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Press release

HARTMANN meets 2019 sales and earnings forecast – further development marked by strategic transformation programme

- **Sales growth of 3.2% (organic 2.8%) mainly driven by Wound Management and KNEIPP**
- **EBIT of EUR 104.4 million in line with forecast range shows challenging earnings trend – market effects, regulatory requirements and portfolio alignment measures take their toll**
- **Transformation initiated to strengthen HARTMANN for the future – goal: leading position in the European market in core segments**
- **Solid financial standing with continued positive net financial position**

Britta Fünfstück, Chief Executive Officer of the HARTMANN GROUP:
"In a challenging market environment, we managed to continue our positive growth path of recent years in 2019. 2019 earnings of the HARTMANN GROUP were in the forecast range but below the prior-year level. Major progress was achieved in the implementation of the new Medical Device Regulation (MDR). We are thus establishing an important basis for our future business and positioning ourselves as a strong partner for our customers. Major product launches were successfully brought to market. And: the 2019 financial year was very much marked by the transformation programme of the HARTMANN GROUP."

EBIT in line with forecast range

Challenging earnings trend is countered with transformation programme

Against the backdrop of the expected moderate sales growth, EBIT declined to EUR 104.4 million (previous year: EUR 123.2 million), in line with the forecast range. The challenges with respect to the earnings performance are strongly related to the difficult macroeconomic conditions within the markets as well as extensive regulatory requirements. In order to counteract this challenging earnings trend, HARTMANN initiated a comprehensive, five-year strategic transformation programme in 2019.

As HARTMANN pursues a sustainable strategy and a dividend policy that is based on continuity, the proposed dividend to be distributed for 2019 is again EUR 7.00 per share.

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Sales growth in all segments, Wound Management a key driver

The increase in consolidated sales of 3.2% to EUR 2.2 billion was mainly driven by organic growth (2.8%). HARTMANN managed to increase sales in all segments, despite tougher market conditions. One of the main drivers was the Wound Management segment, which grew by 6.1% year-on-year to EUR 503.30 million – mainly because of strong demand for modern wound treatment concepts and superabsorbent wound dressings. The innovative strength of the segment was further enhanced by the acquisition of Safran Coating S.A.S. (now: Advanced Silicone Coating S.A.S.) in the year under review.

Sales of EUR 702.8 million in the Incontinence Management segment exceeded the 2018 level by 0.8%. This was supported in particular by product solutions for outpatient care. Sales in Infection Management increased by 2.1% to EUR 515.9 million, which was driven among other factors by an increase in unit sales of complete sets and products for hand and surface disinfection. The Other Group Activities segment saw dynamic sales growth of 5.2% to EUR 464.8 million, mainly owed to a strong performance of KNEIPP and the CMC Group.

67.2% of consolidated sales were generated abroad. Outside of Germany, sales increased by 3.7%, while Germany saw sales growth of 2.2%. In Europe, the Group generated sales of EUR 2.0 billion, an increase of 3.2% over the previous year. It managed to exceed the prior-year level in all European regions. In the regions outside of Europe, an above-average increase in the Africa, Asia, Oceania region contrasts with a decline in the Americas region, which was induced by the streamlining of the business portfolio. Currency effects had only a negligible impact.

Sustained strong financial position, despite challenging influence on earnings

The challenges with respect to the earnings trend took EBIT of the HARTMANN GROUP down to EUR 104.4 million. This corresponds to an EBIT margin of 4.8% (previous year: 5.8%). The decline reflects the price pressure in HARTMANN's sales markets, affecting in particular the Incontinence Management and the Infection Management segments. Sustained high regulatory costs, especially for the implementation of the EU Medical Device Regulation (MDR) also had a negative impact on earnings. Effects from non-operating measures to realign the portfolio were another burden – mainly because of an impairment in connection with the divestment of the SANIMED Group and from the discontinuation of the unprofitable business with customer-specific complete sets in Australia. The consolidated net income declined significantly year-on-year by EUR 20.8 million to EUR 62.9 million.

The financial position of the HARTMANN GROUP continues to be solid. As a result of the payments for the acquisition of Safran Coating and an increase in working capital, free cash flow fell to EUR 69.0 million (previous year: EUR 79.2 million). The net financial position remained positive at EUR 33.5 million (previous year: EUR 104.5 million); adjusted for the effects of the new accounting standard for leasing liabilities (IFRS 16), the net financial position actually increased by just under EUR 10 million. The equity ratio of 57.9% (previous year: 61.6%) continued to be at

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its usual high level. The Group's highly sound financial footing will continue to be one of HARTMANN's hallmarks.

