Huhtamaki 2016

Annual Accounts and Directors' Report

Contents

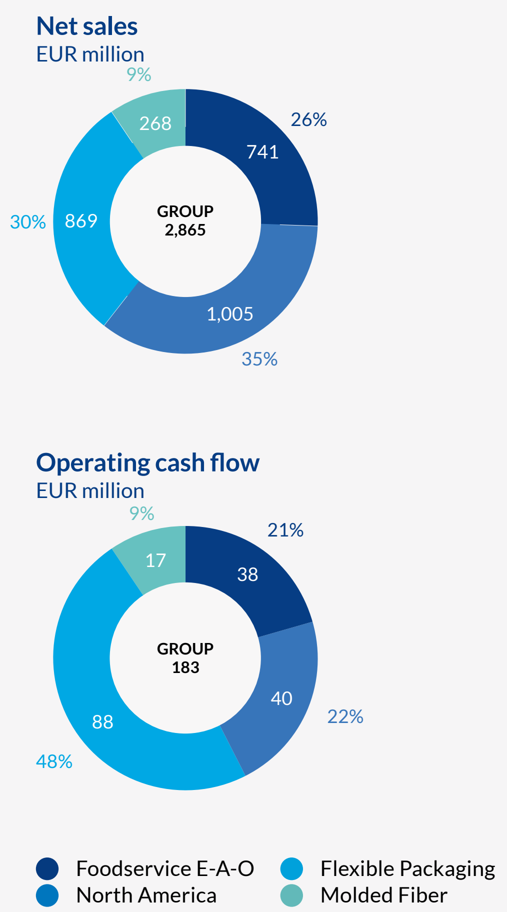
With our global network of manufacturing and sales units, we're well placed to support our customers' growth wherever they operate. Mastering three distinctive technologies we develop and make packaging that helps great products reach more people, more easily.

Huhtamaki 2016 in figures

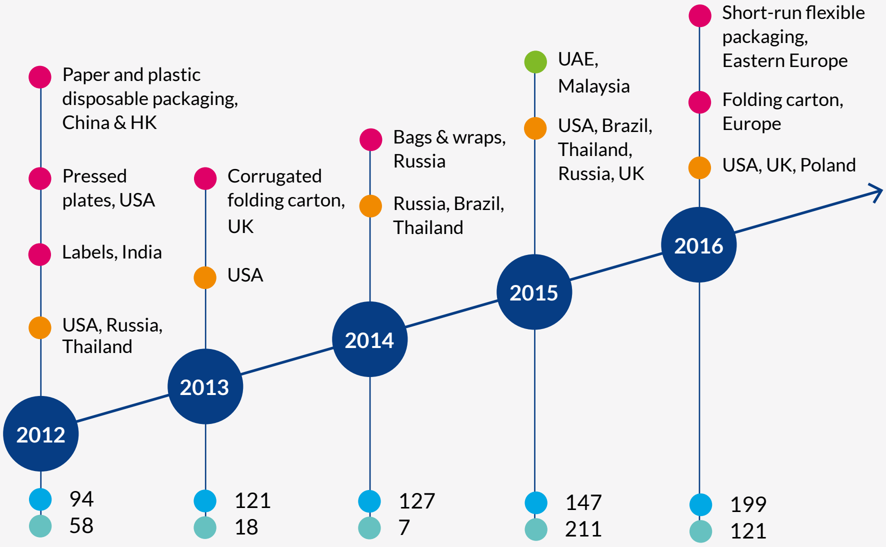
€ 2.9 billion
Net sales

17,076
Number of employees

€ 1.83
Adjusted earnings per share



Business segments' net sales include internal sales of EUR 18 million in total.
EBIT is presented excluding items affecting comparability.
Group's EBIT includes Other Activities EBIT of EUR -11 million.

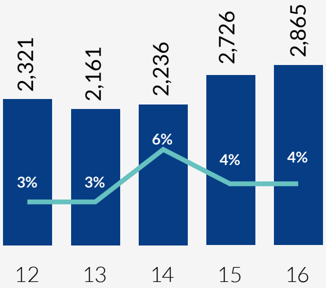


Growth investments € 320 million in 2016

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

Net sales

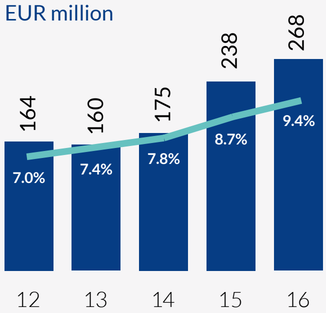
EUR million



- Net sales
- Comparable growth

EBIT

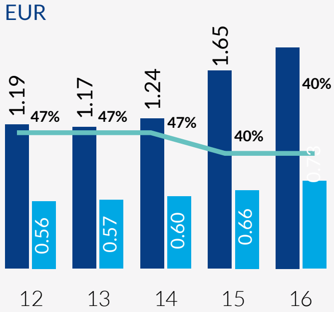
EUR million



- EBIT
- EBIT margin

Earnings and dividend per share

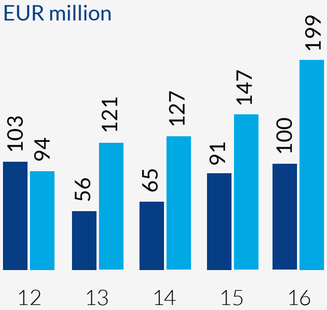
EUR



- Earnings per share
- Dividend per share
- Payout ratio

Free cash flow and capital expediture

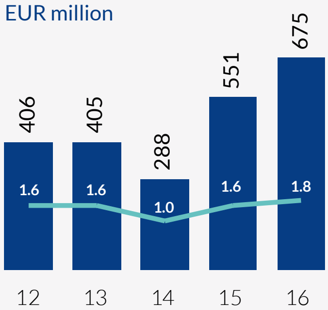
EUR million



- Free cash flow
- Capital expenditure

Net debt

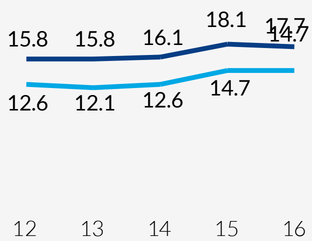
EUR million



- Net debt
- Net debt / EBITDA

Return on investment and equity

%



- Return on equity (ROE)
- Return on investment (ROI)

