are recognised in the statement of comprehensive income under administrative expenses.

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16 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings	Technical plant and machinery	Fixtures and fittings, tools and equipment	Technical plant under construction	Total
Cost at 1 January 2012	375.7	1,667.0	90.6	14.1	2,147.4
Foreign exchange adjustment	5.8	29.7	1.0	0.0	36.5
Transfer	4.6	5.9	3.6	(14.1)	0.0
Additions	10.7	31.6	1.7	18.1	62.1
Disposals	(0.2)	(62.3)	(3.3)	0.0	(65.8)
Cost at 31 December 2012	**396.6**	**1,671.9**	**93.6**	**18.1**	**2,180.2**
Depreciation and impairment at 1 January 2012	213.2	1,318.7	83.1	0.0	1,615.0
Foreign exchange adjustment	1.9	18.0	0.8	0.0	20.7
Transfer	2.7	(5.5)	2.8	0.0	0.0
Depreciation	11.9	70.7	3.4	0.0	86.0
Disposals	(0.2)	(62.3)	(3.0)	0.0	(65.5)
Depreciation and impairment at 31 December 2012	**229.5**	**1,339.6**	**87.1**	**0.0**	**1,656.2**
Carrying amount at 31 December 2012	**167.1**	**332.3**	**6.5**	**18.1**	**524.0**
Cost at 1 January 2011	376.0	1,686.7	91.6	13.4	2,167.7
Foreign exchange adjustment	(9.1)	(46.1)	(0.7)	0.0	(55.9)
Transfer	0.0	13.4	0.0	(13.4)	0.0
Additions	8.8	16.4	1.5	14.1	40.8
Disposals	0.0	(3.4)	(1.8)	0.0	(5.2)
Cost at 31 December 2011	**375.7**	**1,667.0**	**90.6**	**14.1**	**2,147.4**
Depreciation and impairment at 1 January 2011	204.6	1,281.0	81.3	0.0	1,566.9
Foreign exchange adjustment	(2.7)	(27.3)	(0.5)	0.0	(30.5)
Depreciation	11.3	68.3	4.0	0.0	83.6
Disposals	0.0	(3.3)	(1.7)	0.0	(5.0)
Depreciation and impairment at 31 December 2011	**213.2**	**1,318.7**	**83.1**	**0.0**	**1,615.0**
Carrying amount at 31 December 2011	**162.5**	**348.3**	**7.5**	**14.1**	**532.4**

	Group	
	2012	2011
Breakdown of depreciation:		
Depreciation	86.0	83.6
Part of government grants recognised as income	(4.0)	(2.4)
	82.0	**81.2**
Depreciation is recognised in the statement of comprehensive income in the following items:		
Production costs	76.1	79.4
Selling and distribution costs	5.8	0.4
Administrative expenses	0.1	1.4
	82.0	**81.2**

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16 PROPERTY, PLANT AND EQUIPMENT CONT'D

Parent company	Land and buildings	Technical plant and machinery	Fixtures and fittings, tools and equipment	Technical plant under construction	Total
Cost at 1 January 2012	166.2	806.9	62.9	0.7	1,036.7
Transfer	0.0	0.7	0.0	(0.7)	0.0
Additions	0.0	45.0	1.0	13.1	59.1
Disposals	0.0	(79.6)	(0.1)	0.0	(79.7)
Cost at 31 December 2012	**166.2**	**773.0**	**63.8**	**13.1**	**1,016.1**
Depreciation and impairment at 1 January 2012	137.7	696.3	60.0	0.0	894.0
Depreciation	2.8	27.1	1.2	0.0	31.1
Disposals	0.0	(73.7)	(0.1)	0.0	(73.8)
Depreciation and impairment at 31 December 2012	**140.5**	**649.7**	**61.1**	**0.0**	**851.3**
Carrying amount at 31 December 2012	**25.7**	**123.3**	**2.7**	**13.1**	**164.8**
Cost at 1 January 2011	166.2	800.9	62.7	1.9	1,031.7
Transfer	0.0	1.9	0.0	(1.9)	0.0
Additions	0.0	4.8	0.4	0.7	5.9
Disposals	0.0	(0.7)	(0.2)	0.0	(0.9)
Cost at 31 December 2011	**166.2**	**806.9**	**62.9**	**0.7**	**1,036.7**
Depreciation and impairment at 1 January 2011	134.8	672.3	58.1	0.0	865.2
Depreciation	2.9	24.3	2.1	0.0	29.3
Disposals	0.0	(0.3)	(0.2)	0.0	(0.5)
Depreciation and impairment at 31 December 2011	**137.7**	**696.3**	**60.0**	**0.0**	**894.0**
Carrying amount at 31 December 2011	**28.5**	**110.6**	**2.9**	**0.7**	**142.7**

	Parent company 2012	Parent company 2011
Breakdown of depreciation:		
Depreciation	31.1	29.3
Part of government grants recognised as income	(0.8)	(0.8)
	30.3	**28.5**
Depreciation is recognised in the statement of comprehensive income in the following items:		
Production costs	25.1	27.1
Selling and distribution costs	5.1	0.0
Administrative expenses	0.1	1.4
	30.3	**28.5**

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17 INVESTMENTS IN SUBSIDIARIES

	Parent company	
	2012	2011
Cost at 1 January	799.6	882.2
Disposals for the year	0.0	(82.6)
Cost at 31 December	**799.6**	**799.6**
Impairment at 1 January	479.6	544.9
Impairment write-downs for the year	3.8	16.6
Disposals for the year	0.0	(81.9)
Impairment at 31 December	**483.4**	**479.6**
Carrying amount at 31 December	**316.2**	**320.0**

Impairment for the year of DKK 3.8 million was attributable to the write-down to recoverable amounts of investments as a result of distribution of dividends in the wholly owned subsidiaries Hartmann-Schwedt GmbH, Hartmann-Mai Ltd. and Hartmann-Varkaus Oy (2011: DKK 16.6 million, Hartmann Papirna Ambalaža d.o.o. and Hartmann-Varkaus Oy).

Disposals for the year 2011 (DKK 82.6 million) were attributable to the merger of Brødrene Hartmann A/S and its wholly owned subsidiary Brødrene Hartmann Invest ApS as at 1 January 2011.

Name	Registered office	Stake
Hartmann (UK) Ltd.	England	100%
Hartmann France S.a.r.l.	France	100%
Hartmann Verpackung AG	Switzerland	100%
Hartmann Italiana S.r.l. (in liquidation)	Italy	100%
Hartmann-Schwedt GmbH	Germany	100%
Hartmann Verpackung GmbH (subsidiary of Hartmann Schwedt GmbH)	Germany	100%
Hartmann-Hungary Kft.	Hungary	100%
Hartmann Pólska Sp. z o.o.	Poland	100%
Hartmann Finance A/S	Denmark	100%
Hartmann Papirna Ambalaža d.o.o.	Croatia	100%
Hartmann-Mai Ltd.	Israel	100%
Hartmann-Varkaus Oy	Finland	100%
Hartmann d.o.o.	Serbia	100%
Hartmann Canada Inc.	Canada	100%
Hartmann Dominion Inc. (subsidiary of Hartmann Canada Inc.)	Canada	100%
Hartmann USA Inc. (subsidiary of Hartmann Canada Inc.)	USA	100%

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18 RECEIVABLES FROM SUBSIDIARIES

	Parent company	
	2012	2011
Carrying amount at 1 January	104.8	81.7
Foreign exchange adjustment	0.3	(1.0)
Additions	35.5	52.4
Disposals	(71.4)	(28.3)
Carrying amount at 31 December	**69.2**	**104.8**

19 INVESTMENTS IN ASSOCIATES

	Group		Parent company	
	2012	2011	2012	2011
Cost at 1 January	0.3	0.3	0.3	0.3
Cost at 31 December	**0.3**	**0.3**	**0.3**	**0.3**
Value adjustments at 1 January	1.4	3.5	-	-
Dividend	0.0	(2.1)	-	-
Value adjustments at 31 December	**1.4**	**1.4**	**0.0**	**0.0**
Carrying amount at 31 December	**1.7**	**1.7**	**0.3**	**0.3**

2012

Name	Registered office	Stake	Gross profit	Profit for the year	Assets	Liabilities	Equity
DanFiber A/S	Søborg, Denmark	32.4%	6.5	0.2	21.0	15.7	5.3

2011

Name	Registered office	Stake	Gross profit	Profit for the year	Assets	Liabilities	Equity
DanFiber A/S	Søborg, Denmark	32.4%	6.1	0.2	22.2	17.0	5.1

In 2011, shares in DanFiber A/S were sold corresponding to a nominal amount of DKK 10,000 or a stake of 1.0%.

In the consolidated balance sheet, investments in associates are measured using the equity method. In the parent company balance sheet, investments in associates are measured at historical cost.

