Huhtamaki

Huhtamäki Oyj's Half-yearly Report January 1–June 30, 2019

Strong net sales growth and solid profitability

Q2 2019 in brief

- Net sales grew to EUR 867 million (EUR 786 million)
- Adjusted EBIT was EUR 78 million (EUR 71 million); reported EBIT EUR 78 million (EUR 80 million)
- Adjusted EPS was EUR 0.51 (EUR 0.46); reported EPS EUR 0.51 (EUR 0.54)
- Comparable net sales growth was 6% at Group level and 7% in emerging markets
- Currency movements had a positive impact of EUR 25 million on the Group's net sales and EUR 2 million on EBIT

H1 2019 in brief

- Net sales grew to EUR 1,669 million (EUR 1,511 million)
- Adjusted EBIT was EUR 146 million (EUR 131 million); reported EBIT EUR 145 million (EUR 141 million)
- Adjusted EPS was EUR 0.95 (EUR 0.86); reported EPS EUR 0.95 (EUR 0.93)
- Comparable net sales growth was 5% at Group level and 7% in emerging markets
- Currency movements had a positive impact of EUR 44 million on the Group's net sales and EUR 4 million on EBIT

Key figures

EUR million	Q2 2019	Q2 2018	Change	H1 2019	H1 2018	Change	FY 2018
Net sales	867.3	785.9	10%	1,669.4	1,511.1	10%	3,103.6
Adjusted EBITDA[1]	118.6	107.0	11%	225.5	202.6	11%	398.7
Margin[1]	13.7%	13.6%		13.5%	13.4%		12.8%
EBITDA	118.1	118.6	-0%	224.9	214.2	5%	390.3
Adjusted EBIT[2]	78.3	70.8	11%	146.1	131.5	11%	251.0
Margin[2]	9.0%	9.0%		8.8%	8.7%		8.1%
EBIT	77.8	80.3	-3%	145.5	141.0	3%	225.5
Adjusted EPS[3]	0.51	0.46	11%	0.95	0.86	11%	1.69
EPS, EUR	0.51	0.54	-5%	0.95	0.93	1%	1.49
Adjusted ROI[2,4]				11.5%	12.8%		11.6%
Adjusted ROE[3,4]				14.8%	16.3%		14.5%
ROI[4]				10.0%	13.1%		10.4%
ROE[4]				12.6%	16.6%		12.8%
Capital expenditure	38.6	47.7	-19%	78.3	80.9	-3%	196.9
Free cash flow	52.4	49.9	5%	34.2	36.5	-6%	79.6

[1] Excluding IAC of EUR -0.5 million in Q2 2019 (EUR 11.6 million) and EUR -0.6 million in H1 2019 (EUR 11.6 million) and EUR -8.4 million in FY 2018.
[2] Excluding IAC of EUR -0.5 million in Q2 2019 (EUR 9.5 million) and EUR -0.6 million in H1 2019 (EUR 9.5 million) and EUR -25.5 million in FY 2018.
[3] Excluding IAC of EUR -0.4 million in Q2 2019 (EUR 7.7 million) and EUR -0.5 million in H1 2019 (EUR 7.7 million) and EUR -20.6 million in FY 2018.
[4] ROI and ROE for H1 2018 have not been restated for IFRS 16 impact.

Unless otherwise stated, all comparisons in this report are compared to the corresponding period in 2018. Figures of return on investment (ROI), return on equity (ROE) and return on net assets (RONA) as well as net debt to EBITDA presented in this report are calculated on a 12-month rolling basis.

IFRS 16 Leases standard has been adopted as of January 1, 2019 using full retrospective transition method. The financial information for 2018 has been restated except for key figures ROI, ROE, RONA and net debt to EBITDA for periods Q1 2018, Q2 2018 and Q3 2018. For more information see the notes.

The figures in the tables are exact figures and consequently the sum of individual figures may deviate from the sum presented. Key figures have been calculated using exact figures.

Charles Héaulmé, President and CEO:

"In the second quarter of 2019 we achieved a strong growth of 10%, reporting net sales of EUR 867 million. Comparable growth was 6% and in emerging markets 7%. We also continued good progress with our global key accounts. Positive currency translation impact was 3%. The acquisitions completed during the last 12 months accounted for 2% of the total growth, adding EUR 13 million to the net sales.

