Huhtamäki Oyj Half-yearly Report 2018

January 1–June 30, 2018

Huhtamaki

Huhtamaki

Huhtamäki Oyj's Half-yearly Report January 1–June 30, 2018

Good comparable net sales growth, negative currency impact

Q2 2018 in brief

- Net sales were EUR 786 million (EUR 772 million)
- Adjusted EBIT was EUR 70.2 million (EUR 75.6 million); EBIT EUR 79.7 million (EUR 75.6 million)
- Adjusted EPS was EUR 0.47 (EUR 0.52); EPS EUR 0.54 (EUR 0.52)
- Comparable net sales growth was 6% in total and 10% in emerging markets
- Currency movements had a negative impact of EUR 48 million on the Group's net sales and EUR 4 million on EBIT
- The North America segment's earnings declined due to high price level of distribution services and costs related to the start-up of the Goodyear plant

H1 2018 in brief

- Net sales were EUR 1,511 million (EUR 1,511 million)
- Adjusted EBIT was EUR 130.2 million (EUR 138.4 million); EBIT EUR 139.7 million (EUR 138.4 million)
- Adjusted EPS was EUR 0.87 (EUR 0.95); EPS EUR 0.94 (EUR 0.95)
- Comparable net sales growth was 6% in total and 9% in emerging markets
- Currency movements had a negative impact of EUR 107 million on the Group's net sales and EUR 8 million on EBIT
- The North America segment's earnings declined due to high price level of distribution services and costs related to the start-up of the Goodyear plant
- Capital expenditure decreased to EUR 81 million (EUR 95 million) and free cash flow improved to EUR 27 million (EUR -12 million)

Key figures

EUR million	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	FY 2017
Net sales	785.9	771.9	2%	1,511.1	1,511.3	-0%	2,988.7
Adjusted EBITDA[1]	100.7	106.4	-5%	190.8	200.4	-5%	389.7
Margin[1]	12.8%	13.8%		12.6%	13.3%		13.0%
EBITDA	112.3	106.4	5%	202.4	200.4	1%	386.3
Adjusted EBIT[2]	70.2	75.6	-7%	130.2	138.4	-6%	267.7
Margin[2]	8.9%	9.8%		8.6%	9.2%		9.0%
EBIT	79.7	75.6	5%	139.7	138.4	1%	264.3
Adjusted EPS, EUR[3]	0.47	0.52	-10%	0.87	0.95	-9%	1.90
EPS, EUR	0.54	0.52	4%	0.94	0.95	-1%	1.86
ROI[2]				12.7%	14.2%		13.6%
ROE[3]				16.3%	16.9%		17.0%
Capital expenditure	47.7	48.4	-2%	80.9	95.4	-15%	214.8
Free cash flow	44.8	-3.0		26.8	-11.8		55.5

[1] *Excluding IAC of EUR 11.6 million in Q2 and H1 2018. FY 2017 excluding IAC of EUR -3.4 million.*
[2] *Excluding IAC of EUR 9.5 million in Q2 and H1 2018. FY 2017 excluding IAC of EUR -3.4 million.*
[3] *Excluding IAC of EUR 7.6 million in Q2 and H1 2018. FY 2017 excluding IAC of EUR -4.8 million.*

Huhtamaki

Unless otherwise stated, all comparisons in this report are compared to the corresponding period in 2017. Figures of return on investment (ROI), return on equity (ROE) and return on net assets (RONA) presented in this report are calculated on a 12-month rolling basis.

All figures in the tables have been rounded to the nearest whole number and consequently the sum of individual figures may deviate from the sum presented. Key figures have been calculated using exact figures.

Jukka Moisio, CEO:

"Our second quarter comparable net sales growth was good at 6%. In the emerging markets growth was 10%. All segments contributed to positive development and Flexible Packaging and Foodservice Europe-Asia-Oceania segments reported highest growth. In reported sales, which includes the contribution from the three acquisitions made during the quarter (Ajanta Packaging, Tailored Packaging and Cup Print Unlimited), negative currency conversion reduced net sales by EUR 48 million (6%) resulting in 2% growth.

Our profitability remained solid despite a decline compared to 2017. Currency conversion weakened our EBIT by EUR 4 million. Foodservice Europe-Asia-Oceania and Flexible Packaging segments improved their profitability while North America segment had negative margin development due to higher distribution costs and start-up costs of the newly-invested Goodyear, Arizona, facility. While we are pleased with the growth we will take additional actions to improve profitability.

Our net sales with global key accounts have progressed well with growth rates above our average growth. Organic investments and the three acquisitions made in the second quarter are expected to deliver continued strong net sales momentum in the coming quarters.

The Single Use Plastics (SUP) proposal was published by the European Commission at the end of May. It proposes to ban single use plastics cutlery, plates, stirrers and straws and introduce labelling requirements, to help reduce marine pollution. The adoption of the proposal will follow the EU Ordinary Legislative Procedure and will be the subject of negotiations between the Council of Ministers, the European Parliament and the European Commission.

As the legislation stands, the products that are proposed to be banned make less than 2% of our Foodservice business in Europe and can for the most part be replaced with alternative paper-based products. As a converter with innovations capabilities in many packaging materials and with the growing interest in replacing plastic with alternative materials, we are well placed to continue to work with our customers and their consumers to respond to their demands. Already now, the majority of our products are fiber-based."

Huhtamaki

Financial review Q2 2018

The Group's comparable net sales growth was 6% during the quarter, with all segments contributing. Net sales growth was strong in the Flexible Packaging and Foodservice Europe-Asia-Oceania business segments. Comparable growth in emerging markets was 10%. Strong growth in India, Eastern Europe, and Middle East and Africa continued. The Group's net sales grew to EUR 786 million (EUR 772 million). Foreign currency translation impact on the Group's net sales was EUR -48 million (EUR 17 million) compared to 2017 exchange rates. Majority of the negative impact came from the US dollar, Indian rupee and Russian ruble.

Net sales by business segment

EUR million	Q2 2018	Q2 2017	Change	Of Group in Q2 2018
Foodservice Europe-Asia-Oceania	221.5	205.4	8%	28%
North America	257.0	274.3	-6%	33%
Flexible Packaging	240.3	224.0	7%	30%
Fiber Packaging	71.3	71.8	-1%	9%
Elimination of internal sales	-4.2	-3.6		
Group	785.9	771.9	2%	

Comparable growth by business segment

	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Foodservice Europe-Asia-Oceania	5%	5%	6%	4%
North America	2%	5%	2%	2%
Flexible Packaging	11%	6%	9%	7%
Fiber Packaging	3%	5%	4%	5%
Group	6%	5%	5%	4%

The Group's earnings declined. Solid earnings improvement continued in the Foodservice Europe-Asia-Oceania and Flexible Packaging business segments. Earnings declined in the North America segment due to higher distribution costs and costs related to the start-up of the Goodyear plant. The Group's Adjusted earnings before interests and taxes (EBIT) were EUR 70.2 million (EUR 75.6 million) and reported EBIT EUR 79.7 million (EUR 75.6 million). Foreign currency translation impacted the Group's profitability by EUR -4 million (EUR 2 million).

