

Strong profitability improvement

Interim Report Q3 2020

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Huhtamaki



Our operating
environment



Huhtamaki

Safeguarding the safety of our employees and business continuity remains our number one priority

Impact on our employees

- Slowdown in number of cases
- Maintain very stringent health, safety and hygiene measures in our operations
- Manufacturing premises all up and running
- Gradually transitioning to a “new normal”



COVID-19 continues to impact the business, but to a lesser extent than in the spring

Gradual recovery in the short-term demand

- After a fast recovery trend in June and July, foodservice demand remained below normal level in Q3
- Demand for flexible packaging remains resilient, still lower than expected in emerging markets
- Strong continued demand for Fiber packaging and retail tableware

Other factors possibly impacting the business mid-term

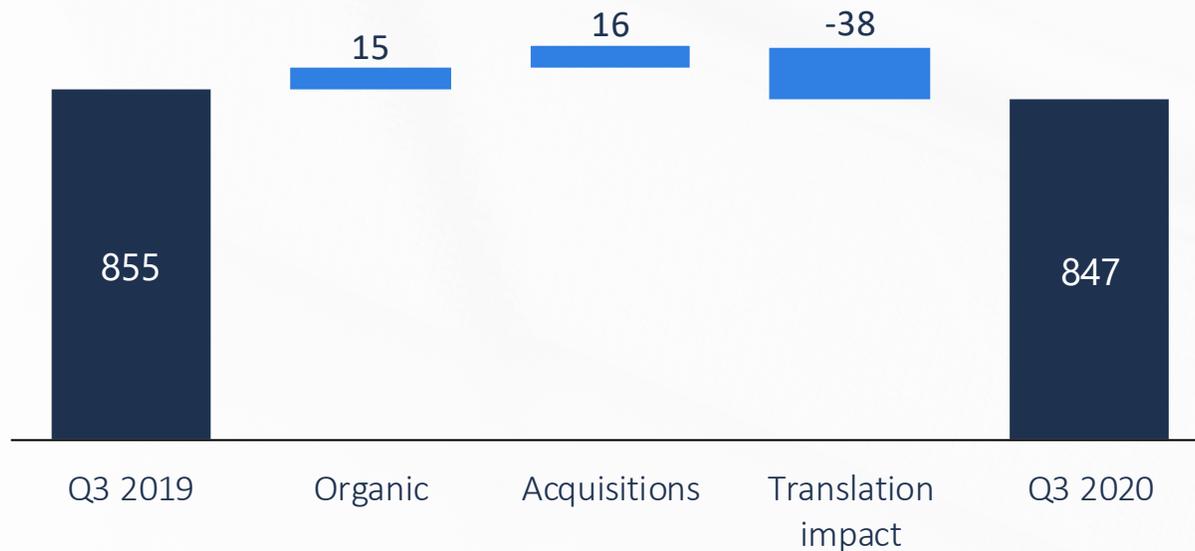
- Managing capacity against continued uncertainty on foodservice
- Food delivery and online shopping is accelerating
- Acceleration of sustainability regulatory agenda
- Opportunities in innovation, particularly in sustainable solutions

Business performance



Q3 2020: Food on-the-shelf offset the lower demand of food on-the-go

Development of net sales in Q3 2020
(EUR million)



Net sales growth -1% in Q3 2020

- Comparable net sales growth 2% (-2% in emerging markets)
- 2% from acquisitions
- 5% negative 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.

Food on-the-shelf packaging continued to grow, food on-the-go impacted by COVID-19

<i>Comparable growth</i>	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q1-Q3 19	Q1-Q3 20	Long-term ambitions
Foodservice E-A-O	4%	4%	-4%	-28%	-1%	4%	-11%	5-7%
North America	14%	6%	9%	-5%	4%	11%	2%	3-5%
Flexible Packaging	4%	3%	2%	2%	1%	3%	2%	6-8%
Fiber Packaging	7%	8%	9%	10%	7%	6%	9%	3-5%
Group	7%	5%	3%	-8%	2%	6%	-1%	5+%

- COVID-19 continued to affect foodservice business globally
- Strong growth continued in retail tableware in North America
- Solid demand for food on-the-shelf products, however with continued volatility in some markets

