

Brødrene Hartmann A/S

Interim Report no. 2/2007

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Interim Report no. 2/2007 of Brødrene Hartmann A/S is published on 22 August 2007 in Danish and English through OMX The Nordic Exchange Copenhagen as our stock exchange release no. 11/2007.

In case of any discrepancies between the Danish and English versions, the original text in Danish shall prevail.

The release is available on our website at www.hartmann.dk and is distributed electronically to all persons having signed up for Hartmann's Investor Service.

Enquiries concerning the present release and investor enquiries in general should be directed to Investor Relations (p. 22). Enquiries may also be made directly to the Group's CEO, Peter A. Poulsen, on +45 51 51 40 69.

This report is issued by:
Brødrene Hartmann A/S
Klampenborgvej 203
DK-2800 Kgs. Lyngby
CVR no.: 63 04 96 11

Developments in brief

The financial statements for the first half of the year reflect the ongoing turnaround activities:

- The divestment of the loss-making operations in South America had an adverse effect of DKK -245 million on the result (EAT), of which DKK 192 million relate to the reclassification of foreign exchange translation differences and will affect neither equity nor liquidity.
- Impairments of assets in North America and Asia have had an adverse effect of DKK -212 million, of which DKK -163 million relate to the impairment of assets in North America and DKK -49 million to the impairment of assets in Asia.
- The Group posted an operating result (EBIT) for Q2 2007 of DKK -176 million and for H1 2007 DKK -171 million.
- The Group posted an operating result (EBIT) for Q2 2007 excl. impairment of DKK -12 mio. kr. against DKK -4 million in the same period last year. The accumulated operating result (EBIT) for H1 2007 excl. impairment came to DKK -7 million against DKK 7 million in H1 2006. Adjusted for DKK 17 million in non-recurring items in H1, the amount in operating result was on par with last year.
- The consolidated result (EAT) for Q2 2007 came to DKK -483 million against DKK 23 million in the same period last year. The amount in consolidated result for H1 2007 aggregated DKK -486 million against DKK 25 million in H1 2006.
- The outlook for operating result (EBIT) before impairments is adjusted downward to DKK 0-10 million. The total amount in operating result (EBIT) including the effect of the impairment is expected in the range of DKK -155 million to DKK -165 million. The result of the discontinuing operations in South America results in a lowering of the result for the Group (EAT) to approx. DKK -490 million.
- Equity is reduced from the opening level of DKK 540 million to DKK 262 million at 30 June 2007.
- After the balance sheet date, the Group has received a binding commitment from Brødrene Hartmann's Fond to make a capital injection of DKK 50 million in subordinated loan.
- Execution of the ongoing turnaround plan is expected to result in positive cash flows from operating and investing activities from 2008 and operating profit (EBIT) in 2009 in the range of DKK 80 to DKK 100 million.
- Management believes that its cash reserves are adequate and flexible enough to meet ongoing and planned financing requirements.

Turnaround

After several years of declining earnings, the Group has embarked upon a large-scale turnaround plan. Implementation is expected to span the period 2007-2008.

Hartmann has attained management, adjusted the organisational structure and divested the operations in South America. Hartmann now intends to strengthen its core business within egg and industrial packaging in Europe, exit loss-making operations in Asia and continue to improve profitability in North America.

The turnaround plan contains a number of initiatives aimed at enabling the Group to improve its earnings level. Many initiatives have already been rolled out in HI 2007, and more will follow suit until the end of 2008.

The Group's present gearing requires an initial main focus on measures that are not investment intensive. Accordingly, the Group has no plans of major investments or growth in the short term. The overall objective of the turnaround plan is to optimise the results achieved by the Group with its existing capital base.

Plans for further long-term growth will be prepared at a later stage, once the Group has restored earnings at a satisfactory level.

Financial statements affected by the turnaround

The figures for the first half of the year reflect the ongoing turnaround activities.

The divestment of the loss-making operations in South America had an adverse effect of DKK -245

million on the result (EAT), of which DKK 192 million relate to the reclassification of foreign exchange translation differences which will affect neither equity nor liquidity. Impairments of assets in North America and Asia have had an adverse effect of DKK -212 million, of which DKK -163 million relate to the impairment of assets in North America and DKK -49 million to the impairment of assets in Asia.

Also, Hartmann has initiated and partially completed significant restructuring activities in the rest of the Group. These activities involve a total of approx. DKK 17 million in non-recurring items and will have a similar effect on the Group's operating profit/(loss) in the current fiscal year. However, in the long term these activities will reduce the Group's cost level and strengthen its earning capacity.

Outlook 2007

After several years of declining earnings (exclusive of non-recurring items), Hartmann has now managed to decelerate the downward trend, and there are several indications in both Europe and North America of further improvements in contribution ratios in H2.

However, the expected improvements in H2 are offset by a number of factors: declining earnings in H1, major non-recurring items, and the closing down of operations in Asia.

In a reflection of these factors, the operating profit/loss (EBIT) outlook for the full year 2007 is reduced from DKK -155 million to DKK -165 million. The result for the year after tax is expected to be in the range of DKK -490 million.