Adjusted EBIT by business segment

EUR million	Q2 2018	Q2 2017	Change	Of Group in Q2 2018
Foodservice Europe-Asia-Oceania[1]	20.3	18.4	10%	30%
North America	22.5	32.6	-31%	33%
Flexible Packaging[2]	18.0	14.0	28%	26%
Fiber Packaging[3]	7.3	8.1	-10%	11%
Other activities[4]	2.1	2.5		
Group	70.2	75.6	-7%	

[1] *Excluding IACs of EUR -1.3 million in Q2 2018.*
[2] *Excluding IACs of EUR -1.5 million in Q2 2018.*
[3] *Excluding IACs of EUR -0.6 million in Q2 2018.*
[4] *Excluding IACs of EUR 12.9 million in Q2 2018.*

Huhtamaki

Adjusted EBIT excludes EUR 9.5 million of IACs, which consist of EUR 3.5 million restructuring costs including write-downs of related assets, EUR 1.2 million acquisition related costs and a gain of EUR 14.2 million. The restructuring costs are related to improvement actions in Foodservice Europe-Asia-Oceania, Flexible Packaging and Fiber Packaging segments, as well as in Other activities. The gain is related to the sale of the Group's confectionery trademark portfolio, as announced on April 30, 2018. Huhtamaki's confectionery business was divested in 1996.

Adjusted EBIT and IACs

EUR million	Q2 2018	Q2 2017
Adjusted EBIT	70.2	75.6
Restructuring costs including write-downs of related assets	-3.5	-
Acquisition related costs	-1.2	-
Gains relating to sale of trademark portfolio	14.2	-
EBIT	79.7	75.6

Net financial expenses increased to EUR 7 million (EUR 6 million). Tax expense was EUR 15 million (EUR 15 million).

Profit for the quarter was EUR 58 million (EUR 55 million). Adjusted earnings per share (EPS) were EUR 0.47 (EUR 0.52) and reported EPS EUR 0.54 (EUR 0.52). Adjusted EPS is calculated based on Adjusted profit for the quarter, which excludes EUR 9.5 million of IAC's and EUR -1.9 million of taxes relating to IAC items.

Adjusted EPS and IACs

EUR million	Q2 2018	Q2 2017
Adjusted profit for the quarter	49.9	54.5
IAC items included in adjusted EBIT	9.5	-
Taxes relating to IAC items	-1.9	-
Profit for the quarter	57.5	54.5

Financial review H1 2018

The Group's comparable net sales growth was 6% during the first half of the year with a positive contribution from all business segments. Comparable growth in emerging markets was 9%. Growth was strongest in India, Eastern Europe and Middle East and Africa. The Group's reported net sales were in line with prior year at EUR 1,511 million (EUR 1,511 million). Foreign currency translation impact on the Group's net sales was EUR -107 million (EUR 36 million) compared to 2017 exchange rates. The majority of the negative impact came from the US dollar, Indian rupee and Russian ruble.

Net sales by business segment

EUR million	H1 2018	H1 2017	Change	Of Group in H1 2018
Foodservice Europe-Asia-Oceania	420.3	397.9	6%	28%
North America	483.8	521.6	-7%	32%
Flexible Packaging	474.3	456.3	4%	31%
Fiber Packaging	141.0	144.1	-2%	9%
Elimination of internal sales	-8.3	-8.6		
Group	1,511.1	1,511.3	-0%	

The Group's earnings declined, mainly due to earning's decline in the North America business segment. The Foodservice Europe-Asia-Oceania segment's earnings improved significantly, mainly as a result of volume growth and favorable product mix development. Earnings grew also in the Flexible Packaging segment and were flat in the Fiber Packaging segment. The Group's Adjusted EBIT were EUR 130.2 million (EUR 138.4 million) and reported EBIT EUR 139.7 million (EUR 138.4 million). Foreign currency translation impacted the Group's profitability by EUR -8 million (EUR 4 million).

Adjusted EBIT by business segment

EUR million	H1 2018	H1 2017	Change	Of Group in H1 2018
Foodservice Europe-Asia-Oceania[1]	39.5	33.8	17%	31%
North America	38.8	55.1	-30%	30%
Flexible Packaging[2]	35.5	32.9	8%	27%
Fiber Packaging[3]	15.2	15.4	-1%	12%
Other activities[4]	1.2	1.2		
Group	130.2	138.4	-6%	

[1] Excluding IACs of EUR -1.3 million in H1 2018.
[2] Excluding IACs of EUR -1.5 million in H1 2018.
[3] Excluding IACs of EUR -0.6 million in H1 2018.
[4] Excluding IACs of EUR 12.9 million in H1 2018.

Adjusted EBIT excludes EUR 9.5 million of IACs, which consist of EUR 3.5 million restructuring costs including write-downs of related assets, EUR 1.2 million acquisition related costs and a gain of EUR 14.2 million. The restructuring costs are related to improvement actions in Foodservice Europe-Asia-Oceania, Flexible Packaging and Fiber Packaging segments, as well as in Other activities. The gain is related to the sale of the Group's confectionery trademark portfolio, as announced on April 30, 2018. Huhtamaki's confectionery business was divested in 1996.

Adjusted EBIT and IACs

EUR million	H1 2018	H1 2017
Adjusted EBIT	130.2	138.4
Restructuring costs including write-downs of related assets	-3.5	-
Acquisition related costs	-1.2	-
Gains relating to sale of trademark portfolio	14.2	-
EBIT	139.7	138.4

Net financial expenses increased to EUR 13 million (EUR 11 million). Tax expense decreased and was EUR 27 million (EUR 28 million). The corresponding tax rate was 21% (22%).

Profit for the period was EUR 100 million (EUR 100 million). Adjusted EPS were EUR 0.87 (EUR 0.95) and reported EPS EUR 0.94 (EUR 0.95). Adjusted EPS is calculated based on Adjusted profit for the period, which excludes EUR 9.5 million of IAC's and EUR -1.9 million of taxes relating to IAC items.

Adjusted EPS and IACs

EUR million	H1 2018	H1 2017
Adjusted profit for the period	92.1	99.5
IAC items included in adjusted EBIT	9.5	-
Taxes relating to IAC items	-1.9	-
Profit for the period	99.7	99.5

Statement of financial position and cash flow

The Group's net debt increased during the first half of the year and was EUR 835 million (EUR 756 million) at the end of June. The level of net debt corresponds to a gearing ratio of 0.68 (0.66). Net debt to EBITDA ratio (excluding IACs) was 2.2 (1.9). Average maturity of external committed credit facilities and loans was 4.1 (4.4) years.

Cash and cash equivalents were EUR 117 million (EUR 114 million) at the end of June and the Group had EUR 305 million (EUR 312 million) of unused committed credit facilities available.

Total assets on the statement of financial position were EUR 3,147 million (EUR 2,914 million).

