Huhtamäki Oyj Results 2017

January 1–December 31, 2017

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Huhtamäki Oyj's Results January 1–December 31, 2017

A year of continued investment

Q4 2017 in brief

- Net sales grew to EUR 745 million (EUR 732 million)
- Adjusted EBIT was EUR 65 million (EUR 65 million); EBIT EUR 62 million (EUR 64 million)
- Adjusted EPS improved to EUR 0.51 (EUR 0.44); EPS EUR 0.47 (EUR 0.42)
- Comparable net sales growth was 5% in total and 9% in emerging markets
- Currency movements had a negative impact of EUR 35 million on the Group's net sales and EUR 3 million on EBIT

FY 2017 in brief

- Net sales grew to EUR 2,989 million (EUR 2,865 million)
- Adjusted EBIT was EUR 268 million (EUR 268 million); EBIT EUR 264 million (EUR 266 million)
- A record adjusted EPS of EUR 1.90 (EUR 1.83); a record EPS of EUR 1.86 (EUR 1.81)
- Comparable net sales growth was 3% in total and 4% in emerging markets
- Currency movements had a negative impact of EUR 19 million on the Group's net sales and EUR 1 million on EBIT
- Capital expenditure of EUR 215 million for future growth
- Free cash flow was EUR 56 million (EUR 100 million)
- The Board of Directors proposes a dividend of EUR 0.80 (0.73) per share

Key figures

EUR million	Q4 2017	Q4 2016	Change	FY 2017	FY 2016	Change
Net sales	745.4	731.5	2%	2,988.7	2,865.0	4%
Adjusted EBITDA [1]	95.3	95.2	0%	389.7	381.8	2%
Margin [1]	12.8%	13.0%		13.0%	13.3%	
EBITDA	91.9	93.7	-2%	386.3	380.1	2%
Adjusted EBIT [1]	65.0	65.4	-1%	267.7	267.9	-0%
Margin [1]	8.7%	8.9%		9.0%	9.4%	
EBIT	61.6	63.9	-4%	264.3	266.2	-1%
Adjusted EPS [2], EUR	0.51	0.44	16%	1.90	1.83	4%
EPS, EUR	0.47	0.42	12%	1.86	1.81	3%
ROI [1]				13.6%	14.7%	
ROE [1]				17.0%	17.7%	
Capital expenditure	70.7	103.9	-32%	214.8	199.1	8%
Free cash flow	50.3	21.7	132%	55.5	100.3	-45%

[1] *Excluding IAC of EUR -3.4 million in Q4 2017 (EUR -1.5 million in Q4 2016) and EUR -3.4 million in FY 2017 (EUR -1.7 million in FY 2016).*
[2] *Excluding IAC of EUR -4.8 million in Q4 2017 (EUR -1.5 million in Q4 2016) and EUR -4.8 million in FY 2017 (EUR -1.7 million in FY 2016).*

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, Huhtamaki 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, Huhtamaki 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:

"Huhtamaki had a good year in 2017. Comparable growth was 3% and adjusted earnings per share improved by 4% to a record EUR 1.90. Despite the headwinds in India growth in emerging markets was 4% and accelerated to 9% during the fourth quarter. The whole Huhtamaki Team did well in 2017 and I want to thank everyone for their contribution.

Foodservice Europe-Asia-Oceania and North America segments enjoyed positive momentum with increased net sales and good profitability. Flexible Packaging segment had net sales and profitability headwinds in India but the segment started to trade better towards the year-end.

We implemented our forward-looking investment program and at EUR 215 million our capital expenditure was 55% of Adjusted EBITDA. The 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. Parallel to the Arizona facility development we built new and expanded existing foodservice capabilities in China, Poland, Spain and Russia. 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 firepower and appetite for value-adding acquisitions remains high and we are ready to execute 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 acquisition, together with the consolidation of operations both in South and North China, gives us a footprint of three well-located and efficient manufacturing units and provides an excellent position to support our customers in the growing foodservice market of Greater China.

Reflecting the forward-looking investment program our free cash flow was EUR 56 million and our ROI and ROE were 13.6% and 17.0% respectively.

