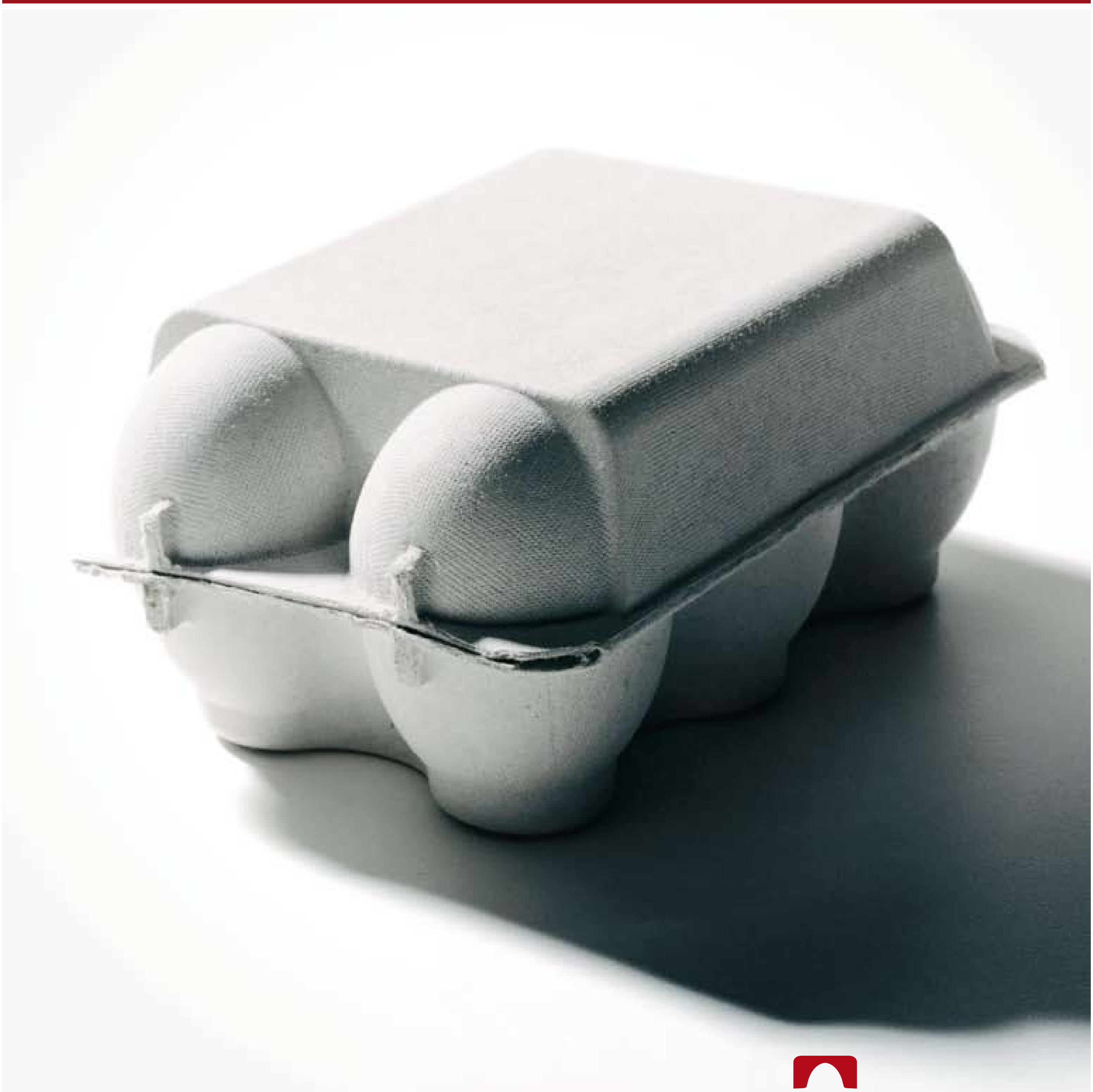
Annual Report 2007



HARTMANN

Contents


From paper to packaging
All Hartmann products are manufactured
on the basis of recycled paper
– a natural choice

'Forward to basics'

Under Hartmann's previous corporate globalisation strategy, efforts were focused on revenue growth and new markets. However, after several years of disappointing results, it has now been decided to abandon the growth strategy and shift focus to earnings.

Over the years, the Group has lost a lot of money on its overseas operations, and remedial action was urgently needed. We responded by launching a comprehensive turnaround process in 2007 entitled 'Forward to basics'. Besides shutting down the loss-making operations in South America and Asia and shifting focus to earnings rather than growth, the process involved a slimming of the entire organisation.

Difficult but crucial decisions

The decision to divest and shut down operations carried a hefty price tag, but both Board and management team are convinced that it was a necessary move. It was painful to shut down operations, and it was hard to say goodbye to many competent and good colleagues. We opted out of those operations that either are not necessary, not profitable or do not underpin the new direction.

Concurrent with the comprehensive clean-up process, many initiatives have been taken to improve operations and earnings in the European business. We have slimmed our product and customer portfolios – despite the price we have to pay for it in the short term, as it is faster to phase out products than to adjust the underlying cost base.

However, the uncompromising clean-up and the massive impairments left us with a financial gearing at an unsatisfactorily high level. We have responded by planning a share issue that will provide the Group with a stronger financial platform for the development of our healthy core business going forward.

Cleaning whirls up dust

This year's consolidated financial statements contain several items of a non-recurring nature, such as the impairment of assets in Asia and North America and reorganisation costs. After allowing for these one-off items, we have achieved a normalised operating profit/(loss) of DKK 53 million, which is above the year-earlier level of DKK 17 million. The result is not satisfactory, but it is comforting to see that we have succeeded in turning around the negative development and that we are now moving in the right direction. We are satisfied with this, and we just have to live with the fact that cleaning whirls up dust.

We are now beginning to see the results of our efforts, but there is still room for improvement. We are struggling hard for every improvement achieved, but the budgets for 2008 look promising. We were also extremely pleased to see that, thanks to a good performance in Q4, we were able to end 2007 on a positive note.

New management and close cooperation

We have not been on board for long, so we have had plenty of challenges to tackle, and we greatly appreciate the close cooperation with the Board of Directors. These are turbulent times, and it has been highly encouraging to witness the tenacious and competent effort put in by the employees and the patience shown us by the shareholders. We wish to thank you all for good cooperation – we look forward to 2008.

Peter Arndrup Poulsen, CEO   Tom Wrensted, CFO

Financial highlights and ratios - a 5-year record

	2007	2006	2005	2004	2003
Income statement (DKKm)					
Revenue	1,492	1,475	1,415	1,387	1,276
Operating profit/(loss) before depreciation (EBITDA)	113	162	149	60	129
Operating profit/(loss) (EBIT)	(146)	62	53	(125)	33
Financial income and expense, net	(52)	(20)	3	(29)	(27)
Profit/(loss) before tax (EBT)	(198)	42	56	(153)	6
Profit/(loss) for the year of continuing operations	(271)	38	38	(129)	1
Profit/(loss) for the year of discontinued operations	(242	(115)	(10)	6	(2)
Profit/(loss) for the year (EAT)	(516)	(77)	28	(123)	(1)
Total recognised income and expense for the year	(324)	(95)	54	(116)	(17)
Cash flows (DKKm)					
Cash flows from operating activities	56	39	58	52	70
Cash flows from investing activities	(142)	11	(72)	(91)	(186)
Cash flows from financing activities	74	(70)	(28)	62	80
Cash flows from continuing operations	(12)	(20)	(42)	23	(36)
Cash flows from discontinued operations	(65)	(3)	25	0	10
Total cash flows	(76)	(22)	(17)	23	(26)
Balance sheet (DKKm)					
Assets	1,220	1,438	1,599	1,504	1,593
Equity	220	544	646	593	709
Net-interest-bearing debt excl. South America	592	333	468	477	455
Net-interest-bearing debt incl. South America	592	431	492	482	448
Net-working capital (NWC)	112	144	123	93	132
Invested capital (IC)	810	979	1,026	911	995
Financial ratios in %					
Operating margin (EBITDA)	7.6	11.0	10.5	4.3	10.1
Profit margin (EBIT)	(9.8)	4.2	3.8	(9.0)	2.6
Effective tax rate	-	8.8	32.5	16.0	80.1
Return on invested capital (ROIC), average	(16.3)	6.2	5.5	(13.1)	3.4
Gearing excl. net-interest-bearing debt in South America	268.7	61.2	72.5	80.5	64.1
Gearing incl. net-interest-bearing debt in South America	268.7	79.2	76.2	81.3	63.1
Return on equity	(134.3)	(12.9)	4.4	(18.8)	(0.1)
Share-related key figures					
No. of shares (less treasury shares)	3,407,545	3,407,545	3,407,545	3,407,545	3,407,545
Earnings per share in DKK (EPS)	(149.6)	(18.3)	8.4	(35.9)	0.2
Book value per share	65.0	160.0	190.0	174.0	208.0
Listed price per share at year-end (DKK)	148.0	227.0	166.0	120.0	130.0
Price/earnings at year-end	(1.0)	(12.4)	19.8	(3.3)	565.2
Dividend per share	-	-	2.5	-	-
Pay-out ratio	-	-	29.8	-	-
Cash flow per share (DKK)	16.5	11.6	17.0	15.2	20.5
Market value	504.3	773.5	566.0	409.0	443.0
Market value, free float	442.8	688.4	512.0	370.0	394.0
Listed price/book value	2.3	1.4	0.9	0.7	0.6
Employees					
Average no. of employees (continuing operations)	1,946	1,929	1,901	2,091	1,855

As a result of the divestment of the Group's operations in South America in 2007, they are treated as discontinued operations in the Annual Report 2007. The comparative figures in income statement, statement of cash flows and financial highlights and key ratios have been restated accordingly. The key figures are calculated in accordance with 'Recommendations & Financial Ratios 2005' issued by the Danish Society of Financial Analysts. Reference is made to definitions and concepts defined on p. 77.

The year in brief

Total performance in 2007 was not satisfactory, but it is comforting to see that the negative development in earnings has now turned around. Also, several initiatives have been rolled out that provide a basis for improved earnings going forward.

Facts

Revenue and profit/(loss)

- Hartmann posted revenue of DKK 1,492 million in 2007, up 1% from last year. Operating profit/(loss) came to DKK -146 million against DKK 62 million last year.

- The consolidated financial statements are influenced by several non-recurring items, such as the impairment of assets etc. in Asia (DKK 49 million) and North America (DKK 115 million) and reorganisation costs (DKK 35 million).

- After allowing for these non-recurring items, the Group achieved a normalised operating profit/(loss) of DKK 53 million, which is somewhat above the year-earlier level of DKK 17 million.

- Impairment of tax assets North America DKK 48 million and Asia DKK 14 million respectively.

- Profit/(loss) on discontinued operations relates to the divestment of the Group's operations in South America and amounts to DKK -242 million.

- The total profit/(loss) of the Group (EAT) for 2007 came to DKK -513 million against DKK -77 million last year.

Segments

Egg Packaging Europe

- Egg Packaging Europe returned DKK 1,043 million in revenue and DKK 64 million in operating profit/(loss). Normalised EBIT for this business area comes to DKK 69 million against DKK 83 million last year.

- Developments in this segment were negative in 2007, reflecting the first effects of efforts to trim the product and customer portfolios as well as steeply increasing prices of paper and energy. On the other hand, the segment reported continued growth in the demand for high-value packaging. Management believes that Egg Packaging Europe has a potential for improving its results, as is also reflected by the profit/(loss) for Q4.

Egg Packaging North America

- Egg Packaging North America posted revenue of DKK 147 million and DKK -144 million in operating profit/(loss). Normalised EBIT for this business area comes to DKK -28 million against DKK -44 million last year.

- The result is still unsatisfactory, the main reason being the continued unfavourable cross rate between the Canadian dollar (CAD) and the US dollar (USD). However, the operating performance of Egg Packaging North America in 2007 showed clear improvement over last year. Achievements made during the year include more production automation and an improved cost structure. Management is still monitoring developments in this segment closely.

Industrial Packaging

- Industrial Packaging posted revenue of DKK 220 million and an operating profit/(loss) of DKK -16 million. Normalised EBIT for this business area comes to DKK 40 million against DKK 9 million last year.

- Industrial Packaging achieved increased productivity and growth in European sales in 2007. Earnings were clearly reflective of the positive effects of the trimming of the customer and product portfolios. Industrial Packaging will focus on Europe going forward, and its performance in 2007 was characterised by one-off items such as the closing-down of production plants in Asia and of sales offices in Japan and the USA, and the restructuring of the European sales organisation. Management will focus on efforts to retain and increase the improvements achieved as a result of the restructuring.

Management focus

Turnaround activities

- Hartmann has launched a turnaround process, 'Forward to basics', to redirect its development trend. In 2007 the new Management launched and carried out an array of activities to stabilise and consolidate the business, and the full effect is likely to show in 2009.

- Management has carried out a partial global pullback by winding up the Group's loss-making operations in South America and Asia.

- The organisation was restructured so as to match the current situation. A new management team took over, the organisational structure was changed, departments were restructured and the number of employees was reduced.

- Focus was shifted from growth to earnings. Loss-making activities, declining earnings and defective processes between sales and production represent the biggest challenges for Management at present. Management is responding by launching activities relating to further production efficiencies, such as lean activities, automation and reduced wastage. Also, it is crucial to achieve a further reduction of production complexity and to continue the slimming of the customer and product portfolios.

Capital

Planning a capital increase

- Due to the many non-recurring costs and impairment, the Group's equity has been reduced from the opening level of DKK 544 million to DKK 220 million at 31 December 2007.

- Because of the current high gearing, the Group needs new capital for major investments and further developments. Against that background the Board of Directors has decided to start planning a share issue in 2008. The issue is expected to involve pre-emptive rights for existing shareholders.

- In connection with the possible increase of the capital it is possible to merge the three classes of shares in the Group. It has long been a wish among shareholders to introduce the principle of 'one share – one vote'.

Future

Outlook for 2008

- Hartmann expects revenue in 2008 in the range of DKK 1,460 million. Operating profit/(loss) (EBIT) is forecast at around DKK 70 million and profit/(loss) after tax (EAT) at around DKK 20 million.

- Foreign exchange losses from prior years relating to the operations in Asia (approx. DKK 16 million at 31 December 2007) will be reclassified from equity to the income statement upon completion of the closing-down process. The outlook does not factor in this effect.

- As announced earlier, the Board of Directors has decided to start planning a share issue in 2008. The issue will have a positive impact on net financial expenses and, thus, also on the consolidated profit/(loss) after tax. The outlook does not factor in this effect.

Strategy 2008-2010

- The turnaround process initiated in 2007 continues in 2008 with focus on a stabilisation and improvement of the Group's core business.

- Moving towards 2010, Hartmann will restore an attractive earnings level by optimising its core business in Europe, adjusting the activity level of Industrial Packaging and, at the same time, growing profitability in operations in North America. The objective is to create a strong Hartmann capable of acting as a platform for future growth.

Normalised | *EBIT*

(unaudited)

Amounts in DKKm	Q4 2007	Q4 2006	FY 2007	FY 2006
Operating profit/(loss) (EBIT)	26	(14)	(146)	62
Impairment of assets and closing-down costs in Asia	-	-	49	-
Impairment of assets in North America	-	-	115	-
Non-recurring costs, reorganisation efforts	6	5	35	21
Non-recurring income, sale of head office	-	-	-	(66)
Operating profit/(loss) (EBIT), normalised	**32**	**(9)**	**53**	**17**
Breakdown by segment:				
Egg Packaging Europe	23	14	69	83
Egg Packaging North America	(7)	(13)	(28)	(44)
Industrial Packaging	18	5	40	9
Others	(2)	(15)	(28)	(31)
Operating profit/(loss) (EBIT), normalised	**32**	**(9)**	**53**	**17**

Group profile

Brødrene Hartmann A/S is among the three largest manufacturers of moulded-fibre packaging in the world and specialises in the development of machinery and technology for the manufacture of moulded fibre.

Facts

Consolidated revenue in 2007: DKK 1,492 million.

98% of Hartmann's production is sold outside Denmark.

7 production plants in Europe and North America.

12 sales and representative offices.

1,946 employees at 31 December 2007 in the continuing operations. The effects of the reorganisation efforts and adjustments will not materialise in full until in 2009.

Market

The global market for moulded fibre is dominated by three major suppliers that together account for approx. half of global sales. Hartmann is the only one of the three to focus primarily on moulded fibre. The rest of the world market is held by a number of small, local manufacturers.

Customers

The customers of Hartmann's egg packaging products are egg producers, egg packaging companies and, in some regions, retail chains. The customer portfolio comprises upwards of 1,500 customers in more than 50 countries, and most of these customers are longstanding business partners of Hartmann's.

Hartmann's customers within industrial packaging consist primarily of some of the global manufacturers of consumer electronics. Cooperation with customers spans wide – from packaging intended to protect and support the positioning of products effectively during transport to packaging with the additional effect of allowing an attractive presentation of the customer's products. An important sales parameter is the ability to offer customised product lines.

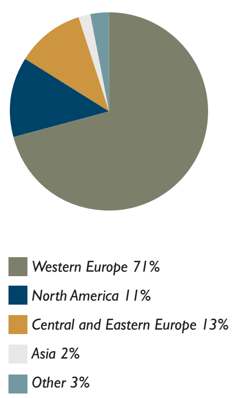
Products

Sales of egg packaging are concentrated within a relatively narrow group of product types produced in large series and covering four primary product groups: discount packaging, standard packaging, high-value packaging and transport packaging. The highest growth rates are found within high-value packaging.

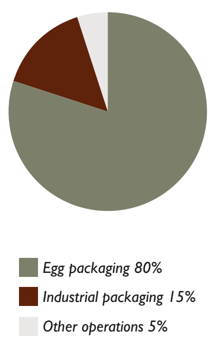
In the industrial packaging segment, the Group sells moulded-fibre packaging for consumer electronics such as mobile phones and light domestic appliances.

Besides the production of packaging, Hartmann engages in the development, production and sale of machinery and technology for the production of moulded-fibre packaging.

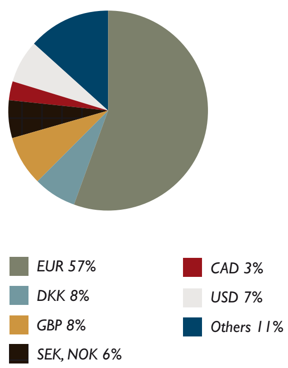
Revenue distribution | *geography*



Revenue distribution | *product*



Revenue distribution | *currency*



Financial segmentation

Hartmann's business is divided into 3 segments reflective of the Group's products and market:

Egg Packaging Europe

A mature and stable market in which the highest growth rates occur within high-value packaging. Focus is on enhanced profitability by means of efficiencies and an optimisation of production processes and product portfolio.
Revenue contribution in 2007: 70%
Operating profit/(loss) in 2007: DKK 64 million

Egg Packaging North America

Dominated by discount and standard packaging, but with a growing interest in products at the high end of the standard segment. Focus on profitability.
Revenue contribution in 2007: 10%
Operating profit/(loss) in 2007: DKK -144 million

Industrial Packaging

The market is driven by global customers. Focus on product innovation and enhanced productivity.
Revenue contribution in 2007: 15%
Operating profit/(loss) in 2007: DKK -16 million

Shareholders

Hartmann is listed on OMX Nordic Exchange Copenhagen, where it is classified as a Small-Cap+ company.

Hartmann is divided into share classes with different rights, also in relation to voting (A, AA and B shares). Read more about the Hartmann share on p. 20.

Major shareholders:

- The Brødrene Hartmann Foundation: 12.2%
- LD Equity I K/S: 20.6%
- ATP (labour market pension fund): 10.3%
- The EDJ Group: 10.3%
- Commodore ApS (publisher): 10.2%
- Thor Stadil, attorney-at-law: >5.0%
- Treasury shares: 2.9%

Natural material

Moulded fibre is a natural product consisting of natural wood fibres – a 100% renewable resource.

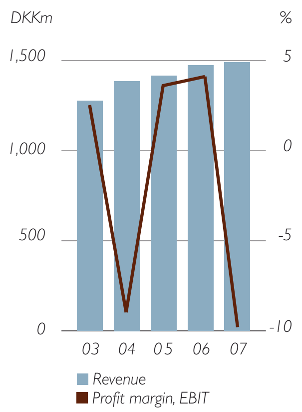
The basic ingredient of moulded fibre is recycled paper which is collected, cleaned and processed to make it a uniform, fluid mass. The mass is moulded, dried and pressurised into packaging to be provided with labels or print.

Based on an assessment of the total life cycle of the finished product, moulded fibre has an attractive environmental profile compared to e.g. plastic.

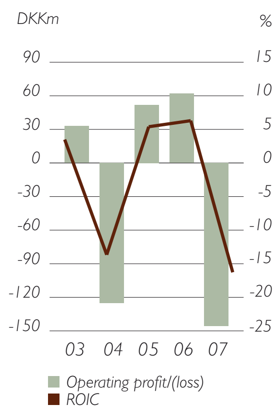
Surveys show that consumers in most western countries prefer fibre-based materials such as moulded fibre to plastic, and an increasing number of countries have introduced legislation encouraging the use of such materials.

Read more about Hartmann on www.hartmann-packaging.com

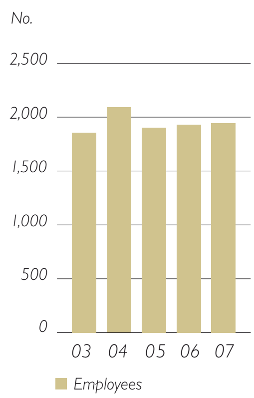
Revenue | *profit margin, EBIT*



Operating profit/(loss) | *ROIC*



Employees | *average*



Group developments

In the year in review, Management completed a partial global pullback, adjusted the organisation and shifted focus from growth to earnings. The pullback involved a lot of non-recurring costs and impairment, and they left their mark on the consolidated financial statements for the financial year 2007.

Turnaround | *activities*

	Challenge	Action	Status
Partial global pullback	Operations in South America are loss-making and divestment is not progressing	Acceleration of the sales process	Completed
	Operations in Asia are loss-making and require additional investments	Closure of the production plant in Malaysia and the test plant in China	Closure in progress
Adjusting the organisation	Need for new management team	Appointment of new management team, new organisational structure and new management fora	Completed
	Fixed costs too high	Staff reductions throughout the organisation	Completed
	High development costs, but few results	Reorganisation of the R&D department	Completed
	Inadequate coordination between sales and production	Establishment of the European Supply Chain	Completed
Earnings before growth	Declining contribution ratio in Europe	Increased production efficiency, including a reduction of wastage	In progress
		Increase Group knowledge of profitability in relation to markets, customers and products	In progress
		Increase flexibility and reduce complexity in production	In progress
	Parts of customer and product portfolios not profitable	Trimming of customer and product portfolios	In progress
	Earnings decline in Industrial Packaging	Comprehensive reorganisation	Completed
	North American operations loss-making	Continuation of lean activities	In progress
		Investment in automation phase I	Completed
	Defective working processes between sales and production	Improved coordination between sales and production	In progress

Hartmann posted a total revenue of DKK 1,492 million in 2007 and an operating profit/(loss) of DKK -146 million. The total consolidated net profit/(loss) for the Group stood at DKK -513 million. The year was characterised by the ongoing turnaround process which involved non-recurring costs and impairment. However, the normalised consolidated profit/(loss) for the year (i.e. less non-recurring items) reflected a major improvement from the year-earlier level and was on a par with the announcements made in 2006. Management sees the positive developments in the normalised EBIT as an indication that the many initiatives are beginning to have an effect on the underlying business. See the details in the table below on the fulfilment of financial objectives and in the financial review on p. 28.

