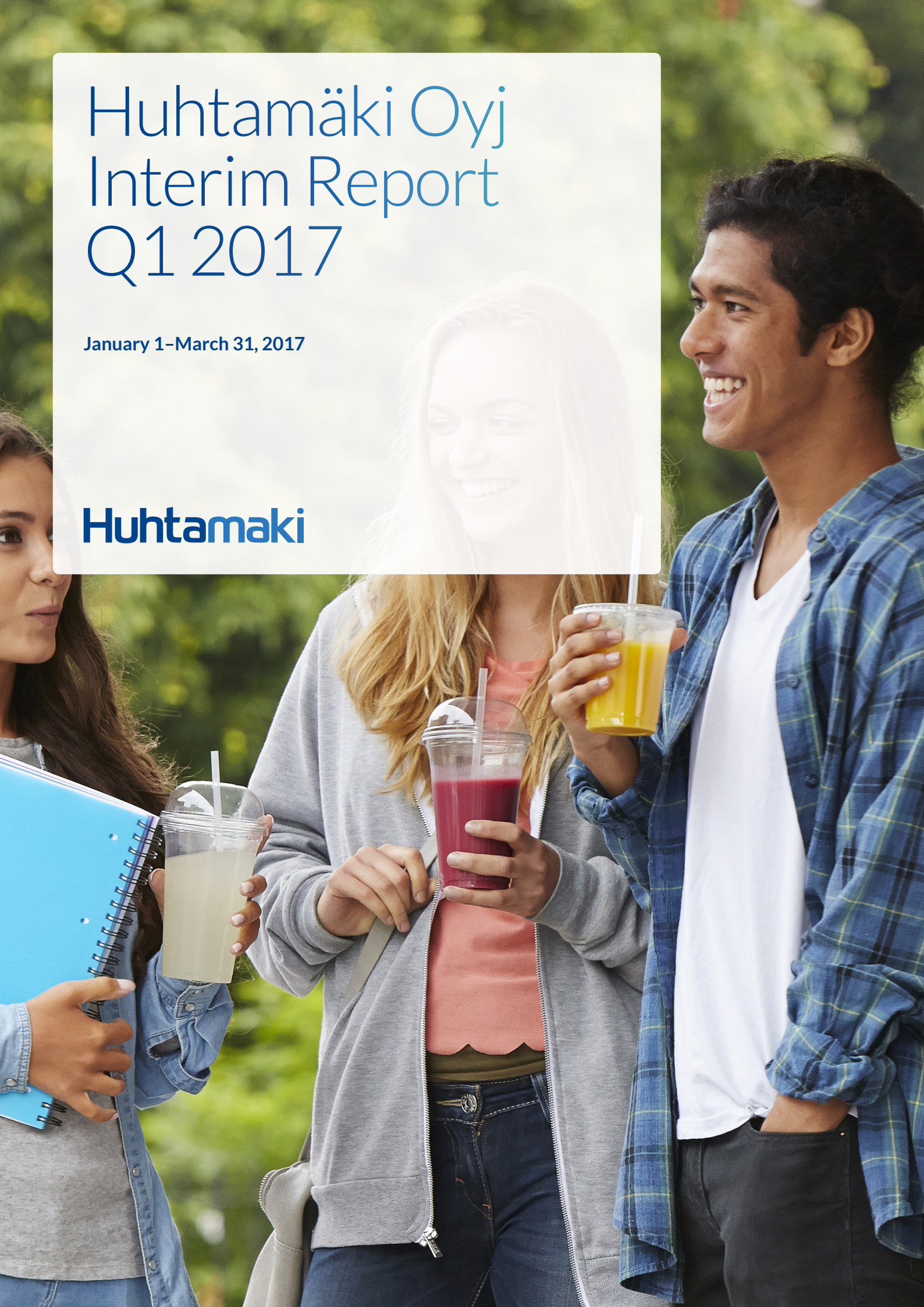


# Huhtamäki Oyj Interim Report Q1 2017

January 1–March 31, 2017

**Huhtamäki**





## Net sales grew and earnings improved

### Q1 2017 in brief

- Net sales grew to EUR 739 million (EUR 672 million)
- EBIT improved to EUR 63 million (EUR 58 million)
- EPS improved to EUR 0.43 (EUR 0.40)
- Comparable net sales growth was 3% in total and 2% in emerging markets
- Currency movements had a positive impact of EUR 20 million on the Group's net sales and EUR 2 million on EBIT

### Key figures

EUR million	Q1 2017	Q1 2016	Change	FY 2016
Net sales	739.4	672.3	10%	2,865.0
EBITDA <sup>1</sup>	94.0	84.6	11%	381.8
Margin <sup>1</sup>	12.7%	12.6%		13.3%
EBIT <sup>1</sup>	62.8	57.8	9%	267.9
Margin <sup>1</sup>	8.5%	8.6%		9.4%
EPS <sup>1</sup> , EUR	0.43	0.40	8%	1.83
ROI <sup>1</sup>	14.6%	14.8%		14.7%
ROE <sup>1</sup>	17.4%	18.3%		17.7%
Capital expenditure	47.0	24.3	93%	199.1
Free cash flow	-8.8	25.6	-134%	100.3

<sup>1</sup> FY 2016 excluding IAC of EUR -1.7 million; Reported EBITDA for FY 2016 EUR 380.1 million, EBIT EUR 266.2 million and EPS EUR 1.81.

