

# Good operational profitability in a challenging market

Interim report  
January-September 2023

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**Huhtamaki**



# Q3 2023: Good operational profitability in a challenging market

## Market trends

- The market environment improved slightly during Q3 compared to H1
- Inflation pressure continues to impact consumption

## Financial performance

- Comparable sales -4%, reflecting soft volumes and lower support from pricing
- Excluding the Russia divestment, adj. EBIT improved slightly. Solid adj. EBIT margin at 9.7%

## Continued focus on competitiveness and profitable growth initiatives

- Cost saving actions visible in Q3, offsetting inflation pressure
- Egg-packaging commercial production started in Hammond
- Fiber lids production volume significantly increased



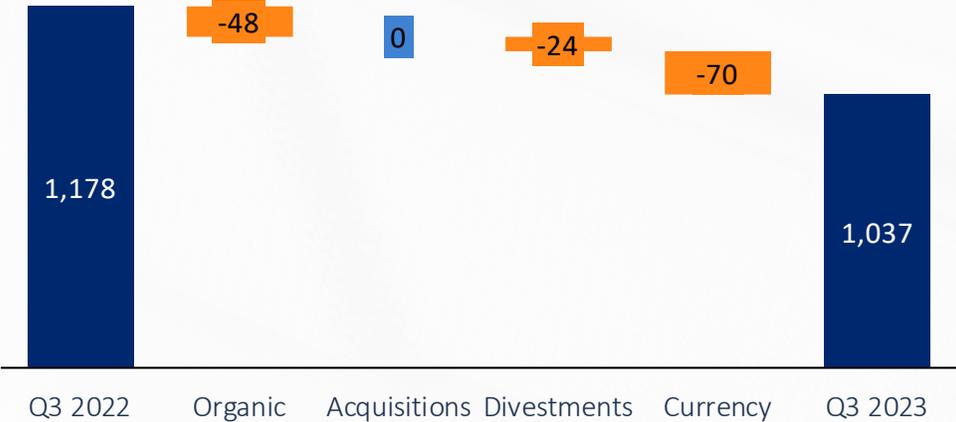
Business performance



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# Q3 2023: Comparable net sales decreased due to softness in volumes and lower support from pricing

Development of net sales in Q3 2023  
(EUR million)



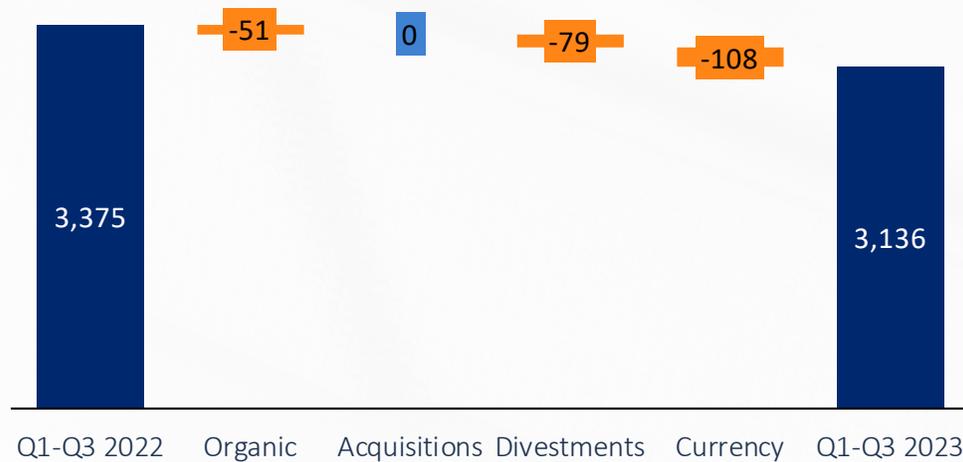
## Net sales decreased 12% in Q3 2023

- Comparable net sales decreased 4% (-7 % in emerging markets). Support from pricing but softness in volumes
- -2% from divestment
- -6% 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.

