Inform

Information for our shareholders for the third quarter of 2019

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Dear Sir or Madam,

Our sales growth in the first nine months of 2019 amounted to 3.3% compared to the prior-year period. This allowed us to realise EBIT of EUR 78.9 million. As expected, this was below the previous year's level.

One of HARTMANN's most important strategic goals is to expand its modern wound care business. The acquisition of Safran Coating complements our strengths in wound management with an important innovation and production competence, namely silicone coatings.
The highly motivated and committed team will continue to contribute innovations that further advance our Wound Management segment. After all, silicone technologies are among the growth drivers in this area. With the launch of the product innovation Zetuvit® Plus Silicone Border and RespoSorb® Silicone Border, we are already setting new standards in the market today.

The EU Medical Device Regulation (MDR) came into force in 2017. Its application will be obligatory for Class I products (e.g. non-sterile wound dressings, incontinence products) from May 2020. This is a challenge for the entire sector, as requirements have increased for all manufacturers. Considerable additional effort will have to be made in the fields of documentation, certification and recertification. PAUL HARTMANN AG and IVF HARTMANN are now among the first companies in the global market to have already passed a two-step audit programme with their notified body*. HARTMANN is therefore now in a position to justifiably claim MDR readiness.

Despite the more difficult economic environment and the increased regulatory requirements, we can confirm our targets for the full year 2019. We continue to expect moderate sales growth and EBIT in the range of EUR 102 million to EUR 112 million. Our equity ratio of 55.9 percent provides us with a solid financial footing.

On the outlook for the 2020 financial year, the company has published a separate announcement. This can be found on the company's website under Investor Relations.

Yours sincerely,

PAUL HARTMANN AG

Britta Fünfstück

Stephan Schulz

* See page 10

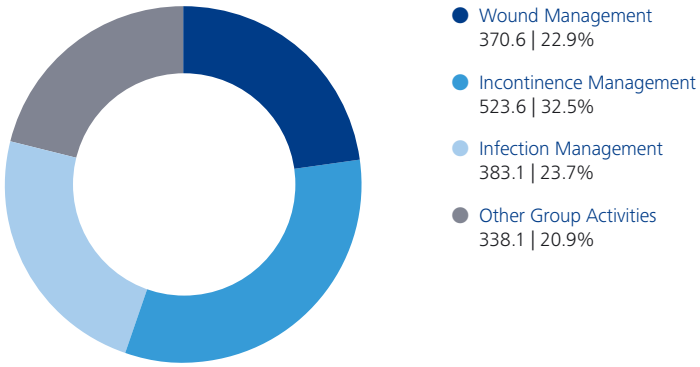
The HARTMANN GROUP, a leading international manufacturer of medical and hygiene products, takes a holistic approach to healthcare, placing emphasis on direct practical benefits for patients and the medical staff treating them. Maintaining close contact with users and consumers is fundamental to healthcare 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 care and cosmetic products.

Key performance indicators of the HARTMANN GROUP as of September 30

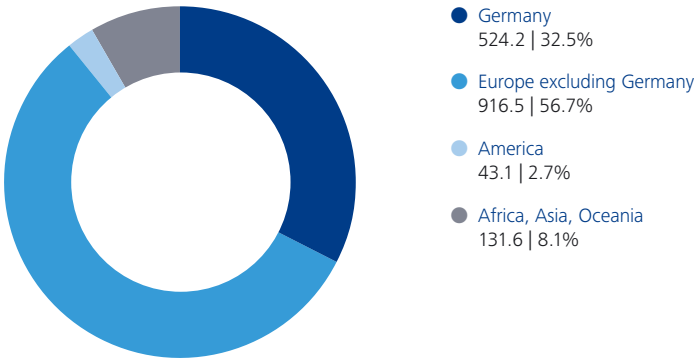
in EUR million Rounding discrepancies not balanced out	**2018**	**2019**	**Changes compared to previous year** absolute	 in %
Sales revenues	1,563.9	1,615.4	51.5	3.3
of which outside Germany in %	67.3	67.5		
EBITDA	139.1	149.7	10.6	7.6
Return on EBITDA in %	8.9	9.3		
EBIT	90.3	78.9	-11.4	-12.6
Return on EBIT in %	5.8	4.9		
Consolidated net income	60.9	51.9	-9.0	-14.8
Net return on sales in %	3.9	3.2		
Equity ratio in %	60.8	55.9	-4.9% points	-8.1
Net financial position	65.7	15.4	-50.3	-76.6

