

Huhtamäki Oyj Half-yearly Report 2020

January 1 - June 30, 2020

Huhtamäki



Good resilience in the face of the COVID-19 crisis

Q2 2020 in brief

- Net sales decreased 8% to EUR 797 million (EUR 867 million)
- Adjusted EBIT was EUR 70 million (EUR 78 million); reported EBIT was EUR 70 million (EUR 78 million)
- Adjusted EPS was EUR 0.44 (EUR 0.51); reported EPS was EUR 0.44 (EUR 0.51)
- Comparable net sales growth was -8% at Group level and -12% in emerging markets
- The impact of currency movements was EUR -8 million on the Group's net sales and EUR 0 million on EBIT

H1 2020 in brief

- Net sales decreased 2% to EUR 1,642 million (EUR 1,669 million)
- Adjusted EBIT was EUR 144 million (EUR 146 million); reported EBIT was EUR 153 million (EUR 145 million)
- Adjusted EPS was EUR 0.90 (EUR 0.95) reported EPS was EUR 0.97 (EUR 0.95)
- Comparable net sales growth was -3% at Group level and -8% in emerging markets
- The impact of currency movements was EUR 2 million on the Group's net sales and EUR 1 million on EBIT
- Huhtamaki announces its outlook for 2020 in which disturbance from the COVID-19 pandemic on Huhtamaki's operating environment is expected to continue

Key figures

EUR million	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change
Net sales	797.1	867.3	-8%	1,641.7	1,669.4	-2%
Comparable net sales growth	-8%	6%		-3%	5%	
Adjusted EBITDA ¹	112.1	118.6	-5%	229.1	225.5	2%
Margin ¹	14.1%	13.7%		14.0%	13.5%	
EBITDA	113.0	118.1	-4%	243.1	224.9	8%
Adjusted EBIT ²	70.1	78.3	-10%	143.7	146.1	-2%
Margin ²	8.8%	9.0%		8.8%	8.8%	
EBIT	70.2	77.8	-10%	152.7	145.5	5%
Adjusted EPS ³	0.44	0.51	-14%	0.90	0.95	-5%
EPS, EUR	0.44	0.51	-14%	0.97	0.95	2%
Adjusted ROI ²				11.6%	11.5%	
Adjusted ROE ³				14.2%	14.8%	
ROI				11.6%	10.0%	
ROE				14.3%	12.6%	
Capital expenditure	40.3	38.6	4%	79.7	78.3	2%
Free Cash Flow	70.4	52.4	34%	45.9	34.2	34%

¹ Excluding IAC of EUR 0.9 million in Q2 2020 (EUR -0.5 million) and EUR 14.0 million in H1 2020 (EUR -0.6 million).

² Excluding IAC of EUR 0.1 million in Q2 2020 (EUR -0.5 million) and EUR 9.0 million in H1 2020 (EUR -0.6 million).

³ Excluding IAC of EUR 0.1 million in Q2 2020 (EUR -0.4 million) and EUR 7.0 million in H1 2020 (EUR -0.5 million).

Unless otherwise stated, all comparisons in this report are compared to the corresponding period in 2019. Figures of return on investment (ROI), return on equity (ROE) and return on net assets (RONA) as well as net debt to EBITDA presented in this report are calculated on a 12-month rolling basis.

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

Charles Héaulmé, President and CEO

“The first half of 2020 has been marked by the COVID-19 outbreak. Throughout the crisis our primary focus has been to safeguard the health and safety of our employees and to maintain business continuity. We have taken necessary measures to carefully manage our financial situation, contain cost and prioritize investments, whilst planning ahead for a gradual recovery and a renewed growth trajectory.

Restrictions and lockdowns related to the pandemic negatively impacted the demand for food on-the-go products but conversely boosted consumption of food on-the-shelf products. Towards the end of the second quarter the demand for food on-the-go products improved as countries were easing restrictions. Demand however remained lower than 2019. As a result, for the first half of the year, we were able to deliver a solid performance in the face of the COVID-19 crisis.

The negative impact of COVID-19 is visible in our foodservice sales globally. In North America, where the lockdown period was shorter, sales of foodservice products decreased less and were partly compensated by growing food delivery and drive-thru channels. Increase in home consumption also supported retail tableware and consumer goods sales. In the Fiber Packaging segment comparable net sales growth was strong driven by high demand for eggs and continued plastic substitution. In Flexible Packaging, despite the strong demand for pre-packed food and hygiene products, growth was held back by supply chain disruptions in India and the United Arab Emirates. At Group level, after a first quarter of solid growth, net sales declined by 8% during the second quarter and overall, by 2% for the first half of the year. This is a solid performance reflecting the resilience of our diversified portfolio.

With on-going improvements and further measures implemented, we have delivered solid profitability. The adjusted EBIT margin reached 8.8% in the quarter and the first half of 2020. We also delivered a strong cash flow, ending the quarter with a stronger balance sheet, reflected in a net debt to adjusted EBITDA ratio of 2.0.

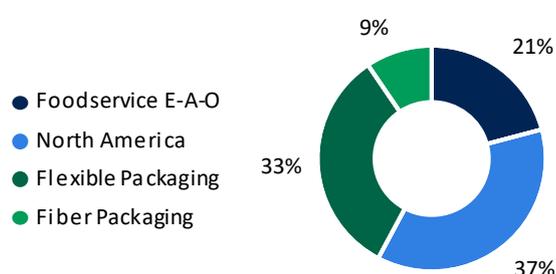
During the crisis, we leveraged our core capabilities to make a difference where it matters most. We used idle manufacturing capacity because of the COVID-19 crisis, to produce protective face shields for health care workers and launched a range of high-quality affordable and reusable consumer face masks for everyday use. 2020 also marks our 100-year anniversary and we have built a EUR 3 million donation plan giving back towards the future of life. We have responded to the immediate COVID-19 crisis needs with a donation to the International Red Cross and have launched three projects in partnership with several nonprofit organizations to have an impact on the circular economy at different levels: acting today, educating for tomorrow, innovating for the future. Whilst we are continuing to focus on our sustainability ambition and scaling up our capabilities, we have demonstrated through these unprecedented times our commitment to protecting people, food and the planet, offering well-being, convenience and a responsible lifestyle to billions of people everywhere.”

Financial review Q2 2020

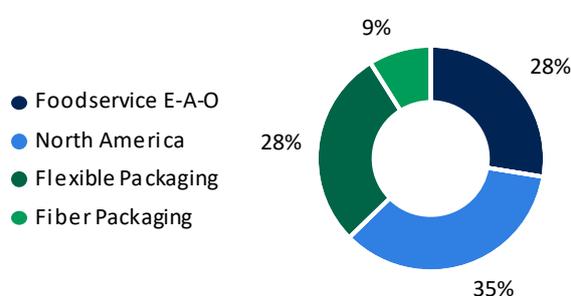
Net sales by business segment

EUR million	Q2 2020	Q2 2019	Change
Foodservice Europe-Asia-Oceania	167.2	241.0	-31%
North America	296.1	306.4	-3%
Flexible Packaging	263.1	248.7	6%
Fiber Packaging	75.7	77.5	-2%
Elimination of internal sales	-5.1	-6.4	
Group	797.1	867.3	-8%

Net sales by segment, Q2 2020



Net sales by segment, Q2 2019



Comparable net sales growth by business segment

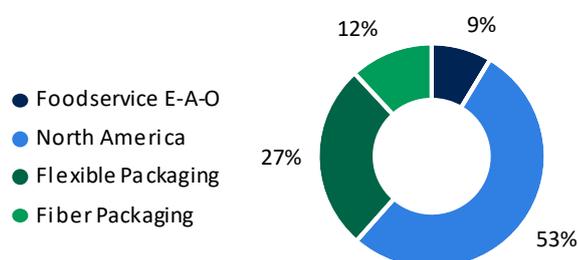
	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Foodservice Europe-Asia-Oceania	-28%	-4%	4%	4%	3%
North America	-5%	9%	6%	14%	13%
Flexible Packaging	2%	2%	3%	4%	1%
Fiber Packaging	10%	9%	8%	7%	7%
Group	-8%	3%	5%	7%	6%

The Group's net sales decreased significantly during the quarter. Net sales decreased strongly in the North America segment and significantly in the Foodservice Europe-Asia-Oceania segment following the impact of COVID-19. Comparable net sales growth was significant in the Fiber Packaging segment and moderate in the Flexible Packaging segment. The Group's comparable net sales growth was -8% and growth in emerging markets was -12%. The Group's net sales decreased 8% to EUR 797 million (EUR 867 million). Foreign currency translation impact on the Group's net sales was EUR -8 million (EUR 25 million) compared to 2019 exchange rates.