The business environment in 2017 was generally positive and we look optimistically towards 2018. Megatrends support demand for food-to-go and prepacked food packaging, and we are well on our way in building the best global food packaging network. Our philosophy is to improve continuously and therefore we develop our people, operations, and business competence to make Huhtamaki a world class company. In 2018 our key deliverable is to leverage our investments into accelerated growth while delivering our profit targets."

Strategic review

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. 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 service customers in Eastern China and strengthened its capacity and capability to serve customers operating in Northern China.

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Financial review Q4 2017

The Group's comparable net sales growth was 5% during the quarter. Growth was strongest in the Flexible Packaging and Foodservice Europe-Asia-Oceania business segments driven by strong volume growth. The Group's comparable growth in emerging markets was 9%. Growth was strong in Eastern Europe, Middle East and Africa. Net sales in India grew also. The Group's net sales grew to EUR 745 million (EUR 732 million). Foreign currency translation impact on the Group's net sales was EUR -35 million (EUR -2 million) compared to 2016 exchange rates.

Net sales by business segment

EUR million	Q4 2017	Q4 2016	Change	Of Group in Q4 2017
Foodservice Europe-Asia-Oceania	207.0	193.0	7%	28%
North America	243.5	259.8	-6%	32%
Flexible Packaging	226.7	213.9	6%	30%
Fiber Packaging	72.4	69.0	5%	10%
Elimination of internal sales	-4.2	-4.2		
Group	745.4	731.5	2%	

Comparable growth by business segment

	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania	6%	4%	2%	3%
North America	2%	2%	1%	2%
Flexible Packaging	9%	7%	-2%	3%
Fiber Packaging	4%	5%	8%	4%
Group	5%	4%	1%	3%

The Group's adjusted earnings were at previous year's level while reported earnings declined slightly. Foodservice Europe-Asia-Oceania business segment's earnings improved significantly as a result of good volume growth and successful actions to improve its competitiveness in China and New Zealand. Flexible Packaging business segment's earnings improved as a result of net sales growth. The improvement in North America business segments' earnings resulted from a customary adjustment of year-end provisions. Fiber Packaging business segment's earnings declined significantly, primarily due to negative volume development in Europe. The Group's Adjusted EBIT were EUR 65 million (EUR 65 million) and reported EBIT EUR 62 million (EUR 64 million). Foreign currency translation impact on the Group's profitability was EUR -3 million (there was no significant foreign currency impact on the Group's profitability in Q4 2016).

Adjusted EBIT by business segment

EUR million	Q4 2017	Q4 2016	Change	Of Group in Q4 2017
Foodservice Europe-Asia-Oceania [1]	17.9	15.3	17%	25%
North America	28.8	25.1	15%	40%
Flexible Packaging	19.1	17.6	9%	27%
Fiber Packaging	5.5	9.9	-44%	8%
Other activities	-6.3	-2.5		
Group [1]	65.0	65.4	-1%	

[1] *Excluding IACs of EUR -3.4 million in Q4 2017 and EUR -1.5 million in Q4 2016.*

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Adjusted EBIT excludes EUR -3.4 million of IACs, 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.

Adjusted EBIT and IACs

EUR million	Q4 2017	Q4 2016
Adjusted EBIT	65.0	65.4
Restructuring costs	-16.7	-1.5
Gains and losses relating to business combinations and disposals	13.3	-
EBIT	61.6	63.9

Net financial expenses were EUR 2 million (EUR 7 million). Tax expense was EUR 9 million (EUR 13 million).

Profit for the quarter was EUR 51 million (EUR 44 million). Adjusted EPS were EUR 0.51 (EUR 0.44) and reported EPS EUR 0.47 (EUR 0.42). Adjusted EPS is calculated based on Adjusted profit for the quarter, 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	Q4 2017	Q4 2016
Adjusted profit for the quarter	55.6	45,5
IAC items included in adjusted EBIT	-3.4	-1.5
Taxes relating to restructuring	-1.4	-
Profit for the quarter	50.8	44.0

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Financial review FY 2017

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.

