

Stable performance in a challenging market

Half-yearly Report 2023

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Huhtamaki

Q2 2023: Stable performance in a challenging market

Market trends

- The market environment remained muted, impacted by continued inflation pressure on consumption
- Of all categories, inflation was highest in food products. Consumption decline was visible particularly in Home and Personal care products

Financial performance

- Comparable sales -2%, due to pricing slowing down and pressure on volumes
- Adj. EBIT decreased compared to a strong Q2 2022

We continue to address competitiveness and focus on profitable growth initiatives



We continue to address competitiveness and focus on profitable growth initiatives

Actions to address competitiveness

- Actively addressing productivity, with a focus on:
 - Machine utilization
 - Material waste reduction
 - Labor efficiency
- Decreased headcount year over year by 1,700, whereof Russia divestment accounts for 724. Headcount as of June 2023 was 18,320
- Consolidation of footprint
 - Closure of Flexible Packaging site in Prague, resulting in a reduction of 198 employees. Completion planned by end of Q1 2024
 - Initiated the consolidation of our smaller labels manufacturing sites in India

Several projects coming online in 2023

- Retail tableware capacity in North America
- Fiber lids expansion in Europe
- Egg packaging in North America and South Africa
- Nespresso home compostable coffee capsules (launched in June in pilot market)

Investing for future growth in North America

- Paris, Texas site expansion
- Significantly strengthens our position in Foodservice in North America
- Capex into production assets is apprx. USD 30 million, leasing the facilities
- Expected to start ramping up in Q1 2025

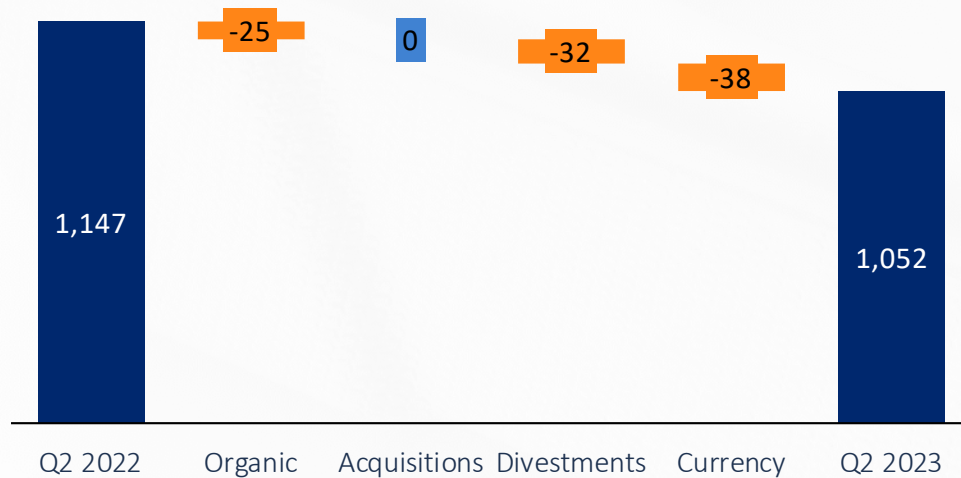
Business performance



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Q2 2023: Comparable net sales decreased due to softness in volumes

Development of net sales in Q2 2023
(EUR million)



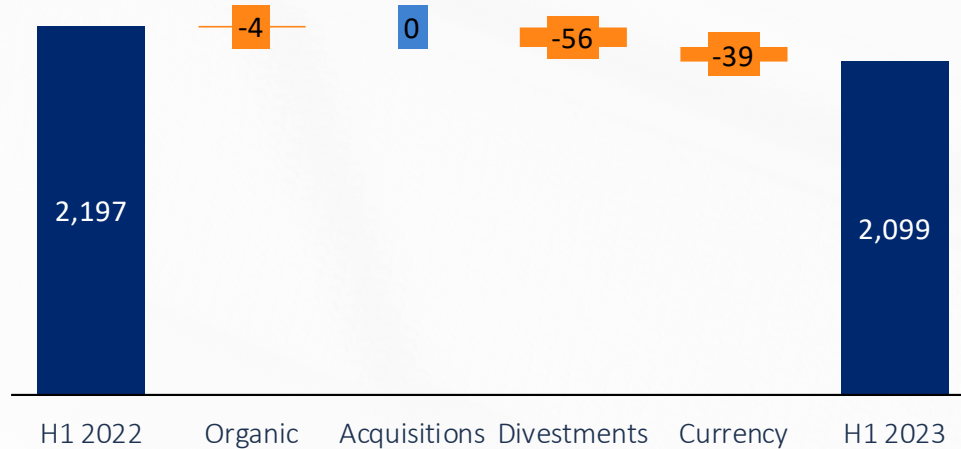
Net sales decreased 8% in Q2 2023

- Comparable net sales growth -2% (-2 % in emerging markets). Support by pricing but weighed on by volumes
- -3% from divestment
- -3% currency impact

Comparable net sales growth is growth excluding foreign currency changes, acquisitions, divestments and ancillary businesses. Acquisitions calculated for 12 first months from closing.