Unless otherwise stated, all comparisons in this report are compared to the corresponding period in 2016. Figures of return on investment (ROI), return on equity (ROE) and return on net assets (RONA) presented in this report are calculated on a 12-month rolling basis.

As announced on April 24, 2017, Huhtamäki has changed the name of its Molded Fiber business segment to Fiber Packaging. The new name is taken into use as of April 27, 2017 and is used in this report.

In this report, Huhtamäki uses alternative performance measures in accordance with the guidelines issued by the European Securities and Markets Authority (ESMA). Alternative performance measures are derived from performance measures reported in accordance to International Financial Reporting Standards (IFRS) by adding or deducting the Items affecting comparability (IAC) and they are called Adjusted. Alternative performance measures are used to better reflect the operational business performance and to enhance comparability between financial periods. They are reported in addition to, but not substituting, the performance measures reported in accordance with IFRS.

## Jukka Moisio, CEO:

“Our year started well and we achieved 3% comparable net sales growth with all business segments growing organically. Growth was driven by Foodservice Europe-Asia-Oceania segment, where organic growth was boosted by acquisitions completed in 2016. In addition, the Flexible Packaging segment returned to positive growth. The Group’s comparable growth in emerging markets was reduced to 2% as consumer demand in India was impacted by the demonetization action executed by the government in Q4 2016. Without the Indian impact emerging market growth would have been approx. 6-7%.

Our EBITDA, EBIT and EPS improved with margins at the previous year's levels. Foodservice Europe-Asia-Oceania segment accounted for the strongest profitability improvement with good volume growth, high-yielding acquisitions, and successful restructuring actions in China and New Zealand. Free cash flow was negative due to high capital expenditure and seasonal inventory buildup. Our ROI and ROE remained at good levels.

2017 is a year of major investments for Huhtamaki. Our ongoing investments in new manufacturing units in the U.S., Egypt, and Ukraine are progressing. During the quarter we already started manufacturing in two new flexible packaging units in Northeast India and are currently ramping up the plant extension in Guangzhou, China. These significant growth investments help us address attractive opportunities in food and drink packaging and serve our customers better.”

## Financial review Q1 2017

The Group's comparable net sales growth was 3% during the quarter with all business segments having a positive contribution to growth. The Group's comparable growth in emerging markets was 2%. Growth was strong in Eastern Europe and Southeast Asia, but negative in India, South America and China. In China the Foodservice Europe-Asia-Oceania business segment exited non-core product categories as announced in 2016. The Group's net sales grew to EUR 739 million (EUR 672 million). The impact from foreign currency translation on net sales turned positive and was EUR 20 million (EUR -11 million) compared to 2016 exchange rates. Main positive impact came from the strengthening of the US dollar versus euro, while the impact from the weakening pound sterling was negative.

### Net sales by business segment

EUR million	Q1 2017	Q1 2016	Change	Of Group in Q1 2017
Foodservice Europe-Asia-Oceania	192.5	158.9	21%	26%
North America	247.3	235.2	5%	33%
Flexible Packaging	232.3	217.7	7%	31%
Fiber Packaging	72.3	65.5	10%	10%
Elimination of internal sales	-5.0	-5.0		
<b>Group</b>	<b>739.4</b>	<b>672.3</b>	<b>10%</b>	

### Comparable growth by business segment

	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Foodservice Europe-Asia-Oceania	3%	3%	5%	7%
North America	2%	5%	2%	8%
Flexible Packaging	3%	-3%	-3%	2%
Fiber Packaging	4%	6%	6%	5%
<b>Group</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>	<b>6%</b>

The Group's earnings grew. Main drivers for earnings growth were the robust profitability improvement of the Foodservice Europe-Asia-Oceania business segment as well as continued good progress in the North America business segment. Earnings of the Flexible Packaging business segment remained on the previous year's level, while earnings of the Fiber Packaging business segment declined. The Group's earnings before interest and taxes (EBIT) were EUR 63 million (EUR 58 million). Positive foreign currency translation impact on Group's EBIT was EUR 2 million (EUR -1 million).

