

Improved operational profitability

Interim Report Q1 2024

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Huhtamaki

Improved operational profitability

- **Market trends**
 - Demand trend improving from H2 2023 with variations by product category and geography
 - The Israel-Hamas war and Red Sea crisis impacted both the Foodservice E-A-O and Flexible Packaging segments
- **Financial performance**
 - Comparable net sales -2%; volumes flat yoy, negative impact from pricing and currencies
 - Adj. EBIT +7%, margin 9.8%: cost saving actions supporting performance
- **Efficiency measures**
 - Program ongoing with broad-based progress early on



Efficiency program well underway and contributing to Q1 2024 profitability improvement

Program targets MEUR 100 savings in 2024-26

Sourcing
Indirect and direct spend

- Efficiency program leading to savings of appr. EUR 100 million over the next three years
- Program expected to cost appr. EUR 80 million

Material efficiency
Waste reduction

- Significant actions initiated in the second half of 2023 in the context of lower demand in the market, such as
 - Procurement acceleration program to cover all input costs (materials and services)

Labor productivity
Direct and indirect labor

- Acceleration of our continuous improvement program on manufacturing practices, focusing on material waste reduction
- Reduction of workforce by ~8 % (including own and contracted)

Footprint optimization
Structural cost reduction

- Flexible Packaging further footprint optimization – decision to close manufacturing in Prague (Czech Republic) and Hyderabad (India)

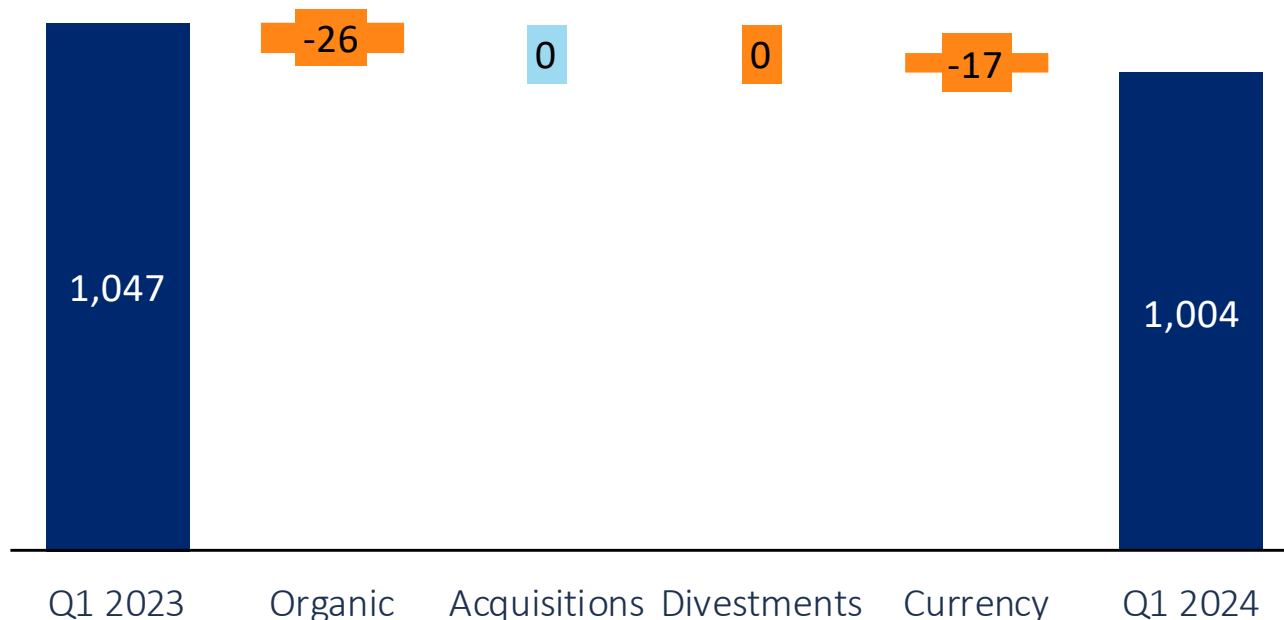
Execution progressed as expected in Q1 2024