Net sales by business segment

EUR million	FY 2017	FY 2016	Change	Of Group in FY 2017
Foodservice Europe-Asia-Oceania	807.5	741.0	9%	27%
North America	1,000.4	1,005.1	-1%	33%
Flexible Packaging	912.7	868.6	5%	31%
Fiber Packaging	285.1	267.8	6%	9%
Elimination of internal sales	-17.0	-17.5		
Group	2,988.7	2,865.0	4%	

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 by business segment

EUR million	FY 2017	FY 2016	Change	Of Group in FY 2017
Foodservice Europe-Asia-Oceania [1]	70.1	63.2	11%	26%
North America	104.1	107.6	-3%	38%
Flexible Packaging	69.7	73.8	-6%	26%
Fiber Packaging	28.2	34.6	-18%	10%
Other activities	-4.4	-11.3		
Group [1,]	267.7	267.9	0%	

[1] *Excluding IACs of EUR -3.4 million in FY 2017 and EUR -1.7 million in FY 2016.*

Adjusted EBIT excludes EUR -3.4 million of IACs, 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	FY 2017	FY 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	FY 2017	FY 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 approx. 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.

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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 was booked as items affecting comparability (IAC) in the Foodservice Europe-Asia-Oceania business segment in the fourth quarter of 2017.

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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	Q4 2017	Q4 2016	Change	FY 2017	FY 2016	Change
Net sales	207.0	193.0	7%	807.5	741.0	9%
Adjusted EBIT [1]	17.9	15.3	17%	70.1	63.2	11%
Margin [1]	8.6%	7.9%		8.7%	8.5%	
EBIT	14.5	13.8	5%	66.7	61.5	8%
RONA [1]				13.0%	13.7%	
Capital expenditure	17.6	19.6	-10%	53.4	46.9	14%
Operating cash flow	16.1	7.7	109%	57.1	38.0	50%

[1] *Excluding IAC of EUR -3.4 million in Q4 2017 (EUR -1.5 million in Q4 2016) and EUR -3.4 million in FY 2017 (EUR -1.7 million in FY 2016).*

Q4 2017

Overall demand for foodservice packaging was good across Europe, momentum being particularly strong in Central and Eastern Europe. Demand improved in Asia and Oceania, but continued to be weak in the Middle East. Competitive situation was tight. Increases in raw material costs were visible especially in Asia and Oceania.

The Foodservice Europe-Asia-Oceania segment's comparable net sales growth was 6%. Net sales grew in all markets except Oceania, driven by volume growth in the segment's core paper items. Growth was strongest in Eastern Europe and in the UK. The units acquired from International Paper in China contributed EUR 6 million to the segment's net sales.

Currency movements had an adverse translation impact of EUR -5 million on the segment's reported net sales. The majority of the impact came from the weakening of the currencies in Asia and Oceania versus euro.

The segment's earnings grew significantly as a result of good volume growth and successful implementation of planned actions to improve competitiveness in China and New Zealand. The weak pound sterling continued to impact the segment's business in the UK with adverse impact on the segment's earnings.

FY 2017

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 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. The weak pound sterling continued to impact the segment's business in the UK with adverse impact on the segment's earnings.

During Q1 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.

During Q2 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

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

EUR million	Q4 2017	Q4 2016	Change	FY 2017	FY 2016	Change
Net sales	243.5	259.8	-6%	1,000.4	1,005.1	-0%
EBIT	28.8	25.1	15%	104.1	107.6	-3%
Margin	11.8%	9.7%		10.4%	10.7%	
RONA				14.2%	16.3%	
Capital expenditure	22.9	62.1	-63%	97.9	97.9	0%
Operating cash flow	24.8	-13.0	291%	31.7	40.4	-22%

Q4 2017

Demand for foodservice packaging and retail disposable tableware was on a good level in the U.S. while pressure on many input costs continued. Distribution costs were high due to tight transport capacity. Prices of plastic resins and recycled fiber were higher than in the previous year. Also labor market was tightening.

The North America segment's comparable net sales growth was 2%. Growth was strongest in retail business driven by private label tableware. Sales of Chinet® branded retail tableware also grew well. Sales of frozen dessert packaging declined.

