

HARTMANN



Dr. Eckart von Hirschhausen

Andreas Jöhr
PELLE HARTMANN AG

Inform

Information for our shareholders
for the first half of 2018

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Dear Sir or Madam,

On the 200th anniversary of the HARTMANN GROUP we especially looked into the future – just as one would expect of a pioneer in innovative healthcare concepts. One way we did this was by staging the HARTMANN Future Forum in June, a completely new platform to provide stimuli for the future of healthcare. The forum tackled such pressing issues as demographic change, progressive digitalization and particularly the shortage of qualified nurses. We strongly believe that it is up to companies to take on more social responsibility. That is why we are taking the lead and setting a good example with our upcoming “Care Offensive”. In tandem with the company’s bicentenary, our employees are also exemplary in their commitment to doing 200 voluntary good deeds this year.

The Group remains on track in business terms, as well. In the first six months of 2018, we achieved a sales growth of 3.0% (organic growth: 1.6%), which means that we are still well on track for achieving the anticipated moderate rise in Group sales revenues over the year as a whole. At the same time, we stand by our forecast of a moderate decrease in our EBIT; the mid-year figure amounts to EUR 61.1 million, which is 6.5% short of the prior-year level. The decrease in earnings is as much a reflection of the price pressure on our markets as of higher regulatory costs and – not least – of the expenditure in connection with our structural and growth investments. These investments will improve our competitiveness in the long term, while also enabling us to tap into additional market potential.

The coming months will also be characterized by a number of innovations emerging from our investments – ranging from hydroactive wound treatment to smart devices for health management at home. Our goal, as always, is to place the HARTMANN GROUP in an even better position for harnessing market potential while keeping risks to a minimum.

Yours sincerely,

PAUL HARTMANN AG



Andreas Joehle



Stephan Schulz

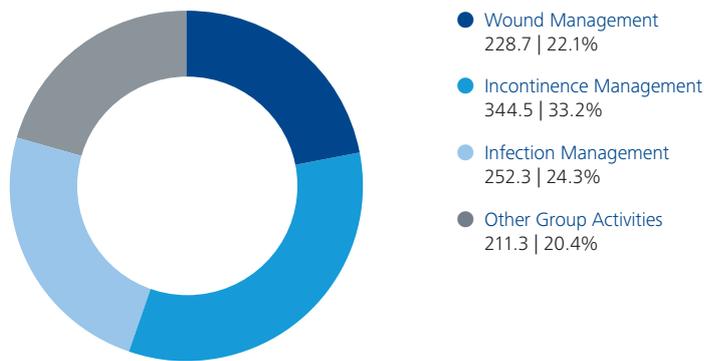
The HARTMANN GROUP, a leading international manufacturer of medical and hygiene products, takes a holistic approach to healthcare, placing an emphasis on direct practical benefits for patients and the medical staff treating them. Maintaining close contact with users and consumers is the fundamental key to healthcare concepts that are innovative and successful over the long term. This is expressed in our brand promise of “Going further for health”. At the core of our portfolio, we offer professional systems for wound treatment, incontinence care and infection prevention, supplemented by a range of consumer-oriented medical products, as well as other healthcare products and cosmetics.

Key performance indicators of the HARTMANN GROUP as of June 30

in EUR million	2017	2018	Changes compared to previous year	
			absolute	in %
Sales revenues	1,006.8	1,036.8	30.0	3.0
of which outside Germany in %	66.7	67.4		
EBITDA	94.5	94.0	-0.6	-0.6
Return on EBITDA in %	9.4	9.1		
EBIT	65.4	61.1	-4.3	-6.5
Return on EBIT in %	6.5	5.9		
Consolidated net income	45.4	41.0	-4.4	-9.6
Net return on sales in %	4.5	4.0		
Equity ratio in %	57.4	60.4	+3.0% points	5.2
Net financial position	-18.4	44.8	63.2	-

Business Development in the first half of 2018

Share of total sales by business segment in EUR million and percent



HARTMANN achieves moderate sales growth in the first half of 2018

In the first six months of 2018, the HARTMANN GROUP generated a rise in sales of 3.0%, bringing the figure to EUR 1.0368 billion, in spite of the continuing negative impact of exchange rates. All three core medical business segments contributed to this sales growth. Compared to the first six months of last year – excluding the effect of exchange rates, acquisitions and divestments – there was organic growth of 1.6%.

