Huhtamaki 2017

Annual Accounts and Directors' Report

Huhtamaki

Contents

With our global network of manufacturing and sales units, we're well placed to support our customers' growth wherever they operate. Mastering three distinctive technologies we develop and make packaging that helps great products reach more people, more easily.

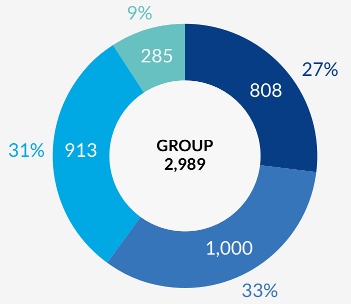
Huhtamaki 2017 in figures

€ 3.0 billion
Net sales

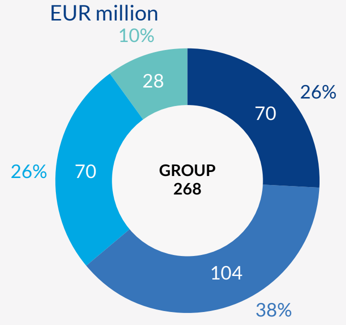
17,417
Number of employees

€ 1.90
Adjusted earnings per share

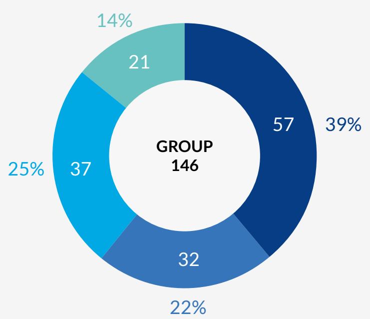
Net sales
EUR million



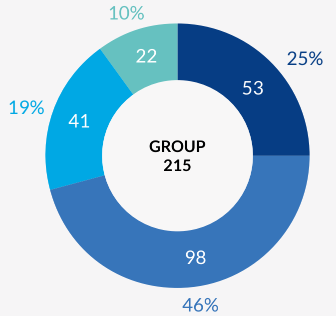
EBIT
EUR million



Operating cash flow
EUR million



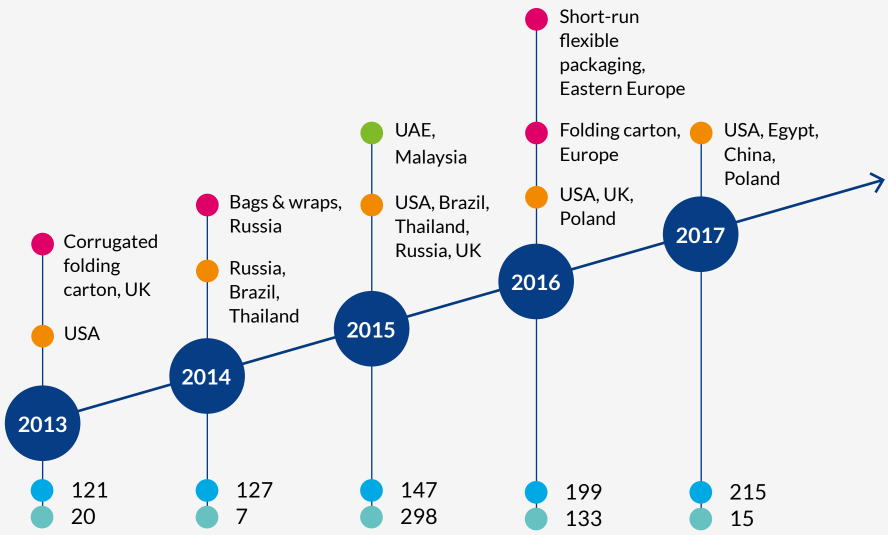
Capital expenditure
EUR million



- Foodservice E-A-O
- North America
- Flexible Packaging
- Fiber Packaging

Business segments' net sales include internal sales of EUR 17 million in total.
EBIT is presented excluding items affecting comparability.
Group's EBIT includes Other Activities EBIT of EUR -4 million.

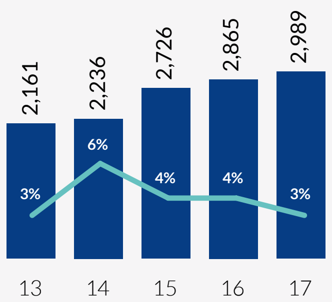
Growth investments € 230 million in 2017



- New product category
- New manufacturing country
- Countries with major growth investments
- Capital expenditure M€
- Acquisitions M€

Net sales

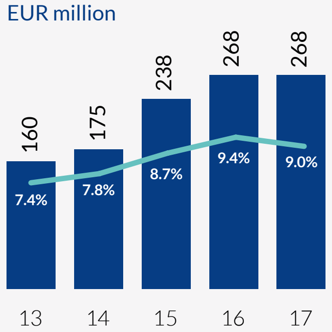
EUR million



- Net sales
- Comparable growth

EBIT

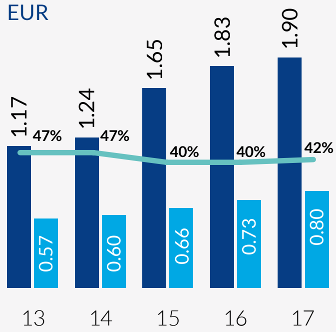
EUR million



- EBIT
- EBIT margin

Earnings and dividend per share

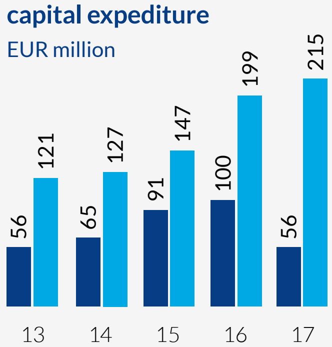
EUR



- Earnings per share
- Dividend per share
- Payout ratio

Free cash flow and capital expediture

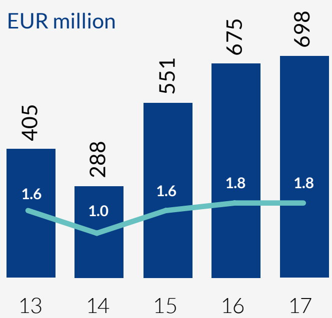
EUR million



- Free cash flow
- Capital expenditure

Net debt

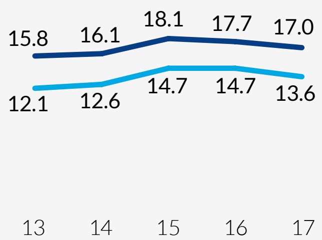
EUR million



- Net debt
- Net debt / EBITDA

Return on investment and equity

%



- Return on equity (ROE)
- Return on investment (ROI)

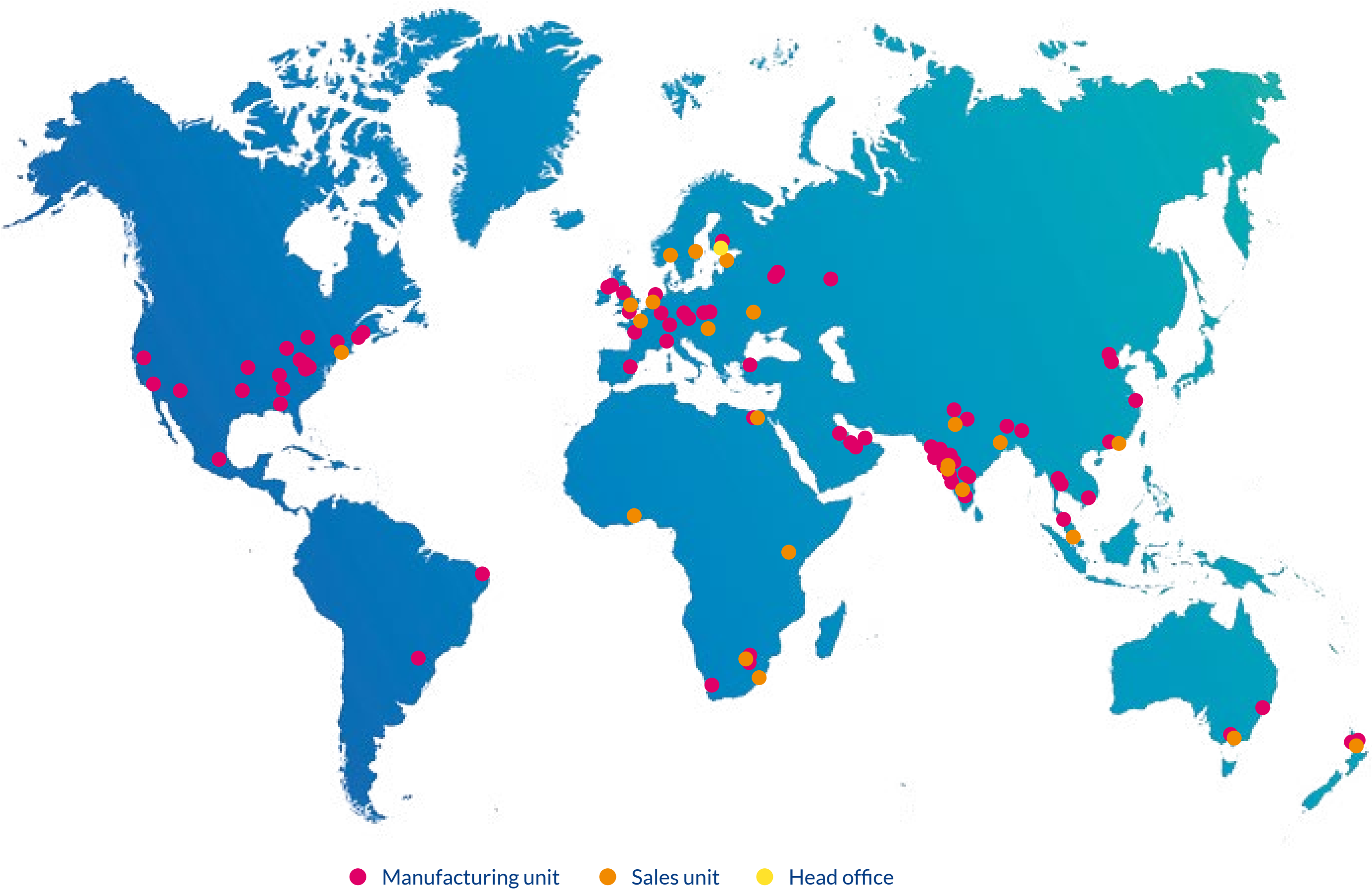
EBIT, EBIT margin, EPS, net debt / EBITDA, ROI and ROE are presented excluding items affecting comparability.
2017 dividend as proposed by the Board of Directors. 2013–2015 figures are for continuing operations.

Building the best food packaging company in the world

Our **foodservice** business serves quick service and fast casual restaurants, convenience stores, coffee shops, cafeterias and vending operators. We offer single and double wall paper cups, paper and plastic plates and bowls, plastic cups, cutlery and food-to-go packaging. We're a pioneer in exploring and using new, more sustainable materials, such as bio-plastics.

Our **fiber packaging** business uses recycled fiber derived from newspapers, magazines and other paper products to produce new packaging. We offer egg cartons, fruit trays, bottle dividers and cup carriers to protect, preserve and help with the handling of delicate food products.

Our **flexible packaging** business produces innovative, high-quality packaging and labels for food and drink, pet food, household and hygiene products, as well as pharmaceuticals. We provide food safety, material saving, as well as specialized printing and branding opportunities for global and local brands that are part of our everyday life.



CEO's Review 2017

"Our year was crowned by recognition from our customers and industry peers."

Jukka Moisio
CEO

Huhtamaki had a good year in 2017. Comparable growth was 3% and adjusted earnings per share* improved 4% to a record EUR 1.90. The Huhtamaki Team did well in 2017, and I want to thank everyone for their contribution.

Our year was crowned by recognition from our customers and industry peers. Customers valued our level of service and commitment as well as our quality and innovations. Unilever granted Huhtamaki with the Partner-to-Win award for our outstanding quality. Several quick service customers – Wendy's, Church's Chicken and Taco Bell among them – recognized our service and commitment. Our innovations received three WorldStar awards from the World Packaging Organization for the holographic beverage label, shaped beverage pouch, and re-fill coffee pouch.

The business environment was generally positive. Raw materials and energy prices bounced back from 2015–2016 lows but were mild in historical terms. We experienced headwinds in India where the introduction of a Goods and Services Tax caused temporary weakness in demand. Market development in North America continued positive. Europe saw a pick-up in demand due to economic recovery. Growth was particularly strong in the Middle East, Africa, and in Eastern Europe.

Huhtamaki's most significant organic growth action in 2017 was constructing a new world-class facility in Goodyear, Arizona, to serve the U.S. West Coast and Southwest markets. The facility includes our key foodservice manufacturing technologies, and its industrial ramp up started in late 2017. Parallel to the development of the Arizona facility, we built new foodservice capabilities or expanded existing ones in China, Poland, Spain and Russia. We also announced the construction of a new, modern plant in Finland to serve the Nordic markets. In the Flexible Packaging segment we completed two new facilities in Eastern India, began building a new plant in Egypt, and extended our current operations in Thailand and Vietnam.

Our financial position is strong despite our forward-looking investment program. Net debt to EBITDA* ratio is excellent at 1.8. Free cash flow was EUR 56 million. Our capacity and appetite to make value-adding acquisitions remains strong and we are ready to execute such acquisitions when both strategic and financial justifications are met. In 2017, we made an important strategic acquisition with the purchase of International Paper's foodservice packaging operations in China. The combination of the acquired assets and our legacy business gives us a strong position in the country.

Workplace safety improved in 2017. Our Lost Time Incident Rate (number of incidents leading to absence per million hours worked) was 2.4 and the severity, in terms of lost hours per million hours worked, was 639. We will publish a separate Corporate Responsibility report in April 2018 detailing our progress. In this report we will also introduce our renewed CR agenda with an ambition for 2020, which marks Huhtamaki's 100th anniversary.

Adjusted EPS* improved by 4% to a record

€ 1.90

** Excluding items affecting comparability.*

Developing our people and our teams was an important priority for us in 2017. We accelerated and broadened training. We conducted a group-wide employee engagement survey as well as an executive assessment, which will help us respond to employee needs and guide our development activities. We began the implementation of country structures that will provide a more tailored and consistent approach in each market to both employees and customers.

Going forward, the implementation of our HR Roadmap will continue, including talent management, job leveling and a new Human Resources Information System. We will also continue to accelerate learning and improve collaboration through the sharing of best practices and excellence streams. Collaboration facilitates improved management rotation, which will help training and experience sharing. It will also enable us to better deliver a consistent Huhtamaki experience to our customers and other business partners.

Our business has evolved continuously and its focus has sharpened. Today's Huhtamaki is a food packaging company that serves food-on-the-go and pre-packed food markets. Our purpose is to help great products reach more people more easily, and our ambition is to be the preferred global food packaging brand. We plan to win in this business by building the best food packaging company in the world. Our philosophy is to improve continuously – and therefore we develop our people, operations, and business competence to make Huhtamaki a world-class company.

We will celebrate our 100th anniversary in 2020. Our strategy – our plan to win – stretches out well beyond this century milestone. In 2018 our key deliverable is to leverage our investments into accelerated growth while delivering our profit targets. We are grateful for the support and recognition our employees, customers, suppliers, shareholders and other stakeholders gave us during 2017.

Jukka Moisio
CEO

February 2018

Directors' Report 2017

Overview

The business environment in 2017 was generally positive. The demand for food and foodservice packaging was on a good level across Europe and North America. In India the introduction of Goods and Services Tax (GST) caused temporary weakness in demand for packaging, with negative impact on the Group's net sales. In Brazil and many African markets, demand was impacted by challenging economic conditions and continued uncertainty in trading environment. Prices for paperboard were relatively stable but prices for plastic resins and recycled paper were at a higher level compared to previous year. Currency translation impact on the Group's net sales and earnings was negative. The majority of the negative currency impact came from the weakening of the US dollar versus euro.

The Group's net sales grew to EUR 2,989 million (EUR 2,865 million). Comparable net sales growth was 3% in total and 4% in emerging markets. The Group's profitability was at the previous year's level with Adjusted EBIT* at EUR 268 million (EUR 268 million). Reported EBIT were EUR 264 million (EUR 266 million). Adjusted EBIT margin* was 9.0% (9.4%) and Adjusted earnings per share (EPS)** were EUR 1.90 (EUR 1.83). The Group's free cash flow declined to EUR 56 million (EUR 100 million) reflecting the high capital expenditure and increase in inventories. The Group's financial position remains strong, supporting its future growth ambitions.

During 2017 the Group continued to implement its growth strategy in food and drink packaging. Focus was on organic growth. The most significant investment was setting up a new world-class production and distribution facility in Arizona, the U.S. Acquisitive growth activity was lower than in previous years although an important acquisition improving the Group's positions in China was made.

Strategic review 2017

During 2017 the Group continued to implement its growth strategy in food and drink packaging. The majority of the Group's businesses now serve either food-on-the-go or prepacked food markets, both of which offer good growth opportunities now and in the future. The Group has strong positions in these markets and aims to build the best food packaging network in the world. Organic growth was supported with a forward-looking investment program including new manufacturing units as well as additional capability in existing units. Acquisitive growth activity was lower than in previous years due to relatively high acquisition multiples which made organic growth more attractive. However, an important acquisition improving the Group's positions in China was made. To ensure successful strategy implementation in the future, actions to strengthen the Group's people activities continued.

The most significant organic growth investment of 2017 was setting up a new world-class production and distribution facility in Arizona, the U.S. The new unit includes key foodservice manufacturing technologies allowing the Group to better serve its foodservice packaging and retail tableware customers operating in the southwest and west coast markets in the U.S. The project progressed as planned and the distribution center commenced operations during the first quarter. Limited manufacturing operations as well as first commercial deliveries began during the fourth quarter. The Group's other investments in new manufacturing units also progressed well. Construction work to build a flexible packaging manufacturing unit in Egypt began and the facility is expected to start manufacturing in 2018 as planned. Two new flexible packaging facilities were completed in Eastern India and current operations were extended in Thailand and Vietnam. The construction of a new modern plant in Finland to serve the Nordic markets was announced. In total the Group's capital expenditure in 2017 was approximately EUR 215 million (EUR 199 million).

To improve its manufacturing footprint and to strengthen its position in North Asia the Group acquired International Paper's foodservice packaging operations in China. With this acquisition the Group improved its ability to serve customers in Eastern China and strengthened its capacity and capability to serve customers operating in Northern China. The Group also improved its competitiveness in China by completing the consolidation of its South China manufacturing operations and, following the acquisition, announced the consolidation of operations in North China.

The collaborative working model, set up in 2015, was continued within sourcing, operations, innovation, commercial activities, people, and corporate responsibility. The cross-segment collaboration streams worked on a number of projects focusing on activities that either add value or take costs out. During the year the Corporate Responsibility (CR) excellence stream developed a new, more inclusive and ambitious CR program for the Group that will be launched during 2018.

During 2017 the Board of Directors paid special attention to the Group's innovation capabilities. The continued systematic work on innovations within the Group, both incremental and game-changing, was recognized by customers as well as industry peers via a number of awards achieved during the year. To further boost innovation work, the innovation leadership team set up new working methods including a group-wide innovation tool. A key-performance indicator called NASP, which indicates the share of new products of net sales, is used to measure the success rate of innovations. In 2017 NASP at the Group level was 24.1%.

In addition, the Board of Directors followed closely the implementation of the Group's growth investments. The Board also focused on the development of the Group's new Corporate Responsibility program and the continued development of the Group's people activities, including leadership and succession development. Given the long tenure of a number of members of the Board, the Board also acted on renewing its composition. Important elements in these discussions were securing the continued industry knowledge and expertise as well as market diversity. During the year the Board visited a foodservice packaging unit in China as well as flexible packaging plants in Germany and the United Arab Emirates.

** Excluding Items Affecting Comparability (IAC) of EUR -3.4 million in 2017 and EUR -1.7 million in 2016.*
*** Excluding IAC of EUR -4.8 million in 2017 and EUR -1.7 million in 2016.*

Financial review

The Group's comparable net sales growth was 3% in 2017. Growth was strongest in the Fiber Packaging business segment, driven by good development in Eastern Europe, particularly in Russia. The Flexible Packaging business segment's net sales grew well during the second half of the year, having suffered from negative development in India during the first half of the year. The Group's comparable growth in emerging markets was 4%. Growth was strongest in Eastern Europe. The Group's net sales grew to EUR 2,989 million (EUR 2,865 million). Foreign currency translation impact on the Group's net sales was EUR -19 million (EUR -51 million) compared to 2016 exchange rates. The majority of the negative currency impact came from the weakening of the US dollar versus euro.

The Group's profitability was at the previous year's level. Earnings grew significantly in the Foodservice Europe-Asia-Oceania business segment, mainly as a result of good net sales development and the successful implementation of planned actions to improve the segment's competitiveness. Other activities' impact was EUR -4 million (EUR -11 million) on the Group's earnings. The change compared to previous year was primarily due to lower costs related to the Group's long-term incentive plan and projects. The Group's Adjusted EBIT were EUR 268 million (EUR 268 million) and reported EBIT were EUR 264 million (EUR 266 million). Foreign currency translation impact on the Group's profitability was EUR -1 million (EUR -5 million).

Adjusted EBIT excludes EUR -3.4 million of items affecting comparability (IAC's), which consist of restructuring costs of EUR -17 million and a gain of EUR 13 million. The restructuring costs are related to actions to improve the competitiveness of the foodservice business in China as announced on December 28, 2017 and the gain is related to the sale of a vacated building and related land usage rights in Guangzhou, China, as announced on April 21, 2017. IACs were booked for Q4 in the Foodservice Europe-Asia-Oceania business segment.

Adjusted EBIT and IACs

EUR million	2017	2016
Adjusted EBIT	267.7	267.9
Restructuring costs	-16.7	-9.5
Gains and losses relating to business combinations and disposals	13.3	7.8
EBIT	264.3	266.2

Net financial expenses decreased to EUR 18 million (EUR 27 million). Tax expense increased to EUR 50 million (EUR 48 million). The corresponding tax rate was 20% (20%).

Profit for the period was EUR 197 million (EUR 192 million). Adjusted EPS were EUR 1.90 (EUR 1.83) and reported EPS EUR 1.86 (EUR 1.81). Adjusted EPS is calculated based on Adjusted profit for the period, which excludes EUR -3.4 million of IAC's and EUR -1.4 million of taxes related to the actions to improve the competitiveness of the foodservice business in China as announced on December 28, 2017.

Adjusted EPS and IACs

EUR million	2017	2016
Adjusted profit for the period	201.3	193.2
IAC items included in Adjusted EBIT	-3.4	-1.7
Taxes relating to restructuring	-1.4	-
Profit for the period	196.5	191.5

Statement of financial position and cash flow

The Group's net debt increased and was EUR 698 million (EUR 675 million) at the end of the year. The level of net debt corresponds to a gearing ratio of 0.58 (0.57). Net debt to EBITDA ratio (excl. IACs) was 1.8 (1.8). The increase in net debt was to a large extent due to higher capital expenditure. Average maturity of external committed credit facilities and loans extended to 4.6 (3.9) years with the issuance of a EUR 150 million Schuldschein during the second quarter and a EUR 150 million bond during the fourth quarter.

Cash and cash equivalents were EUR 116 million (EUR 106 million) at the end of the year and the Group had EUR 321 million (EUR 303 million) of unused committed credit facilities available.

Total assets on the statement of financial position were EUR 2,931 million (EUR 2,875 million).

Organic growth investments were continued in line with the Group's strategy. Capital expenditure increased to EUR 215 million (EUR 199 million). In addition to the U.S., large investments for business expansion were made in Egypt, China, and Poland. The Group's free cash flow declined to EUR 56 million (EUR 100 million) reflecting the high capital expenditure and increase in inventories.

Acquisitions

On June 29, 2017 Huhtamaki announced that it has entered into an agreement to acquire International Paper's foodservice packaging operations in China. The acquisition was completed on September 7, 2017 and the acquired business has been consolidated into the Foodservice Europe-Asia-Oceania business segment as of September 1, 2017. With the acquisition Huhtamaki expanded its manufacturing footprint into the Eastern China region and strengthened its capacity and capability to serve customers operating in Northern China. The acquisition comprised of two manufacturing units located in Shanghai and Tianjin, employing altogether approximately 200 employees. The product range of the acquired units is similar to Huhtamaki's product range in China, including paper cups for hot and cold beverages, food containers as well as snack food and ice-cream containers.

Business review by segment

Foodservice Europe-Asia-Oceania

Demand for foodservice packaging was strong in Europe, while the momentum was relatively soft in Asia-Oceania and weak in the Middle East and Africa. Prices for paperboard were relatively stable, but prices for plastic resins were at a higher level compared to previous year.

The Foodservice Europe-Asia-Oceania segment's net sales grew to EUR 808 million (EUR 741 million). Comparable net sales growth was 4%. Net sales growth was robust across the segment's key product categories in Europe. Businesses acquired in 2016 had a significant contribution to the segment's reported net sales growth. The units acquired from International Paper in China have been reported as part of the segment as of September 1, 2017 and contributed EUR 7 million to the segment's net sales.

Currency movements had an adverse translation impact of EUR -2 million on the segment's reported net sales.

The segment's earnings grew mainly as a result of good net sales development and the successful implementation of planned actions to improve competitiveness in China and New Zealand. Adjusted EBIT, excluding EUR -3.4 million of IAC's, were EUR 70 million (EUR 63 million) and reported EBIT EUR 67 million (EUR 62 million). The weak pound sterling continued to impact the segment's business in the UK with adverse impact on the segment's earnings. The segment's return on net assets (RONA), excluding IAC, declined slightly and was 13.0% (13.7%). As a result of improved earnings the segment's operating cash flow increased to EUR 57 million (EUR 38 million).

On March 3, 2017 Huhtamaki announced that it will set up a greenfield paper cup manufacturing unit in Kiev, Ukraine to better serve both its local and global customers with local manufacturing. The new unit is expected to employ approximately 50 employees and will manufacture a full range of paper cups for cold and hot drinks.

On June 29, 2017 Huhtamaki announced that it has entered into an agreement to acquire International Paper's foodservice packaging operations in China. The acquisition was completed on September 7, 2017 and the acquired business has been consolidated into the Foodservice Europe-Asia-Oceania business segment as of September 1, 2017.

On November 13, 2017 Huhtamaki announced that it will have a new, modern manufacturing unit built in Hämeenlinna, Finland, to replace the current facility that was built in the 1960's. The new facility is expected to begin operations in spring 2019. The majority of the EUR 11 million investment takes place during 2018.

On December 28, 2017 Huhtamaki announced actions to further improve its competitiveness in China. To gain synergies from the acquisition of International Paper's foodservice packaging operations in China, Huhtamaki decided to consolidate its manufacturing operations in Tianjin into one unit. The transfer is expected to be completed by the end of Q1 2018. Huhtamaki also announced that it had completed the sale of the vacated manufacturing facility and related land usage rights in Guangzhou, China, as announced on April 21, 2017, and that to conclude the consolidation of its foodservice packaging operations in South China it had closed down the manufacturing unit in Shandong, China, impacting app. 200 jobs.

North America

Market conditions in the U.S. were generally stable and positive during 2017. Demand for retail disposable tableware and foodservice packaging was on a good level, while demand for ice cream packaging declined. Raw material prices were generally moderate by historical terms, but prices of plastic resins and recycled fiber trended upwards during the second half of the year. Distribution costs increased significantly during the second half of the year following regulatory changes and weather conditions.