# Q1-Q3 2023: Comparable net sales slightly below the previous year's level

Development of net sales in Q1-Q3 2023  
(EUR million)



## Net sales decreased 7% in Q1-Q3 2023

- Comparable net sales decreased 1% (-3 % in emerging markets). Support from pricing but softness in volumes
- -2% 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.

# Lower support from pricing visible in net sales

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

## Market demand during the quarter remained soft compared to last year

- Foodservice packaging demand remained soft
- Significant variations in demand across categories in North America. In particular, demand in Foodservice was good whereas it was softer in Consumer Goods and Retail
- Demand for flexible packaging softened slightly
- Demand for fiber-based egg packaging and food on-the-go products remained stable in most markets

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

# Adj. EBIT margin reached 9.7% in Q3 2023

<i>MEUR</i>	Q3 23	Q3 22	Change	Q1-Q3 23	Q1-Q3 22	Change
Net sales	1,037.2	1,178.4	-12%	3,136.0	3,375.4	-7%
Adjusted EBIT <sup>1</sup>	100.3	101.5	-1%	285.1	301.7	-6%
<i>Margin</i>	<b>9.7%</b>	8.6%		<b>9.1%</b>	8.9%	
Adjusted EPS, EUR <sup>2</sup>	0.57	0.59	-2%	1.64	1.84	-11%
Capital expenditure	69.7	57.4	21%	203.9	185.3	10%

## Excluding the Russia divestment, adj. EBIT increased:

- Adj. EBIT negatively impacted by softer volumes, negative currency impact 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 -7.5 million in Q3 2023 (EUR 35.6 million) and EUR -50.2 million in Q1-Q3 2023 (EUR 25.4 million).

2) Excluding IAC of EUR -15.7 million in Q3 2023 (EUR 31.8 million) and EUR -51.9 million in Q1-Q3 2023 (EUR 27.6 million).

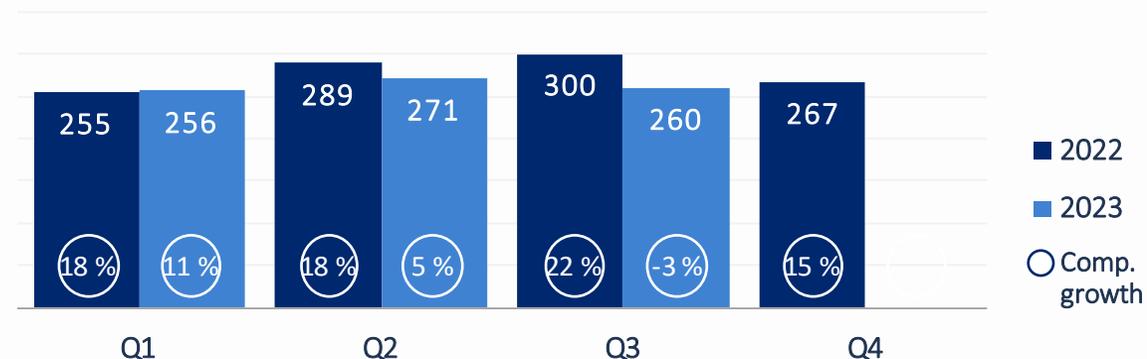
# Business segment review

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# Foodservice EAO: Softer comparable net sales growth

Key figures, MEUR	Q3 23	Q3 22	Change
Net sales	259.9	300.5	-14%
Comparable growth	-3%	22%	
Adjusted EBIT <sup>1</sup>	26.7	30.6	-13%
Margin	10.3%	10.2%	
Capital expenditure	4.5	19.9	-78%
Operating cash flow <sup>1</sup>	52.4	3.9	>100%

Net sales and comparable growth (EUR million & %)



Key figures, MEUR	Q1-Q3 23	Q1-Q3 22	Change
Net sales	787.0	844.0	-7%
Comparable growth	4%	20%	
Adjusted EBIT <sup>1</sup>	73.0	81.5	-10%
Margin	9.3%	9.7%	
Adjusted RONA	10.2%	10.7%	
Capital expenditure	42.2	77.7	-46%
Operating cash flow <sup>1</sup>	105.4	-1.3	>100%