Capital expenditure was EUR 81 million (EUR 95 million). Largest investments for business expansion were made in the U.S. and Egypt. The Group's free cash flow improved to EUR 27 million (EUR -12 million) mainly due to lower capital expenditure.

Acquisitions and divestments

On March 23, 2018 Huhtamaki announced that it has entered into an agreement to acquire the Indian business and related assets of Ajanta Packaging, a privately-owned manufacturer of pressure sensitive labels. With the acquisition Huhtamaki strengthened its labeling business in India by adding new printing technologies into its offering as well as improving its innovation capability. The acquisition is complementary to Huhtamaki's existing labeling product portfolio. The annual net sales of the acquired business are approximately EUR 10 million. It employs altogether 170 people and has two state-of-the-art manufacturing facilities. The debt free purchase price was approximately EUR 13 million. The transaction was closed at the end of May 2018. The business has been reported as part of the Flexible Packaging business segment as of June 1, 2018.

On April 30, 2018 Huhtamaki announced the majority acquisition of Tailored Packaging, an Australian foodservice packaging distribution and wholesale group. With the acquisition Huhtamaki gains access to a national network of distribution centers across Australia, allowing it to serve its customers even better and with more agility. Tailored

Packaging is one of the largest importers and distributors of foodservice packaging in Australia with annualized net sales of approximately EUR 85 million and app. 130 employees. The debt free purchase price for 65% ownership of the joint venture was approximately EUR 35 million. As the majority shareholder Huhtamaki will consolidate the joint venture company as a subsidiary in the Group's financial reporting. The business has been reported as part of the Foodservice Europe-Asia-Oceania business segment as of May 1, 2018.

On April 30, 2018 Huhtamaki announced the sale of its confectionery trademark portfolio to Highlander Partners, a US based investment firm. Related to the sale, an after taxes gain of approximately USD 16 million was booked as an item affecting comparability during the second quarter of 2018. The sold trademark portfolio was related to Huhtamaki's confectionery business divested in 1996.

On May 31, 2018 Huhtamaki announced the majority acquisition of Cup Print Unlimited Company, a privately-owned paper cup manufacturer based in the Republic of Ireland. With the acquisition Huhtamaki improved its access to the growing market of short run custom-printed cups and boosted its on-line commercial activity. The short run capability allows Huhtamaki to even better support its current customers' promotional activities. CupPrint's annual net sales are approximately EUR 14 million and it employs altogether approximately 110 people. The debt free purchase price for 70% ownership of CupPrint was approximately EUR 22 million. The business has been reported as part of the Foodservice Europe-Asia-Oceania business segment as of June 1, 2018.

Significant events during the reporting period

On May 28, 2018 the European Commission published a proposal for a Directive of the European Parliament and of the Council on the reduction of the impact of certain plastic products on the environment (the Single Use Plastics proposal) targeting items that have been identified as contributing to marine pollution. The proposal is applicable to a part of Huhtamaki’s product range and contains a number of different measures ranging from banning certain plastic products within the EU to introducing labelling requirements in order to reduce marine pollution. Adoption of the proposal will follow the EU’s Ordinary Legislative Procedure and will be the subject of negotiations between the Council of Ministers, the European Parliament and the European Commission (the Trialogue). Once adopted by the EU, Member States will have two years to transpose the final Directive before it becomes law. Currently the majority of Huhtamaki’s products are fiber-based.

Huhtamaki

Business review by segment

Foodservice Europe-Asia-Oceania

Foodservice paper and plastic disposable tableware, such as cups, is supplied to foodservice operators, fast food restaurants and coffee shops. The segment has production in Europe, South Africa, Middle East, Asia and Oceania.

EUR million	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	FY 2017
Net sales	221.5	205.4	8%	420.3	397.9	6%	807.5
Adjusted EBIT[1]	20.3	18.4	10%	39.5	33.8	17%	70.1
Margin[1]	9.2%	9.0%		9.4%	8.5%		8.7%
EBIT	19.0	18.4	3%	38.2	33.8	13%	66.7
RONA[1]				13.5%	12.5%		13.0%
Capital expenditure	14.0	12.8	9%	23.7	24.3	-2%	53.4
Operating cash flow	13.0	11.6	12%	17.2	25.0	-31%	57.1

[1] *Excluding IAC of EUR -1.3 million in Q2 and H1 2018. FY 2017 figures excluding IAC of EUR -3.4 million.*

Q2 2018

Healthy demand for foodservice packaging continued across most markets, especially in Central and Eastern Europe. In Middle-East and Africa demand was moderated by increasing consumer cautiousness. Prices of raw materials and other input costs increased. In Europe customer interest in substituting plastic products with alternatives made of paperboard intensified following the European Commission proposal for single use plastics directive.

The Foodservice Europe-Asia-Oceania segment's comparable net sales growth was strong at 5%. Comparable net sales growth was strongest in continental Europe driven by healthy volume development especially in fiber based foodservice packaging and ice cream packaging. Growth was further supported by good net sales development in Asia and Middle East. The businesses acquired during the quarter contributed EUR 12 million to the segment's net sales. Tailored Packaging in Australia has been reported as part of the Foodservice Europe-Asia-Oceania segment as of May 1, 2018 and CupPrint in Ireland as of June 1, 2018.

Currency movements had a negative translation impact of EUR 11 million on the segment's reported net sales.

The segment's earnings grew as a result of strong topline development. The acquired businesses contributed positively to the segment's earnings.

Currency movements had a negative translation impact of EUR 1 million on the segment's reported earnings.

H1 2018

Demand for foodservice packaging was good across markets, strengthening in Central and Eastern Europe towards the end of the reporting period. Competition remained tight. Prices for paperboard and plastic resins increased across markets.

The Foodservice Europe-Asia-Oceania segment's net sales growth was solid. Comparable net sales growth was 5%. Growth was strongest in Southern and Eastern Europe, driven by good demand in all key product categories. Net sales also increased in Asia with a positive contribution from the units acquired during 2017.

Currency movements had a negative translation impact of EUR 20 million on the segment's reported net sales.

The segment's earnings improved significantly, mainly as a result of volume growth and favorable product mix development.

Currency movements had a negative translation impact of EUR 1 million on the segment's reported earnings.

North America

The North America segment serves local markets with Chinet® disposable tableware products, foodservice packaging products, as well as ice-cream containers and other consumer goods packaging products. The segment has production in the United States and Mexico.

EUR million	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	FY 2017
Net sales	257.0	274.3	-6%	483.8	521.6	-7%	1,000.4
EBIT	22.5	32.6	-31%	38.8	55.1	-30%	104.1
Margin	8.8%	11.9%		8.0%	10.6%		10.4%
RONA				11.7%	14.8%		14.2%
Capital expenditure	15.1	23.8	-36%	30.0	48.0	-37%	97.9
Operating cash flow	26.0	14.4	81%	-0.6	-2.7	77%	31.7

Q2 2018

Demand for foodservice packaging and tableware remained good in the U.S. driven by the convenience lifestyle, growth in digital ordering and continued take-out trend. Private brands continued to grow within the U.S. retail environment. Distribution costs were at an all-time high due to tight capacity brought by a strong economy, a driver shortage and regulatory changes. Raw material costs were higher than previous year, especially for fiber feedstocks. The labor market continued to be tight.