The North America segment's reported net sales remained at previous year's level at EUR 1,000 million (EUR 1,005 million). Comparable net sales growth was 2%. Growth was strongest in the retail business, particularly in private label tableware. Sales of frozen dessert packaging declined.

Currency movements had an adverse translation impact of EUR -20 million on the segment's reported net sales.

The segment's reported earnings declined slightly and were EUR 104 million (EUR 108 million). In constant currencies the segment's earnings were at previous year's level. Good volume growth in retail tableware and solid overall manufacturing efficiency had a positive impact on profitability. Higher input and transportation costs had an adverse effect especially in the second half of the year. The segment's capital expenditure is to a large extent related to the investment in a new facility in Goodyear, Arizona. There were some additional costs in the second half of the year related to the start-up of the Goodyear plant. The new distribution center commenced operations during the first quarter and limited manufacturing operations began during the fourth quarter. The segment's RONA declined as a result of increased tangible assets and was 14.2% (16.3%). The segment's operating cash flow decreased to EUR 32 million (EUR 40 million) mainly due to change in working capital.

Currency movements had an adverse translation impact of EUR -2 million on the segment's reported earnings.

Flexible Packaging

Demand for flexible packaging was at a good level in Europe and Southeast Asia throughout the period. In India, demand for flexible packaging was subdued throughout the first half of the year, but started to grow at the end of the third quarter. Uncertainty in trading environment due to currency fluctuations, as well as constrained availability of currency, had a negative impact on demand for flexible packaging in many African markets during the first half of the year. Prices for plastic resins were at a higher level compared to prior year. Competition was tight.

The Flexible Packaging segment's net sales grew to EUR 913 million (EUR 869 million). Comparable net sales growth was 4%. Growth was strong in all markets except India where net sales declined due to the temporary weakness in demand caused by the GST introduction. Packaging for beverages, pharmaceutical products and pet food accounted for the strongest growth.

Currency movements had a positive translation impact of EUR 4 million on the segment's reported net sales.

The segment's earnings declined and were EUR 70 million (EUR 74 million). The decline was primarily due to adverse earnings development in India during the first half of the year, which was caused by the demonetization action by the Indian government executed late in 2016 and by the GST reform executed in 2017. The segment's RONA decreased slightly to 10.8% (11.6%). Operating cash flow decreased to EUR 37 million (EUR 88 million), primarily due to change in working capital and increased capital expenditure.

Fiber Packaging

Demand for fiber packaging was on a good level throughout the first half of the year but weakened towards the end of the year, particularly in Europe and South Africa, where lack of produce to pack had an adverse impact on demand for packaging. Challenging economic conditions in Brazil had an adverse impact on demand. Prices for recycled fiber were at a high level, although moderated in Europe during the last quarter.

The Fiber Packaging segment's net sales grew and were EUR 285 million (EUR 268 million). Comparable net sales growth was 5%. Growth was mainly driven by healthy volume growth, with the exception of Northwest Europe. Despite positive development towards the end of the year net sales declined in South America.

There was no significant foreign currency impact on the segment's reported net sales.

The segment's earnings declined and were EUR 28 million (EUR 35 million). Volume growth was not sufficient to cover the adverse impact of unfavorable product mix, weak performance in Europe during the second half of the year and negative earnings development in South America throughout the year. As a result of negative earnings development the segment's RONA declined and was 12.8% (EUR 16.4%). The segment's operating cash flow improved and was EUR 21 million (EUR 17 million).

Personnel review

The Group had a total of 17,417 (17,076) employees at the end of 2017. The increase in the number of personnel was mainly due to installment of new production machines and lines. The number of employees by segment was the following: Foodservice Europe-Asia-Oceania 4,870 (4,945), North America 3,839 (3,778), Flexible Packaging 6,874 (6,566), Fiber Packaging 1,761 (1,715), and Other activities, including global functions in Finland, 73 (72). The average number of employees during the year was 17,361 (16,639).

At the end of 2017 the Group had employees in 34 countries, with 32% (30%) of employees in Europe, 38% (40%) in Asia-Oceania, 6% (6%) in Middle East & Africa, 22% (22%) in North America and 1% (1%) in South America. The countries with the largest number of employees were the United States 21% (21%), India 20% (19%), Germany 8% (8%) and UK 7% (6%). The Group had 56% (56%) of its total personnel in the aforementioned countries. Excluding acquisitions, the number of employees increased the most in India, UK and Germany.

A global employee engagement survey is conducted every second year to identify the key areas that affect the employee engagement at Huhtamaki. 80% of our employees responded in the survey in September 2017 (76% in 2015). The employee engagement index was 69%, up from 65% in 2015. Key focus has been on leadership development, communicating company strategy and future direction, encouraging open and honest two-way communication and identifying ways to better recognize everyone's contribution.

Work towards harmonized employment practices and working conditions took a concrete step forward during 2017 as 11 management workshops across the Group's geographies were held to increase awareness and to recognize improvement areas on working conditions. The Group's Global Working Conditions Program includes requirements and best practices for ethics, employment practices, and workplace health and safety. The implementation of the program continues with site specific self-assessments and improvement plans.

Commonly agreed Huhtamaki Leadership competencies were introduced in 2016. In 2017 those competences were included in leadership development programs, assessments and tools used across the Group. Management succession planning was further developed by more systematic identification of internal candidates for leadership and other key roles.

Two new global leadership development programs were introduced in 2017. 'LEAP' is a program that supports the development of individuals on management level into more senior roles in the organization. 'Raise my game', which was kicked-off early 2018, has a more strategic focus helping more seasoned leaders drive growth and re-energize themselves as leaders.

Workplace safety is very important at Huhtamaki, and safety measures and practices are continuously developed. Although the Lost Time Incident Rate (LTIR) shows the Group continues to make improvements in health and safety, an unfortunate workplace fatality of a subcontractor's employee took place at a construction site in India in 2017. To strengthen occupational health and safety for all employees, contractors and visitors, a cross-segment working group was set up. The working group meets on a monthly basis and reports its progress to the Global Executive Team. Among the working group's first priorities was the development of a global health and safety policy.

Special attention is given to near misses – reporting them and learning from them. As a result of the continued systematic work the Group's key workplace safety indicators are trending positively. The Group's lost time incident rate, LTIR*, was 2.4 versus 2.8 in 2016. Total number of incidents decreased to 81 (89 in 2016) and the lost day rate, LDR**, decreased to 639 (878 in 2016). Typical causes for incidents in 2017 were contact with moving machinery or equipment, as well as slips and lifting or carrying boxes. In addition to incident prevention and near miss reporting, special attention has been placed on accuracy and harmonization of reporting.

Risk review

Risk management at Huhtamaki aims at identifying potential events that may affect the achievement of the Group's objectives. The purpose is to manage risks to a level which the Group is capable and prepared to accept so that there is reasonable assurance and predictability regarding the achievement of the Group's objectives. The aim is also to enable efficient allocation of resources and risk management efforts.

In order to systematize and facilitate the identification of risks they are categorized as strategic, operational, financial and information risks. These categories are closely aligned with the strategic, operational, financial and compliance objectives of the Group.

During 2017 the key risks identified in the 2016 risk assessment process were monitored to assess their existing and newly implemented controls and any changes in the risk level itself. Actions to manage those risks were planned and executed at Group or segment level and followed by the Global Risk Management function on a quarterly basis with focus on each business segment's most significant risks.

Parallel to the strategic planning process, business units, segments and Group functions identified and assessed business risks against their medium to long term objectives. These risk assessment results were consolidated from business unit

** The number of accidents or injuries at work resulting in an absence of at least one shift per one million hours worked.*
*** The number of hours that were lost for every million hours worked.*

to segment and further to Group level and used to identify the key risks at segment and Group levels. At each level from business unit to Group, risk treatment actions were subsequently defined in order to reach acceptable risk levels. The acceptable risk levels associated with appropriate risk management efforts were approved by the Global Executive Team, reviewed by the Audit Committee of the Board of Directors and finally approved by the Board of Directors. Agreed risk management efforts will be conducted and followed during 2018.

Price management and raw material and energy price risks are considered among the most significant risks and opportunities to the Group's strategic and financial objectives. The prevailing macroeconomic instability increases volatility in raw material and energy prices that may affect the Group's financial performance and thus increases the importance of efficient price management.

Growth and market position, together with demand and competition, shifts in consumer behavior and reliance on large customers are seen as the most important risks and opportunities to the Group's growth strategy. To sustain and boost business growth, the Group needs to continuously meet customers' and end consumers' demand with a competitive and sustainable product offering.

Macroeconomic and political risks continue to be among the most important risks and opportunities to the Group. Economic growth is a key driver to organic and acquisitive business growth and performance. Political decisions may drive changes in the global and local economies and world free trade treaties. Predicting such changes and their implications to business is high on agenda in order to assure business contingency and continued solid financial performance.

Risks relating to human resources, destruction of facilities and continuity of operations, disruption in raw materials or energy supply as well as product safety and quality are considered the most significant operational risks for the Group. Destruction of a major facility or disruption in raw material supply and thereby compromised business continuity could have negative impact on business through decreased sales. Critical shortcoming in product safety or quality could decrease sales as a result of potential reputation issues.

Foreign exchange translation and transaction risks remain among the Group's twenty most important risks with very little change in ranking from 2016. More information on financial risks can be found in Note 27 of the Annual Accounts 2017.

Variance between the assessed business impacts of the Group's ten most important risks after risk treatment actions is relatively small. None of the identified risks are considered of a magnitude that could not be managed or would endanger the implementation of the Group's strategy.

When considered necessary, appropriate risk treatment actions may also involve risk transfer by means of insurance. The Group maintains a number of global insurance programs. The need for insurance, including the adequacy of its scope and limits, is continuously evaluated by the Global Risk Management function.

The Group invests in continuous improvement of property risk control and business continuity management. In 2017, the Flexible Packaging segment started implementing its Fire Protection Concept, a common fire protection standard for all the segment's business units, aligned with the Group's Property Risk Control Program. Investments in property risk control were also made by other segments, for example the expansion of Foodservice Europe-Asia-Oceania segment's manufacturing unit in Guangzhou, China involved investment in the unit's fire safety. During the second half of 2017, the Global Risk Management function tendered the Group's global broking and risk engineering services.

Environmental review

The Group is committed to the framework of the International Chamber of Commerce's Business Charter for Sustainable Development. The Huhtamaki Code of Conduct sets out the standards for ethical business practices. Respecting the environment is important to Huhtamaki and several Group-wide policies and related instructions have been issued including the environmental policy and the Code of Conduct for Huhtamaki suppliers.

The significant direct environmental impacts of the Group's operations relate to energy use, emissions to air and solid waste. The Group aims to minimize the negative impacts its operations have on the environment. Environmental management systems have been implemented to support the monitoring and continuous improvement of the Group's operational and product related environmental performance. At the end of 2017, 45 (47) manufacturing units, representing 62% (64%) of all manufacturing units in the Group and including the 10 (10) largest units by net sales, followed an externally certified environmental management system such as ISO 14001, the Eco-Management and Audit Scheme (EMAS) or the internal Environmental Care Program implemented in North America.

The Group's environmental operating costs totaled EUR 11 million (EUR 11 million). The costs consist mainly of expenses related to the use and maintenance of environmental protection equipment and expenses related to waste management and waste water treatment.

Huhtamaki monitors its environmental performance at Group, segment and manufacturing unit levels. Indicators most relevant to the Group's operations are reported according to the Global Reporting Initiative (GRI) G4 guidelines. All manufacturing units report their environmental key performance indicators against set targets. The performance is consolidated in the segment level and reported quarterly to the Board of Directors and the Global Executive Team. Details of the Group's environmental performance in 2017 will be published in the Corporate Responsibility Report for 2017 which will be published in April 2018. The externally assured report is prepared in accordance with the GRI G4 guidelines.

Internal and external audits are performed to assess the environmental and social performance of manufacturing units. During 2017 in total 371 external audits were conducted by certification bodies, authorities or customers.

Share capital and shareholders

At the end of 2017, 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 3,648,318 (3,903,846) Company's own shares. Own shares represent 3.4% (3.6%) of the total number of shares and votes. The number of outstanding shares excluding the Company's own shares was 104,112,067 (103,856,539). The average number of outstanding shares used in EPS calculations was 104,050,625 (103,822,029), excluding the Company's own shares.

There were 30,474 (26,407) registered shareholders at the end of 2017. Foreign ownership including nominee registered shares accounted for 49% (48%).

Company's own shares

The Annual General Meeting (AGM) held on April 27, 2017 authorized the Board of Directors to decide on the repurchase of an aggregate maximum of 10,776,038 of the Company's own shares, subject to the number of shares held by the Company at any given moment not exceeding 10% of all the shares of the Company. The authorization remains in force until the end of the next AGM, however, no longer than until June 30, 2018. No own shares were repurchased during the year. Previously during 2002 and 2003, based on the authorization given by the AGM on March 25, 2002, the Company repurchased in total 5,061,089 own shares. After 2003 no own shares have been repurchased.

The AGM 2017 also authorized the Board of Directors to decide on the issuance of shares and special rights entitling to shares. The aggregate number of shares to be issued on the basis of this authorization may not exceed 14,000,000 shares. The authorization concerns both the issuance of new shares and the transfer of the Company's own treasury 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 authorization remains in force until the end of the next AGM, however, no longer than until June 30, 2018. During 2017 a total of 255,528 (160,060) of the Company's own shares were transferred in accordance with the performance share plan for the key personnel of the Company and its subsidiaries. On December 31, 2017 the Company owned a total of 3,648,318 (3,903,846) own shares.

Share trading

During 2017 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 2017, the Company's market capitalization was EUR 3,644 million (EUR 3,664 million) excluding the Company's own shares. With a closing price of EUR 35.00 (EUR 35.28) the share price decreased by 1% from the beginning of the year. During the year the volume weighted average price for the Company's share was EUR 34.69 (EUR 35.77). The highest price paid was EUR 37.68 and the lowest price paid was EUR 31.45.

During the year the cumulative value of the Company's share turnover on Nasdaq Helsinki Ltd was EUR 2,352 million (EUR 2,071 million). The trading volume of 68 million (58 million) shares equaled an average daily turnover of 269,959 (228,902) shares. The cumulative value of the Company's share turnover including alternative trading venues, such as BATS and Turquoise, was EUR 6,117 million (EUR 5,993 million). During the year, 62% (65%) of all trading took place outside Nasdaq Helsinki Ltd. (Source: Fidessa Fragmentation Index, fragmentation.fidessa.com)

Information provided pursuant to the Securities Market Act, Chapter 7, Section 6

Information required under the Securities Market Act, Chapter 7, Section 6 is presented in Note 21 in the Annual Accounts 2017.

Resolutions of the Annual General Meeting 2017

Huhtamäki Oyj's Annual General Meeting of Shareholders (AGM) was held in Helsinki on April 27, 2017. The meeting adopted the Annual Accounts including the Consolidated Annual Accounts for 2016 and discharged the members of the Company's Board of Directors and the CEO from liability. As proposed by the Board of Directors, dividend for 2016 was set at EUR 0.73 per share compared to EUR 0.66 paid for the previous year.

Eight members of the Board of Directors were elected for a term ending at the end of the next AGM. Ms. Eija Ailasmaa, Mr. Pekka Ala-Pietilä, Mr. Doug Baillie, Mr. William R. Barker, Mr. Rolf Börjesson, Mr. Jukka Suominen and Ms. Sandra Turner were re-elected as members of the Board of Directors and Ms. Kerttu Tuomas was elected as a new member of the Board of Directors. 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.

The AGM decided that the annual remuneration to the members of the Board of Directors will remain unchanged and thus be paid as follows: to the Chairman EUR 120,000, to the Vice-Chairman EUR 68,000 and to other members EUR 57,000. In addition, the Annual General Meeting confirmed that the meeting fees will remain unchanged and thus be paid for each meeting attended as follows: EUR 1,000 for all meetings, except EUR 2,000 to the Chairman for the Audit Committee meetings, EUR 1,200 to the Chairman for the Human Resources Committee meetings and EUR 1,200 to the Chairman for the Nomination Committee meetings.

Ernst & Young Oy, a firm of Authorized Public Accountants, was elected as Auditor of the Company for the financial year January 1–December 31, 2017. 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, 2018.

Significant events during the reporting period

On March 3, 2017 Huhtamaki announced that it will set up a greenfield paper cup manufacturing unit in Kiev, Ukraine. The new unit will manufacture a full range of paper cups for cold and hot drinks. The unit will become part of the Foodservice Europe-Asia-Oceania business segment.

On April 21, 2017 Huhtamaki announced that it has agreed to sell one of its manufacturing facilities and the related land usage rights in Guangzhou, China, to Guangzhou Yashao Investment Co. Ltd. The sale was part of the ongoing consolidation of Huhtamaki's foodservice packaging manufacturing operations in South China. The selling price was approximately EUR 14 million.

On April 25, 2017 Huhtamaki announced that is has signed a freely transferable loan agreement (Schuldschein) of EUR

117 million and USD 35 million (approx. EUR 33 million). The loan is targeted to institutional investors. It includes several floating and fixed rate tranches with maturities of 5, 7 and 10 years. Huhtamaki will use the funds for refinancing and general corporate purposes of the Group.

On June 29, 2017 Huhtamaki announced that it has entered into an agreement to acquire International Paper's foodservice packaging operations in China. The acquisition was completed on September 7, 2017 and the acquired business has been consolidated into the Foodservice Europe-Asia-Oceania business segment as of September 1, 2017.

On October 3, 2017 an aggregate nominal amount of EUR 135,008,000 of EUR 200 million notes issued by Huhtamaki in 2013, due on May 14, 2020 and with a coupon of 3.375 percent, were accepted to be purchased back and cancelled. All notes that were not purchased remained outstanding.

On October 4, 2017 Huhtamaki issued a EUR 150 million fixed rate unsecured bond that matures in seven (7) years and pays a coupon of 1.625 percent.

On November 13, 2017 Huhtamaki announced that it will invest EUR 11 million to have a new manufacturing unit built in Hämeenlinna, Finland, to replace the current facility that was built in the 1960's. The facility is expected to begin operations in spring 2019. The majority of the investment takes place during 2018.

On December 28, 2017 Huhtamaki announced actions to further improve competitiveness in China. To gain synergies from the acquisition of International Paper's foodservice packaging operations in China manufacturing operations in Tianjin were decided to be consolidated into one unit. The transfer is expected to be completed by the end of Q1 2018. Huhtamaki also announced that it had completed the sale of the vacated manufacturing facility and related land usage rights in Guangzhou, China, as announced on April 21, 2017, and that to conclude the consolidation of its foodservice packaging operations in South China it had closed down the manufacturing unit in Shandong, China, impacting app. 200 jobs. Related to the announced activities approximately EUR -3 million were booked as items affecting comparability (IAC) in the Foodservice Europe-Asia-Oceania business segment in the fourth quarter of 2017.

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.

Dividend proposal

On December 31, 2017 Huhtamäki Oyj's non-restricted equity was EUR 666 million (EUR 664 million). The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.80 (EUR 0.73) per share be paid.

Annual General Meeting 2018

The Annual General Meeting of Shareholders will be held on Wednesday, April 25, 2018 at 11.00 (EET) at Messukeskus Helsinki, Expo and Convention Centre, Messuaukio 1, 00520 Helsinki, Finland.

Corporate Governance Statement and Remuneration Statement

Separate Corporate Governance Statement and Remuneration Statement have been issued and published in connection with the Directors' Report. The statements are also available on the Group's website www.huhtamaki.com.

Non-financial reporting

Non-Financial Information for 2017 will be published in April 2018 on the Group's website www.huhtamaki.com.

Consolidated Annual Accounts 2017
Group income statement (IFRS)

EUR million	Note	2017	%	2016	%
Net sales	1	2,988.7	100.0	2,865.0	100.0
Cost of goods sold		-2,482.4		-2,355.8	
Gross profit		506.3	16.9	509.2	17.8
Other operating income	4	22.4		24.7	
Sales and marketing		-77.6		-75.4	
Research and development		-19.2		-17.2	
Administration costs		-149.8		-162.7	
Other operating expenses	5	-20.0		-14.4	
Share of profit of equity-accounted investments		2.2		2.0	
		-242.0		**-243.0**	
Earnings before interest and taxes	6, 7	264.3	8.8	266.2	9.3
Financial income	8	4.9		5.3	
Financial expenses	8	-22.4		-32.2	
Profit before taxes		246.8	8.3	239.3	8.4
Income tax expense	9	-50.3		-47.8	
Profit for the period		196.5	6.6	191.5	6.7
Attributable to:					
Equity holders of the parent company		193.1		187.8	
Non-controlling interest		3.4		3.7	
EUR					
EPS attributable to equity holders of the parent company	10	1.86		1.81	
Diluted EPS attributable to equity holders of the parent company	10	1.85		1.80	

Group statement of comprehensive income (IFRS)

EUR million	Note	2017	2016
Profit for the period		**196.5**	**191.5**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit plans	17	6.5	-34.1
Income taxes related to items that will not be reclassified	9	-4.2	6.2
Total		**2.3**	**-27.9**
Items that may be reclassified subsequently to profit or loss			
Translation differences		-118.8	44.2
Equity hedges		25.4	-6.1
Cash flow hedges	22	-0.5	0.7
Income tax related to items that may be reclassified	9	0.2	-0.3
Total		**-93.7**	**38.5**
Other comprehensive income, net of tax		-91.4	10.6
Total comprehensive income		105.1	202.1
Attributable to:			
Equity holders of the parent company		101.7	198.4
Non-controlling interest		3.4	3.7

Group statement of financial position (IFRS)

Assets

EUR million	Note	2017	2016
Non-current assets			
Goodwill	11	633.8	669.2
Other intangible assets	11	36.5	39.5
Tangible assets	12	1,055.0	1,035.8
Equity-accounted investments	13	5.9	7.0
Other investments	14, 26	1.7	1.6
Interest-bearing receivables	15, 26	3.0	4.6
Deferred tax assets	16	51.2	58.6
Employee benefit assets	17	53.2	55.8
Other non-current assets		5.8	9.6
		1,846.1	**1,881.7**
Current assets			
Inventory	18	444.8	401.9
Interest-bearing receivables	15	5.2	2.2
Current tax assets		11.2	6.8
Trade and other current receivables	19, 26	507.3	476.1
Cash and cash equivalents	20, 26	116.0	105.9
		1,084.5	**992.9**
Total assets		2,930.6	2,874.6

Equity and liabilities

EUR million	Note	2017	2016
Share capital	21	366.4	366.4
Premium fund	21	115.0	115.0
Treasury shares	21	-33.5	-35.9
Translation differences	22	-104.8	-11.4
Fair value and other reserves	22	-101.3	-103.3
Retained earnings		917.0	803.8
Equity attributable to equity holders of the parent company		**1,158.8**	**1,134.6**
Non-controlling interest		49.4	47.6
Total equity		**1,208.2**	**1,182.2**
Non-current liabilities			
Interest-bearing liabilities	23, 26	643.7	520.8
Deferred tax liabilities	16	86.9	92.2
Employee benefit liabilities	17	215.7	229.2
Provisions	24	15.8	11.0
Other non-current liabilities		25.4	20.9
		987.5	**874.1**
Current liabilities			
Interest-bearing liabilities			
Current portion of long-term loans	23, 26	25.8	137.0
Short-term loans	23, 26	153.1	129.9
Provisions	24	6.9	7.1
Current tax liabilities		10.0	10.4
Trade and other current liabilities	25, 26	539.1	533.9
		734.9	**818.3**
Total liabilities		1,722.4	1,692.4
Total equity and liabilities		2,930.6	2,874.6

Group statement of cash flows (IFRS)

EUR million	Note	2017	2016
Profit for the period		**196.5**	**191.5**
Adjustments		191.0	185.2
Depreciation and amortization		122.0	113.9
Share of profit of equity-accounted investments		0.2	-0.1
Gain/loss from disposal of assets		-5.2	-0.1
Financial expense/-income		17.5	26.9
Income tax expense		50.3	47.8
Other adjustments, operational		6.2	-3.2
Change in inventory		-69.6	8.8
Change in non-interest-bearing receivables		-37.8	-11.1
Change in non-interest-bearing payables		41.9	-7.4
Dividends received		1.1	1.9
Interest received		1.7	1.3
Interest paid		-21.9	-20.4
Other financial expenses and income		-2.3	-1.5
Taxes paid		-43.9	-50.8
Net cash flow from operating activities		**256.7**	**297.5**
Capital expenditure		-214.8	-199.1
Proceeds from selling tangible assets		13.6	1.9
Acquired subsidiaries and assets		-3.2	-120.7
Proceeds from long-term deposits		1.3	1.4
Payment of long-term deposits		0.0	-1.7
Proceeds from short-term deposits		2.8	2.0
Payment of short-term deposits		-6.1	-2.0
Net cash flow from investing activities		**-206.4**	**-318.2**
Proceeds from long-term borrowings		420.8	174.1
Repayment of long-term borrowings		-292.6	-179.1
Proceeds from short-term borrowings		2,650.6	2,040.4
Repayment of short-term borrowings		-2,735.6	-1,943.2
Dividends paid		-76.0	-68.5
Net cash flow from financing activities	23	**-32.8**	**23.7**
Change in liquid assets		**10.1**	**2.7**
Cash flow based		17.5	3.0
Translation difference		-7.4	-0.3
Liquid assets on January 1		105.9	103.2
Liquid assets on December 31		116.0	105.9

Group statement of changes in equity (IFRS)

Attributable to equity holders of the parent company

EUR million	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance on Dec 31, 2015	366.4	115.0	-37.3	-49.5	-75.8	682.1	1,000.9	35.1	1,036.0
Dividends paid						-68.5	-68.5		-68.5
Share-based payments			1.4			5.8	7.2		7.2
Total comprehensive income for the year				38.1	-27.5	187.8	198.4	3.7	202.1
Other changes						-3.4	-3.4	8.8	5.4
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			1.2	3.6		3.6
Total comprehensive income for the year				-93.4	2.0	193.1	101.7	3.4	105.1
Other changes						-4.0	-4.0	-1.6	-5.6
Balance on Dec 31, 2017	366.4	115.0	-33.5	-104.8	-101.3	917.0	1,158.8	49.4	1,208.2

[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.*

Significant accounting policies

Main activities

Huhtamaki Group is a global specialist in packaging for food and drink with operations in 34 countries. The Group's focus and expertise are in paperboard based foodservice packaging, smooth and rough molded fiber packaging as well as flexible packaging. Huhtamaki offers standardized products, customized designs as well as total packaging systems and solutions. Main customers are food and beverage companies, quick service and fast casual restaurants, foodservice operators, fresh produce packers and retailers.

The parent company, Huhtamäki Oyj, is a limited liability company domiciled in Espoo, Finland and listed on NASDAQ OMX Helsinki Ltd. The address of its registered office is Revontulenkuja 1, 02100 Espoo, Finland.

These Group consolidated financial statements were authorized for issue by the Board of Directors on February 13, 2018. According to the Finnish Companies Act shareholders decide on the adoption of financial statements at the general meeting of shareholders held after the publication of the financial statements.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the IAS and IFRS standards as well as SIC- and IFRIC- interpretations which were valid on December 31, 2017. IFRS, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of said Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulations (EC) No 1606/2002 of the EU.

The consolidated financial statements have been prepared under the historical cost convention except for available-for sale financial assets, financial instruments at fair value through profit or loss, derivative instruments and cash-settled share-based payment arrangements that are measured at fair value. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. The use of estimates and assumptions is described in more detail in the section "Use of estimates". The consolidated financial statements are presented in millions of euros.