Financial key figures and ratios

	Q2 2007	Q2 2006	HI 2007	HI 2006	2006
Income statement (DKKm)					
Revenue	332	351	713	730	1.475
Operating profit/(loss) before depreciation (EBITDA)	(151)	20	43	57	162
Operating profit/(loss) (EBIT) excl. impairment	(12)	(4)	(7)	7	62
Operating profit/(loss) (EBIT)	(176)	(4)	(171)	7	62
Net financial income and expenses and similar items	(18)	(2)	(27)	(5)	(20)
Profit/(loss) before tax (EBT)	(194)	(6)	(197)	2	42
Profit/(loss) for the period from continuing operations	(239)	(5)	(241)	2	38
Profit/(loss) for the period from discontinued operations	(244)	27	(245)	23	(115)
Profit/(loss) for the period (EAT)	(483)	23	(486)	25	(77)
Statement of cash flows (DKKm)					
Cash flow from operating activities	7	36	(6)	14	39
Cash flow from investing activities	(50)	(23)	(88)	(39)	11
Cash flow from financing activities	(8)	(26)	(21)	(34)	(70)
Cash flow from continuing operations	(51)	(13)	(115)	(59)	(20)
Cash flow from discontinued operations	(39)	52	(50)	39	(3)
Cash flow in total	(90)	39	(165)	(20)	(22)
Balance sheet (DKKm)					
Assets			1.224	1.560	1.438
Equity			262	642	544
Net interest-bearing debt, excl. South America			586	434	333
<i>Net interest-bearing debt, incl. South America</i>			586	485	431
Net working capital (NWC)			143	150	144
Invested capital (IC)			844	1.028	979
Financial ratios in %					
Operating margin (EBITDA)	(45,5)	5,6	6,0	7,7	11,0
EBIT margin	(53,0)	(1,3)	(24,0)	1,0	4,2
Effective tax rate	(22,9)	30,8	(22,0)	31,8	8,8
Return on invested capital (ROIC)	(75,4)	(1,6)	(37,5)	1,4	6,2
Gearing excl. net interest-bearing debt in South America			223,3	67,5	61,2
<i>Gearing incl. net interest-bearing debt in South America</i>			223,3	75,5	79,2
Return on equity			(241,0)	7,7	(12,9)
Solvency ratio			21,4	41,2	37,9
Share-related key figures					
Number of shares (less treasury shares)			3.407.545	3.407.545	3.407.545
Earnings per share (EPS) (DKK)			(142,4)	6,2	(18,3)
Cash flow per share (DKK)			(1,7)	4,1	11,6
Book value per share			77	188	160
Listed price per share at year-end (DKK)			202	167	227
Listed price/book value			2,6	0,9	1,4

Developments in Group operations in the first half of 2007

The figures for the first half of the year reflect the ongoing turn-around activities. The divestment of the loss-making operations in South America had an adverse effect of DKK -245 million on the result (EAT), which also reflects a negative effect of DKK -212 million in impairments on the operations in North America and Asia. Also, Hartmann has initiated significant restructuring activities in the rest of the Group involving approx. DKK 17 million in non-recurring items. In the long term these activities will contribute to a reduction in the Group's cost level and strengthen its earning capacity.

Financial developments in the first half of 2007

Second-quarter revenue in 2007 came to DKK 332 million against DKK 351 million in the same period last year. Revenue for the first half of 2007 aggregated DKK 713 million against the year-earlier level of DKK 730 million.

The Group posted an operating result (EBIT) for Q2 2007 of DKK -176 million and of DKK -171 million for HI 2007.

The operating result (EBIT) excl. impairments for Q2 2007 of DKK -12 million against DKK -4 million in the same period last year. The aggregated operating result (EBIT) excl. impairments for HI 2007 came to DKK -7 million against DKK 7 million in HI 2006. Adjusted for DKK 17 million in non-recurring items in HI, the amount in operating result was on a par with last year.

Interest income and expense and similar items in Q2 2007 came to DKK -18 million against DKK -2 million in the same period last year, and aggregated DKK -27 million for HI 2007 against the year-earlier level of DKK -5 million. In HI 2006, the item reflected a positive effect of DKK 9 million of foreign exchange translation differences, whereas HI 2007 reflected the adverse effect of DKK -9 million

in accumulated foreign exchange translation differences, which have been transferred from equity in connection with the repayment in full of equity-like loans made to subsidiaries.

The result (EAT) for discontinued operations in Q2 2007 came to DKK -244 million against DKK 27 million in the same period last year. The first-half result for discontinued operations aggregated DKK -245 million against the year-earlier level of DKK 23 million, reflecting DKK -192 million in foreign exchange translation differences and DKK -53 million in negative impact on the result from discontinued operations.

The consolidated result (EAT) for Q2 2007 came to DKK -483 million against DKK 23 million in the same period last year. The amount in consolidated result for HI 2007 aggregated DKK -486 million against DKK 25 million in HI 2006.

Measures rolled out in HI

In the first half of 2007, the new Executive Board appointed by the Board of Directors of Brødrene Hartmann A/S in 2006 initiated several efficiency measures to secure operations and embark on a turnaround:

- The management structure has been reorganised; new management fora have been estab-

lished, and the number of management tiers and employees has been reduced.

- The establishment of a new function, 'European Supply Chain', for the handling of planning, capacity management, purchasing, transportation and process development in Europe (see the Annual Report of 23 March 2007).
- The divestment of the operations in South America (see the stock exchange release of 27 April 2007).
- The reorganisation of operations in Industrial Packaging, including the closing down of sales offices and a reduction of staff (see the interim report of 25 May 2007).
- The restructuring of research and development activities (see the interim report of 25 May 2007).

Non-recurring items

The total amount in non-recurring items in HI 2007 came to DKK 17 million:

- This included DKK 7 million in restructuring costs relating to research and development activities of which DKK 2 million was incurred in Q2 2007.
- Industrial Packaging reported total expenses of DKK 5 million in HI 1007 for a restructuring of the sales organisation, including the closing down of the sales offices in Japan and the USA, all of which was incurred in Q1 2007.
- Other costs included DKK 5 million for the consolidation of other business areas, including the closing down of the umbrella organisation Corporate Technology & Processes (see the Annual Report 2006).

Closing of the sale in South America

On 27 April 2007 Hartmann signed a conditional agreement for the transfer by Brødrene Hartmann A/S of its operations in South America to the Lactosan Sanovo Holding A/S Group.

The closing marks the fulfilment of Hartmann's plans of divesting the three production plants in Brazil and Argentina in Q2 2007. The agreement and its financial implications have previously been described in stock exchange releases 8/2007 and

9/2007, and the divestment involved no significant changes in relation to expectations.