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

Increased adjusted EBIT and improved margin with flat sales

<i>MEUR</i>	Q3 20	Q3 19	Change	Q1-Q3 20	Q1-Q3 19	Change
Net sales	847.3	854.9	-1%	2,489.0	2,524.3	-1%
Adjusted EBIT ¹	85.5	72.3	18%	229.2	218.4	5%
<i>Margin</i>	10.1%	8.5%		9.2%	8.7%	
Adjusted EPS, EUR ²	0.56	0.45	25%	1.46	1.40	5%
Capital expenditure	40.6	54.6	-26%	120.3	132.9	-10%

- Net sales at previous year’s level, with variation between portfolios
- Increase in EBIT driven by mix impact and cost management
- Increase in adjusted EPS following improvement in earnings, mitigated by higher tax rate
- Significant decrease in capex, mostly timing-related

1) Excluding IAC of EUR -20.9 million in Q3 2020 (EUR -4.6 million) and EUR -11.8 million in Q1-Q3 2020 (EUR -5.2 million).

2) Excluding IAC of EUR -13.8 million in Q3 2020 (EUR -3.6 million) and EUR -6.8 million in Q1-Q3 2020 (EUR -4.1 million).

Business segment review



Foodservice EAO: Continued COVID-19 driven decrease in sales and earnings

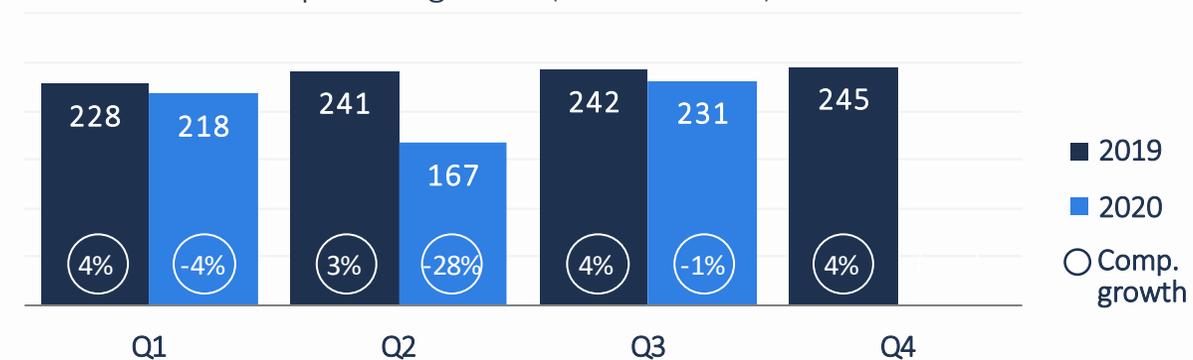
Key figures, MEUR

	Q3 20	Q3 19	Change
Net sales	230.8	242.4	-5%
Comparable growth	-1%	4%	
Adjusted EBIT ¹	21.7	22.7	-4%
Margin	9.4%	9.4%	
Capital expenditure	12.6	19.8	-37%
Operating cash flow ¹	25.9	21.1	23%

Key figures, MEUR

	Q1-Q3 20	Q1-Q3 19	Change
Net sales	615.6	711.4	-13%
Comparable growth	-11%	4%	
Adjusted EBIT ¹	45.3	64.7	-30%
Margin	7.4%	9.1%	
Adjusted RONA	8.5%	11.4%	
Capital expenditure	47.1	48.7	-3%
Operating cash flow ¹	30.0	44.5	-33%

Net sales and comparable growth (EUR million & %)



- COVID-19 continued to have a significant negative impact on demand
 - Demand improved gradually during the quarter but remained low
- Net sales decreased in most main markets, however partly compensated by customers restocking, face shields and face masks (Huhta Mask)
- Continued actions addressing cost in line with demand together with favorable mix supported earnings
 - Close-down of manufacturing operations in New Zealand

1) Excluding IAC of EUR -17.3 million in Q3 2020 (EUR -0.1 million) and EUR -19.4 million in Q1-Q3 2020 (EUR -0.3 million).