The North America segment's comparable net sales growth was 2%. Net sales of foodservice packaging and ice cream packaging grew in the quarter while sales of retail tableware were flat due to lower promotional activity.

Currency movements had a negative translation impact of EUR 23 million on the segment's reported net sales.

The segment's earnings declined and the EBIT margin was impacted by higher distribution costs and costs related to the start-up of the Goodyear plant.

Currency movements had a negative translation impact of EUR 2 million on the segment's reported earnings.

H1 2018

Demand for foodservice packaging and tableware was good throughout the period. Demand for ice cream packaging improved towards the end of the period. Prices for raw materials increased. Transport volumes continued to rise, pushing up freight prices as the US truck market reached full capacity. The labor market was tight.

The North America segment's comparable net sales growth was 4%. Growth was strongest in the retail business, with strong growth in private label tableware throughout the period. Net sales of consumer goods and foodservice packaging had moderate growth.

Currency movements had a significant negative translation impact of EUR 58 million on the segment's reported net sales.

The segment's earnings declined and the EBIT margin was impacted by higher distribution costs, higher input costs and costs related to the start-up of the Goodyear plant. Unfavorable product mix also contributed to the earnings decline.

Currency movements had a negative translation impact of EUR 5 million on the segment's reported earnings.

Flexible Packaging

Flexible packaging is used for a wide range of consumer products including food, pet food, hygiene and health care products. The segment serves global markets from production units in Europe, Middle East, Asia and South America.

EUR million	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	FY 2017
Net sales	240.3	224.0	7%	474.3	456.3	4%	912.7
Adjusted EBIT[1]	18.0	14.0	28%	35.5	32.9	8%	69.7
Margin[1]	7.5%	6.3%		7.5%	7.2%		7.6%
EBIT	16.5	14.0	17%	34.0	32.9	3%	69.7
RONA				11.2%	10.7%		10.8%
Capital expenditure	14.6	7.7	89%	20.2	14.6	39%	41.1
Operating cash flow	10.0	-0.5	2103%	19.5	15.7	24%	36.6

[1] Excluding IAC of EUR -1.5 million in Q2 and H1 2018.

Q2 2018

Good demand for flexible packaging continued in Europe, India, Middle East and Africa as well as in Oceania, while in Southeast Asia demand was moderate. Prices of raw materials and other input costs continued to increase, and competitive situation remained tight.

The Flexible Packaging segment's net sales growth was strong, comparable net sales growth being 11%. Net sales growth was strongest in India, driven by domestic sales of laminates and labels. Net sales growth was solid also in Europe, Middle East and Africa, and Oceania.

Currency movements had a negative translation impact of EUR 12 million on the segment's reported net sales.

The segment's earnings grew as a result of earnings improvement in India and Europe. Improved operational efficiency contributed to the positive earnings improvement in Europe, while earnings improvement in India was helped by increased volumes following the temporary halt in demand caused by the Goods and services tax (GST) implementation in 2017. In addition, good volume development as well as effective sales price management helped mitigate the negative impact of increased raw material prices.

There was no significant translation impact on the segments reported earnings.

H1 2018

Demand for flexible packaging was good across markets. Prices of plastic resins and other input costs increased and competitive situation was tight.

The Flexible Packaging segment's comparable net sales growth was 9%. Growth was strongest in India driven by good domestic net sales development. Net sales growth was healthy also in Europe, Middle East and Africa, as well as Oceania.

Currency movements had a negative translation impact of EUR 24 million on the segment's reported net sales.

The segment's earnings grew mainly as a result of positive development in India throughout the period. Earnings growth was supported by the good earnings development in Europe during the second quarter.

Currency movements had a negative translation impact of EUR 2 million on the segment's reported earnings.

Fiber Packaging

Recycled and other natural fibers are used to make fresh product packaging, such as egg, fruit, food and drink packaging. The segment has production in Europe, Oceania, Africa and South America.

EUR million	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change	FY 2017
Net sales	71.3	71.8	-1%	141.0	144.1	-2%	285.1
Adjusted EBIT[1]	7.3	8.1	-10%	15.2	15.4	-1%	28.2
Margin[1]	10.2%	11.3%		10.8%	10.7%		9.9%
EBIT	6.7	8.1	-17%	14.7	15.4	-5%	28.2
RONA				13.0%	15.3%		12.8%
Capital expenditure	2.9	4.1	-29%	5.1	8.4	-40%	22.0
Operating cash flow	11.6	9.5	23%	16.8	14.7	15%	20.7

[1] *Excluding IAC of EUR -0.6 million in Q2 and H1 2018.*

Q2 2018

Solid demand for fiber packaging continued in Russia, Oceania and Africa. Demand was subdued in Europe, where warm weather has had a negative impact on egg sales. Prices of recycled fiber increased in Europe but remained lower than previous year. Competitive situation was tight.

The Fiber Packaging segment's comparable net sales growth was 3%. Strong net sales growth continued in Russia, Brazil and Africa, while net sales declined in North West Europe.

A new renewable fiber based ready meal tray, that has been developed in partnership with Södra and Saladworks in an EU-funded project, was successfully tested at a major retail chain in the UK during the second quarter. The new tray is a more sustainable alternative for currently used black plastic trays for chilled ready meals.

Currency movements had a negative translation impact of EUR 3 million on the segment's reported net sales.

The segment's earnings declined as the positive earnings development in non-European markets as well as the benefit from low raw material cost were not sufficient to offset the negative impact of reduced volumes in parts of Europe. Higher distribution costs contributed to the negative earnings development.

H1 2018

Overall demand for fiber packaging was solid, except in Europe where it was subdued especially towards the end of the period. Prices of recycled fiber were on a low level in Europe, although increased at the end of the period.

The Fiber Packaging segment's comparable net sales growth was 4%. Net sales growth was strong in Africa and Brazil, following the recent capacity additions and conversion. Net sales grew well also in Russia, but were flat in Europe.

Currency movements had a negative translation impact of EUR 5 million on the segment's reported net sales.

The segment's earnings declined as the positive earnings development in non-European markets was not sufficient to offset the adverse development in Europe during the second quarter.

Personnel

The Group had a total of 18,182 (17,430) employees at the end of June 2018. The number of employees by segment was the following: Foodservice Europe-Asia-Oceania 5,058 (4,866), North America 3,999 (3,906), Flexible Packaging 7,331 (6,876), Fiber Packaging 1,724 (1,710), and Other activities 70 (72). The number of employees grew mainly as a result of the acquisitions completed.

Changes in management

Leena Lie (49), M.Sc. (Economics) was appointed Senior Vice President, Marketing and Communications and a member of the Global Executive Team at Huhtamaki on April 4, 2018. Ms. Lie will start at Huhtamaki on August 27, 2018.