- The demand for foodservice packaging softened slightly
- 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
- With the exception of paperboard, most raw material prices decreased
- Adjusted EBIT decreased due to lower volumes and the divestment of the business in Russia in September 2022

1) Excluding IAC of EUR -0.1 million in Q3 2023 (EUR 24.4 million) and EUR -2.1 million in Q1-Q3 2023 (EUR 20.9 million).

# North America: Continued solid performance

Key figures, MEUR	Q3 23	Q3 22	Change
Net sales	348.4	372.4	-6%
Comparable growth	1%	10%	
Adjusted EBIT <sup>1</sup>	45.9	41.8	10%
Margin	13.2%	11.2%	
Capital expenditure	28.0	17.8	57%
Operating cash flow <sup>1</sup>	48.1	28.6	69%

Net sales and comparable growth (EUR million & %)



Key figures, MEUR	Q1-Q3 23	Q1-Q3 22	Change
Net sales	1,079.8	1,084.7	-0%
Comparable growth	1%	16%	
Adjusted EBIT <sup>1</sup>	133.8	122.6	9%
Margin	12.4%	11.3%	
Adjusted RONA	17.7%	17.1%	
Capital expenditure	77.7	50.3	55%
Operating cash flow <sup>1</sup>	86.7	32.4	>100%

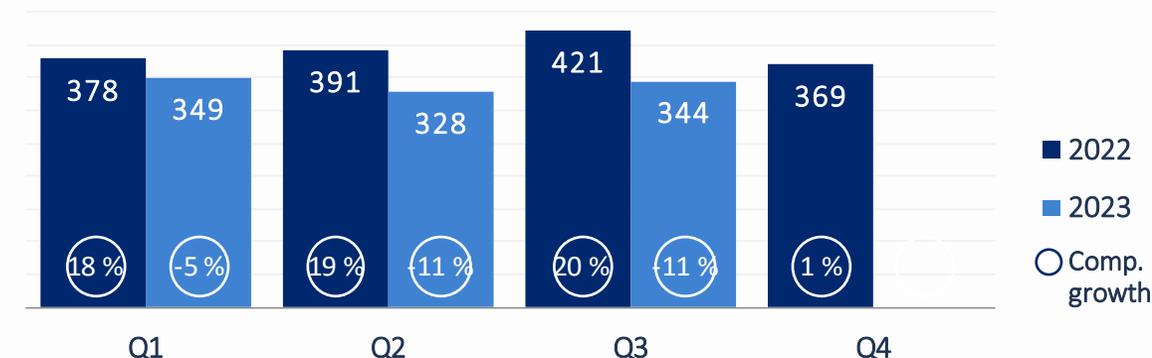
- Significant variations in demand across categories. Prices of most raw materials decreased
- Net sales decreased due to FX impact. Comparable net sales increased driven by pricing, despite softness in volumes. Comparable net sales increased in Foodservice, remained at the previous year's level in Consumer Goods and decreased in Retail
- Strong adjusted EBIT margin at 13.2%. Profit supported by operational efficiency and pricing, while lower sales volumes had a negative impact

1) Excluding IAC of EUR 0.0 million in Q3 2023 (EUR 0.0 million) and EUR 0.0 million in Q1-Q3 2023 (EUR 0.0 million).