Our adjusted EBIT for the quarter grew by 11% to EUR 78 million. All segments report an improved adjusted EBIT. The strong net sales growth, led by the North America segment, combined with the efficiency improvement actions and price increases we implemented last year, translated to higher adjusted earnings. Our tight focus on portfolio and margin management, particularly in Flexible Packaging India, drove profitability improvement.

It is good to see that the heavy investments of the last few years are paying off. The North America segment delivered a particularly strong quarter. In the Foodservice Europe-Asia-Oceania segment the investments to expand our product offering with folded carton, bags, wraps and paper straws are delivering good growth in the fast food segment. Capacity additions within the Fiber Packaging segment are consistently resulting in volume growth. In addition, during Q2 2019 we inaugurated a new manufacturing facility in Egypt to facilitate growth in Flexible Packaging in Africa and in Europe.

In addition, we continued our work to further improve the environmental performance of our products. With the launch of our Huhtamaki blueloop -concept we began commercial deliveries of recyclable flexible packaging. Waitrose in the UK chose our Fresh tray for the relaunch of their Italian ready meal range and we have invested in more capacity to meet the demand. We also opened a new paper straw manufacturing facility in Northern Ireland and expect to begin paper straw manufacturing in further units in Europe. We also published the results of an LCA study on coffee-to-go cups. The study confirmed that our Future Smart range, which is 100% made of renewable resources, is the best currently available solution for coffee-to-go.

During my first 100 days at Huhtamaki, meeting our customers and our employees, I am impressed with our business model, our operating structure and the competence of our people. Looking at our industry and the market, powerful trends are strengthening and changing the way forward for packaging. These include evolving consumer preferences that encourage us to accelerate our innovation work; rapid advancements in digitalization and analytics; strong growth of food delivery and grocery e-commerce; and focus on the impact packaging has on the environment. We are well positioned to deliver on these challenges, and we will further invest in the required strategic capabilities and resources to transform those trends into opportunities."

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Financial review Q2 2019

The Group's net sales growth was strong during the quarter, with all segments contributing. Comparable net sales growth was also strong at 6%, led by the North America business segment. Growth in emerging markets was 7%. The Group's net sales grew to EUR 867 million (EUR 786 million). Foreign currency translation impact on the Group's net sales was EUR 25 million (EUR -48 million) compared to 2018 exchange rates. The majority of the positive impact came from the US Dollar.

Net sales by business segment

EUR million	Q2 2019	Q2 2018	Change	Of Group in Q2 2019
Foodservice Europe-Asia-Oceania	241.0	221.5	9%	28%
North America	306.4	257.0	19%	35%
Flexible Packaging	248.7	240.3	3%	28%
Fiber Packaging	77.5	71.3	9%	9%
Elimination of internal sales	-6.4	-4.2		
Group	867.3	785.9	10%	

Comparable net sales growth by business segment

	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Foodservice Europe-Asia-Oceania	3%	4%	3%	5%
North America	13%	5%	11%	2%
Flexible Packaging	1%	5%	4%	6%
Fiber Packaging	7%	4%	5%	4%
Group	6%	5%	6%	4%

The Group's adjusted EBIT improved significantly and profitability was at a good level. Earnings improved significantly in the North America segment as a result of successful pricing actions, volume increases and lower distribution costs. Earnings improved significantly also in the Flexible Packaging segment, driven by strong improvement in emerging markets. The Group's adjusted EBIT was EUR 78 million (EUR 71 million) and reported EBIT EUR 78 million (EUR 80 million). Foreign currency translation impact on the Group's earnings was EUR 2 million (EUR -4 million).

Adjusted EBIT by business segment

EUR million	Q2 2019	Q2 2018	Change	Of Group in Q2 2019
Foodservice Europe-Asia-Oceania[1]	22.0	20.6	7%	27%
North America	32.4	22.6	43%	39%
Flexible Packaging[2]	20.1	18.1	11%	25%
Fiber Packaging[3]	7.6	7.4	3%	9%
Other activities[4]	-3.9	2.1		
Group	78.3	70.8	11%	

[1] Excluding IAC of EUR -0.2 million in Q2 2019 and EUR -1.3 million in Q2 2018
[2] Excluding IAC of EUR -1.5 million in Q2 2018
[3] Excluding IAC of EUR -0.6 million in Q2 2018
[4] Excluding IAC of EUR -0.3 million in Q2 2019 and EUR 12.9 million in Q2 2018

Adjusted EBIT excludes EUR -0.5 million (EUR 9.5 million) of items affecting comparability (IAC).