H1 2023: Flat comparable net sales

Development of net sales in H1 2023
(EUR million)



Net sales decreased 4% in H1 2023

- Comparable net sales growth 0% (-1 % in emerging markets). Support by pricing but weighed on by volumes
- -3% from divestment
- -2% currency impact

Comparable net sales growth is growth excluding foreign currency changes, acquisitions, divestments and ancillary businesses. Acquisitions calculated for 12 first months from closing.

Comparable growth in most segments

<i>Comparable growth</i>	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	H1 22	H1 23	Long-term ambitions
Foodservice E-A-O	18%	22%	15%	11%	5%	18%	8%	4-5%
North America	14%	10%	10%	2%	1%	19%	1%	5-6%
Flexible Packaging	19%	20%	1%	-5%	-11%	19%	-8%	6-7%
Fiber Packaging	16%	19%	17%	17%	7%	12%	11%	3-4%
Group	17%	17%	9%	2%	-2%	18%	0%	5-6%

Q2 commentary:

- Foodservice packaging demand continued to soften slightly during the quarter
- Significant variations in demand across categories in North America. In particular, demand in foodservice was solid whereas consumer goods suffered from lower ice-cream consumption
- Demand for flexible packaging declined
- Demand for fiber-based egg packaging and food on-the-go products remained stable

Comparable net sales growth is growth excluding foreign currency changes, acquisitions, divestments and ancillary businesses.

Adjusted EBIT decreased

<i>MEUR</i>	Q2 23	Q2 22	Change	H1 23	H1 22	Change
Net sales	1,051.7	1,147.3	-8%	2,098.8	2,197.0	-4%
Adjusted EBIT ¹	92.7	102.7	-10%	184.8	200.3	-8%
<i>Margin</i>	8.8%	9.0%		8.8%	9.1%	
Adjusted EPS, EUR ²	0.55	0.63	-12%	1.06	1.26	-15%
Capital expenditure	69.0	51.5	34%	134.2	127.9	5%

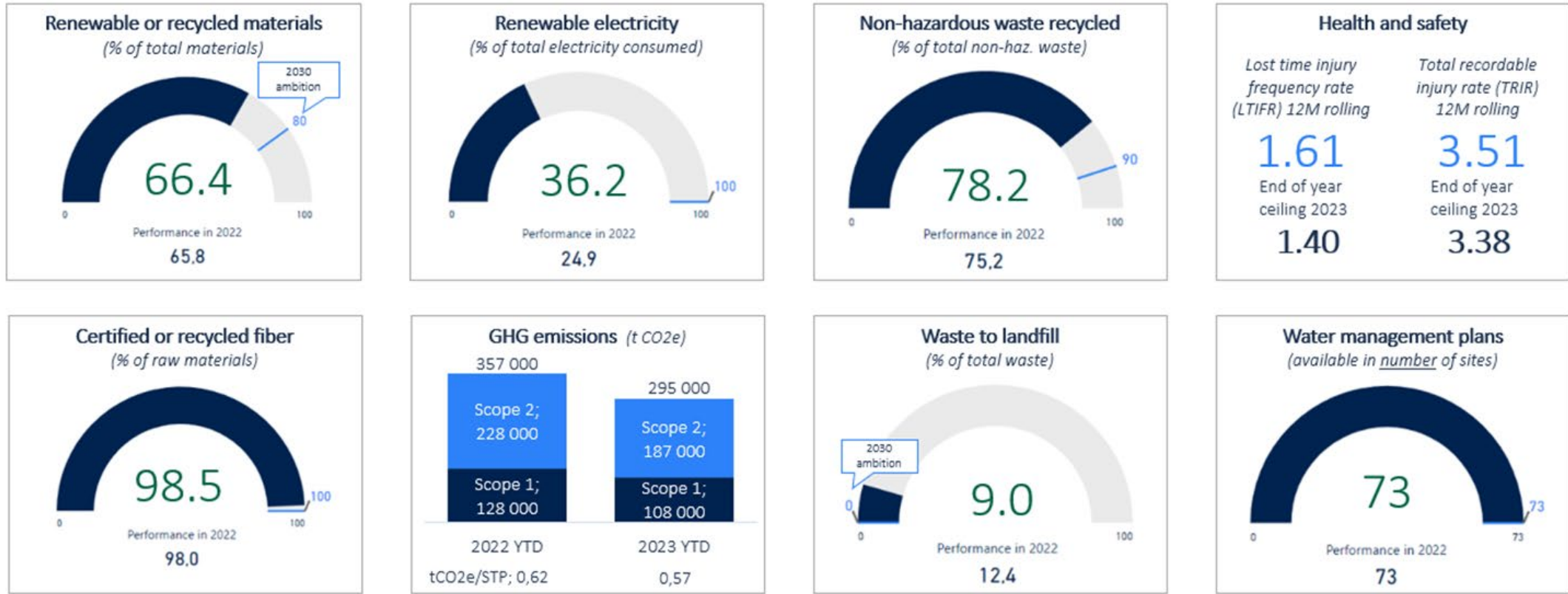
Q2 commentary:

- Adjusted EBIT decreased mainly due to lower sales and the divestment of operations in Russia
- Lower adjusted EPS due to decrease in EBIT and higher financing costs
- Capex increased, mainly driven by expansion of fiber products capacity

1) Excluding IAC of EUR -38.0 million in Q2 2023 (EUR -6.2 million) and EUR -42.7 million in Q1-Q2 2022 (EUR -10.2 million).