Business Development in the first three quarters of 2019

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



Share of total sales by region
in EUR million and percent



HARTMANN achieves sales growth in the first nine months of 2019

In the first nine months of 2019, the HARTMANN GROUP recorded a moderate increase in sales of 3.3% to EUR 1,62 million compared with the same period of the previous year. All business segments contributed to the positive trend and generated an increase in sales. In line with the forecasts, EBIT amounted to EUR 78.9 million, which, as expected, fell short of the previous year's level.

Sales growth in all business segments

In the three medical core segments, sales revenues increased by a total of 2.7% compared to the prior-year period. Together, the three segments stood for 79.1% (previous year: 79.5%) of group sales.

In the Wound Management segment, sales revenues rose by 5.4% (organic 4.7%) compared to the first nine months of 2018 to EUR 370.6 million. The acquisition of Safran Coating (now: Advanced Silicone Coating), which was carried out in July, made a positive contribution to this development. The Personal Healthcare business, which is also assigned to this segment, achieved organic growth of 1.4%. Blood monitoring devices proved to be one of the key growth drivers in this area.

In the Incontinence Management segment, sales of EUR 523.6 million were up 0.8% over the same period last year. Organic growth of 0.9% was predominantly driven by the strong performance of pull-ups.

Sales in the Infection Management segment increased by 2.7% to EUR 383.1 million. The positive development is attributable, among other things, to sales of customer-specific surgical sets (custom procedure trays) and surgical gloves.

Sales in the Other Group Activities segment increased by 5.7% to a total of EUR 338.1 million. Organic growth of 5.3% was mainly driven by the activities of the KNEIPP Group.

Renewed growth in the international activities

Sales growth in the international activities contributed substantially to the group's further growth. Overall, the Europe region (without Germany) generated an increase in sales of 3.8%. The above average sales increase in central European countries (without Germany) of 5.2% was influenced by positive exchange rate effects. Organic growth of the HARTMANN GROUP in the region amounted to 2.5%. In Eastern Europe, sales increased by 4.5%, while sales in Western and Southern Europe were up 2.8%. With sales growth of 2.4%, Germany also achieved a positive revenue performance. In the Africa, Asia and Oceania sales region, sales growth of 6.2% again exceeded the group average. The share of group sales outside of Germany increased to 67.5%, compared to 67.3% in the previous year.

EBIT margin impacted by raw material costs and currencies

Earnings before interest and taxes (EBIT) of EUR 78.9 million (previous year: EUR 90.3 million) equate to an EBIT margin of 4.9% compared to 5.8% during the same period last year. The negative trend compared to the first nine months of 2018 is mainly due to higher raw material costs and currency effects. In addition, earnings continue to be burdened by costs in connection with the implementation of the MDR. The consolidated net income therefore declined by EUR 9.0 million to EUR 51.9 million. The net profit margin fell from 3.9% in the previous year to 3.2%.