The following new or amended standards have been adopted as of January 1, 2017:

- Revised IAS 7 Statement of Cash Flows. Disclosure Initiative. The amendment requires the disclosure of changes in liabilities arising from financing activities including both cash based and non-cash based changes. The Group has added new disclosure information to its financial statements to present a reconciliation of liabilities arising from financial activities.
- Revised IAS 12 Income Taxes. The amendment clarifies the requirements on recognition of deferred tax asset for unrealized losses on debt instruments measured at fair value. The amendment had no impact on the financial statements.
- IFRS 9 Financial Instruments and related amendments to other standards. The new standard replaces current IAS 39 Financial Instruments: Recognition and measurement -standard. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Group has updated its categorization of financial assets and liabilities. This had no impact on the balances, only the terminology changed. The table below illustrates the classification of financial assets and liabilities under IAS 39 and IFRS 9. The disclosures related to financial assets and liabilities were modified respectively. Impairment and hedge accounting are according to the new standard.

Financial assets and liabilities are classified under IFRS 9 as presented in the table below.

Financial assets	Classification under IAS 39	Classification under IFRS 9
Trade and other receivables	Loans and receivables	Amortized cost
Interest bearing receivables	Loans and receivables	Amortized cost
Other investments	Available-for-sale financial assets	Fair value through other comprehensive income
Derivatives	Financial assets at fair value through profit or loss	Fair value through profit or loss
Derivatives designated for hedge accounting	Cash flow and equity hedges (at fair value through other comprehensive income)	Fair value through other comprehensive income
Cash and cash equivalents	Loans and receivables	Amortized cost

Financial liabilities	Classification under IAS 39	Classification under IFRS 9
Trade and other liabilities	Loans and other liabilities	Amortized cost
Interest bearing liabilities	Loans and other liabilities	Amortized cost
Derivatives	Financial liabilities at fair value through profit or loss	Fair value through profit or loss
Derivatives designated for hedge accounting	Cash flow and equity hedges (at fair value through other comprehensive income)	Fair value through other comprehensive income

- IFRS 15 Revenue from Contracts with Customers and related amendments to other standards. The standard establishes a new five-step framework to account revenue arising from contracts with customers. The revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has adopted the standard using a modified retrospective approach. A minor adjustment related to cash discounts has been done to the opening balance of retained earnings at the date of initial application. The disclosures related to revenue are according to the new standard.

Principles of consolidation

The consolidated financial statements include the parent company Huhtamäki Oyj and all its subsidiaries where over 50% of the subsidiary's voting rights are controlled directly or indirectly by the parent company, or the parent company is otherwise in control of the company.

Subsidiaries are accounted for using the acquisition method according to which the consideration transferred and the identifiable assets and liabilities of the acquired company are measured at their fair value at the date of acquisition and the remaining balance of consideration less acquired net asset is recognized as goodwill. The costs relating to the acquisition are accounted as expense. Any possible contingent consideration is recognized at fair value at the acquisition date and it is classified as a liability or equity. Contingent consideration classified as a liability is remeasured at reporting period closing date and the related profit or loss is recognized in the income statement. Contingent consideration classified as equity is not remeasured. The acquisitions before January 1, 2010 are accounted according to the current regulations in force at the time of acquisition. Subsidiaries acquired during the financial year are included in the consolidated financial statements from the date of their acquisition and divested subsidiaries are included up to their date of sale.

All intercompany transactions, receivables, liabilities and unrealized profits, as well as distribution of profits within the Group, are eliminated.

Profit and loss for the period attributable to equity holders of the parent company and to non-controlling interest is presented in the income statement. Comprehensive income attributable to equity holders of the parent company and to non-controlling interest is presented in the statement of comprehensive income. Comprehensive income is attributed to the owners of the parent company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Non-controlling interest is also disclosed as a separate item within equity.

Associated companies, where the Group holds voting rights of between 20% and 50% and in which the Group has significant influence, but not control, over the financial and operating policies, are consolidated using the equity method. Joint arrangements are companies over whose activities the Group has joint control, established by contractual agreement. The joint arrangements classified as joint ventures are consolidated using the equity method. When the Group's share of losses exceeds the carrying amount of the equity accounted investment, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the equity-accounted investments. The Group's share of result of equity-accounted investments is presented as a separate item above Earnings before interest and taxes. Correspondingly the Group's share of changes in other comprehensive income is recognized in the Group statement of comprehensive income.

Foreign currency translation

Foreign currency transactions are translated into functional currency at the rates of exchange prevailing at the date of the transaction. For practical reasons an approximate exchange rate is often used for transactions taking place during the month. Monetary assets and liabilities are translated at the rates of exchange at the reporting period closing date. The exchange rate used at the reporting period closing date is the rate of the date prior to the last working day of the reporting period closing date. Foreign exchange differences arising from translation are recognized in the income statement. Foreign exchange gains and losses relating to operating activities are recognized in the same account as the underlying transaction above Earnings before interest and taxes. Foreign exchange differences relating to financial liability are recognized in financial income or expense except for those currency differences that relate to loans designated as a hedge of the net investment in foreign operations. Those currency differences are recognized as translation differences in other comprehensive income.

On consolidation the income statements of foreign entities are translated into euros at the average exchange rate for the accounting period. The statements of financial position of foreign entities are translated at the exchange rate of reporting period closing date. The exchange rate used at the reporting period closing date is the rate of the date prior to the last working day of the reporting period closing date. Differences resulting from the translation of income statement items at the average rate and items in the statement of financial position at the closing rate are recognized as part of translation differences in other comprehensive income.

In accordance with the exception included in the IFRS 1 the cumulative translation differences until the transition date January 1, 2002 have been reclassified to retained earnings. From the transition date onwards exchange differences arising on the translation of the net investment in foreign subsidiaries, associated companies and joint ventures are recognized as translation differences in other comprehensive income. A similar treatment is applied to intragroup permanent loans, which in substance are equity. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as part of the gain or loss on sale.

Financial instruments

Financial assets are classified according to IFRS 9 on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics to the following categories: financial assets at fair value through profit or loss, financial assets at fair value through OCI and financial assets at amortized cost. Financial liabilities are classified to financial liabilities at fair value through profit and loss and financial liabilities at amortized cost.

Publicly traded and unlisted shares are classified as financial assets at fair value through OCI. Publicly traded shares are recognized at fair value, which is based on quoted market prices at the reporting period closing date. Gains or losses arising from changes in fair value are recognized in other comprehensive income and are presented in equity in fair value reserves. Unlisted shares are measured at cost, as their fair value cannot be measured reliably.

Non-derivative assets with fixed or determinable payments that are not quoted in an active market are classified as financial assets at amortized cost. Trade receivables and other receivables are included in this category. Trade and other receivables are measured at amortized cost by using the effective interest rate method.

The Group uses its historical credit loss experience adjusted with current conditions and forecasts to future conditions to estimate credit losses for financial assets. The credit loss allowance is estimated based on grouping the assets with similar patterns of geographical region, product type and customer rating. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed.

All derivative financial instruments are measured at fair value. The Group applies hedge accounting for certain interest rate swaps and foreign exchange forwards that meet hedge accounting criteria as defined in IFRS 9. The hedged item must be highly probable to occur and must ultimately affect the income statement. The hedges must be highly effective prospectively. For qualifying cash flow hedges, the portion of any change in fair value that is effective is included in other comprehensive income, and any remaining ineffective portion is recognized in the income statement. The cumulative changes of fair value of the hedging instrument that have been recognized in equity are transferred from equity and included in the income statement when the forecasted transaction is recognized in the income statement. When the hedged forecast transaction subsequently results in the recognition of non-financial asset or non-financial liability, the cumulative change of fair value of the hedging instrument that has been recognized in equity is transferred from equity and included in the initial carrying amount of the asset or liability at the time it is recognized.

For qualifying fair value hedges, the valuation is recognized in the income statement relating to the hedged risk. Derivative instruments that are designated as hedging instruments but not accounted for according to the principles of hedge accounting or which do not fulfill IFRS 9 hedge accounting requirements are classified as financial instruments at fair value through profit or loss and valued at fair value. Changes in fair values of these derivative financial instruments are recognized in the income statement. A non-split presentation is applied to liabilities at fair value through profit or loss because the presentation in OCI would create or enlarge an accounting mismatch in profit or loss.

The Group uses foreign exchange forwards and foreign currency loans to hedge net investments in foreign entities. Hedges of net investment in foreign entities must meet the same hedge accounting criteria as cash flow hedges as detailed in IFRS 9. All changes in fair value arising from the hedges are recognized as a translation difference in other comprehensive income if hedge accounting criteria are met. If the hedged entity is disposed of, the cumulative changes in fair value of the hedging instrument that have been recognized in equity are included in the income statement at the time of disposal.

Fair values of foreign exchange forwards are calculated using market rates on the reporting period closing date. Fair values of foreign exchange options are calculated with the Garman-Kohlhagen model. Fair values of interest rate swaps, futures and forwards are based on net present values of estimated future cash flows. Cash, short-term loans and overdrafts have fair values that approximate to their carrying amounts because of their short-term nature. The recoverable amount for financial investments is calculated as the present value of expected future cash flows, discounted at the original effective interest rate. Short-term receivables are not discounted.

Cash and cash equivalents comprise of cash at bank and short term highly liquid money market securities for the Group's cash management purposes that are subject to insignificant risk of changes in value.

Interest-bearing loans and borrowings are classified as other liabilities. Interest-bearing loans and borrowings are originated loans and bank loans, and are carried at amortized cost by using the effective interest rate method.

Goodwill and other intangible assets

Goodwill arising from an acquisition represents the excess of the consideration transferred over the fair value of the net identifiable assets acquired. Goodwill is allocated to cash-generating units and is not amortized but is tested annually for impairment. For associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment. Goodwill is valued at cost less impairment losses.

Other intangible assets include customer relations, patents, copyrights, trademarks, land use rights, emission rights and software licenses. These are measured at cost and amortized on a straight-line basis over the estimated useful lives, which may vary from 3 to 20 years. Land use rights are amortized over the agreement period.

Bought emission rights will be initially valued at cost. Received emission rights are reported in the statement of financial position initially at their fair value. Emission rights are subsequently valued at cost. Emission rights, which are traded on active markets, are not amortized, as the carrying value of those emission rights is considered to account for initial value. Emission rights will be derecognized at transaction date, when actual emissions have been defined.

The estimated useful lives are (years):

Intangible rights up to	20
Software	3–5
Customer relations	7

Subsequent expenditure on capitalized other intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Research and development

Research costs are recognized in the income statement as incurred. Expenditure on development activities related to new products and processes are capitalized in the statement of financial position from the moment they are expected to bring future economic benefits and the Group has intention and resources to finalize the development. Previously expensed development expenditure is not capitalized later.

Tangible assets

Tangible assets comprising mainly of land, buildings, machinery, tooling and equipment are valued at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of material, direct labor costs and an appropriated proportion of production overheads. When an asset includes major components that have different useful lives, they are accounted for as separate items.

Expenditure incurred to replace a component in a tangible asset that is accounted for separately, including major inspection and overhaul costs, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the asset. All other expenditure such as ordinary maintenance and repairs is recognized in the income statement as an expense as incurred. The borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the acquisition cost. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated.

The estimated useful lives are (years):	
Buildings and other structures	20–40
Machinery and equipment	5–15
Other tangible assets	3–12

Tangible assets which are classified as held for sale are valued at lower of its carrying amount or fair value less costs to sell. The depreciation of these assets will be ceased when assets are classified as held for sale. Gains or losses arising from the disposal of tangible assets are included in Earnings before interest and taxes.

Impairment

The carrying amounts of assets are assessed at each reporting period closing date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of assets or cash-generating unit exceeds the recoverable amount. Impairment losses are recognized in the income statement. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying value of goodwill allocated to groups of cash-generating units and then to reduce the carrying amount of other assets in the group of units on pro rata bases.

For intangible and tangible assets the recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on the average cost of capital rate (pre-tax) of the cash-generating unit where the assets are located, adjusted for risks specific to the assets.

In respect of tangible assets and other intangible assets excluding goodwill, impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is never reversed.

Leases

Lease contracts in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

In finance leases the assets and accumulated depreciation are included in tangible assets and the associated obligations are included in interest-bearing liabilities. When a Group company is the lessor, the discounted future lease payments are booked as interest-bearing receivables and the assets that have been leased out are removed from tangible assets.

Lease payments under finance leases are divided into interest expense or interest income and installment payment of liability or receivable. Rental payments and rental income under operating leases are charged to the income statement.

Assets financed with leasing contracts have been capitalized and are measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. Assets are impaired and depreciated under the same principles and rates as tangible fixed assets. The depreciation time is the shorter of the useful life of the asset and the lease term.

The leasing components included in purchase agreements are recognized according to same principles. Other parts of the agreement are recognized according to the related IFRS standards.

Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is determined using the first-in first-out principle and include expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Costs for produced finished goods and work-in-process represent the purchase price of materials, direct labor costs, other direct costs and related production overheads excluding selling and financial costs.

Employee benefits

The Group companies have various pension and other postemployment plans in accordance with local conditions and practices throughout the world. The plans are classified as either defined contribution plans or defined benefit plans.

A defined contribution plan is a plan under which the Group pays fixed contribution into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the entity is not able to pay the relating benefits. The contributions to defined contribution plans are charged to the income statement in the year to which they relate. A defined benefit plan is a plan which is not a defined contribution plan.

The present value of the obligation of defined benefit plans is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined using interest rates of high-quality corporate bonds that have maturity terms approximating to the terms of the related defined benefit obligation. The liability or asset recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting period closing date less fair value of plan assets.

Remeasurements, including actuarial gains and losses, are recognized to equity through other comprehensive income when incurred and are not reclassified to profit or loss in subsequent periods. Past service costs are recognized in income statement at the earlier of when the plan amendment or curtailment occurs or when related restructuring costs or termination benefits are recognized.

For defined benefit plans the Group reports the current and past service cost as well as gains and losses on non-routine settlements in personnel expenses by functions. The net interest income or expense is recognized in financial income or expenses. The net interest is determined by applying the discount rate used to determine present value of obligation to the net defined benefit liability or asset at the beginning of the annual period. In addition, the changes during the period caused by contributions and benefit payments are taken into account.

Share-based payment transactions

The Group has incentive plans which include equity-settled or cash-settled share-based payment transactions. The fair value of equity-settled share-based payments granted is recognized as an employee expense with a corresponding increase in equity. The fair value of cash-settled share-based payments is valued at each reporting period closing date and the changes in fair value of liability are recognized as expense when incurred. The fair value is measured at grant date and spread over the vesting period during which the employees become unconditionally entitled to the awards. The fair value of awards granted is measured using the Black-Scholes model, taking into account the market terms and conditions of agreement when pricing the awards. The amount recognized as an expense is adjusted to reflect the actual number of awards that will be vested. Non-market vesting conditions (for example, EBIT growth target) are not included in the value of share-based instruments but in the number of instruments that are expected to vest. At each reporting period closing date the estimates about the number of awards that are expected to vest are revised and the impact is recognized in income statement.

Provisions

Provisions are recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle such obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions arise from restructuring plans, onerous contracts, legal proceedings and from environmental litigation risks. Obligations arising from restructuring plans are recognized when the detailed and formal plans have been established and when there is a valid expectation that such plan will be carried out (plan has been announced). Provision from emissions is recognized according to actual emissions.

Taxes

The Group income statement includes current taxes of Group companies based on taxable profit for the financial period according to local tax regulations as well as adjustments to prior year taxes and changes in deferred taxes. Tax effect relating to items recognized directly in equity or in other comprehensive income is recognized in equity or in other comprehensive income.

Deferred tax assets and liabilities are recognized using the liability method for all temporary differences arising from the difference between the tax basis of assets and liabilities and their carrying values for IFRS reporting purposes. Deferred tax is not recognized for non-deductible goodwill and for differences in investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is not recognized in the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. In the determination of deferred income tax the enacted tax rate is used.

Principal temporary differences arise from tangible assets, untaxed reserves, tax losses carried forward, financial instruments and defined benefit plans. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which such assets can be utilized.

Equity, dividends and own shares

The Group's equity includes instruments that evidences a residual interest in the assets of an entity after deducting all of its liabilities and contains no contractual obligation for the issuer to deliver cash or other financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions which are unfavorable to the issuer. When Huhtamäki Oyj's own shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction in equity.

Dividends proposed by the Board of Directors are not recognized in the financial statements until the shareholders have approved them at the Annual General Meeting.

Revenue recognition

The revenue is recognized at an amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. The transaction price is usually fixed, but may also include variable considerations such as volume or cash discounts. The variable considerations are estimated using the most likely value method if not yet realized in the end of reporting period. The revenue further adjusted with indirect sales taxes and exchange rate differences relating to sales in foreign currency is presented as net sales.

Typical contracts with customers include a sale of goods to a customer with only one performance obligation. The revenue recognition occurs at a point in time, when the control of the goods is transferred to the customer according to the delivery terms.

Grants

Government or other grants are recognized in the income statement on a systematic basis in the same periods in which the expenses are incurred. Investment grants are presented in the statement of financial position as deferred income and recognized as income on a systematic basis over the useful life of the asset. These grants are included in other operating income. Government grants relating to emissions are accrued based on actual emissions.

Other operating income and expense

Other operating income includes gains from disposal of assets and regular income, such as royalty and rental income, which have not been derived from primary activities. Other operating expenses include losses from disposal of assets and other costs not directly related to production or sale of products such as amortization of software and goodwill impairment losses.

Items affecting comparability

Material restructuring costs, impairment losses and reversals, gains and losses relating to business combinations and disposals, gains and losses relating to sale of intangible and tangible assets, as well as material fines and penalties imposed by authorities amongst other things are presented as items affecting comparability.

Earnings before interest and taxes

Earnings before interest and taxes consists of net sales less costs of goods sold, sales and marketing expenses, research and development costs, administration costs, other operating expenses plus other operating income and share of result of equity-accounted investments. Foreign exchange gains and losses and changes of fair value of the derivative financial instruments relating to business are included in Earnings before interest and taxes.

Use of estimates

Preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, income and expenses, as well as the disclosure of contingent assets and liabilities. The estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, which form the basis of making the judgments about carrying values. These estimates and assumptions are reviewed on an ongoing basis. Possible effect of the changes in estimates and assumptions are recognized during the period they are changed.

The estimates and assumptions that have a significant risk of causing adjustment to the carrying value of assets within next financial year relate to impairment testing, the measurement of pension liabilities, litigation and tax risks, restructuring plans, provision for inventory obsolescence and the probability of deferred tax assets being recovered against future taxable profits.

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. More information about the sensitivity of recoverable amount relating to used assumptions can be found in note Intangible assets.

New IAS/IFRS standards and interpretations

New standards and amendments to existing standards applicable for the Group that have been published and are not mandatory, and which the Group has not yet adopted are described in the following.

The Group plans to adopt the following standards and amendments in 2018, which are not expected to have impact on the consolidated 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.

The Group expects to adopt later than 2018 the following new standards and amendments to existing standards:

- Revised IAS 28 Investments in Associates and Joint Ventures. The amendments clarify that IFRS 9 Financial Instruments is applied to the accounting for long-term interests in an associate or joint venture to which the equity method is not applied. The amendments are not expected to have an impact on the consolidated financial statements.
- Revised IFRS 9 Financial Instruments. The amendments allow the measurement of particular prepayable financial assets at amortized cost or at fair value through other comprehensive income if specified conditions are met. The amendments are not expected to have an impact on the consolidated financial statements.
- IFRS 16 Leases (effective for 2019 annual period with early adoption permitted). The new standard will replace current IAS 17 Leases -standard. The standard introduces new requirements for accounting for lease agreements. It introduces a single lessee accounting model that requires a lessee to book all leased assets and liabilities to balance sheet. The Group is examining the impact of the standard and analyzing especially its portfolio of lease agreements.
- IFRIC 23 Uncertainty over income tax treatments (effective for 2019 annual period with early adoption permitted). The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatment. The interpretation is not expected to have an impact on the consolidated financial statements.
- Annual improvements (2015-2017). Annual improvements include smaller amendments to four standards. The improvements are not expected to have an impact on the consolidated financial statements.

1. Segment information

The Group's reportable segments are strategic business units which produce different products and which are managed as separate units. The Group's segment information is based on internal management reporting.

The Group has three business areas which are organized into four reporting segments:

Foodservice Packaging:

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

North America: The segment serves local markets in North America with Chinet® disposable tableware products, foodservice packaging products, as well as ice cream containers and other consumer goods packaging products. The segment has rigid paper, plastic and molded fiber manufacturing units in the United States and Mexico.

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.

Fiber Packaging:

Recycled fiber is used to make fresh product packaging, such as egg and fruit packaging. The segment has production in Europe, Oceania, Africa and South America.

In the Group the performance assessment of segments and decisions on allocation of resources to segments are based on a segment's potential to generate earnings before interest and taxes (EBIT), operating cash flow and return on net assets. In management's opinion these are the most suitable key indicators for analyzing the segments' performance. The Chief Executive Officer is the highest decision maker regarding the above-mentioned assessments and allocation of resources.

Segment's net assets include items directly attributable to a segment and items which can be allocated on a reasonable basis. Net assets comprise intangible assets (including goodwill), tangible assets, equity-accounted investments, inventories, trade and other receivables, accrued income and prepayments, trade payables, other payables and accrued expense. Capital expenditure includes acquisition of tangible and intangible assets which will be used during more than one reporting period. Intersegment pricing is based on fair market value.

Other activities include unallocated corporate costs and royalty income and related net assets. Unallocated assets and liabilities relate to post-employment benefits, taxes and financial items.

Segments 2017

EUR million	Foodservice Europe-Asia-Oceania	North America	Flexible Packaging	Fiber Packaging	Segments total
Net sales	801.3	992.5	912.4	282.5	2,988.7
Intersegment net sales	6.2	7.9	0.3	2.6	17.0
EBIT	66.7	104.1	69.7	28.2	268.7
Net assets	551.0	727.9	647.2	214.4	2,140.5
Capital expenditure	53.4	97.9	41.1	22.0	214.4
Depreciation and amortization	36.5	39.1	30.1	15.4	121.1
RONA, % (12m roll.)	12.4%	14.2%	10.8%	12.8%	-
Operating cash flow	57.1	31.7	36.6	20.7	-

Intersegment net sales are eliminated on consolidation.

See notes 2, 7, 11 and 12.

Segments 2016

EUR million	Foodservice Europe-Asia-Oceania	North America	Flexible Packaging	Fiber Packaging	Segments total
Net sales	734.5	996.4	868.4	265.7	2,865.0
Intersegment net sales	6.5	8.7	0.2	2.1	17.5
EBIT	61.5	107.6	73.8	34.6	277.5
Net assets	534.5	727.0	644.9	220.5	2,126.9
Capital expenditure	46.9	97.9	25.7	27.6	198.1
Depreciation and amortization	32.1	37.3	30.0	13.6	113.0
RONA, % (12m roll.)	13.3%	16.3%	11.6%	16.4%	-
Operating cash flow	38.0	40.4	87.9	16.7	-

Reconciliation calculations

Result

EUR million	2017	2016
Total EBIT for reportable segments	268.7	277.5
EBIT for other activities	-4.4	-11.3
Net financial items	-17.5	-26.9
Profit before taxes	246.8	239.3

Assets

EUR million	2017	2016
Total assets for reportable segments	2,654.8	2,620.6
Assets in other activities	18.6	18.1
Unallocated assets	257.2	235.9
Group's total assets	2,930.6	2,874.6

Liabilities

EUR million	2017	2016
Total liabilities for reportable segments	514.3	493.7
Liabilities in other activities	19.1	29.9
Unallocated liabilities	1,189.0	1,168.8
Group's total liabilities	1,722.4	1,692.4

Geographical information

In presenting information on geographical basis revenues are reported based on the selling entity's location. Assets are reported based on geographical location of the assets. Non-current assets are presented excluding financial instruments, deferred tax assets and post-employment benefit assets.

2017

EUR million	External net sales	Non-current assets
The United States	988.3	591.4
Germany	418.3	139.6
India	274.7	104.0
The United Kingdom	215.4	104.0
China	110.7	80.9
Thailand	105.7	57.8
Russia	97.5	40.5
Australia	85.0	35.1
The United Arab Emirates	80.0	37.7
Poland	74.7	45.9
Other countries	538.4	494.3
Total	2,988.7	1,731.2

2016

EUR million	External net sales	Non-current assets
The United States	992.7	595.6
Germany	391.2	141.3
India	281.9	113.7
The United Kingdom	195.2	108.4
China	107.2	78.1
Thailand	96.4	55.1
Australia	84.6	32.9
Russia	80.4	40.5
The United Arab Emirates	74.8	45.2
Poland	58.6	37.1
Other countries	502.0	503.6
Total	**2,865.0**	**1,751.5**

2. Business combinations

On September 7, 2017 Huhtamaki completed the acquisition of International Paper's foodservice packaging operations in China. With the acquisition Huhtamaki expanded its manufacturing footprint into the Eastern China region and strengthened its capacity and capability to serve customers operating in Northern China. The acquisition comprises of two manufacturing units located in Shanghai and Tianjin. The acquired business has been consolidated into the Foodservice Europe-Asia-Oceania business segment as of September 1, 2017. The goodwill is expected to be non-deductible for income tax purposes. The consideration in cash amounted to EUR 6.2 million.

The draft values of acquired assets and liabilities at the time of the acquisition were as follows:

EUR million	2017
Customer relations	0.1
Intangible assets	3.7
Tangible assets	7.6
Inventories	3.5
Trade and other receivables	3.6
Cash and cash equivalents	3.0
Total assets	**21.5**
Deferred taxes	0.0
Interest-bearing loans	-14.7
Trade and other payables	-3.0
Total liabilities	**-17.7**
Net assets total	**3.8**
Goodwill	2.4
Consideration	6.2

The analysis of cash flows of acquisition is as follows:

EUR million	2017
Purchase consideration, cash payment	-6.2
Cash and cash equivalents in acquired company	3.0
Transaction costs related to the acquisition	0.5
Net cash flow on acquisition	-2.7

The net sales of the acquired business included in the Group income statement since acquisition date were EUR 7.1 million and result for the period was EUR -0.1 million. The net sales and the result for the period of the acquired business would not have had material effect in the Group income statement, if the acquired business had been consolidated from January 1, 2017.

3. Restructuring items

The restructuring costs booked in 2017 related to further improvement of competitiveness in the Foodservice Europe-Asia-Oceania segment. Huhtamaki has completed the sale of the vacated manufacturing facility and related land usage rights in Guangzhou, China. To conclude the consolidation of its foodservice packaging operations in South China, Huhtamaki has closed down a manufacturing unit in Shandong. In addition, to gain synergies from the acquisition of International Paper's foodservice packaging operations in China, comprising manufacturing units in Tianjin and Shanghai, Huhtamaki has decided to consolidate its manufacturing operations in Tianjin into one unit. This is expected to be completed by the end of the first quarter of 2018.

The restructuring costs booked in 2016 were related to efficiency enhancing measures to improve competitiveness in the Foodservice Europe-Asia-Oceania segment. Two foodservice packaging manufacturing operations in South China were decided to be consolidated into one efficient and modernized manufacturing facility. Manufacturing operations at the foodservice packaging plant in Henderson, New Zealand, were decided to be reorganized. In addition, following a supplemental site assessment at the manufacturing operations in Viul, Norway, which was closed in 2013, a provision to cover potential environmental remediation actions was recognized.