- Initiatives in execution in all four areas, achieving in Q1 2024 above linear savings trajectory. This contributed to the Group's profit expansion of EUR 7 million, including compensating for inflation and adverse currency impacts
- Program-related costs accounted for EUR 16 million in Q1 2024
- Key benefits and activities in Q1 include Sourcing, Labor Productivity and footprint optimization
 - In March initiated consolidation of production in China Fiber Foodservice to close Shanghai and Tianjin by end of Q2 2024 and transferring production to the Guangzhou site, affecting 152 employees
 - Announced on April 23 further consolidation of Fiber Foodservice manufacturing, closing Port Klang site in Malaysia by end of Q2 2024, affecting 96 employees
- Savings expected to accumulate gradually over 3 years leading to EUR 100 million in accordance with the program plan

Business performance

Q1 2024: Sales volumes stabilized, net sales weighed on by currencies and pricing

Development of net sales in Q1 2024
(EUR million)



Net sales decreased 4% in Q1 2024

- Comparable net sales decreased 2% (-3 % in emerging markets). Flat volumes but decrease in sales prices
- -2% currency impact

Comparable net sales growth is growth excluding foreign currency changes, acquisitions, divestments and ancillary businesses. Acquisitions calculated for 12 first months from closing.

Signs of demand improvement but with variations between segments

<i>Comparable net sales growth</i>	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Long-term ambitions
Foodservice E-A-O	11%	5%	-3%	-5%	-5%	4-5%
North America	2%	1%	1%	4%	-3%	5-6%
Flexible Packaging	-5%	-11%	-11%	-9%	-1%	6-7%
Fiber Packaging	17%	7%	4%	2%	1%	3-4%
Group	2%	-2%	-4%	-3%	-2%	5-6%

Market demand by segment

- Foodservice packaging demand remained soft
- In North America, demand remained at the previous year's level
- Demand for flexible packaging showed signs of improvement
- Demand for fiber-based egg packaging improved significantly, but remained stable for food-on-the-go products

Comparable net sales growth is growth excluding foreign currency changes, acquisitions, divestments and ancillary businesses.

Adjusted EBIT supported by actions to improve profitability

MEUR	Q1 24	Q1 23	Change
Net sales	1,003.9	1,047.1	-4%
Adjusted EBIT ¹	98.8	92.1	7%
<i>Margin</i>	<i>9.8%</i>	<i>8.8%</i>	
Adjusted EPS, EUR ²	0.55	0.51	7%
Capital expenditure	36.6	65.2	-44%

Significant growth in adj. EBIT:

- Adj. EBIT increased and margin improved clearly, supported by lower raw material, transportation and energy costs and the company's actions to improve profitability. Lower sales prices and the increase in labor costs had a negative impact on profitability
- Adjusted EPS increased driven by EBIT growth
- Capex decreased due to timing reasons

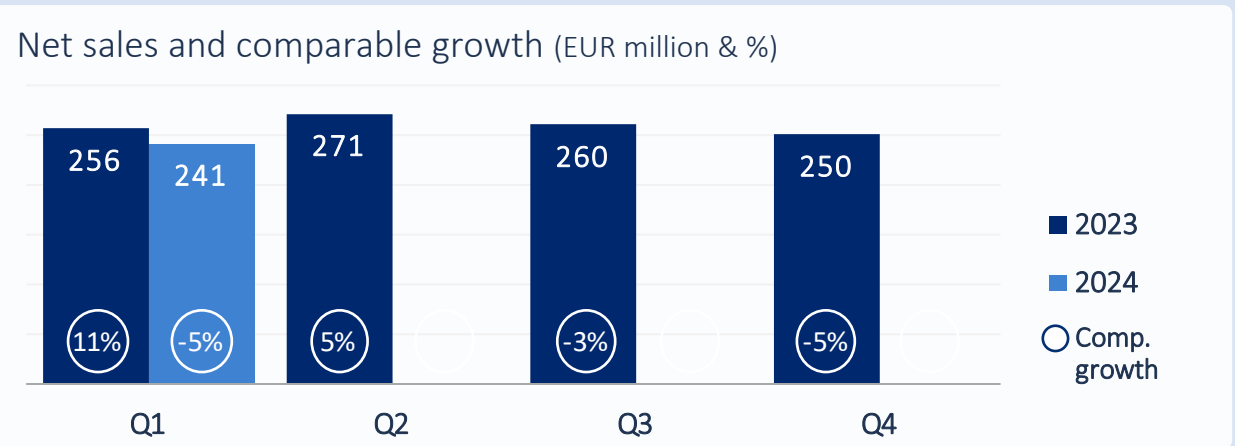
1) Excluding IAC of EUR -21.2 million in Q1 2024 (EUR -4.7 million).