Adjusted EBIT and IAC

EUR million	Q2 2019	Q2 2018
Adjusted EBIT	78.3	70.8
Acquisition related costs	-0.5	-1.2
Restructuring costs including write-downs of related assets	-	-3.5
Gains relating to sale of trademark portfolio	-	14.2
EBIT	77.8	80.3

Net financial expenses were EUR 8 million (EUR 8 million). Tax expense was EUR 15 million (EUR 15 million).

Profit for the quarter was EUR 55 million (EUR 57 million). Adjusted and reported earnings per share (EPS) were EUR 0.51 (adjusted EPS EUR 0.46 and reported EPS EUR 0.54). Adjusted EPS is calculated based on adjusted profit for the period, which excludes EUR -0.5 million (EUR 9.5 million) of IAC and related taxes.

Adjusted EPS and IAC

EUR million	Q2 2019	Q2 2018
Adjusted profit for the period attributable to equity holders of the parent company	53.7	48.4
IAC excluded from adjusted EBIT	-0.5	9.5
Taxes related to IAC	0.1	-1.9
Profit for the period attributable to equity holders of the parent company	53.3	56.1

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Financial review H1 2019

The Group's net sales growth was strong during the first half of the year, with all segments contributing. Growth was strongest in the North America segment. Comparable net sales growth was solid at 5%, also led by the North America business segment. Growth in emerging markets was 7%. The Group's net sales grew to EUR 1,669 million (EUR 1,511 million). Foreign currency translation impact on the Group's net sales was EUR 44 million (EUR -107 million) compared to 2018 exchange rates. The majority of the positive impact came from the US Dollar.

Net sales by business segment

EUR million	H1 2019	H1 2018	Change	Of Group in H1 2019
Foodservice Europe-Asia-Oceania	469.0	420.3	12%	28%
North America	562.1	483.8	16%	33%
Flexible Packaging	500.5	474.3	6%	30%
Fiber Packaging	149.1	141.0	6%	9%
Elimination of internal sales	-11.3	-8.3		
Group	1,669.4	1,511.1	10%	

The Group's adjusted EBIT improved significantly and profitability was solid. Earnings improved significantly in the North America and Flexible Packaging segments. Earnings declined in the Fiber Packaging segment due to development and commercialization costs of the Fresh ready meal tray. The Group's adjusted EBIT was EUR 146 million (EUR 131 million) and reported EBIT EUR 145 million (EUR 141 million). Foreign currency translation impact on the Group's earnings was EUR 4 million (EUR -8 million).

Adjusted EBIT by business segment

EUR million	H1 2019	H1 2018	Change	Of Group in H1 2019
Foodservice Europe-Asia-Oceania[1]	42.1	40.1	5%	28%
North America	53.0	38.9	36%	35%
Flexible Packaging[2]	43.2	35.7	21%	28%
Fiber Packaging[3]	14.4	15.4	-6%	9%
Other activities[4]	-6.6	1.3		
Group	146.1	131.5	11%	

[1] Excluding IAC of EUR -0.2 million in H1 2019 and EUR -1.3 million in H1 2018
[2] Excluding IAC of EUR -1.5 million in H1 2018
[3] Excluding IAC of EUR -0.6 million in H1 2018
[4] Excluding IAC of EUR -0.4 million in H1 2019 and EUR 12.9 million in H1 2018

Adjusted EBIT excludes EUR -0.6 million (EUR 9.5 million) of items affecting comparability (IAC).

Adjusted EBIT and IAC

EUR million	H1 2019	H1 2018
Adjusted EBIT	146.1	131.5
Acquisition related costs	-0.6	-1.2
Restructuring costs including write-downs of related assets	-	-3.5
Gains relating to sale of trademark portfolio	-	14.2
EBIT	145.5	141.0

Net financial expenses were EUR 16 million (EUR 16 million). Tax expense was EUR 28 million (EUR 26 million). The corresponding tax rate was 22% (21%).

Profit for the period was EUR 102 million (EUR 99 million). Adjusted and reported earnings per share (EPS) were EUR 0.95 (adjusted EPS EUR 0.86 and reported EPS EUR 0.93). Adjusted EPS is calculated based on adjusted profit for the period, which excludes EUR -0.6 million (EUR 9.5 million) of IAC and related taxes.