# Flexible Packaging: Performance improving from H1 2023

Key figures, MEUR	Q3 23	Q3 22	Change
Net sales	344.2	420.6	-18%
Comparable growth	-11%	20%	
Adjusted EBIT <sup>1</sup>	24.7	26.3	-6%
Margin	7.2%	6.2%	
Capital expenditure	24.7	13.9	77%
Operating cash flow <sup>1</sup>	31.5	-2.4	>100%

Net sales and comparable growth (EUR million & %)



Key figures, MEUR	Q1-Q3 23	Q1-Q3 22	Change
Net sales	1,021.2	1,189.1	-14%
Comparable growth	-9%	19%	
Adjusted EBIT <sup>1</sup>	62.0	82.6	-25%
Margin	6.1%	6.9%	
Adjusted RONA	5.5%	7.6%	
Capital expenditure	63.5	35.3	80%
Operating cash flow <sup>1</sup>	57.0	-11.4	>100%

- Overall demand for flexible packaging softened slightly due to inflationary pressure on consumption. Most raw material prices decreased
- Net sales was impacted by a decrease in sales volumes, particularly in India and Europe, but increased in South-East Asia and Oceania
- Adjusted EBIT decreased, impacted by lower sales volumes and a negative sales mix
- Margin started to increase, supported by the execution of our improvement plan

1) Excluding IAC of EUR -3.0 million in Q3 2023 (EUR -4.8 million) and EUR -42.3 million in Q1-Q3 2023 (EUR -9.9 million).

# Fiber Packaging: Net sales growth continued with a strong margin

Key figures, MEUR	Q3 23	Q3 22	Change
Net sales	81.4	89.3	-9%
Comparable growth	4%	19%	
Adjusted EBIT <sup>1</sup>	10.2	8.5	19%
Margin	12.5%	9.6%	
Capital expenditure	12.5	5.5	>100%
Operating cash flow <sup>1</sup>	9.2	9.4	-2%

Net sales and comparable growth (EUR million & %)



Key figures, MEUR	Q1-Q3 23	Q1-Q3 22	Change
Net sales	254.3	275.6	-8%
Comparable growth	9%	14%	
Adjusted EBIT <sup>1</sup>	30.0	28.8	4%
Margin	11.8%	10.5%	
Adjusted RONA	14.8%	14.4%	
Capital expenditure	20.3	21.7	-6%
Operating cash flow <sup>1</sup>	22.4	32.5	-31%

- Overall demand for fiber-based egg packaging and food-on-the-go products remained stable in most markets. Main exception was South Africa, due to avian flu. The prices of recycled fiber decreased
- Comparable net sales growth driven by pricing and mix, whereas sales volumes decreased. Net sales decreased in Europe and increased in most other markets
- Adjusted EBIT increased significantly with a strong margin, while lower sales volumes and the divestment of the business in Russia had a negative impact

1) Excluding IAC of EUR -4.4 million in Q3 2023 (EUR 16.7 million) and EUR -5.5 million in Q1-Q3 2023 (EUR 16.4 million).

# Financial review



# Earnings impacted by lower net sales

MEUR	Q3 23	Q3 22	Change	Q1-Q3 23	Q1-Q3 22	Change
Net sales	1,037.2	1,178.4	-12%	3,136.0	3,375.4	-7%
Adjusted EBITDA <sup>1</sup>	149.0	153.2	-3%	430.6	453.6	-5%
<i>Margin<sup>1</sup></i>	<i>14.4%</i>	<i>13.0%</i>		<i>13.7%</i>	<i>13.4%</i>	
Adjusted EBIT <sup>2</sup>	100.3	101.5	-1%	285.1	301.7	-6%
<i>Margin<sup>2</sup></i>	<i>9.7%</i>	<i>8.6%</i>		<i>9.1%</i>	<i>8.9%</i>	
EBIT	92.8	137.1	-32%	234.9	327.2	-28%
Adjusted Net financial items <sup>3</sup>	-18.2	-17.1	-6%	-52.0	-36.7	-42%
Adjusted profit before taxes	82.2	84.4	-3%	233.1	265.1	-12%
Adjusted income tax expense <sup>4</sup>	-19.5	-21.1	7%	-55.0	-66.2	17%
Adjusted profit for the period <sup>5</sup>	62.6	63.3	-1%	178.1	198.8	-10%
Adjusted EPS, EUR <sup>5</sup>	0.57	0.59	-2%	1.64	1.84	-11%