'Forward to basics'

Hartmann has acquired a unique position in Europe based upon many years of experience and a wide range of egg packaging products. There is still a market potential both in Europe and North America, and the growing interest in environmentally-friendly products is an advantage for Hartmann. On the other hand, the developments in prices of raw materials and foreign exchange rates went against the Group and had an adverse effect on its earnings.

In order to break the trend in the Group's performance, the new Management launched a comprehensive turnaround process in 2007 entitled 'Forward to basics'. 'Basics' because Hartmann must be even better at running the basic part of its business, and 'Forward' because the process is forward-looking and action-driven.

In the year in review, Hartmann launched and carried out an array of activities that will continue in 2008 for the purpose of stabilising and consolidating the business. The full effect of these activities is expected to materialise in 2009. They relate to the following categories:

- a partial global pullback
- an adjustment of the organisation
- earnings before growth

Partial global pullback

Management takes the view that it is not possible to fulfil the previous strategic expectations of Hartmann as a global growth company. Consequently, it divested the Group's operations in South America and initiated the closure of operations in Asia. See more about the latter under Industrial Packaging on p. 13.

In 2007 Hartmann sold its three production plants in Brazil and Argentina to the Lactosan Sanovo Holding A/S Group. The divestment was a necessary consequence of Hartmann's wish to focus on the core business in Europe and on the bottom line. See the Financial review on p. 30 for a description of the financial implications of the divestment.

Adjustment of the organisation

An important element in Hartmann's turnaround process was Management's decision to adjust the organisation to match the Group's financial situation and the wish to focus on core business.

A new organisational structure and new management fora have been established, and executive positions have been filled primarily by in-house recruitment. Also, the R&D department has been reorganised so as to make development activities more result-driven and value-creating.

Late in the year a large-scale adjustment of fixed costs was required, and so Management embarked on a comprehensive round of layoffs at corporate head office, at the Tønder production plant and in the sales organisation. The layoffs will reduce the Group's fixed costs by around DKK 40 million a year, the full effect materialising in 2009.

In order to improve coordination between production and sales, the newly-established function 'European Supply Chain' will handle planning, capacity management, purchasing and logistics in Europe.

Earnings before growth

In the past years the Group's contribution ratio has generally been dwindling, and as part of the turnaround process Management launched several important initiatives to break that trend.

The important initiatives include a reduction of the Group's production complexity and a trimming of its customer and product portfolios, and one of the key tools with which to achieve that is an ongoing project intended to grow the Group's knowledge of profitability in relation to markets, customers and products. More in-depth knowledge will create transparency about profitability throughout the value chain and, thus, improve the basis for profitability growth.

Fulfilment of financial objectives | *2007*

Amounts in DKKm	Actual	Outlook in Q3 2007	Outlook in Annual Report 2006
Revenue	1,492	1,480	1,500
Operating profit/(loss) (EBIT)	(146)	(155) - (165)	40-50
Impairment of assets and closing-down costs in Asia	*49*	*49*	-
Impairment of assets in North America	*115*	*115*	-
Non-recurring costs, reorganisation	*35*	-	-
Operating profit/(loss) (EBIT), normalised	53	-	40-50
Net profit/(loss) (EAT)	(513)	(500) - (510)	10-20

The Group is also working on the redevelopment of internal management and reporting systems, one of the results being the launch of a Business Intelligence Strategy intended to support the ongoing turnaround process.

In late 2006 Hartmann started a project for an extension of the production plant in Hungary, the intention being to strengthen its core business in Europe by means of higher capacity and flexibility. An extra production line was completed in late 2007, and it paved the way for starting up the reorganisation of production in Europe.

Egg Packaging Europe

Hartmann's main business in Europe posted revenue growth of 1% to DKK 1,043 million. The underlying figures reveal a 3% decline in sales volume reflective of the trimming of the product and customer portfolio now initiated. The trimming process is targeted primarily towards discount products and low-wage countries. On the other hand, there is strong growth in the high-value products as an indicator of a wish among customers and retail chains for different packaging solutions enabling them to differentiate themselves clearly from the discount products on the supermarket shelves.

Volume adjustment

Operating profit/(loss) came to DKK 64 million, resulting in a decline in EBIT margin from 7.5% in 2006 to 6.2% in 2007. This development is unsatisfactory and is mainly a reflection of conversion costs and the growth in variable costs caused by factors such as the volume adjustment (resulting from the portfolio trimming) that will not trigger a similar proportional reduction in variable costs in the short term. Moreover, prices of energy and paper have risen (see the chart below on price developments). Egg Packaging Europe has raised sales prices, but not to a level sufficient to compensate in full for the increase in variable costs.

Portfolio trimming

Over the past couple of years, strong growth in the number of new products and variants has made a significant contribution to increased production complexity, and this again has resulted in a marked rise in variable costs.

Analyses have shown that not all products and customer relationships make a positive contribution to consolidated earnings, and against this backdrop the Group embarked on a comprehensive trimming of its portfolio in which products making the lowest earnings contribution are now being phased out (see the chart below on developments in the number of product variants).

Not unexpectedly, the reduction in the number of products led to a decline in sales volume for which, during a transitional period, it has not been possible to make similar adjustments in fixed and variable costs. The portfolio trimming is expected to improve the contribution ratio in the long term.

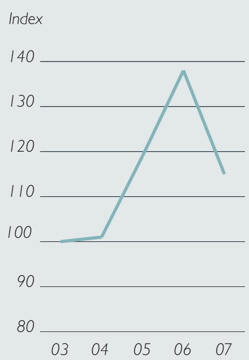
Egg Packaging North America

Revenue in North America declined by 4% from 2006 to DKK 147 million in 2007. Operating profit/(loss) (EBIT) came to DKK -144 million. This reflects a decline in profit/(loss) of DKK 98 million from last year. The amount in operating profit/(loss)(EBIT) in 2007 less impairment stood at DKK -28 million, representing an improvement of DKK 16 million from 2006. The performance is still unsatisfactory, primarily due to the unfavourable cross rate between the Canadian dollar (CAD) and the US dollar (USD).

Production automation

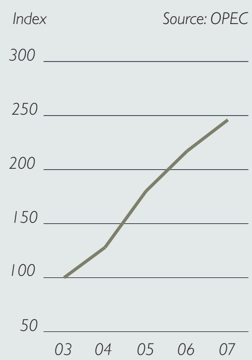
The Group's production plant in Canada has now completed the roll-out of a comprehensive production automation process. During implementation the plant's productivity went down, and this explains the development in revenue in 2007 in Canada which was lower than expected. The automation of production enabled Hartmann North America to reduce the number of employees by approx. 25, or more than 20% of the total number of employees, while at the same time achieving 11% growth in production volume from the year-earlier level.

Product variants | *2003-2007*



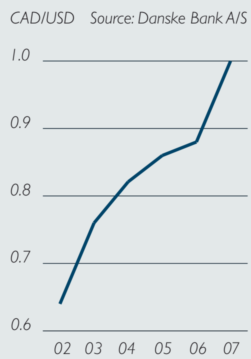
Paper prices | *2003-2007*

***Energy prices** | *2003-2007*



**OPEC Basket Crude Oil*

***Cross rate CAD/USD** | *2002-2007*



** As at 31 December*

Unfavourable cross rate continued

Purchases of raw materials and other services in relation to Hartmann's operations in North America are settled in CAD, while the majority of sales are settled in USD. Consequently, an increase in the cross rate CAD/USD causes a proportional decline in income, and that has a clear detrimental effect on the earnings potential. However, Management is engaged in an ongoing effort to place a proportionally higher share of purchasing orders in USD. The combination of the extremely unfavourable development in the cross rate and the reduction in expectations from the original production targets made Hartmann make an impairment test followed by an impairment of the assets in North America by DKK 163 million as at 30 June 2007 in the report for Q2 2007 (stock exchange release no.11/2007).

The value of operations is unchanged

When Hartmann set up operations in North America in 2002, the CAD/USD cross rate was 0.62. In August 2007, when the Group released its report for Q2 2007, the cross rate was 0.94, and it had risen to 1.02 at the balance sheet date (31 December 2007). Hartmann has performed the required impairment test as at the balance sheet date and maintains the total value of its assets in North America as at 31 December 2007 (with a carrying amount of net assets of DKK 125 million compared to DKK 258 million at 31 December 2006). Positive developments and improved operations (sales prices, energy and cost level) in the second half of 2007 have compensated for the further deterioration of the CAD/USD cross rate.

Industrial Packaging

Revenue in 2007 increased by 8% to DKK 220 million from the year-earlier level of DKK 203 million, driven by sales growth in Europe. Industrial Packaging contributed approx. 15% to consolidated revenue in 2007.

Operating profit/(loss) came to DKK -16 million, reflecting the expected negative impact of the reorganisation. After allowing for non-recurring items, the amount in operating profit/(loss) (EBIT) in 2007 comes to DKK 40 million (DKK 9 million in 2006). This represents a significant improvement of earnings in Industrial Packaging after allowing for non-recurring items.

Trimming of the customer and product portfolios

The trimming of the portfolios of industrial customers and products was initiated in the first half of 2007 and was completed in the second half of the year. The purpose of a slimmer and more focused product portfolio is to raise production efficiency and profitability in the sales mix.

However, the slimmer customer portfolio involves a higher business risk, as some large customers now account for a higher proportion of sales.

Reorganisation

Hartmann wishes to focus its operations within industrial packaging in Europe, both geographically and organisationally. The sales offices in Japan and the USA have been closed, the European sales organisation has been reduced, and the operations in Asia are being wound up. Efforts to close down the production plant in Malaysia and the test plant in China began in Q3 2007, as Management believed this to be the best solution for Hartmann.

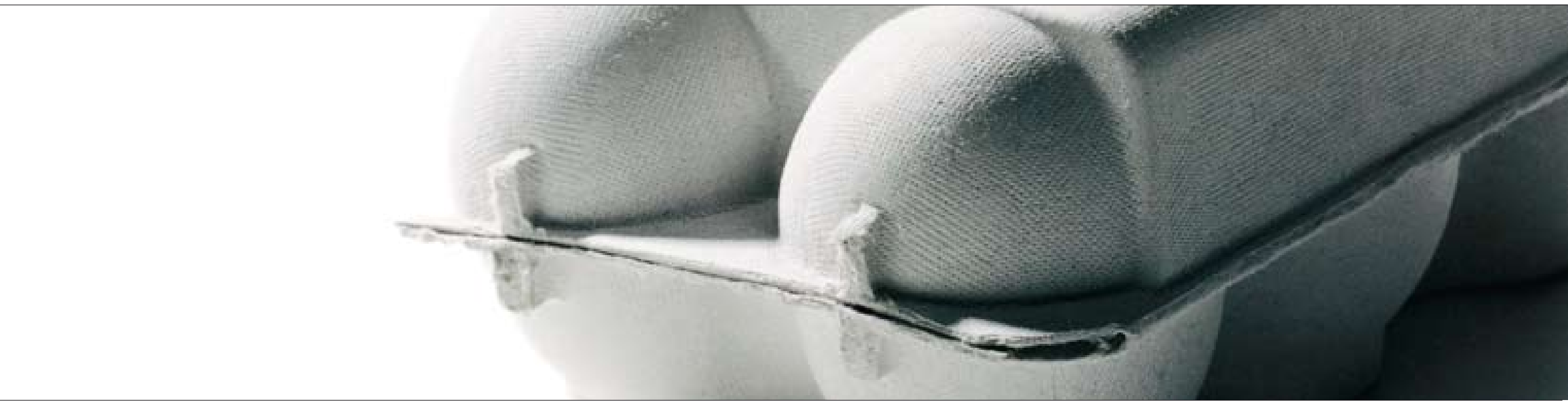
The total loss sustained from the winding-up of operations in Asia is DKK 56 million in 2007 (including DKK 49 million in impairment at 30 June 2007 and further DKK 7 million in closure costs at 30 September 2007). The amount of DKK 49 million includes DKK 34 million (impairment of assets), DKK 6 million (impairment of operating capital) and DKK 9 million (closure costs).

In connection with the final settlement of the closing-down in Asia an impairment of tax assets of DKK 14 million has been made.

The winding-up of operations in Asia is scheduled for completion in the first half of 2008, with an expected negative impact on the profit/(loss) in 2008 of DKK 22 million of which DKK 16 million is contributed by accumulated foreign exchange losses (stated at 31 December 2007) which will be reclassified to the income statement in connection with the final winding-up. The reclassification only affects the income statement and does not affect equity. The winding-up is still expected to have a negative effect of DKK 78 million on equity and a negative cash flow effect of DKK 22 million.

Revenue and operating profit/(loss) (EBIT) | *by segment*

	2007					2006				
In DKKm	Revenue	EBIT	Impairment/ closure costs	Non-recurring costs	Normalised EBIT	Revenue	EBIT	Non-recurring income	Non-recurring costs	Normalised EBIT
Egg Packaging Europe	1,043	64	-	5	69	1,037	78	-	5	83
Egg Packaging North America	147	(144)	115	1	(28)	153	(46)	-	2	(44)
Industrial Packaging	220	(16)	49	7	40	203	9	-	-	9
Other operations	82	(50)	-	22	(28)	82	21	(66)	14	(31)
Total	**1,492**	**(146)**	**164**	**35**	**53**	**1,475**	**62**	**(66)**	**21**	**17**



Strategy 2008-2010

Hartmann wishes to restore earnings to an attractive level by strengthening its core business in Europe as well as by achieving profitability in its operations in North America. The aim is to create a strong Hartmann capable of acting as a platform for future growth in the long term.

The central elements in Hartmann's strategy for the fulfilment of this aim are:

- an optimisation of business in Europe by reducing unit costs through investments in production efficiencies and automation,
- an adjustment of the activity level in Industrial Packaging, and
- higher sales and improved utilisation of capacity in North America.

Optimising business in Europe

Hartmann will strengthen and expand its position as market leader in sustainable egg packaging by means of innovation, a high quality level in products and services and a well-functioning supply chain.

To keep costs at a competitive level in future, Hartmann intends to initiate a reorganisation of its production plants in Europe, involving the relocation of a large part of production to the Group's plants in low-wage countries.

Concurrent with the reorganisation efforts, the Group intends to invest more in automation and process optimisation to increase production efficiency and contribute to reduced unit costs.

The initiatives launched as part of the Group's turnaround 2007-2008 will be completed and extended, including efforts to slim the customer and product portfolio.

Adjusting the activity level in Industrial Packaging

Industrial Packaging underwent a reorganisation process in 2007, and Hartmann intends to focus in the medium term on efforts to retain and expand the improvements achieved as a result of that process. However, future sales are expected to be adversely affected by the emerging market trends towards a switch to other and cheaper types of packaging. Hartmann is monitoring developments and will adjust its organisation and production on an ongoing basis to maintain an acceptable earnings level.

Because of the current market developments, Hartmann has decided to abandon its business objective of developing Industrial Packaging as an independent strategic business area.

Higher sales and improved utilisation of capacity in North America

Developments in the market for moulded-fibre packaging in both the USA and Canada are positive. Growing environmental awareness has triggered growth in the demand for sustainable packaging, and Hartmann endeavours to exploit these trends to improve its market position and achieve revenue growth.

Revenue growth can be achieved only by an increased utilisation of production capacity, and additional – but limited – investments in process improvements and automation are expected to pave the way for improved production efficiency.

Hartmann has prepared a detailed plan for both sales and production in North America, and Management is monitoring the roll-out of the plan closely. If the plan does not achieve the expected results, Management will consider its strategic options for the operations in North America.

Outlook for 2008

Hartmann's forecast for 2008 includes revenue in the range of DKK 1,460 million, an operating profit/(loss) in the range of DKK 70 million and a profit after tax of approx. DKK 20 million.

Revenue

Hartmann expects approx. DKK 1,460 million in consolidated revenue for 2008, which is unchanged from the level in 2007.

Revenue will be affected by upturns and downturns in the Group's business areas: Industrial Packaging is expected to post a decline following declining sales volumes in Europe and the reorganisation in 2007 which involved the closing down of the Group's operations in Asia as well as a slimming of the portfolio of industrial customers and products. However, the revenue decline in Industrial Packaging is expected to be partially offset by revenue growth in the rest of the Group's business areas.

Consolidated revenue is expected to be distributed fairly evenly upon the four quarters, however with the usual increased revenue levels in the first and fourth quarters compared to the second and third quarters.

Operating profit/(loss) (EBIT)

Consolidated operating profit/(loss) in 2008 is forecast at approx. DKK 70 million, reflecting a major improvement on 2007.

The main drivers of improvement are expected to be Egg Packaging Europe and Egg Packaging North America. However, despite improved earnings in the course of the year, operations in North America are expected to generate a operating loss in 2008. The improved performance of the above areas is expected to be partially offset by a minor earnings decline in Industrial Packaging driven mainly by the decline in revenue.

Earnings are expected to follow the distribution of revenue, with an even distribution on the four quarters, however with a tradition for higher performance in the first and fourth quarters.

The previously announced outlook for an operating profit/(loss) (EBIT) in 2009 in the range of DKK 80-100 million (stock exchange release no. 11/2007) is still considered realistic.

Consolidated profit/(loss)

The forecast includes up to DKK 40 million in net financial expenses in 2008, reflecting the effect of an increase in interest-bearing debt from 2007 after adjusting for negative foreign currency translation adjustments. Accordingly, the Group expects a consolidated profit/(loss) after tax in the range of DKK 20 million.

The closing-down of plants in Asia

Based on the Group's wish to focus its industrial packaging operations in Europe, both geographically and organisationally, it was decided in 2007 to wind up the operations in Asia and relocate parts of the production equipment to the plant in Hungary. As previously announced (stock exchange releases nos. 11/2007 and 15/2007), the winding-up process is scheduled for completion in the first half of 2008 with an expected adverse effect of DKK 22 million on the Group's profit/(loss) in 2008. Of this amount, DKK 16 million is attributable to accumulated foreign exchange losses (stated at 31 December 2007). These losses have been taken directly to equity and will be reclassified to the income statement once winding-up has been completed.

The reclassification is expected to have an impact on the consolidated financial statements for 2008 of approx. DKK 16 million and is not included in the above-mentioned performance targets.

Assumptions

Hartmann's forecast for developments in revenue and profit/(loss) in 2008 builds upon the present composition of business operations in the Group. Other assumptions include stable prices of energy and raw materials in 2008 on a par with the level in Q4 2007. Total energy costs in 2008 are expected to move above the level prevailing in 2007. Hartmann also assumes sales prices to remain flat from the opening level in 2008. Any deviations from these assumptions may materially affect the profit/(loss) for the year.

The Group's operating profit/(loss) is exposed to developments in the US dollar (USD), the euro (EUR), the Polish zloty (PLN), the Hungarian forint (HUF) and the pound sterling (GBP). In the autumn of 2007 the Group arranged cover of the most important currencies for the full year 2008, including the cross rate CAD/USD which constitutes the Group's single most important foreign exchange risk. Due to the volatility of the foreign exchange markets in the second half of 2007, however, cover of CAD/USD has been arranged at a level significantly above that of 2007. The result for especially the first four months will be negatively affected by a level of cover significantly above that of 2007.

The Board of Directors has decided to start the planning of a share issue in 2008. A share issue will have a positive effect on net financial expenses and, thus, on the consolidated profit/(loss) after tax.

Risk management

It is a fundamental objective of Hartmann's Management to ensure constant and adequate monitoring of the Group's risk exposure and the existence of the necessary risk management capabilities in the form of policies and procedures.

Apart from the general operational and commercial risks, Hartmann is exposed to several other risks in the course of its normal operations. Hartmann conducts an ongoing monitoring of these risks, and once a year Board and Management go over the Group's risks, identifying and assessing all major risks that may affect the Group's operational and financial goals.

The purpose of risk management is to identify the various risk factors affecting the Group, to determine the handling of these factors and to ensure the best possible balance between risk and yield.

Operational risks

Purchase prices

Paper and energy (electricity and gas) constitute the most important raw materials in Hartmann's production process. The two cost items account for 5-10%, respectively 10-15%, of revenue. Accordingly, fluctuations in prices of paper and energy have a major effect on developments in the Group's financial performance. Considered in isolation, a 5% change in the price of recycled paper will have an adverse effect on the Group's operating profit/(loss) (EBIT) in the range of DKK 5-6 million. Similarly, considered in isolation a 5% change in energy prices will have an adverse effect on the Group's operating profit/(loss)(EBIT) in the range of DKK 7-8 million.

Hartmann achieves a partial reduction of its sensitivity to developments in paper prices in Europe by signing price equalisation agreements with its most important paper suppliers in the region. Because of these agreements, the effect on Hartmann's purchase prices of developments in the market price of paper occurs at a certain delay, thereby improving the Group's chances of adjusting its pricing strategy accordingly.

Moreover, to reduce its exposure to fluctuations in energy prices, Hartmann has signed 1-year fixed-price contracts with energy suppliers covering most of its energy requirement. In some countries, national legislation does not allow the signing of fixed-price contracts with energy suppliers.

Market prices

Developments in the demand for moulded-fibre egg packaging are stable. However, the fierce competition among suppliers may put pressure on sales prices and gross margins for short or long periods of time.

Hartmann endeavours to reduce its price sensitivity by offering a wide range of packaging solutions with special focus on high-value packaging.

Market

Avian flu is not expected to constitute a major risk at present. Hartmann monitors developments on an ongoing basis and is ready to respond in a professional manner. The Group does not consider the risks relating to the market potential of egg packaging to be significant.

However, the future market potential of industrial packaging is likely to be affected by keener competition from alternative types of packaging. Also, a slimmer customer portfolio involves a higher business risk, as some large customers now account for a relatively higher proportion of the customer portfolio.

Financial risks

Developments in Hartmann's profit/(loss) and equity are affected by an array of financial risks, among them foreign exchange risks, interest rate risks, liquidity risks and credit risks.

Hartmann has centralised the management of its financial risks in the corporate finance function which also functions as a service centre to all Group subsidiaries. Hartmann uses derivative financial instruments as a hedge against some of the financial risks that arise out of its commercial operations, primarily currency and interest swaps and forward and option contracts. As a general rule, the Group opts for the least complicated method of risk cover. The Group does not engage in transactions for the purpose of speculation.

The financial risks and the management thereof are described in note 30 on p. 72.

North America

Besides its exposure to general financial and operational risks, the Group is exposed to a special and major risk in relation to its investment in North America. The earnings level is highly sensitive to developments in the cross rate between CAD and USD which affects sales prices in the US market and the achieved utilisation of plant capacity. In the consolidated financial statements and in communications to the market, Management has regularly highlighted the special and major risk that exists in relation to the investment in North America in case efforts to achieve profitability in operations are not successful.

In the second half of 2007 a further deterioration of the cross rate CAD/USD was offset by positive developments and improvements in operations (sales prices, energy and cost level). If the negative trend in the cross rate continues, it will increase the risk relating to the ongoing improvements in operations and intensify the risk of potential additional impairment of the operations in North America. The Group has arranged additional hedging of the cross rate CAD/USD for the full year 2008 under forward cover contracts, whereas hedging for 2009 has been arranged in the form of an option contract. Management continues its close monitoring of developments at the Canadian plant to be able to assess the relationship between the risks and the long-term strategic perspectives of the Group on an ongoing basis.

In 2005, a three-year collective agreement was signed with the trade union for the plant in Canada. The agreement is currently being rebargained, and a satisfactory outcome of the bargaining process is important to the continued improvement in the result of Hartmann's operations in North America, thus also making it one of the assumptions for the Group's forecast for the 2008 result.