2) Excluding IAC of EUR -32.3 million in Q2 2023 (EUR -4.5 million) and EUR -36.2 million in Q1-Q2 2022 (EUR -4.2 million).

Continued progress towards our sustainability targets



Our performance has been externally recognized



Targets displayed in the graphs are Huhtamaki group's 2030 ambitions; GHG = greenhouse gas

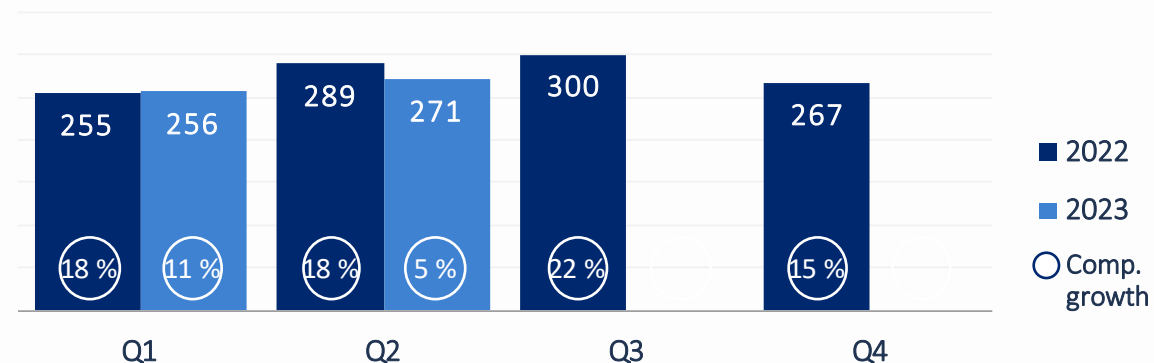
Business segment review

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Foodservice EAO: Softer comparable net sales growth

Key figures, MEUR	Q2 23	Q2 22	Change
Net sales	270.9	288.8	-6%
Comparable growth	5%	18%	
Adjusted EBIT ¹	25.0	25.3	-1%
Margin	9.2%	8.7%	
Capital expenditure	13.4	19.6	-31%
Operating cash flow ¹	30.8	5.9	>100%

Net sales and comparable growth (EUR million & %)



Key figures, MEUR	H1 23	H1 22	Change
Net sales	527.1	543.5	-3%
Comparable growth	8%	18%	
Adjusted EBIT ¹	46.2	50.9	-9%
Margin	8.8%	9.4%	
Adjusted RONA	10.4%	9.9%	
Capital expenditure	37.8	57.7	-35%
Operating cash flow ¹	53.0	-5.2	>100%

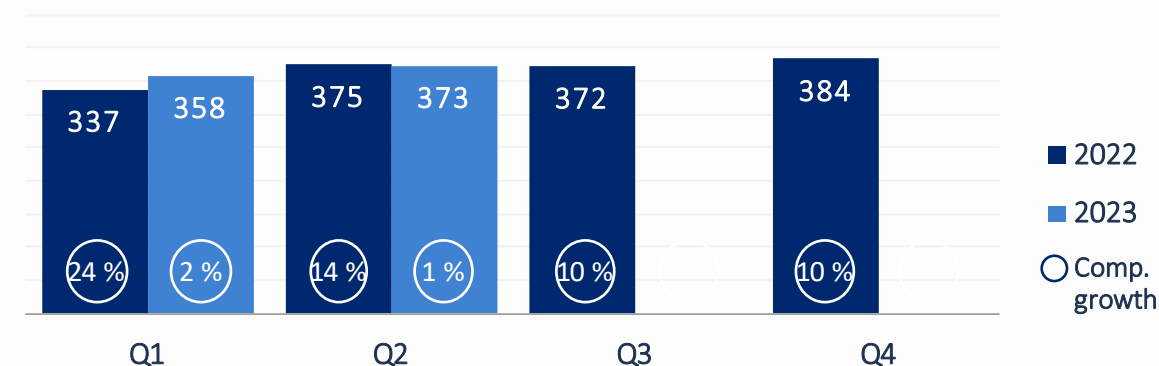
- The demand for foodservice packaging softened slightly, prices of most input costs increased
- Net sales increased in Europe and Middle East and Africa, whereas it decreased in Asia-Oceania, including China. Pricing supported net sales, whereas lower sales volumes had a negative impact
- Adjusted EBIT decreased due to the divestment of the business in Russia in September 2022

1) Excluding IAC of EUR -0.5 million in Q2 2023 (EUR -3.5 million) and EUR -2.0 million in Q1-Q2 2022 (EUR -3.5 million).