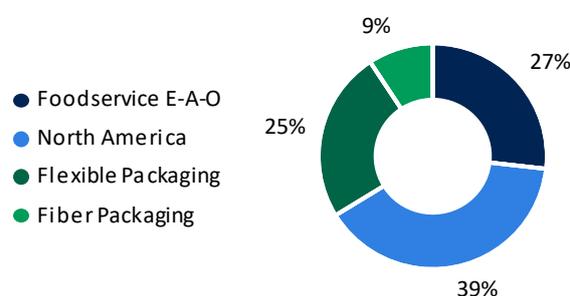
Adjusted EBIT by business segment

EUR million	Q2 2020	Q2 2019	Change	Items affecting comparability	
				Q2 2020	Q2 2019
Foodservice Europe-Asia-Oceania	6.2	22.0	-72%	-0.5	-0.2
North America	37.9	32.4	17%	-0.0	-
Flexible Packaging	19.1	20.1	-5%	-0.3	-
Fiber Packaging	8.5	7.6	12%	-0.8	-
Other activities	-1.6	-3.9		1.7	-0.3
Group	70.1	78.3	-10%	0.1	-0.5

Adjusted EBIT by segment, Q2 2020



Adjusted EBIT by segment, Q2 2019



Adjusted EBIT margin by business segment

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Foodservice Europe-Asia-Oceania	3.7%	8.0%	8.5%	9.4%	9.1%
North America	12.8%	10.6%	10.9%	8.8%	10.6%
Flexible Packaging	7.3%	7.7%	7.4%	7.9%	8.1%
Fiber Packaging	11.2%	11.0%	9.8%	10.4%	9.8%
Group	8.8%	8.7%	8.5%	8.5%	9.0%

The Group's adjusted EBIT decreased but the corresponding margin was solid. Earnings decreased mainly due to lower sales of foodservice products following the impact from COVID-19. Earnings were supported by price management in 2019, lower raw material prices and a favorable sales mix in the North America segment. The Group's adjusted EBIT was EUR 70 million (EUR 78 million) and reported EBIT EUR 70 million (EUR 78 million). Foreign currency translation impact on the Group's earnings was EUR 0 million (EUR 2 million).

Adjusted EBIT excludes EUR 0.1 million (EUR -0.5 million) of items affecting comparability (IAC).

Adjusted EBIT and IAC

EUR million	Q2 2020	Q2 2019
Adjusted EBIT	70.1	78.3
Acquisitions	-0.3	-0.5
Restructuring costs including write-downs of related assets	-1.3	-
One-time gain from acquisition of Laminor	1.7	-
EBIT	70.2	77.8

Net financial expenses were EUR 8 million (EUR 8 million). Tax expense was EUR 14 million (EUR 15 million). Profit for the quarter was EUR 48 million (EUR 55 million). Adjusted earnings per share (EPS) were EUR 0.44 (EUR 0.51) and reported

EPS EUR 0.44 (EUR 0.51). Adjusted EPS is calculated based on adjusted profit for the period, which excludes EUR 0.1 million (EUR -0.4 million) of IAC.

Adjusted EPS and IAC

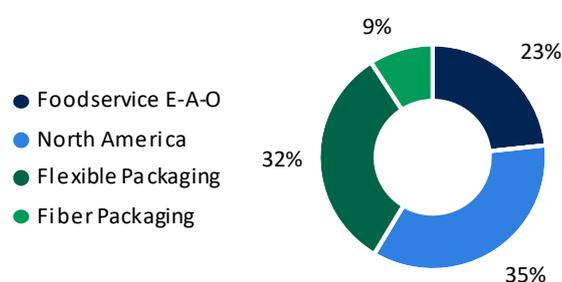
EUR million	Q2 2020	Q2 2019
Adjusted profit for the period attributable to equity holders of the parent company	46.0	53.7
IAC	0.1	-0.5
Taxes relating to IAC	-0.0	0.1
Profit for the period attributable to equity holders of the parent company	46.1	53.3

Financial review H1 2020

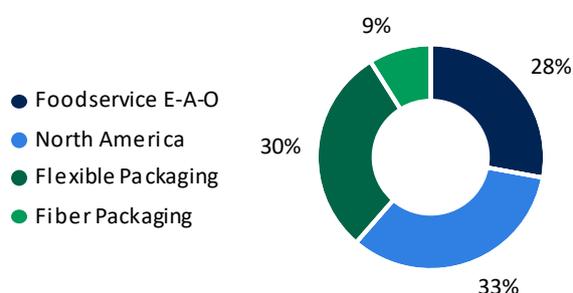
Net sales by business segment

EUR million	H1 2020	H1 2019	Change
Foodservice Europe-Asia-Oceania	384.8	469.0	-18%
North America	582.3	562.1	4%
Flexible Packaging	534.0	500.5	7%
Fiber Packaging	150.2	149.1	1%
Elimination of internal sales	-9.7	-11.3	
Group	1,641.7	1,669.4	-2%

Net sales by segment, H1 2020



Net sales by segment, H1 2019



Comparable net sales growth by business segment

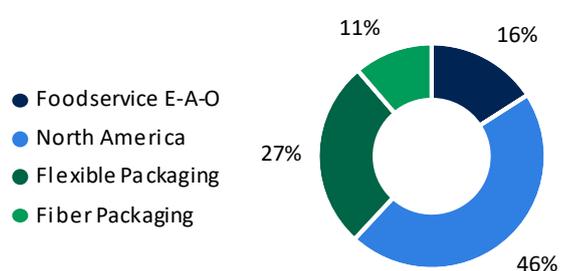
	H1 2020	2019	H1 2019
Foodservice Europe-Asia-Oceania	-17%	4%	4%
North America	1%	9%	9%
Flexible Packaging	2%	3%	3%
Fiber Packaging	10%	6%	5%
Group	-3%	6%	5%

The decrease in the Group's comparable net sales was notable during the reporting period. Net sales decreased significantly in the Foodservice Europe-Asia-Oceania segment following the impact of COVID-19. Comparable net sales growth was significant in the Fiber Packaging segment and moderate in the Flexible Packaging and North America segments. The Group's comparable net sales growth was -3% and growth in emerging markets was -8%. The Group's net sales decreased 2% to EUR 1,642 million (EUR 1,669 million). Foreign currency translation impact on the Group's net sales was EUR 2 million (EUR 44 million) compared to 2019 exchange rates.

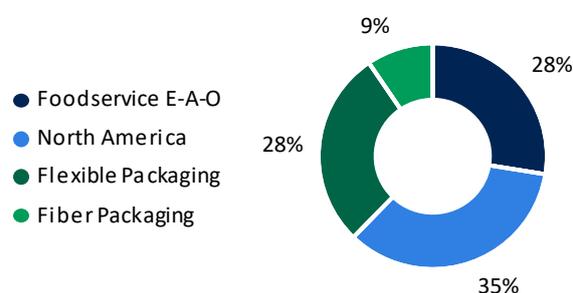
Adjusted EBIT by business segment

EUR million	H1 2020	H1 2019	Change	Items affecting comparability	
				H1 2020	H1 2019
Foodservice Europe-Asia-Oceania	23.6	42.1	-44%	-2.1	-0.2
North America	68.4	53.0	29%	-3.4	-
Flexible Packaging	40.1	43.2	-7%	-4.9	-
Fiber Packaging	16.7	14.4	16%	-1.5	-
Other activities	-5.1	-6.6		21.0	-0.4
Group	143.7	146.1	-2%	9.0	-0.6

Adjusted EBIT by segment, H1 2020



Adjusted EBIT by segment, H1 2019



Adjusted EBIT margin by business segment

	H1 2020	H1 2019	H1 2018
Foodservice Europe-Asia-Oceania	6.1%	9.0%	9.5%
North America	11.7%	9.4%	8.0%
Flexible Packaging	7.5%	8.6%	7.5%
Fiber Packaging	11.1%	9.7%	10.9%
Group Total	8.8%	8.8%	8.7%

The Group's adjusted EBIT decreased but the corresponding margin was solid. Earnings decreased mainly due to lower sales in foodservice products following the impact from COVID-19. Earnings were supported by price management in 2019, lower raw material prices and a favorable sales mix in the North America segment. The Group's adjusted EBIT was EUR 144 million (EUR 146 million) and reported EBIT EUR 153 million (EUR 145 million). Foreign currency translation impact on the Group's earnings was EUR 1 million (EUR 4 million).