Organic growth in the core medical business segments

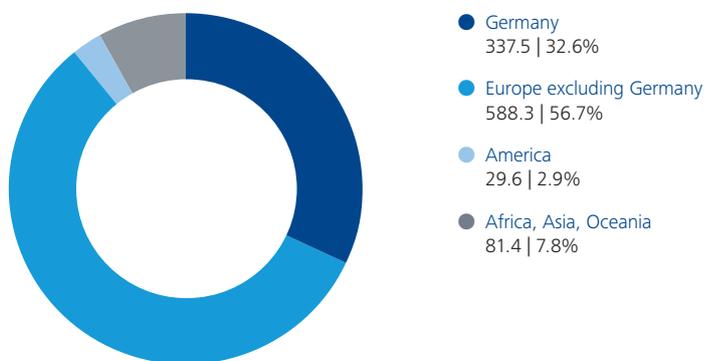
The Wound Management segment achieved sales revenues of EUR 228.7 million, thus surpassing last year's results by 1.9%. The segment's organic sales growth of 4.6% can mostly be attributed to the growing demand for super-absorbent and antibacterial wound dressings and for the HydroTherapy treatment concept. The area of Personal Healthcare achieved organic growth of 3.5%.

Sales revenues for the Incontinence Management segment went up 7.8% to EUR 344.5 million. The inclusion of sales revenues generated by LINDOR in Spain more than compensated for the negative impact of exchange rates. The organic development in sales revenues was just slightly below last year's level, mostly due to continuing price pressure on incontinence briefs and pads. The Skintegrity concept for holistic incontinence management and IAD (incontinence-associated dermatitis) prophylaxis also contributed to the segment's second quarter sales growth.

The Infection Management segment saw its growth pick up compared to a more neutral trend in the first quarter. Thanks to organic growth of 2.7% in the first half of the year, this segment achieved a 1.0% rise in sales to EUR 252.3 million. Without taking exchange rates into account, sales of surgical management products and examination gloves surpassed the previous year's figure, as did sales of solutions for disinfection management.

The Other Group Activities segment generated sales of EUR 211.3 million, which was slightly below the last year's level due to negative impact of exchange rates. The core medical business segments accounted for 79.6% of total group sales (previous year: 78.8%).

Share of total sales by region in EUR million and percent



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Market position strengthened – in Europe and worldwide

The rise in group sales revenues was largely based on positive developments in European countries outside the Group’s domestic market. Europe as a whole (not including Germany) achieved an increase of 6.0%. The organic growth of 4.1% in eastern Europe contributed to this, as did the strong rise of 10.9% in sales in western and southern Europe, which was primarily attributable to the inclusion of LINDOR. In Germany, HARTMANN managed to slightly surpass the previous year’s figures, with organic growth amounting to 0.8%.

The moderate growth generated in the regions of northern Europe, America and Africa, Asia and Oceania was outweighed in each case by the negative impact of exchange rates, resulting in a slight overall decrease in reported sales revenues. Compared to the previous year, the proportion of total group sales revenues generated abroad went up from 66.7% to 67.4%.

Moderate decrease in EBIT in line with expectations

Earnings before interest and taxes (EBIT) amounting to EUR 61.1 million (previous year: EUR 65.4 million) are equivalent to a return on EBIT of 5.9%, compared to 6.5% in the previous year. The anticipated moderate decrease is a reflection of the continuing strong price pressure on our sales markets and higher regulatory costs as well as expenditures for structural and growth investments. The Group’s consolidated net income was down EUR 4.4 million to EUR 41.0 million. The net profit margin (return on sales) thus amounted to 4.0%, compared to 4.5% in the previous year.

Strong cash position and equity base

The HARTMANN GROUP’s net financial position remains strong at EUR 44.8 million (end of 2017: EUR 71.7 million). The equity ratio improved to 60.4% (end of 2017: 59.7%).