Share capital and shareholders

At the end of June 2018, Huhtamäki Oyj's ("the Company") registered share capital was EUR 366 million (EUR 366 million) corresponding to a total number of shares of 107,760,385 (107,760,385), including 3,425,709 (3,648,318) Company's own shares. Own shares represent 3.2% (3.4%) of the total number of shares and votes. The number of outstanding shares excluding the Company's own shares was 104,334,676 (104,112,067). The average number of outstanding shares used in EPS calculations was 104,227,351 (103,988,164), excluding the Company's own shares.

There were 30,227 (30,128) registered shareholders at the end of June 2018. Foreign ownership including nominee registered shares accounted for 48% (47%).

Share trading

During January-June 2018 the Company's share was quoted on Nasdaq Helsinki Ltd on the Nordic Large Cap list under the Industrials sector and it was a component of the Nasdaq Helsinki 25 Index.

At the end of June 2018, the Company's market capitalization was EUR 3,415 million (EUR 3,592 million) excluding the Company's own shares. With a closing price of EUR 31.69 (EUR 34.50) the share price decreased 9% from the beginning of the year. During the reporting period the volume weighted average price for the Company's share was EUR 34.18. The highest price paid was EUR 36.89 and the lowest price paid was EUR 30.75.

During the reporting period the cumulative value of the Company's share turnover on Nasdaq Helsinki Ltd was EUR 1,282 million (EUR 1,263 million). The trading volume of 38 million (37 million) shares equaled an average daily turnover of 305,541 (295,144) shares. The cumulative value of the Company's share turnover including alternative trading venues, such as BATS Chi-X and Turquoise, was EUR 3,498 million (EUR 3,353 million). During the reporting period, 63% (62%) of all trading took place outside Nasdaq Helsinki Ltd. (Source: Fidessa Fragmentation Index, www.fragmentation.fidessa.com)

Resolutions of the Annual General Meeting 2018

Huhtamäki Oyj's Annual General Meeting of Shareholders was held in Helsinki on April 25, 2018. The meeting adopted the Annual Accounts including the Consolidated Annual Accounts for 2017, discharged the members of the Company's Board of Directors and the CEO from liability, and approved all proposals made to the Annual General Meeting by the Board of Directors and its Committees. As proposed by the Board of Directors, dividend for 2017 was set at EUR 0.80 per share compared to EUR 0.73 paid for the previous year.

The number of members of the Board of Directors was confirmed to be eight (8). Mr. Pekka Ala-Pietilä, Mr. Doug Baillie, Mr. William R. Barker, Mr. Jukka Suominen, Ms. Kerttu Tuomas and Ms. Sandra Turner were re-elected as members of the Board of Directors and Ms. Anja Korhonen and Mr. Ralf K. Wunderlich were elected as new members of the Board of Directors for a term ending at the end of the next Annual General Meeting. Mr. Ralf K. Wunderlich's term as a member of the Board of Directors started on July 1, 2018. The Board of Directors elected Mr. Pekka Ala-Pietilä as the Chairman of the Board and Mr. Jukka Suominen as the Vice-Chairman of the Board.

Ernst & Young Oy, a firm of Authorized Public Accountants, was elected as Auditor of the Company for the financial year January 1 - December 31, 2018. Mr. Mikko Järventausta, APA, will be the Auditor with principal responsibility.

The Board of Directors was authorized to resolve on the repurchase of an aggregate maximum of 10,776,038 of the Company's own shares. The Board of Directors was also authorized to resolve on the issuance of shares and the issuance of special rights entitling to shares. The aggregate number of shares to be issued on the basis of the authorization may not exceed 14,000,000 shares, however so that the number of new shares to be issued may not exceed 10,000,000 shares and the number of own treasury shares to be transferred may not exceed 4,000,000 shares. The authorizations remain in force until the end of the next AGM, however, no longer than until June 30, 2019.

Short term risks and uncertainties

Volatile raw material and energy prices as well as movements in currency rates are considered to be relevant short-term business risks and uncertainties in the Group's operations. General political, economic and financial market conditions can also have an adverse effect on the implementation of the Group's strategy and on its business performance and earnings.

Outlook for 2018

The Group’s trading conditions are expected to remain relatively stable during 2018. The good financial position and ability to generate a positive cash flow will enable the Group to address profitable growth opportunities. Capital expenditure is expected to be approximately at the same level as in 2017 with the majority of the investments directed to business expansion.

Financial reporting in 2018

In 2018, Huhtamaki will publish financial information as follows:

Interim Report, January 1–September 30, 2018	October 25

Espoo, July 19, 2018

Huhtamäki Oyj
Board of Directors

Huhtamaki

Group income statement (IFRS) – unaudited

EUR million	H1 2018	H1 2017	Q2 2018	Q2 2017	Q1-Q4 2017
Net sales	1,511.1	1,511.3	785.9	771.9	2,988.7
Cost of goods sold	-1,263.7	-1,248.4	-658.5	-634.8	-2,482.4
Gross profit	247.4	262.9	127.4	137.1	506.3
Other operating income	23.9	3.6	21.4	2.0	22.4
Sales and marketing	-37.4	-40.0	-19.4	-20.9	-77.6
Research and development	-10.3	-9.6	-5.2	-4.7	-19.2
Administration costs	-79.5	-74.7	-42.0	-35.8	-149.8
Other operating expenses	-5.5	-4.9	-3.1	-2.5	-20.0
Share of profit of equity-accounted investments	1.0	1.1	0.5	0.4	2.2
	-107.7	-124.5	-47.8	-61.5	-242.0
Earnings before interest and taxes	139.7	138.4	79.7	75.6	264.3
Financial income	2.1	4.9	1.0	1.9	4.9
Financial expenses	-15.5	-15.8	-7.8	-7.8	-22.4
Profit before taxes	126.2	127.5	72.8	69.7	246.8
Income tax expense	-26.5	-28.0	-15.3	-15.2	-50.3
Profit for the period	99.7	99.5	57.5	54.5	196.5
Attributable to:					
Equity holders of the parent company	98.1	98.9	56.6	54.5	193.1
Non-controlling interest	1.6	0.6	0.9	0.0	3.4
EUR					
EPS attributable to equity holders of the parent company	0.94	0.95	0.54	0.52	1.86
Diluted EPS attributable to equity holders of the parent company	0.94	0.95	0.54	0.52	1.85

Huhtamaki

Group statement of comprehensive income (IFRS) – unaudited

EUR million	H1 2018	H1 2017	Q2 2018	Q2 2017	Q1-Q4 2017
Profit for the period	99.7	99.5	57.5	54.5	196.5
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefit plans	0.3	0.9	0.0	0.1	6.5
Taxes related to items that will not be reclassified	-0.1	-0.2	0.0	0.0	-4.2
Total	0.2	0.7	0.0	0.1	2.3
Items that may be reclassified subsequently to profit or loss					
Translation differences	7.7	-78.9	43.1	-68.2	-118.8
Equity hedges	-6.9	17.8	-13.0	12.4	25.4
Cash flow hedges	3.4	-0.1	2.8	0.8	-0.5
Taxes related to items that may be reclassified	-0.6	0.1	-0.4	-0.1	0.2
Total	3.6	-61.1	32.5	-55.1	-93.7
Other comprehensive income, net of tax	3.8	-60.4	32.5	-55.0	-91.4
Total comprehensive income	103.5	39.1	90.0	-0.5	105.1
Attributable to:					
Equity holders of the parent company	102.0	38.5	89.1	-0.5	101.7
Non-controlling interest	1.6	0.6	0.9	0.0	3.4