## Reported tax rate high:

- Effective YTD rate ~30%, in adjusted terms below 24%
- The reported tax rate increased mainly in the Turkish operations, due to significant FX differences between the tax currency and the functional currency
- This has two separate impacts:
  - Current tax impact as EBIT in TRY is higher than in USD
  - Deferred tax impact due to FX changes in USD/TRY balance sheets
- Total impact on deferred tax liabilities is EUR 9.4 million. No cash impact, reported as IAC

1) Excluding IAC of EUR -3.5 million in Q3 2023 (EUR 37.3 million) and EUR -15.1 million in Q1-Q3 2023 (EUR 30.8 million).

2) Excluding IAC of EUR -7.5 million in Q3 2023 (EUR 35.6 million) and EUR -50.2 million in Q1-Q3 2023 (EUR 25.4 million).

3) Excluding IAC of EUR 1.2 million in Q3 2023 (EUR -4.8 million) and EUR 0.8 million in Q1-Q3 2023 (EUR -0.2 million).

4) Excluding IAC of EUR -9.4 million in Q3 2023 (EUR 1.0 million) and EUR -2.5 million in Q1-Q3 2023 (EUR 2.4 million).

5) Excluding IAC of EUR -15.7 million in Q3 2023 (EUR 31.8 million) and EUR -51.9 million in Q1-Q3 2023 (EUR 27.6 million).

# Currency impact clearly negative

	Average rate Q1-Q3 22	Average rate Q1-Q3 23	Change in average rate	Closing rates					Change in closing rate (YoY)
				Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	
USD	1.07	1.08	-2 %	0.97	1.06	1.09	1.09	1.05	-9%
INR	82.36	89.24	-8 %	79.31	88.23	89.36	89.71	87.64	-10%
GBP	0.85	0.87	-3 %	0.89	0.89	0.88	0.86	0.86	4%
CNY	7.02	7.62	-8 %	6.92	7.42	7.49	7.91	7.70	-11%
AUD	1.51	1.62	-8 %	1.50	1.59	1.63	1.65	1.65	-10%
THB	36.80	37.38	-2 %	36.95	36.88	37.25	38.93	38.66	-5%
BRL	5.47	5.43	1 %	5.25	5.54	5.55	5.30	5.31	-1%
NZD	1.65	1.75	-7 %	1.70	1.69	1.75	1.79	1.77	-4%
ZAR	16.95	19.87	-17 %	17.45	18.20	19.65	20.46	20.17	-16%
TRY	16.83	24.04	-43 %	18.00	19.93	20.87	28.48	28.90	-61%

## Foreign currency translation impact

### Q3 2023

(EUR million)

Net sales      EBIT

**-70**      **-7**

### Q1-Q3 2023

(EUR million)