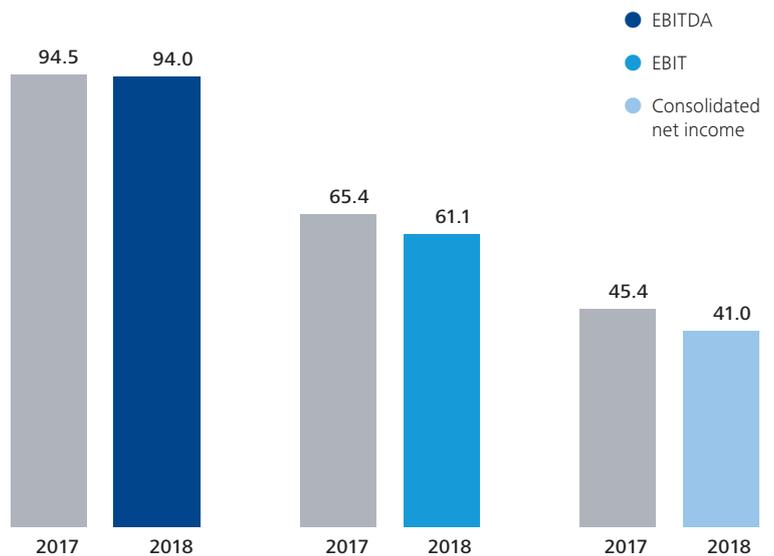
Slight increase in the number of employees

As of the end of the second quarter, 10,788 employees are on HARTMANN GROUP payroll worldwide, which is 24 more individuals than at the end of the previous year.

Of this total, 4,613 are employed in Germany and 6,175 are at sites abroad. These figures translate into a ratio of 42.8% to 57.2% (respectively), which has remained more or less constant.

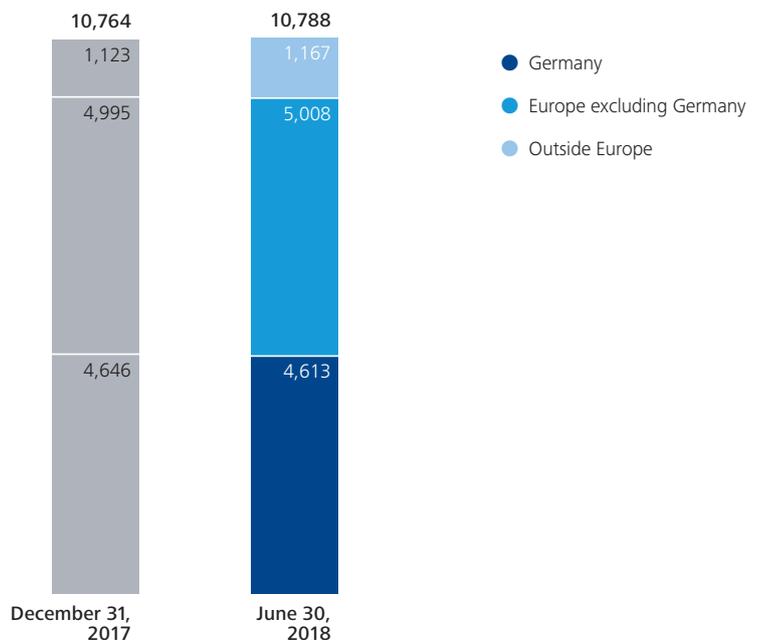
Within Europe, the expansion of the sales workforce in Poland led to a slight rise in the number of employees. The workforce increase outside of Europe is mainly due to an expanding production capacity in India.