Restructuring costs represent the costs of reduction in the number of employees together with the write down of manufacturing assets. Restructuring related income represents the selling price of manufacturing facility and related land use rights. The restructuring items have been included in the reported Profit for the period under the appropriate expense classifications within the consolidated income statement and are as follows:

EUR million	2017	2016
Cost of goods sold	8.1	8.1
Other operating income	-13.3	-
Sales and marketing	-	0.3
Administration costs	-	0.2
Other operating expenses	8.6	0.9
Income tax expense	1.4	-
Total	**4.8**	**9.5**

4. Other operating income

EUR million	2017	2016
Royalty income	2.6	11.7
Gains relating to business combinations	-	7.8
Rental income	0.6	0.7
Gain on disposal of tangible assets	14.4	0.5
Other	4.8	4.0
Total	22.4	24.7

5. Other operating expenses

EUR million	2017	2016
Amortization of other intangible assets	8.4	8.6
Loss on disposal of tangible assets	9.2	0.4
Strategic project expenses	1.3	3.3
Other	1.1	2.1
Total	20.0	14.4

In 2017, total auditing costs of the Group amounted to EUR 1.9 million (2016: EUR 2.3 million). The Ernst & Young network has also provided other consultancy not related to auditing worth of EUR 0.7 million (2016: EUR 0.8 million). Such other consultancy services are subject to separate review and approval process concerning the provision of non-audit services by the Auditor and included e.g. advisory in connection with various tax, reporting and other local compliance matters.

6. Personnel expenses

EUR million	2017	2016
Wages and salaries	503.1	473.7
Compulsory social security contributions	52.1	43.5
Pensions		
Defined benefit plans	2.4	3.5
Defined contribution plans	15.2	14.1
Other post-employment benefits	1.2	1.7
Share-based payments	7.6	14.6
Other personnel costs	34.7	44.4
Total	616.3	595.5

Remuneration paid by the parent company to the members of the Board of Directors as well as the Chief Executive Officer (CEO) of Huhtamaki Oyj (9 people) amounted to EUR 3.4 million (2016: EUR 2.9 million).

See note 28, Corporate Governance Statement and Remuneration Statement.

Average number of personnel	2017	2016
Group	17,361	16,638
Huhtamäki Oyj	66	63

7. Depreciation and amortization

EUR million	2017	2016
Depreciation and amortization by function:		
Production	107.5	99.5
Sales and marketing	0.1	0.1
Research and development	0.1	0.2
Administration	2.0	1.9
Other	12.3	12.2
Total	**122.0**	**113.9**
Depreciation and amortization by asset type:		
Buildings	14.4	13.2
Machinery and equipment	93.8	86.7
Other tangible assets	5.4	5.4
Intangible assets	8.4	8.6
Total	122.0	113.9

See notes 1, 11 and 12.

8. Net financial items

Gains and losses on fair value hedges are reported net of the gain or loss on the hedged item. Taxes reported in other financial expenses are taxes payable in some jurisdictions on financial transactions. Only foreign exchange revaluation gains and losses arising from purely financial exposures such as loans denominated in foreign currencies are reported in other financial items.

EUR million	**2017**	**2016**
Interest income on bank deposits and other receivables	1.9	1.4
Interest income on defined benefit plans	1.9	2.0
Dividend income on other investments	1.1	1.9
FX revaluation gains on interest-bearing assets and liabilities	0.0	0.0
Financial income	**4.9**	**5.3**
Interest expense on liabilities	-14.9	-24.8
Interest expense on defined benefit plans	-4.9	-5.5
FX revaluation losses on interest-bearing assets and liabilities	-1.1	-0.2
Other financial expenses	-1.5	-1.7
Financial expense	**-22.4**	**-32.2**
Net financial items	-17.5	-26.9

9. Taxes in income statement

EUR million	**2017**	**2016**
Current period taxes	47.0	50.5
Previous period taxes	-2.4	-6.7
Deferred tax expense	5.7	4.0
Total tax expense	**50.3**	**47.8**
Profit before taxes	246.8	239.3
Tax calculated at domestic rate	49.4	47.9
Effect of different tax rates in foreign subsidiaries	17.3	17.7
Income not subject to tax	-14.8	-16.1
Expenses not deductible for tax purposes	9.0	8.7
Utilization of previously unrecognized tax losses	-3.5	-4.3
Previous period taxes	-2.4	-6.7
Other items*	-4.7	0.6
Total tax expense	50.3	47.8

** Other items include changes in local tax rates.*

Tax effects relating to components of other comprehensive income

	2017			**2016**		
EUR million	**Before tax amount**	**Tax expense/ benefit**	**Net of tax amount**	**Before tax amount**	**Tax expense/ benefit**	**Net of tax amount**
Cash flow hedges	-0.5	0.2	-0.3	0.7	-0.3	0.4
Remeasurements on defined benefit plans	6.5	-4.2	2.3	-34.1	6.2	-27.9

10. Earnings per share

	2017	2016
Net income attributable to equity holders of the parent company (basic/diluted), EUR million	193.1	187.8

Weighted average number of shares outstanding, in thousands	104,051	103,822
Effect of share-based payments, in thousands	208	240
Diluted weighted average number of shares outstanding, in thousands	**104,259**	**104,062**

Earnings per share from the profit for the period attributable to equity holders of the parent company		
Basic earnings per share, EUR	1.86	1.81
Diluted earnings per share, EUR	1.85	1.80

11. Intangible assets

EUR million	Goodwill	Customer relations	Software	Other intangibles (including intangible rights)	Total 2017
Acquisition cost on January 1, 2017	784.4	37.2	79.3	20.6	921.5
Additions	-	-	1.5	0.5	2.0
Disposals	-	-	-0.1	-1.2	-1.3
Intra-balance sheet transfer	-	-	2.5	0.2	2.7
Business combinations	2.4	0.1	-	3.7	6.2
Changes in exchange rates	-42.9	-2.8	-1.9	-1.0	-48.6
Acquisition cost on December 31, 2017	743.9	34.5	81.3	22.8	882.5
Accumulated amortization and impairment on January 1, 2017	115.2	14.2	74.3	9.1	212.8
Accumulated amortization on disposals and transfers	-	-	-0.1	-0.1	-0.2
Amortization during the financial year	-	5.1	2.4	0.9	8.4
Changes in exchange rates	-5.1	-1.6	-1.7	-0.4	-8.8
Accumulated amortization and impairment on December 31, 2017	110.1	17.7	74.9	9.5	212.2
Book value on December 31, 2017	**633.8**	**16.8**	**6.4**	**13.3**	**670.3**

Emission rights are included in other intangible rights and are valued at fair value on January 2, 2017. The value of emission rights at balance sheet date was EUR 0.4 million (2016: EUR 0.3 million). The Group has not sold any emission rights during 2017. 330,166 emission rights have been allocated to the Group for the commitment period 2013–2020.

EUR million	Goodwill	Customer relations	Software	Other intangibles (including intangible rights)	Total 2016
Acquisition cost on January 1, 2016	685.5	24.3	76.4	17.6	**803.8**
Additions	-	-	0.5	2.8	**3.3**
Disposals	-	-	-0.2	-0.5	**-0.7**
Intra-balance sheet transfer	-	-	2.0	0.6	**2.6**
Business combinations	89.6	13.2	-	-	**102.8**
Changes in exchange rates	9.3	-0.3	0.6	0.1	**9.7**
Acquisition cost on December 31, 2016	784.4	37.2	79.3	20.6	**921.5**
Accumulated amortization and impairment on January 1, 2016	114.2	9.1	71.0	8.5	**202.8**
Accumulated amortization on disposals and transfers	-	-	-0.1	-0.3	**-0.4**
Amortization during the financial year	-	4.7	3.1	0.8	**8.6**
Changes in exchange rates	1.0	0.4	0.3	0.1	**1.8**
Accumulated amortization and impairment on December 31, 2016	115.2	14.2	74.3	9.1	**212.8**
Book value on December 31, 2016	**669.2**	**23.0**	**5.0**	**11.5**	**708.7**

Impairment test for cash-generating units containing goodwill

Goodwill acquired through business combinations has been allocated to the level of groups of cash-generating units that are expected to benefit from the synergies of the acquisition, which represent the lowest level at which the goodwill is monitored for internal management purposes. Goodwill has been allocated to the following groups of cash-generating units:

EUR million	**2017**	**2016**
North America	218.4	234.3
Flexible Packaging Global	110.9	125.6
Flexible Packaging Europe	95.8	95.0
Foodservice EAO Global	95.5	99.7
Fiber Packaging Europe	47.3	47.3
	567.9	**601.9**
Multiple units with smaller goodwill amount	65.9	67.3
Total goodwill	**633.8**	**669.2**

The multiple units with smaller goodwill represent smaller scale units in different segments.

Goodwill has been tested for impairment and since the recoverable value of the groups of the cash generating units has been higher than the carrying value, no impairment charges has been recognized.

Goodwill is tested annually or more frequently if there are indications of impairment. In assessing whether goodwill has been impaired, the carrying value of the group of cash generating units has been compared to the recoverable amount of the group of cash generating units. The recoverable amount is based on value in use, which is estimated using a discounted cash flow model. The cash flows are determined using five-year cash flow forecasts, which are based on business plans. The plans are based on past experience as well as future expected market trend. The plans are approved by management and are valid when impairment test is performed. Cash flows for future periods are extrapolated using a one percent growth rate in developed countries, two percent growth rate in developing countries and three percent growth rate in high growth countries. The management views these growth rates as being appropriate for the business, given the long-time horizon of the testing period. The pre-tax discount rate used in calculation reflects the weighted average cost of capital and risks to the asset under review. The pre-tax discount rates used in discounting the projected cash flows are as follows: North America 9.0% (2016: 7.4%), Flexible Packaging Global 11.4% (2016: 11.8%), Flexible Packaging Europe 8.0% (2016: 7.4%), Foodservice EAO Global 9.7% (2016: 9.4%) and Fiber Packaging Europe 7.8% (2016: 7.8%). The pre-tax discount rates used in the smaller scale units with smaller goodwill range from 7.2% to 27.9% (2016: 7.3% to 28.0%).

The goodwill relating to the acquisition of International Paper's foodservice packaging operations in China has been allocated in the cash generating unit Foodservice EAO Global because the entities in Foodservice EAO segment are expected to benefit from the synergies of the acquisition. (See note 2).

Sensitivity analysis around the key assumptions have been performed and management believes that any reasonably possible change in the key assumptions (EBIT and discount rates) would not cause carrying amount of cash generating unit to exceed its recoverable amount.

12. Tangible assets

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2017
Acquisition cost on January 1, 2017	21.3	354.1	1,548.5	124.9	72.2	2,121.0
Additions	0.3	1.1	8.9	201.1	3.2	214.6
Disposals	-0.1	-6.5	-21.2	-0.2	-1.2	-29.2
Intra-balance sheet transfer	8.5	57.7	112.9	-187.1	5.3	-2.7
Business combinations	-	3.6	3.9	0.1	0.0	7.6
Changes in exchange rates	-1.7	-27.9	-117.9	-10.1	-3.9	-161.5
Acquisition cost on December 31, 2017	28.3	382.1	1,535.1	128.7	75.6	2,149.8
Accumulated depreciation and impairment on January 1, 2017	-	140.3	891.9	-	53.0	1,085.2
Accumulated depreciation on disposals and transfers	-	-3.2	-17.4	-	-1.0	-21.6
Depreciation during the financial year	-	14.4	93.8	-	5.4	113.6
Changes in exchange rates	-	-10.0	-69.7	-	-2.7	-82.4
Accumulated depreciation and impairment on December 31, 2017	-	141.5	898.6	-	54.7	1,094.8
Book value on December 31, 2017	**28.3**	**240.6**	**636.5**	**128.7**	**20.9**	**1,055.0**
Value of financial leased items included in book value 2017	**-**	**4.9**	**0.4**	**-**	**0.1**	**5.4**

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2016
Acquisition cost on January 1, 2016	17.9	313.2	1,338.8	89.5	64.9	**1,824.3**
Additions	-	1.9	9.5	189.0	2.3	**202.7**
Disposals	-0.2	-1.6	-14.4	-	-1.6	**-17.8**
Intra-balance sheet transfer	3.6	21.5	137.3	-168.8	3.8	**-2.6**
Business combinations	1.4	11.7	43.9	10.4	1.2	**68.6**
Changes in exchange rates	-1.4	7.4	33.4	4.8	1.6	**45.8**
Acquisition cost on December 31, 2016	21.3	354.1	1,548.5	124.9	72.2	**2,121.0**
Accumulated depreciation and impairment on January 1, 2016	-	125.9	796.9	-	47.7	**970.5**
Accumulated depreciation on disposals and transfers	-	-1.1	-13.5	-	-1.4	**-16.0**
Depreciation during the financial year	-	13.2	86.7	-	5.4	**105.3**
Changes in exchange rates	-	2.3	21.8	-	1.3	**25.4**
Accumulated depreciation and impairment on December 31, 2016	-	140.3	891.9	-	53.0	**1,085.2**
Book value on December 31, 2016	**21.3**	**213.8**	**656.6**	**124.9**	**19.2**	**1,035.8**
Value of financial leased items included in book value 2016	**-**	**5.8**	**0.3**	**-**	**0.1**	**6.2**

13. Equity-accounted investments

The Group has investments in the following associates and joint arrangements:

Company	Country	Ownership 2017	Ownership 2016
Laminor S.A. (joint venture)	Brazil	50.0 %	50.0%

Laminor S.A. is classified as a joint venture and consolidated using equity method, since the Group has a residual interest in its net assets. The interest in net assets is based on the contractual arrangements between the owners and the legal form of the company.

The carrying amounts of interests and Group's share of results:

EUR million	2017	2016
Interest in a joint venture	5.9	7.0
Share of profit in a joint venture	2.2	1.8

Arabian Paper Products Company (APPCO), a previous associate company with Olayan Saudi Holding Company, has been consolidated as a subsidiary in the Group's financial reporting as of April 1, 2016. The Group's ownership in APPCO increased to 50%. According to the revised Shareholders' Agreement relating to APPCO the Group has control in the company, which has enabled the Group to consolidate the previous associate company as a subsidiary. Until then the share of profit from APPCO was consolidated using equity method. The share of profit consolidated using equity method was EUR 0.2 million in 2016.

14. Other investments

Other investments include unquoted shares. For unquoted shares the fair value cannot be measured reliably, in which case the investment is carried at cost.

EUR million	2017	2016
Book value on January 1	1.6	1.9
Additions	0.2	0.2
Disposals	0.0	0.0
Changes in exchange rates	-0.1	0.0
Other changes	0.0	-0.5
Book value on December 31	**1.7**	**1.6**

15. Interest-bearing receivables

EUR million	2017 Carrying amount	2017 Fair value	2016 Carrying amount	2016 Fair value
Current				
Loan receivables	4.1	4.1	0.7	0.7
Finance lease receivables	1.1	1.1	1.5	1.5
Current interest-bearing receivables	**5.2**	**5.2**	**2.2**	**2.2**
Non-current				
Loan receivables	1.5	1.5	1.5	1.5
Finance lease receivables	1.5	1.5	3.1	3.1
Non-current interest-bearing receivables	**3.0**	**3.0**	**4.6**	**4.6**

Fair values have been calculated by discounting future cash flows of each major receivable at the appropriate market interest rate prevailing at closing date. The fair value of current interest-bearing receivables is estimated to equal the carrying amount.

Finance lease receivables

EUR million	2017	2016
Finance lease receivable is payable as follows:		
In less than one year	1.1	1.7
Between one and five years	1.7	3.3
Total minimum lease payments	**2.8**	**5.0**
Present value of minimum lease payments		
In less than one year	1.1	1.5
Between one and five years	1.5	3.1
Total present value of minimum lease payments	**2.6**	**4.6**
Unearned future financial income	**0.2**	**0.4**

Finance lease receivables relates to packaging machines leased to customers.

16. Deferred taxes

EUR million	2017	2016
Deferred tax assets by types of temporary differences		
Tangible assets	0.8	0.9
Employee benefit	36.5	45.4
Provisions	2.7	2.7
Unused tax losses	20.6	24.9
Other temporary differences	19.2	30.4
Total	**79.8**	**104.3**
Deferred tax liabilities		
Tangible assets	67.8	84.2
Intangible assets	10.8	13.4
Employee benefit	15.5	24.8
Other temporary differences	21.4	15.5
Total	**115.5**	**137.9**
Net deferred tax liabilities	35.7	33.6
Reflected in statement of financial position as follows:		
Deferred tax assets	51.2	58.6
Deferred tax liabilities	86.9	92.2
Total	35.7	33.6

On December 31, 2017 the Group had EUR 121 million (2016: EUR 153 million) worth of deductable temporary differences, for which no deferred tax asset was recognized. EUR 116 million of these temporary differences have unlimited expiry and EUR 5 million expire in five years.

Deferred taxes recognized directly in other comprehensive income are presented in note 9.

17. Employee benefits

The Group has established a number of defined benefit plans providing pensions and other post-employment benefits for its personnel throughout the world. The US, The UK, Germany and The Netherlands are the countries having major defined benefit plans comprising approximately 90% of the Group consolidated defined benefit obligation.

The US and The UK defined benefit plans are organized through a pension fund and the German and Dutch defined benefit plans through an insurance company. The major pension plans are funded and the assets of these plans are segregated from the assets of the Group. The subsidiaries' level of funding of the plans and asset allocation to asset categories meet local authority requirements.

In the defined benefit pension plans the pensions payable are based on salary level before retirement and number of service years. Some plans can include early retirement. The calculations for defined benefit obligations and assessment of the fair value of assets at reporting period closing date have been made by qualified actuaries.

The Group has also unfunded post-employment medical benefit plans, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for the defined benefit pension schemes.

These defined benefit plans expose the Group to actuarial risks, such as inflation risk, interest rate risk, life expectancy and market risk.

EUR million	Present value of defined benefit obligation 2017	2016	Fair value of plan assets 2017	2016	Net defined benefit liability 2017	2016
Balance on January 1	609.1	575.5	-435.7	-425.1	173.4	150.4
Included in Income statement						
Current service cost	8.8	9.8			8.8	9.8
Plan amendment and curtailment cost (+) / income (-)	-5.2	-4.6			-5.2	-4.6
Interest cost (+) / income (-)	14.1	17.8	-11.1	-14.3	3.0	3.5
	17.7	**23.0**	**-11.1**	**-14.3**	**6.6**	**8.7**
Included in Other comprehensive income						
Remeasurements						
Actuarial loss (+) / gain (-) arising from						
Demographic assumptions	4.1	-3.7			4.1	-3.7
Financial assumptions	0.5	62.6			0.5	62.6
Experience adjustment	6.1	-4.4			6.1	-4.4
Actual return on plan assets less interest income			-17.2	-20.4	-17.2	-20.4
	10.7	**54.5**	**-17.2**	**-20.4**	**-6.5**	**34.1**
Other movements						
Benefits paid	-26.9	-29.2	19.6	21.7	-7.3	-7.5
Contribution by employer			-3.7	-5.2	-3.7	-5.2
Contribution by employee			-0.4	-1.1	-0.4	-1.1
Obligations and assets extinguished on plan amendment and curtailment	-15.5	-	15.5	-	0.0	-
Obligations and assets assumed in business combinations	-	0.8	-	-	-	0.8
Effect of movements in exchange rates	-29.0	-15.5	29.4	8.7	0.4	-6.8
Balance on December 31	**566.1**	**609.1**	**-403.6**	**-435.7**	**162.5**	**173.4**

Reflected to statement of financial position	2017	2016
Employee benefit assets	53.2	55.8
Employee benefit liabilities	215.7	229.2
	162.5	**173.4**

Amounts of funded and unfunded obligations	2017	2016
Present value of funded obligations	531.6	569.9
Present value of unfunded obligations	34.5	39.2
	566.1	**609.1**

Plan assets comprise:	2017	2016
European equities	24.6	59.4
North American equities	46.3	44.8
European debt instruments	22.3	16.4
North American debt instruments	106.4	123.5
Property	19.7	19.7
Insured plans	88.7	93.5
Other	95.6	78.4
	403.6	**435.7**

All equity and debt instruments have quoted prices in active markets.

Expected contribution to defined benefit plans during 2018 is EUR 4.0 million.

The weighted average duration of defined benefit obligation was 15 years (2016: 15 years).

Significant actuarial assumptions	2017	2016
Discount rate (%)		
Europe	0.9–2.5	0.9–2.7
Americas	3.5–7.4	3.9–6.6
Asia, Oceania, Africa	3.4–10.0	3.4–9.1
Annual increase in healthcare costs (%)		
Americas	6.7	7.0
Asia, Oceania, Africa	7.6	7.9

The effect of changes in significant actuarial assumptions on the defined benefit obligation

EUR million	2017	2016
1% p. increase in discount rate	-45.7	-74.7
1% p. decrease in discount rate	55.7	102.4
1% p. increase in estimated healthcare cost	1.8	2.1
1% p. decrease in estimated healthcare cost	-1.5	-1.9

18. Inventories

EUR million	2017	2016
Raw and packaging material	165.3	149.7
Work-In-Process	62.2	55.4
Finished goods	211.3	192.3
Advance payments	6.0	4.5
Total	444.8	401.9

The value at cost for finished goods amounts to EUR 224.2 million (2016: EUR 207.7 million). An allowance of EUR 18.9 million (2016: EUR 19.8 million) has been established for obsolete items. Total inventories include EUR 2.2 million resulting from reversals of previously written down values (2016: EUR 3.2 million).

19. Trade and other current receivables

EUR million	2017	2016
Trade receivables	418.8	417.8
Other receivables	44.3	33.5
Accrued interest and other financial items	20.8	3.6
Other accrued income and prepaid expenses	23.4	21.2
Total	507.3	476.1

Other accrued income and prepaid expenses include prepayments for goods, accrued royalty income, rebates and other miscellaneous accruals.

Aging and impairment losses of trade receivables at the closing date

EUR million	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
Not past due	362.4	1.3	365.4	1.3
Past due 0–30 days	39.9	0.3	37.5	0.2
Past due 31–120 days	15.6	0.5	13.2	0.3
Past due more than 120 days	5.7	2.7	6.6	3.1
Total	423.6	4.8	422.7	4.9

The maximum exposure to credit risk related to trade and other current receivables is equal to the book values of these items.

20. Cash and cash equivalents

EUR million	2017	2016
Cash and bank	98.0	76.9
Liquid marketable securities	18.0	29.0
Total	**116.0**	**105.9**

21. Share capital of the parent company

Share capital	Number of shares	Share capital EUR	Share premium EUR	Treasury shares EUR	Total EUR
January 1, 2016	**107,760,385**	**366,385,309.00**	**115,023,103.38**	**-37,345,862.85**	**444,062,549.53**
Own shares transferred through performance share incentive plan	-	-	-	1,470,894.94	1,470,894.94
December 31, 2016	**107,760,385**	**366,385,309.00**	**115,023,103.38**	**-35,874,967.91**	**445,533,444.47**
Own shares transferred through performance share incentive plan	-	-	-	2,348,302.32	2,348,302.32
December 31, 2017	**107,760,385**	**366,385,309.00**	**115,023,103.38**	**-33,526,665.59**	**447,881,746.79**

All shares issued are fully paid.

Huhtamäki Oyj has one series of shares. Each share entitles its holder to equal voting rights and equal distribution of dividend and other assets. The Company's Articles of Association do not contain rules regarding the minimum or maximum number of shares or the minimum or maximum share capital. Shares do not have a nominal value. All shares issued are fully paid.

The amount of the subscription price exceeding the par value of shares (EUR 3.40) received by the Company in connection with share subscriptions based on option rights granted under the option rights plan established under the old Companies Act (734/1978) has been recorded in the share premium. The Company's last existing option rights plan ceased on April 30, 2014.

Based on the authorization given by the Annual General Meeting of Shareholders on March 25, 2002, the Company repurchased in total 5,061,089 own shares during 2002 and 2003. After 2003 no own shares have been repurchased. The Annual General Meeting of Shareholders on April 27, 2017 authorized the Board of Directors to decide on the repurchase of the Company's own shares. The authorization remains in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2018. This authorization cancelled the authorization given by the Annual General Meeting on April 21, 2016 to decide on the repurchase of the Company's own shares.

The Annual General Meeting of Shareholders on April 27, 2017 authorized the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares. The authorization remains in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2018. This authorization cancelled the authorization given by the Annual General Meeting on April 21, 2016 to decide on the issuance of shares as well as the issuance of special rights entitling to shares. During 2017 a total of 255,528 own shares were transferred based on the authorization (during 2016 a total of 160,060 own shares were transferred based on the authorization in force at that time).

On December 31, 2017 the Company owned a total of 3,648,318 own shares (December 31, 2016: 3,903,846 own shares).

Members of the Board of Directors and the CEO of the Company owned on December 31, 2017 a total of 117,250 shares (December 31, 2016: 107,150 shares). These shares represented 0.11% (December 31, 2016: 0.10%) of the total number of shares and voting rights in the Company on December 31, 2017.

Information according to the Securities Market Act, Chapter 7, Section 6

Pursuant to the Securities Market Act (746/2012) Chapter 7, Section 6 and the Degree on the Regular Duty of Disclosure of an Issuer of a Security (VMa 1020/2012) Chapter 2, Section 8, the Company shall present in the Directors' Report information on factors that are likely to have a material effect on a public tender offer to acquire the shares of the Company. In accordance with the aforementioned regulations, the Company gives the following information:

The Company has one class of shares. Each share carries one vote at the General Meeting of Shareholders. The Company does not have in force any option rights plan or any other plan based on which the Company can issue special rights entitling to subscription of the Company's shares.

Article 11 of the Articles of Association of the Company contains provisions concerning the redemption obligation of shareholders. Election of the members of the Board of Directors and the Chief Executive Officer is stipulated in Articles 4, 5 and 8 of the Articles of Association.

The Annual General Meeting of Shareholders on April 27, 2017 authorized the Board of Directors to decide: (i) on the repurchase of the Company's own shares and (ii) on the issuance of shares as well as the issuance of special rights entitling to shares. The authorizations remain in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2018.

Certain agreements relating to the financing of the Company as well as supply agreements entered into with certain most significant customers contain terms and conditions upon which the agreement may terminate if control in the Company changes as a result of a public tender offer.

Distribution of ownership by number of shares on December 31, 2017

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	11,399	37.4	552,866	0.5
101–1,000	14,998	49.2	5,863,851	5.4
1,001–10,000	3,763	12.4	9,781,749	9.1
10,001–100,000	268	0.9	7,301,677	6.8
100,001–1,000,000	35	0.1	8,950,133	8.3
More than 1,000,000	11	0.0	75,241,073	69.8
Total	30,474	100.0	107,691,349	99.9
In the joint book-entry account			69,036	0.1
Number of shares issued			**107,760,385**	**100.0**

Distribution of ownership by sector on December 31, 2017

Sector	Number of shares	%
Nominee-registered shares	49,995,722	46.4
Non-profit organizations	17,541,416	16.3
Households	16,400,057	15.2
Public-sector organizations	10,323,804	9.6
Private companies	6,672,058	6.2
Financial and insurance companies	4,335,189	4.0
Foreigners	2,423,103	2.2
In the joint book-entry account	69,036	0.1
Number of shares issued	**107,760,385**	**100.0**

Largest registered shareholders on December 31, 2017*

Name	Number of shares and votes	%
Finnish Cultural Foundation	12,009,422	11.1
Varma Mutual Pension Insurance Company	3,688,100	3.4
Ilmarinen Mutual Pension Insurance Company	2,165,318	2.0
The Local Government Pensions Institution	1,607,175	1.5
ODIN Norden Fund	1,361,657	1.3
The State Pension Fund	1,335,000	1.2
Society of Swedish Literature in Finland	978,500	0.9
Nordea Nordic Fund	765,376	0.7
ODIN Finland Fund	435,571	0.4
Danske Finnish Institutional Equity Fund	426,665	0.4
Total	**24,772,784**	**22.9**

** Excluding own shares acquired by Huhtamäki Oyj totaling 3,648,318 and representing 3.4% of the total number of shares.*

Performance Share Arrangement 2010

On March 12, 2010 the Board of Directors of the Company decided on establishing a Performance Share Arrangement to form a part of the long-term incentive and retention program for the key personnel of the Company and its subsidiaries. The Performance Share Arrangement offers a possibility to earn the Company shares as remuneration for achieving established targets. The Arrangement consists of annually commencing individual three-year performance share plans. A possible reward shall be paid during the calendar year following each three-year plan. Commencement of each three-year plan will be separately decided by the Board of Directors.