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20 OTHER RECEIVABLES

	Group		Parent company	
	2012	2011	2012	2011
Carrying amount at 1 January	13.9	8.8	0.0	0.0
Foreign exchange adjustment	1.1	(1.1)	0.0	0.0
Disposals	(4.4)	(2.6)	0.0	0.0
Interest rate effect on discounting	0.2	0.9	0.0	0.0
Reversal of write-down	0.0	7.9	0.0	0.0
Carrying amount at 31 December	**10.8**	**13.9**	**0.0**	**0.0**
Other non-current receivables are expected to fall due:				
Within 1 year	2.3	2.4	0.0	0.0
Between 1-5 years	8.5	9.5	0.0	0.0
After 5 years	0.0	2.0	0.0	0.0
	10.8	**13.9**	**0.0**	**0.0**

The assumptions applying to the grant receivable in the form of reduced tax payments in Hungary remained unchanged in 2012.

A reassessment of the grants receivable in the form of reduced tax payments in the Hungarian company entailed an impairment write-down of DKK 23.2 million in 2010. The reassessment was made as a result of a decision to reduce the corporate income tax rate in Hungary as from 2013 and other factors. The decision to reduce the corporate income tax rate in Hungary was changed in 2011 to the effect that no reductions will be implemented as from 2013. As a result, the impairment write-downs made in 2010 were partially reversed in 2011 by a total amount of DKK 7.9 million.

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21 DEFERRED TAX

TEMPORARY DIFFERENCES BETWEEN CARRYING AMOUNT AND TAX BASE

Group	Intangible assets	Property plant and equipment	Current assets	Liabil-ities	Other	Tax loss carried forward	Total
Deferred tax at 1 January 2012	2.7	(1.9)	2.3	(4.0)	15.9	(88.7)	(73.7)
Foreign exchange adjustment	0.0	0.8	0.0	0.0	(0.1)	(0.1)	0.6
Adjustment of deferred tax relating to prior years	0.0	(1.7)	(1.7)	(0.9)	0.0	(1.3)	(5.6)
Recognised in profit/(loss) for the year, net	(0.6)	(23.4)	(0.8)	1.1	4.2	22.5	3.0
Recognised through other comprehensive income, net	0.0	0.0	0.0	(3.2)	1.2	0.0	(2.0)
Deferred tax at 31 December 2012	**2.1**	**(26.2)**	**(0.2)**	**(7.0)**	**21.2**	**(67.6)**	**(77.7)**
Deferred tax at 1 January 2011	3.4	14.2	1.1	(5.4)	22.0	(116.8)	(81.5)
Foreign exchange adjustment	0.0	(1.2)	0.0	0.0	(0.3)	(0.2)	(1.7)
Adjustment of deferred tax relating to prior years	0.0	0.0	0.1	(0.2)	0.0	0.2	0.1
Recognised in profit/(loss) for the year, net	(0.7)	(14.9)	1.1	4.8	(3.0)	28.4	15.7
Recognised through other comprehensive income, net	0.0	0.0	0.0	(3.2)	(2.8)	(0.3)	(6.3)
Deferred tax at 31 December 2011	**2.7**	**(1.9)**	**2.3**	**(4.0)**	**15.9**	**(88.7)**	**(73.7)**

Parent	Intangible assets	Property plant and equipment	Current assets	Liabil-ities	Other	Tax loss carried forward	Total
Deferred tax at 1 January 2012	2.7	5.7	0.9	(2.9)	19.6	(76.2)	(50.2)
Adjustment of deferred tax relating to prior years	0.0	0.0	0.0	1.6	3.7	(6.6)	(1.3)
Recognised in profit/(loss) for the year, net	(0.6)	(7.6)	0.0	0.4	0.6	4.1	(3.1)
Recognised through other comprehensive income, net	0.0	0.0	0.0	0.0	0.0	0.7	0.7
Deferred tax at 31 December 2012	**2.1**	**(1.9)**	**0.9**	**(0.9)**	**23.9**	**(78.0)**	**(53.9)**
Deferred tax at 1 January 2011	3.4	12.8	0.9	(5.7)	20.5	(84.7)	(52.8)
Adjustment of deferred tax relating to prior years	0.0	0.0	0.0	(0.2)	0.0	0.2	0.0
Recognised in profit/(loss) for the year, net	(0.7)	(7.1)	0.0	3.0	(0.9)	10.4	4.7
Recognised through other comprehensive income, net	0.0	0.0	0.0	0.0	0.0	(2.1)	(2.1)
Deferred tax at 31 December 2011	**2.7**	**5.7**	**0.9**	**(2.9)**	**19.6**	**(76.2)**	**(50.2)**

The carrying amount at 31 December 2012 of tax loss carry-forwards relates to Hartmann North America and the Danish parent company Brødrene Hartmann A/S.

Deferred tax assets relating to tax loss carry-forwards are recognised to the extent that their realisation is expected in the form of future taxable profits within a period not exceeding seven years.

Deferred tax on cap on deductible interest and recapture balances relating to losses utilised in foreign subsidiaries is included in 'other'.

Tax loss carry-forwards relating to Brødrene Hartmann A/S may be carried forward indefinitely. Tax loss carry-forwards in Hartmann North America are subject to a time limit, which means that such losses will be forfeited during the period 2026-2028.

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21 DEFERRED TAX
CONT'D

DEFERRED TAX ASSETS AND LIABILITIES

Group	2012 Deferred tax assets	2012 Deferred tax liabilities	2012 Net	2011 Deferred tax assets	2011 Deferred tax liabilities	2011 Net
Intangible assets	0.0	2.1	2.1	0.0	2.7	2.7
Property, plant and equipment	(41.1)	14.9	(26.2)	(19.4)	16.1	(3.3)
Current assets	(1.7)	1.5	(0.2)	0.0	2.3	2.3
Liabilities	(7.0)	0.0	(7.0)	(3.3)	0.7	(2.6)
Other	(2.7)	23.9	21.2	(9.0)	24.9	15.9
Tax loss carry-forwards	(67.6)	0.0	(67.6)	(88.7)	0.0	(88.7)
Deferred (tax assets)/liabilities	**(120.1)**	**42.4**	**(77.7)**	**(120.4)**	**46.7**	**(73.7)**
Set-off within legal tax entities	27.2	(27.2)	0.0	29.2	(29.2)	0.0
Total deferred (tax assets)/liabilities, net	**(92.9)**	**15.2**	**(77.7)**	**(91.2)**	**17.5**	**(73.7)**

Parent company	2012 Deferred tax assets	2012 Deferred tax liabilities	2012 Net	2011 Deferred tax assets	2011 Deferred tax liabilities	2011 Net
Intangible assets	0.0	2.1	2.1	0.0	2.7	2.7
Property, plant and equipment	(4.6)	2.7	(1.9)	(1.4)	7.1	5.7
Current assets	0.0	0.9	0.9	0.0	0.9	0.9
Liabilities	(0.9)	0.0	(0.9)	(2.9)	0.0	(2.9)
Other	(0.5)	24.4	23.9	(5.3)	24.9	19.6
Tax loss carry-forwards	(78.0)	0.0	(78.0)	(76.2)	0.0	(76.2)
Total deferred (tax assets)/liabilities	**(84.0)**	**30.1**	**(53.9)**	**(85.8)**	**35.6**	**(50.2)**
Set-off within legal tax entity	30.1	(30.1)	0.0	35.6	(35.6)	0.0
Total deferred (tax assets)/liabilities, net	**(53.9)**	**0.0**	**(53.9)**	**(50.2)**	**0.0**	**(50.2)**

DEFERRED TAX ASSETS NOT RECOGNISED

	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Tax value at 1 January	101.1	100.5	0.0	0.0
Foreign exchange adjustment	1.0	0.6	0.0	0.0
Change in income tax rate	4.4	0.0	0.0	0.0
Disposals	(16.4)	0.0	0.0	0.0
Tax value at 31 January	**90.1**	**101.1**	**0.0**	**0.0**

Disposals for 2012 relate to a reassessment of previously unrecognised deferred tax assets in Hartmann North America, which have now been recognised in profit/loss for the year.

Deferred tax assets that are not expected to be realised or that are otherwise subject to significant risks of not being utilised are not recognised. Deferred tax assets not recognised relate to Hartmann North America.

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22 INVENTORIES

	Group		Parent company	
	2012	2011	2012	2011
Raw materials and consumables	60.2	60.0	36.2	33.7
Work in progress	13.3	15.3	4.3	0.0
Finished goods and goods for resale	57.2	43.7	21.1	16.4
Inventories at 31 December	**130.7**	**119.0**	**61.6**	**50.1**
Inventories recognised at net realisable value	5.1	5.1	3.7	5.1

The group has not pledged inventories as security for debt items to any third party.