Environmental relations and risks

Environmental risks are monitored both locally and by the Group's corporate department for sustainable development. STEP®Environment, Hartmann's environment management model, is an effective and professional tool that helps prevent, remedy or minimise any adverse effects to the external environment.

Major environmental risks may occur in connection with the acquisition of companies or the establishment of new production plants as a result of contamination or commitments arising out of operations previously performed on the location. To uncover this risk, Hartmann performs environmental due diligence which includes the mapping out of national regulations to compare them with the findings of the necessary physical environmental surveys.

Social relations and risks

Hartmann gives high priority to measures safeguarding health and safety in the workplace, the protection of human values in the local community, and the protection of the people with whom Hartmann or its products are in contact.

STEP®Human, Hartmann's HR management model, ensures compliance with the Group's standards in relation to health and safety in the workplace. The model also ensures that Hartmann handles its social responsibility effectively and efficiently and acts as a responsible player in all markets where it operates.

As is the case for the handling of environmental risks, the Group uses a due diligence process to uncover any important socially related risks in connection with the takeover of a company.

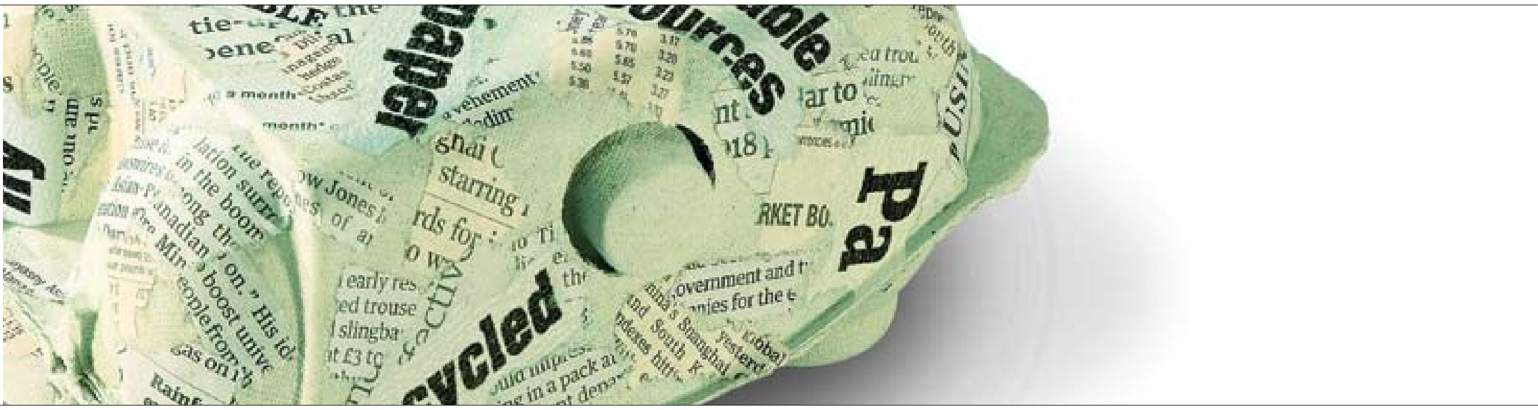
Insurance

Hartmann has a comprehensive insurance program which reflects the scope and extent of its operations and their geographical location. Once a year, the insurance program is reviewed together with the Group's global advisor to ensure that adjustments are made on an ongoing basis in support of the Group's development and, thus, that the possible effect on the Group's financial performance is minimised.

The total loss of a production plant because of fire constitutes the single most important risk for the Group, as the re-establishment of production facilities will take a long time and thus involves the risk of losing market shares. Against this background Hartmann has signed comprehensive allrisk insurance policies for all sites which also cover damage by fire and consequential loss. In addition to 24 hour surveillance and firefighting procedures at all plants, sprinkler systems have been installed in almost all units.

Hartmann is doing a systematic effort to prevent injury and damage. In 2007 the Group engaged in a collaborative effort with insurance brokers Willis I/S to implement a Risk Management Program named 'Willis Blue'. Willis Blue is a risk management tool that involves the performance of engineering audits of the individual plants to highlight and reduce the risk level based upon a standard defined for the Group.

Hartmann's insurance program also covers commercial and product liability, property and contents, business interruption loss, occupational injuries, personal injury and environmental liability.



Sustainable development

An ever-increasing number of customers are intensifying their demands to the environmental profile of packaging and, thus, to the Group's efforts in relation to sustainable development. Both Europe and North America are reporting a growing interest in the pro-environment properties of our products.

A market demand for focus on sustainability

For many years Hartmann has made a professional and systematic effort in relation to environmental issues and social responsibility. Today, sustainability is fundamental to Hartmann's operations, and its commitment is driven by customers and the market environment.

Global warming and CO2 emissions were placed firmly on the agenda in 2007, and that opened up new business opportunities for the Hartmann Group. The largest retail chains in North America wanted to tap into the expertise accumulated by Hartmann with regard to environmentally friendly packaging and life-cycle assessments. Relationships with customers were forged even closer by training sessions in which key staff from Hartmann arranged training of purchasers and others from large American retail chains at the Group's head office.

Moulded fibre – contemporary packaging

All Hartmann's products are manufactured on the basis of recycled paper which is both easy to reuse and biologically degradable. These properties give Hartmann a competitive edge in a period in which sustainability is the subject of massive public attention. In 2007 the Group focused on efforts to link the environmental profile of its products to the public agenda, and among the initiatives was a marketing campaign with the slogan 'Choose Fibre – Save Nature' which is targeted towards the largest retail chains in Europe. The efforts will continue in 2008 in Europe as well as in North America.

Award-winning management models

Over the years Hartmann has developed its own management models which now constitute the corner stones in the Group's efforts to achieve sustainability in the organisation. The models, STEP®Environment and STEP®Human, have previously received the EU Management Award for Sustainable Development, and they ensure the stepwise implementation of the principles of environmental and social responsibility, respectively, throughout the Group.

The model consists of five steps, with 5 being the highest level achievable by a production plant. In 2007, six out of seven production plants had reached level 5 of the environmental management model, while six production plants had reached level 3 and one had reached level 4 of the model for social responsibility.

Endorsing UN initiatives

Hartmann has become a participant of UN Global Compact which involves a commitment to integrate a number of principles in relation to human rights and environmental protection in the corporate strategy, corporate culture, and business practices.

Hartmann also supports the UN 'Caring for Climate' initiative which involves setting up goals for CO2 emissions with a commitment to fulfil them.

Hartmann considers the support to these initiatives to be an important and natural part of a development process in which responsibility is linked to commercial advantages.

Read more about sustainable development on www.unglobalcompact.org and www.hartmann-packaging.com

Corporate governance

Hartmann's Board of Directors and Executive Board attach much weight to achieving efficiency and transparency in the management of the Group. Management applies the recommendations on corporate governance whenever possible and is ready to justify any deviations in accordance with the principle of 'comply or explain'.

Merger of share classes

The share capital of Brødrene Hartmann A/S is divided into three share classes with different voting rights. This asymmetrical distribution of votes is not in compliance with the recommendations for corporate governance.

However, the Board of Directors expects a merger of the company's share classes upon the completion of a possible capital increase in 2008, resulting in equal voting rights being attached to all shares. Read more about the Hartmann share on p. 20.

Shareholders' agreement

In 2006, the Brødrene Hartmann Foundation signed a shareholders' agreement with LD Equity I K/S, which owns 20.6% of the shares in the Group (9.8% of the voting rights). Under the agreement, the Foundation undertakes to exercise its voting power at the Annual General Meeting of Hartmann by voting in favour of LD Equity I K/S being allowed to appoint one member to the Group's Board of Directors.

Accounts and Audit Committee

The Group's Board of Directors has decided to transfer the duties of the Accounts and Audit Committee to the Board of Directors in plenary. Given the frequent meetings and reduced number of members of the Board of Directors, it is deemed appropriate for the full Board of Directors to participate in the work relating to the Group's current and future accounting and audit matters.

Incentive program

In the opinion of the Board of Directors, financial incentive programs may enhance the motivation of the employees to enact a behaviour that supports the fulfilment of Hartmann's objectives. Accordingly, an incentive program was established in 2007 which initially covers the Group's CEO, Peter Arndrup Poulsen, and CFO, Tom Wrensted. The program involves the allotment of options entitling the recipient to acquire shares in the Group. Read more about the program in note 5 on p. 48.

Changes in the Board of Directors

In September 2007, the then chairman of the Board of Directors, Bjarne Eriksen, announced his resignation. The Board held a meeting at which Erik Højsholt was elected new chairman and Walther Vishof Paulsen was elected vice-chairman. Erik Højsholt joined the Board of Directors of Hartmann at the AGM in April 2007 after being nominated by LD Equity I K/S, see the above shareholders' agreement.

In January 2008 Tom Nielsen, one of the board members elected by the employees, announced his wish to resign from the Board for personal reasons. The vacancy was filled by the alternate, Hans Vilhelmsen.

Self-assessment

In 2008 the Board of Directors will carry out the first actual self-assessment of its work. In 2007 the number of board members elected by the AGM was reduced from six to four. As part of the exercise, the Board will assess whether this number and the current mix of competencies are appropriate.

The Hartmann share

A merger of the three classes of shares in Hartmann can be arranged in connection with the possible increase of the company's capital, and the attitude of Management is positive. It has long been a wish among shareholders to introduce the principle of 'one share – one vote'.

Share capital

The share capital of Hartmann is distributed onto shares in denominations of DKK 20 or multiples thereof. The shares are divided into three share classes: A, AA and B. Holders of B shares have one vote per DKK 20 share, while holders of A and AA shares have 10 times those voting rights.

At 31 December 2007 the share capital of Brødrene Hartmann A/S amounted to DKK 70.2 million, consisting of DKK 8.5 million in A and AA shares, or 12.2% of the share capital, and DKK 61.7 million in B shares, or 87.8% of the share capital.

The B shares are listed on the OMX Nordic Exchange Copenhagen and are classified under SmallCap+ companies. In the course of 2007, the listed price of the Hartmann share declined by 34.8%. In comparison, in the same period the OMXC20 index increased by 5.1%, while the SmallCap+ index declined by 10.8%. The average daily trading in the Hartmann share on the stock exchange came to just under DKK 0.64 million in 2007, a decline of 65% from 2006.

Shareholders

All the A and AA shares are held by the Brødrene Hartmann Foundation and together the two classes of shares accounted for 12.2% of the share capital at the expiry of 2007. Given the higher voting rights attached to the A and AA shares, the Foundation holds upwards of 58.1% of the voting rights of the company.

At 1 March 2008, the B shares were distributed upon a total of 1,984 shareholders of whom 1,470 had effected registration of their shares. 6 shareholders have filed holdings of more than 5% of the share capital. Hartmann encourages all shareholders to register their shares in the Group's register of shareholders, which is managed by VP Investor Services A/S.

At 31 December 2007 members of the Board of Directors and the Executive Board held approx. 0.2% of the share capital, while the Group's portfolio of treasury shares amounted to 2.9% of the share capital. The treasury shares are intended for a.o. use as a cover of sharebased incentive program for the Executive Board, cf. note 5 on p. 48.

Capital increase

In late 2007 the Board of Directors decided to initiate the planning of a share issue in a collaborative effort with Danske Markets (a division of Danske Bank A/S) and Nordea Corporate Finance (a division of Nordea Bank Danmark A/S). If an issue is arranged, it is expected to involve preemptive rights for the company's existing shareholders.

The Brødrene Hartmann Foundation, which holds all A and AA shares, has been granted permission by the Danish Civil Affairs Agency ('Civilstyrelsen') to vote in favour of a merger of the share classes at a general meeting of the company. The merger is conditional upon an increase of the capital of Brødrene Hartmann A/S. In the event of a merger, the Foundation's voting power in the company will be

Major | *shareholders*

		2007		2006	
	Share class	Shareholding	Share of total voting rights (%)	Shareholding	Share of total voting rights (%)
The Brødrene Hartmann Foundation	A, AA	12.2	58.1	12.2	58.1
LD Equity I K/S	B	20.6	9.8	20.6	9.8
ATP – the Danish Labour Market Supplementary Pension Scheme	B	10.3	4.9	10.3	4.9
The EDJ Group	B	10.3	4.9	>10.0	>4.8
Commodure ApS (publisher)	B	10.2	4.9	-	-
Thor Stadil, attorney-at-law	B	>5.0	>2.4	>5.0	>2.4
Treasury shares	B	2.9	1.4	2.9	1.4
Total		>71.5	>86.4	>61.0	>81.4

reduced from 58.1% to 12.2%, which corresponds to the stake held by the Foundation.

The Board expects the Foundation to vote in favour of a capital increase and a merger of the share classes in 2008 so that, henceforth, the voting rights attached to the company's shares will be identical.

Dividend

The Board of Directors takes the general view that the annual dividend to shareholders should represent approx. 30% of the profit for the year after tax. However, at the Annual General Meeting on 22 April 2008, the Board of Directors will recommend that, due to the negative result in 2007, no dividend be declared for that financial year. However, the level of dividend declared will always take into account the Group's growth plans and liquidity requirements.

Service and information

Hartmann's website, www.hartmann-packaging.com, contains information about the Group's operations and developments. The section 'Investor Relations' includes information on e.g. previous and current releases, financial reports and investor presentations. The website also shows a list of banks and stockbrokers watching the Hartmann share. Other information on the website covers the company's IR policy, corporate governance, financial diary and other background information. On the website it is possible to sign up for the Group's digital news service which uses emails to send interim and annual reports and releases to subscribers immediately upon publication.

Investor contacts

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Ann-Louise Elkjær, IR & Corporate Communications Manager,
aej@hartmann-packaging.com, tel: +45 2033 8693
Ruth Pedersen, executive secretary,
rp@hartmann-packaging.com, tel: +45 2120 6028

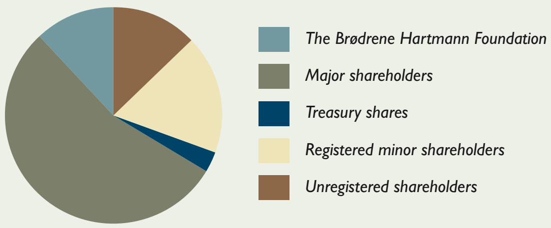
Financial diary 2008

13 March	Release of the Annual Report 2007
14 March	Presentation of the Annual Report 2007 at 8:15am at the Group's head office, Klampenborgvej 203, DK-2800 Kgs. Lyngby
22 April	Annual General Meeting at 2pm at the address of Plesner Svane Grønborg, Amerika Plads 37, DK-2100 Copenhagen Ø
22 May	Report for Q1 2008
28 August	Report for Q2 2008
29 August	Presentation of the report for Q2 2008 at the Group's new head office, Ørnegårdsvej 18, DK-2820 Gentofte
17 November	Report for Q3 2008

Hartmann's B | *share*

ISIN code	DK0010256197
No. of shares	3,080,895
Lowest price in 2007	145
Highest price in 2007	237
Share price at 1 January 2007	227
Share price at 31 December 2007	148
Listed on	OMX Nordic Exchange Copenhagen
Reuter code	HARTb.COM
Bloomberg code	HARTB DC

Shareholders | *distribution*



Board of Directors and Executive Board

All board members elected by the AGM sit for a term of one year. The information below reflects the situation in early March 2008, and details on the members of Hartmann's Board of Directors and Executive Board are updated on an ongoing basis on www.hartmann-packaging.com

Executive Board

Peter Arndrup Poulsen (1962)
- No. of shares held: 0
  No. of share options: 2,524
- Chief Executive Officer of Brødrene Hartmann A/S since 1 October 2006. Over the past 18 years Peter Arndrup Poulsen has held several executive positions e.g. in the building materials industry, serving as CEO of building materials supplier A/S L. Hammerich & Co. and furnituremaker ScanCom International A/S
- BC: Paludan-Satchwell ApS
- BM: Noble-Nordmann A/S and several Hartmann subsidiaries

Tom Wrensted (1965)
- No. of shares held: 0
  No. of share options: 1,659
- Chief Financial Officer of Brødrene Hartmann A/S and member of the Executive Board since November 2007. Joined Hartmann in April 2007 from the position of Finance Director of Hartmann North America. Previously Finance Director of ISS Healthcare, and before that employed in several financial positions with Eccolet Sko A/S and later Danfoss A/S, ending as Finance Manager of Danfoss in Japan and Korea
- BVC: DanFiber A/S and DanBørs A/S
- BM: Several Hartmann subsidiaries

Board of Directors

Erik Højsholt (1948)
- Joined the Board in 2007 (Chairman since September 2007)
- No. of shares held: 150
- Until 2006 CEO of Aarhus United A/S. Now works as a non-executive director only
- BC: R2Group A/S, Fluxome Sciences A/S, FCMB ApS, Brødrene Kier A/S and MacMann Berg Group A/S
- BM: Royal Unibrew A/S, Hans Schourup A/S, Hans Schourup Ejendomme A/S, Good Food Group A/S and the University of Aarhus

Walther Vishof Paulsen (1949)
- Joined the Board in 2005 (as Vice-Chairman)
- No. of shares held: 0
- Until 2000 CEO and member of the Executive Board of Carlsberg A/S. Now works as a non-executive director only
- BC: Hotel Koldingfjord A/S and Dantherm A/S
- BVC: C.W. Obel A/S
- BM: Danske Invest Administration A/S, VPG Holding A/S, Vital Petfood Group A/S, Dan-Ejendomme Holding A/S, Dan-Ejendomme A/S, Dan-Ejendomsinvestering A/S, Det Obelske Familiefond, Sanistål A/S, Arkil Holding A/S and Arkil A/S

BC: Board chairman
BVC: Board vice-chairman
BM: Board member


Peter Arndrup Poulsen


Tom Wrensted


Erik Højsholt


Walther Vishof Paulsen

Ove Brandt** (1964)
- Joined the Board in 2006
- No. of shares held: 72
- Deinking employee with Brødrene Hartmann A/S in Tønder since 1986

Niels Hermansen (1953)
- Joined the Board in 2006
- No. of shares held: 0
- Until 2005 managing director of packaging company Neoplex/Mondi Packaging Nyborg A/S and before that of Fritz Hansen A/S. Now works as a non-executive director only
- BC: Fredericia Furniture A/S, R. Færch Plast A/S, Kühnel Design A/S and 1508.DK Holding A/S
- BVC: Dansk Design Center
- BM: IC Companys A/S and VIKAN A/S

Michael Schrøder Nielsen** (1974)
- Joined the Board in 2006
- No. of shares held: 72
- Electrician with Brødrene Hartmann A/S in Tønder since 1995

Peter-Ulrik Plesner* (1946)
- Joined the Board in 1982
- No. of shares held: 285
- Since 1973 attorney-at-law, and from 1978 partner in Plesner Svane Grønborg, law firm
- BC: EVA Denmark A/S, Johan Mangor A/S, Piet Hein A/S and Triumph International Textil A/S
- BVC: The Brødrene Hartmann Foundation
- BM: The Ida Løfberg Foundation
- Chairman of the Danish Society for the Protection of Industrial Property and member of several legal associations in Denmark and abroad

Hans Vilhelmsen **(1961)
- Elected alternate in 2006. Joined the Board in January 2008
- No. of shares held: 0
- Process operator with Brødrene Hartmann A/S in Tønder since 1985

* Is not considered an independent board member due to his seat on the Board of the Brødrene Hartmann Foundation, cf. the recommendations of OMX Nordic Exchange Copenhagen on corporate governance.

** Board member elected by the employees

Management statement

The Board of Directors and the Executive Board have today considered and approved the Annual Report 2007 of Brødrene Hartmann A/S which includes the management statement, management report, financial review, income statement, balance sheet, statement of recognised income and expense, statement of cash flows, segment information and notes.

The annual report was prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies.

We consider the accounting policies applied to be appropriate. In our opinion, the Annual Report gives a true and fair view of the Group's and the parent company's operations and cash flows in the financial year 1 January - 31 December 2007.

The annual report is recommended for approval by the Annual General Meeting.

Kgs. Lyngby, 13 March 2008

Executive Board:	Peter Arndrup Poulsen *Chief Executive Officer*	Tom Wrensted *Chief Financial Officer*	
Board of Directors:	Erik Højsholt *Chairman*	Walther V. Paulsen *Vice-Chairman*	Ove Brandt
	Niels Hermansen	Michael S. Nielsen	Peter-Ulrik Plesner
	Hans Vilhelmsen		

The independent auditor's report

To the shareholders of Brødrene Hartmann A/S

We have audited the annual report of Brødrene Hartmann A/S for the financial year 1 January – 31 December 2007 which comprises the management statement, management report, financial review, income statement, balance sheet, statement of recognised income and expense, statement of cash flows and notes for both Group and parent company and segment information for the Group. The annual report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies.

Management's responsibility for the annual report

Management is responsible for preparing and presenting an annual report which gives a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of an annual report that gives a true and fair view free of material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and the audit performed

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish accounting standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain a high level of assurance that the annual report is free of material misstatement.

An audit involves the performance of procedures to obtain audit evidence of the amounts and disclosures contained in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement in the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the company's preparation and presentation of an annual report that presents 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 of the effectiveness of the company's internal control. An audit also includes an evaluation of the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as an evaluation of the overall presentation of the annual report.

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

Our audit did not result in any qualification.

Opinion

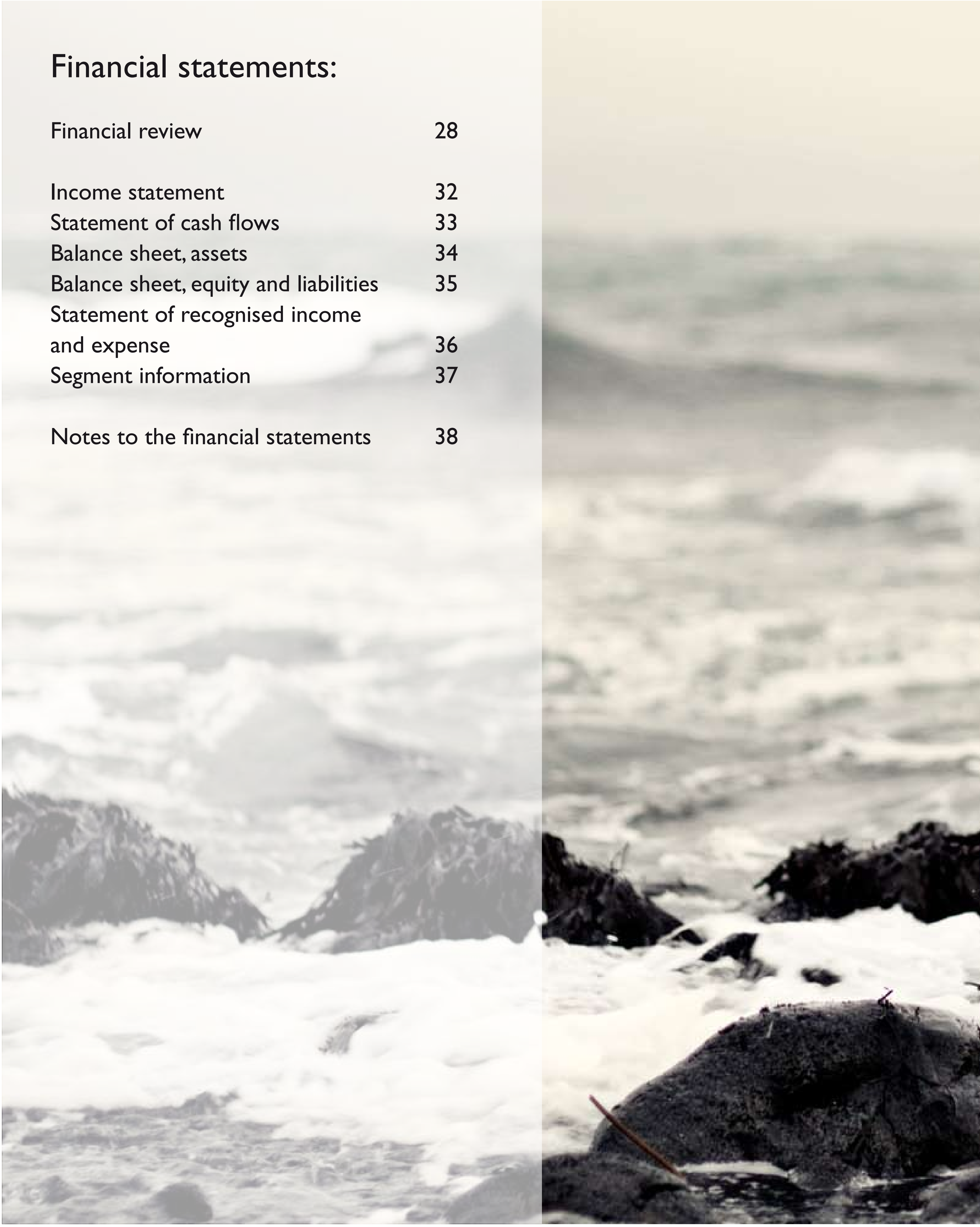
In our opinion, the annual report gives a true and fair view of the Group's and the parent company's assets and liabilities and financial position at 31 December 2007, and of the results of the Group's and the parent company's operations and cash flows in the financial year 1 January – 31 December 2007 in accordance with International Financial Reporting Standards as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies. .