Development of EBITDA, EBIT and consolidated net income of the HARTMANN GROUP as of June 30 in EUR million



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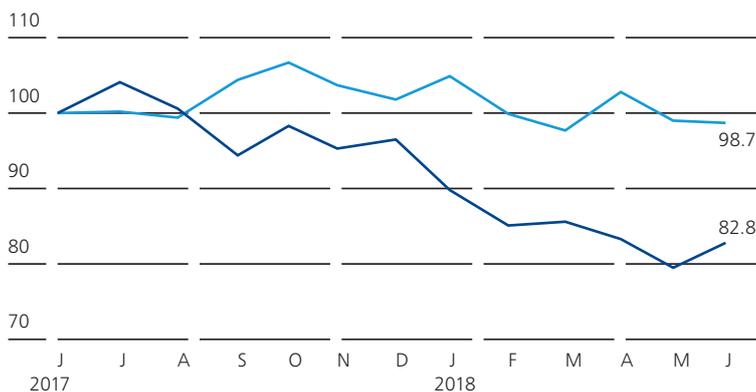
Number of employees of the HARTMANN GROUP



HARTMANN share

Performance of the HARTMANN share price compared to EURO STOXX 50

June 30, 2017 (= 100 percent) to June 30, 2018 in percent



- PAUL HARTMANN AG
- EURO STOXX 50

Performance of the HARTMANN share

The HARTMANN share was listed at EUR 356 per share at the end of June 2018, down EUR 59 compared to the end-of-year value in 2017 (EUR 415).

Basic information on the HARTMANN share

WKN	747404
ISIN	DE0007474041
Exchange	Frankfurt Stock Exchange
Segment	Open Market
Type of share	Registered unit shares held in collective safe custody
Capital stock	EUR 91.3 million
Number of shares	3,572,424 units, of which 20,682 units are held as own shares

Outlook

Outlook in line with expectations

Overall, the outlook for the global healthcare industry remains favorable. Worldwide demographic change is a key growth driver and will continuously shape demand for medical products. Regional differences are mainly based on economic developments, healthcare systems that vary from one country to another, as well as differing regulatory stipulations and other general conditions. We specifically see challenges in increasing regulatory stipulations and the rising price pressure on healthcare systems, as well as exchange rate fluctuations and the volatile price of raw materials.

Following overall positive developments in the first half of 2018, the HARTMANN GROUP is sticking to its forecast for the year as a whole and, having duly weighed the risks and opportunities, is still striving for a moderate rise in sales revenues. At the same time, the structural and growth investments projected for and already initiated in 2018, including – among other things – the individualization and digitalization of solutions, could well result in a moderate decrease in EBIT. In the medium to long term, however, these investments for the future will give HARTMANN a competitive edge and allow us to tap into additional market potential.

In the future, our market- and product-related measures will continue to be accompanied by efforts to optimize processes and costs. The organizational structure was updated in 2017 to be customer-centric. The focal points here include creating an even more powerful sales organization in the German and French hospital markets. Additionally, we will intensify our sales investments in the growing field of innovative wound treatment. We will also focus on implementing a group-wide IT strategy that takes the new regulatory requirements into consideration.

To sum up, the HARTMANN GROUP remains well positioned for making efficient use of future synergies and opportunities as well as for asserting and further expanding the strong position we already hold in sales markets that are highly competitive and subject to price pressure.

200 YEARS

HARTMANN is taking its 200th anniversary as an opportunity not only to look back at the past, but most of all to look ahead to the future. In its anniversary week in the middle of June, the company staged the first ever HARTMANN Future Forum, a new platform to provide thought-provoking stimuli for the future of healthcare. Over 400 representatives from the political sphere and the healthcare industry (incl. pharmacies, clinics, the medical and nursing profession, etc.) came together in Heidenheim with leading experts to discuss issues such as demographic change, digitalization and the industry's shortage of qualified staff. The congress, followed by an evening event, marked the climax of the festivities for the company's bicentenary.



The Future Forum was hosted by the prominent physician Dr. Eckart von Hirschhausen (right).

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Staged at the Heidenheim Congress Center on June 13th, 2018, the very first HARTMANN Future Forum gave rise to lively debates, animated discussions and in-depth exchanges with experts from the healthcare sector. To mark the occasion of its 200th anniversary, HARTMANN invited experts from the German healthcare industry to discuss the most pressing challenges that the sector faces, with the aim of identifying approaches to solving them. The current issues of working conditions and opportunities for caregivers were the overriding topics of debate – not just in the five rounds of talks held with the high-calibre guests at the forum, but also at the subsequent evening event. “People have certainly registered the fact that nursing is in trouble. That was plainly evident at the Future Forum,” said Andreas Joehle, Chief Executive Officer of the HARTMANN GROUP. “Now it’s a matter of doing something about it.”