The aggregate maximum of 400,000 shares and as part of the reward, a cash payment equivalent to taxes and tax-like charges arising to the key personnel from the reward may be granted under each three-year plan. GET members that are participants to the performance share plan shall hold at least half (50%) of the shares received until he/she holds shares received from the performance share plans corresponding in aggregate to the value of his/her annual gross base salary. Other participants to the plan shall hold at least half (50%) of the shares received until he/she holds shares received from the performance share plans corresponding in aggregate to the value of his/her six (6) months' gross base salary. The ownership requirement applies until termination of employment or service.

Performance Share Plan 2013–2015

The Performance Share Plan 2013–2015 commenced in 2013. The reward was based on the Group's earnings per share (EPS) in 2015 and was paid in 2016. The Performance Share Plan 2013–2015 was directed to 61 persons at the end of 2015.

The target, Group's earnings per share (EPS) in 2015, set forth in the Performance Share Arrangement 2010 for the earnings period 2013–2015, was reached. According to the terms and conditions of the Performance Share Arrangement a total of 160,060 shares were paid as a reward under the plan in 2016. Fair value of the paid shares on the grant date was EUR 31.78 per share. Pursuant to the IFRS standards, an expense relating to the Performance Share Plan 2013–2015 totaling EUR 7,260,080 was recorded for the reporting periods 2013–2015. This amount includes an expense totaling EUR 6,440,691 which was recorded in the reporting period ending on December 31, 2015.

Performance Share Plan 2014–2016

The Performance Share Plan 2014–2016 commenced in 2014. The reward was based on the Group's earnings per share (EPS) in 2016 and was paid in 2017. The Performance Share Plan 2014–2016 was directed to 75 persons at the end of 2016.

The target, Group's earnings per share (EPS) in 2016, set forth in the Performance Share Arrangement 2010 for the earnings period 2014–2016, was reached. According to the terms and conditions of the Performance Share Arrangement a total of 255,528 shares were paid as a reward under the plan in 2017. Fair value of the paid shares on the grant date was EUR 32.54 per share. Pursuant to the IFRS standards, an expense relating to the Performance Share Plan 2014–2016 totaling EUR 12,902,150 was recorded for the reporting periods 2014–2016. This amount includes an expense totaling EUR 8,185,872 which was recorded in the reporting period ending on December 31, 2016.

Performance Share Plan 2015–2017

The Performance Share Plan 2015–2017 commenced in 2015. The reward is based on the Group's earnings per share (EPS) in 2017 and will be paid in 2018. The Performance Share Plan 2015–2017 was directed to 79 persons at the end of 2017.

The target, Group's earnings per share (EPS) in 2017, set forth in the Performance Share Arrangement 2010 for the earnings period 2015–2017, was reached. Pursuant to the IFRS standards, an expense relating to the Performance Share Plan 2015–2017 totaling EUR 13,734,584 was recorded for the reporting periods 2015–2017. This amount includes an expense totaling EUR 7,910,176 which was recorded in the reporting period ending on December 31, 2017.

Performance Share Plan 2016–2018

The Performance Share Plan 2016–2018 commenced in 2016 and the possible reward will be based on the Group's earnings per share (EPS) in 2018. The reward, if any, will be paid during 2019. The Performance Share Plan 2016–2018 was directed to 97 persons at the end of 2017.

Performance Share Plan 2017–2019

The Performance Share Plan 2017–2019 commenced in 2017 and the possible reward will be based on the Group's earnings per share (EPS) in 2019. The reward, if any, will be paid during 2020. The Performance Share Plan 2017–2019 was directed to 139 persons at the end of 2017.

22. Fair value and other reserves

EUR million	
December 31, 2015	**-75.8**
Cash flow hedges recognized in other comprehensive income	0.0
Cash flow hedges transferred to profit or loss	0.8
Cash flow hedges transferred to statement of financial position	-0.1
Deferred taxes	-0.3
Change of remeasurements on defined benefit plans	-34.1
Deferred taxes	6.2
December 31, 2016	**-103.3**
Cash flow hedges recognized in other comprehensive income	-0.5
Cash flow hedges transferred to profit or loss	0.1
Cash flow hedges transferred to statement of financial position	-0.1
Deferred taxes	0.2
Change of remeasurements on defined benefit plans	6.5
Deferred taxes	-4.2
December 31, 2017	**-101.3**

Fair value and other reserves

Fair value and other reserves contain the effective portion of fair value changes of derivative instruments designated as cash flow hedges, the change in fair value of other investments and remeasurements on defined benefit plans. Also deferred taxes in equity are reported in fair value and other reserves.

Translation differences

Translation differences contain the differences resulting from the translation of foreign entities' financial statements into euros. Also gains and losses from net investments in foreign entities are reported in translation differences. Hedges of those investments are reported in translation differences, if hedge accounting criteria is met.

Treasury shares

Treasury shares include the purchase price of Huhtamäki Oyj's shares held by Group companies. In 2017 own shares were transferred according to the terms and conditions of the Performance Share Incentive Plan. The purchase price of transferred shares was EUR 2.3 million. There are no additions in treasury shares in 2017.

23. Interest-bearing liabilities

EUR million	2017 Carrying amount	2017 Fair value	2016 Carrying amount	2016 Fair value
Current				
Loans from financial institutions				
Fixed rate	2.5	2.5	5.0	5.0
Floating rate	174.2	174.2	134.6	134.6
Other current loans				
Fixed rate	0.0	0.0	125.0	125.0
Floating rate	0.4	0.4	0.5	0.5
Finance lease liabilities	1.8	1.8	1.8	1.8
Total	**178.9**	**178.9**	**266.9**	**266.9**
Non-current				
Loans from financial institutions				
Fixed rate	122.5	118.8	57.0	56.5
Floating rate	294.3	294.3	247.4	247.4
Other long-term loans				
Fixed rate	215.0	209.6	200.0	200.6
Floating rate	4.1	4.1	6.5	6.5
Finance lease liabilities	7.8	7.8	9.9	9.9
Total	**643.7**	**634.6**	**520.8**	**520.9**

All interest-bearing liabilities are other liabilities than liabilities for trading purposes or derivative financial instruments defined in IFRS 9 and as such are carried at amortized cost. Fair values have been calculated by discounting future cash flows at the appropriate market interest rate prevailing at period end closing date. Interest rates for measuring fair values of interest-bearing liabilities were -0.18%–0.86%. The fair value of current interest-bearing liabilities is estimated to equal the carrying amount.

Repayments	Loans from financial institutions	Finance lease liabilities	Other loans	Total
2018	176.7	1.8	0.4	178.9
2019	18.7	4.0	0.7	23.4
2020	2.6	1.1	65.7	69.4
2021	73.9	0.1	0.5	74.5
2022	175.4	0.1	0.2	175.7
2023–	146.2	2.5	152.0	300.7

Finance lease liabilities

EUR million	2017	2016
Finance lease liabilities are payable as follows:		
In less than one year	2.4	2.5
Between one and five years	6.5	8.8
More than five years	4.3	4.5
Total minimum lease payments	**13.2**	**15.8**
Present value of minimum lease payments		
In less than one year	1.9	1.9
Between one and five years	5.4	7.3
More than five years	2.3	2.5
Total present value of minimum lease payments	**9.6**	**11.7**
Future finance charges	**3.6**	**4.1**

Reconciliation of liabilities arising from financing activities

	2017					2016
			Non-cash changes			
EUR million	Total	Cash flows	Acquisition	Foreign exchange movement	Other	Total
Long-term borrowings	635.9	129.8	-	-4.3	-0.5	510.9
Short-term borrowings	177.1	-85.0	14.7	-18.0	0.3	265.1
Finance lease liabilities	9.6	-1.6	-	-0.5	0.0	11.7
Total liabilities from financing activities	**822.6**	**43.2**	**14.7**	**-22.8**	**-0.2**	**787.7**

24. Provisions

Restructuring provisions

Restructuring provisions include mainly costs for various ongoing projects to streamline operations. Provisions relate to employee termination benefits.

Other provisions

Other provisions include mainly captive insurance provisions relating to workers compensation.

EUR million	Restructuring reserve	Other	Total 2017	Total 2016
Provision on January 1, 2017	6.0	12.1	18.1	14.5
Translation difference	-0.4	-1.4	-1.8	0.5
Provisions made during the year	6.8	9.0	15.8	12.3
Provisions used during the year	-5.0	-4.0	-9.0	-8.6
Unused provisions reversed during the year	0.1	-0.5	-0.4	-0.6
Provision on December 31, 2017	**7.5**	**15.2**	**22.7**	**18.1**
Current	5.7	1.2	6.9	7.1
Non-current	1.8	14.0	15.8	11.0

Reporting of income tax related provisions has been reclassified to income taxes in the statement of financial position.

25. Trade and other current liabilities

EUR million	2017	2016
Trade payables	352.1	304.6
Other payables	49.4	52.6
Accrued interest expense and other financial items	9.7	25.8
Personnel and social security accruals	81.9	90.1
Other accrued expenses	46.0	60.8
Total	**539.1**	**533.9**

Other accrued expenses include accruals for purchases of material and other miscellaneous accruals.

26. Financial assets and liabilities by category

EUR million	2017	2016
Financial assets at fair value through profit or loss		
Derivatives	2.1	2.3
Derivatives designated for hedge accounting	7.0	6.5
Financial assets at amortized cost		
Non-current interest-bearing receivables	3.0	4.6
Other non-current assets	1.9	4.3
Current interest-bearing receivables	5.2	2.2
Trade and other current receivables	463.2	451.3
Cash and cash equivalents	116.0	105.9
Other investments	1.7	1.6
Financial assets total	**600.1**	**578.7**
Financial liabilities at fair value through profit or loss		
Derivatives	3.0	6.7
Derivatives designated for hedge accounting	2.0	10.9
Financial liabilities measured at amortized cost		
Non-current interest-bearing liabilities	643.7	520.8
Other non-current liabilities	4.6	4.7
Current portion of long-term loans	25.8	137.0
Short-term loans	153.1	129.9
Trade and other current liabilities	395.3	351.3
Financial liabilities total	**1,227.5**	**1,161.3**

In the statement of financial position derivatives are included in the following groups: non-current interest bearing liabilities, other non-current assets, trade and other current receivables, other non-current liabilities and trade and other current liabilities.

Financial instruments measured at fair value	Quoted prices in active markets	Valuation techniques based on observable market data	Unquoted investments	Total 2017
Assets				
Derivatives				
Currency derivatives	-	5.2	-	5.2
Interest rate derivatives	-	3.9	-	3.9
Other investments	-	-	1.7	1.7
Total	**-**	**9.1**	**1.7**	**10.8**
Liabilities				
Derivatives				
Currency derivatives	-	3.5	-	3.5
Interest rate derivatives	-	1.5	-	1.5
Electricity forward contracts	0.0	-	-	0.0
Total	**0.0**	**5.0**	**-**	**5.0**

Financial instruments measured at fair value	Quoted prices in active markets	Valuation techniques based on observable market data	Unquoted investments	Total 2016
Assets				
Derivatives				
Currency derivatives	-	3.7	-	3.7
Interest rate derivatives	-	5.1	-	5.1
Other investments	-	-	1.6	1.6
Total	**-**	**8.8**	**1.6**	**10.4**
Liabilities				
Derivatives				
Currency derivatives	-	16.9	-	16.9
Interest rate derivatives	-	0.7	-	0.7
Electricity forward contracts	0.0	-	-	0.0
Total	**0.0**	**17.6**	**-**	**17.6**

The Group uses income approach in determining the fair value. Inputs used are foreign exchange rates, interest rates and yield curves as well as implied volatilities.

Group's currency and interest rate derivatives are subject to International Swaps and Derivatives Association (ISDA) master netting agreements. The amounts are not offset in the statement of financial position.

Unquoted investments are carried at cost, as their fair value cannot be measured reliably.

27. Management of financial risks

The objective of financial risk management is to ensure that the Group has access to sufficient funding in the most cost efficient way and to minimize the impact on the Group from adverse movements in the financial markets. As defined in the Group Treasury Policy, management of financial risks is guided and controlled by a Finance Committee, led by the CFO. The Finance Committee reviews risk reports on the Group's interest-bearing balance sheet items, commercial flows, derivatives and foreign exchange exposures and approves required measures on a monthly basis.

The Group Treasury department at the Espoo headquarters is responsible for the Group's funding and risk management and serves the business units in daily financing, foreign exchange transactions and cash management coordination.

Currency risk

The Group is exposed to exchange rate risk through cross-border trade within the Group, exports and imports, funding of foreign subsidiaries and currency denominated equities.

Transaction risk

The largest transaction exposures derive from capital flows, imports, exports and royalty receivables. The objective of currency transaction risk management is to protect the Group from negative exchange rate movements. Business units are responsible for actively managing their currency risks related to future commercial cash flows, in accordance with policies and limits defined by the business unit and approved by the Finance Committee. As a rule, commercial receivables and payables recorded on the balance sheet are always fully hedged, as well as 25% of probable flows over a minimum 12-month horizon. Eligible hedging instruments include currency forwards and in authorized subsidiaries also currency options. The business units' counterparty in hedging transactions is mainly Huhtamäki Oyj.

Foreign exchange transaction exposure

EUR million	EUR exposure in companies reporting in GBP		CNY exposure in companies reporting in HKD		USD exposure in companies re-porting in HKD		USD exposure in companies reporting in GBP		EUR exposure in companies reporting in RUB	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Trade receivables	1.8	2.7	0.1	0.0	8.9	5.1	0.0	0.7	1.5	1.3
Trade payables	-6.5	-6.7	-6.7	-5.1	-1.8	-0.9	-1.6	-3.3	-4.3	-3.9
Net balance sheet exposure	-4.7	-4.0	-6.6	-5.1	7.1	4.2	-1.6	-2.6	-2.8	-2.6
Forecasted sales (12 months)	22.7	18.4	0.4	2.3	28.0	36.6	0.5	0.0	16.9	13.5
Forecasted purchases (12 months)	-63.8	-55.7	-26.7	-33.0	-8.9	-14.5	-16.7	-16.0	-32.3	-27.1
Net forecasted exposure	-41.1	-37.3	-26.3	-30.7	19.1	22.1	-16.2	-16.0	-15.4	-13.6
Hedges										
Currency forwards (12 months)	19.1	20.5	4.0	11.3	-9.5	-9.1	1.2	14.2	5.5	11.9
Currency options (12 months)	12.7	11.6					10.3	2.0		
Total net exposure	-14.0	-9.2	-28.9	-24.5	16.7	17.2	-6.3	-2.4	-12.7	-4.3

Translation risk

As a main rule individual subsidiaries do not carry translation risk as they are financed in local currencies. As an exception, the Finance Committee has approved the use of foreign currency borrowing in countries with high local interest rates, totaling EUR 1.1 million (2016: EUR 6.3 million) on reporting period closing date.

The main translation exposures derive from equities and permanent loans, which in substance form a part of the net investment in the US, India and UK based subsidiaries. The Group hedges its translation risks selectively by using foreign currency loans and derivatives. Equity hedging decisions are made by the Finance Committee, who in its decision making considers the hedge's estimated impact on the Group's key indicators, long-term cash flows and hedging cost. On the reporting period closing date the Group had outstanding translation risk hedges of USD 223 million (of which USD 110 million in the form of currency loans and USD 113 million in the form of derivatives) and of GBP 20 million (of which GBP 20 million in the form of derivatives) (2016: USD 223 million, of which USD 110 million in the form of currency loans and USD 113 million in the form of derivatives and GBP 20 million, of which GBP 20 million in the form of derivatives).

A 10% appreciation of the EUR versus the USD, INR and GBP would as of the reporting period closing date decrease the result before taxes by EUR 7.8 million (2016: EUR 10.7 million) and the Group consolidated equity by EUR 46.6 million (2016: EUR 46.7 million).

Interest rate risk

The interest-bearing debt exposes the Group to interest rate risk, namely re-pricing and price risk caused by interest rate movements. Management of interest rate risk is centralized to the Group Treasury. The Group's policy is to maintain in the main currency debt portfolios a duration that matches a benchmark duration range based on the Group's estimated cash flow, selected balance sheet ratios and also the shape of the yield curve. The objective of interest rate risk management is to reduce the fluctuation of the interest charge, enabling a more stable net income. The Group manages interest rate risk by selection of debt interest periods and by using derivatives such as futures, forward rate agreements, interest rate swaps and options.

At the reporting period closing date the average interest rate on Group interest-bearing net debt was 2.6% (2016: 3.2%) and average duration 2.5 years (2016: 1.4 years). A one percentage point rise in market interest rates would increase Group net interest expense by EUR 2.8 million (2016: EUR 3.8 million) over the following 12 months. A similar rise in interest rates would increase Group equity with EUR 3.7 million (2016: EUR 3.2 million) due to mark-to-market revaluations of interest rate derivatives designated for cash flow hedges.

Currency split and repricing schedule of outstanding net debt including hedges

	2017							2016
		Debt repricing in period, incl. derivatives						
Currency	Amount EUR million	2018	2019	2020	2021	2022	Later	Amount EUR million
EUR	253.4	-37.4			20.0	39.3	231.5	195.0
USD	224.9	127.4	18.4	27.6	9.2	4.6	37.7	232.3
GBP	125.6	125.6						133.5
HKD	70.0	70.0						68.5
PLN	27.5	27.5						33.6
Other	-3.0	-3.0						12.1
Total	698.4	310.1	18.4	27.6	29.2	43.9	269.2	675.0

Liquidity and refinancing risk

The Group maintains sufficient liquidity reserves at all times by efficient cash management structures such as cash pools, concentration accounts and overdraft financing facilities. To mitigate the refinancing risk, the Group diversifies funding sources as well as the maturity structure of loans and debt facilities. The Group utilizes a EUR 400 million Finnish commercial paper program and uncommitted credit facilities with relationship banks for short-term financing purposes. At the reporting period closing date, the Group had committed credit facilities totaling EUR 418 million (2016: EUR 421 million) of which EUR 321 million (2016: EUR 303 million) remained undrawn. Undrawn committed long term debt facilities are sufficient to ensure adequate financing resources in all foreseeable circumstances.

Debt structure

EUR million	2017									2016		
				Maturity of facility/loan								
Debt type	Amount drawn	Amount available of committed	Total	2018	2019	2020	2021	2022	Later	Amount drawn	Amount available of committed	Total
Committed revolving facilities	96.5	321.0	417.5	17.5				400.0		117.9	302.8	420.7
Bonds and other loans	513.3		513.3	17.5	15.0	65.0	71.5	80.8	263.5	512.5		512.5
Commercial paper program	127.0		127.0	127.0						85.0		85.0
Uncommitted loans from financial institutions	76.2		76.2	64.5	4.4	3.3	2.9	0.6	0.5	60.6		60.6
Finance lease liabilities	9.6		9.6	1.8	4.0	1.1	0.1	0.1	2.5	11.7		11.7
Trade and other current liabilities	539.1		539.1	539.1						533.9		533.9
Total	**1,361.7**	**321.0**	**1,682.7**	**767.4**	**23.4**	**69.4**	**74.5**	**481.5**	**266.5**	**1,321.6**	**302.8**	**1,624.4**

Credit risk

The Group is exposed to credit risk from its commercial receivables and receivables from financial institutions based on short-term investment of liquid funds as well as derivatives transactions.

The business units are responsible for the management of commercial credit risk in accordance with policies defined by the business units and approved by the Finance Committee. A Group policy sets out certain minimum requirements as to credit quality, sales terms and collection. The commercial credit risk for the Group as a whole is considered low as the receivable portfolio is diversified and historical credit loss frequency is low (see note 19).

Liquid funds are from time to time invested in short-term bank deposits at relationship banks with a solid credit rating, in government bonds, treasury bills or in commercial papers issued by corporate borrowers with an investment grade rating. Credit risk stemming from receivables from financial institutions, including derivative transaction settlements, is considered small and is managed centrally by the Group Treasury department and in accordance with limits set by the Finance Committee.

Capital management

The Group's objective is to maintain an efficient capital structure. Consequently, the Group aims to maintain in the long term the net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio in a range between 2–3. Net debt is defined as interest-bearing liabilities less interest-bearing receivables, cash and cash equivalents.

The Group is subject to a restriction on its net debt to EBITDA ratio through a clause in a key financing agreement. This restriction is not seen hindering the Group's ability to carry out its business or its strategy.

Changes in the capital structure are resulting from capital investments in the business and cash returns to shareholders, which are funded by the stable cash flow.

Capital structure

EUR million	2017	2016
Interest-bearing liabilities	822.6	787.7
Interest-bearing receivables, cash and cash equivalents	124.2	112.7
Net debt	698.4	675.0
Total equity	1,208.2	1,182.2
Net debt to equity (Gearing ratio)	**0.58**	**0.57**
Net debt to EBITDA (excluding items affecting comparability)	**1.79**	**1.77**

Nominal values of derivative financial instruments

EUR million	2017							2016
	Nominal Value	Maturity Structure						Nominal Value
Instrument		2018	2019	2020	2021	2022	Later	
Currency forwards								
for transaction risk								
Outflow	-109.4	-106.0	-3.4					-171.1
Inflow	109.4	106.0	3.4					169.8
for translation risk								
Outflow	-117.2	-117.2						-131.5
Inflow	118.7	118.7						121.9
for financing purposes								
Outflow	-385.1	-385.1						-396.7
Inflow	383.8	383.8						392.4
Currency options								
for transaction risk								
Bought options	30.1	30.1						23.5
Sold options	-30.1	-30.1						-23.5
Interest rate swaps								
EUR	-75.0				-75.0			-55.0
USD	104.7	16.8	25.1	8.4	4.2	12.6	37.6	133.9
Cross currency swaps								
EUR	-18.3					-18.3		
USD	16.8					16.8		
Electricity forward contracts	0.0	0.0						0.0

Fair values of derivative financial instruments

EUR million	2017			2016		
Instrument	Positive Fair values	Negative Fair values	Net Fair values	Positive Fair values	Negative Fair values	Net Fair values
Currency forwards						
for transaction risk[1]	1.1	-1.7	-0.6	2.5	-3.3	-0.8
for translation risk[2]	2.7	-0.2	2.5		-8.5	-8.5
for financing purposes	1.2	-1.2	0.0	0.5	-4.5	-4.0
Currency options						
for transaction risk	0.2	-0.4	-0.1	0.6	-0.5	0.1
Interest rate swaps[3]						
EUR	2.6		2.6	3.9	-0.2	3.7
USD	1.3	-0.2	1.1	1.2	-0.5	0.7
Cross currency swaps[4]						
EURUSD		-1.3	-1.3			
Electricity forward contracts[5]	0.0	0.0	0.0	0.1	-0.1	0.0

1 *Out of the currency forwards, fair value EUR 0.0 million was designated for cash flow hedges (2016: EUR -0.3 million) and reported in fair value and other reserves.*

2 *Out of the currency forwards, fair value of EUR 2.5 million was designated for hedges of net investment in foreign subsidiaries (2016: EUR -8.5 million) and reported in translation difference.*

3 *Fair values of interest rate swaps include accrued interest. Fair value of EUR 1.2 million was designated for cash flow hedges (2016: EUR 0.5 million) out of which EUR 1.2 million was reported in equity in fair value and other reserves and EUR 0.0 million in the income statement in financial expense. Fair value of EUR 2.6 million was designated for fair value hedges out of which EUR 2.6 million was reported in the income statement in financial income.*

4 *Out of the cross currency swaps, the foreign exchange revaluation result of EUR -1.6 million was designated for fair value hedges and was reported in net financial items. The interest rate revaluation result of EUR -1.4 million was designated for cash flow hedges and was reported in equity in fair value and other reserves. The fair value includes accrued interest of EUR 0.0 million which was reported in financial expense. No cross currency swaps were outstanding on December 31, 2016.*

5 *Out of the electricity forward contracts, EUR 0.0 million (2016: EUR 0.0 million) was designated for cash flow hedges and was reported in equity in fair value and other reserves.*

28. Related party transactions

Huhtamaki Group has related party relationships with its joint ventures and associated companies as well as members of the Board of Directors and the Global Executive Team.

Employee benefits of the CEO and other members of the Global Executive Team

EUR million	2017	2016
Salaries and other short-term employee benefits	4.3	4.5
Share-based payments	2.7	4.8

Remuneration of the CEO and members of the Board of Directors

In thousands of euros	2017	2016
CEO Moisio Jukka	2,755	2,279
Board members		
Ala-Pietilä Pekka	140	141
Suominen Jukka	99	97
Ailasmaa Eija	75	77
Baillie Doug	72	56
Barker William R.	72	76
Börjesson Rolf	77	79
Tuomas Kerttu	53	-
Turner Sandra	76	75
Corrales Maria Mercedes	-	20
CEO and Board in total	3,419	2,900

Members of the Board of Directors and the Global Executive Team owned a total of 278,725 shares at the end of the year 2017 (2016: 250,620 shares).

The retirement and resignation age of the CEO is 60 years, unless otherwise agreed upon. Expenses for the CEO's statutory pension were 206 thousand euros (2016: 204 thousand euros) and for the supplementary pension arrangement 150 thousand euros (2016: 55 thousand euros). Liability from the supplementary pension arrangement was 616 thousand euros (2016: 455 thousand euros).

Transactions with associated companies and joint ventures

There was a dividend payment of EUR 2.5 million from Laminor S.A. (joint venture) in 2017 (2016: EUR 1.5 million). There were also a few other transactions with minor value with Laminor S.A. in 2017. There were no other transactions with associated companies or joint ventures in 2016.

29. Operating lease commitments

EUR million	2017	2016
Operating lease payments		
Not later than 1 year	17.2	14.8
Later than 1 year and not later than 5 years	42.0	34.7
Later than 5 years	39.5	32.4
Total	98.7	81.9

30. Contingencies

Capital expenditure commitments

EUR million	2017	2016
Under 1 year	68.9	70.5

Litigations

Huhtamäki Oyj received on September 28, 2012 the European Commission's statement of objections concerning alleged anticompetitive behavior in the markets of plastic trays used for retail packaging of fresh food during years 2000–2008. On June 24, 2015 the European Commission announced the outcome of its investigations and found certain of Huhtamaki's former operations to have been involved in anticompetitive practices. Based on infringements in North-West Europe and France during years 2002–2006 the European Commission imposed a EUR 15.6 million fine on Huhtamaki.