Copenhagen, 13 March 2008

KPMG C.Jespersen
Statsautoriseret Revisionsinteressentskab
Borups Allé 177
2000 Frederiksberg

Per Gunslev	Søren Christiansen
State-authorised accountant	State-authorised accountant

Financial statements:



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Financial review

Hartmann posted DKK 1,492 million in revenue in 2007, up 1% from last year (DKK 17 million). Operating profit/(loss) came to DKK -146 million against DKK 62 million in 2006. After allowing for non-recurring items, the Group posted DKK 53 million in operating profit/(loss), reflecting an increase of DKK 36 million from the year-earlier level.

Income statement

Stable revenue

Hartmann posted DKK 1,492 million in revenue in 2007, reflecting organic growth of 1% (DKK 17 million) from the level in 2006. The amount in revenue was DKK 8 million lower than forecast in the Annual Report 2006 and DKK 12 million higher than announced in the report for Q3 2007 of 23 November 2007 (DKK 1,480 million). Growth was driven by changes in the product mix and price increases of 3% and a decline in volumes of 1%. The amount in revenue growth also reflected DKK 10 million (-1%) in adverse effect of changes in exchange rates.

Revenue growth was driven by the Group's main segments: Egg Packaging Europe accounted for DKK 7 million (1%) of the increase, mainly due to a more favourable mix in product sales. Egg Packaging North America contributed a decrease of DKK 6 million (-4%), primarily due to the unfavourable cross rate between the Canadian dollar (CAD) and the US dollar (USD), with the Canadian dollar remaining strong against Danish kroner throughout most of 2007. Industrial Packaging contributed DKK 17 million (8%) of revenue growth.

The other business areas in the Group posted revenue of DKK 82 million, unchanged from the year-earlier level.

Increasing production costs

Hartmann posted total production costs of DKK 1,121 million in 2007, up 2% (DKK 17 million) from last year primarily as a result of higher costs for energy, paper and labour and higher reorganisation costs as well as asset impairment in relation to the closure of Industrial Packaging in Asia.

Gross revenue on level

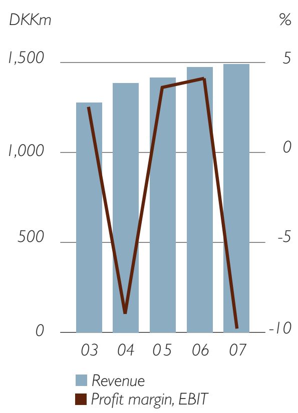
Gross revenue amounted to DKK 371 million on par with last year. Gross margin came to 25% on par with 2006.

Costs of sales, distribution and administration down from 2006

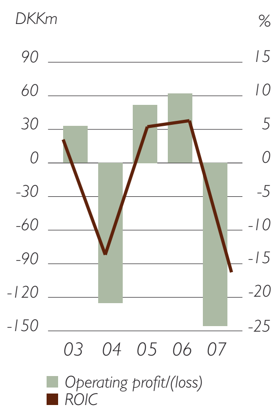
Sales and distribution costs reflected a total decline of 6% (DKK 16 million) to DKK 268 million, the decline being attributable to lower costs of freight, consultancy, product development and other staff costs. Administrative costs totalled DKK 96 million against DKK 91 million in 2006, up 5% (DKK 5 million).

Overall, total consolidated costs of sales, distribution and administration in 2007 came to 24%, reflecting a decline of DKK 11 million (1% point) from 2006 (25%).

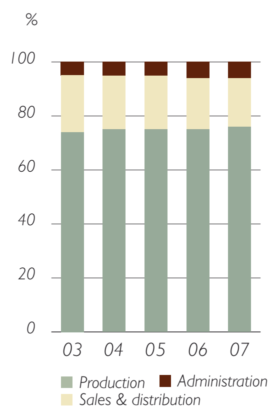
Revenue | *profit margin (EBIT)*



Operating profit/(loss) | *ROIC*



Costs | *distribution*



Increase in operating profit/(loss) excl. of non-recurring items

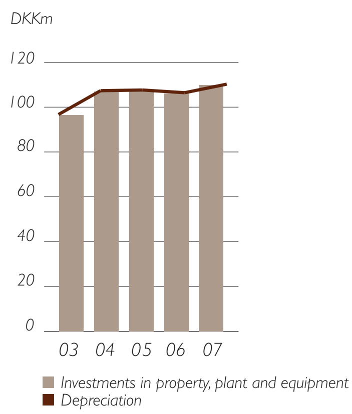
The Group posted DKK -146 million in operating profit/(loss) in 2007 against DKK 62 million in 2006. The amount in operating profit/(loss) exceeded the expectations announced in stock exchange release no. 15 of 23 November 2007 (DKK -155 to -165 million).

After allowing for non-recurring items the amount in operating profit/(loss) stood at DKK 53 million, reflecting an increase of DKK 36 million from the year-earlier level (DKK 17 million). The normalised profit/(loss) is approx. DKK 3 million above the level announced in the Annual Report 2006, the increase being attributable mainly to Industrial Packaging, which posted an operating profit/(loss) of DKK 40 million, up DKK 31 million. Egg Packaging Europe posted an operating profit/(loss) of DKK 69 million, down DKK 14 million. However, the division obtained a substantial improvement of the result for Q4 2007 compared to the same period last year. Egg Packaging North America returned an increase in operating profit/(loss) of DKK 16 million, resulting in an operating loss of DKK -28 million for 2007. The other business areas in the Group posted an operating profit/(loss) of DKK -28 million, which was on a par with last year.

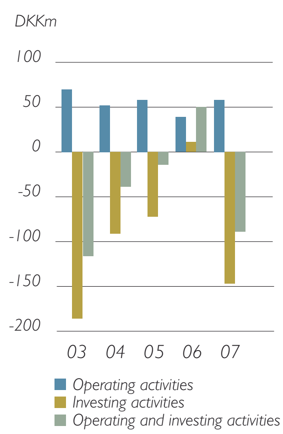
Financial income and expenses, etc.

Financial income and expenses, etc. totalled DKK 52 million against DKK 20 million in 2006, reflecting the negative effect of DKK 14 million in total foreign exchange losses compared to positive DKK 4 million in 2006. This amount includes DKK 9 million in expenses in connection with the repayment of equity-like loans in 2 subsidiaries.

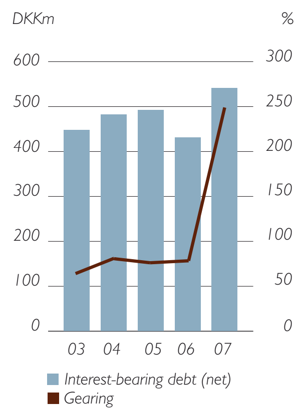
Property, plant and equipment | *depreciation*



Cash flows



Interest-bearing debt | *gearing*



Tax on profit for the year for continuing operations

Tax on profit for the year for continuing operations came to DKK -74 million in 2007 against DKK -4 million in 2006. The tax amount includes an impairment of tax assets in North America, DKK 48 million and tax assets in Asia, DKK 14 million.

Profit/(loss) for the year for continuing operations totalled DKK -271 million (2006: DKK 38.4 million).

Profit/(loss) for the year for discontinued operations

Profit/(loss) for the year for discontinued operations came to DKK -242 million in 2007 against DKK -115 million in 2006. As previously announced, the accumulated foreign exchange gains/losses relating to the operations in South America were reclassified effective from the date of the closing of the transaction from equity to the income statement under profit/(loss) for discontinued operations. This posting is purely technical and has no effect on equity and cash flow. The total amount involved is DKK -191 million.

The financial implications of the divestment have previously been outlined in detail in stock exchange releases nos. 8/2007 and 9/2007 and the report for Q2 2007. As announced in these communications, the sale had an effect of DKK -51 million from discontinued operations, resulting in a similar reduction of DKK -51 million in equity.

The total consolidated profit/(loss) affected by impairment

The Group posted a total consolidated profit/(loss) of DKK -513 million in 2007 against DKK -77 million in 2006 and with a forecast for 2007 of DKK 10-20 million announced in the Annual Report 2006 before impairment and restructuring. The share to minorities of this was DKK -5 million (DKK -15 million in 2006). The share to Hartmann came to DKK -510 million against DKK -63 million in 2006. The performance was in keeping with the expectations announced in stock exchange release no. 15 of 23 November 2007 (approx. DKK -500 to -510 million) in which the updated amount in consolidated profit/(loss) took account of the impairment of the non-current assets in North America and Asia.

Balance sheet

At the closing of 2007 Hartmann's total assets came to DKK 1,220 million, down DKK 218 million from 2006, primarily as a consequence of the sale of the South American operations.

Assets

Intangible assets totalled DKK 11 million at the closing of 2007 against DKK 12 million in 2006. The assets relate primarily to goodwill.

Property, plant and equipment totalled DKK 690 million in 2007 against DKK 775 million in 2006. Total investments in 2007 in property, plant and equipment came to DKK 148 million compared to DKK 103 million in depreciation (2006: investments totalling DKK 104 million and DKK 106 million in depreciation). The increase in investments is attributable mainly to the extension of the production plant in Hungary.

Other non-current assets totalled DKK 38 million in 2007 against DKK 95 million in 2006 and relate primarily to deferred tax assets in Canada. Of the DKK 57 million decline, the impairment of tax assets in Canada first half of 2007 accounts for DKK 48 million.

Current assets totalled DKK 481 million in 2007 compared to DKK 555 million in 2006, reflecting an increase of DKK 74 million of which DKK 61 million relate to changes in assets held for sale. Inventories fell short of the 2006 level, while trade receivables increased from the 2006 level due to revenue growth in 2007.

The above changes caused a decline in the amount in invested capital of DKK 169 million to DKK 810 million in 2007 against DKK 979 million in 2006.

Liabilities
Equity totalled DKK 220 million in 2007 attributable to the shareholders of Brødrene Hartmann A/S. This reflects a decline of DKK 324 million from the equity level in 2006 and resulted in an increase in financial gearing from 79% (including interest-bearing debt related to the operations in South America) to 269%.

Apart from the consolidated profit/(loss) of DKK -513 million in 2007, the development in equity is attributable to foreign currency translation adjustments (DKK 182 million), revaluations of hedging instruments (DKK 8 million), adjustments of pension liabilities etc. (DKK -3 million) and tax (DKK 2 million).

Non-current liabilities totalled DKK 389 million, which is a decline of DKK 31 million from the level in 2006. The distribution of non-current liabilities was different from 2006 in that bank debt was lower (transferred to current liabilities) and decreases in deferred tax.

Current liabilities totalled DKK 611 million, reflecting an increase of DKK 138 million from 2006 mainly as a result of an increase in bank debt of approx. DKK 158 million.

Cash flows and interest-bearing debt

Cash flows from operating activities totalled DKK 56 million against DKK 39 million in 2006, up DKK 17 million.

Operating profit/(loss) adjusted for non-cash items increased by DKK 28 million, in working capital contributed DKK 12 million, and payments to financial income and expenses, etc. reflected an increase of DKK 13 million and tax decreased with DKK 2 million from the year-earlier level.

Cash flows from investing activities were negative in an amount of DKK -142 million in 2007 against DKK 11 million in 2006. (last year was positively affected by DKK 115 million from the sale of assets - primarily the sale of the Group's head office).

This resulted in a free cash flow of DKK -85 million against DKK 51 million last year. After adjusting for major non-recurring items, the free cash flow came to DKK -64 million in 2007.

The amount in net-interest-bearing debt came to DKK 592 million at the closing of 2007, up DKK 161 million from the year-earlier level. The increase in debt is attributable mainly to the following factors: the free cash flow caused an increase in debt of approx. DKK 91 million, and the cash flows from discontinued operations caused an increase in debt of DKK 59 million. Foreign currency translation adjustments increased debt by DKK 1 million, while other matters caused a DKK 10 million increase in debt. The movements are described in greater detail in the statement of cash flows on p. 33.

Stated as the total amount in cash and cash equivalents and committed facilities, the Group's total financial reserves came to approx. DKK 190 million at 31 December 2007. This reflects a decrease of DKK 73 million from 31 December 2006 (DKK 263 million).

Earnings per share and dividend

Earnings per share (EPS) came to DKK -149.6 in 2007 against DKK -18.3 in 2006. The Board of Directors recommends to the Annual General Meeting that no dividend be paid out for 2007 as was also the case in 2006. The company's dividend policy is unchanged, and the aim is to achieve a pay-out ratio of approx. 30 %.

Incentive program

Management takes the view that financial incentive programs may enhance the motivation of the employees to enact a behaviour that supports the fulfilment of Hartmann's business objectives. Accordingly, an incentive program was introduced in 2007 which initially applies to the Group's CEO, Peter Arndrup Poulsen, and CFO, Tom Wrensted. The program includes:

- an annual fixed salary excluding benefits
- a bonus (up to 30% of the amount in annual fixed salary)
- a 4-year share option plan

Bonus is paid on the basis of the following criteria, which will be determined by the Board of Directors annually in connection with the budgetary process:

- 0-75% will be triggered by an EBIT-related 'incentive performance' within a defined framework
- 0-25% will be triggered by the fulfilment of a defined level in net working capital.

Share options are allotted every year 15 days after the release of Hartmann's annual report for the preceding financial year, the first allotment being effected in 2007. Further details on the program are available in stock exchange release no. 2 of 1 February 2007 and no. 15 of 23 November 2007 as well as note 5 on p. 48.

Subsequent events

The Group has signed 2 conditional agreements concerning the sale of a building and a production line in Malaysia. If these transactions come through, they will involve an accounting gain determined at DKK 10-15 million.

No other significant events have occurred since 31 December 2007.

Income statement

amounts in DKKm

1 January - 31 December

		Group		Parent company	
		2007	**2006**	**2007**	**2006**
Note					
3	Revenue	1,492.0	1,474.7	731.7	749.7
4, 5	Production costs	(1,120.8)	(1,104.1)	(619.1)	(633.5)
	Gross profit	**371,2**	**370.6**	**112.6**	**116.2**
5	Sales and distribution costs	(268.3)	(284.1)	(99.8)	(105.3)
5	Administrative expenses	(96.7)	(91.0)	(72.2)	(69.5)
6	Other operating income	3.0	66.7	3.0	66.7
	Operating profit/(loss) before impairment of assets	**(9.2)**	**62.2**	**(56.4)**	**8.1**
	Impairment of assets	(155.0)	0.0	0.0	0.0
	Operating profit/(loss) (EBIT)	**(145.8)**	**62.2**	**(56.4)**	**8.1**
	Operating profit/(loss) after tax in associates	0.2	0.2	0.0	0.0
7	Other financial income	2.9	6.2	34.0	103.5
7	Other financial expense	(54.8)	(26.5)	(381.1)	(150.7)
	Profit/(loss) before tax (EBT) from continuing operations	**(197.5)**	**42.1**	**(403.5)**	**(39.1)**
8	Tax on the profit/(loss) for the year from continuing operations	(73.6)	(3.7)	23.2	(0.4)
	Profit/(loss) for the year from continuing operations	**(271.1)**	**38.4**	**(380.3)**	**(39.5)**
26	Profit/(loss) for the year from discontinued operations	(242.3)	(115.4)	(1.7)	(143.6)
	Profit/(loss) for the year (EAT)	**(513.4)**	**(77.0)**	**(382.0)**	**(183.1)**
	The profit/(loss) for the year is attributable to:				
	Shareholders of Brødrene Hartmann A/S	(509.7)	(62.5)	(382.0)	(183.1)
	Minority interests	(3.7)	(14.5)	0.0	0.0
		(513.4)	**(77.0)**	**(382.0)**	**(183.1)**
	Proposal for the distribution of profit:				
	It is proposed that no dividend be paid for the financial year 2007 (2006: DKK 0.0)			0.0	0.0
	Retained earnings			(382.0)	(183.1)
				(382.0)	(183.1)
9	Earnings per share in DKK (EPS)	(149.6)	(18.3)		
9	Earnings per share in DKK, diluted (EPS-D)	(149.6)	(18.3)		
9	Earnings per share in DKK for continuing operations	(78.5)	15.6		
9	Earnings per share in DKK for continuing operations, diluted	(78.5)	15.6		

Statement of cash flows

1 January - 31 December

amounts in DKKm

Note		Group 2007	Group 2006	Parent company 2007	Parent company 2006
	Profit/(loss) for the year from continuing operations	(271.1)	38.4	(380.3)	(39.5)
10	Adjustments	383.0	57.8	376.7	22.6
11	Changes in working capital	5.9	(6.0)	14.9	(3.6)
	Cash flows from operating activities before interest income and expense and similar items	**117.8**	**90.2**	**11.3**	**(20.5)**
	Financial income	2.9	2.0	3.9	4.9
	Financial expense	(40.7)	(26.5)	(40.4)	(29.5)
	Cash flows from ordinary activities	**80.0**	**65.7**	**(25.2)**	**(45.1)**
	Net income tax paid	(23.9)	(26.3)	(1.0)	(0.3)
	Cash flows from operating activities	**56.1**	**39.4**	**(26.2)**	**(45.4)**
	Disposal of property, plant and equipment	1.1	114.7	3.0	114.6
	Acquisition of property, plant and equipment	(147.5)	(103.7)	(37.1)	(58.0)
	Dividend received from associates	0.3	0.1	0.3	0.1
	Dividend received from subsidiaries	0.0	0.0	29.8	62.8
	Goverment grants received	4.7	0.0	2.0	0.0
	Capital injections in subsidiaries	0.0	0.0	2.0	0.0
	Cash flows from investing activities	**(141.4)**	**11.1**	**(2.0)**	**17.8**
	Cash flows from operating and investing activities	**(85.3)**	**50.5**	**(28.2)**	**(27.6)**
	Repayment of non-current loans	(26.2)	(59.4)	(25.0)	(53.9)
	Dividend paid	0.0	(8.5)	0.0	(8.5)
	Acquisition of treasury shares	0.0	(6.7)	0.0	(6.7)
	Share options exercised	0.0	4.3	0.0	4.3
	Subordinated loan	50.0	0.0	50.0	0.0
	Long-term bank debt	50.0	0.0	50.0	0.0
	Change in non-current receivables from subsidiaries	0.0	0.0	(72.3)	124.7
	Cash flows from financing activities	**73.8**	**(70.3)**	**2.7**	**59.9**
	Cash flows from continuing operations	**(11.5)**	**(19.8)**	**(25.5)**	**32.3**
26	**Cash flows from discontinued operations**	**(64.6)**	**(2.5)**	**(127.5)**	**0.0**
	Total cash flows	**(76.1)**	**(22.3)**	**(153.0)**	**32.3**
	Cash and cash equivalents and bank debt at 1 January	(54.5)	(36.4)	(13.1)	(51.7)
	Foreign exchange translation differences	(0.5)	4.2	0.2	6.3
	Cash and cash equivalents and bank debt at year-end	**(131.1)**	**(54.5)**	**(165.9)**	**(13.1)**
	Recognition of cash and cash equivalents at year-end:				
	Cash and cash equivalents	52.3	69.1	12.9	10.1
	Cash and cash equivalents, included in assets held for sale	0.0	1.9	0.0	0.0
	Banks, included in liabilities relating to assets held for sale	0.0	(100.2)	0.0	0.0
	Banks (current liabilities)	(183.4)	(25.3)	(178.8)	(23.2)
	Total cash and cash equivalents and bank debt	**(131.1)**	**(54.5)**	**(165.9)**	**(13.1)**

Statement of cashflows cannot be derived solely from the published financial statements.