The rounds of talks showed that there was consensus both amongst the speakers and the attendees that nurses should be given more responsibility and that the entire healthcare profession should be revalued and upgraded. Dr. Eckart von Hirschhausen, a prominent German physician, author and comedian, was the master of ceremonies. He already called for changes in his introductory speech: “There is a need to create attractive conditions that will entice people back to the profession.” There was also a consensus amongst participants to complement current vocational training with academic offers, to give nurses more autonomy, and to forge alliances in order to counter the shortage of staff. The HARTMANN “Pflexit Monitor” underscores just how critical the situation is. The survey results were published in the spring (which we wrote about in INFORM Q1/2018) and revealed that 54% of German nurses had recently been considering leaving their profession.

For that reason, when addressing the nearly 600 guests attending the evening event after the forum, Andreas Joehle heralded the company's increased commitment to improving nurses' situation, e.g. with the upcoming "Care Offensive". In his speech, Joehle stressed that companies have a responsibility to tackle the problems of the healthcare sector proactively. HARTMANN's commitment was not going to end with the forum, he said. Quite the opposite. The company would be doing even more to support the sector by working in partnership with associations and politicians – for instance, with Andreas Westerfellhaus, the German government's plenipotentiary for healthcare: "We believe that there is great potential for motivating people who have left the nursing profession to return to the fold. It is only then that we will achieve the sort of healthcare that we long for and that we, as a society, urgently need," said Joehle.

Following welcoming addresses given by state secretaries Sabine Weiss (German Health Ministry) and Theresa Schopper (German State Ministry), by Bernhard Ilg (Lord Mayor of Heidenheim) and by Fritz-Jürgen Heckmann (Chairman of the Supervisory Board of PAUL HARTMANN AG), the rest of the evening was hosted by Babette von Kienlin, a television presenter from the German TV channel ZDF. Later on, there was a multimedia show with dance performances, video interludes and special lighting effects, all taking a look back at the last 200 years of the company's corporate history and business success.



Sven Gábor Jánoszy gave a talk on technological progress and its impact on the healthcare system.

A summary of the five rounds of talks at the HARTMANN Future Forum

Back to the Future Forum itself. After Dr. Eckart von Hirschhausen opened the forum, there was a speech by Sven Gábor Jánoszy, a futurologist from the Leipzig-based 2b AHEAD ThinkTank. Gábor focused on the topic of technological progress and its impact on the provision of healthcare. Following this introductory part, the attendees of the HARTMANN Future Forum took part in five rounds of talks on current issues in the German healthcare system.

In the round of talks on the topic of "Economy versus Medicine", Stephan Holzinger (Chairman of the Management Board of RHÖN-KLINIKUM AG) and Andreas Mörsberger (Chief Financial Officer on the Management Board of Paul Gerhardt Diakonie gAG) discussed the extent to which a focus on economic goals at German clinics pushes the ethics of patient care into the background. The two representatives of private and non-profit hospitals respectively agreed that both types of ownership were facing the same challenges and were pursuing the same goal: greater efficiency. HARTMANN sees this as a confirmation that its own stance is correct: "This is where our system solutions come into play – such as those used in hospitals to improve compliance with hygiene standards," Joehle explains. "The lessons learned from these rounds of talks confirm that we are taking the right line of approach."

In the round entitled "New Ways of Life, New Forms of Care", Dr. Erik Hamann (CEO of ORPEA Germany, one of the largest private providers of homes for the elderly with inpatient care) and Markus Mattersberger (President of Lebenswelt Heim, the Austrian Association of Nursing and Care Homes) said that they could see a trend emerging towards the campus concept – i. e. the formation of residential groups and housing communities for home-care support. During the lively discussion, it became clear that the types of care will depend on the financial resources of the person concerned and will vary according to that person's individual needs and financial means.