Financial position and equity ratio remain stable

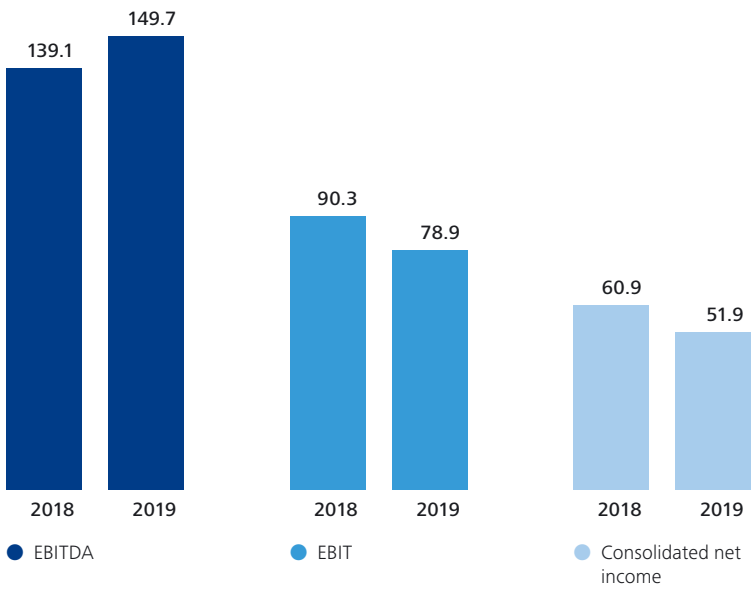
At EUR 15.4 million (end of 2018: EUR 104.5 million), the net financial position of the HARTMANN GROUP has returned to an upward trend. The deficit compared to the end of 2018 is due to the first-time application of IFRS 16 and the related recognition of lease liabilities as financial liabilities. As a result of the balance sheet extension, the equity ratio as of September 30, 2019 came out 4.9 percentage points lower than in the previous year at 55.9%.

Slight increase in headcount

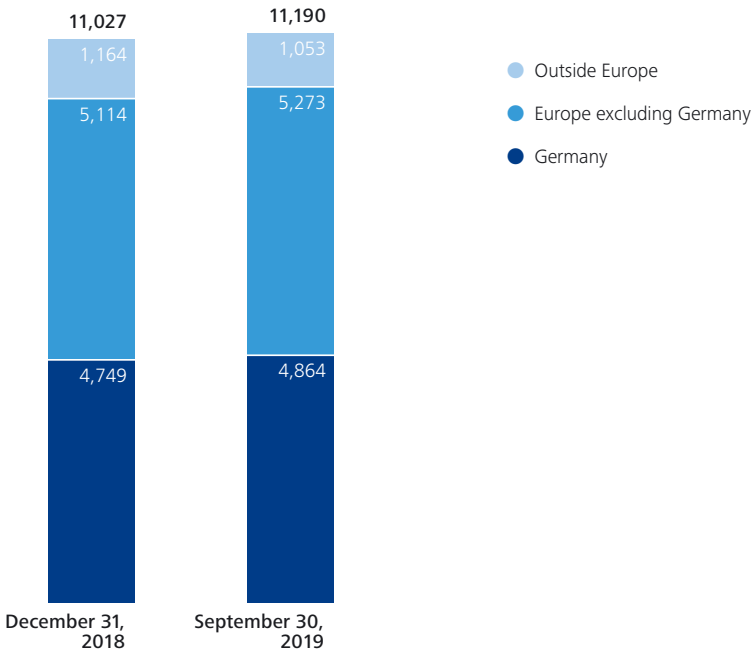
The number of employees in Germany and the European locations increased slightly in the first nine months of the year. In total, the HARTMANN GROUP had 11,190 employees, which is 163 employees more than at the end of the previous year. Out of this number, 4,864 employees were employed in Germany and 6,326 abroad. With a ratio of 43% to 57%, the ratio of employees in Germany and employees abroad remained stable.

The slight increase in headcount in Germany is due to the strengthening of corporate functions at the PAUL HARTMANN AG as well as of production capacities at KOB Medical Devices GmbH. The higher headcount in the rest of Europe is driven by the expansion of production staff in the Czech Republic and Turkey as well as the acquisition of Safran Coating. The decline outside of Europe is due to production-driven adjustments in India and Australia.