The divestment had an adverse effect on the result of discontinued operations of DKK -53 million (compared to the expected level of approx. DKK -50 million). The effect on Group equity will be a reduction on a similar scale, i.e. DKK 53 million.

As announced earlier, accumulated foreign exchange translation differences relating to the operations in South America will be reclassified effective from the date of the divestment, from equity to the income statement in 'result of discontinued operations'. The entry is purely technical and will affect neither equity nor liquidity. The total amount is DKK 192 million.

Net interest-bearing debt for the Group (including South America) increased DKK 42 million as a result of the transaction.

With the divestment of its operations in South America, Hartmann has exited production of fruit packaging. As an apt reflection of this, the business areas 'Egg & Fruit Packaging Europe' and 'Egg & Fruit Packaging North America' have been renamed and will henceforth be referred to as 'Egg Packaging Europe' and 'Egg Packaging North America'.

Egg Packaging Europe

In the first months of the year, a necessary production conversion process was initiated at the plants in Europe, as the level of production costs reflects wide differences between the markets in the region.

As part of this conversion, the capacity at the plant in Hungary will be expanded.

On the other hand, due to the ongoing expansion and conversion activities, operating costs increased during the first months of the year, resulting in an adverse effect on total earnings in Europe.

Management strongly believes in the implementation of future improvements in earnings in the European business.

Conversions have caused increased costs

Second-quarter revenue in 2007 came to DKK 231 million, down DKK 11 million, or -4.6 per cent,

from the year-earlier level of DKK 242 million. The decline in revenues was attributable to lower sales volumes and the negative development of the exchange rates although the decline was partially offset by higher prices. Sales fell short of expectations, in particular in April and May, while sales in June were on a par with last year and in keeping with the forecast for the month.

The division posted DKK 504 million in revenue for HI 2007, and this was flat from the year-earlier level of DKK 505 million. The figure reflects the underlying effect of a negative development of the exchange rate in combination with declining sales volumes which are, however, partially compensated for by higher prices.

The amount in operating result (EBIT) in Q2 2007 stood at DKK 4 million, down DKK 16 million from the year-earlier level of DKK 20 million. Operating result in HI 2007 came to DKK 31 million, down DKK 20 million from the year-earlier level of DKK 51 million primarily as a result of high unit costs at the production plants in Denmark and Hungary where the first-half result reflected a lower utilisation of production capacity, respectively a large-scale production conversion initiative. Moreover, the figures posted by the Hungarian production plant were adversely affected by a strong currency (HUF). The other production plants in Europe reported favourable developments in earnings.

Egg Packaging North America

Impairment of assets in North America despite positive outlook

In 2002, Hartmann set up its own production in Canada for the purpose of carving out a significant position in the North American market. The period of establishment was affected by difficulties in relation to production and management and developments in the rate of exchange between the USD and the CAD that were adverse to Hartmann.

Purchases of raw materials and other services are settled in CAD, while most of the sales are in USD. As a result, an increase in the cross rate is reflected in a relatively lower income, and this has a clear adverse effect on the earnings potential.

When Hartmann first entered the North American market, the cross rate was at 0.62. It is now at 0.95. Had the cross rate remained at the original level, the business in North America would have been among the best-earning units in the Group.

Based on the major operating losses incurred over a period of many years and the recent strong increase in the CAD/USD cross rate, it was decided to undertake a new, critical analysis and comparison of the opportunities and risks that exist in relation to the activities in Canada. Over the past couple of years, production capacity and product quality have improved, and the company has succeeded in strengthening its position in the market. At the same time several factors, in particular in the US market, have developed in a way which is positive to Hartmann's interests.

Against the backdrop of these deliberations and analyses, management has concluded that there is a potential for further growth in both production and sales, that costs can be reduced, and that earnings in the Canadian business can be improved even further.

However, because of the most unfavourable development in exchange rates and the revised production forecast, the carrying amount of the assets in North America will be written down by DKK 163 million as at 30 June 2007 (tangible assets DKK 115 million and tax assets DKK 48 million).

Positive development in operating result

The division posted DKK 34 million in second-quarter revenue in 2007, down DKK 6 million from the year-earlier level of DKK 40 million. Revenue in HI 2007 stood at DKK 72 million, reflecting a decline of DKK 10 million from the year-earlier level of DKK 82 million, primarily as a result of a continuation of the unfavourable development in the exchange rates between USD/CAD and CAD/DKK. The sales volumes were unchanged.

The amount in operating result (EBIT) excl. impairment in Q2 2007 came to DKK -7 million, up DKK 5 million from the year-earlier level of DKK -12 million. Operating result (EBIT) excl. impairment in HI 2007 to DKK -16 million, reflecting an increase of DKK 6 million from the year-earlier level of DKK

-22 million due to improvements in production and an optimisation of the cost structure.

Foreign currency risk and hedging

Hartmann's biggest single foreign currency exposure is found in the exchange rate between USD/CAD. It is the Group's policy to minimise the effect of exchange rate fluctuations on its result and financial position. Hedging is arranged by means of derivatives, primarily forward cover contracts with a term of up to 12 months, for the expected level of sales in USD. In the long term even at best the effect of exchange rate fluctuations is merely postponed. Accordingly, developments in the exchange rate still constitute a significant risk.

Hedging is arranged for foreign currency risks relating to investments in foreign subsidiaries wherever it is deemed appropriate, primarily by means of foreign currency loans. Hedging of the net exposure relating to the DKK 301 million investment in Canada was arranged in full as at 30 June 2007 by means of loans in CAD.

Industrial Packaging

A fundamental restructuring of Industrial Packaging

In HI 2007 the division embarked upon a trimming of its portfolio of industrial customers and products so as to grow profitability. It also carried out a restructuring of its activities, involving the closing down of sales offices in Japan and the USA. The restructuring measures were taken to raise efficiency and focus on the division's European operations.

