Annual Report 2019

Huhtamaki

Contents

Huhtamaki in 2019

* Part of Directors' report 2019

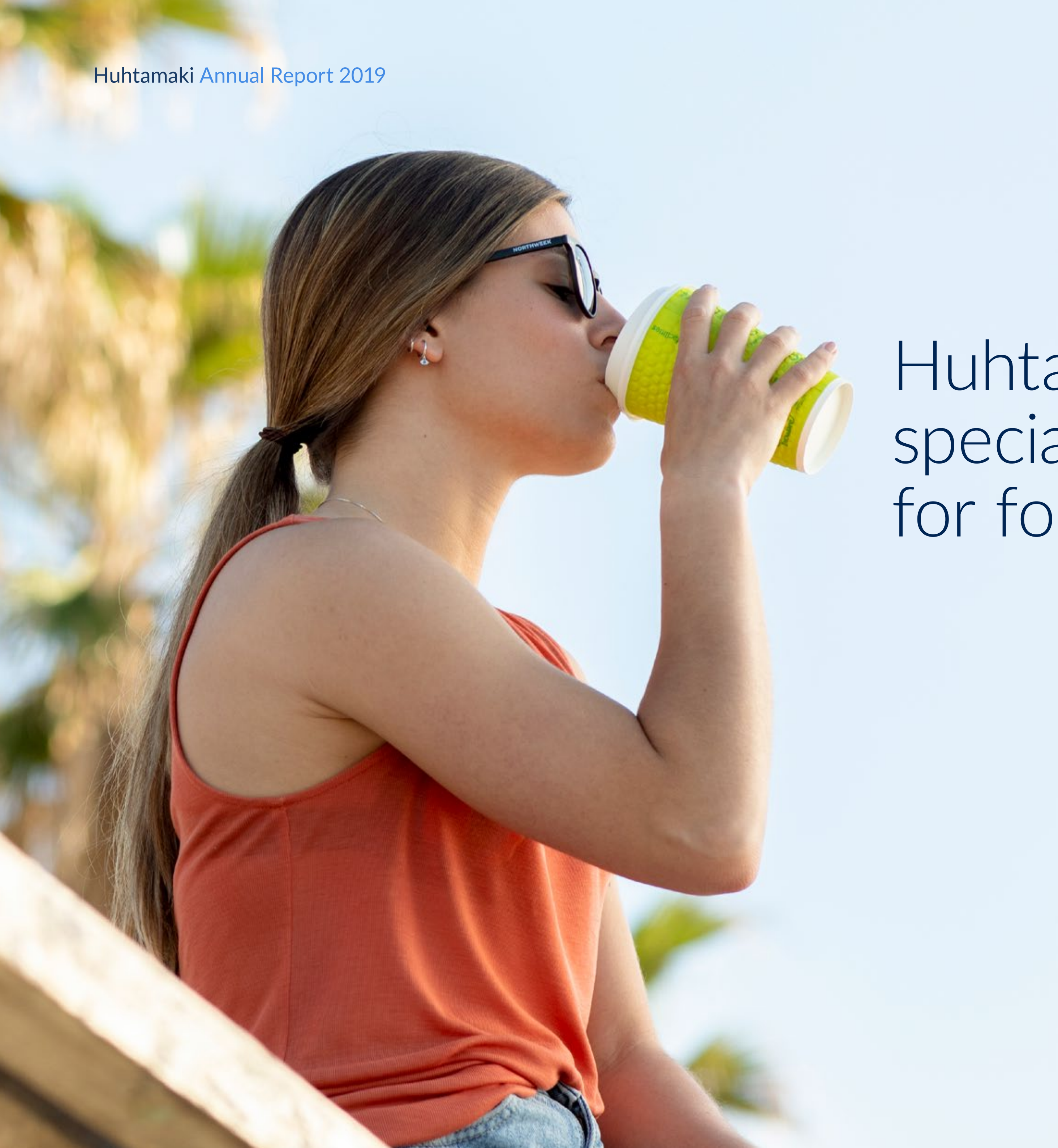
Financials

Sustainability

Governance

Huhtamaki in 2019

Huhtamaki



Huhtamaki – global specialist in packaging for food and drink

Mastering three distinctive technologies, Huhtamaki manufactures and sells safe and sustainable packaging solutions for food-on-the-go and pre-packed foods. We use our input resources as efficiently as possible, minimizing the negative impacts of our operations and products on the environment and maximizing the positive impacts on our stakeholders and society. We are a leader in two areas: on-the-go food packaging market and pre-packed food packaging in emerging markets.

Our growth ambition is supported by the global megatrends of growing population, urbanization and increased demand for sustainability. More people live in cities, further away from where food is produced. Consequently, packaging is needed to allow efficient transportation of food closer to consumers as well as to ensure safe consumption. Urbanization and modern lifestyles have also created the need for on-the-go consumption of food. All this needs to happen with as little burden to the environment as possible.

100 years of history

Huhtamaki was founded in 1920. In the beginning O/Y Huhtamäen Tehtaat – A/B Huhtamäkis Fabriker made 46 different types of candy mostly by hand and produced wooden boxes and containers for these products.

Over the years, Huhtamaki expanded from confectionaries to e.g. food products, pharmaceuticals and cosmetics. By mid-1960s, our packaging business was fully established, and we were the leader in the European paper cup market. Huhtamaki was listed in the Helsinki Stock Exchange in 1960.

By the 1970s the company was a real conglomerate, operating in almost 20 unrelated businesses ranging from clothing to pipes. In the 1980s, however, it had become clear that expansion to different industries was not the best option and concentrating to confectionery, pharmaceuticals and packaging started. From the beginning of the millenium Huhtamaki focused on consumer packaging and since 2014 on food packaging.

At the end of 2019, Huhtamaki had 80 manufacturing units and 24 sales offices in 35 countries. Huhtamaki's headquarters is located in Espoo, Finland. The parent company Huhtamäki Oyj is listed on Nasdaq Helsinki Ltd. At the end of 2019, we had 31,056 registered shareholders. The largest shareholder is a long-term owner, the Finnish Cultural Foundation – one of the most significant non-profit organizations in Finland. Our business and global network of manufacturing units have been organized into four reporting segments: Foodservice Europe-Asia-Oceania, North America, Flexible Packaging and Fiber Packaging. Our own brands include, among others, Chinet, Bioware and Future Smart.

Huhtamaki history – list of milestones

1920s

- **1920** a candy factory named O/Y Huhtamäen Tehtaat – A/B Huhtamäkis Fabriker was founded by Heikki Huhtamäki into an old barn located in rural Western Finland

1930s

- **1932** Huhtamäki's first acquisition was Hellas, another confectionery manufacturer
- **1935** Heikki Huhtamäki started working for Ipnos and Jalostaja

1940s

- **1940** with Heikki Huhtamäki in lead, Ipnos, Jalostaja and Huhtamäki-Hellas were gathered under the same roof, Huhtamäki-yhtymä Oy
- **1943** Heikki Huhtamäki donated the majority of the company's shares to The Finnish Cultural Foundation
- **1946** Marli Oy, a producer of berry wines, was acquired by Huhtamäki
- **1948** Huhtamäki founded a pharmaceutical company named Leiras

1950s

- **1954** establishing Fincos diversified Huhtamäki into cosmetics production

1960s

- **1960** Huhtamäki was listed in Helsinki Stock Exchange
- **1960** entering the packaging industry with the acquisition of Mensa
- **1965** establishment of Polarpak promoted packaging from a supporting function into a separate business line

1970s

- **1971** Huhtamäki set a principle of merging new industries under the Group to keep it dynamic, leading to operating in nearly 20 unrelated businesses ranging from clothing to pipes
- **1972** new goals set to increase export business
- **1975** company name was shortened to Huhtamäki Oy

1980s

- **1983** new strategy focusing on internationalization and concentration
- **1983** Huhtamäki made multiple confectionery acquisitions in the US and assembled them under the name Leaf
- **1987** purchase of Bellaplast in Germany made Huhtamäki one of European leaders in packaging

1990s

- **Mid-1990s** Huhtamaki decided to concentrate on packaging as it was strategically best positioned and started selling other businesses
- **1993** divestment of the food processing business completed
- **1998** acquisition of the US-based packaging company Sealright
- **1999** acquistion of the Dutch packaging giant Van Leer. Company name changed to Huhtamaki Van Leer

2000s

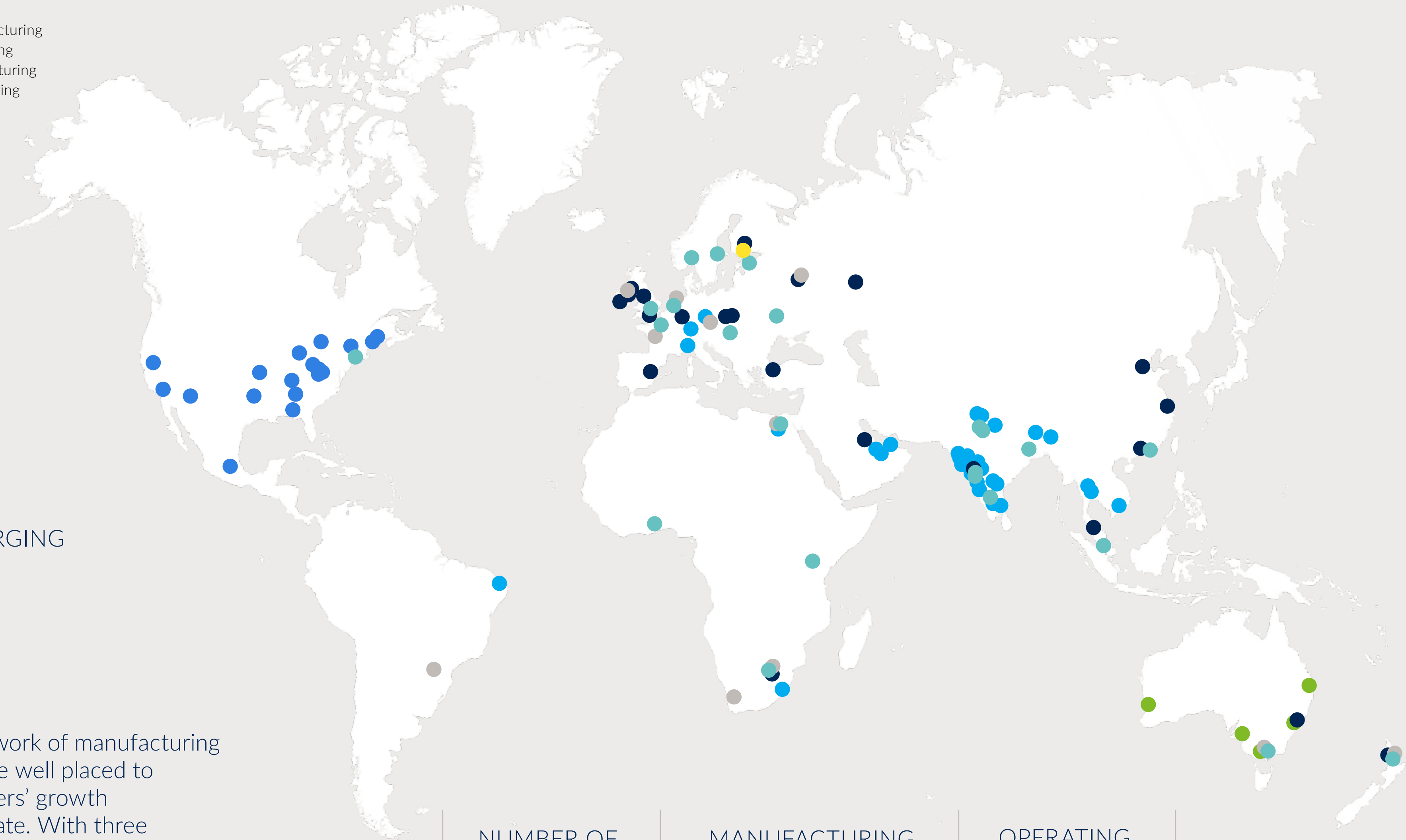
- **2001** decision to focus on consumer packaging, divesting the industrial packaging section of Van Leer and renaming the company as Huhtamäki Oyj
- **2008** after a strategy review, Huhtamaki sold its rigid plastic consumer goods operations in order to prioritize foodservice, molded fiber and flexible packaging products

2010s

- **2012** acquisition of a Chinese foodservice packaging supplier Josco
- **2014** new purpose and ambition and updated strategy to focus on food launched
- **2014** Films business sold
- **2015** acquisition of an India-based flexible packaging company Positive Packaging
- **2018** launch of the corporate responsibility program, Packaging for Good
- **2019** strategic review launched at the end of the year to prepare Huhtamaki for a new decade

Global presence

- Foodservice E-A-O manufacturing
- North America manufacturing
- Flexible Packaging manufacturing
- Fiber Packaging manufacturing
- Sales unit
- Distribution center
- Headquarter



COMPARABLE GROWTH

6%

ACQUISITIVE GROWTH

2%

GROWTH IN EMERGING MARKETS

7%

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

NUMBER OF EMPLOYEES

18,589

MANUFACTURING UNITS

80

OPERATING COUNTRIES

35

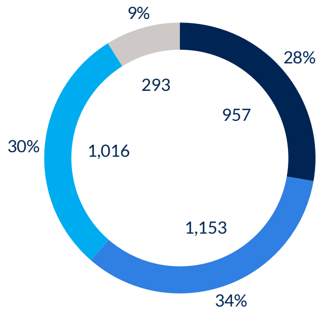
All figures as of December 31, 2019, unless otherwise stated.

Key figures

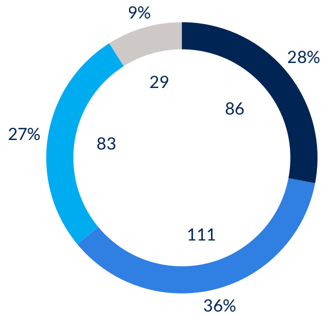
- Foodservice E-A-O
- North America
- Flexible Packaging
- Fiber Packaging

Business segments' net sales include internal sales of EUR -20 million in total. Adjusted EBIT is presented excluding items affecting comparability. Group's Adjusted EBIT includes Other Activities EBIT of EUR -16 million.

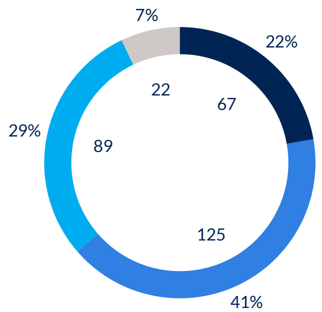
NET SALES
EUR 3,399 million



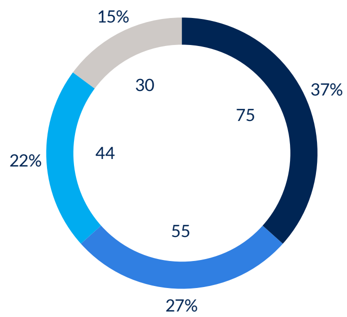
ADJUSTED EBIT
EUR 293 million



OPERATING CASH FLOW
EUR 303 million



CAPITAL EXPENDITURE
EUR 204 million



Highlights of the year

RAISE MY GAME is a development program aimed for Huhtamaki senior leaders, globally. In 2019, the participants contributed to the Group's strategy process. The outcome was a direct input to defining Huhtamaki's values, strategic capabilities, and improve collaboration and drive synergies.

Our employee survey shows the positive impact of leadership development as an improving leadership index.

SUSTAINABILITY is at the core of Huhtamaki's operations. In 2019, we continued to develop and deploy our portfolio of sustainable packaging. **Fresh**, the fiber-based ready-meal tray, has been well received. The pilots that have taken place in Waitrose stores in the UK have showed that there is a strong customer and consumer interest for Fresh and the product performs well through the supply chain. During the year, we also launched the **Huhtamaki blueloop** platform for recyclable flexible packaging and introduced **paper straws**.

PREDICTABLE AND GROWING DIVIDENDS are the Board of Directors' goal. For 2019, the Board proposes a dividend per share of €0.89. If approved by the Annual General Meeting in April 2020, this marks the 11th consecutive year of increased dividends.

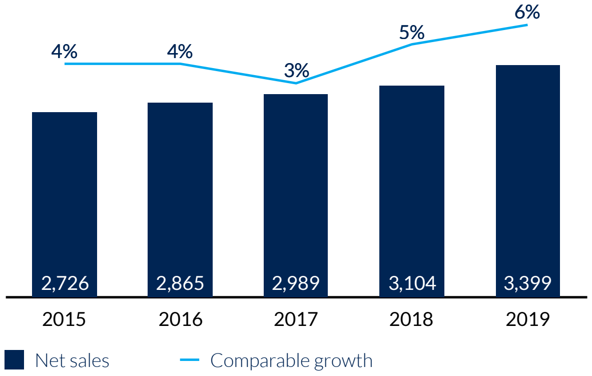
| *Read the Board's proposal on p. 85.*

DIVIDEND PROPOSAL PER SHARE
€ 0.89

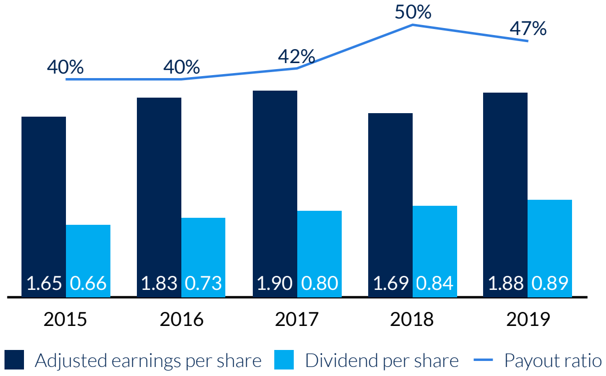
IN JULY Huhtamaki's compostable Bioware® range of products was expanded with the launch Impresso double walled hot cup. The cup is made from sustainable 100% PEFC certified paperboard and has a plant-based lining that is certified compostable. It utilizes the unique Impresso bubble emboss, which provides enhanced insulation and a tactile touch for the holder.

| *Read more on huhtamaki.com*

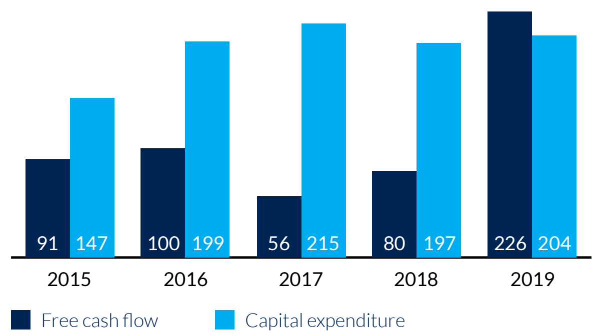
NET SALES
EUR million



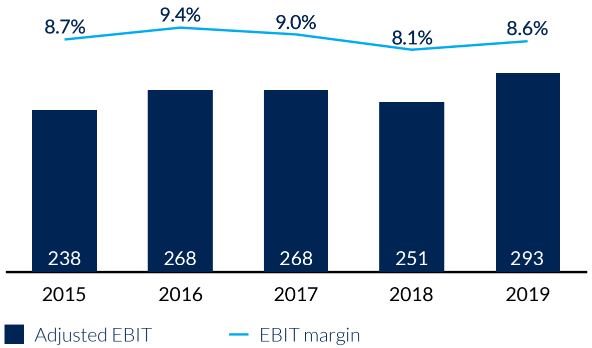
ADJUSTED EARNINGS AND DIVIDEND PER SHARE
EUR



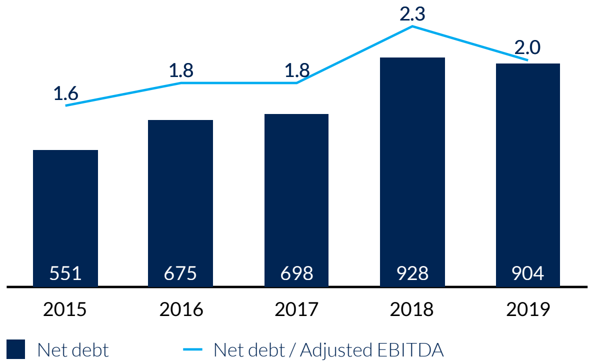
FREE CASH FLOW AND CAPITAL EXPEDITURE
EUR million



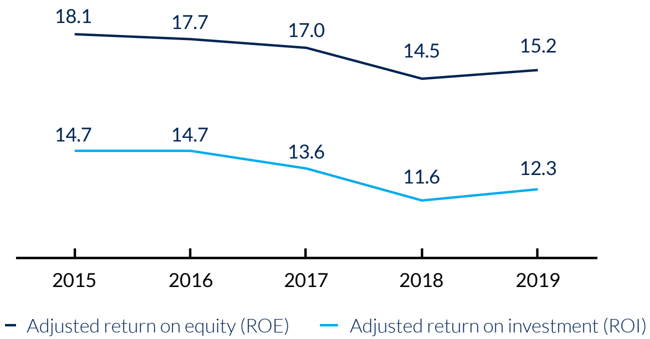
ADJUSTED EBIT
EUR million



NET DEBT AND NET DEBT / ADJUSTED EBITDA
EUR million



ADJUSTED RETURN ON INVESTMENT AND EQUITY
EUR million

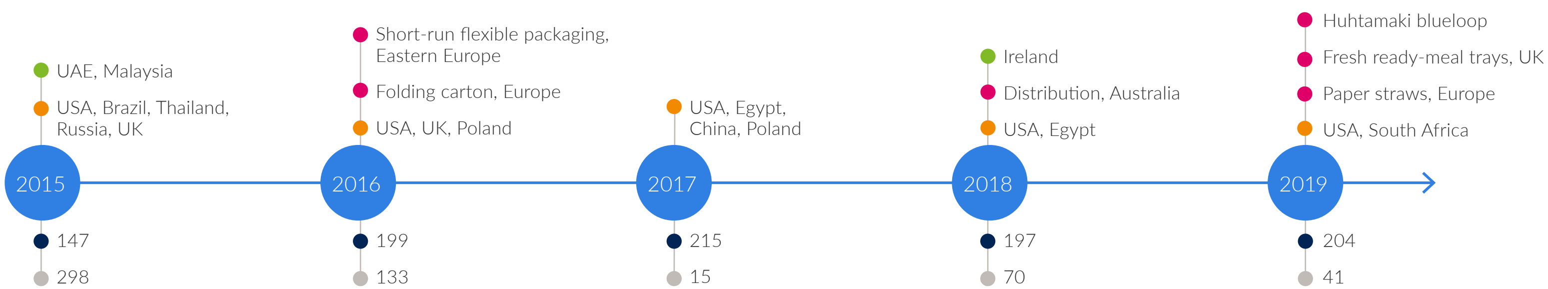


Adjusted EBIT, Adjusted EBIT margin, Adjusted earnings per share, net debt / Adjusted EBITDA, Adjusted ROI and Adjusted ROE are presented excluding items affecting comparability. 2019 dividend as proposed by the Board of Directors. 2018 figures for Adjusted earnings per share, free cash flow, Adjusted EBIT, net debt, net debt / Adjusted EBITDA, Adjusted ROI and Adjusted ROE have been restated due to adoption of IFRS 16 Leases standard. 2015 figures are for continuing business.

GROWTH INVESTMENTS IN 2019

€ 245 million

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



President and CEO's Review

"Our net sales development was strong, with comparable net sales growing by 6%. All business segments contributed to the growth, and our North American business developed particularly well."

Business environment in 2019

Uncertainty in the global economy and the political landscape continued in 2019, making the overall operating environment challenging. In particular, trade flows were affected by the trade war between the U.S. and China and the evolution of Brexit throughout the year. Currencies continued to fluctuate, impacting us as a global company, mainly due to the U.S. dollar strengthening against the Euro.

Concerns about the sustainability of the planet and the role of plastics in packaging increased significantly, especially in Europe, but also in other parts of the world. Plastics are increasingly becoming part of national regulation in Europe, which might influence consumer habits regarding food and drink. Overall, our customers' willingness to offer more sustainable products is increasing substantially, for example, by substituting plastic packaging with fiber-based alternatives.

Good progress towards our ambition

In 2019, we continued to make progress towards becoming the first choice in food packaging. We invested in our future growth through investments in manufacturing units and in new, sustainable products. The demand for foodservice and pre-packed food packaging remained good throughout the year, despite the uncertainty in the global economy.

Our net sales development was strong, with comparable net sales growing by 6%. All business segments contributed to the growth, and our North American business developed particularly well. Demand in the U.S. has been strong, especially in retail tableware. In addition, our new unit in Goodyear, Arizona, continued to ramp-up according to plan. Furthermore, our new, state-of-the-art flexible packaging unit in Egypt was inaugurated in April. In October, we launched our new fiber packaging line in Russia. In addition to investments for organic growth, we also announced three acquisitions that support our growth in the developing markets.

Our profitability improved and our adjusted EBIT margin increased to 8.6%, linked, in particular, to our pricing strategy and operational improvement. Compared to 2018, the raw material cost environment was more stable as prices remained at the previous year's level or decreased slightly. Energy prices remained high while distribution prices in the U.S. moderated.

As the importance of sustainability for our business continues to increase, we are proud of our achievements in 2019 with regards to commercializing new products, such as the Fresh meal trays, blueloop recyclable flexible packaging and paper straws – all products that contribute to a more sustainable way of enjoying food and drinks.

During the year, we developed a global Health and Safety standard, and continued developing the Group's HR information system and our leadership training program. Also, we further implemented the global Working Conditions Requirements, which cover topics such as anti-corruption, safety and work ergonomics.

In addition, we carried out our biennial employee engagement survey, "Connect", entirely online for the first time. I am glad to see that the response rate reached a commendable 88% of the 16,743 employees invited to participate. Our employees feel both engaged and enabled, as demonstrated by the excellent results in both indices, with employee engagement at 74% and enablement at 75%. Furthermore, this is a great example of our efforts to digitalize our processes and to improve our efficiency across the board.

Key takeaways from my first months

Since joining Huhtamaki in April 2019, I have visited many of our locations around the globe. I have met up with many of our people and learned a great deal about our business. Across our operations, I have witnessed dedicated, passionate colleagues, working hard to fulfill the needs of our customers and to do right by their communities.

It is great how, in the past few years, we have advanced steadily in our efforts to improve workplace safety. While we are on track, I am convinced that we can and must perform even better in the years to come. Going forward, we want Huhtamaki to become a world-class company in workplace safety. Safety is of utmost importance, and ultimately, even a single accident is one too many.

Having also met with many of our customers throughout the year, I can confidently say that the quality of our products is a key strength and a source of our competitive advantage. However, we must remember that quality is not a granted status; it is a key objective and challenge to meet, every day.

Looking at the past decade, it is evident that Huhtamaki has delivered consistent growth throughout the years. Steady growth requires constant work and dedication. We need to continue working tirelessly to guarantee that we achieve our goals for continuous organic growth, profit and cash flow improvement. Never complacent with past achievements, we must strive to be constantly better.

I am pleased with the progress made on many of our material sustainability topics through our Packaging for Good program in 2019. This will continue to be a consistent approach going forward, as we embed sustainability in all our operations. The sustainability trend will continue to strengthen and, undoubtedly, further efforts are needed to create real circularity for packaging. As a globally operating food packaging specialist, Huhtamaki has a central role to play in making this change happen together with the entire value chain, policy makers and public authorities. In order to deliver new solutions, we need to work closely with our customers and suppliers, as well as with a wider ecosystem of partners. We know that our future growth will come from making a positive impact on people and the planet, while creating value for our customers and shareholders.

Looking ahead to a new decade

Much can be said about the transformational nature of new technologies and powerful trends that will shape the world and the way we act as consumers in the new decade. The global population is expected to reach 8.5 billion by 2030. There will be 40 megacities across the globe. The global middle class continues to grow at a rapid pace, particularly in China, India and the South East of Asia. Consumer behavior, particularly with regards to food, is facing important shifts as generations evolve, creating new and different consumption patterns. Developing sustainable solutions for our planet has become paramount. Additionally, digitalization will offer new avenues and ways of working. All these transformative trends create new challenges and opportunities, to which the food packaging industry must adapt.

To make sure that Huhtamaki's drive and direction are aligned with the needs of the upcoming decade, we launched a thorough review of our strategic platform at the end of 2019. The review remained a work in progress at the end of the year.

At the end of the year, we strengthened our Global Executive Team with two new members. Marina Madanat was appointed Executive Vice President, Strategy and Business Development, and Antti Valtokari was appointed Executive Vice President, IT and Process Performance. Both bring along a wealth of strategic experience, drive and conceptual thinking required to develop the company towards the future.

From a local candy manufacturer to a global leader in food packaging

In 2020, Huhtamaki celebrates its 100th anniversary. The company's history and evolution from a local candy business, established by Heikki Huhtamäki on the west coast of Finland, to a globally leading food and drink packaging company, is truly amazing. I look forward to celebrating this journey during the year.

I am truly honored to have been appointed to lead this great company, and thankful for the support and recognition our employees, customers, suppliers, Board of Directors, shareholders and other stakeholders have shown us throughout the year. Huhtamaki's development, particularly during the last ten years, has been impressive. I wish to recognize my predecessor Jukka Moisio for leading the company during the past decade, and for his great cooperation as we were transitioning in the role. I am committed to continuing this momentum to capture the significant opportunities that lie ahead. We are shaping the sustainable future of everyday to be ready for the the next 100 years.

Charles Héaulmé
President and CEO

Megatrends shape our operating environment

Global megatrends shape our operating environment and drive us to innovate, grow and develop both our people and our operations.

MORE URBAN

60% of people living in cities in 2030

Today, 55% of the **global population** lives in cities. By 2030, the expected number of megacities, cities with over 10 million residents, is expected to exceed 40. Smaller size and higher purchasing power of urban households compared to rural areas will give rise to new consumption trends. Products are bought in supermarkets rather than as fresh produce, creating demand for packaging that extends the shelf life of food as well as allows for safe and efficient distribution. In these fast-growing megacities, maintaining comprehensive infrastructure for waste collection and recycling poses a challenge.

MORE SUSTAINABLE

Efficient use of raw materials, renewable materials and recycling

All **natural resources** are under pressure with the growing global population. Across industries, more and more consumers are showing interest in sustainability. Shortage of preferred raw materials for food packaging or their increasing price will speed up innovation. Energy and raw material efficiency will improve. The use of recycled and renewable material will increase and recycling will be taken into account in the design of food packaging.

MORE PEOPLE

8.6 billion people in 2030

The **global population** is expected to exceed 8 billion by 2030 with India, China and African countries leading the way. In addition to population growth, food consumption patterns in these areas are changing, creating more demand for packaged food and drink products. Ensuring the equal availability of safe food, addressing the food waste issue and finding new, affordable sources of protein are growing in importance.

MORE MIDDLE CLASS

Growing economies adopting the urban middle class lifestyle

Purchasing power continues to grow and consumers with more income to spend want new food experiences. New, disruptive brands challenge established players in the race to meet consumer demand. Urbanization also increases the availability of different dining and entertaining services, creating demand for new kinds of take-away food packaging. Food will need to be quick and easy, and the use of home deliveries and food-on-the-go will continue to grow. More sustainable solutions will be developed to answer the consumer demand. The food and food packaging business will be attractive to new players. However, innovative solutions will help differentiate the offering.

Value creation

As a publicly listed company, Huhtamaki is committed to earning profit for its shareholders. Huhtamaki has several financial long-term ambitions. The most important of these are our growth ambition, 5+% organic growth complemented by 5+% growth by acquisitions, and our profitability ambition of 10+% Adjusted EBIT margin.
In addition, our ambition is to pay 40–50% of our profit as dividend to our shareholders.

Huhtamaki's economic responsibility in 2019

In 2019, the economic value generated by the Group was EUR 1,209 million (EUR 1,062 million) of which EUR 861 million (EUR 788 million) was distributed to stakeholders and EUR 348 million (EUR 274 million) retained in the Group for operational development and further growth. The Group achieved 6% organic and 2% acquisitive growth. Adjusted EBIT margin, excluding items affecting comparability (IAC) of EUR -7.6 million, was 8.6%. Dividends paid to shareholders correspond to a 50% payout ratio (of 2018 profit).

Huhtamaki as a tax payer

Huhtamaki is committed to paying all taxes and complying with other related obligations according to local laws and regulations. Moreover, the Huhtamaki values, the requirements of our Code of Conduct and the Code of Conduct for Huhtamaki Suppliers transcend national boundaries and complement the framework for our business operations. Huhtamaki's Public Tax Strategy is available on our website.

One of our operating principles is to ensure the predictability and optimization of taxation. In addition to ensuring that taxes are paid correctly in all locations, we also seek to ensure that we do not pay excess taxes and that we capitalize on tax deductions enabled by local tax regulations. The Group's tax expenses in 2019 increased to EUR 58 million (EUR 37 million) and paid taxes amounted to EUR 39 million (EUR 38 million). The corresponding tax rate was 23% (19%).

In intercompany business transactions, we comply with the OECD guidelines on transfer pricing. Intersegment net sales were EUR 20 million (EUR 16 million), less than 1% of the Group's net sales. Our business decisions are made keeping our strategy, financial ambitions and commercial environment in mind whilst at the same time aiming to serve our customers better. While taxation is one factor to be considered, it is not a dominant factor.

Direct economic value generated and distributed (MEUR)

		2019	2018
Customers	Net sales	3,399	3,104
Suppliers	Purchases*	2,190	2,042
	Economic value generated*	1,209	1,062
Personnel	Personnel expenses	686	637
Shareholders	Dividends	88	83
Debt investors	Net financial expenses*	29	31
Public sector	Taxes*	58	37
	Economic value distributed*	861	788
	Economic value retained in the Group*	348	274

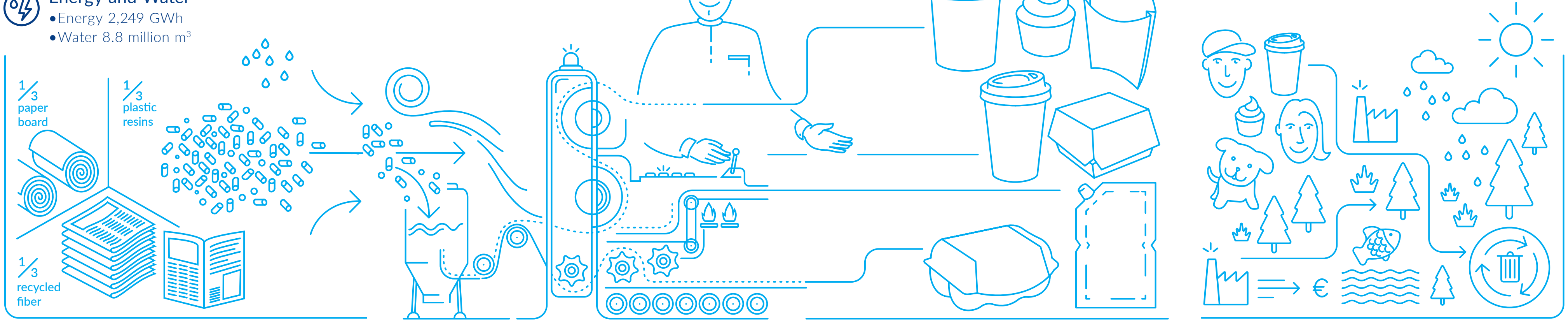
* 2018 figures restated due to adoptation of IFRS 16 Leases standard.

Business model

Inputs

Raw materials
- Paperboard
- Plastic resins
- Recycled fiber

Energy and Water
- Energy 2,249 GWh
- Water 8.8 million m³



Global operations
- 80 manufacturing units, 35 countries

Personnel
- 18,589 employees

Social capital

Intellectual property

Financial resources
- Equity M€ 1,437
- Net debt M€ 904

Our activities

Conversion to food-packaging
- Cup forming
- Folded carton
- Extrusion and lamination
- Molded fiber
- Plastic thermoforming

Resource efficiency
- Energy: 13% improvement in energy efficiency in 2015–2019

Innovations

Leadership and management

Organic growth and acquisitions

Outputs

Safe, convenient and fit-for-purpose consumer packaging

Emissions and waste
- 74% of waste to recycling
- Relative GHG emissions reduced 15% in 2015–2019

Intellectual
- Immaterial rights, patents

New manufacturing assets
- Through investments and acquisitions

Economic value
- Gross profit M€ 583

Impacts

Nature
- Renewable and recyclable materials
- Reducing food waste with fit-for-purpose packaging
- Impact on climate change from manufacturing

Intellectual
- Huhtamaki brand value
- Product and design innovations

Social capital
- Customer satisfaction
- Job opportunities and value for local communities

Financial economic value distributed in 2019
- Profit M€ 199
- Wages and benefits M€ 686
- Interests M€ 29
- Taxes and similar M€ 58
- Dividends M€ 88

In addition to what is presented in the model, there are essential factors that may have an impact on Huhtamaki's value creation over time. These factors may be related to e.g. megatrends, business environment, strategy, performance, risks and opportunities, as well as governance.

Financials

Huhtamaki

Directors' report 2019

Operating environment

Uncertainty in the global economy and the political landscape continued on a high level in 2019, making the overall operating environment challenging. The trade war between the U.S. and China and the evolution of Brexit throughout the year particularly affected trade flows and overall confidence.

Despite these challenges, demand for foodservice and pre-packed food packaging was on a good level in 2019. Demand for foodservice packaging was relatively stable, especially in Europe. In North America, demand was strong especially in private label tableware. Pressures related to environmental sustainability of flexible packaging intensified, but demand was good across most markets, except in Europe. Demand for fiber-based packaging was solid across most markets.

The discussion about sustainability and the role of plastics in packaging continued to be active during the year, especially in Europe but also in other parts of the world. Interest in substituting plastic foodservice packaging with alternatives made of paperboard continued.

Compared to 2018, the raw material price environment was more stable in 2019. Raw material prices remained stable or decreased slightly compared to the previous year. Energy prices remained high while distribution prices in the U.S. moderated.

Strategic development

Charles Héaulmé was appointed as the new President and CEO as of April 26, 2019. During his first eight months with the company, Mr. Héaulmé has been getting acquainted to the business and has started a thorough review of the Group's strategy and values to define the priorities for the future. The work was still ongoing at the end of the year.

Of the Group's most significant recent growth investments, increasing the production volumes of the new manufacturing unit in Arizona, U.S., continued in 2019. At the end of the year, the facility employed approximately 400 people. In April, the new flexible packaging unit in Egypt was inaugurated. The unit is located in the greater Cairo area and serves Huhtamaki's flexible packaging customers in Egypt as well as exports products into other African countries and Europe. In October, the newest fiber packaging line was launched in Ivanteevka, Russia.

In addition to investments in new units and packaging lines, three acquisitions were announced during 2019. By acquiring the majority of the business of Everest Flexibles, a privately-owned flexible packaging manufacturer in South Africa, Huhtamaki expands its flexible packaging manufacturing footprint into South Africa, thereby further strengthening its emerging market position. The product range and customer portfolio of Everest are complementary to those of Huhtamaki. The acquisition of Mohan Mutha Polytech, a privately-owned flexible packaging manufacturer located in Sri City, Andhra Pradesh, India, allows Huhtamaki to speed up its growth in India by improving its capability to serve the customers in the south of the country. The Group also announced that it is acquiring full ownership of its joint venture company Laminor in Brazil, enabling Huhtamaki to expand its tube laminate business.

In order to offer its customers new sustainable products, during 2019 the Group introduced two fiber-based alternatives to plastic products: high-quality, sustainable paper straws, and fiber-based ready meal trays. The paper straws, made of fiber coming from sustainably managed forests, are crafted to be strong, reliable and functional, and have mainly been sold in the UK during the year. The new fiber-based trays, called Fresh, are suited for both microwave and regular ovens, can be recycled and are also certified for home composting. During 2019, the Group also launched Huhtamaki blueloop, a new range of recyclable flexible packaging made of mono-material PP, PE and paper that build on the standard materials that are widely recycled and will have an economically viable use after collection.

Two new members of the Global Executive Team were appointed as of January 1, 2020. Marina Madanat was appointed Executive Vice President, Strategy and Business Development and Antti Valtokari was appointed Executive Vice President, IT and Process Performance. Ms. Madanat and Mr. Valtokari, who both joined Huhtamaki in 2018, bring along a wealth of strategic experience, drive and conceptual thinking that is required to develop the company towards the future.

In 2019, the Board of Directors focused on developing and discussing Huhtamaki's long-term strategy and supporting the company's newly appointed President and CEO in his strategic work. The Board also continued to follow development and strengthening of people capabilities and resources, sustainability initiatives as well as innovation and digitalization activities. During the year the Board visited the foodservice unit in Poland, foodservice and fiber units in Russia as well as the newly opened flexible packaging unit and fiber unit in Egypt.

Key figures

EUR million	2019	2018	2017
Net sales	3,399.0	3,103.6	2,988.7
Comparable net sales growth	6%	5%	3%
Adjusted EBITDA[1]	456.3	398.7	389.7
Margin[1]	13.4%	12.8%	13.0%
EBITDA	448.8	390.3	386.3
Adjusted EBIT[2]	293.1	251.0	267.7
Margin[2]	8.6%	8.1%	9.0%
EBIT	285.5	225.5	264.3
Adjusted EPS[3]	1.88	1.69	1.90
EPS, EUR	1.82	1.49	1.86
Adjusted ROI[2]	12.3%	11.6%	13.6%
Adjusted ROE[3]	15.2%	14.5%	17.0%
ROI	11.9%	10.4%	13.4%
ROE	14.8%	12.8%	16.6%
Capital expenditure	203.9	196.9	214.8
Free cash flow	225.8	79.6	55.5

[1] Excluding IAC of EUR -7.6 million in 2019 (EUR -8.4 million in 2018 and EUR -3.4 million in 2017).
[2] Excluding IAC of EUR -7.6 million in 2019 (EUR -25.5 million in 2018 and EUR -3.4 million in 2017).
[3] Excluding IAC of EUR -5.9 million in 2019 (EUR -20.6 million in 2018 and EUR -4.8 million in 2017).

Unless otherwise stated, all comparisons in this report are compared to the corresponding period in 2018. 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. 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.

Financial review 2019

Net sales by business segment

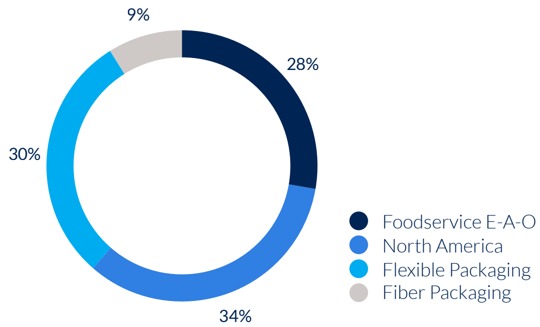
EUR million	2019	2018	Change
Foodservice Europe-Asia-Oceania	956.7	881.7	8%
North America	1,152.7	1,002.7	15%
Flexible Packaging	1,016.4	952.3	7%
Fiber Packaging	293.4	283.0	4%
Elimination of internal sales	-20.2	-16.1	
Group	**3,399.0**	**3,103.6**	**10%**

Comparable net sales growth by business segment

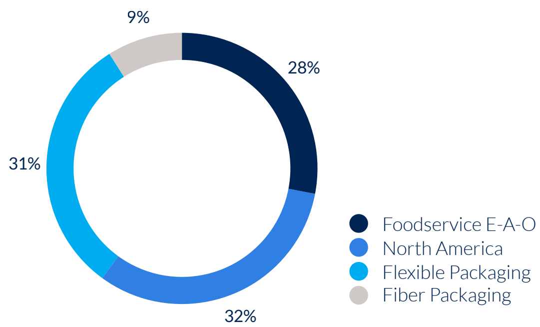
	2019	2018	2017
Foodservice Europe-Asia-Oceania	4%	4%	4%
North America	9%	5%	2%
Flexible Packaging	3%	7%	4%
Fiber Packaging	6%	4%	5%
Group	**6%**	**5%**	**3%**

The Group's net sales growth was strong during the reporting period, with all business segments contributing. The Group's net sales increased 10 percent to EUR 3,399 million (EUR 3,104 million). Growth was strongest in the North America segment. Comparable net sales growth was strong at 6 percent, led by the North America segment. Growth in emerging markets was 7 percent. Foreign currency translation impact on the Group's net sales was EUR 90 million (EUR -120 million) compared to 2018 exchange rates. The majority of the positive impact came from the US Dollar.

NET SALES BY SEGMENT 2019



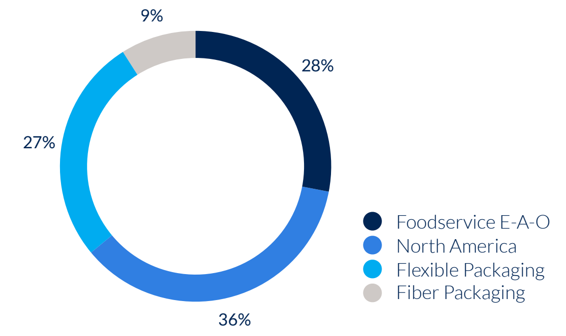
NET SALES BY SEGMENT 2018



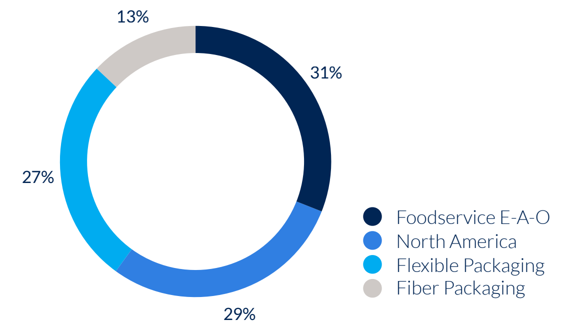
Adjusted EBIT by business segment

				Items affecting comparability	
EUR million	2019	2018	Change	2019	2018
Foodservice Europe-Asia-Oceania	85.7	77.1	11%	-0.5	-13.3
North America	111.4	73.0	53%	-3.1	-10.7
Flexible Packaging	82.6	67.8	22%	-0.7	-9.7
Fiber Packaging	29.0	31.2	-7%	-1.2	-2.1
Other activities	-15.6	1.9		-2.0	10.3
Group	**293.1**	**251.0**	**17%**	**-7.6**	**-25.5**

ADJUSTED EBIT BY SEGMENT 2019



ADJUSTED EBIT BY SEGMENT 2018



Adjusted EBIT margin by business segment

	2019	2018	2017
Foodservice Europe-Asia-Oceania	9.0%	8.7%	8.7%
North America	9.7%	7.3%	10.4%
Flexible Packaging	8.1%	7.1%	7.6%
Fiber Packaging	9.9%	11.0%	9.9%
Group	**8.6%**	**8.1%**	**9.0%**

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 293 million (EUR 251 million) and reported EBIT EUR 286 million (EUR 226 million). Foreign currency translation impact on the Group's earnings was EUR 8 million (EUR -10 million).

Adjusted EBIT excludes EUR -7.6 million (EUR -25.5 million) of items affecting comparability (IAC).

Adjusted EBIT and IAC

EUR million	2019	2018
Adjusted EBIT	293.1	251.0
Losses from property damage incidents	-4.3	-
Acquisition related costs	-2.2	-3.4
Restructuring costs including write-downs of related assets	-	-36.2
Gains relating to sale of trademark portfolio	-	14.2
Environmental provision	-1.0	-
EBIT	**285.5**	**225.5**

Net financial expenses were EUR 29 million (EUR 31 million). Tax expense was EUR 58 million (EUR 37 million). The corresponding tax rate was 23 percent (19%). Profit for the period was EUR 199 million (EUR 157 million). Adjusted earnings per share (EPS) were EUR 1.88 (EUR 1.69) and reported EPS EUR 1.82 (EUR 1.49). Adjusted EPS is calculated based on adjusted profit for the period, which excludes EUR -5.9 million (EUR -20.6 million) of IAC.

Adjusted EPS and IAC

EUR million	2019	2018
Adjusted profit for the period attributable to equity holders of the parent company	196.0	176.0
IAC excluded from adjusted EBIT	-7.6	-25.5
Taxes related to IAC	1.7	4.9
Profit for the period attributable to equity holders of the parent company	**190.1**	**155.4**

Statement of financial position and cash flow

The Group's net debt decreased, primarily due to improved working capital. At the end of December, net debt was EUR 904 million (EUR 928 million). The level of net debt corresponds to a gearing ratio of 0.63 (0.73). Net debt to EBITDA ratio (excluding IAC) was 2.0 (2.3). Average maturity of external committed credit facilities and loans was 3.4 years (3.7 years).

Cash and cash equivalents were EUR 199 million (EUR 95 million) at the end of December and the Group had EUR 302 million (EUR 304 million) of unused committed credit facilities available.

Total assets on the statement of financial position were EUR 3,611 million (EUR 3,240 million).

Capital expenditure was EUR 204 million (EUR 197 million). The largest investments for business expansion were made in the U.S., Russia, and the UK. The Group's free cash flow was EUR 226 million (EUR 80 million).

Acquisitions and divestments

On September 27, 2019, Huhtamaki announced that it has entered into an agreement to acquire the majority of Everest Flexibles (Pty) Limited ("Everest"), a privately-owned flexible packaging manufacturer in South Africa. With the acquisition Huhtamaki expands its flexible packaging manufacturing footprint into South Africa, thereby further strengthening its emerging market position. The product range and customer portfolio of Everest are complementary to those of Huhtamaki. The annual net sales of the acquired business are approximately EUR 40 million and it employs altogether approximately 460 people. The business was acquired for an enterprise value of EUR 58 million. The acquisition of the majority of the business was completed on December 18, 2019 and the business has been reported as part of the Flexible Packaging business segment as of December 1, 2019.