23 TRADE RECEIVABLES

	Group		Parent company	
	2012	2011	2012	2011
Trade receivables (gross)	249.6	246.8	190.5	191.3
Provision for bad debt:				
Provision at 1 January	5.1	6.2	1.7	0.0
Provision for the year	6.5	1.8	3.8	1.5
Losses incurred during the year	(0.2)	(2.9)	(0.2)	0.2
Provision at 31 December	11.4	5.1	5.3	1.7
Trade receivables (net)	**238.2**	**241.7**	**185.2**	**189.6**
Trade receivables (net) correspond to an average credit period of (days)	56	59	56	61
Trade receivables can be specified as follows:				
Not due	182.4	171.8	139.7	131.4
Overdue:				
By 1-30 days	30.6	39.4	25.0	33.1
By 31-60 days	6.8	13.0	5.4	10.4
By more than 60 days	18.4	17.5	15.1	14.7
	238.2	**241.7**	**185.2**	**189.6**

The group's write-downs on debtors were all attributable to specific customers.

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24 SHARE CAPITAL

		Parent company
Share capital at 1 January 2008		70.2
Addition at 24 June 2008		70.1
Share capital at 31 December 2012	**7,015,090 shares of DKK 20 each**	**140.3**

No shares confer special rights.

In June 2008, Hartmann carried out a rights issue. The share capital was increased by DKK 70.1 million, and the company's previous three share classes were merged into one single share class.

Treasury shares

Pursuant to an authorisation from the shareholders, Brødrene Hartmann A/S may acquire up to 10% of its own shares. The authorisation is valid until 11 October 2013.

Hartmann holds 100,000 treasury shares representing a nominal value of DKK 2 million, or 1.4% of the total share capital. The value of the shares at 31 December 2012 was DKK 11.1 million (2011: DKK 10.1 million).

Dividend

Proposed dividend

For the financial year ended 31 December 2012, the Board of Directors has proposed dividends of DKK 65.7 million (2011: DKK 64.0 million), corresponding to DKK 9.50 (2011: DKK 9.25) per share to be paid to the shareholders immediately after the annual general meeting to be held on 9 April 2013, subject to the shareholders' approval of the proposal. As the dividends are subject to approval by the shareholders, they have not been recognised as a liability in the balance sheet at 31 December 2012. Proposed dividend does not include dividend on treasury shares.

Dividend paid

For the financial year ended 31 December 2012, Hartmann distributed dividends of DKK 64.0 million (2011: DKK 15.6 million), corresponding to DKK 9.25 (2011: DKK 2.25) per share.

25 PENSION OBLIGATIONS

Defined contribution pension plans

Hartmann offers pension plans which cover certain groups of employees in Denmark and abroad. As a general rule, the pension plans are defined contribution plans under which Hartmann recognises regular payments of premiums to independent insurers who are responsible for the pension obligations (e.g. a fixed amount or a fixed percentage of the salary). 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 pension 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 net present value.

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

The total pension obligations related to funded plans in the subsidiary in Canada and unfunded plans in the subsidiary in Germany.

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25 PENSION OBLIGATIONS CONT'D

	Group	
	2012	2011
Recognition of the obligation relating to defined benefit plans in the balance sheet:		
Pension obligations and similar obligations	46.8	36.0
Pension assets	0.0	0.0
	46.8	**36.0**
Calculation of net obligation		
Present value of plan with plan assets	75.7	64.2
Market value of plan assets	(59.7)	(53.0)
Net obligation of plans with plan assets	16.0	11.2
Present value of plan without plan assets	30.8	24.8
Recognised net obligation	**46.8**	**36.0**
Calculation of total pension obligation		
Present value of plan with plan assets	75.7	64.2
Present value of plan without plan assets	30.8	24.8
Pension obligations	**106.5**	**89.0**
Changes in obligations		
Pension obligations at 1 January	89.0	74.9
Foreign exchange adjustment	0.7	0.7
Pension costs for the period	3.0	2.3
Employee contributions	1.1	0.7
Calculated interest expenses	4.3	4.0
Actuarial (gain)/loss	12.5	9.4
Benefits paid out	(4.1)	(3.0)
Total pension obligations at 31 December	**106.5**	**89.0**
Changes in plan assets		
Market value of assets at 1 January	53.0	50.9
Foreign exchange adjustment	0.5	0.4
Calculated expected return	2.5	3.0
Actuarial gain/(loss)	0.0	(4.1)
Contributions to the plans	6.5	4.6
Benefits paid out	(2.8)	(1.8)
Market value of assets at 31 January	**59.7**	**53.0**
Breakdown of actual return on plan assets:		
Estimated return on plan assets	2.5	3.0
Actuarial gains/(losses)	0.0	(4.1)
	2.5	**(1.1)**

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25 PENSION OBLIGATIONS CONT'D

	2012		2011	
Distribution of plan assets	**DKKm**	**%**	**DKKm**	**%**
Shares and investment funds	39.2	65.7	36.0	67.9
Bonds and other securities	15.5	26.0	14.0	26.4
Cash and cash equivalents	5.0	8.3	3.0	5.7
	59.7	**100.0**	**53.0**	**100.0**

None of the plan assets relate to any of the group entities.

	Group	
	2012	**2011**
Assumptions applied		
Discount rate	3.1-4.6%	4.3-5.5%
Estimated return on plan assets	3.9-4.6%	6.0%
Future rate of increase in salaries	2.0-3.0%	2.0-3.0%
Recognised in profit/loss for the year		
Pension costs relating to the current financial year	3.0	2.3
Calculated expected return on assets	(2.5)	(3.0)
Calculated interest expenses on obligations	4.3	4.0
Total amount recognised in respect of defined benefit plans	4.8	3.3
Total amount recognised in respect of defined contribution plans	34.7	31.7
	39.5	**35.0**
Costs are recognised under the following line items in the statement of comprehensive income:		
Production costs	31.7	28.6
Selling and distribution costs	2.7	2.0
Administrative expenses	3.3	3.4
Staff costs, cf. note 9	**37.7**	**34.0**
Financial income	(2.5)	(3.0)
Financial expenses	4.3	4.0
	39.5	**35.0**
Recognised through other comprehensive income		
Recognised at 1 January	(20.1)	(7.2)
Foreign exchange adjustment	(0.2)	(0.5)
Actuarial gains/(losses) for the period	(12.5)	(13.5)
Effect of limit in the form of asset cap	0.0	1.1
Recognised at 31 December	**(32.8)**	**(20.1)**
Deferred tax relating to changes recognised through other comprehensive income		
Recognised at 1 January	(5.2)	(2.0)
Foreign exchange adjustment	(0.1)	(0.1)
Deferred tax for the period	(3.2)	(3.1)
Recognised at 31 December	**(8.5)**	**(5.2)**

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25 PENSION OBLIGATIONS CONT'D

Five-year summary	2012	2011	2010	2009	2008
Liabilities	106.5	89.0	74.9	60.6	47.6
Plan assets	(59.7)	(53.0)	(50.9)	(39.8)	(29.0)
Unfunded	**46.8**	**36.0**	**24.0**	**20.8**	**18.6**
Experience-based adjustments of obligations	12.6	9.4	5.3	6.1	(9.4)
Experience-based adjustments of plan assets	0.0	(4.1)	0.6	2.0	(4.8)

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

Hartmann expects to contribute DKK 6.5 million (2011: DKK 4.6 million) to plan assets in 2013.

26 GOVERNMENT GRANTS

	Group		Parent company	
	2012	2011	2012	2011
Government grants at 1 January	27.7	23.9	5.6	6.4
Foreign exchange adjustment	1.6	(1.6)	-	-
Additions*	0.2	7.9	0.0	0.0
Disposals	(0.2)	(0.1)	0.0	0.0
Recognised in the statement of comprehensive income	(4.0)	(2.4)	(0.8)	(0.8)
Carrying amount of government grants at 31 December	**25.3**	**27.7**	**4.8**	**5.6**
Of which recognised as non-current liabilities	22.2	24.7	4.1	4.8
Of which recognised as current liabilities	3.1	3.0	0.7	0.8
	25.3	**27.7**	**4.8**	**5.6**

* A reassessment of the prospects of utilising grants receivable in the form of reduced tax payments in the Hungarian production company entailed an addition of DKK 7.9 million in 2011. See also note 20.

Hartmann regularly receives government grants for development-related and energy-saving projects. In 1995, Brødrene Hartmann A/S received a major grant towards the construction of the combined heat and power plant. No repayment obligations are currently linked to the grants.

In addition to the government grants to the parent company, Hartmann has also received government grants for production companies in Germany and Hungary.

In the event that eligible assets in the German subsidiary are not used in accordance with the eligibility criteria, the repayment obligation would total DKK 0.4 million at 31 December 2012 (2011: DKK 0.5 million). The repayment obligation will be gradually reduced in the period up until the end of 2013.

The Hungarian subsidiary received government grants in the form of direct grants and in the form of reduced future tax payments. The grants are capped at 50% of the investment, corresponding to a nominal amount of DKK 72.3 million, of which direct grants represent a nominal amount of DKK 9.0 million. If the eligibility criteria are not met, future grants receivable in the form of reduced tax payments may be reduced or discontinued. Actual government grants received in the form of reduced future tax payments was DKK 15.3 million at 31 December 2012 (2011: DKK 11.1 million).