Impairment of assets in Asia

Some of the Group's industrial packaging products are manufactured at the production plant in Malaysia and at a small scale test plant in China.

However, after a critical reassessment of the opportunities and risks connected with a continuation of production at the plants in Asia, management has reached the conclusion that the present earnings level is insufficient to justify the amount in capital invested and that, consequently, an overall impairment of assets in Asia is required.

This results in an impairment of assets, of a total of DKK 49 million. The impairment has no tax effect and will accordingly affect the Group's net result (EAT) for HI 2007 and equity in a similar amount.

Read more about the plans for the operations in Asia on p. 11 in the section 'Focusing on Industrial Packaging in Europe'.

Progress despite restructuring costs

The division posted second-quarter revenue in 2007 of DKK 54 million, up DKK 4 million from the year-earlier level of DKK 50 million. Revenue for HI 2007 stood at DKK 104 million, reflecting an increase of DKK 6 million from DKK 98 million last year, primarily attributable to an increase of sales in Europe.

The amount in operating result (EBIT) excl. impairment in Q2 2007 came to DKK 9 million, up DKK 6 million from the year-earlier level of DKK 3 million. Operating result (EBIT) excl. impairment for HI 2007 totalled DKK 8 million, reflecting an increase of DKK 7 million from the year-earlier level of DKK 1 million mainly as a result of higher production efficiency and an improved product mix.

As announced in the report for the first quarter, the restructuring efforts in Industrial Packaging had an adverse effect of DKK 5 million on the first-quarter operating result. Adjusted for these non-recurring items, the half-year operating result for Industrial Packaging stands at DKK 13 million, reflecting a satisfactory increase in earnings in Industrial Packaging.

Cash flows and capital resources

Cash flows from operating and investing activities for the continuing operations and cash flows from discontinued operations came to DKK -90 million in Q2 2007 against DKK 39 million in the same period last year.

Cash flows from operating activities

Cash flows from operating activities in Q2 2007 totalled DKK 7 million against the year-earlier level of DKK 36 million. Cash flows from operating activities aggregated DKK -6 million for H1 2007 compared to DKK 14 million in the same period last year, down DKK 20 million because of the negative result recorded for the period.

Cash flows from investing activities

Cash flows from investing activities in Q2 2007 totalled DKK -50 million, up DKK 27 million from the year-earlier level of DKK -23 million. Cash flows from investing activities aggregated DKK -88 million for H1 2007 compared to DKK -39 million in the same period last year, the increase being due mainly to the expansion of the production plant in Hungary.

Cash flows from financing activities

Cash flows from financing activities in Q2 2007 totalled DKK -8 million against the year-earlier level of DKK -26 million, the decline being attributable to the payment of dividend in 2006. Cash flows from financing activities aggregated DKK -21 million in H1 2007 against DKK -34 million in the same period in 2006.

Cash flows from discontinued activities

Cash flows from discontinued activities in Q2 2007 totalled DKK -39 million against DKK 52 million in the same period last year. Cash flows from discontinued activities aggregated DKK 50 million in H1 2007 against DKK 39 million last year. The sale in South America was closed in Q2, and this had a negative effect on the amount in cash flows from discontinued activities of DKK 39 million.

Capital resources

The Group's net interest-bearing debt at 30 June 2007 incl. debt in South America stood at DKK 586 million against DKK 431 million at 31 December 2006 (incl. debt in South America). The increase is mainly influenced by the sales of the operations in South America and a decline in earnings. In connection with the repayment of Hartmann's bank debt in South America, the parent company has raised loans in Danish banks.

The Group's financial gearing at 30 June 2007 incl. debt in South America stood at 223 per cent against 79 per cent at 31 December 2006 mainly reflecting the major increase in the net interest-bearing debt combined with the effect on equity from impairments of assets in North America and Asia, totalling DKK 212 million.

The Group's unused credit facilities in banks at 30 June 2007 stood at DKK 65 million against DKK 194 million at 31 December 2006. Cash and cash equivalents at 30 June 2007 stood at DKK 77 million against DKK 69 million at 31 December 2006. The Group's total available liquidity at 30 June 2007 comes to DKK 142 million against DKK 263 million at 31 December 2006.

After the balance sheet date, the Group has received a binding commitment from Brødrene Hartmanns Fond to make a capital injection of DKK 50 million in the form of a subordinated loan.

Management believes that its cash reserves are adequate and flexible enough to meet ongoing and planned financing requirements.

Movements in equity

Equity (including minorities) totalled DKK 262 million at 30 June 2007, down DKK 282 million from DKK 544 million at 31 December 2006 primarily as a result of a impairment of assets in North America (DKK -163 million) and in Asia (DKK -49 million) and DKK -53 million in sales costs in relation to the operations in South America.

Turnaround: 'Forward to basics'

Several years of declining earnings have weakened Hartmann, and the Group has now launched a large-scale turnaround plan which is expected to cover the period 2007-2008. Efficiencies have been accomplished in both management and organisational structures, and the operations in South America have been diversified. Hartmann now plans to strengthen its core business for egg and industrial packaging in Europe, exit loss-making operations in Asia and improve profitability in North America.

Concurrent with the efficiency measures rolled out in the organisation in the first half of 2007, management has been working on a definition of additional strategic initiatives. In connection with this effort, management reached the conclusion that the current financial situation does not allow the fulfilment of the previous strategic expectations to Hartmann as a global growth business.

Focus will initially be on a turnaround of developments in the business, and for this purpose a turnaround plan has been drawn up for the period 2007-2008. The plan is scheduled for implementation up to and including 2008, but the full effect is not likely to occur until in 2009. No new corporate strategy will be prepared until the Group has completed the turnaround.

The plan has been named 'Forward to basics': 'basics' because Hartmann needs to further improve its skills at running the fundamental part of its business, and 'forward' because the process is not regenerative, but forward-looking and action-focused.