Currency movements had an adverse translation impact of EUR -22 million on the segment's reported net sales.

The segment's earnings grew significantly. Despite increased distribution costs and ramp-up costs related to the new facility in Arizona, U.S., the underlying profitability of the segment remained at a good level, supported by solid manufacturing performance and volume growth in retail business. In addition, customary year end provision adjustments, related to employee benefits and customer discounts, were made. These adjustments had a significant positive impact on the segment's Q4 2017 earnings. Full year results provide a fair representation of the segment's profitability in 2017.

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

FY 2017

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 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, while in constant currencies 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. 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.

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

Flexible Packaging

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

EUR million	Q4 2017	Q4 2016	Change	FY 2017	FY 2016	Change
Net sales	226.7	213.9	6%	912.7	868.6	5%
EBIT	19.1	17.6	9%	69.7	73.8	-6%
Margin	8.4%	8.2%		7.6%	8.5%	
RONA				10.8%	11.6%	
Capital expenditure	20.7	11.0	88%	41.1	25.7	60%
Operating cash flow	8.5	36.2	-77%	36.6	87.9	-58%

Q4 2017

Demand for flexible packaging was relatively good across markets. In Europe, demand was supported by economic growth. Demand recovered in India, although it was still dampened by further Goods and Services Tax (GST) rate revisions. Competitive situation was tight. Prices for plastic resins were relatively stable but on a higher level compared to Q4 2016.

The Flexible Packaging segment's net sales grew in all markets, driven by healthy volume development. Comparable net sales growth was 9%. Sales growth was particularly strong in Europe, driven by food and drink packaging and tube laminates, as well as in the Middle East, led by food and drink packaging.

Currency movements had an adverse translation impact of EUR -7 million on the segment's reported net sales.

The segment's earnings improved as a result of net sales growth. The segment's earnings were further supported by a benefit from a statutory pension plan change in Germany.

FY 2017

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 comparable net sales growth was 4%. Growth was strong in all markets except India where net sales declined, despite returning to growth during the fourth quarter. 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 primarily due to adverse earnings development in India during the first half of the year, which was caused by the demonetization action executed late in 2016 and by the GST reform executed in 2017.

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	Q4 2017	Q4 2016	Change	FY 2017	FY 2016	Change
Net sales	72.4	69.0	5%	285.1	267.8	6%
EBIT	5.5	9.9	-44%	28.2	34.6	-18%
Margin	7.6%	14.3%		9.9%	12.9%	
RONA				12.8%	16.4%	
Capital expenditure	9.3	10.7	-13%	22.0	27.6	-20%
Operating cash flow	2.7	5.1	-47%	20.7	16.7	24%

Q4 2017

Demand for egg and fruit packaging was subdued, particularly in Northwest Europe and South Africa. Lack of eggs in the market, caused by the pesticide scandal earlier during the year, had a negative impact on the demand of egg packaging in Europe. Severe drought in South Africa resulted in delay of fruit harvesting season, with a negative impact on demand of molded fiber fruit packaging, while the avian influenza had an adverse impact on demand of egg packaging in South Africa. Towards the end of the quarter raw material prices declined in Europe but remained on a high level in the rest of the markets.

The Fiber Packaging segment's net sales grew, comparable net sales growth being 4%. Net sales growth was supported by positive development in Southern Europe, the UK and emerging markets, with the exception of South Africa.

Currency movements had an adverse translation impact of EUR -1 million on the segment's reported net sales.

The segment's earnings declined significantly. The decline was primarily due to negative volume development in Europe and adverse product mix. In addition, in the fourth quarter in 2016 the segment's earnings were positively impacted by a pension plan change.

FY 2017

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 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. 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.

Personnel

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).

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%).

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)

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.

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.

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.

Financial reporting in 2018

In 2018, Huhtamaki will publish financial information as follows:

Interim Report, January 1–March 31, 2018	April 25
Half-yearly Report, January 1–June 30, 2018	July 20
Interim Report, January 1–September 30, 2018	October 25

Annual Accounts 2017 will be published on week 8 on Huhtamaki's website at www.huhtamaki.com.