Huhtamaki

Group statement of financial position (IFRS) – unaudited

EUR million	Jun 30, 2018	Dec 31, 2017	Jun 30, 2017
ASSETS			
Non-current assets			
Goodwill	685.6	633.8	643.7
Other intangible assets	34.3	36.5	34.5
Tangible assets	1,092.5	1,055.0	1,021.7
Equity-accounted investments	6.1	5.9	5.1
Other investments	2.4	1.7	1.6
Interest-bearing receivables	2.6	3.0	3.5
Deferred tax assets	50.1	51.2	58.0
Employee benefit assets	54.1	53.2	50.3
Other non-current assets	5.9	5.8	7.0
	1,933.7	1,846.1	1,825.4
Current assets			
Inventory	502.8	444.8	430.0
Interest-bearing receivables	7.6	5.2	1.7
Current tax assets	13.7	11.2	6.2
Trade and other current receivables	572.3	507.3	537.2
Cash and cash equivalents	116.7	116.0	113.6
	1,213.1	1,084.5	1,088.7
Total assets	3,146.8	2,930.6	2,914.1
EQUITY AND LIABILITIES			
Share capital	366.4	366.4	366.4
Premium fund	115.0	115.0	115.0
Treasury shares	-31.5	-33.5	-33.5
Translation differences	-103.9	-104.8	-72.5
Fair value and other reserves	-98.3	-101.3	-102.6
Retained earnings	928.4	917.0	822.0
Total equity attributable to equity holders of the parent company	1,176.1	1,158.8	1,094.8
Non-controlling interest	54.7	49.4	46.8
Total equity	1,230.8	1,208.2	1,141.6
Non-current liabilities			
Interest-bearing liabilities	630.3	643.7	651.5
Deferred tax liabilities	90.2	86.9	88.0
Employee benefit liabilities	215.3	215.7	223.3
Provisions	15.9	15.8	11.7
Other non-current liabilities	24.8	25.4	20.3
	976.5	987.5	994.8
Current liabilities			
Interest-bearing liabilities			
Current portion of long term loans	33.1	25.8	10.4
Short-term loans	298.4	153.1	212.4
Provisions	6.4	6.9	2.3
Current tax liabilities	17.1	10.0	11.6
Trade and other current liabilities	584.5	539.1	541.0
	939.5	734.9	777.7
Total liabilities	1,916.0	1,722.4	1,772.5
Total equity and liabilities	3,146.8	2,930.6	2,914.1
Net debt	834.8	698.4	755.5
Net debt to equity (gearing)	0.68	0.58	0.66

Huhtamaki

Group statement of changes in equity (IFRS) – unaudited

EUR million	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to equity holders of the parent company								
Balance on Dec 31, 2016	366.4	115.0	-35.9	-11.4	-103.3	803.8	1,134.6	47.6	1,182.2
Change in accounting policy (IFRS 15)[1]						-1.1	-1.1		-1.1
Balance on Jan 1, 2017	366.4	115.0	-35.9	-11.4	-103.3	802.7	1,133.5	47.6	1,181.1
Dividends paid						-76.0	-76.0		-76.0
Share-based payments			2.4			-1.3	1.1		1.1
Total comprehensive income for the year				-61.1	0.7	98.9	38.5	0.6	39.1
Other changes						-2.3	-2.3	-1.4	-3.7
Balance on Jun 30, 2017	366.4	115.0	-33.5	-72.5	-102.6	822.0	1,094.8	46.8	1,141.6
Balance on Jan 1, 2018	366.4	115.0	-33.5	-104.8	-101.3	917.0	1,158.8	49.4	1,208.2
Dividends paid						-83.5	-83.5		-83.5
Share-based payments			2.0			-1.4	0.6		0.6
Total comprehensive income for the year				0.8	3.1	98.1	102.0	1.6	103.5
Acquisition of non-controlling interest						-2.1	-2.1	4.4	2.3
Other changes						0.2	0.2	-0.7	-0.4
Balance on Jun 30, 2018	366.4	115.0	-31.5	-103.9	-98.3	928.4	1,176.1	54.7	1,230.8

[1] The Group has adopted IFRS 15 Revenue from Contracts with Customers using a modified retrospective approach. An adjustment related to cash discounts has been done to the opening balance of retained earnings at the date of initial application.

Huhtamaki

Group statement of cash flows (IFRS) – unaudited

EUR million	H1 2018	H1 2017	Q2 2018	Q2 2017	Q1-Q4 2017
Profit for the period*	99.7	99.5	57.5	54.5	196.5
Adjustments*	97.7	101.8	51.8	53.2	191.0
Depreciation and amortization*	62.7	62.0	32.6	30.8	122.0
Share of profit of equity-accounted investments*	-1.0	1.4	-0.5	-0.5	0.2
Gain/loss from disposal of assets*	-1.5	0.0	-0.9	0.0	-5.2
Financial expense/-income*	13.5	10.9	6.8	5.9	17.5
Income tax expense*	26.5	28.0	15.3	15.2	50.3
Other adjustments, operational*	-2.5	-0.5	-1.6	1.8	6.2
Change in inventory*	-41.0	-47.7	-10.3	-12.1	-69.6
Change in non-interest bearing receivables*	-41.1	-76.8	-11.1	-25.5	-37.8
Change in non-interest bearing payables*	17.6	45.3	17.3	4.7	41.9
Dividends received*	0.1	0.7	0.0	0.4	1.1
Interest received*	1.1	0.8	0.6	0.4	1.7
Interest paid*	-7.5	-15.5	-3.9	-11.2	-21.9
Other financial expense and income*	-0.2	-0.6	0.0	-0.7	-2.3
Taxes paid*	-20.2	-24.8	-10.5	-19.0	-43.9
Net cash flows from operating activities	106.1	82.7	91.4	44.7	256.7
Capital expenditure*	-80.9	-95.4	-47.7	-48.4	-214.8
Proceeds from selling tangible assets*	1.6	0.9	1.1	0.7	13.6
Acquired subsidiaries and assets	-55.1	–	-55.1	–	-3.2
Proceeds from long-term deposits	0.4	0.9	0.2	0.3	1.3
Payment of long-term deposits	0.0	0.0	0.0	0.0	0.0
Proceeds from short-term deposits	3.0	0.6	1.7	0.4	2.8
Payment of short-term deposits	-5.4	-0.3	-5.4	0.0	-6.1
Net cash flows from investing activities	-136.5	-93.3	-105.1	-47.0	-206.4
Proceeds from long-term borrowings	98.3	150.0	8.3	149.6	420.8
Repayment of long-term borrowings	-111.2	-15.4	-0.5	-9.1	-292.6
Proceeds from short-term borrowings	1,410.3	1,611.6	907.1	903.5	2,650.6
Repayment of short-term borrowings	-1,280.8	-1,646.6	-810.2	-946.5	-2,735.6
Dividends paid	-83.5	-76.0	-83.5	-76.0	-76.0
Net cash flows from financing activities	33.3	23.6	21.2	21.5	-32.8
Change in liquid assets	0.6	7.7	6.0	13.5	10.1
Cash flow based	3.0	13.0	7.5	19.2	17.5
Translation difference	-2.4	-5.3	-1.5	-5.7	-7.4
Liquid assets period start	116.0	105.9	110.7	100.1	105.9
Liquid assets period end	116.7	113.6	116.7	113.6	116.0
Free cash flow (including figures marked with *)	26.8	-11.8	44.8	-3.0	55.5