Balance sheet, assets

31 December

amounts in DKKm

Note		Group 2007	Group 2006	Parent company 2007	Parent company 2006
	Non-current assets				
	Intangible assets				
	Development projects	0.3	1.6	0.3	1.6
	Goodwill	10.7	10.7	10.7	10.7
12	**Total intangible assets**	**11.0**	**12.3**	**11.0**	**12.3**
	Property, plant and equipment				
	Land and buildings	169.4	156.4	42.6	46.5
	Technical plant and machinery	475.5	563.4	230.9	243.5
	Other operating equipment and fixtures	19.0	24.8	9.3	9.6
	Plant under construction	26.1	30.8	15.4	12.1
13	**Total property, plant and equipment**	**690.0**	**775.4**	**298.2**	**311.7**
	Other non-current assets				
14	Investments in subsidiaries	-	-	346.2	660.3
15	Receivables from subsidiaries	-	-	89.3	67.5
16	Investments in associates	3.9	4.0	0.3	0.3
17	Deferred tax asset	34.3	91.4	0.0	0.0
	Total other non-current assets	**38.2**	**95.4**	**435.8**	**728.1**
	Total non-current assets	**739.2**	**883.1**	**745.0**	**1,052.1**
	Current assets				
18	Inventories	110.8	114.6	51.2	56.9
30	Trade receivables	273.8	258.8	55.2	52.2
19	Contract work in progress	4.4	0.0	9.9	0.0
	Receivables from subsidiaries	-	-	44.7	53.9
	Corporate tax receivables	4.5	5.3	1.7	0.7
	Other receivables	15.2	29.1	11.3	20.9
	Prepayments	20.0	17.2	13.9	14.5
	Cash and cash equivalents	52.3	69.1	12.9	10.1
26	Assets classified as held for sale	0.0	60.8	0.0	0.0
	Total current assets	**481.0**	**554.9**	**200.8**	**209.2**
	Total assets	**1,220.2**	**1,438.0**	**945.8**	**1,261.3**

Balance sheet, equity and liabilities

amounts in DKKm

31 December

		Group		Parent company	
		2007	**2006**	**2007**	**2006**
Note					
	Equity				
20	Share capital	70.2	70.2	70.2	70.2
	Hedging reserve	(8.6)	(17.6)	2.3	(5.9)
	Translation reserve	(33.4)	(215.7)	0.0	0.0
	Retained earnings	191.9	703.6	(34.1)	347.9
	Equity attributable to the shareholders of Brødrene Hartmann A/S	**220.1**	**540.5**	**38.4**	**412.2**
	Minority interests	0.0	3.8	0.0	0.0
	Total equity	**220.1**	**544.3**	**38.4**	**412.2**
	Non-current liabilities				
17	Deferred tax	24.6	36.7	22.0	41.0
21	Pension obligations	18.4	18.4	0.0	0.0
22	Mortgages	2.7	4.0	0.0	0.0
22	Bank debt	328.0	343.7	325.9	340.8
22	Other debt	2.4	6.9	2.4	6.9
22. 23	Government grants	13.1	10.6	8.3	7.4
	Total non-current liabilities	**389.2**	**420.3**	**358.6**	**396.1**
	Current liabilities				
22	Current portion of non-current liabilities	79.7	29.1	75.9	25.8
32	Subordinated loan	50.0	0.0	50.0	0.0
	Bank debt	183.4	25.3	178.8	23.2
19	Contract work in progress	0.2	0.0	0.2	0.0
	Prepayments from customers	4.0	0.4	3.9	0.3
	Trade payables	121.9	139.7	70.8	85.6
	Payable to subsidiaries	-	-	59.3	174.9
	Payable to associates	4.9	4.5	4.9	4.5
	Corporation tax	4.4	2.3	0.0	0.0
24	Provisions	0.9	1.5	0.9	76.5
25	Other payables	161.5	111.3	104.1	62.2
26	Liabilities classified as assets held for sale	0.0	159.3	0.0	0.0
	Total current liabilities	**610.9**	**473.4**	**548.8**	**453.0**
	Total liabilities	**1,000.1**	**893.7**	**907.4**	**849.1**
	Total equity and liabilities	**1,220.2**	**1,438.0**	**945.8**	**1,261.3**

Statement of recognised income and expense

amounts in DKKm

31 December

Note		Group 2007	Group 2006	Parent company 2007	Parent company 2006
	Foreign exchange translation differences, foreign subsidiaries	184.4	(29.5)	0.0	0.0
	Foreign exchange translation, equity-like loans to subsidiaries	(3.0)	13.9	0.0	0.0
	Revaluation on hedging instruments transferred to the income statement (before tax)	(0.3)	8.1	1.1	0.1
	Revaluation on hedging instruments	8.7	(1.0)	10.1	6.8
21	Actuarial loss on defined-benefit plans	(3.0)	(0.3)	0.0	0.0
17	Tax on movements in equity	2.4	(9.3)	(3.0)	(1.9)
	Profit/(loss) recognised directly in equity	189.2	(18.1)	8.2	5.0
	Profit/(loss) for the year	(513.4)	(77.0)	(382.0)	(183.1)
	Total recognised income and expense for the year	**(324.2)**	**(95.1)**	**(373.8)**	**(178.1)**
	Attributable to:				
	Shareholders of Brødrene Hartmann A/S	(320.4)	(79.7)	(373.8)	(178.1)
	Minority interests	(3.8)	(15.4)	0.0	0.0
		(324.2)	(95.1)	(373.8)	(178.1)

Primary segments

amounts in DKKm

1 January - 31 December

	Egg Packaging Europe		Egg Packaging North America		Industrial Packaging		Other business areas*		Total		Discontinued operations		Total incl. discontinued operations	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
External revenue	1,043.0	1,036.5	147.3	153.1	220.3	203.0	81.4	82.1	1,492.0	1,474.7	92.0	164.2	1,584.0	1,638.9
Internal sales	2.8	7.0	-	-	12.9	23.0	(15.7)	(30.0)	-	-	-	-	-	-
Revenue	1,045.8	1,043.5	147.3	153.1	233.2	226.0	65.7	52.1	1,492.0	1,474.7	92.0	164.2	1,584.0	1,638.9
Operating profit/(loss) (EBIT)	**64.4**	**78.3**	**(143.8)**	**(46.3)**	**(16.4)**	**8.6**	**(50.0)**	**21.6**	**(145.8)**	**62.2**	**(0.3)**	**28.1**	**(146.1)**	**90.3**
Interest income and expense and similar items							(51.7)	(20.1)	(51.7)	(20.1)	(8.7)	(22.0)	(60.4)	(42.1)
Tax on profit/(loss) for the year							(73.6)	(3.7)	(73.6)	(3.7)	-	3.5	(73.6)	(0.2)
Profit/(loss) for the year from continuing operations							**(175.3)**	**(2.2)**	**(271.1)**	**38.4**	**(9.0)**	**9.6**	**(280.1)**	**48.0**
Impairment to net-realisable value							-	-	-	-	(41.8)	(101.6)	(41.8)	(101.6)
Impairment of tax asset							-	-	-	-	-	(23.4)	-	(23.4)
Accumulated exchange rate adjustments and sales costs						-	-	-	-	(191.5)	-	(191.5)	-	
Profit/(loss) for the year (EAT)							**(175.3)**	**(2.2)**	**(271.1)**	**38.4**	**(242.3)**	**(115.4)**	**(513.4)**	**(77.0)**
Intangible assets	11.0	12.3	-	-	-	-	-	-	11.0	12.3	-	-	11.0	12.3
Property, plant and equipment	489.1	429.4	116.3	229.4	71.5	119.2	13.1	(2.6)	690.0	775.4	-	-	690.0	775.4
Other non-current assets	-	-	-	-	-	-	38.2	95.4	38.2	95.4	-	-	38.2	95.4
Current assets (less cash and cash equivalents)	262.5	274.8	32.1	41.8	65.4	60.6	68.7	47.8	428.7	425.0	-	58.9	428.7	483.9
Cash and cash equivalents	30.3	35.6	2.4	5.6	5.9	9.3	13.7	18.6	52.3	69.1	-	1.9	52.3	71.0
Total assets	**792.9**	**752.1**	**150.8**	**276.8**	**142.8**	**189.1**	**133.7**	**159.2**	**1,220.2**	**1,377.2**	**-**	**60.8**	**1,220.2**	**1,438.0**
Interest-bearing debt	4.3	-	2.5	-	1.5	2.6	636.0	402.4	644.3	405.0	-	100.2	644.3	505.2
Non-interest-bearing payables	154.8	164.8	23.6	19.0	26.6	17.5	150.8	128.1	355.8	329.4	-	59.1	355.8	388.5
Equity and minority interests	-	-	-	-	-	-	220.1	544.3	220.1	544.3	-	0.0	220.1	544.3
Total equity and liabilities	**159.1**	**164.8**	**26.1**	**19.0**	**28.1**	**20.1**	**1.006.9**	**1.074.8**	**1.220.2**	**1.278.7**	**-**	**159.3**	**1,220.2**	**1,438.0**
Investments in intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in property, plant and equipment	113.2	72.7	15.3	12.1	11.9	16.7	7.1	2.2	147.5	103.7	-	-	147.5	103.7
Total investments	**113.2**	**72.7**	**15.3**	**12.1**	**11.9**	**16.7**	**7.1**	**2.2**	**147.5**	**103.7**	**-**	**-**	**147.5**	**103.7**
Amortisation of development costs	1.3	1.3	-	-	-	-	-	-	1.3	1.3	-	-	1.3	1.3
Depreciation on property, plant and equipment	68.9	65.5	14.6	18.6	13.8	13.3	4.3	0.6	101.6	98.0	-	6.2	101.6	104.2
Total amortisation and depreciation	**70.2**	**66.8**	**14.6**	**18.6**	**13.8**	**13.3**	**4.3**	**0.6**	**102.9**	**99.3**	**-**	**6.2**	**102.9**	**105.5**
Cash flows from operating activities	**133.4**	**142.3**	**0.8**	**(22.0)**	**44.0**	**32.4**	**(122.0)**	**(113.3)**	**56.2**	**39.5**	**(64.6)**	**3.8**	**(8.4)**	**43.2**
Average no. of employees	**1,329**	**1,283**	**201**	**205**	**324**	**358**	**92**	**83**	**1,946**	**1,929**	**90**	**468**	**2,036**	**2,397**

* Power Plant, Hartmann Technology and Group functions

Secondary segments - geographical segments

	External sales		Total assets		Investments	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Western Europe	1.065,0	1.082,9	617,9	582,9	35,2	57,2
Central and Eastern Europe	197,3	157,8	363,0	278,1	94,8	21,8
North America	157,0	160,9	179,7	372,5	15,3	12,1
South America (discontinued operations)	92,0	164,2	-	60,8	-	-
Asia	30,6	31,2	22,8	46,9	1,0	11,2
Others	42,1	41,9	36,8	96,8	1,2	1,4
Total	**1.584,0**	**1.638,9**	**1.220,2**	**1.438,0**	**147,5**	**103,7**

Breakdown of secondary segments by customer and asset location

Western Europe	Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Sweden, Switzerland and UK
Central and Eastern Europe	Baltic Republics, Czech Republic, Croatia, Hungary, Poland and Russia
North America	Canada, Mexico and USA
South America	Argentina, Brazil and Chile
Asia	China, Japan and South East Asia

Notes


Life-cycle assessments for all products
We assess the environmental profile
of our products from raw material to recycling
– what could be more natural

Notes

1. Accounting policies

Basis of accounting

The Annual Report 2007 of Brødrene Hartmann A/S has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements to the annual reports of listed companies, cf. the disclosure requirements to the annual reports of listed companies issued by the OMX Nordic Exchange Copenhagen and the IFRS ministerial order issued in pursuance of the Danish Financial Statements Act.The annual report also complies with the International Financial Reporting Standards issued by the IASB.

The annual report is presented in Danish kroner (DKK), rounded up to DKK million.

Changes in accounting policies

Effective from 1 January 2007 the Group has implemented IFRS 7 and IAS 32 on 'Financial Instruments', IAS 1 on 'Presentation of Financial Statements'. The new financial reporting standards did not affect recognition and measurement, and so the accounting policies applied are identical to those applied last year. The new standards only involve changes in information disclosed in the notes. The comparative figures have been restated accordingly.

Description of accounting policies including critical accounting policies

In the following section, accounting policies emphasised in bold and with a different background colour are policies that are considered by Management as the most significant for the Group.

Basis of consolidation

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 consolidating like items. The financial statements used for the Annual Report 2007 of the Group have been prepared in accordance with the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group dividend 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.

Business combinations

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises divested or liquidated are recognised in the consolidated income statement until the date of divestment. The comparative figures are not restated to reflect acquisitions. Discontinued operations are stated separately, cf. below. Acquisitions of enterprises in which the parent company obtains control are accounted for using the purchase method. Identifiable assets, liabilities and contingent liabilities of acquired enterprises are stated at their fair value at the date of acquisition. Identifiable intangible assets are recognised insofar as they are separable or arise from contractual rights and a reliable fair value can be calculated. Deferred tax is recognised on revaluations. Positive differences (goodwill) between the cost and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised as goodwill under intangible assets. Goodwill is not amortised, but is tested annually for impairment, the first impairment test being performed before the expiry of the year of acquisition. Upon acquisition, goodwill is allocated to the cash-generating units subsequently providing a basis for the impairment tests. In case of measurement uncertainty for acquired identifiable assets, liabilities and contingent liabilities at the time of acquisition, initial recognition will be based upon a preliminary calculation of fair values. Should it later turn out that the fair value of identifiable assets, liabilities and contingent liabilities at the date of acquisition was different from the fair value initially anticipated, goodwill will be adjusted for a period of up to twelve months after the acquisition. The effect of the adjustment is recognised in equity, and the comparative figures are restated accordingly. Gains or losses on the divestment or liquidation of subsidiaries and associates are stated as the difference between the sales amount or liquidation amount and the carrying amount of the net assets including goodwill at the date of divestment plus anticipated divestment or liquidation costs.

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

On recognition of foreign subsidiaries and associates with functional currencies other than DKK, income statement items are translated at transaction rates, and balance sheet items including goodwill are translated at balance sheet rates. Transaction rates are calculated as the average rate of the individual month to the extent that this does not provide a materially different picture.

Foreign exchange differences arising on the translation of opening equity of these entities at the balance sheet rates and on the translation of income statement items from average rates to the balance sheet rates are recog-

Notes

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

Upon the total or partial divestment of a foreign entity or upon the settlement of intra-group balances that are considered part of the net investment, such part of the accumulated foreign exchange translation differences as is recognised directly in equity and which is attributable thereto is recognised in the income statement concurrently with the recognition of any gains or losses from the divestment.

Derivative financial instruments

Derivative financial instruments are recognised and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and positive and negative values are set off solely when the enterprise has the right to and intends to settle several contracts simultaneously (settlement of difference). The fair value of derivative financial instruments is calculated on the basis of current market data. Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability as regards the hedged part. Changes in such part of the fair value of derivative financial instruments as has been designated as and qualifies for recognition as a hedge of future cash flows, and which effectively hedges changes in the value of the hedged item, are recognised in equity. Income and expenses relating to such hedging transactions are transferred from equity upon the realisation of the hedged item and are recognised in the same line item as the hedged item. For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement under interest income and expense and similar items as they occur. Changes in the fair value of derivative financial instruments used as a hedge of net investments in foreign subsidiaries and which effectively hedges against changes in foreign exchange rates in these enterprises are recognised in equity in the consolidated financial statement as a separate reserve for foreign exchange translation differences

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer has taken place by the balance sheet date and that the income can be reliably measured and is expected to be received. Revenue is measured at the fair value of the consideration receivable exclusive of VAT. Discounts granted are recognised as revenue. Contract work in progress concerning the production of moulding machines in Hartmann Technology is recognised as revenue by reference to the stage of completion, meaning that revenue corresponds to the selling price of work performed during the year (the percentage of completion method). Revenue is recognised when total income and expense relating to the contract and the stage of completion of the work at the balance sheet date can be reliably calculated and when it is probable that the economic benefits including payments will flow to the Group.

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.

Also, amortisation of capitalised development costs is recognised.

Sales and distribution costs

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

Administrative expenses

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

Other operating income and costs

Other operating income and costs comprise accounting items of a secondary nature.

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

The proportionate share of the profit/(loss) of associates after tax and minority interests and after elimination of the proportionate share in intragroup profit/(loss) is recognised in the income consolidated statement of the parent company.

Dividend from investments in subsidiaries and associates in the parent company's financial statements

Dividend from investments in subsidiaries and associates is recognised as income in the parent company's income statement in the financial year it is declared. However, where the amount of declared dividend exceeds the accumulated earnings after the date of acquisition, dividend is recognised as a impairment of the investment cost.

Financial income and expense, net

Financial income and expense, net comprise interest, realised and unrealised foreign exchange translation differences, revaluation of securities, amortisation of liabilities 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 classification as a hedge.

Notes

Tax on the profit/(loss) for the year

The parent company is subject to the Danish rules on joint taxation of the Danish subsidiaries in the Group. Subsidiaries are covered by the joint taxation arrangement for as long as they are included in the consolidation in the consolidated financial statements. The parent company is the management company for the joint taxation arrangement and handles the settlement of all corporation tax payments to the tax authorities. For the purpose of the settlement of joint taxation contributions, the actual amount payable in Danish corporation tax is divided 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 profit (full distribution). Tax for the year, comprising current corporation 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 the income statement for such part of it as can be attributed to the profit/(loss) for the year, and directly in equity for such part of it as is attributable to amounts recognised directly in equity.

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 cash and cash equivalents at the opening and closing of the year. The cash flow effect of acquisitions and divestments of enterprises is shown separately under cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the statement of cash flows from the date of acquisition. Cash flows from divestments of enterprises are recognised until the date of divestment.

Cash flows from operating activities

Cash flows from operating activities are determined as the profit/(loss) for the year adjusted for non-cash income statement items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and divestments of intangible assets and property, plant and equipment, including acquisitions of enterprises.

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 acquisitions and divestments of treasury shares and related costs and dividend payments to shareholders.

Cash flows from discontinued operations

Cash flows from discontinued operations are determined as the total amount of cash flows from the discontinued operations, including cash flows from operating activities and investing activities as well as from financing activities. Cash flows from discontinued operations are determined for the full financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash, current bank debt and securities with a term of three months or less which are easily convertible into cash and which are subject to an insignificant risk of changes in value.

Balance sheet

Goodwill

Goodwill is initially recognised in the balance sheet at cost as described in business combinations, with subsequent recognition 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 time of acquisition. The identification of cash-generating units follows the management structure and internal financial control.

Development projects

Development projects comprise salaries, amortisation and depreciation, 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 sales price can cover production costs, sales and distribution costs and administrative expenses as well as development costs. Development projects not eligible for recognition in the balance sheet are recognised in the income statement as and when the costs are incurred.

Capitalised development costs are measured at cost less accumulated depreciation and impairment. Following the completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is 5-10 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment. Cost comprises the purchase sum and any costs directly attributable to the acquisition until such time as 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. The cost of an entire asset is divided into separate components for individual depreciation where the useful life is different for the individual components. 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 will no longer be recognised in the balance sheet, but is transferred to the income statement. All other costs related to general repair and maintenance are recognised in the income statement as and when incurred. Property, plant and equipment are depreciated on a straight-line basis over the expected useful life of the assets/components. The expected useful lives are as follows:

Notes

- Buildings and building parts 15–25 years
- Plant and machinery 5-15 years
- Other operating equipment and fixtures 5-10 years
- IT equipment including basic program 3-5 years

Depreciation is not provided on land. The depreciation basis is determined taking into account the scrap value of the asset less any impairment losses. The scrap value is determined at the time of acquisition and is revalued annually. If the scrap value exceeds the carrying amount of the asset, depreciation will cease. The effect on depreciation of changes in the depreciation period or scrap value is recognised prospectively as a change in accounting estimates. Depreciation is recognised in the income statement as production costs, divestment and distribution costs and administrative expenses respectively. Gains and losses on the divestment of property, plant and equipment are determined as the difference between the sales price less divestment costs and the carrying amount at the date of divestment. Gains or losses are recognised in the income statement in the item under which the assets are depreciated.

Leases (parent company)

Leases relating to property, plant and equipment in which the parent company obtains the title, but for which all material risks and maintenance obligations are assigned to the subsidiary (finance leases), are recognised in the balance sheet of the parent company in the same way as other non-current assets. The cost of finance leases is stated at the net present value of future lease payments. For the calculation of the net present value, the interest rate stated in the leases is used as the discount rate.

Investments in associates in the consolidated financial statements

Investments in associates are measured according to the equity method. Investments in associates are measured in the balance sheet at the proportionate share of the enterprises' equity value calculated in accordance with the parent company's accounting policies minus or plus the proportionate share of unrealised intra-group profits and losses and plus the carrying amount of goodwill.

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 the lower of the two. Cost is reduced by such an amount in declared dividend as exceeding the accumulated earnings after the date of acquisition.

Other investments

Other investments which consist of unlisted foreign companies and which are available for sale are recognised at cost under non-current assets at the date of transaction with subsequent measurement at estimated fair value determined on the basis of market data and recognised valuation methods for unlisted securities. If a reliable fair value cannot be determined, securities are measured at cost. Unrealised fair value adjustments are recognised directly in equity, except for impairment losses and the reversal thereof, which are recognised in the income statement under financial income and expense, net. Upon a sale, the accumulated fair value adjustment recognised in equity is transferred to financial income and expense, net in the income statement.

Impairment of non-current assets

Goodwill and intangible assets with unidentifiable 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 for ongoing development projects in progress.

The carrying amount of goodwill is tested for impairment minimum once a year 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 in the income statement if the carrying amount is the higher of the two. As a general rule, 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 eliminated in tax on future income or by 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 period for the elimination 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 such an indication exists, 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 recognized in the income statement. Impairment on goodwill is 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 upon impairment, had the original impairment not been made.

Inventories

Inventories are measured at cost in accordance with the weighted average cost method. Where the net realisable value is lower than the acquisition cost, inventories are written down to the lower of the two. 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, buildings, equipment, plant administration and management. Borrowing costs are not recognised.

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.

Notes

Receivables
Receivables are measured at amortised cost. Write-downs are made on the basis of probability of default. Impairment is made on the basis of probability of default when a depreciation is estimated to occur. Impairment is made at individual and portfolio level.

Contract work in progress
Contract work in progress is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and the total expected income from the individual contracts. The stage of completion is determined on the basis of an assessment of the work performed. Contract work in progress for which the selling price of the work performed exceeds progress billings and expected losses is recognised in receivables. Contracts for which progress billings and expected losses exceed the selling price are recognised in liabilities. Prepayments from customers are recognised in liabilities. Selling costs and costs incurred in securing contracts are recognised in the income statement as and when incurred.

Prepayments
Prepayments recognised in assets comprise costs incurred that relate to subsequent financial years.

Equity

Dividend
Proposed dividend is recognised as a liability at the time it is adopted at the AGM.

The amount proposed in dividend for the year is stated as a separate item under equity.

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

Translation reserve
The translation reserve in the consolidated financial statements includes exchange rate differences occurring in 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 hedged transactions eligible as hedges of future payment flows and for which the hedged transaction has not yet been realised.

Incentive programs
The provisions of IFRS 2 on 'Share-Based Payments' are used as the basis of recognition and measurement. The programs are equity-settled, with measurement at fair value at the time of allotment and recognition in the income statement under staff costs for the period during which the final entitlement to the options is earned. The offsetting entry is recognised directly in equity. The fair value of the allotted options at the time of allotment is based upon a Black-Scholes model.

Pension obligations
Payments made to defined-contribution plans, under which the Group regularly pays fixed contributions into an independent pension fund, are recognised in the income statement in the period to which they relate, 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 calculation of the present value builds upon assumptions about the future developments of factors such as wages and salaries, interest rates, inflation and mortality. The present value is calculated solely for those benefits that have been earned by the employees in return for past service rendered to the Group. The present value as calculated by actuaries, less the fair value of any assets relating to the plan, is recognised in the balance sheet under pension obligations. The total pension costs of the year, based upon actuarial estimates and a financial forecast at the beginning of the year, are recognised in the income statement. The difference between the forecast development in pension assets and liabilities and the realised values is called actuarial gains or losses and is recognised directly in equity in accordance with IAS 19. If a pension plan net is an asset, such asset is recognised only insofar as it leads to future refunds under the plan or a reduction in future contributions.

Corporation tax and deferred tax
According to the rules on joint taxation, the parent company in its capacity of management company assumes liability for the payment of corporation tax of the Danish subsidiaries by reference to the payment by the subsidiaries of joint taxation contributions. 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 affiliates.

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 for tax purposes that is not eligible for amortisation 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 losses allowed for carry forward, are recognised under other non-current assets at the expected value of their utilisation, either by being eliminated in tax on future income or by being 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.

Notes

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.

Other provisions
Other provisions mainly consist of warranty obligations and obligations relating to reorganisation. Other obligations 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. Other obligations are measured at the best estimate of Management with regard to the amount required to settle the obligation. Warranty obligations are recognised when goods and services are sold on the basis of warranty costs incurred in previous financial years. Reorganisation costs are recognised as liabilities provided that a detailed, formal reorganisation plan has been announced to the persons involved not later than at the balance sheet date.

Financial liabilities
Amounts owing to mortgage credit institutions and banks are 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 the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Prepayments
Prepayments included in liabilities comprise payments received concerning income in subsequent financial years.

Government grants
Government grants received are recognised in the income statement in the period in which the corresponding costs are recognised. Grants relating to property, plant and equipment are recognised as liabilities in the balance sheet. The grants are recognised in the income statement over the useful lives of the assets.