### EBIT by business segment

EUR million	Q1 2017	Q1 2016	Change	Of Group in Q1 2016
Foodservice Europe-Asia-Oceania	15.4	12.0	28%	24%
North America	22.5	20.8	8%	35%
Flexible Packaging	18.9	18.9	0%	30%
Fiber Packaging	7.3	8.2	-11%	11%
Other activities	-1.3	-2.1		
<b>Group</b>	<b>62.8</b>	<b>57.8</b>	<b>9%</b>	

Net financial expenses were EUR 5 million (EUR 6 million). Tax expense was EUR 13 million (EUR 9 million). The corresponding tax rate was 22% (18%).

Profit for the quarter was EUR 45 million (EUR 43 million). Earnings per share (EPS) were EUR 0.43 (EUR 0.40).

## Statement of financial position and cash flow

The Group's net debt was EUR 681 million (EUR 549 million) at the end of March. The level of net debt corresponds to a gearing ratio of 0.56 (0.52). Net debt to EBITDA ratio (excl. IAC) was 1.7 (1.6). Average maturity of external committed credit facilities and loans was 3.7 (4.2) years.

Cash and cash equivalents were EUR 100 million (EUR 183 million) at the end of March and the Group had EUR 308 million (EUR 313 million) of unused committed credit facilities available.

Total assets on the statement of financial position were EUR 2,946 million (EUR 2,596 million).

Capital expenditure was EUR 47 million (EUR 24 million). Largest investments for business expansion were made in the U.S., Poland, India and China. The Group's free cash flow was EUR -9 million (EUR 26 million). Free cash flow declined due to higher capital expenditure and seasonal inventory buildup.

## Business review by segment

### Foodservice Europe-Asia-Oceania

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

EUR million	Q1 2017	Q1 2016	Change	FY 2016
Net sales	192.5	158.9	21%	741.0
EBIT <sup>1</sup>	15.4	12.0	28%	63.2
Margin <sup>1</sup>	8.0%	7.6%		8.5%
RONA <sup>1</sup>	13.4%	14.0%		13.7%
Capital expenditure	11.5	5.3	117%	46.9
Operating cash flow	13.4	9.4	43%	38.0

<sup>1</sup> FY 2016 figures excluding IAC of EUR -1.7 million; Reported EBIT for FY 2016 EUR 61.5 million.

### Q1 2017

Demand for foodservice packaging was on a relatively good level both in Western and Eastern Europe, while the momentum was somewhat soft in the Middle East and China. Prices for paperboard were relatively stable, but prices for plastic resins increased.

The Foodservice Europe-Asia-Oceania segment's comparable net sales growth was 3%. Net sales growth was robust across Europe, driven by good demand for paper cups for hot drinks and take-away packaging. Growth was good also in Australia, whereas net sales declined in China as a result of exiting non-core product categories as announced in 2016. Businesses acquired in 2016 had a significant contribution to the segment's reported net sales growth.

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

The segment's earnings improved mainly as a result of good net sales development. Earnings growth was further supported by good operational efficiency and the successful implementation of planned actions to improve competitiveness in China and New Zealand.

During the quarter Huhtamaki announced that it will set up a greenfield paper cup manufacturing unit in Kiev, Ukraine. Manufacturing operations are expected to begin during 2018 and the unit is expected to employ approx. 50 employees.

## North America

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

EUR million	Q1 2017	Q1 2016	Change	FY 2016
Net sales	247.3	235.2	5%	1,005.1
EBIT	22.5	20.8	8%	107.6
Margin	9.1%	8.8%		10.7%
RONA	16.0%	14.9%		16.3%
Capital expenditure	24.2	10.4	133%	97.9
Operating cash flow	-17.1	10.3	-266%	40.4

### Q1 2017

Overall market conditions in the United States were relatively stable. Positive demand development ahead of Easter supported the momentum in retail tableware. Demand for ice cream packaging declined. Raw material price cycle upturn continued with prices of plastic resins and fuel increasing in particular.

The North America segment's comparable net sales growth was 2%. Growth was strongest in retail business with high promotional activity ahead of Easter. Private label disposable tableware accounted for the majority of the growth with strong net sales growth also in Chinet® branded disposable tableware. Sales of foodservice packaging remained on the previous year's level. Net sales of frozen dessert packaging declined.

Currency movements had a positive translation impact of EUR 8 million on the segment's reported net sales.

The segment's profitability improved. Earnings growth was driven by solid manufacturing performance and healthy volume growth in retail business. The higher capital expenditure is to a large extent related to the investment in a new facility in Goodyear, Arizona. The new distribution center commenced operations during the quarter, while initial ramp up of manufacturing is expected late 2017.