Hartmann expects to meet the eligibility criteria for the grants received in Germany and Hungary, respectively.

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27 PROVISIONS

	Group		Parent company	
	2012	2011	2012	2011
Warranty commitments at 1 January	1.6	1.1	1.6	1.3
Additions	1.6	1.2	1.6	1.2
Disposals	(1.0)	(0.7)	(1.0)	(0.9)
Warranty commitments at 31 December	**2.2**	**1.6**	**2.2**	**1.6**
Provisions at 31 December	**2.2**	**1.6**	**2.2**	**1.6**

Provision has been made for warranty commitments in cover of contract-related warranty complaints for goods and services already delivered. The commitment has been calculated on the basis of historical warranty costs.

28 OTHER PAYABLES

	Group		Parent company	
	2012	2011	2012	2011
Salaries and holiday pay, etc.	58.4	56.5	34.7	34.7
VAT and other taxes	1.0	1.0	0.0	0.0
Interest rate swaps and forward contracts	5.1	8.0	5.1	6.7
Other liabilities	37.6	37.4	21.4	13.1
Other payables	**102.1**	**102.9**	**61.2**	**54.5**

NOTES WITHOUT REFERENCE

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29 FEE TO SHAREHOLDER-APPOINTED AUDITOR

	Group		Parent company	
	2012	2011	2012	2011
Fee to Deloitte				
Statutory audit	2.2	2.0	1.0	1.0
Assurance engagements other than audits	0.2	0.5	0.2	0.5
Tax and VAT-related services	0.3	0.3	0.2	0.3
Other services	0.3	0.7	0.3	0.2
Fee to shareholder-appointed auditor	**3.0**	**3.5**	**1.7**	**2.0**

30 PROVISION OF SECURITY AND CONTINGENT LIABILITIES

Joint taxation

Brødrene Hartmann A/S and its Danish subsidiaries are jointly taxed with Thornico A/S as of 18 December 2012. As of 18 December 2012, the company is thus partly jointly and severally liable, partly has secondary liability in respect of any obligations to withhold taxes on interest, royalties and dividends applying to the jointly taxed companies. The 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.

Pending legal proceedings

The group is party to a few lawsuits and disputes. Management believes that these lawsuits and disputes will not significantly affect the financial position of the group or the parent company. This situation is unchanged from last year.

31 OPERATING LEASES

	Group		Parent company	
	2012	2011	2012	2011
Expected maturity				
Within 1 year	11.2	12.5	5.6	6.8
Between 1 to 5 years	28.8	29.4	13.6	14.4
Due after 5 years	5.2	11.1	0.8	3.7
Rental and leasing obligations	**45.2**	**53.0**	**20.0**	**24.9**
Rental and leasing obligations (operating leases)	12.5	12.9	6.8	7.0

DKK 16.2 million of the total rental and leasing obligations related to the lease obligation concerning the lease Ørnegårdsvej 18, 2820 Gentofte, Denmark (2011: DKK 18.8 million).

32 OTHER CONTRACTUAL OBLIGATIONS

The parent company has signed a six-year maintenance agreement for the company's combined heat and power plant. The contract term expires on 30 September 2013, and the company will incur costs of up to DKK 1.9 million under the contract in 2013 (2011: DKK 3.2 million). Moreover, the heat and power plant is under an obligation to supply heat to the district heating company Tønder Fjernvarme unless the municipal council of Tønder resolves to change the district heating supply.

NOTES WITHOUT REFERENCE

33 FINANCIAL RISKS

General risks
Changes in Hartmann's profit/loss and equity are affected by a number of financial risks, among them interest rate, currency, liquidity and credit risks.

See note 34 for a specification of financial instruments.

Financial risk management
The guidelines for managing the group's financial risks are set out in the company's finance policy, which has been approved by the Board of Directors.

Hartmann uses financial instruments to hedge some of the financial risks that arise out of its commercial activities. The group does not engage in transactions for the purpose of speculation.

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

Interest rate risk
Hartmann's interest rate risk relates mainly to the group's interest-bearing debt to credit institutions.

Management of interest rate risk
As part of its interest rate policy, Hartmann seeks to reduce the impact of interest rate fluctuations on its profit/loss and financial position to the greatest extent possible.

Financing is primarily arranged in the form of non-current, committed credit facilities in the group's main currencies, DKK and EUR. Hartmann uses interest rate swaps to hedge interest rate risk.

It is Hartmann's policy to convert between 50% and 100% of the group's non-current credit facilities into fixed-rate facilities using interest rate swaps. Assessments are made on an ongoing basis as to how large a proportion of Hartmann's non-current credit facilities should be converted into fixed-rate facilities.

Hartmann has converted floating rate loans into fixed-rate loans using interest rate swaps. Loans converted through interest rate swaps represented 58% (2011: 64%) of non-current credit facilities.

A change in the general interest rate level by 1 percentage point would affect profit/loss for the year by approximately DKK 1 million.

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

Hartmann is exposed to transaction risk due to cross-border transactions leading to contractual cash flows in foreign currency.

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

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

Due to its foreign subsidiaries, Hartmann is exposed to translation risks since a major part of the group's earnings and net assets derive from these foreign subsidiaries and is therefore translated and included in the consolidated financial statements, which are presented in DKK.

In terms of net position, foreign subsidiaries' reporting in the currencies CAD, EUR, HRK, HUF and ILS represents Hartmann's greatest translation exposure.

Management of currency risk
As part of its currency policy, Hartmann seeks to limit the impact of exchange rate fluctuations on its profit/loss and financial position to the greatest extent possible.

The group's currency exposure is hedged to the effect that primary currencies are continuously hedged for a period of not less than 6 and not more than 12 months.

Gains and losses on derivative financial instruments are recognised in profit or loss when the hedged transactions are realised. The effectiveness of hedges is assessed on an ongoing basis.

Translation risk is not hedged, as it does not have any direct impact on Hartmann's cash resources or underlying cash flows.

Currency risk relating to investments in foreign subsidiaries is not hedged (2011: approximately 37% of the investment in Canada of DKK 150 million in aggregate was hedged).

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

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

NOTES WITHOUT REFERENCE

33 FINANCIAL RISKS CONT'D

The group has entered into a non-current committed credit facility expiring on 30 June 2015 (the 'loan'). The loan amounted to DKK 270 million at 31 December 2012, which is written down by DKK 5 million every quarter.

The interest margin on the loan is floating and is fixed each quarter based the group's earnings.

The loan is subject to standard covenants which Hartmann must observe in order to maintain the loan, including special financial covenants concerning the financial ratios 'solvency' and 'net interest-bearing debt' in proportion to 'operating profit/(loss) before depreciation, amortisation and impairment'. In 2012, the group complied with all covenants.

The loan agreement further contains a number of provisions whereby significant credit facilities may be withdrawn in the event of a change of control of the company. On 18 December 2012, the company was subject to a change of control. The lender has been notified. The change has been approved, and the loan will continue on unchanged terms and conditions.

The group's short-term liquidity is managed primarily by the transfer of liquidity from the subsidiaries to the parent company for the purpose of directing cash to units with cash requirements.

Financing in Hartmann's subsidiaries is primarily arranged through the parent company. However, local conditions may result in financing being arranged through one of the group's foreign banks.

The drawing rights are short-term credit facilities on which the group may draw and which may at any time be terminated by the bank.

The agreements concerning the loan and the drawing rights, respectively, contain cross default clauses.

The group's undrawn credit facilities with banks amounted to DKK 278 million at 31 December 2012 (2011: DKK 301 million). Cash and cash equivalents amounted to DKK 77 million at 31 December 2012 (2011: DKK 40 million). Accordingly, total cash available to the group amounted to DKK 355 million at 31 December 2012 (2011: DKK 341 million). The calculation of total cash did not take into account compliance with covenants.

Management believes that the group has sufficient cash resources to cover the ongoing financing of current and planned operations.

Credit risk
Hartmann's credit risk arises in relation to the risk of losses on receivables, financial instruments with a positive fair value and cash and cash equivalents.

Management of credit risk
It is Hartmann's policy to take out credit insurance on its trade receivables. In certain circumstances local conditions make it impossible to take out credit insurance. In these cases, Hartmann applies a stricter internal credit assessment procedure, retrieving information on credit ratings from various information sources.

Write-downs of debtors are made individually. The credit risk in relation to receivables is therefore assessed to have been included in carrying amounts.

It is Hartmann's policy to limit trading in derivative financial instruments and investments of surplus liquidity to banks with satisfactory credit ratings from one or more credit rating agencies.

Hartmann does not have any significant credit risk in relation to derivative financial instruments or cash and cash equivalents. The maximum credit risk corresponds to the carrying amount.

Capital structure
It is the group's objective to achieve a level of flexibility sufficient to carry out and fulfil the strategic objectives while at the same time ensuring a competitive yield for its shareholders. It is also an objective to secure financial stability for the purpose of reducing Hartmann's cost of capital.