Espoo, February 13, 2018

Huhtamäki Oyj
Board of Directors

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Group income statement (IFRS)

EUR million	Q1-Q4 2017	Q1-Q4 2016	Q4 2017	Q4 2016
Net sales	2,988.7	2,865.0	745.4	731.5
Cost of goods sold	-2,482.4	-2,355.8	-625.5	-606.3
Gross profit	506.3	509.2	119.9	125.2
Other operating income	22.4	24.7	17.3	5.2
Sales and marketing	-77.6	-75.4	-19.1	-19.9
Research and development	-19.2	-17.2	-4.7	-3.7
Administration costs	-149.8	-162.7	-39.8	-40.7
Other operating expenses	-20.0	-14.4	-12.4	-2.6
Share of profit of equity-accounted investments	2.2	2.0	0.4	0.4
	-242.0	-243.0	-58.3	-61.3
Earnings before interest and taxes	264.3	266.2	61.6	63.9
Financial income	4.9	5.3	0.0	1.6
Financial expenses	-22.4	-32.2	-1.5	-8.6
Profit before taxes	246.8	239.3	60.1	56.9
Income tax expense	-50.3	-47.8	-9.3	-12.9
Profit for the period	196.5	191.5	50.8	44.0
Attributable to:				
Equity holders of the parent company	193.1	187.8	48.6	43.5
Non-controlling interest	3.4	3.7	2.2	0.5
EUR				
EPS attributable to equity holders of the parent company	1.86	1.81	0.47	0.42
Diluted EPS attributable to equity holders of the parent company	1.85	1.80	0.46	0.42

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Group statement of comprehensive income (IFRS)

EUR million	Q1-Q4 2017	Q1-Q4 2016	Q4 2017	Q4 2016
Profit for the period	196.5	191.5	50.8	44.0
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit plans	6.5	-34.1	5.7	-34.1
Taxes related to items that will not be reclassified	-4.2	6.2	-4.0	6.2
Total	2.3	-27.9	1.7	-27.9
Items that may be reclassified subsequently to profit or loss				
Translation differences	-118.8	44.2	-8.4	64.4
Equity hedges	25.4	-6.1	2.2	-15.3
Cash flow hedges	-0.5	0.7	0.9	3.2
Taxes related to items that may be reclassified	0.2	-0.3	-0.1	-0.7
Total	-93.7	38.5	-5.4	51.6
Other comprehensive income, net of tax	-91.4	10.6	-3.7	23.7
Total comprehensive income	105.1	202.1	47.1	67.7
Attributable to:				
Equity holders of the parent company	101.7	198.4	44.9	67.2
Non-controlling interest	3.4	3.7	2.2	0.5

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Group statement of financial position (IFRS)

EUR million	Dec 31, 2017	Dec 31, 2016
ASSETS		
Non-current assets		
Goodwill	633.8	669.2
Other intangible assets	36.5	39.5
Tangible assets	1,055.0	1,035.8
Equity-accounted investments	5.9	7.0
Other investments	1.7	1.6
Interest-bearing receivables	3.0	4.6
Deferred tax assets	51.2	58.6
Employee benefit assets	53.2	55.8
Other non-current assets	5.8	9.6
	1,846.1	1,881.7
Current assets		
Inventory	444.8	401.9
Interest-bearing receivables	5.2	2.2
Current tax assets	11.2	6.8
Trade and other current receivables	507.3	476.1
Cash and cash equivalents	116.0	105.9
	1,084.5	992.9
Total assets	2,930.6	2,874.6
EQUITY AND LIABILITIES		
Share capital	366.4	366.4
Premium fund	115.0	115.0
Treasury shares	-33.5	-35.9
Translation differences	-104.8	-11.4
Fair value and other reserves	-101.3	-103.3
Retained earnings	917.0	803.8
Total 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	643.7	520.8
Deferred tax liabilities	86.9	92.2
Employee benefit liabilities	215.7	229.2
Provisions	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	25.8	137.0
Short-term loans	153.1	129.9
Provisions	6.9	7.1
Current tax liabilities	10.0	10.4
Trade and other current liabilities	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
Net debt	698.4	675.0
Net debt to equity (gearing)	0.58	0.57

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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
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.