Adjusted EPS and IAC

EUR million	H1 2019	H1 2018
Adjusted profit for the period attributable to equity holders of the parent company	99.1	89.6
IAC excluded from adjusted EBIT	-0.6	9.5
Taxes related to IAC	0.1	-1.9
Profit for the period attributable to equity holders of the parent company	98.7	97.3

Statement of financial position and cash flow

The Group's net debt increased, primarily due to higher working capital. At the end of June net debt was EUR 1,019 million (EUR 960 million). The level of net debt corresponds to a gearing ratio of 0.78 (0.79). Net debt to EBITDA ratio (excluding IAC) was 2.4 (2.2). Average maturity of external committed credit facilities and loans was 3.2 years (4.1 years).

Cash and cash equivalents were EUR 123 million (EUR 117 million) at the end of June and the Group had EUR 303 million (EUR 305 million) of unused committed credit facilities available.

Total assets on the statement of financial position were EUR 3,413 million (EUR 3,265 million).

Capital expenditure was EUR 78 million (EUR 81 million). The largest investments for business expansion were made in the U.S., the UK and Russia. The Group's free cash flow was EUR 34 million (EUR 36 million). The cash flow was impacted by high receivables following good sales.

Significant events during the reporting period

On March 7, 2019 the European Commission announced that it has opened an investigation into Luxembourg tax practices, in particular Huhtamaki tax rulings from the years 2009, 2012 and 2013. The investigation is not targeted at Huhtamaki and Huhtamaki has not been approached by the European Commission.

Significant events after the reporting period

On July 11, 2019 the General Court of the European Union announced that it has dismissed Huhtamaki's appeal against the European Commission's decision on anticompetitive behavior. In June 2015 the European Commission announced that it had found certain of Huhtamaki's former operations to have been involved in anticompetitive practices during years 2000-2006 and imposed a EUR 15.6 million fine on Huhtamaki. The fine and legal costs of EUR 2.7 million were recognized as a non-recurring expense in the Group's Q2 2015 result and the payment of fine was made during Q3 2015.

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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	Q2 2019	Q2 2018	Change	H1 2019	H1 2018	Change	FY 2018
Net sales	241.0	221.5	9%	469.0	420.3	12%	881.7
Adjusted EBIT[1]	22.0	20.6	7%	42.1	40.1	5%	77.1
Margin[1]	9.1%	9.3%		9.0%	9.5%		8.7%
Adjusted RONA[1]				11.1%	13.5%		11.9%
Capital expenditure	15.3	14.0	9%	28.9	23.7	22%	57.8
Operating cash flow	15.6	15.6	0%	23.4	21.7	8%	53.9

[1] Excluding IAC of EUR -0.2 million in Q2 and H1 2019, EUR -1.3 million in Q2 and H1 2018 and EUR -13.3 million in FY 2018. RONA for H1 2018 has not been restated for IFRS 16 impact.

Q2 2019

Demand for foodservice packaging was relatively stable across markets, particularly within the fast food sector. Preference for fiber-based packaging over plastics continued. Paperboard prices were stable during the quarter. Polymer prices increased compared to the previous quarter but were lower than during Q2 2018.

The Foodservice Europe-Asia-Oceania segment's net sales growth was strong, with a significant contribution from the businesses acquired during Q2 2018. Comparable net sales growth was 3%. Growth was strongest in Eastern Europe and Middle-East and Africa, driven by good progress in the fast food customer segment. Net sales of paper-based ice cream containers declined. Net sales growth in China was solid. The businesses acquired during the second quarter of 2018 contributed EUR 24 million to the segment's net sales. Tailored Packaging in Australia has been reported as part of the Foodservice Europe-Asia-Oceania segment as of May 1, 2018 and CupPrint in Ireland as of June 1, 2018.

The impact of currency movements on the segment's reported net sales was EUR 2 million.

The segment's adjusted EBIT grew mainly as a result of net sales growth and earlier implemented price increases. Good profitability was supported by stable paperboard prices and a favorable product mix.

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

H1 2019

Demand for foodservice packaging was reasonably stable. In Eastern Europe demand was solid. Consumers' increased preference for sustainable packaging was visible across markets and translated to growing demand for paperboard products. Raw material prices were relatively stable, with plastic resin prices increasing during the latter part of the reporting period.