## Flexible Packaging

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

EUR million	Q1 2017	Q1 2016	Change	FY 2016
Net sales	232.3	217.7	7%	868.6
EBIT	18.9	18.9	0%	73.8
Margin	8.1%	8.7%		8.5%
RONA	11.5%	11.5%		11.6%
Capital expenditure	6.9	4.1	68%	25.7
Operating cash flow	16.2	16.7	-3%	87.9

## Q1 2017

Demand for flexible packaging was on a good level in Europe and Southeast Asia. In India, the demonetization action executed by the government in November 2016 continued to have a negative impact on demand for flexible packaging in the beginning of 2017. However, demand started to normalize towards the end of the quarter. Uncertainty in trading environment due to currency fluctuations had a negative impact on demand for flexible packaging in many African markets. Prices for plastic resins increased markedly compared to the previous year. Competition was tight.

The Flexible Packaging segment's comparable net sales growth was 3%. Growth was strongest in Southeast Asia driven by good volume development in packaging for snacks. Net sales grew in Europe with strongest growth in food and pharmaceutical packaging. Favorable product mix supported net sales development in the Middle East. Net sales declined in India, impacting the segment's comparable net sales growth.

Currency movements had a positive translation impact of EUR 6 million on the segment's reported net sales.

The segment's earnings remained at the previous year's level, as the positive impacts of healthy volume development, good operational efficiency and favorable product mix were not sufficient to offset the negative impact of the net sales decline in India.



## Fiber Packaging

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

EUR million	Q1 2017	Q1 2016	Change	FY 2016
Net sales	72.3	65.5	10%	267.8
EBIT	7.3	8.2	-11%	34.6
Margin	10.1%	12.5%		12.9%
RONA	15.6%	17.1%		16.4%
Capital expenditure	4.3	4.3	0%	27.6
Operating cash flow	5.2	3.9	33%	16.7

### Q1 2017

Overall demand for fiber egg packaging was good across markets with the exception of South America, where the challenging economic conditions in Brazil continued to have an adverse impact in demand. In certain European markets, the avian flu had a negative impact on demand of high-end egg packaging. Prices for recycled fiber increased.

The Fiber Packaging segment's comparable net sales growth was 4%. Growth was mainly driven by good volume development particularly in the UK and Eastern Europe, where recent capacity additions were fully utilized. Net sales declined in South America.

Currency movements had a positive translation impact of EUR 1 million on the segment's reported net sales.

The segment's earnings declined. The positive earnings impact resulting from net sales growth was not sufficient to cover the adverse impact caused by unfavorable product mix and higher raw material prices. In addition, challenging market conditions in South America and Africa had a negative impact on the segment's earnings.

## Personnel

The Group had a total of 17,261 (16,074) employees at the end of March 2017. The number of employees by segment was the following: Foodservice Europe-Asia-Oceania 4,954 (4,323), North America 3,842 (3,546), Flexible Packaging 6,694 (6,455), Fiber Packaging 1,706 (1,684), and Other activities 65 (66).

## Share capital and shareholders

At the end of March 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 3,723,484 (3,949,426) Company's own shares. Own shares represent 3.5% (3.7%) of the total number of shares and votes. The number of outstanding shares excluding the Company's own shares was 104,036,901 (103,810,959). The average number of outstanding shares used in EPS calculations was 103,864,555 (103,718,103), excluding the Company's own shares.

There were 29,301 (24,381) registered shareholders at the end of March 2017. Foreign ownership including nominee registered shares accounted for 47% (50%).

## Share trading

During January-March 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 March 2017, the Company's market capitalization was EUR 3,470 million (EUR 3,387 million) excluding the Company's own shares. With a closing price of EUR 33.35 (EUR 32.63) the share price decreased 5% from the beginning of the year. During the reporting period the volume weighted average price for the Company's share was EUR 34.08 (EUR 31.38). The highest price paid was EUR 36.31 and the lowest price paid was EUR 32.26.

During the quarter the cumulative value of the Company's share turnover on Nasdaq Helsinki Ltd was EUR 611 million (EUR 434 million). The trading volume of 18 million (14 million) shares equaled an average daily turnover of 280,012 (226,787) shares. The cumulative value of the Company's share turnover including alternative trading venues, such as BATS and Turquoise, was EUR 1,513 million (EUR 1,161 million). During the quarter, 60% (63%) of all trading took place outside Nasdaq Helsinki Ltd. (Source: Fidessa Fragmentation Index, [www.fragmentation.fidessa.com](http://www.fragmentation.fidessa.com))

## Significant events after the reporting period

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 is part of the ongoing consolidation of Huhtamaki's foodservice packaging manufacturing operations in South China. The transfer of manufacturing activities into one efficient, modernized unit is expected to be completed and the sold facility vacated during the third quarter of 2017. The selling price is approx. EUR 14 million and the sale is expected to be finalized during the second quarter of 2017. As a result of the sale, a gain of approx. EUR 6 million will be booked as an item affecting comparability (IAC) in the second quarter of 2017 in the Foodservice Europe-Asia-Oceania business segment.

On April 25, 2017 Huhtamaki announced that it 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.

## 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 2017

The Group's trading conditions are expected to remain relatively stable during 2017. 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 2016 with the majority of the investments directed to business expansion.