2) Excluding IAC of EUR -20.9 million in Q1 2024 (EUR -3.9 million).

Business segment review

Foodservice EAO: Increased margin despite geopolitical headwinds

Key figures, MEUR	Q1 24	Q1 23	Change
Net sales	241.1	256.2	-6%
Comparable growth	-5%	11%	
Adjusted EBIT ¹	22.0	21.2	4%
Margin	9.1%	8.3%	
Capital expenditure	5.4	24.3	-78%
Operating cash flow ¹	29.5	22.2	33%



- The demand for foodservice packaging remained soft
- Net sales decreased, as pricing did not make up for lower sales volumes. The Israel-Hamas war led to boycotts of certain large customers, negatively impacting sales volumes. Net sales decreased in most markets, but particularly in China, the Middle East and Africa
- Prices of raw materials decreased compared to Q1 2023
- The segment's adjusted EBIT increased supported by lower costs and improved pricing and mix, whereas a decrease in sales volumes had a negative impact

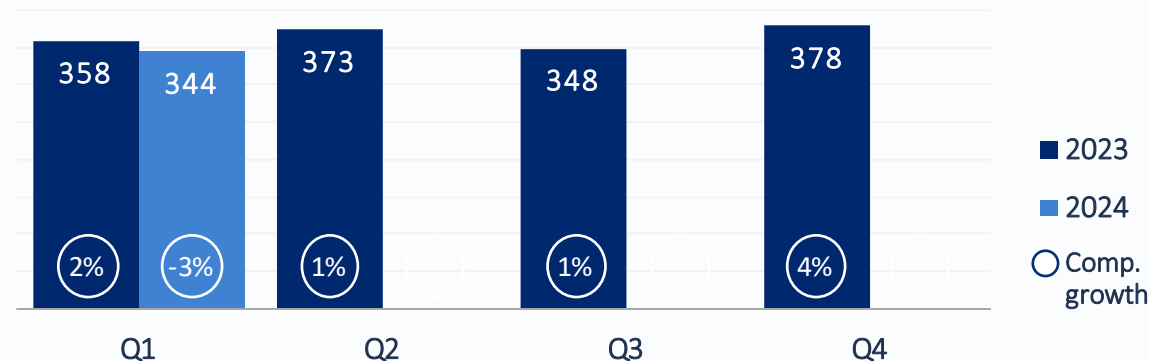
1) Excluding IAC of EUR -16.3 million in Q1 2024 (EUR -1.5 million).

North America: Significant profitability improvement in Q1 with flat volumes

Key figures, MEUR

	Q1 24	Q1 23	Change
Net sales	344.1	358.1	-4%
Comparable growth	-3%	2%	
Adjusted EBIT ¹	47.9	42.5	13%
Margin	13.9%	11.9%	
Capital expenditure	14.6	20.2	-27%
Operating cash flow ¹	73.0	17.8	>100%

Net sales and comparable growth (EUR million & %)



- Demand remained unchanged from the previous year's level
- Net sales increased in Consumer Goods, partly supported by the ramp-up of egg carton capacity in the Hammond, Indiana, site. Sales volumes remained at the previous year's level, whereas lower pricing had a negative impact
- Prices of most raw materials decreased compared to the first quarter of 2023, with the exception of resins
- Strong adjusted EBIT margin at 13.9%, driven by increased operational efficiency, while a decrease in input costs were offset by lower pricing