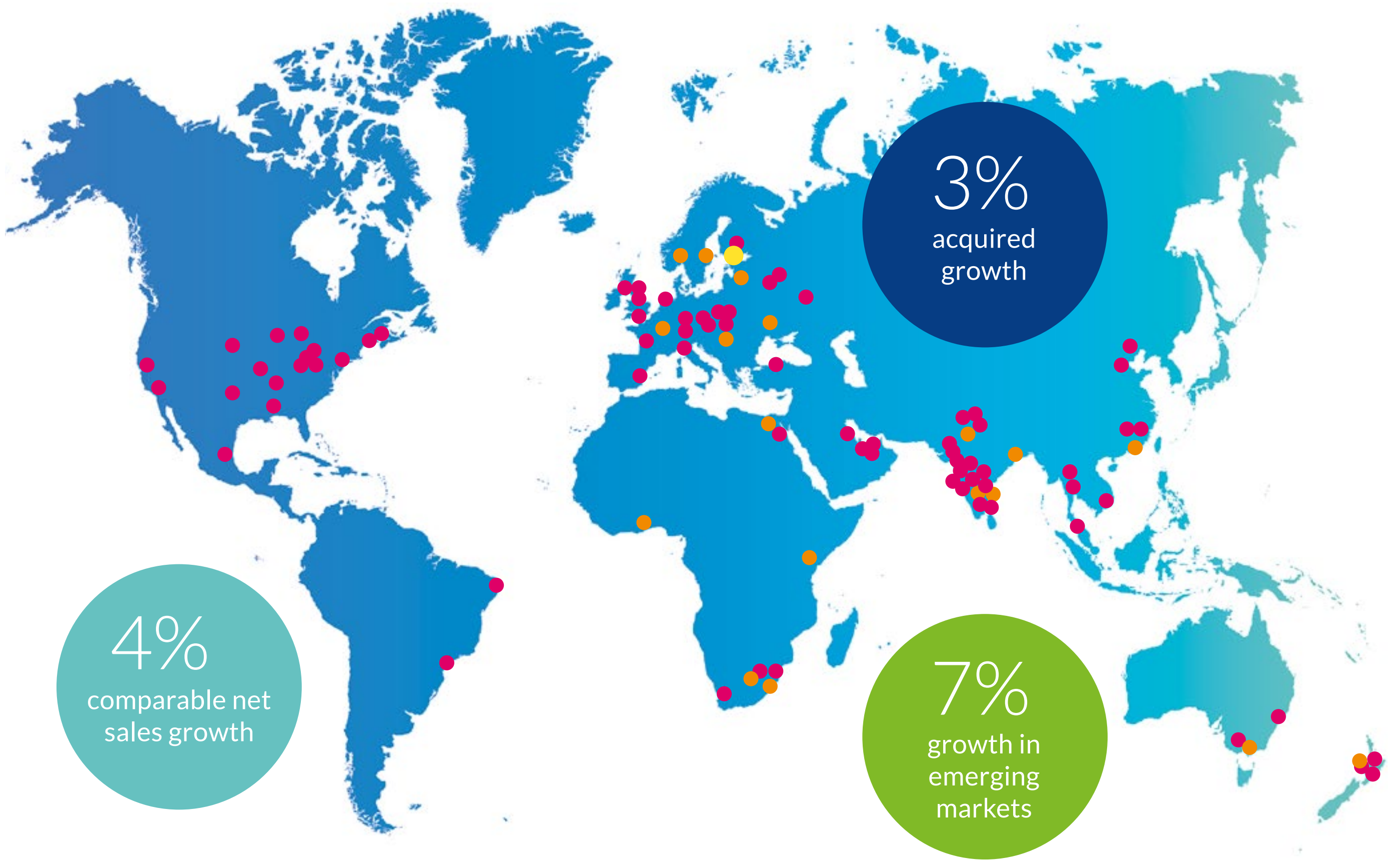
EBIT, EBIT margin, EPS, net debt / EBITDA, ROI and ROE are presented excluding items affecting comparability. 2016 dividend as proposed by the Board of Directors. 2013–2015 figures are for continuing operations and 2012 figures as restated in February 2013.

The global specialist in packaging for food and drink

Our **foodservice** business serves quick service and fast casual restaurants, convenience stores, coffee shops, cafeterias and vending operators. We offer single and double wall paper cups, paper and plastic plates and bowls, plastic cups, cutlery and food-to-go packaging. We're a pioneer in exploring and using new, more sustainable materials, such as bio-plastics.

Our **molded fiber** business uses recycled fiber derived from newspapers, magazines and other paper products to produce new packaging. We offer egg cartons, fruit trays and cup carriers to protect, preserve and help with the handling of these delicate food products.

Our **flexible packaging** business produces innovative, high-quality packaging and labels for food and drink, pet food, household and hygiene products, as well as pharmaceuticals. We provide food safety, material saving and specialized printing and branding opportunities for global and local brands that are part of our everyday life.



● Manufacturing unit ● Sales unit ● Head office

"In 2017, we will advance our growth by building new capacity on four continents."

Jukka Moisio
CEO

Huhtamaki had another record year in 2016. Our net sales and profitability reached all-time high levels and met the mid-term ambitions set in early 2015. We are pleased with the results and I would like to thank all Huhtamaki team members for this achievement. At the same time, we recognize that there are many significant opportunities to further improve our performance. In 2017, we will advance our growth by building new capacity on four continents. Implementing these growth plans successfully, commercially as well as technically, will further improve our competitiveness and capability to serve our customers.

The business environment in 2016 was mixed. Some markets like Eastern Europe had demand growth and developed well, while other markets like the Middle East and Africa had issues ranging from political uncertainty to the availability of hard currency. Despite this large variation between markets, Huhtamaki advanced well and our comparable growth at 4% was within our ambition. In North America, we had a good year with 6% growth and in the emerging markets our net sales growth was on aggregate 7%. Growth in Western Europe remained moderate and the sentiment was not helped by various political decisions, including the Brexit in June, 2016. Worldwide, political uncertainty is likely to continue in 2017.

Population growth, higher middle class income, and an increasing number of people living in cities are all trends that contribute to food packaging growth. Eating and drinking should be easy, enjoyable, safe, and informative. Packaging facilitates this and presents the product and the brand in the best possible way. Well-functioning food packaging is also material efficient, recyclable and preferably from renewable raw materials, as well as optimized for the manufacturing and logistics processes.

For Huhtamaki, the many dimensions and expectations for packaging open significant opportunities to develop products, solutions, and services. We aim to ensure that our offering is innovative and aligned with our customers' expectations. We work with incremental, as well as game changing innovations, and our ambition is that new or modified products make up approximately 25% of our net sales. Innovations can be manufacturing process changes, material and design changes, or completely new solutions or combinations thereof. The important parameter is that there is a competitive benefit for our customers and us.

Huhtamaki's strategy implementation continued to progress well in 2016. We achieved our mid-term ambitions during the year and consequently launched new ambition levels for the long term at our Capital Markets Day (CMD) in November, 2016. Growth is at the core of our strategy and we aim to deliver growth from organic investments, as well as from acquired businesses. In addition, we aim to improve our profitability further and maintain our financial stability.
Our purpose "helping great products reach more people, more easily" and our ambition to be "the preferred global food packaging brand" are the foundations for our competitive strategy. The DNA of Huhtamaki includes a strong development orientation, and since its beginning, the company has been engaged in growing and developing businesses with controlled risk-taking and forward-looking investments that help our customers serve their markets better. In 2016, we brought new production lines and investments on stream and decided on several organic growth actions with long term contribution to our competitiveness.

We achieved an all-time high EPS* of

€ 1.83

**Excluding items affecting comparability.*

The most important of the new initiatives is building a manufacturing and distribution facility in Goodyear, Arizona to service the U.S. West Coast and Southwest customers. We will also build a new plant in Egypt, expand our geographic presence in India, and expand our current facility in China.

Acquired growth forms another part of our development orientation. In 2016, we made four acquisitions that help us serve our customers better. The most important acquisition in 2016 was Delta Print and Packaging, based in Northern Ireland and Poland, which extended our European product portfolio to folded carton food packaging. In addition, we expanded our geographic reach and manufacturing capability through acquiring a flexible packaging company in the Czech Republic and a foodservice packaging company in India. We also increased our ownership in a long-standing joint-venture in Saudi Arabia and are currently in the process of expanding its geographic coverage and product portfolio.

We have introduced an important new element to drive better performance: enhanced collaboration between our teams to share best practices, improve consistency, and make best Huhtamaki know how faster available to customers. Collaboration was advanced through four excellence streams – sourcing, operational, innovation and commercial. At the end of 2016, we introduced two more excellence streams, people and corporate responsibility, with which we expect to achieve important future benefits. An improved approach to leadership and people development further helps collaboration and achieving higher performance.

Financially, we performed well in 2016. We reported good net sales growth at 5% of which 4% was like-for-like organic growth, 3% acquired growth, and -2% was negatively contributed by currency conversion. Profitability was at a good level and we reported all-time high EBIT, EBIT percentage, and earnings per share excluding items affecting comparability. Return on equity excluding items affecting comparability was 17.7%, return on investment 14.7%, and free cash flow EUR 100 million. Good financial results maintain financial solidity that gives us an opportunity to develop our business through investments and acquisitions while paying a predictable dividend. Our net debt/EBITDA ratio at the year-end was 1.8 despite four acquisitions and a strong growth oriented capital expenditure program in 2016.

Our corporate responsibility agenda consists of four main themes: packaging we make, our supply chain, our manufacturing operations, and our people. We have set specific targets and action plans for each theme and we will report our progress in a separate Corporate Responsibility report that will be published in April, 2017. Workplace safety is an important focus area and although our key workplace safety indicators deteoriorated slightly compared to the previous year, they remain at a good level. Our lost work day injury frequency, the number of accidents per one million hours worked, was 2.8. The lost day rate, which measures incident severity via lost hours per every million hours worked, was 868. It is very important to us that working at Huhtamaki is safe!

We achieved another record year in 2016. We are thankful for the continued support we have received from our customers, suppliers, and other stakeholders in 2016. We will continue the progress in 2017 towards our ambition of becoming the preferred global food packaging brand.