The fine and legal costs of EUR 2.7 million related to the investigation and the appeal process were recognized as a non-recurring expense in the Group's Q2 2015 result and the payment of fine was made during Q3 2015. Huhtamaki has launched an appeal against the decision before the General Court of the European Union.

Per share data

		2017	2016	2015	2014	2013
Earnings per share	EUR	1.86	1.81	1.42	1.33	0.91
Earnings per share (diluted)	EUR	1.85	1.80	1.42	1.33	0.91
Dividend, nominal	EUR	0.80	0.73	0.66	0.60	0.57
Dividend/earnings per share	%	43.0	40.3	46.6	45.0	62.6
Dividend yield[2]	%	2.3	2.1	2.0	2.7	3.1
Shareholders' equity per share	EUR	11.13	10.93	9.65	8.33	7.54
Average number of shares at year end[2]		104,050,625	103,822,029	103,665,405	103,505,319	103,067,409
Number of shares at year end[2]		104,112,067	103,856,539	103,696,479	103,554,321	103,381,162
P/E ratio[2]		18.8	19.5	23.6	16.4	20.5
Market capitalization on December 31[2]	EUR million	3,643.9	3,664.1	3,473.8	2,261.6	1,928.1
Trading volume in Nasdaq Helsinki Ltd.[3]	units	67,759,658	57,912,190	62,227,323	52,188,506	37,430,717
Trading volume in alternative trading venues[4]	units	108,324,464	110,013,193	73,032,436	51,927,797	24,197,786
Trading volume, total	units	176,084,122	167,925,383	135,259,759	104,116,303	61,628,503
In relation to average number of shares[2]	%	169.2	161.7	130.5	100.6	59.8
Development of share price						
Lowest trading price	EUR	31.45	27.14	21.35	17.63	12.32
Highest trading price	EUR	37.68	42.33	34.90	22.21	18.81
Trading price on December 31	EUR	35.00	35.28	33.50	21.84	18.65

1 *2017: Board's proposal*

2 *Issue-adjusted and excluding treasury shares*

3 *Source: Nasdaq Helsinki Ltd*

4 *Source: Fidessa Fragmentation Index, fragmentation.fidessa.com*

Huhtamaki 2013–2017

EUR million	2017	2016	2015	2014	2013
Net sales	2,988.7	2,865.0	2,726.4[1]	2,235.7[1]	2,161.1[1]
Increase in net sales (%)	4.3	5.1	21.9[1]	3.5[1]	0.9
Net sales outside Finland	2,941.7	2,817.8	2,672.3[1]	2,182.7[1]	2,112.4[1]
Earnings before interest, taxes, depreciation, amortization and impairments	386.3	380.1	319.4[1]	259.0[1]	220.4[1]
Earnings before interest, taxes, depreciation and amortization/net sales (%)	12.9	13.3	11.7[1]	11.6[1]	10.2[1]
Earnings before interest and taxes	264.3	266.2	214.9[1]	174.9[1]	131.9[1]
Earnings before interest and taxes/net sales (%)	8.8	9.3	7.9[1]	7.8[1]	6.1[1]
Profit before taxes	246.8	239.3	180.7[1]	146.0[1]	109.3[1]
Profit before taxes/net sales (%)	8.3	8.4	6.6[1]	6.5[1]	5.1[1]
Profit for the period	196.5	191.5	151.4[1]	131.5[1]	96.2[1]
Total equity	1,208.2	1,182.2	1,036.0	892.8	804.8
Return on investment (%)	13.4	14.7	13.3	13.0	9.9
Return on shareholders' equity (%)	16.6	17.6	15.6	16.7	12.0
Solidity (%)	41.4	41.2	41.3	38.9	37.7
Net debt to equity	0.58	0.57	0.53	0.32	0.50
Current ratio	1.48	1.21	1.40	1.91	1.97
Times interest earned	24.01	14.11	10.21	9.16	8.56
Capital expenditure	214.8	199.1	146.9	127.0	121.0
Capital expenditure/net sales (%)	7.2	6.9	5.4	5.7	5.2
Research & development	19.2	17.2	15.7[1]	13.3[1]	14.7[1]
Research & development/net sales (%)	0.6	0.6	0.6[1]	0.6[1]	0.7[1]
Number of shareholders (December 31)	30,474	26,407	24,484	25,392	24,895
Personnel (December 31)	17,417	17,076	15,844	13,818	14,362

[1] *Continuing operations*

Key exchange rates in euros

		2017 Income statement	2017 Statement of financial position	2016 Income statement	2016 Statement of financial position
Australian Dollar	AUD	0.6791	0.6523	0.6716	0.6894
British Pound	GBP	1.1415	1.1265	1.2214	1.1723
Indian Rupee	INR	0.0136	0.0131	0.0134	0.0141
Russian Ruble	RUB	0.0152	0.0145	0.0135	0.0158
Thai Baht	THB	0.0261	0.0257	0.0256	0.0266
US Dollar	USD	0.8860	0.8379	0.9035	0.9567

As of July 2016 the exchange rates used at the month end are the rates of the date prior to the last working day of the month, due to the change of publication time of the ECB euro foreign exchange reference rates.

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

Alternative performance measures

EBITDA =	EBIT + depreciation and amortization
Dividend yield =	100 x Dividend per share Share price at December 31
Shareholders' equity per share =	Total equity attributable to equity holders of the parent company Number of shares outstanding at December 31
P/E ratio =	Share price at December 31 Earnings per share
Market capitalization =	Number of shares outstanding multiplied by the corresponding share price on the stock exchange at December 31
Return on investment (ROI) =	100 x (Profit before taxes + interest expenses + net other financial expenses) Statement of financial position total – interest-free liabilities (average)
Return on equity (ROE) =	100 x Profit for the period Total equity (average)
Net debt to equity (gearing) =	Interest-bearing net debt Total equity
Solidity =	100 x Total equity Statement of financial position total – advances received
Current ratio =	Current assets Current liabilities
Times interest earned =	Earnings before interest and taxes + depreciation, amortization and impairment Net interest expenses
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 (including impairment) – capital expenditure + disposals +/– change in inventories, trade receivables and trade payables
Free cash flow =	Net cash flow from operating activities – capital expenditure + proceeds from selling tangible and intangible assets

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.

Subsidiaries

The list contains significant subsidiaries. A complete list is enclosed in the official statutory accounts which may be obtained from the company on request.

Name	**Group holding, %**
Australia	
Huhtamaki Australia Pty Limited	100.0
Brazil	
Huhtamaki do Brasil Ltda	100.0
Czech Republic	
Huhtamaki Ceska republika, a.s.	100.0
Huhtamaki Flexible Packaging Czech a.s.	100.0
LeoCzech spol s r.o.	100.0
Egypt	
Huhtamaki Egypt L.L.C.	75.0
Huhtamaki Flexible Packaging Egypt LLC	75.0
Finland	
Huhtamaki Foodservice Nordic Oy	100.0
France	
Huhtamaki Foodservice France S.A.S	100.0
Huhtamaki La Rochelle S.A.S	100.0
Germany	
Huhtamaki Flexible Packaging Germany GmbH & Co. KG	100.0
Huhtamaki Foodservice Germany GmbH & Co. KG	100.0
Hungary	
Huhtamaki Hungary Kft	100.0
India	
Huhtamaki Foodservice Packaging India Private Limited	51.0
Huhtamaki PPL Limited	66.2
Italy	
Huhtamaki Flexibles Italy S.r.l.	100.0
Luxembourg	
Huhtamaki S.à r.l.	100.0
Malaysia	
Huhtamaki Foodservice Malaysia Sdn. Bhd.	100.0
Mexico	
Huhtamaki Mexicana S.A. de C.V.	100.0
Netherlands	
Huhtamaki Finance B.V.	100.0
Huhtamaki Molded Fiber Technology B.V.	100.0
Huhtamaki Nederland B.V.	100.0
Huhtamaki Paper Recycling B.V.	100.0
New Zealand	
Huhtamaki Henderson Limited	100.0
Huhtamaki New Zealand Limited	100.0

Name	**Group holding, %**
People's Republic of China	
Guangdong Josco Disposable Product Ltd.	100.0
Huhtamaki Foodservice (Shanghai) Ltd.	100.0
Huhtamaki Foodservice (Tianjin) Ltd.	100.0
Huhtamaki (Guangzhou) Limited	100.0
Huhtamaki (Tianjin) Limited	100.0
Shandong GreenGood Eco-Tech Co. Ltd.	86.8
People's Republic of China/Hong Kong	
Dixie Cup (Hong Kong) Limited	54.0
Huhtamaki Hong Kong Limited	100.0
Poland	
Huhtamaki Foodservice Gliwice Sp. z o.o.	100.0
Huhtamaki Foodservice Poland Sp. z o.o.	100.0
Russia	
OOO Huhtamaki Foodservice Alabuga	100.0
OOO Huhtamaki S.N.G.	100.0
Saudi Arabia	
Arabian Paper Products Company	50.0
Singapore	
Huhtamaki Singapore Pte. Ltd.	100.0
South Africa	
Gravics Systems South Africa (Pty) Ltd.	100.0
Huhtamaki South Africa (Pty) Ltd.	100.0
Positive Packaging Industries South Africa (Pty) Ltd.	100.0
Spain	
Huhtamaki Spain S.L.	100.0
Thailand	
Huhtamaki (Thailand) Ltd.	100.0
Turkey	
Huhtamaki Turkey Gıda Servisi Ambalajı A.Ş.	100.0
Ukraine	
Huhtamaki Foodservice Ukraine LLC	100.0
United Arab Emirates	
Huhtamaki Flexible Packaging Middle East LLC	100.0
Positive Packaging United (M.E.) FZCO	100.0
Primetech (M.E.) FZE	100.0
United Kingdom	
Huhtamaki BCP Limited	100.0
Huhtamaki Foodservice Delta Limited	100.0
Huhtamaki Foodservice Portsmouth Limited	100.0
Huhtamaki (Lisburn) Limited	100.0
Huhtamaki (Lurgan) Limited	100.0
Huhtamaki (UK) Limited	100.0
United States	
Huhtamaki, Inc.	100.0
Vietnam	
Huhtamaki (Vietnam) Limited	100.0

The Group's control in Arabian Paper Products Company is based on a Shareholders' Agreement according to which the Group has control in the company. The Group's control in Huhtamaki Flexible Packaging Middle East LLC is based on a Shareholders' Agreement according to which the Group can consolidate the company as a fully owned subsidiary.

The following German subsidiaries are exempt from the duty of corporations to audit and disclose financial statements pursuant to German legislation (Sec. 264b HGB):
Huhtamaki Flexible Packaging Germany GmbH & Co. KG
Huhtamaki Foodservice Germany GmbH & Co. KG
Huhtamaki Real Estate Holding B.V. & Co. KG

Parent Company Annual Accounts 2017
Parent company income statement (FAS)

EUR million	Note	2017	2016
Other operating income	1	76.6	86.7
Sales and marketing		-2.7	-2.4
Administration costs		-27.6	-28.7
Other operating expenses	2	-3.6	-4.3
Earnings before interest and taxes	3, 4	42.7	51.3
Net financial income/expense	5	42.2	-10.0
Profit before appropriations and taxes		84.9	41.3
Income tax expense	6	-6.5	-4.5
Profit for the period		78.4	36.8

Parent company balance sheet (FAS)

Assets

EUR million	Note	2017	%	2016	%
Non-current assets					
Intangible assets	7				
Intangible rights		0.6		0.5	
Other capitalized expenditure		0.4		0.4	
		1.0	**0.1**	**0.9**	**0.0**
Tangible assets	8				
Other tangible assets		0.7		0.7	
Construction in progress and advance payments		0.2		0.5	
		0.9	**0.0**	**1.2**	**0.1**
Investments					
Investment in subsidiaries		1,849.1		1,615.4	
Other shares and holdings		0.9		0.8	
Loan receivables	9	3.3		3.3	
Other receivables		-		0.1	
		1,853.3	**82.5**	**1,619.6**	**75.8**
Current assets					
Current receivables					
Loan receivables	9	274.6		430.8	
Accrued income	10	53.3		56.9	
Other receivables	9	50.6		24.0	
		378.5	**16.8**	**511.7**	**24.0**
Cash and bank		14.4	0.6	2.7	0.1
Total assets		2,248.1	100.0	2,136.1	100.0

Equity and liabilities

EUR million	Note	2017	%	2016	%
Shareholders' equity	11				
Share capital		366.4		366.4	
Premium fund		115.0		115.0	
Retained earnings		587.9		627.2	
Profit for the period		78.4		36.8	
		1,147.7	**51.1**	**1,145.4**	**53.6**
Liabilities					
Non-current liabilities					
Loans from financial institutions	12	618.0		382.0	
Other non-current liabilities	13	0.6		1.0	
		618.6	**27.5**	**383.0**	**17.9**
Current liabilities					
Loans from financial institutions	12	177.8		215.0	
Other loans	12	271.4		341.4	
Trade payables	14	2.3		2.4	
Accrued expenses	15	25.2		47.5	
Other current liabilities		5.1		1.4	
		481.8	**21.4**	**607.7**	**28.5**
Total equity and liabilities		2,248.1	100.0	2,136.1	100.0
Total retained earnings available for distribution		**666.3**		**664.0**	

Parent company cash flow statement (FAS)

EUR million	**2017**	**2016**
EBIT	42.7	51.3
Adjustments		
Depreciation and amortization	0.6	0.5
Other adjustments	-0.2	0.0
Change in non-interest-bearing receivables	-36.5	9.1
Change in non-interest-bearing payables	1.8	1.7
Dividends received	-	0.0
Net financial income and expense	-7.1	-6.9
Taxes paid	-12.6	-5.4
Net cash flow from operating activities	**-11.3**	**50.3**
Capital expenditure	-0.6	-1.0
Disposal of tangible and intangible assets	0.0	0.1
Investments in subsidiaries	-233.6	-3.8
Proceeds from subsidiary investments	48.3	-
Change in non-current receivables	0.1	0.0
Change in current deposits	156.2	-128.9
Net cash flow from investing activities	**-29.6**	**-133.6**
Change in non-current loans	235.7	18.9
Change in current loans	-107.0	132.2
Dividends paid	-76.0	-68.5
Net cash flow from financing activities	**52.7**	**82.6**
Change in liquid assets	11.7	-0.7
Liquid assets on January 1	2.7	3.4
Liquid assets on December 31	14.4	2.7

Parent Company accounting principles

The financial statements of Huhtamäki Oyj have been prepared according to Finnish Accounting Standards (FAS). The financial statements have been prepared on the basis of historical costs and do not take into account increases in the fair value of assets, unless otherwise stated.

Foreign currency

Foreign currency transactions are recorded according to the exchange rates prevailing on the transaction date. Receivables and payables are revalued at the rate of exchange on the balance sheet date. The exchange rate used at the balance sheet date is the rate of the date prior to the last working day of the reporting period closing date. Exchange rate differences arising from translation of receivables are recognized under other operating income, and exchange rate differences on payables under costs and expenses. Exchange rate differences on translation of financial items, such as loans and deposits, are recognized under financial income and expenses.

Derivative instruments

Foreign exchange derivative contracts are used for hedging the company's currency position. The company manages its interest rate risks using interest rate derivatives. The prudence principle is applied to derivatives in the financial statements. However, also the positive changes in market values of foreign exchange derivatives are recognized in the income statement and the balance sheet in cases where corresponding negative changes in market values exists. Foreign exchange derivatives are marked-to-market at the rate of exchange on the balance sheet date and recorded in the income statement as an adjustment to financial items or sales and purchases only to the extent they relate to balance sheet items being hedged. Interest derivatives used for hedging the company's loans are stated at historical cost. Interest derivatives used for hedging subsidiaries' external loans are stated at lower of historical cost or market value. Interest income or expenses deriving from such instruments are accrued over the contract period.

Intangible assets

Intangible assets are amortized on a systematic basis over their estimated useful life. The period of amortization does not exceed 20 years.

Tangible assets

Items of property, plant and equipment are stated at historical cost and are depreciated using the straight-line method over their estimated useful lives. Land is not depreciated.

Depreciation periods of tangible assets (years):	
Buildings and other structures	20–40
Other tangible assets	3–12

Leases of tangible assets are classified as operating leases.

Investments

Investments classified as long-term assets are carried at cost, less amounts written off to recognize permanent declines in the value of the investment. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognized as income or expense.

Investments in subsidiaries are carried at cost in the balance sheet of the company.

Income taxes

The income statement includes income taxes of the Company based on taxable profit for the financial period according to local tax regulations as well as adjustments to prior year taxes.

Other operating income and revenue recognition

The Company's operations comprise investment to subsidiaries and offering services to subsidiaries. The revenue relating to sale of services is reported under Other operating income. Revenue is recognized at the date of delivery. In addition, gains from disposal of assets, royalty and rental income are included in Other operating income.

Other operating expenses

Other operating expenses include e.g. losses from disposal of assets.

Appropriations

Gains and losses from appropriations include items which fall outside the ordinary activities of the company, such as group contribution or divestment related items.

Notes to the parent company financial statements

1. Other operating income

EUR million	2017	2016
Royalty income	34.9	46.3
Group cost income	26.3	22.3
Rental income	2.0	2.0
IT recharge	0.9	0.9
Other	12.5	15.2
Total	76.6	86.7

2. Other operating expenses

EUR million	2017	2016
Intercompany other operating expenses	2.4	2.4
Other	1.2	1.9
Total	3.6	4.3

3. Personnel expenses

EUR million	2017	2016
Wages and salaries	11.0	10.1
Pension costs	1.8	1.4
Other personnel costs	4.4	4.8
Total	17.2	16.3

The above amounts are on accrual basis. Remuneration paid by the parent company to the members of the Board of Directors as well as the CEO of Huhtamäki Oyj (9 people) amounted to EUR 3.4 million (2016: EUR 2.9 million).

See note 28, Corporate Governance Statement and Remuneration Statement.

Average number of personnel	2017	2016
Huhtamäki Oyj	66	63

4. Depreciation and amortization

EUR million	2017	2016
Depreciation and amortization by function:		
Administration	0.6	0.5
Total	**0.6**	**0.5**
Depreciation and amortization by asset type:		
Other tangible assets	0.3	0.2
Other capitalized expenditure	0.3	0.3
Total	0.6	0.5

5. Financial income and expense

EUR million	2017	2016
Dividend income	**48.3**	**0.0**
Interest and other financial income		
Intercompany interest income	15.3	11.1
Other interest income	0.1	0.1
Total interest income	**15.4**	**11.2**
Other financial income	157.2	191.1
Total interest and other financial income	**220.9**	**202.3**
Interest and other financial expenses		
Intercompany interest expenses	-2.5	-2.1
Other interest expenses	-18.4	-18.1
Total interest expenses	**-20.9**	**-20.2**
Other financial expenses	-157.8	-192.1
Total interest and other financial expenses	**-178.7**	**-212.3**
Net financial items	**42.2**	**-10.0**

6. Taxes

EUR million	2017	2016
Ordinary taxes	6.5	4.5
Total	6.5	4.5

Deferred taxes are not included in income statement or balance sheet. Unrecognized deferred tax liability from timing differences is EUR 0.3 million (2016: EUR 0.7 million).

7. Intangible assets

EUR million	Intangible rights	Other capitalized expenditure	2017 Total	2016 Total
Acquisition cost on January 1	0.8	67.4	68.2	67.9
Additions	0.1	0.0	0.1	0.3
Disposals	0.0	-	0.0	0.0
Intra-balance sheet transfer	0.1	0.2	0.3	0.0
Acquisition cost on December 31	1.0	67.6	68.6	68.2
Accumulated amortization on January 1	0.3	67.0	67.3	67.0
Accumulated amortization on disposals and transfers	0.0	-	0.0	0.0
Amortization during the financial year	0.1	0.2	0.3	0.3
Accumulated amortization on December 31	0.4	67.2	67.6	67.3
Book value on December 31, 2017	0.6	0.4	1.0	-
Book value on December 31, 2016	0.5	0.4	-	0.9

8. Tangible assets

EUR million	Construction in progress and advance payments	Other tangible assets	2017 Total	2016 Total
Acquisition cost on January 1	0.5	3.9	4.4	3.6
Additions	0.0	0.3	0.3	0.8
Disposals	0.0	-	0.0	0.0
Intra-balance sheet transfer	-0.3	0.0	-0.3	0.0
Acquisition cost on December 31	0.2	4.2	4.4	4.4
Accumulated depreciation on January 1	-	3.2	3.2	3.0
Depreciation during the financial year	-	0.3	0.3	0.2
Accumulated depreciation on December 31	-	3.5	3.5	3.2
Book value on December 31, 2017	0.2	0.7	0.9	-
Book value on December 31, 2016	0.5	0.7	-	1.2

9. Receivables

EUR million	2017	2016
Current		
Loan receivables	1.1	-
Loan receivables from subsidiaries	273.5	430.8
Accrued income	32.7	21.5
Accrued corporate income	20.6	35.4
Other receivables	4.2	2.7
Other receivables from subsidiaries	46.4	21.3
Total	**378.5**	**511.7**
Non-current		
Intercompany loan receivables	3.3	3.3
Other receivables	0.0	0.1
Total	**3.3**	**3.4**
Total	381.8	515.1

10. Accrued income

EUR million	2017	2016
Accrued interest and other financial items	13.6	1.9
Accruals for profit on exchange	5.0	3.4
Miscellaneous accrued income	9.6	13.4
Accrued corporate income and prepaid expense	20.7	35.4
Other	4.4	2.8
Total	53.3	56.9

11. Changes in equity

EUR million	2017	2016
Restricted equity		
Share capital January 1	366.4	366.4
Share capital December 31	366.4	366.4
Premium fund January 1	115.0	115.0
Premium fund December 31	115.0	115.0
Restricted equity total	**481.4**	**481.4**
Non-restricted equity		
Retained earnings January 1	664.0	695.7
Dividends paid	-76.0	-68.5
Net income for the period	78.4	36.8
Retained earnings December 31	666.3	664.0
Non-restricted equity total	**666.3**	**664.0**
Total equity	**1,147.7**	**1,145.4**

For details on share capital see note 21 of the notes to the consolidated financial statements.

12. Loans

EUR million	2017	2016
Non-current		
Loans from financial institutions	618.0	382.0
Non-current loans from financial institutions total	**618.0**	**382.0**
Current		
Current portion of long-term loans from financial institutions	17.5	130.0
Loans from financial institutions and other current loans	160.3	85.0
Current loans from financial institutions total	**177.8**	**215.0**
Loans from subsidiaries	271.4	341.4
Other loans total	**271.4**	**341.4**
Changes in non-current loans		
Loans from financial institutions		
January 1	382.0	361.8
Additions	389.2	150.0
Decreases	-153.2	-129.8
Total	**618.0**	**382.0**

Repayments	**Loans from financial institutions**
2018	17.5
2019	15.0
2020	65.0
2021	71.5
2022	173.0
2023–	276.0

13. Other non-current liabilities

EUR million	2017	2016
Interest rate derivatives	-	0.4
Loans from subsidiaries	0.0	0.0
Employee benefits	0.6	0.4
Long-term provisions	-	0.2
Total	**0.6**	**1.0**

14. Trade payables

EUR million	2017	2016
Trade payables	1.9	2.1
Intercompany trade payables	0.4	0.3
Total	2.3	2.4

15. Accrued expenses

EUR million	2017	2016
Accrued interest expense	8.0	23.0
Accrued interest expense to subsidiaries	8.4	10.7
Salaries and social security	7.0	7.7
Accrued income taxes	0.7	3.9
Miscellaneous accrued expense	1.1	2.2
Total	25.2	47.5

16. Derivatives

Fair values of derivatives, EUR million	2017	2016
Currency derivatives		
with external parties	9.0	-12.1
with subsidiaries	10.2	9.5
Interest rate swaps	2.4	4.4
Total	21.6	1.8

Nominal values of principles, EUR million	2017	2016
Currency derivatives		
with external parties	672.5	711.2
with subsidiaries	438.4	591.7
Interest rate swaps	186.5	228.9
Total	1,297.4	1,531.8

The nominal value of external currency derivatives is EUR 672.5 million and the nominal value of internal currency derivatives allocated to them is EUR 438.4 million. For the rest of the external currency derivatives hedge accounting is applied.

See note 27 in the consolidated financial statements for more information on the Group's financial risk management.

17. Commitments and contingencies

EUR million	2017	2016
Operating lease payments		
Under one year	2.5	2.4
Later than one year	12.1	14.1
Total	14.6	16.5
Guarantee obligations		
For subsidiaries	56.3	89.3

Proposal of the Board of Directors to Distribute Retained Earnings

On December 31, 2017 Huhtamäki Oyj's non-restricted equity was	EUR 666,283,673.65
of which the result for the financial period was	EUR 78,443,106.09

The Board of Directors proposes that dividend will be distributed at EUR 0.80 per share.
No dividend for the own shares held by the Company on the record date shall be distributed.

The total amount of dividend on the date of this proposal would be	EUR 83,289,653.60

No significant changes have taken place in the Company's financial position since the end of the financial year.
The Company's liquidity position is good and the proposed distribution does not, in the view of the Board of Directors, risk the Company's ability to fulfill its obligations.

Espoo, February 13, 2018

Pekka Ala-Pietilä	Jukka Suominen	Eija Ailasmaa	Doug Baillie
William R. Barker	Rolf Börjesson	Kerttu Tuomas	Sandra Turner

Jukka Moisio
CEO

Auditors' Report

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Huhtamäki Oyj (business identity code 0140879-6) for the year ended December 31, 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 5 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of goodwill *We refer to financial statements' accounting principles on goodwill and related disclosure in the note 11.* At the balance sheet date, the value of goodwill amounted to EUR 663.8 million representing 22% of total assets and 52% of total equity. Management's annual impairment test was a key audit matter due to the size of the goodwill amount and because the test involves management estimates on future results of the business and the discount rates applied to future cash flows.	We engaged valuation specialists to assist us in evaluating the assumptions and methodologies used for impairment tests. We focused on forecasted growth and profitability as well as discount rates. We assessed management's underlying assumptions and among other things benchmarked those with external data. We focused on the sensitivity and the availability of headroom for cash generating units and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We assessed company's forecasting accuracy in the history and compared projections to the latest Board approved budgets. We also tested the mathematical formulas of the underlying calculations. In addition we assessed the adequacy of the company's disclosures related to impairment tests.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *We refer to financial statements' accounting principles on revenue recognition and disclosure in the note 1 related to turnover.* We focused on this area as a key audit matter due to the risk of incorrect timing of revenue recognition and estimation related to recording the discounts and rebates. According to the financial statements' accounting principles revenue is recognized at an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring goods to a customer. The revenue recognition occurs at a point in time when the control of the goods is transferred to the customer according to the delivery terms. Due to the variation of contractual sales terms and practices across the markets and the pressure the local management may feel to achieve performance targets, there is a risk for material error. This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	To address the risk of material misstatement relating to revenue recognition, our audit procedures included amongst other: • assessing the compliance of company's revenue recognition accounting policies with applicable accounting standards, including those relating to discounts and rebates. • assessing the revenue recognition processes and practices. On major locations we tested the effectiveness of the key controls. • testing the accuracy of cut-off with substantive analytical procedures supplemented with test of details on a transaction level on either side of the balance sheet date and by analyzing credit notes issued after the balance sheet dates. We assessed the adequacy of the company's disclosures related to revenues.
Valuation of inventories *We refer to financial statements' accounting principles on inventories and related disclosure in the note 18.* At the balance sheet date, the value of inventory amounted to EUR 444.8 million representing 15% of total assets and 37% of total equity. Inventories were considered as a key audit matter due to the size of the balance and because inventory valuation involves management judgment. According to the financial statements' accounting principles inventories are measured at the lower of cost or net realizable value. The company has segment and region specific procedures for identifying risk for obsolescence and measuring inventories at the lower of cost or net realizable value.	To address the risk for material error on inventories, our audit procedures included amongst other: • assessing the compliance of company's accounting policies over inventory with applicable accounting standards. • assessing the inventory valuation processes and practices. On major locations we tested the effectiveness of the key controls. • assessing the analyses and assessment made by management with respect to slow moving and obsolete stock. We assessed the adequacy of the company's disclosures related to inventories.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on March 24, 2010, and our appointment represents a total period of uninterrupted engagement of eight years.