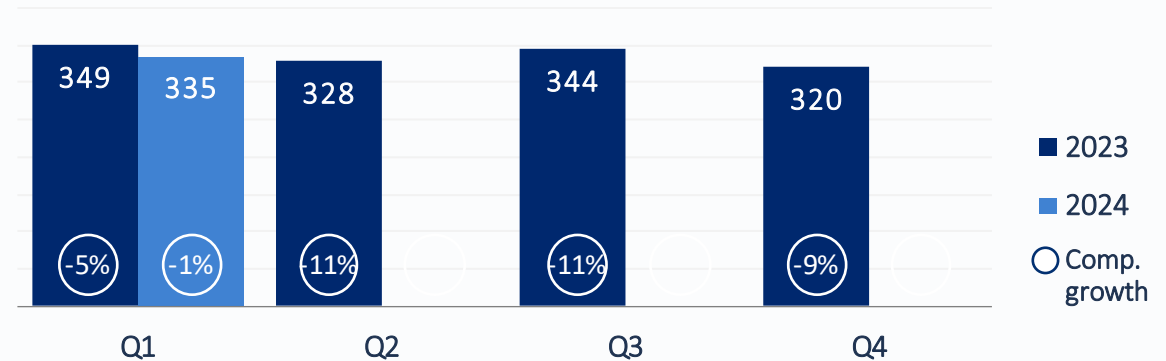
1) Excluding IAC of EUR -1.0 million in Q1 2024 (EUR 0.0 million).

Flexible Packaging: Continued profitability recovery with flat volumes

Key figures, MEUR

	Q1 24	Q1 23	Change
Net sales	335.2	349.1	-4%
Comparable growth	-1%	-5%	
Adjusted EBIT ¹	21.6	21.4	1%
Margin	6.4%	6.1%	
Capital expenditure	12.6	16.2	-22%
Operating cash flow ¹	-0.1	20.2	<-100%

Net sales and comparable growth (EUR million & %)



- Overall demand showed signs of improvement, but with significant variations by market
- Net sales decreased, mainly impacted by negative currency and pricing. The volume development improved from previous quarters. Net sales increased in most markets, however still soft in India
- Most raw material prices decreased compared to the first quarter of 2023
- Adjusted EBIT remained at the previous year's level. The actions to improve profitability had a positive impact, offset by lower sales prices

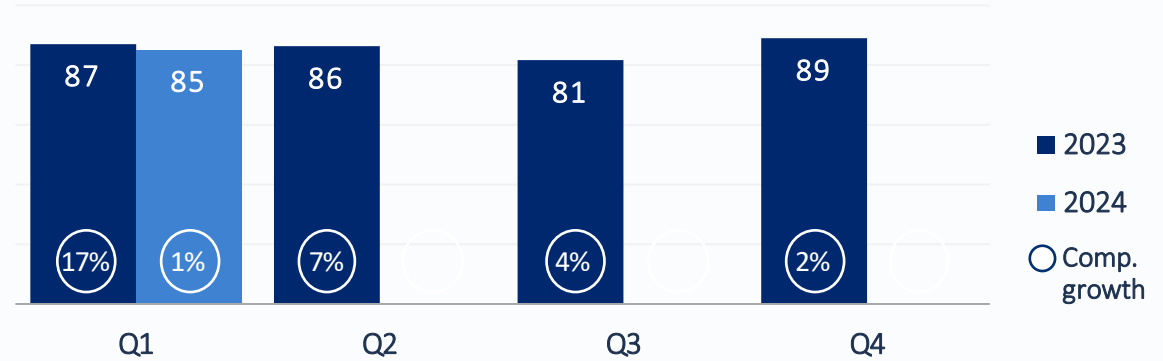
1) Excluding IAC of EUR -2.4 million in Q1 2024 (EUR -2.8 million).

Fiber Packaging: Sales volumes turned positive

Key figures, MEUR

	Q1 24	Q1 23	Change
Net sales	85.0	86.9	-2%
Comparable growth	1%	17%	
Adjusted EBIT ¹	8.6	10.5	-18%
Margin	10.1%	12.1%	
Capital expenditure	3.5	4.5	-22%
Operating cash flow ¹	-5.3	-4.5	18%

Net sales and comparable growth (EUR million & %)



- Overall demand for fiber-based egg packaging improved significantly, but remained stable for food-on-the-go products
- Comparable net sales increased. Sales volumes increased, whereas pricing had a negative impact
- The prices of recycled fiber decreased compared to the first quarter of 2023
- Adjusted EBIT decreased due to a weaker operational performance, despite higher sales volumes

1) Excluding IAC of EUR -1.2 million in Q1 2024 (EUR -0.3 million).