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Group statement of cash flows (IFRS)

EUR million	Q1-Q4 2017	Q1-Q4 2016	Q4 2017	Q4 2016
Profit for the period*	196.5	191.5	50.8	44.0
Adjustments*	191.0	185.2	40.3	47.7
Depreciation and amortization*	122.0	113.9	30.3	29.8
Share of profit of equity-accounted investments*	0.2	-0.1	-0.4	-0.3
Gain/loss from disposal of assets*	-5.2	-0.1	-5.4	0.0
Financial expense/-income*	17.5	26.9	1.5	7.0
Income tax expense*	50.3	47.8	9.3	12.9
Other adjustments, operational*	6.2	-3.2	5.0	-1.7
Change in inventory*	-69.6	8.8	1.3	23.1
Change in non-interest bearing receivables*	-37.8	-11.1	38.2	29.2
Change in non-interest bearing payables*	41.9	-7.4	-11.2	-5.0
Dividends received*	1.1	1.9	0.2	0.8
Interest received*	1.7	1.3	0.6	0.4
Interest paid*	-21.9	-20.4	-3.9	-1.7
Other financial expense and income*	-2.3	-1.5	-1.2	-0.5
Taxes paid*	-43.9	-50.8	-6.1	-12.7
Net cash flows from operating activities	256.7	297.5	109.0	125.3
Capital expenditure*	-214.8	-199.1	-70.7	-103.9
Proceeds from selling tangible assets*	13.6	1.9	12.0	0.3
Acquired subsidiaries and assets	-3.2	-120.7	-	-2.8
Proceeds from long-term deposits	1.3	1.4	0.3	0.2
Payment of long-term deposits	0.0	-1.7	0.0	-1.2
Proceeds from short-term deposits	2.8	2.0	2.1	0.7
Payment of short-term deposits	-6.1	-2.0	-3.2	0.0
Net cash flows from investing activities	-206.4	-318.2	-59.5	-106.7
Proceeds from long-term borrowings	420.8	174.1	164.1	7.4
Repayment of long-term borrowings	-292.6	-179.1	-141.1	-9.4
Proceeds from short-term borrowings	2,650.6	2,040.4	485.7	739.8
Repayment of short-term borrowings	-2,735.6	-1,943.2	-532.2	-756.5
Dividends paid	-76.0	-68.5	-	-
Net cash flows from financing activities	-32.8	23.7	-23.5	-18.7
Change in liquid assets	10.1	2.7	26.4	4.2
Cash flow based	17.5	3.0	26.0	-0.1
Translation difference	-7.4	-0.3	0.4	4.3
Liquid assets period start	105.9	103.2	89.6	101.7
Liquid assets period end	116.0	105.9	116.0	105.9
Free cash flow (including figures marked with *)	55.5	100.3	50.3	21.7

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Notes to the results report

This results 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 results 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 results 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 results 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 results 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 results 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

EUR million	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q1-Q4 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania	801.3	205.3	200.9	204.3	190.8	734.5	191.6	194.0	192.3	156.6
Intersegment net sales	6.2	1.7	1.7	1.1	1.7	6.5	1.4	1.2	1.6	2.3
North America	992.5	241.8	233.4	272.4	244.9	996.4	257.6	242.1	263.7	233.0
Intersegment net sales	7.9	1.7	1.9	1.9	2.4	8.7	2.2	2.3	2.0	2.2
Flexible Packaging	912.4	226.6	229.6	224.0	232.2	868.4	213.9	216.5	220.4	217.6
Intersegment net sales	0.3	0.1	0.1	0.0	0.1	0.2	0.0	0.0	0.1	0.1
Fiber Packaging	282.5	71.7	68.1	71.2	71.5	265.7	68.4	66.6	65.6	65.1
Intersegment net sales	2.6	0.7	0.5	0.6	0.8	2.1	0.6	0.5	0.6	0.4
Elimination of intersegment net sales	-17.0	-4.2	-4.2	-3.6	-5.0	-17.5	-4.2	-4.0	-4.3	-5.0
Total	2,988.7	745.4	732.0	771.9	739.4	2,865.0	731.5	719.2	742.0	672.3