Turnaround by optimised operations

The turnaround plan sets out a number of initiatives aimed at improving Group earnings. With the current high gearing, main focus must initially be on measures that are not capital-intensive. Accordingly, there are no plans of major investments or growth in the Group in the short term. The overall objective of the turnaround plan is to optimise operations at the current level of financial resources.

Hartmann plans to achieve this by:

- strengthening the core business for egg packaging in Europe,
- exiting the market in Asia,
- continuing and improving its operations in North America.
-

Developing the business in Europe

Hartmann is market leader in Europe, and the Group intends to maintain that position and to expand it over time. There is both a market and a growth potential in Europe, and by focusing on its activities in this region Hartmann intends to become a more attractive company for customers, employees and investors alike.

The current turnaround initiatives focus on measures that will improve earnings here and now on the basis of the Group's existing production structure. In the longer term it will be possible to improve earnings further and tap into the favourable market opportunities by a comprehensive reorganisation and conversion of the production plants in Europe. However, such an effort is capital-intensive and, accordingly, is not contained in the turnaround plan. Consequently, a further development of operations in Europe cannot be undertaken until the necessary capital is available, and that is the case until the current turnaround plan has been completed.

Strengthening Egg Packaging in Europe

Egg Packaging in Europe contains several potentials in both the short and long term. In the short term the Group intends to strengthen the business area by continuing its efforts to achieve efficiencies in the existing operations in Western Europe. It is a region characterised by low growth, but it also has opportunities for continued improvements in product mix and an expansion of the services within e.g. marketing and innovation which have always been characteristic of Hartmann.

The objectives defined for Hartmann's core business in Europe are the following:

- to accumulate more knowledge within the Group about profitability in relation to the individual markets, products and customers,
- to trim the product and customer portfolio,
- to increase flexibility and reduce complexity,
- to improve the interaction between production and sales, making the units work together as one business and not as separate entities, and
- to increase efficiency in production even further by means of several initiatives, for instance by reducing the number of discards.

The aggregate effect of the above initiatives is expected to stabilise earnings in the European business and to allow the Group to achieve moderate organic growth in future. However, this will be possible only if Hartmann succeeds in its efforts to reduce complexity in production and trim its customer and product portfolio. These processes will be driven by the newly-established function European Supply Chain, and an important tool in the process will be an ongoing project on Activity Based Costing (ABC).

In the long term Hartmann wishes to expand its market position in Central and Eastern Europe. Central Europe is characterised by moderate growth and fiercer price competition, but the Group believes that in the long term the market holds a potential similar to that of Western Europe. The situation is different in Eastern Europe, which is characterised by very high growth and has a good potential for carving out a market position with focus on high-value products.

Focusing on Industrial Packaging in Europe

It was previously an objective for Hartmann to build a global, strategic business area within industrial packaging. However, the highly unsatisfactory developments in results in recent years in this business area have made it clear that the original ambitions of turning this into a global, strategic business area for the Group cannot be met.

Hartmann's existing business builds primarily upon the production of industrial packaging at its own plants for delivery to major European customers, and the Group intends to continue its provisions to these customers. By means of several restructuring measures management succeeded in achieving a sizeable improvement in earnings in 2007, and this part of the Group's business is considered attractive. Accordingly, focus will be on efforts to adapt objectives and organisation in order for the operations in Industrial Packaging to become an integral part of the other operations in Europe. Production in particular is seen to hold a potential for the exploitation of synergies across the business area.

Industrial Packaging in Asia accounts for a small part of the business area and has contributed only moderately to the Group's earnings. A continuation of these operations requires additional investments in order to make them attractive. The production plant in Malaysia is justified only if the sales volume grows, and a continuation of the pilot project in China is interesting from a business point of view only if it is considerably upscaled. In view of the Group's limited financial capacity it has been decided not to undertake further investments in Asia.

Overall, the global growth potential is considered to be limited, and against this background Hartmann wishes to focus its business for industrial packaging in Europe, both geographically and from an organisational point of view. As a result, Hartmann has decided to exit Asia.

Whether the decision to exit will lead to a full or partial divestment or a closing down depends upon which solution that proves to be most advantageous to Hartmann. The impairment mentioned on p. 7 is independent of the outcome of the exit.

The overall loss in connection with the exit is believed to be in the range of DKK 80 million (incl. impairments at 30 June 2007 of DKK 49 million). The result of Industrial Packaging in 2007 will suffer an adverse effect of approx. DKK 60 million, with an adverse effect on equity of the same order of magnitude. The Group does not expect any significant effect on liquidity in 2007.

The exit from Asia will be carried out next year and is expected to have an adverse effect of DKK 20 million on the result in 2008, of which 14 million relates to accumulated foreign exchange translation losses (the amount is stated as at 30 June 2007), which will be reclassified in connection with the final exit. The reclassification relates exclusively to the income statement and does not affect equity.

Once the exit has been finalised, the overall negative effect on the Group's equity capital is estimated to have been DKK 66 million, with the expected negative effect on liquidity amounting to DKK 22 million.

Improvement of profitability in North America

Over the past 12 months, Hartmann North America has succeeded in stabilising production.

Investments in automation equipment have paved the way for cost reductions and increased productivity, and the successful implementation of lean activities has raised efficiency. There is a potential for additional improvements in both quality and capacity by a continuation of the current lean processes and further investments in automation.

There are positive developments in the markets in both the USA and Canada, and the increased environmental awareness among consumers and retailers has grown the demand for sustainable packaging, thereby giving a boost to Hartmann's market position. Moreover, a recent survey of selected customers showed a high level of satisfaction with Hartmann's products and services.

Overall, the North American business is well equipped for the future: several operational issues have been resolved; predictability in production is improving, and expectations for the future market conditions are very positive. Against this back-

ground management intends to continue the operations in North America, to make additional investments in production development and to intensify focus on management and operations.