Notes to the Half-yearly Report

This half-yearly report has been prepared in accordance with IAS 34 Interim Financial Reporting. Except for the accounting policy changes listed below, the same accounting policies have been applied in the half-yearly financial statements as in the annual financial statements for 2017. The following new and amended standards and interpretations, which have been adopted with effect from January 1, 2018, had no impact on the half-yearly financial statements:

• Revised IAS 40 Investment Property. The amendments clarify transfers of property from to, or from, investment property.
• Revised IFRS 2 Share-based Payment. The amendment clarifies classification and measurement of share-based payment transactions.
• IFRC 22 Foreign Currency Transactions and Advance Consideration. The interpretation clarifies the treatment of consideration received in advance of performance.
• Annual improvements (2014-2016). Annual improvements include smaller amendments to three standards.

Segments

Segment information is presented according to the IFRS standards. Items below EBIT – financial items and taxes – are not allocated to the segments. Reportable segments' net sales and EBIT form Group's total net sales and EBIT, so no reconciliations to corresponding amounts are presented.

Net sales

EUR million	H1 2018	Q2 2018	Q1 2018	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania	417.3	220.1	197.2	801.3	205.3	200.9	204.3	190.8
Intersegment net sales	2.9	1.3	1.6	6.2	1.7	1.7	1.1	1.7
North America	480.1	255.1	225.1	992.5	241.8	233.4	272.4	244.9
Intersegment net sales	3.6	2.0	1.7	7.9	1.7	1.9	1.9	2.4
Flexible Packaging	474.1	240.2	234.0	912.4	226.6	229.6	224.0	232.2
Intersegment net sales	0.2	0.2	0.0	0.3	0.1	0.1	0.0	0.1
Fiber Packaging	139.5	70.5	69.0	282.5	71.7	68.1	71.2	71.5
Intersegment net sales	1.5	0.7	0.8	2.6	0.7	0.5	0.6	0.8
Elimination of intersegment net sales	-8.3	-4.2	-4.1	-17.0	-4.2	-4.2	-3.6	-5.0
Total	1,511.1	785.9	725.2	2,988.7	745.4	732.0	771.9	739.4

EBIT

EUR million	H1 2018	Q2 2018	Q1 2018	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania[1]	38.2	19.0	19.2	66.7	14.5	18.4	18.4	15.4
North America	38.8	22.5	16.2	104.1	28.8	20.2	32.6	22.5
Flexible Packaging[1]	34.0	16.5	17.5	69.7	19.1	17.7	14.0	18.9
Fiber Packaging[1]	14.7	6.7	7.9	28.2	5.5	7.3	8.1	7.3
Other activities[1]	14.1	15.0	-0.9	-4.4	-6.3	0.7	2.5	-1.3
Total[1]	139.7	79.7	60.0	264.3	61.6	64.3	75.6	62.8

[1] H1 2018 and Q2 2018 include items affecting comparability MEUR 9.5 (Foodservice E-A-O MEUR -1.3, Flexible Packaging MEUR -1.5, Fiber Packaging MEUR -0.6 and Other Activities MEUR 12.9). Q1-Q4 2017 and Q4 2017 Foodservice E-A-O include items affecting comparability MEUR -3.4.

Segments (continued)

EBITDA

EUR million	H1 2018	Q2 2018	Q1 2018	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania[1]	57.7	29.2	28.5	103.2	24.0	27.3	27.5	24.4
North America	58.5	32.6	25.9	143.2	38.3	29.5	42.6	32.8
Flexible Packaging [1]	49.2	24.6	24.6	99.8	26.6	25.2	21.5	26.5
Fiber Packaging[1]	22.5	10.7	11.8	43.6	9.2	11.0	12.1	11.3
Other activities[1]	14.6	15.2	-0.6	-3.5	-6.2	1.0	2.7	-1.0
Total[1]	202.4	112.3	90.1	386.3	91.9	94.0	106.4	94.0

[1] H1 2018 and Q2 2018 include items affecting comparability MEUR 11.6 (Foodservice E-A-O MEUR -0.3, Flexible Packaging MEUR -0.5, Fiber Packaging MEUR -0.4 and Other Activities MEUR 12.9). Q1-Q4 2017 and Q4 2017 Foodservice E-A-O include items affecting comparability MEUR -3.4.

Depreciation and amortization

EUR million	H1 2018	Q2 2018	Q1 2018	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania	19.5	10.2	9.3	36.5	9.5	8.9	9.1	9.0
North America	19.7	10.0	9.6	39.1	9.5	9.3	10.0	10.3
Flexible Packaging	15.2	8.2	7.1	30.1	7.5	7.5	7.5	7.6
Fiber Packaging	7.8	3.9	3.9	15.4	3.7	3.7	4.0	4.0
Other activities	0.5	0.3	0.3	0.9	0.1	0.3	0.2	0.3
Total	62.7	32.6	30.1	122.0	30.3	29.7	30.8	31.2

Net assets allocated to the segments[2]

EUR million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania	631.0	554.3	551.0	543.1	528.9	540.1
North America	797.0	752.5	727.9	729.7	736.7	756.6
Flexible Packaging	672.7	639.4	647.2	641.4	638.4	645.1
Fiber Packaging	211.0	216.1	214.4	219.3	218.5	224.6

[2] Following statement of financial position items are included in net assets: intangible and tangible assets, equity-accounted investments, other non-current assets, inventories, trade and other current receivables (excluding accrued interest income), other non-current liabilities and trade and other current liabilities (excluding accrued interest expense).

Capital expenditure

EUR million	H1 2018	Q2 2018	Q1 2018	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania	23.7	14.0	9.8	53.4	17.6	11.5	12.8	11.5
North America	30.0	15.1	14.9	97.9	22.9	27.0	23.8	24.2
Flexible Packaging	20.2	14.6	5.7	41.1	20.7	5.8	7.7	6.9
Fiber Packaging	5.1	2.9	2.2	22.0	9.3	4.3	4.1	4.3
Other activities	1.9	1.0	0.8	0.4	0.2	0.1	0.0	0.1
Total	80.9	47.7	33.3	214.8	70.7	48.7	48.4	47.0

RONA (12m roll.)