North America: Continued solid performance

Key figures, MEUR	Q2 23	Q2 22	Change
Net sales	373.2	374.8	-0%
Comparable growth	1%	14%	
Adjusted EBIT ¹	45.4	41.9	8%
Margin	12.2%	11.2%	
Capital expenditure	29.5	16.2	83%
Operating cash flow ¹	20.7	24.9	-17%

Net sales and comparable growth (EUR million & %)



Key figures, MEUR	H1 23	H1 22	Change
Net sales	731.4	712.3	3%
Comparable growth	1%	19%	
Adjusted EBIT ¹	87.9	80.8	9%
Margin	12.0%	11.3%	
Adjusted RONA	17.6%	17.4%	
Capital expenditure	49.7	32.4	53%
Operating cash flow ¹	38.6	3.9	>100%

- Significant variations in demand across categories. Prices of most input costs increased
- Net sales decreased slightly due to FX impact. Comparable net sales increased driven by pricing, despite softness in volumes. Foodservice and Retail sales increased but decreased in Consumer Goods
- Adjusted EBIT improved, supported by increased operational efficiency and pricing, while lower sales volumes had a negative impact

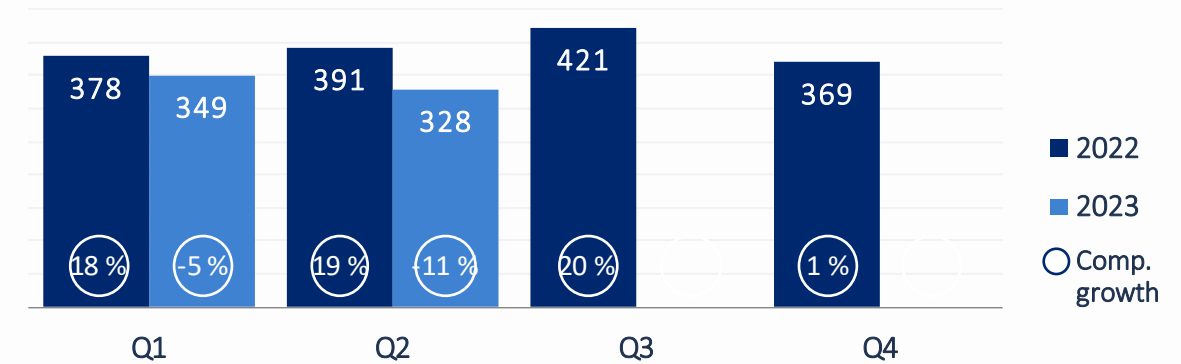
1) Excluding IAC of EUR 0.0 million in Q2 2023 (EUR 0.0 million) and EUR 0.0 million in Q1-Q2 2022 (EUR 0.0 million).

Flexible Packaging: Challenging quarter due to continued low demand

Key figures, MEUR

	Q2 23	Q2 22	Change
Net sales	327.9	390.7	-16%
Comparable growth	-11%	19%	
Adjusted EBIT ¹	16.0	26.9	-41%
Margin	4.9%	6.9%	
Capital expenditure	22.6	7.0	>100%
Operating cash flow ¹	5.4	8.2	-34%

Net sales and comparable growth (EUR million & %)



Key figures, MEUR

	H1 23	H1 22	Change
Net sales	677.0	768.4	-12%
Comparable growth	-8%	19%	
Adjusted EBIT ¹	37.3	56.4	-34%
Margin	5.5%	7.3%	
Adjusted RONA	5.5%	7.7%	
Capital expenditure	38.8	21.4	82%
Operating cash flow ¹	25.6	-9.1	>100%

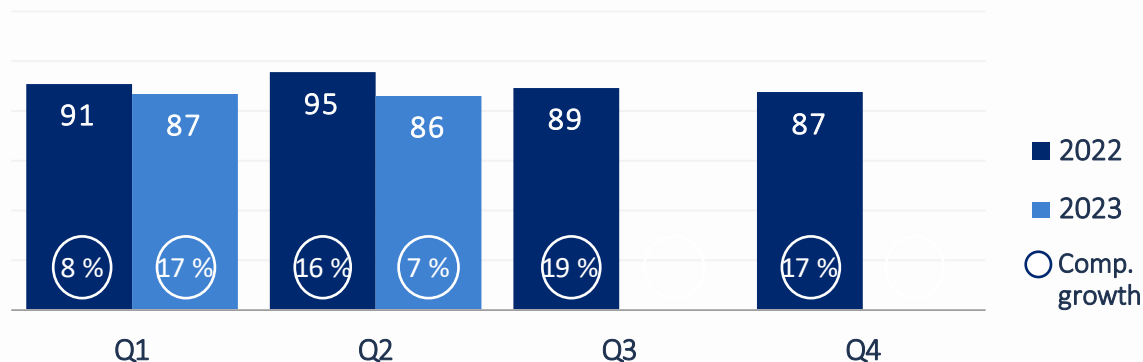
- Overall demand for flexible packaging declined mainly due to inflationary pressure on consumption
- Net sales was impacted by a decrease in sales volumes, partly due to destocking in the value chain. Net sales decreased particularly in India and Europe and but increased in South-East Asia and Oceania
- Adjusted EBIT decreased, impacted by lower sales volumes and a negative sales mix
- Taking decisive actions to improve the financial performance