Assets held for sale
Assets held for sale include non-current assets and divestment groups held for sale. Assets are classified as 'assets held for sale' if their carrying amount will be recovered primarily by a sale within 12 months according to a formal plan rather than by continued use. Assets or divestment groups held for sale are measured at the lower of the carrying amount and fair value less costs to sell. No depreciation and amortisation is performed on assets from the time they have been classified as 'assets held for sale'. Impairment losses occurring in connection with the first classification as 'assets held for sale', and gains or losses in relation to subsequent measurement at the lower of the carrying amount and fair value less costs to sell are recognised in the income statement under the items to which they relate. Gains and losses are disclosed in the notes to the financial statements. Assets and related liabilities are segregated line by line in the balance sheet, and the main items are specified in the notes.

Presentation of discontinued operations
Discontinued operations constitute an entity for which it is possible to clearly distinguish its activities and cash flows from the rest of the Group both operationally and for financial reporting purposes, and where the entity either has been divested or has been turned into a separate entity for the purpose of divestment, with divestment expected to take place within twelve months pursuant to a formal plan. Profit after tax on discontinued operations and revaluations after tax of related assets and liabilities are included in a separate line in the income statement with comparative figures. The notes will state revenue, costs, revaluations and tax for the discontinued operations. Assets and related liabilities for discontinued operations are segregated line by line in the balance sheet, cf. the section 'assets held for sale', and the main items are disclosed in the notes. Cash flows from operating, investing and financing activities of the discontinued operations are stated in a note.

Segment information

The Group's main activities and primary segments are:
- Egg Packaging Europe
- Egg Packaging North America
- Industrial Packaging
- Other segments, includes Hartmann Technology, Power Plant and Group functions

The Group's geographical areas and secondary segments are:
- Western Europe
- Central and Eastern Europe
- North America
- South America
- Asia

The division into segments is basically in accordance with the Group's management structure and internal financial control. Segment income and costs, cash flows from operating and investing activities, and segment assets and liabilities comprise those items that are directly attributable to the individual segment as well as those items that can be allocated to the individual segment on a reliable basis. Non-allocated items primarily comprise assets and liabilities as well as income and costs relating to the corporate administrative functions, investment activities, income taxes etc. A segment comprises those non-current assets that are used directly in the segment's operations including intangible assets, property, plant and equipment, and investments in associates. A segment comprises current assets that are used directly in the segment's operations including inventories, trade receivables, other receivables, prepayments and cash and cash equivalents. Segment liabilities comprise liabilities resulting from the segment's operations including trade payables and other payables.

Notes to the income statement

amounts in DKKm

2. Cricital accounting estimates and judgments

Estimation uncertainty
The determination of carrying amounts and the preparation of the annual report build upon estimates by Management of the likely effect of future events on the value of certain assets and liabilities. These estimates build upon assumptions which in the opinion of Management are valid, but which are inherently uncertain and unpredictable.

Trade receivables
Write-downs for losses on bad debts are made based on individual assessments of trade debtors including those with a previous bad payment record, customer credit ratings and current developments in economic trends in the countries in which the Group operates.

Deferred tax
In the measurement of deferred tax assets it is assessed whether or not, on the basis of budget and operating plans, future years' earnings will allow the utilisation of the temporary differences between tax values and carrying amounts or tax loss carry forwards.

Non-current assets
An assessment is made of the recoverability of the carrying amount of non-current assets. The assessment of recoverable amount is based upon the utilisation of the assets in the individual cash-generating units and the possibility of using the asset elsewhere within the Group.

Impairment of operations in North America
In view of the continued losses in the group's operations in North America and the recent strong increase in the CAD/USD cross rate and lower expectations from the original production targets, have led to the fact that the assets in North America have been impaired accordingly. The impairment appears in a separate line in the income statement.

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
3. Revenue				
Value of goods sold	1,472.2	1,446.3	652.6	681.8
Sales value of production for the year from contracts	19.8	28.4	78.6	54.8
Sales of services to subsidiaries	0.0	0.0	0.5	13.1
Total revenue	**1,492.0**	**1,474.7**	**731.7**	**749.7**
4. Cost of sales				
Cost of sales for the year	732.0	750.7	474.4	422.6
Inventory write-downs for the year	0.8	1.8	0.8	0.4
Reversed inventory write-downs	(2.0)	(0.1)	(2.0)	(0.1)
Total cost of sales	**730.8**	**752.4**	**473.2**	**422.9**

Notes to the income statement

amounts in DKKm

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
5. Staff costs				
Breakdown of staff costs:				
Wages, salaries and remuneration	479.1	499.9	269.3	262.9
Payments to defined-benefit pension plans	4.0	3.1	0.0	0.0
Payments to defined-contribution pension plans	31.5	34.8	21.8	13.9
Other social security costs	25.5	25.5	3.7	1.8
Total staff costs	**540.1**	**563.3**	**294.8**	**278.6**
Recognition of staff costs in the financial statements:				
Production costs	398.1	366.3	228.4	210.2
Sales and distribution costs	61.4	57.7	12.9	4.8
Administrative expenses	70.9	88.6	53.5	63.6
Discontinued operations	9.7	50.7	0.0	0.0
Total staff costs	**540.1**	**563.3**	**294.8**	**278.6**
No. of employees				
Average no. of full-time employees	2.036	2,397	675	672
Average no. of full-time employees, continuing operations	1,946	1,929	675	672

See also note 21 on p. 64 on pension obligations.

Remuneration to members of Executive Board and the Board of Directors

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

The Group's Executive Board and a few key employees have an agreement under which, in the event that a controlling stake in the company changes hands, the notice of termination is extended to 24 months effective from the date the shareholding is sold. The extended notice will apply for a period of up to 18 months after the transfer.

	2007					**2006**
Remuneration of the Executive Board	Salary	Bonus	Pension	Severance pay	Total	Total
Former Executive Board members:						
Asger Domino (resigned as at 30 September 2006)	-	-	-	-	-	10.3
Per Vinge Frederiksen (resigned as at 31 October 2006)	-	-	-	-	-	6.5
Steen Ulrik Madsen (resigned as at 31 March 2006)	-	-	-	-	-	1.0
Michael Hedegaard Lyng (resigned as at 31 March 2007)	0.8	0.5	-	0.1	1.4	2.1
Present Executive Board members:						
Peter Arndrup Poulsen (from 1 October 2006)	2.1	0.3	0.2	0.1	2.7	0.6
Tom Wrensted (from 23 November 2007)	0.1	0.1	-	-	0.2	-
Total remuneration to the Executive Board	**3.0**	**0.9**	**0.2**	**0.2**	**4.3**	**20.5**

In late November 2006, Michael Hedegaard Lyng resigned from his position with Brødrene Hartmann A/S effective from the end of March 2007.

Notes to the income statement

amounts in DKKm

5. Staff costs (cont'd)

The emolument paid to board members is a fixed amount approved by the AGM. Ordinary board members receive an annual emolument of DKK 150,000. The Vice-Chairman receives 2 times the amount in ordinary emolument, and the Chairman receives 3 times the amount in ordinary emolument. A new Chairman was appointed in September 2007.

	2007	2006
Emoluments to the Board of Directors		
Former Board of Directors:		
Chairman	0.3	0.8
Present Board of Directors:		
Chairman	0.2	-
Vice-Chairman	0.3	0.5
Ordinary members	1.0	1.1
Total emoluments to the Board of Directors	**1.7**	**2.4**

Accounts and Audit Committee

In late 2006 the Board of Directors set up an accounts and audit committee. Members sat for a term of one year. There should be minimum 3 members of whom minimum 2 should be members of the Board of Directors of Hartmann.

In late 2007, the Board of Directors decided to transfer the work of the Accounts and Audit Committee to the Board in plenary.

Members of the Accounts and Audit Committee received an amount in remuneration decided by the Board. In FY 2007 the Chairman receives an amount in remuneration of DKK 150,000, while the ordinary members receive DKK 75,000 each.

	2007	2006
Total remuneration Accounts and Audit Commitee		
Chairman	0.2	-
Ordinary members	0.2	-
Total remuneration	**0.4**	**-**

Incentive program

Brødrene Hartmann A/S has prepared a share option program to ensure a community of interests between the Management of Brødrene Hartmann A/S and the company's shareholders.

The share options are allotted in a number corresponding to the value of half of the annual fixed salary. 50% is allotted without any performance requirements, and up to 50% more is allotted on the basis of the degree of fulfilment of bonus targets.

In 2007 a total of 4,183 (2006: 0) share options were allotted to the Executive Board. The market value at the time of allotment for these options totals DKK 0.3 million (2006: DKK 0.0 million). Each option entitles its holder to acquire an existing B share of DKK 20 in the company. The options can only be settled in shares (equity-based scheme). The share option program is covered by the company's portfolio of treasury shares.

In 2008 share options will be allotted on the basis of the performance achieved in 2007. Based on the below assumptions, the market value of these options is determined at DKK 0.5 million for equal recognition in the period 2007-2010. The total cost relating to the share-based remuneration scheme stands at DKK 0.2 million (2006: DKK 0.0 million) which has been recognised in the income statement as part of staff costs.

In case all the share options that are unexercised at 31 December 2007 (4,183 options) are exercised, it would correspond to 0.12% of the share capital.

The share options are earned from the time of alltoment and three years ahead. The share options may be exercised in a period from three to five years following the allotment. A number of requirements are attached to the share options as regards death, resignation, etc.

Notes to the income statement

amounts in DKKm

Issued	year when starting	Exercise period year when ending	Number of options 01.01.2007	Issued	Expired	Exercised	31.12.2007	Exercise price
Members of the Executive Board								
2007	2010	2012	0	4,183	0	0	4,183	208
Total			**0**	**4,183**	**0**	**0**	**4,183**	

Assumptions for the determination of the market value at the time of allotment for share options recognised in 2007:

	2007	2006
Market value per option, DKK	62.00	-
Share price	208.00	-
Exercise price	208.00	-
Volatility	30%	-
Risk-free interest rate	4.0 - 4.3%	-
Exercise rate	0%	-
Expected term	4 years	-

Share price and exercise price are determined as the average of the price at which the Brødrene Hartmann A/S B share is listed on the OMX Nordic Exchange Copenhagen during the first 10 trading days after the release of the consolidated financial statements.

The expected term is determined on the basis of exercise taking place in the middle of the exercise period.The market value of share options builds upon the Black & Scholes' formula for the valuation of options based on the exercise price.

	Group 2007	Group 2006	Parent company 2007	Parent company 2006
6. Other operating income				
Profit from sale of head office	-	65.7	-	65.7
Licence fees	3.0	1.0	3.0	1.0
Total other operating income	**3.0**	**66.7**	**3.0**	**66.7**
7. Other financial income and expense				
Other financial income				
Dividend from subsidiaries	0.0	0.0	29.8	62.8
Dividend from associates	0.0	0.0	0.3	0.1
Interest income, subsidiaries	0.0	0.0	2.9	3.7
Net foreign exchange gain	0.0	4.2	0.0	35.7
Interest income, cash etc.	2.9	2.0	1.0	1.2
Other financial income, total	**2.9**	**6.2**	**34.0**	**103.5**
Other financial expense				
Interest expense, subsidiaries	0.0	0.0	3.8	3.1
Write-down of investments in subsidiaries	0.0	0.0	314.1	120.0
Losses by close-down of subsidiaries	0.0	0.0	0.0	1.2
Net foreign exchange loss	14.1	0.0	26.6	0.0
Interest expense, liabilities	37.1	21.4	23.6	21.4
Other expense	3.6	5.1	13.0	5.0
Other financial expense, total	**54.8**	**26.5**	**381.9**	**150.7**
Financial income and expense	**(51.9)**	**(20.3)**	**(347.1)**	**(47.2)**

Notes to the income statement

amounts in DKKm

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
8. Tax on profit/(loss) for the year from continuing operations				
Breakdown of tax for the year:				
Tax on profit/(loss) from continuing operations	73.6	3.7	(23.2)	0.4
Tax on movements in equity	(2.4)	9.4	3.0	1.9
Tax relating to discontinued operations	0.0	(3.5)	0.0	(4.1)
Total tax	**71.2**	**9.6**	**(20.2)**	**(1.8)**
Breakdown of tax on profit/(loss) for the year of continuing operations:				
Current tax	22.8	21.1	0.0	0.5
Changes in deferred tax	38.1	(21.3)	(22.1)	(1.2)
Change of corporate tax rate	9.1	1.9	(0.7)	0.0
Adjustment of prior-year tax	3.6	2.0	(0.4)	1.1
Total tax on profit/(loss) from continuing operations	**73.6**	**3.7**	**(23.2)**	**0.4**
Breakdown of tax on profit/(loss) for the year of continuing operations:				
Profit/(loss) before tax	(197.5)	42.1	(403.5)	(39.1)
Dividend from subsidiaries and associates	0.0	0.0	(29.8)	(62.8)
Profit/(loss) after tax in associates	(0.2)	(0.2)	(0.3)	(0.1)
	(197.7)	**41.9**	**(433.6)**	**(102.0)**
Tax thereon, charged at 25%/28%	(49.4)	11.7	(108.4)	(28.6)
Adjustment of tax calculated for foreign subsidiaries in relation to 25%/28%	(4.8)	(2.5)	0.0	0.0
Tax effect of:				
Reduction of corporation tax rate	6.3	1.9	(0.7)	0.0
Non-taxable share in profit on sale of head office	0.0	(5.8)	0.0	(5.8)
Non-deductible write-down of investments in subsidiaries	0.0	0.0	78.6	33.6
Non-deductible impairment of assets	47.8	0.0	0.0	0.0
Adjustment relating to joint taxation	0.0	0.0	0.0	0.2
Unrecognised deferred tax assets in foreign subsidiaries	65.1	(2.6)	0.0	0.0
Non-taxable income and non-deductible expense	5.0	(1.0)	7.7	(0.1)
Tax in prior years	3.6	2.0	(0.4)	1.1
	73.6	**3.7**	**(23.2)**	**0.4**
Effective tax rate	**-**	**9%**	**6%**	**-**

Notes to the income statement

amounts in DKKm

	Group	
	2007	**2006**
9. Earnings per share		
Profit/(loss) for the year attributable to shareholders of Brødrene Hartmann A/S	**(509.7)**	**(62.5)**
Average no. of shares	3,507,545	3,507,545
Average no. of treasury shares	(100,000)	(100,000)
Average no. of shares in circulation	**3,407,545**	**3,407,545**
Average diluting effect of non-exercised share options	0	0
Average no. of shares, diluted	**3,407,545**	**3,407,545**
Earnings per share in DKK (EPS)	(149.6)	(18.3)
Earnings per share in DKK, diluted (EPS-D)	(149.6)	(18.3)
Profit/(loss) for the year of continuing operations attributable to shareholders of Brødrene Hartmann A/S	**(267.4)**	**52.9**
Earnings per share in DKK for continuing operations	(78.5)	15.6
Earnings per share in DKK for continuing operations, diluted	(78.5)	15.6

Notes to the statement of cash flows

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
10. Adjustments to the statement of cash flows				
Depreciation and impairment of profit/(loss) on disposal of non-current assets	255.6	100.0	47.8	39.4
Profit/(loss) after tax in associates	(0.2)	(0.2)	-	-
Profit on sale of head office	0.0	(65.7)	0.0	(65.7)
Financial income	(2.9)	(6.2)	(34.0)	(103.5)
Financial expense	54.8	26.5	381.1	150.7
Tax on profit/(loss) for the year	73.6	3.7	(23.2)	0.4
Other operating items, net	2.1	(0.7)	5.7	1.0
Provisions	0.0	0.4	(0.7)	0.3
Total adjustments to cash flow statement	**383.0**	**57.8**	**376.7**	**22.6**
11. Change in working capital				
Changes in inventories	4.3	0.0	5.6	3.7
Changes in receivables	(15.4)	(5.0)	1.0	9.5
Changes in trade payables, etc.	17.0	(1.0)	8.3	(16.8)
Total changes in working capital	**5.9**	**(6.0)**	**14.9**	**(3.6)**

Notes to the statement of cash flows

amounts in DKKm

	Development projects	Goodwill	Total
12. Intangible assets			
Group			
Cost at 1 January 2006	6.6	10.7	17.3
Cost at 31 December 2006	**6.6**	**10.7**	**17.3**
Amortisation and impairment at 1 January 2006	3.7	0.0	3.7
Amortisation	1.3	0.0	1.3
Amortisation and impairment at 31 December 2006	**5.0**	**0.0**	**5.0**
Carrying amount at 31 December 2006	**1.6**	**10.7**	**12.3**
Cost at 1 January 2007	6.6	10.7	17.3
Cost at 31 December 2007	**6.6**	**10.7**	**17.3**
Amortisation and impairment at 1 January 2007	5.0	0.0	5.0
Amortisation	1.3	0.0	1.3
Amortisation and impairment at 31 December 2007	**6.3**	**0.0**	**6.3**
Carrying amount at 31 December 2007	**0.3**	**10.7**	**11.0**

Amortisation on development projects is recognised in the income statement under 'production costs'.

In 2007 development costs totalled DKK 14.1 million (2006: DKK 8.2 million) of which DKK 0.0 million (2006: DKK 2.8 million) is recognised in the balance sheet under 'production plant under construction', and DKK 14.1 million (2006: DKK 5.4 million) is recognised in the income statement under 'production costs'. Of the DKK 14.1 million in recognised development costs in 2007, DKK 4.1 million relates to an abandoned development project capitalised in 2006 under 'production plant under construction'.

Goodwill

Goodwill stated at 31 December 2007 is allocated in Egg Packaging Europe.

Based on the expected future net cash flows, Management believes that the carrying amount of goodwill will not move significantly above 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 and forecasts for the period 2008-2012 and by using a rate of discount before tax of 8% before tax (2006: 7.5%) which takes into account the specific risks characterising the European market. The calculation is not based on significant growth expectations.

Notes to the statement of cash flows

amounts in DKKm

	Development projects	Goodwill	Total
12. Intangible assets (cont'd)			
Parent company			
Cost at 1 January 2006	6.6	10.7	17.3
Cost at 31 December 2006	**6.6**	**10.7**	**17.3**
Amortisation and impairment at 1 January 2006	3.7	0.0	3.7
Amortisation	1.3	0.0	1.3
Amortisation and impairment at 31 December 2006	**5.0**	**0.0**	**5.0**
Carrying amount at 31 December 2006	**1.6**	**10.7**	**12.3**
Cost at 1 January 2007	6.6	10.7	17.3
Cost at 31 December 2007	**6.6**	**10.7**	**17.3**
Amortisation and impairment at 1 January 2007	5.0	0.0	5.0
Amortisation	1.3	0.0	1.3
Amortisation and impairment at 31 December 2007	**6.3**	**0.0**	**6.3**
Carrying amount at 31 December 2007	**0.3**	**10.7**	**11.0**

Amortisation on development projects is recognised in the income statement under 'production costs'.

In 2007 development costs totalled DKK 14.1 million (2006: DKK 8.2 million) of which DKK 0.0 million (2006: DKK 2.8 million) is recognised in the balance sheet under 'production plant under construction', and DKK 14.1 million (2006: DKK 5.4 million) is recognised in the income statement under 'production costs'. Of the DKK 14.1 million in recognised development costs in 2007, DKK 4.1 million relates to an abandoned development project capitalised in 2006 under 'production plant under construction'.

Goodwill

Goodwill stated at 31 December 2007 is allocated in Egg Packaging Europe.

Based on the expected future net cash flows, Management believes that the carrying amount of goodwill will move significantly above 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 and forecasts for the period 2008-2012 and by using a rate of discount before tax of 8% before tax (2006: 7.5%) which takes into account the specific risks characterising the European market. The calculations is not based on significant growth expectations.

Notes to the balance sheet

amounts in DKKm

	Land and buildings	Technical plant and machinery	Other operating equipment and fixtures	Production plant under construction	Total
13. Property, plant and equipment					
Group					
Cost at 1 January 2006	412.9	1,605.1	156.2	53.9	2,228.1
Transfer to assets held for sale	(37.7)	(207.6)	(20.9)	(0.5)	(266.7)
Foreign exchange translation differences	(5.8)	(26.5)	(0.6)	(0.5)	(33.4)
Transfer	0.0	51.0	0.0	(51.0)	0.0
Additions	7.4	51.9	15.5	28.9	103.7
Disposals	(57.7)	(4.8)	(6.0)	0.0	(68.5)
Cost at 31 December 2006	**319.1**	**1,469.1**	**144.2**	**30.8**	**1,963.2**
Depreciation at 1 January 2006	171.0	964.6	130.6	0.0	1,266.2
Transfer to assets held for sale	(15.1)	(138.1)	(13.6)	0.0	(166.8)
Foreign exchange translation differences	(0.4)	(4.8)	(0.3)	0.0	(5.5)
Depreciation	10.6	87.3	8.2	0.0	106.1
Disposals	(3.4)	(3.3)	(5.5)	0.0	(12.2)
Depreciation at 31 December 2006	**162.7**	**905.7**	**119.4**	**0.0**	**1,187.8**
Carrying amount at 31 December 2006	**156.4**	**563.4**	**24.8**	**30.8**	**775.4**
Cost at 1 January 2007	319.1	1,469.1	144.2	30.8	1,963.2
Foreign exchange translation differences	1.7	11.0	(0.4)	(0.9)	11.4
Transfer	0.0	96.8	0.0	(96.8)	0.0
Additions	29.1	17.2	8.2	93.0	147.5
Disposals	(0.1)	(1.9)	(5.6)	0.0	(7.6)
Cost at 31 December 2007	**349.9**	**1,592.2**	**146.4**	**26.1**	**2,114.6**
Depreciation at 1 January 2007	162.7	905.7	119.4	0.0	1,187.8
Foreign exchange translation differences	(0.6)	(6.2)	(1.3)	0.0	(5.5)
Impairment	6.3	136.9	5.4	0.0	148.6
Depreciation	12.1	82.2	9.2	0.0	103.5
Disposals	0.0	(1.9)	(5.3)	0.0	(9.8)
Depreciation at 31 December 2007	**180.5**	**1,116.7**	**127.4**	**0.0**	**1,424.6**
Carrying amount at 31 December 2007	**169.4**	**475.5**	**19.0**	**26.1**	**690.0**

The public land assessment of properties at 1 January 2007 amounted to DKK 115.1 million (2006: DKK 96.1 million).
The carrying amount of Danish properties at 31 December 2007 was DKK 42.6 million (2006: DKK 46.5 million).

Recent developments in the CAD/USD cross rate have an adverse effect on earnings in North America. The impairment test made builds upon the assumptions of a CAD/USD cross rate of 1.02. The production volume expectations have been reduced. The expected future cash flows have been discounted at a rate of 10% before tax. Accordingly, the total effect of our impairment test resulted in impairment of fixed assets of DKK 115 million. In Malaysia and China an impairment of fixed assets is made of DKK 25.4 million and DKK 8.2 million respectively .