Jukka Moisio
CEO

February 2017

Directors' Report 2016

Overview

Despite a mixed business environment and large variation between markets during 2016, the Group advanced well. Demand for food packaging continued to grow in Eastern Europe, North America and Southeast Asia. In Middle East and Africa demand was negatively affected by political uncertainty and availability of hard currency. In Western Europe demand growth was moderate. Prices of resin-based raw materials and paperboard remained relatively stable during the year, while prices for recycled fiber were on a somewhat higher level compared to previous year. Currency translation impact on the Group's net sales and earnings was negative. The majority of the negative currency impact came from the weakening of emerging market currencies and the pound sterling versus euro.

The Group's net sales grew to EUR 2,865 million (EUR 2,726 million). Comparable net sales growth was 4% in total and 7% in emerging markets. The Group's profitability improved with Adjusted EBIT* being EUR 268 million (EUR 238 million) and reported EBIT EUR 266 million (EUR 215 million). Adjusted EBIT margin* was 9.4% (8.7%) and Adjusted earnings per share (EPS)* were EUR 1.83 (EUR 1.65). The Group's free cash flow also improved compared to 2015 and was EUR 100 million (EUR 91 million). The Group's financial position remains strong, supporting its future growth ambitions.

During the year the Group continued its growth strategy in food and drink packaging. Four acquisitions were completed during the year, the largest of them a folding carton packaging manufacturer based in Northern Ireland and Poland. The Group also continued significant investments in organic growth and announced several projects to build new manufacturing units, for example in Arizona, the U.S., and in Egypt.

Strategic review 2016

During 2016 the Group continued its growth strategy in food and drink packaging. All of the businesses now concentrate on food and drink packaging, or niches where the food contact expertise and capabilities, such as clean manufacturing and product safety, are required and bring competitive advantage. Several actions were taken to ensure the Group's future growth by expanding its geographic presence, product range as well as manufacturing capabilities via acquisitions and organic investments. Additionally, important progress was made in strengthening the Group's people processes to ensure successful strategy implementation in the short and long-term.

The Group continues to have good positions in the current growth markets. To further improve the positions four acquisitions were completed during 2016. The largest was the acquisition of Delta Print and Packaging Limited with manufacturing units in Belfast, Northern Ireland and Gliwice, Poland. With Delta, the Group entered the folding carton packaging market in Europe. The acquisition of FIOMO, a flexible packaging foil and label manufacturer in the Czech Republic, expanded the Group's flexible packaging manufacturing footprint to Eastern Europe. With the expansion of its long-term joint venture in Saudi Arabia, including the plan to increase the number of countries the joint venture serves, and the acquisition of Valpack, a paper cup manufacturer based in Mumbai, India, the Group expanded the geographic coverage of its foodservice business.

The most significant growth action initiated during the year was the decision to set up a world-class manufacturing and distribution center in Arizona, the U.S. The new facility is a significant investment to further grow the Group's foodservice business in the U.S. and to leverage its global paperboard packaging expertise. In addition it allows the Group to service the southwest and west coast foodservice packaging and retail tableware markets in the U.S. The Group also announced that it will build a greenfield flexible packaging manufacturing unit in Egypt together with a long-time joint venture partner. The unit will serve both global and local flexible packaging customers as well as export its products into other countries in Africa and Europe. The Group also took actions to improve the competitiveness of its foodservice business in China. Furthermore, to better service the flexible packaging and label customers operating in North East India, two new manufacturing units were announced. Several investments to support growth by adding capacity in existing manufacturing units were made and at EUR 200 million the Group's total capital expenditure was at a record-high level.

The more collaborative working model introduced in 2015, benefitting from best practice sharing and improved consistency throughout the business, was continued in sourcing, operations, and innovation and commercial activities. Two new collaboration streams, people and corporate responsibility, were introduced at the end of 2016. In addition, a global working conditions program was developed and initiated, and common leadership competencies were defined.

In 2016 the Board of Directors paid special attention to the development and implementation of the strategy as well as to growth investments, acquisitions, and innovations. During the year the Board visited molded fiber and foodservice packaging manufacturing units in Northern Ireland and South Africa. The Board also participated in a strategy development workshop held at the Harvard Business School with the business teams.

Financial review

The Group's comparable net sales growth was 4% in 2016. Growth was strongest in the North America business segment, which exceeded the EUR 1 billion annual net sales milestone. Growth in the segment was particularly strong during the first half of the year supported by the business gained in the second half of 2015. Growth was on a good level also in the Foodservice Europe-Asia-Oceania and Molded Fiber business segments throughout the year. The Flexible Packaging business segment's net sales grew moderately during the first half, but declined in the second half due to challenges in African and Indian markets. The Group's comparable growth in emerging markets was 7%. Growth was strongest in Eastern

** Excluding items affecting comparability (IAC) of EUR -1.7 million in 2016 and EUR -22.6 million in 2015.*

Europe. Net sales grew moderately in China. The Group's net sales grew to EUR 2,865 million (EUR 2,726 million). Foreign currency translation impact on the Group's net sales was EUR -51 million (EUR 194 million) compared to 2015 exchange rates. The majority of the negative currency impact came from the weakening of emerging market currencies and the pound sterling versus euro.

The Group's profitability improved with all business segments contributing to earnings growth. Earnings growth was strongest in the North America business segment. Other activities had a negative impact of EUR 11 million (EUR -5 million) on the Group's earnings. The change compared to previous year was primarily related to the Group's long-term incentive plan and project-related costs. The Group's Adjusted EBIT were EUR 268 million (EUR 238 million) and reported EBIT EUR 266 million (EUR 215 million). Foreign currency translation impact on the Group's profitability was EUR -5 million (EUR 16 million).

Adjusted EBIT excludes EUR -1.7 million of IACs, which consist of restructuring costs of EUR 9.5 million and a gain of EUR 7.8 million relating to business combination. The restructuring costs are related to actions to improve the competitiveness of the foodservice business in China and New Zealand and a provision to cover potential environmental remediation actions at a former Huhtamaki manufacturing unit in Norway as announced on June 27, 2016. The gain relating to business combination derives from the increase of Huhtamaki's ownership in Arabian Paper Products Company as announced on March 22, 2016. IACs were booked for Q2 2016 and Q4 2016 in the Foodservice Europe-Asia-Oceania business segment.

Adjusted EBIT and IACs

EUR million	2016	2015
Adjusted EBIT	267.9	237.5
Restructuring costs	-9.5	
Gains and losses relating to business combinations and disposals	7.8	-4.3
Fines and penalties imposed by authorities		-18.3
EBIT	266.2	214.9

Net financial expenses decreased to EUR 27 million (EUR 34 million). Tax expense increased to EUR 48 million (EUR 29 million). The corresponding tax rate was 20% (16%).

Profit for the period was EUR 192 million (EUR 151 million*). Adjusted EPS were EUR 1.83 (EUR 1.65) and reported EPS EUR 1.81 (EUR 1.42*).

Statement of financial position and cash flow

The Group's net debt increased and was EUR 675 million (EUR 551 million) at the end of the year. The level of net debt corresponds to a gearing ratio of 0.57 (0.53). Net debt to EBITDA ratio (excl. IACs) was 1.8 (1.6). The increase in net debt was to a large extent due to higher capital expenditure and the acquisitions executed during the year. Average maturity of external committed credit facilities and loans remained at 3.9 (3.9) years as the Group extended the maturity of its EUR 400 million syndicated revolving credit facility for a further period of one year in December 2016. The new termination date is January 9, 2022.

Cash and cash equivalents were EUR 106 million (EUR 103 million) at the end of the year and the Group had EUR 303 million (EUR 309 million) of unused committed credit facilities available.

Total assets on the statement of financial position were EUR 2,875 million (EUR 2,515 million).

In accordance with its strategy, the Group continued its organic growth investments. Capital expenditure increased to EUR 199 million (EUR 147 million). Majority of the increase was due to a major investment in a new facility in Arizona, the U.S. In addition to the U.S., largest investments for business expansion were made in Poland, the UK, China and Australia. The Group's free cash flow improved to EUR 100 million (EUR 91 million) despite high organic growth investments and higher taxes paid compared to 2015.