On September 30, 2019, Huhtamaki announced that it has agreed to acquire the assets and operations of Mohan Mutha Polytech Private Limited (MMPPL), a privately-owned flexible packaging manufacturer located in Sri City, Andhra Pradesh, India. The acquisition allows Huhtamaki to speed up its growth in India by improving its capability to serve the customers in South India. MMPPL has approximately 160 employees and its net sales in 2018 were approximately EUR 9 million. The debt-free purchase price was approximately EUR 10 million. The acquisition was completed on January 10, 2020 and the business has since been reported as part of the Flexible Packaging business segment.

On December 23, 2019, Huhtamaki announced that it has agreed to acquire full ownership of its joint venture company Laminor S.A. in Brazil. Laminor is specialized in high-quality tube laminates, particularly for oral care applications, and was set up in 2002 as a 50/50 joint venture together with Bemis Company, which is now part of Amcor. The acquisition enables Huhtamaki to expand its tube laminate business, an important part of the Group's flexible packaging offering. Laminor has approximately 130 employees and its net sales in 2018 were approximately EUR 25 million. Following the acquisition, Laminor will be consolidated as a subsidiary in the Group's financial reporting and reported as part of the Flexible Packaging business segment. The additional shares are acquired at a price of approximately EUR 30 million. The transaction is subject to the approval of competition authorities in Brazil and it is expected to be closed during the first quarter in 2020.

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.

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.

Significant events after the reporting period

On January 10, 2020 Huhtamaki announced that it has completed the acquisition of the assets and operations of Mohan Mutha Polytech Private Limited (MMPPL), a privately-owned flexible packaging manufacturer located in Sri City, Andhra Pradesh, India. MMPPL has approximately 160 employees and its net sales in 2018 were approximately EUR 9 million. The debt-free purchase price was approximately EUR 10 million. The business has been reported as part of the Flexible Packaging business segment as of January 10, 2020.

On January 16, 2020 Huhtamaki announced that Leena Lie, Executive Vice President, Marketing and Communications, and a member of the Global Executive Team decided to leave Huhtamaki to pursue other career opportunities. Teija Sarajärvi, Executive Vice President, Human Resources and Safety, will have an interim role as Executive Vice President, Marketing and Communications in addition to her current role, until a successor for the position has been appointed.

On January 24, 2020 Huhtamaki announced that Arup Basu, (52), PhD (Technology), has been appointed President, Flexible Packaging and a member of Global Executive Team as of February 1, 2020. Arup Basu has been the Managing Director for Huhtamaki's Flexible Packaging business in India since 2017. Olli Koponen, (61), who has had several leadership positions at Huhtamaki during the past 30 years and has headed the Flexible Packaging segment since 2015, will step down from the Global Executive Team and is appointed as Senior Vice President, Total Productive Manufacturing until his retirement.

On February 7, 2020 Huhtamaki announced that Thomasine Kamerling, (47), M.A., Modern History from Cambridge University (UK), has been appointed as Executive Vice President, Sustainability and Communications and a member of Global Executive Team as of March 1, 2020.

Business review by segment

Foodservice Europe-Asia-Oceania

EUR million	2019	2018	Change
Net sales	956.7	881.7	8%
Comparable net sales growth	4%	4%	
Adjusted EBIT[1]	85.7	77.1	11%
Margin[1]	9.0%	8.7%	
Adjusted RONA[1]	11.5%	11.9%	
Capital expenditure	74.7	57.8	29%
Operating cash flow[1]	66.8	53.9	24%
Items affecting comparability (IAC)	**-0.5**	**-13.3**	

[1] Excluding IAC.

Demand for foodservice packaging was relatively stable during the period, especially in Europe. The intensified trade war between the US and China increased the low-cost competition in different markets during the period. Increased demand for sustainable packaging supported demand for paperboard products. Raw material prices were relatively stable, with paperboard prices increasing and plastic resin prices decreasing towards the latter part of the period.

Net sales growth in the Foodservice Europe-Asia-Oceania segment was solid, driven by contribution from the businesses acquired during Q2 2018. Comparable net sales growth was 4 percent, with strongest growth in Middle East and Africa. 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 7 million.

The segment's adjusted EBIT increased as a result of net sales growth, earlier implemented price increases, and improved operational efficiency. The businesses acquired during Q2 2018 also had a positive contribution to the segment's earnings.

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

North America

EUR million	2019	2018	Change
Net sales	1,152.7	1,002.7	15%
Comparable net sales growth	9%	5%	
Adjusted EBIT[1]	111.4	73.0	53%
Margin[1]	9.7%	7.3%	
Adjusted RONA[1]	13.0%	9.2%	
Capital expenditure	54.6	62.9	-13%
Operating cash flow[1]	125.0	19.8	>100%
Items affecting comparability (IAC)	**-3.1**	**-10.7**	

[1] Excluding IAC.

Demand for private label tableware was strong throughout the period while demand for foodservice and ice cream packaging was moderate. The labor market remained tight during the year and distribution costs decreased compared to the high levels in the second half of 2018. Raw material prices eased slightly during the period.

Net sales growth in the North America segment was significant, with comparable net sales growth at 9 percent. Net sales increased due to good volume development and pricing actions. Growth in net sales was supported by all businesses and it was strongest within retail tableware products.

The impact of currency movements on the segment's reported net sales was EUR 61 million.

The segment's adjusted EBIT increased significantly, and profitability was strong. Earnings improved as a result of pricing actions, higher sales volumes, and a 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 6 million.

Flexible Packaging

EUR million	2019	2018	Change
Net sales	1,016.4	952.3	7%
Comparable net sales growth	3%	7%	
Adjusted EBIT[1]	82.6	67.8	22%
Margin[1]	8.1%	7.1%	
Adjusted RONA[1]	11.1%	10.0%	
Capital expenditure	44.4	49.7	-11%
Operating cash flow[1]	88.8	42.2	>100%
Items affecting comparability (IAC)	**-0.7**	**-9.7**	

[1] Excluding IAC.

Demand for flexible packaging was good across most markets, except in Europe. The competitive situation was tight especially in Southeast Asia. Pressures related to environmental sustainability of flexible packaging intensified. Raw material prices decreased during the reporting period.

Net sales growth in the Flexible Packaging segment was moderate. Comparable net sales growth was 3 percent. Net sales increased in India, Southeast Asia, and Middle East and Africa, but decreased in Europe. The decrease in Europe was primarily due to soft demand for packaging in the food & beverage category. In 2019, the segment's net sales exceeded EUR 1 billion for the first time.

During the second quarter of 2019, the Flexible Packaging segment launched Huhtamaki blueloop: an umbrella concept for recyclable flexible packaging. Commercial deliveries of recyclable laminates for shampoo began during the second quarter of the year and solutions for other product groups were commercialized during the latter part of the year.

The impact of currency movements on the segment's reported net sales was EUR 23 million.

The segment's adjusted EBIT improved significantly, and the segment's profitability was solid. The segment's earnings growth was supported by positive development in India.

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

Fiber Packaging

EUR million	2019	2018	Change
Net sales	293.4	283.0	4%
Comparable net sales growth	6%	4%	
Adjusted EBIT[1]	29.0	31.2	-7%
Margin[1]	9.9%	11.0%	
Adjusted RONA[1]	12.6%	14.2%	
Capital expenditure	29.5	23.4	26%
Operating cash flow[1]	22.4	25.1	-11%
Items affecting comparability (IAC)	**-1.2**	**-2.1**	

[1] Excluding IAC.

Demand for fiber-based packaging was solid across most markets. Demand was strong especially in Russia, while in Brazil the economic conditions had a negative impact on demand. Prices of recycled fiber declined while energy prices have remained at a high level.

Net sales growth in the Fiber Packaging segment was solid with comparable growth at 6 percent. Growth was strongest in Central Europe, Oceania and Russia.

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

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.

Non-Financial Review 2019

Huhtamaki is committed to doing business in a responsible and sustainable manner and expects the same commitment from its business partners. Huhtamaki complies with local laws and regulations and acts in accordance with commonly accepted best practices. Huhtamaki does not accept the violation of any laws or regulations or any unethical business dealings.

Huhtamaki's sustainability program is called Packaging for Good. It has four focus areas: People, Packaging, Supply chain and Operations. Each area has an overall goal and specific targets. Step-by-step internal actions to achieve the goals have been put in place and progress is tracked through regular performance assessments at the manufacturing unit, business segment and Group levels.

To ensure that the sustainability work is focused on the most material issues, a materiality assessment is performed regularly. Huhtamaki uses a data-driven approach, powered by Datamaran's artificial intelligence platform. Datamaran tracks approximately 100 Environmental, Social and Governance (ESG) topics across corporate reports, mandatory regulations and voluntary initiatives, news, as well as social media. In 2019, an increased the number of external and internal stakeholder surveys were included in the assessment. The update of the materiality assessment focused on the topics already identified as material for Huhtamaki. The aim was to update the underlying data sources in order to see how the respective ranking among the topics had changed over time.

The updated assessment indicated some changes in the order of importance of the material topics. It also reaffirmed that the choices made in the Packaging for Good program are valid and that Huhtamaki's sustainability efforts continue to focus on the right topics. More information on Huhtamaki's sustainability work and the materiality assessment can be found in the Group's Sustainability Report, which is a part of this Huhtamaki Annual Report 2019 publication, and is prepared annually in accordance with the Global Reporting Initiative (GRI) Standards Core Option.

Huhtamaki's business model is described on page 13 of this Huhtamaki Annual Report 2019 publication. Risks and risk management procedures related to the non-financial review are described on a separate section within this Directors' Report, on pages 23–24.

Environmental matters

Policies

- Huhtamaki Code of Conduct
- Code of Conduct for Huhtamaki Suppliers (updated in 2019)
- Global Environmental Policy
- ISO management systems 14001, 50001

Huhtamaki continuously looks for ways to improve efficiency and reduce energy use and consumption of natural resources, including reduction of waste, for the benefit of Huhtamaki's business and the environment. Greenhouse gas emissions and production waste are the main negative environmental impacts of the Group's manufacturing operations. Water usage is a material topic for the Group's molded fiber packaging manufacturing units, but not for foodservice or flexible packaging manufacturing units.

The Group's operating principles regarding environment are set out in the Huhtamaki Code of Conduct, the Code of Conduct for Huhtamaki Suppliers (updated in 2019), and the Global Environmental Policy. These policies are supported by (Lean Six Sigma) Black Belt and Green Belt trainings and ISO management systems and are implemented on manufacturing unit level. At the end of 2019, 52 (49) manufacturing units, representing 68% (66%) of all manufacturing units in the Group followed an externally certified environmental management system such as ISO 14001, the Eco-Management and Audit Scheme (EMAS) or the internal Environmental Care Program implemented in North America. The data excludes manufacturing units that were acquired or closed during 2019.

The main environmental KPIs and performance are:

	2019	2018	Change
Energy consumption per sellable tons produced (MWh/STP)*	2.04	2.04	0%
Greenhouse gas emissions per sellable tons produced (t CO_2 eqv/STP)	0.69	0.70	-1%
Recycling rate (%)	74%	82%	-8pp

* Excluding Flexible Packaging label and printing cylinder units

In terms of environmental performance in 2019, the main improvement was water consumption which reduced by 10% per ton of product. The Group's energy and emissions per ton of product remained broadly the same as in 2018. The total amount of waste increased by 2%. The recycling rate declined by 8 percentage points due to a third-party waste processing company cancelling their contract with Huhtamaki in North America at short notice. This is a temporary issue which should not affect the long term trend of improving recycling rates. The environmental data excludes the units acquired during 2019. Units closed during the reporting year 2019 are included in the data until their closing date.

The Group's new Natural Resource Plan was implemented in pilot manufacturing units. The project tracks and visualizes the consumption and financial value of the flow of natural resources through the Group and aims to enable manufacturing units to identify new ways to reduce the use of natural resources and to improve profitability. Based on the results of the pilot projects, the Natural Resource Plan is aimed to be rolled out more widely in 2020.

Internal and external audits are conducted to assess the environmental and social performance of manufacturing units. During 2019, a total of 338 external audits were conducted by certification bodies, authorities or customers.

The Group's environmental operating costs totaled EUR 13 million (EUR 12 million). The costs consist mainly of expenses related to waste and waste water management as well as environmental management.

Personnel and social matters

Policies

- Huhtamaki Code of Conduct
- OHSAS 18001
- Global Employment Guidelines
- Huhtamaki Working Conditions Requirements
- Group Performance Management Policy
- Performance Review Guidelines
- Group Compensation and Benefits Policy
- Huhtamaki Human Trafficking and Modern Slavery Statement
- Global Human Rights Policy
- Global Occupational Health and Safety Policy

The foundation for Huhtamaki's People strategy lies in its values and the Huhtamaki Code of Conduct. The objective of the People strategy is to support the execution of the Group's business strategy and the achievement of its short and long-term business targets. This will be attained by providing all employees with a safe workplace, developing people, ensuring systematic performance and talent management, and through succession planning.

In 2019, the average number of employees was 18,125 (17,801), of which 71% (71%) worked directly in production. Countries with the largest number of employees were the U.S., India and Germany, accounting for 50% (51%) of the Group's personnel. At the end of the year the Group had a total of 18,598 (17,663) employees, including employees from the acquired flexible packaging unit in South Africa. Acquired employees are excluded from other personnel breakdown data presented, as the data was not yet available in Huhtamaki's reporting tool for 2019.

As a part of the Group's practices for inviting feedback and suggestions, a global employee engagement survey is conducted every other year. In 2019, the "Connect" survey was executed entirely online for the first time. The decision to move from paper surveys to online survey was done as part of the digitalization of the Group's people processes. The response rate reached 88% of the 16,743 employees invited to take part in the survey.

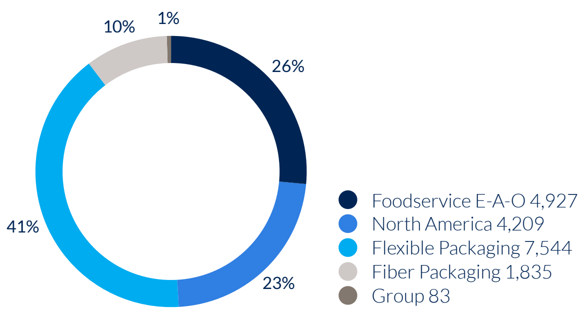
The questions in the survey were revised in order to make them more relevant for the employees. Although the individual survey questions changed to some extent, the foundational indices continue to measure the same themes as in the previous years. Employee engagement index is now at 74%, up from 69% in 2017, while Employee enablement index remains on the same level as in 2017, at 75%.

Development of the HR information system continued in 2019. Kiosk computers were placed in manufacturing units for the use of production employees. Access to kiosk computer enables production employees to, for example, use Employee Self Services to review their personal data, study e-learning programs including Huhtamaki Code of Conduct, and participate in the Connect engagement survey.

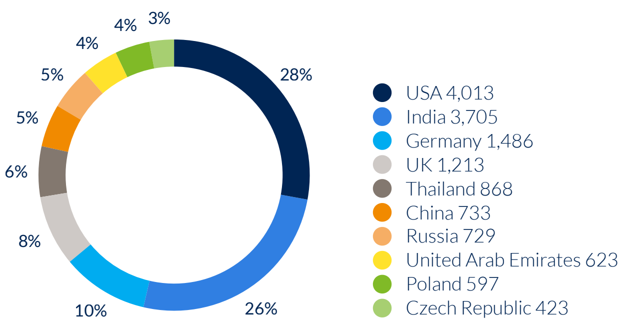
Leadership development continued with the implementation of the Leader's Toolbox and the existing leadership development programs for senior and middle level managers. In addition, systematic Lean Six Sigma training continued with a number of new Black Belts and Green Belts trained across the Group.

Huhtamaki business units continued to implement the global Working Conditions Requirements that cover topics such as anti-corruption, safety, work ergonomics, work contracts, working hours, grievances, and supplier management. The focus in 2019 was

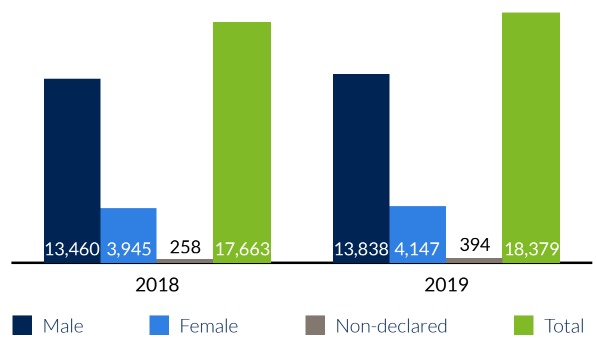
NUMBER OF PERSONNEL BY SEGMENT



LARGEST COUNTRIES BY NUMBER OF EMPLOYEES



EMPLOYEES BY GENDER

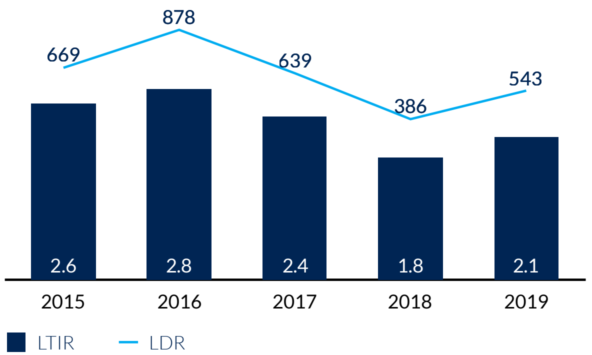


on integrating a new Occupational Health & Safety standard into the Working Conditions Requirements.

Occupational Health and Safety is a top priority for Huhtamaki. The Lost Time Incident Rate (LTIR) increased to 2.1 (1.8 in 2018 and 2.4 in 2017). When calculating LTIR we consider the lost time incidents and actual working hours of Huhtamaki employees. There were no fatalities. Severity of incidents, measured in Lost Day Rate (LDR), was up to 543 (386 in 2018 and 639 in 2017). When calculating LDR we count the scheduled workdays lost starting from the next workday after the incident.

The decline in safety performance is disappointing. We have invested in additional OHS resources to drive performance, and we are confident to be on track to achieve our 2020 LTIR target of 1.7. We will further increase our level of ambition when we work on our long-term sustainability ambitions towards 2030.

INCIDENT FREQUENCY AND SEVERITY 2015–2019, GROUP



LTI = Lost time incident, an accident or an incident that causes the employee to miss at least one working shift.
LTIR = Lost time incident frequency per million hours worked.
LDR = Lost day rate, hours lost per million hours worked.

Human rights

Policies

- Huhtamaki Code of Conduct
- Code of Conduct for Huhtamaki Suppliers (updated in 2019)
- Global Human Rights Policy
- Huhtamaki Human Trafficking and Modern Slavery Statement

The Global Human Rights Policy reflects Huhtamaki's commitment to human rights as set forth in the United Nations International Bill of Human Rights and taking into account the UN Guiding Principles on Business and Human Rights. Respecting human rights within the Group as well as in its supply chains is essential to Huhtamaki.

The Huhtamaki Code of Conduct sets out standards for ethical behavior for all employees. Huhtamaki does not allow for example workplace violence or the use of child labor or forced labor. All employees are expected to take Code of Conduct training annually.

All suppliers are expected to comply with the Code of Conduct for Huhtamaki Suppliers. The document was updated and translated into the languages most relevant for Huhtamaki in 2019. The Code of Conduct for Huhtamaki Suppliers is available on the Group's website and it is also referred to in the Huhtamaki General Terms and Conditions of Purchasing. The Code of Conduct for Huhtamaki Suppliers covers requirements related to compliance with laws and regulations as well as fundamental rights of employees. Huhtamaki's suppliers are responsible also for their subcontractors' compliance with the requirements.

Huhtamaki also provides suppliers with the opportunity to share their own Code of Conduct with the Group. If a supplier's Code of Conduct fulfils the requirements of Huhtamaki, it can be accepted as equivalent.

Huhtamaki uses NAVEX RiskRate tool to monitor the compliance of its suppliers with the Code of Conduct for Huhtamaki Suppliers. The focus is on key suppliers, defined as strategically important suppliers that fall into the top 80% of the procurement spend and into certain supplier categories. Additionally, NAVEX RiskRate is used to monitor all key suppliers i.a. against sanction lists, watch lists and adverse media, which helps Huhtamaki to control risks of any human rights violations in the supply chains. Each key supplier is assigned a risk rating in NAVEX RiskRate, and depending on this rating suppliers might be required to respond to a specific questionnaire. The answers provide Huhtamaki more insights into suppliers' compliance practices.

In 2019, the focus was on creating new automated features in NAVEX RiskRate and on internal trainings on the updated processes. A pilot on the updated features was conducted with the suppliers of the North America business segment. In the pilot, key suppliers representing 90% of the annual supplier spend of the business segment were included. 86% of them accepted the Code of Conduct for Huhtamaki Suppliers, and 11% provided their own Code of Conduct which was approved after review. A few mandatory health benefit suppliers were exempted from the Code of Conduct acknowledgement requirement due to the nature of their business with Huhtamaki. Since the updated features will be fully rolled out to other business segments in 2020, Huhtamaki does not disclose information on the suppliers of other business segments in 2019.

Huhtamaki is a corporate member of Sedex, the world's largest collaborative platform for sharing responsible sourcing data on supply chains. As a part of strengthening supply chain due diligence processes, Huhtamaki will start utilizing more third-party corporate responsibility audits in supplier assessments. Such audits give information on the environmental, social and ethical performance of Huhtamaki's suppliers, helping to identify and monitor potential corrective actions. The work with third-party corporate responsibility audits will start fully in 2020, once the due diligence work in NAVEX RiskRate is finished for all business segments.

Huhtamaki also expects suppliers to comply with its Human Trafficking and Modern Slavery Statement, which is available on the Group's website. Suppliers, including labor agencies and recruiters, are required to have processes to ensure that they do not take part in human trafficking or modern slavery.

Huhtamaki's suppliers and workers in its value chain can report any violations of the Code of Conduct for Huhtamaki Suppliers or concerning other Huhtamaki policies through the global whistleblowing system, the Huhtamaki Speak Up channel.

Anti-corruption and anti-bribery

Policies

- Huhtamaki Code of Conduct
- Code of Conduct for Huhtamaki Suppliers (updated in 2019)

The Huhtamaki Code of Conduct is the core element of the company's Ethics and Compliance program. Anti-corruption and anti-bribery provisions are included in the document. In addition, these provisions are included in the Code of Conduct for Huhtamaki Suppliers. The Global Compliance function oversees the implementation of company's Ethics and Compliance program by supporting conduct of business in compliance with laws and regulations as well as with Huhtamaki ethical standards, including anti-corruption and anti-bribery provisions.

The further development of the Group's Ethics and Compliance program continued during 2019. As part of the preparation of a new Ethics and Compliance program framework, Global Compliance and Risk Management functions conducted an ethics and compliance assessment, including an evaluation of corruption and bribery risks and the related preventative procedures. A new Ethics and Compliance program framework was introduced in October 2019. It focuses on Huhtamaki's commitment to do business in the right way and in accordance with the highest ethical standards. It also helps to respond to the growing interests of external stakeholders on ethics and compliance matters and the needs of Huhtamaki's global organization by establishing a standard structured approach to handle ethics and compliance matters in Huhtamaki units globally.

One of the key elements of the new Ethics and Compliance program framework is training and communication. Awareness of corruption risks in Huhtamaki's operating geographies was continued to be raised and related trainings continued during 2019. An annual, mandatory Code of Conduct training is organized for all employees through an e-learning program and face-to-face training sessions. Both trainings contain an anti-corruption section. Additionally, face-to-face Code of Conduct and anti-corruption trainings were organized in 2019 by the Global Compliance function in India, Singapore, Malaysia, United Arab Emirates and Egypt. In addition, the Code of Conduct e-learning training program was continued globally. This was the first time when also all direct employees were able to complete the training through the company's online training system. In 2019, 84.7% of all employees completed the Code of Conduct e-learning.

According to Huhtamaki values, everyone is encouraged to speak up and raise their concerns if there is any suspicion of a breach of the Huhtamaki Code of Conduct, any other Huhtamaki policies or laws or regulations. If an employee is made aware of a violation, the employee is expected to report the violation by contacting his/her manager, over manager or a local Human Resources representative. Alternatively, the employee can report any suspected violation to Global Compliance or through the Huhtamaki Speak Up channel, the global web-based whistleblowing system available for Huhtamaki employees, suppliers, customers and other stakeholders. The Huhtamaki Speak Up channel can be accessed by visiting the website: report.whistleb.com/Huhtamaki. In the United States, reports can also be submitted through the Alertline system. Any negative action against an employee reporting a suspected violation is explicitly prohibited.

Reporting and incident management is a key element of Huhtamaki's Ethics and Compliance program. This element was under special attention during the year. A new Global Investigations Policy was approved in 2019. The Global Compliance function coordinates the Huhtamaki Speak Up channel and the Alertline system and leads and oversees the investigation process of the alleged violations. The Ethics and Compliance Committee, the Global Executive Team and the Audit Committee of the Board of Directors follow the reported incidents regularly.

Risk review

Risk management

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

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

During 2019, the key risks identified in the 2018 risk assessment process were monitored to assess their existing and newly implemented controls and any changes in the risk level itself. Actions to manage those risks were planned and executed at Group or segment level and followed by the Global Risk Management function on a quarterly basis with a focus on each business segment's most significant risks.

Parallel to the strategic planning process, business units, segments and Group functions identified and assessed business risks against their medium to long term objectives. These risk assessment results were consolidated from business unit to segment and further to Group level and used to identify the key risks at segment and Group levels. At each level from business unit to Group, risk treatment actions were subsequently defined in order to reach acceptable risk levels. The acceptable risk levels associated with appropriate risk management efforts were approved by the Global Executive Team, reviewed by the Audit Committee of the Board of Directors and finally approved by the Board of Directors. Agreed risk management efforts will be conducted and monitored during 2020.

The most significant risks

Price management as well as raw material, energy price and other cost inflation are considered among the most significant risks and opportunities to the Group. Efficient price and cost management are vital in achieving the Group's strategic and financial objectives. The Group takes the opportunity to leverage scale and share best practices to maintain profitability.

Shifts in consumer behavior and regulatory requirements on food packaging are important risks and opportunities for the Group. The company's future growth and success depend on its continued ability to predict and respond to changes and its ability to innovate and develop new products in a timely manner. Urbanization and growing consumer demand for sustainable and safe food and drink packaging solutions create significant growth and innovation opportunities for the Group. On the other hand, growth and market position are at risk if the Group's product and service offering, or production capacity, do not meet customer and consumer demand, or its products fail to comply with food packaging regulation. To manage these risks, the Group monitors regulatory changes and drivers through several sources and stakeholders, and actively innovates and invests in manufacturing capacity and capabilities, particularly in growth markets. Additionally, the Group pursues add-on and scale acquisitions across geographies to enhance its core business.

Macroeconomic and political risks continue to be among the important risks and opportunities for the Group. The global economic and financial market conditions have repeatedly undergone significant turmoil due to, among other matters, the uncertainties arising from Brexit and the continuous trade tensions between the United States and China. Economic growth is a key driver for organic and acquisitive business growth and performance. Political decisions often drive changes in the global and local economies and free trade agreements. Predicting such changes and their implications in the Group's business is high on the agenda.

Human resources risks have slightly increased in comparison to 2018. Resourcing may become a challenge when the Group is deploying multiple change projects and competence is needed in specialized areas. To manage these risks, the Group maintains global and local talent pools, focuses on key talent retention and internal rotation as well as leadership and other competence development.

Risks related to destruction of facilities and continuity of operations, disruption in raw materials or energy supply as well as IT infrastructure, systems and applications, are important operational risks potentially impacting the business continuity of the Group. The company performs a continuous improvement program in property risk control, mitigating hazards that may lead to property damage and business interruption. To minimize the impact of a potential business interruption, the company maintains and further develops its disaster recovery and business continuity plans and allocates manufacturing capacity to several locations.

Product safety and quality is high on the Group's agenda. While consistent high quality and safety of the Group's product offering build a competitive advantage, a critical shortcoming in product safety or quality could deteriorate the company's reputation and decrease sales. In 2019, the Group appointed a Global Food Contact Manager.

Foreign exchange transaction risk remains among the Group's twenty most important risks with little change in ranking from 2018. More information on financial risks can be found in Note 5.8. of the Financial statements 2019.

None of the risks identified in connection with the 2019 risk assessment are considered of a magnitude that could not be managed or would endanger the implementation of the Group's strategy.

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

Risks and risk management procedures related to non-financial information

The Group's Enterprise Risk Management (ERM) assessment involves sustainability in the assessment of strategic risks relating to business environment and reputation, and operational risks relating to production, continuity of operations, human resources as well as crime and fraud. Sustainability relating to business environment is considered in terms of risks of bans on materials used in products as well as sustainability requirements affecting the Group's products, units or processes. Sustainability relating to production is reviewed in terms of risks concerning business continuity, occupational health and safety, product safety and quality, and environmental incidents. Sustainability relating to human resources is considered in terms of human resources risks in general, as well as in terms of labor relations risks, and human rights risks. Sustainability is also considered in connection with reputational risks relating to products, workplace, governance, and corporate citizenship.

In the 2019 ERM assessment, human resources, sustainability requirements on food packaging as well as product safety and quality represented the most significant sustainability related risks and opportunities for the Group. All three were among the top fifteen risks.

Sustainable human resources management focuses on fostering a work culture built on the Group's values, Code of Conduct and Huhtamaki leadership competencies. The Group aims to provide all its employees a safe workplace, development opportunities, as well as systematic performance and talent management and succession planning.

Concerns on plastics, non-recyclable and non-renewable products as well as related consumption reducing measures or bans and increased costs on the Group's Flexible and Foodservice products can affect the Group's business. Thus, the Group is continuously evaluating and developing its product portfolio to match market expectations on sustainability. Monitoring regulatory changes and drivers through several sources and stakeholders is considered vital. The Group views that changes can also bring significant business opportunities which it is well-placed to address with its current knowledge and expertise of different raw materials and conversion technologies. More information on the sustainability of the Group's products can be found in the Sustainability Report section of this Huhtamaki Annual Report 2019 publication.

Climate change is likely to increase the frequency and severity of weather-related natural disasters such as windstorms, droughts and floods that are threats to the Group's manufacturing and distribution continuity. The physical damage that extreme weather conditions may cause to manufacturing facilities or infrastructure could interrupt Huhtamaki's own, its customers', raw material, energy or utilities suppliers', or transportation suppliers' business. The company manages these risks with appropriate precautions in high risk locations as well as with disaster recovery and business continuity plans. Proposed greenfield or acquisition target locations' exposure to natural disasters is evaluated and must be considered acceptable prior to proceeding with a project. Risks relating to existing manufacturing facilities are reduced by allocating capacity to several locations.

Occupational health and safety, labor relations, human rights, sustainability requirements affecting manufacturing units or processes, as well as bans on materials used in products are considered medium risks to the Group. Risk management relating to environmental and occupational safety as well as social responsibility is integrated with day-to-day business processes and standard practices. These must comply with applicable laws and regulations, as well as the ethical and societal responsibilities set out in the Group's Code of Conduct and Huhtamaki Working Conditions Requirements. Risk prevention also involves regular training and continuous improvement programs. The Group measures its progress and monitors its compliance by regular audits. More information on the

Group's sustainable People strategy can be found in the Sustainability Report section of this Huhtamaki Annual Report 2019 publication.

Reputational risks related to corporate citizenship and products are considered to pose a medium risk to the achievement of the Group's objectives, whereas reputational risks relative to workplace and governance are seen as a medium-low risk. Reputational risk management focuses on managing the potential root causes of the risks.

Corruption risk is included in the ERM assessment and considered an operational as well as a reputational risk. While the risk of corruption, bribery, and fraudulent activity in general is considered medium-low in the 2019 ERM assessment, anti-corruption is one of the basic principles for Packaging for Good and a highly important element of the company's Ethics and Compliance program framework. Ethics and business integrity requirements, including anti-corruption and zero tolerance to bribery, are also an integral part of Huhtamaki Working Conditions Requirements. Corruption and bribery risk and the related preventative procedures were further evaluated in connection with an Ethics and Compliance assessment conducted in early 2019. More information about the Ethics and Compliance assessment can be found in the Sustainability Report section of this Huhtamaki Annual Report 2019 publication.

Personnel

Number of personnel

	December 31, 2019	December 31, 2018	Change
Foodservice Europe-Asia-Oceania	4,927	4,826	2%
North America	4,209	3,884	8%
Flexible Packaging	7,544	7,147	6%
Fiber Packaging	1,835	1,720	7%
Other activities[1]	83	86	-3%
Group	**18,598**	**17,663**	**5%**

[1]Including global functions in Finland

The number of employees increased 5 percent during the review period. At the end of December 2019, the Group had a total of 18,598 (17,663) employees.

Changes in management

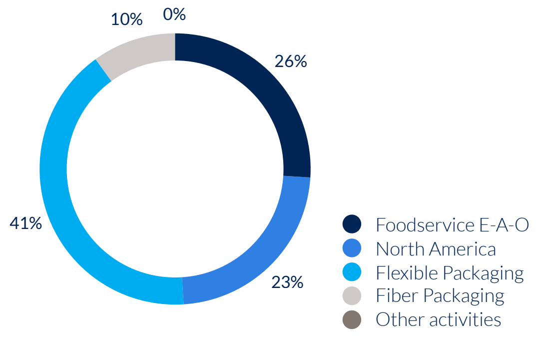
Charles Héaulmé (52) started as President and CEO, and Chairman of the Global Executive Team, on April 26, 2019.

Michael Orye (46), Executive Vice President, Fiber Packaging and a member of the Global Executive Team decided to leave Huhtamaki on July 22, 2019. Eric Le Lay, Executive Vice President, Foodservice Europe-Asia-Oceania, and a member of the Global Executive Team, assumed the leadership of Fiber Packaging in addition to his previous role.

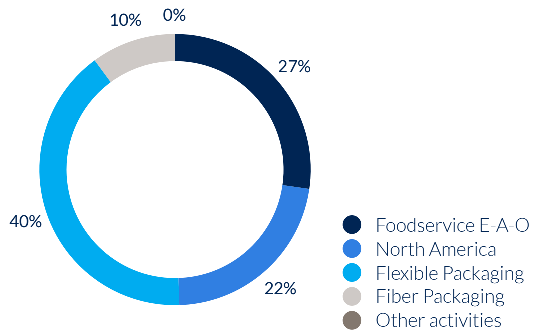
Marina Madanat (40), M.Sc. (Economics and Business Administration), B.Sc. (Electrical Engineering), was appointed Executive Vice President, Strategy and Business Development as of January 1, 2020.

Antti Valtokari (44), M.Sc. (Computer Science), was appointed Executive Vice President, IT and Process Performance as of January 1, 2020.

PERSONNEL BY SEGMENT ON DECEMBER 31, 2019



PERSONNEL BY SEGMENT ON DECEMBER 31, 2018



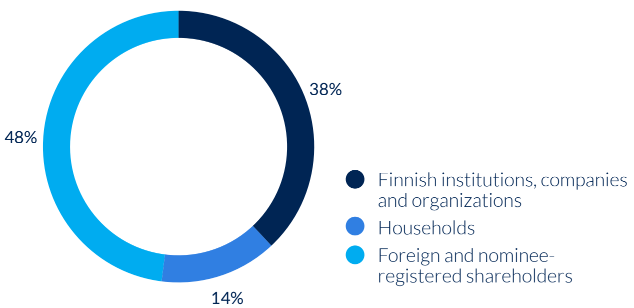
Share capital, shareholders and trading of shares

Share capital and share data

	2019	2018	2017
Registered share capital[1], EUR million	366	366	366
Total number of shares[1]	107,760,385	107,760,385	107,760,385
Shares owned by the Company[1]	3,410,709	3,425,709	3,648,318
% of total number of shares	3.2%	3.2%	3.4%
Number of outstanding shares[1, 2]	104,349,676	104,334,676	104,112,067
Average number of outstanding shares[2, 3]	104,344,950	104,281,454	104,050,625
Number of shares traded[4], million	55.0	75.2	67.8
Closing price on final day of trading, EUR	41.38	27.07	35.00
Volume-weighted average price, EUR	34.74	31.03	34.69
High, EUR	42.73	36.89	37.68
Low, EUR	26.81	22.96	31.45
Market capitalization[1], EUR million	4,459	2,917	3,644
Earnings per share, EUR	1.82	1.49	1.86
Earnings per share, diluted, EUR	1.82	1.49	1.85
Dividend per share, EUR	0.89[5]	0.84	0.80
Dividend to earnings	49%[5]	56%	43%
Effective dividend yield	2.2[5]	3.1	2.3
Price to earnings ratio[1]	22.7	18.2	18.8
Equity per share[1], EUR	12.92	11.65	11.13

[1] At the end of period
[2] Excluding shares owned by the Company
[3] Average number of outstanding shares used in EPS calculations
[4] Number of shares traded on Nasdaq Helsinki
[5] 2019: Board proposal

SHAREHOLDER STRUCTURE
AS AT DECEMBER 31, 2019



There were 31,056 (31,755) registered shareholders at the end of December 2019. Foreign ownership including nominee registered shares accounted for 48 percent (43%). At the end of the year, the largest shareholder was the Finnish Cultural Foundation holding 11.15 percent of all shares.

Trading of shares

During 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 2019, the Company's market capitalization was EUR 4,459 million (EUR 2,917 million). With a closing price of EUR 41.38 (EUR 27.07) the share price increased approximately 53 percent from the beginning of the year. During the reporting period the volume weighted average price for the Company's shares was EUR 34.74 (EUR 31.03). The highest price paid was EUR 42.73 (EUR 36.89) and the lowest was EUR 26.81 (EUR 22.96).

During the reporting period, the cumulative value of the Company's share turnover on Nasdaq Helsinki Ltd was EUR 1,905 million (EUR 2,332 million). The trading volume of approximately 55 million (75 million) shares equaled an average daily turnover of 219,838 (300,838) shares. The cumulative value of the Company's share turnover including alternative trading venues, such as BATS Chi-X and Turquoise, was EUR 5,036 million (EUR 6,242 million). During the reporting period, 64 percent (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. As proposed by the Board of Directors, dividend for 2018 was set at EUR 0.84 per share compared to EUR 0.80 paid for the previous year.

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.

The Annual General Meeting confirmed that the annual remuneration to the members of the Board of Directors will remain unchanged and thus be paid as follows: to the Chairman EUR 120,000, to the Vice-Chairman EUR 68,000 and to other members EUR 57,000. In addition, the Annual General Meeting confirmed that the meeting fees will be paid for each meeting attended as follows: EUR 1,500 for all meetings, except EUR 3,000 to the Chairman for the Audit Committee meetings, EUR 1,750 to the Chairman for the Human Resources Committee meetings and EUR 1,750 to the Chairman for the Nomination Committee meetings. Traveling expenses are compensated in accordance with the Company policy.

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, has been 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 authorization covers also directed repurchases of the Company's own shares. Additionally, the Board of Directors was 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. Both authorizations remain 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, and serious virus outbreaks can also have an adverse effect on the implementation of the Group's strategy and on its business performance and earnings.

Outlook for 2020

The Group's trading conditions are expected to remain relatively stable during 2020. 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 2019 with the majority of the investments directed to business expansion.

Dividend proposal

On December 31, 2019 Huhtamäki Oyj's distributable funds were EUR 630 million (EUR 654 million). The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.89 (EUR 0.84) per share be paid.

Annual General Meeting 2020

The Annual General Meeting of Shareholders will be held on Wednesday, April 29, 2020 at 11.00 (EET) at Messukeskus Helsinki, Expo and Convention Centre, Messuaukio 1, Helsinki, Finland.

Corporate Governance Statement and Remuneration Statement

The Corporate Governance Statement and Remuneration Statement have been issued separately and are presented in a section of this Huhtamaki Annual Report 2019 publication. The statements are also available on the Group's website www.huhtamaki.com.

Financial statements

Consolidated financial statements

Consolidated statement of income (IFRS)

EUR million	Note	2019	2018*
Net sales	**2.1.**	**3,399.0**	**3,103.6**
Cost of goods sold		-2,816.2	-2,630.8
Gross profit		**582.8**	**472.8**
Other operating income	2.5.	7.4	28.5
Sales and marketing		-85.2	-74.8
Research and development		-22.0	-20.2
Administration expenses		-179.7	-170.4
Other operating expenses	2.6.	-19.8	-12.2
Share of profit of equity-accounted investments		2.0	1.8
		-297.3	**-247.3**
Earnings before interest and taxes	**2.2., 2.3.**	**285.5**	**225.5**
Financial income	5.1.	8.4	4.4
Financial expenses	5.1.	-37.1	-35.6
Profit before taxes		**256.7**	**194.4**
Income tax expense	2.7.	-57.8	-37.5
Profit for the period		**199.0**	**156.9**
Attributable to:			
Equity holders of the parent company		190.1	155.4
Non-controlling interest		8.9	1.5

EUR			
EPS attributable to equity holders of the parent company	2.8.	1.82	1.49
Diluted EPS attributable to equity holders of the parent company	2.8.	1.82	1.49

*Restated

Group statement of comprehensive income (IFRS)

EUR million	Note	2019	2018*
Profit for the period		**199.0**	**156.9**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit plans	2.2.	-11.3	4.5
Income taxes related to items that will not be reclassified	2.7.	8.3	-1.1
Total		**-3.1**	**3.4**
Items that may be reclassified subsequently to profit or loss			
Translation differences		47.5	10.6
Equity hedges		-9.1	-10.1
Cash flow hedges	5.5.	-5.0	2.2
Income taxes related to items that may be reclassified	2.7.	0.6	-0.3
Total		**34.0**	**2.4**
Other comprehensive income, net of tax		**31.0**	**5.7**
Total comprehensive income		**229.9**	**162.6**
Attributable to:			
Equity holders of the parent company		221.2	161.2
Non-controlling interest		8.7	1.5

*Restated

Consolidated statement of financial position (IFRS)

Assets

EUR million	Note	2019	2018*
Non-current assets			
Goodwill	3.2.	735.7	698.1
Other intangible assets	3.3.	35.2	40.5
Tangible assets	3.4.	1,398.1	1,233.4
Equity-accounted investments	6.1.	4.9	4.9
Other investments	5.7.	2.4	2.5
Interest-bearing receivables	5.2., 5.7.	4.2	2.6
Deferred tax assets	2.7.	50.9	47.8
Employee benefit assets	2.2.	55.4	49.1
Other non-current assets		3.1	4.6
		2,290.1	**2,083.6**
Current assets			
Inventory	4.1.	497.8	497.7
Interest-bearing receivables	5.2.	12.9	10.4
Current tax assets		14.6	15.1
Trade and other current receivables	4.2., 5.7.	595.9	538.2
Cash and cash equivalents	5.3., 5.7.	199.4	95.0
		1,320.6	**1,156.5**
Total assets		**3,610.6**	**3,240.0**

Equity and liabilities

EUR million	Note	2019	2018*
Share capital	5.4.	366.4	366.4
Premium fund	5.4.	115.0	115.0
Treasury shares	5.4.	-31.3	-31.5
Translation differences	5.4.	-65.8	-104.2
Fair value and other reserves	5.5.	-103.4	-96.1
Retained earnings		1,067.1	965.5
Equity attributable to equity holders of the parent company		**1,348.0**	**1,215.1**
Non-controlling interest		89.1	52.2
Total equity		**1,437.1**	**1,267.3**
Non-current liabilities			
Interest-bearing liabilities	5.6., 5.7.	879.7	729.2
Deferred tax liabilities	2.7.	97.7	91.1
Employee benefit liabilities	2.2.	225.2	205.1
Provisions	4.3.	13.2	14.4
Other non-current liabilities		7.0	4.8
		1,222.9	**1,044.6**
Current liabilities			
Interest-bearing liabilities			
Current portion of long-term loans	5.6., 5.7.	92.7	40.4
Short-term loans	5.6., 5.7.	148.0	266.6
Provisions	4.3.	8.4	17.2
Current tax liabilities		50.5	45.9
Trade and other current liabilities	4.4., 5.7.	651.0	558.0
		950.7	**928.1**
Total liabilities		**2,173.6**	**1,972.7**
Total equity and liabilities		**3,610.6**	**3,240.0**

*Restated

Consolidated statement of changes in equity (IFRS)

		Attributable to equity holders of the parent company								
EUR million	Note	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, 2017		**366.4**	**115.0**	**-33.5**	**-104.8**	**-101.3**	**917.0**	**1,158.8**	**49.4**	**1,208.2**
Change in accounting policy (IFRIC 23)[1]							-13.4	-13.4		-13.4
Change in accounting policy (IFRS 16)[2]							-5.0	-5.0	-0.2	-5.2
Balance on Jan 1, 2018		**366.4**	**115.0**	**-33.5**	**-104.8**	**-101.3**	**898.6**	**1,140.4**	**49.2**	**1,189.6**
Dividends paid	2.8.						-83.5	-83.5		-83.5
Share-based payments	6.3.			2.0			-2.2	-0.2		-0.2
Total comprehensive income for the year					0.5	5.3	155.4	161.2	1.5	162.6
Acquisition of non-controlling interest							-3.4	-3.4	0.0	-3.4
Other changes							0.6	0.6	1.6	2.2
Balance on Dec 31, 2018		**366.4**	**115.0**	**-31.5**	**-104.2**	**-96.1**	**965.5**	**1,215.1**	**52.2**	**1,267.3**
Dividends paid	2.8.						-87.6	-87.6		-87.6
Share-based payments	6.3.			0.1			0.9	1.0		1.0
Total comprehensive income for the year					38.4	-7.3	190.1	221.2	8.7	229.9
Acquisition of non-controlling interest							-6.2	-6.2	26.3	20.2
Other changes							4.5	4.5	1.8	6.3
Balance on Dec 31, 2019		**366.4**	**115.0**	**-31.3**	**-65.8**	**-103.4**	**1,067.1**	**1,348.0**	**89.1**	**1,437.1**

[1] The Group has adopted IFRIC 23 Uncertainty over Income Tax Treatments using a modified retrospective approach. An adjustment related to tax liabilities has been done to the opening balance of retained earnings at the date of initial application.

[2] The Group has adopted IFRS 16 Leases using a full retrospective approach. An adjustment related to tangible assets and interest bearing liabilities has been done to the opening balances of retained earnings and non-controlling interest at the date of initial application.

Consolidated statement of cash flows (IFRS)

EUR million	Note	2019	2018*
Profit for the period		**199.0**	**156.9**
Adjustments		239.3	240.4
Depreciation and amortization		163.2	164.7
Share of profit of equity-accounted investments		-0.1	0.4
Gain/loss from disposal of assets		-0.6	-1.7
Financial expense/-income		28.8	31.2
Income tax expense		57.8	37.5
Other adjustments, operational		-9.8	8.4
Change in inventory		19.1	-37.6
Change in non-interest-bearing receivables		-40.2	-25.9
Change in non-interest-bearing payables		66.4	-5.5
Dividends received		0.0	0.1
Interest received		3.8	2.0
Interest paid		-22.6	-18.7
Other financial expenses and income		0.8	-0.2
Taxes paid		-39.3	-37.8
Net cash flow from operating activities		**426.4**	**273.7**
Capital expenditure		-203.9	-196.9
Proceeds from selling tangible assets		3.3	2.8
Acquired subsidiaries and assets		-32.5	-55.1
Proceeds from long-term deposits		0.5	0.8
Payment of long-term deposits		-2.0	-0.4
Proceeds from short-term deposits		1.0	4.9
Payment of short-term deposits		-4.8	-8.5
Net cash flow from investing activities		**-238.5**	**-252.4**

EUR million	Note	2019	2018*
Proceeds from long-term borrowings		477.1	202.0
Repayment of long-term borrowings		-299.2	-221.7
Change in short-term loans		-180.3	64.5
Acquisition of non-controlling interest		-1.4	-4.1
Dividends paid		-87.6	-83.5
Net cash flow from financing activities	**5.6.**	**-91.4**	**-42.7**
Change in liquid assets		**104.4**	**-21.0**
Cash flow based		96.5	-21.3
Translation difference		7.9	0.3
Liquid assets on January 1		95.0	116.0
Liquid assets on December 31		199.4	95.0

*Restated

Notes to the consolidated financial statements

1. Basis of preparation

1.1. CORPORATE INFORMATION

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

The parent company, Huhtamäki Oyj, is a limited liability company domiciled in Espoo, Finland and listed on NASDAQ OMX Helsinki Ltd. The address of its registered office is Revontulenkuja 1, 02100 Espoo, Finland. A copy of consolidated financial statements is available at Group's website www.huhtamaki.com.

These Group consolidated financial statements were authorized for issue by the Board of Directors on February 12, 2020. According to the Finnish Companies Act shareholders decide on the adoption of financial statements at the general meeting of shareholders held after the publication of the financial statements.

1.2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the IAS and IFRS standards as well as SIC- and IFRIC- interpretations which were valid on December 31, 2019. IFRS, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of said Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulations (EC) No 1606/2002 of the EU.

The consolidated financial statements have been prepared under the historical cost convention except for other investments, financial instruments at fair value through profit or loss, derivative instruments and cash-settled share-based payment arrangements that are measured at fair value. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. The use of estimates and assumptions is described in more detail in note 1.6. Use of estimates and judgments. The consolidated financial statements are presented in millions of euros. Figures presented are exact figures and consequently the sum of individual figures may deviate from the sum presented.