The Board of Directors takes the general view that excess capital should be distributed by means of dividends or share buy-backs in order to generally maintain Hartmann's equity ratio at a maximum of 45%. However, the level of dividend declared will always take into account Hartmann's growth plans and liquidity requirements. The loan agreement also contains restrictions with respect to Brødrene Hartmann A/S' possibility of distributing dividends, since changes in the general dividend policy are subject to consent from the bank.

At the annual general meeting to be held on 9 April 2013, the Board of Directors will propose that the company distribute dividends of DKK 9.50 per share for the financial year ended 31 December 2012.

NOTES WITHOUT REFERENCE

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34 FINANCIAL INSTRUMENTS

MATURITIES OF FINANCIAL LIABILITIES INCLUDING INTEREST PAYMENTS

Group	Carrying amount	Payment obligation	Within 1 year	Between 1-5 years	After 5 years
2012					
Overdraft facilities	10.6	10.6	10.6	0.0	0.0
Other credit institutions	203.1	211.3	3.0	208.3	0.0
Trade payables	120.0	120.0	120.0	0.0	0.0
Payables to associates	2.0	2.0	2.0	0.0	0.0
Other payables	103.6	103.6	102.1	1.5	0.0
	439.3	**447.5**	**237.7**	**209.8**	**0.0**
2011					
Overdraft facilities	26.5	26.5	26.5	0.0	0.0
Other credit institutions	184.9	196.0	4.1	191.9	0.0
Trade payables	118.6	118.6	118.6	0.0	0.0
Payables to associates	3.7	3.7	3.7	0.0	0.0
Other payables	106.1	106.1	102.9	3.2	0.0
	439.8	**450.9**	**255.8**	**195.1**	**0.0**

Parent company	Carrying amount	Payment obligation	Within 1 year	Between 1-5 years	After 5 years
2012					
Overdraft facilities	10.6	10.6	10.6	0.0	0.0
Other credit institutions	203.1	211.3	3.0	208.3	0.0
Trade payables	66.9	66.9	66.9	0.0	0.0
Payables to subsidiaries	165.6	165.6	165.6	0.0	0.0
Payables to associates	2.0	2.0	2.0	0.0	0.0
Other payables	62.7	62.7	61.2	1.5	0.0
	510.9	**519.1**	**309.3**	**209.8**	**0.0**
2011					
Overdraft facilities	26.5	26.5	26.5	0.0	0.0
Other credit institutions	184.9	196.0	4.1	191.9	0.0
Trade payables	65.7	65.7	65.7	0.0	0.0
Payables to subsidiaries	166.1	166.1	166.1	0.0	0.0
Payables to associates	3.7	3.7	3.7	0.0	0.0
Other payables	57.7	57.7	54.5	3.2	0.0
	504.6	**515.7**	**320.6**	**195.1**	**0.0**

NOTES WITHOUT REFERENCE

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34 FINANCIAL INSTRUMENTS CONT'D

FINANCIAL INSTRUMENT CATEGORIES

Group	2012 Carrying amount	2012 Fair value	2011 Carrying amount	2011 Fair value
Derivative financial instruments to hedge future cash flows	0.2	0.2	0.0	0.0
Financial assets used as hedging instruments	**0.2**	**0.2**	**0.0**	**0.0**
Trade receivables	238.2	238.2	241.7	241.7
Other receivables	45.8	45.8	42.2	42.2
Cash and cash equivalents	77.0	77.0	40.3	40.3
Loans and receivables	**361.0**	**361.0**	**324.2**	**324.2**
Derivative financial instruments to hedge future cash flows	6.6	6.6	11.2	11.2
Financial liabilities used as hedging instruments	**6.6**	**6.6**	**11.2**	**11.2**
Credit institutions	213.7	213.7	211.4	211.4
Other liabilities	219.3	219.3	217.7	217.7
Financial liabilities measured at amortised cost	**433.0**	**433.0**	**429.1**	**429.1**

Parent company	2012 Carrying amount	2012 Fair value	2011 Carrying amount	2011 Fair value
Trade receivables	185.2	185.2	189.6	189.6
Other receivables	42.3	42.3	42.1	42.1
Cash and cash equivalents	11.8	11.8	0.1	0.1
Loans and receivables	**239.3**	**239.3**	**231.8**	**231.8**
Derivative financial instruments to hedge future cash flows	6.6	6.6	9.9	9.9
Financial liabilities used as hedging instruments	**6.6**	**6.6**	**9.9**	**9.9**
Credit institutions	213.7	213.7	211.4	211.4
Other liabilities	290.6	290.6	283.4	283.4
Financial liabilities measured at amortised cost	**504.3**	**504.3**	**494.8**	**494.8**

NOTES WITHOUT REFERENCE

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34 FINANCIAL INSTRUMENTS CONT'D

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 companies. Interest rate exposure relates to changes in the market rate applicable to the group's interest-bearing debt.

Forward exchange contracts and interest rate swaps are used to hedge future cash flows. In accordance with the group's accounting policies, the fair value of financial instruments has been recognised in receivables and payables at 31 December 2012. Changes in the fair value of financial instruments that qualify for hedge accounting as hedges of future cash flows are recognised in other comprehensive income.

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

	2012			2011		
Group	Positive	Negative	Net	Positive	Negative	Net
Currency-related instruments						
Forward contract, GBP/DKK	0.8	0.0	0.8	0.0	(1.3)	(1.3)
Forward contract, PLN/DKK	0.0	(0.9)	(0.9)	1.2	(0.2)	1.0
Forward contract, SEK/DKK	0.0	0.0	0.0	0.0	(0.4)	(0.4)
Forward contract, CHF/DKK	0.1	0.0	0.1	0.6	(0.2)	0.4
Forward contract, EUR/HUF	0.0	(2.0)	(2.0)	0.0	(4.2)	(4.2)
Forward contract, USD/CAD	0.2	0.0	0.2	0.0	(1.3)	(1.3)
	1.1	(2.9)	(1.8)	1.8	(7.6)	(5.8)
Interest-related instruments						
Interest rate swap, EUR/EUR	0.0	(4.5)	(4.5)	0.0	(5.4)	(5.4)
	0.0	(4.5)	(4.5)	0.0	(5.4)	(5.4)
	1.1	**(7.4)**	**(6.3)**	**1.8**	**(13.0)**	**(11.2)**
Expected maturity						
Within 1 year	1.1	(5.9)	(4.8)	1.8	(9.8)	(8.0)
Between 1-2 years	0.0	(1.5)	(1.5)	0.0	(3.2)	(3.2)
	1.1	**(7.4)**	**(6.3)**	**1.8**	**(13.0)**	**(11.2)**

NOTES WITHOUT REFERENCE

DKKm

34 FINANCIAL INSTRUMENTS CONT'D

	2012			2011		
Parent company	Positive	Negative	Net	Positive	Negative	Net
Currency-related instruments						
Forward contract, GBP/DKK	0.8	0.0	0.8	0.0	(1.3)	(1.3)
Forward contract, PLN/DKK	0.0	(0.9)	(0.9)	1.2	(0.2)	1.0
Forward contract, SEK/DKK	0.0	0.0	0.0	0.0	(0.4)	(0.4)
Forward contract, CHF/DKK	0.1	0.0	0.1	0.6	(0.2)	0.4
Forward contract, EUR/HUF	0.0	(2.0)	(2.0)	0.0	(4.2)	(4.2)
	0.9	(2.9)	(2.0)	1.8	(6.3)	(4.5)
Interest-related instruments						
Interest rate swap, EUR/EUR	0.0	(4.5)	(4.5)	0.0	(5.4)	(5.4)
	0.0	(4.5)	(4.5)	0.0	(5.4)	(5.4)
	0.9	**(7.4)**	**(6.5)**	**1.8**	**(11.7)**	**(9.9)**
Expected maturity						
Within 1 year	0.9	(5.9)	(5.0)	1.8	(8.5)	(6.7)
Between 1-2 years	0.0	(1.5)	(1.5)	0.0	(3.2)	(3.2)
	0.9	**(7.4)**	**(6.5)**	**1.8**	**(11.7)**	**(9.9)**