Acquisitions

The acquisition of FIOMO, a privately owned manufacturer of flexible packaging foils and labels in the Czech Republic was completed on January 29, 2016. The debt-free purchase price was approx. EUR 28 million. The business has been consolidated into the Flexible Packaging business segment as of February 1, 2016.

The expansion and revision of the long-standing joint venture relationship in Arabian Paper Products Company (APPCO) with Olayan Saudi Holding Company was announced on March 22, 2016. Huhtamaki's ownership in APPCO increased to 50% from the earlier 40%. With the expansion of the joint venture relationship Huhtamaki continued to implement its growth strategy and strengthened its position in Middle East and North Africa. The additional shares were acquired at a price of approx. EUR 4 million. The business has been consolidated into the Foodservice Europe-Asia-Oceania business segment as of April 1, 2016.

Delta Print and Packaging Limited, a privately held folding carton packaging manufacturer based in Belfast, Northern Ireland, and its affiliated Polish unit with a new manufacturing unit in Gliwice, Poland, was acquired on May 19, 2016. With the acquisition Huhtamaki entered the folding carton packaging market also in Europe, as Huhtamaki Delta is specialized in bespoke printed folding carton packaging for the UK and European foodservice, packaged food and retail markets. The debt free purchase price was GBP 80 million (approx. EUR 103 million at the time of the acquisition). The business has been consolidated into the Foodservice Europe-Asia-Oceania business segment as of May 1, 2016.

Huhtamaki acquired 51% of Val Pack Solutions Private Limited, a privately held paper cup manufacturer based in Mumbai, India on July 22, 2016. With the acquisition Huhtamaki entered the growing foodservice packaging market in India, where many of its key customers already are present. The debt-free purchase price was approx. EUR 2 million. The business has been consolidated into the Foodservice Europe-Asia-Oceania business segment as of July 22, 2016.

** Continuing operations only (Foodservice Europe-Asia-Oceania, North America, Flexible Packaging and Molded Fiber business segments).*

Business review by segment

Foodservice Europe-Asia-Oceania

Overall demand for foodservice packaging was relatively healthy across markets. Momentum was good especially in the specialty coffee and QSR categories in Eastern Europe, while Western Europe remained relatively stable. In emerging markets demand development varied between markets. Raw material prices were relatively stable. Competitive situation was tight across markets.

The Foodservice Europe-Asia-Oceania segment's net sales grew to EUR 741 million (EUR 668 million). Comparable net sales growth was 5%. Growth was strongest in Eastern Europe. The segment's key paper packaging categories developed positively across markets. Net sales grew moderately in China. Huhtamaki Delta contributed EUR 45 million to the segment's net sales.

Currency movements had an adverse translation impact of EUR -31 million on the segment's reported net sales.

The segment's earnings grew led by net sales growth and improved operational efficiency. Adjusted EBIT, excluding EUR -1.7 million of IAC's, were EUR 63 million (EUR 52 million) and reported EBIT EUR 62 million (EUR 52 million). Certain units in China and New Zealand had a negative impact on the segment's earnings, but actions to improve their competitiveness were started during the second quarter and supported earnings towards the end of the year. Huhtamaki Delta contributed positively to the segment's earnings. The segment's return on net assets (RONA), excluding IAC, declined and was 13.7% (14.2%). As a result of improved profitability the segment's operating cash flow increased to EUR 38 million (EUR 35 million).

Huhtamaki announced on September 16, 2016 that the Foodservice-Europe-Asia-Oceania segment will spend approx. EUR 15 million in the expansion and modernization of its manufacturing unit in Guangzhou, South China. Majority of the investment takes place in the latter part of 2016 and early 2017, and the modernization is expected to be completed by the end of 2017.

North America

The operating environment in the U.S. remained stable throughout the year with steadily growing demand for foodservice packaging and retail disposable tableware. Demand for frozen dessert packaging remained soft. Prices for paperboard and recycled fiber were stable, whereas prices for plastic resins increased moderately during the year.

The North America segment's net sales growth was good and at EUR 1,005 million (EUR 948 million) the segment's net sales reached a significant milestone of EUR 1 billion. Comparable growth was 6%. Growth was driven by healthy volume development in both private label and branded retail tableware. Sales of foodservice packaging developed strongly in the first half of the year due to business gained in the second half of 2015. Strong seasonal demand also supported the segment's net sales development both during the summer season and the winter holiday season. Net sales of frozen dessert packaging declined in challenging market conditions.

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

The segment's EBIT improved significantly and were EUR 108 million (EUR 88 million). Good net sales development combined with relatively stable input costs and solid manufacturing efficiency contributed positively to earnings growth. The segment's RONA improved driven by strong profitability improvement and was 16.3% (14.1%). The segment's operating cash flow decreased to EUR 40 million (EUR 61 million) as a result of increased capital expenditure.

Huhtamaki announced on September 19, 2016 that the North America segment will spend approx. USD 100 million in setting up a new world class manufacturing and distribution unit in Goodyear, Arizona, the U.S. Majority of the investment takes place in 2016–2017 and manufacturing is scheduled to begin in late 2017.

Flexible Packaging

In Europe, demand for flexible packaging was modest throughout the year, whereas in Southeast Asia momentum remained relatively positive. In India, demand for flexible packaging developed positively until November, when the local demonetization action started to affect demand adversely. Uncertainty in trading environment due to currency fluctuations as well as tightened foreign exchange controls had a negative impact on exports to African markets. Prices for plastic resins were relatively stable.

The Flexible Packaging segment's reported net sales were flat at EUR 869 million (EUR 869 million). Comparable net sales growth was -1%. The segment's overall volume development was positive, but low raw material prices had a negative impact on selling prices and thus moderated the comparable growth. Net sales grew in India and Southeast Asia driven by good volume development. Export sales to African countries declined.

Currency movements had an adverse translation impact of EUR -11 million on the segment's reported net sales.

The segment's EBIT improved and were EUR 74 million (EUR 69 million). Main drivers for the earnings growth were good cost containment, favorable raw material prices and positive volume development. The segment's RONA decreased slightly to 11.6% (12.3%). As a result of good working capital management and lower investments the segment's operating cash flow improved significantly and was EUR 88 million (EUR 64 million).

Huhtamaki announced on October 25, 2016 that the Flexible Packaging segment will set up three new manufacturing units to boost its growth. The largest of the new units will be located in the greater Cairo area in Egypt and the other two in North East India. In addition, one label manufacturing unit in the Mumbai area will be relocated and modernized. The total investment is expected to be approx. EUR 26 million. Majority of the investments takes place in 2016–2017.

Molded Fiber

Overall market conditions for molded fiber egg packaging were relatively stable. Demand grew in Europe and other main markets except South America. Prices for recycled fiber moved modestly throughout the year and average prices were on a somewhat higher level compared to previous year. Competitive situation remained tight.

The Molded Fiber segment's net sales grew solidly and were EUR 268 million (EUR 260 million). Comparable net sales growth was 5%. Growth was mainly driven by recent capacity additions in the UK and Eastern Europe. Good volume development in Europe supported net sales growth. Net sales declined in South America.

Currency movements had an adverse translation impact of EUR -11 million on the segment's reported net sales.

As a result of healthy volume growth, solid operational efficiency and good cost containment the segment's EBIT improved and were EUR 35 million (EUR 34 million). The segment's RONA decreased and was 16.4% (17.7%). The segment's operating cash flow improved markedly as a result of lower capital expenditure and was EUR 17 million (EUR 10 million).

Personnel review

The Group had a total of 17,076 (15,844) employees at the end of 2016. The increase in personnel was mainly due to acquisitions and investments in new capacity across business segments. The number of employees by segment was the following: Foodservice Europe-Asia-Oceania 4,945 (4,188), North America 3,778 (3,553), Flexible Packaging 6,566 (6,358), Molded Fiber 1,715 (1,682), and Other activities 72 (63) including corporate functions in Finland. The average number of employees during the year was 16,638 (15,987).

At the end of 2016 the Group had employees in 34 countries, with 30% (28%) of employees in Europe, 40% (42%) in Asia-Oceania, 6% (6%) in Middle East & Africa, 22% (23%) in North America and 1% (1%) in South America. The countries with the largest number of employees were the United States 21% (21%), India 19% (20%), Germany 8% (8%) and China 8% (8%). The Group had 56% (58%) of its total personnel in the aforementioned countries. Excluding acquisitions, the number of employees increased the most in the U.S., Germany and Russia.