Financial review

Adjusted EBIT growth continued with improved margins

MEUR	Q1 24	Q1 23	Change
Net sales	1,003.9	1,047.1	-4%
Adjusted EBITDA ¹	149.0	140.5	6%
<i>Margin¹</i>	<i>14.8%</i>	<i>13.4%</i>	
Adjusted EBIT ²	98.8	92.1	7%
<i>Margin²</i>	<i>9.8%</i>	<i>8.8%</i>	
EBIT	77.6	87.4	-11%
Adjusted Net financial items ³	-20.8	-18.6	-12%
Adjusted profit before taxes	78.0	73.4	6%
Adjusted income tax expense ⁴	-18.5	-17.3	-7%
Adjusted profit for the period ⁵	59.5	56.2	6%
Adjusted EPS, EUR ⁶	0.55	0.51	7%

Q1 2024:

- Continued adj. EBIT growth and margin improvement
- Reported EBIT weighed on by IAC's, particularly the China restructuring and Malaysia site closure
- Reported tax rate increased due to certain non-deductible costs related to the restructuring program. Adjusted tax rate unchanged at 24%

- 1) Excluding IAC of EUR -11.3 million in Q1 2024 (EUR -2.4 million).
- 2) Excluding IAC of EUR -21.2 million in Q1 2024 (EUR -4.7 million).
- 3) Excluding IAC of EUR -0.5 million in Q1 2024 (EUR -0.4 million).
- 4) Excluding IAC of EUR 0.8 million in Q1 2024 (EUR 1.2 million).
- 5) Excluding IAC of EUR -21.0 million in Q1 2024 (EUR -3.9 million).
- 6) Excluding IAC of EUR -20.9 million in Q1 2024 (EUR -3.9 million).

Currency impact remained negative

	Average rate			Closing rates					Change in closing rate (YoY)
	Q1 23	Q1 24	Change in average rate	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	
USD	1.07	1.09	-1 %	1.09	1.09	1.05	1.11	1.08	1%
INR	88.25	90.18	-2 %	89.36	89.71	87.64	92.45	90.13	-1%
GBP	0.88	0.86	3 %	0.88	0.86	0.86	0.87	0.86	3%
CNY	7.34	7.81	-6 %	7.49	7.91	7.70	7.89	7.82	-4%
AUD	1.57	1.65	-5 %	1.63	1.65	1.65	1.62	1.66	-2%
THB	36.40	38.71	-6 %	37.25	38.93	38.66	38.00	39.38	-6%
BRL	5.57	5.38	4 %	5.55	5.30	5.31	5.37	5.40	3%
NZD	1.70	1.77	-4 %	1.75	1.79	1.77	1.75	1.80	-3%
ZAR	19.04	20.50	-8 %	19.65	20.46	20.17	20.60	20.47	-4%
TRY	20.25	33.60	-66 %	20.87	28.48	28.90	32.75	34.90	-67%
EGP	32.16	38.50	-20 %	33.57	33.60	32.60	34.20	51.13	-52%

Please note: Income statement is valued on average rate, balance sheet on closing rate.