1) Excluding IAC of EUR -36.5 million in Q2 2023 (EUR -2.3 million) and EUR -39.4 million in Q1-Q2 2022 (EUR -5.1 million).

Fiber Packaging: Net sales growth continued, but at a slower pace

Key figures, MEUR	Q2 23	Q2 22	Change
Net sales	86.1	95.4	-10%
Comparable growth	7%	16%	
Adjusted EBIT ¹	9.3	12.8	-27%
Margin	10.8%	13.4%	
Capital expenditure	3.4	8.7	-62%
Operating cash flow ¹	17.6	2.6	>100%

Net sales and comparable growth (EUR million & %)



Key figures, MEUR	H1 23	H1 22	Change
Net sales	173.0	186.4	-7%
Comparable growth	11%	12%	
Adjusted EBIT ¹	19.8	20.3	-3%
Margin	11.4%	10.9%	
Adjusted RONA	14.0%	14.1%	
Capital expenditure	7.8	16.1	-52%
Operating cash flow ¹	13.2	23.1	-43%

- Overall demand for fiber-based egg packaging and food-on-the-go products remained stable in most markets. The prices of recycled fiber were lower than in Q2 2022
- Comparable net sales growth driven by pricing and mix, whereas sales volumes decreased. Net sales remained unchanged in Europe and increased in most other markets
- Adjusted EBIT decreased due to lower sales volumes as well as the divestment of the business in Russia in September 2022

1) Excluding IAC of EUR -0.8 million in Q2 2023 (EUR -0.3 million) and EUR -1.1 million in Q1-Q2 2022 (EUR -0.3 million).

Financial review



Earnings impacted by lower net sales

MEUR	Q2 23	Q2 22	Change	H1 23	H1 22	Change
Net sales	1,051.7	1,147.3	-8%	2,098.8	2,197.0	-4%
Adjusted EBITDA ¹	141.2	153.8	-8%	281.7	300.4	-6%
Margin ¹	13.4%	13.4%		13.4%	13.7%	
Adjusted EBIT ²	92.7	102.7	-10%	184.8	200.3	-8%
Margin ²	8.8%	9.0%		8.8%	9.1%	
EBIT	54.7	96.5	-43%	142.1	190.1	-25%
Adjusted Net financial items ³	-15.2	-12.3	-24%	-33.8	-19.6	-73%
Adjusted profit before taxes	77.5	90.5	-14%	150.9	180.7	-16%
Adjusted income tax expense ⁴	-18.2	-23.2	21%	-35.5	-45.2	21%
Adjusted profit for the period ⁵	59.3	67.3	-12%	115.5	135.5	-15%
Adjusted EPS, EUR ⁵	0.55	0.63	-12%	1.06	1.26	-15%

Q2 commentary:

- Adjusted EBIT decreased mainly due to lower sales volumes and the divestment of operations in Russia
- Net financial items increased due to higher interest rates
- The reported tax rate increased due to a non-deductible goodwill impairment related to the planned closure of the Flexible Packaging site in Prague

1) Excluding IAC of EUR -9.1 million in Q2 2023 (EUR -4.6 million) and EUR -11.5 million in Q1-Q2 2022 (EUR -6.6 million).

2) Excluding IAC of EUR -38.0 million in Q2 2023 (EUR -6.2 million) and EUR -42.7 million in Q1-Q2 2022 (EUR -10.2 million).

3) Excluding IAC of EUR 0.0 million in Q2 2023 (EUR 0.3 million) and EUR -0.4 million in Q1-Q2 2022 (EUR 4.6 million).

4) Excluding IAC of EUR 5.7 million in Q2 2023 (EUR 1.5 million) and EUR 6.9 million in Q1-Q2 2022 (EUR 1.4 million).

5) Excluding IAC of EUR -32.3 million in Q2 2023 (EUR -4.5 million) and EUR -36.2 million in Q1-Q2 2022 (EUR -4.2 million).