In order to seek feedback from its employees and to identify the key areas to further improve employee engagement, the Group conducts a global employee engagement survey every second year. The next survey will be conducted in 2017.

A Group-wide working conditions program was developed during 2016. The program includes requirements for ethics, employment practices, workplace health and safety, as well as management training workshops and an assessment program. Its purpose is to establish a safe, fair, and good working environment and to build robust management systems to continuously improve the Group's performance in these areas. Regional training workshops for managers will be conducted during 2017, with a goal to align expectations and increase awareness of the topic. A pilot training workshop was held in November 2016 at the Guangzhou unit in Southern China.

Leadership competencies that are required to achieve the Group's strategic goals were defined during 2016. Commonly agreed leadership competencies and behaviors support setting clear expectations and creating more consistency and accountability for leadership across the Group. In addition they help identify new leaders and evaluate leadership competencies needed in different roles. The work to define the leadership competencies was carried out by involving people from different parts of the Group. The leadership competencies and what they mean in practice are discussed throughout the Group during 2017, as they are integrated into the Group's people practices and processes globally.

Workplace safety is very important at Huhtamaki, and safety measures and practices are continuously developed. All employees are responsible for safety and particular emphasis is put on impacting attitudes and changing behavior towards proactive thinking. Special attention is given to near misses - reporting them and learning from them. As a result of the continued systematic work the Group's key workplace safety indicators are at a good level. In 2016, however, the key indicators deteriorated slightly. The Group's lost work day injury frequency, LWIF*, was 2.8 versus 2.6 in 2015. Total number of incidents increased to 89 (76) and the lost day rate, LDR**, increased to 868 (673 in 2015). The increase in lost day rate indicates that in 2016 sick leaves due to incidents were longer than the previous year. Typical causes for incidents in 2016 were contact with moving machinery or equipment, as well as slips and lifting or carrying boxes. In 2017 efforts to improve workplace safety will be further intensified. In addition to incident prevention and near miss reporting, special attention will be placed on accuracy and harmonization of reporting.

Changes in management

Petr Domin, previously interim Executive Vice President, Molded Fiber, was appointed Executive Vice President, Molded Fiber and member of the Group Executive Team as of July 1, 2016.

Risk review

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

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

During 2016 the key risks identified in the 2015 risk assessment process were monitored to assess their existing and newly implemented controls and any changes in the risk level itself. Actions to mitigate those risks were planned and executed at Group or segment level and followed by the Group Risk Management function on a quarterly basis with focus on each business segment's most significant risks.

Parallel to the strategic planning and budgeting process, business units, segments and Group functions identified and assessed business risks against their medium to long term objectives. These risk assessment results were consolidated from business unit to segment and further to Group level and used to identify the key risks at segment and Group levels. At each level from business unit to Group, risk treatment actions were subsequently defined to reach acceptable risk levels. The acceptable risk levels associated with appropriate risk management efforts were approved by the Group Executive Team, reviewed by the Audit Committee of the Board of Directors and finally approved by the Board of Directors. Agreed risk management efforts will be conducted and followed during 2017.

Price management and raw material and energy prices are considered among the most significant risks to the Group's strategic and financial objectives. The prevailing macroeconomic instability increases volatility in raw material and energy prices that may affect the Group's financial performance

** The number of accidents or injuries at work resulting in an absence of at least one shift per one million hours worked.*
*** The number of hours that were lost for every million hours worked.*

and thus increases the importance of efficient price management. Macroeconomic and political risks as well as growth and market position are also among the most important risks and opportunities to the Group's strategic objectives.

Human resources risk, destruction of facilities and continuity of operations as well as product safety and quality risk are considered the most significant operational risks for the Group. Destruction of a major facility and thereby compromised business continuity could have a negative impact on business through decreased sales. Critical shortcoming in product safety or quality could decrease sales as a result of potential reputation issues.

Foreign exchange translation and transaction risks remain among the Group's twenty most important risks but decrease somewhat in ranking from 2015. More information on financial risks can be found in Note 28 of the Annual Accounts 2016.

Variance between the assessed business impacts of the Group's ten most important risks after risk treatment actions is relatively small. None of the identified risks are considered of a magnitude that could not be managed or would endanger the implementation of the Group's strategy.

When considered necessary, appropriate risk treatment actions may also involve risk transfer by means of insurance. The Group maintains a number of global insurance programs. The need for insurance, including the adequacy of its scope and limits, is continuously evaluated by the Group Risk Management function. In 2016 the Group extended the scope and limits of its product liability and environmental liability insurances and purchased a cyber risk insurance.

The Group invests in continuous improvement of property risk control and business continuity management. In 2016, a fire protection concept within the Group property risk control program was established for the Flexible Packaging segment, setting a common standard and action plans for all the segment's business units. Additionally in terms of efforts to improve business continuity management, the Foodservice Europe-Asia-Oceania and Molded Fiber segments have conducted business impact analyses including improvement actions in all their large and medium sized business units.

Environmental review

The Group is committed to the framework of the International Chamber of Commerce's Business Charter for Sustainable Development. The Huhtamaki Code of Conduct sets out the standards for ethical business practices. Respecting the environment is important to Huhtamaki and several Group-wide policies and related instructions have been issued including the environmental policy and the Code of Conduct for Huhtamaki suppliers.

The significant direct environmental impacts of the Group's operations relate to energy use, emissions to air and solid waste. The Group aims to minimize the negative impacts its operations have on the environment. Environmental management systems have been implemented to support the monitoring and continuous improvement of the Group's operational and product related environmental performance. At the end of 2016, 47 (37) manufacturing units, representing 64% (54%) of all manufacturing units in the Group and including the 10 (10) largest units by net sales, followed an externally certified environmental management system such as ISO 14001, the Eco-Management and Audit Scheme (EMAS) or the internal Environmental Care Program implemented in North America.

The Group's environmental operating costs totaled EUR 11 million (EUR 11 million). The costs consist mainly of expenses related to the use and maintenance of environmental protection equipment and expenses related to waste management and waste water treatment.

Huhtamaki monitors its environmental performance at Group, segment and manufacturing unit levels. Indicators most relevant to the Group's operations are reported according to the Global Reporting Initiative (GRI) G4 guidelines. All manufacturing units report their environmental key performance indicators against set targets. The performance is consolidated in the segment level and reported quarterly to the Board of Directors and the Group Executive Team.

Internal and external audits are performed to assess the environmental and social performance of manufacturing units. During 2016 in total 328 external audits were conducted by certification bodies, authorities or customers.

The Group's Corporate Responsibility Report for 2016 will be published in April 2017. The report presents the Group's corporate responsibility agenda and material aspects as well as progress against the set ambitions. The externally assured report is prepared in accordance with the GRI G4 guidelines.

Share capital and shareholders

At the end of 2016, Huhtamäki Oyj's ("the Company") registered share capital was EUR 366 million (EUR 366 million) corresponding to a total number of shares of 107,760,385 (107,760,385), including 3,903,846 (4,063,906) Company's own shares. Own shares represent 3.6% (3.8%) of the total number of shares and votes. The number of outstanding shares excluding the Company's own shares was 103,856,539 (103,696,479). The average number of outstanding shares used in EPS calculations was 103,822,029 (103,665,405), excluding the Company's own shares.

There were 26,407 (24,484) registered shareholders at the end of 2016. Foreign ownership including nominee registered shares accounted for 48% (50%).

Company's own shares

The Annual General Meeting (AGM) held on April 21, 2016 authorized the Board of Directors to decide on the repurchase of an aggregate maximum of 10,776,038 of the Company's own shares, subject to the number of shares held by the Company at any given moment not exceeding 10% of all the shares of the Company. The authorization remains in force until the end of the next AGM, however, no longer than until June 30, 2017. No own shares were repurchased during the year. Previously during 2002 and 2003, based on the authorization given by the AGM on March 25, 2002, the Company repurchased in total 5,061,089 own shares. After 2003 no own shares have been repurchased.