Adjusted EBIT excludes EUR 9.0 million (EUR -0.6 million) of items affecting comparability (IAC).

Adjusted EBIT and IAC

EUR million	H1 2020	H1 2019
Adjusted EBIT	143.7	146.1
Acquisitions	-0.4	-0.6
Restructuring costs including write-downs of related assets	-12.4	-
One-time gain from acquisition of Laminor	21.9	-
EBIT	152.7	145.5

Net financial expenses were EUR 18 million (EUR 16 million). Tax expense was EUR 30 million (EUR 28 million). The corresponding tax rate was 23% (22%). Profit for the period was EUR 105 million (EUR 102 million). Adjusted earnings per share (EPS) were EUR 0.90 (EUR 0.95) and reported EPS EUR 0.97 (EUR 0.95). Adjusted EPS is calculated based on adjusted profit for the period, which excludes EUR 7.0 million (EUR -0.5 million) of IAC.

Adjusted EPS and IAC

EUR million	H1 2020	H1 2019
Adjusted profit for the period attributable to equity holders of the parent company	93.9	99.1
IAC	9.0	-0.6
Taxes relating to IAC	-2.0	0.1
Profit for the period attributable to equity holders of the parent company	100.9	98.7

Statement of financial position and cash flow

The Group's net debt decreased, primarily due to improved cash flow. At the end of June, net debt was EUR 908 million (EUR 1,019 million). The level of net debt corresponds to a gearing ratio of 0.62 (0.78). Net debt to adjusted EBITDA ratio (excluding IAC) was 2.0 (2.4). Average maturity of external committed credit facilities and loans was 3.1 years (3.2 years).

On June 26, 2020, a signing of a EUR 150 million freely transferable loan agreement (Schuldschein) was announced. The loan is divided into two floating rate and two fixed rate tranches with maturities of 3 and 5 years. The funds, which were received in July, will be used for refinancing and general corporate purposes of the Group.

Cash and cash equivalents were EUR 234 million (EUR 123 million) at the end of June and the Group had EUR 303 million (EUR 303 million) of unused committed credit facilities available.

Total assets on the statement of financial position were EUR 3,672 million (EUR 3,413 million).

Capital expenditure was EUR 80 million (EUR 78 million). The largest investments for business expansion were made in the U.S., the UK and Germany. The Group's free cash flow was EUR 46 million (EUR 34 million).

Impact of COVID-19

As a global leader in food-on-the go and food-on-the-shelf packaging, Huhtamaki is an integral part of the supply chain making food safe, convenient and available to everyone in the world. Huhtamaki's customers are essential in ensuring the supply and access to food products for consumers worldwide. Packaging promotes hygiene and prevents spread of disease. It keeps food safe, prevents spoilage, preserves the food's original properties and helps in avoiding food waste. Huhtamaki's diversified portfolio of food on-the-go and food on-the-shelf packaging has been providing resilience from the impact of COVID-19.

Within food on-the-go packaging, foodservice sales have been affected by closures of quick-service restaurants. As people have stayed at home more, demand for food delivery has increased. However, this increase in demand has not compensated the decline of in-store restaurant sales. Demand for food on-the-shelf packaging, constituting of mainly flexible packaging and fiber packaging, has remained resilient to the effects of COVID-19. The impact on retail business and consumer goods products has been limited, as some of Huhtamaki's customers have been stocking up.

The impact of COVID-19 on the Foodservice Europe-Asia-Oceania segment has been significantly negative during the first half of 2020. COVID-19 has impacted foodservice products negatively also in the North America segment. In India, strict restrictions following COVID-19 has impacted the supply chain, while some factories in the United Arab Emirates have been shut down due to local restrictions. These have impacted net sales in the Flexible Packaging segment negatively. COVID-19 has not had any meaningful impact on net sales in the Fiber Packaging segment. The overall impact from COVID-19 on net sales has reduced towards the end of the second quarter as countries and governments have lifted restrictions on movement and access to establishments. Huhtamaki has a healthy balance sheet and its financial position has remained stable. The company has continued with investments and efficiency activities, which are key for its future success.

To manage the impact of COVID-19, Huhtamaki has implemented a phased approach. In the first phase, the crisis was managed daily at a global and unit level. The focus during this phase was to protect the employees, through increased hygiene procedures, and to protect business continuity through contingency plans. In the second phase, the company's cash position was managed daily and effectively. This included increased focus on cost management and prioritization of investments. During this phase, the company also focused on its competitiveness to prepare itself for the post COVID-19 time. Currently, in the third phase, the company is focused on defining the opportunities that will unfold from the crisis. This includes among others generating innovation and identifying immediate opportunities and long-term shifts in our operating environment.

As food packaging is essential for the society, Huhtamaki has also been conscious about its role as a corporate citizen. The company has played an active part in making a difference in where it matters the most. For example, during the first half of 2020 Huhtamaki donated EUR 0.5 million to the International Red Cross, made product donations to ensure food hygiene and food safety, started production of high-quality protective face shields for health care workers, and launched a range of reusable face masks, called Huhta Mask, for consumers.

Acquisitions and divestments

On September 30, 2019, Huhtamaki announced its agreement 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 since then the business has reported as part of the Flexible Packaging business segment.

On December 23, 2019, Huhtamaki announced its agreement 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. The additional shares were acquired at a price of approximately EUR 28 million and the acquisition was completed on March 31, 2020. The business has been consolidated as a subsidiary in the Group's financial reporting and it has been reported as part of the Flexible Packaging business segment as of April 1, 2020. As a result of the transaction, a gain from the difference between remeasured interest according to the purchase price and previously held equity interest of approximately EUR 22 million has been recognized in the income statement as item affecting comparability in H1 2020 financial results.

Significant events during the reporting period

On March 23, 2020, Huhtamaki announced its long-term 2030 strategy in order to maintain its growth trajectory and meet future transformative trends. Going forward, Huhtamaki will focus on growth, competitiveness, talent and sustainability. The company's ambition is to become the first choice in sustainable food packaging. Huhtamaki also outlined its long-term financial ambitions and introduced its new 2030 sustainability ambitions. The strategy emphasizes strong core values: Care, Dare, Deliver. In line with its renewed strategy, the company decided to integrate its Foodservice Europe-Asia-Oceania and Fiber Packaging business segments. The segments will continue to be reported separately, at least for the remainder of the financial year 2020. Eric Le Lay will continue as President for the combined Fiber and Foodservice EAO (Europe-Asia-Oceania) segment. This change became effective as of June 1, 2020.

On March 26, 2020, Huhtamaki announced that it has decided to withdraw its outlook for 2020 (published on February 13, 2020) due to the unprecedented and accelerated situation caused by the COVID-19 and its impact on the Group's trading conditions. It was announced that the company will provide a new outlook when impacts of the changing business environment on its trading conditions in 2020 can be assessed in a reliable manner. On the same date Huhtamaki also announced that the Board of Directors changed its proposal for use of the profit shown on the balance sheet and proposed that no dividend payment would be decided by the Annual General Meeting. Instead, the Board of Directors proposed to the Annual General Meeting that the Annual General Meeting would authorize the Board of Directors to decide at a later stage and in its discretion on a dividend payment in one or several installments of a total maximum of EUR 0.89 per share. The authorization would be valid until the Annual General Meeting 2021, however, no longer than until June 30, 2021. The Company will publish the possible decisions on dividend payment separately, and simultaneously confirm the dividend record and payment dates.