1.3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The following new or amended standards and interpretations have been adopted as of January 1, 2019:

- IFRS 16 Leases. The new standard (effective for 2019 annual period with early adoption permitted) replaces IAS 17 Leases -standard. The standard introduces new requirements for accounting for lease agreements. It introduces a single lessee accounting model that requires a lessee to recognize most leases as assets and liabilities in the statement of financial position. The Group has examined the impacts of the new standard, analysing especially the identification of a lease and the measurement of a lease liability. The new standard impacts primarily the accounting for the Group's IAS 17 operating leases. On December 31, 2018, the operating lease commitments were EUR 100 million. These were reported as the nominal value of the future minimum payments of non-cancellable leases and therefore do not directly correspond to the present value of lease liabilities according to IFRS 16. The Group has adopted the standard as of January 1, 2019 using the full retrospective transition method. The Group uses the exemptions provided by the standard not to book short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value to the statement of financial position. The leases that the Group recognizes in the statement of financial position include forklifts, vehicles, other machinery and equipment, premises and land. The new standard impacts the consolidated financial statements and key figures such as earnings per share (EPS), net debt, gearing, return on net assets (RONA) and free cash flow. The Group has restated the quarterly financial information for 2018. Restated tables were published March 27, 2019. The main impacts of the implementation are:

  Group income statement for Q1–Q4 2018
  - EUR 1.3 million decrease to the profit for the period
  - EUR 2.6 million increase to EBIT and adjusted EBIT
  - EUR 25.1 million increase to EBITDA and adjusted EBITDA

  Group statement of financial position for January 1, 2018
  - EUR 97.6 million increase to tangible assets
  - EUR 5.2 million decrease to the total equity, which represent the cumulative impact on the profit for the period for previous reporting periods
  - EUR 88.2 million increase to non-current interest-bearing liabilities and EUR 15.7 million increase to current interest-bearing liabilities

  Group statement of financial position for December 31, 2018
  - EUR 111.4 million increase to tangible assets
  - EUR 100.7 million increase to non-current interest-bearing liabilities and EUR 18.9 million increase to current interest-bearing liabilities
  - EUR 20.8 million increase to net cash flows from operating activities and 20.8 million decrease to net cash flows from financing activities

Impact to the basic and diluted earnings per share was minor.

Summary of new accounting policies: Right of use (ROU) assets are recognized at the commencement date of the lease. ROU assets comprising mainly of land, building, machinery and equipment are measured at cost less accumulated depreciation and impairment losses. The costs include the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less lease incentives received, any direct costs and an estimate of dismantling costs. The carrying amount is further adjusted for any remeasurement of the lease liability. Depreciation is expensed to the income statement on a straight-line basis over the lease term. The lease term includes the noncancelable period of lease together with any extension or termination options that are reasonable certain to be exercised. ROU assets are presented as tangible assets in the statement of financial position. Lease liabilities are recognized at the commencement date of the lease. Lease liabilities are measured at the present value of future lease payments using an effective interest method. The carrying amount is reduced to reflect the lease payments made and the interest expense is allocated over the lease term. A lease liability is remeasured, when there is a lease modification or reassessment. Lease liabilities are presented as current and non-current interest-bearing liabilities in the statement of financial position.

- Revised IAS 19 Employee benefits. The amendments clarify how a plan amendment, curtailment or settlement impact the current service cost, the net interest and the requirements regarding the asset ceiling. The amendments had no impact on the half-yearly financial statements. The amendments had no impact to the consolidated financial statements.
- Revised IAS 28 Investments in Associates and Joint Ventures. The amendments clarify that IFRS 9 Financial Instruments is applied to the accounting for long-term interests in an associate or joint venture to which the equity method is not applied. The amendments had no impact on the consolidated financial statements.
- Revised IFRS 9 Financial Instruments. The amendments allow the measurement of particular prepayable financial assets at amortized cost or at fair value through other comprehensive income if specified conditions are met. The amendments had no impact on the consolidated financial statements.
- Annual improvements (2015-2017). Annual improvements include smaller amendments to four standards. The improvements had no impact on the consolidated financial statements.

The Group plans to adopt the following amendments in 2020:

- Revised IAS 1 Presentation of Financial Statements and revised IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify the definition of material and how it should be applied. The amendments are not expected to have impact on the consolidated financial statements.
- Revised IFRS 3 Business Combinations. The amendments clarify the definition of a business and help to determine whether an acquisition made is of a business or a group of assets. The amendments are not expected to have impact on the consolidated financial statements.
- Revised IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Interest Rate Benchmark Reform). The amendments modify specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rate (IBOR) reform. The Group is reviewing the impacts of Interest Rate Benchmark Reform. The amendments are not expected to have significant impact on the consolidated financial statements.
- Revised Conceptual Framework for Financial Reporting. The amendments include revised definitions for an asset and a liability, new guidance on measurement and derecognition, presentation and disclosure. The amendments are not expected to have impact on the consolidated financial statements.

IFRS 16 Restated opening consolidated statement of financial position

EUR million	Jan 1, 2018	Jan 1, 2018 restated IFRIC 23
Assets		
Tangible assets	1,152.6	1,055.0
Deferred tax assets	52.4	51.2
Non-current assets	**1,944.9**	**1,846.1**
Trade and other current receivables	506.8	507.3
Current assets	**1,084.0**	**1,084.5**
Total assets	**3,028.8**	**2,930.6**
Equity and liabilities		
Retained earnings	898.6	903.6
Total equity attributable to equity holders of the parent	**1,140.4**	**1,145.4**
Non-controlling interest	49.2	49.4
Total equity	**1,189.6**	**1,194.8**
Interest bearing liabilities	731.9	643.7
Deferred tax liabilities	87.0	86.9
Non-current liabilities	**1,089.2**	**1,000.9**
Interest bearing liabilities: Current portion of long term loans	41.5	25.8
Trade and other current liabilities	538.7	539.1
Current liabilities	**750.1**	**734.9**
Total liabilities	**1,839.3**	**1,735.8**
Total equity and liabilities	**3,028.8**	**2,930.6**

1.4. PRINCIPLES OF CONSOLIDATION

Subsidiaries

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

Subsidiaries are accounted for using the acquisition method according to which the consideration transferred and the identifiable assets and liabilities of the acquired company are measured at their fair value at the date of acquisition and the remaining balance of consideration less acquired net asset is recognized as goodwill. Acquisition related costs are expensed as incurred. Any possible contingent consideration is recognized at fair value at the acquisition date and it is classified as a liability or equity. Contingent consideration classified as a liability is remeasured at reporting period closing date and the related profit or loss is recognized in the income statement. Contingent consideration classified as equity is not remeasured. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. Divested subsidiaries are included up to the date the control ceases.

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

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

Associated companies and joint ventures

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

1.5. FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into functional currency at the rates of exchange prevailing at the date of the transaction. The consolidated financial statements are presented in EUR, which is the Group's presentation currency and the parent company's functional currency. Monetary assets and liabilities are translated at the rates of exchange at the reporting period closing date. The exchange rate used at the reporting period closing date is the rate of the date prior to the last working day of the reporting period closing date. Foreign exchange differences arising from translation are recognized in the income statement. Foreign exchange gains and losses relating to operating activities are recognized in the same account as the underlying transaction above Earnings before interest and taxes. Foreign exchange differences relating to financial liability are recognized in financial income or expense except for those currency differences that relate to loans designated as a hedge of the net investment in foreign operations. Those currency differences are recognized as translation differences in other comprehensive income.

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

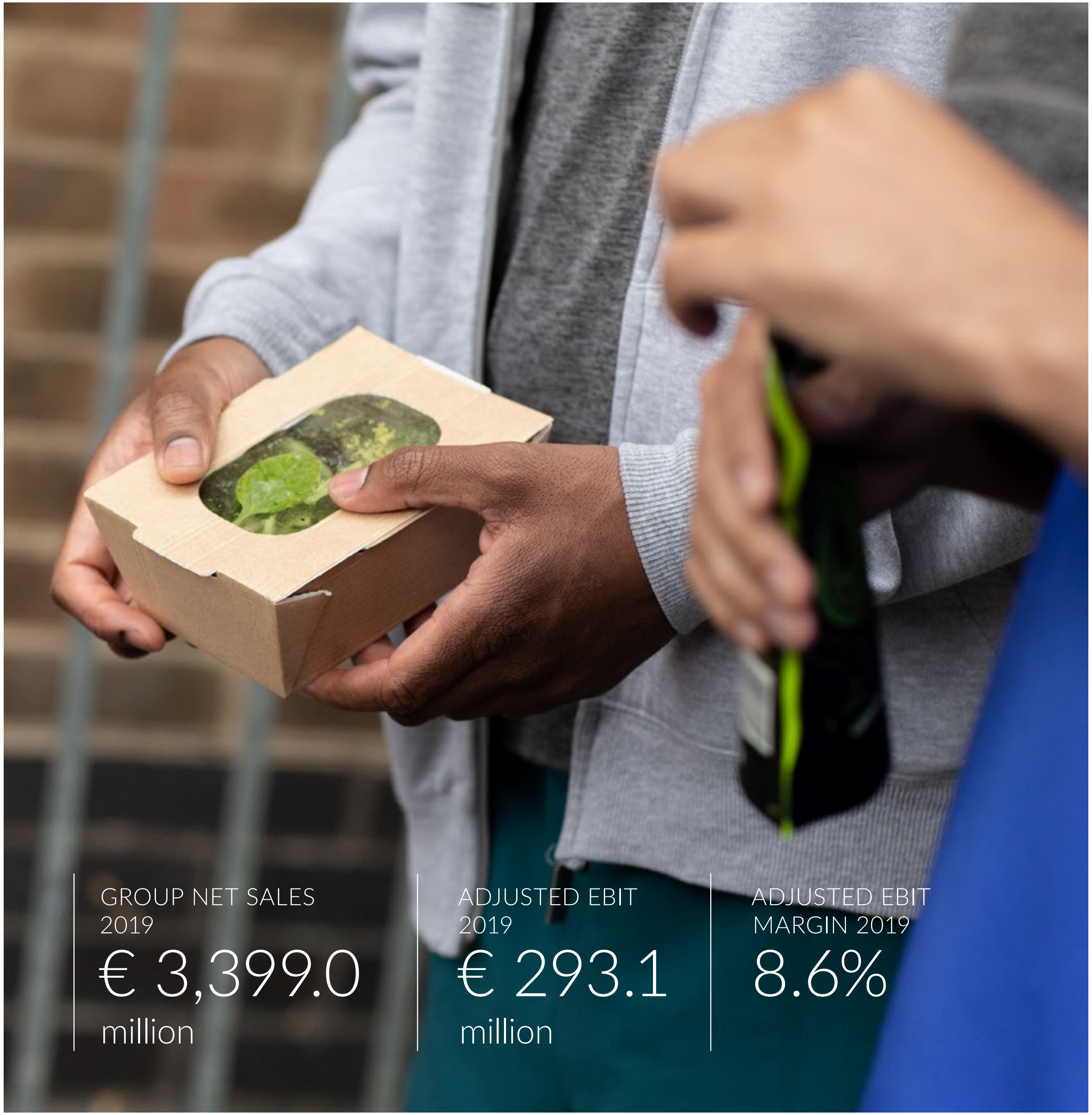
On consolidation, exchange differences arising on the translation of the net investments in foreign subsidiaries, associated companies and joint ventures are recognized as translation differences in other comprehensive income. A similar treatment is applied to intragroup permanent loans, which in substance are equity. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as part of the gain or loss on sale.

1.6. USE OF ESTIMATES AND JUDGMENTS

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

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

Notes to the consolidated financial statements



2. Financial performance

2.1. SEGMENT AND REVENUE INFORMATION

The Group's operating segments are strategic business units which produce different products and which are managed as separate units. The Group's segment information is based on internal management reporting. The Group has three business areas which are organized into four reporting segments:

Foodservice Packaging:

- **Foodservice Europe-Asia-Oceania:** Foodservice paper and plastic disposable tableware is supplied to foodservice operators, fast food restaurants and coffee shops. The segment has production in Europe, Middle East, Asia, Africa and Oceania.
- **North America:** The segment serves local markets in North America with Chinet® disposable tableware products, foodservice packaging products, as well as ice cream containers and other consumer goods packaging products. The segment has rigid

paper, plastic and molded fiber manufacturing units in the United States and Mexico.

Flexible Packaging:

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

Fiber Packaging:

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

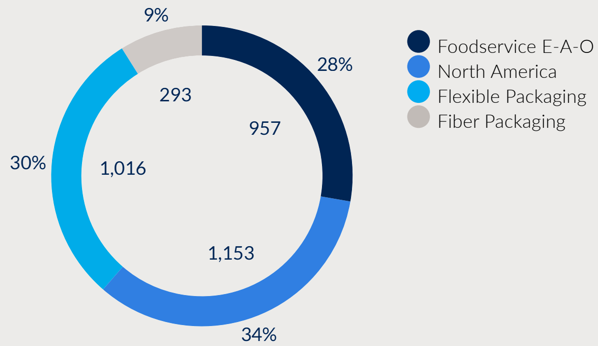
In the Group the performance assessment of segments and decisions on allocation of resources to segments are based on a segment's potential to generate earnings before interest and taxes (EBIT), operating cash flow and return on net assets. In management's opinion these are the most suitable key indicators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

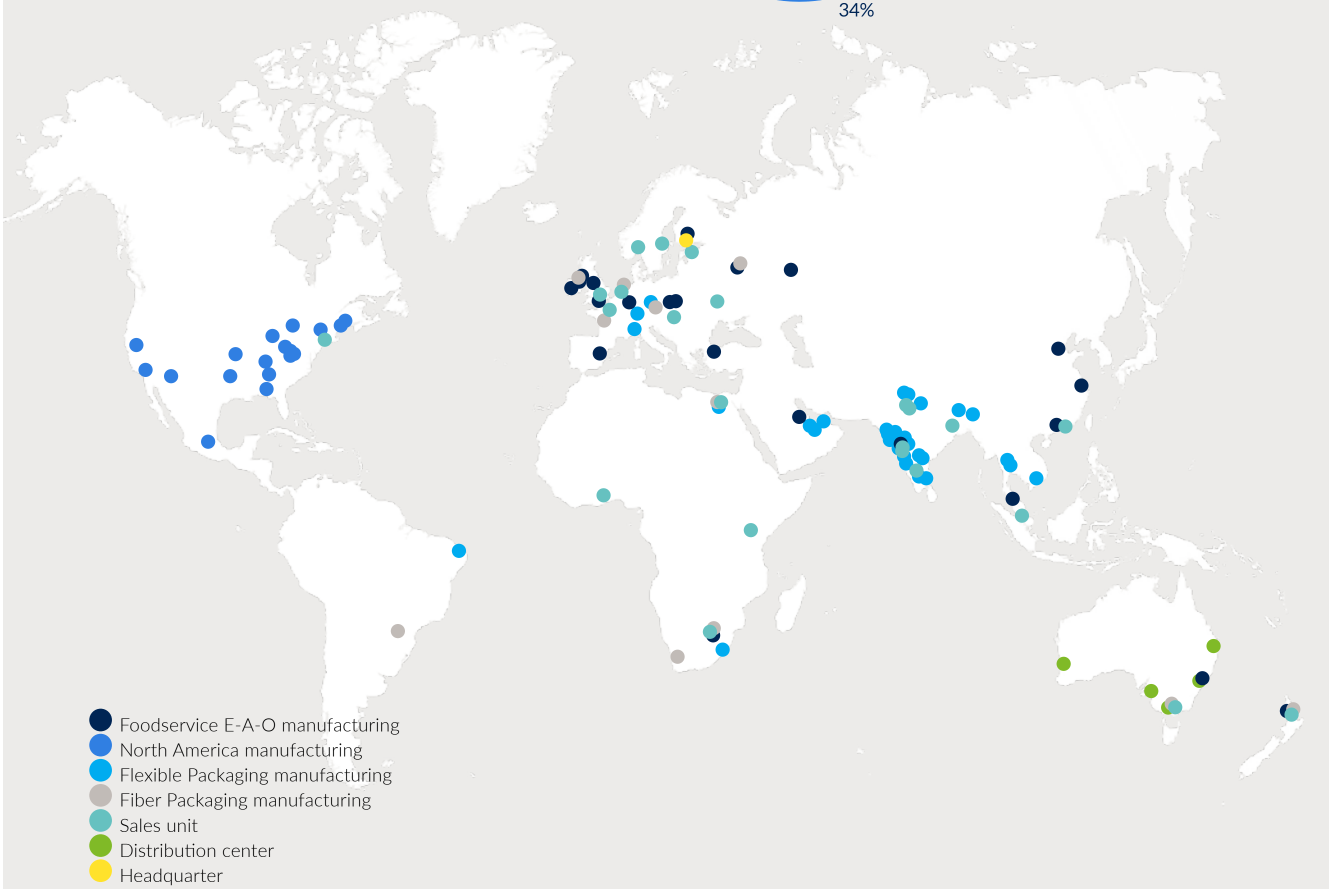
Segment's net assets include items directly attributable to a segment and items which can be allocated on a reasonable basis. Net assets comprise intangible assets (including goodwill), tangible assets, equity-accounted investments, inventories, trade and other receivables, accrued income and prepayments,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

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

GROUP NET SALES 2019

€ 3,399.0 million





Segments 2019

EUR million	Foodservice Europe-Asia-Oceania	North America	Flexible Packaging	Fiber Packaging	Segments total
Net sales	952.8	1,145.3	1,011.5	289.4	3,399.0
Intersegment net sales	3.9	7.4	4.9	4.0	-20.2
EBIT	85.1	108.3	82.0	27.8	303.2
Net assets	799.8	836.0	769.0	236.6	2,641.3
Capital expenditure	74.7	54.6	44.4	29.5	203.2
Depreciation and amortization	50.7	50.4	38.6	19.7	159.5
RONA, % (12m roll.)	11.4%	12.7%	11.0%	12.1%	-
Operating cash flow	66.8	125.0	88.8	22.4	-

Segments 2018

EUR million	Foodservice Europe-Asia-Oceania	North America	Flexible Packaging	Fiber Packaging	Segments total
Net sales	876.2	995.7	951.8	280.0	3,103.6
Intersegment net sales	5.6	7.1	0.5	3.1	-16.1
EBIT	63.9	62.3	58.1	29.1	213.3
Net assets	707.5	825.6	704.7	221.6	2,459.3
Capital expenditure	57.8	62.9	49.7	23.4	193.7
Depreciation and amortization	50.9	55.4	35.8	18.8	161.0
RONA, % (12m roll.)	9.9%	7.9%	8.6%	13.2%	-
Operating cash flow	53.9	19.8	42.2	25.1	-

Intersegment net sales are eliminated on consolidation.

Net sales from transactions with a single customer do not amount 10 percent or more of the Group's net sales.

ⓘ | *See notes 3.1., 2.3., 3.3. and 3.4.*

ACCOUNTING PRINCIPLES

Revenue recognition

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

Typical contracts with customers include a sale of goods to a customer with only one performance obligation. The revenue recognition occurs at a point in time, when the control of the goods is transferred to the customer according to the delivery terms. Payment terms are typical to the business and contracts do not include significant financing components.

Earnings before interest and taxes

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

Reconciliation calculations

Result

EUR million	2019	2018
Total EBIT for operating segments	303.2	213.3
EBIT for other activities	-17.7	12.2
Net financial items	-28.8	-31.2
Profit before taxes	**256.7**	**194.4**

Assets

EUR million	2019	2018
Total assets for operating segments	3,243.3	2,979.7
Assets in other activities	16.3	23.7
Unallocated assets	351.0	236.1
Group's total assets	**3,610.6**	**3,240.0**

Liabilities

EUR million	2019	2018
Total liabilities for operating segments	602.0	520.4
Liabilities in other activities	43.9	32.2
Unallocated liabilities	1,527.7	1,420.1
Group's total liabilities	**2,173.6**	**1,972.7**

Geographical information

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

2019

EUR million	External net sales	Non-current assets
The United States	1,140.4	666.3
Germany	435.0	145.2
India	305.5	113.0
The United Kingdom	229.6	143.2
Australia	156.2	57.9
Thailand	125.7	68.1
China	115.4	86.3
Russia	107.9	59.9
The United Arab Emirates	95.8	46.3
Poland	88.2	61.5
Other countries	599.2	726.3
Total	**3,399.0**	**2,174.0**

2018

EUR million	External net sales	Non-current assets
The United States	992.7	641.6
Germany	444.4	141.0
India	280.9	113.4
The United Kingdom	219.1	132.8
Australia	128.4	61.6
Thailand	109.1	61.4
China	108.1	86.5
Russia	97.3	40.7
The United Arab Emirates	85.3	45.2
Poland	80.6	54.7
Other countries	557.7	597.9
Total	**3,103.6**	**1,976.8**

2.2. EMPLOYEE BENEFITS

Personnel expenses

EUR million	2019	2018
Wages and Salaries	559.1	517.5
Compulsory social security contributions	59.2	54.4
Pensions		
Defined benefit plans	6.7	7.6
Defined contribution plans	17.3	17.0
Other post-employment benefits	2.0	1.9
Share-based payments	1.8	-0.6
Other personnel expenses	40.3	39.0
Total	**686.3**	**636.9**

Remuneration paid by the parent company to the members of the Board of Directors as well as the Chief Executive Officer (CEO) of Huhtamäki Oyj (8 people) amounted to EUR 2.3 million (9 people, EUR 3.2 million).

Average number of personnel	2019	2018
Group	18,125	17,801
Huhtamäki Oyj	106	98

See note 6.2. and Remuneration Statement.

Pension plans

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

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

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

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

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

ACCOUNTING PRINCIPLES

Employee benefits

Employee benefits are all forms of consideration given in exchange for service rendered by employees or for the termination of employment. In addition, the Group has personnel expenses related to share-based payments and other personnel expenses.

The Group companies have various pension and other post-employment benefit plans in accordance with local conditions and practices worldwide. These plans are classified as either defined contribution plans or defined benefit plans.

In defined contribution plans, the Group pay fixed contributions into a separate entity such as an insurance company. The Group has no legal or constructive obligations to pay further contributions. The contributions are recognized in the income statement as personnel expenses in the period to which they relate.

In defined benefit plans, the Group is obligated for the current contributions, but also for sufficiency of the plan assets to provide agreed benefits for employees. The liability recognized in the statement of financial position is the present value of defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of defined benefit plan obligation is calculated annually by independent actuaries using projected unit credit method. The present value is determined by discounting estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have maturity terms approximating to the terms of the related obligation. The cost of providing defined benefit plans is recognized in the income statement as personnel expense, when the service is rendered by employees or when a plan amendment or curtailment takes place. The net interest expense is recognized in the income statement as financial expense. Remeasurements, including actuarial gains or losses, are recognized through other comprehensive income in shareholder's equity in the period which they rise and are not reclassified to profit or loss in subsequent periods.

EUR million	Defined benefit obligations 2019	Defined benefit obligations 2018	Fair value of plan assets 2019	Fair value of plan assets 2018	Net defined benefit liability 2019	Net defined benefit liability 2018
Balance at January 1	539.6	566.1	-383.6	-403.6	156.0	162.5
Included in Income statement						
Current service cost	8.7	9.3			8.7	9.3
Plan amendment and curtailment cost (+) / income (-)	0.0	0.2			0.0	0.2
Interest cost (+) / income (-)	15.2	13.9	-12.3	-11.1	2.9	2.9
	23.9	**23.4**	**-12.3**	**-11.1**	**11.6**	**12.4**
Included in Other comprehensive income						
Remeasurements						
Actuarial loss (+) / gain (-) arising from						
Demographic assumptions	-14.8	-0.7			-14.8	-0.7
Financial assumptions	65.2	-18.9			65.2	-18.9
Experience adjustment	-2.5	-0.6			-2.5	-0.6
Actual return on plan assets less interest income			-36.5	15.7	-36.5	15.7
	47.8	**-20.2**	**-36.5**	**15.7**	**11.3**	**-4.5**
Other movements						
Benefits paid	-32.4	-32.0	25.5	25.0	-7.0	-7.0
Contribution by employer			-3.1	-4.6	-3.1	-4.6
Contribution by employee			-0.3	-0.4	-0.3	-0.4
Obligations and assets assumed in business combinations	-	0.1	-	-0.1	-	0.0
Effect of movements in exchange rates	12.4	2.2	-11.2	-4.6	1.2	-2.5
Balance at December 31	**591.3**	**539.6**	**-421.5**	**-383.6**	**169.8**	**156.0**

Reflected to statement of financial position	2019	2018
Employee benefit assets	55.4	49.1
Employee benefit liabilities	225.2	205.1
	169.8	**156.0**

Amounts of funded and unfunded obligations	2019	2018
Present value of funded obligations	555.9	500.7
Presend value of unfunded obligations	35.4	38.9
	591.3	**539.6**

Plan assets comprise:	2019	2018
European equities	14.2	9.0
North American equities	59.9	49.3
European debt instruments	26.3	16.2
North American debt instruments	112.9	111.6
Property	21.0	20.4
Insured plans	85.6	87.5
Other	101.5	89.6
	421.5	**383.6**

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

Expected contribution to defined benefit plans during 2020 is EUR 5.3 million.

The weighted average duration of defined benefit obligation was 14 years (14 years).

Significant actuarial assumptions	2019	2018
Discount rate %		
Europe	0.3–2.3	1.4–2.9
Americas	3.0–7.4	4.1–7.8
Asia, Oceania, Africa	1.8–9.1	3.4–9.3
Annual increase in healthcare costs %		
Americas	6.1	6.4
Asia, Oceania, Africa	6.2	6.9

The effect of changes of significant actuarial assumptions on the defined benefit obligations

EUR million	2019	2018
1% p. increase in discount rate	-49.0	-41.6
1% p. decrease in discount rate	60.8	50.9
1% p. increase of estimated healthcare cost	1.4	1.4
1% p. decrease of estimated healthcare cost	-1.2	-1.2

2.3. DEPRECIATION AND AMORTIZATION

EUR million	2019	2018
Depreciation and amortization by function:		
Production	133.3	137.8
Sales and marketing	1.4	1.4
Research and development	0.5	0.3
Administration	6.6	6.4
Other	21.5	18.8
Total	**163.2**	**164.7**

EUR million	2019	2018
Depreciation and amortization by asset type:		
Land	1.2	1.1
Buildings	33.5	28.7
Machinery and equipment	112.7	119.9
Other tangible assets	6.9	5.8
Intangible assets	9.0	9.1
Total	**163.2**	**164.7**

ACCOUNTING PRINCIPLES

Depreciation and amortization

Depreciation and amortization is recorded on a straight-line basis over the estimated useful lives of the owned tangible and intangible assets or over the lease term of right-of-use assets. Land is not depreciated.

The estimated useful lives of the owned tangible and intangible assets are (years):

Buildings and other structures	20–40
Machinery and equipment	5–15
Other tangible assets	3–12
Intangible assets	3–20

ⓘ | *See notes 2.1., 3.3. and 3.4.*

2.4. RESTRUCTURING ITEMS

In 2019 the Group did not implement any new restructuring programs. In 2018 restructuring costs of EUR 36.2 million were booked in all segments relating to program to improve efficiency and profitability. The planned actions are estimated to result in annual improvements of approximately EUR 15–18 million with full impact in 2020.

2.5. OTHER OPERATING INCOME

EUR million	2019	2018
Grants	2.0	1.4
Gain on disposal of tangible assets	1.4	2.3
Royalty income	0.1	6.4
Gain from selling confectionary trademark portfolio	-	14.2
Rental income	0.3	0.6
Other	3.6	3.5
Total	**7.4**	**28.5**

2.6. OTHER OPERATING EXPENSES

EUR million	2019	2018
Amortization of intangible assets	9.0	9.1
Losses from property damage incidents	4.3	-
Strategic project expenses	2.2	2.3
Loss on disposal of tangible assets	1.0	0.6
Environmental provision	1.0	-
Other	2.3	0.2
Total	**19.8**	**12.2**

In 2019, total auditing costs of the Group amounted to EUR 2.2 million (EUR 2.0 million). The Ernst & Young network has also provided other consultancy not related to auditing worth of EUR 0.5 million (EUR 0.6 million). Such other consultancy services are subject to separate review and approval process concerning the provision of non-audit services by the Auditor and included e.g. advisory in connection with various tax, reporting and other local compliance matters.

ACCOUNTING PRINCIPLES

Other operating income

Other operating income includes gains from disposal of assets and regular incomes, such as royalty income, rental income and gains relating to business combinations, which have not been derived from primary activities.

Other operating income includes also grants. Government or other grants are recognized in the income statement on a systematic basis in the same periods in which the expenses are incurred. Investment grants are presented in the statement of financial position as deferred income and recognized as income on a systematic basis over the useful life of the asset.

ACCOUNTING PRINCIPLES

Other operating expenses

Other operating expenses include amortization of intangible assets, losses from disposal of assets and other costs not directly related to production or sale of products such as strategic project expenses.

2.7. INCOME TAXES

EUR million	2019	2018
Current period taxes	47.1	39.9
Previous period taxes	-0.5	-5.5
Deferred tax expense	11.1	3.1
Total tax expense	**57.8**	**37.5**
Profit before taxes	256.7	194.4
Tax calculated at domestic rate (20%)	51.3	38.9
Effect of different tax rates in foreign subsidiaries	5.1	7.3
Non-deductible expenses and tax-exempt income	-3.6	-9.2
Tax effect of unrecognized tax losses	4.6	2.9
Previous period taxes	-0.5	-5.5
Other items[1]	0.7	3.1
Total tax expense	**57.8**	**37.5**

[1] Other items include changes in local tax rates.

Tax effects relating to components of other comprehensive income

	2019			2018		
EUR million	Before tax amount	Tax expense/ benefit	Net of tax amount	Before tax amount	Tax expense/ benefit	Net of tax amount
Cash flow hedges	-5.0	0.6	-4.3	2.2	-0.3	1.9
Remeasurements on defined benefit plans	-11.3	8.3	-3.1	4.5	-1.1	3.4

ACCOUNTING PRINCIPLES

Income taxes

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

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

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

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

Deferred taxes

EUR million	2019	2018
Deferred tax assets by types of temporary differences		
Tangible assets	3.5	2.9
Employee benefit	48.1	34.5
Provisions	4.5	3.1
Unused tax losses	15.3	19.1
Other temporary differences	19.5	26.0
Total	**90.9**	**85.6**
Deferred tax liabilities		
Tangible assets	78.8	78.8
Intangible assets	10.4	10.4
Employee benefit	20.6	15.4
Other temporary differences	27.8	24.3
Total	**137.6**	**128.9**
Net deferred tax liabilities	46.8	43.3
Reflected in statement of financial position as follows:		
Deferred tax assets	50.9	47.8
Deferred tax liabilities	97.7	91.1
Total	**46.8**	**43.3**

December 31, 2019 the Group had EUR 144 million (EUR 127 million) worth of deductable temporary differences, for which no deferred tax asset was recognised. EUR 131 million of these temporary differences have unlimited expiry, EUR 3 million expire over five years and EUR 10 million in five years.

2.8. EARNINGS AND DIVIDEND PER SHARE

Earnings per share

	2019	2018
Net income attributable to equity holders of the parent company (basic/diluted), EUR million	190.1	155.4
Weighted average number of shares outstanding, in thousands	104,345	104,281
Effect of share-based payments, in thousands	0	0
Diluted weighted average number of shares outstanding, in thousands	**104,345**	**104,281**
Earnings per share from the profit for the period attributable to equity holders of the parent company		
Basic earnings per share, EUR	1.82	1.49
Diluted earnings per share, EUR	1.82	1.49

Dividend per share

The dividends paid in 2019 were EUR 0.84 per share, totalling EUR 88 million (EUR 0.80 per share, totalling EUR 83 million). A dividend of EUR 0.89 per share will be proposed at the Annual General Meeting on April 29, 2020, corresponding to total dividends of EUR 93 million for 2019. This dividend is not reflected in the financial statements.

ACCOUNTING PRINCIPLES

Earnings per share

The basic earnings per share figure is calculated by dividing the net income attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of shares by the effect of diluting shares due to Performance Share Arrangement in the Group.

Dividend per share

Dividends proposed by the Board of Directors are not recognized in the financial statements until they have been approved by the Company's shareholders at the Annual General Meeting.

Notes to the consolidated financial statements

3. Acquisitions and capital expenditure

3.1. BUSINESS COMBINATIONS

On December 18, 2019 Huhtamaki completed the acquisition of the majority of the business of Everest Flexibles (Pty) Limited ("Everest"), a privately-owned flexible packaging manufacturer in South Africa. The annual net sales of the acquired business is approximately EUR 40 million and it employs altogether approximately 460 people.

The consideration of EUR 45.4 million was paid partly in cash and partly in shares, as the sellers of Everest entered into a joint venture also with Huhtamaki's Flexible Packaging, Foodservice and Fiber Packaging operations in South Africa. As a result, the sellers of Everest now own 30% of all Huhtamaki's activities in South Africa.

The business has been consolidated into Flexible Packaging business segment as of December 1, 2019. The goodwill is expected to be non-deductible for income tax purposes. The costs relating

to advice etc. services EUR 0.6 million are included in the Group income statement in the account Other operating expenses. The initial accounting of business combination is ongoing and the presented values of assets, liabilities and goodwill may change when the accounting is finalized.

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

EUR million	2019
Tangible assets	16.9
Inventories	6.9
Trade and other receivables	11.9
Cash and cash equivalents	0.4
Total assets	**36.1**
Trade and other payables	-8.6
Total liabilities	**-8.6**
Net assets total	**27.4**
Non-controlling interest	-8.2
Goodwill	26.2
Consideration	**45.4**
Consideration, paid in cash	32.2
Consideration, paid in shares	13.3

Analysis of cash flows of acquisition

EUR million	2019
Purchase consideration, cash payment	-32.2
Cash and cash equivalents in acquired company	0.4
Transaction costs of the acquisition	-0.6
Net cash flow on acquisition	**-32.3**

The net sales of the acquired business included in the Group income statement since acquisition date were EUR 2.6 million and the result for the period was EUR 0.1 million. The Group net sales would have been EUR 3,439.6 million and the profit for the period EUR 200.3 million, if the acquired business had been consolidated from January 1, 2019.

On January 10, 2020, Huhtamaki completed the acquisition of the assets and operations of Mohan Mutha Polytech Private Limited (MMPPL), a privately-owned flexible packaging manufacturer located in Sri City, Andhra Pradesh, India. MMPPL has approximately 160 employees and its net sales in 2018 were approximately EUR 9 million. The debt-free purchase price was approximately EUR 10 million.

The business will be reported as part of the Flexible Packaging business segment as of January 10, 2020. At the time the financial statements are authorized for issue, the initial accounting for the business combination is still incomplete and details are not yet disclosed.

ACCOUNTING PRINCIPLES

Acquisitions

Subsidiaries are accounted for using the acquisition method according to which the consideration transferred and the identifiable assets and liabilities of the acquired company are measured at their fair value at the date of acquisition and the remaining balance of consideration less acquired net asset is recognized as goodwill. Acquisition related costs are expensed as incurred. Any possible contingent consideration is recognized at fair value at the acquisition date and it is classified as a liability or equity. Contingent consideration classified as a liability is remeasured at reporting period closing date and the related profit or loss is recognized in the income statement. Contingent consideration classified as equity is not remeasured. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group.

At the acquisition date, the non-controlling interests are valued either at the acquisition date fair values or at non-controlling interests' proportionate share in the recognized amounts of the identifiable net assets.

3.2. GOODWILL

Goodwill allocation by groups of cash-generating unit

Goodwill acquired through business combinations has been allocated to the level of groups of cash-generating units that are expected to benefit from the synergies of the acquisition, which represent the lowest level at which the goodwill is monitored for internal management purposes. Goodwill allocation by groups of cash-generating units and the weighted average pre-tax discount interest rates used in discounting the projected cash flows to their present value are presented in the table below:

	2019		2018	
EUR million	Goodwill	Discount interest rates used (pre-tax), %	Goodwill	Discount interest rates used (pre-tax), %
North America	225.9	8.3	223.1	9.3
Flexible Packaging Global	143.4	12.0	114.2	11.6
Foodservice EAO Global	100.3	8.4	96.0	9.8
Flexible Packaging Europe	95.9	7.9	95.7	8.0
	565.5		**529.0**	
Multiple units with smaller goodwill amount	170.2	8.3–28.6	169.0	8.3–30.4
Total goodwill	**735.7**		**698.1**	

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

Impairment testing

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

In assessing whether goodwill has been impaired, the carrying value of the group of cash-generating units has been compared to the recoverable amount of the group of cash-generating units. The recoverable amount is based on value-in-use, which is estimated using a discounted cash flow model. The cash flows are determined using five year cash flow forecasts, which are based on business plans. The plans are based on past experience as well as future expected market trend. The plans are approved by management and are valid when impairment test is performed. Cash flows for future periods are extrapolated by using 0.9 percent growth rate in developed countries, 1.2 percent growth rate in developing countries and 2.7 percent growth rate in high growth countries. The management views these growth rates as being appropriate for the business, given the long time horizon of the testing period.

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

ACCOUNTING PRINCIPLES

Goodwill

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

Impairment testing

Goodwill is tested annually or more frequently if there are indications of impairment. In assessing whether goodwill has been impaired, the carrying value of the group of cash-generating units has been compared to the recoverable amount of the group of cash-generating units. The recoverable amount is based on value-in-use, which is estimated using a discounted cash flow model. The cash flows are determined using five year cash flow forecasts, which are based on business plans. Cash flows for future periods are extrapolated by using defined growth rates for developed countries, developing countries and high growth countries. The discount rate used in the calculation reflects the weighted average cost of capital (WACC) and risks to the asset under review.

A goodwill impairment loss is recognized immediately as an expense and is not subsequently reversed.

3.3. INTANGIBLE ASSETS

EUR million	Goodwill	Customer relations	Software	Other intangibles (including intangible rights)	Total 2019
Acquisition cost on January 1, 2019	808.8	39.6	86.6	24.4	959.4
Additions	-	-	0.8	1.2	1.9
Disposals	-	-	-0.7	-0.5	-1.1
Intra-balance sheet transfer	-	-	1.5	0.1	1.6
Business combinations	26.2	-	-	-	26.2
Changes in exchange rates	12.7	1.1	0.7	0.2	14.7
Acquisition cost on December 31, 2019	847.6	40.8	88.9	25.4	1,002.6
Accumulated amortization and impairment on January 1, 2019	110.7	23.4	76.6	10.2	220.9
Accumulated amortization on disposals and transfers	-	-	-0.7	-0.0	-0.7
Amortization during the financial year	-	4.4	3.5	1.1	9.0
Changes in exchange rates	1.2	0.7	0.6	0.1	2.6
Accumulated amortization and impairment on December 31, 2019	111.9	28.5	80.0	11.3	231.7
Book value on December 31, 2019	**735.7**	**12.2**	**8.9**	**14.1**	**771.0**

Emission rights are included in other intangible rights and are valued at fair value on January 2, 2019. The value of emission rights at balance sheet date was EUR 1.1 million (EUR 0.4 million).

EUR million	Goodwill	Customer relations	Software	Other intangibles (including intangible rights)	Total 2018
Acquisition cost on January 1, 2018	743.9	34.5	81.3	22.8	882.5
Additions	-	-	1.0	0.4	1.4
Disposals	-	-	-1.4	-0.4	-1.7
Intra-balance sheet transfer	-	-	5.6	0.8	6.5
Business combinations	56.9	5.0	0.1	1.1	63.1
Changes in exchange rates	7.9	0.1	0.0	-0.4	7.6
Acquisition cost on December 31, 2018	808.8	39.6	86.6	24.4	959.4
Accumulated amortization and impairment on January 1, 2018	110.1	17.7	74.9	9.5	212.2
Accumulated amortization on disposals and transfers	-	-	-1.1	-	-1.2
Amortization during the financial year	-	5.4	2.7	1.0	9.1
Changes in exchange rates	0.6	0.3	0.1	-0.3	0.7
Accumulated amortization and impairment on December 31, 2018	110.7	23.4	76.6	10.2	220.9
Book value on December 31, 2018	**698.1**	**16.2**	**10.0**	**14.2**	**738.5**

ACCOUNTING PRINCIPLES

Intangible asset

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

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

The estimated useful lives are (years):

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

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

3.4. TANGIBLE ASSETS

Impairment of assets

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

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

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

EUR million	2019	2018
Owned property, plant and equipment	1,242.8	1,113.7
Right-of-use assets	155.3	119.6
Total tangible assets	**1,398.1**	**1,233.4**

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2019
Acquisition cost on January 1, 2019	29.6	386.1	1,650.6	135.6	85.3	2,287.3
Additions	-	1.7	14.8	186.9	2.1	205.5
Disposals	-	-4.0	-21.0	-0.1	-1.7	-26.8
Intra-balance sheet transfer	0.0	37.0	166.3	-204.3	4.5	3.5
Business combinations	-	-	16.8	-	0.0	16.8
Changes in exchange rates	1.2	11.3	45.5	6.1	1.4	65.5
Acquisition cost on December 31, 2019	30.8	432.1	1,873.1	124.2	91.6	2,551.7
Accumulated depreciation and impairment on January 1, 2019	-	149.1	967.2	-	57.3	1,173.5
Accumulated depreciation on disposals and transfers	-	0.7	-20.8	-	-1.1	-21.2
Depreciation during the financial year	-	16.6	103.9	-	6.8	127.3
Changes in exchange rates	-	3.9	24.4	-	0.9	29.2
Accumulated depreciation and impairment on December 31, 2019	-	170.3	1,074.8	-	63.9	1,308.9
Book value on December 31, 2019	**30.8**	**261.8**	**798.4**	**124.2**	**27.7**	**1,242.8**

ACCOUNTING PRINCIPLES

Tangible asset

Tangible assets include both owned property, plant and equipment and right-of-use assets.

Tangible assets comprising mainly of land, buildings, machinery, tooling and equipment are valued at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of material, direct labor costs and an appropriated proportion of production overheads. When an asset includes major components that have different useful lives, they are accounted for as separate items. The costs of right-of-use assets include the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less lease incentives received, any direct costs and an estimate of dismantling costs. The carrying amount is further adjusted for any remeasurement of the lease liability.

Expenditure incurred to replace a component in a tangible asset that is accounted for separately, including major inspection and overhaul costs, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the asset. All other expenditure such as ordinary maintenance and repairs is recognized in the income statement as an expense as incurred. The borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the acquisition cost.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the owned property, plant and equipment or over the lease term of right-of-use assets. Land is not depreciated.

The estimated useful lives of the owened property, plant and equipment are (years):

The estimated useful lives are (years):

Buildings and other structures	20–40
Machinery and equipment	5–15
Other tangible assets	3–12

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

EUR million	ROU Land	ROU Buildings and constructions	ROU Machinery and equipment	ROU Other tangible assets	Total 2019
Acquisition cost on January 1, 2019	23.4	131.7	40.5	0.5	196.1
Additions	0.2	96.7	11.7	0.2	108.9
Disposals	-2.7	-48.2	-13.4	-0.0	-64.4
Intra-balance sheet transfer	-	-5.1	-	-	-5.1
Business combinations	-	-	-	-	-
Changes in exchange rates	0.7	2.6	1.0	0.0	4.3
Acquisition cost on December 31, 2019	21.6	177.7	39.8	0.7	239.8
Accumulated depreciation and impairment on January 1, 2019	9.6	46.5	21.9	0.3	78.3
Accumulated depreciation on disposals and transfers	-0.3	-10.2	-11.7	-0.0	-22.2
Depreciation during the financial year	1.2	16.9	8.8	0.1	27.0
Changes in exchange rates	0.3	0.6	0.6	0.0	1.5
Accumulated depreciation and impairment on December 31, 2019	10.7	53.8	19.6	0.4	84.5
Book value on December 31, 2019	**10.9**	**123.9**	**20.2**	**0.3**	**155.3**

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2018
Acquisition cost on January 1, 2018	28.3	371.6	1,533.9	128.7	75.6	2,138.1
Additions	0.6	0.5	9.5	180.7	2.8	194.1
Disposals	-0.0	-4.6	-47.4	0.4	-2.9	-54.6
Intra-balance sheet transfer	0.0	13.3	141.7	-173.3	9.0	-9.3
Business combinations	0.2	0.8	8.3	-	1.2	10.5
Changes in exchange rates	0.6	4.4	4.6	-0.8	-0.4	8.4
Acquisition cost on December 31, 2018	29.6	386.1	1,650.5	135.6	85.3	2,287.3
Accumulated depreciation and impairment on January 1, 2018	-	138.0	897.9	-	54.7	1,090.5
Accumulated depreciation on disposals and transfers	-	-4.7	-45.9	-	-2.8	-53.4
Depreciation during the financial year	-	14.7	111.2	-	5.7	131.6
Changes in exchange rates	-	1.1	4.0	-	-0.3	4.8
Accumulated depreciation and impairment on December 31, 2018	-	149.1	967.2	-	57.3	1,173.5
Book value on December 31, 2018	**29.6**	**237.0**	**683.4**	**135.6**	**28.1**	**1,113.7**

EUR million	ROU Land	ROU Buildings and constructions	ROU Machinery and equipment	ROU Other tangible assets	Total 2018
Acquisition cost on January 1, 2018	23.1	101.2	35.2	0.4	160.0
Additions	0.8	12.8	7.1	0.1	20.8
Disposals	-0.9	-7.1	-4.2	-	-12.2
Intra-balance sheet transfer	-	2.8	0.0	-	2.9
Business combinations	-	22.3	2.3	-	24.6
Changes in exchange rates	0.4	-0.3	-0.1	0.0	0.0
Acquisition cost on December 31, 2018	23.4	131.7	40.5	0.5	196.1
Accumulated depreciation and impairment on January 1, 2018	8.2	32.0	16.5	0.2	56.9
Accumulated depreciation on disposals and transfers	0.0	-1.1	-3.6	-	-4.7
Depreciation during the financial year	1.2	13.9	8.9	0.1	24.1
Changes in exchange rates	0.2	0.0	-0.0	-0.0	0.2
Accumulated depreciation and impairment on December 31, 2018	9.6	44.8	21.8	0.3	76.4
Book value on December 31, 2018	**13.8**	**86.9**	**18.6**	**0.2**	**119.6**

Notes to the consolidated financial statements

4.

Working capital

4.1. INVENTORIES

EUR million	2019	2018
Raw and packaging material	161.6	177.3
Work-In-Process	65.7	69.1
Finished goods	265.4	242.3
Advance payments	5.2	9.0
Total	**497.8**	**497.7**

The value at cost for finished goods amounts to EUR 280.9 million (EUR 254.2 million). An allowance of EUR 20.7 million (EUR 20.9 million) has been established for obsolete items. Total inventories include EUR 4.4 million resulting from reversals of previously written down values (EUR 5.7 million).

4.2. TRADE AND OTHER CURRENT RECEIVABLES

EUR million	2019	2018
Trade receivables	492.3	461.3
Other receivables	62.9	37.8
Accrued interest and other financial items	13.1	16.7
Other accrued income and prepaid expenses	27.6	22.3
Total	**595.9**	**538.2**

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

Aging and impairment losses of trade receivables at the closing date

EUR million	Gross 2019	Impairment 2019	Gross 2018	Impairment 2018
Not past due	430.7	1.9	397.9	1.9
Past due 0–30 days	42.7	0.2	49.1	0.9
Past due 31–120 days	18.4	1.5	14.7	1.0
Past due more than 120 days	7.9	3.8	8.7	5.3
Total	**499.6**	**7.3**	**470.3**	**9.0**

ACCOUNTING PRINCIPLES

Inventories

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

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

ACCOUNTING PRINCIPLES

Trade and other current receivables

Trade and other current receivables are intially measured at amortized cost by using the effective interest rate method. The Group uses its historical credit loss experience adjusted with current conditions and forecasts to future conditions to estimate credit losses for financial assets.

4.3. PROVISIONS

Restructuring provisions

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

Other provisions

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

EUR million	Restructuring reserve	Other	Total 2019	Total 2018
Provision on January 1, 2019	16.9	14.8	31.7	22.7
Translation difference	0.0	0.3	0.3	0.4
Provisions made during the year	-	4.6	4.6	23.8
Provisions used during the year	-10.6	-3.6	-14.3	-14.4
Unused provisions reversed during the year	-	-0.6	-0.6	-0.9
Provision on December 31, 2019	**6.2**	**15.4**	**21.6**	**31.7**
Current	5.5	3.0	8.4	17.2
Non-current	0.8	12.4	13.2	14.4

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

ACCOUNTING PRINCIPLES

Provisions

Provisions are recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle such obligation, and a reliable estimate of the amount of the obligation can be made. Provisions arise from restructuring plans, onerous contracts, legal proceedings and from environmental litigation risks. Obligations arising from restructuring plans are recognized when the detailed and formal plans have been established and when there is a valid expectation that such plan will be carried out (plan has been announced). Provision from emissions is recognized according to actual emissions.

4.4. TRADE AND OTHER CURRENT LIABILITIES

EUR million	2019	2018
Trade payables	405.6	361.3
Other payables	90.0	62.6
Accrued interest expense and other financial items	20.7	16.0
Personnel and social security accruals	72.7	39.5
Other accrued expenses	62.1	78.6
Total	**651.0**	**558.0**

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

ACCOUNTING PRINCIPLES

Trade and other current liabilities are measured at amortized cost.

Notes to the consolidated financial statements

5.