NOTES WITHOUT REFERENCE

DKKm

34 FINANCIAL INSTRUMENTS CONT'D

HEDGING OF FUTURE CASH FLOWS

				Expected date of transfer to profit/(loss) for the year		
Group	Notional amount	Fair value	Recognised in equity	Within 1 year	Between 1-2 years	After 2 years
2012						
Currency-related instruments						
Forward contract, CHF/DKK	26.0	0.1	0.1	0.1	0.0	0.0
Forward contract, GBP/DKK	42.5	0.8	0.8	0.8	0.0	0.0
Forward contract, PLN/DKK	30.2	(0.9)	(0.9)	(0.9)	0.0	0.0
Forward contract, USD/CAD	22.0	0.2	0.2	0.2	0.0	0.0
Forward contract, EUR/HRK	45.0	0.0	0.0	0.0	0.0	0.0
Forward contract, EUR/HUF	80.5	(2.0)	(2.0)	(2.0)	0.0	0.0
	246.2	(1.8)	(1.8)	(1.8)	0.0	0.0
Interest-related instruments						
Interest rate swap, EUR/EUR	119.4	(4.5)	(4.5)	(3.0)	(1.5)	0.0
	119.4	(4.5)	(4.5)	(3.0)	(1.5)	0.0
	365.6	**(6.3)**	**(6.3)**	**(4.8)**	**(1.5)**	**0.0**
2011						
Currency-related instruments						
Forward contract, CHF/DKK	22.0	0.4	0.4	0.4	0.0	0.0
Forward contract, GBP/DKK	34.7	(1.3)	(1.3)	(1.3)	0.0	0.0
Forward contract, PLN/DKK	24.0	1.0	1.0	1.0	0.0	0.0
Forward contract, SEK/DKK	15.8	(0.4)	(0.1)	(0.1)	0.0	0.0
Forward contract, USD/CAD	56.9	(1.3)	(1.3)	(1.3)	0.0	0.0
Forward contract, EUR/HRK	16.3	0.0	0.0	0.0	0.0	0.0
Forward contract, EUR/HUF	52.5	(4.2)	(4.2)	(4.2)	0.0	0.0
	222.2	(5.8)	(5.5)	(5.5)	0.0	0.0
Interest-related instruments						
Interest rate swap, EUR/EUR	118.9	(5.4)	(5.4)	(2.2)	(2.1)	(1.1)
	118.9	(5.4)	(5.4)	(2.2)	(2.1)	(1.1)
	341.1	**(11.2)**	**(10.9)**	**(7.7)**	**(2.1)**	**(1.1)**

NOTES WITHOUT REFERENCE

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34 FINANCIAL INSTRUMENTS CONT'D

Parent company	Notional amount	Fair value	Recognised in equity	Expected date of transfer to profit/(loss) for the year: Within 1 year	Between 1-2 years	After 2 years
2012						
Currency-related instruments						
Forward contract, CHF/DKK	26.0	0.1	0.1	0.1	0.0	0.0
Forward contract, GBP/DKK	42.5	0.8	0.8	0.8	0.0	0.0
Forward contract, PLN/DKK	30.2	(0.9)	(0.9)	(0.9)	0.0	0.0
Forward contract, EUR/HRK	45.0	0.0	0.0	0.0	0.0	0.0
Forward contract, EUR/HUF	80.5	(2.0)	(2.0)	(2.0)	0.0	0.0
	224.2	(2.0)	(2.0)	(2.0)	0.0	0.0
Interest-related instruments						
Interest rate swap, EUR/EUR	119.4	(4.5)	(4.5)	(3.0)	(1.5)	0.0
	119.4	(4.5)	(4.5)	(3.0)	(1.5)	0.0
	343.6	**(6.5)**	**(6.5)**	**(5.0)**	**(1.5)**	**0.0**
2011						
Currency-related instruments						
Forward contract, CHF/DKK	22.0	0.4	0.4	0.4	0.0	0.0
Forward contract, GBP/DKK	34.7	(1.3)	(1.3)	(1.3)	0.0	0.0
Forward contract, PLN/DKK	24.0	1.0	1.0	1.0	0.0	0.0
Forward contract, SEK/DKK	15.8	(0.4)	(0.1)	(0.1)	0.0	0.0
Forward contract, EUR/HRK	16.3	0.0	0.0	0.0	0.0	0.0
Forward contract, EUR/HUF	52.5	(4.2)	(4.2)	(4.2)	0.0	0.0
	165.3	(4.5)	(4.2)	(4.2)	0.0	0.0
Interest-related instruments						
Interest rate swap, EUR/EUR	118.9	(5.4)	(5.4)	(2.2)	(2.1)	(1.1)
	118.9	(5.4)	(5.4)	(2.2)	(2.1)	(1.1)
	284.2	**(9.9)**	**(9.6)**	**(6.4)**	**(2.1)**	**(1.1)**

NOTES WITHOUT REFERENCE

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34 FINANCIAL INSTRUMENTS CONT'D

FAIR VALUE HEDGING

	2012				2011			
	Monetary items		Covered by hedging	Net	Monetary items		Covered by hedging	Net
Group	Assets*	Liabilities	instruments	position	Assets*	Liabilities	instruments	position
CAD	11.2	(29.1)	0.0	(17.9)	19.9	(29.2)	0.0	(9.3)
CHF	3.1	(0.4)	0.0	2.7	6.7	(0.2)	0.0	6.5
EUR	117.8	(178.1)	0.0	(60.3)	114.7	(191.5)	0.0	(76.8)
GBP	22.4	(1.5)	0.0	20.9	18.5	(1.2)	0.0	17.3
HUF	37.5	(12.0)	0.0	25.5	13.7	(10.8)	0.0	2.9
PLN	25.5	(0.8)	0.0	24.7	31.3	(0.6)	0.0	30.7
SEK	2.9	0.0	0.0	2.9	2.2	0.0	0.0	2.2
USD	20.0	(14.1)	0.0	5.9	15.6	(6.8)	0.0	8.8
Other currencies	63.3	(22.2)	0.0	41.1	58.7	(19.7)	0.0	39.0
	303.7	**(258.2)**	**0.0**	**45.5**	**281.3**	**(260.0)**	**0.0**	**21.3**

* Excluding equity-like loans recognised in 'Hedging of net assets in foreign subsidiaries'.

	2012				2011			
	Monetary items		Covered by hedging	Net	Monetary items		Covered by hedging	Net
Parent company	Assets*	Liabilities	instruments	position	Assets	Liabilities	instruments	position
CAD	8.4	(14.6)	0.0	(6.2)	53.3	(56.2)	0.0	(2.9)
CHF	2.7	(2.3)	0.0	0.4	5.6	(3.2)	0.0	2.4
EUR	174.1	(267.9)	0.0	(93.8)	169.5	(232.1)	0.0	(62.6)
GBP	20.3	(1.6)	0.0	18.7	17.7	(2.9)	0.0	14.8
HUF	7.5	(24.7)	0.0	(17.2)	5.0	(51.0)	0.0	(46.0)
PLN	24.7	(2.4)	0.0	22.3	30.2	(2.2)	0.0	28.0
SEK	2.9	0.0	0.0	2.9	2.2	0.0	0.0	2.2
USD	0.4	0.0	0.0	0.4	0.1	0.0	0.0	0.1
Other currencies	6.8	(8.8)	0.0	(2.0)	4.6	(31.2)	0.0	(26.6)
	247.8	**(322.3)**	**0.0**	**(74.5)**	**288.2**	**(378.8)**	**0.0**	**(90.6)**

NOTES WITHOUT REFERENCE

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34 FINANCIAL INSTRUMENTS CONT'D

HEDGING OF NET ASSETS IN FOREIGN SUBSIDIARIES

	2012				2011			
Group	Investment*	Amount hedged	Net position	Foreign exch. adjustment recognised for the year in equity	Investment*	Amount hedged	Net position	Foreign exch. adjustment recognised for the year in equity
CAD	152.6	0.0	152.6	0.0	150.0	56.2	93.8	(0.4)
CHF	1.9	0.0	1.9	0.0	3.0	0.0	3.0	0.2
EUR	43.6	0.0	43.6	0.1	82.0	0.0	82.0	(0.2)
GBP	2.3	0.0	2.3	0.1	2.5	0.0	2.5	0.0
HRK	53.2	0.0	53.2	0.0	45.8	0.0	45.8	(1.9)
HUF	248.8	0.0	248.8	17.1	216.9	0.0	216.9	(27.8)
ILS	37.4	0.0	37.4	0.0	60.5	0.0	60.5	(2.3)
PLN	2.9	0.0	2.9	0.3	2.9	0.0	2.9	(0.3)
USD	0.8	0.0	0.8	(0.1)	0.6	0.0	0.6	0.0
Other currencies	0.4	0.0	0.4	0.0	0.5	0.0	0.5	0.0
	543.9	**0.0**	**543.9**	**17.5**	**564.7**	**56.2**	**508.5**	**(32.7)**

* Including equity-like loans

INTEREST RATE RISK

	2012				2011			
Group	Nominal value	Carrying amount	Interest rate	Interest rate risk	Nominal value	Carrying amount	Interest rate	Interest rate risk
Credit institutions								
Fixed rate*	119.4	119.4	3.6%	Fair value	118.9	118.9	3.6%	Fair value
Floating rate	94.3	94.3	1.1%	Cash flow	92.5	92.5	1.7%	Cash flow
	213.7	**213.7**			**211.4**	**211.4**		

	2012				2011			
Parent company	Nominal value	Carrying amount	Interest rate	Interest rate risk	Nominal value	Carrying amount	Interest rate	Interest rate risk
Credit institutions								
Fixed rate*	119.4	119.4	3.6%	Fair value	118.9	118.9	3.6%	Fair value
Floating rate	94.3	94.3	1.1%	Cash flow	92.5	92.5	1.7%	Cash flow
	213.7	**213.7**			**211.4**	**211.4**		

* In 2011, a floating-rate loan was raised with a credit institution and converted into a fixed rate loan using an interest rate swap. The interest rate swap maturity is equal to that of the underlying loan, which falls due for payment on 30 June 2015.