Business review by segment

Foodservice Europe-Asia-Oceania

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

EUR million	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change
Net sales	167.2	241.0	-31%	384.8	469.0	-18%
Comparable net sales growth	-28%	3%		-17%	4%	
Adjusted EBIT ¹	6.2	22.0	-72%	23.6	42.1	-44%
Margin ¹	3.7%	9.1%		6.1%	9.0%	
Adjusted RONA ¹				8.7%	11.1%	
Capital expenditure	18.5	15.3	21%	34.5	28.9	20%
Operating cash flow ¹	-7.0	15.6	<-100%	4.1	23.4	-83%
Items affecting comparability (IAC)	-0.5	-0.2		-2.1	-0.2	

¹ Excluding IAC.

Q2 2020

The outbreak of COVID-19 had a significant negative impact on demand for foodservice packaging as governments across markets imposed restrictions on movement to contain the spread of the virus. Demand gradually improved during the quarter as restrictions started to be lifted, but the overall demand remained low. Compared to Q2 2019, prices of paperboard increased, and prices of plastic resins decreased, though with variation between markets and types of resin.

Net sales in the Foodservice Europe-Asia-Oceania segment decreased significantly. Comparable net sales growth was -28%. Net sales decreased in all main markets. During the quarter, Huhtamaki started selling face shields, which partially offset the reduction in net sales.

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

The segment's adjusted EBIT decreased as a result of lower utilization of assets due to lower demand.

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

H1 2020

Demand for foodservice packaging was good in the first two months of the year, but the outbreak of COVID-19 had a significant negative impact on demand for foodservice packaging as governments across markets imposed restrictions on movement to contain the spread of the virus. Demand gradually improved towards the end of the reporting period as restrictions started to be lifted. Compared to the previous year, prices of paperboard increased, and prices of plastic resins decreased, though with variation between markets and types of resin.

Net sales in the Foodservice Europe-Asia-Oceania segment decreased significantly. Comparable net sales growth was -17%. Net sales decreased in all main markets. During the year, Huhtamaki started selling face shields, which partially offset the reduction in net sales.

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

The segment's adjusted EBIT decreased as a result of lower utilization of assets due to lower demand.

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

North America

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

EUR million	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change
Net sales	296.1	306.4	-3%	582.3	562.1	4%
Comparable net sales growth	-5%	13%		1%	9%	
Adjusted EBIT ¹	37.9	32.4	17%	68.4	53.0	29%
Margin ¹	12.8%	10.6%		11.7%	9.4%	
Adjusted RONA ¹				14.9%	10.3%	
Capital expenditure	9.9	9.4	5%	21.8	24.1	-9%
Operating cash flow ¹	71.9	34.2	>100%	79.2	37.1	>100%
IAC in EBIT	-0.0	-		-3.4	-	

¹Excluding IAC.

Q2 2020

Demand for foodservice packaging, consumer goods packaging, and retail tableware were affected by COVID-19. Some products in each market saw increased demand while other product areas were affected negatively, in some cases significantly. Demand for plates in retail tableware and in-home ice cream packaging was especially strong. Demand for foodservice drink cups and school lunch trays, and institutional ice cream packaging was weak. Costs of transportation fuel, energy and plastic resins decreased.

Net sales decreased in the North America segment. Comparable net sales growth was -5%. Growth was strong within retail tableware plate products and in-home ice cream uses while COVID-19 impacted foodservice packaging sales negatively. The decrease in net sales was primarily driven by foodservice packaging declines in drink cups and tray markets.

The impact of currency movements on the segment's reported net sales was EUR 6 million.

The segment's adjusted EBIT increased, and profitability was strong. Earnings improved as a result of the continuation of the margins established in 2019. Favorable sales mix and lower energy, fuel and plastic resin costs supported earnings.

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

H1 2020

Demand for foodservice packaging decreased during the second half of the review period, following the outbreak of COVID-19. Demand for retail tableware was strong throughout the period, partially supported by the consumption spike related to COVID-19. Demand for ice cream in-home packaging improved. Costs of transportation fuel, energy and plastic resins decreased during the latter part of the review period.

Net sales growth in the North America segment was strong in Q1 but declined in Q2 due to the COVID-19 outbreak. Comparable net sales growth was 1% in H1. Growth was strong within retail tableware while COVID-19 impacted foodservice packaging sales negatively especially during the second half of the review period. Net sales growth was driven primarily by strong demand for retail tableware plates and in-home ice cream packaging.

The impact of currency movements on the segment's reported net sales was EUR 14 million.

The segment's adjusted EBIT increased, and profitability was strong. Earnings improved as a result of the continuation of margins established in the latter half of 2019. Favorable mix and lower fuel and plastic resin costs supported earnings.

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

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 and Africa, Asia and South America.

EUR million	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change
Net sales	263.1	248.7	6%	534.0	500.5	7%
Comparable net sales growth	2%	1%		2%	3%	
Adjusted EBIT ¹	19.1	20.1	-5%	40.1	43.2	-7%
Margin ¹	7.3%	8.1%		7.5%	8.6%	
Adjusted RONA ¹				10.1%	10.5%	
Capital expenditure	7.5	10.6	-29%	15.5	19.3	-20%
Operating cash flow ¹	7.4	16.5	-55%	9.1	15.8	-42%
IAC in EBIT	-0.3	-		-4.9	-	

¹ Excluding IAC.

Q2 2020

Demand for flexible packaging was good across most markets, with higher than normal demand in Europe. The tight competitive situation in Southeast Asia continued. Raw material prices decreased compared to Q2 2019.

Net sales growth in the Flexible Packaging segment was moderate. Comparable net sales growth was 2%. Growth was strongest in Europe, while sales in the United Arab Emirates was impacted by strict lockdowns following COVID-19. Net sales growth was moderated by India, where the very strict restrictions following COVID-19 impacted the supply chain especially in the beginning of the quarter and restricted sales of some product categories. The units acquired in South Africa (Everest Flexibles, as of December 1, 2019), India (Mohan Mutha Polytech, as of January 10, 2020) and Brazil (Laminor S.A. as of April 1, 2020) supported net sales growth.

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

The segment's adjusted EBIT decreased driven mainly by the production and logistics interruptions related to COVID-19 in the beginning of the quarter in India, and the impact of strict restrictions related to COVID-19 in the United Arab Emirates. The acquired units have supported earnings.

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

H1 2020

Demand for flexible packaging was good across most markets and COVID-19 temporarily increased demand in Europe. The competitive situation in Southeast Asia was tight while raw material prices decreased compared to the previous year.

Net sales growth in the Flexible Packaging segment was moderate. Comparable net sales growth was 2%. Growth was strongest in Europe, while sales in the United Arab Emirates was impacted by strict lockdowns following COVID-19. Net sales growth was moderated by India. Net sales was supported by the new unit in Egypt, inaugurated in April 2019, and the acquired units.

The impact of currency movements on the segment's reported net sales was EUR -3 million.

The segment's adjusted EBIT decreased driven mainly by the production and logistics interruptions related to COVID-19 in India, and the impact of strict restrictions related to COVID-19 in the United Arab Emirates. The acquired units have supported earnings.

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

Fiber Packaging

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

EUR million	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change
Net sales	75.7	77.5	-2%	150.2	149.1	1%
Comparable net sales growth	10%	7%		10%	5%	
Adjusted EBIT ¹	8.5	7.6	12%	16.7	14.4	16%
Margin ¹	11.2%	9.8%		11.1%	9.7%	
Adjusted RONA ¹				13.4%	13.5%	
Capital expenditure	4.3	3.2	34%	7.7	5.8	33%
Operating cash flow ¹	7.5	8.9	-16%	7.4	13.5	-46%
IAC in EBIT	-0.8	-		-1.5	-	

¹ Excluding IAC.