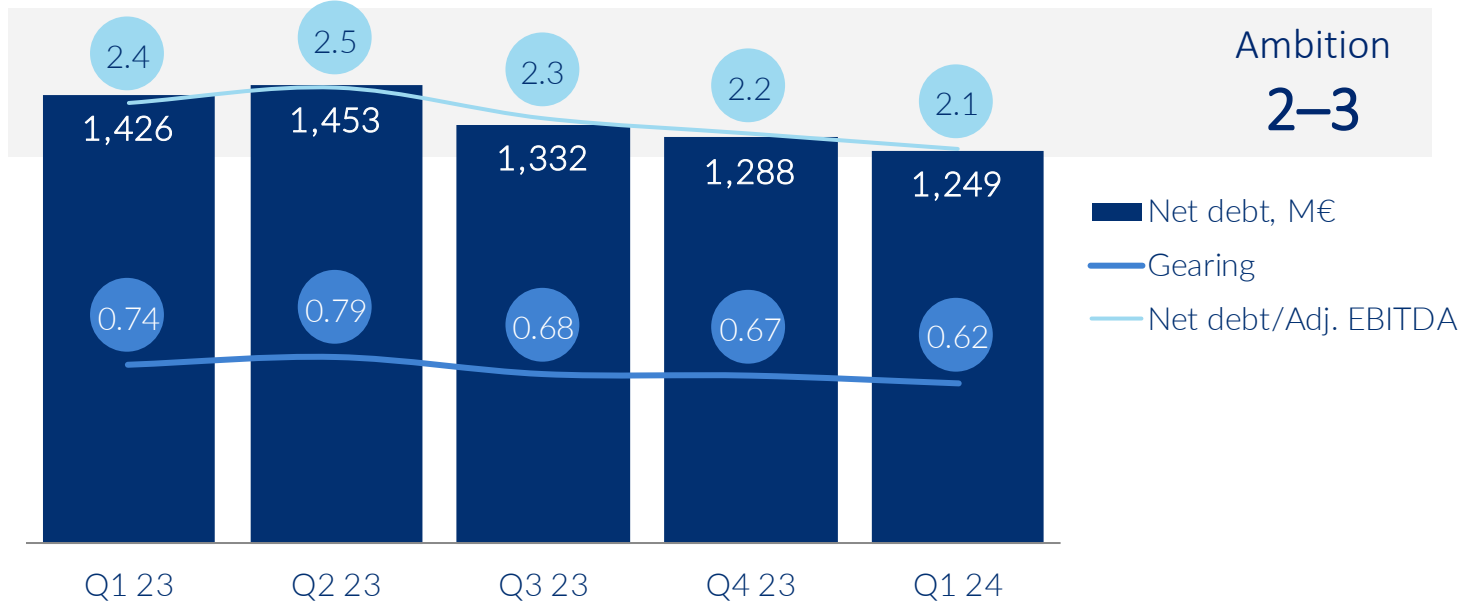
Foreign currency translation impact

Q1 2024 (EUR million)	
Net sales	EBIT
-17	-2

Continued to deleverage balance sheet

Net debt, net debt/adj. EBITDA and gearing

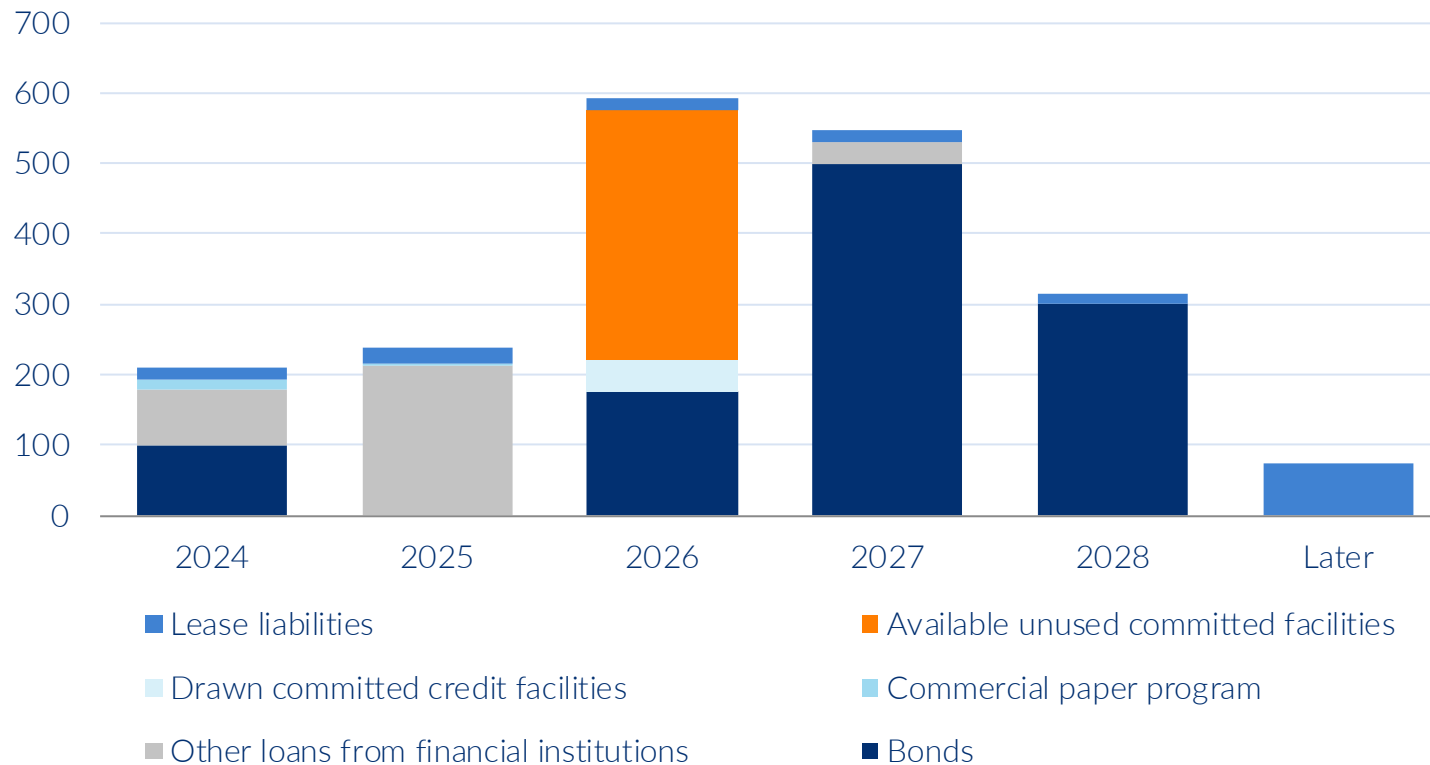
Covenant level 3.75



- Net debt/Adj. EBITDA at **2.1**