Currency impact turned negative

	Average rate H1 22	Average rate H1 23	Change in average rate	Closing rates					Change in closing rate (YoY)
				Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	
USD	1.09	1.08	1 %	1.05	0.97	1.06	1.09	1.09	-4%
INR	83.34	88.87	-7 %	83.04	79.31	88.23	89.36	89.71	-8%
GBP	0.84	0.88	-4 %	0.86	0.89	0.89	0.88	0.86	0%
CNY	7.08	7.48	-6 %	7.04	6.92	7.42	7.49	7.91	-12%
AUD	1.52	1.60	-5 %	1.53	1.50	1.59	1.63	1.65	-8%
THB	36.86	36.95	0 %	36.93	36.95	36.88	37.25	38.93	-5%
BRL	5.56	5.49	1 %	5.52	5.25	5.54	5.55	5.30	4%
NZD	1.65	1.73	-5 %	1.69	1.70	1.69	1.75	1.79	-6%
ZAR	16.85	19.66	-17 %	16.93	17.45	18.20	19.65	20.46	-21%
TRY	16.21	21.47	-32 %	17.50	18.00	19.93	20.87	28.48	-63%

Foreign currency translation impact

Q2 2023

(EUR million)

Net sales

-38

EBIT

-3

Q1-Q2 2023

(EUR million)

Net sales

-39

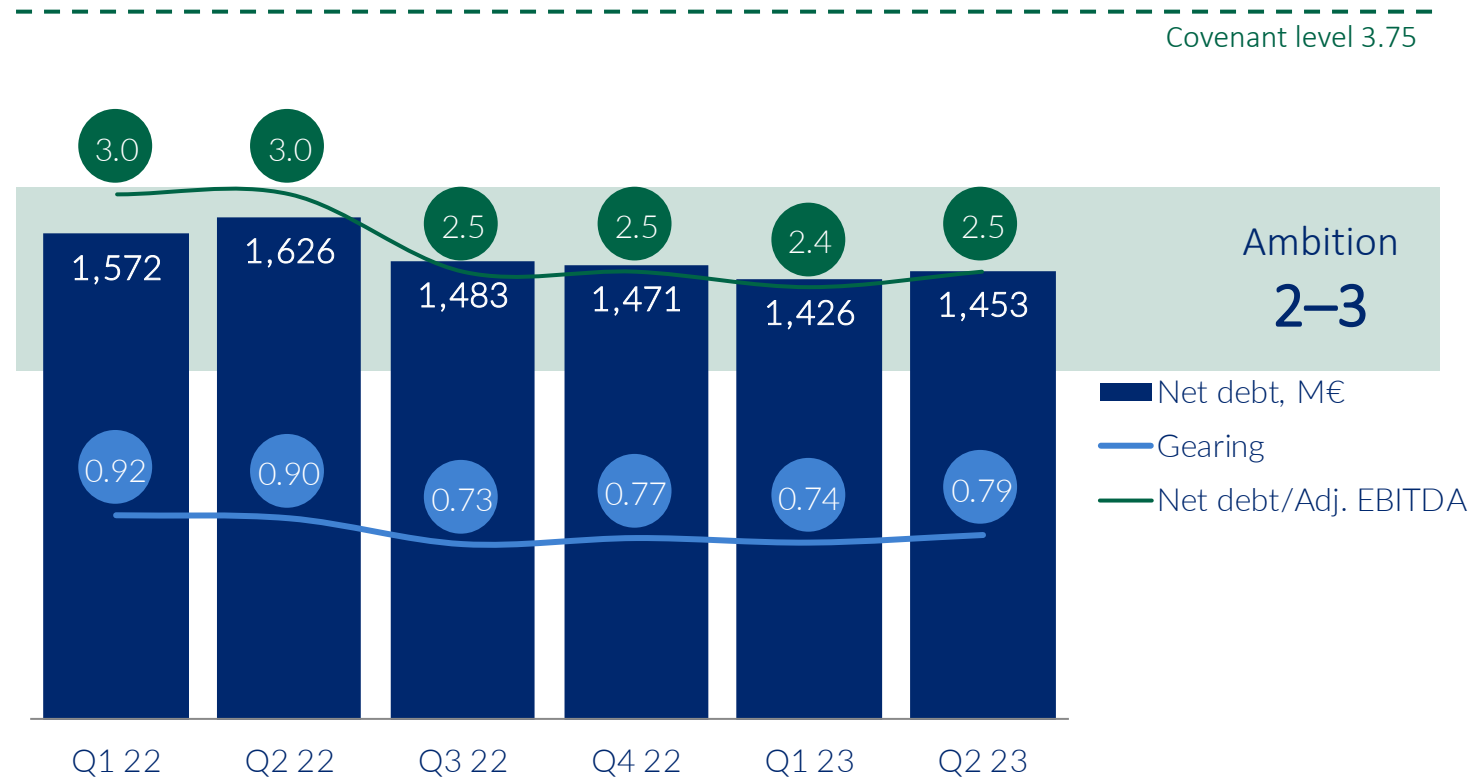
EBIT

-2

Please note: Income statement is valued on average rate, balance sheet on closing rate.