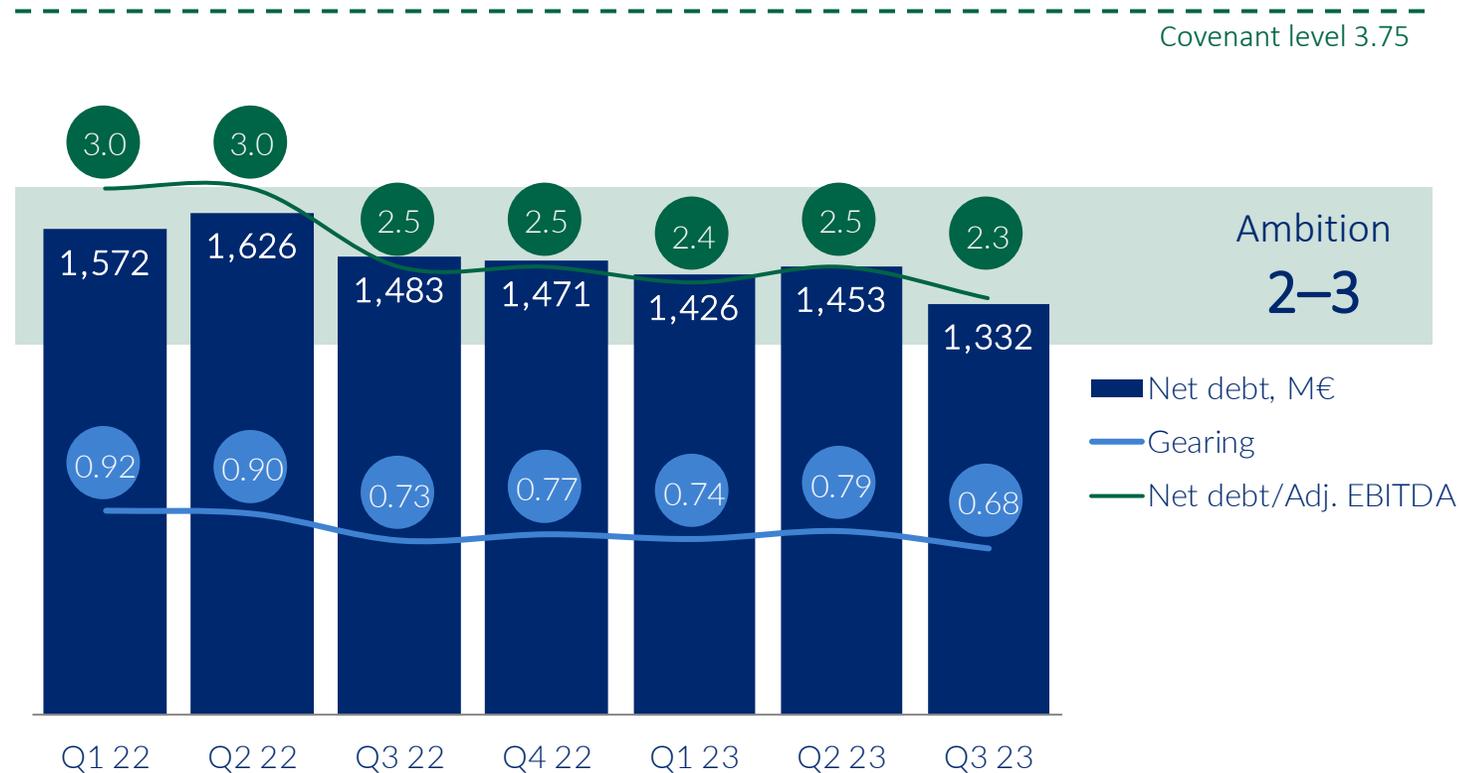
Net sales      EBIT

**-108**      **-9**

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

# Net debt to adjusted EBITDA decreased

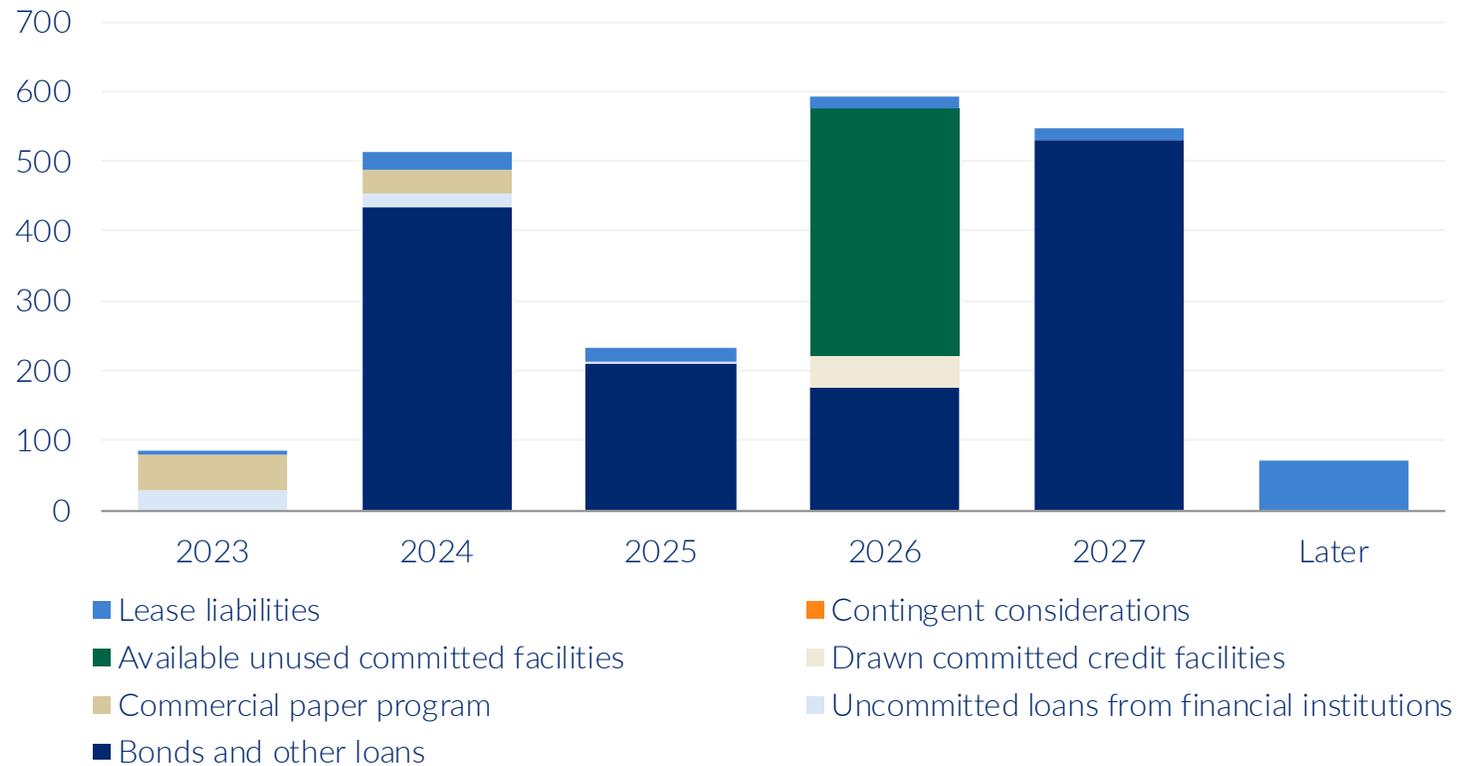
## Net debt, net debt/adj. EBITDA and gearing



- Net debt/Adj. EBITDA at **2.3**
- At the end of Q3 2023:
  - Cash and cash equivalents EUR 333 million
  - Unused committed credit facilities available EUR 353 million
- Net debt EUR 1,332 million