NOTES WITHOUT REFERENCE

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35 RELATED PARTIES

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

No security or guarantee has been provided in respect of any balances at the balance sheet date. Receivables and trade payables will be settled in cash. No losses have been incurred and no provisions for probable losses have been made in respect of receivables from related parties.

THE FOLLOWING TRANSACTIONS HAVE BEEN RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME AND THE BALANCE SHEET

	Group		Parent company	
	2012	2011	2012	2011
Companies with a controlling interest				
Revenue	6.9	-	6.9	-
Associates				
Production costs	18.5	26.7	18.5	26.7
Subsidiaries				
Revenue	-	-	37.0	0.4
Production costs	-	-	531.6	416.1
Other costs recognised in operating profit	-	-	(8.4)	(6.8)
Key management members and other related parties				
Administrative expenses	1.3	1.7	1.3	1.7
Trade payables	0.4	0.7	0.4	0.7

Companies with a controlling interest in Brødrene Hartmann A/S consist of Lactosan-Sanovo Holding A/S, which is the immediate owner, and Thornico A/S, the ultimate owner.

Associates consist of Danfiber A/S. See note 19.

Subsidiaries consist of companies in which Brødrene Hartmann A/S has a controlling interest. See note 17. Transactions with subsidiaries have been eliminated in the consolidated financial statements in accordance with the accounting policies.

Key management members and other related parties consist of members of the Executive Board and the Board of Directors of Brødrene Hartmann A/S. The remuneration paid to the members of the Executive Board and the Board of Directors is disclosed in note 9 to the financial statements and is not included in the amounts stated above.

36 EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date of significance to the consolidated financial statements or the parent company financial statements other than as recognised or disclosed in this annual report. See 'Events after the balance sheet date' on page 8.

NOTES WITHOUT REFERENCE

37 ACCOUNTING POLICIES

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent company, Brødrene Hartmann A/S, and enterprises 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). Enterprises in which the group holds between 20% and 50% of the voting rights and over which it exercises significant 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, net. On recognition of foreign subsidiaries and associates with functional currencies other than DKK, comprehensive income statement items are translated at the rate at the transaction date, and balance sheet items including goodwill are translated at the rate at the balance sheet date. The rate at the transaction date is calculated as the average rate of the individual month to the extent that this does not significantly distort the presentation.

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 in other comprehensive income in equity as a separate translation reserve. Foreign exchange adjustments of intra-group balances with foreign subsidiaries, which are considered part of the net investment in subsidiaries with functional currencies other than DKK, are recognised in the consolidated financial statements in other comprehensive income. Similarly, foreign exchange gains and losses on the parts of loans and derivative financial instruments that are designated as hedges of foreign subsidiaries which effectively set off foreign exchange gains and losses on investments in the subsidiary are also recognised in the consolidated financial statements in other comprehensive income.

On full or partial divestment of a foreign entity or on the settlement of intra-group balances that are considered part of the net investment, the part of accumulated foreign exchange adjustment that is recognised in equity that is attributable to that entity is recognised in the profit/loss for the year together with any gains or losses from the divestment.

Derivative financial instruments

The group uses forward exchange contracts and interest rate swaps to limit its currency and interest rate exposure. Derivative financial instruments are not used for speculative purposes. Derivative financial instruments are recognised at fair value 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 used 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 taken to the profit/loss for the year from other comprehensive income. The fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

STATEMENT OF COMPREHENSIVE INCOME

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the profit/loss for the year provided that delivery and transfer of risk to the buyer has taken place at the balance sheet date and that the income can be reliably measured and is expected to be received. Revenue relating to services is recognised on a straight-line basis as and when the services are delivered. Revenue from minor repair and

NOTES WITHOUT REFERENCE

37 ACCOUNTING POLICIES CONT'D

renovation work is recognised when the task is completed. In the case of major tasks, revenue is recognised as and when the tasks are performed. Revenue is measured at the fair value of the agreed consideration, excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue. Construction contracts relating to production of moulding machines involving delivery of plant that is to a large degree individually designed are recognised in revenue in proportion to the work completed, so that revenue is matched with the sales value of the work carried out during the year (the percentage of completion method). If the profit or loss from a construction contract cannot be reliably estimated, revenue is recognised only for costs incurred to the extent that it is likely such costs will be recovered.

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

Amortisation of capitalised development costs is also recognised.

Selling and distribution costs
Selling and distribution costs comprise costs in relation to freight, sales staff, advertising, exhibitions and depreciation.

Administrative expenses
Administrative expenses comprise expenses in relation to administrative staff, management, office premises, office expenses, depreciation and amortisation.

Other operating income and other operating expenses
Other operating income and other operating expenses comprise items of a secondary nature, e.g. gains and losses from disposal of property, plant and equipment.

Operating profit/(loss) before special items
Operating profit/(loss) before special items is a key figure for comparison with prior years.

Special items
Special items comprise significant 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 the item, including impairment of property, plant and equipment, impairment of goodwill 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 clearer presentation of operating profit. Special items are specified in a note to the financial statements.

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 profit/loss is recognised in the consolidated statement of comprehensive income.

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

Financial income and expenses
Financial income and expenses comprise interest, realised and unrealised foreign exchange adjustments, market value adjustment of securities, amortisation and surcharges and refunds under the on-account tax scheme. Also included are realised and unrealised gains and losses relating to derivative financial instruments not qualifying for hedge accounting.

Tax on profit/(loss) for the year
The parent company was subject to the Danish rules on joint taxation of the group's Danish companies until 18 December 2012. As of 18 December 2012, the group's Danish companies are jointly taxed with its principal shareholder, Thornico A/S, and its Danish subsidiaries. For the purpose of the settlement of joint taxation contributions, the current amount of Danish income tax payable is distributed among the jointly taxed companies in proportion to their taxable income. In this connection companies with a tax loss will receive joint taxation contributions from companies capable of utilising these losses to reduce their own taxable income (full absorption). 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, comprehensive income or equity, depending on where the item is recognised.

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/loss before special items adjusted for non-cash items, changes in working capital, interest paid and interest received, income tax paid and restructuring costs paid.

NOTES WITHOUT REFERENCE

37 ACCOUNTING POLICIES CONT'D

Cash flows from investing activities
Cash flows from investing activities comprise payments in connection with acquisition and divestment of intangible assets and property, plant and equipment, 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, 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.

Cash and cash equivalents
Cash and cash equivalents comprise cash and current bank debt.

BALANCE SHEET

Goodwill
On initial recognition goodwill is recognised in the balance sheet at cost. Goodwill is subsequently measured at cost less accumulated impairment. Goodwill is not amortised. The carrying amount of goodwill is allocated to the group's cash-generating units at the date of acquisition. The determination of cash-generating units is based on the management structure and internal financial control.

Other intangible assets
Development projects comprise salaries, amortisation, and other costs attributable to the group's development activities. Development projects that are clearly defined and identifiable, and where the technical utilisation degree, sufficient resources and potential future market or development opportunities in the group are evidenced, and where the group intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and there is sufficient assurance that future earnings or the net selling price can cover production costs, selling and distribution costs and administrative expenses as well as development costs. Development projects that do not qualify for recognition in the balance sheet are recognised in profit/loss for the year as and when the costs are incurred.

Costs for development and implementation of major IT systems are capitalised and amortised over the estimated economic life.

Other intangible assets are measured at cost less accumulated amortisation and impairment.

Amortisation is made on a straight-line basis over the estimated useful life which is:

- Development projects, 5-10 years
- Software etc., 5 years

Property, plant and equipment
Property, plant and equipment is measured at cost less accumulated depreciation and impairment. 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 direct and indirect 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 is no longer recognised in the balance sheet, but is transferred to the profit/loss for the year. All other costs related to general repair and maintenance are recognised in profit/loss for the year as and when incurred. Property, plant and equipment is depreciated on a straight-line basis over the expected useful lives of the assets/components:

- Buildings and building parts, 10-25 years
- Technical plant and machinery, 3-25 years
- Fixtures and fittings, tools and 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 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 selling costs 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.

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' equity value calculated in accordance with the group's accounting policies with deduction or addition of the proportionate share of unrealised intra-group gains and losses plus the carrying amount of goodwill.

NOTES WITHOUT REFERENCE

37 ACCOUNTING POLICIES CONT'D

Investments in subsidiaries and associates in the parent company's financial statements
Investments in subsidiaries and associates are measured at cost. Where the cost is higher than the recoverable amount, the investments are written down to this lower value.