## Annual General Meeting 2017

The Annual General Meeting of Shareholders will be held on Thursday, April 27, 2017 at 11.00 (EET) at Messukeskus Helsinki, Expo and Convention Centre, Messuaukio 1, 00520 Helsinki, Finland.

## Financial reporting in 2017

In 2017, Huhtamäki will publish financial information as follows:

Half-yearly Report, January 1–June 30, 2017	July 21
Interim Report, January 1–September 30, 2017	October 26

Espoo, April 26, 2017

Huhtamäki Oyj  
Board of Directors

## Group income statement (IFRS) – unaudited

<i>EUR million</i>	Q1 2017	Q1 2016	Q1-Q4 2016
Net sales	739.4	672.3	2,865.0
Cost of goods sold	-613.6	-553.8	-2,355.8
Gross profit	125.8	118.5	509.2
Other operating income	1.6	3.6	24.7
Sales and marketing	-19.1	-18.3	-75.4
Research and development	-4.9	-4.3	-17.2
Administration costs	-38.9	-38.9	-162.7
Other operating expenses	-2.4	-3.3	-14.4
Share of profit of equity-accounted investments	0.7	0.5	2.0
	-63.0	-60.7	-243.0
Earnings before interest and taxes	62.8	57.8	266.2
Financial income	3.0	1.6	5.3
Financial expenses	-8.0	-7.3	-32.2
Profit before taxes	57.8	52.1	239.3
Income tax expense	-12.8	-9.4	-47.8
Profit for the period	45.0	42.7	191.5
Attributable to:			
Equity holders of the parent company	44.4	41.5	187.8
Non-controlling interest	0.6	1.2	3.7
<i>EUR</i>			
EPS attributable to equity holders of the parent company	0.43	0.40	1.81
Diluted EPS attributable to equity holders of the parent company	0.43	0.40	1.80



## Group statement of comprehensive income (IFRS) – unaudited

<i>EUR million</i>	Q1 2017	Q1 2016	Q1-Q4 2016
Profit for the period	45.0	42.7	191.5
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit plans	0.8	0.0	-34.1
Taxes related to items that will not be reclassified	-0.2	0.0	6.2
<b>Total</b>	<b>0.6</b>	<b>0.0</b>	<b>-27.9</b>
Items that may be reclassified subsequently to profit or loss			
Translation differences	-10.7	-35.9	44.2
Equity hedges	5.4	10.7	-6.1
Cash flow hedges	-0.9	-3.0	0.7
Taxes related to items that may be reclassified	0.2	0.5	-0.3
<b>Total</b>	<b>-6.0</b>	<b>-27.7</b>	<b>38.5</b>
Other comprehensive income, net of tax	-5.4	-27.7	10.6
<b>Total comprehensive income</b>	<b>39.6</b>	<b>15.0</b>	<b>202.1</b>
Attributable to:			
Equity holders of the parent company	39.0	13.8	198.4
Non-controlling interest	0.6	1.2	3.7

## Group statement of financial position (IFRS) – unaudited

<i>EUR million</i>	Mar 31, 2017	Dec 31, 2016	Mar 31, 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	661.7	669.2	572.3
Other intangible assets	37.7	39.5	36.1
Tangible assets	1,048.9	1,035.8	838.6
Equity-accounted investments	5.2	7.0	11.7
Other investments	1.6	1.6	1.9
Interest-bearing receivables	3.9	4.6	3.9
Deferred tax assets	58.7	58.6	49.6
Employee benefit assets	53.9	55.8	46.4
Other non-current assets	8.7	9.6	8.6
	<b>1,880.3</b>	<b>1,881.7</b>	<b>1,569.1</b>
<b>Current assets</b>			
Inventory	435.3	401.9	394.2
Interest-bearing receivables	2.3	2.2	2.6
Current tax assets	6.6	6.8	2.6
Trade and other current receivables	521.7	476.1	444.8
Cash and cash equivalents	100.1	105.9	183.1
	<b>1,066.0</b>	<b>992.9</b>	<b>1,027.3</b>
<b>Total assets</b>	<b>2,946.3</b>	<b>2,874.6</b>	<b>2,596.4</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	366.4	366.4	366.4
Premium fund	115.0	115.0	115.0
Treasury shares	-34.2	-35.9	-36.3
Translation differences	-16.7	-11.4	-74.7
Fair value and other reserves	-103.4	-103.3	-78.3
Retained earnings	846.3	803.8	723.7
<b>Total equity attributable to equity holders of the parent company</b>	<b>1,173.4</b>	<b>1,134.6</b>	<b>1,015.8</b>
Non-controlling interest	48.6	47.6	34.5
<b>Total equity</b>	<b>1,222.0</b>	<b>1,182.2</b>	<b>1,050.3</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	515.6	520.8	648.4
Deferred tax liabilities	92.8	92.2	76.6
Employee benefit liabilities	226.6	229.2	194.8
Provisions	26.0	26.4	27.7
Other non-current liabilities	5.2	5.5	5.5
	<b>866.2</b>	<b>874.1</b>	<b>953.0</b>
<b>Current liabilities</b>			
Interest-bearing liabilities			
Current portion of long term loans	135.2	137.0	13.1
Short-term loans	136.6	129.9	77.4
Provisions	4.3	7.7	1.9
Current tax liabilities	15.3	10.4	12.0
Trade and other current liabilities	566.7	533.3	488.7
	<b>858.1</b>	<b>818.3</b>	<b>593.1</b>
<b>Total liabilities</b>	<b>1,724.3</b>	<b>1,692.4</b>	<b>1,546.1</b>
<b>Total equity and liabilities</b>	<b>2,946.3</b>	<b>2,874.6</b>	<b>2,596.4</b>
<b>Net debt</b>	<b>681.1</b>	<b>675.0</b>	<b>549.3</b>
<b>Net debt to equity (gearing)</b>	<b>0.56</b>	<b>0.57</b>	<b>0.52</b>