In the round of talks entitled “Assault from Brussels”, the focus was on the German pharmacy sector in the context of European legislation. Here, Professor Christian Franken (Chief Pharmaceutical Officer at DocMorris) and Dr. Klaus Michels (Chairman of the Management Board of the Westphalia-Lippe Association of Pharmacies) discussed the extent to which the framework conditions for German pharmacies under European law are still in keeping with the times. Despite having opposing opinions, both sides reached the consensus that online mail order is important and that opening the market up to online pharmacies serves to close gaps in the supply system. However, they stressed that online mail order, just like the service provided by a local pharmacy, must focus on ensuring quality and reliability in taking care of customers.

The next round of talks, “Patients in Rural Areas”, also focussed on the topic of patient care. The speakers – Dr. Anke Richter (Regional Chairperson of the Westphalia-Lippe Association of General Practitioners) and Biggi Bender (Head of the vdek Agency, the Association of Health Insurance Companies, in the German state of Baden-Württemberg) – reached the conclusion that the outlook for regions with poor infrastructure was sobering. Rural areas are already lacking around 2,500 general practitioners. In ten years’ time at the latest, another 50% of family doctors will be retiring. This is why it is so important to strengthen the role of the family doctor and encourage medical students to opt for the field of general medicine already during their university studies or provide them with incentives in the form of scholarships. This was an argument that Dr. Chima Abuba (Managing Director of HARTMANN Germany) also put forward: “We have to reach out to more young people, for example by giving them the opportunity to work at a family doctor’s practice during their studies.”

Probably the most direct political appeal came from Franz Wagner in the round of talks entitled “Illusion or Prospect?”, in which he debated with Dr. Ralf Suhr



(Chairman of the Management Board of the ZQP – German Center for Quality of Care). Wagner, who is President of the DPR (German Nursing Council), explicitly called for politicians to take future action against the shortage of staff in the care sector. “We need far more staff and we need politicians to commit to creating 100,000 more jobs in the foreseeable future for all areas of the healthcare sector in the years to come – in other words, in hospitals, outpatient clinics and hospitalized long-term care.” He also named other factors: the self-image of the care sector, a more academic vocational training, and job salaries. The conclusion drawn was that the problem does not lie in a lack of awareness but instead in a lack of action in implementing measures. Now it is time to take a proactive approach to tackling the problem, with collaboration and cooperation playing a key role: that was the conclusion reached by those chairing the talks and by Dr. Eckart von Hirschhausen in a joint round-up of the day’s discussions.

The experts chairing the five rounds of talks presented a joint round-up of the discussions.

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The evening event included a multimedia show presenting 200 years of corporate history.

News from the HARTMANN GROUP

200 years of HARTMANN – a good reason to say “thank you”

Courage, innovation and adaptability are qualities that have paved HARTMANN’s 200-year path to success. The main force sustaining the company, however, has been its employees, who have shaped HARTMANN and helped it to develop through all stages of its history. That is why the company held a huge outdoor summer party for all staff and their families on June 15th – to pay tribute to the indefatigable efforts of its workforce, past and present.

Around 3,000 guests came along to join in the bicentenary celebrations at the Brenzpark in Heidenheim, which comprised a wide diversity of events. The day’s program included fun and games for all ages, a wide range of attractions and a special line-up of artists, all of which kept the guests entertained until late into the evening. The highlight of the day was a concert given by the Heidenheim guitar legend, Siggie Schwarz and his band, accompanied by the Frankfurt Symphony Orchestra. With their renditions of such classics as “Hotel California”, “Eye of the Tiger” and “It’s my Life”, they brought rock history to life and thrilled the crowd.



Perfect summer weather at HARTMANN’s employee party at the Brenzpark.

200 good deeds

On April 15th, the International Day of Good Deeds, HARTMANN launched an unprecedented new campaign: HARTMANN is calling on its employees throughout the world to do a good deed this year – for people, for animals or for nature. The company hopes that this campaign will motivate its workforce to give something back to society on the occasion of HARTMANN’s 200th anniversary.