Q2 2020

Demand for fiber-based packaging continued strong across the markets. Demand for egg packaging was strong throughout the quarter and demand for cup carriers increased as restrictions related to COVID-19 were lifted. Prices of recycled fiber were at similar levels compared to Q2 2019.

Net sales growth in the Fiber Packaging segment was -2% while comparable net sales growth was significant at 10%. Net sales increased especially in Europe. Net sales growth was driven primarily by volume.

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

The segment's adjusted EBIT increased driven especially by volume growth but also by pricing actions implemented earlier. The development and commercialization costs of the Fresh ready meal tray had a negative impact on the segment's earnings growth.

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

H1 2020

Demand for fiber-based packaging was strong, with strong demand for egg packaging throughout period. Demand for cup carriers decreased following the outbreak of COVID-19 but increased as restrictions related to COVID-19 were lifted. Prices of recycled fiber were at similar levels compared to the previous year.

Net sales growth in the Fiber Packaging segment was significant. Comparable net sales growth was 10%. Net sales increased especially in Europe. Net sales growth was driven primarily by volume.

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

The segment's adjusted EBIT increased driven especially by volume growth but also by pricing actions implemented earlier. The development and commercialization costs of the Fresh ready meal tray had a negative impact on the segment's earnings growth.

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

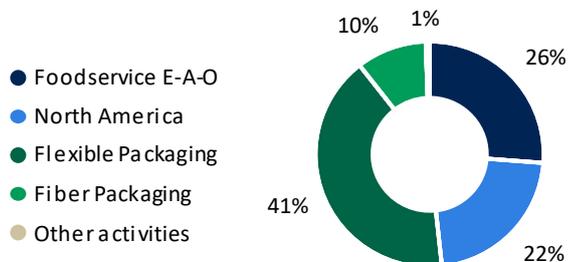
Personnel

Number of personnel

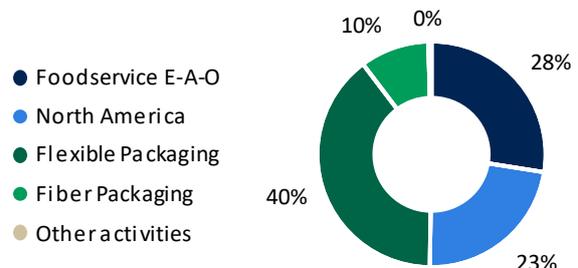
	June 30, 2020	June 30, 2019	Change
Foodservice Europe-Asia-Oceania	4,932	4,973	-1%
North America	4,152	4,101	1%
Flexible Packaging	7,746	7,137	9%
Fiber Packaging	1,876	1,773	6%
Other activities ¹	106	80	33%
Group	18,812	18,064	4%

¹ Including global functions in Finland

Personnel by segment on June 30, 2020



Personnel by segment on June 30, 2019



At the end of June 2020, the Group had a total of 18,812 (18,064) employees. The number of employees 4% higher than in the comparison period.

Changes in management

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.

Leena Lie (51), Executive Vice President, Marketing and Communications, and a member of the Global Executive Team decided to leave Huhtamaki to pursue other career opportunities on January 16, 2020.

Arup Basu (52), PhD (Technology), was appointed President, Flexible Packaging and a member of Global Executive Team as of February 1, 2020. Olli Koponen, (61), President, Flexible Packaging, stepped down from the Global Executive Team and was appointed as Senior Vice President, Total Productive Manufacturing until his retirement.

Thomasine Kamerling (47), M.A., Modern History, was appointed as Executive Vice President, Sustainability and Communications and a member of Global Executive Team as of March 1, 2020.

Share capital, shareholders and trading of shares

Share capital and number of shares

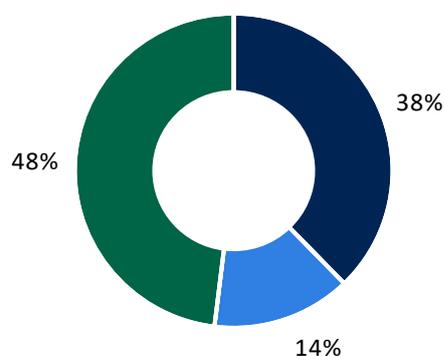
	June 30, 2020	June 30, 2019
Registered share capital (EUR million)	366	366
Total number of shares	107,760,385	107,760,385
Shares owned by the Company	3,410,709	3,410,709
% of total number of shares	3.2%	3.2%
Number of outstanding shares ¹	104,349,676	104,349,676
Average number of shares ^{1,2}	104,349,676	104,340,146

¹ Excluding shares owned by the Company

² Average number of outstanding shares used in EPS calculations

Shareholder structure as at June 30, 2020

- Finnish institutions, companies and organizations
- Households
- Foreign and nominee-registered shareholders



There were 35,484 (31,575) registered shareholders at the end of June 2020. Foreign ownership including nominee registered shares accounted for 48% (45%).

Trading of shares

Trading of Huhtamaki shares on Nasdaq Helsinki	January 1– June 30, 2020	January 1– June 30, 2019
Number of shares traded, million	34.0	29.4
Closing price on final day of trading, EUR	35.04	36.16
Volume-weighted average price, EUR	34.74	31.99
High, EUR	44.78	36.61
Low, EUR	23.48	26.81
Market capitalization (at end of period), EUR million	3,776	3,897

During January– June 2020, the Company's shares were quoted on Nasdaq Helsinki Ltd on the Nordic Large Cap list under the Industrials sector. It was a component of the Nasdaq Helsinki 25 Index.

At the end of June 2020, the Company's market capitalization was EUR 3,776 million (EUR 3,897 million). With a closing price of EUR 35.04 (EUR 36.16) at the end of the reporting period, the share price decreased approximately 15% 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 31.99). The highest price paid was EUR 44.78 (EUR 36.61) and the lowest was EUR 23.48 (EUR 26.81).

During the reporting period, the cumulative value of the Company's share turnover on Nasdaq Helsinki Ltd was EUR 1,183 million (EUR 940 million). The trading volume of approximately 34 million (29 million) shares equaled an average daily turnover of 287,617 (247,559) shares. The cumulative value of the Company's share turnover including alternative trading

venues, such as BATS Chi-X and Turquoise, was EUR 3,170 million (EUR 2,646 million). During the reporting period, 63% (64%) of all trading took place outside Nasdaq Helsinki Ltd. (Source: Fidessa Fragmentation Index, fragmentation.fidessa.com)

Resolutions of the Annual General Meeting 2020

Huhtamäki Oyj's Annual General Meeting of Shareholders was held in Helsinki on April 29, 2020. The meeting adopted the Annual Accounts including the Consolidated Annual Accounts for 2019, 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. The Annual General Meeting also decided to approve the Remuneration Policy for the Company's Governing Bodies presented to it.

The Annual General Meeting authorized the Board of Directors to decide at a later stage and in its discretion on the distribution of dividend in one or several instalments of a total maximum of EUR 0.89 per share. The authorization is valid until the next Annual General Meeting, however, no longer than until June 30, 2021.

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.

KPMG Oy Ab, a firm of authorized public accountants, was elected as Auditor of the company for the financial year January 1 - December 31, 2020. Mr. Henrik Holmbom, APA, will be the Auditor with principal responsibility.

The Annual General Meeting authorized the Board of Directors to resolve on the repurchase of an aggregate maximum of 10,776,038 of the Company's own shares. The Annual General Meeting also authorized the Board of Directors 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 remains in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2021.

The Annual General Meeting resolved to establish a Shareholders' Nomination Board and to adopt the Charter of the Shareholders' Nomination Board. The Shareholders' Nomination Board replaces the Nomination Committee of the Board of Directors. The Shareholders' Nomination Board comprises one member appointed by each of the four largest shareholders of the Company in accordance with the appointment procedure set out in the Charter. The Chairman of the Board of Directors serves as an expert member of the Shareholders' Nomination Board.

The Annual General Meeting resolved to amend the Articles of Association in accordance with the proposal of the Board of Directors so that amendments related to the establishment of the Shareholders' Nomination Board and certain other technical amendments were made to the Articles of Association. As a result of the amendments, the Chairman and the Vice-Chairman of the Board of Directors can in the future be elected at the General Meeting.