Other information

The Board of Directors and/or the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in Huhtamaki 2017 publication, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and Huhtamaki 2017 publication is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, February 13, 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

Corporate Governance Statement

Introduction

Huhtamäki Oyj (the Company) complies with the Finnish Corporate Governance Code (Code) adopted by the Securities Market Association. This Corporate Governance Statement complies with the Code effective from January 1, 2016. In addition, the Company has issued a separate Remuneration Statement prepared in accordance with the Code. The Code is available in its entirety on the internet at www.cgfinland.fi. Huhtamäki Oyj is a support member of the Securities Market Association.

This separate Corporate Governance Statement has been issued and published in connection with the Directors' Report. The Audit Committee of the Board of Directors of the Company has reviewed the statement and it has been approved by the Board of Directors. The Auditor of the Company has reviewed that the statement has been issued and that the description of the main principles of internal control and risk management systems of the financial reporting process fully complies with the financial statements of the Company.

The Company's corporate governance comprises the General Meeting of Shareholders, the Board of Directors (Board) and the Committees founded by it, the Chief Executive Officer (CEO) and the Global Executive Team (GET), laws and regulations applicable in countries where the Group operates as well as the Group's internal policies, guidelines and practices.

Updated information on the governance of the Company is available on the Company's website in section "Corporate Governance" (www.huhtamaki.com/investors/governance).

Corporate governance structure

Audit

General Meeting of Shareholders

Internal control
Internal audit
Risk management
Compliance

Applicable legislation and other regulation, such as

- Finnish Companies Act
- Market Abuse Regulation and Finnish Securities Market Act
- Rules, regulations and guidelines of the European Securities and Markets Authority, ESMA and the Finnish Financial Supervisory Authority
- Rules of the stock exchange
- Finnish Corporate Governance Code

Board of Directors

Nomination Committee | Human Resources Committee | Audit Committee

Chief Executive Officer (CEO)

Global Executive Team (GET)

Internal orders and guidelines, such as

- Articles of Association
- Charters for the governing bodies of the Company
- Code of Conduct
- Other internal policies, guidelines and procedures

Descriptions concerning corporate governance

Board of Directors

Election and composition of the Board

The Nomination Committee of the Board prepares a proposal for the election of the Board members to the Annual General Meeting of Shareholders (AGM) which elects the Board members for the term of office expiring at the close of the AGM following the election. The Articles of Association of the Company do not contain any provisions on a special order of appointment of the Board members but the AGM elects all Board members based on the proposal of the Nomination Committee of the Board. The Board shall elect from among its members the Chairman and the Vice-Chairman. If the CEO of the Company was elected to the Board, the CEO could however not be elected as the Chairman of the Board.

The number of Board members and the composition of the Board shall make it possible for the Board to discharge its duties in an efficient manner. The composition shall reflect the requirements set by the Group's operations and the development stage of the Group. A person to be elected to the Board shall have the qualifications required by the duties and the possibility to devote a sufficient amount of time to attend to the duties efficiently. According to the Articles of Association of the Company the Board shall consist of a minimum of six and a maximum of nine members. There are no limitations as to the number of terms a person may be elected as Board member or as to the maximum age of a Board member.

Board members

The AGM 2017 elected the following eight individuals to the Board:

Chairman Mr. Pekka Ala-Pietilä
Born 1957, Finnish citizen
Independent of the Company and significant shareholders
Date of election: April 24, 2012
Board Committees: Chairman of the Nomination Committee and Human Resources Committee
Main occupation: Miscellaneous positions of trust
Education: M.Sc. (Econ); D.Sc. (Econ) h.c. and D.Sc. (Tech) h.c.
Primary working experience: Blyk Services Ltd., Co-founder and CEO (2006–2011); Nokia Corporation, several different roles (1984–2005), last positions as President (1999–2005), Member of the Group Executive Board (1992–2005) and Nokia Mobile Phones, President (1992–1998)
Key positions of trust: Sanoma Corporation, Chairman of the Board (2016–) and Board member (2014–); Netcompany A/S, Chairman of the Board (2017–); SAP SE, Supervisory Board member (2002–); Pöyry PLC, Board member (2006–2017); Solidium Oy, Chairman of the Board (2011–2015)

Ms. Eija Ailasmaa
Born 1950, Finnish citizen
Independent of the Company and significant shareholders
Date of election: March 22, 2004
Board Committees: Member of the Audit Committee
Main occupation: Miscellaneous positions of trust
Education: M.Pol.Sc.
Primary working experience: Sanoma Media B.V., President and CEO (2003–2011); Sanoma Group, executive roles in magazine publishing subsidiaries, including Helsinki Media/ Sanoma Magazines Finland, President (2000–2003) and other executive roles (1989–2000); Kodin Kuvalehti magazine, Editor-in-chief (1985–1989)
Key positions of trust: Solidium Oy, Vice-Chairman of the Board (2008–2015, 2016–); Outotec Oyj, Board member (2010–)

Vice-Chairman Mr. Jukka Suominen
Born 1947, Finnish citizen
Independent of the Company, based on an overall evaluation dependent of a significant shareholder
Date of election: March 30, 2005
Board Committees: Chairman of the Audit Committee, member of the Nomination Committee
Main occupation: Miscellaneous positions of trust
Education: M.Sc. (Eng), B.Sc. (Econ)
Primary working experience: Silja Group, executive roles (1975–2000), Group CEO, Silja Oyj Abp (1995–2000), CEO, Silja Line (1991–1995) and VP, Effoa / Finland Steamship Company Ltd. (1975–1994)
Key positions of trust: Rederiaktiebolaget Eckerö, Chairman of the Board (2006–); Lamor Corporation Ab, Chairman of the Board (2010–); Fiskars Oyj Abp, Board member (2008–2014)

Mr. Doug Baillie
Born 1955, U.K. citizen
Independent of the Company and significant shareholders
Date of election: April 21, 2016
Board Committees: Member of the Human Resources Committee
Main occupation: Miscellaneous positions of trust
Education: BComm, Business Finance, Marketing & Business Administration
Primary working experience: Unilever Group, several different roles (1978–2016), last positions Chief Human Resources Officer and a member of the Executive Board (ULE) of Unilever Group (2008–2016), President, Western Europe (2008–2011), Chief Executive Officer & Group Vice President, South Asia, Hindustan Unilever (2006–2008) and Group Vice President, Africa, Middle East & Turkey (2004–2005)
Key positions of trust: The MasterCard Foundation, Board member (2015–); Leverhulme Trust, Board member (2015–); Africa Platform Capital LLP, Senior Advisor (2016–); Huozhi Limited, Advisor (2016–)

Mr. William R. Barker
Born 1949, U.S. citizen
Independent of the Company and significant shareholders
Date of election: March 24, 2010
Board Committees: Member of the Human Resources Committee
Main occupation: Miscellaneous positions of trust
Education: MBA and B.Sc. (Chem. Eng.)
Primary working experience: Milacron LLC, Executive Vice President (2013–2014); Mold-Masters (2007) Limited, President (2013) and President and CEO (2010–2013); The Whitehawk Group LLC, CEO (2009–2010); Rexam PLC, Board member and Rexam Beverage Can, Group Executive Director (2005–2009); Rexam Beverage Can Americas, President & CEO (2001–2004); Textron, Inc., President, Textron Fastening Systems - Commercial Solutions (2000–2001); OEA Inc., President, OEA Automotive Safety Products (1998–2000); Bosal International N.V., President, Bosal North America (1995–1998); Gates Rubber Company, Vice President, Gates Power Drive Products, Managing Director, Asia Pacific Operations and other positions (1972–1995)
Key positions of trust: Shield Holdco LLC (holding company of Dynatect Manufacturing, Inc.), Chairman of the Board (2014–) and Board member (2014); Shape Technologies Group, Inc., Chairman of the Board (2015–) and Board member (2015); Leeds School of Business, University of Colorado, Board member (2008–); The Carlstar Group LLC, Board member (2014–2017); Mcron Acquisition Corporation, Board Member (2013–2014); Mold-Masters (2007) Limited, Board member (2010–2013)

Mr. Rolf Börjesson
Born 1942, Swedish citizen
Independent of the Company and significant shareholders
Date of election: March 31, 2008
Board Committees: Member of the Nomination Committee and Human Resources Committee
Main occupation: Miscellaneous positions of trust
Education: M.Sc. (Chem. Eng.)
Primary working experience: Rexam PLC, Chairman of the Board (2004–2008) and CEO and Board member (1996–2004)
Key positions of trust: LifeAir AB (publ), Chairman of the Board (2017); Biolight AB (publ), Chairman of the Board (2011–2016); Svenska Cellulosa Aktiebolaget SCA (publ), Board member (2003–2015); Avery Dennison Corporation, Board member (2005–2015); Ahlsell AB, Chairman of the Board (2006–2012)

Ms. Kerttu Tuomas
Born 1957, Finnish citizen
Independent of the Company and significant shareholders
Date of election: April 27, 2017
Board Committees: Member of the Audit Committee
Main occupation: Miscellaneous positions of trust
Education: B.Sc. (Econ)
Primary working experience: KONE Corporation, Executive Vice President, Human Resources and member of the Executive Board (2002–2017); Elcoteq Network Corporation, Group Vice President, Human Resources (2000–2002); MasterFoods Oy (Mars), Personnel & Organization Manager (1994–1999); Mercuri Urval, Consultant (1987–1993)
Key positions of trust: Kemira Oyj, Vice-Chairman of the Board (2014–) and Board member (2010–); Finnish National Opera and Ballet, Board member (2016–); Aamu Suomen Lasten Syöpäsäätiö sr, Board Member (2017–); CEMS (the Global Alliance in Management Education), member of the Strategic Board (2008–2016); Federation of Finnish Technology Industries, member of the working committees: Employer & labor market relations (2007–2015), Employee safety (2009–2010), Education and labor issues (2007–2008); JTO School of Management, Board member (2007–2010)

Ms. Sandra Turner
Born 1952, U.K. citizen
Independent of the Company and significant shareholders
Date of election: April 20, 2011
Board Committees: Member of the Audit Committee
Main occupation: Miscellaneous positions of trust
Education: BA (Marketing) Honours
Primary working experience: Tesco PLC, several different roles in United Kingdom and Ireland (1987–2009), last position Commercial Director, Tesco Ireland Limited (2003–2009)
Key positions of trust: Carpetright PLC, Board member (2010–); McBride PLC, Board member (2011–); Greggs PLC, Board member (2014–); Berkhamsted School, Board of Governors, Vice-Chairman (2013–) and member (2011–2013); Countrywide PLC, Board member (2013–2014); Northern Foods PLC, Board member (2010–2011)

Diversity of the Board

The principles on diversity of the Board have been defined in the Charter of the Board of Directors. The Company strives to ensure strong, versatile and mutually complementary expertise, experience and knowledge in the different businesses and geographical market areas that are important for the Group when electing the Board members. The Board members of the Company shall represent various businesses comprehensively and have broad management experience in important market areas for the Group, including the emerging markets. Factors promoting the diversity of the Board include e.g. Board members' educational, professional and international background, experience relevant for the position, members' age structure, representation of both genders in the Board and other personal characteristics. Both genders shall be represented in the Board in a well-balanced manner. In addition, it is important that the Board composition ensures both comprehensive knowledge of the Company through experienced Board members as well as new insights. The Nomination Committee of the Board takes the principles on diversity into account as part of the Company's succession planning when considering the composition of the Board and the fulfillment of the principles is evaluated annually.

The objectives concerning the diversity of the Board have been achieved well. According to the Nomination Committee the Board composition comprises qualifications defined in the principles on diversity in a balanced way. As regards diversity in terms of gender, both genders are represented in the Board in a well-balanced manner and both genders have been represented in the Board for a long time. Since 2009, two to three Board members have been female thus representing 25–43% of all Board members. Since the AGM in 2017 the Board has been composed of eight members representing four different nationalities. The age structure of the Board members has been 60–75 years and three Board members have been female and five male. The Board members have international experience in different roles in global companies operating in the different businesses and geographical market areas that are important for the Group. Board members hold or have held management positions and positions of trust in both listed and unlisted companies. All Board members have a university level degree, mainly in technology or economics. More information on the educational and professional background of the Board members is available on pages 63–64. In the view of the Nomination Committee the current composition of the Board ensures well both comprehensive knowledge of the Company and new insights. The Board strives to ensure that experienced Board members with longer history in the Company's Board and with wide knowledge of the Company's various stages transfer their Company specific knowledge and expertise to the new members thereby ensuring that the knowledge stays in the Board also in the future.

Independence of the Board members

All members of the Board are non-executive. The Board considers all members of the Board independent of the Company. It was noted in the consideration that despite Eija Ailasmaa and Jukka Suominen having served as directors for more than 10 consecutive years, the Board has determined no reasons justifying them to be considered dependent on the Company. The evaluation has been made based on the actual circumstances from both the perspective of the Company and the directors in question. The Board also considers all members except Jukka Suominen independent of the significant shareholders of the Company. According to his own notification and an overall evaluation by the Board, Jukka Suominen is dependent of the significant shareholder of the Company, The Finnish Cultural Foundation.

Shares owned by the Board members on December 31, 2017

Pekka Ala-Pietilä	3,250
Jukka Suominen	3,000
Eija Ailasmaa	1,000
Doug Baillie	1,000
William R. Barker	-
Rolf Börjesson	3,000
Kerttu Tuomas	-
Sandra Turner	1,000
Board total	**12,250**

The shareholdings include the Company's shares owned by the Board members and by any potential corporations over which a Board member exercises control. Board members do not own any shares in any other Group companies than the Company. Information on the remuneration of the Board members is available in the Remuneration Statement issued and published in connection with the Directors' Report and available on the Company's website (www.huhtamaki.com/investors/governance/remuneration).

Responsibilities and duties of the Board

In addition to the powers vested in the Board by the Companies Act and the Articles of Association, the essential duties and working principles of the Board are defined in the Company's Charter of the Board of Directors which was last updated in 2016.

The responsibilities and duties of the Board include, among other things,

- organizing the Company's management and operations including e.g.
  - appointing and dismissing the CEO and approving the proposals by the CEO for GET members' appointments and dismissals
  - deciding on the compensation of the CEO and other GET members and annually reviewing the performance of the CEO and other GET members
  - defining the Group's ethical values and methods of working including e.g. the approval of the Company's Code of Conduct
- directing the Company's business and strategy including e.g.
  - establishing strategic and financial targets as well as dividend policy and approving the strategic plans and budget as well as monitoring their implementation
  - approving acquisitions and divestments as well as capital expenditure proposals exceeding EUR 10 million or proposals which are otherwise of material importance to the Group
  - discussing and approving of financial statements, Directors' Report, interim reports, Corporate Governance Statement, Remuneration Report and Corporate Responsibility Report
- financial communication and outlook
- internal control and risk management and
- preparation of matters to be resolved by the AGM.

The Board also conducts an annual evaluation of its own performance and working methods. The evaluation may be conducted as an internal self-evaluation or by using an external evaluator. In 2017, the evaluation was done as an internal self-evaluation without an external evaluator.

In order to discharge its duties, the Board requires sufficient information on the structure, business operations and markets of the Group. Each Board member is provided with a monthly report on the financial situation and markets of the Group. In addition, if necessary, the Board is informed of all material events in the Group. New Board members are properly introduced to the operations of the Company.

Board meetings

The meetings of the Board are held at the Company's headquarters in Espoo or in other Group locations or in other places as decided by the Board. The Board may also hold its meetings by telephone or electronically and make decisions without convening a meeting. According to the Charter of the Board of Directors, it shall hold at least six regular meetings each year. In 2017, the Board held ten meetings, two of which were telephone meetings and two were held without convening. The average attendance of the members at the Board meetings was 99%.

The CEO, the Chief Financial Officer (CFO) and the Senior Vice Presidents for HR and Corporate Affairs & Legal, Group General Counsel are usually attending the Board meetings. When necessary, e.g. in connection with deliberation of strategy or budgets, the meetings are attended also by other GET members. The Auditor is participating annually in the meeting deliberating the financial statements. The Group General Counsel of the Company acts as the secretary of the Board.

Board members' attendance at the Board meetings in 2017

	Attendance (%)	Number of meetings attended
Pekka Ala-Pietilä (Chairman)	90	9/10
Jukka Suominen (Vice-Chairman)	100	10/10
Eija Ailasmaa	100	10/10
Doug Baillie	100	10/10
William R. Barker	100	10/10
Rolf Börjesson	100	10/10
Kerttu Tuomas*	100	7/7
Sandra Turner	100	10/10

** Member of the Board since April 27, 2017*

Board Committees

General

In order to focus on certain responsibilities, the Board may appoint Committees consisting of three to five Board members each. The Board also appoints the Chairman of each Committee. Each Committee member shall have the qualifications required by the duties of the Committee.

The Board currently has three Committees: the Nomination Committee, the Human Resources Committee and the Audit Committee. The duties and responsibilities of the Committees are described in the charter for each Committee approved by the Board. The charters were last updated in 2016. The Committees assist the Board by preparing matters belonging to the competence of the Board. Each Committee regularly reports on its work to the Board. The Committees have no autonomous decision-making power and, thus, the Board passes its resolutions collectively. The entire Board remains responsible for the duties assigned to the Committees.

Nomination Committee

The Nomination Committee prepares proposals to the AGM concerning election of Board members and their remuneration. It shall also conduct succession planning of the Board members when necessary.

The Nomination Committee shall meet at least once a year, prior to the AGM. The following individuals have comprised the Nomination Committee in 2017: Pekka Ala-Pietilä (Chairman), Rolf Börjesson and Jukka Suominen. In 2017, the Nomination Committee held five meetings. The average attendance of the members at the Nomination Committee meetings was 100%.

Members' attendance at the Nomination Committee meetings in 2017

	Attendance (%)	Number of meetings attended
Pekka Ala-Pietilä (Chairman)	100	5/5
Rolf Börjesson	100	5/5
Jukka Suominen	100	5/5

Human Resources Committee

The Human Resources Committee prepares and discusses organizational and human resource matters including remuneration, appointment and succession planning of the CEO and other GET members as well as the development of the people strategy and human resources policies.

The Human Resources Committee shall meet at least twice a year. The following individuals have comprised the Human Resources Committee in 2017: Pekka Ala-Pietilä (Chairman), Doug Baillie, William R. Barker and Rolf Börjesson. In 2017, the Human Resources Committee held three meetings. The average attendance of the members at the Human Resources Committee meetings was 100%.

Members' attendance at the Human Resources Committee meetings in 2017

	Attendance (%)	Number of meetings attended
Pekka Ala-Pietilä (Chairman)	100	3/3
Doug Baillie	100	3/3
William R. Barker	100	3/3
Rolf Börjesson	100	3/3

Audit Committee

The Audit Committee assists the Board by preparing certain matters relating to financial reporting and control. Audit Committee's duties include for example monitoring and evaluating the Company's financial reporting process, the effectiveness of internal control, internal audit and risk management systems, evaluating the independence of the statutory auditor and in particular the provision of non-audit services as well as monitoring the statutory audit of the annual and consolidated financial statements. The Audit Committee also prepares and makes proposals to the AGM for the election of the statutory auditor and reviews the financial statements and various other reports to be published by the Company.

The Audit Committee members shall have the expertise and experience required for the performance of the responsibilities of the Committee and at least one member shall have competence in accounting and/or auditing. The Audit Committee members shall not be involved in the day-to-day management of the Group. The majority of the members shall be independent of the Company and at least one member shall be independent of the Company's significant shareholders. In addition to the members of the Audit Committee, the CFO of the Company and when considered necessary also other members of the Company's management participate in the Committee's meetings. The Auditor participates in the meeting deliberating the financial statements and also other meetings, if considered necessary.

The Audit Committee shall meet in accordance with the schedule determined by the Committee but at least four times a year. The following individuals have comprised the Audit Committee from the date of the AGM in 2017: Jukka Suominen (Chairman), Eija Ailasmaa, Kerttu Tuomas and Sandra Turner. In 2017, the Audit Committee held seven meetings. The average attendance of the members at the Audit Committee meetings was 100%.

Members' attendance at the Audit Committee meetings in 2017

	Attendance (%)	Number of meetings attended
Jukka Suominen (Chairman)	100	7/7
Eija Ailasmaa	100	7/7
Kerttu Tuomas*	100	4/4
Sandra Turner	100	7/7

** Member of the Audit Committee since April 27, 2017*

Chief Executive Officer

The CEO manages the Group and its businesses. According to the Companies Act the CEO is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board and is responsible for ensuring that the book-keeping of the Company complies with the law and that the financial administration is arranged in a reliable manner. The CEO is responsible for the achievement of the goals, plans and objectives set by the Board. The CEO is the Chairman of the GET.

M.Sc. (Econ), MBA Jukka Moisio (born 1961) has acted as the Group CEO since April 1, 2008. Before joining the Company, Jukka Moisio acted during 1991–2008 in several different roles in Ahlstrom Corporation, last position being the CEO. Further information on the CEO as well as his shareholding in the Company is available later in this statement in connection with information on other GET members.

Certain key conditions of the written Service Agreement between the Company and the CEO, CEO's remuneration and information on the statutory and supplementary pension arrangement of the CEO are available in the Remuneration Statement issued and published in connection with the Directors' Report and available on the Company's website (www.huhtamaki.com/investors/governance/remuneration).

Global Executive Team

The GET supports the CEO in the management of the Group and its businesses. It addresses and follows the implementation of the Group strategy and overall financial performance as well as the fulfillment of significant projects and set targets. The GET has no formal status under company law. The GET consists of the CEO as the Chairman and the executives approved by the Board. The GET members report to the CEO. Each GET member has a clear operational responsibility within a Global function or a business segment. The GET convenes at least once a month.

The following persons belong to the GET at the date of this statement:

Mr. Jukka Moisio

Born 1961, Finnish citizen
Chairman of the GET, Chief Executive Officer (CEO)
GET member since: April 1, 2008
Joined the company: 2008
Education: M.Sc. (Econ), MBA
Primary working experience: Ahlstrom Corporation (1991–2008), several different roles, last position as CEO
Key positions of trust: Atria Oyj, Board member (2014–); The Finnish Fair Corporation, Supervisory Board member (2009–)

Mr. Thomas Geust

Born 1973, Finnish citizen
Chief Financial Officer (CFO)
GET member since: October 1, 2013
Joined the company: 2013
Education: M.Sc. (Econ)
Primary working experience: ABB Group (2004–2013), several different roles, last position as Group Vice President, Global Controller, Business Unit Marine & Cranes; Schneider Electric (2003–2004), Global Division Controller, Vice President, Control; Lexel Group (2000–2003), Production Controller; KPMG (1998–2000), Auditor
Key positions of trust: –

Mr. Sami Pauni

Born 1974, Finnish citizen
Senior Vice President, Corporate Affairs and Legal, Group General Counsel
GET member since: February 12, 2015
Joined the company: 2006
Education: LL.M., EMBA
Primary working experience: Huhtamäki Oyj (2006–), several different legal and corporate affairs roles, previous position as Group Vice President, Legal, and General Counsel; Roschier Attorneys Ltd. (2001–2006), Attorney
Key positions of trust: Securities Market Association, member of the Market Practice Board (2013–); Confederation of Finnish Industries EK, member of the Legal Affairs Committee (2013–)

Ms. Teija Sarajärvi

Born 1969, Finnish citizen
Senior Vice President, Human Resources
GET member since: October 1, 2015
Joined the company: 2015
Education: M.A.
Primary working experience: OP Financial Group (2012–2015), Executive Vice President HR; Metso Oyj (2009–2012), several different roles, last position as Senior Vice President, Human Resources; Nokia Oyj (1998–2009), several different roles, last position as Director, Human Resources, Nokia Markets; ABB Oyj (1993–1998), several different roles
Key positions of trust: Sarlin Group Oy Ab, Board member (2017–); Federation of Finnish Financial Service, Chairman of the Labour Market Committee (2013–2015); Confederation of Finnish Industries, Member of Skilled Workforce Committee (2014–2015); Unico Banking Group, Member of HR Committee (2012–2015); OP Pension Fund, OP Pension Foundation, Chairman of the Board (2012–2015)

Mr. Petr Domin
Born 1966, Czech citizen
Executive Vice President, Fiber Packaging (previously Molded Fiber)
GET member since: July 1, 2016
Joined the company: 1990
Education: EMBA, M.Sc. (Eng., Pulp and Paper)
Primary working experience: Huhtamaki Group (1990–), several different roles, latest positions as interim Executive Vice President, Molded Fiber (2015–2016); Managing Director, Molded Fiber Europe (2012–), Global Operations Support Manager (2009–2012), Molded Fiber; General Manager, UK & Ireland, Huhtamaki Lurgan (2006–2009); General Manager, Norway, Huhtamaki Norway (2006–2008); General Manager, Central East Europe, Huhtamaki Czech Republic (2005–2006)
Key positions of trust: Association of the Pulp and Paper Industry (Czech Republic), Board member (2017–)

Mr. Clay Dunn
Born 1957, U.S. citizen
Executive Vice President, North America
GET member since: June 1, 2005
Joined the company: *2005*
Education: BBA (Marketing and Management)
Primary working experience: Dow Chemical Company (1979–2005), several different roles, including positions as Vice President, Global Sourcing and Vice President, Polystyrene
Key positions of trust: –

Mr. Olli Koponen
Born 1959, Finnish citizen
Executive Vice President, Flexible Packaging
GET member since: January 1, 2011
Joined the company: 1990
Education: M.Sc. (Eng., Automation & Information Technology), B.Sc. (Eng., Automation Technology)
Primary working experience: Huhtamäki Oyj (1990–), several different roles, previous positions as Executive Vice President, Molded Fiber; Senior Vice President, Molded Fiber Europe as well as General Manager positions in Hämeenlinna, Finland, Turkey, Hong Kong and Russia; Systecon Oy (1984–1990), several different roles, last position as Product Manager
Key positions of trust: –

Mr. Eric Le Lay
Born 1962, French citizen
Executive Vice President, Foodservice Europe-Asia-Oceania
GET member since: March 12, 2008
Joined the company: 2008
Education: MBA, M.Sc. (Eng.)
Primary working experience: Amcor Limited (1997–2008), several different roles, last position as Managing Director, Chilled Foods, Amcor Flexible Europe; United Biscuits (1996–1997), Plant Manager; Johnson & Johnson International S.A. (1994–1996), Deputy Plant Manager; Kraft General Food France S.A. (1986–1994), various positions in operations and finance/controlling
Key positions of trust: –

Shares owned by the GET members on December 31, 2017

	2017
Jukka Moisio	105,000
Thomas Geust	16,510
Sami Pauni	5,294
Teija Sarajärvi	1,840
Petr Domin	7,510
Clay Dunn	44,830
Olli Koponen	34,920
Eric Le Lay	50,571
GET total	**266,475**

The shareholdings include the Company's shares owned by the GET members and by any potential corporations over which a GET member exercises control. GET members do not own any shares in any other Group companies than the Company.