A good deed can take many different shapes or forms. It could be spending time with residents at a care or retirement home, or it could be giving support to the local animal shelter or environmental protection group, or it could be helping the needy with everyday chores such as shopping or housework. Our employees will document their good deeds in the form of photographs or videos and will then share their experiences with their colleagues on CONNECT, the HARTMANN intranet.

A number of employees have already followed the call for action and have published examples of their good deeds. The initiative that Silke Edelmann took, Senior Manager for Human People Development at HARTMANN, showed that good deeds can also be small acts of kindness: “I accompanied my daughter’s primary school class and their teacher on a visit to the St. Michael Nursing Home in Neu-Ulm. We spent two hours playing games and singing with the residents, and simply listening to them. My daughter read a few pages from the story of “Pinocchio” to a 107-year-old lady, and got the distinct feeling that she had made her day by reading to her. That, in turn, pleased my daughter immensely.”

Tina Grosse and Susen Hoidekr, members of the Corporate Communications team at the HARTMANN GROUP headquarters and instigators of the campaign, did their good deed by helping out at the German Red Cross. They went along to the Red Cross’s second-hand clothes depot in Heidenheim and helped to sort, organize and pack up clothing for the socially deprived. They were amazed at the huge turnover of clothes and at the many unpaid volunteers who help out at the clothes depot. “It feels good and very rewarding to help people, regardless of how great or how small a deed might be. We are hoping that this campaign will motivate our fellow employees to get involved and do something to serve their communities. We are delighted that there have already been good deeds done in Australia, Belgium, the Netherlands and lots of other countries,” Tina Grosse added. The campaign is due to run all the way through to the end of the year. “We can’t wait to see and hear about all the good deeds done between now and then.”

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Susen Hoidekr (left) and Tina Grosse (right) did their good deed by helping out at the German Red Cross clothes depot in Heidenheim.

HARTMANN opens a subsidiary in Taiwan

There has been a new addition to the HARTMANN family: under the organizational leadership of PAUL HARTMANN Asia-Pacific (PHAP), the team at PAUL HARTMANN Taiwan (PHTW) is preparing to take up the new challenges of the Asian healthcare market. The subsidiary's official launch in June 2018 was attended by around 100 guests, including doctors, healthcare professionals, business partners and political figures.

HARTMANN has already been selling incontinence and diagnostic products on the Asian market for more than twenty years. In the meantime, there is also rising demand from hospitals for modern wound care products. "This provides enormous potential for further expansion," says Jérôme Besnard, Managing Director of PAUL HARTMANN Asia-Pacific. He believes that his team and the company in Taiwan are well equipped for future business developments: "HARTMANN holds a strong position in hospitals, specialized clinics, the medical supply trade and pharmacies, which allows us to increasingly address private self-pay patients in the incontinence segment, for example with our gender-specific incontinence products." Moreover, the portfolio is going to be expanded to include wound treatment products, such as HydroTac®, Zetuvit® Plus and Hydro-Clean® 2.0. "We are also planning to launch Veroval Duo Control," explains Jérôme Besnard about their future market strategy. The launch of the Taiwanese subsidiary marks another step forward in HARTMANN's further expansion in Asia.



Full steam ahead! The team from PAUL HARTMANN Taiwan set sail on the Asian market.

Shareholders' online portal: announcing the iPad winner

Since the end of March 2018, we have had an online portal providing our shareholders with a multitude of digital services. Shareholders can use the portal to sign up for electronic communications via email, view their contact data as well as their share portfolio. They may also register online for the next Annual General Meeting.

The names of all shareholders who had registered on the online portal by May 31st, 2018, went into a prize draw for an Apple iPad. A winning name was drawn on June 29th. We would like to congratulate Werner Albert from Giengen, who has won a brand new iPad!

Have you not yet registered on our shareholder portal? If you wish to do so, simply click the following link:

<https://ip.computershare.de/paul-hartmann#/login>

Imprint

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This report contains forward-looking statements. Actual results may be different from the ones implied by the forward-looking statements. Rounding discrepancies not balanced out.



Performance of the HARTMANN share price
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