Capital structure and financial items

5.1. NET FINANCIAL ITEMS

EUR million	2019	2018
Interest income		
Financial assets at amortized cost		
Interest-bearing receivables and other receivables	3.8	2.3
Financial assets at fair value through profit or loss		
Derivatives	0.9	0.0
Defined benefit plans	2.0	1.8
Dividend income		
Other investments	0.0	0.1
Other financial income		
FX revaluation gains		
Interest-bearing assets and liabilities	0.5	0.2
Derivatives	1.1	0.0
Financial income	**8.4**	**4.4**
Interest expense		
Financial liabilities measured at amortized cost		
Interest-bearing liabilities (excl. lease liabilities)	-13.7	-16.9
Lease liabilities	-4.4	-4.4
Financial liabilities at fair value through profit or loss		
Derivatives	-11.5	-7.6
Defined benefit plans	-4.9	-4.7
Other financial expense		
FX revaluation losses		
Interest-bearing assets and liabilities	-0.3	-0.4
Derivatives	-0.6	0.0
Fees related to committed credit facilities	-1.7	-1.4
Other fees	-0.1	-0.1
Financial expense	**-37.1**	**-35.6**
Net financial items	**-28.8**	**-31.2**

ACCOUNTING PRINCIPLES

Net financial items

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

5.2. INTEREST-BEARING RECEIVABLES

	2019		2018	
EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Current				
Loan receivables	11.6	11.6	9.4	9.4
Finance lease receivables	1.3	1.3	1.0	1.0
Current interest-bearing receivables	**12.9**	**12.9**	**10.4**	**10.4**
Non-current				
Loan receivables	1.5	1.5	1.5	1.5
Finance lease receivables	2.7	2.7	1.2	1.2
Non-current interest-bearing receivables	**4.2**	**4.2**	**2.6**	**2.6**

Finance lease receivables

EUR million	2019	2018
Finance lease receivable is payable as follows:		
In less than one year	1.3	1.0
Between one and five years	2.7	1.2
Total minimum lease payments	**4.0**	**2.2**
Present value of minimum lease payments		
In less than one year	1.1	0.9
Between one and five years	2.5	1.1
Total present value of minimum lease payments	**3.6**	**2.0**
Unearned future financial income	**0.4**	**0.2**

Finance lease receivables relate to packaging machines leased to customers.

ACCOUNTING PRINCIPLES

Interest-bearing receivables

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

5.3. CASH AND CASH EQUIVALENTS

EUR million	2019	2018
Cash and bank	182.6	89.8
Liquid marketable securities	16.8	5.2
Total	**199.4**	**95.0**

ACCOUNTING PRINCIPLES

Cash and cash equivalents

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

5.4. SHAREHOLDERS' EQUITY

Share capital	Number of shares	Share capital EUR	Share premium EUR	Treasury shares EUR	Total EUR
January 1, 2018	**107,760,385**	**366,385,309.00**	**115,023,103.38**	**-33,526,665.59**	**447,881,746.79**
Own shares conveyance through performance share incentive plan	-	-	-	2,045,776.71	2,045,776.71
December 31, 2018	**107,760,385**	**366,385,309.00**	**115,023,103.38**	**-31,480,888.88**	**449,927,523.50**
Own shares conveyance through performance share incentive plan	-	-	-	137,850.00	137,850.00
December 31, 2019	**107,760,385**	**366,385,309.00**	**115,023,103.38**	**-31,343,038.88**	**450,065,373.50**

All shares issued are fully paid.

Share capital of the parent company

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

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

Based on the authorization given by the Annual General Meeting of Shareholders on March 25, 2002, the Company repurchased in total 5,061,089 own shares during 2002 and 2003. After 2003 no own shares have been repurchased. The Annual General Meeting of Shareholders on April 25, 2019 authorized the Board of Directors to decide on the repurchase of the Company's own shares. The authorization remains in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2020. This authorization cancelled the authorization given by the Annual General Meeting on April 25, 2018 to decide on the repurchase of the Company's own shares.

The Annual General Meeting of Shareholders on April 25, 2019 authorized the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares. The authorization remains in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2020. This authorization cancelled the authorization given by the Annual General Meeting on April 25, 2018 to decide on the issuance of shares as well as the issuance of special rights entitling to shares. During 2019 a total of 15,000 own shares were transferred based on the authorization (during 2018 a total of 222,609 own shares were transferred based on the authorization in force at that time).

On December 31, 2019 the Company owned a total of 3,410,709 own shares (December 31, 2018: 3,425,709 own shares).

Members of the Board of Directors and the CEO of the Company owned on December 31, 2019 a total of 39,600 shares (December 31, 2018: 149,800 shares). These shares represented 0.04% (December 31, 2018: 0.14%) of the total number of shares and voting rights in the Company on December 31, 2019.

Treasury shares

Treasury shares include the purchase price of Huhtamäki Oyj's shares held by Group companies. In 2019 own shares were transferred according to the terms and conditions of the CEO sign-in bonus. The purchase price of transferred shares was EUR 0.1 million. There are no additions in treasury shares in 2019.

Translation differences

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

ACCOUNTING PRINCIPLES

Equity, dividends and own shares

The Group's equity includes instruments that evidences a residual interest in the assets of an entity after deducting all of its liabilities and contains no contractual obligation for the issuer to deliver cash or other financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions which are unfavorable to the issuer. When Huhtamäki Oyj's own shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction in equity. Dividends proposed by the Board of Directors are not recognized in the financial statements until the shareholders have approved them at the Annual General Meeting.

5.5. FAIR VALUE AND OTHER RESERVES

EUR million	
December 31, 2017	**-101.3**
Cash flow hedges recognized in other comprehensive income	2.7
Cash flow hedges transferred to profit or loss	-0.3
Cash flow hedges transferred to statement of financial position	-0.3
Deferred taxes	-0.3
Change of remeasurements on defined benefit plans	4.5
Deferred taxes	-1.1
December 31, 2018	**-96.1**
Cash flow hedges recognized in other comprehensive income	-4.4
Cash flow hedges transferred to profit or loss	0.1
Cash flow hedges transferred to statement of financial position	-0.7
Deferred taxes	0.6
Change of remeasurements on defined benefit plans	-11.3
Deferred taxes	8.3
December 31, 2019	**-103.4**

Fair value and other reserves

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

ACCOUNTING PRINCIPLES

Fair value and other reserves

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

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

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

5.6. INTEREST-BEARING LIABILITIES

EUR million	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
Current				
Loans from financial institutions				
Floating rate	148.8	148.8	282.5	282.5
Other current loans				
Fixed rate	65.0	65.0	-	-
Floating rate	0.5	0.5	0.4	0.4
Lease liabilities	26.5	26.5	24.0	24.0
Total	**240.7**	**240.7**	**307.0**	**307.0**
Non-current				
Loans from financial institutions				
Fixed rate	122.5	123.0	122.5	120.6
Floating rate	295.4	295.4	286.6	286.6
Other long-term loans				
Fixed rate	323.7	325.8	215.0	212.5
Floating rate	1.2	1.2	2.7	2.7
Lease liabilities	137.0	137.0	102.4	102.4
Total	**879.7**	**882.3**	**729.2**	**724.8**

Repayment	Loans from financial institutions	Lease liabilities	Other loans	Total
2020	148.8	26.5	65.5	240.7
2021	89.0	19.7	0.5	109.2
2022	184.3	15.7	0.2	200.2
2023	79.1	11.5	0.2	90.9
2024	35.0	10.9	150.2	196.1
2025–	30.5	79.2	173.7	283.4

ACCOUNTING PRINCIPLES

Interest-bearing liabilities

Interest-bearing loans and borrowings are classified as other liabilities. Interest-bearing loans and borrowings are originated loans and bank loans, and are carried at amortized cost by using the effective interest rate method. All interest-bearing liabilities are other liabilities than liabilities for trading purposes or derivative financial instruments defined in IFRS 9 and as such are carried at amortized cost. Fair values have been calculated by discounting future cash flows at the appropriate market interest rate prevailing at period end closing date. Interest rates for measuring fair values of interest-bearing liabilities were -0.39%–0.04%. The fair value of current interest-bearing liabilities is estimated to equal the carrying amount.

Lease liabilities are recognized at the commencement date of the lease. Lease liabilities are measured at the present value of future lease payments using an effective interest method. The carrying amount is reduced to reflect the lease payments made and the interest expense is allocated over the lease term. A lease liability is remeasured, when there is a lease modification or reassessment.

Reconciliation of liabilities arising from financing activities

	2019					2018
			Non-cash changes			
EUR million	Total	Cash flows	Acquisition	Foreign exchange movement	Other	Total
Long-term loans	742.7	177.9	-	5.4	-67.3	626.8
Short-term loans	214.2	-151.4	-	18.9	63.8	282.9
Lease liabilities	163.5	-28.9	-	2.9	63.0	126.4
Total liabilities from financing activities	**1,120.4**	**-2.4**	**-**	**27.2**	**59.5**	**1,036.2**

5.7. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR million	2019	2018
Financial assets at fair value through profit or loss		
Derivatives	1.5	2.0
Derivatives designated for hedge accounting	1.6	5.2
Financial assets at amortized cost		
Non-current interest bearing receivables	4.2	2.6
Other non-current assets	2.1	0.9
Current interest-bearing receivables	12.9	10.4
Trade and other current receivables	555.2	498.7
Cash and cash equivalents	199.4	95.0
Other investments	2.4	2.5
Financial assets total	**779.3**	**617.4**
Financial liabilities at fair value through profit or loss		
Derivatives	10.5	3.3
Derivatives designated for hedge accounting	7.9	8.2
Financial liabilities measured at amortized cost		
Non-current interest-bearing liabilities	879.7	729.2
Other non-current liabilities	5.0	4.5
Current portion of long-term loans	92.7	40.4
Short-term loans	148.0	266.6
Trade and other current liabilities	487.4	418.8
Financial liabilities total	**1,631.3**	**1,470.9**

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

ACCOUNTING PRINCIPLES

Financial assets and liabilities

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

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

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

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

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

EUR million

Financial instruments measured at fair value	Quoted prices in active markets	Valuation techniques based on observable market data	Unquoted investments	Total 2019
Assets				
Derivatives				
Currency derivatives	-	2.1	-	2.1
Interest rate derivatives	-	1.0	-	1.0
Other investments	-	-	2.4	2.4
Total	**-**	**3.1**	**2.4**	**5.6**
Liabilities				
Derivatives				
Currency derivatives	-	16.0	-	16.0
Interest rate derivatives	-	2.4	-	2.4
Electricity forward contracts	-	-	-	-
Total	**-**	**18.4**	**-**	**18.4**

EUR million

Financial instruments measured at fair value	Quoted prices in active markets	Valuation techniques based on observable market data	Unquoted investments	Total 2018
Assets				
Derivatives				
Currency derivatives	-	3.5	-	3.5
Interest rate derivatives	-	3.7	-	3.7
Other investments	-	-	2.5	2.5
Total	**-**	**7.2**	**2.5**	**9.7**
Liabilities				
Derivatives				
Currency derivatives	-	10.5	-	10.5
Interest rate derivatives	-	1.1	-	1.1
Electricity forward contracts	0.0	-	-	0.0
Total	**0.0**	**11.5**	**0.0**	**11.5**

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

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

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

5.8. MANAGEMENT OF FINANCIAL RISKS

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

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

Currency risk

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

Transaction risk

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

Foreign exchange transaction exposure

EUR million	EUR exposure in companies reporting in GBP		CNY exposure in companies reporting in HKD		USD exposure in companies reporting in AUD		USD exposure in companies reporting in GBP		EUR exposure in companies reporting in RUB	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Trade receivables	2.0	3.4	0.8	1.6	1.0	1.5	0.0	0.0	0.8	1.3
Trade payables	-10.8	-7.5	-10.0	-10.3	-7.2	-7.0	-3.6	-1.7	-5.1	-4.1
Net balance sheet exposure	-8.8	-4.1	-9.1	-8.7	-6.2	-5.5	-3.6	-1.7	-4.3	-2.8
Forecasted sales (12 months)	21.8	23.5	4.4	7.9	5.5	5.4	0.0	0.0	10.0	20.7
Forecasted purchases (12 months)	-63.9	-58.9	-21.9	-30.8	-48.8	-52.2	-13.9	-16.3	-31.7	-33.4
Net forecasted exposure	-42.1	-35.3	-17.6	-22.8	-43.3	-46.9	-13.9	-16.3	-21.7	-12.7
Hedges										
Currency forwards (12 months)	29.5	21.8	14.4	12.4	26.4	17.5	8.8	6.7	13.5	5.9
Total net exposure	**-21.5**	**-17.5**	**-12.3**	**-19.1**	**-23.1**	**-34.9**	**-8.6**	**-11.3**	**-12.5**	**-9.6**

Translation risk

As a main rule individual subsidiaries do not carry translation risk as they are financed in local currencies. As an exception, the Finance Committee can approve the use of foreign currency borrowing in countries with high local interest rates. In 2019 and 2018 on reporting period closing dates no such borrowings were outstanding.

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

A 10% appreciation of the EUR versus the USD, INR and GBP would as of the reporting period closing date decrease the result before taxes by EUR 11.6 million (EUR 6.2 million) and the Group consolidated equity by EUR 61.8 million (EUR 53.6 million).

Interest rate risk

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

At the reporting period closing date the average interest rate on Group interest-bearing net debt was 2.3% (2.5%) and average duration 2.8 years (2.1 years). A one percentage point rise in market interest rates would increase Group net interest expense by EUR 2.7 million (EUR 4.1 million) over the following 12 months. A similar rise in interest rates would increase Group equity with EUR 2.8 million (EUR 3.6 million) due to mark-to-market revaluations of interest rate derivatives designated for cash flow hedges.

Currency split and repricing schedule of outstanding net debt including hedges (excl. lease liabilites)

	2019							2018
		Debt repricing in period, incl. derivatives						
Currency	Amount EUR million	2020	2021	2022	2023	2024	Later	Amount EUR million
EUR	393.9	-24.8	20.0	39.3	37.4	166.5	155.5	357.1
USD	126.1	18.8	35.8	31.3	31.3	8.9	0.0	184.1
GBP	135.2	135.2						123.7
HKD	76.1	76.1						71.3
AUD	40.5	40.5						51.0
Other	-31.4	-31.4						21.2
Total	**740.4**	**214.5**	**55.8**	**70.6**	**68.7**	**175.4**	**155.5**	**808.5**

Liquidity and refinancing risk

The Group maintains sufficient liquidity reserves at all times by efficient cash management structures such as cash pools, concentration accounts and overdraft financing facilities. To mitigate the refinancing risk, the Group diversifies funding sources as well as the maturity structure of loans and debt facilities. The Group utilizes a EUR 400 million Finnish commercial paper program and uncommitted credit facilities with relationship banks for short-term financing purposes. At the reporting period closing date, the Group had committed credit facilities totaling EUR 400 million (EUR 400 million) of which EUR 302 million (EUR 304 million) remained undrawn. Undrawn committed long-term debt facilities are sufficient to ensure adequate financing resources in all foreseeable circumstances.

Debt structure

EUR million	2019									2018		
				Maturity of facility/loan								
Debt type	Amount drawn	Amount available of committed	Total	2020	2021	2022	2023	2024	Later	Amount drawn	Amount available of committed	Total
Committed revolving facilities	98.3	301.7	400.0			400.0				96.0	304.0	400.0
Bonds and other loans	687.0		687.0	65.0	71.5	82.8	78.5	185.0	204.2	527.5		527.5
Commercial paper program	80.0		80.0	80.0						216.0		216.0
Uncommitted loans from financial institutions	91.7		91.7	69.2	17.9	3.4	0.8	0.2		70.2		70.2
Lease liabilities	163.5		163.5	26.5	19.7	15.7	11.5	10.9	79.2	119.7		119.7
Trade and other current liabilities	651.0		651.0	651.0						559.1		559.1
Total	**1,771.5**	**301.7**	**2,073.2**	**891.8**	**109.2**	**501.9**	**90.9**	**196.1**	**283.4**	**1,588.6**	**304.0**	**1,892.5**

Credit risk

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

The business units are responsible for the management of commercial credit risk in accordance with policies defined by the business units and approved by the Finance Committee. A Group policy sets out certain minimum requirements as to credit quality, sales terms and collection. The commercial credit risk for the Group as a whole is considered low as the receivable portfolio is diversified and historical credit loss frequency is low (see note 4.2.).

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

Capital management

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

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

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

Capital structure

EUR million	2019	2018
Interest-bearing liabilities	1,120.4	1,036.2
Interest-bearing receivables, cash and cash equivalents	216.5	108.0
Net debt	904.0	928.2
Total equity	1,437.1	1,267.3
Net debt to equity (Gearing ratio)	**0.63**	**0.73**
Net debt to EBITDA (excluding items affecting comparability)	**1.98**	**2.33**

Nominal values of derivative financial instruments

EUR million	2019							2018
	Nominal Value	Maturity Structure						Nominal Value
Instrument		2020	2021	2022	2023	2024	Later	
Currency forwards								
for transaction risk								
Outflow	-226.2	-222.1	-4.1					-157.8
Inflow	223.3	219.3	4.0					159.2
for translation risk								
Outflow	-124.5	-124.5						-120.8
Inflow	120.7	120.7						112.7
for financing purposes								
Outflow	-541.1	-541.1						-511.9
Inflow	530.9	530.9						507.8
Currency options								
for transaction risk								
Bought options	6.8	6.8						8.7
Sold options	-6.8	-6.8						-8.7
Interest rate swaps								
EUR	-125.0	-75.0					-50.0	-65.0
USD	116.2	8.9	35.7	31.3	31.3	8.9		122.2
Cross currency swaps								
EUR	-18.3			-18.3				-18.3
USD	17.9			17.9				17.5
Electricity forward contracts								0.0

Fair values of derivative financial instruments

EUR million	2019			2018		
Instrument	Positive Fair values	Negative Fair values	Net Fair values	Positive Fair values	Negative Fair values	Net Fair values
Currency forwards						
for transaction risk	0.8	-3.2	-2.3	2.4	-0.7	1.7
of which cash flow hedges[1]	0.4	-1.7	-1.3	1.4	-0.2	1.2
for translation risk	0.3	-3.4	-3.1	0.1	-7.0	-6.9
of which hedges of net investment[2]	0.3	-3.4	-3.1	0.1	-7.0	-6.9
for financing purposes	1.0	-9.0	-8.0	0.9	-2.7	-1.8
Currency options						
for transaction risk	0.0	0.0	0.0	0.0	-0.1	0.0
Interest rate swaps[3]						
EUR	0.9	-0.6	0.3	1.7		1.7
of which fair value hedges[4]	0.9	-0.6	0.3	1.7		1.7
USD	0.1	-1.3	-1.2	2.0	-0.3	1.7
of which cash flow hedges[5]	0.1	-1.3	-1.2	2.0	-0.3	1.7
Cross currency swaps						
EURUSD		-0.9	-0.9		-1.7	-1.7
of which cash flow hedges[6]		-0.4	-0.4		-0.8	-0.8
of which fair value hedges[7]		-0.5	-0.5		-0.9	-0.9
Electricity forward contracts				0.0	0.0	0.0
of which cash flow hedges[8]				0.0	0.0	0.0

[1] Fair values of currency forwards designated as cash flow hedges are reported in fair value and other reserves.

[2] Fair values of currency forwards designated as hedges of net investment in foreign subsidiaries are reported in equity in translation difference.

[3] Fair values of interest rate swaps include accrued interest which is reported in the income statement in financial expense.

[4] Fair values of interest rate swaps designated as fair value hedges are reported in the income statement in financial income.

[5] Fair values of interest rate swaps designated as cash flow hedges are reported in fair value and other reserves.

[6] The interest rate revaluation result of cross currency swaps designated as cash flow hedges is reported in fair value and other reserves. The fair value includes accrued interest which is reported in the income statement in financial expense.

[7] The foreign exchange revaluation result of cross currency swaps designated as fair value hedges is reported in the income statement in net financial items.

[8] Fair values of electricity forward contracts designated as cash flow hedges are reported in fair value and other reserves.

Notes to the consolidated financial statements

6. Other disclosures

6.1. EQUITY-ACCOUNTED INVESTMENTS

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

Company	Country	Ownership 2019	Ownership 2018
Laminor S.A. (joint venture)	Brazil	50.0%	50.0%

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

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

EUR million	2019	2018
Interest in a joint venture	4.9	4.9
Share of profit in a joint venture	2.0	1.8

6.2. RELATED PARTY TRANSACTIONS

Huhtamaki Group's related parties include the parent company, subsidiaries, associates, joint ventures and pension funds that are separate entities. Related parties also include the key management, their close family members and entities in which they have control or joint control. They key management personnel are the members of the Global Executive Team and the Board of Directors. Related parties also include Shareholders of Huhtamäki Oyj controlling more than ten per cent of the shares or voting rights of Huhtamäki Oyj.

Details of transactions and outstanding balances between the Group and it's related parties are disclosed below. Intragroup related party transactions and balances are eliminated on consolidation.

The Global Executive Team and the Board of Directors

Compensation to the Global Executive Team and the Board of Directors is disclosed in the following tables. In addition, the key management is receiving dividends based on their ownership of Huhtamäki Oyj shares. There has not been any other material transactions between the Group and the key management, their close family members or entities in which they have control or joint control.

There is no significant supplementary pension arrangements with the CEO and the Global Executive Team. The President and CEO Charles Héaulmé's pension coverage is arranged by the President and CEO himself. The company contributes towards the pension through monthly cash payments to the President and CEO. The total cash payment is EUR 280 thousand per annum. In 2019, the expenses for the former CEO Jukka Moisio's statutory pension were EUR 22 thousand (EUR 184 thousand) and for the supplementary pension arrangement EUR 47 thousand (EUR 150 thousand).

Members of the Board of Directors and the Global Executive Team owned a total of 154,893 shares (344,735) at the end of the year 2019.

Employee benefits of CEO and members of the Global Executive Team

EUR million	2019	2018
Salaries and other short-term employee benefits	3.8	4.4
Share based payments	0.8	-1.6

Remunerations of CEO and members of the Board of Directors

In thousand euros	2019	2018
CEO Charles Héaulmé	1,369	-
CEO Jukka Moisio	243	2,539
Board members		
Ala-Pietilä Pekka	147	144
Tuomas Kerttu	93	78
Baillie Doug	82	78
Barker Willam R.	80	77
Korhonen Anja	86	54
Turner Sandra	80	77
Wunderlich Ralf K.	82	33
Suominen Jukka	32	98
Ailasmaa Eija	-	23
Börjesson Rolf	-	26
CEO and Board in total	**2,294**	**3,227**

Associated companies and joint ventures

The Group's related parties include one joint venture, Laminor S.A. The joint venture is consolidated using equity method. For more information, see note 6.1. Equity-account investments. There was no material transactions or outstanding balances between the Group and Laminor S.A.

Pension funds

The Group's related parties include post-employment benefit plans that are separate entities. These entities are in Finland, India, the UK and the U.S.. For more information, see note 2.2. Employee benefits. The Group made EUR 2.5 million (EUR 3.5 million) contributions to the plans and received EUR 0.4 million returns (no returns in 2018) from the plans. There was no other material transactions or outstanding balances.

6.3. SHARE-BASED PAYMENTS

Performance Share Arrangement 2010

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

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

Performance Share Plan 2015–2017

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

The target, Group's earnings per share (EPS) in 2017, set forth in the Performance Share Arrangement 2010 for the earnings period 2015–2017, was reached. According to the terms and conditions of the Performance Share Arrangement a total of 222 609 shares were paid as a reward under the plan in 2018. Fair value of the paid shares on the grant date was EUR 36.02 per share. Pursuant to the IFRS standards, an expense relating to the Performance Share Plan 2015–2017 totaling EUR 13,734,584 was recorded for the reporting periods 2015–2017. This amount includes an expense totaling EUR 7,910,176 which was recorded in the reporting period ending on December 31, 2017.

Performance Share Plan 2016–2018

The Performance Share Plan 2016–2018 commenced in 2016 and the possible reward is based on the Group's earnings per share (EPS) in 2018. The Performance Share Plan 2016–2018 was directed to 87 persons at the end of 2018.

ACCOUNTING PRINCIPLES

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

The target, Group's earnings per share (EPS) in 2018, set forth in the Performance Share Arrangement 2010 for the earnings period 2016–2018, was not reached. Pursuant to the IFRS standards, no expense relating to the Performance Share Plan 2016–2018 was recorded for the reporting periods 2016–2018. For the reporting period ending 31 December 2018, a positive impact totaling EUR 1,161,722 resulting from prior years' accrual reversing was recorded.

Performance Share Plan 2017–2019

The Performance Share Plan 2017–2019 commenced in 2017 and the possible reward will be based on the Group's earnings per share (EPS) in 2019. The Performance Share Plan 2017–2019 was directed to 122 persons at the end of 2019.

The target, Group's earnings per share (EPS) in 2019, set forth in the Performance Share Arrangement 2010 for the earnings period 2017–2019, was not reached. Pursuant to the IFRS standards, no expense relating to the Performance Share Plan 2017–2019 was recorded for the reporting periods 2017–2019. For the reporting period ending 31 December 2019, a positive impact totaling EUR 1,138,535 resulting from prior years' accrual reversing was recorded.

Performance Share Plan 2018–2020

The Performance Share Plan 2018–2020 commenced in 2018 and the possible reward will be based on the Group's earnings per share (EPS) in 2020. The reward, if any, will be paid during 2021. The Performance Share Plan 2018–2020 was directed to 116 persons at the end of 2019.

Performance Share Plan 2019–2021

The Performance Share Plan 2019–2021 commenced in 2019 and the possible reward will be based on the Group's earnings per share (EPS) in 2021. The reward, if any, will be paid during 2022. The Performance Share Plan 2019–2021 was directed to 113 persons at the end of 2019.

CEO sign-in bonus

The President and CEO is entitled to a sign-in bonus as follows:

First part of the sign-in bonus was paid in 2019 upon joining. The sign-in bonus was 15 000 Huhtamaki shares (net amount). In addition, the Company processed a cash payment to cover taxes and tax related payments. A lock-in period of 12 months will apply.

Second part of the sign-in bonus, 15 000 Huhtamaki shares (net amount), is paid in 2021, subject to reaching EBIT target for 2020, set by the Board. If the payment is made, the Company will in addition process a cash payment to cover taxes and tax related payments. A lock-in period of 12 months will apply.

6.4. LEASES

Right of use assets are presented in note 3.4 Tangible Assets. Right of use depreciations are presented in note 2.3 Depreciation and amortization. Lease liabilities are presented in note 5.6 Interest bearing liabilities. Lease liability interests are presented in note 5.1 Net Financial Items. Items where Huhtamaki is the lessor are presented in note 5.2. Interest Bearing receivables.

EUR million	2019	2018
Short-term leases	3.6	2.6
Low-value leases	0.7	0.4
Variable lease payments based on use or performance	1.5	2.1
Lease payments in Profit and Loss	**5.8**	**5.1**
Cash based lease payments in total	**34.7**	**31.6**

ACCOUNTING PRINCIPLES

Leases

The leases that the Group recognizes in the statement of financial position include mainly land, building, machinery and equipment. Short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value are not booked to the statement of financial position. Payments for short-term and low-value leases and variable lease payments are expensed in P&L.

Right of use (ROU) assets are recognized at the commencement date of the lease. ROU assets are measured at cost less accumulated depreciation and impairment losses. The costs include the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less lease incentives received, any direct costs and an estimate of dismantling costs. The carrying amount is further adjusted for any remeasurement of the lease liability. Depreciation is expensed to the income statement on a straight-line basis over the lease term. The lease term includes the noncancelable period of lease together with any extension or termination options that are reasonable certain to be exercised. ROU assets are presented as tangible assets in the statement of financial position.

Lease liabilities are recognized at the commencement date of the lease. Lease liabilities are measured at the present value of future lease payments using an effective interest method. The carrying amount is reduced to reflect the lease payments made and the interest expense is allocated over the lease term. A lease liability is remeasured, when there is a lease modification or reassessment. Lease liabilities are presented as current and non-current interest-bearing liabilities in the statement of financial position.

6.5. COMMITMENTS

EUR million	2019	2018
Capital expenditure	45.7	58.5
Total commitments	**45.7**	**58.5**

EUR million	2019	2018
Capital expenditure commitments		
Under 1 year	45.7	58.5
Total	**45.7**	**58.5**

ACCOUNTING PRINCIPLES

Commitments
Capital expenditure includes acquisition of tangible and intangible assets (excluding right-of-use assets) which will be used during more than one reporting period. Capital expenditure commitments are commitments at the balance sheet date to acquire tangible and intangible assets in the future.

6.6. LITIGATIONS

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.

6.7. 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.

6.8. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On January 10, 2020 Huhtamaki announced that it has completed the acquisition of the assets and operations of Mohan Mutha Polytech Private Limited (MMPPL), a privately-owned flexible packaging manufacturer located in Sri City, Andhra Pradesh, India. MMPPL has approximately 160 employees and its net sales in 2018 were approximately EUR 9 million. The debt-free purchase price was approximately EUR 10 million. The business has been reported as part of the Flexible Packaging business segment as of January 10, 2020.

On January 16, 2020 Huhtamaki announced that Leena Lie, Executive Vice President, Marketing and Communications, and a member of Huhtamaki Global Executive Team decided to leave Huhtamaki to pursue other career opportunities. Teija Sarajärvi, Executive Vice President, Human Resources and Safety, will have an interim role as Executive Vice President, Marketing and Communications in addition to her current role, until a successor for the position has been appointed.

On January 24, 2020 Huhtamaki announced that Olli Koponen, (61), who has had several leadership positions at Huhtamaki during the past 30 years and has headed the Flexible Packaging segment since 2015, will step down from the Global Executive Team and is appointed as Senior Vice President, Total Productive Manufacturing until his retirement. Arup Basu, (52), PhD (Technology), has been appointed President, Flexible Packaging and a member of Global Executive Team as of February 1, 2020. Arup Basu has been the Managing Director for Huhtamaki's Flexible Packaging business in India since 2017.

Subsidiaries

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

Country	Company	Group holding %
Australia	Huhtamaki Australia Pty Limited	100.0
	Huhtamaki Tailored Packaging Pty Ltd - Group	71.1
Brazil	Huhtamaki do Brasil Ltda	100.0
Czech Republic	Huhtamaki Ceska republika, a.s.	100.0
	Huhtamaki Flexible Packaging Czech a.s.	100.0
	LeoCzech spol s r.o.	100.0
Egypt	Huhtamaki Egypt L.L.C.	75.0
	Huhtamaki Flexible Packaging Egypt LLC	75.0
Finland	Huhtamaki Foodservice Nordic Oy	100.0
France	Huhtamaki Foodservice France S.A.S	100.0
	Huhtamaki La Rochelle S.A.S	100.0
Germany	Huhtamaki Flexible Packaging Germany GmbH & Co. KG	100.0
	Huhtamaki Foodservice Germany Operations GmbH & Co. KG	100.0
	Huhtamaki Foodservice Germany Sales GmbH & Co. KG	100.0
Hungary	Huhtamaki Hungary Kft	100.0
India	Huhtamaki Foodservice Packaging India Private Limited	100.0
	Huhtamaki PPL Limited[4]	66.9
Ireland	Huhtamaki CupPrint Limited	70.0 [1]
Italy	Huhtamaki Flexibles Italy S.r.l.	100.0
Luxembourg	Huhtamaki S.à r.l.	100.0
Malaysia	Huhtamaki Foodservice Malaysia Sdn. Bhd.	100.0
Mexico	Huhtamaki Mexicana S.A. de C.V.	100.0
Netherlands	Huhtamaki Finance B.V.	100.0
	Huhtamaki Molded Fiber Technology B.V.	100.0
	Huhtamaki Nederland B.V.	100.0
	Huhtamaki Paper Recycling B.V.	100.0
New Zealand	Huhtamaki Henderson Limited	100.0
	Huhtamaki New Zealand Limited	100.0
People's Republic of China	Huhtamaki Foodservice (Shanghai) Limited	100.0
	Huhtamaki Foodservice (Tianjin) Ltd.	100.0
	Huhtamaki (Guangzhou) Limited	100.0
People's Republic of China/Hong Kong	Dixie Cup (Hong Kong) Limited	54.0
	Huhtamaki Hong Kong Limited	100.0
Poland	Huhtamaki Foodservice Gliwice Sp. z o.o.	100.0
	Huhtamaki Foodservice Poland Sp. z o.o.	100.0
Russia	Huhtamaki Fiber Packaging Ekaterinburg LLC	100.0
	OOO Huhtamaki Foodservice Alabuga	100.0
	OOO Huhtamaki S.N.G.	100.0
Saudi Arabia	Arabian Paper Products Company	50.0 [2]
Singapore	Huhtamaki Singapore Pte. Ltd.	100.0
South Africa	Gravics Systems South Africa (Pty) Limited	100.0
	Huhtamaki South Africa Holdings (Pty) Ltd	70.0
	Huhtamaki South Africa (Pty) Ltd.	70.0
	Huhtamaki Flexible Packaging South Africa (Pty) Limited	70.0
Spain	Huhtamaki Spain S.L.	100.0
Thailand	Huhtamaki (Thailand) Ltd.	100.0
Turkey	Huhtamaki Turkey Gıda Servisi Ambalajı A.Ş.	100.0
Ukraine	Huhtamaki Foodservice Ukraine LLC	100.0
United Arab Emirates	Arabian Paper Products FZCO	50.0 [2]
	Huhtamaki Flexible Packaging Middle East LLC	49.0[3]
	Positive Packaging United (M.E.) FZCO	100.0
	Primetech (M.E.) FZE	100.0
United Kingdom	Huhtamaki BCP Limited	100.0
	Huhtamaki Foodservice Delta Limited	100.0
	Huhtamaki (Lisburn) Limited	100.0
	Huhtamaki (Lurgan) Limited	100.0
	Huhtamaki (UK) Limited	100.0
United States	CupPrint LLC	70.0 [1]
	Huhtamaki, Inc.	100.0
Vietnam	Huhtamaki (Vietnam) Limited	100.0

[1] The Group can consolidate the company as a fully owned subsidiary based on a Shareholders' Agreement.
[2] The Group's control is based on a Shareholders' Agreement according to which the Group has control in the company.
[3] The Group has control in the company and can consolidate the company as a fully owned subsidiary based on a Shareholders' Agreement.
[4] For more information: www.huhtamaki.com/en-in/flexible-packaging/investors/

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

Parent company financial statements

Parent company income statement (FAS)

EUR million	Note	2019	2018
Other operating income	1.	73.0	89.3
Sales and marketing		-3.5	-2.5
Administration expenses		-36.7	-28.1
Other operating expenses	2.	-5.8	-3.5
Earnings before interest and taxes	**3., 4.**	**26.9**	**55.2**
Net financial income/expense	5.	41.1	24.6
Profit before appropriations and taxes		**68.1**	**79.8**
Income tax expense	6.	-4.4	-8.7
Profit for the period		**63.7**	**71.1**

Parent company balance sheet (FAS)

Assets

EUR million	Note	2019	2018
Non-current assets			
Intangible assets	7.		
Intangible rights		0.5	0.5
Other capitalized expenditure		2.5	2.7
Construction in progress and advance payments		10.9	0.3
		13.9	**3.6**
Tangible assets	8.		
Machinery and eqiupment		0.3	0.4
Other tangible assets		0.1	0.1
		0.4	**0.5**
Investments			
Investment in subsidiaries		1,935.1	1,935.1
Other shares and holdings		0.9	1.1
Loan receivables	9.	3.3	3.3
		1,939.4	**1,939.6**
Current assets			
Current receivables			
Loan receivables	9.	423.8	346.1
Accrued income	10.	46.3	50.4
Other receivables	9.	16.5	35.4
		486.6	**432.0**
Cash and bank		33.9	2.2
Total assets		**2,474.2**	**2,377.9**

Equity and liabilities

EUR million	Note	2019	2018
Shareholders' equity	11.		
Share capital		366.4	366.4
Premium fund		115.0	115.0
Retained earnings		566.6	583.1
Profit for the period		63.7	71.1
		1,111.7	**1,135.7**
Liabilities			
Non-current liabilities			
Loans from financial institutions	12.	720.7	608.2
Other non-current liabilities	13.	0.9	0.8
		721.6	**609.0**
Current liabilities			
Loans from financial institutions	12.	259.2	330.9
Other loans	12.	344.5	275.2
Trade payables	14.	4.2	1.8
Accrued expenses	15.	30.7	24.1
Other current liabilities		2.2	1.2
		640.8	**633.2**
Total equity and liabilities		**2,474.2**	**2,377.9**
Total retained earnings available for distribution		**630.3**	**654.3**

Parent company cash flow statement (FAS)

EUR million	2019	2018
Earnings before interest and taxes	26.9	55.2
Adjustments		
Depreciation and amortization	1.1	0.8
Other adjustments	0.2	-14.2
Change in non-interest-bearing receivables	18.6	18.9
Change in non-interest-bearing payables	6.7	-8.8
Net financial income and expense	4.1	-9.0
Taxes paid	-7.5	-3.9
Net cash flow from operating activities	**50.2**	**39.2**
Capital expenditure	-11.5	-3.2
Disposal of tangible and intangible assets	0.1	14.2
Investments in subsidiaries	0.0	-86.1
Proceeds from subsidiary investments	47.9	31.5
Change in current deposits	-77.7	-71.5
Net cash flow from investing activities	**-41.1**	**-115.2**
Change in non-current loans	112.6	-9.6
Change in current loans	-2.4	156.9
Dividends paid	-87.6	-83.5
Cash flow from financing activities	**22.6**	**63.8**
Change in liquid assets	31.7	-12.2
Liquid assets on January 1	2.2	14.4
Liquid assets on December 31	33.9	2.2

Parent company accounting principles

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

Foreign currency

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

Derivative instruments

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

Intangible assets

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

Tangible assets

Items of tangible assets are stated at historical cost and depreciated using the straight-line method over their estimated useful lives. The period of depreciation does not exceed 12 years.

Leases of tangible assets are classified as operating leases.

Investments

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

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

Income taxes

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

Other operating income and revenue recognition

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

Other operating expenses

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

Appropriations

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

1. OTHER OPERATING INCOME

EUR million	2019	2018
Royalty income	39.0	40.5
Group cost income	25.7	23.7
Gain from selling confectionary trademark portfolio[1]	-	14.2
Rental income	1.3	2.0
IT recharge	0.5	0.5
Other	6.4	8.4
Total	**73.0**	**89.3**

[1] The gain is related to the sale of the Group's confectionery trademark portfolio, as announced on April 30, 2018. Huhtamaki's confectionery business was divested in 1996.

2. OTHER OPERATING EXPENSES

EUR million	2019	2018
Intercompany other operating expenses	3.3	2.8
Other	2.5	0.7
Total	**5.8**	**3.5**

3. PERSONNEL EXPENSES

EUR million	2019	2018
Wages and salaries	15.2	10.7
Pension costs	2.5	1.8
Other personnel costs	2.7	1.7
Total	**20.4**	**14.2**

The above amounts are on accrual basis. Remuneration paid by the parent company to the members of the Board of Directors as well as the CEO of Huhtamäki Oyj (9 people) amounted to EUR 2.3 million (EUR 3.2 million).

Average number of personnel	2019	2018
Huhtamäki Oyj	109	98

4. DEPRECIATION AND AMORTIZATION

EUR million	2019	2018
Depreciation by function:		
Administration	1.1	0.8
Total	**1.1**	**0.8**
Depreciation and amortization by asset type:		
Machinery and equipment	0.3	0.3
Intangible rights	0.1	0.1
Other capitalized expenditure	0.8	0.5
Total	**1.1**	**0.8**

5. FINANCIAL INCOME AND EXPENSE

EUR million	2019	2018
Dividend income	**47.9**	**31.5**
Interest and other financial income		
Intercompany interest income	19.2	17.0
Other interest income	1.4	0.2
Total interest income	**20.5**	**17.2**
Other financial income	153.5	163.1
Total interest and other financial income	**221.9**	**211.8**
Interest and other financial expense		
Intercompany interest expense	-0.7	-0.8
Other interest expense	-24.6	-22.0
Total interest expense	**-25.3**	**-22.8**
Other financial expense	-155.5	-164.4
Total interest and other financial expense	**-180.8**	**-187.2**
Net financial items	**41.1**	**24.6**

6. TAXES

EUR million	2019	2018
Ordinary taxes	4.4	8.7
Total	**4.4**	**8.7**

Deferred taxes are not included in income statement or balance sheet. Unrecognized deferred tax asset from timing differences is EUR 0.6 million (EUR 0.3 million).

7. INTANGIBLE ASSETS

EUR million	Intangible rights	Other capitalized expenditure	Construction in progress and advance payments	2019 Total	2018 Total
Aquisition cost on January 1	1.0	70.4	0.3	71.4	68.8
Additions	0.0	0.1	11.0	11.1	2.9
Disposals	0.0	-0.5	-	0.0	0.0
Intra-balance sheet transfer	0.0	0.5	-0.5	0.0	0.0
Aquisition cost on December 31	1.0	70.5	10.9	82.4	71.7
Accumulated amortization on January 1	0.4	67.6		68.1	67.6
Accumulated amortization on disposals and transfers	0.0	-0.5		-0.5	0.0
Amortization during the financial year	0.1	0.8		0.9	0.6
Accumulated amortization on December 31	0.5	67.9		68.4	68.1
Book value on December 31, 2019	**0.5**	**2.5**	**10.9**	**13.9**	**-**
Book value on December 31, 2018	0.5	2.7	0.3	-	3.6

8. TANGIBLE ASSETS

EUR million	Machinery and equipment	Other tangible assets	2019 Total	2018 Total
Aquisition cost on January 1	4.2	0.1	4.3	4.2
Additions	0.1	-	0.1	0.1
Disposals	-0.7	0.0	-0.7	-
Aquisition cost on December 31	3.6	0.1	3.7	4.3
Accumulated depreciation on January 1	3.8	-	3.8	3.5
Accumulated depreciation on disposals and transfers	-0.7	-	-0.7	-
Depreciation during the financial year	0.3	-	0.3	0.3
Accumulated depreciation on December 31	3.3	-	3.3	3.8
Book value on December 31, 2019	**0.3**	**0.1**	**0.4**	**-**
Book value on December 31, 2018	0.4	0.1	-	0.5

9. RECEIVABLES

EUR million	2019	2018
Current		
Loan receivables from subsidiaries	423.8	346.1
Accrued income	19.3	22.9
Accrued corporate income	27.1	27.6
Other receivables	1.3	2.7
Other receivables from subsidiaries	15.1	32.7
Total	**486.6**	**432.0**
Non-current		
Intercompany loan receivables	3.3	3.3
Total	**3.3**	**3.3**
Total	**489.9**	**435.3**

10. ACCRUED INCOME

EUR million	2019	2018
Accrued interest and other financial items	9.3	11.2
Accruals for profit on exchange	2.1	2.7
Miscellaneous accrued income	4.5	7.0
Accrued corporate income and prepaid expense	27.1	27.6
Other	3.4	2.0
Total	**46.3**	**50.4**

11. CHANGES IN EQUITY

EUR million	2019	2018
Restricted equity		
Share capital January 1	366.4	366.4
Share capital December 31	366.4	366.4
Premium fund January 1	115.0	115.0
Premium fund December 31	115.0	115.0
Restricted equity total	**481.4**	**481.4**
Non-restricted equity		
Retained earnings January 1	654.3	666.3
Dividends paid	-87.6	-83.5
Obsolete dividends	0.0	0.4
Profit for the period	63.7	71.1
Retained earnings December 31	630.3	654.3
Non-restricted equity total	**630.3**	**654.3**
Total equity	**1,111.7**	**1,135.7**

For details on share capital see note 5.4. in the consolidated financial statements.

12. LOANS

EUR million	2019	2018
Non-current		
Loans from financial institutions	720.7	608.2
Non-current loans from financial institutions total	**720.7**	**608.2**
Current		
Current portion of long-term loans from financial institutions	65.0	15.0
Loans from financial institutions and other current loans	194.2	315.9
Current loans from financial institutions total	**259.2**	**330.9**
Loans from subsidiaries	344.5	275.2
Other loans total	**344.5**	**275.2**

Changes in non-current loans		
Loans from financial institutions		
January 1	608.2	618.0
Additions	376.9	180.6
Decreases	-264.4	-190.4
Total	**720.7**	**608.2**

Repayments	**Loans from financial institutions**
2020	259.2
2021	71.5
2022	181.1
2023	78.5
2024	185.0
2025–	204.6

13. OTHER NON-CURRENT LIABILITIES

EUR million	2019	2018
Loans from subsidiaries	0.0	0.0
Employee benefits	0.9	0.8
Total	**0.9**	**0.8**

14. TRADE PAYABLES

EUR million	2019	2018
Trade payables	3.6	1.3
Intercompany trade payables	0.6	0.5
Total	**4.2**	**1.8**

15. ACCRUED EXPENSES

EUR million	2019	2018
Accrued interest expense	19.0	15.0
Accrued interest expense to subsidiaries	4.9	2.9
Salaries and social security	6.1	2.3
Accrued income taxes	-	2.7
Miscellaneous accrued expense	0.7	1.2
Total	**30.7**	**24.1**

16. DERIVATIVES

Fair values of derivatives, EUR million	2019	2018
Currency derivatives		
with external parties	-12.6	-8.3
with subsidiaries	-1.2	4.9
Interest rate swaps	-1.8	2.7
Total	**-15.6**	**-0.7**

Nominal values of principles, EUR million	2019	2018
Currency derivatives		
with external parties	840.3	767.8
with subsidiaries	482.2	398.4
Interest rate swaps	259.1	204.7
Total	**1,581.6**	**1,370.9**

The nominal value of external currency derivatives is 840.3 MEUR and the nominal value of internal currency derivatives allocated to them is 482.2 MEUR. For the rest of the external currency derivatives hedge accounting is applied.

See note 5.8. in the consolidated financial statements for more information on the Group's financial risk management.

17. COMMITMENTS AND CONTINGENCIES

EUR million	2019	2018
Operating lease payments		
Under one year	1.1	2.2
Later than one year	2.2	11.7
Total	**3.3**	**13.9**
Guarantee obligations		
For subsidiaries	77.6	77.6

Proposal of the Board of Directors to distribute the earnings

On December 31, 2019 Huhtamäki Oyj's non-restricted equity was .... EUR 630,325,385.21
of which the result for the financial period was .... EUR 63,689,037.72

The Board of Directors proposes that dividend will be distributed at EUR 0.89 per share.
No dividend for the own shares held by the Company on the record date shall be distributed.
The total amount of dividend on the date of this proposal would be .... EUR 92,871,211.64

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

Espoo, February 12, 2020

Pekka Ala-Pietilä | Kerttu Tuomas | Doug Baillie | William R. Barker

Anja Korhonen | Sandra Turner | Ralf K. Wunderlich

Charles Héaulmé
President and CEO

Auditors' report

(Translation of the Finnish original)

To the Annual General Meeting of Huhtamäki Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Huhtamäki Oyj (business identity code 0140879-6) for the year ended 31 December 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including summaries of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.6. to the consolidated financial statements.

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

Key Audit Matters

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of goodwill *We refer to financial statements' accounting principles on goodwill and related disclosure in the* note 3.2. At the balance sheet date 31.12.2019, the value of goodwill amounted to EUR 736 million representing 20 % of total assets and 51 % of total equity. Management's annual impairment test was a key audit matter due to the size of the goodwill amount and because the test involves management estimates on future results of the business and the discount rates applied to future cash flows.	We engaged our valuation specialists to assist us in evaluating the assumptions and methodologies used for impairment tests. We focused on forecasted growth, profitability and discount rates among other things. We assessed management's underlying assumptions and also benchmarked those with external data. We focused on the sensitivity and the availability of headroom for cash generating units and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We assessed the forecasting accuracy in the history and compared the projections to the latest Board approved budgets. In addition we assessed the adequacy of the disclosures related to impairment tests.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *We refer to financial statements' accounting principles on revenue recognition and disclosure in the note 2.1. related to revenue.* We focused on this area as a key audit matter due to the risk of incorrect timing of revenue recognition and estimation related to recording the discounts and rebates. According to the financial statements' accounting principles revenue is recognized at an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring goods to a customer. The revenue recognition occurs at a point in time when the control of the goods is transferred to the customer according to the delivery terms. Due to the variation of contractual sales terms and practices across the markets and the pressure the local management may feel to achieve performance targets, there is a risk for material error. This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	To address the risk of material misstatement relating to revenue recognition, our audit procedures included amongst other: • assessing the compliance of the group's revenue recognition accounting policies with applicable accounting standards, including those relating to discounts and rebates. • assessing the revenue recognition processes and related controls. • testing the accuracy of cut-off with substantive analytical procedures supplemented with test of details on a transaction level on either side of the balance sheet date and by analyzing credit notes issued after the balance sheet date. We assessed the adequacy of the disclosures related to revenues.
Valuation of inventories *We refer to financial statements' accounting principles on inventories and related disclosure in the note 4.1.* At the balance sheet date, the value of inventory amounted to EUR 498 million representing 14 % of total assets and 35 % of total equity. Inventories were considered as a key audit matter due to the size of the balance and because inventory valuation involves management judgment. According to the financial statements' accounting principles inventories are measured at the lower of cost or net realizable value. The company has segment and region specific procedures for identifying risk for obsolescence and measuring inventories at the lower of cost or net realizable value.	To address the risk for material error on inventories, our audit procedures included amongst other: • assessing the compliance of the group's accounting policies over inventory with applicable accounting standards. • assessing the inventory valuation processes and related controls. • assessing the analyses and assessment made by management with respect to slow moving and obsolete stock. We assessed the adequacy of the disclosures related to inventories and their valuation.