## Group statement of changes in equity (IFRS) – unaudited

Attributable to equity holders of the parent company

<i>EUR million</i>	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
Share-based payments			1.0			1.0	2.0		2.0
Total comprehensive income for the year				-25.2	-2.5	41.5	13.8	1.2	15.0
Other changes						-0.9	-0.9	-1.8	-2.7
Balance on Mar 31, 2016	366.4	115.0	-36.3	-74.7	-78.3	723.7	1,015.8	34.5	1,050.3
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) <sup>1</sup>						-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
Share-based payments			1.7			-0.8	0.9		0.9
Total comprehensive income for the year				-5.3	-0.1	44.4	39.0	0.6	39.6
Other changes						0.0		0.4	0.4
Balance on Mar 31, 2017	366.4	115.0	-34.2	-16.7	-103.4	846.3	1,173.4	48.6	1,222.0

<sup>1</sup> 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.

## Group statement of cash flows (IFRS) – unaudited

<i>EUR million</i>	Q1 2017	Q1 2016	Q1-Q4 2016
<b>Profit for the period*</b>	45.0	42.7	191.5
Adjustments*	48.6	43.4	185.2
Depreciation and amortization*	31.2	26.8	113.9
Share of profit of equity-accounted investments*	1.9	1.0	-0.1
Gain/loss from disposal of assets*	0.0	0.1	-0.1
Financial expense/-income*	5.0	5.7	26.9
Income tax expense*	12.8	9.4	47.8
Other adjustments, operational*	-2.3	0.4	-3.2
Change in inventory*	-35.6	-14.2	8.8
Change in non-interest bearing receivables*	-51.3	-18.9	-11.1
Change in non-interest bearing payables*	40.6	7.0	-7.4
Dividends received*	0.3	0.4	1.9
Interest received*	0.4	0.2	1.3
Interest paid*	-4.3	-3.0	-20.4
Other financial expense and income*	0.1	0.0	-1.5
Taxes paid*	-5.8	-8.7	-50.8
<b>Net cash flows from operating activities</b>	<b>38.0</b>	<b>48.9</b>	<b>297.5</b>
Capital expenditure*	-47.0	-24.3	-199.1
Proceeds from selling tangible assets*	0.2	1.0	1.9
Acquired subsidiaries and assets	-	-23.6	-120.7
Proceeds from long-term deposits	0.6	0.3	1.4
Payment of long-term deposits	0.0	-0.2	-1.7
Proceeds from short-term deposits	0.2	0.4	2.0
Payment of short-term deposits	-0.3	-1.1	-2.0
<b>Net cash flows from investing activities</b>	<b>-46.3</b>	<b>-47.5</b>	<b>-318.2</b>
Proceeds from long-term borrowings	0.4	151.4	174.1
Repayment of long-term borrowings	-6.3	-8.4	-179.1
Proceeds from short-term borrowings	708.1	376.6	2,040.4
Repayment of short-term borrowings	-700.1	-436.2	-1,943.2
Dividends paid	-	-	-68.5
<b>Net cash flows from financing activities</b>	<b>2.1</b>	<b>83.4</b>	<b>23.7</b>
<b>Change in liquid assets</b>	<b>-5.8</b>	<b>79.9</b>	<b>2.7</b>
Cash flow based	-6.2	84.8	3.0
Translation difference	0.4	-4.9	-0.3
Liquid assets period start	105.9	103.2	103.2
Liquid assets period end	100.1	183.1	105.9
Free cash flow (including figures marked with *)	-8.8	25.6	100.3



## Notes to the Interim Report

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. Except for the accounting policy changes listed below, the same accounting policies have been applied in the interim report as in the annual financial statements for 2016. The following new and amended standards and interpretations were adopted with effect from 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 amendment had no impact on the interim financial statements.
- 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 interim financial statements.
- IFRS 9 Financial Instruments. 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 new standard had no impact on the interim financial statements.
- IFRS 15 Revenue from Contracts with Customers. 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 new standard had no material impact on the interim financial statements.