The AGM 2016 also authorized the Board of Directors to decide on the issuance of shares and special rights entitling to shares. The aggregate number of shares to be issued on the basis of this authorization may not exceed 14,000,000 shares, however so that the number of new shares to be issued may not exceed 10,000,000 shares and the number of own treasury shares to be transferred may not exceed 4,000,000 shares. The authorization concerns both the issuance of new shares and the transfer of the Company's own treasury shares. The authorization remains in force until the end of the next AGM, however, no longer than until June 30, 2017. During 2016 a total of 160,060 (142,158) of the Company's own shares were transferred in accordance with the performance share plan for the key personnel of the Company and its subsidiaries. On December 31, 2016 the Company owned a total of 3,903,846 (4,063,906) own shares.

Share trading

During 2016 the Company's share was quoted on Nasdaq Helsinki Ltd on the Nordic Large Cap list under the Industrials sector and it was a component of the Nasdaq Helsinki 25 Index.

At the end of 2016, the Company's market capitalization was EUR 3,664 million (EUR 3,474 million) excluding the Company's own shares. With a closing price of EUR 35.28 (EUR 33.50) the share price increased by 5% from the beginning of the year. During the year the volume weighted average price for the Company's share was EUR 35.77 (EUR 28.72). The highest price paid was EUR 42.33 and the lowest price paid was EUR 27.14.

During the year the cumulative value of the Company's share turnover on Nasdaq Helsinki Ltd was EUR 2,071 million (EUR 1,787 million). The trading volume of 58 million (62 million) shares equaled an average daily turnover of 228,902 (247,918) shares. The cumulative value of the Company's share turnover including alternative trading venues, such as BATS Chi-X and Turquoise, was EUR 5,993 million (EUR 3,898 million). During the year, 65% (54%) of all trading took place outside Nasdaq Helsinki Ltd. (Source: Fidessa Fragmentation Index, http://fragmentation.fidessa.com)

Information provided pursuant to the Securities Market Act, Chapter 7, Section 6

Information required under the Securities Market Act, Chapter 7, Section 6 is presented in Note 22 in the Annual Accounts 2016.

Resolutions of the Annual General Meeting 2016

Huhtamäki Oyj's Annual General Meeting of Shareholders (AGM) was held in Helsinki on April 21, 2016. The meeting adopted the Annual Accounts including the Consolidated Annual Accounts for 2015 and discharged the members of the Company's Board of Directors and the CEO from liability. As proposed by the Board of Directors, dividend for 2015 was set at EUR 0.66 per share compared to EUR 0.60 paid for the previous year.

Seven members of the Board of Directors were elected for a term ending at the end of the next AGM. Ms. Eija Ailasmaa, Mr. Pekka Ala-Pietilä, Mr. William R. Barker, Mr. Rolf Börjesson, Mr. Jukka Suominen and Ms. Sandra Turner were re-elected as members of the Board of Directors and Mr. Doug Baillie was elected as a new member of the Board of Directors. The Board of Directors elected Mr. Pekka Ala-Pietilä as the Chairman of the Board and Mr. Jukka Suominen as the Vice-Chairman of the Board.

The AGM decided that the annual remuneration to the members of the Board of Directors is to be paid as follows: to the Chairman EUR 120,000, to the Vice-Chairman EUR 68,000 and to other members EUR 57,000. In addition, the AGM decided to keep the meeting fees unchanged and confirmed that the meeting fees are paid for each meeting attended as follows: EUR 1,000 for all meetings, except EUR 2,000 to the Chairman for the Audit Committee meetings, EUR 1,200 to the Chairman for the Human Resources Committee meetings and EUR 1,200 to the Chairman for the Nomination Committee meetings.

Ernst & Young Oy, a firm of Authorized Public Accountants, was elected as Auditor of the Company for the financial year January 1–December 31, 2016. Mr. Harri Pärssinen, APA, has been the Auditor with principal responsibility.

The AGM 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 Board of Directors was also authorized to resolve on the issuance of shares and the issuance of special rights entitling to shares. The aggregate number of shares to be issued on the basis of the authorization may not exceed 14,000,000 shares, however so that the number of new shares to be issued may not exceed 10,000,000 shares and the number of own treasury shares to be transferred may not exceed 4,000,000 shares. The authorizations remain in force until the end of the next AGM, however, no longer than until June 30, 2017.

Significant events during the reporting period

On March 22, 2016 Huhtamaki signed a EUR 150 million freely transferable loan agreement (Schuldschein). The loan is targeted to institutional investors and is divided into two floating rate and two fixed rate tranches with maturities of 5 and 7 years. Huhtamaki will use the funds for refinancing and general corporate purposes of the Group.

On June 27, 2016 Huhtamaki announced actions to improve the competitiveness of its foodservice business in Asia and Oceania. The foodservice packaging manufacturing operations in South China will be consolidated into one efficient, modernized unit. In addition, manufacturing will be focused on a defined core foodservice packaging product range. The actions were expected to have an impact on approx. 350 employees across functions. At the foodservice packaging unit in Henderson, New Zealand, manufacturing operations were reorganized to improve efficiency of the unit. The reorganization was expected to have an impact on approx. 15 employees.

On September 16, 2016 Huhtamaki announced that it will invest in the expansion and modernization of its manufacturing unit in Guangzhou, South China. The total investment including site expansion, improvements in plant layout and new high-speed machinery is expected to be approx. EUR 15 million. The investment followed the earlier announced actions to improve the competitiveness of the foodservice business in China and consolidate the South China manufacturing operations. Majority of the investment takes place in the latter part of 2016 and early 2017, and the modernization is expected to be completed by the end of 2017. The Guangzhou manufacturing unit is part of the Foodservice Europe-Asia-Oceania business segment.

On September 19, 2016 Huhtamaki announced that it will purchase a manufacturing facility in Goodyear, Arizona, the U.S. to set up a new world class manufacturing and distribution unit. The facility is set to service the southwest and West Coast foodservice packaging and retail tableware markets. The total investment including the site purchase and modifications, improvements in infrastructure, and machinery investments and installations is expected to exceed USD 100 million (approx. EUR 90 million). Majority of the investment takes place in 2016–2017 and manufacturing is scheduled to begin in late 2017. When fully operational, the unit is expected to employ approx. 300 employees and it will become part of the North America business segment.

On October 25, 2016 Huhtamaki announced that it will set up three new manufacturing units to boost growth in its Flexible Packaging business segment. The largest of the new units will be located in the greater Cairo area in Egypt and the other two in North East India. In addition, one label manufacturing unit in the Mumbai area will be relocated and modernized. The new state of the art manufacturing unit in Egypt will be owned and operated as a joint venture of which Huhtamaki owns 75%. The total investment in Egypt is expected to be approx. EUR 23 million with Huhtamaki share at approx. EUR 17 million. The combined value of the mentioned three growth investments in India is expected to be approx. EUR 9 million. Majority of the investments takes place in 2016–2017.

On December 23, 2016 Huhtamaki announced that it has signed a confirmation to extend the maturity of its EUR 400 million syndicated revolving credit facility loan agreement for a further period of one year in accordance with the extension option of the loan agreement. The new termination date is January 9, 2022. The credit facility will be used for general corporate purposes of the Group.

Short term risks and uncertainties

Volatile raw material and energy prices as well as movements in currency rates are considered to be relevant short-term business risks and uncertainties in the Group's operations. General political, economic and financial market conditions can also have an adverse effect on the implementation of the Group's strategy and on its business performance and earnings.

Outlook for 2017

The Group's trading conditions are expected to remain relatively stable during 2017. The good financial position and ability to generate a positive cash flow will enable the Group to address profitable growth opportunities. Capital expenditure is expected to be approximately at the same level as in 2016 with the majority of the investments directed to business expansion.

Dividend proposal

On December 31, 2016 Huhtamäki Oyj's non-restricted equity was EUR 664 million (EUR 696 million). The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.73 (EUR 0.66) per share be paid.

Annual General Meeting 2017

The Annual General Meeting of Shareholders will be held on Thursday, April 27, 2017 at 11.00 (EET) at Messukeskus Helsinki, Expo and Convention Centre, Messuaukio 1, 00520 Helsinki, Finland.

Corporate Governance Statement and Remuneration Statement

Separate Corporate Governance Statement and Remuneration Statement have been issued and published in connection with the Directors' Report. The statements are also available on the Group's website www.huhtamaki.com.