The Foodservice Europe-Asia-Oceania segment's net sales growth was strong, driven by contribution from the businesses acquired during Q2 2018. Comparable net sales growth was 4%. Growth was strongest in Eastern Europe and Middle-East and Africa. Net sales in China were in line with prior year. The businesses acquired during the second quarter of 2018 contributed EUR 46 million to the segment's net sales. Tailored Packaging in Australia has been reported as part of the Foodservice Europe-Asia-Oceania segment as of May 1, 2018 and CupPrint in Ireland as of June 1, 2018.

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

The segment's adjusted EBIT grew as a result of net sales growth and earlier implemented price increases and efficiency measures. The favorable earnings development was supported by stable raw material prices. The businesses acquired during Q2 2018 had a positive contribution to the segment's earnings.

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

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North America

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

EUR million	Q2 2019	Q2 2018	Change	H1 2019	H1 2018	Change	FY 2018
Net sales	306.4	257.0	19%	562.1	483.8	16%	1,002.7
Adjusted EBIT[1]	32.4	22.6	43%	53.0	38.9	36%	73.0
Margin[1]	10.6%	8.8%		9.4%	8.0%		7.3%
Adjusted RONA[1]				10.3%	11.7%		9.2%
Capital expenditure	9.4	15.1	-38%	24.1	30.0	-20%	62.9
Operating cash flow	34.2	27.0	27%	37.1	1.4	2,608%	19.8

[1] *Excluding IAC of EUR -10.7 million in FY 2018. RONA for H1 2018 has not been restated for IFRS 16 impact.*

Q2 2019

Strong demand for retail private label tableware continued in the U.S. Demand for ice cream packaging was flat while demand for foodservice packaging continued to be subdued. Distribution costs were lower than during Q2 2018. The labor market continued to be tight.

The North America segment's net sales growth was very strong, with all businesses contributing. Net sales grew as a result of good volume development, further boosted by pricing actions. Comparable net sales growth was 13%. Net sales growth was strongest within retail tableware products, supported by the timing of Easter deliveries. Net sales of foodservice packaging grew also while net sales of ice cream packaging were flat.

The impact of currency movements on the segment's reported net sales was EUR 18 million.

The segment's adjusted EBIT grew significantly and profitability was strong. Earnings grew as a result of pricing actions, volume increases from new business gains and moderation in distribution costs. Earnings growth was further supported by good operational efficiency and the efficiency measures taken.

The impact of currency movements on the segment's reported earnings was EUR 2 million.

H1 2019

Demand for private label tableware was strong throughout the period in the U.S. , while demand for ice cream packaging moderated during the second quarter. Demand for foodservice packaging was subdued. The labor market was tight.

The North America segment's net sales growth was very strong, comparable net sales growth being 9%. Net sales grew as a result of good volume development, supported by pricing actions. Growth was strongest within retail tableware and consumer goods businesses. Net sales of foodservice packaging grew also.

The impact of currency movements on the segment's reported net sales was EUR 38 million.

The segment's adjusted EBIT grew significantly and profitability was strong. Earnings grew as a result of successful pricing actions, volume increases from new business gains and moderation in distribution costs. Earnings growth was further supported by good operational efficiency.

The impact of currency movements on the segment's reported earnings was EUR 4 million.

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Flexible Packaging

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

EUR million	Q2 2019	Q2 2018	Change	H1 2019	H1 2018	Change	FY 2018
Net sales	248.7	240.3	3%	500.5	474.3	6%	952.3
Adjusted EBIT[1]	20.1	18.1	11%	43.2	35.7	21%	67.8
Margin[1]	8.1%	7.5%		8.6%	7.5%		7.1%
Adjusted RONA[1]				10.5%	11.2%		10.0%
Capital expenditure	10.6	14.6	-27%	19.3	20.2	-5%	49.7
Operating cash flow	16.5	11.2	47%	15.8	21.9	-28%	42.2

[1] Excluding IAC of EUR -1.5 million in Q2 and H1 2018 and EUR -9.7 million in FY 2018. RONA for H1 2018 has not been restated for IFRS 16 impact.

Q2 2019

Demand for flexible packaging was good across most markets, except in Europe. Raw material prices were stable. Tight competitive situation in Southeast Asia continued. Environmental awareness amongst consumers globally continued to increase and several customers made public pledges to increase their use of reusable, recyclable or compostable packaging.