Impairment of non-current assets
Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually, the first impairment test being performed prior to the expiry of the year of acquisition. Similarly, annual impairment tests are performed on development projects in progress.

The carrying amount of goodwill is tested for impairment at least annually together with the other non-current assets of the cash-generating unit to which goodwill has been allocated and is written down to the recoverable amount over income if the carrying amount is higher. The recoverable amount is calculated as the net present value of expected future net cash flows from the enterprise or operation (cash generating unit) to which the goodwill is allocated. Deferred tax assets are tested 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. The assessment takes account of the type and nature of the recognised deferred tax asset, the estimated time frame for the set-off of the deferred tax asset, tax-planning possibilities etc. The carrying amount of other non-current assets is tested annually for any indication of impairment. When there is an indication that an asset may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of the 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/loss for the year. Impairment losses on goodwill are not reversed. Impairment losses on other assets are reversed to the extent that changes have occurred in the assumptions and estimates used to determine impairment. Reversals of impairment are made 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 or amortisation, had the original write-down not been made.

Inventories
Inventories are measured at cost using the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. 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.

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.

Current and non-current receivables
Receivables, including government grants receivable, are measured at amortised cost. If a receivable is deemed to be impaired, it is written down. Write-downs are made individually and on a portfolio basis.

Prepayments
Prepayments comprise costs incurred that relate to 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 approved 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 as retained earnings in equity.

Currency translation reserve
The translation reserve in the consolidated financial statements includes foreign exchange differences on the translation of the financial statements of foreign subsidiaries from their functional currency to the presentation currency of the group.

Hedging reserve
The hedging reserve contains the accumulated net change in fair value of hedging transactions that qualify as hedging of future cash flows and for which the hedged transaction has not yet been realised.

Pension obligations
Obligations relating to defined contribution plans, under which the group regularly pays fixed contributions into an independent pension fund, are recognised in profit/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 of the future developments in variables such as salary levels, interest, inflation and

NOTES WITHOUT REFERENCE

37 ACCOUNTING POLICIES CONT'D

mortality rates. The present value is only calculated for benefits earned by the employees through their employment with the group to date. The actuarial present value less the fair value of any plan assets is recognised in the balance sheet under pension obligations. The pension costs for the year, based on actuarial estimates and financial forecasts at the beginning of the year, are recognised in the profit/loss for the year. 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 via other comprehensive income. If a pension plan constitutes a net asset, the asset is recognised only insofar as it leads to future refunds under the plan or a reduction in future contributions to the plan.

Income tax and deferred 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 income of prior years and for tax paid on account. Joint taxation contributions payable and receivable are recognised in the balance sheet of the parent company under intra-group balances with group enterprises.

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 on temporary differences relating to goodwill which is not deductible for tax purposes and office buildings and other items is not recognised where temporary differences – other than business acquisitions – arise at the date of acquisition without affecting either the profit/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 profits 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.

Provisions

Provisions consist of warranty commitments. Provisions are recognised when, as a result of events occurring before or at the balance sheet date, the group incurs a legal or constructive obligation and it is probable that there may be an outflow of financial resources 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 when goods and services are sold on the basis of warranty costs incurred in prior financial years.

Financial liabilities

Financial liabilities comprise debt to credit institutions, trade creditors, payables to subsidiaries and associates and other debt.

Debt to credit institutions is recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities 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 income over the term of the loan.

Other liabilities are measured at net realisable value.

Government grants

Grants relating to property, plant and equipment are recognised as liabilities in the balance sheet. The grants are recognised in profit/loss for the year over the useful lives of the assets.

SEGMENT INFORMATION

The reporting of business segments is in accordance with the internal reporting to the Executive Board and the Board of Directors.

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

The internal management reporting follows the group's 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 segments on a reliable basis. Profit/losses in associates, financial income and expenses, income taxes, investments in associates, tax assets and tax liabilities, and cash and cash equivalents and bank debt are not allocated to reporting segments.

The reporting segments are:
- Europe
- North America

NOTES WITHOUT REFERENCE

37 ACCOUNTING POLICIES CONT'D

DEFINITIONS OF FINANCIAL RATIOS

The financial ratios are calculated in accordance with 'Recommendations & Ratios, 2010', issued by the Danish Society of Financial Analysts.

Invested capital

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

Net working capital (NWC)

Inventories + receivables + other current operating assets - pension obligations - trade payables - other current operating liabilities

Net interest-bearing debt

Credit institutions + overdraft facilities - cash and cash equivalents

Profit margin

$$\frac{\text{Operating profit/(loss) (EBIT)} \times 100}{\text{Revenue}}$$

Return on invested capital (ROIC)

$$\frac{\text{Operating profit/(loss) (EBIT)}}{\text{Average invested capital}}$$

Return on equity

$$\frac{\text{Profit/(loss) for the year} \times 100}{\text{Average total equity}}$$

Equity ratio

$$\frac{\text{Total equity, year end} \times 100}{\text{Total assets}}$$

Gearing

$$\frac{\text{Net interest-bearing debt} \times 100}{\text{Total equity, year end}}$$

Earnings per share (EPS)

$$\frac{\text{Profit for the year}}{\text{Average no. of shares}}$$

The calculation of diluted EPS is adjusted for outstanding share options.

Book value per share

$$\frac{\text{Total equity, year end}}{\text{No. of shares (excluding treasury shares), year end}}$$

Price/earnings

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

Pay-out ratio

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

Cash flow per share

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

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Board have today considered and approved the annual report of Brødrene Hartmann A/S for the financial year 1 January - 31 December 2012.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2012 and of the results of their operations and cash flows for the financial year 1 January - 31 December 2012.

In our opinion, the management report contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

We recommend the annual report for adoption at the Annual General Meeting.

Gentofte, 7 March 2013

Executive Board:

Michael Rohde Pedersen
Chief Executive Officer

Marianne Rørslev Bock
Chief Financial Officer

Board of Directors:

Agnete Raaschou-Nielsen
Chairman

Walther V. Paulsen
Vice Chairman

Jan Peter Antonisen

Niels Hermansen

Jørn Mørkeberg Nielsen

Niels Christian Petersen

Peter-Ulrik Plesner

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BRDR. HARTMANN A/S

Report on the consolidated financial statements and parent financial statements
We have audited the consolidated financial statements and parent financial statements of Brdr. Hartmann A/S for the financial year 1 January - 31 December 2012, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as for the Parent. The consolidated financial statements and parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and parent financial statements
Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as Management determines is necessary to enable the preparation and fair presentation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2012, and of the results of their operations and cash flows for the financial year 1 January - 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the management commentary
Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not per-formed any further procedures in addition to the audit of the consolidated financial statements and parent finan-cial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 7 March 2013

Deloitte
Statsautoriseret Revisionspartnerselskab

Anders Dons *State Authorised* *Public Accountant*	Martin Faarborg *State Authorised* *Public Accountant*

HARTMANN AT A GLANCE

Hartmann is one of the three largest producers of moulded-fibre egg packaging and one of the world's largest producers of machinery for producing moulded-fibre packaging. Hartmann's market position can be ascribed to its strong technology know-how and extensive experience of production of moulded fibre since 1936.

Sustainability
Sustainability and environmental considerations are integral elements of Hartmann's business model and strategy. All of Hartmann's products are based on recycled paper; a renewable, CO_2-neutral and biodegradable resource. Hartmann works closely with its customers to support the need for sustainable products in the retail trade, and the company is the first to offer FSC-certified and CO_2-neutral retail packaging.

Markets
Hartmann's egg packaging is sold globally. The group's principal markets consist of Europe and North America, where Hartmann has strong market positions. Hartmann is the market leader in Europe and has a small share of the North American market. Hartmann's technology, including machinery and services, is also sold globally outside its key markets.

Customers
Hartmann sells egg packaging to producers, distributors and to retail chains, which are increasingly seeking Hartmann's expertise in the marketing of eggs. Hartmann's technology and related services are sold to producers of moulded-fibre egg packaging. Hartman has more than 1,500 customers in 50 countries, and most of these customers have long-standing relations with Hartmann. In 2012, Hartmann generated total revenue of DKK 1.5 billion.

Organisation
Hartmann has about 1,500 employees, and its head office is situated in Gentofte, Denmark. Production takes place at Hartmann's own manufacturing facilities. Five of these facilities are located in Europe, one is located in Israel and one in Canada. The group has sales offices in twelve countries.

The Hartmann share
Hartmann's shares have been listed on NASDAQ OMX Copenhagen A/S since 1982. The company has one share class, and each share carries one vote. Interested parties can receive financial reports and company announcements by subscribing to Hartmann's news service at www.investor.hartmann-packaging.com.

CHOOSE FIBRE. SAVE NATURE.®

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CVR no. 63 04 96 11

This annual report was released as company announcement no. 4/2013 through NASDAQ OMX Copenhagen A/S in Danish and English. In case of discrepancies between the two versions and in case of doubt, the Danish version will prevail.