North America: Strong performance throughout the year

Key figures, MEUR	Q3 20	Q3 19	Change
Net sales	282.6	287.0	-2%
Comparable growth	4%	14%	
Adjusted EBIT ¹	36.0	25.3	42%
Margin	12.7%	8.8%	
Capital expenditure	13.9	14.6	-5%
Operating cash flow ¹	48.8	43.5	12%

Net sales and comparable growth (EUR million & %)



Key figures, MEUR	Q1-Q3 20	Q1-Q3 19	Change
Net sales	864.9	849.0	2%
Comparable growth	2%	11%	
Adjusted EBIT ¹	104.4	78.3	33%
Margin	12.1%	9.2%	
Adjusted RONA	16.4%	11.5%	
Capital expenditure	35.7	38.7	-8%
Operating cash flow ¹	128.0	80.6	59%

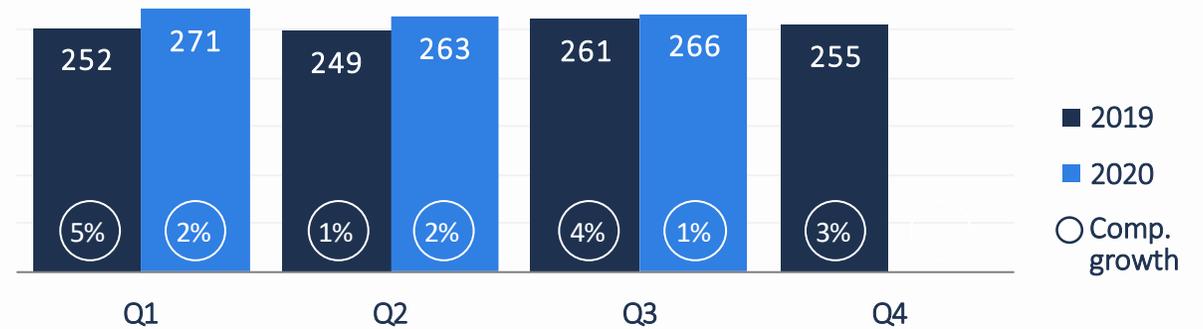
- Continued strong growth in retail tableware and in-home ice cream consumption, while demand for foodservice packaging still impacted by COVID-19
- Higher than usual demand for retail tableware has decreased inventory levels, which restricts sales in the seasonally strong Q4
- Earnings improved as a result of the continuation of the margins established in 2019 and favorable sales mix

1) Excluding IAC of EUR -3.2 million in Q3 2020 (EUR -3.0 million) and EUR -6.6 million in Q1-Q3 2020 (EUR -3.0 million).

Flexible Packaging: Growth still somewhat hampered by COVID-19

Key figures, MEUR	Q3 20	Q3 19	Change
Net sales	266.0	260.7	2%
Comparable growth	1%	4%	
Adjusted EBIT ¹	22.7	20.6	10%
Margin	8.5%	7.9%	
Capital expenditure	7.5	9.9	-24%
Operating cash flow ¹	29.3	23.6	24%

Net sales and comparable growth (EUR million & %)



Key figures, MEUR	Q1-Q3 20	Q1-Q3 19	Change
Net sales	800.0	761.3	5%
Comparable growth	2%	3%	
Adjusted EBIT ¹	62.7	63.8	-2%
Margin	7.8%	8.4%	
Adjusted RONA	10.3%	11.1%	
Capital expenditure	23.0	29.2	-21%
Operating cash flow ¹	38.4	39.4	-3%

- Good demand for flexible packaging across most markets, but lower in Europe due to reversal of consumer-led stocking in Q2 2020
- Growth was strongest in South East Asia. Sales growth in India was moderated by impacts from COVID-19.
- Earnings increased driven by cost management actions and lower raw material prices
- Growth and earnings were supported by recent acquisitions

1) Excluding IAC of EUR -0.7 million in Q3 2020 (EUR -0.1 million) and EUR -5.7 million in Q1-Q3 2020 (EUR -0.1 million).