Net debt to adjusted EBITDA increased slightly

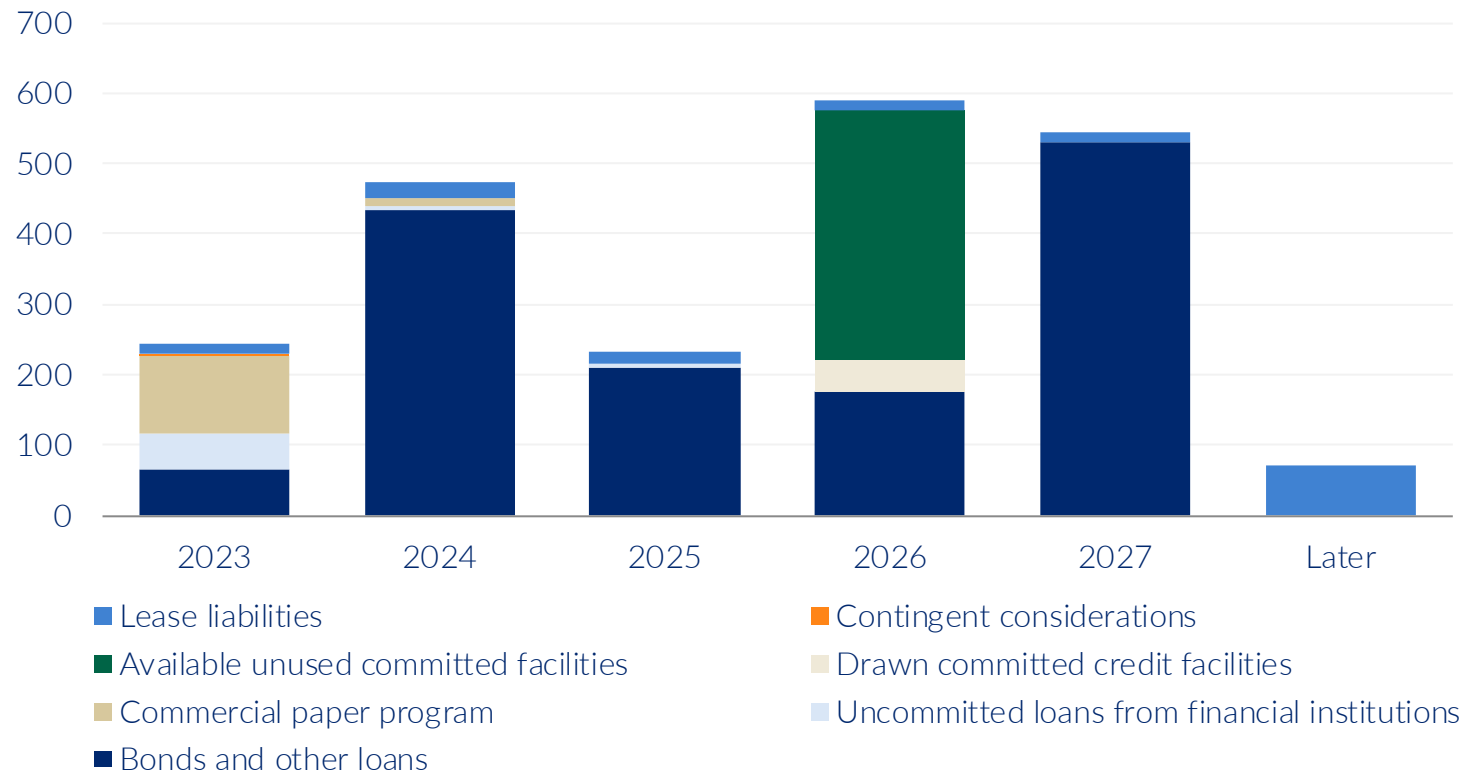
Net debt, net debt/adj. EBITDA and gearing



- Net debt/Adj. EBITDA at 2.5
- At the end of Q2 2023:
 - Cash and cash equivalents EUR 334 million
 - Unused committed credit facilities available EUR 354 million
- Net debt EUR 1,453 million