The Flexible Packaging segment's net sales growth was moderate, comparable net sales growth being 1%. Net sales grew in India, Southeast Asia as well as Middle East and Africa but declined in Europe. The decline in Europe was primarily due to soft demand for packaging in the food & beverage category. Second quarter net sales growth in India was driven by increased prices and tight portfolio management. The new unit in Egypt, inaugurated early April, contributed positively to the segment's net sales growth. Ajanta Packaging, acquired during the second quarter in 2018, contributed EUR 3 million to the segment's net sales.

The Flexible Packaging segment launched Huhtamaki blueloop, an umbrella concept for recyclable flexible packaging. With blueloop, fit-for-purpose barrier properties are achieved with mono-material structures instead of the traditional multi-material structures. Commercial deliveries of recyclable laminates for shampoo began during the quarter and solutions for other product groups are expected to commercialized by the end of the year.

The impact of currency movements on the segment's reported net sales was EUR 5 million.

The segment's adjusted EBIT improved significantly and the segment's profitability was solid. Earnings growth was driven by continued positive development in India, resulting from successful pricing activity and improved product mix. Earnings grew also in Southeast Asia and Middle East and Africa but declined in Europe. The earnings decline in Europe was primarily due to the low net sales, with a further negative impact from support strikes at the segment's manufacturing unit in Germany.

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

H1 2019

Demand for flexible packaging was good across most markets, except in Europe. Prices of plastic resins decreased during the beginning of the reporting period. Competitive situation was tight, particularly in Southeast Asia. Pressures related to environmental sustainability of flexible packaging intensified.

The Flexible Packaging segment's net sales growth was solid. Comparable net sales growth was moderate at 3% due to the negative net sales development in Europe during the second quarter. Growth was strongest in Africa, the Middle East and India, with both domestic and export sales contributing. Ajanta Packaging, acquired during the second quarter in 2018, contributed EUR 5 million to the segment's net sales.

The impact of currency movements on the segment's reported net sales was EUR 7 million.

The segment's adjusted EBIT improved significantly and the segment's profitability was solid. Earnings grew mainly as a result of positive development in India.

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

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Fiber Packaging

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

EUR million	Q2 2019	Q2 2018	Change	H1 2019	H1 2018	Change	FY 2018
Net sales	77.5	71.3	9%	149.1	141.0	6%	283.0
Adjusted EBIT[1]	7.6	7.4	3%	14.4	15.4	-6%	31.2
Margin[1]	9.8%	10.4%		9.7%	10.9%		11.0%
Adjusted RONA[1]				13.5%	13.0%		14.2%
Capital expenditure	3.2	2.9	8%	5.8	5.1	13%	23.4
Operating cash flow	8.9	12.5	-29%	13.5	18.6	-27%	25.1

[1] Excluding IAC of EUR -0.6 million in Q2 and H1 2018 and EUR -2.1 million in FY 2018. RONA for H1 2018 has not been restated for IFRS 16 impact.

Q2 2019

Demand for fiber-based packaging was solid across most markets. In Europe and in Russia demand for egg cartons remained strong, while in Brazil demand for egg cartons stalled due to economic conditions. In South Africa demand for fruit packaging was strong, following intensified replacement of plastic fruit packaging with fiber by the UK retail chains. Prices of recycled fiber declined. Energy prices were at a high level.

The Fiber Packaging segment's net sales growth was strong with comparable net sales growth at 7%. Growth was strongest in Eastern Europe and Oceania. Net sales growth in Australia was supported by new capacity installed during late 2018. While growth in Russia continued to be constrained by lack of capacity, favorable product mix resulted in net sales growth.

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

The segment's adjusted EBIT improved slightly. Profitability declined as the improved operational performance across units was not sufficient to fully offset the development and commercialization costs of the Fresh ready meal tray.

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

H1 2019

Demand for fiber-based packaging was solid across most markets, except in Brazil where demand for egg packaging was negatively impacted by economic conditions. Prices of recycled fiber declined towards the end of the reporting period. Energy prices were at a high level.

The Fiber Packaging segment's net sales growth was solid with comparable net sales growth at 5%. Growth was strongest in Central Europe, Oceania and Russia.

The impact of currency movements on the segment's reported net sales was EUR -1 million.