- At the end of Q1 2024:
 - Cash and cash equivalents EUR 354 million (264)
 - Unused committed credit facilities available EUR 354 million (354)
- Net debt EUR 1,249 million

Loan maturities

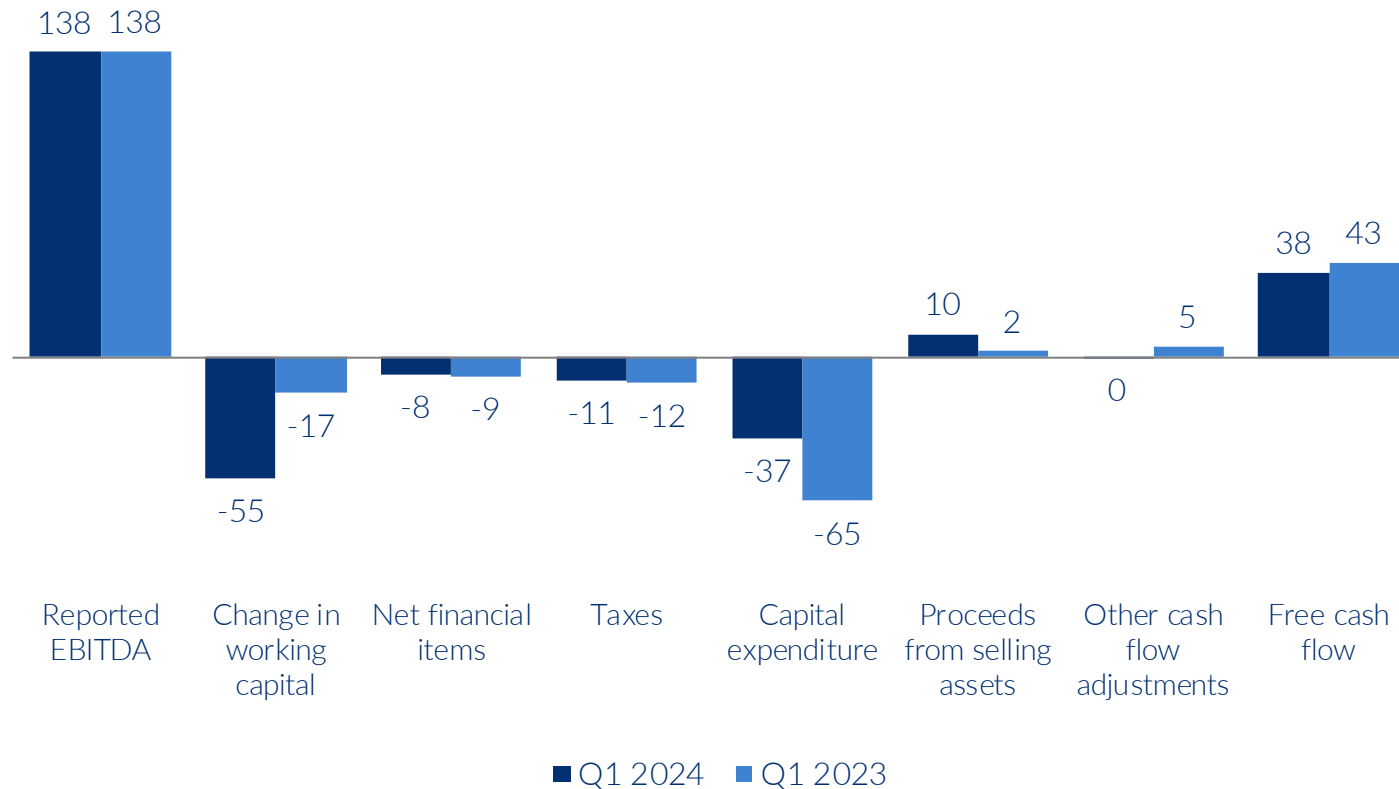
Debt maturity structure March 31, 2024
(EUR million)