Information on the remuneration of the GET members is available in the Remuneration Statement issued and published in connection with the Directors' Report and available on the Company's website (www.huhtamaki.com/investors/governance/remuneration).

Descriptions of risk management systems, internal control procedures and internal audit function

Overview of the risk management systems

Risk management is an essential part of the internal control system of the Group. The Company has defined the principles applied in the organization of the risk management. The purpose of risk management is to identify potential events that may affect the achievement of the Group's objectives in changing business environment and to manage such risks to a level that the Group is capable and prepared to accept so that there is reasonable assurance and predictability on the achievement of the Group's objectives. The risk management process of the Group is based on Enterprise Risk Management (ERM) framework of Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Group's risk management process involves assessing risks systematically by business unit, segment and Global function, improving risk management awareness and quality, sharing best practices and supporting cross-functional risk management initiatives. In order to systematize and facilitate the identification of risks they are categorized as strategic, operational, financial, and information risks. These categories are closely aligned with the strategic, operational, financial and compliance objectives of the Group.

Huhtamaki Group Enterprise Risk Management (ERM) Policy defines the objectives, scope and responsibilities of risk management. Compliance with the risk management policy assures timely identification and recording of risks and the application of relevant risk management measures to address these risks. More detailed risk management procedures are set forth in the Group's ERM framework and process guideline.

The Audit Committee monitors the implementation of risk management activities, and evaluates the adequacy and appropriateness of ERM. The Audit Committee reports regularly to the Board of Directors, which is responsible for reviewing the Group's strategic, operational, financial and information risks.

The Board of Directors approves the risk level that the Group is capable and prepared to accept and the extent to which risks have been identified, addressed and followed up.

The Global Executive Team is responsible for the adoption and deployment of the Group's internal control principles and procedures relating to risk management. The risk management process includes systematic identification and assessment of risks in each business segment and their business units as well as at Group level. Risks are consolidated from the business unit to the segment level and from the business segment to the Group level. At each level risk treatment actions are defined in order to reach acceptable risk levels. Execution and supervision of these risk treatment actions is a task of line management. Upper level line management always approves lower level risk mitigation actions and the risk level reached after implementation of such actions. The Global Risk Management function monitors and reports the achievement of these actions. The purpose is to verify that risk treatment actions support the achievement of the Group's strategic, operational, financial and compliance objectives.

The Global Risk Management function organizes, instructs supports, supervises and monitors risk management activities on an ongoing basis. The function also analyzes changes in the impact, likelihood and level of control for each identified business risk. It reports results of the risk management process to the Audit Committee annually. The Global risk management function also prepares reports to the business segment and Group management as well as the internal audit and the Auditor.

Business unit, segment and Group level risk management process and activities are engaged with the Group's strategic planning process. Risk management process may be commenced any time in the course of the financial year should a certain business area encounter essential strategic changes requiring initiation of the risk management process.

A description of the risks that are material to the Group as well as of the focus of the risk management processes in 2017 is available in the Directors' Report and on the Company's website in section "Risk management" (www.huhtamaki.com/investors/governance/risk-management).

Overview of internal control

Successful business requires continuous development and monitoring of the Group's operations, processes and procedures. Internal control is an essential part of the corporate governance and management of the Group. The Company has defined the operating principles for internal control. The Board of Directors and the CEO are responsible for adequate internal control. The Audit Committee of the Board of Directors is monitoring the effectiveness and efficiency of the internal control systems and the correctness of the financial reporting.

Internal control is a process aiming at providing reasonable assurance on achievement of Group's strategic and financial objectives. The responsibility for arranging the internal controls belongs to the executive management of the Group and is being carried out by the whole organization. The aim of internal control is to ensure reliability of financial reporting, effectiveness and efficiency of operations as well as compliance with laws and regulations.

Control of financial reporting assures that financial statements are prepared in a reliable manner. The aim is also to ensure that all financial reports published and other financial information disclosed by the Company provide a fair view on the Group's financial situation.

Control of operations is aiming to ensure effectiveness and efficiency of operations and achievement of the Group's strategic and financial objectives.

Control of compliance ensures that the Group follows applicable laws and regulations.

Foundation of all Group's activities lies with Huhtamaki values and principles providing discipline and structure for the operations formalized in policies and guidelines on integrity, ethical behavior and management of personnel. Allocation of authorities and responsibilities as well as segregation of duties allow efficient and proper decision-making procedures.

Group policies, standards and guidelines are deployed in all business segments and business units. Policies, standards and guidelines on financial, human resources, corporate responsibility, environmental, legal and compliance as well as risk management related matters have been issued in the Group. In addition to the Group policies, there are more specific local policies in the business segments and their business units.

Reliability of financial reporting

The Global finance function and the network of business segment and business unit controllers are supporting and coordinating the financial management and financial control of operations in the Group. The Group's financial reporting guidelines and standards are applicable throughout the financial reporting process of the Group. The interpretation and application of accounting standards are centralized in the Global finance function which maintains the financial reporting guidelines and standards and takes care of communicating such throughout the Group. The Global finance function also supervises the compliance with such guidelines and standards. Supervision of reporting and budgeting processes is based on the Group's reporting standards which are determined and updated by the Global finance function. The reporting standards are uniformly applied in the whole Group and a unified Group reporting system is used.

Effectiveness and efficiency of operations

The Group's strategic direction, objectives and related actions are deployed and communicated throughout the Group. Key performance indicators and annual targets are agreed, approved and communicated as part of the annual planning process. Achievements are followed monthly and quarterly in business review meetings that are held with line management in all business segments and business units.

Key operational performance indicators are monitored continuously. Key process controls aim at identifying risks as well as designing preventive and detective controls. Corrective actions are implemented and monitored by business segment and business unit management. These activities need to be in compliance with Group policies and standards. Internal controls related to quality, safety and environmental processes and procedures are audited both internally and by external service providers.

The Group is applying Lean Six Sigma process in all business segments to identify and implement continuous improvement projects.

Compliance with laws and regulations

Group-wide policies, for example on corporate governance for subsidiaries, competition compliance, data privacy, contracts and agreements, management of claims, disputes and proceedings as well as insider matters have been issued. Compliance with the policies is facilitated through communication and training. The Group has a Global compliance function. Internal audit also covers the compliance with policies.

Overview of internal audit

The objective of the internal audit is to improve the effectiveness of supervising obligation of the Board of Directors. Internal audit aims at ensuring that the Group's operations are efficient, information is adequate and reliable and that set policies and procedures are properly followed by the organization.

The Group has an internal audit function, and in 2017 internal audit field work has been managed in cooperation with Deloitte Oy. The Code of Ethics and other standards and guidelines issued by the Institute of Internal Auditors are complied with in internal audit activities. In 2017 internal audits have been conducted in various Group and business segment level processes as well as in business units on a monthly basis according to an approved annual internal audit plan.

Global internal audit function evaluates independently and systematically Group's management and governance systems as well as the effectiveness, efficiency and appropriateness of the Group's business processes and risk management. The internal audit function provides development recommendations for the aforementioned systems and processes in the internal audit reports. The main purpose of these activities is to assure achievement of strategic and financial objectives of the Group.

The Audit Committee of the Board approves the annual internal audit plan. Audit engagements are included in the plan in accordance with the Group's strategic objectives, assessed risks, focus areas defined by the Board and the executive management of the Group on a rotation basis. The internal audit function reports to the Audit Committee. Additionally, the CEO, the CFO, the Group General Counsel, the Head of Compliance and management of the business segment and business unit where the audit has been conducted are informed of the results of the audit. Achievement of actions related to internal audit recommendations are followed by segment management and internal auditor. Results of these internal audit follow-ups are reported to the Audit Committee of the Board.

Internal audit pre-material, documentation and data are collected before internal audit field work. During the field work further findings are recorded at site. Internal audit reports include key findings, conclusions and recommendations for control improvements. The management of the audit target prepares an action plan to mitigate risks and develop controls to improve recommended audit issues. The implementation of the action plans is followed up regularly by the line management and the Group internal audit manager.

Other information

Insider administration

Legal framework

The Company follows the Regulation No. 596/2014 of the European Parliament and of the Council (the Market Abuse Regulation), the Finnish Securities Market Act and the thereto relating regulations and guidelines by the European Securities Markets Authority, the Finnish Financial Supervisory Authority and Nasdaq Helsinki Ltd. In addition, the Group has an insider policy which was updated in 2016. Certain key provisions of the Company's insider policy have been described below. The insider policy clearly defines certain practices and decision-making procedures in order to ensure that insider administration in the Company is arranged in a consistent and reliable way.

Assessment regarding inside information

The assessment whether certain information constitutes inside information is made by the CEO after consultation with the Group General Counsel. Similarly, the CEO also determines, after consultation with the Group General Counsel, whether the Company is to immediately disclose the information or whether conditions exist to delay the disclosure. The Company properly records any decisions to delay disclosure and the grounds for such decision, and follows set procedures as required by applicable laws and regulations.

Insider list

The Company maintains an insider list for recording the persons having inside information. The Company's employees and service providers who have access to inside information are entered into a relevant project-specific section of the insider list. The decision to establish such section is made by the CEO. The Company has decided not to establish a permanent insider section. Each person entered into a project-specific section is notified by e-mail of the entry, the duties entailed and the applicable sanctions. The person receiving such notification shall promptly confirm their acknowledgment of such notification in written form. The decision to terminate the project-specific section is made by the CEO after consultation with the Group General Counsel and persons entered into such list are notified by email of the termination of the project-specific section. Service providers may assume the task of maintaining insider lists of their employees as decided by the Company on a case-by-case basis.

Trading restrictions

Insider dealing is always prohibited. In addition, there are trading restrictions imposed on certain managers and employees of the Company even when such parties do not hold any inside information.

The Company has defined the Board and the GET members as persons discharging managerial responsibilities in accordance with the Market Abuse Regulation. Such managers cannot, subject to the exceptions set out in the applicable regulations, conduct any transactions on their own account or for the account of a third party, directly or indirectly, relating to the Company's shares or debt instruments or to derivatives or other financial instruments linked to them during a closed period of 30 calendar days before the announcement of an interim report or a year-end report.

The Company also applies a specific recommendation not to trade to its employees who regularly receive information on the contents of the Company's interim and year-end reports before their publication due to the highly confidential nature of the unpublished financial information. Such restricted period commences 30 calendar days before the announcement of an interim report or a year-end report.

Notification obligations

The persons discharging managerial responsibilities at the Company i.e. the Board and the GET members as well as their related parties must notify the Company and the Finnish Financial Supervisory Authority of the transactions conducted on their own account relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto. The notification obligation applies to any transaction made once a total value of EUR 5,000 has been reached within a calendar year (calculated without netting). The Company has an obligation to publish the received notification through a stock exchange release.

Related party transactions

The Company has not concluded transactions with its related parties in 2017 that are material to the Company and that either deviate from the Company's normal business operations or are not made on market or market equivalent terms.

Audit

The Company must have one Auditor, which is an accounting firm approved by the Auditor Oversight unit of the Finnish Patent and Registration Office. The AGM elects the Company's Auditor. The AGM 2017 elected the Authorized Public Accountant firm Ernst & Young Oy as the Auditor of the Company. Mr. Mikko Järventausta, APA, has acted as the auditor with principal responsibility. Each subsidiary is subject to local auditing under the local regulations, which is conducted by representatives of the Ernst & Young network in each country. Ernst & Young Oy has acted as the Company's Auditor since the AGM 2010. Before the financial year 2010 the Company's Auditor for several years was the Authorized Public Accountant firm KPMG Oy Ab and auditors representing it.

In 2017, total auditing costs of the Group amounted to EUR 1.9 million (2016: EUR 2.3 million). The Ernst & Young network has also provided other consultancy not related to auditing worth EUR 0.7 million (2016: EUR 0.8 million). Such other consultancy services are subject to separate review and approval process concerning the provision of non-audit services by the Auditor and included e.g. advisory in connection with various tax, reporting and other local compliance matters.

Remuneration Statement

Introduction

Huhtamäki Oyj (the Company) complies with the Finnish Corporate Governance Code (Code) adopted by the Securities Market Association. This Remuneration Statement has been prepared in accordance with the Corporate Governance Code effective from January 1, 2016. The Code is available in its entirety on the internet at www.cgfinland.fi. Huhtamäki Oyj is a support member of the Securities Market Association.

This separate Remuneration Statement has been issued and published in connection with the Directors' Report. The Audit Committee of the Board of Directors of the Company has reviewed the statement and it has been approved by the Board of Directors. The Auditor of the Company has reviewed that the statement has been issued. The Remuneration Statement outlines the Group's decision-making procedures and most important principles concerning the remuneration of the Board of Directors (Board), the Chief Executive Officer (CEO) and other Global Executive Team (GET) members. The Remuneration Statement also includes the Remuneration Report which provides information on the remuneration paid to the Board members, the CEO and other GET members during the financial year 2017. The remuneration and other financial benefits paid during the financial year 2016 are presented for comparison.

Updated information on the remuneration of the Company is available on the Company's website in section "Remuneration" (www.huhtamaki.com/investors/governance/remuneration). The descriptions on decision-making procedure concerning remuneration and main principles of remuneration included in the Remuneration Statement are continuously kept up to date on the Company's website.

Decision-making procedure concerning remuneration

The decision-making process in remuneration related matters

Board of Directors

The Annual General Meeting (AGM) decides annually on the remuneration payable to the members of the Board of Directors and its Committees as well as on related remuneration principles and on the principles for compensating the expenses of the Board members. The Nomination Committee of the Board of Directors prepares a proposal to the AGM on the same.

Chief Executive Officer and Global Executive Team

Remuneration and benefits payable to the CEO and other GET members are determined by the Board of Directors on an annual basis. The Board also makes decisions concerning any potential compensation payable to the CEO and other GET members upon the termination of such person's employment. Prior to the relevant Board meeting, the matter is always deliberated by the Human Resources Committee of the Board of Directors.

Authorizations relating to remuneration

The AGM on April 27, 2017 decided in accordance with the proposal of the Board of Directors that the Board of Directors shall be authorized to resolve on the issuance of shares and the issuance of options and other special rights entitling to shares referred to in chapter 10, section 1 of the Companies Act as follows: The aggregate number of shares to be issued on the basis of this authorization may not exceed 14,000,000 shares, which corresponds to approximately 13% of the current shares of the Company. The authorization concerns both the issuance of new shares and the transfer of the Company's own treasury 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 Board of Directors resolves on all the terms and conditions of the issuance of shares and special rights entitling to shares and may deviate from the shareholders' pre-emptive subscription rights (directed issue). The authorization remains in force until the end of the next AGM, however, no longer than until June 30, 2018.

During 2017 the Company's Board decided, based on the authorization, to transfer in total 255,528 of the Company's own shares as part of the Company's performance share plan (directed issue).

Main principles of remuneration

Board of Directors

The remuneration of the Board members consists of annual compensation and meeting fees paid for each meeting attended. The AGM on April 27, 2017 decided on the following remuneration:

Annual compensation 2017

	EUR
Chairman	120,000
Vice-Chairman	68,000
Members	57,000

Meeting fees for each Board meeting attended 2017

	EUR
Chairman	1,000
Members	1,000

Meeting fees for each Committee meeting attended 2017

	EUR
Chairman of the Audit Committee	2,000
Chairman of the Human Resources Committee	1,200
Chairman of the Nomination Committee	1,200
Members	1,000

Traveling expenses of the Board members are compensated in accordance with the Company policy. In addition, the Chairman of the Board has a mobile phone benefit.

None of the Board members is employed by the Company or any other Group Company or acts as an advisor for the Company and, thus, Board members are not eligible for any employment relationship related salaries or remuneration or financial or other benefits not related to the Board work nor are they eligible for any pension scheme. Board members do not receive Company shares as remuneration and they are not participants in Company's share-based incentive plans.

Chief Executive Officer and Global Executive Team General

The remuneration of CEO and other GET members is based on Group level remuneration principles, but local laws and market practices are taken into account when applying these principles. The remuneration consists of a non-variable annual base salary, benefits and an annually determined short-term incentive. In addition, the CEO and other GET members are participants in the long-term incentive arrangement consisting of the individual performance share plans.

The criteria for the remuneration of the CEO and other GET members are reviewed and the results of such reviews are regularly reported to the Human Resources Committee and the Board of Directors. The reviews aim to follow the impact of the remuneration criteria on reaching the Group's long-term financial targets.

Short-term incentives

The short-term incentives for the CEO and other GET members are based on the financial performance of the Group and the achievement of personal objectives. The short-term incentives for the GET members having a business segment responsibility are also determined based on the financial performance of the business segment in question. The weighting of the financial objectives is 90% for the CEO and 80% or 90% for other GET members and the weighting of the personal objectives is correspondingly 10% for the CEO and 20% or 10% for other GET members. The following indicators are applied when setting financial objectives: earnings per share (EPS) before taxes and return on investment (ROI). In addition, for the GET members having a business segment responsibility also return on net assets (RONA) and value added (VA) of the business segment in question are relevant indicators. The above-mentioned criteria are selected to promote the Group's financial targets and success on a short- and a long-term basis.

Objectives for the short-term incentives are set and the achievement is evaluated annually. Possible incentive payments are typically made in March following the annual earnings period January-December. The payment of the incentive is subject to the person being employed by the Group and not having resigned by the time of the payment. The maximum amount of the short-term incentive for the CEO is the amount corresponding to 100% of the non-variable annual base salary. The maximum amount of the short-term incentives for other GET members varies depending on the position between 50–75% of the non-variable annual base salary. According to the established principles of the Group, the CEO and the GET members having a business segment responsibility are not paid any short-term incentives (including any incentives based on personal objectives) if the criteria for financial performance of the Group or the relevant business segment is not achieved.

Performance share plans

Performance share plans function as long-term incentives for the CEO and other GET members. On March 12, 2010 the Board of Directors of the Company decided on establishing a Performance Share Arrangement to form a part of the long-term incentive and retention program for the key personnel of the Company and its subsidiaries. The Performance Share Arrangement offers a possibility to earn the Company shares as remuneration for achieving established targets.

The Arrangement consists of annually commencing individual three-year performance share plans. A possible reward shall be paid during the calendar year following each three-year plan. Commencement of each three-year plan will be separately decided by the Board of Directors. The Company's performance share plans with earnings year 2015 or later and based on which incentives may be paid out in 2016 or later have been illustrated below.

Performance Share Plan	2013	2014	2015	2016	2017	2018	2019	2020
Performance Share Plan 2013–2015	1	2	3	4				
Performance Share Plan 2014–2016		1	2	3	4			
Performance Share Plan 2015–2017			1	2	3	4		
Performance Share Plan 2016–2018				1	2	3	4	
Performance Share Plan 2017–2019					1	2	3	4

- Three year earnings period; Reward is based on the Group's earnings per share (EPS) on the third year of the earnings period
- Payment year of possible reward
- Paid out Performance Share Plans, earnings period
- Paid out Performance Share Plans, payment year of reward

A cash payment equivalent to taxes and tax-like charges arising to the key personnel from the reward may be granted as part of the remuneration. GET members that are participants to the performance share plan shall hold at least half (50%) of the shares received until he/she holds shares received from the performance share plans corresponding in aggregate to the value of his/her annual gross base salary. The ownership requirement applies until termination of employment or service.

Other key terms

The retirement and resignation age of the CEO is 60 years, unless otherwise agreed upon. In addition to statutory employment pension contribution, early retirement is covered by an arrangement under which the Company contributes annually to a supplementary pension arrangement an amount which shall not exceed EUR 150,000. However, the contribution paid by the Company is subject to the CEO contributing the same amount to the supplementary pension arrangement. In case the Service Agreement is terminated prior to the retirement and resignation age, the CEO maintains the right to the funds in the supplementary pension arrangement. The amount of the supplementary pension is determined based on funds contributed to the arrangement by the Company and the CEO as well as returns on these funds.

All other GET members belong to pension systems of their country of residence in force at the time. In addition to the CEO, five other GET members belong to the national employee pension system in Finland and two GET members belong to corresponding pension systems in the United States and the Czech Republic. Subject to a specific resolution by the Board, GET members may additionally be entitled to pension arrangements following local practices, which may be considered partly comparable to supplementary pension plans.

According to the Service Agreement between the Company and the CEO, either party may terminate the Service Agreement with six months' prior notice. During the notice period, the CEO is entitled to normal salary payments. If the Company terminates the Service Agreement, the CEO is entitled to a termination compensation amounting to 18 months' base salary in addition to the six months' salary paid for the notice period. The notice periods and terms applicable to any compensation payable upon the termination of the employment of the other GET members are based on the Service Agreement between the Company and each GET member.

Summary on remuneration of the Chief Executive Officer and other Global Executive Team members

	CEO Jukka Moisio	Other Global Executive Team members
Non-variable annual base salary and benefits	Non-variable annual base salary and benefits (mobile phone and car benefits)	
Short-term incentives	The CEO is entitled to short-term incentives. The maximum amount of the incentives is the amount corresponding to 100% of the non-variable annual base salary. The short-term incentives are based on the financial performance of the Group and the achievement of personal objectives. Weighting: Financial objectives 90% Personal objectives 10%	The other GET members are entitled to short-term incentives. The maximum amount of the incentives varies depending on the position between 50–75% of the non-variable annual base salary. The short-term incentives are based on the financial performance of the Group and the achievement of personal objectives. The short-term incentives for the GET members having a business segment responsibility are also determined based on the financial performance of the business segment in question. Weighting: Financial objectives 80 or 90% Personal objectives 20 or 10%
Long-term incentives	Performance share plans function as long-term incentives for the CEO and other GET members. The plans offer a possibility to earn the Company shares as remuneration for achieving established targets. Possible reward is based on the Group's EPS on the third year of each three-year earnings period.	
Shareholding requirement	GET members that are participants to the performance share plan, including the CEO, shall hold at least half (50%) of the shares received until he/she holds shares received from the performance share plans corresponding in aggregate to the value of his/her annual gross base salary. The ownership requirement applies until termination of employment or service.	
Pension	The retirement and resignation age of the CEO is 60 years, unless otherwise agreed upon. Early retirement is covered by an arrangement under which the Company contributes annually to a supplementary pension arrangement an amount which shall not exceed EUR 150,000. However, the contribution paid by the Company is subject to the CEO contributing the same amount to the supplementary pension arrangement.	Other GET members belong to pension systems of their country of residence in force at the time. Subject to a specific resolution by the Board, GET members may additionally be entitled to pension arrangements following local practices, which may be considered partly comparable to supplementary pension plans.
Termination of service	According to the Service Agreement between the Company and the CEO, either party may terminate the Service Agreement with six months' prior notice. During the notice period, the CEO is entitled to normal salary payments. If the Company terminates the Service Agreement, the CEO is entitled to a termination compensation amounting to 18 months' base salary in addition to the six months' salary paid for the notice period.	The notice periods and terms applicable to any compensation payable upon the termination of the employment of the other GET members are based on the Service Agreement between the Company and each GET member.

Remuneration Report 2017

Board of Directors

In accordance with the resolution passed by the AGM held on April 27, 2017, as of the AGM 2017 the annual compensation for the Chairman of the Board is EUR 120,000, for the Vice-Chairman EUR 68,000 and for other members EUR 57,000. In addition, the following meeting fees are paid for each meeting attended: EUR 1,000 for all meetings, except EUR 2,000 to the Chairman for the Audit Committee meetings, EUR 1,200 to the Chairman for the Human Resources Committee meetings and EUR 1,200 to the Chairman for the Nomination Committee meetings. Traveling expenses of the Board members are compensated in accordance with the Company policy. In addition, the Chairman of the Board has a mobile phone benefit. The remuneration has remained unchanged from 2016.

In 2017, the Board members were not eligible for remuneration or other benefits not related to the Board work. Board members did not receive Company shares as remuneration and they were not participants in Company's share-based incentive plans.

The following remuneration was paid to the members of the Board of Directors for the financial years 2017 and 2016.

	2017			2016		
	Annual compensation	Meeting fees[5]	Total	Annual compensation	Meeting fees[5]	Total
Pekka Ala-Pietilä[1]	120,240	19,600	139,840	115,240	25,600	140,840
Jukka Suominen	68,000	31,000	99,000	66,000	31,000	97,000
Eija Ailasmaa	57,000	18,000	75,000	55,250	22,000	77,250
Doug Baillie[2]	57,000	15,000	72,000	42,750	13,000	55,750
William R. Barker	57,000	15,000	72,000	55,250	21,000	76,250
Rolf Börjesson	57,000	20,000	77,000	55,250	24,000	79,250
Kerttu Tuomas[3]	42,750	10,000	52,750	-	-	-
Sandra Turner	57,000	19,000	76,000	55,250	20,000	75,250
Maria Mercedes Corrales[4]	-	-	-	12,500	7,000	19,500
Board total	**515,990**	**147,600**	**663,590**	**457,490**	**163,600**	**621,090**

[1] *Annual compensation for Pekka Ala-Pietilä includes a mobile phone benefit*
[2] *Member of the Board of Directors since April 21, 2016*
[3] *Member of the Board of Directors since April 27, 2017*
[4] *Member of the Board of Directors until April 21, 2016*
[5] *The meeting fees have been entered in the table on the year when they have been paid*

Chief Executive Officer and Global Executive Team

The following remuneration was paid to the CEO and the other GET members for the financial years 2017 and 2016.

	CEO Jukka Moisio		Other GET members[4]	
	2017	2016	2017	2016
Non-variable annual base salary and benefits[1]	717,711	698,788	2,161,508	2,043,048
Short-term incentives[2]				
Remuneration based on the performance in the year preceding the payment year	505,248	499,125	891,638	1,271,330
Long-term incentives[3]				
Number of shares received as a reward	22,750 shares	15,900 shares	58,604 shares	32,330 shares
Value of the shares at the time of the transfer	740,392	505,302	1,912,384	1,034,147
Amount of income taxes and tax-like charges arising based on the shares received	791,808	575,512	1,999,854	1,156,720
Total value of the reward	1,532,200	1,080,814	3,912,238	2,190,866
Total remuneration	**2,755,159**	**2,278,727**	**6,965,384**	**5,505,244**

[1] *Non-variable annual base salary and benefits include compensation relating to the commencement and termination of employment.*
[2] *Paid short-term incentives have been entered in the table on the year when they have been paid.*
[3] *Share-based incentives include the monetary value of the payments based on the performance share plans at the time of granting the shares and including the value of taxes and tax-like charges arising based on the received shares. The share-based incentives are based on the performance in the year preceding the payment year and they have been entered in the table on the year when they have been paid. The reward based on the performance in 2016 under the Performance Share Plan 2014–2016 was paid in April 2017 and the reward based on the performance in 2015 under the Performance Share Plan 2013–2015 was paid in April 2016.*
[4] *Remuneration paid to other GET members is reported for the period that the person has been a member of the GET.*

In 2017, expenses for the Company for the CEO's statutory pension were EUR 206,069 (2016: EUR 203,645) and for the supplementary pension arrangement EUR 150,000 (2016: EUR 54,930). At the end of 2017 liability from the supplementary pension arrangement was EUR 615 689 (2016: EUR 455,014) in the Company's statement of financial position. In 2017, the Company paid a total of EUR 22,998 (2016: EUR 20,938) to pension arrangements of the other GET members, excluding the CEO.

www.huhtamaki.com
communications@huhtamaki.com

Huhtamäki Oyj, Revontulenkuja 1
FI-02100 Espoo, Finland

T +358 (0)10 686 7000
F +358 (0)10 686 7992
Business Identity Code: 0140879-6