An investment that constitutes a major risk

At regular intervals, management has emphasised in its communications and releases to the market that the investment in North America would constitute a special and major risk unless the Group succeeded in creating a basis for satisfactory earnings rated to the size of the investment (see also the chapter on Risk Management on p. 17 of the Annual Report 2006). The risks are still substantial, and the cross rate between CAD/USD is Hartmann's biggest foreign currency exposure.

Management intends to continue keeping a close eye on developments at the production plant in Canada so as to be able to consider on an ongoing basis the relationship between risks and the long-term strategic perspectives of the Group.

Hartmann after the turnaround

Hartmann has a unique technological platform and a strong market position in the main markets.

Once the turnaround plan has been completed, Hartmann will emerge a stronger business focused on Europe and North America.

The implementation of the turnaround plan is expected to generate positive cash flows from operating and investing activities from 2008 and an EBIT level in 2009 of DKK 80 to 100 million.

Hartmann will consist of an attractive and well-trimmed European business unit focused on egg and industrial packaging. It is also expected that the operations in North America will make a positive contribution to earnings.

Modest revenue growth in the short to medium term will be driven by organic growth in the European business as well as in the North American production unit once the latter achieves the objectives for sales and production. The plans for additional long-term growth will be drawn up once the Group is back to a satisfactory earnings level.

Outlook for 2007

Hartmann finalised the divestment of its operations in South America in the first half of 2007, and several structural measures were taken to reduce costs and improve future earnings. Moreover, the Group wrote down assets in both North America and Asia in H1 2007. The outlook for the full fiscal 2007 has been revised to reflect these developments.

Revenues

Hartmann expects revenues in 2007 of approx. DKK 1,480 million, down DKK 20 million from the outlook announced Interim Report 1/2007.

Operating result (EBIT)

The Group rolled out additional structural measures in Q2 2007 to strengthen its earning capacity in the long term, and these measures led to non-recurring items in Q2 of approx. DKK 7 million (the total for H1 stood at DKK 17 million). Also, the amount in operating result suffered an adverse effect of DKK -115 million from the impairment of assets in North America as well as an adverse effect of DKK -60 million from the impairment/closing down of operations in Asia. The previous expectations for the operating result is reduced by DKK 13 million mainly due to the failure to meet the earnings targets in H1.

Hartmann expects an operating result (EBIT) in 2007 of between DKK -155 million and DKK -165 million.

Result for the year (EAT)

Besides the impact of the above factors on the amount in operating result, the result for the year

reflects an additional impact from the following major items:

DKK 48 million in impairments of deferred tax relating to North America.

Hartmann completed the divestment of its operations in South America in Q2 2007 as planned. The sale has a negative impact of DKK -53 million on the result of discontinued operations (previously forecast in an amount of approx. DKK -50 million). Also, the final amount for the reclassification of foreign exchange translation losses from prior years in relation to the operations in South America has been calculated at DKK -192 million (previously calculated at DKK -187 million at 31 March 2007). Also, the result reflected a negative impact of DKK -9 million in unrealised foreign exchange adjustments in connection with the repayment of equity-like loans granted to subsidiaries. These entries are purely technical and do not affect the amount in equity.

Profit for the year after tax (EAT) is forecast at the level of DKK -490 million.

Amounts in DKKm	Outlook announced in Interim Report 1/2007	Revised outlook as at 22 August 2007
Revenue	1.500	1.480
Continuing operations:		
Operating profit/(loss) (EBIT) before impairment of assets	-	0 to 10
Operating profit/(loss) (EBIT)	30 to 40	(155) to (165)
Profit/(loss) for the year (EAT) before impairment of assets	-	(30) to (40)
Profit/(loss) for the year (EAT)	0 to 10	(240) to (250)
Discontinued operations:		
Reclassification of foreign exchange loss in South America (without equity effect)	(187)	(192)
Effect of divestment in South America (including expected operating loss until completion of sale)	(50)	(53)
Profit/(loss) for the year (EAT)	(237)	(245)
Total for the Group		
Profit/(loss) for the year (EAT)	(227) to (237)	(485) to (495)

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board today discussed and approved the Interim Report for the period 1 January – 30 June 2007 of Brødrene Hartmann A/S.

The Interim Report, which is unaudited and unreviewed by the company auditor, has been prepared in accordance with the EU-approved IFRS provisions on recognition and measurement and other Danish reporting requirements for the presentation of interim reports by listed companies.

The Interim Report was presented under the same accounting policies as the Annual Report 2006.

We consider the accounting policies applied to be appropriate. In our opinion, the Interim Report gives a true and fair view of the Group's assets and liabilities and financial position at 30 June 2007 and of the result of the Group's operations and cash flows in the period 1 January – 30 June 2007.

Kgs. Lyngby, 22 August 2007

Executive Board:

Peter Arndrup Poulsen
CEO

Board of Directors:

Bjarne Eriksen
Chairman

Walther V. Paulsen
Vice Chairman

Ove Brandt

Niels Hermansen

Erik Højsholt

Michael S. Nielsen

Tom Nielsen

Peter-Ulrik Plesner

Income statement

Amounts in DKKm					
	Q2 2007	Q2 2006	HI 2007	HI 2006	2006
Revenue	332,3	351,0	713,3	729,7	1.474,7
Production costs	(259,5)	(261,0)	(540,2)	(538,8)	(1.104,1)
Gross profit	72,8	90,0	173,1	190,9	370,6
Sales and distribution costs	(62,3)	(71,7)	(136,7)	(139,2)	(284,1)
Administrative expenses *	(23,0)	(22,9)	(45,0)	(44,8)	(91,0)
Other operating income	0,4	0,2	1,6	0,5	66,7
Operating profit/(loss) (EBIT) before impairment	(12,1)	(4,4)	(7,0)	7,4	62,2
Impairment of fixed assets **	(164,0)	-	(164,0)	-	-
Operating profit/(loss) (EBIT)	(176,1)	(4,4)	(171,0)	7,4	62,2
Operating profit after tax in associates	-	-	-	-	0,2
Other financial income	0,7	10,4	1,2	11,0	6,2
Other financial expenses	(18,9)	(12,5)	(27,7)	(16,2)	(26,5)
Profit/(loss) before tax (EBT) from continuing operations	(194,3)	(6,5)	(197,5)	2,2	42,1
Tax on the profit for the period from continuing operations	(44,4)	2,0	(43,5)	(0,7)	(3,7)
Profit/(loss) for the period from continuing operations	(238,7)	(4,5)	(241,0)	1,5	38,4
Profit/(loss) for the period from discontinued operations ***	(244,2)	27,1	(244,9)	23,3	(115,4)
Net profit/(loss) for the period (EAT)	(482,9)	22,6	(485,9)	24,8	(77,0)