Key Audit Matter	How our audit addressed the Key Audit Matter
Income taxes *We refer to financial statements' accounting principles on income taxes and related disclosure in the note 2.7.* Income taxes was a key audit matter because of the judgments and estimates involved and the amount of income taxes is material to the financial statements as a whole. The group's business is international and in the normal course of business the management makes judgments and estimates in connection with tax issues and tax exposures resulting in the recognition of deferred tax assets and liabilities as well as tax provisions.	We performed audit procedures on the calculation and valuation of current tax and deferred tax. Procedures included assessment of correspondence with tax authorities and evaluation of tax exposures. Our tax specialists assisted us both on group level and in significant components in evaluating the assumptions and methodologies applied by the management. In addition, we evaluated the appropriateness of the recognition principles and the sufficiency of the given disclosures.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

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

Other information

The Board of Directors and/or the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors with referred statements and the other information included in Huhtamaki Annual Report 2019 publication, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors with referred statements prior to the date of this auditor's report, and Huhtamaki Annual Report 2019 publication is expected to be made available to us after that date.

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

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

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

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

Espoo, 12 February 2020

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

Definitions for performance measures

Performance measures according to IFRS

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

$$\frac{\text{Profit for the period – non-controlling interest}}{\text{Average number of shares outstanding}}$$

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

$$\frac{\text{Diluted profit for the period – non-controlling interest}}{\text{Average fully diluted number of shares outstanding}}$$

Alternative performance measures

EBITDA = EBIT + depreciation and amortization

Dividend yield =

$$\frac{\text{100 x Dividend per share}}{\text{Share price at December 31}}$$

Shareholders' equity per share =

$$\frac{\text{Total equity attributable to equity holders of the parent company}}{\text{Number of shares outstanding at December 31}}$$

P/E ratio =

$$\frac{\text{Share price at December 31}}{\text{Earnings per share}}$$

Market capitalization = Number of shares outstanding multiplied by the corresponding share price on the stock exchange at December 31

Return on investment (ROI) =

$$\frac{\text{100 x (Profit before taxes + interest expenses + net other financial expenses)}}{\text{Statement of financial position total – interest-free liabilities (average)}}$$

Return on equity (ROE) =

$$\frac{\text{100 x Profit for the period}}{\text{Total equity (average)}}$$

Net debt to equity (gearing) =

$$\frac{\text{Interest-bearing net debt}}{\text{Total equity}}$$

Solidity =

$$\frac{\text{100 x Total equity}}{\text{Statement of financial position total – advances received}}$$

Current ratio =

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Times interest earned =

$$\frac{\text{Earnings before interest and taxes + depreciation, amortization and impairment}}{\text{Net interest expenses}}$$

Return on net assets (RONA) =

$$\frac{\text{100 x Earnings before interest and taxes (12m roll.)}}{\text{Net assets (12m roll.)}}$$

Operating cash flow = Adjusted EBIT + depreciation and amortization (including impairment) – capital expenditure + disposals +/– change in inventories, trade receivables and trade payables

Free cash flow = Net cash flow from operating activities – capital expenditure + proceeds from selling tangible and intangible assets

Comparable net sales growth = Net sales excluding foreign currency changes, acquisitions and divestments

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.

Key figures and financial development

Huhtamaki 2015–2019

EUR million	2019	2018	2017	2016	2015
Net sales	3,399.0	3,103.6	2,988.7	2,865.0	2,726.4[1]
Increase in net sales (%)	9.5	3.8	4.3	5.1	21.9[1]
Net sales outside Finland	3,342.8	3,055.4	2,941.7	2,817.8	2,672.3[1]
Earnings before interest, taxes, depreciation, amortization and impairments	448.8	390.3	386.3	380.1	319.4[1]
Earnings before interest, taxes, depreciation and amortization/net sales (%)	13.2	12.6	12.9	13.3	11.7[1]
Earnings before interest and taxes	285.5	225.5	264.3	266.2	214.9[1]
Earnings before interest and taxes/net sales (%)	8.4	7.3	8.8	9.3	7.9[1]
Profit before taxes	256.7	194.4	246.8	239.3	180.7[1]
Profit before taxes/net sales (%)	7.6	6.3	8.3	8.4	6.6[1]
Profit for the period	199.0	156.9	196.5	191.5	151.4[1]
Total equity	1,437.1	1,267.3	1,208.2	1,182.2	1,036.0
Return on investment (%)	11.9	10.4	13.4	14.7	13.3
Return on shareholders' equity (%)	14.8	12.8	16.6	17.6	15.6
Solidity (%)	39.9	39.2	41.4	41.2	41.3
Net debt to equity	0.63	0.73	0.58	0.57	0.53
Current ratio	1.39	1.29	1.48	1.21	1.40
Times interest earned	16.23	13.21	24.01	14.11	10.21
Capital expenditure	203.8	196.9	214.8	199.1	146.9
Capital expenditure/net sales (%)	6.0	6.3	7.2	6.9	5.4
Research & development	22.0	20.2	19.2	17.2	15.7[1]
Research & development/net sales (%)	0.6	0.6	0.6	0.6	0.6[1]
Number of shareholders (December 31)	31,056	31,755	30,474	26,407	24,484
Personnel (December 31)	18,598	17,663	17,417	17,076	15,844

[1] Continuing business

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. Financial information for 2015–2017 is not restated and thus not fully comparable.

Key exchange rates in euros

		2019 Income statement	2019 Statement of financial position	2018 Income statement	2018 Statement of financial position
Australian Dollar	AUD	0.6209	0.6253	0.6332	0.6167
British Pound	GBP	1.1397	1.1736	1.1302	1.1078
Indian Rupee	INR	0.0127	0.0125	0.0124	0.0125
Russian Ruble	RUB	0.0138	0.0144	0.0135	0.0126
Thai Baht	THB	0.0288	0.0299	0.0262	0.0268
US Dollar	USD	0.8931	0.8937	0.8462	0.8731

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.

Share and shareholders

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

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

The Annual General Meeting of Shareholders on April 25, 2019 authorized the Board of Directors to decide: (i) on the repurchase of the Company's own shares and (ii) on the issuance of shares as well as the issuance of special rights entitling to shares. The authorizations remain in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2020.

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

Per share data

		2019	2018	2017	2016	2015
Earnings per share	EUR	1.82	1.49	1.86	1.81	1.42
Earnings per share (diluted)	EUR	1.82	1.49	1.85	1.80	1.42
Dividend, nominal	EUR	0.89[1]	0.84	0.80	0.73	0.66
Dividend/earnings per share	%	48.9[1]	56.4	43.0	40.3	46.6
Dividend yield[2]	%	2.2[1]	3.1	2.3	2.1	2.0
Shareholders' equity per share	EUR	12.92	11.65	11.13	10.93	9.65
Average number of shares at year end[2]		104,344,950	104,281,454	104,050,625	103,822,029	103,665,405
Number of shares at year end[2]		104,349,676	104,334,676	104,112,067	103,856,539	103,696,479
P/E ratio[2]		22.7	18.2	18.8	19.5	23.6
Market capitalization on December 31[2]	EUR million	4,318.0	2,824.3	3,643.9	3,664.1	3,473.8
Trading volume in NASDAQ OMX Helsinki Ltd.[3]	units	54,959,467	75,209,544	67,759,658	57,912,190	62,227,323
Trading volume in alternative trading venues[4]	units	90,523,665	125,806,431	108,324,464	110,013,193	73,032,436
Trading volume, total	units	145,483,132	201,015,975	176,084,122	167,925,383	135,259,759
In relation to average number of shares[2]	%	139,4	192.8	169.2	161.7	130.5
Development of share price						
Lowest trading price	EUR	26.81	22.96	31.45	27.14	21.35
Highest trading price	EUR	42.73	36.89	37.68	42.33	34.90
Trading price on December 31	EUR	41.38	27.07	35.00	35.28	33.50

[1] 2019: Board's proposal
[2] Issue-adjusted and excluding treasury shares
[3] Source: Nasdaq Helsinki Ltd
[4] Source: Fidessa Fragmentation Index, fragmentation.fidessa.com

ⓘ | *See also note 2.8. Earnings per share.*

Distribution of ownership by number of shares on December 31, 2019

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	12,406	39.9%	564,793	0.5%
101–1,000	14,863	47.9%	5,671,807	5.3%
1,001–10,000	3,477	11.2%	8,981,613	8.3%
10,001–100,000	260	0.8%	7,115,307	6.6%
100,001–1,000,000	40	0.1%	11,306,971	10.5%
More than 1,000,000	10	0.0%	74,052,010	68.7%
Total	31,056		107,692,501	99.9%
In the joint book-entry account			67,884	0.1%
Number of shares issued			**107,760,385**	**100.0%**

Distribution of ownership by sector on December 31, 2019

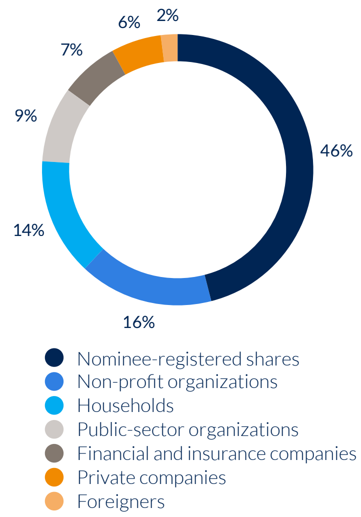
Sector	Number of shares	%
Nominee-registered shares	49,601,850	46.0%
Non-profit organizations	17,751,796	16.5%
Households	15,173,816	14.1%
Public-sector organizations	9,318,222	8.6%
Financial and insurance companies	7,600,847	7.1%
Private companies	6,316,749	5.9%
Foreigners	1,929,221	1.8%
In the joint book-entry account	67,884	0.1%
Number of shares issued	**107,760,385**	**100.0%**

Largest registered shareholders on December 31, 2019*

Name	Number of shares and votes	%
Finnish Cultural Foundation	12,010,653	11.2
Varma Mutual Pension Insurance Company	3,283,809	3.1
Ilmarinen Mutual Pension Insurance Company	2,820,000	2.6
The Local Government Pensions Institution	1,607,175	1.5
ODIN Norden	1,434,301	1.3
Nordea Nordic Fund	1,015,948	0.9
Society of Swedish Literature in Finland	988,500	0.9
Mandatum Life Insurance Company	696,289	0.7
The State Pension Fund	695,951	0.7
Danske Invest Finnish Equity Fund	570,098	0.5
Total	**25,122,724**	**23.3**

* Excluding own shares acquired by Huhtamäki Oyj totaling 3,410,709 and representing 3.2% of the total number of shares.

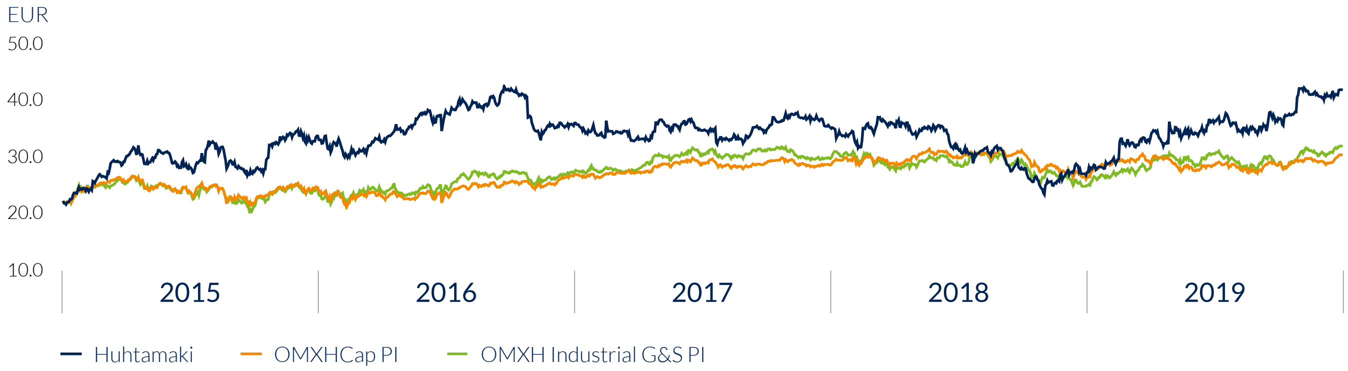
SHAREHOLDER DISTRIBUTION BY SECTOR DECEMBER 31, 2019



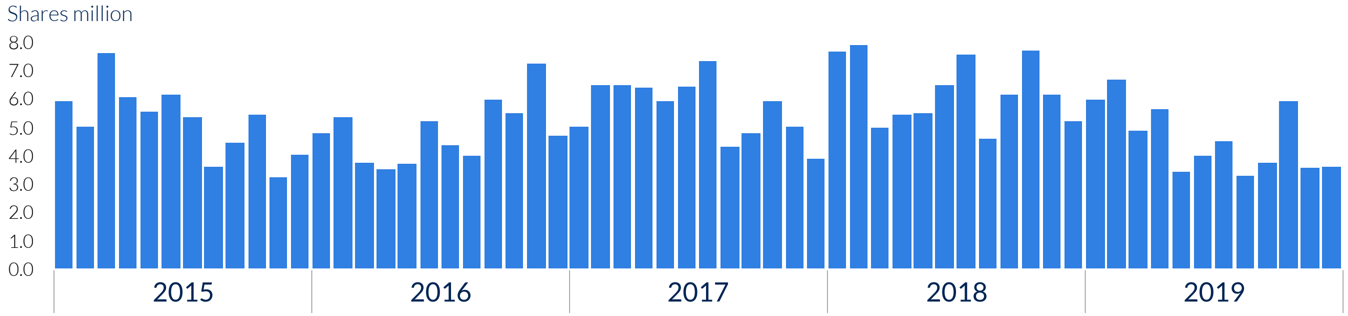
The list on the left includes only direct registered shareholders and is based on information available from Euroclear Finland Ltd., excluding 3,410,709 shares held by Huhtamäki Oyj that represent 3.2% of the total number of shares. Nominee-registered holdings, which may be substantial, are not included. On December 31, 2019 nominee-registered shareholders held in total 46% of Huhtamäki Oyj's shares.

Lannebo Fonder AB, whose shareholding is nominee-registered, has requested to be identified as a major shareholder of Huhtamäki Oyj. According to documentation provided by Lannebo, on December 31, 2019, they held 3,612,700 Huhtamäki Oyj shares, representing 3.4% of the total number of shares.

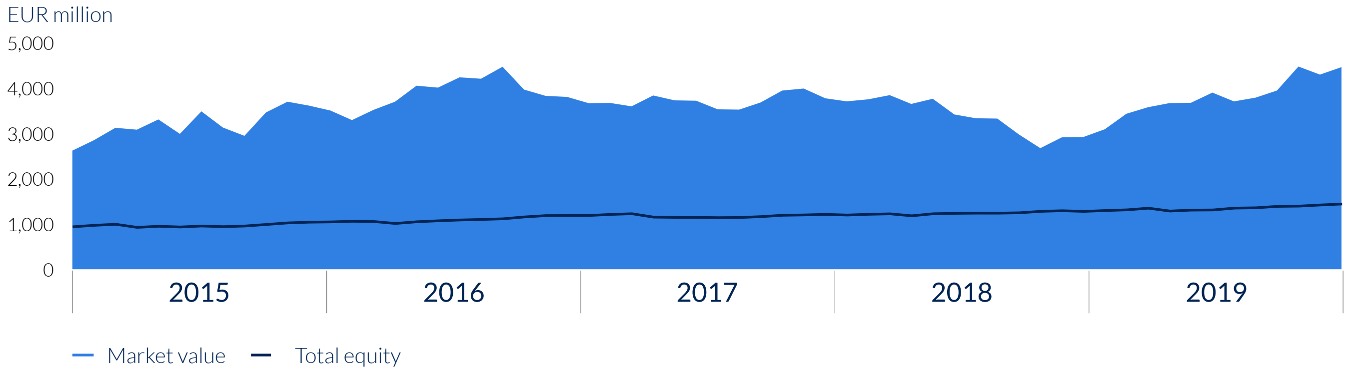
DEVELOPMENT OF HUHTAMAKI'S SHARE PRICE JANUARY 2, 2015–DECEMBER 31, 2019



MONTHLY TRADING VOLUME ON NASDAQ HELSINKI 2015–2019



MARKET VALUE AND EQUITY 2015–2019



Sustainability 2019

Huhtamaki

Key achievements 2019

Feb

- Huhtamaki launches high-quality, sustainable paper straws
  ⓘ | Read more on p. 126

Mar

- Huhtamaki elected to the Executive Committee of the European Organization for Packaging and the Environment (EUROPEN)
  ⓘ | Read more on p. 110
- Gold medal awarded by EcoVadis for performance in sustainability

GOLD 2019 ecovadis CSR Rating

Apr

- Launch of blueloop, a new range of recyclable flexible packaging
  ⓘ | Read more on p. 122

May

- Waitrose & Partners supermarket chain in the UK launches their first ready meal range in Huhtamaki Fresh trays
  ⓘ | Read more on huhtamaki.com
- Installation of state-of-the-art solar power units at manufacturing units in India
  ⓘ | Read more on huhtamaki.com
- Future Smart sustainable paper cup wins Vending Star 2019 Award
  ⓘ | Read more on huhtamaki.com

Jul

- New Flexible Packaging unit, inaugurated in Egypt in April 2019, received the highest rating of AA in a BRC audit that measures food safety
  ⓘ | Read more on huhtamaki.com

Oct

- Launch of new Ethics and Compliance program framework

Nov

- Engagement survey response rate was 88% and engagement index 74% (target >70%)
  ⓘ | Read more on p. 118
- Huhtamaki joins a newly formed industry alliance, 4evergreen
  ⓘ | Read more on p. 109
- McDonald's announces Huhtamaki the supplier of the year in UK and Ireland. The Antrim paper straw facility recognized as a key factor for success.
  ⓘ | Read more on huhtamaki.com

Sustainability overview

Accelerating our sustainability work

The role of packaging is more relevant and has a higher profile than ever in today's fast-paced world. This is especially true for food and drink packaging, because we all depend on it to sustain our lifestyles. Packaging enables us to consume food wherever and whenever; conveniently, safely and hygienically.

"We have the ambition to take a leadership role in shaping the future of the food packaging industry, embedding sustainability in everything we do."

Charles Héaulmé, President & CEO

Food packaging protects not just the food inside it. It reduces the environmental impacts related to the production of food. Packaging prolongs shelf life and – crucially – reduces food waste, and it enables consumers to enjoy food safely wherever and whenever. At the same time, the world's population continues to grow and become more urban while pressures on natural resources increase.

Nevertheless, after food is consumed there is still the packaging to deal with. Collection, segregation and recycling infrastructure and practices vary widely depending on where we live. Littering is a behavior which is all too common. And as we know, plastic which is mismanaged on land can transfer into rivers and eventually into the oceans, where it accumulates, harms marine life and litters our beaches. There is no doubt that more must be done to create a world where circularity of packaging is a reality, and to stop plastics from ending up in oceans. As a globally operating food packaging specialist, Huhtamaki has a role to play in making this change happen together with the whole value chain, policy makers and public authorities.

In 2019 we continued to make good progress on many of our most material sustainability topics through our Packaging for Good program. We also know that while we are working hard in certain important areas, we still need to do more in order to progress. We are currently working on our sustainability ambitions towards 2030. We will begin implementing our plan in 2020 and it will form the basis of our reporting going forward.

We are pleased with the progress we made in 2019 in several areas, including:

- **Product innovation for circularity:** Our new blueloop flexible packaging is designed to be recycled; our fiber-based ready meal tray Fresh, an alternative to black plastic trays, is a hit with customers and consumers; our paper straws have been successful in meeting demand from our customers. Huhtamaki is not limited to using any one type of material; we have deep expertise in recycled and virgin fiber as well as plastics and multi-layer structures. This puts us in a great position to meet the demand for more sustainable, food-safe products.
- **Valuing natural resources:** We have modeled natural resources as they flow through our production and their financial value. This model has been piloted in a few manufacturing units, and our business segments report that this new method has helped them to identify further opportunities to reduce material loss (waste) and drive profitability at the same time.
- **Supply chain due diligence:** After extensive development, including an update of our Code of Conduct for Huhtamaki Suppliers, our improved supply chain due diligence system has been implemented in our North America business segment. After evaluating the results, we have started to roll out this process across all our business segments, leading to improved risk management in our supply chain.
- **Employee engagement:** No less than 88% of 16,743 invited employees responded to the biennial employee engagement

survey. The engagement score of 74% (69% in 2017) achieved our target of >70%, and the scores were above the High Performing Norm, a measure created by Korn Ferry, the organizational consulting firm who conducted the study.

Although we are on track to deliver on our Packaging for Good targets for 2020, there is more we should do to address the expectations of stakeholders and the urgency of the climate crisis.

- **Looking beyond 2020:** Our initial targets for the Packaging for Good program focused on 2020. We are working on our sustainability ambitions towards 2030, still covering the full breadth of environmental, social and governance issues but with a higher ambition level.
- **KPIs:** The Packaging for Good program had two areas where we still needed to set forward-looking KPIs: product innovation and natural resources. These items are connected to the circular economy and climate. We are pleased that we will address these when we work on our long-term sustainability ambitions towards 2030.

Guided by our values

Our global operations challenge us to stay attentive to our impact on local communities as well as to be alert to quickly spreading global trends. We want to grow together with our customers and seize these opportunities.

VALUES ARE THE FOUNDATION OF OUR DAILY WORK

We know our business

We like to get it done

We treat our world with respect

Our strategy

We strive to be the first choice in food packaging. Today, we are a leader in two areas: the on-the-go food packaging market and pre-packed food packaging in emerging markets.

Global megatrends have an impact on ours and our customers' business. We work on capitalizing on the opportunities created by the trends, so that our packaging products help our customers enter new markets and sectors. Sustainability and innovation are key focus areas in our strategy.

ⓘ | *Read more on p. 11*

Contributing to the UN Sustainable Development Goals

The Sustainable Development Goals (SDGs), a universal call aiming to end poverty, protect the planet and ensure that all people enjoy peace and prosperity, was adopted by all United Nations Member States in 2015. By considering the nature of our operations and their impacts, we have identified 11 goals that are most relevant for our business and our stakeholders. We have also chosen goal number 12, responsible consumption and production, as our main development goal, because it is where we can have the biggest positive impact through our core business.

Packaging for Good

Our sustainability program, Packaging for Good, explains how we intend to work and grow our business responsibly by 2020 and beyond. The program reflects our values and makes sustainability part of our employees' daily work. Packaging for Good has four focus areas: People, Packaging, Supply chain and Operations.

Packaging for Good focuses on material topics

We review our materiality assessment regularly. In 2019, we updated the assessment with more recent data sources. The materiality assessment reaffirmed that our sustainability efforts focus on the most material topics.

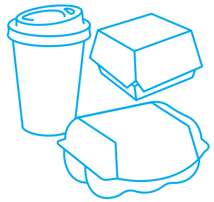
We are committed to making the world a better place by enabling safe and efficient food delivery with more sustainable packaging. We believe that long-term stakeholder cooperation is the key to finding the best solutions in all geographies where we operate. We invite you to find out more about our program and how we address current topics relating to sustainability.

PACKAGING FOR GOOD

Packaging for Good

Roadmap for a more sustainable future

Packaging for Good is Huhtamaki's sustainability program. It has four main themes: People, Packaging, Supply chain and Operations. All targets here refer to 2020, unless indicated otherwise.

Theme	Goal	KPIs	Performance in 2019
People 	By the end of 2020, our work culture and reputation as a responsible employer make us a desired place to work	• Employee Engagement index >70%	• Employee Engagement index was 74% in 2019 survey
		• Huhtamaki Group Lost Time Incident Rate: 1.7	• LTIR was 2.1. The focus is on hitting our target in 2020 and developing a roadmap beyond 2020.
		• Community programs in place on site level and Group level	• Work concentrated on donation projects for 2020 as part of Huhtamaki 100 year celebrations
Packaging 	By the end of 2020, our customers see Huhtamaki as a most trusted partner to deliver and innovate on sustainability and food safety	• All our products comply with Huhtamaki's Global Food Safety Policy	• New Global Food Safety Manager in place, focus was on continuous improvement of systems and processes
		• Zero food contact compliance related claims reported	• There were zero significant incidents of non-compliance reported
		• Product innovation (KPI under development)	• Significant innovations in Fresh, blueloop and paper straws
Supply Chain 	By the end of 2020, all key suppliers work with us to deliver on the Code of Conduct for Huhtamaki Suppliers	• Supply chain due diligence system in place, covering ethical, social and environmental criteria	• New system was developed, piloted and trained
		• All fiber sourced from recycled or certified sustainable sources	• More than 98% of all fiber was sourced from recycled or certified sustainable sources
Operations 	By the end of 2020, we produce more, with less impact on the environment per unit of production	• Natural Resource Plan (KPIs under development)	• New waste approach was piloted in 20 manufacturing units
		• All plants in water stressed areas have a water management plan	• Water risks were re-assessed based on latest data, and pilot projects were agreed

PACKAGING FOR GOOD

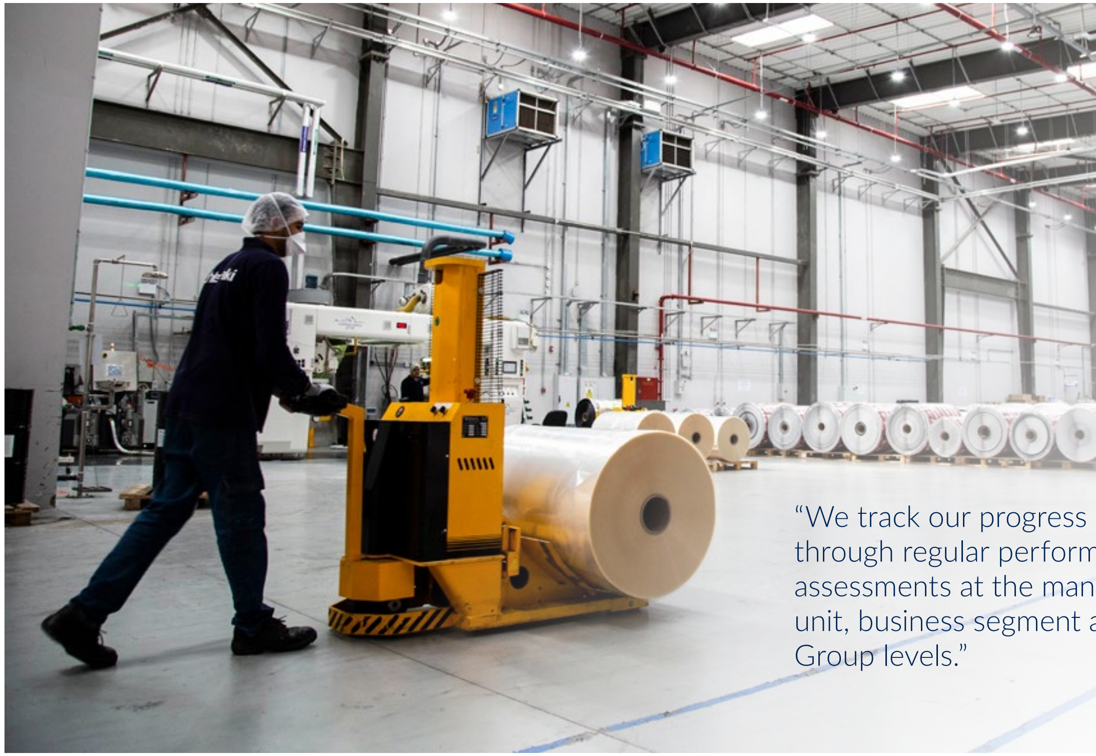
Managing sustainability

Managing sustainability throughout our business

Huhtamaki is committed to doing business in a responsible and sustainable way, and we expect the same commitment from our business partners. We comply with local laws and regulations in the countries where we operate, and act in accordance with commonly accepted best practices. We do not accept the violation of any laws or regulations or any unethical business dealings.

The foundation of our sustainability work is our heritage values: 'We know our business', 'We like to get it done', and 'We treat our world with respect'. Our Huhtamaki Code of Conduct sets the standards for ethical behavior for all our employees. These are supplemented by policies and guidelines. All our manufacturing units are governed by the same overarching policy framework. Huhtamaki aims to follow the precautionary principle in all operations, and to minimize the negative impacts while maximizing the positive impacts on both our business and the societies around us.

We have defined targets for each of the four themes of our sustainability program, Packaging for Good; namely, People, Packaging, Supply Chain and Operations, and have defined step-by-step internal actions to achieve them. We track our progress through regular performance assessments at the manufacturing unit, business segment and Group levels. We also evaluate our sustainability work by benchmarking other companies and best practices, listening to stakeholders, updating our materiality assessment regularly, and reviewing grievances reported through the whistleblowing system.



"We track our progress through regular performance assessments at the manufacturing unit, business segment and Group levels."

Identifying the most material topics

To ensure that our sustainability work concentrates on the most material topics, we update our materiality assessment regularly. In 2018, we made a substantial update by applying a new data-driven approach, provided by Datamaran. In 2019, we supplemented this assessment. We were already aware of the topics that are material for Huhtamaki. What we wanted to do was to update the underlying data sources with more recent ones and to increase the number of stakeholder surveys included, to see how the respective order among the topics had changed over time.

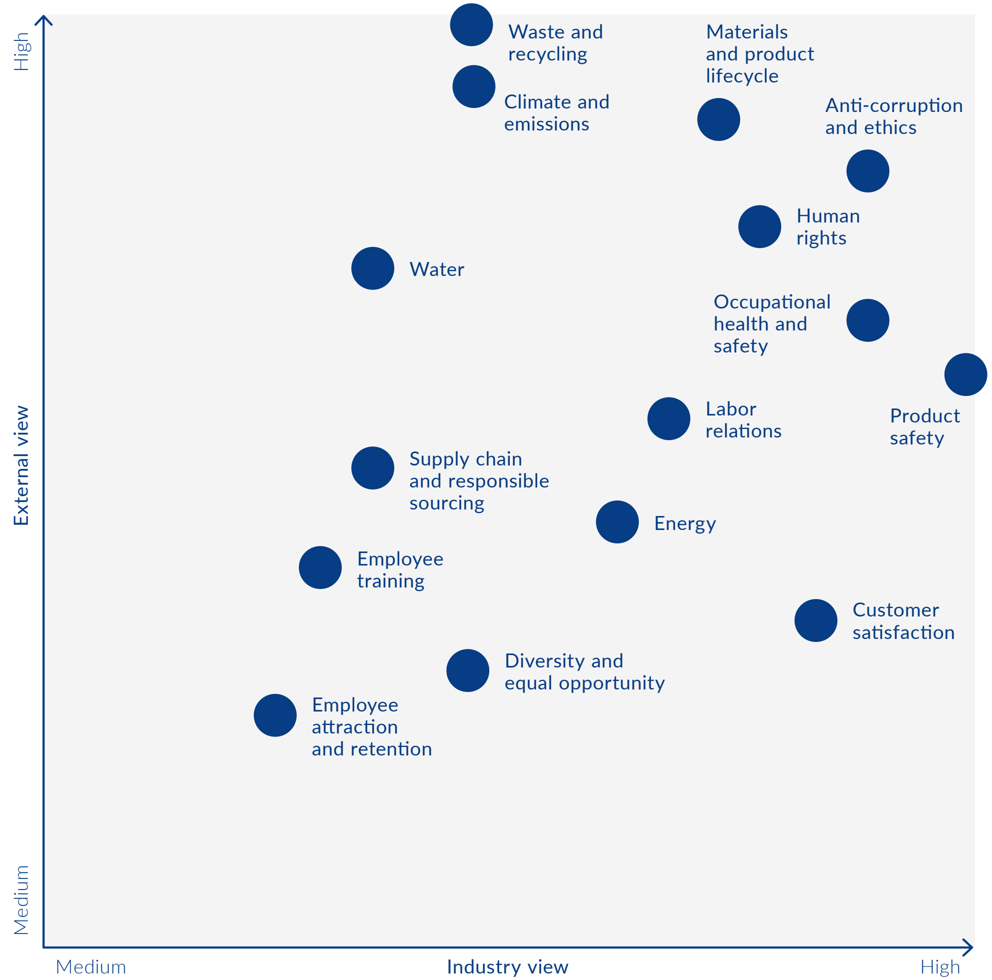
We included in the assessment news, hard law and soft law, tweets, corporate reports of 40 companies identified as main peers, customers and suppliers, and sustainability-related standards chosen according to their relevance for Huhtamaki's business sector. We also sent surveys to relevant external and internal stakeholders, and managed to double the number of answers received. For more information about the materiality assessment and methodology used, please visit our webpage.

Update resulted in changes in the positions of material topics

The assessment resulted in the following materiality matrix.

- The X-axis represents the industry view, including internal stakeholder surveys and corporate reports
- The Y-axis represents the external view, including external stakeholder surveys, online news, regulations, Twitter and international standards

There were some changes visible when making a comparison to the previous materiality matrix. For example, the importance of climate and emissions as well as waste and recycling has grown, especially for the external view. We address these matters with our Natural Resource Plan, which takes a holistic view on our operations and products. The Natural Resource Plan also focuses on two other material topics, water and energy. For more information on the Natural Resource Plan, see pages 135 and 138–139.



The descriptions of the material topics have been improved to better reflect their content.

Anti-corruption and ethics are gaining even higher importance from both the external and internal points of view. Huhtamaki's Global Compliance function continued to develop the Ethics and Compliance program in 2019, with the official launch of a new Ethics and Compliance program framework in October 2019. For more information on the framework, see page 141.

The importance of human rights grew both externally and internally. Human rights, as well as other responsible sourcing aspects, are at the centre of our strengthened supply chain due diligence procedures. See more information about these developments on page 128.

Employment related topics as well as occupational health and safety continue to be relevant for Huhtamaki. We collect feedback from our employees through a biennial employee engagement survey. We also measure our safety performance. More insights about the survey results and health and safety initiatives can be found on pages 116–118.

Product safety and customer satisfaction are still pertinent for us as well as our industry in general. We continuously monitor the food contact safety of our products and innovate new products for our customers, taking the whole product life cycle into account. Read about our latest innovations on pages 122–126.

The content of this Sustainability Report is based on the materiality assessment. We report at least one GRI Standards disclosure for each topic that has been identified as most material.

We manage material topics efficiently

Operational efficiency is crucial for Huhtamaki, both for cost-efficiency as well as for reducing our environmental impacts. We use the Lean Six Sigma methodology to optimize our processes, primarily in manufacturing operations, but also in other functions throughout the company since 2006. At the end of 2019, we had 66 Black Belts and 317 Green Belts working actively with Lean Six Sigma. Best practices are continuously shared among manufacturing units.

Life Cycle Assessments (LCA) provide us with information on the environmental impact of our products throughout their whole life cycle. In 2019, we updated our LCA tool to a more modern and efficient version. The tool allows us to systematically evaluate the potential environmental impacts of our products, taking raw materials, manufacturing, use, transport and end-of-life options into account. With the tool, we can simulate the environmental impacts of different product recipes in given scenarios based on reliable data. It helps us to benchmark products and production options and identify improvement targets. The updated tool also allows us to easily share the results with our customers and other relevant stakeholders.

The managers of our manufacturing units are trained on the Huhtamaki Working Conditions Requirements. These include topics such as anti-corruption, health and safety, work ergonomics, work contracts, working hours, grievances and supplier management. The trainings provide tools and techniques for evaluating and assessing performance in these areas.

The Global Compliance function oversees the implementation of our ethics and compliance program. It supports the business segments in conducting business in compliance with laws, regulations and our ethical standards, and organizes trainings and coordinates our whistleblowing system, the Huhtamaki Speak Up channel.

Our Quality and Food Safety fundamentals are defined globally, and then implemented locally. The Huhtamaki Global Food Contact Packaging Safety Policy describes the food safety related requirements to be included in the local quality management system.

Active risk management provides predictability

Risk management is an essential part of our internal control system and is a way to analyze and manage opportunities and threats related to our business strategy and operations. The Group Enterprise Risk Management (ERM) Policy defines the objectives, scope and responsibilities of risk management. Efficient risk management ensures timely identification and assessment of opportunities and risks as well as relevant measures to manage them. Detailed risk management procedures are described in our ERM framework and process guidelines.

The purpose of risk management is to identify potential events that may affect the achievement of Huhtamaki's objectives in the changing business environment, and to manage such risks to a level that we are capable and prepared to accept so that there is reasonable assurance and predictability on the achievement of the objectives. Our risk management process is based on the Enterprise Risk Management (ERM) framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

To organize risks according to a system and facilitate their identification, they are categorized as strategic, operational, financial, and information risks. These categories are closely aligned with the strategic, operational, financial and compliance objectives of Huhtamaki.

Our governance structure

Board of Directors (BoD): The highest body to approve the guiding policies for sustainability and to outline sustainability principles in relation to the Group's strategy. Approves the annual Sustainability Report and non-financial information as part of the Directors' Report. Monitors and evaluates the risk management activities of the Group. Approves the risk level that the Group is capable and prepared to accept and the extent to which risks have been identified, addressed and followed up.

Global Executive Team (GET): Monitors sustainability performance and revises sustainability targets. Adapts and deploys the Group's internal control principles and procedures relating to risk management. Approves global policies. Makes sure sustainability is embedded in everything we do.

Business segment and unit management teams: Responsible for integrating sustainability subjects into daily business decision-making and practices and for ensuring that the required processes are in place.

Global functions: Support the business segments and units in sustainability matters, identify Group-level sustainability opportunities and risks, promote responsible operating practices throughout the value chain, and publish the Group's annual Sustainability Report.

More information on corporate governance, including a description of the governance structure and processes, can be found in the Corporate Governance Statement 2019 (part of the Huhtamaki Annual Report 2019) and from our website www.huhtamaki.com.

Our key guiding principles

Packaging for Good theme	Guiding principles and management systems	Responsibility
Foundation	• Huhtamaki Code of Conduct • Finnish Corporate Governance Code • Group Corporate Governance Policy for Subsidiaries • Huhtamaki Group Policy on Compliance with Competition and Antitrust Laws • Group Claims Policy • Group Disclosure Policy • Group Investigations Policy • Group Insider Policy • Group risk management • Internal audit • Group Data Privacy Policy	• Board of Directors • President and Chief Executive Officer (CEO) • Global Executive Team (GET) • Global functions
People	• Huhtamaki Code of Conduct • OHSAS 18001 • Global Employment Guidelines • Huhtamaki Working Conditions Requirements • Group Performance Management Policy • Performance Review Guidelines • Group Compensation and Benefits Policy • Huhtamaki Human Trafficking and Modern Slavery Statement • Global Human Rights Policy • Global Occupational Health & Safety Policy	• GET • Business segments • Manufacturing units • Global functions
Packaging	• Huhtamaki Code of Conduct • Quality management system ISO 9001 • Food safety management systems (BRC/AIB) • Group Food Contact Packaging Safety Policy	• GET • Business segments • Manufacturing units • Global functions
Supply Chain	• Huhtamaki Code of Conduct • Code of Conduct for Huhtamaki Suppliers • Global Human Rights Policy • Huhtamaki Human Trafficking and Modern Slavery Statement	• GET • Business segments • Manufacturing units • Global functions
Operations	• Huhtamaki Code of Conduct • Group Environmental Policy • Group Property Risk Control and Business Continuity Policy • ISO management systems 14001, 50001	• GET • Business segments • Manufacturing units • Global functions

Engaging with our stakeholders creates value

"The topic of plastics was high on the agenda in 2019. Huhtamaki is actively engaging with stakeholders on this topic, and our recent product innovations such as blueloop, Fresh and paper straws demonstrate our commitment to developing solutions that bring us closer to a circular economy."

To identify expectations as well as market trends and opportunities, it is important for us to maintain an open dialogue and work closely with our stakeholders. The list of our significant stakeholder groups remains the same compared to previous years:

- Customers
- Suppliers
- Employees and contingent workers
- Shareholders
- Investors
- Consumers
- Industry associations
- Public authorities
- Non-Governmental Organizations
- Trade unions
- Communities near our manufacturing units
- Media

How we identify and select stakeholders

We use structured and ad hoc methods to reach out to stakeholders. For example, we use surveys, such as the employee engagement survey and the stakeholder survey included in our materiality assessment. We also receive information through our whistleblowing channels, social media and investor meetings. In 2019 there was a marked increase in our engagement with industry bodies. Huhtamaki was voted onto the Executive Committee of the industry association EUROPEN, the European Organization for Packaging and the Environment.

For our updated materiality assessment, we took on board the feedback from last year's assurance report that we should include a larger number and wider range of stakeholders. We recognize that there is still more we can do, but we are pleased that we doubled the number of stakeholders responding to our survey, and that they represented a greater diversity of our stakeholder groups.

Stakeholder engagement should create value for all parties, and therefore, we do not take a 'one size fits all' approach. We adapt our engagement depending on the needs of our stakeholders. Different customers have different needs, and investors need information in a different format than our employees do. Communities around our manufacturing units require contact with local management, whereas global stakeholders require contact with our segment teams or global functions.

Our engagement with stakeholders is always guided by Huhtamaki's values and Code of Conduct.

Plastics and investor interest in ESG were high-profile topics in 2019

The topic of plastics was high on the agenda in 2019. The EU adopted the Single-Use Plastics Directive, and Member States are now working to transpose this into law. In India, national and regional pressure also increased on single-use plastics. Huhtamaki is actively engaging with stakeholders on this topic, and our recent product innovations such as blueloop, Fresh and paper straws demonstrate our commitment to developing solutions that bring us closer to a circular economy.

In matters as important as environment and social impact it is crucial to have fact-based discussions in order to prevent unintended negative consequences. In 2019 Huhtamaki co-commissioned a peer-reviewed life cycle assessment (LCA) of coffee cups, which was carried out by the VTT Technical Research Centre of Finland. The results of this LCA are available on our website.

In 2019 there was a notable increase in interest from investors in the Environmental, Social and Governance (ESG) performance of companies like ours. We replied to ESG questionnaires and the subject of sustainability was raised at most meetings with investors. The questions we received covered the full breadth of ESG and were not limited to topics that are in the news, such as plastics. The interest and input from investors are very welcome and have been taken into account in our discussions of how to strengthen our sustainability agenda in the near future.

We collaborate with several international initiatives and associations

Huhtamaki is a signatory to the International Chamber of Commerce (ICC) Business Charter for Sustainable Development. Our Global Human Rights Policy reflects our commitment to human rights as set forth in the United Nations International Bill of Human Rights and takes into account the UN Guiding Principles on Business and Human Rights.

In 2019, we were a member of the following external initiatives and key associations:

- 4evergreen
- European Bioplastics
- European Moulded Fibre Association (EMFA)
- European Organization for Packaging and the Environment (EUROPEN)
- Flexible Packaging Europe
- Finnish Business and Society (FIBS)
- Foodservice Packaging Institute (FPI)
- Forest Stewardship Council (FSC)
- Industry Council for Research on Packaging and the Environment (INCPEN)
- Industrievereinigung für Lebensmitteltechnologie und Verpackung (IVLV)
- International Molded Fiber Association (IMFA)
- Pack2Go Europe
- Programme for the Endorsement of Forest Certification (PEFC)
- Sedex
- Sustainable Forestry Initiative (SFI)

"The majority of fiber-based packaging is already recyclable, but a lot can be done to improve recycling rates. 4evergeen aims to increase recycling rates by, for example, introducing further standardization for both product design and materials."

Managing sustainability, case story

Industry alliance to drive the collection and recycling of fiber-based packaging

Huhtamaki is a founding member of 4evergreen, an industry alliance formed at the end of 2019 to boost the contribution of fiber-based packaging to a circular and sustainable economy, minimizing their impact on climate and environment. The members of the alliance come from various phases across the fiber-based packaging value chain.

The majority of fiber-based packaging is already recyclable, but a lot can be done to improve recycling rates. 4evergeen aims to increase recycling rates by, for example, introducing further standardization for both product design and materials. Today, sufficient collection and recycling infrastructure is not in place everywhere, and one of the aims of the alliance is to ensure that there is 100% access to collection schemes for wood fiber-based packaging in Europe. The alliance also aims to introduce EU-level standards for testing methods related to product recyclability.

Managing sustainability, case story

Huhtamaki is now a member of the EUROPEN Executive Committee

EUROPEN Executive Committee 2019–2021.
Maija Aho second from the right.

"Membership to the Executive Committee places Huhtamaki right in the middle of the strategic discussions about environmental topics related to packaging."

In 2019, Huhtamaki was voted as a member of the EUROPEN Executive Committee for 2019–2021. The position gives Huhtamaki direct access to the EU discussion about packaging legislation and regulatory environment that are under development in Europe.

EUROPEN, The European Organization for Packaging and the Environment, is an industry organization representing the whole packaging supply chain in Europe on topics related to packaging and the environment. It promotes legislation that is transparent, effective and proportionate in relation to packaging and packaging waste.

EUROPEN members are global companies and national packaging associations. Membership to the Executive Committee places Huhtamaki right in the middle of the strategic discussions about environmental topics related to packaging. This is particularly important now as legislation and the regulatory environment are rapidly changing in Europe.

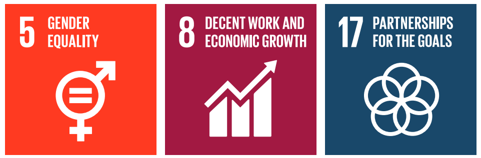
"The committee is focusing on three main areas. Firstly, improving the environmental performance of packaging and packaged products based on life cycle thinking," explains **Maija Aho**, Huhtamaki Global Sustainability Manager and EUROPEN Executive Committee member 2019–2021. "Secondly, the Committee wants to secure the free flow of packaging and packaged goods throughout Europe. And thirdly, it promotes harmonized European and national packaging and packaging waste regulations."

The focus areas of EUROPEN and the Executive Committee have been, for example, the Single-Use Plastics Directive and its national implementation phase, and the EU review of Essential Requirements for Packaging, an existing annex to the EU Packaging and Packaging Waste Directive. The review of Essential Requirements for Packaging took place in 2019. It is followed by an impact assessment. A legislative proposal is estimated to be ready by early 2021 and enter into force and national transposition in 2022–2024. The EU is also renewing the Extended Producer Responsibility (EPR) packaging fee system. Huhtamaki is following these developments closely together with its stakeholders.

People

Information disclosed in this section – GRI Standards:
***401** Employment*
***403** Occupational health and safety*
***404** Training and education*
***405** Diversity and Equal Opportunity*

We promote the following UN Sustainable Development Goals:



Theme	Goal	KPIs	Performance in 2019
People	By the end of 2020, our work culture and reputation as a responsible employer make us a desired place to work	• Employee Engagement index >70%	• Employee Engagement index was 74% in 2019 survey
		• Huhtamaki Group Lost Time Incident Rate: 1.7	• LTIR was 2.1. The focus is on hitting our target in 2020 and developing a roadmap beyond 2020.
		• Community programs in place at site level and Group level	• Work concentrated on donation projects for 2020 as part of Huhtamaki 100 year celebrations

Gearing our team for the future

The changing business environment challenges us every day. By creating a culture of openness, involving the entire team and working through networks, we will be well prepared for the future and can take an active role in shaping it.

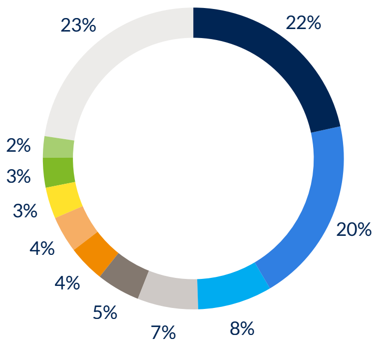
Huhtamaki's values and Code of Conduct are the foundation for our people strategy, which supports the execution and achievement of short and long-term business targets. We do this by providing our employees with a safe workplace, development opportunities, systematic performance and talent management, and succession planning.

At the end of 2019, there were 18,598 employees in total, including employees from the acquired flexible packaging unit in South Africa. Acquired employees are excluded from the personnel breakdown data presented in this report, as the data was not yet available in Huhtamaki's reporting tool for 2019.

Majority of our employees worked full-time, with less than 2% working as part-time. 71% were production employees and 29% non-production employees.

During 2019, we continued the development of the HR information system. We also set up kiosk computers in our manufacturing units for production employees' use. Access to kiosk computers enables our production employees to use Employee Self Services to check and update their personal data, study e-learning programs including Code of Conduct trainings from the online learning library and participate online in our engagement survey called Connect.

LARGEST COUNTRIES BY NUMBER OF EMPLOYEES



- USA 4,013
- India 3,705
- Germany 1,486
- UK 1,213
- Thailand 868
- China 733
- Russia 729
- United Arab Emirates 623
- Poland 597
- Czech Republic 423
- Rest of the world 4,208

Employees by employment contract type and gender

	Female		Male		Non-declared		Altogether	
	2019	2018	2019	2018	2019	2018	2019	2018
Regular[1]	20.2%	19.6%	71.4%	71.3%	1.4%	1.1%	93.0%	92.0%
Fixed term[2]	2.4%	2.8%	3.9%	4.9%	0.7%	0.3%	7.0%	8.0%
Total	**22.6%**	**22.4%**	**75.3%**	**76.2%**	**2.1%**	**1.4%**	**100.0%**	**100.0%**

[1]Employees with indefinite contract with Huhtamaki
[2]Employees with a fixed term contract with Huhtamaki
Data was not collected by gender before 2018.

Employees by employee category and gender

	Female		Male		Non-declared		Altogether	
	2019	2018	2019	2018	2019	2018	2019	2018
Direct[1]	2,376	2,269	10,418	10,140	311	187	13,105	12,596
Indirect[2]	1,771	1,675	3,420	3,321	83	71	5,274	5,067
Total	**4,147**	**3,944**	**13,838**	**13,461**	**394**	**258**	**18,379**	**17,663**

[1] Employees in production
[2] Non-production employees
Data was not collected by direct/indirect categorization before 2018.