	Group	
	2007	**2006**
Breakdown of depreciation:		
Depreciation for the year	103.5	106.1
Part of government grants recognised as income	(1.9)	(1.9)
Total depreciation	**101.6**	**104.2**
Depreciation for the year is recognised in the income statement under the following items:		
Production costs	98.7	94.8
Sales and distribution costs	1.7	94.8
Administrative expenses	1.2	1.8
Discontinued operations	0.0	6.2
Total depreciation	**101.6**	**104.2**

Notes to the balance sheet

amounts in DKKm

	Land and buildings	Tecnical plant and machinery	Other operating equipment and fixtures	Production plant under construction	Total
13. Property, plant and equipment (cont'd)					
Parent company					
Cost at 1 January 2006	217.2	711.0	97.0	46.0	1,071.2
Transfer	0.0	46.0	0.0	(46.0)	0.0
Additions	4.4	36.1	5.4	12.1	58.0
Disposals	(56.8)	(5.2)	(0.2)	0.0	(62.2)
Cost at 31 December 2006	**164.8**	**787.9**	**102.2**	**12.1**	**1,067.0**
Depreciation at 1 January 2006	116.5	513.7	89.3	0.0	719.5
Depreciation	4.9	31.0	3.5	0.0	39.4
Disposals	(3.1)	(0.3)	(0.2)	0.0	(3.6)
Depreciation at 31 December 2006	**118.3**	**544.4**	**92.6**	**0.0**	**755.3**
Carrying amount at 31 December 2006	**46.5**	**243.5**	**9.6**	**12.1**	**311.7**
Cost at 1 January 2007	164.8	787.9	102.2	12.1	1,067.0
Transfer	0.0	8.0	0.0	(8.0)	0.0
Additions	1.1	17.5	3.1	15.4	37.1
Disposals	(0.1)	(11.0)	(2.6)	(4.1)	(17.8)
Cost at 31 December 2007	**165.8**	**802.4**	**102.7**	**15.4**	**1,086.3**
Depreciation at 1 January 2007	118.3	544.4	92.6	0.0	755.3
Depreciation	4.9	34.6	3.4	0.0	42.9
Disposals	0.0	(7.5)	(2.6)	0.0	(10.1)
Depreciation at 31 December 2007	**123.2**	**571.5**	**93.4**	**0.0**	**788.1**
Carrying amount at 31 December 2007	**42.6**	**230.9**	**9.3**	**15.4**	**298.2**

The public land assessment of properties at 1 January 2007 amounted to DKK 115.1 million (2006: DKK 96.1 million).
The carrying amount of Danish properties at 31 December 2007 was DKK 42.6 million (2006: DKK 46.5 million).

	Parent company	
	2007	**2006**
Breakdown of depreciation:		
Depreciation for the year	42.9	39.4
Part of government grants recognised as income	(0.9)	(0.8)
Total depreciation	**42.0**	**38.6**
Depreciation for the year is recognised in the income statement under the following items:		
Production costs	41.0	36.9
Sales and distribution costs	0.1	0.1
Administrative expenses	0.9	1.6
Total depreciation	**42.0**	**38.6**

Notes to the balance sheet

amounts in DKKm

	Parent company 2007	Parent company 2006
14. Investments in subsidiaries		
Cost at 1 January	1,004.9	1,111.8
Additions	0.0	101.7
Disposals	(4.2)	(1.2)
Transferred to assets held for sale	0.0	(207.4)
Cost at 31 December	**1,000.7**	**1,004.9**
Write-down at 1 January	344.6	371.3
Write-down during the year	314.1	120.0
Disposals	(4.2)	0.0
Transferred to assets held for sale	0.0	(146.7)
Write-down at 31 December	**654.5**	**344.6**
Carrying amount at 31 December	**346.2**	**660.3**

Name	**Registered office**	**Stake 2007**	**Stake 2006**
Hartmann (UK) Ltd	England	100%	100%
Hartmann France S.a.r.l.	France	100%	100%
Hartmann Verpackung AG	Switzerland	100%	100%
Hartmann Italiana S.r.l. (in liquidation)	Italy	100%	100%
Hartmann-Schwedt GmbH	Germany	100%	100%
(Subsidiary: Hartmann Verpackung GmbH)	Germany	100%	100%
Hartmann-Hungary Kft.	Hungary	100%	100%
Hartmann Pólska Sp. z o.o.	Poland	100%	100%
Brødrene Hartmann Invest ApS	Denmark	100%	100%
Hartmann China Holding A/S (in liquidation)	Denmark	60%	60%
(Subsidiary: Hartmann Packaging (Suzhou) Co. Ltd.)	China	100%	100%
Hartmann Malaysia Sdn. Bhd. (in liquidation)	Malaysia	100%	100%
Hartmann Papirna Ambalaža d.o.o.	Croatia	100%	100%
Hartmann-Mai Ltd.	Israel	100%	100%
Hartmann-Varkaus Oy	Finland	100%	100%
H-Novi SAD	Serbia	100%	100%
Nihon Hartmann K.K. (liquidated)	Japan	0%	100%
Hartmann Canada Inc.	Canada	100%	100%
(Subsidiaries: Hartmann Dominion Inc.)	Canada	100%	100%
(Subsidiaries: Hartmann USA Inc.)	USA	100%	100%
Transferred to assets held for sale			
Hartmann Embalagens do Brasil Ltda.	Brazil	0%	85%

Notes to the balance sheet

amounts in DKKm

The impairment of the year is primarily attributable to the directly owned capital shares in Canada and Malaysia, amounting to DKK 262.7 million. (2006: DKK 115.7 million). The parent company's investments in Malaysia no longer represent an accounting value at 31 December 2007. The impairment of the Group's direct investments in Canada and Malaysia are offset in the accounting item 'other financial expenses'.

Based on the expected future net cash flows and after the impairment made, Management believes that the carrying amount of investments in subsidiaries will not exceed the recoverable amount.

The recoverable amount is based on the present value determined by means of expected future net cash flows on the basis of approved budgets and forecasts for the period 2008-2010 and by using a rate of 10-12% discount before tax which takes into account the specific risks characterising the markets in which the investments are held.

	Parent company	
	2007	**2006**
15. Receivables from subsidiaries		
Carrying amount at 1 January	**67.5**	**132.9**
Foreign exchange translation differences	(1.1)	(1.3)
Additions	49.4	6.3
Disposals	(26.5)	(60.4)
Write-down of receivables from subsidaries	0.0	(10.0)
Carrying amount at 31 December	**89.3**	**67.5**
Of this amount DKK 30.3 million relates to finance leases (2006: DKK 53.3 million).		
Breakdown of the gross amount in receivables from finance leases:		
Due within 1 year	17.2	10.6
Due within 1 to 5 years	14.5	46.0
Due after 5 years	0.0	0.0
Total gross amount receivable	**31.7**	**56.6**
Unearned, future financial income	(1.4)	(3.3)
Net investments in finance leases	**30.3**	**53.3**
Breakdown of net investments in finance leases:		
Due within 1 year	16.2	8.6
Due within 1 to 5 years	14.1	44.7
Due after 5 years	0.0	0.0
Net investments in finance leases	**30.3**	**53.3**

Finance leases cover leases for production equipment manufactured by Hartmann Technology for use in a foreign subsidiary.

Notes to the balance sheet

amounts in DKKm

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
16. Investments in associates				
Cost at 1 January	0.3	0.3	0.3	0.3
Cost at 31 December	**0.3**	**0.3**	**0.3**	**0.3**
Revaluations at 1 January	3.7	3.6	0.0	0.0
Dividend	(0.3)	(0.1)	0.0	0.0
Share in profit/(loss) for the year	0.2	0.2	0.0	0.0
Revaluations at 1 January	**3.6**	**3.7**	**0.0**	**0.0**
Carrying amount at 31 December	**3.9**	**4.0**	**0.3**	**0.3**

2006

							Group share	
Name	**Registered office**	**Stake**	**Revenue**	**Profit/(loss) for the year**	**Assets**	**Liabilities**	**Equity**	**Profit/(loss) for the year**
DanFiber A/S	Søborg	33.4%	6.9	0.5	29.5	17.6	4.0	0.2

2007

							Group share	
Name	**Registered office**	**Stake**	**Revenue**	**Profit/(loss) for the year**	**Assets**	**Liabilities**	**Equity**	**Profit/(loss) for the year**
DanFiber A/S	Søborg	33.4%	7.4	0.5	42.8	31.3	3.9	0.2

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

Notes to the balance sheet

amounts in DKKm

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
17. Deferred tax				
Deferred tax at 1 January	(54.7)	(51.2)	41.0	43.4
Transfer to liabilities relating to assets held for sale	0.0	(3.0)	0.0	(4.2)
Foreign exchange translation differences	0.2	7.4	0.0	0.0
Change of corporation tax rate recognised in profit/(loss) for the year of continuing operations	6.3	1.9	(0.7)	0.0
Deferred tax for the year recognised in profit/(loss) for the year from continuing operations	40.9	(21.3)	(22.1)	(1.2)
Deferred tax for the year recognised in profit/(loss) for the year from discontinued operations	0.0	0.0	0.8	0.0
Deferred tax on foreign exchange translation differences recognised in equity	(0.6)	4.3	0.0	0.0
Deferred tax on hedging instruments recognised in equity	(0.9)	5.1	3.0	1.9
Deferred tax on actuarial gains and losses	(0.9)	(0.1)	0.0	0.0
Adjustment of deferred tax in prior years	0.0	2.2	0.0	1.1
Deferred tax at 31 December	**(9.7)**	**(54.7)**	**22.0**	**41.0**
Breakdown of deferred tax:				
Intangible assets	1.0	1.2	1.0	1.2
Property, plant and equipment	7.5	(7.3)	32.5	40.1
Current assets	2.2	1.9	1.8	2.0
Liabilities	(5.8)	(5.5)	(3.9)	(2.6)
Other	(1.7)	0.3	(1.1)	0.2
Tax loss carried forward	(12.9)	(45.3)	(8.3)	0.1
Deferred tax at 31 December	**(9.7)**	**(54.7)**	**22.0**	**41.0**
Deferred tax is recognised in the following items:				
Other non-current assets	(34.3)	(91.4)	0.0	0.0
Non-current liabilities	24.6	36.7	22.0	41.0
	(9.7)	**(54.7)**	**22.0**	**41.0**
Deferred tax assets, unrecognised				
Continuing operations	106,2	38.5	0.0	0.0
Discontinued operations	0.0	19.5	0.0	0.0
Value of unrecognised tax assets	**106,2**	**58.0**	**0.0**	**0.0**

No recognition is made of deferred tax relating to such part of the consolidated deferred tax assets as is not expected to be realised, or which is subject to other significant risks of not being utilised.

Deferred tax assets relating to deferable tax losses are recognised to the extent that their realisation is expected in the form of future tax surpluses within a period of maximum 7 years.

The carrying amount of deferable tax losses at 31 December 2007 relates primarily to the production plant in Canada.

Notes to the balance sheet

amounts in DKKm

	Intangible assets	Property plant and equipment	Current assets	Liabilities	Others	Tax loss carried forward etc.	Total
17. Deferred tax (cont'd)							
Group							
Deferred tax at 1 January 2006	1.2	1.2	(3.2)	(6.1)	(3.0)	(41.3)	(51.2)
Transfer to assets held for sale	0.0	(11.3)	3.7	0.8	0.0	3.8	(3.0)
Foreign exchange translation differences	0.0	3.2	0.0	(0.1)	0.0	4.3	7.4
Recognised in profit/(loss) for the year, net	0.0	(0.4)	1.4	0.0	(0.5)	(17.7)	(17.2)
Recognised in equity, net	0.0	0.0	0.0	(0.1)	3.8	5.6	9.3
Deferred tax at 31 December 2006	**1.2**	**(7.3)**	**1.9**	**(5.5)**	**0.3**	**(45.3)**	**(54.7)**
Deferred tax at 1 January 2007	1.2	(7.3)	1.9	(5.5)	0.3	(45.3)	(54.7)
Foreign exchange translation differences	0.0	(0.7)	0.0	0.0	0.0	0.9	0.2
Recognised in profit/(loss) for the year, net	(0.2)	15.5	0.3	0.6	(0.1)	31.1	47.2
Recognised in equity, net	0.0	0.0	0.0	(0.9)	(1.9)	0.4	(2.4)
Deferred tax at 31 December 2007	**1.0**	**7.5**	**2.2**	**(5.8)**	**(1.7)**	**(12.9)**	**(9.7)**
Parent company							
Deferred tax at 1 January 2006	1.2	37.9	0.0	(1.7)	(3.5)	9.5	43.4
Transfer to assets held for sale	0.0	0.0	0.0	0.0	0.0	(4.2)	(4.2)
Recognised in profit/(loss) for the year, net	0.0	2.2	2.0	(0.9)	3.9	(7.3)	(0.1)
Recognised in equity, net	0.0	0.0	0.0	0.0	(0.2)	2.1	1.9
Deferred tax at 31 December 2006	**1.2**	**40.1**	**2.0**	**(2.6)**	**0.2**	**0.1**	**41.0**
Deferred tax at 1 January 2007	1.2	40.1	2.0	(2.6)	0.2	0.1	41.0
Recognised in profit/(loss) for the year, net	(0.2)	(7.6)	(0.2)	(1.3)	(3.0)	(9.7)	(22.0)
Recognised in equity, net	0.0	0.0	0.0	0.0	1.7	1.3	3.0
Deferred tax at 31 December 2007	**1.0**	**32.5**	**1.8**	**(3.9)**	**(1.1)**	**(8.3)**	**22.0**

Notes to the balance sheet

amounts in DKKm

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
18. Inventories				
Raw materials and consumables	44.5	51.6	24.5	27.7
Work in progress	20.2	12.7	6.8	4.2
Finished goods and goods for resale	46.1	67.6	19.9	25.0
Inventories continuing operations	**110.8**	**131.9**	**51.2**	**56.9**
Transfer to assets held for sale	0.0	(17.3)	0.0	0.0
Inventories at 31 December	**110.8**	**114.6**	**51.2**	**56.9**
Inventories recognised at net-realisable value	5.3	2.0	5.3	2.0

The Group has not put up inventories as security for debt items in 2007 (2006: DKK 5.3 million). The parent company did not put up any security regarding inventories.

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
19. Contract work in progress				
Sales value of contracts	12.9	0.0	18.4	0.0
Progress billing	(8.7)	(0.3)	(8.7)	(0.3)
Total contract work in progress	**4.2**	**(0.3)**	**9.7**	**(0.3)**
Recognised as follows:				
Contract work in progress (assets)	4.4	0.0	9.9	0.0
Contract work in progress (liabilities)	(0.2)	0.0	(0.2)	0.0
Prepayments from customers	0.0	(0.3)	0.0	(0.3)
Total contract work in progress	**4.2**	**(0.3)**	**9.7**	**(0.3)**

Notes to the balance sheet

amounts in DKKm

20. Equity and treasury shares

Group

	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividend	Total	Minority interests	Total equity
Equity at 1 January 2006	**70.2**	**(19.2)**	**(197.1)**	**768.7**	**8.5**	**631.1**	**15.2**	**646.3**
Total recognised income and expense for the year	-	1.6	(18.6)	(62.7)	-	(79.7)	(15.4)	(95.1)
Acquisition of treasury shares	-	-	-	(6.7)	-	(6.7)	-	(6.7)
Share options exercised	-	-	-	-	-	-	-	1.0
Dividend paid	-	-	-	-	(8.5)	(8.5)	-	(8.5)
Share of capital increase	-	-	-	-	-	-	4.0	4.0
Total changes recognised directly in equity	**-**	**1.6**	**(18.6)**	**(65.1)**	**(8.5)**	**(90.6)**	**(11.4)**	**(102.0)**
Equity at 31 December 2006	**70.2**	**(17.6)**	**(215.7)**	**703.6**	**-**	**540.5**	**3.8**	**544.3**

	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividend	Total	Minority interests	Total equity
Equity at 1 January 2007	**70.2**	**(17.6)**	**(215.7)**	**703.6**	**-**	**540.5**	**3.8**	**544.3**
Total recognised income and expense for the year	-	9.0	182.3	(511.7)	-	(320.4)	(3.8)	(324.2)
Total changes recognised directly in equity	**-**	**9.0**	**182.3**	**(511.7)**	**-**	**(320.4)**	**(3.8)**	**(324.2)**
Equity at 31 December 2007	**70.2**	**(8.6)**	**(33.4)**	**191.9**	**-**	**220.1**	**-**	**220.1**

Notes to the balance sheet

amounts in DKKm

20. Equity and treasury shares (cont'd)

Parent company

	Share capital	Hedging reserve	Retained earnings	Proposed dividend	Total equity
Equity at 1 January 2006	**70.2**	**(10.9)**	**533.4**	**8.5**	**601.2**
Total recognised income and expense for the year	-	5.0	(183.1)	-	(178.1)
Acquisition of treasury shares	-	-	(6.7)	-	(6.7)
Share options exercised	-	-	4.3	-	4.3
Dividend paid	-	-	-	(8.5)	(8.5)
Total changes recognised directly in equity	**-**	**5.0**	**(185.5)**	**(8.5)**	**(189.0)**
Equity at 31 December 2006	**70.2**	**(5.9)**	**347.9**	**-**	**412.2**
Equity at 1 January 2007	**70.2**	**(5.9)**	**347.9**	**-**	**412.2**
Total recognised income and expense for the year	-	8.2	(382.0)	-	(373.8)
Total changes recognised directly in equity	**-**	**8.2**	**(382.0)**	**-**	**(373.8)**
Equity at 31 December 2007	**70.2**	**2.3**	**(34.1)**	**-**	**38.4**

Notes to the balance sheet

amounts in DKKm

			Parent company 2007	Parent company 2006
20. Equity and treasury shares (cont'd)				
Breakdown of the share capital:				
Class A	1 share of	DKK 5,000,000	5.0	5.0
	1 share of	DKK 1,400,000	1.4	1.4
Class AA	1 share of	DKK 2,133,000	2.1	2.1
Class B	3,080,895 shares of	DKK 20	61.7	61.7
Share capital at 31 December			**70.2**	**70.2**

The share capital has remained unchanged in the period 2003-2007.

Treasury shares

Hartmann's portfolio of treasury shares is unchanged at 100,000 B shares at a nominal value of DKK 2 million representing 2.85% of the total share capital.

The value of the shares at 31 December 2007 was DKK 14.8 million (2006: DKK 22.7 million). The shares were acquired to cover liabilities related to future share option plans.

According to an authorisation obtained at the AGM and valid until 23 October 2008, Brødrene Hartmann A/S may acquire a maximum of 10% of the company's own shares.

21. Pension obligations

Defined-contribution pension plans

Hartmann runs pension schemes which cover certain groups of employees in Denmark and abroad. As a general rule, the pension schemes are defined-contribution schemes under which Hartmann effects payments of premium (e.g. a fixed amount or a fixed percentage of the salary) on a regular basis to independent insurers who are responsible for the pension liabilities. Under a defined-contribution scheme there is no risk for the Group in relation to future developments in interest rates, inflation, mortality and disability. Once the contributions under a defined-contribution scheme have been paid, Hartmann has no further pension obligations towards existing employees or former employees.

Defined-benefit pension plans

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

In the event of changes in the assumptions used in the calculations of defined-benefit pension schemes relating to existing and former employees, actuarial gains and losses are recognised directly in equity, please see the accounting policies, on p. 44.

The total pension obligations relates to unfunded schemes in Canada and Germany.

Notes to the balance sheet

amounts in DKKm

	Parent company 2007	2006
21. Pension obligations (cont'd)		
The obligation relating to the defined contribution schemes is included in the balance sheet as follows:		
Present value of financed obligations	60.0	68.8
Fair value of the assets	(41.6)	(50.4)
Total pension obligations, net	**18.4**	**18.4**
Developments in obligations:		
Pension obligations at 1 January	68.8	59.0
Reclassification	(12.1)	5.0
Pension costs in the period in review	3.3	2.2
Employee contribution	0.7	0.0
Calculated interest expense	2.9	0.9
Actuarial gain/(loss)	(2.9)	2.5
Benefits paid out	(2.8)	(0.7)
Foreign exchange adjustment etc.	2.1	(0.1)
Total pension obligations at 31 December	**60.0**	**68.8**
Developments in related assets:		
Market value of assets at 1 January	50.4	42.3
Reclassification	(12.1)	5.0
Calculated expected return	1.8	0.0
Actuarial gain/(loss)	(1.4)	2.2
Contributions paid to the schemes	3.5	1.6
Benefits paid out	(2.6)	(0.7)
Foreign exchange adjustment etc.	2.0	0.0
Market value of assets at 31 December	**41.6**	**50.4**
Breakdown of actual return on assets:		
Actual return on assets under the scheme	0.4	4.0
Expected return on assets under the scheme	(1.8)	(1.8)
Actuarial return on assets under the scheme	**(1.4)**	**2.2**

	2007		2006	
Distribution of related assets:	**DKKm**	**%**	**DKKm**	**%**
Shares	3.5	8.4	3.8	7.5
Bonds and other securities	7.3	17.6	28.0	55.6
Rescured	5.8	13.9	0.0	0.0
Cash and cash equivalents	10.8	26.0	18.6	36.9
Other	14.2	34.1	0.0	0.0
Total	**41.6**	**100.0**	**50.4**	**100.0**

Notes to the balance sheet

amounts in DKKm

	Group 2007	Group 2006
21. Pension obligations (cont'd)		
Assumptions used:		
Discount rate	4.50-5.25%	4.5-5.0%
Exptected return on the assets under the schemes	5-6%	6.0%
Future rate of increase of salary	2.2-3.0%	3.0%
Future rate of increase of pension	2.25-2.50%	1.75-2.50%
Recognised in the income statement:		
Pension costs relating to the year in review	3.3	2.2
Calculated return on assets	(1.8)	0.0
Calculated interest expense re obligations	2.9	0.9
Change in pension terms and settlements	(0.4)	0.0
Total amount recognised for defined benefit schemes	4.0	3.1
Total amount recognised for defined contribution schemes	31.5	34.8
Total amount recognised in the income statement	**35.5**	**37.9**
Costs are recognised in the following line items in the income statement:		
Production costs	26.4	19.8
Costs of Sales and distribution	3.3	4.7
Administrative expenses	5.8	5.6
Discontinued operations	0.0	7.8
Total amount recognised in the income statement	**35.5**	**37.9**
Recognised in equity:		
Recognised at 1 January	(1.2)	(1.0)
Incorporated in the year concerning last year	(4.5)	0.0
Actuarial gain/(loss) in the period in review	1.5	(0.3)
Foreign exchange adjustment	(0.0)	0.0
Recognised at 31 December	**(4.2)**	**(1.2)**
Accumulated actuarial gain/(loss) adjusted for deferred tax	**(2.7)**	**(1.2)**

Five-year survey (from 1 January 2005)	2007	2006	2005
Obligations	60.0	68.8	59.0
Related assets	(41.6)	(50.4)	(42.3)
Uncovered	**18.4**	**18.4**	**16.7**
Experience-based adjustment of obligations	(0.9)	0.1	0.1
Experience-based adjustment of related assets	(1.4)	2.2	0.0

The majority of pensions falls due more than 1 year after the balance sheet date.

Notes to the balance sheet

amounts in DKKm

	Due within 1 to 5 years	Due after 5 years	Total amount due after 1 year	Due within 1 year
22. Current and non-current liabilities				
Group				
2006				
Mortgage banks, fixed interest at 4.5%	4.0	0.0	4.0	1.3
Banks, fixed interest at between 4.6 and 6.3% *	313.9	29.8	343.7	26.3
Other debt (interest rate swap)	6.9	0.0	6.9	0.0
Government grants	5.1	5.5	10.6	1.5
Carrying amount at 31 December 2006	**329.9**	**35.3**	**365.2**	**29.1**
2007				
Mortgage banks, fixed interest at 4.5%	2.7	0.0	2.7	1.4
Banks, fixed interest at between 4.6 and 6.3% *	298.2	29.8	328.0	76.5
Other debt (interest rate swap)	2.4	0.0	2.4	0.0
Government grants	6.2	6.9	13.1	1.8
Carrying amount at 31 December 2007	**309.5**	**36.7**	**346.2**	**79.7**

* Includes a floating-rate loan of DKK 246.4 million (2006: 246.4 million DKK) secured on a fixed-rate interest swap.