* The amount in administration expenses in 2. Quarter 2007 was adversely affected by approx. DKK 7 million in non-recurring items of which DKK 2 million is attributable to Research & Development activities, with the remaining DKK 5 million being attributable to other business areas, e.g. the closing down of Corporate Technology & Processes. For 1. halfyear 2007 the adverse effect on expenses totalled DKK 17 million which, in addition to the DKK 7 million mentioned above, consists of DKK 5 million in reorganisation expenses for Industrial Packaging and DKK 5 million in Research & Development for the closing down of an ongoing project. The amount in administration expenses in 2. Quarter 2006 was adversely affected by DKK 7 million in non-recurring items which is attributable to severance arrangement for the former CEO.

** In 2. Quarter 2007 the impairment of assets totalled DKK 164 million of which DKK 49 million related to Industrial Packaging in Asia and DKK 115 million related to Egg Packaging in North America.

*** Note on the profit for discontinued operations for the period:

- EBIT in 2006 includes insurance compensation relating to the fire in Argentina of DKK 35 million.
- The profit/(loss) for 1. Quarter 2007 is negative affected of DKK 192 million in accumulated foreign exchange translation losses and effect of sales of DKK 53 million.

Amounts in DKKm					
	Q2 2007	Q2 2006	HI 2007	HI 2006	2006
South America					
Revenue	41,4	37,3	92,0	80,8	162,9
EBIT	(3,6)	42,8	(0,3)	39,0	28,1
Profit/(loss) for the period from discontinued operations	(244,9)	27,1	(245,7)	23,3	(115,4)

Statement of cash flows

Amounts in DKKm					
	Q2 2007	Q2 2006	H1 2007	H2 2006	2006
Profit/(loss) for the period from continuing operations	(238,7)	(4,5)	(241,0)	1,5	38,4
Adjustments	243,8	33,3	277,7	57,0	57,8
Changes in working capital	13,0	15,7	(17,6)	(23,7)	(6,0)
Cash flows from operating activities before interest income and expense and similar items	18,1	44,5	19,1	34,8	90,2
Financial income	0,7	0,2	1,2	0,3	2,0
Financial expenses	(7,7)	(3,5)	(14,0)	(6,7)	(26,5)
Cash flows from ordinary activities	11,1	41,2	6,3	28,4	65,7
Net income tax paid	(4,6)	(5,7)	(12,0)	(14,4)	(26,3)
Cash flows from operating activities	6,5	35,5	(5,7)	14,0	39,4
Acquisition of property, plant and equipment	(49,6)	(22,6)	(88,2)	(38,6)	(103,7)
Disposal of property, plant and equipment	0,1	-	0,2	-	114,7
Dividend received from associates	-	-	-	-	0,1
Cash flows from investing activities	(49,5)	(22,6)	(88,0)	(38,6)	11,1
Cash flows from operating and investing activities	(43,0)	12,9	(93,7)	(24,6)	50,5
Repayment of non-current loans	(8,3)	(16,4)	(21,0)	(24,7)	(59,4)
Dividend paid	-	(8,5)	-	(8,5)	(8,5)
Acquisition of treasury shares	-	(3,1)	-	(3,1)	(6,7)
Share options exercised	-	2,3	-	2,3	4,3
Cash flows from financing activities	(8,3)	(25,7)	(21,0)	(34,0)	(70,3)
Cash flows from continuing operations	(51,3)	(12,8)	(114,7)	(58,6)	(19,8)
Cash flows from discontinued operations	(38,8)	52,2	(50,1)	39,1	(2,5)
Total cash flows	(90,1)	39,4	(164,8)	(19,5)	(22,3)
Cash and cash equivalents at 1 January	(128,9)	(92,0)	(54,5)	(36,4)	(36,4)
Foreign exchange translation differences	(0,8)	(3,9)	(0,5)	(0,6)	4,2
Cash and cash equivalents at 30 June	(219,8)	(56,5)	(219,8)	(56,5)	(54,5)
Recognition of cash and cash equivalents at 30 June:					
Cash	77,4	58,3	77,4	58,3	69,1
Cash included in assets held for sale	-	0,7	-	0,7	1,9
Banks, included in liabilities relating to assets held for sale	-	(50,5)	-	(50,5)	(100,2)
Banks (current liabilities)	(297,2)	(65,0)	(297,2)	(65,0)	(25,3)
Total cash and bank debt	(219,8)	(56,5)	(219,8)	(56,5)	(54,5)

Business segments

Amounts in DKKm							
	Q2 2007	Q2 2006	Diff.	HI 2007	HI 2006	Diff.	2006
Revenue							
Egg Packaging Europe	231	242	(11)	504	505	(1)	1.037
Egg Packaging North America	34	40	(6)	72	82	(10)	153
Industrial Packaging	54	50	4	104	98	6	203
Other	13	19	(6)	33	45	(12)	82
Total	332	351	(19)	713	730	(17)	1.475
Operating profit/(loss) (EBIT)							
Egg Packaging Europe	4	20	(16)	31	51	(20)	78
Egg Packaging North America	(7)	(12)	5	(16)	(22)	6	(46)
Egg Packaging North America incl. impairment	(122)	-	(122)	(131)	-	(131)	-
Industrial Packaging	9	3	6	8	1	7	9
Industrial Packaging incl. impairment	(40)	-	(40)	(41)	-	(41)	-
Other	(18)	(15)	(3)	(29)	(22)	(7)	21
Total	(176)	(4)	(181)	(171)	7	(200)	62