## Segments

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

### Net sales

<i>EUR million</i>	Q1 2017	Q1-Q4 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania	190.8	734.5	191.6	194.0	192.3	156.6
Intersegment net sales	1.7	6.5	1.4	1.2	1.6	2.3
North America	244.9	996.4	257.6	242.1	263.7	233.0
Intersegment net sales	2.4	8.7	2.2	2.3	2.0	2.2
Flexible Packaging	232.2	868.4	213.9	216.5	220.4	217.6
Intersegment net sales	0.1	0.2	0.0	0.0	0.1	0.1
Fiber Packaging	71.5	265.7	68.4	66.6	65.6	65.1
Intersegment net sales	0.8	2.1	0.6	0.5	0.6	0.4
Elimination of intersegment net sales	-5.0	-17.5	-4.2	-4.0	-4.3	-5.0
<b>Total</b>	<b>739.4</b>	<b>2,865.0</b>	<b>731.5</b>	<b>719.2</b>	<b>742.0</b>	<b>672.3</b>

### EBIT

<i>EUR million</i>	Q1 2017	Q1-Q4 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania <sup>1</sup>	15.4	61.5	13.8	18.3	17.4	12.0
North America	22.5	107.6	25.1	24.5	37.2	20.8
Flexible Packaging	18.9	73.8	17.6	18.2	19.1	18.9
Fiber Packaging	7.3	34.6	9.9	8.3	8.2	8.2
Other activities	-1.3	-11.3	-2.5	-2.4	-4.3	-2.1
<b>Total<sup>1</sup></b>	<b>62.8</b>	<b>266.2</b>	<b>63.9</b>	<b>66.9</b>	<b>77.6</b>	<b>57.8</b>

<sup>1</sup> Q1-Q4 2016 includes items affecting comparability MEUR -1.7, Q4 2016 MEUR -1.5 and Q2 2016 MEUR -0.2.

## Segments (continued)

### EBITDA

<i>EUR million</i>	Q1 2017	Q1-Q4 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania <sup>1</sup>	24.4	93.6	22.5	26.9	25.5	18.7
North America	32.8	144.9	35.1	33.6	46.2	30.0
Flexible Packaging	26.5	103.8	25.5	25.7	26.5	26.1
Fiber Packaging	11.3	48.2	12.9	11.9	11.7	11.7
Other activities	-1.0	-10.4	-2.3	-2.0	-4.2	-1.9
<b>Total<sup>1</sup></b>	<b>94.0</b>	<b>380.1</b>	<b>93.7</b>	<b>96.1</b>	<b>105.7</b>	<b>84.6</b>

<sup>1</sup> Q1-Q4 2016 includes items affecting comparability MEUR -1.7, Q4 2016 MEUR -1.5 and Q2 2016 MEUR -0.2.

### Depreciation and amortization

<i>EUR million</i>	Q1 2017	Q1-Q4 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania	9.0	32.1	8.7	8.6	8.1	6.7
North America	10.3	37.3	10.0	9.1	9.0	9.2
Flexible Packaging	7.6	30.0	7.9	7.5	7.4	7.2
Fiber Packaging	4.0	13.6	3.0	3.6	3.5	3.5
Other activities	0.3	0.9	0.2	0.4	0.1	0.2
<b>Total</b>	<b>31.2</b>	<b>113.9</b>	<b>29.8</b>	<b>29.2</b>	<b>28.1</b>	<b>26.8</b>

### Net assets allocated to the segments<sup>2</sup>

<i>EUR million</i>	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania	540.1	534.5	520.3	514.6	366.9
North America	756.6	727.0	654.2	654.3	631.1
Flexible Packaging	645.1	644.9	639.8	648.3	631.9
Fiber Packaging	224.6	220.5	216.6	215.1	202.6

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

### Capital expenditure

<i>EUR million</i>	Q1 2017	Q1-Q4 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania	11.5	46.9	19.6	13.8	8.2	5.3
North America	24.2	97.9	62.1	12.4	13.0	10.4
Flexible Packaging	6.9	25.7	11.0	4.9	5.7	4.1
Fiber Packaging	4.3	27.6	10.7	7.9	4.7	4.3
Other activities	0.1	1.0	0.5	0.2	0.1	0.2
<b>Total</b>	<b>47.0</b>	<b>199.1</b>	<b>103.9</b>	<b>39.2</b>	<b>31.7</b>	<b>24.3</b>