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



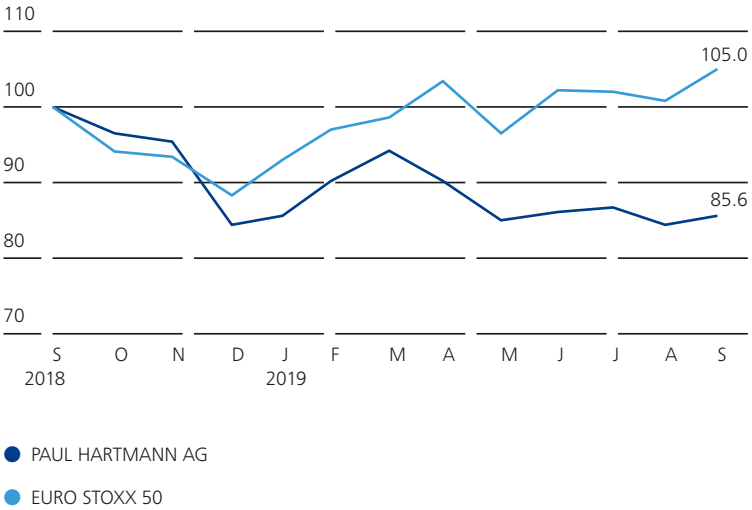
Number of employees of the HARTMANN GROUP



HARTMANN share

Performance of the HARTMANN share price compared to EURO STOXX 50

September 30, 2018 (= 100 percent) to September 30, 2019 in percent



Performance of the HARTMANN share
The closing price of the HARTMANN share on the Frankfurt Stock Exchange at the end of September 2019 was EUR 296 per share, EUR 4 higher than the year-end price for 2018 (EUR 292).

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

Full-year targets for 2019
Export activities continue to be a stabilising factor in the MedTech industry and form the basis for the expected sales growth. The strict requirements of the Medical Device Regulation (MDR), however, require additional efforts and entail risks for the overall market. These are mainly due to bottlenecks at the relevant authorities when it comes to the required certification and recertification processes. The companies participating in the autumn survey of the German Federal Association of Medical Technology (BVMed) expect the new regulation to not only lead to price increases but also to affect patient care. PAUL HARTMANN AG and IVF HARTMANN are now among the first companies in the global market to have already passed a two-step audit programme with their notified body*. HARTMANN is therefore now in a position to justifiably claim MDR readiness.

So far, the HARTMANN GROUP has succeeded in maintaining price stability for its customers despite a challenging environment. However, price pressure is expected to increase in the future. And the raw material costs and currencies also continue to be a risk when it comes to the earnings trend. Therefore, HARTMANN has already initiated comprehensive strategic measures to improve its cost position and competitiveness.

Despite the challenges posed by the regulation coming into force on 26 May 2020 and the harsher economic climate, the HARTMANN GROUP reaffirms its outlook for the full year 2019. This forecast is substantiated by the positive sales trend in the year to date and a careful consideration of opportunities and risks. The HARTMANN GROUP continues to expect moderate sales growth and an EBIT in the range of EUR 102 million and 112 million.

The company has published a separate announcement on the outlook for the 2020 financial year. This can be found on the Company's website under Investor Relations.

* See page 10

Modern wound care: setting new standards with silicone

HARTMANN is the market leader in the traditional wound care sector in Europe. Two key steps have now been taken to strengthen its position in the field of modern wound care: the acquisition of Safran Coating and the launch of the product innovation Zetuvit® Plus Silicone Border and RespoSorb® Silicone Border – developed for the improved treatment of chronic wounds.

Zetuvit® Plus Silicone Border and RespoSorb® Silicone Border: new silicone Super Absorbent Polymer (SAP) dressing with border, strengthening the field of modern wound care.

The European LINK Congress (Learn.Inform.Network. Knowledge., see Info Box) organized in Budapest in mid-September, highlighted the importance of wound exudate management in the field of wound healing. With Zetuvit® Plus Silicone Border and RespoSorb® Silicone Border, HARTMANN is now bringing products to market that, thanks to an innovative combination of a silicone skin contact layer and Super Absorbent Polymer (SAP), further improves wound management.