Employees by business segment and gender

	Foodservice E-A-O	North America	Flexible Packaging	Fiber Packaging
Male	64.8%	66.0%	86.7%	80.1%
Female	30.7%	33.6%	12.8%	13.1%
Non-declared	4.5%	0.3%	0.5%	6.8%

Data from previous years not disclosed due to implementation of a new HR system.

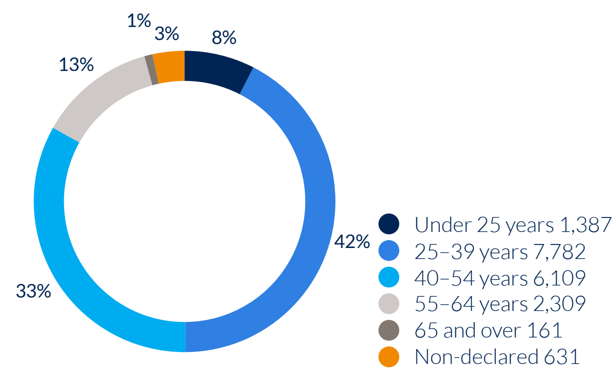
Composition of governance bodies – Gender

	Male	Female
Board of Directors	57%	43%
Global Executive Team	75%	25%

Composition of governance bodies – Age

	Under 30 years	30–50 years	Over 50 years
Board of Directors	0%	0%	100%
Global Executive Team	0%	38%	62%

BREAKDOWN OF ALL EMPLOYEES – AGE



Occupational Health and Safety is a top priority

(403-2, Own KPI: Huhtamaki Lost Time Incident Rate)

In 2019, a working group consisting of representatives from the business segments finished work on a new Occupational Health and Safety Standard, which is integrated into Huhtamaki's Working Conditions Requirements framework. At the time of writing, we are recruiting a new global resource for Occupational Health and Safety who will oversee the implementation of the Standard and further improvements to our practices.

The Lost Time Incident Rate (LTIR) increased to 2.1 (1.8 in 2018 and 2.4 in 2017). When calculating LTIR we consider the lost time incidents and actual working hours of Huhtamaki employees. There were no fatalities. Severity of incidents, measured in Lost Day Rate, was up to 543 (386 in 2018 and 639 in 2017). When calculating LDR we count the scheduled work days lost starting from the next work day after the incident.

The decline in safety performance is disappointing. We have invested in additional OHS resources to drive performance, and we are confident to be on track to achieve our 2020 LTIR target of 1.7. We will further increase our level of ambition as we work on our long-term sustainability ambitions towards 2030.

All manufacturing units monitor safety monthly, assessing it against targets. The main occupational health and safety performance indicators include lost time injuries (LTI), medical treatment injuries and near misses. LTIs are reported within 24 hours of occurrence to the unit's Human Resources function, Plant Manager, segment-level Health and Safety Manager and the Executive Vice President heading the segment. At Huhtamaki global level, health and safety data is consolidated through a globally implemented reporting tool, which is also used to upload incident reports. Global and segment health and safety KPIs are reported to the Board of Directors on a quarterly basis, and to the Global Executive Team on a monthly basis.

Incidents or injuries are carefully investigated, and this procedure includes a root cause analysis and a plan for development actions. Findings from the individual incident reports and corrective measures taken are distributed across the segments for benchmarking purposes.

Lost time incidents and fatalities

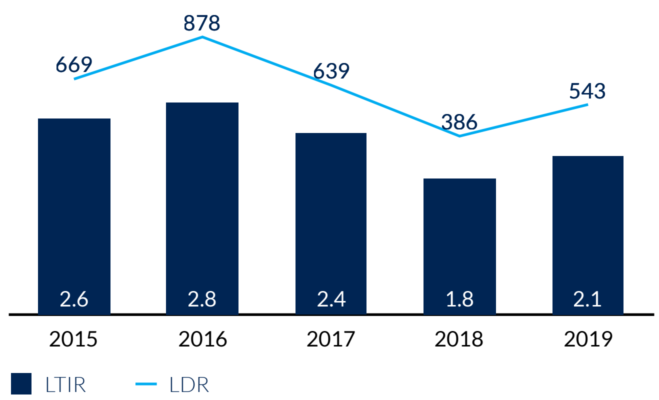
	2019	2018	2017	2016	2015
LTIs	75	63	81	89	76
Fatalities	0	0	1	0	0

Lost time incident rate and severity by business segment

	Foodservice E-A-O	North America	Flexible Packaging	Fiber Packaging
LTIR	3.2	2.2	1.4	2.2
LDR	1,006	411	324	672

LTI: Lost time incident, an accident or an incident that causes the employee to miss at least one working shift.
LTIR: Lost time incident frequency per million hours worked
LDR: Lost day rate, hours lost per million hours worked

INCIDENT FREQUENCY AND SEVERITY 2015–2019, GROUP



We support professional development

(404-3)

In a culture of growth, there is a passion for learning, and people are ready to take on new challenges to develop their competencies, professional skills and behaviors. We have a concept of ‘trace your own path’ to clarify one’s own career aspirations, while ‘make yourself visible’ calls for active participation in relevant global networks and forums.

Our annual global performance review process is conducted for all non-production employees. Local performance review processes for production employees are not reported on the global level. 95% (85%) of non-production employees received a performance review for 2019.

“Huhtamaki’s values and Code of Conduct are the foundation for our people strategy, which supports the execution and achievement of short and long-term business targets.”

Engaging and involving employees helps to improve our processes

(Own KPI: Employee engagement index)

As part of our practices for inviting feedback and suggestions, we conduct a global employee engagement survey every second year. In 2019, the survey was done entirely online for the first time ever, and we decided to call the survey “Connect”. The decision to move from paper surveys to an online survey was done as part of the digitalization of people processes. The response rate reached 88%, up from 80% in 2017.

We also revisited and simplified the survey questions to make them more relevant and encourage our employees to respond. Although the individual questions in the survey have changed to some extent, the indices that we follow still measure the same themes as in the previous years. The employee engagement index is now at 74%, up from 69% in 2017, while the Employee Enablement index is on the same level as in 2017, at 75%.

Managers discuss the results with their teams and plan actions to address concerns and to maintain the areas of strength. Common focus areas that have been brought to light in Connect in 2019 are related to improving collaboration, sharing resources and receiving more frequent feedback on performance.

Collective bargaining

(102-41)

Huhtamaki recognizes employees’ rights to join or not to join organizations of their own choice, according to local laws.

42% of our employees were covered by collective bargaining agreements or wage settlements in 2019.

In Europe, our collaboration with employee representatives is complemented by the European Works Council (EWC), which gathers together Huhtamaki’s senior management and elected EWC representatives from all our manufacturing units in Europe once a year. Discussion items in the meetings include business reviews, education and development plans of the personnel, environmental matters and safety. In 2019, the European Works Council’s annual meeting was held in Valencia, Spain, and the main focus was on sustainability and the upcoming Connect survey.

New employee hires and employee turnover

(401-1)

Voluntary turnover of employees in 2019 was 14%, and number of new hires was 4,015 by end of the year. Comparison data for 2018 is not available due to implementation of a new HR information system during Q3 2018.

New community programs under development

(Own KPI: Community programs in place on site level and Group level)

As part of Huhtamaki’s commitment to sustainability, we want to support the communities in which we are active. Huhtamaki will turn 100 in 2020. During this year of celebration, we will make Group level donations to selected causes. The work in 2019 focused on identifying and engaging with suitable partners. The progress will be reported in greater depth during 2020.

Additionally, many of our units around the world support local causes and charities through donations, volunteering and sponsorships. More information about these projects can be requested from local units.

People, case story

Workplace safety is the number one priority

“We have not had a lost time injury for 74 months. Our target now is to get to the next level – 100 months. The team is fully committed to achieving it.”

Huhtamaki’s foodservice packaging unit in South Africa created “Caring for ‘U’ and our People’s Safety” (CUPS) program to promote positive safety culture and to create long-lasting safety behavior improvements.

Richard Trickett, VP Africa, Middle East & South America for Huhtamaki Foodservice Europe-Asia-Oceania comments: “The previous workplace safety program needed an update. The core elements were still valid and were used as the starting point for the new CUPS program.”

To engage our people, all employees needed to be trained to the program. The training sessions included hands-on practice in giving feedback to peers, which was identified as one key area for success. The key objective of the feedback discussion is to get the person to think about the safety risks brought about by their behaviors, and how to change.

“In the CUPS program, visualization is a key element. Safety materials; for example, posters with before-and-after photos, and case videos showing safety improvements, are regularly placed in visible locations, such as on TV screens and in the busiest hallways,” says **Thobile Mthembu**, Safety, Health, Environmental and Quality Manager for Huhtamaki South Africa.

The CUPS program has changed the approach to workplace safety overall.

“We have not had a lost time injury for 74 months. Our target now is to get to the next level – 100 months. The team is fully committed to achieving it,” Trickett asserts.

In addition to workplace safety, Huhtamaki South Africa has invested in health initiatives. Health services have been expanded, and now there is a full-time on-site clinic. The clinic nurse assists with daily health issues, and additional experts are brought on site as needed.

Also, a new gym was built. In an employee survey, 98% of respondents were eager to have the facility. To build commitment, employees were invited to sign up for a two-year gym membership and pay a modest monthly fee. The user rates for the gym have been very good: 50% of the employees of the unit use it regularly.

People, case story

Zero Accident Club builds strong workplace safety culture

Having zero accidents is an important goal at Huhtamaki. With that target in mind, Huhtamaki's Foodservice Europe-Asia-Oceania business segment created a new program, Zero Accident Club (ZAC) in 2013.

Tom Best, Senior Health and Safety Manager for Foodservice Europe, Middle East & Africa explains: "There was minimal collective sharing among the health and safety teams in different markets. The reporting and communications had a negative slant, and you were seldom rewarded for success. We built the Zero Accident Club to change that culture."

ZAC recognizes the progress that teams make in workplace safety, rewards good achievements and fosters safety culture by using positive feedback as a key building block.

ZAC has seven award levels. The first, the Bronze safety award, is given for 6 months of zero lost time incidents. The levels progress upwards through 12, 24, 36, 60 and 100 months. The Excellence safety award is reached at 10+ years.

In addition to a team celebration and a ZAC diploma, at the 24-month mark, the team receives a monetary reward to be donated to a local charity of their choice.

ZAC has also strengthened communication across the teams. "When there is an incident, we have a call with all the senior managers of the units. The incident root cause is analyzed, and options for corrective measures are collectively discussed. Together we have created better solutions, preventive measures and best practices for all of our units."

People, case story

Introducing kiosk computers

We wanto to enable and engage everyone at Huhtamaki to participate in digitalizing our communication and HR processes. During 2019, we set up kiosk computers in our manufacturing units for production employees' use. Depending on the local requirements, we made laptops, PCs or tablets available. The successful collaboration between the local HR and IT played a key role in setting up the kiosks.

The kiosk computers are an important part of the digitalization of our processes, granting our production employees access to our digital services. They can, for example, access the Employee Self Services to review and update their personal data as well as take part in Huhtamaki e-learning courses including Code of Conduct. Participation in our online engagement survey, Connect, is also possible at the kiosks. Currently, we continue to identify new service options to further expand the offering available to production employees.

People, case story

Employee engagement survey goes online – shows great results

> "Common focus areas arising from the 2019 Connect relate to improving collaboration, sharing resources and receiving more frequent feedback on performance."

Wow! That was our first reaction when we saw the response rate of the most recent employee engagement survey. Reaching a record-breaking response rate of 88% was truly a surprise, especially as this was the first time we conducted the survey fully online.

Employee engagement is crucial for Huhtamaki's continued success. To better understand what our colleagues across the company think of their careers and working lives, we conduct the Huhtamaki employee engagement survey every other year. The survey has been called "Connect" since 2019.

The decision to move from paper to online survey was done as part of the digitalization of our people processes. While we knew that the online solution came with advantages, we also had some challenges to overcome as many employees working in manufacturing have a limited access to computers during a typical day.

Accordingly, we did a lot of planning to ensure that participation would be possible without interruptions to production. Kiosk computers and tablets were set up at the manufacturing units, and on-site facilitators helped to get the survey started smoothly. Although the individual questions in the survey were changed following a review to make them more relevant, the indices that we follow still measure the same themes as in the previous years.

The two key indices monitored are:

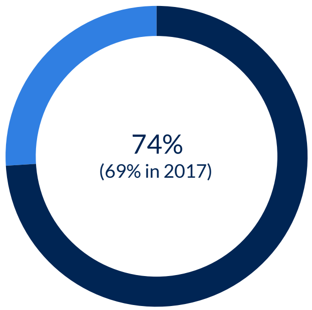
- Employee engagement index: how committed employees are to work for Huhtamaki and how likely they are to make discretionary effort for the company. In 2019, the index was at 74%, up from 69% in 2017.
- Employee enablement index: areas that enable employees to succeed in their jobs. The index remained the same as in the previous survey, at 75%.

We are pleased that our employees are highly engaged and that they show their trust in the company by giving feedback. The survey results help managers to identify and act on the key areas of improvement, both locally and globally. The results review and action plan tool is open for all managers to use for analyzing their team's result. The managers then discuss the results with their teams and plan actions to address concerns and to maintain the areas of strength.

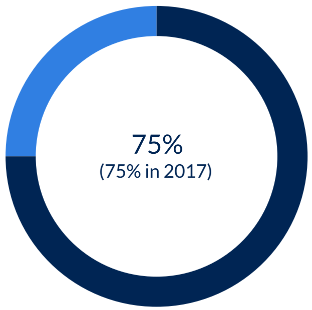
Common focus areas arising from the 2019 Connect relate to improving collaboration, sharing resources and receiving more frequent feedback on performance. In addition, training and development remain important. We want to continue to build on our strengths identified in the survey, such as being customer and quality focused, feeling empowered and believing in the future of Huhtamaki.

Miia Hapuoja
Head of Employment and Resourcing

ENGAGEMENT



ENABLEMENT



ⓘ | *Read more on huhtamaki.com*

Packaging

Theme	Goal	KPIs	Performance in 2019
Packaging	By the end of 2020, our customers see Huhtamaki as a most trusted partner to deliver and innovate on sustainability and food safety	• All our products comply with Huhtamaki's Global Food Safety Policy	• New Global Food Safety Manager in place, focus was on continuous improvement of systems and processes
		• Zero food contact compliance related claims reported	• There were zero significant incidents of non-compliance reported
		• Product innovation (KPI under development)	• Significant innovations in Fresh, blueloop and paper straws

Information disclosed in this section – GRI Standards:
***416** Customer Health and Safety*

We promote the following
UN Sustainable Development Goals:

Safe and fit-for-purpose packaging for food

Food packaging needs to guarantee safety and hygiene, help prevent food waste and give access to food by supporting its easy and efficient delivery. We see it as our duty to offer all this in a responsible way, while innovating for sustainability and circular economy.

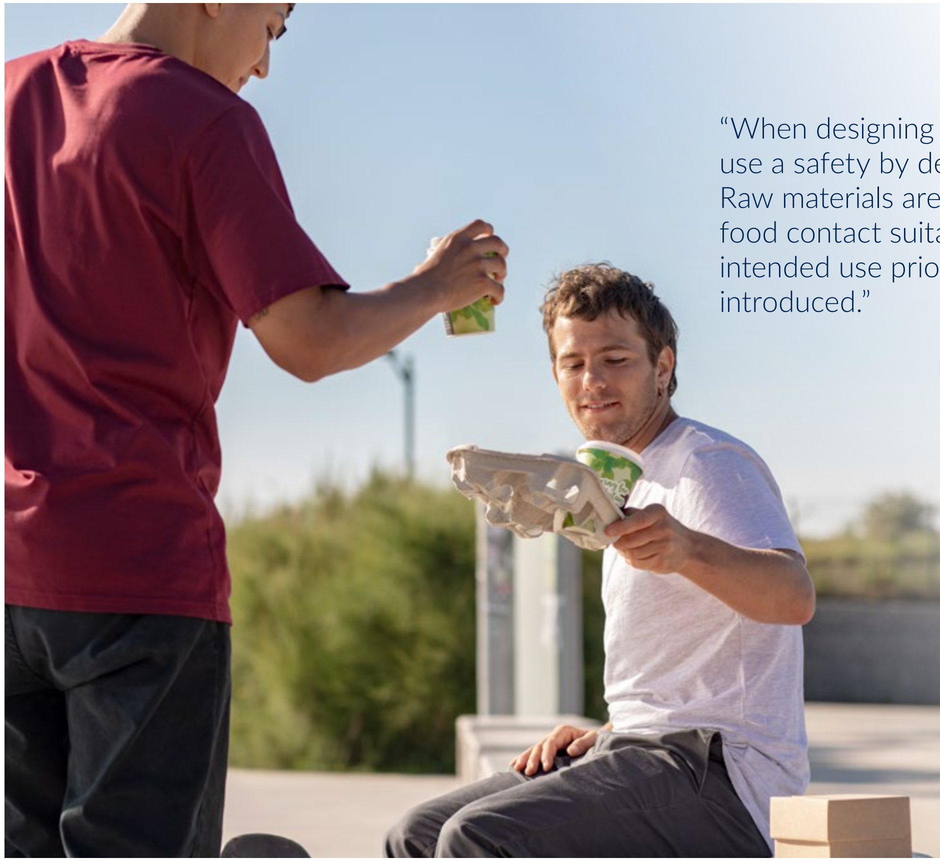
Product safety is non-negotiable, and it is crucial to the success of Huhtamaki as a global leader in food and beverage packaging. We are committed to providing safe, fit-for-purpose and high-quality packaging products to food and drink packaging customers on a worldwide basis. Each Huhtamaki product meets high quality and food safety standards that give our customers and their customers, the consumers, confidence in our products. Our approach to food safety covers the entire supply chain. Proactive communication from raw materials to final food packaging and intended use is essential when we design our products.

The Global Food Contact Packaging Safety Policy ensures food safety

(416-1; Own KPI: All our products comply with Huhtamaki's Global Food Safety Policy)

At Huhtamaki, we define our fundamentals for Quality and Food Safety globally and implement them locally. Regulatory requirements drive compliance as they vary from region to region. The Huhtamaki Global Food Contact Packaging Safety Policy describes the food safety related requirements that are included in the local quality management system. In this way, the policy brings consistency through food safety related actions.

When designing our products, we use a safety by design approach. Raw materials are all qualified for food contact suitability



"When designing our products, we use a safety by design approach. Raw materials are all qualified for food contact suitability for the intended use prior to being introduced."

for the intended use prior to being introduced. The finished articles are assessed and tested in accordance with the legal requirements. Our internal procedures are based on hazard analysis and critical control point (HACCP) assessments and good manufacturing practice (GMP) requirements. On a day-to-day basis, we manufacture and deliver products that meet regulatory requirements and the highest quality and food safety standards. The quality standards include ISO 9001, and food safety standards include BRC and ISO 22000. In addition to our internal procedures and controls, we are regularly audited by our customers and their auditing partners on matters related to quality and food contact safety.

Manufacturing units with certified quality, hygiene and safety management systems in 2019 (% of manufacturing units)

	ISO 9001	BRC, AIB or ISO 22000
Group	76%	79%
Foodservice E-A-O	100%	100%
North America	22%	100%
Flexible Packaging	88%	68%
Fiber Packaging	91%	55%

Zero food contact compliance related claims reported

(416-2, Own KPI: Zero food contact compliance related claims reported)

During 2019, there were no significant incidents of non-compliance with product health, safety and hygiene, product information or marketing laws or regulations related to our products. No significant fines were paid.

New production innovations enable circular flexible packaging and reduction of plastics

(Own KPI: Product innovation)

Innovating on new materials and structures, designing more easily recyclable products and investing in new value-adding technologies enable us to support the move towards circular economy. We put special emphasis on improving the recyclability of our products. Renewable materials already make up 68% of our raw materials, and we are considering opportunities for increasing the amount of renewables even further.

During 2019, we launched new innovations for the abovementioned directions, both of which relate to circular economy: improving recyclability and increasing renewable packaging solutions.

Huhtamaki blueloop is a smart design platform aiming to make flexible packaging circular. By promoting mono-materials and adopting a holistic approach to package design, products can be made more easily recyclable. The new Huhtamaki blueloop solutions are mono-material structures made from PP, PE or paper, building on the standard materials that are widely recycled and will have an economically viable use after collection. We have solutions available for several key categories and will launch solutions for our most demanding applications later. Collaboration is a central element for development, and we want to engage with the full supply chain from resin providers to recyclers and consumers.

The Huhtamaki Fresh disposable food tray for ready-to-eat meals is fiber-based, recyclable and certified for home composting. The Fresh tray is both oven proof and microwavable, and it can replace existing black plastic food trays. Fresh has been well-received. Pilots that have taken place in Waitrose stores in the UK have showed that there is a strong customer and consumer interest for Fresh, and that the product performs well through the supply chain. We started our first industrial-scale Fresh manufacturing line operations during the fourth quarter of 2019 in Lurgan, Northern Ireland, and are moving to full capacity during the second quarter of 2020.

Our paper straws help in reducing plastic consumption and environmental pollution caused by plastic waste. Recyclable paper straws are made with 100% PEFC certified paper, they come with the highest levels of food safety certifications and are made in European facilities with only the best equipment and raw materials. We opened a new dedicated paper straw manufacturing unit in Northern Ireland in May 2019 and further investments in additional manufacturing equipment are planned for 2020–2022.

Packaging, case story

Closing the loop with circular flexible packaging

Flexible packaging is an excellent way to pack food efficiently. It is material efficient and lightweight, which helps to reduce greenhouse gas emissions. Its biggest benefit, however, is its superior barrier properties, which preserve food through the supply chain, and thus help reduce food waste.

These qualities make flexible packaging the preferred format for pre-packed food, especially in the emerging markets, where the packaging supply chain is still developing. The scalability of flexible packaging is also a benefit, as smaller pack sizes are often favored in emerging markets due to their lower unit price.

The multi-material structures, which have created the superior barrier and material efficient properties of flexible packaging, also make the packaging difficult to recycle, however. Huhtamaki is now leading efforts to make this packaging format suitable for a circular economy.

“To tackle this challenge, we have developed barrier structures with polymers belonging to the same polyolefin family or from coated paper. In addition, we ensure that our customers can run the recyclable structures with their existing packaging machinery as efficiently as current multi-material structures,” tells **Warren Shaw**, VP, Innovation and Product development, Flexible Packaging

We chose to work with polyolefins belonging to the polyethylene (PE) and polypropylene (PP) families. PE and PP have proven recyclability and are well-suited for industrial scale production. Both materials can be separated and sorted in modern waste sorting plants, and the fact that they float in the water separation process makes recycling more economical.

“Developing these new recyclable, mono-material structures has required close collaboration within the whole supply chain from resin providers to customers and recyclers. Although the focus has been on product design and manufacturing, collection, sorting as well as reusing the recycled material are all in the scope of blueloop,” Shaw explains.

To date, there are blueloop solutions available for a variety of categories such as shampoo, coffee and confectionery, to name a few. Currently, the Huhtamaki R&D teams are continuing development of solutions for more demanding applications such as retort, where products are sterilized in the packaging after filling.

“Developing these new recyclable, mono-material structures has required close collaboration within the whole supply chain from resin providers to customers and recyclers.”

ⓘ | *Learn more about blueloop on huhtamaki.com*

Packaging, case story

Renewable raw material + recycled after use = the winning combination

It is often assumed that reusable cups are more sustainable than paper cups. Our study showed that reusable steel cups need to be used at least 130 times before their carbon footprint is lower than that of a paper cup with a lid, while ceramic cups used in cafés, even when washed efficiently, need to be used at least 350 times before having a smaller carbon footprint than that of a paper cup.

In 2018, we co-commissioned a Life Cycle Assessment (LCA) study to compare sustainably sourced and manufactured paper cups with reusable cups. LCA is a scientific method to assess the environmental impacts of a product over its entire life cycle. VTT Technical Research Center of Finland Ltd carried out the study during 2018–2019.

The study confirmed that packaging accounts for a relatively small share of the total climate impact of a take-away coffee, only 4–9%. The situation is the same with packaged food in general, and it is therefore always important to choose fit-for-purpose packaging that minimizes food waste and protects food quality.

The lowest carbon footprint: a paper cup with no fossil-based materials

The study also revealed that the way reusable cups are cleaned has a major impact. From the carbon footprint point of view, it is better to use a paper cup that gets recycled than a ceramic cup that gets washed inefficiently. Even when ceramic cups are washed efficiently, they need to be reused at least 350 times before their carbon footprint is smaller than the equivalent number of paper cups. Improperly washed reusable cups also pose a potential hygiene and food safety concern.

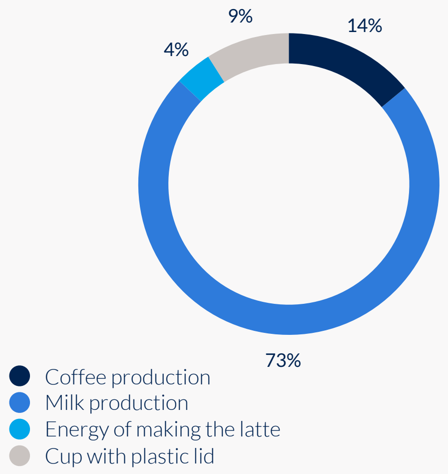
With takeaway beverages, the plastic lid used for preventing spillage has a significant impact on the carbon footprint due to the energy intensity of plastic production and the fact that plastic lids are rarely recycled. Nevertheless, reusable steel cups must be used at least 130 times before their carbon footprint is lower than that of a paper cup and plastic lid combination.

End-of-life solution matters

When disposed of according to average European statistics, a paper cup and a plastic lid combination had the carbon footprint of 22.8g CO_2 equivalents. This corresponds to driving 160–190 meters by car. A take-away coffee's carbon footprint can be further reduced by as much as 54% by recycling the cups and lids as efficiently as possible.

In the LCA study it was found that the lowest carbon footprint is achieved when a paper cup manufactured from non-fossil-based raw materials – such as the Huhtamaki Future Smart paper cup – is recycled properly. In the Future Smart cup, all the raw materials are 100% renewable – including the plant-based PE coating which makes the cup liquid-tight.

CARBON FOOTPRINT OF A CAFE LATTE ON-THE-GO



Packaging, case story

Giving a second life to the high-quality fibers in paper cups via recycling

“In the United Kingdom, cup recycling rates have increased 16-fold since 2016, and all paper cup manufacturers are working towards an 85% recycling rate by 2030.”

Huhtamaki is actively working together with its customers, other foodservice companies, industry associations, waste management companies and local authorities to promote paper cup recycling. The first program in the UK now has 4,500 collection points.

Significant progress has been made particularly in the UK, where an active public discussion around paper cup recycling began a few years ago. Cup recycling rates have increased 16-fold since 2016, and all paper cup manufacturers are working towards an 85% recycling rate by 2030.

Today, there are over 4,500 collection points for used cups across the UK, including instore points at branches of many high street coffee chains such as Costa, Pret A Manger, Greggs and Starbucks. Multiple local initiatives also arrange and promote cup collection from high footfall areas such as city centers, university campuses and retail parks. These initiatives are run both with and without support by the local authorities.

New recycling initiative in Spain

In Spain, Huhtamaki is working together with Areas and Saica to initiate collection and recycling of used paper cups. First trials took place at Areas offices in November 2019. This was followed by a pilot at an Areas restaurant at the Barcelona train station, where special cup collection bins were provided for consumers. Saica then collected the cups, had them shredded and used the good quality fiber to make corrugated boxes. Decisions on expanding the collection scheme will be made once results from the pilot are analyzed.

ⓘ | *Read more about paper cup recycling on huhtamaki.com*

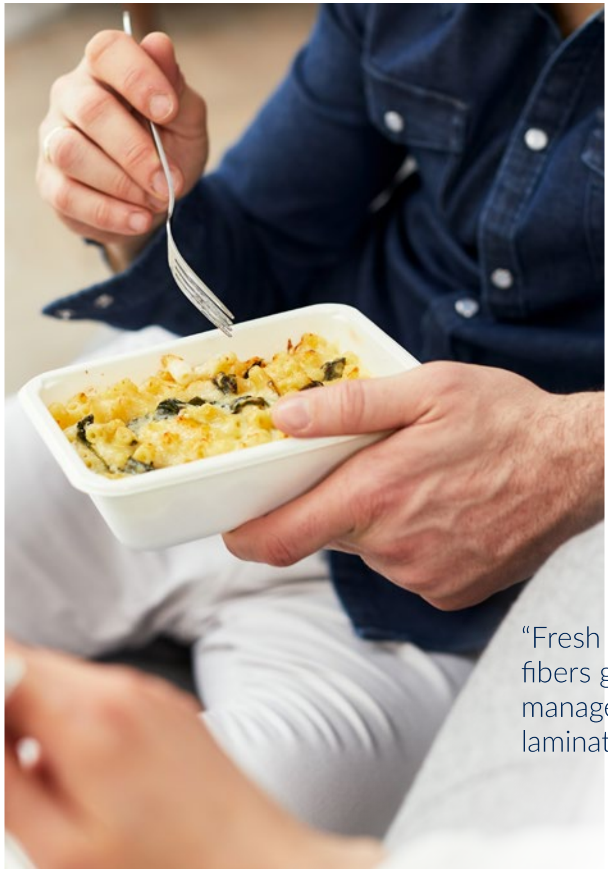
Packaging, case story

Fresh – sustainable innovation for ready meals

Huhtamaki Fresh is a truly sustainable innovation, taking us a step closer to circularity. This ready meal tray is not only recyclable and compostable – also certified home compostable – but it is made of renewable fibers grown in sustainably managed Nordic forests and it is laminated with a bio-film. A true game-changer for the large and growing ready meals industry.

Fresh was developed in an EU funded project in a consortium by three partners: Huhtamaki representing the packaging technology and manufacturing, Södra representing the renewable raw materials side and Saladworks representing the food industry and packing operations. The UK based retailer Waitrose has also played an important part in the success of the Fresh-project, as all consumer tests were conducted in partnership with Waitrose.

Today, Fresh trays are being produced at our Lurgan facility in Northern Ireland, in brand new premises purpose-built right next to the older part of the factory where egg packaging and cup carriers are being made. As the Fresh trays are in direct food contact, a separate factory hall with higher hygiene standards was built. The new unit has been audited for BRC Global Standards including a documented and verified hygiene program. In practice this means, for example, that in addition to protective safety clothing such as safety boots, eye protection and ear defenders, all employees wear disposable clean protective clothing such as hair nets, show covers and beard snood, and that there are limitations regarding visitors to the production premises.



Even though many of the original targets for the Fresh tray have been met, development work continues. The consortium has already delivered in industrial scale a food safe, GMO-free, 100% renewable and biodegradable ready meal tray that has a 50% lower CO_2 footprint than its traditional plastic alternative. However, the goal is an even higher 80% reduction in CO_2 footprint.

Even as the production of Fresh trays is being ramped up, consumers can already today purchase delicious and convenient ready meals of selected product ranges in sustainable packaging at Waitrose in the UK and at SuperValu in Ireland.

"Fresh trays are made of renewable fibers grown in sustainably managed Nordic forests and are laminated with a bio-film."

ⓘ | Learn more about Fresh on huhtamaki.com

Packaging, case story

Replacing plastics with paper – a sustainable alternative for straw lovers

Millions of consumers love to use a straw when enjoying their cold drink or smoothie. Unfortunately, traditional plastic straws are rarely recycled, and all too often end up in the environment. Aiming to reduce the amount of plastic in the ocean, the EU has decided to ban plastic straws as of mid-2021.

As part of our continuous efforts to introduce products that are recyclable and made of renewable resources, we introduced high-quality paper straws to our European foodservice range in early 2019. Our straws are made of 100% PEFC certified paper and they are recyclable within the general paper stream. To ensure hygiene, the straws are individually wrapped and the paper wrapping also comes from sustainably managed forests.

Unlike the straws we have been selling earlier, we manufacture these paper straws ourselves. Utilizing our extensive knowledge in paper forming and machinery, we developed purpose-built machines to deliver a premium product to our customers. Manufacturing began in Antrim, Northern Ireland. In early 2020, manufacturing will be expanded to four other European units.

ⓘ | *Learn more about paper straws on huhtamaki.com*

"Our straws are made of 100% PEFC certified paper and they are recyclable within the general paper stream."

Supply chain

Theme	Goal	KPIs	Performance in 2019
Supply Chain	By the end of 2020, all key suppliers work with us to deliver on the Code of Conduct for Huhtamaki Suppliers	• Supply chain due diligence system in place, covering ethical, social and environmental criteria	• New system was developed, piloted and trained
		• All fiber sourced from recycled or certified sustainable sources	• More than 98% of all fiber sourced was from recycled or certified sustainable sources

Information disclosed in this section – GRI Standards:
***414** Supplier social assessment*

We promote the following UN Sustainable Development Goals:

Responsible sourcing of raw materials and services

Our supplier network consists of a few global key suppliers and a large network of local partners close to our manufacturing units. Responsible sourcing is based on close cooperation, and it includes developing and utilizing new supplier screening tools and processes as well as aligning with third-party verifications and standards.

"In 2019, the focus of our supply chain work was on further strengthening Huhtamaki's due diligence processes. This included defining new internal procedures, updating technical solutions, as well as providing training for relevant employees."

We do business with global suppliers as well as local suppliers. Altogether, we work together with approximately 20,000 suppliers globally. The main direct materials we source are paperboard, recycled fiber, plastics and chemicals. Indirect sourcing and services include, for example, logistics services, energy and protective packaging.

Purchasing is done in part centrally in each business segment, and partly on the local manufacturing unit level, following the guidelines set out by the Code of Conduct for Huhtamaki Suppliers. There have not been significant changes in our supply chain during 2019.

Updated processes help us strengthen supplier monitoring

(Own KPI: Supply chain due diligence system in place covering ethical, social and environmental criteria)

In 2019, the focus of our supply chain work was on further strengthening Huhtamaki's due diligence processes. This included defining new internal procedures, updating technical solutions, as well as providing training for relevant employees.

Our supply chain due diligence is built on three key elements:

1. Code of Conduct for Huhtamaki Suppliers
2. Screenings and questionnaires, targeted to key suppliers through NAVEX RiskRate
3. Third-party corporate responsibility audits, utilizing Sedex tools

Setting expectations with the updated Code of Conduct for Huhtamaki Suppliers

During previous years, we had noticed that the content of the Code of Conduct for Huhtamaki Suppliers wasn't always easy for all our suppliers to understand. The document was long and only available in English.

It is very important that our suppliers comprehend what is required from them. For this reason, we updated the Code of Conduct for Huhtamaki Suppliers in 2019. We reviewed the requirements to check that all necessary topics were included. We also changed the layout to a more user-friendly format. Finally, we translated the document into those languages most relevant for Huhtamaki and published the documents on our website.

The Code of Conduct for Huhtamaki Suppliers sets out what we expect our suppliers to comply with. It covers topics related to business ethics, social responsibility, as well as environmental responsibility. For key suppliers, monitoring the acknowledgement level is carried out through the NAVEX RiskRate tool. For other suppliers, monitoring is done at the unit level. Huhtamaki's suppliers are also responsible for their subcontractors' compliance with the requirements.

We also provide suppliers the opportunity to share their own Code of Conduct with us. If their own Code of Conduct fulfills the requirements of Huhtamaki, it is possible for us to accept it as a substitute.

Our suppliers and workers in the value chains can report any violations of the Code of Conduct for Huhtamaki Suppliers or other Huhtamaki policies via Huhtamaki's global whistleblowing system, the Huhtamaki Speak Up channel.

Renewing our approach to key suppliers

As a global company, we work together with thousands of suppliers around the world. While they are all important to us, we decided to focus our due diligence efforts especially on key suppliers during the first phase.

We define key suppliers as suppliers that:

- Are strategically important for Huhtamaki
- Fall into top 80% of the procurement spend or are the only supplier of a certain raw material or service to Huhtamaki
- Fall mainly into one of the following categories: Traded Goods, Distributor, Raw Material Supplier, Transportation or Warehouse, Consultant, Agent, Insurance or Benefits Supplier, Utility or Energy Supplier, or Contractor

In 2019, we also defined certain attributes that define the initial profile risk level of each key supplier. We use a three-level system: suppliers can be low, medium or high risk. The attributes determining the initial profile risk level are the location, category and spend amount of the supplier, as well as if the supplier is owned by a state or a public official. The depth of the due diligence with each key supplier depends on their risk level.

Screenings and questionnaires provide insights into suppliers' compliance practices

One key element of Huhtamaki's due diligence processes is the use of the NAVEX RiskRate tool. All key suppliers will be screened in RiskRate against sanction lists, watchlists, Politically Exposed Persons lists and adverse media. The screening continues for as long as the supplier is an active key supplier for Huhtamaki. If there are any matches in the abovementioned lists, RiskRate will automatically alert us with more case details.

Based on the suppliers' initial profile risk level, they will also be sent a questionnaire. All suppliers will be asked to acknowledge compliance with the updated Code of Conduct for Huhtamaki Suppliers. Medium-risk suppliers will also be asked questions that assess the risk of corruption and compliance with law. High-risk suppliers will additionally receive questions about sanctions as well as ethics and compliance. We have defined risk scorings for the questions, and if necessary, each questionnaire answer is checked individually to determine whether further actions or explanations are required from the supplier.

Both the screening results and the answers to the questionnaire are combined to the final risk rating of the supplier. This final risk rating again uses a three-level system: low, medium or high risk. We have defined internal processes for the review and approval of the results, which vary depending on the severity of the case.

Increasing the amount of audited suppliers

We are a corporate member of Sedex, a non-profit membership organization and world-leading ethical trade service provider that works to improve ethical performance in global supply chains. In 2019, we collected all individual accounts of our manufacturing units under a common Huhtamäki Oyj account. Focus was especially on learning to use the different tools that Sedex provides. In 2020, we will start putting these tools into further use in our supplier monitoring.

We conduct audits of our suppliers regularly, focusing especially on quality. Nevertheless, we want to increase the number of third-party corporate responsibility audits conducted in order to make sure we gain an objective view on suppliers' ethical, social and environmental performance. We will start identifying the suppliers who should have such audits based on certain attributes, such as their location and supplier category, concentrating first on key suppliers.

Currently we accept the following audits from suppliers: SMETA 4-pillar audit, Business Social Compliance Initiative (BSCI) audit, SA8000 certification and Aluminium Stewardship Initiative (ASI) certification. The acceptable audits are reviewed regularly to check if new ones are added, or if old ones no longer fulfil Huhtamaki's requirements. We will monitor the audit results and corrective actions and support suppliers to improve their performance, if needed. Sedex provides many useful training materials that we will use to educate suppliers. Suppliers will also be asked to fill in the Sedex Self-Assessment Questionnaire, which supplements the information gathered from audits.

Pilot proved the new features work

In 2019, the focus in matters relating to our supply chain was on creating automated procedures and ensuring that all the needed features work properly. For this, we conducted a pilot with the suppliers of our North America business segment. The updated features will be rolled out to other business segments in 2020.

In the pilot, key suppliers representing 90% of the supplier spend for the North America business segment were included in monitoring done in RiskRate. Based on the selected attributes, the initial profile risks of suppliers were: 0% high risk, 52.5% medium risk, 47.5% low risk. 86% of suppliers accepted the Code of Conduct for Huhtamaki Suppliers, and 11% provided their own Code of Conduct which was approved after review. Few mandatory health benefit suppliers were exempted from the Code of Conduct acknowledgement requirement due to the nature of their business with Huhtamaki. These suppliers were only included in the screening processes. After the screening results and answers to questionnaires were analyzed and additional information collected, there were no suppliers rejected in 2019.

Additionally, around 30 sourcing employees globally were trained about the new processes in 2019.

The work with third-party corporate responsibility audits will start fully in 2020, once the due diligence work is completed for all business segments in RiskRate.

Supply chain, case story

Huhtamaki strengthens its supply chain due diligence practices

In 2019, Huhtamaki updated its due diligence processes and tools for supplier monitoring with the aim of increasing visibility across the supply chain. Annu Puurula, Global Corporate Responsibility Specialist, describes the new processes.

"As a responsible company we want to ensure that our suppliers meet the ethical, social and environmental expectations we set out in our Code of Conduct for Huhtamaki Suppliers."

Why is Huhtamaki strengthening its supply chain due diligence process?

As a responsible company we want to ensure that our suppliers meet the ethical, social and environmental expectations we set out in our Code of Conduct for Huhtamaki Suppliers. Over the past years, we have improved our supply chain due diligence system. We continue with these step-by-step improvements to ensure that there are no violations in our supply chain.

After reviewing the options for supplier monitoring, we chose the best tools with relation to our current needs and updated our processes based on these tools. We focused on developing a risk-based due diligence approach and on harmonizing the supplier assessment practices among our business segments. This will help us target our activities at suppliers that need the most support.

What changes did you make to the due diligence process?

It is important that our suppliers understand our requirements. The first step was to update and clarify the Code of Conduct for Huhtamaki Suppliers, which was also translated into languages most relevant for us.

We also internally specified the definition of key suppliers. This was necessary as during the first phase, we will focus on key suppliers in particular.

We were already using the RiskRate tool for our supplier screenings. We improved our processes by integrating new automated features into the tool. All key suppliers continue to be screened against sanction lists, watch lists, Politically Exposed Persons lists and for adverse media. We also defined certain attributes that determine the risk rating for each supplier. This way we can easily spot suppliers that should be monitored more thoroughly. Depending on the supplier's risk rating, we will also ask them to answer a questionnaire that gives us deeper insights into their ethics and compliance practices.

Huhtamaki is a corporate member of Sedex. We will utilize the Sedex tools as well as third-party audits for supplier assessments. We have selected the audits and certifications that Huhtamaki accepts from suppliers and will start engaging with our suppliers to increase the number of those that are audited, to monitor corrective actions after the audits, and to support suppliers in performance improvements. If necessary, suppliers will also be directed towards relevant Sedex training materials.

What happens next?

In 2019, we focused on developing the tools and processes as well as on providing internal trainings. We also conducted a trial with the updated RiskRate features in our North America business segment. The trial was successful, and we are ready to start implementing the updated due diligence system in all business segments in 2020.

Annu Puurula
Global Corporate Responsibility Specialist

ⓘ | *Huhtamaki's Policies are available on huhtamaki.com*

We use certified and recycled fiber to ensure sustainable forest management

(Own KPI: All fiber sourced from recycled or certified sustainable sources)

Huhtamaki wants to advance sustainable management of all forest types. This is why we use virgin fiber that comes from sources that are certified by such organizations as the Forest Stewardship Council (FSC®), the Programme for the Endorsement of Forest Certification (PEFC™) and the Sustainable Forest Initiative (SFI®). These certification schemes ensure that forests are not used excessively, and new trees are planted for every tree cut, allowing the forests to regenerate. These certification systems also take the social aspect of forest management into account to some extent.

In addition to virgin fiber, which is used for packaging with direct food contact, we use recycled fibers. These recycled fibers are either post-industrial or post-consumer, including cutting waste from our own paper cup manufacturing.

By the end of the year 2019, more than 98% of the fiber used met these criteria. Our goal is to reach 100% during 2020, but we do recognize that the remaining part is under constant change as we develop new products and test alternative materials.

“In 2019, more than 98% of the fiber we used in manufacturing was from recycled or certified sources.”

For more information of the different programs for certified fiber, see the Forest Stewardship Council (FSC®), the Programme for the Endorsement of Forest Certification (PEFC™) and Sustainable Forest Initiative (SFI®).

Supply chain , case story

Why is sustainable forestry so important to Huhtamaki?

Forests are an important natural resource. When trees are well managed, they provide livelihood, clean air and water, conserve biodiversity and mitigate climate change. To ensure that forests regenerate and grow, it is important that they are sustainably maintained.

Today, paper, cardboard and recycled fibers are the main raw material for us by volume. Nearly 70% of our product portfolio is made of fiber, either virgin or recycled. Our goal is to source 100% of the wood fiber that we use from recycled or certified sustainable sources. In 2019, we reached over 98% level and continue working to reach the 100% goal.

We can trace the origin of our virgin fiber

We source virgin fiber from certified forests, as this ensures that all our wood fiber supply is responsibly produced. This means that the forests are not used excessively, new trees are planted to replace harvested timber, and the forests are ecologically maintained and balanced for their long-term health. Sustainable forestry also aims to protect the natural biodiversity in the areas.

Global forest ownership is fragmented. There are both public and private owners that may have different targets for forest management. Certification and third-party traceability systems like the FSC®, PEFC™ and SFI® drive sustainable forest management and align best practices. To minimize transportation, we source our fiber from as close to our manufacturing sites as possible.

Careful use of fiber material

Wood fiber originates from full-grown as well as from young trees thinned out to allow the forests to grow. In sustainable forestry, all material is used for the best-fit purposes:

- 60% of the tree is trunk. It is the hardest and best quality wood that is used, for example, in construction and in manufacturing furniture.
- 25% is pulp wood. It is used to produce cellulose and fiber – the raw materials for paper, paperboard, and cardboard. For example, the cupstock we use for paper cups and food containers is mostly of this origin.
- 15% are the smallest parts of wood – tree-tops, branches, bark, woodchips – that are used in energy production.

Both virgin and recycled fibers

Virgin fibers are used for food packaging with direct food contact, as only with them can food safety and hygiene be guaranteed and regulations met. After use, virgin fibers can return to the paper cycle as fresh cellulose, where their long, strong fibers enhance the quality of recycled material.

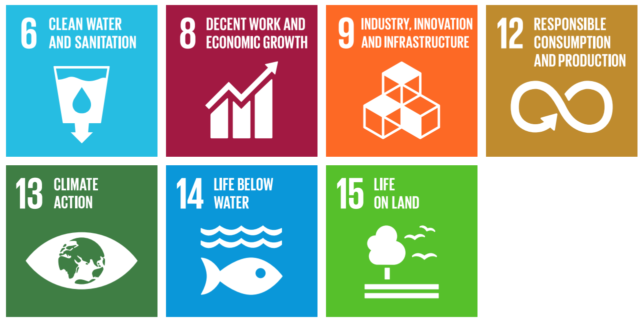
Recycled fibers are sourced from manufacturing or from post-consumer recycled materials. We use residual clippings from our own paper cup manufacturing to make new fiber plates with our molded fiber technology. From post-consumer recycled paper, we produce egg cartons and trays as well as cup carriers and wine bottle protectors.

Securing a sustainable fiber supply is important. "Fiber packaging is a main innovation area for us, and in some applications, it can replace plastic fully," says **Richard Ali**, Sustainability Director from Huhtamaki Foodservice Europe-Asia-Oceania. "For example, in 2019 we introduced paper straws that are made of fiber coming from sustainably managed forests. 100% of the paper used in the straws and in their wrapping is PEFC certified."

Operations

Information disclosed in this section – GRI Standards:
301 *Materials*
302 *Energy*
303 *Water*
305 *Emissions*
306 *Effluents and Waste*

We promote the following UN Sustainable Development Goals:



Theme	Goal	KPIs	Performance in 2019
Operations	By the end of 2020, we produce more, with less impact on the environment per unit of production	• Natural Resource Plan (KPIs under development)	• New waste approach was piloted in 20 manufacturing units
		• All plants in water stressed areas have a water management plan	• Water risks were re-assessed based on latest data, and pilot projects were agreed

Increasing the efficiency of operations

Innovating new materials and structures, designing more easily recyclable products and investing in new, value-adding technologies will enable us to address new business opportunities. Operational efficiency is key, both from the economical as well as from the environmental point of view.

Our manufacturing units continue to work hard to reduce consumption of natural resources, including the reduction of waste. There is a strong environmental and financial rationale to do so. Greenhouse gas emissions and production waste are the main negative environmental impacts of our manufacturing operations. Water usage is a material topic for our molded fiber manufacturing units, but not for foodservice or flexible packaging manufacturing units.

The Group's operating principles regarding environment are set out in the Huhtamaki Code of Conduct, the Code of Conduct for Huhtamaki Suppliers, and the global Environmental Policy. These policies are supported by (Lean Six Sigma) Black Belt and Green Belt trainings and ISO management systems and are implemented on the manufacturing unit level. At the end of 2019, 52 (49) manufacturing units, representing 68% (66%) of all manufacturing units in the Group followed an externally certified environmental management system such as ISO 14001, the Eco-Management and Audit Scheme (EMAS) or the internal Environmental Care Program implemented in North America.

The majority of the material used is renewable fiber

(301-1, 301-2)

The main raw materials used by Huhtamaki include paperboard, recycled paper and plastic polymers.

Post-consumer recycled paper (such as old newspapers) is used to manufacture molded fiber packaging, such as egg and fruit packaging and foodservice cup carriers.

Post-industrial recycled paper (such as cutting waste from our paper cup manufacturing) is used to manufacture molded fiber disposable tableware, such as Chinet® plates.

Virgin paperboard is used to manufacture disposable tableware, such as hot and cold drink cups, plates, food containers and ice cream packaging. The use of virgin materials is often required to meet food safety regulations.

Polymers such as PS, PET, recycled PET and PLA (polylactic acid, derived from renewable resources) are used to manufacture disposable tableware, such as transparent cups, tumblers, containers, lids and cutlery.

Polymers such as PE, PET and PP are the main materials in multilayer flexible packaging.