Fiber Packaging: Moderate growth in sales and solid profitability

Key figures, MEUR	Q3 20	Q3 19	Change
Net sales	72.2	68.2	6%
Comparable growth	7%	7%	
Adjusted EBIT ¹	8.0	7.1	13%
Margin	11.1%	10.4%	
Capital expenditure	6.5	10.1	-35%
Operating cash flow ¹	3.0	1.1	>100%

Net sales and comparable growth (EUR million & %)

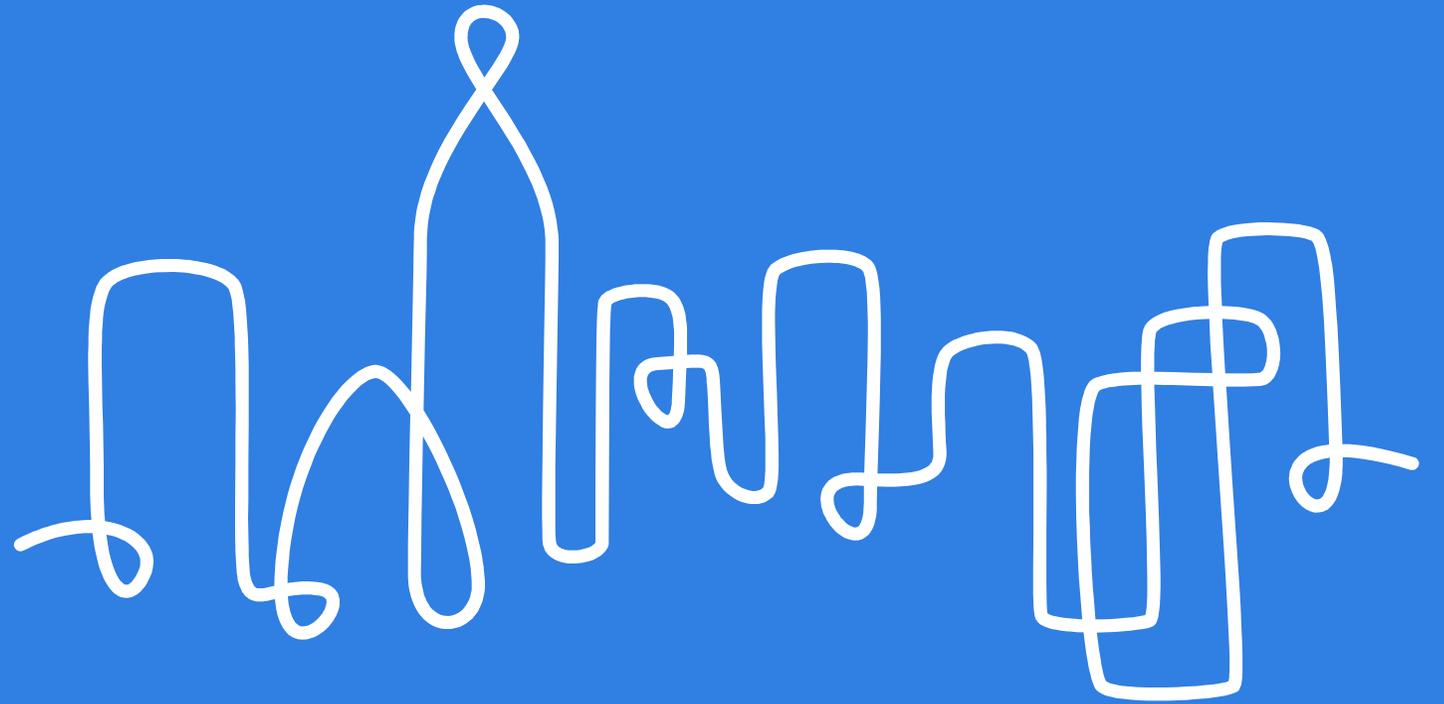


Key figures, MEUR	Q1-Q3 20	Q1-Q3 19	Change
Net sales	222.5	217.3	2%
Comparable growth	9%	6%	
Adjusted EBIT ¹	24.8	21.6	15%
Margin	11.1%	9.9%	
Adjusted RONA	13.7%	13.3%	
Capital expenditure	14.2	15.8	-10%
Operating cash flow ¹	10.3	14.6	-29%

- Strong demand across markets, especially in egg packaging and following continued plastic substitution
- Net sales increased especially in Europe
- Earnings improvement driven by volume growth

1) Excluding IAC of EUR -0.2 million in Q3 2020 (EUR -1.0 million) and EUR -1.7 million in Q1-Q3 2020 (EUR -1.0 million).