Short-term risks and uncertainties

The COVID-19 pandemic including a potential second wave of the pandemic is a significant short-term risk potentially creating disturbance in the Group's trading conditions and its operating environment, as well as in demand for the Group's products. Volatile raw material and energy prices as well as movements in currency rates are considered to be relevant short-term business risks and uncertainties in the Group's operations. General political, economic and financial market conditions can also have an adverse effect on the implementation of the Group's strategy and on its business performance and earnings.

Outlook for 2020

Disturbance from the COVID-19 pandemic on Huhtamaki's operating environment is expected to continue. The demand especially for food on-the-go packaging may be significantly negatively impacted whilst demand for food on-the-shelf

packaging and convenience tableware may be positively impacted. Huhtamaki's diversified product portfolio provides resilience to the effects of the pandemic.

Financial reporting in 2020

In 2020, Huhtamaki will publish financial information as follows:

Interim Report, January 1–September 30, 2020	October 22
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Espoo, July 22, 2020

Huhtamäki Oyj
Board of Directors

Group income statement (IFRS) – unaudited

<i>EUR million</i>	H1 2020	H1 2019	Q2 2020	Q2 2019	Q1-Q4 2019
Net sales	1,641.7	1,669.4	797.1	867.3	3,399.0
Cost of goods sold	-1,363.0	-1,384.0	-659.6	-717.6	-2,816.2
Gross profit	278.7	285.4	137.5	149.8	582.8
Other operating income	29.4	5.6	7.7	3.5	7.4
Sales and marketing	-40.2	-42.6	-19.4	-22.2	-85.2
Research and development	-10.3	-11.1	-5.1	-5.8	-22.0
Administration expenses	-99.5	-86.6	-47.4	-44.7	-179.7
Other operating expenses	-5.7	-6.2	-3.0	-3.2	-19.8
Share of profit of equity-accounted investments	0.4	1.0	-0.0	0.4	2.0
	-126.0	-139.9	-67.2	-72.0	-297.3
Earnings before interest and taxes	152.7	145.5	70.2	77.8	285.5
Financial income	2.8	2.7	1.4	1.3	8.4
Financial expenses	-20.4	-18.4	-9.7	-9.1	-37.1
Profit before taxes	135.1	129.8	61.8	70.0	256.7
Income tax expense	-30.4	-27.9	-13.9	-15.5	-57.8
Profit for the period	104.7	101.9	47.9	54.5	199.0
Attributable to:					
Equity holders of the parent company	100.9	98.7	46.1	53.3	190.1
Non-controlling interest	3.8	3.2	1.8	1.3	8.9
EUR					
EPS attributable to equity holders of the parent company	0.97	0.95	0.44	0.51	1.82
Diluted EPS attributable to equity holders of the parent company	0.97	0.95	0.44	0.51	1.82

Group statement of comprehensive income (IFRS) – unaudited

<i>EUR million</i>	H1 2020	H1 2019	Q2 2020	Q2 2019	Q1-Q4 2019
Profit for the period	104.7	101.9	47.9	54.5	199.0
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefit plans	-0.1	-	-0.1	-	-11.3
Income taxes related to items that will not be reclassified	0.0	-0.0	0.0	-	8.3
Total	-0.1	-0.0	-0.1	-	-3.1
Items that may be reclassified subsequently to profit or loss					
Translation differences	-59.7	24.6	-17.3	-11.8	47.5
Equity hedges	2.1	-3.2	4.7	2.9	-9.1
Cash flow hedges	-0.7	-3.8	-3.1	-1.4	-5.0
Income taxes related to items that may be reclassified	0.6	0.6	0.5	0.4	0.6
Total	-57.7	18.2	-15.2	-10.0	34.0
Other comprehensive income, net of tax	-57.8	18.2	-15.3	-10.0	31.0
Total comprehensive income	46.9	120.0	32.6	44.5	229.9
Attributable to:					
Equity holders of the parent company	43.1	116.8	30.8	43.3	221.2
Non-controlling interest	3.8	3.2	1.7	1.2	8.7

Group statement of financial position (IFRS) – unaudited

<i>EUR million</i>	Jun 30, 2020	Dec 31, 2019	Jun 30, 2019
ASSETS			
Non-current assets			
Goodwill	762.5	735.7	701.4
Other intangible assets	30.8	35.2	38.3
Tangible assets	1,362.3	1,398.1	1,274.7
Equity-accounted investments	0.0	4.9	6.0
Other investments	2.4	2.4	2.3
Interest-bearing receivables	3.6	4.2	2.8
Deferred tax assets	47.8	50.9	45.1
Employee benefit assets	53.9	55.4	48.9
Other non-current assets	3.3	3.1	3.0
	2,266.6	2,290.1	2,122.6
Current assets			
Inventory	532.8	497.8	526.2
Interest-bearing receivables	11.3	12.9	9.7
Current tax assets	16.8	14.6	7.4
Trade and other current receivables	610.7	595.9	624.4
Cash and cash equivalents	234.3	199.4	122.6
	1,405.9	1,320.6	1,290.3
Total assets	3,672.5	3,610.6	3,412.9
EQUITY AND LIABILITIES			
Share capital	366.4	366.4	366.4
Premium fund	115.0	115.0	115.0
Treasury shares	-31.3	-31.3	-31.3
Translation differences	-123.5	-65.8	-82.9
Fair value and other reserves	-103.5	-103.4	-99.3
Retained earnings	1,167.6	1,067.1	980.7
Total equity attributable to equity holders of the parent company	1,390.6	1,348.0	1,248.6
Non-controlling interest	84.0	89.1	56.9
Total equity	1,474.7	1,437.1	1,305.5
Non-current liabilities			
Interest-bearing liabilities	810.0	879.7	730.2
Deferred tax liabilities	96.4	97.7	87.2
Employee benefit liabilities	221.0	225.2	205.4
Provisions	12.1	13.2	14.3
Other non-current liabilities	12.8	7.0	6.2
	1,152.2	1,222.9	1,043.2
Current liabilities			
Interest-bearing liabilities			
Current portion of long term loans	95.5	92.7	24.8
Short-term loans	251.7	148.0	398.8
Provisions	9.2	8.4	13.0
Current tax liabilities	69.2	50.5	49.0
Trade and other current liabilities	620.0	651.0	578.5
	1,045.6	950.7	1,064.2
Total liabilities	2,197.8	2,173.6	2,107.4
Total equity and liabilities	3,672.5	3,610.6	3,412.9
Net debt	907.9	904.0	1,018.7
Net debt to equity (gearing)	0.62	0.63	0.78

Group statement of changes in equity (IFRS) – unaudited

Attributable to equity holders of the parent company

<i>EUR million</i>	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance on Jan 1, 2019	366.4	115.0	-31.5	-104.2	-96.1	965.5	1,215.1	52.2	1,267.3
Dividends paid						-87.6	-87.6		-87.6
Share-based payments			0.1			0.9	1.1		1.1
Total comprehensive income for the year				21.3	-3.2	98.7	116.8	3.2	120.0
Acquisition of non-controlling interest						-1.3	-1.3	0.2	-1.1
Other changes						4.6	4.6	1.3	5.8
Balance on Jun 30, 2019	366.4	115.0	-31.3	-82.9	-99.3	980.7	1,248.6	56.9	1,305.5
Balance on Jan 1, 2020	366.4	115.0	-31.3	-65.8	-103.4	1,067.1	1,348.0	89.1	1,437.1
Share-based payments						0.6	0.6		0.6
Total comprehensive income for the year				-57.7	-0.1	100.9	43.1	3.8	46.9
Other changes						-1.0	-1.0	-8.8	-9.9
Balance on Jun 30, 2020	366.4	115.0	-31.3	-123.5	-103.5	1,167.6	1,390.6	84.0	1,474.7