EBIT

EUR million	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q1-Q4 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania[1]	66.7	14.5	18.4	18.4	15.4	61.5	13.8	18.3	17.4	12.0
North America	104.1	28.8	20.2	32.6	22.5	107.6	25.1	24.5	37.2	20.8
Flexible Packaging	69.7	19.1	17.7	14.0	18.9	73.8	17.6	18.2	19.1	18.9
Fiber Packaging	28.2	5.5	7.3	8.1	7.3	34.6	9.9	8.3	8.2	8.2
Other activities	-4.4	-6.3	0.7	2.5	-1.3	-11.3	-2.5	-2.4	-4.3	-2.1
Total[1]	264.3	61.6	64.3	75.6	62.8	266.2	63.9	66.9	77.6	57.8

[1] Q1-Q4 2017 and Q4 2017 include items affecting comparability MEUR -3.4, Q1-Q4 2016 MEUR -1.7, Q4 2016 MEUR -1.5 and Q2 2016 MEUR -0.2.

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Segments (continued)

EBITDA

EUR million	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q1-Q4 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania[1]	103.2	24.0	27.3	27.5	24.4	93.6	22.5	26.9	25.5	18.7
North America	143.2	38.3	29.5	42.6	32.8	144.9	35.1	33.6	46.2	30.0
Flexible Packaging	99.8	26.6	25.2	21.5	26.5	103.8	25.5	25.7	26.5	26.1
Fiber Packaging	43.6	9.2	11.0	12.1	11.3	48.2	12.9	11.9	11.7	11.7
Other activities	-3.5	-6.2	1.0	2.7	-1.0	-10.4	-2.3	-2.0	-4.2	-1.9
Total[1]	386.3	91.9	94.0	106.4	94.0	380.1	93.7	96.1	105.7	84.6

[1] Q1-Q4 2017 and Q4 2017 include items affecting comparability MEUR -3.4, Q1-Q4 2016 MEUR -1.7, Q4 2016 MEUR -1.5 and Q2 2016 MEUR -0.2.

Depreciation and amortization

EUR million	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q1-Q4 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania	36.5	9.5	8.9	9.1	9.0	32.1	8.7	8.6	8.1	6.7
North America	39.1	9.5	9.3	10.0	10.3	37.3	10.0	9.1	9.0	9.2
Flexible Packaging	30.1	7.5	7.5	7.5	7.6	30.0	7.9	7.5	7.4	7.2
Fiber Packaging	15.4	3.7	3.7	4.0	4.0	13.6	3.0	3.6	3.5	3.5
Other activities	0.9	0.1	0.3	0.2	0.3	0.9	0.2	0.4	0.1	0.2
Total	122.0	30.3	29.7	30.8	31.2	113.9	29.8	29.2	28.1	26.8

Net assets allocated to the segments[2]

EUR million	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania	551.0	543.1	528.9	540.1	534.5	520.3	514.6	366.9
North America	727.9	729.7	736.7	756.6	727.0	654.2	654.3	631.1
Flexible Packaging	647.2	641.4	638.4	645.1	644.9	639.8	648.3	631.9
Fiber Packaging	214.4	219.3	218.5	224.6	220.5	216.6	215.1	202.6

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

Capital expenditure

EUR million	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q1-Q4 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania	53.4	17.6	11.5	12.8	11.5	46.9	19.6	13.8	8.2	5.3
North America	97.9	22.9	27.0	23.8	24.2	97.9	62.1	12.4	13.0	10.4
Flexible Packaging	41.1	20.7	5.8	7.7	6.9	25.7	11.0	4.9	5.7	4.1
Fiber Packaging	22.0	9.3	4.3	4.1	4.3	27.6	10.7	7.9	4.7	4.3
Other activities	0.4	0.2	0.1	0.0	0.1	1.0	0.5	0.2	0.1	0.2
Total	214.8	70.7	48.7	48.4	47.0	199.1	103.9	39.2	31.7	24.3

RONA (12m roll.)