Financial review



Improvement in earnings with unchanged net sales

MEUR	Q3 20	Q3 19	Change	Q1-Q3 20	Q1-Q3 19	Change
Net sales	847.3	854.9	-1%	2,489.0	2,524.3	-1%
Adjusted EBITDA ¹	127.2	113.5	12%	356.3	339.0	5%
Margin ¹	15.0%	13.3%		14.3%	13.4%	
Adjusted EBIT ²	85.5	72.3	18%	229.2	218.4	5%
Margin ²	10.1%	8.5%		9.2%	8.7%	
EBIT	64.7	67.7	-4%	217.4	213.2	2%
Net financial items	-4.2	-6.9	40%	-21.7	-22.6	4%
Adjusted profit before taxes	78.4	65.4	20%	204.5	195.8	4%
Adjusted income tax expense ³	-17.6	-16.0	-10%	-46.0	-44.1	-4%
Adjusted profit for the period ⁴	60.7	49.4	23%	158.5	151.7	4%
Adjusted EPS, EUR ⁴	0.56	0.45	25%	1.46	1.40	5%

- Earnings improvement driven by favorable sales mix in North America and positive impacts from price management in 2019
- Net financial items positively impacted by reversal of contingent consideration related to acquisition (EUR 3 million)
- Higher reported tax in Q1-Q3 2020 with adjusted tax rate 23% (23% in Q1-Q3 2019)

1) Excluding IAC of EUR -7.1 million in Q3 2020 (EUR -4.6 million) and EUR 6.8 million in Q1-Q3 2020 (EUR -5.2 million).

2) Excluding IAC of EUR -20.9 million in Q3 2020 (EUR -4.6 million) and EUR -11.8 million in Q1-Q3 2020 (EUR -5.2 million).

3) Excluding IAC of EUR -4.0 million in Q3 2020 (EUR -1.1 million) and EUR -2.0 million in Q1-Q3 2020 (EUR -1.2 million).

4) Excluding IAC of EUR -13.8 million in Q3 2020 (EUR -3.6 million) and EUR -6.8 million in Q1-Q3 2020 (EUR -4.1 million).

Impact from currencies turned negative

	Average rate	Average rate	Change in average rate	Closing rates					Change in closing rate (Q3 vs. Q3)
	Q1-Q3 2019	Q1-Q3 2020		Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	
USD	1.12	1.12	0%	1.09	1.12	1.10	1.13	1.17	-7%
INR	78.86	83.39	-5%	77.07	79.81	83.50	85.19	86.28	-11%
GBP	0.88	0.88	0%	0.89	0.85	0.89	0.92	0.91	-2%
CNY	7.71	7.86	-2%	7.79	7.82	7.83	7.98	7.98	-2%
AUD	1.61	1.66	-3%	1.62	1.60	1.80	1.64	1.64	-1%
THB	35.20	35.41	-1%	33.51	33.47	36.08	34.85	36.99	-9%
RUB	73.15	79.79	-8%	70.37	69.28	88.14	78.92	92.16	-24%
BRL	4.36	5.70	-23%	4.55	4.51	5.65	6.11	6.60	-31%
NZD	1.69	1.76	-4%	1.74	1.66	1.84	1.75	1.77	-2%
ZAR	16.13	18.79	-14%	16.48	15.74	19.73	19.43	19.87	-17%

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

Foreign currency translation impact

Q3 2020

(EUR million)

Net sales

-38

EBIT

-4

Q1-Q3 2020

(EUR million)