The segment's adjusted EBIT declined as the improved operational performance across units was not sufficient to fully cover the development and commercialization costs of the Fresh ready meal tray.

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

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Personnel

The Group had a total of 18,064 (18,182) employees at the end of June 2019. The number of employees by segment was the following: Foodservice Europe-Asia-Oceania 4,973 (5,058), North America 4,101 (3,999), Flexible Packaging 7,137 (7,331), Fiber Packaging 1,773 (1,724), and Other activities, including global functions in Finland 80 (70).

Changes in management

Charles Héaulmé (52) started as President and CEO of Huhtamäki Oyj, and Chairman of the Global Executive Team, on April 26, 2019.

Share capital and shareholders

At the end of June 2019, the registered share capital of Huhtamäki Oyj ("the Company") was EUR 366 million (EUR 366 million) corresponding to a total number of shares of 107,760,385 (107,760,385), including 3,410,709 (3,425,709) shares owned by the Company. Own shares represent 3.2% (3.2%) of the total number of shares and votes. The number of outstanding shares excluding the Company's own shares was 104,349,676 (104,334,676). The average number of outstanding shares used in EPS calculations was 104,340,146 (104,227,351), excluding the Company's own shares.

There were 31,575 (30,227) registered shareholders at the end of June 2019. Foreign ownership including nominee registered shares accounted for 45% (48%).

Share trading

During January-June 2019, the Company's shares were quoted on Nasdaq Helsinki Ltd on the Nordic Large Cap list under the Industrials sector. It was a component of the Nasdaq Helsinki 25 Index.

At the end of June 2019, the Company's market capitalization was EUR 3,773 million (EUR 3,306 million) excluding the Company's own shares. With a closing price of EUR 36.16 (EUR 31.69) the share price increased 34% from the beginning of the year. During the reporting period the volume weighted average price for the Company's shares was EUR 31.99. The highest price paid was EUR 36.61 and the lowest was EUR 26.81.

During the reporting period, the cumulative value of the Company's share turnover on Nasdaq Helsinki Ltd was EUR 940 million (EUR 1,282 million). The trading volume of 29 million (38 million) shares equaled an average daily turnover of 247,559 (305,541) shares. The cumulative value of the Company's share turnover including alternative trading venues, such as BATS Chi-X and Turquoise, was EUR 2,646 million (EUR 3,498 million). During the reporting period, 64% (63%) of all trading took place outside Nasdaq Helsinki Ltd. (Source: Fidessa Fragmentation Index, fragmentation.fidessa.com)

Resolutions of the Annual General Meeting 2019

Huhtamäki Oyj's Annual General Meeting of Shareholders was held in Helsinki on April 25, 2019. The meeting adopted the Annual Accounts including the Consolidated Annual Accounts for 2018, discharged the members of the Company's Board of Directors and the CEO from liability, and approved all proposals made to the Annual General Meeting by the Board of Directors and its Committees.

The number of members of the Board of Directors was confirmed to be seven (7). Mr. Pekka Ala-Pietilä, Mr. Doug Baillie, Mr. William R. Barker, Ms. Anja Korhonen, Ms. Kerttu Tuomas, Ms. Sandra Turner and Mr. Ralf K. Wunderlich were re-elected as members of the Board of Directors for a term ending at the end of the next Annual General Meeting. The Board of Directors elected Mr. Pekka Ala-Pietilä as the Chairman of the Board and Ms. Kerttu Tuomas 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, 2019. 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 new shares to be issued may not exceed 10,000,000 shares which corresponds to approximately 9.3 percent of the current shares of the Company, and the aggregate number of own treasury shares to be transferred may not exceed 4,000,000 shares which corresponds to approximately 3.7 percent of the current shares of the Company. The authorization covers also directed issuances of shares. The authorization remains in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2020.

The Board of Directors was authorized in connection with the Company's 100 years anniversary to grant donations up to an aggregate maximum amount of three (3) million euros for charitable or corresponding purposes. The Board of Directors resolves on the recipients and other terms and conditions of the donations and the authorization remains in force until December 31, 2020.

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 2019

The Group's trading conditions are expected to remain relatively stable during 2019. 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 2018 with the majority of the investments directed to business expansion.

Financial reporting in 2019

In 2019, Huhtamaki will publish financial information as follows:

Interim Report, January 1–September 30, 2019	October 23

Espoo, July 18, 2019

Huhtamäki Oyj
Board of Directors