EUR million	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania	12.4 %	12.4 %	12.5 %	13.1 %	13.3 %	13.5 %	13.3 %	14.0 %
North America	14.2 %	13.9 %	14.8 %	16.0 %	16.3 %	16.5 %	16.6 %	14.9 %
Flexible Packaging	10.8 %	10.6 %	10.7 %	11.5 %	11.6 %	11.9 %	11.6 %	11.5 %
Fiber Packaging	12.8 %	14.8 %	15.3 %	15.6 %	16.4 %	16.0 %	16.2 %	17.1 %

Operating cash flow

EUR million	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q1-Q4 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Foodservice Europe-Asia-Oceania	57.1	16.1	16.0	11.6	13.4	38.0	7.7	7.2	13.7	9.4
North America	31.7	24.8	9.6	14.4	-17.1	40.4	-13.0	21.0	22.1	10.3
Flexible Packaging	36.6	8.5	12.4	-0.5	16.2	87.9	36.2	27.2	7.8	16.7
Fiber Packaging	20.7	2.7	3.3	9.5	5.2	16.7	5.1	3.5	4.2	3.9

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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	
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

Analysis of cash flows of acquisition

EUR million	
Purchase consideration, cash payment	-6.2
Cash and cash equivalents in acquired company	3.0
Transaction costs of 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.

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Other information

Key indicators

	Q1-Q4 2017	Q1-Q4 2016
Equity per share (EUR)	11.13	10.93
ROE, % (12m roll.)	16.6	17.6
ROI, % (12m roll.)	13.4	14.7
Personnel	17,417	17,076
Profit before taxes (EUR million)	246.8	239.3
Depreciation of tangible assets (EUR million)	113.6	105.3
Amortization of other intangible assets (EUR million)	8.4	8.6

Contingent liabilities

EUR million	Dec 31, 2017	Dec 31, 2016
Lease payments	98.7	81.9
Capital expenditure commitments	68.9	70.5

Financial instruments measured at fair value

EUR million	Dec 31, 2017	Dec 31, 2016
Derivatives - assets		
Currency forwards, transaction risk hedges	1.1	2.5
Currency forwards, translation risk hedges	2.7	-
Currency forwards, for financing purposes	1.2	0.5
Currency options, transaction risk hedges	0.2	0.6
Interest rate swaps	3.9	5.1
Electricity forwards	0.0	0.1
Other investments	1.7	1.6
Derivatives - liabilities		
Currency forwards, transaction risk hedges	1.7	3.3
Currency forwards, translation risk hedges	0.2	8.5
Currency forwards, for financing purposes	1.2	4.5
Currency options, transaction risk hedges	0.4	0.5
Interest rate swaps	0.2	0.7
Cross currency swaps	1.3	-
Electricity forwards	0.0	0.1

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

Interest-bearing liabilities

	Dec 31, 2017		Dec 31, 2016	
EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Non-current	643.7	634.6	520.8	520.9
Current	178.9	178.9	266.9	266.9
Total	822.6	813.5	787.7	787.8

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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-Q4 2017	Q1-Q4 2016
AUD 1 =	0.6791	0.6716
GBP 1 =	1.1415	1.2214
INR 1 =	0.0136	0.0134
RUB 1 =	0.0152	0.0135
THB 1 =	0.0261	0.0256
USD 1 =	0.8860	0.9035

Statement of financial position, month end:

	Dec 31, 2017	Dec 31, 2016
AUD 1 =	0.6523	0.6894
GBP 1 =	1.1265	1.1723
INR 1 =	0.0131	0.0141
RUB 1 =	0.0145	0.0158
THB 1 =	0.0257	0.0266
USD 1 =	0.8379	0.9567

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 / Total equity (average)
Return on investment (ROI) =	100 x (Profit before taxes + interest expenses + net other financial expenses) / 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 substituing, the performance measures reported in accordance with IFRS.

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