Net sales

-37

EBIT

-3

Net debt decreased compared to Q3 2019 and Q2 2020

Net debt, net debt/adj. EBITDA and gearing

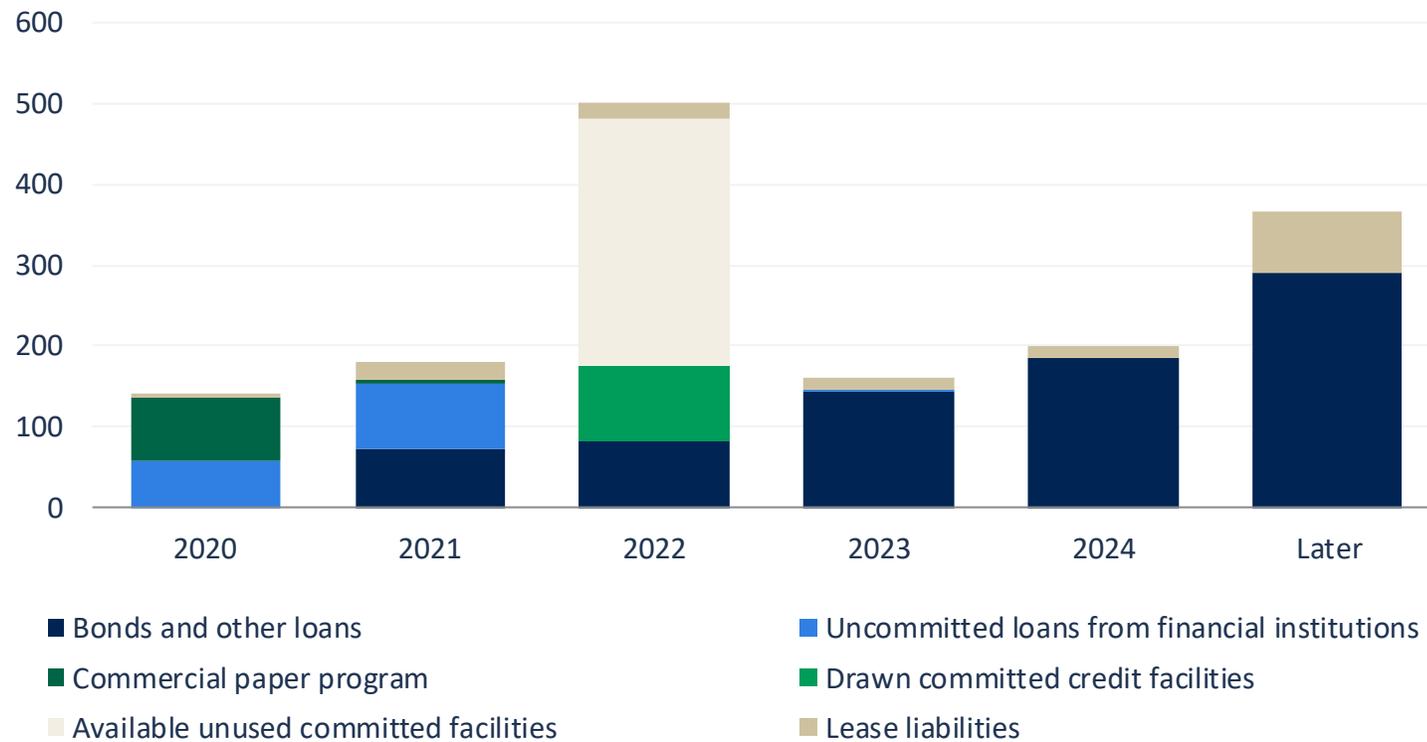


1) Covenant level is excluding IFRS 16 lease liabilities.

- Net debt/Adj. EBITDA at 1.9
- At the end of Q3 2020:
 - Cash and cash equivalents EUR 315 million
 - Unused committed credit facilities available EUR 306 million
- Net debt EUR 896 million and lease liabilities EUR 152 million
 - The dividend (EUR 93 million in total) was paid out in September

Loan maturities

Debt maturity structure September 31, 2020
(EUR million)