Breakdown on currencies of current and non-current liabilities:		Due after 1 year		Due within 1 year	
		2007	**2006**	**2007**	**2006**
	EUR	97.0	113.9	18.0	17.9
	DKK	205.7	104.9	61.0	11.2
	CAD	41.5	146.4	0.0	0.0
	Others	2.0	0.0	0.7	0.0
		346.2	**365.2**	**79.7**	**29.1**

	Due within 1 to 5 years	Due after 5 years	Total amount due after 1 year	Due within 1 year
Parent company				
2006				
Mortgage banks, fixed interest at 4.6-6.3%*	311.0	29.8	340.8	25.0
Other debt (interest rate swap)	6.9	0.0	6.9	0.0
Government grants	2.7	4.7	7.4	0.8
Carrying amount at 31 December 2006	**320.6**	**34.5**	**355.1**	**25.8**
Mortgage banks, fixed interest at 4.6-6.3%*	296.1	29.8	325.9	74.9
Other debt (interest rate swap)	2.4	0.0	2.4	0.0
Government grants	3.4	4.9	8.3	1.0
Carrying amount at 31 December 2007	**301.9**	**34.7**	**336.6**	**75.9**

* Includes a floating-rate loan of DKK 246.4 million (2006: DKK 246.4 million) secured on a fixed-rate interest swap.

Breakdown on currencies of current and non-current liabilities:		Due after 1 year		Due within 1 year	
		2007	**2006**	**2007**	**2006**
	EUR	89.4	104.3	14.9	15.0
	DKK	205.7	104.4	61.0	10.8
	CAD	41.5	146.4	0.0	0.0
		336.6	**355.1**	**75.9**	**25.8**

Notes to the balance sheet

amounts in DKKm

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
23. Government grants				
Government grants at 1 January	35.5	35.5	19.7	19.7
Additions	4.7	0.0	2.0	0.0
Government grants at 31 December	**40.2**	**35.5**	**21.7**	**19.7**
Recognised in the income statement at 1 January	23.4	21.5	11.5	10.7
Recognised in the income statement during the year	1.9	1.9	0.9	0.8
Recognised at 31 December	**25.3**	**23.4**	**12.4**	**11.5**
Carrying amount at 31 December	**14.9**	**12.1**	**9.3**	**8.2**
Amount thereof recognised as current liabilities	1.8	1.5	1.0	0.8
Amount thereof recognised as non-current liabilities	13.1	10.6	8.3	7.4

Parent company

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

Group

In addition to the government grant to the parent company, the Hartmann Group also received government grants for a production company in Germany and Hungary.

Special repayment conditions apply in the event that the assets eligible for grants are not used in accordance with the eligibility criteria. A provision stipulates that eligible assets must be used for a period of 5 years from the time the eligible investment became operational.

In the event that eligible assets are not used in accordance with the eligibility criteria, there is a repayment obligation totalling DKK 3.0 million at 31 December 2007 (2006: DKK 2.2 million). The Group expects to be able to meet the eligibility criteria.

Notes to the balance sheet

amounts in DKKm

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
24. Provisions				
Warranty commitments at 1 January	1.5	1.1	1.5	1.1
Additions	0.1	1.2	0.1	1.2
Disposals	(0.7)	(0.8)	(0.7)	(0.8)
Warranty commitments at 31 December	**0.9**	**1.5**	**0.9**	**1.5**
Obligations relating to subsidiaries with negative equity at 1 January	0.0	0.0	75.0	0.0
Additions	0.0	0.0	0.0	75.0
Disposals	0.0	0.0	(75.0)	0.0
Obligations relating to subsidiaries with negative equity at 31 December	**0.0**	**0.0**	**0.0**	**75.0**
Provisions at 31 December	**0.9**	**1.5**	**0.9**	**76.5**

Warranty

Provisions have been made for warranties in cover of contract-related warranty complaints for goods and services already delivered by Hartmann Technology. The obligation is shown based on historical warranty costs.

Obligations relating to subsidiaries with negative equity

Obligations relating to negative equity are attributable to the obligations of the parent company relating to the subsidiaries in South America.

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
25. Other payables				
Salaries and holiday pay etc.	43.9	49.4	36.1	36.2
Owing in withholding tax	6.0	5.8	2.0	2.1
VAT and other taxes	11.1	9.3	3.7	0.0
Other payables	100.5	59.4	62.3	23.9
Other payables continuing operations	**161.5**	**123.9**	**104.1**	**62.2**
Transfer to assets held for sale	0.0	(12.6)	0.0	0.0
Other payables at 31 December	**161.5**	**111.3**	**104.1**	**62.2**

Supplementary notes

amounts in DKKm

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
26. Discontinued operations and assets classified as held for sale				
Revenue	92.0	162.9	0.0	0.0
Operating profit/(loss) (EBIT)	(0.3)	28.1	0.0	(2.0)
Financial expense	(8.7)	(22.0)	0.0	0.0
Tax on profit/(loss) for the year	0.0	3.5	0.0	4.1
Profit/(loss) after tax	**(9.0)**	**9.6**	**0.0**	**2.1**
Write-down to fair value	(41.8)	(101.6)	(1.7)	(145.7)
Write-down of tax assets	0.0	(23.4)	0.0	0.0
Realised exchange losses	(191.5)	0.0	0.0	0.0
Valuation of fair value adjustment after tax	**(233.3)**	**(125.0)**	**(1.7)**	**(145.7)**
Profit/(loss) for the year of discontinued operations	**(242.3)**	**(115.4)**	**(1.7)**	**(143.6)**
Cash flows from operating activities	(72.2)	3.8	(14.7)	0.0
Cash flows from investing activities	7.6	(6.3)	0.0	0.0
Cash flows from financing activities	0.0	0.0	(112.8)	0.0
Total cash flows	**(64.6)**	**(2.5)**	**(127.5)**	**0.0**
Property, plant and equipment	0.0	0.0	0.0	0.0
Other current assets	0.0	58.9	0.0	0.0
Cash and cash equivalents	0.0	1.9	0.0	0.0
Total assets	**0.0**	**60.8**	**0.0**	**0.0**
Banks	0.0	100.2	0.0	0.0
Deferred tax liabilities	0.0	0.0	0.0	0.0
Other liabilities	0.0	59.1	0.0	0.0
Total liabilities	**0.0**	**159.3**	**0.0**	**0.0**
Earnings per share for the year of discontinued operations	(71.1)	(33.9)	-	-
Earnings per share for the year of discontinued operation, diluted	(71.1)	(33.9)	-	-

In 2007 the Group's operations in South America was divested.The decision was made after an assessment of various possible structural measures.

As a result of this decision, the operations in South America are treated as discontinued operations as of the Annual Report 2006. Financial highlights and key ratios have been restated accordingly.The profit/(loss) for the year for discontinued operations includes accumulated foreign exchange adjustments of DKK 191 million.

Supplementary notes

amounts in DKKm

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
27. Fee to the auditors				
Statutory audit:				
KPMG	2.8	2.8	1.1	1.0
Others	0.1	0.4	0.0	0.0
	2.9	**3.2**	**1.1**	**1.0**
Non-audit services:				
KPMG	2.6	1.4	1.7	0.2
Others	0.5	0.0	0.0	0.0
	3.1	**1.4**	**1.7**	**0.2**
Total fee to auditors	**6.0**	**4.6**	**2.8**	**1.2**

The fee for statutory audit services includes DKK 0.0 million in fee concerning discontinued operations (2006: DKK 0.4 million).

28. Provision of security and contingent liabilities

The Group is a party to a few legal actions. It is the opinon of Management that the pending cases will not materially affect the financial position of the Group and the parent company. This situation is unchanged from last year.

The parent company has provided guaranties for the debt of subsidiaries and guarantees in relation to third parties in an amount of DKK 23.7 million (2006: DKK 103.8 million).

The Lactosan Sanovo Holding A/S Group has given notice of a compensation claim being raised against Brødrene Hartmann A/S for an amount up to DKK 50 million relating to the sale of the operations in South America to the Lactosan Sanovo Holding A/S Group. The claim has not been documented, and no arbitration case has been filed. In the opinion of the legal counsel of Brødrene Hartmann A/S there is no basis for raising claims for compensation, and so the company has not made any provisions in relation thereto.

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
29. Operating leases				
Rental and leasing obligations (operating leases)				
Due within 1 year	11.7	9.1	4.3	1.8
Due within 1-5 years	16.3	11.3	12.0	1.7
Due after 5 years	14.1	0.0	14.0	0.0
Total rental and leasing obligations (operating leases)	**42.1**	**20.4**	**30.3**	**3.5**
Rental and leasing cost for the year (operating leases)	9.1	9.0	1.8	1.9

Supplementary notes

amounts in DKKm

30. Financial risks

General risk
Changes in Hartmann's profit/(loss) and operations and equity are affected by an array of financial risks, among them currency, interest rate, liquidity and credit risks.

Management of financial risks
Hartmann uses financial instruments to hedge some of the financial risks that arise out of its commercial activities. As a general rule, the Group opts for the least complicated method of hedging risks. The Group does not engage in transactions for the purpose of speculation.

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

Interest rate risk
Hartmann's interest rate risk relates mainly to the Group's interest-bearing debt to mortgage banks and credit institutions. Interest hedging has been arranged for approximately 60% (2006: 80%) of the Group's interest-bearing debt, and it is estimated that changes in interest rate levels are unlikely to have any material impact on the profit/(loss) before tax. Accordingly, the interest rate exposure over the next 1-4 years is considered to be moderate. Due to a refinancing scheduled for 2010-11, the interest rate risk will increase on an ongoing basis in case of major increases in the current interest rate level.

At 31 December 2007, loans with a long term to maturity accounted for 56% (2006: 82%) of the interest-bearing debt. The debt is carried at amortised cost. The netpresent value of interest-bearing debt at 31 December 2007 was DKK 15 million (2006: DKK 7 million) lower than the carrying amount

If the interest rate changes by 1% this will affect the operatin result by DKK 1.8 million.

Management of interest rate risk
It is the Group policy to manage interest rate risks to mitigate the negative effects of interest rate fluctuations on earnings and the balance sheet.

Financing is primarily arranged in the form of fixed-rate, non-current loans in one of the Group's main currencies: DKK, EUR or CAD.

The need to hedge the non-current interest rate risk is assessed on an ongoing basis.

Currency risk
Hartmann's currency risks stem partly from an imbalance between income and payments in the individual currencies and partly from the fact that part of its net assets are denominated in foreign currency.

Hartmann' sales in North America are denominated in USD, whereas costs are denominated in CAD, and this means that the currency exposure in relation to the cross rate USD/CAD constitutes the Group's single largest currency risk. All other things being equal, a decline of 5% in the exchange rate of USD against CAD would reduce the Group's operating profit/(loss) by approx. DKK 5 million.

Hartmann's main currency exposure in relation to operating profit involves EUR, PLN (Polish zloty), HUF (Hungarian florinth) and GBP.

The most important currencies for which Hartmann had arranged forward cover at 31 December 2007 appear in note 31 on page 74.

Management of currency risk
In its currency policy the Group strives to reduce the impact of exchange rate fluctuations on its profit/(loss) and financial position.

Forward hedging of future payments in relation to e.g. sales and purchases is partly arranged by means of financial instruments with a term to maturity of up to 12 months. Gains and losses on financial instruments are recognised in the income statement upon the realisation of the transactions for which hedging was arranged.

Hedging is arranged of the currency risk relating to investments in foreign subsidiaries insofar as this is deemed appropriate and primarily by means of currency loans. In relation to the DKK 120 million investment in Canada, hedging had been arranged of approximately 103% of the net exposure at 31 December 2007 hedged of loans in CAD (2006: DKK 311 million, or 97% hedged).

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

The Group's total net-interest-bearing debt at 31 December 2007 came to DKK 592 million, up from the year-earlier level of DKK 431 million mainly due to increased investments (primarily relating to the production plant in Hungary) and the effects of the divestment of the Group's operations in South America.

Hartmann's liquidity reserve consists of cash and cash equivalents, committed credit facilities and uncommitted credit facilities with major banks.

After agreement with the banks, the Group has been unable to meet the covenants in 2007 under an existing lending arrangement. The Group was granted an additional credit facility with Danish banks totalling DKK 148 million. The commitments from the banks initially run until 31 December 2008. At present the Group works with a re-arrangement of existing credit facilities with the banks. It is expected that the new credit facilities will include a number of conditions (financial covenants) and a margin-pricing grid.

Further, the Group received DKK 50 million in subordinate loan capital from the Brødrene Hartmann Foundation. The commitments from Brødrene Hartmann Foundation run until 31 December 2008.

Liquidity risk management
The Group's short-term liquidity is managed primarily by the transfer of liquidity from the business units to the Group's treasury function for the equalisation of cash outflows in units with liquidity requirements.

Hartmann's subsidiaries finance their operations mainly through the Group treasury, but local circumstances may require financing to be arranged through one of the Group's foreign banks.

Supplementary notes

amounts in DKKm

30. Financial risks (cont'd)

The Group's undrawn credit lines with banks stood at DKK 138 million at 31 December 2007 (DKK 194 million at 31 December 2006). Cash and cash equivalents came to DKK 52 million at 31 December 2007 against DKK 69 million at 31 December 2006. Accordingly, the Group's total liquidity reserves amounted to DKK 190 million at 31 December 2007 against DKK 263 million at 31 December 2006.

It is the opinion of Management that the Group's liquidity reserves are sufficient to finance present and planned operations.

Capital structure management

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, generating a competitive yield for its shareholders. It is also an objective to secure financial stability for the purpose of reducing the Group's cost of capital.

The Board of Directors takes the general view that the annual dividend to shareholders should represent approx. 30% of the profit for the year after tax. However, at the Annual General Meeting on 22 April 2008, the Board of Directors will recommend that, due to the negative result in 2007, no dividend be declared for that financial year. However, the level of dividend declared will always take into account the Group's growth plans and liquidity requirements.

The Group's capital structure is assessed on an ongoing basis, and the capital structure is managed on the principle of achieving a ratio between the Group's net-interest-bearing debt and its equity in the range of 100% ('financial gearing').

The Group's financial gearing increased from 79% (including debt in South America) at 31 December 2006 to 269% at 31 December 2007, the development being due to the major increase in net-interest-bearing debt combined with the decline in equity caused by the asset impairment made in relation to North America and Asia.

Given the Group's current gearing, major investments and further developments in Group operations require the addition of new capital. Accordingly, the Board of Directors decided to initiate the planning of a share issue in 2008.

Credit risk

Hartmann's credit risk occurs in relation to the risk of losses on receivables or credit institutions. The Group is not deemed to have any major concentration of credit risks.

	2007	2006
Trade receivables (gross)	282.1	268.9
Write-down for losses on bad and doubtful debts:		
Write-down at 1 January	10.1	9.5
Losses on bad debts expensed for the year	1.4	3.2
Losses sustained during the year	(3.2)	(2.6)
Write-down at 31 December	**8.3**	**10.1**
Total trade receivables	273.8	258.8
Trade receivables (net) correspond to an average credit period of (days)	67.0	64.0
Breakdown of trade receivables (gross):		
Not due	229.5	200.9
Due within:		
1 and 30 days	34.3	44.9
31 and 60 days	9.0	8.8
More than 60 days	9.3	14.3
	282.1	268.9

The Group's other credit risks, such as risks in relation to financial counterparties, are deemed to be very limited.

Management of credit risk

Hartmann takes out credit insurance on its trade receivables to the extent possible. Cover is not arranged for trade receivables from customers with a very high credit rating. Also, in cases where local conditions make it impossible to arrange credit insurance, this will be reflected in the local credit ratings.

The Group handles its credit risks relating to financial counterparties in connection with trading in financial instruments and investments of excess funds by limiting such transactions to banks with a satisfactory credit rating from one or more credit rating agencies as provided in the Group's financial policy.

Supplementary notes

amounts in DKKm

31. Derivative financial instruments

At 31 December 2007 the Group had open forward contracts with terms of up to 12 months. There are three interest rate swaps with terms to maturity of between 3 and 6 years.

In accordance with the Group's accounting policies, the fair value is recognised in receivables and payables and equity at 31 December 2007 (cash flow hedging) and is recognised in the income statement as and when the hedged future transactions are realised.

2006	Loss/gain recognised in the income statement in 2006		Fair Value		In currency	Currency	Average rate per unit	Year when due
	Group	*Parent company*	*Group*	*Parent company*				
Forward contracts								
GBP/DKK	(0.5)	(0.5)	(1.1)	(1.1)	8.4	GBP	10.90	2007
USD/CAD	2.9	-	(0.7)	-	3.6	USD	1.12	2007
CAD/EUR	-	1.6	1.6	1.6	32.0	CAD	1.51	2007
PLN/DKK	(0.6)	(0.6)	-	-	9.6	PLN	1.95	2007
PLN/HUF	(1.3)	-	1.5	-	11.3	PLN	71.59	2007
Total forward contracts	**0.5**	**0.5**	**1.3**	**0.5**				
Interest rate swap					Nominal amount in currency			
CAD/CAD	-	-	(0.1)	(0.1)	8.0	CAD		2009
CAD/CAD	-	-	(1.7)	(1.7)	22.0	CAD		2012
DKK/DKK	-	-	(5.1)	(5.1)	100	DKK		2011
Total interest rate swaps	**-**	**-**	**(6.9)**	**(6.9)**				

2007								
	Group	*Parent company*	*Group*	*Parent company*				
Forward contracts								
GBP/DKK	(0.2)	(0.2)	4.3	4.3	9.6	GBP	10.58	2008
USD/CAD	(4.9)	-	(1.6)	-	14.4	USD	0.96	2008
CAD/EUR	-	(10.0)	(10.0)	(10.0)	16.0	CAD	1.53	2008
PLN/DKK	0.3	0.3	(0.2)	(0.2)	8.5	PLN	2.04	2008
PLN/HUF	-	-	(0.5)	-	19.5	PLN	70.28	2008
EUR/HUF	(1.8)	-	0.1	-	30.0	EUR	257.96	2008
SEK/DKK	-	-	0.7	0.7	51.5	SEK	0.80	2008
NOK/DKK	-	-	0.7	0.7	42.0	NOK	0.95	2008
Total forward contracts	**(6.6)**	**(9.9)**	**(6.5)**	**(4.5)**				
Interest rate swaps					Nominal amount in currency			
CAD/CAD	-	-	0.2	0.2	8.0	CAD		2009
CAD/CAD	-	-	(0.3)	(0.3)	22.0	CAD		2012
DKK/DKK	-	-	(2.3)	(2.3)	90.0	DKK		2011
Total interest rate swaps		**-**	**(2.4)**	**(2.4)**				
Put options					Nominal amount in currency			
USD/CAD	(1.0)	(1.0)	0.6	0.6	9.6	USD		2008
Total put options	**(1.0)**	**(1.0)**	**0.6**	**0.6**				

Supplementary notes

amounts in DKKm

32. Related parties transactions

Group

The related parties of the Hartmann Group consist of members of the Group's Board of Directors and Executive Board and major shareholders of the parent company Brødrene Hartmann A/S.

Related parties also include affiliates and associates, cf. note 14 and 16, in which Brødrene Hartmann A/S exercises control or a significant influence. Hartmann has engaged in the following important transactions with related parties:

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
Sales of packaging to subsidiaries	0.0	0.0	441.0	519.0
Sales of machines and spare parts	0.0	0.0	64.9	38.8
Purchases of raw materials from associates	39.6	25.3	31.2	20.3
Sales of services to subsidiaires	0.0	0.0	0.5	13.1

There have been no important transactions with other related parties. For information on emoluments to members of the Board of Directors and remuneration to the Executive Board, see note 5.

Related parties with a controlling influence:

The Brødrene Hartmann Foundation holds a stake of 12.2% representing 58.1% of the voting stock of Brødrene Hartmann A/S. Brødrene Hartmann A/S and the Brødrene Hartmann Foundation have signed a rental and administration agreement contributing an annual amount of DKK 0.3 million to the Group.

The Brødrene Hartmann Foundation has given a subordinated loan of DKK 50 million to Brødrene Hartmann A/S until 31 December 2008.

33. New accounting regulation

IASB has issued the following new IFRS, which are not mandatory for the Hartmann Group in connection with the presentation of the Annual Report 2007.

* IAS 1 Presentation of financial statements, applicable to the financial year beginning on or after 1 January 2009. Implementation of the standard will not affect recognition and measurement in the annual report. The EU has not yet approved IAS 1.
* IAS 23 Borrowing costs, applicable to the financial year beginning on or after 1 January 2009. The standard will not affect recognition and measurement in the annual report. The EU has not yet approved IAS 23.
* IAS 27 Consolidated and separate financial statements, applicable to the financial year beginning on or after 1 July 2009. Implementation of the standard will not affect recognition and measurement in the annual report. The EU has not yet approved IAS 27.
* IFRS 2 Share-based payment, which applies to share-based payments made in the financial year beginning on or after 1 January 2009. The standard will not affect recognition and measurement in the annual report. The EU has not yet approved IFRS 2.
* IFRS 3 Business combinations, which applies to business combinations carried out in the financial year beginning on or after 1 July 2009. The standard will not affect recognition and measurement in the annual report. The EU has not yet approved IFRS 3.
* IFRS 8 Operating segments, which applies to segment information applying to the financial year beginning on or after 1 January 2009. The standard will not affect recognition and measurement in the annual report. IFRS 8 has been approved by the EU.

IASB has issued a number of interpretations (IFRIC 11), which have been approved by the EU, as well as IFRIC 12-14, which have not yet been approved by the EU. The interpretations are not mandatory for the presentation of the Annual Report 2007, and none of the IFRIC's issued are expected to affect the presentation of financial statements by the Hartmann Group.

The Hartmann Group expects to implement the above IFRS and IFRIC effective from the mandatory date.

34. Subsequent events

The Group has signed 2 conditional agreements concerning the sale of a building and a production line in Malaysia. If these transactions come through, they will involve an accounting gain determined at DKK 10-15 million.

No other significant events have occurred since 31 December 2007.

Contact addresses on the Group's website

www.hartmann-packaging.com

The Group has production sites in 7 countries and sales offices in 12 countries.

Definitions of key figures

Net working capital (NWC)

Inventories plus receivables plus other operating current assets less trade payables less other operating current liabilities

Invested capital (IC)

Net working capital plus property, plant and equipment plus intangible fixed assets plus deferred tax assets plus corporate tax, receivables less deferred tax less public grants less corporate tax, payables

Return on average invested capital(ROIC)

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

Financial gearing

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

Return on equity

$$\frac{\text{Profit/(loss) for the year} \times 100}{\text{Total equity at year-end}}$$

Earnings per share (EPS)

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

The calculation of diluted EPS is adjusted for outstanding share options, 'in the money'

Book value per share

$$\frac{\text{Total equity (less minority interests) at year-end}}{\text{No. of shares (less treasury shares) at year-end}}$$

Price/earnings

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

Pay-out ratio

$$\frac{\text{Dividend paid} \times 100}{\text{Profit/(loss) for the year}}$$

Cash flow per share

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

The Annual Report 2007 has been prepared in accordance with International Financial Reporting Standards as approved by the European Union and further Danish disclosure requirements for annual reports of listed companies.

The forward-looking statements contained in this annual report reflect the current expectations of the Board of Directors and the Executive Board of Brødrene Hartmann A/S with regard to future events and the Group's financial performance.

Statements about 2008 will inevitably be subject to uncertainties that may cause the actual performance to differ from the expectations.

Factors that might cause the actual performance to differ from the expectations contained in the annual report include – but are not limited to – changes in business trends and the financial markets, changes in legislation and regulations in the markets where Brødrene Hartmann A/S operates, changes in the demand for products and in the competitive environment, and changes in the prices of energy and raw materials. See also the section on Risk management on p. 16 and note 30 on p. 72.

The Annual Report 2007 of Brødrene Hartmann A/S is published in Danish and English. In case of discrepancies between the two versions and in case of doubt, the Danish version shall prevail.

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