Silicone as a growth driver in the industry

Silicone technologies are among the most important growth drivers in modern wound care. With its product innovations, HARTMANN is now launching its first self-adhesive Super Absorbent Polymer (SAP) dressings with a silicone skin contact layer. The dressings are used to treat moderate to severe, exuding chronic or acute wounds. They prevent exudate from coming into contact with the surrounding tissue. Additional damage to the skin is thus avoided. Another benefit is the improvement of patient wellbeing, as the silicone skin contact layer allows for dressings to be changed gently and almost painlessly. Furthermore, patients do not need to worry about odour. The unique combination of cellulose and SAP offers a comfortable padding and protection against mechanical shocks.

The new products not only bring benefits for the patients but also for nursing staff. Once applied to the skin, the wound dressing can be lifted and re-positioned again. On top of this, the transparent border is designed to see the periwound skin area and monitor potential changes.

With Zetuvit® Plus Silicone Border and RespoSorb® Silicone Border, HARTMANN is setting new performance standards and helping to reduce risks related to the handling of wound exudate. In recent months, HARTMANN has been working successfully on the development of the silicone technology for the new products.

HARTMANN acquires Safran Coating

With the acquisition of Safran Coating in July 2019, HARTMANN was able to acquire one of the leading and most innovative European suppliers of silicone technologies in the health care sector. "The company from Pusignan in France plays a pioneering role in the field of silicone technologies. We are thus adding expertise and enabling further growth in the field of modern wound care," explains François Georgelin, Head of Wound Management. With the integration of Safran Coating in the Wound Management business unit, HARTMANN adds an important strategic partner to its group of companies, while at the same time expanding its product portfolio in the range of modern wound management.

New innovations will enable HARTMANN to clearly distinguish the company from its competitors. Furthermore, we will continue to invest in silicone technology in order to drive the development of special wound care solutions that improve the quality of life of patients. "The integration of Safran Coating into the HARTMANN family was an important milestone. Under the HARTMANN umbrella, the combined research and development skills and capabilities of the two companies will further increase the efficiency of wound care products. After all, our aim is to accelerate the healing of chronic wounds for millions of patients around the world," Georgelin concludes.

LINK Congress:
experts from around the global discuss the latest topics in wound healing

LINK stands for "Learn.Inform.Network.Knowledge" and is currently being set up by HARTMANN in more than 93 countries worldwide as an advanced training network on wound management. The objective: to create a platform for continuous further training, professional exchange and discussions with experts. With more than 18,000 members worldwide, the network is already one of the largest in its field.

The second LINK Wound Healing Congress was held in Budapest this September. It focused on establishing ties with wound healing experts and discussing the latest findings and challenges in wound healing. The congress was attended by 300 participants from 25 countries, including surgeons, opinion leaders, journalists and HARTMANN employees.

Exchange among experts: second LINK Wound Healing Congress on September 11, 2019 in Budapest.

News from the HARTMANN GROUP

EU Medical Device Regulation (MDR):
enhanced patient safety through more stringent certification.

New EU regulations – HARTMANN is ready

From May 2020, companies must comply with the requirements of the new EU Medical Devices Regulation (MDR). MDR obliges companies to document the clinical efficacy of their medical products more comprehensively and according to even stricter criteria. The objective: enhanced safety and transparency. HARTMANN is working diligently on the implementation of the new regulation in order to comply with the new quality requirements.

The new European Medical Device Regulation (MDR) came into force in 2017 – and the transitional period ends on May 26, 2020. By then, all products as well as the quality management system must be transitioned from the existing Medical Devices Directive (MDD) to the new MDR. In order for HARTMANN to be prepared in the coming year, a dedicated team has been working on implementing MDR since 2017. "We took the initial steps very soon after the law had been passed, which included forming an MDR task force," explains Michael Zaiser, Vice President Corporate Quality at HARTMANN.

The entire industry is currently facing great challenges related to the implementation of MDR. After all, the regulation applies not only to new products that have to be certified for the first time under EU regulations, but also to existing products that are already being used by healthcare professionals. For HARTMANN alone this means around 20,000 certifications need to be revised.