Movements in equity

Amounts in DKKm			
	June 30, 2007	June 30, 2006	December 31, 2006
Share in opening equity to the shareholders of Brødrene			
Hartmann A/S	540,5	631,1	631,1
Net profit/(loss) for the period	(485,2)	21,2	(62,7)
Revaluation of hedging instruments	9,5	11,9	7,1
Share options granted	0,1	-	-
Share options exercised	-	2,3	4,3
Acquisition of treasury shares	-	(3,1)	(6,7)
Dividend paid	-	(8,5)	(8,5)
Foreign exchange translation differences, discontinued operations	191,5	-	-
Foreign exchange translation differences, repayment of equity-like loans	7,8	-	-
Foreign exchange translation differences, foreign subsidiaries	(6,5)	(22,6)	(14,7)
Tax on equity movements	1,4	(4,5)	(9,4)
Share in equity to the shareholders of Brødrene Hartmann A/S at end of period	259,1	627,8	540,5
Minority interests at opening			
Share of net profit/(loss) for the period	(0,7)	3,6	(15,4)
Foreign exchange translation differences, foreign subsidiaries	-	(0,3)	-
Share of capital increase	-	-	4,0
Minority interests end of period	3,1	18,5	3,8
Total equity	262,2	646,3	544,3

Balance sheet, assets

Amounts in DKKm

	June 30, 2007	June 30, 2006	December 31, 2006
Non-current assets			
Intangible assets			
Development projects	0,9	2,2	1,6
Goodwill	10,7	10,7	10,7
Total intangible assets	11,6	12,9	12,3
Property, plant and equipment			
Land and buildings	167,2	209,9	156,4
Technical plant and machinery	415,7	548,2	563,4
Other operating equipment and fixtures	15,7	21,6	24,8
Plant under construction	72,5	42,5	30,8
Total property, plant and equipment	671,1	822,2	775,4
Other non-current assets			
Investments in associates	4,0	3,8	4,0
Deferred tax asset	35,5	92,4	91,4
Total other non-current assets	39,5	96,2	95,4
Total non-current assets	722,2	931,3	883,1
Current assets			
Inventories	110,7	124,9	114,6
Trade receivables	249,7	227,3	258,8
Contract work in progress	2,6	-	-
Corporation tax receivables	9,4	5,1	5,3
Other receivables	30,9	30,5	29,1
Prepayment	21,0	16,1	17,2
Cash and cash equivalents	77,4	58,3	69,1
Assets classified as held for sale	-	166,8	60,8
Total current assets	501,7	629,0	554,9
Total assets	1.223,9	1.560,3	1.438,0

Balance sheet, liabilities

Amounts in DKKm

	June 30, 2007	June 30, 2006	December 31, 2006
Equity			
Share capital	70,2	70,2	70,2
Retained earnings	188,9	553,6	470,3
Equity attributable to the shareholders of			
Brødrene Hartmann A/S	259,1	623,8	540,5
Minority interests	3,1	18,5	3,8
Total equity	262,2	642,3	544,3
Non-current liabilities			
Deferred tax	9,2	38,3	36,7
Pension obligations	18,1	16,5	18,4
Mortgages	3,4	37,8	4,0
Bank debt	333,1	366,3	343,7
Other debt	0,7	4,3	6,9
Government grants	10,9	11,1	10,6
Total non-current liabilities	375,4	474,3	420,3
Current liabilities			
Current portion of non-current liabilities	29,3	23,0	29,1
Bank debt	297,2	65,0	25,3
Prepayments from customers	-	3,2	0,4
Trade payables	102,1	95,7	139,7
Payables to associates	3,9	3,5	4,5
Corporation tax	5,9	5,6	2,3
Provisions	1,3	1,3	1,5
Other payables	146,6	128,4	111,3
Liabilities classified as assets held for sale	-	118	159,3
Total current liabilities	586,3	443,7	473,4
Total liabilities	961,7	918,0	893,7
Total equity and liabilities	1.223,9	1.560,3	1.438,0

Investor service

Anyone interested in subscribing to Hartmann's news service may sign up for the service on the Group's website. Subscribers also receive emails with the communications from Hartmann to the share market.

Developments in the Hartmann share

The opening price listed for the Hartmann share in 2007 was 227, and in early August it had declined to 213. Trading in the share came to DKK 82 million in HI 2007 and involved 1,348 transactions, compared to DKK 178 million and 2,601 transactions in HI 2006.

Financial diary for the remainder of 2007

- | | |
|-------------|---|
| 22 August | Interim Report 2/2007 |
| 23 August | Investor presentation held at the Brødrene Hartmann head office
Klampenborgvej 203
DK-2800 Kgs. Lyngby
The presentation begins at 8.15am |
| 23 November | Interim Report 3/2007 |

Hartmann's homepage, www.hartmann.dk, contains historical and topical information about the Group's activities, stock exchange releases, financial statements, investor presentations, etc.

Corporate Governance

The Group's Corporate Governance policy was explained in full in stock exchange release no. 4/2006 of 23 March 2006 and appears with a few additions in the Group's Annual Report 2006. The full text is also available on Hartmann's website at www.hartmann.dk

Contact to shareholders and analysts

Kirsten Laugesen, IR & Group Communications Manager
kil@hartmann.dk
 Tel.: +45 45 87 50 30 or +45 22 88 86 20

Investor relations secretariat

Ruth Pedersen, executive secretary
rp@hartmann.dk
 Tel.: +45 45 87 50 30

Enquiries relating to the present release may be made directly to President & CEO Peter A. Poulsen on tel. +45 45 87 50 30.