- Average maturity 2.6 years at the end of Q1 2024 (2.8 at the end of Q1 2023)

Free cash flow decreased due to change in working capital

Free cash flow bridge
(EUR million)



Cash flow impacted by:

- Lower capex due to timing
- Negative impact from other receivables and liabilities

Financial position continued to improve

<i>MEUR</i>	Mar 2024	Mar 2023
Total assets	4,768	4,787
Working capital	608	758
Net debt	1,249	1,426
Equity & non-controlling interest	2,000	1,927
Gearing	0.62	0.74
Adjusted ROI ¹	11.5%	10.7%
Adjusted ROE ¹	13.3%	13.7%

1) Excluding IAC.

- The financial position strengthened during the quarter
- Most figures improving yoy

Progress towards long-term financial ambitions

	2017	2018	2019	2020	2021	2022	2023	Q1 24	Long-term ambition
Comparable net sales growth	3%	5%	6%	-2%	7%	15%	-2%	-2%	5-6%
Adjusted EBIT margin	9.0%	8.1%	8.6%	9.1%	8.8%	8.8%	9.4%	9.8%	10-12%
Adj. ROI	13.6%	11.6%	12.3%	11.7%	11.3%	11.0%	11.2%	11.5%	13-15%
Net debt/Adj. EBITDA	1.8	2.3	2.0	1.8	3.1	2.5	2.2	2.1	2-3
Dividend payout ratio	42 %	50 %	47 %	47 %	45 %	40 %	45 % [*]		40-50%

*Based on the Board of Director's proposal

Looking forward

Outlook for 2024 and short-term risks and uncertainties

Outlook for 2024 (unchanged)

The Group's trading conditions are expected to improve compared to 2023. Volatility in the operating environment is expected to continue, while Huhtamaki's diversified product portfolio provides resilience. The company's initiatives, which include the ongoing savings and efficiency program, are expected to support the company's performance. The Group's good financial position enables addressing profitable growth opportunities.

Short-term risks and uncertainties

Decline in consumer demand, inflation in key cost items (including raw materials, labor, distribution and energy), availability of raw materials and movements in currency rates are considered to be relevant short-term business risks and uncertainties in the Group's operations. Economic and financial market conditions, as well as a potential geopolitical escalation and natural disasters can also have an adverse effect on the implementation of the Group's strategy and on its business performance and earnings.

Reporting schedule in 2024

July 25, 2024

Half-yearly Report 2024

October 24, 2024

Q3 2024 Interim Report

September 4, 2024

Site visit to Hammond
(near Chicago)

Disclaimer

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