Slight increase in headcount

The number of employees in the HARTMANN GROUP increased to a total of 11,096 (end of 2018: 11,027). This corresponds to an increase of 0.6%. Employee numbers in the European core markets grew by 233, as a result of the expansion of resources in the Supply Chain Management, IT and Human Resources functions, the acquisition of Advanced Silicone Coating S.A.S. and the expansion of production at CMC Consumer Medical Care in Turkey.

Further development marked by strategic transformation programme

Net profit of the HARTMANN GROUP has been declining over recent years. In order to reverse this trend in the medium term and set the course for the Group's sustainable, profitable growth, HARTMANN has thoroughly analysed its competitive position and its segments in the relevant market environment and used this as a basis to define a much clearer, partially redefined corporate strategy.

With its strengths in the key segments medical products and care markets, the HARTMANN GROUP has much more potential and intends to leverage this potential more persistently in the coming years. The strategic goal is to achieve a leading position in the European market in the three core segments Wound Management, Incontinence Management and Infection Management, and establish the Group as an even stronger partner in the health markets.

In the 2019 financial year, HARTMANN has laid the foundations for the future and initiated a comprehensive, five-year strategic transformation programme. The new strategy will be implemented based on four central levers:

- HARTMANN strives for stronger growth through innovation
- HARTMANN strengthens its portfolio in attractive market segments
- HARTMANN develops digital services and business models
- HARTMANN improves the cost position along the entire value chain

Outlook 2020

The HARTMANN GROUP expects adjusted EBITDA of EUR 159-176 million in the 2020 financial year, based on continued moderate organic sales growth. "Our strategic transformation programme entails that we will make significant investments for the future in the 2020 financial year and beyond; at the same time, these will gradually be compensated by increasingly visible positive effects," CEO Britta Fünfstück highlights. "We are facing times of major efforts, but these will sustainably strengthen HARTMANN in every step."

In addition to the foreseeable developments, the global spread of coronavirus also has an impact on HARTMANN. The Group has set up a task force to coordinate the dynamically changing situation. It is not possible at this point in time to quantify the effects on business performance, which is why these have not been included in the forecast.

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For further information on the HARTMANN GROUP, please visit our website at https://hartmann.info/

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About the HARTMANN GROUP

The HARTMANN GROUP is one of the leading European providers of professional medical and care products and associated services. Its core portfolio is rounded off by consumer-focused medical products as well as skin care and cosmetics articles. In the Wound Management segment, HARTMANN focuses on wound dressings and bandages for traditional and modern wound care. In the Incontinence Management segment, the focus is on absorbent, body-worn products for different degrees of incontinence. The Infection Management segment comprises the business units Risk Prevention and Disinfection. In Risk Prevention, HARTMANN provides customer-specific, pre-assembled sets of components, clothing and covering materials for the operating theatre as well as examination gloves. In the Disinfection segment, HARTMANN develops and produces products for hand and surface disinfection to protect against infectious diseases. The business activities of the group companies KNEIPP, CMC and KOB are included in the Other Group Activities segment. Under the "Glück, das wirkt" trademark, the KNEIPP Group markets body care products, dietary supplements and herbal medicinal products. The CMC Group mainly distributes private-label products in the areas of cotton/cosmetic, medical, baby and home care. The KOB Group is an expert for specialised medical textiles and bandages.
The HARTMANN GROUP focuses on the European market, while maintaining its own companies around the world, close to the relevant local markets. In 2019, 11,096 employees in the HARTMANN GROUP generated sales of EUR 2.2 billion.
PAUL HARTMANN AG in Heidenheim/Germany is the heart of the group. It is one of the oldest German industrial companies and dates back to a textile factory founded in 1818 by Ludwig von Hartmann. In 1873, under his son Paul Hartmann, the company began producing absorbent cotton wool. It later went on to become the flagship of an expanding dressing material industry worldwide.

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Management Board: Britta Fünfstück (Chairperson/CEO),
François Georgelin, Dr. Raymund Heinen, Michel Kuehn
Chairman of the Supervisory Board: Fritz-Jürgen Heckmann
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