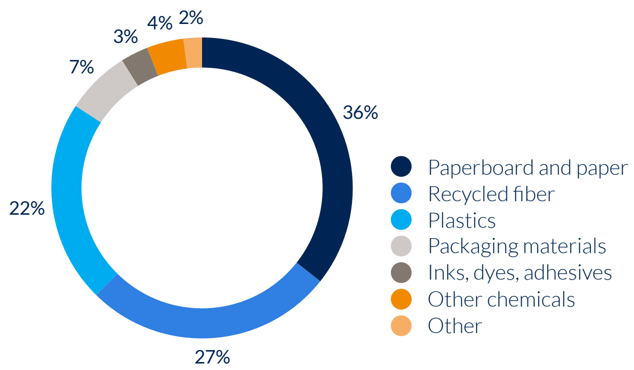
In addition to the main raw materials mentioned above, we use packaging materials, inks, dyes, adhesives, other chemicals, metals and alternative fibers (i.e. fibers from non-wood sources such as grass). The composition of printing inks varies based on the needs and features of the final product. Both solvent-based and water-based inks are used.

In 2019 the share of renewable materials of all raw materials used across Huhtamaki was 68% (67%). Most of the renewable materials were wood fiber-based materials, either virgin fibers or recycled paper. The most used recycled raw material was post-consumer recycled paper. Virtually all virgin fiber used by Huhtamaki has PEFC™, FSC® or SFI® Chain of Custody certification, which guarantees that the fiber is traceable to sustainably managed forests. The share of recycled materials in 2019 increased to 28% (27%).

Material use (1,000 metric tons)

	2019	2018	2017
Total material usage	1,386	1,366	1,352
Renewable materials used	936	917	898
Non-renewable materials used	450	449	454
Share of renewable raw materials, %	68	67	66
Share of recycled input materials, %	28	27	27

MATERIAL USE BY VOLUME



Energy consumption (GWh and %)

		2019		2018		2017	
Primary energy consumption	Gas	984	44%	912	42%	923	42%
	Oil	70	3%	79	4%	72	3%
	Coal	0	0%	0	0%	0	0%
	Renewable fuels	0	0%	0	0%	0	0%
Secondary energy consumption	Electricity	1,179	52%	1,177	54%	1,162	53%
	Share of renewable electricity	18	2%	53	4%	62	5%
	Other secondary energy	16	1%	15	1%	19	1%
Total energy consumption		**2,249**	**100%**	**2,183**	**100%**	**2,177**	**100%**

Other secondary energy: heating, cooling and steam combined due to small consumption. No energy sold. Units report energy consumption in a specific management system.

Type of energy used relatively stable, with increasing focus on renewable energy projects

(302-1)

Huhtamaki uses both primary energy sources (fuel) and secondary energy (electricity and heat) in our operations. Our total energy consumption in 2019 increased to 2,249 GWh (2,183 GWh). Consumption of primary energy, which is mainly used in the drying process of recycled fiber-based packaging, was 1,054 GWh (991 GWh). Consumption of secondary energy in 2019 was 1,195 GWh (1,192 GWh). The main source of secondary energy was electricity, which accounted for 99% (99%) of the total consumption.

The share of renewable energy decreased to 1% (2%). However, in 2019 Huhtamaki invested in on-site solar energy in two countries. In India a PPA agreement was signed for the installation of rooftop solar panels at six manufacturing units. A similar agreement was signed by our manufacturing unit in Springs, South Africa. These initiatives will help to reduce our emissions and energy costs and increase the share of renewable energy.

In addition, Huhtamaki commissioned a report on renewable energy options for Huhtamaki on global level. The results of this report have been taken into account in the development of Huhtamaki's sustainability ambitions towards 2030.

Natural Resource plan focuses on waste, climate, water and product innovation

(Own KPI: Natural resource plan)

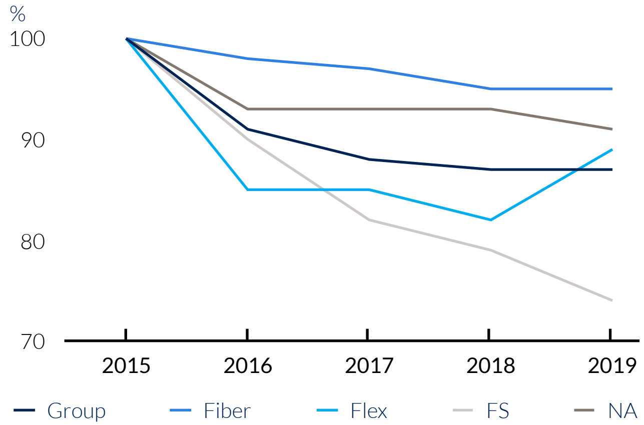
During 2019 we continued working on our Natural Resource Plan. Our aim is to use natural resources more efficiently so we can reduce negative impacts on the environment and improve our profitability as well as create positive impacts. We have taken a holistic view on our operations and products throughout their life cycles. In the on-going work we are resetting targets and complementing our key performance indicators. In 2019, we focused especially on improving the data visibility of our natural resource use, product innovation and related impacts. Another important theme was climate and we worked on this theme from operational and product perspectives.

Energy efficiency remained stable

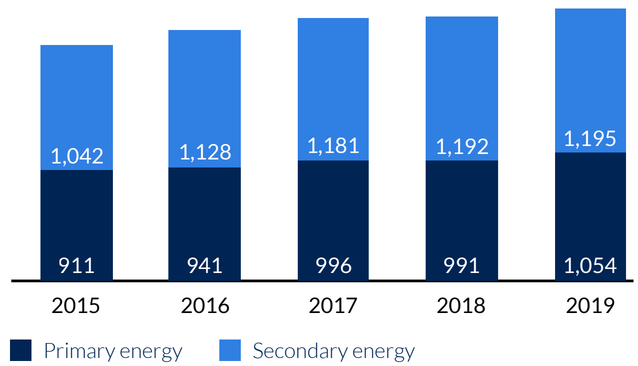
(302-3, 302-4)

We are continuously looking for ways to reduce energy use and improve efficiency, for the benefit of our business and the environment. This is a core task of our Operational Excellence teams across the manufacturing units. There is a logical link between Operational Excellence and the Natural Resource Plan. As part of the Natural Resource Plan we have connected financial and consumption data

INDEXED ENERGY INTENSITY (MWh/STP)



TOTAL ENERGY CONSUMPTION (GWh)



related to natural resources (energy, water, materials, waste) and we visualized the flow of materials and costs, giving the business new ways of reducing consumption of natural resources and generating additional profit. The program is currently being tested in pilot manufacturing units to learn how to maximize its benefits. Based on the learnings from this pilot phase we plan to roll out this program more widely to support our local operational excellence projects.

In 2019 our energy efficiency remained stable compared to 2018. Energy consumption per sellable ton produced (STP) was 2.04 MWh/STP (2.04 MWh/STP). These numbers include all forms of energy used within Huhtamaki.

Reduced emissions when corrected for production volume

(305-1, 305-2, 305-4, 305-5)

Greenhouse gas (GHG) emissions are one of the main negative environmental impacts of our manufacturing operations. We continuously work to improve our energy efficiency to reduce emissions to air. Our manufacturing units are governed by applicable environmental permits, which set limits for emissions to air. Our most significant emissions to air are carbon dioxide (CO_2) and volatile organic compounds (VOC).

Our absolute Scope 1 emissions increased in 2019 by 6% compared to 2018. Scope 1 emissions cover methane (CH4) and nitrous oxide (N2O) gases besides CO_2. Emissions are calculated based on reported fuel consumption and emission factors according to GHG Protocol/IEA 2018.

Our Scope 2 emissions stayed essentially flat in 2019 compared to 2018. The emissions are calculated according to a location-based method, based on reported secondary energy consumption and emission factors. Emissions factors are calculated according to GHG Protocol/IEA 2018. Due to updates of emission factors under IEA 2018, data of previous years for both Scope 1 and 2 emissions have slightly changed from 2018 report.

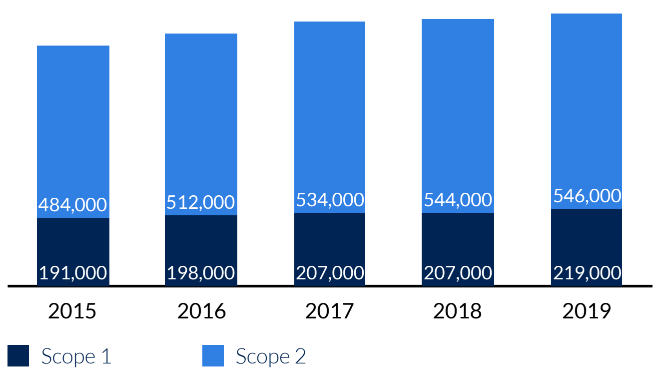
Our GHG intensity per sellable ton produced decreased by 1% in 2019 compared to 2018. Given the reduced energy intensity, we have reduced the GHG emissions by 8,000 metric tons of CO_2 equivalent compared to 2018 when corrected for the production volume. The emission intensity and reduction cover Scope 1 and Scope 2 emissions.

71% of total greenhouse gas emissions generated by our operations originate from purchased electricity. The indirect CO_2 emissions are highly dependent on the mix of the energy sources available in the operating countries' national energy grids.

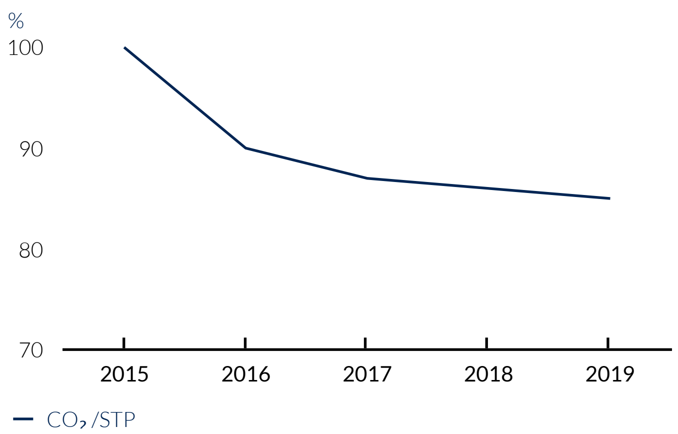
Our emissions of Volatile Organic Compounds (VOC) are mainly related to solvent-based printing inks. Our manufacturing units with recognizable VOC emissions typically have a VOC incinerator or a VOC recovery unit installed. The recovery system enables recycling and reuse of the solvent used in printing inks. We also use water-based printing inks, which are solvent free and do not result in VOC emissions (although they require greater use of energy for evaporation). In 2019, 16% (16%) of printing inks used in Huhtamaki were water- or oil-based.

One way to reduce emissions (apart from energy initiatives mentioned above) is to leverage digital tools to collaborate across the globe, thereby reducing the need to travel. We started a digital workplace initiative in 2018 and continued developing it in 2019. This involved redesigning our digital ways of working as well as renewing our digital collaboration tools, including online meeting and team work tools, instant messaging, email and intranet. During 2019, a total of 56,687 online meetings were organized in the company, an increase of 207% from the previous year.

TOTAL GREENHOUSE GAS EMISSIONS (METRIC TONS CO_2 EQV)



INDEXED GREENHOUSE GAS EMISSIONS INTENSITY (METRIC TONS CO_2 EQV)



Building solid understanding of water risks helps to direct our efforts

(Huhtamaki's own KPI: All plants in water stressed areas have a water management plan)

Even though we are not a heavy user of water, we aim to reduce our water usage and water related risks. Last year we renewed our approach to water risks with the latest version of the Aqueduct Water Risk Framework of the World Research Institute in order to better understand our water related risks on manufacturing unit level. We also built a Huhtamaki specific water management framework and water management plans with the help of external experts. We started pilot projects in few of our manufacturing units in 2019 and these will continue during 2020, with the aim of eventually creating water management plans for all our manufacturing units. The plans will include for example water usage and discharge as well as performance assessment and improvement.

Focusing on molded fiber production and water stressed areas

(303-1)

In our operations, water is mainly used in the manufacture of fiber packaging and as cooling water. The amount of water used in absolute terms is limited, but due to scarce water resources globally, we consider water as a material aspect in our Packaging for Good program.

Our freshwater intake in 2019 reduced significantly to 8.8 million m^3 (9.5 million m^3), mainly driven by continuous improvement project and cooler weather in North America compared to 2018. The water efficiency of Huhtamaki improved by 10%.

The most water-intensive business at Huhtamaki is molded fiber packaging manufacturing, however many of these manufacturing units have efficient water recirculation systems in place. Our manufacturing units are responsible for working together with stakeholders to address any water related issues.

Water withdrawal by source (million m^3 and % of total)

	2019		2018		2017	
Surface water	4.1	47%	4.8	50%	4.4	49%
Ground water	1.1	12%	1.3	13%	1.1	13%
Municipal water supply	3.6	41%	3.5	37%	3.5	38%
Total	**8.8**	**100%**	**9.5**	**100%**	**9.1**	**100%**

Waste by type and disposal method (metric tons)

		2019	2018	2017	2016	2015
Non-hazardous waste	Landfill	37,000	20,000	21,000	18,000	18,000
	Recycling	143,000	157,000	149,000	131,000	113,000
	Energy recovery	13,000	13,000	13,000	16,000	16,000
Hazardous waste	Landfill	1,000	1,200	900	1,200	700
	Recycling	5,100	4,500	4,200	4,000	2,800
	Energy recovery	1,200	1,100	1,100	700	700
Total		**200,300**	**196,800**	**189,200**	**170,900**	**151,200**
Recycling rate (%)		74	82	81	79	76
Hazardous waste (% of total)		4	4	4	3	3

Recycling of waste impacted by temporary service provider issue

(306-2)

The main waste streams in our processes are cutting waste from paperboard packaging manufacturing, materials rejected during the fiber pulping process, and plastic waste. Cutting waste from our paperboard packaging manufacturing is either recycled as raw material for fiber packaging inside Huhtamaki or sent for external recycling. In general, material recovery refers to either internal or external recycling. The waste disposal method is determined on the manufacturing unit level based on the available infrastructure and type of waste.

Our total amount of waste increased by 2%, mainly driven by growth in our Flexible Packaging segment. The amount of hazardous waste represented 4% (4%) of the total waste amount. Hazardous waste was treated locally by dedicated hazardous waste handlers in line with local regulatory requirements.

The recycling rate declined to 74% (82%) due to a third-party waste processing company cancelling their contract with Huhtamaki in North America at short notice. This is a temporary issue which should not affect our long term trend of improving recycling rates.

Operations, case story

Update of water management approach deepens insight and prioritizes activities

Water is one key element of our Natural Resource Plan. During the past year we focused on building the foundation for water management: data sources, tools and priorities for the future work in this area.

“Scarcity of fresh water is a globally recognized risk. Even though we are not a heavy user of water, it is important for us.”

“Scarcity of fresh water is a globally recognized risk. Even though we are not a heavy user of water, it is important for us. With improved water management we aim to reduce our water usage and water-related risks. All the measures we take also help us in adapting to climate change,” says **Wouter van Tol**, Global Head of Corporate Responsibility.

To manage water efficiently, the first priority was to identify reliable data sources and tools that provide the best water risk data. We chose a comprehensive global tool, the Aqueduct Water Risk Framework by the World Research Institute.

“Aqueduct data and methodology are highly developed. The framework, indicators, and methods have been tested in collaboration with experts. Furthermore, the data behind the model was updated during Autumn 2019,” **Tiina Pajula**, Principal Scientist and sustainability assessment expert from VTT Technical Research Center of Finland Ltd, explains.

In the tool, the 12 global indicators in the Water Risk Atlas are grouped into three water risk categories: physical risks related to quantity, physical risks related to quality, and regulatory and reputational risks.

We had already identified our water risks earlier, but it was important to update the information as well as to dive deeper into the data. Aqueduct data can be used to re-assess our manufacturing units’ exposure to water risks around the globe. With the findings, we can prioritize our own actions that address the risks particular to each unit.

“VTT helped to build a Huhtamaki-specific water management framework which will be piloted in a few manufacturing units in 2020. With our support, the local Huhtamaki teams will create water management plans, which include plans for water usage and discharge as well as for performance assessment and improvement,” Pajula continues.

Once these pilots are completed, the key learnings will be analyzed, and eventually water management plans will be created for all of our manufacturing units.

“With this project, we raise awareness among our employees regarding the changing needs in the environment. The project increases the transparency of our overall natural resource use as well,” van Tol concludes.

Operations, case story

No resources wasted

In the Huhtamaki Natural Resource Plan, waste management is an important area. In 2019, the waste management pilots concentrated on three areas: improving data quality and collecting more detailed data, educating people about waste, and improving process efficiency.

"As reducing waste further means less materials and energy used and smaller environmental impact, we wanted to have a larger view on waste, both on global and business segment levels. Reducing waste and improving process efficiency offers us competitive advantages and saves money," explains **Maija Aho**, Global Sustainability Manager.

Data quality and granularity were areas that needed development. Several pilots were started with the target of increasing the understanding on what level the different data was, what areas needed further development and if more detailed information gathering made sense.

Increasing understanding with visualizations

The Huhtamaki Natural Resource Plan increased our understanding of our waste both globally and on the segment level. In our pilots, the teams in manufacturing units, segments and Global Corporate Responsibility started to build the same understanding on a local level.

The Flexible Packaging team started the first pilots. The joint project team created visualizations showing detailed annual data for manufacturing units in India, Vietnam and the Czech Republic that demonstrated the opportunities for reducing waste in those units.

"Transferring large amounts of data to simple visualizations showed in a concrete way how even small changes in our manufacturing processes can create big savings for the unit. The shared understanding now makes it easier for our teams to find different ways of improving waste management also in the long run," explains **Susanne Barrabass**, Global Business Excellence Coordinator, Flexible Packaging.

Process improvements with more detailed waste data

Foodservice Europe-Asia-Oceania built a new approach to waste data collection with which the manufacturing teams can measure the different waste streams separately. With the data, manufacturing units can identify the processes that needed adjustments and thus improve their material loss measurement. The data of Foodservice paperboard units is now fed into the global reporting system.

Having a clearer view on different waste fractions globally and locally makes prioritizing items in waste management easier. This has a positive impact on our efficiency and will minimize environmental impacts.

"The best practice of waste measurement was identified in our Foodservice Windsor Australia manufacturing unit. Together with the Business Excellence team, the best practice was quickly replicated across all units in the segment.

Waste prevention is the foundation on which all efforts of waste management are built.

The new way of measuring material loss helped us tremendously with two things: setting up the right ambitions and following up with projects and concrete actions to meet our waste reduction targets 2020–2022," relates **Michal Ziembinski**, Director Business Excellence, Foodservice Europe-Asia-Oceania.

"We are pleased with the progress this far, but we know that this is an ever-on-going process. The work continues," concludes Aho.

Ethics and Compliance

Information disclosed in this section – GRI Standards:
205 *Anti-Corruption*

We promote the following
UN Sustainable Development Goals:

Ethics and Compliance

We value integrity and it is important for us to do things right. High ethical standards in all our actions are key to succeeding in our business. We are committed to complying with the Huhtamaki Code of Conduct, other policies, as well as laws and regulations, and to acting in accordance with commonly accepted best practices. Our values emphasize that we like to get it done – with high integrity.

The Global Compliance function oversees the implementation of our ethics and compliance program. It is an advisory function that supports Huhtamaki in conducting its business in compliance with laws, regulations and Huhtamaki's ethical standards by advising in certain key areas, such as Code of Conduct, anti-corruption, supply chain transparency, conflict of interest, competition compliance and data privacy related matters. In addition, the Global Compliance function helps our business to create policies and processes to identify and mitigate compliance-related risks and organizes trainings on various ethics and compliance topics. Furthermore, the Global Compliance function coordinates our whistleblowing system, the Huhtamaki Speak Up channel.

Huhtamaki ethics and compliance program – it is everyone's responsibility

The further development of our ethics and compliance program continued during 2019. As part of the preparation of a new ethics and compliance program framework, Global Compliance and Risk Management functions conducted an ethics and compliance assessment in early 2019. The assessment involved personal interviews with several General Managers and other key personnel from our units globally. The assessment gave valuable information about the maturity of our compliance practices. The results of the assessment have been shared with several teams, including the Global Executive Team and the Audit Committee of the Board of Directors, and the results have been taken into consideration when defining the ethics and compliance roadmap for the coming years.

The new ethics and compliance program framework was introduced in October 2019. The framework focuses on our commitment to do business in the right way and in accordance with the highest ethical standards. The new framework helps to respond to the growing interests of our external stakeholders about ethics and compliance matters as well as to our own needs by establishing a standard structured approach to handle ethics and compliance matters in our units globally. In addition, it fosters the culture of compliance and embeds ethics even further into the everyday decision making for all of us – it is everyone's responsibility.

One of the key priorities within the new ethics and compliance program framework is to strengthen the governance model for handling ethics and compliance matters in Huhtamaki. In order to meet this target, several new governance bodies were established during 2019. These include an Ethics and Compliance Committee and a global network of legal as well as ethics and compliance persons who are eager to drive our program and roadmap in their own environment and share best practices with Huhtamaki units around the world. The network of local privacy representatives also continued its work during 2019 and extended its scope as a global network.

The Code of Conduct is a core element of the ethics and compliance program

The Huhtamaki Code of Conduct is the core element of our ethics and compliance program. The Code of Conduct is available to all employees on our intranet and is also publicly available on our webpage. All employees receive training on our Code of Conduct through annual, mandatory Code of Conduct training. The purpose of the training is to remind everyone of how our values translate into ethical guidelines on how we work at Huhtamaki and what is expected of each employee.

The Code of Conduct training is offered to employees through e-learning and face-to-face training. The Code of Conduct e-learning training program was repeated globally in 2019, and all direct employees were able to complete the e-learning for the first time. In addition, as part of the global ethics and compliance training program, Code of Conduct face-to-face trainings were organized by Global Compliance function for our units in India, Singapore, Malaysia, United Arab Emirates and Egypt during 2019. The results of our recent employment engagement survey indicate positively that our employees understand what kind of behavior is expected from them in order to comply with the Code of Conduct.

The anti-corruption as well as anti-trust and competition compliance training program continued also in 2019: face-to-face training sessions on the topics were conducted by the Global Compliance function for our units in India, Singapore, Malaysia, the United Arab Emirates and Egypt. In addition, the anti-trust and competition compliance e-learning program and data privacy and information security e-learning program continued in 2019.

We encourage everyone to Speak Up

According to Huhtamaki values, we encourage everyone to speak up and raise concerns if there is any suspicion of breach of the Huhtamaki Code of Conduct or of any other Huhtamaki policies or laws or regulations. This means that if an employee finds out that another employee has violated the rules, the employee is expected to report the violation by contacting his or her manager, over manager or a local Human Resources representative. Alternatively, the employee can report any suspected violation to the Global Compliance function or through the Huhtamaki Speak Up channel, which is a global, web-based whistleblowing system available for Huhtamaki employees, suppliers, customers and other stakeholders. The Huhtamaki Speak Up channel can be accessed by visiting the website: https://report.whistleb.com/Huhtamaki. In the United States, reports can also be submitted through the Alertline system. Any negative actions against an employee who reports a possible violation are explicitly prohibited.

Reporting and incident management is one of the key elements of our ethics and compliance program framework. During 2019 special attention was paid to this element and a new Group investigations policy was finalized in November 2019. The policy provides a mechanism to be made aware of, investigate and address alleged violations of the Code of Conduct, any other policies, as well as laws and regulations in a fair, structured, timely and well-documented manner. The new policy describes the process of conducting investigations in Huhtamaki including the new investigations governance structure. As part of the policy work, modifications were also implemented to the external reporting of the incidents.

Global Compliance function coordinates the Huhtamaki Speak Up channel and Alertline system and leads and oversees the investigation process of the alleged violations. A total of 95 (68) whistleblowing reports were received in 2019. This data contains reports submitted through the whistleblowing systems and reports sent to the attention of Global Compliance through other means. The alleged violations have been investigated in cooperation with Global Compliance, business segments and units, and internal audit. Corrective and preventative actions have been taken based on the outcome of the investigations, as needed. The Ethics and Compliance Committee, the Global Executive Team and the Audit Committee of the Board of Directors follow the reported incidents regularly.

Anti-corruption is considered a highly important topic in the ethics and compliance program
(205-1)

Corruption risk is included in our Enterprise Risk Management (ERM) assessment, which is addressed to all manufacturing units and largest sales offices, as well as their respective business segment management teams, the Global Executive Team, and all global support functions. Corruption risk is considered an operational as well as a strategic risk that could potentially impact Huhtamaki's reputation.

Our materiality assessment indicates that anti-corruption is one of the most material ethics and compliance topics. Corruption and bribery risk and the related preventative procedures were further evaluated in connection with the ethics and compliance assessment conducted in early 2019. The results of the assessment aligned with those of our materiality assessment and the ERM results: anti-corruption is considered a highly important topic in our ethics and compliance program, and the risk after preventative measures is considered medium to low. During 2019, the Global Compliance function also continued to raise awareness on the corruption risks in the geographies where Huhtamaki operates. We also continued to screen our key suppliers with the NAVEX RiskRate tool for adverse media, sanction lists, watch lists and Politically Exposed Persons lists.

Communication and training about anti-corruption policies and procedures
(205-2)

The Huhtamaki Code of Conduct contains anti-corruption provisions with which all employees are expected to comply. In addition, these provisions are included in the Code of Conduct for Huhtamaki Suppliers that all direct and indirect suppliers are excepted to comply with.

The Code of Conduct is part of a mandatory annual ethics and compliance training at Huhtamaki, and training is given to all employees through a regular e-learning program and face-to-face training sessions. In addition to Code of Conduct training, separate anti-corruption face-to-face training sessions are being organized periodically by the Global Compliance function for Huhtamaki units globally as described earlier in this section.

Code of Conduct training, including an anti-corruption section, was completed by 84.7% of all employees in 2019 (82.2% of direct and 91.1% of indirect employees).

Ethics and Compliance, case story

Getting it right from the start

When we make an acquisition, merge operations or start a greenfield process, proper integration of the Huhtamaki way of working, principles and practices is essential. To meet this objective, global Ethics and Compliance and Working Conditions trainings were conducted in Egypt in October 2019 at our latest greenfield manufacturing unit – a state-of-the-art flexible packaging unit, inaugurated earlier in 2019.

Our "task force" consisting of members from global, segment and regional HR as well as the Global Compliance function was warmly welcomed with beautiful sunshine and by an enthusiastic team ready to learn. The training room was packed with new employees who had gathered to learn about Huhtamaki values, Code of Conduct and other ethics and compliance topics, and Working Conditions requirements. Our Fiber Packaging employees based in Egypt also participated in the training, bringing with them insights gained from years of working at Huhtamaki. The purpose of the session was not only to learn about our ethical principles, but also to bring the two teams together to discuss these topics openly and share experiences.

During the ethics and compliance training, the new global ethics and compliance program was introduced and discussed on a practical level. The training included information and case examples about the Huhtamaki values, Code of Conduct, anti-corruption, as well as anti-trust and competition compliance topics.

The Working Conditions training focused on topics related to employment as well as workplace health and safety. The interactive session covered a wide range of topics with real case examples and challenges, which the participants had to solve.

To summarize, this workshop demonstrated a great way to co-operate between local teams, HR and Global Compliance functions. Furthermore, it was an excellent opportunity to reflect on how our teams can make sustainable and good decisions for the future – together.

Anna-Maija Heinonen
Head of Compliance

Miia Hapuoja
Head of Employment and Resourcing

Reporting principles and scope

This Sustainability Report 2019 has been prepared in accordance with Global Reporting Initiative (GRI) Standards, Core Option. We have reported at least one disclosure for each GRI standard that has been identified most material based on our materiality assessment. The report contains information on Huhtamaki's sustainability performance in the period January 1 – December 31, 2019. Some indicators also include historical data. The previous report, called Corporate Responsibility Report 2018, was published in April 2018. The Sustainability Report and financial statements are published annually by calendar year.

The disclosures listed in the GRI Index have been externally assured by DNV GL Business Assurance, which is an independent third party. The assurance of this report is limited to disclosures required by the GRI Standards Core Option. The assurance report is attached to this report. The Global Executive Team will review the observations and recommendations related to the external assurance.

Reporting boundaries

Huhtamaki has both direct and indirect impacts on the material topics identified. The data provided in this report concentrates on matters that are directly under Huhtamaki's control.

In 2019, we updated our materiality assessment. We focused only on the topics that were already identified as being of medium or high significance in our previous assessment but revised the assessment with more recent data sources and more stakeholder surveys.

Even though the material topics remained the same, we changed some of their names to better describe all the matters that were grouped under each topic. The updated topic names are visible in the following table and in the materiality matrix on page 105.

There were also a few changes to the reported GRI disclosures: We are no longer reporting disclosure 201-1 as part of the material topic "Customer satisfaction". This is because economic figures are already reported in other parts of Huhtamaki's Annual Report. For the material topic "Anti-corruption and ethics", we reported disclosure 205-2 instead of 205-3.

Identified material topics and boundaries

Huhtamaki Packaging for Good themes	Identified material topics	Material GRI standard	GRI topic boundary
People	• Occupational health and safety	• GRI 403 Occupational health and safety	• Huhtamaki Group*
	• Diversity and equal opportunity	• GRI 405 Diversity and equal opportunity	• Huhtamaki Group
	• Labor relations	• GRI 401 Employment	• Huhtamaki Group
	• Employee training	• GRI 404 Training and education	• Huhtamaki Group
	• Employee attraction and retention	• GRI 401 Employment	• Huhtamaki Group
Packaging	• Product safety	• GRI 416 Customer health and safety	• Consumers, customers
	• Customer satisfaction	• GRI 416 Customer health and safety	• Customers
Supply chain	• Supply chain and responsible sourcing	• GRI 103 Management approach	• Group's key suppliers
	• Human rights	• GRI 103 Management approach	• Group's key suppliers
Operations	• Materials and product life cycle	• GRI 301 Materials	• Huhtamaki Group manufacturing units
	• Waste and recycling	• GRI 306 Effluents and waste	• Huhtamaki Group manufacturing units
	• Energy	• GRI 302 Energy	• Huhtamaki Group manufacturing units
	• Water	• GRI 303 Water	• Huhtamaki Group manufacturing units
	• Climate and emissions	• GRI 305 Emissions	• Huhtamaki Group manufacturing units
Foundation for Packaging for Good agenda	• Anti-corruption and ethics	• GRI 205 Anti-corruption	• Huhtamaki Group, Group's key suppliers, customers, partners

*Excluding offices

This Sustainability Report follows the same consolidation principles as Huhtamaki Financial Statements 2019 and covers all four reporting segments. In order to align them with Huhtamaki's financial reporting principles, the GRI disclosures have not been reported by region, but certain indicators are reported per business segment.

In this report, metric tons are used as the mass unit. The 2019 environmental efficiency indicators for energy, greenhouse gas (GHG) emissions and water consumption per sellable ton produced exclude printing cylinder manufacturing and label units, which are part of the Flexible Packaging segment. Environmental data included in this Sustainability Report excludes the units that have been acquired during the reporting year 2019. Units closed during the reporting year 2019 are included in the data until their closing date.

The number of manufacturing units with certified quality, hygiene and safety management systems excludes units that were acquired in 2019 or closed during the reporting year.

The data on supply chain is based only on key suppliers of the North America business segment, due to the on-going transition period of our updated supply chain due diligence processes in other business segments. Each key supplier may consist of several business and/or legal units in different locations.

Code of Conduct training figures are not reported by region because this is not considered material.

Social indicators have not been reported by gender, age or region where the differentiation was not considered material. For employee data, we use the same age groups that are used in our internal reporting. Everest Flexibles (Pty) Limited, a flexible manufacturing unit acquired in South Africa at the end of 2019, is only included in the total headcount data as other data was not yet available in Huhtamaki's reporting tool for 2019.

Data collection and measurement

The occupational health and safety data and environmental data are collected and monitored in a specific management system, where manufacturing units submit information regularly. The reporting frequency varies, and may be monthly, quarterly or annual. Other employee data is gathered from the HR information system.

The greenhouse gas emission calculations are based on guidelines provided by the Greenhouse Gas Protocol of the World Resource Institute and the World Business Council for Sustainable Development. The emission factors used for Scope 1 emissions are reported according to the GHG Protocol/IEA (2018), and for district heating and cooling according to GaBi (2019), which are both updated annually. Scope 2 emissions for purchased electricity are calculated using a location-based method, with national emission factors provided by the GHG Protocol/IEA (2018). Due to updates of emission factors under IEA 2018, data of previous years for both Scope 1 and 2 emissions have slightly changed from 2018 report.

The supply chain data is monitored by a risk assessment tool built for the purpose.

The data collection practices have been reviewed by DNV GL Business Assurance during the assurance process.

Assurance statement

Independent Limited Assurance Report to the Management of Huhtamaki Oyj

Scope of Engagement

Huhtamaki Oyj ("Huhtamaki") commissioned **DNV GL Business Assurance Finland OY/AB** ("DNV GL") to conduct a limited assurance engagement over the performance indicators presented in the Huhtamaki Annual Report 2019 Sustainability section ("Report") for the reporting period 1st January to 31st December 2019.

Selected Information

The scope and boundary of our work is restricted to the key sustainability performance indicators and metrics included within the Report (the "Selected Information"), listed below:

- **GRI 102-8** Information on employees and other workers (number of)
- **GRI 102-41** Collective bargaining agreement (%)
- **GRI 205-1** Operations assessed for risks related to corruption
- **GRI 205-2** Communication and training about anti-corruption policies and procedures
- **GRI 301-1** Materials used by weight or volume (t)
- **GRI 301-2** Recycled input materials used (%)
- **GRI 302-1** Energy consumption within the organization (GWh)
- **GRI 302-3** Energy intensity (%)
- **GRI 302-4** Reduction of energy consumption (%)
- **GRI 303-1** Water withdrawal by source (m^3)
- **GRI 305-1** Direct (Scope 1) greenhouse gas (GHG) emissions (tCO_2e)
- **GRI 305-2** Indirect (Scope 2) GHG emissions (tCO_2e)
- **GRI 305-4** Greenhouse gas emissions intensity (%)
- **GRI 305-5** Reduction of GHG emissions (%)
- **GRI 306-2** Waste by type and disposal method (t)
- **GRI 401-1** New employee hires and employee turnover (number of, %)
- **GRI 403-2** Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities (number of)
- **GRI 404-3** Percentage of employees receiving regular performance and career development reviews (%)
- **GRI 405-1** Diversity of governance bodies and employees (%)
- **GRI 416-1** Assessment of the health and safety impacts of product and service categories (%)
- **GRI 416-2** Incidents of non-compliance concerning the health and safety impacts of products and services (number of)

The location of the Selected information in the Report is specified in the GRI content index.

To assess the Selected Information, which includes an assessment of the risk of material misstatement in the Report, we have used Global Reporting Initiative's GRI Standards (2016) and Huhtamaki's reporting principles and scope, (the "Criteria", see pages 144–146).

We have not performed any work, and do not express any conclusion, on any other information that may be published in the Report or on Huhtamaki's website for the current reporting period.

Our conclusions

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information is not fairly stated and has not been prepared, in all material respects, in accordance with the Criteria. We believe that the Report is in line with the "Core" requirements of the GRI Standards.

This conclusion relates only to the Selected Information and is to be read in the context of this Assurance Report, in particular the inherent limitations explained below.

Standard and level of assurance

We performed a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (revised), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance.

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less detailed than those undertaken during a reasonable assurance engagement, so the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We planned and performed our work to obtain the evidence we considered sufficient to provide a basis for our opinion, so that the risk of this conclusion being in error is reduced, but not reduced completely.

Basis of our conclusion

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information; our work included, but was not restricted to:

- Assessing the appropriateness of the Criteria for the Selected Information;
- Conducting interviews with Huhtamaki's management to obtain an understanding of the data management systems and processes used to generate, aggregate and report the Selected Information;
- Physical site visits to review processes and systems for preparing site level data consolidated at Head Office at:
  - Huhtamaki Flexible Packaging: Silvassa, India,
  - Huhtamaki Foodservice E-A-O: Nules, Spain, and
  - Huhtamaki North America: Albertville, Alabama, US.

  DNV GL was free to choose the sites on the basis of materiality;
- Reviewing data at source and following this through to consolidated Group data;
- Reviewing whether the evidence, measurements, and scope of the Selected Information is prepared in accordance with the Criteria; and
- Reviewing the Report and narrative accompanying the Selected Information in the Report with regard to the Criteria.
- Evaluation of the disclosed information in the Report for 'in accordance' – Core reporting requirements of GRI Standards.

Inherent limitations

Our assurance relies on the premise that the data and information provided by Huhtamaki to us as part of our review procedures have been provided in good faith. Because of the selective nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities may not have been detected. Energy use data utilized in GHG emissions calculations are subject to inherent limitations, given the nature and the methods used for determining such data. Finally, the selection of different but acceptable measurement techniques may result in materially different measurements.

DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Assurance Report.

Our competence, independence and quality control

DNV GL established policies and procedures are designed to ensure that DNV GL, its personnel and – where applicable – others are subject to independence requirements (including personnel of other entities of DNV GL) maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals, whose members have not been involved in the development of any of the Criteria. Our multi-disciplinary team consisted of professionals with a combination of environmental and sustainability assurance experience.

Responsibilities of the Management of Huhtamaki and DNV GL

The Management of Huhtamaki have sole responsibility for:

- Preparing and presenting the Selected information in accordance with the Criteria;
- Designing, implementing and maintaining effective internal controls over the information and data, resulting in the preparation of the Selected Information that is free from material misstatements;
- Measuring and reporting the Selected Information based on their established Criteria; and
- Contents and statements contained within the Report and the Criteria.

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been prepared in accordance with the Criteria and to report to Huhtamaki in the form of an independent limited assurance conclusion, based on the work performed and the evidence obtained. We have not been responsible for the preparation of the Report.

For and on behalf of DNV GL Business Assurance Finland OY/AB
Espoo, Finland

3rd February 2020

Mikael Niskala
Lead Auditor
DNV GL – Business Assurance

Souvik Kumar Ghosh
Principal Consultant and Reviewer
DNV GL – Business Assurance

GRI content index

GRI standards		Location, comments and omissions	SDG
GRI 100 Universal standards			
GRI 102: General disclosures 2016			
Organizational profile			
102-1	Name of the organization	5	
102-2	Activities, brands, products, and services	5	
102-3	Location of headquarters	5	
102-4	Location of operations	6, 38, 76	
102-5	Ownership and legal form	5, 91	
102-6	Markets served	6, 33	
102-7	Scale of the organization	112, Financial Statements	
102-8	Information on employees and other workers	112, 113	8
102-9	Supply chain	128	
102-10	Significant changes to the organization and its supply chain	48, 61, 128	
102-11	Precautionary Principle or approach	104	
102-12	External initiatives	109	
102-13	Membership of associations	109	
Strategy			
102-14	Statement from senior decision-maker	9	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	141	16
Governance			
102-18	Governance structure	107	
Stakeholder engagement			
102-40	List of stakeholder groups	108	
102-41	Collective bargaining agreements	115	
102-42	Identifying and selecting stakeholders	108	
102-43	Approach to stakeholder engagement	108	
102-44	Key topics and concerns raised	108, 109	

GRI standards		Location, comments and omissions	SDG
Reporting practice			
102-45	Entities included in the consolidated financial statements	76	
102-46	Defining report content and topic Boundaries	105, 145	
102-47	List of material topics	105, 145	
102-48	Restatements of information	145	
102-49	Changes in reporting	105, 106, 145	
102-50	Reporting period	145	
102-51	Date of most recent report	145	
102-52	Reporting cycle	145	
102-53	Contact point for questions regarding the report	Back cover	
102-54	Claims of reporting in accordance with the GRI Standards	145	
102-55	GRI content index	149	
102-56	External assurance	145, 147	
GRI 103: Management approach 2016			
103-1	Explanation of the material topic and its Boundary	105, 145, 146	
103-2	The management approach and its components	104, 106	2, 5, 6, 8, 9, 12, 13, 14, 15, 16, 17
103-3	Evaluation of the management approach	104	
GRI 200 Economic standards			
GRI 205: Anti-Corruption 2016			
205-1	Operations assessed for risks related to corruption	142	16
205-2	Communication and training about anti-corruption policies and procedures	142	16
GRI 300 Environmental standards			
Huhtamaki's own KPI	Natural Resource Plan	135, 138, 139	6, 8, 12, 13, 14, 15
GRI 301: Materials 2016			
301-1	Materials used by weight or volume	134	8, 12, 15
301-2	Recycled input materials used	134	8, 12, 15
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	135	8, 9, 12, 13
302-3	Energy intensity	135, 136	8, 9, 12, 13
302-4	Reduction of energy consumption	135, 136	8, 9, 12, 13
GRI 303: Water 2016			
303-1	Water withdrawal by source	137	6, 12, 14
Huhtamaki's own KPI	All plants in water stressed areas have a water management plan	137	6, 12, 14

GRI standards		Location, comments and omissions	SDG
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	136	9, 12, 13, 14, 15
305-2	Energy indirect (Scope 2) GHG emissions	136	9, 12, 13, 14, 15
305-4	GHG emissions intensity	136	9, 12, 13, 14, 15
305-5	Reduction of GHG emissions	136	9, 12, 13, 14, 15
GRI 306: Effluents and Waste 2016			
306-2	Waste by type and disposal method	137	6, 12, 13, 14, 15
GRI 400 Social standards			
Huhtamaki's own KPI	Community programs in place on site level and Group level	115	17
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	115	5, 8
Huhtamaki's own KPI	Employee engagement index	115, 118	8
GRI 403: Occupational health and safety 2016			
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	114	8
Huhtamaki's own KPI	Huhtamaki Group Lost Time Incident Rate	114	8
GRI 404: Training and education 2016			
404-3	Percentage of employees receiving regular performance and career development reviews	115	5, 8
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	113	5, 8
GRI 414: Supplier social assessment 2016			
Huhtamaki's own KPI	Supply chain due diligence system in place covering ethical, social and environmental criteria	128, 129, 130	5, 8
Huhtamaki's own KPI	All fiber sourced from recycled or certified sustainable sources	131, 132	8, 12, 13, 15
GRI 416: Customer Health and Safety 2016			
416-1	Assessment of the health and safety impacts of product and service categories	120, 121	2
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	121	2
Huhtamaki's own KPI	Zero food contact compliance related claims reported	121	2
Huhtamaki's own KPI	All our products comply with Huhtamaki's Global Food Safety Policy	120, 121	2
Huhtamaki's own KPI	Product innovation	121, 122, 123, 125, 126	2, 12, 13

Governance

Huhtamaki

Corporate Governance Statement

Introduction

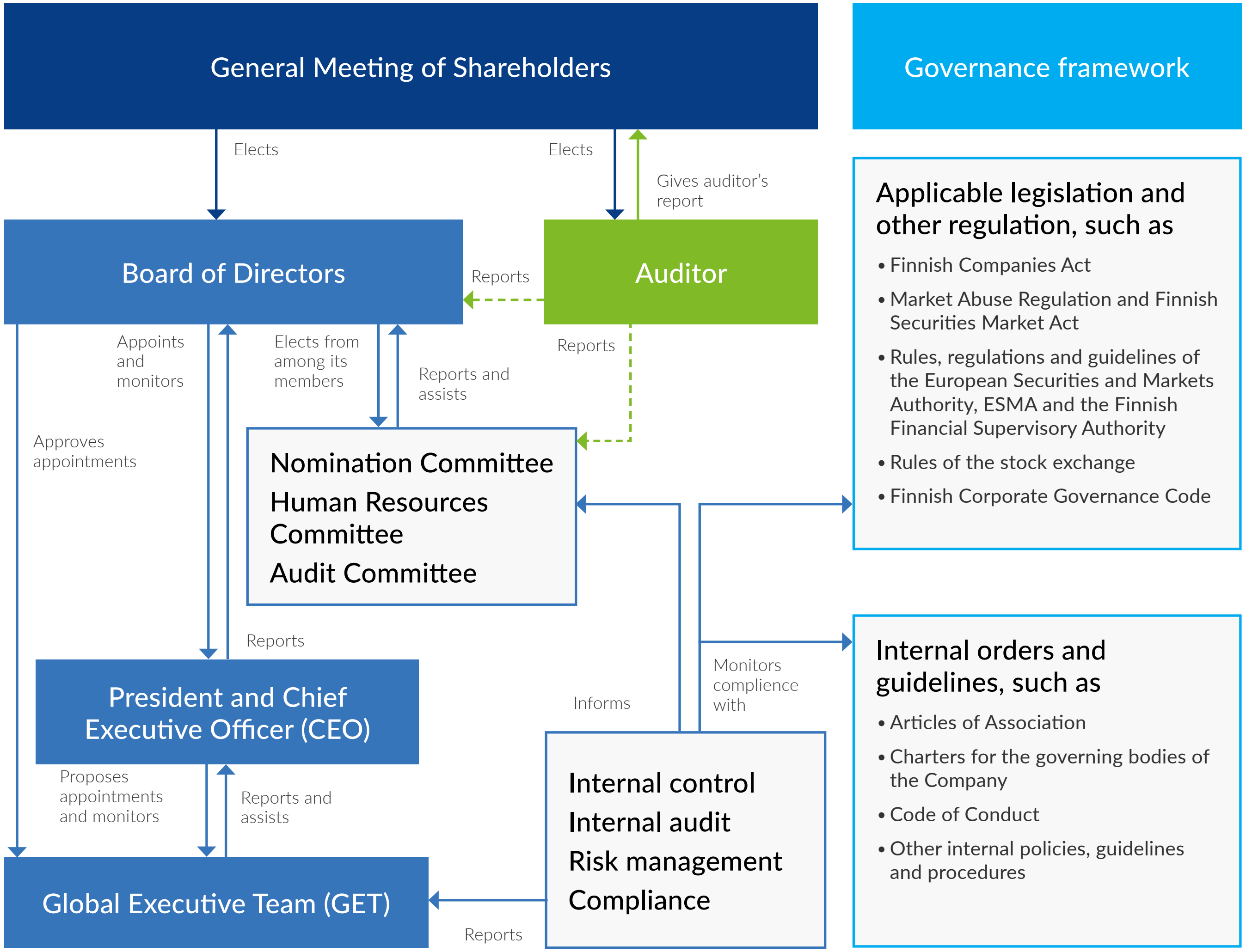
Huhtamäki Oyj (the Company) complies with the Finnish Corporate Governance Code (Code) adopted by the Securities Market Association. This Corporate Governance Statement complies with the Code effective from January 1, 2020. In addition, the Company has issued a separate Remuneration Statement prepared in accordance with the Corporate Governance Code effective from January 1, 2016. The Codes are available in their entirety on the internet at www.cgfinland.fi. Huhtamäki Oyj is a support member of the Securities Market Association.

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

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

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

Corporate governance structure



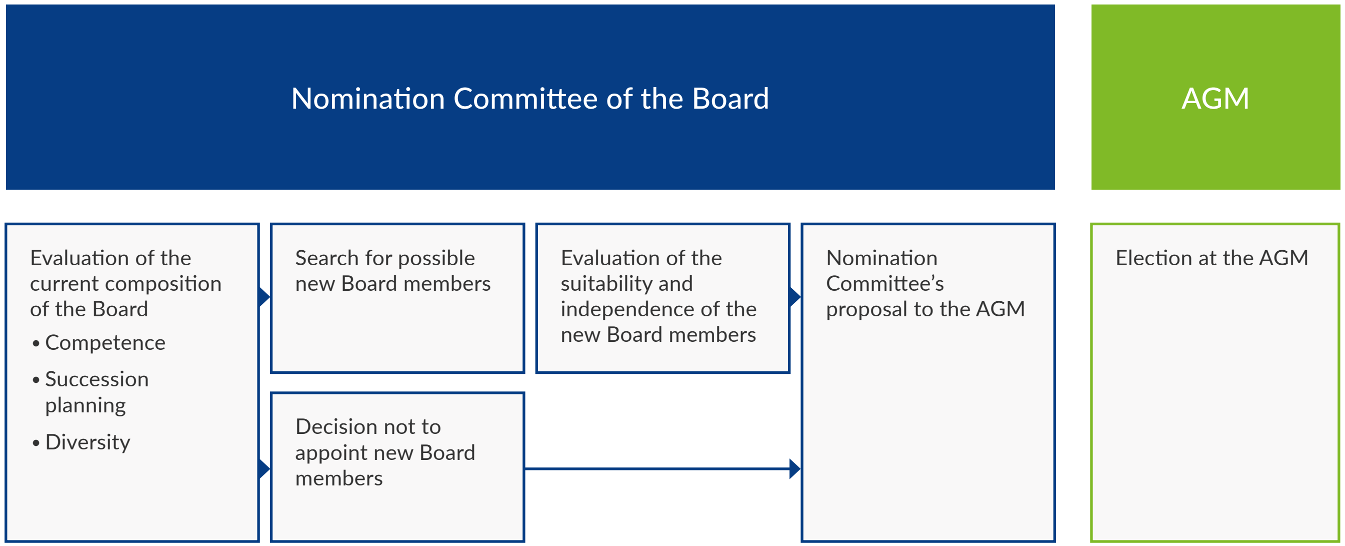
Descriptions concerning corporate governance

Board of Directors

Election and composition of the Board

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

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

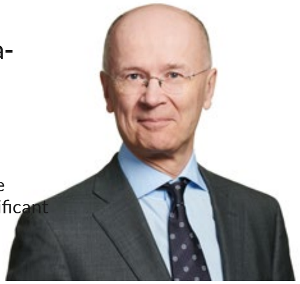


Board members

Continued on next page

The AGM 2019 elected the following seven individuals to the Board:

Chairman Mr. Pekka Ala-Pietilä



Born 1957,
Finnish citizen

Independent of the Company and significant shareholders

Starting date: April 24, 2012

Board Committees: Chairman of the Nomination Committee and Human Resources Committee

Main occupation: Miscellaneous positions of trust

Education: M.Sc. (Econ); D.Sc. (Econ) h.c. and D.Sc. (Tech) h.c.