Impact of new ESMA guidelines

Huhtamäki Oyj has revised the terminology used in its financial reporting in accordance with the new guidelines on alternative performance measures issued by the European Securities and Markets Authority (ESMA). The term "Items affecting comparability (IAC)" has replaced the term "Non-recurring items (NRI)". IAC includes, but is not limited to, material restructuring costs, impairment losses and reversals, gains and losses relating to business combinations and disposals, gains and losses relating to sale of intangible and tangible assets, as well as material fines and penalties imposed by authorities.

Alternative performance measures are derived from performance measures reported in accordance to International Financial Reporting Standards (IFRS) by adding or deducting the IAC and they are called Adjusted. Thus the term "Adjusted earnings before interests, taxes, depreciation and amortization (Adjusted EBITDA)" replaces the term "EBITDA excluding non-recurring items", the term "Adjusted earnings before interests and taxes (Adjusted EBIT)" replaces the term "EBIT excluding non-recurring items" and the term "Adjusted earnings per share (Adjusted EPS)" replaces the term "EPS excluding non-recurring items".

Huhtamaki uses alternative performance measures to better reflect the operational business performance and to enhance comparability between financial periods. They are reported in addition to, but not substituting, the performance measures reported in accordance with IFRS.

Consolidated Annual Accounts 2016

Group income statement (IFRS)

EUR million	Note	2016	%	2015	%
CONTINUING OPERATIONS					
Net sales	1	2,865.0	100.0	2,726.4	100.0
Cost of goods sold		-2,355.8		-2,255.5	
Gross profit		509.2	17.8	470.9	17.3
Other operating income	5	24.7		18.3	
Sales and marketing		-75.4		-74.1	
Research and development		-17.2		-15.7	
Administration costs		-162.7		-156.3	
Other operating expenses	6	-14.4		-30.3	
Share of profit of equity-accounted investments		2.0		2.1	
		-243.0		**-256.0**	
Earnings before interest and taxes	7, 8	266.2	9.3	214.9	7.9
Financial income	9	5.3		4.9	
Financial expenses	9	-32.2		-39.1	
Profit before taxes		239.3	8.4	180.7	6.6
Income tax expense	10	-47.8		-29.3	
Profit for the period from continuing operations		191.5	6.7	151.4	5.6
DISCONTINUED OPERATIONS					
Result relating to disposed operations	4	-		-1.3	
Result for the period from discontinued operations		-		-1.3	
Profit for the period		191.5	6.7	150.1	5.5
Attributable to:					
Equity holders of the parent company					
Profit for the period from continuing operations		187.8		148.2	
Result for the period from discontinued operations		-		-1.3	
Profit for the period attributable to equity holders of the parent company		187.8		146.9	
Non-controlling interest					
Profit for the period from continuing operations		3.7		3.2	
Result for the period from discontinued operations		-		-	
Profit for the period attributable to non-controlling interest		3.7		3.2	

EUR	Note	2016	2015
Earnings per share (EPS):			
Profit for the period from continuing operations	11	1.81	1.43
Result for the period from discontinued operations		-	-0.01
EPS attributable to equity holders of the parent company		1.81	1.42
Diluted earnings per share:			
Profit for the period from continuing operations		1.80	1.43
Result for the period from discontinued operations		-	-0.01
Diluted EPS attributable to equity holders of the parent company		1.80	1.42

Group statement of comprehensive income (IFRS)

EUR million	Note	2016	2015
Profit for the period		**191.5**	**150.1**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit plans	18	-34.1	36.9
Income taxes related to items that will not be reclassified	10	6.2	-9.3
Total		**-27.9**	**27.6**
Items that may be reclassified subsequently to profit or loss			
Translation differences		44.2	51.7
Equity hedges		-6.1	-23.4
Cash flow hedges	23	0.7	-4.0
Income tax related to items that may be reclassified	10	-0.3	-0.1
Total		**38.5**	**24.2**
Other comprehensive income, net of tax		10.6	51.8
Total comprehensive income		202.1	201.9
Attributable to:			
Equity holders of the parent company		198.4	198.7
Non-controlling interest		3.7	3.2

Group statement of financial position (IFRS)

Assets

EUR million	Note	2016	2015
Non-current assets			
Goodwill	12	669.2	571.3
Other intangible assets	12	39.5	29.7
Tangible assets	13	1,035.8	853.8
Equity-accounted investments	14	7.0	12.8
Available-for-sale investments	15, 27	1.6	1.9
Interest-bearing receivables	16, 27	4.6	4.1
Deferred tax assets	17	58.6	50.9
Employee benefit assets	18	55.8	48.8
Other non-current assets		9.6	8.6
		1,881.7	**1,581.9**
Current assets			
Inventory	19	401.9	385.7
Interest-bearing receivables	16	2.2	2.0
Current tax assets		6.8	3.8
Trade and other current receivables	20, 27	476.1	438.7
Cash and cash equivalents	21, 27	105.9	103.2
		992.9	**933.4**
Total assets		2,874.6	2,515.3

Equity and liabilities

EUR million	Note	2016	2015
Share capital	22	366.4	366.4
Premium fund	22	115.0	115.0
Treasury shares	22	-35.9	-37.3
Translation differences	23	-11.4	-49.5
Fair value and other reserves	23	-103.3	-75.8
Retained earnings		803.8	682.1
Equity attributable to equity holders of the parent company		**1,134.6**	**1,000.9**
Non-controlling interest		47.6	35.1
Total equity		**1,182.2**	**1,036.0**
Non-current liabilities			
Interest-bearing liabilities	24, 27	520.8	503.1
Deferred tax liabilities	17	92.2	78.4
Employee benefit liabilities	18	229.2	199.2
Provisions	25	26.4	27.9
Other non-current liabilities		5.5	5.4
		874.1	**814.0**
Current liabilities			
Interest-bearing liabilities			
Current portion of long-term loans	24, 27	137.0	66.7
Short-term loans	24, 27	129.9	90.8
Provisions	25	7.7	2.1
Current tax liabilities		10.4	12.9
Trade and other current liabilities	26, 27	533.3	492.8
		818.3	**665.3**
Total liabilities		1,692.4	1,479.3
Total equity and liabilities		2,874.6	2,515.3

Group statement of cash flows (IFRS)

EUR million	**2016**	**2015**
Profit for the period	**191.5**	**150.1**
Adjustments	185.2	164.6
Depreciation and amortization	113.9	104.5
Share of profit of equity-accounted investments	-0.1	-2.1
Gain/loss from disposal of assets	-0.1	-0.1
Financial expense/-income	26.9	34.2
Income tax expense	47.8	29.3
Other adjustments, operational	-3.2	-1.2
Change in inventory	8.8	-28.3
Change in non-interest-bearing receivables	-11.1	-19.3
Change in non-interest-bearing payables	-7.4	25.8
Dividends received	1.9	1.7
Interest received	1.3	1.2
Interest paid	-20.4	-25.7
Other financial expenses and income	-1.5	-3.3
Taxes paid	-50.8	-29.1
Net cash flow from operating activities	**297.5**	**237.7**
Capital expenditure	-199.1	-146.9
Proceeds from selling tangible assets	1.9	0.4
Acquired subsidiaries and assets	-120.7	-210.8
Proceeds from long-term deposits	1.4	1.2
Payment of long-term deposits	-1.7	-0.7
Proceeds from short-term deposits	2.0	5.4
Payment of short-term deposits	-2.0	-4.8
Net cash flow from investing activities	**-318.2**	**-356.2**
Proceeds from long-term borrowings	174.1	40.0
Repayment of long-term borrowings	-179.1	-94.5
Proceeds from short-term borrowings	2,040.4	988.5
Repayment of short-term borrowings	-1,943.2	-1,009.6
Dividends paid	-68.5	-62.2
Net cash flow from financing activities	**23.7**	**-137.8**
Change in liquid assets	**2.7**	**-247.6**
Cash flow based	3.0	-256.3
Translation difference	-0.3	8.7
Liquid assets on January 1	103.2	350.8
Liquid assets on December 31	105.9	103.2

Group statement of changes in equity (IFRS)

Attributable to equity holders of the parent company

EUR million	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance on Dec 31, 2014	366.4	115.0	-38.7	-77.8	-99.3	596.6	862.2	30.6	892.8
Dividends paid						-62.2	-62.2		-62.2
Share-based payments			1.4			3.6	5.0		5.0
Total comprehensive income for the year				28.3	23.5	146.9	198.7	3.2	201.9
Other changes						-2.8	-2.8	1.3	-1.5
Balance on Dec 31, 2015	366.4	115.0	-37.3	-49.5	-75.8	682.1	1,000.9	35.1	1,036.0
Dividends paid						-68.5	-68.5		-68.5
Share-based payments			1.4			5.8	7.2		7.2
Total comprehensive income for the year				38.1	-27.5	187.8	198.4	3.7	202.1
Other changes						-3.4	-3.4	8.8	5.4
Balance on Dec 31, 2016	366.4	115.0	-35.9	-11.4	-103.3	803.8	1,134.6	47.6	1,182.2

Significant accounting policies

Main activities

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

The parent company, Huhtamäki Oyj, is a limited liability company domiciled in Espoo, Finland and listed on NASDAQ OMX Helsinki Ltd. The address of its registered office is Revontulenkuja 1, 02100 Espoo, Finland.