Group statement of cash flows (IFRS) – unaudited

<i>EUR million</i>	H1 2020	H1 2019	Q2 2020	Q2 2019	Q1-Q4 2019
Profit for the period*	104.7	101.9	47.9	54.5	199.0
Adjustments*	117.0	116.5	65.2	60.8	239.3
Depreciation and amortization*	90.4	79.4	42.8	40.3	163.2
Share of profit of equity-accounted investments*	-0.4	-1.0	0.0	-0.4	-0.1
Gain/loss from disposal of assets*	-0.1	-1.1	0.0	-0.1	-0.6
Financial expense/-income*	17.6	15.7	8.4	7.8	28.8
Income tax expense*	30.4	27.9	13.9	15.5	57.8
Other adjustments, operational*	-20.8	-4.4	-0.0	-2.2	-9.8
Change in inventory*	-47.8	-22.9	4.5	10.8	19.1
Change in non-interest bearing receivables*	-20.3	-81.8	33.7	-22.5	-40.2
Change in non-interest bearing payables*	-7.8	24.9	-34.2	-0.1	66.4
Dividends received*	0.0	0.0	0.0	0.0	0.0
Interest received*	1.6	1.7	0.8	0.9	3.8
Interest paid*	-11.5	-11.5	-5.7	-5.0	-22.6
Other financial expense and income*	0.0	-0.1	-0.1	0.0	0.8
Taxes paid*	-11.2	-18.5	-1.6	-9.0	-39.3
Net cash flows from operating activities	124.8	110.1	110.4	90.5	426.4
Capital expenditure*	-79.7	-78.3	-40.3	-38.6	-203.9
Proceeds from selling tangible assets*	0.8	2.3	0.3	0.5	3.3
Acquired subsidiaries and assets	-37.4	-	-0.1	-	-32.5
Proceeds from long-term deposits	0.6	0.2	0.3	0.1	0.5
Payment of long-term deposits	-0.0	-0.4	-0.0	0.0	-2.0
Proceeds from short-term deposits	5.9	0.2	4.9	0.1	1.0
Payment of short-term deposits	-4.0	-1.0	-4.9	-0.1	-4.8
Net cash flows from investing activities	-113.9	-77.0	-39.9	-38.0	-238.5
Proceeds from long-term borrowings	151.8	120.9	4.6	3.0	477.1
Repayment of long-term borrowings	-138.4	-123.8	-130.0	-7.5	-299.2
Change in short-term loans	20.5	82.5	-22.9	63.2	-180.3
Acquisition of non-controlling interest	-	-1.1	-	-	-1.4
Dividends paid	-	-87.6	-	-87.6	-87.6
Net cash flows from financing activities	34.0	-9.1	-148.3	-28.8	-91.4
Change in liquid assets	34.9	27.7	-78.9	22.8	104.4
Cash flow based	44.9	24.0	-77.8	23.7	96.5
Translation difference	-10.0	3.6	-1.1	-1.0	7.9
Liquid assets period start	199.4	95.0	313.2	99.9	95.0
Liquid assets period end	234.3	122.6	234.3	122.6	199.4
Free cash flow (including figures marked with *)	45.9	34.2	70.4	52.4	225.8

Notes to the Half-yearly Report

This Half-yearly Report has been prepared in accordance with IAS 34 Interim Financial Reporting. Except for the accounting policy changes listed below, the same accounting policies have been applied in the Half-yearly Report as in the annual financial statements for 2019. The following new and amended standards and interpretations have been adopted with effect from January 1, 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 had no impact on the interim 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 had no impact on the interim 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 reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should be continued to be recorded in the income statement. The Group's risk exposure that is directly affected by the reform are fair value hedge accounting of long term fixed rate debt for changes in fair value attributable to changes in EURIBOR and cash flow hedge accounting for long term floating rate debt for fair value changes attributable to changes in USD LIBOR. For the fair value hedge accounting relationships, the fair value of the hedged item and hedging instruments are calculated with an identical interest rate and therefore no ineffectiveness is expected. For the cash flow hedge accounting relationships, some minor ineffectiveness may occur. The Group will continue to monitor the effects of the IBOR reform and its potential uncertainty on hedge accounting.
- **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 had no impact on the interim financial statements.

Description of the impact of COVID-19 on the business can be found in the chapter 'Impact of COVID-19' in the Half-yearly Report.

Segments

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

Net sales

<i>EUR million</i>	H1 2020	Q2 2020	Q1 2020	Q1-Q4 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Foodservice Europe-Asia-Oceania	382.8	166.4	216.4	952.8	244.2	241.6	240.4	226.5
Intersegment net sales	2.0	0.8	1.2	3.9	1.1	0.8	0.6	1.4
North America	579.4	294.6	284.8	1,145.3	302.0	284.6	304.9	253.8
Intersegment net sales	2.9	1.5	1.4	7.4	1.7	2.3	1.6	1.8
Flexible Packaging	531.5	261.7	269.9	1,011.5	253.4	259.0	248.0	251.1
Intersegment net sales	2.5	1.4	1.1	4.9	1.7	1.7	0.7	0.7
Fiber Packaging	147.9	74.4	73.5	289.4	75.1	69.6	74.1	70.6
Intersegment net sales	2.3	1.4	1.0	4.0	1.1	-1.4	3.5	0.9
Elimination of intersegment net sales	-9.7	-5.1	-4.6	-20.2	-5.5	-3.4	-6.4	-4.9
Total	1,641.7	797.1	844.6	3,399.0	874.6	854.9	867.3	802.1

EBIT

<i>EUR million</i>	H1 2020	Q2 2020	Q1 2020	Q1-Q4 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Foodservice Europe-Asia-Oceania ¹	21.5	5.7	15.8	85.1	20.7	22.5	21.8	20.1
North America ¹	65.0	37.9	27.1	108.3	33.0	22.3	32.4	20.6
Flexible Packaging ¹	35.1	18.9	16.3	82.0	18.3	20.5	20.1	23.0
Fiber Packaging ¹	15.2	7.7	7.5	27.8	7.2	6.1	7.6	6.9
Other activities ¹	15.9	0.0	15.9	-17.7	-6.9	-3.8	-4.2	-2.8
Total¹	152.7	70.2	82.6	285.5	72.3	67.7	77.8	67.7

¹ Q1- Q2 2020 includes items affecting comparability EUR 9.0 million (EUR -0.6 million): Foodservice E-A-O EUR -2.1 million (EUR -0.2 million), North America EUR -3.4 million (-), Flexible Packaging EUR -4.9 million (-), Fiber Packaging EUR -1.5 million (-) and Other activities EUR 21.0 million (EUR -0.4 million).

EBITDA

<i>EUR million</i>	H1 2020	Q2 2020	Q1 2020	Q1-Q4 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Foodservice Europe-Asia-Oceania ¹	50.5	19.5	31.0	135.9	34.1	35.1	34.2	32.5
North America ¹	92.2	51.5	40.7	158.7	46.0	35.2	44.9	32.5
Flexible Packaging ¹	56.8	28.0	28.8	120.6	28.5	30.5	29.6	32.0
Fiber Packaging ¹	26.5	13.3	13.2	47.5	12.4	10.9	12.5	11.7
Other activities ¹	17.1	0.7	16.4	-13.9	-6.0	-2.9	-3.1	-1.9
Total¹	243.1	113.0	130.1	448.8	115.0	108.8	118.1	106.8

¹ Q1- Q2 2020 includes items affecting comparability EUR 14.0 million (EUR -0.6 million): Foodservice E-A-O EUR -0.8 million (EUR -0.2 million), North America EUR -3.4 million (-), Flexible Packaging EUR -2.6 million (-), Fiber Packaging EUR -0.2 million (-) and Other activities EUR 21.0 million (EUR -0.4 million).