"This is a highly complex topic. We have therefore introduced clearly-defined processes that simplify the cooperation of our experts from different areas such as research and development, marketing, local markets, regulatory affairs, quality, supply chain or risk management. This is the key to success," Michael Zaiser adds.

Who is supposed to review the certification?
One of the key issues in the whole process is the inspection bodies that are known as "notified bodies." These are private organizations, such as the TÜVs in Germany that are tasked with issuing certifications to companies. They will also need to be accredited in compliance with the MDR provisions. In September 2019, just five notified bodies were actually certified – one of them is working together with HARTMANN. "HARTMANN will definitely be prepared. Our customers rely on us – and they are right to do so," states Zaiser.

It has already become clear that the new regulation will bring positive change to the inspection system. However, studies have shown that so far only one in five companies has a detailed understanding of the new MDR.

HARTMANN's pioneering role in the introduction of the new regulatory system outperforms most of the remaining industry – a key competitive advantage for HARTMANN. This also applies to its implementation strategy for the regulation. "We began taking actions in very good time and in a transparent manner. In addition, we will also actively continue to provide our customers and suppliers with information regarding MDR," says Dr. Chima Abuba, Head of HARTMANN Germany. PAUL HARTMANN AG and IVF HARTMANN are now among the first companies in the global market to have already passed a two-step audit programme with their notified body. This puts HARTMANN in a position to justifiably claim MDR readiness.

MDR became effective in May 2017 and marked the beginning of a three-year transition period to replace the existing Medical Devices Directive (MDD). As soon as the transition period ends on May 26, 2020, MDR will apply exclusively and thus replace MDD. The primary objective of the new regulation is to create a transparent regulatory framework recognised in all European countries that provides fair market access for manufacturers and improves clinical safety.

HARTMANN is a safe and reliable partner for its customers.

Communicate with HARTMANN the easy way – use our online service for shareholders!

The HARTMANN shareholder portal offers various services and functions. You can use the portal to register for the electronic quarterly communication Inform as well as the electronic invitation process for the annual general meeting. Moreover, you can use the shareholder portal to register online for the next Annual General Meeting of HARTMANN. Should you wish to check your contact data or your shareholding, just use the portal – it's quick and convenient.
https://investor.computershare.de/paul-hartmann#/login

Data protection information: quarterly information and annual report of PAUL HARTMANN AG

We automatically send you, the shareholders of the PAUL HARTMANN AG, various information to inform you about the performance of the HARTMANN GROUP and current market developments. This information includes, in particular, financial information, for example, the sending of quarterly information (particularly our shareholder magazine "Inform") and, where you have asked for this to be sent by post, the HARTMANN GROUP's Annual Report.

At the same time, an online version of the quarterly information is available to you on our website https://hartmann.info/en-corp/investor-relations/l/corp/investor-relations under the "Downloads" menu option and in the shareholder portal.

Should you no longer wish to receive the quarterly information and/or the annual report in future, please contact PAUL HARTMANN AG, Investor Relations, P.O. Box 1420, 89504 Heidenheim or via e-mail ir@hartmann.info. Should you wish only to receive quarterly information and/or the annual report electronically in future, again, please contact the address specified.

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Among the legal requirements, you have the right to receive information about your processed data and to request their rectification or erasure or the restriction of processing. In addition, you have a right to lodge a complaint with a supervisory authority.

Among the legal requirements, you may, at any time and without giving reasons for the same, object to any processing of your personal data for the purpose of sending the quarterly information and/or the sending of the annual report.

To do so, please contact PAUL HARTMANN AG, Investor Relations, P.O. Box 1420, 89504 Heidenheim or via e-mail ir@hartmann.info.

For comments and queries about the processing of personal data, your data protection officer can be reached at:
PAUL HARTMANN AG, Data Protection Officer, Paul-Hartmann-Strasse 12, 89522 Heidenheim, datenschutz@hartmann.info.

For further data protection information, please see our website at https://hartmann.info/en-corp/ir-dataprotection.

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Status as of December 6, 2019

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.

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