### RONA (12m roll.)

<i>EUR million</i>	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania	13.1%	13.3%	13.5%	13.3%	14.0%
North America	16.0%	16.3%	16.5%	16.6%	14.9%
Flexible Packaging	11.5%	11.6%	11.9%	11.6%	11.5%
Fiber Packaging	15.6%	16.4%	16.0%	16.2%	17.1%

### Operating cash flow

<i>EUR million</i>	Q1 2017	Q1-Q4 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania	13.4	38.0	7.7	7.2	13.7	9.4
North America	-17.1	40.4	-13.0	21.0	22.1	10.3
Flexible Packaging	16.2	87.9	36.2	27.2	7.8	16.7
Fiber Packaging	5.2	16.7	5.1	3.5	4.2	3.9

## Other information

### Key indicators

	Q1 2017	Q1-Q4 2016	Q1 2016
Equity per share (EUR)	11.28	10.93	9.79
ROE, % (12m roll.)	17.2	17.6	16.3
ROI, % (12m roll.)	14.5	14.7	13.6
Personnel	17,261	17,076	16,074
Profit before taxes (EUR million, 12m roll.)	244.9	239.3	196.1
Depreciation of tangible assets (EUR million)	29.0	105.3	25.0
Amortization of other intangible assets (EUR million)	2.2	8.6	1.8

### Contingent liabilities

EUR million	Mar 31, 2017	Dec 31, 2016	Mar 31, 2016
Mortgages	-	-	0.0
Guarantee obligations	-	-	0.5
Lease payments	90.3	81.9	62.0
Capital expenditure commitments	61.3	70.5	46.1

### Financial instruments measured at fair value

EUR million	Mar 31, 2017	Dec 31, 2016	Mar 31, 2016
Derivatives - assets			
Currency forwards, transaction risk hedges	1.8	2.5	2.3
Currency forwards, translation risk hedges	-	-	3.2
Currency forwards, for financing purposes	2.6	0.5	2.7
Currency options, transaction risk hedges	0.3	0.6	0.7
Interest rate swaps	5.0	5.1	4.7
Electricity forwards	0.0	0.1	0.0
Other investments	1.6	1.6	1.9
Derivatives - liabilities			
Currency forwards, transaction risk hedges	3.5	3.3	3.1
Currency forwards, translation risk hedges	3.4	8.5	0.0
Currency forwards, for financing purposes	2.0	4.5	1.5
Currency options, transaction risk hedges	0.4	0.5	0.4
Interest rate swaps	0.4	0.7	2.2
Electricity forwards	0.1	0.1	0.3

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

### Interest-bearing liabilities

EUR million	Mar 31, 2017 Carrying amount	Fair value	Dec 31, 2016 Carrying amount	Fair value	Mar 31, 2016 Carrying amount	Fair value
Non-current	515.6	515.1	520.8	520.9	648.4	648.2
Current	271.8	271.8	266.9	266.9	90.5	90.5
<b>Total</b>	<b>787.4</b>	<b>786.9</b>	<b>787.7</b>	<b>787.8</b>	<b>738.9</b>	<b>738.7</b>

## Other information (continued)

### Exchange rates

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.

Income statement, average:

	Q1 2017	Q1 2016
AUD 1 =	0.7112	0.6535
GBP 1 =	1.1629	1.2979
INR 1 =	0.0140	0.0134
RUB 1 =	0.0160	0.0121
THB 1 =	0.0267	0.0255
USD 1 =	0.9392	0.9075

Statement of financial position, month end:

	Mar 31, 2017	Mar 31, 2016
AUD 1 =	0.7149	0.6754
GBP 1 =	1.1604	1.2633
INR 1 =	0.0143	0.0133
RUB 1 =	0.0166	0.0131
THB 1 =	0.0271	0.0250
USD 1 =	0.9314	0.8783

## Definitions for performance measures

### Performance measures according to IFRS

Earnings per share (EPS) attributable to equity holders of the parent company =

Profit for the period – non-controlling interest  
Average number of shares outstanding

Diluted earnings per share (diluted EPS) attributable to equity holders of the parent company =

Diluted profit for the period – non-controlling interest  
Average fully diluted number of shares outstanding

### Alternative performance measures

EBITDA =

EBIT + depreciation and amortization

Net debt to equity (gearing) =

Interest-bearing net debt  
Total equity

Return on net assets (RONA) =

100 x Earnings before interest and taxes (12m roll.)  
Net assets (12m roll.)

Operating cash flow =

EBIT + depreciation and amortization - capital expenditure  
+ disposals +/- change in inventories, trade receivables and trade payables

Shareholders' equity per share =

Total equity attributable to equity holders of the parent company  
Issue-adjusted number of shares at period end

Return on equity (ROE) =

100 x Profit for the period (12m roll.)  
Total equity (average)

Return on investment (ROI) =

100 x (Profit before taxes + interest expenses + net other financial expenses) (12m roll.)  
Statement of financial position total - interest-free liabilities (average)

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