EUR million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania	12.7%	13.0%	12.4%	12.4%	12.5%	13.1%
North America	11.7%	13.2%	14.2%	13.9%	14.8%	16.0%
Flexible Packaging	10.9%	10.6%	10.8%	10.6%	10.7%	11.5%
Fiber Packaging	12.7%	13.2%	12.8%	14.8%	15.3%	15.6%

Operating cash flow

EUR million	H1 2018	Q2 2018	Q1 2018	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania	17.2	13.0	4.2	57.1	16.1	16.0	11.6	13.4
North America	-0.6	26.0	-26.6	31.7	24.8	9.6	14.4	-17.1
Flexible Packaging	19.5	10.0	9.5	36.6	8.5	12.4	-0.5	16.2
Fiber Packaging	16.8	11.6	5.2	20.7	2.7	3.3	9.5	5.2

Huhtamaki

Business combinations

On April 30, 2018 Huhtamaki completed the acquisition of the majority of Tailored Packaging, an Australian foodservice packaging distribution and wholesale group. The debt free purchase price for 65% ownership of the joint venture was approximately EUR 35 million. The business has been reported as part of the Foodservice Europe-Asia-Oceania business segment as of May 1, 2018.

On May 31, 2018 Huhtamaki completed the acquisition of the majority of Cup Print Unlimited Company, a privately-owned paper cup manufacturer based in the Republic of Ireland. The debt free purchase price for 70% ownership of CupPrint was approximately EUR 22 million. The business has been reported as part of the Foodservice Europe-Asia-Oceania business segment as of June 1, 2018.

In the end of May, 2018 Huhtamaki completed the acquisition of Ajanta Packaging's business in India. Ajanta Packaging is a manufacturer of pressure sensitive labels in India. The debt free purchase price was approximately EUR 13 million. The business has been reported as part of the Flexible Packaging business segment as of June 1, 2018.

Due to the timing of the acquisitions the purchase price allocation calculations of the acquired companies have not yet been completed.

Huhtamaki

Other information

Key indicators

	H1 2018	Q1-Q4 2017	H1 2017
Equity per share (EUR)	11.27	11.13	10.52
ROE, % (12m roll.)	16.5	16.6	16.8
ROI, % (12m roll.)	13.0	13.4	14.1
Personnel	18,182	17,417	17,430
Profit before taxes (EUR million, 12m roll.)	245.5	246.8	244.6
Depreciation of tangible assets (EUR million)	58.5	113.6	57.8
Amortization of other intangible assets (EUR million)	4.2	8.4	4.2

Contingent liabilities

EUR million	Jun 30, 2018	Dec 31, 2017	Jun 30, 2017
Lease payments	94.8	98.7	96.2
Capital expenditure commitments	79.6	68.9	73.9

Financial instruments measured at fair value

EUR million	Jun 30, 2018	Dec 31, 2017	Jun 30, 2017
Derivatives - assets			
Currency forwards, transaction risk hedges	2.9	1.1	2.1
Currency forwards, translation risk hedges	0.1	2.7	2.7
Currency forwards, for financing purposes	3.3	1.2	8.5
Currency options, transaction risk hedges	0.2	0.2	0.3
Interest rate swaps	4.8	3.9	3.6
Electricity forwards	0.1	0.0	0.0
Other investments	2.4	1.7	1.6
Derivatives - liabilities			
Currency forwards, transaction risk hedges	1.1	1.7	1.3
Currency forwards, translation risk hedges	6.0	0.2	–
Currency forwards, for financing purposes	4.8	1.2	0.5
Currency options, transaction risk hedges	0.0	0.4	0.2
Interest rate swaps	–	0.2	0.6
Cross currency swaps	0.9	1.3	1.3
Electricity forwards	0.0	0.0	0.1

The fair values of the financial instruments measured at fair value have been indirectly derived from market prices. Only fair values of electricity forwards are based on quoted prices in active markets. Other investments include quoted and unquoted shares. Quoted shares are measured at fair value. For unquoted shares the fair value cannot be measured reliably, as a result of which the investments are carried at cost.

Interest-bearing liabilities

	Jun 30, 2018		Dec 31, 2017		Jun 30, 2017	
EUR million	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current	630.3	623.5	643.7	634.6	651.5	647.5
Current	331.5	331.5	178.9	178.9	222.8	222.8
Total	961.8	954.9	822.6	813.5	874.3	870.3

Huhtamaki

Other information (continued)

Exchange rates

Income statement, average:

	H1 2018	H1 2017
AUD 1 =	0.6375	0.6968
GBP 1 =	1.1366	1.1630
INR 1 =	0.0126	0.0141
RUB 1 =	0.0139	0.0159
THB 1 =	0.0260	0.0266
USD 1 =	0.8256	0.9243

Statement of financial position, month end:

	Jun 30, 2018	Jun 30, 2017
AUD 1 =	0.6338	0.6726
GBP 1 =	1.1297	1.1365
INR 1 =	0.0125	0.0136
RUB 1 =	0.0137	0.0149
THB 1 =	0.0261	0.0258
USD 1 =	0.8633	0.8762

Definitions for performance measures

Performance measures according to IFRS

Earnings per share (EPS) attributable to equity holders of the parent company =	Profit for the period – non-controlling interest / Average number of shares outstanding
Diluted earnings per share (diluted EPS) attributable to equity holders of the parent company =	Diluted profit for the period – non-controlling interest / Average fully diluted number of shares outstanding

Alternative performance measures

EBITDA =	EBIT + depreciation and amortization
Net debt to equity (gearing) =	Interest-bearing net debt / Total equity
Return on net assets (RONA) =	100 x Earnings before interest and taxes (12m roll.) / Net assets (12m roll.)
Operating cash flow =	EBIT + depreciation and amortization - capital expenditure + disposals +/- change in inventories, trade receivables and trade payables
Shareholders' equity per share =	Total equity attributable to equity holders of the parent company / Issue-adjusted number of shares at period end
Return on equity (ROE) =	100 x Profit for the period (12m roll.) / Total equity (average)
Return on investment (ROI) =	100 x (Profit before taxes + interest expenses + net other financial expenses) (12m roll.) / Statement of financial position total - interest-free liabilities (average)

In addition to IFRS and alternative performance measures presented above, Huhtamaki may present adjusted performance measures, which are derived from IFRS or alternative performance measures by adding or deducting items affecting comparability (IAC). The adjusted performance measures are used in addition to, but not substituting, the performance measures reported in accordance with IFRS.

Huhtamäki Oyj, Revontulenkuja 1, FI-02100 Espoo, Finland
Tel +358 (0)10 686 7000, Fax +358 (0)10 686 7992, www.huhtamaki.com
Domicile: Espoo, Finland, Business Identity Code: 0140879-6