Loan maturities

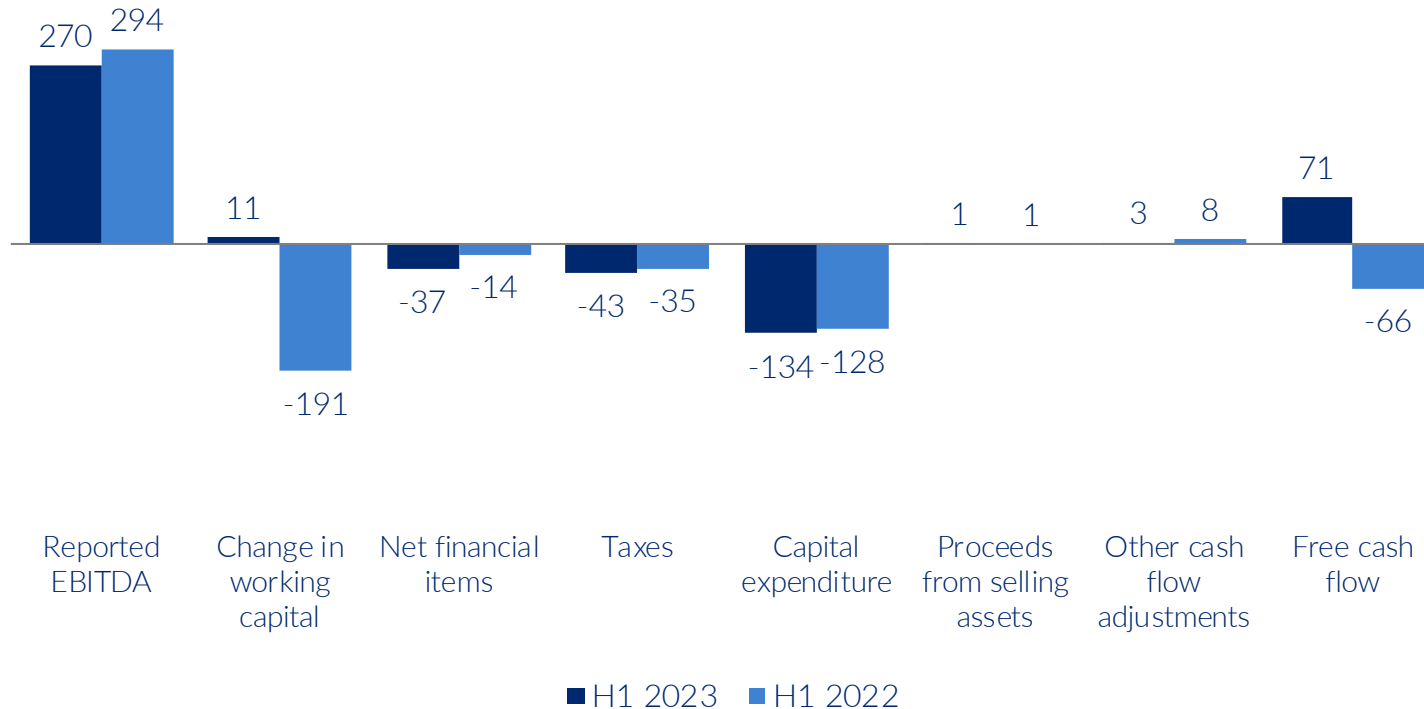
Debt maturity structure June 30, 2023
(EUR million)



- Average maturity 2.5 years at the end of Q2 2023 (3.5 at the end of Q2 2022)
- Signed a EUR 125 million sustainability-linked term loan facility in May

Free cash flow increased significantly

Free cash flow bridge
(EUR million)



Cash flow driven by:

- Decrease in reported EBITDA, burdened by IAC's and divestment of Russia
- Significantly improved impact from change in working capital
- Higher net financial items, cash taxes and capex

Stable financial position

<i>MEUR</i>	Jun 2023	Jun 2022
Total assets	4,773	5,195
Operating working capital	842	904
Net debt	1,453	1,626
Equity & non-controlling interest	1,838	1,807
Gearing	0.79	0.90
Adjusted ROI ¹	10.4%	11.1%
Adjusted ROE ¹	13.1%	15.4%

- Operating working capital decreased thanks to lower inventories
- Stable financial position remains

1) Excluding IAC.

Progress towards long-term financial ambitions

	2016	2017	2018	2019	2020	2021	2022	H1 23	Long-term ambition
Organic growth	4%	3%	5%	6%	-2%	7%	15%	0%	5-6%
Adjusted EBIT margin	9.4%	9.0%	8.1%	8.6%	9.1%	8.8%	8.8%	8.8%	10-12%
Adj. ROI	14.7%	13.6%	11.6%	12.3%	11.7%	11.3%	11.0%	10.4%	13-15%
Net debt/Adj. EBITDA	1.8	1.8	2.3	2.0	1.8	3.1	2.5	2.5	2-3
Dividend payout ratio	40 %	42 %	50 %	47 %	47 %	45 %	40 %		40-50%

FY 2018 figures restated for IFRS 16 impact.

Looking forward



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Outlook for 2023 and short-term risks and uncertainties

Outlook for 2023 (unchanged)

The Group's trading conditions are expected to remain relatively stable, despite the continued volatility in the operating environment

Huhtamaki's diversified product portfolio provides resilience and the Group's good financial position enables addressing profitable long-term growth opportunities

Short-term risks and uncertainties

Significant and broad-based inflation (including raw materials, labor, distribution and energy), decline in consumer demand, availability of raw materials as well as movements in currency rates are considered to be relevant short-term business risks and uncertainties in the Group's operations. Economic and financial market conditions, as well as a potential geopolitical escalation and natural disasters can also have an adverse effect on the implementation of the Group's strategy and on its business performance and earnings.

Upcoming events in 2023

October 20, 2023

Q3 2023 Interim Report

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