Depreciation and amortization

<i>EUR million</i>	H1 2020	Q2 2020	Q1 2020	Q1-Q4 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Foodservice Europe-Asia-Oceania	29.0	13.8	15.2	50.7	13.4	12.5	12.4	12.4
North America	27.1	13.6	13.6	50.4	13.0	12.9	12.5	12.0
Flexible Packaging	21.7	9.1	12.6	38.6	10.2	10.0	9.5	9.0
Fiber Packaging	11.3	5.6	5.6	19.7	5.2	4.8	4.9	4.9
Other activities	1.2	0.7	0.6	3.8	0.9	0.9	1.0	0.9
Total	90.4	42.8	47.5	163.2	42.6	41.2	40.3	39.1

Net assets allocated to the segments¹

<i>EUR million</i>	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Foodservice Europe-Asia-Oceania	803.8	775.2	799.8	747.7	738.2	745.3
North America	826.6	878.6	836.0	865.4	861.4	878.8
Flexible Packaging	822.3	828.8	769.0	754.9	746.0	742.8
Fiber Packaging	236.7	234.7	236.6	231.5	232.5	229.2

¹ Following statement of financial position items are included in net assets: intangible and tangible assets, equity-accounted investments, other non-current assets, inventories, trade and other current receivables (excluding accrued interest income), other non-current liabilities and trade and other current liabilities (excluding accrued interest expense).

Capital expenditure

<i>EUR million</i>	H1 2020	Q2 2020	Q1 2020	Q1-Q4 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Foodservice Europe-Asia-Oceania	34.5	18.5	16.0	74.7	26.1	19.8	15.3	13.6
North America	21.8	9.9	11.9	54.6	15.9	14.6	9.4	14.6
Flexible Packaging	15.5	7.5	7.9	44.4	15.2	9.9	10.6	8.7
Fiber Packaging	7.7	4.3	3.4	29.5	13.7	10.1	3.2	2.6
Other activities	0.2	0.1	0.1	0.6	0.1	0.2	0.1	0.2
Total	79.7	40.3	39.4	203.9	71.0	54.6	38.6	39.7

RONA (12m roll.)

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Foodservice Europe-Asia-Oceania	8.4%	10.6%	11.4%	9.7%	9.4%	9.4%
North America	14.1%	13.3%	12.7%	9.9%	9.1%	8.1%
Flexible Packaging	9.4%	9.8%	11.0%	9.9%	9.4%	9.1%
Fiber Packaging	12.2%	12.2%	12.1%	12.2%	12.8%	12.5%

Operating cash flow

<i>EUR million</i>	H1 2020	Q2 2020	Q1 2020	Q1-Q4 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Foodservice Europe-Asia-Oceania	4.1	-7.0	11.1	66.8	22.3	21.1	15.6	7.7
North America	79.2	71.9	7.3	125.0	44.4	43.5	34.2	2.9
Flexible Packaging	9.1	7.4	1.7	88.8	49.3	23.6	16.5	-0.7
Fiber Packaging	7.4	7.5	-0.1	22.4	7.8	1.1	8.9	4.6

Business combinations

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. The consideration in cash amounted to EUR 9.4 million. The business has been reported as part of the Flexible Packaging business segment as of January 10, 2020. The goodwill from the acquired business is expected to be non-deductible for income tax purposes.

On March 31, 2020 Huhtamaki completed the acquisition of 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. Due to the full ownership in Laminor the Group has control in the company and the previous joint venture has been consolidated as a subsidiary in the Flexible Packaging business segment as of April 1, 2020. The goodwill from the acquired business is expected to be non-deductible for income tax purposes. The consideration in cash for the additional shares amounted to EUR 28.0 million. As a result of the transaction, a gain of EUR 21.9 million from the difference between remeasured interest according to the purchase price and previously held equity interest is recognized in the income statement.

The costs relating to advice etc. services EUR 0.3 million are included in the Group income statement in account Other operating expenses.

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

<i>EUR million</i>	
Intangible assets	0.0
Tangible assets	11.1
Inventories	3.5
Trade and other receivables	6.9
Other short-terms investments	1.5
Cash and cash equivalents	0.0
Total assets	23.0
Deferred tax liabilities	-0.1
Other non-current liabilities	-2.2
Trade and other payables	-4.4
Total liabilities	-6.7
Net assets total	16.3
Goodwill	46.6
Remeasurements	25.5
Consideration	37.4

Analysis of cash flows of acquisitions

<i>EUR million</i>	
Purchase consideration, cash payment	-37.4
Cash and cash equivalents in acquired companies	0.0
Transaction costs of the acquisitions	-0.3
Net cash flow on acquisitions	-37.7

The net sales of the acquired businesses included in the Group income statement since acquisition date were EUR 9.9 million and result for the period was EUR 0.8 million. The net sales and the result for the period of the acquired business would not have had material effect in the Group income statement, if the acquired business had been consolidated from January 1, 2020.

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 values of assets, liabilities and goodwill did not change from values reported in the annual financial statements for 2019, but are still preliminary.

Other information

Key indicators

	H1 2020	Q1-Q4 2019	H1 2019
Equity per share (EUR)	13.33	12.92	11.97
ROE, % (12m roll.)	14.3	14.8	12.6
ROI, % (12m roll.)	11.6	11.9	10.0
Personnel	18,812	18,598	18,064
Profit before taxes (EUR million, 12m roll.)	262.1	256.7	199.0
Depreciation of tangible assets (EUR million)	86.2	154.2	74.8
Amortization of other intangible assets (EUR million)	4.1	9.0	4.6

Contingent liabilities

<i>EUR million</i>	Jun 30, 2020	Dec 31, 2019	Jun 30, 2019
Capital expenditure commitments	49.6	45.7	74.0

Financial instruments measured at fair value

<i>EUR million</i>	Jun 30, 2020	Dec 31, 2019	Jun 30, 2019
Derivatives - assets			
Currency forwards, transaction risk hedges	3.5	0.8	2.6
Currency forwards, translation risk hedges	2.8	0.3	0.0
Currency forwards, for financing purposes	5.3	1.0	5.3
Currency options, transaction risk hedges	0.0	0.0	0.0
Interest rate swaps	0.7	1.0	1.2
Other investments	2.4	2.4	2.3
Derivatives - liabilities			
Currency forwards, transaction risk hedges	2.5	3.2	1.6
Currency forwards, translation risk hedges	0.2	3.4	1.7
Currency forwards, for financing purposes	1.2	9.0	1.5
Currency options, transaction risk hedges	0.0	0.0	0.0
Interest rate swaps	4.2	2.0	1.3
Cross currency swaps	1.2	0.9	0.8

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

Interest-bearing liabilities

<i>EUR million</i>	Jun 30, 2020		Dec 31, 2019		Jun 30, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current	810.0	817.3	879.7	882.3	730.2	732.8
Current	347.2	347.2	240.7	240.7	423.7	423.7
Total	1,157.2	1,164.6	1,120.4	1,123.0	1,153.8	1,156.5

Exchange rates

Income statement, average:

	H1 2020	H1 2019
AUD 1 =	0.5961	0.6250
GBP 1 =	1.1445	1.1449
INR 1 =	0.0123	0.0126
RUB 1 =	0.0131	0.0136
THB 1 =	0.0287	0.0280
USD 1 =	0.9079	0.8851

Statement of financial position, month end:

	Jun 30, 2020	Jun 30, 2019
AUD 1 =	0.6095	0.6153
GBP 1 =	1.0924	1.1182
INR 1 =	0.0117	0.0127
RUB 1 =	0.0127	0.0140
THB 1 =	0.0287	0.0286
USD 1 =	0.8862	0.8795

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 (diluted EPS) attributable to equity holders of the parent company =

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

Alternative performance measures

EBITDA =

EBIT + depreciation and amortization

Net debt to equity (gearing) =

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

Return on net assets (RONA) =

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

Operating cash flow =

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

Shareholders' equity per share =

$\frac{\text{Total equity attributable to equity holders of the parent company}}{\text{Issue-adjusted number of shares at period end}}$

Return on equity (ROE) =

$\frac{100 \times \text{Profit for the period (12m roll.)}}{\text{Total equity (average)}}$

Return on investment (ROI) =

$\frac{100 \times (\text{Profit before taxes} + \text{interest expenses} + \text{net other financial expenses}) (12m roll.)}{\text{Statement of financial position total} - \text{interest-free liabilities (average)}}$

Comparable net sales growth =

Net sales growth 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 substituting, the performance measures reported in accordance with IFRS.