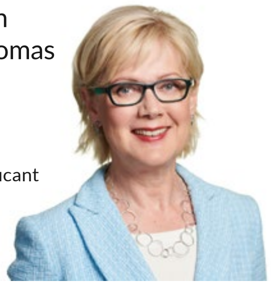
Primary working experience:

Blyk Services Ltd., Co-founder and CEO (2006–2011);
Nokia Corporation, several different roles (1984–2005), last positions as President (1999–2005), Member of the Group Executive Board (1992–2005) and Nokia Mobile Phones, President (1992–1998)

Key positions of trust:

Sanoma Corporation, Chairman of the Board (2016–) and Board member (2014–2016);
SAP SE, Supervisory Board member (2002–);
Netcompany A/S, Chairman of the Board (2017–2019);
Pöyry PLC, Board member (2006–2017);
Solidium Oy, Chairman of the Board (2011–2015)

Vice-Chairman Ms. Kerttu Tuomas



Born 1957,
Finnish citizen

Independent of the Company and significant shareholders

Starting date: April 27, 2017

Board Committees: Member of the Audit Committee and Nomination Committee

Main occupation: Miscellaneous positions of trust

Education: B.Sc. (Econ)

Primary working experience:

KONE Corporation, Executive Vice President, Human Resources and member of the Executive Board (2002–2017);
Elcoteq Network Corporation, Group Vice President, Human Resources (2000–2002);
MasterFoods Oy (Mars), Personnel & Organization Manager (1994–1999);
Mercuri Urval, Consultant (1987–1993)

Key positions of trust:

Kemira Oyj, Vice-Chairman of the Board (2014–) and Board member (2010–2014);
Medix Biochemica Group Oy, Board member (2018–);
Finnish National Opera and Ballet, Board member (2016–);
Aamu Suomen Lasten Syöpäsäätiö sr, Board Member (2017–);
CEMS (the Global Alliance in Management Education), member of the Strategic Board (2008–2016);
Federation of Finnish Technology Industries, member of the working committees: Employer & labor market relations (2007–2015), Employee safety (2009–2010), Education and labor issues (2007–2008);
JTO School of Management, Board member (2007–2010)

Mr. Doug Baillie

Born 1955,
U.K. citizen

Independent of the Company and significant shareholders

Starting date: April 21, 2016

Board Committees: Member of the Nomination Committee and Human Resources Committee

Main occupation: Miscellaneous positions of trust

Education: BComm, Business Finance, Marketing & Business Administration

Primary working experience:

Unilever Group, several different roles (1978–2016), last positions Chief Human Resources Officer and a member of the Executive Board (ULE) of Unilever Group (2008–2016), President, Western Europe (2008–2011), Chief Executive Officer & Group Vice President, South Asia, Hindustan Unilever (2006–2008) and Group Vice President, Africa, Middle East & Turkey (2004–2005)

Key positions of trust:

Airtel Africa PLC, Board member (2019–);
The MasterCard Foundation, Board member (2015–);
Leverhulme Trust, Board member (2015–)

Mr. William R. Barker

Born 1949,
U.S. citizen

Independent of the Company and significant shareholders

Starting date: March 24, 2010

Board Committees: Member of the Human Resources Committee

Main occupation: Miscellaneous positions of trust

Education: MBA and B.Sc. (Chem. Eng.)

Primary working experience:

Milacron LLC, Executive Vice President (2013–2014);
Mold-Masters (2007) Limited, President and CEO (2010–2013);
The Whitehawk Group LLC, CEO (2009–2010);
Rexam PLC, Board member and Rexam Beverage Can, Group Executive Director (2005–2009);
Rexam Beverage Can Americas, President & CEO (2001–2004);
Textron, Inc., President, Textron Fastening Systems - Commercial Solutions (2000–2001);
OEA Inc., President, OEA Automotive Safety Products (1998–2000);
Bosal International N.V., President, Bosal North America (1995–1998);
Gates Rubber Company, Vice President, Gates Power Drive Products, Managing Director, Asia Pacific Operations and other positions (1972–1995)

Key positions of trust:

Shield Holdco LLC (holding company of Dynatect Manufacturing, Inc.), Chairman of the Board (2014–2019) and Board member (2014–);
Shape Technologies Group, Inc., Chairman of the Board (2015–2019) and Board member (2015–2019);
Leeds School of Business, University of Colorado, Board member (2008–2018);
The Carlstar Group LLC, Board member (2014–2017);
Mcron Acquisition Corporation (holding company of Milacron LLC), Board member (2013–2014);
Mold-Masters (2007) Limited, Board member (2010–2013);
Rexam PLC, Board member (2005–2009)

Ms. Anja Korhonen

Born 1953,
Finnish citizen

Independent of the Company and significant shareholders

Starting date: April 25, 2018
Board Committees: Chairman of the Audit Committee
Main occupation: Miscellaneous positions of trust
Education: M.Sc. (Econ.)
Primary working experience:
Nokia Corporation, several different roles (1996–2011), Senior Vice President, Corporate Controller (2006–2011), Vice President, Business Controller, Mobile Phones (2004–2006) and Senior Vice President, Business Controller, Mobile Phones (1996–2003);
Hewlett-Packard, several different roles (1983–1996), including Nordic Controller and Finance & Admin Manager, Finland (1996) as well as other management and finance positions in Finland and abroad
Key positions of trust:
Outotec Oyj, Board member (2013–);
Oriola Oyj, Board member (2014–)

Ms. Sandra Turner

Born 1952,
U.K. citizen

Independent of the Company and significant shareholders

Starting date: April 20, 2011
Board Committees: Member of the Audit Committee
Main occupation: Miscellaneous positions of trust
Education: BA (Marketing) Honours
Primary working experience:
Tesco PLC, several different roles in United Kingdom and Ireland (1987–2009), last position Commercial Director, Tesco Ireland Limited (2003–2009)
Key positions of trust:
McBride PLC, Board member (2011–);
Greggs PLC, Board member (2014–);
Greene King PLC, Board member (2019);
Berkhamsted School, Board of Governors, Vice-Chairman (2013–) and member (2011–2013);
Carpetright PLC, Board member (2010–2019);
Countrywide PLC, Board member (2013–2014);
Northern Foods PLC, Board member (2010–2011)

Mr. Ralf K. Wunderlich

Born 1966,
German citizen

Independent of the Company and significant shareholders

Starting date: July 1, 2018
Board Committees: Member of the Human Resources Committee
Main occupation: Senior Adviser, Independent Consultant and Operating Partner to private equity companies
Education: B.Sc. (Business Administration)
Primary working experience:
Amcor Group, President and Managing Director, Flexibles, Asia Pacific and Member, Global Management Team (2010–2016);
LINPAC Packaging Ltd, President and Managing Director, and Executive Director, LINPAC Group companies (2008–2009);
Rio Tinto Alcan, several different roles (1993–2007), including President, Alcan Packaging Global Tobacco and Member, Alcan Packaging Executive Committee United States and United Kingdom (2005–2007) as well as other management positions in Germany, Italy, Malaysia and Singapore
Key positions of trust:
AptarGroup, Board member (2009–);
Essentra PLC, Board member (2017–)

Changes in Board of Directors

Mr. Jukka Suominen has acted as Vice-Chairman of the Board in 2019. His membership ended at the AGM 2019 and his CV is presented as it was on April 25, 2019.

Mr. Jukka Suominen

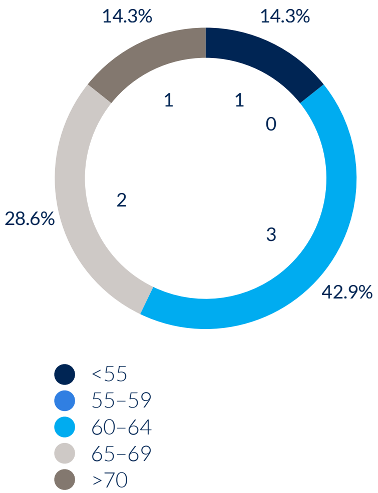
Born 1947,
Finnish citizen
Independent of the Company, based on an overall evaluation dependent of a significant shareholder
Board member: March 30, 2005–April 25, 2019
Board Committees: Chairman of the Audit Committee, member of the Nomination Committee
Main occupation: Miscellaneous positions of trust
Education: M.Sc. (Eng), B.Sc. (Econ)
Primary working experience:
Silja Group, executive roles (1975–2000), Group CEO, Silja Oyj Abp (1995–2000), CEO, Silja Line (1991–1995) and VP, Effoa / Finland Steamship Company Ltd. (1975–1994)
Key positions of trust:
Suomenlahden Telakka Oy, Board member (2018–);
Rederiaktiebolaget Eckerö, Board member (2018–2019) and Chairman of the Board (2006–2018);
Lamor Corporation Ab, Board member (2018–2019) and Chairman of the Board (2010–2018);
Fiskars Oyj Abp, Board member (2008–2014)

Diversity of the Board*

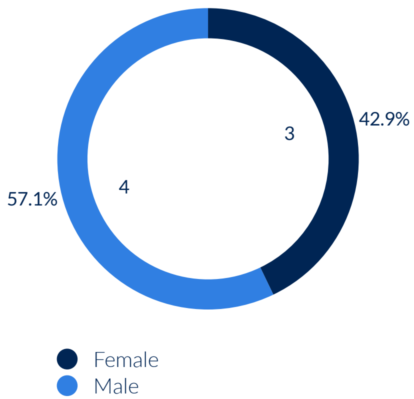
The principles on diversity of the Board have been defined in the Charter of the Board of Directors. The Company strives to ensure strong, versatile and mutually complementary expertise, experience and knowledge in the different businesses and geographical market areas that are important for the Group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

The objectives concerning the diversity of the Board have been achieved well. According to the Nomination Committee the Board composition comprises qualifications defined in the principles on diversity in a balanced way. As regards diversity in terms of gender, both genders are represented in the Board in a well-balanced manner and both genders have been represented in the Board for a long time. Since 2009, two to three Board members have been female thus representing 25–43% of all Board members. At the AGM in 2019 seven members representing four different nationalities were elected to the Board. The age structure of the Board members has been 53–70 years and three Board members have been female and four male. The Board members have international experience in different roles in global companies operating in the different businesses and geographical market areas that are important for the Group. Board members hold or have held management positions and positions of trust in both listed and unlisted companies. All Board members have a university level degree, mainly in technology or finance. More information on the educational and professional background of the Board members is available on pages 155–156. In the view of the Nomination Committee the current composition of the Board ensures well both comprehensive knowledge of the Company and new insights. The Board strives to ensure that experienced Board members with longer history in the Company's Board and with wide knowledge of the Company's various stages transfer their Company specific knowledge and expertise to the new members thereby ensuring that the knowledge stays in the Board also in the future.

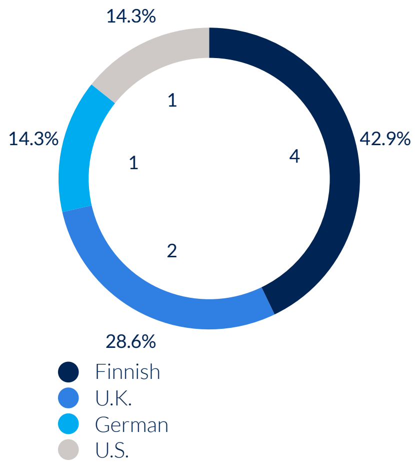
AGE



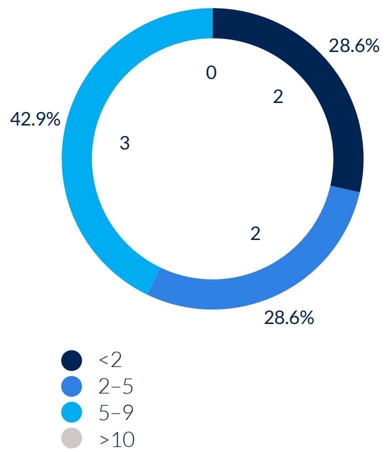
GENDER



NATIONALITY



TENURE



* Composition of the Board on December 31, 2019

Independence of the Board members

All Board members are non-executive. The Board considers all Board members independent of the Company and independent of the significant shareholders of the Company.

Shares owned by the Board members on December 31, 2019

Pekka Ala-Pietilä	3,250
Kerttu Tuomas	2,000
Doug Baillie	1,000
William R. Barker	-
Anja Korhonen	1,000
Sandra Turner	1,000
Ralf K. Wunderlich	16,350
Board total	**24,600**

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

Responsibilities and duties of the Board

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

The Board also conducts an annual evaluation of its own performance and working methods. The evaluation may be conducted as an internal self-evaluation or by using an external evaluator. In 2019, the evaluation was done as an internal self-evaluation without an external evaluator.

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

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

- organizing the Company's management and operations including e.g.
  - appointing and dismissing the President and CEO and approving the proposals by the President and CEO for GET members' appointments and dismissals
  - deciding on the compensation of the President and CEO within the framework of the Remuneration Policy and of other GET members and annually reviewing the performance of the President and CEO and other GET members
  - defining the Group's ethical values and methods of working including e.g. the approval of the Company's Code of Conduct
  - deciding on related party transactions that are not part of the ordinary course of business of the Company or are not implemented under arms-length terms
- directing the Company's business and strategy including e.g.
  - establishing strategic and financial targets as well as dividend policy and approving the strategic plans and budget as well as monitoring their implementation
  - approving acquisitions and divestments as well as capital expenditure proposals exceeding EUR 10 million or proposals which are otherwise of material importance to the Group
  - discussing and approving of financial statements, Directors' Report, interim reports, Corporate Governance Statement, Remuneration Policy, Remuneration Report and Sustainability Report
- financial communication and outlook
- internal control and risk management and
- preparation of matters to be resolved by the AGM

Board meetings

The meetings of the Board are held at the Company's headquarters in Espoo or in other Group locations or in other places as decided by the Board. The Board may also hold its meetings by video or telephone and make decisions without convening a meeting. According to the Charter of the Board of Directors, it shall hold at least six regular meetings each year. In 2019, the Board held ten (10) meetings, three of which were video or telephone meetings and two were held without convening. The average attendance of the members at the Board meetings was 96%.

The President and CEO is usually attending all Board meetings. Other GET members are also invited to participate Board meetings depending on the matters to be deliberated in the respective meeting. The Auditor is participating annually in the meeting deliberating the financial statements. The Group General Counsel of the Company acts as the secretary of the Board.

Board members' attendance at the Board meetings in 2019

	Attendance (%)	Meetings attended
Pekka Ala-Pietilä (Chairman)	100	10/10
Kerttu Tuomas (Vice-Chairman)	90	9/10
Doug Baillie	100	10/10
William R. Barker	90	9/10
Anja Korhonen	100	10/10
Sandra Turner	90	9/10
Ralf K. Wunderlich	100	10/10
Jukka Suominen*	100	3/3

* Board member until April 25, 2019

Board Committees

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

Board Committees and their duties and responsibilities

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

The duties and responsibilities of the Board Committees

Nomination Committee

- To prepare and make proposals to the AGM concerning the number of the Board members and the composition of the Board
- To prepare and make proposals to the AGM concerning the remuneration of the Board members and the principles for compensating the expenses of the Board members within the framework of the Remuneration Policy
- To prepare the Board's diversity principles
- To conduct succession planning of the Board members

Human Resources Committee

- To prepare and discuss organizational and human resources matters
- To present the Remuneration Policy and Remuneration Report in the AGM and respond to questions related thereto
- To prepare the appointment of the President and CEO and other GET members as well as successor planning
- To prepare and assess the remuneration of the President and CEO and other GET members
- To discuss the development of the people strategy and human resources policies

Audit Committee

- To monitor and assess Company's financial reporting system
- To monitor and assess the effeciency of the Company's internal control, internal audit and risk management systems
- To monitor and assess how agreements and other legal acts between the Company and its related parties meet the requirements of the ordinary course of business and arm's length terms
- To monitor and evaluate the independence of the statutory auditor, and in particular the provision of non-audit services
- To monitor the Company's auditing
- To prepare and make the recommendation to the Board for the election of the statutory auditor at the AGM
- To review the financial statements, Directors' Report, interim reports, Corporate Governance Statement and Sutainability Report

The members and meetings of the Board Committees

Nomination Committee

The Nomination Committee shall meet at least once a year, prior to the AGM. The following individuals have comprised the Nomination Committee from the date of the AGM in 2019: Pekka Ala-Pietilä (Chairman), Doug Baillie and Kerttu Tuomas. In 2019, the Nomination Committee held one meeting. The average attendance of the members at the Nomination Committee meetings was 100%.

Members' attendance at the Nomination Committee meetings in 2019

	Attendance (%)	Meetings attended
Pekka Ala-Pietilä (Chairman)	100	1/1
Doug Baillie	100	1/1
Kerttu Tuomas*	-	-
Jukka Suominen**	100	1/1

* Nomination Committee member since April 25, 2019
** Nomination Committee member until April 25, 2019

Human Resources Committee

The Human Resources Committee shall meet at least twice a year. The following individuals have comprised the Human Resources Committee in 2019: Pekka Ala-Pietilä (Chairman), Doug Baillie, William R. Barker and Ralf K. Wunderlich. In 2019, the Human Resources Committee held five meetings. The average attendance of the members at the Human Resources Committee meetings was 95%.

Members' attendance at the Human Resources Committee meetings in 2019

	Attendance (%)	Meetings attended
Pekka Ala-Pietilä (Chairman)	100	5/5
Doug Baillie	100	5/5
William R. Barker	80	4/5
Ralf K. Wunderlich	100	5/5

Audit Committee

The Audit Committee members shall have sufficient expertise and experience with respect to the committee's area of responsibility and the mandatory tasks relating to auditing. At least one member shall have competence in accounting and/or auditing. The Audit Committee members shall not be involved in the day-to-day management of the Group. The majority of the members shall be independent of the Company and at least one member shall be independent of the Company's significant shareholders. In addition to the Audit Committee members, the CFO of the Company and when considered necessary also other members of the Company's management participate in the Committee's meetings. The Auditor usually participates in the meetings.

The Audit Committee shall meet in accordance with the schedule determined by the Committee but at least four times a year. The following individuals have comprised the Audit Committee from the date of the AGM in 2019: Anja Korhonen (Chairman), Kerttu Tuomas and Sandra Turner. In 2019, the Audit Committee held six meetings. The average attendance of the members at the Audit Committee meetings was 96%.

Members' attendance at the Audit Committee meetings in 2019

	Attendance (%)	Meetings attended
Anja Korhonen (Chairman)	100	6/6
Kerttu Tuomas	100	6/6
Sandra Turner	83	5/6
Jukka Suominen*	100	2/2

* Audit Committee member until April 25, 2019

President and Chief Executive Officer

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

Charles Héaulmé (born 1966), B. Sc. (Business Administration), has acted as the Group President and CEO of Huhtamaki as of April 26, 2019. Before joining the Company, Charles Héaulmé acted in several different roles in Tetra Pak Group, latest position being Vice President Europe and Central Asia. Further information on the President and CEO Charles Héaulmé as well as his shareholding in the Company is available later in this statement in connection with information on other GET members.

Certain key conditions of the written Service Agreement between the Company and the President and CEO Charles Héaulmé, President and CEO's remuneration and information on the pension arrangement of the President and CEO are available in the Remuneration Statement issued and published in connection with the Directors' Report and available on the Company's website in section "Remuneration" (www.huhtamaki.com – Investors – Corporate Governance – Remuneration).

M.Sc. (Econ), MBA Jukka Moisio (born 1961) acted as the Group CEO until April 25, 2019.

Global Executive Team

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

GET members

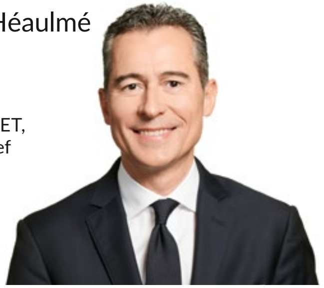
The following persons belonged to the GET on December 31, 2019.

Continued on next page

Mr. Charles Héaulmé

Born 1966,
French citizen

Chairman of the GET,
President and Chief
Executive Officer
(CEO)



GET member since: April 26, 2019
Joined the company: 2019
Education: B. Sc. (Business Administration)
Primary working experience:
Tetra Pak (1999–2019), several different roles in Europe and Americas, last position as Vice President, Tetra Pak Europe & Central Asia;
Bosch Braking Systems (1996–1999), Financial Controller; AlliedSignal Automotive (1993–1996), Financial Analyst;
KPMG (1990–1993), Senior Auditor;
Bureau de Recherches Geologiques et Minieres (1988–1990), Accounting and Reporting
Key positions of trust: –

Mr. Thomas Geust

Born 1973,
Finnish citizen

Chief Financial Officer
(CFO)

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

Ms. Leena Lie

Born 1968,
Finnish citizen

Senior Vice President,
Marketing and
Communications

GET member since: August 27, 2018
Joined the company: 2018
Education: M.Sc. (Econ.)
Primary working experience:
Cargotec Corporation (2015–2018), Senior Vice President Communications & IR;
Kemira Oyj (2009–2015), several different roles, last position as Senior Vice President, Communications and Corporate Responsibility;
KONE Corporation (2006–2009), several different roles, last position Vice President, Brand and Reputation Management;
Nokia Corporation (1999–2006), several different roles, last position as Head of Communications, Nokia, Customer and Market Operations;
Hartwall Arena (1997–1999) Marketing, Communications and Event Manager;
Nokia Mobile Phones (1995–1997), Communications officer
Key positions of trust: –

Mr. Sami Pauni

Born 1974,
Finnish citizen

Senior Vice President,
Corporate Affairs and Legal,
Group General Counsel

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

Ms. Teija Sarajärvi

Born 1969,
Finnish citizen

Senior Vice President,
Human Resources

GET member since: October 1, 2015
Joined the company: 2015
Education: M.A.
Primary working experience:
OP Financial Group (2012–2015), Executive Vice President HR;
Metso Oyj (2009–2012), several different roles, last position as Senior Vice President, Human Resources;
Nokia Oyj (1998–2009), several different roles, last position as Director, Human Resources, Nokia Markets;
ABB Oyj (1993–1998), several different roles
Key positions of trust:
Outotec Oyj, Board member (2019–)

Mr. Clay Dunn

Born 1957,
U.S. citizen

Executive Vice President,
North America

GET member since: June 1, 2005
Joined the company: 2005
Education: BBA (Marketing and Management)
Primary working experience:
Dow Chemical Company (1979–2005), several different roles, including positions as Vice President, Global Sourcing and Vice President, Polystyrene
Key positions of trust: –

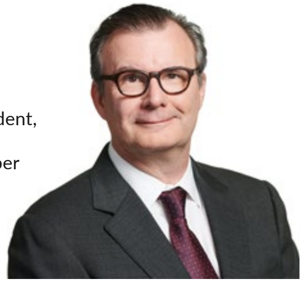
Mr. Olli Koponen

Born 1959,
Finnish citizen

Executive Vice President,
Flexible Packaging

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

Mr. Eric Le Lay



Born 1962,
French citizen

Executive Vice President,
Foodservice Europe-Asia-Oceania and Fiber Packaging

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

Changes in Global Executive Team

During 2019, Mr. Jukka Moisio has been a GET member until April 25, 2019 and Mr. Michael Orye has been a GET member until July 22, 2019.

Mr. Jukka Moisio

Mr. Jukka Moisio's CV is presented as it was on April 25, 2019.
Born 1961,
Finnish citizen
Chairman of the GET, Chief Executive Officer (CEO)
GET member: April 1, 2008–April 25, 2019
Joined the company: 2008
Education: M.Sc. (Econ), MBA
Primary working experience:
Ahlstrom Corporation (1991–2008), several different roles, last position as CEO
Key positions of trust:
Atria Oyj, Board member (2014–);
The Finnish Fair Corporation, Supervisory Board member (2009–)

Mr. Michael Orye

Mr. Michael Orye's CV is presented as it was on July 22, 2019.
Born 1972,
Danish citizen
Executive Vice President, Fiber Packaging
GET member: February 1, 2019–July 22, 2019
Joined the company: 2019
Education: M.Sc. (Econ.)
Primary working experience:
Amcor Limited (2002–2019), several different roles, last position as Managing Director, Sub-Saharan Africa, Amcor Flexibles;
Danisco (1998–2001), Project Manager
Key positions of trust: –

The following changes to the GET that take place during 2020 have been announced at the date of this statement:

Ms. Marina Madanat (born 1979), M.Sc. (Economics and Business Administration), B.Sc. (Electrical Engineering), is appointed Executive Vice President, Strategy and Business Development, and a member of Global Executive Team as of January 1, 2020. Ms. Marina Madanat has worked at Huhtamaki since June 2018 as Vice President, Strategy.

Mr. Antti Valtokari (born 1975), M.Sc. (Computer Science), is appointed Executive Vice President, IT and Process Performance, and a member of Global Executive Team as of January 1, 2020. Mr. Antti Valtokari joined Huhtamaki in August 2018 as Chief Information Officer.

Ms. Leena Lie has left Huhtamaki and Ms. Teija Sarajärvi has an interim role as Executive Vice President, Marketing and Communications in addition to her current role, until a successor for the position has been appointed. The change has been effective as of January 16, 2020.

Mr. Olli Koponen has stepped down from the Global Executive Team and Mr. Arup Basu (born 1967), PhD (Technology), is appointed President, Flexible Packaging and a member of Global Executive Team as of February 1, 2020. Arup Basu has been the Managing Director for Huhtamaki's Flexible Packaging business in India since 2017. Before joining Huhtamaki he held several positions in Tata Chemicals Limited (2004–2017), the latest being President and CTO of New Businesses and Innovation Centre. Prior to this he worked at Accenture (1998–2004) as a management consultant and led an R&D department in Indian Aluminium Company Limited (1994–1998).

Ms. Thomasine Kamerling, (born 1972), M.A., Modern History from Cambridge University (UK), is appointed Executive Vice President, Sustainability and Communications, and a member of Global Executive Team as of March 1, 2020. Ms. Thomasine Kamerling joins Huhtamaki from Varanah Ventures (2019–2020), where she has worked as Head of Communications and Public Affairs. Concurrently, Ms. Thomasine Kamerling also has acted as Head of Value Creation at Viskumed (2019–2020). Prior to this, Ms. Thomasine Kamerling has held several positions in Hoffman-La Roche Pharmaceuticals (2015–2019), the latest being Head of Communications & Public Affairs, Europe. Ms. Thomasine Kamerling has also worked as General Manager & Director Global Communications for General Electric Oil & Gas (2010–2013) and held several positions in APCO Worldwide (1996–2008), the latest being Managing Director, Africa (Public Affairs & Strategic Communications).

Updated information on the GET members is available on the Company's website in section "Management" (www.huhtamaki.com - Investors - Corporate Governance - Management).

Shares owned by the GET members on December 31, 2019

Charles Héaulmé	15,000
Thomas Geust	18,000
Leena Lie	0
Sami Pauni	5,375
Teija Sarajärvi	5,720
Clay Dunn	18,792
Olli Koponen	20,789
Eric Le Lay	46,617
GET total	**130,293**

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

Information on the remuneration of the GET members is available in the Remuneration Statement issued and published in connection with the Directors' Report and available on the Company's website in section "Remuneration" (www.huhtamaki.com – Investors – Corporate Governance – Remuneration).

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

Overview of the risk management systems

Principles of risk management

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

Risk management process and responsibilities

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

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

The Audit Committee monitors the implementation of risk management activities, and evaluates the adequacy and appropriateness of ERM. The Audit Committee reports regularly to the Board, which is responsible for reviewing the Group's strategic, operational, financial and information risks. The Board approves the risk level that the Group is capable and prepared to accept and the extent to which risks have been identified, addressed and followed up.

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

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

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

Risk management focus

A description of the risks that are material to the Group as well as of the focus of the risk management processes in 2019 is available in the Directors' Report and on the Company's website in section "Risk management" (www.huhtamaki.com – Investors – Corporate Governance – Risk management).

Overview of internal control

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

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

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

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

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

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

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

Reliability of financial reporting

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

Effectiveness and efficiency of operations

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

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

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

Compliance with laws and regulations

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

Overview of internal audit

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

The Group has an internal audit function, and in 2019 internal audit field work has been managed in cooperation with Deloitte Oy. The Code of Ethics and other standards and guidelines issued by the Institute of Internal Auditors are complied with in internal audit activities. In 2019 internal audits have been conducted in various Group and business segment level processes as well as in business units on a monthly basis according to an approved annual internal audit plan.

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

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

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

Other information

Insider administration

Legal framework

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

Assessment regarding inside information

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

Insider list

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

Trading restrictions

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

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

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

Notification obligation

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

Related party transactions

The Company and its Board monitor and evaluate transactions between the Company and its related parties. The Company has defined principles and processes for identifying the Company's related parties and the transactions to be carried out with them as well as for evaluating and reporting the nature and terms of such transactions. In order to identify its related party transactions, the Company keeps record of the persons that are its related parties. The Audit Committee of the Board monitors the Company's related party transactions in accordance with the Company's reporting practices. Transactions between the Company and its related parties are typically part of the ordinary course of business of the Company and implemented under arms-length terms. Related party transactions that are not part of the ordinary course of business of the Company or are not implemented under arms-length terms require a decision by the Board. Board members cannot participate in deciding a related party transaction concerning themselves or their related parties in accordance with applicable laws and regulations.

The Company has not concluded transactions with its related parties in 2019 that are material to the Company and that either deviate from the Company's normal business operations or are not made on market or market equivalent terms.

Audit

The Company must have one Auditor, which is an accounting firm approved by the Auditor Oversight unit of the Finnish Patent and Registration Office. The AGM elects the Company's Auditor. The AGM 2019 elected the Authorized Public Accountant firm Ernst & Young Oy as the Company's Auditor. Mr. Mikko Järventausta, APA, has acted as the auditor with principal responsibility. Each subsidiary is subject to local auditing under the local regulations, which is conducted by representatives of the Ernst & Young network in each country. Ernst & Young Oy has acted as the Company's Auditor since the AGM 2010. Before the financial year 2010 the Company's Auditor for several years was the Authorized Public Accountant firm KPMG Oy Ab and auditors representing it.

Fees paid to the Auditor (MEUR)

	2019	2018
Auditing costs	2.2	2.0
Other consultancy not related to auditing*	0.5	0.6
Total	**2.7**	**2.6**

* Such other consultancy services are subject to separate review and approval process concerning the provision of non-audit services by the Auditor and included e.g. advisory in connection with various tax, reporting and other local compliance matters.

Remuneration Statement

Introduction

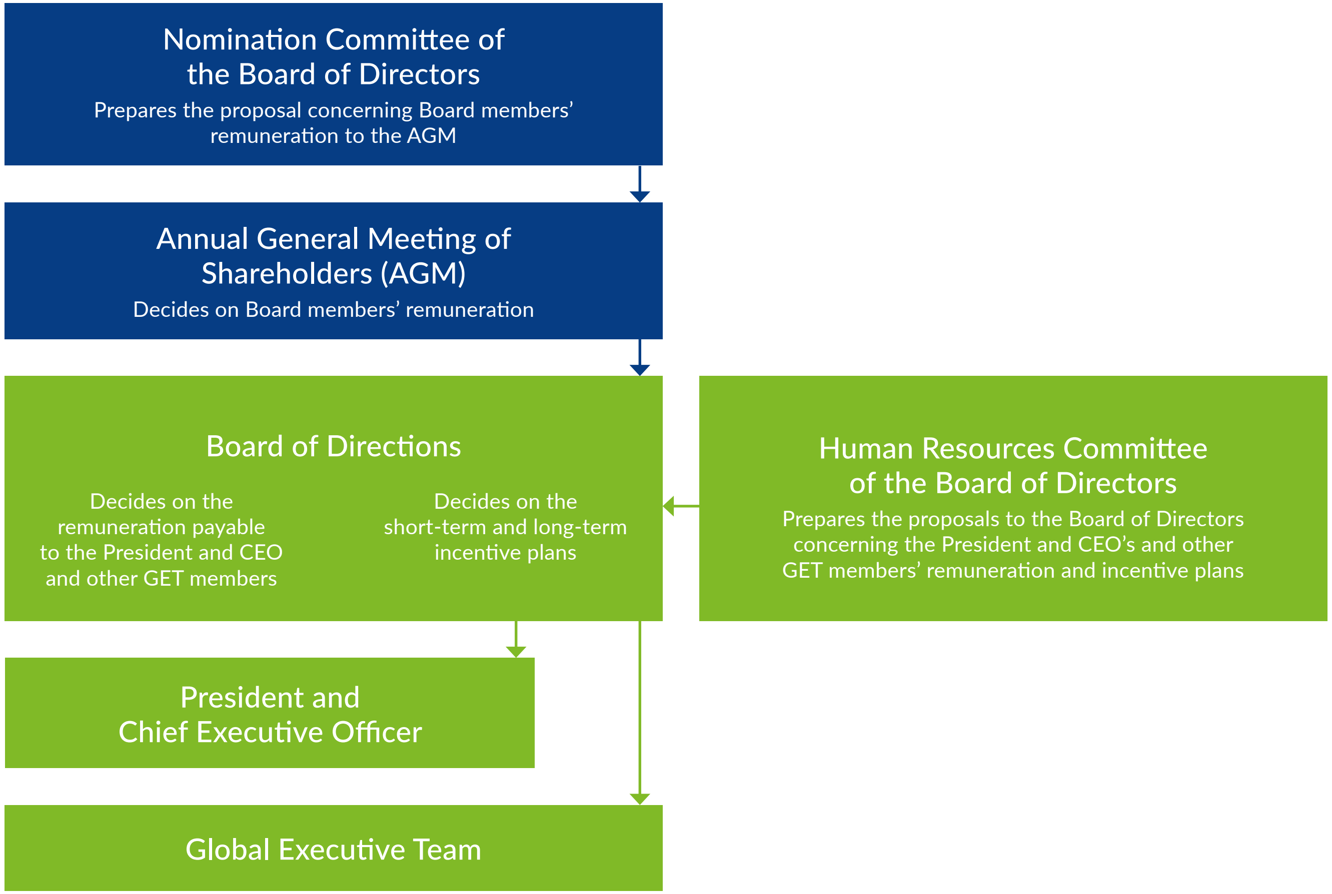
Huhtamäki Oyj (the Company) complies with the Finnish Corporate Governance Code (Code) adopted by the Securities Market Association. This Remuneration Statement has been prepared in accordance with the Corporate Governance Code effective from January 1, 2016. The Code is available in its entirety on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

This separate Remuneration Statement has been issued and published in connection with the Directors' Report. The Audit Committee of the Board of Directors has reviewed the statement and it has been approved by the Board of Directors. The Company's Auditor has reviewed that the statement has been issued. The Remuneration Statement outlines the Group's decision-making procedures and most important principles concerning the remuneration of the Board of Directors (Board), the President and Chief Executive Officer (President and CEO) and other Global Executive Team (GET) members. The Remuneration Statement also includes the Remuneration Report which provides information on the remuneration paid to the Board members, the President and CEO and other GET members during the financial year 2019. The remuneration and other financial benefits paid during the financial year 2018 are presented for comparison.

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

Decision-making procedure concerning remuneration

The decision-making process in remuneration related matters



Board of Directors

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

President & Chief Executive Officer and Global Executive Team

Remuneration and benefits payable to the President and CEO and other GET members are determined by the Board on an annual basis. The Board also makes decisions concerning any potential compensation payable to the President and CEO and other GET members upon the termination of such person's employment. Prior to the relevant Board meeting, the matter is always deliberated by the Human Resources Committee. Mr. Charles Héaulmé started as the President and CEO on April 26, 2019.

Authorizations relating to remuneration

The AGM on April 25, 2019 decided in accordance with the proposal of the Board that the Board shall be authorized to resolve on the issuance of shares and the issuance of options and other special rights entitling to shares referred to in chapter 10, section 1 of the Companies Act as follows: The aggregate number of 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 Board resolves on all the terms and conditions of the issuance of shares and special rights entitling to shares and may deviate from the shareholders' pre-emptive subscription rights (directed issue). The authorization remains in force until the end of the next AGM, however, no longer than until June 30, 2020.

During 2019 the Board decided, based on the authorization, to transfer in total 15,000 of the Company's own shares as part of the President and CEO Charles Héaulmé's remuneration (directed issue).

Main principles of remuneration

Board of Directors

The remuneration of the Board members consists of annual compensation and meeting fees paid for each meeting attended. The AGM on April 25, 2019 decided on the following remuneration:

Annual compensation 2019

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

Meeting fees for each Board meeting attended 2019

	EUR
Chairman	1,500
Members	1,500

Meeting fees for each Committee meeting attended 2019

	EUR
Chairman of the Audit Committee	3,000
Chairman of the Human Resources Committee	1,750
Chairman of the Nomination Committee	1,750
Members	1,500

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

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

President & Chief Executive Officer and Global Executive Team

General

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

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

Non-variable annual base salary and benefits

The non-variable annual base salary of the President and CEO is EUR 800,000. In addition, the President and CEO has the following benefits:

- Car benefit
- Housing benefit
- Support for child's education
- Support for insurance premiums

Short-term incentives

The short-term incentives for the President and CEO are based on the financial performance of the Group. The short-term incentives for the other GET members are based on the financial performance of the Group and the achievement of personal objectives. The short-term incentives for the GET members having a business segment responsibility are also determined based on the financial performance of the business segment in question. The weighting of the financial objectives is 100% for the President and CEO and 80% or 90% for other GET members. The weighting of the personal objectives is correspondingly 20% or 10% for other GET members.

The following indicators are applied when setting financial objectives: earnings per share (EPS) before taxes and return on investment (ROI). In addition, for the GET members having a business segment responsibility also operating cash flow (OCF) and value added (VA) of the business segment in question are relevant indicators. The above-mentioned criteria are selected to promote the Group's financial targets and success on a short- and a long-term basis.

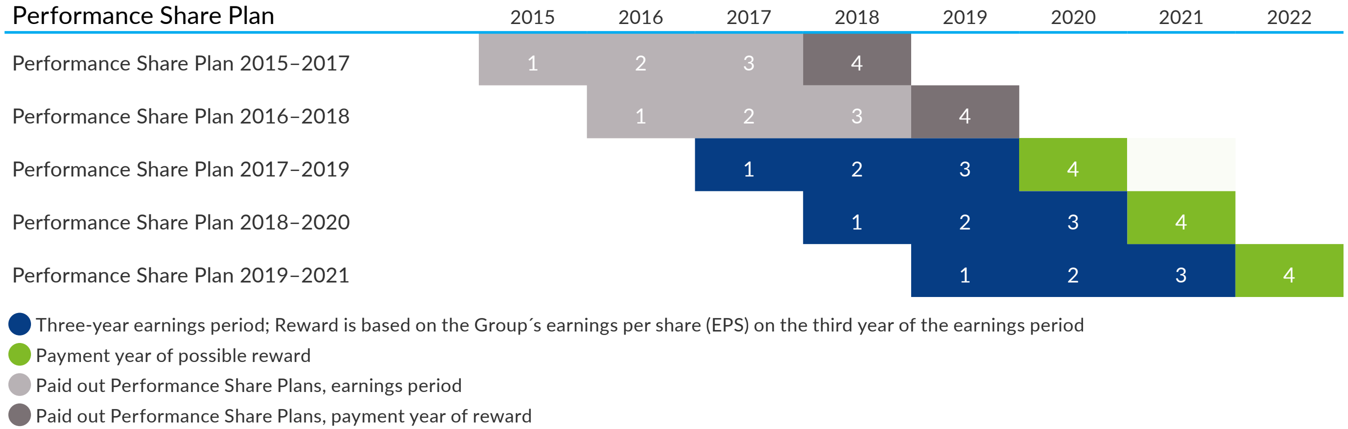
Objectives for the short-term incentives are set and the achievement is evaluated annually. Possible incentive payments are typically made in March following the annual earnings period January–December. The payment of the incentive is subject to the person being employed by the Group and not having resigned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

In addition to above, the Board of Directors may decide on other short-term incentive plans for the President and CEO and other GET members. These plans are usually done on retention purposes and are aligned with existing short-term incentives.

Performance share plans

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

The Arrangement consists of annually commencing individual three-year performance share plans. A possible reward shall be paid during the calendar year following each three-year plan. Commencement of each three-year plan will be separately decided by the Board. The Company's performance share plans with earnings year 2017 or later and based on which incentives may be paid out in 2018 or later have been illustrated below.



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

The President and CEO has been nominated to participate in the following performance share plans:

- Performance Share Plan 2017–2019
- Performance Share Plan 2018–2020
- Performance Share Plan 2019–2021.

Other key terms

The President and CEO is entitled to a signing bonus as follows: first part of the signing bonus was paid in 2019 upon joining. The signing bonus was 15,000 Huhtamaki shares (net amount). In addition, the Company processed a cash payment to cover taxes and tax related payments. A lock-in period of 12 months applies. Second part of the signing bonus, 15,000 Huhtamaki shares (net amount), is paid in 2021, subject to reaching EBIT target for 2020, set by the Board. If the payment is made, the Company will in addition process a cash payment to cover taxes and tax related payments. A lock-in period of 12 months will apply.

The pension coverage is arranged by the President and CEO himself. The company contributes towards the pension through monthly cash payments to the President and CEO. The total cash payment is EUR 280,000 per annum gross.

All other GET members belong to pension systems of their country of residence in force at the time. At the end of the year six GET members belonged to the national employee pension system in Finland and one GET member belonged to corresponding pension system in the United States. Subject to a specific resolution by the Board, GET members may additionally be entitled to pension arrangements following local practices, which may be considered partly comparable to supplementary pension plans.

According to the Service Agreement between the Company and the President and CEO, either party may terminate the Service Agreement with six months' prior notice. During the notice period, the President and CEO is entitled to normal salary payments. If the Company terminates the Service Agreement, the President and CEO is entitled to a termination compensation amounting to 12 months' base salary in addition to the six months' salary paid for the notice period. The notice periods and terms applicable to any compensation payable upon the termination of the employment of the other GET members are based on the Service Agreement between the Company and each GET member.

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

	President and CEO Charles Héaulmé	Other Global Executive Team members
Non-variable annual base salary and benefits	Non-variable annual base salary and benefits (car and housing benefit, support for child's education and insurance premiums)	Non-variable annual base salary and benefits (mobile phone and car benefits)
Short-term incentives	The President and CEO is entitled to short-term incentives. The maximum amount of the incentives is the amount corresponding to 100% of the non-variable annual base salary. The short-term incentives are based on the financial performance of the Group. Weighting: Financial objectives 100%	The other GET members are entitled to short-term incentives. The maximum amount of the incentives varies depending on the position between 50–75% of the non-variable annual base salary. The short-term incentives are based on the financial performance of the Group and the achievement of personal objectives. The short-term incentives for the GET members having a business segment responsibility are also determined based on the financial performance of the business segment in question. Weighting: Financial objectives 80 or 90% Personal objectives 20 or 10%
Long-term incentives	Performance share plans function as long-term incentives for the President and CEO and other GET members. The plans offer a possibility to earn the Company shares as remuneration for achieving established targets. Possible reward is based on the Group's EPS on the third year of each three-year earnings period.	
Shareholding requirement	GET members that are participants to a performance share plan, including the President and CEO, shall hold at least half (50%) of the shares received until he/she holds shares received from the performance share plans corresponding in aggregate to the value of his/her annual gross base salary. The ownership requirement applies until termination of employment or service.	
Pension	The pension coverage is arranged by the President and CEO himself. The company contributes towards the pension through monthly cash payments to the President and CEO. The total cash payment is EUR 280,000 per annum gross.	Other GET members belong to pension systems of their country of residence in force at the time. Subject to a specific resolution by the Board, GET members may additionally be entitled to pension arrangements following local practices, which may be considered partly comparable to supplementary pension plans.
Other key terms	The President and CEO is entitled to a signing bonus as follows: First part of the signing bonus was paid in 2019 upon joining. The signing bonus was 15,000 Huhtamaki shares (net amount). In addition, the Company processed a cash payment to cover taxes and tax related payments. A lock-in period of 12 months applies. Second part of the signing bonus, 15,000 Huhtamaki shares (net amount), is paid in 2021, subject to reaching EBIT target for 2020, set by the Board. If the payment is made, the Company will in addition process a cash payment to cover taxes and tax related payments. A lock-in period of 12 months will apply.	
Termination of service	According to the Service Agreement between the Company and the President and CEO, either party may terminate the Service Agreement with six months' prior notice. During the notice period, the President and CEO is entitled to normal salary payments. If the Company terminates the Service Agreement, the President and CEO is entitled to a termination compensation amounting to 12 months' base salary in addition to the six months' salary paid for the notice period.	The notice periods and terms applicable to any compensation payable upon the termination of the employment of the other GET members are based on the Service Agreement between the Company and each GET member.

Remuneration Report 2019

Board of Directors

In accordance with the resolution passed by the AGM held on April 25, 2019, as of the AGM 2019 the annual compensation for the Chairman of the Board is EUR 120,000, for the Vice-Chairman EUR 68,000 and for other members EUR 57,000. In addition, the following meeting fees are paid for each meeting attended: EUR 1,500 for all meetings, except EUR 3,000 to the Chairman for the Audit Committee meetings, EUR 1,750 to the Chairman for the Human Resources Committee meetings and EUR 1,750 to the Chairman for the Nomination Committee meetings. Traveling expenses of the Board members are compensated in accordance with the Company policy. In addition, the Chairman of the Board has a mobile phone benefit. The annual remuneration of the Board members has remained unchanged from 2016. The meeting fees were increased in 2019.

In 2019, the Board members were not eligible for remuneration or other benefits not related to the Board work. Board members did not receive Company shares as remuneration and they were not participants in Company's share-based incentive plans.

The following remuneration was paid to the members of the Board for the financial years 2019 and 2018.

	2019			2018		
	Annual compensation	Meeting fees[7]	Total	Annual compensation	Meeting fees[7]	Total
Pekka Ala-Pietilä[1]	120,240	26,800	147,040	120,240	23,600	143,840
Kerttu Tuomas	65,250	27,500	92,750	57,000	21,000	78,000
Doug Baillie	57,000	24,500	81,500	57,000	21,000	78,000
William R. Barker	57,000	22,500	79,500	57,000	20,000	77,000
Anja Korhonen[2]	57,000	28,500	85,500	42,750	11,000	53,750
Sandra Turner	57,000	23,000	80,000	57,000	20,000	77,000
Ralf K. Wunderlich[3]	57,000	24,500	81,500	28,500	4,000	32,500
Jukka Suominen[4]	17,000	15,000	32,000	68,000	30,000	98,000
Eija Ailasmaa[5]	-	-	-	14,250	9,000	23,250
Rolf Börjesson[6]	-	-	-	14,250	12,000	26,250
Board total	**487,490**	**192,300**	**679,790**	**515,990**	**171,600**	**687,590**

[1] Annual compensation for Pekka Ala-Pietilä includes a mobile phone benefit.
[2] Board member since April 25, 2018.
[3] Board member since July 1, 2018.
[4] Board member until April 25, 2019.
[5] Board member until April 25, 2018.
[6] Board member until April 25, 2018.
[7] The meeting fees have been entered in the table on the year when they have been paid.

President & Chief Executive Officer and Global Executive Team

The following remuneration was paid to the President and CEO and the other GET members for the financial years 2019 and 2018.

	President and CEO Charles Héaulmé [5]		CEO Jukka Moisio [6]		Other Global Executive Team members [7]	
	2019	2018	2019	2018	2019	2018
Non-variable annual base salary and benefits[1]	568,643	-	243,143	733,686	2,696,259	2,505,732
Signing bonus[2]						
Number of shares received as signing bonus	15,000 shares					
Value of the shares at the time of transfer	525,344					
Amount of income taxes and tax-like charges arising based on the shares received	274,679					
Total value of the signing bonus	800,023					
Short-term incentives[3]						
Remuneration based on the performance in the year preceding the payment year	-	-	-	370,630	259,442	746,547
Long-term incentives[4]						
Number of shares received as a reward	-	-	-	19,200 shares	-	56,832 shares
Value of the shares at the time of the transfer	-	-	-	691,695	-	2,049,628
Amount of income taxes and tax-like charges arising based on the shares received	-	-	-	742,514	-	2,141,929
Total value of the reward	-	-	-	1,434,209	-	4,191,557
Total remuneration	**1,368,666**	**-**	**243,143**	**2,538,525**	**2,955,701**	**7,443,836**

[1] Non-variable annual base salary and benefits include compensation relating to the commencement and termination of employment as well as cash payments for pension.
[2] Signing bonus paid for President and CEO Charles Héaulmé upon joining in April 2019.
[3] Paid short-term incentives have been entered in the table on the year when they have been paid.
[4] Share-based incentives include the monetary value of the payments based on the performance share plans at the time of granting the shares and including the value of taxes and tax-like charges arising based on the received shares. The share-based incentives are based on the performance in the year preceding the payment year and they have been entered in the table on the year when they have been paid. No reward based on the performance in 2018 under the Performance Share Plan 2016–2018 was paid in 2019 as the set target was not reached. The reward based on the performance in 2017 under the Performance Share Plan 2015–2017 was paid in April 2018.
[5] President and CEO since April 26, 2019.
[6] CEO until April 25, 2019.
[7] Remuneration paid to other GET members is reported for the period that the person has been a member of the GET.

In 2019, expenses for the Company for the CEO Jukka Moisio's statutory pension were EUR 22,058 (2018: EUR 183,869) and for the supplementary pension arrangement EUR 47,260 (2018: EUR 150,000).

In 2019, the Company paid a total of EUR 16,835 (2018: EUR 18,560) to pension arrangements of the other GET members, excluding the CEO.

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