# Loan maturities

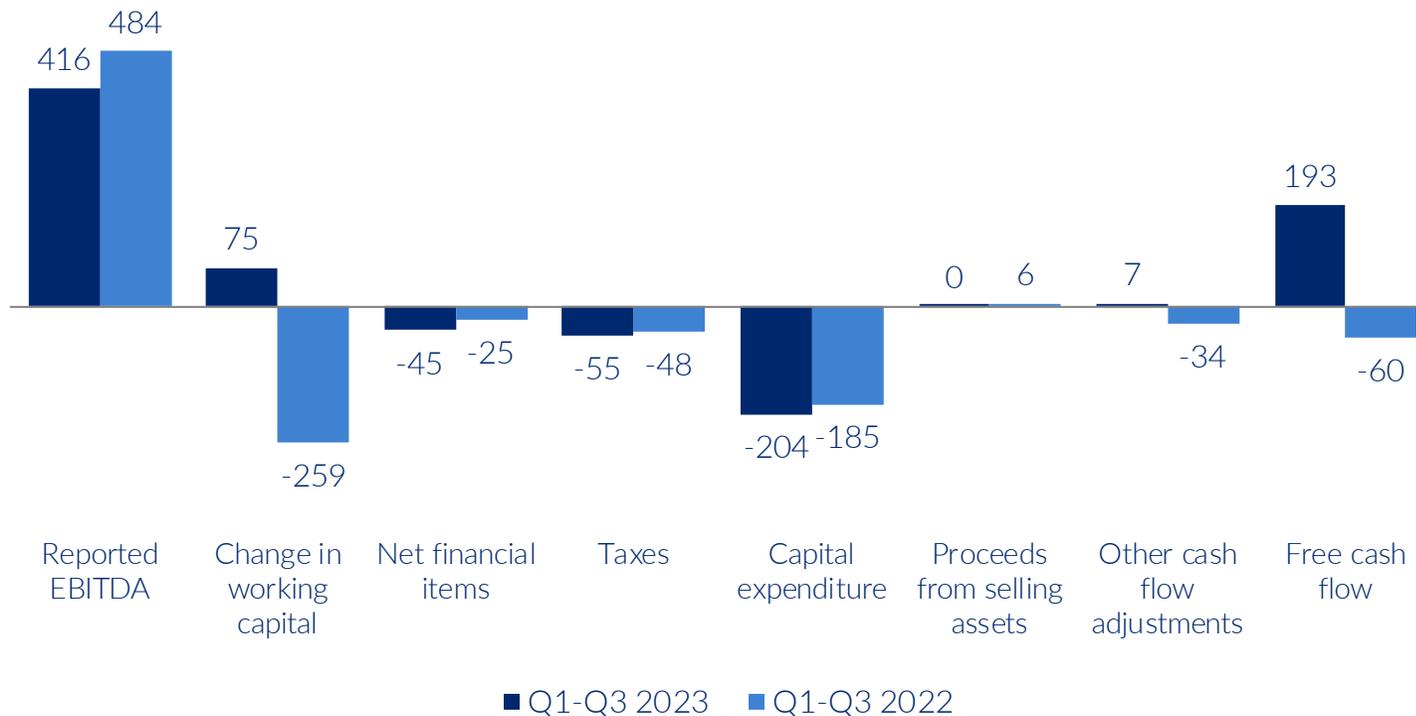
Debt maturity structure September 30, 2023  
(EUR million)



- Average maturity 2.4 years at the end of Q3 2023 (3.2 at the end of Q3 2022)
- Signed a EUR 125 million sustainability-linked term loan facility in May

# Strong free cash flow supported by working capital improvement

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

# Financial position improved

<i>MEUR</i>	Sep 2023	Sep 2022
Total assets	4,829	5,338
Operating working capital	788	970
Net debt	1,332	1,483
Equity & non-controlling interest	1,945	2,028
Gearing	0.68	0.73
Adjusted ROI <sup>1</sup>	10.6%	11.0%
Adjusted ROE <sup>1</sup>	12.9%	14.9%

- Operating working capital decreased thanks to lower inventories
- Financial position improved, driven by strong cash flow

1) Excluding IAC.

# Progress towards long-term financial ambitions

	2016	2017	2018	2019	2020	2021	2022	Q1-Q3 23	Long-term ambition
Organic growth	4%	3%	5%	6%	-2%	7%	15%	-1%	5-6%
Adjusted EBIT margin	9.4%	9.0%	8.1%	8.6%	9.1%	8.8%	8.8%	9.1%	10-12%
Adj. ROI	14.7%	13.6%	11.6%	12.3%	11.7%	11.3%	11.0%	10.6%	13-15%
Net debt/Adj. EBITDA	1.8	1.8	2.3	2.0	1.8	3.1	2.5	2.3	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.

# Reporting schedule in 2024

**February 8, 2024**

Results 2023

**April 25, 2024**

Q1 2024 Interim Report,  
Annual General Meeting

**July 25, 2024**

Half-yearly Report 2024

**October 24, 2024**

Q3 2024 Interim Report

Week commencing

**February 26, 2024**

Annual Report 2023

# Disclaimer

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