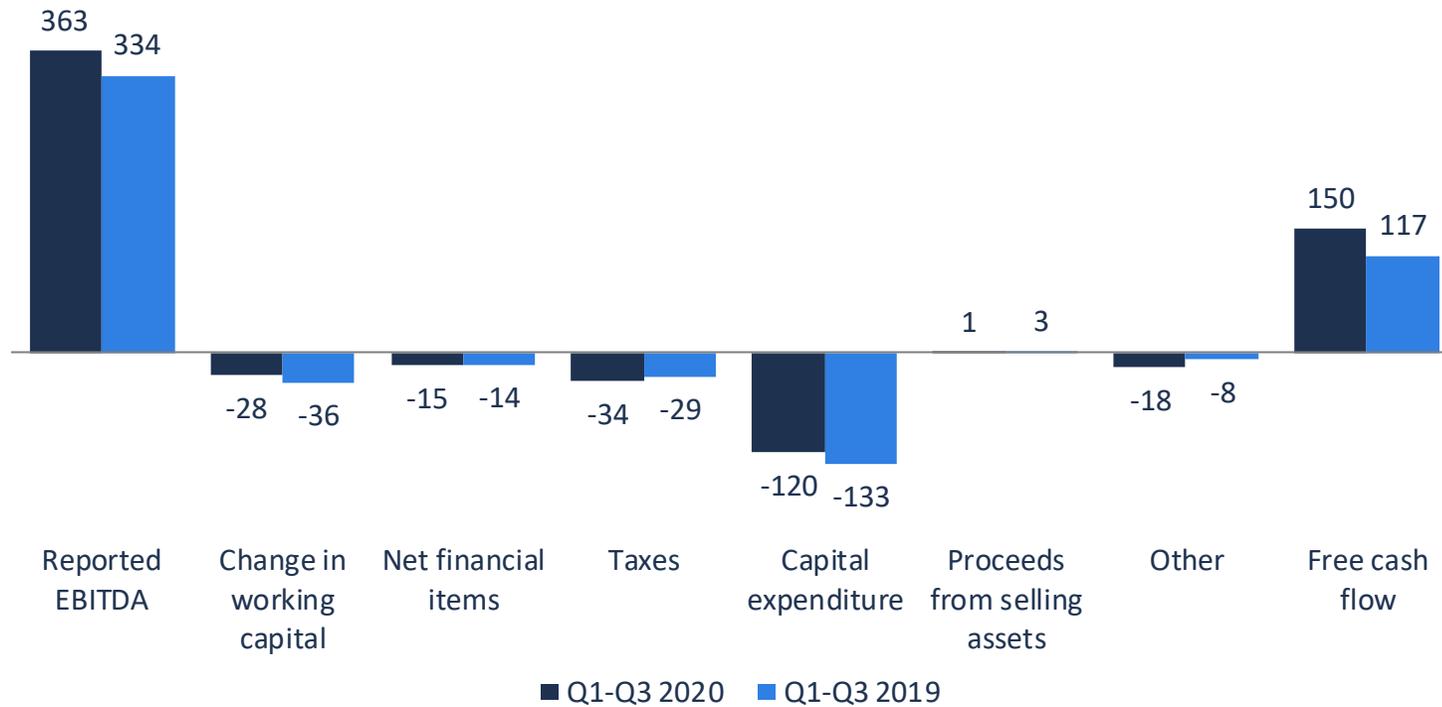


- Average maturity 3.0 years at the end of Q3 2020 (3.0 at Q3 2019)
- Unused committed credit facilities of EUR 306 million maturing in 2022

1) Funds paid on July 3, 2020

Higher free cash flow

Free cash flow bridge
(EUR million)



Cash flow driven by:

- Higher EBITDA despite impact from COVID
- Laminor gain of ~20 MEUR is recognized as non-cash in 'Other'
- Capex in Q3 2020 EUR 13 million lower than in Q3 2019

Stable financial position

<i>MEUR</i>	Sep 2020	Sep 2019
Total assets	3,685	3,473
Operating working capital	590	649
Net debt	896	944
Equity & non-controlling interest	1,379	1,385
Gearing	0.65	0.68
Adjusted ROI ¹	11.9%	12.0%
Adjusted ROE ¹	14.9%	15.2%

- Higher total assets following growth
- Net debt decreased and gearing improved

1) Excluding IAC.

Progress towards long-term financial ambitions

	2014	2015	2016	2017	2018	2019	Q1-Q3 2020	Long-term ambition
Organic growth	6%	4%	4%	3%	5%	6%	-1%	5+%
Adjusted EBIT margin	7.8%	8.7%	9.4%	9.0%	8.1%	8.6%	9.2%	10+%
Net debt/Adj. EBITDA	1.0	1.6	1.8	1.8	2.3	2.0	1.9	2-3
Dividend payout ratio	47%	40%	40%	42%	50%	47%		40-50%

- The long-term ambitions were updated at the Strategy Update on March 23, 2020
- A dividend of EUR 0.89 per share (for fiscal year 2019) was paid out on September 25, 2020

FY 2018 figures restated for IFRS 16 impact

Looking forward



Huhtamaki

Outlook 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.

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.

Financial calendar

November 9, 2020

Founder's Week:

**Building our sustainability
legacy**

Virtual event.

February 11, 2021

Results 2020

Week commencing

March 1, 2021

Annual Accounts

February 11, 2021

Q1 2020 Interim Report &
Annual General Meeting

July 22, 2021

Half-yearly Report

October 21, 2021

Q3 2020 Interim Report

Disclaimer

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