These Group consolidated financial statements were authorized for issue by the Board of Directors on February 14, 2017. According to the Finnish Companies Act shareholders decide on the adoption of financial statements at the general meeting of shareholders held after the publication of the financial statements.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the IAS and IFRS standards as well as SIC- and IFRIC- interpretations which were valid on December 31, 2016. IFRS, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of said Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulations (EC) No 1606/2002 of the EU.

The consolidated financial statements have been prepared under the historical cost convention except for available-for sale financial assets, financial instruments at fair value through profit or loss, derivative instruments and cash-settled share-based payment arrangements that are measured at fair value. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. The use of estimates and assumptions is described in more detail in the section "Use of estimates". The consolidated financial statements are presented in millions of euros.

The following new and amended standards, which have been adopted as of January 1, 2016 had no impact on the consolidated financial statements:

- Revised IAS 1 Presentation of Financial Statements: Disclosure Initiative. The amendment clarifies the application of materiality concept and judgment when determining where and in what order information is presented in the consolidated financial statements.
- Revised IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendment clarifies that the revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.
- Revised IAS 27 Separate Financial Statements. The amendment allows entities to use the equity method in their separate financial statements.
- Revised IFRS 11 Joint arrangements. The amendment concerns accounting for the acquisition of an interest in a joint operation.
- Annual improvements (2012–2014 Cycle, September 2014). Annual improvements include smaller amendments to four standards.

Principles of consolidation

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

Subsidiaries are accounted for using the acquisition method according to which the consideration transferred and the identifiable assets and liabilities of the acquired company are measured at their fair value at the date of acquisition and the remaining balance of consideration less acquired net asset is recognized as goodwill. The costs relating to the acquisition are accounted as expense. Any possible contingent consideration is recognized at fair value at the acquisition date and it is classified as a liability or equity. Contingent consideration classified as a liability is remeasured at reporting period closing date and the related profit or loss is recognized in the income statement. Contingent consideration classified as equity is not remeasured. The acquisitions before January 1, 2010 are accounted according to the current regulations in force at the time of acquisition. Subsidiaries acquired during the financial year are included in the consolidated financial statements from the date of their acquisition and divested subsidiaries are included up to their date of sale.

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

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

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

Foreign currency translation

Foreign currency transactions are translated into functional currency at the rates of exchange prevailing at the date of the transaction. For practical reasons an approximate exchange rate is often used for transactions taking place during the month. Monetary assets and liabilities are translated at the rates of exchange at the reporting period closing date. The exchange rate used at the reporting period closing date is the rate of the date prior to the last working day of the reporting period closing date. Foreign exchange differences arising from translation are recognized in the income statement. Foreign exchange gains and losses relating to operating activities are recognized in the same account as the underlying transaction above Earnings before interest and taxes. Foreign exchange differences relating to financial liability are recognized in financial income or expense except for those currency differences that relate to loans designated as a hedge of the net investment in foreign operations. Those currency differences are recognized as translation differences in other comprehensive income.

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

In accordance with the exception included in the IFRS 1 the cumulative translation differences until the transition date January 1, 2002 have been reclassified to retained earnings. From the transition date onwards exchange differences arising on the translation of the net investment in foreign subsidiaries, associated companies and joint ventures are recognized as translation differences in other comprehensive income. A similar treatment is applied to intragroup permanent loans, which in substance are equity. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as part of the gain or loss on sale.

Financial instruments

Financial instruments are classified based on IAS 39 to the following categories: financial assets and liabilities at fair value through profit or loss, available-for-sale assets, loans and other receivables and other liabilities.

Publicly traded and unlisted shares are classified as available-for-sale investments. Publicly traded shares are recognized at fair value, which is based on quoted market prices at the reporting period closing date. Gains or losses arising from changes in fair value are recognized in other comprehensive income and are presented in equity in fair value reserves. Fair value changes are transferred from equity to the income statement, when the investment is sold or its value has been impaired so that related impairment loss should be recognized. Unlisted shares are measured at cost, as their fair value cannot be measured reliably.

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

An impairment loss on trade receivables is recognized, when there is objective evidence that the Group will not be able to collect all amounts due according to original terms of receivables. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed.

All derivative financial instruments are measured at fair value. The Group applies hedge accounting for certain interest rate swaps and foreign exchange forwards that meet hedge accounting criteria as defined in IAS 39. The hedged item must be highly probable to occur and must ultimately affect the income statement. The hedges must be highly effective both prospectively and retrospectively. For qualifying cash flow hedges, the portion of any change in fair value that is effective is included in other comprehensive income, and any remaining ineffective portion is recognized in the income statement. The cumulative changes of fair value of the hedging instrument that have been recognized in equity are transferred from equity and included in the income statement when the forecasted transaction is recognized in the income statement. When the hedged forecast transaction subsequently results in the recognition of non-financial asset or non-financial liability, the cumulative change of fair value of the hedging instrument that has been recognized in equity is transferred from equity and included in the initial carrying amount of the asset or liability at the time it is recognized.

For qualifying fair value hedges, the valuation is recognized in the income statement relating to the hedged risk. Derivative instruments that are designated as hedging instruments but not accounted for according to the principles of hedge accounting or which do not fulfill hedge accounting requirements are classified as financial instruments at fair value through profit or loss and valued at fair value. Changes in fair values of these derivative financial instruments are recognized in the income statement.

The Group uses foreign exchange forwards and foreign currency loans to hedge net investments in foreign entities. Hedges of net investment in foreign entities must meet the same hedge accounting criteria as cash flow hedges as detailed in IAS 39. All changes in fair value arising from the hedges are recognized as a translation difference in other comprehensive income if hedge accounting criteria are met. If the hedged entity is disposed of, the cumulative changes in fair value of the hedging instrument that have been recognized in equity are included in the income statement at the time of disposal.

Fair values of foreign exchange forwards are calculated using market rates on the reporting period closing date. Fair values of foreign exchange options are calculated with the Garman-Kohlhagen model. Fair values of interest rate swaps, futures and forwards are based on net present values of estimated future cash flows. Cash, short-term loans and overdrafts have fair values that approximate to their carrying amounts because of their short-term nature. The recoverable amount for financial investments is calculated as the present value of expected future cash flows, discounted at the original effective interest rate. Short-term receivables are not discounted. An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

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

Interest-bearing loans and borrowings are classified as other liabilities. Interest-bearing loans and borrowings are originated loans and bank loans, and are carried at amortized cost by using the effective interest rate method.

Goodwill and other intangible assets

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

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

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

The estimated useful lives are (years):	
Intangible rights up to	20
Software	3–5
Customer relations	7

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

Research and development

Research costs are recognized in the income statement as incurred. Expenditure on development activities related to new products and processes are capitalized in the statement of financial position from the moment they are expected to bring future economic benefits and the Group has intention and resources to finalize the development. Previously expensed development expenditure is not capitalized later.

Tangible assets

Tangible assets comprising mainly of land, buildings, machinery, tooling and equipment are valued at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of material, direct labor costs and an appropriated proportion of production overheads. When an asset includes major components that have different useful lives, they are accounted for as separate items.

Expenditure incurred to replace a component in a tangible asset that is accounted for separately, including major inspection and overhaul costs, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the asset. All other expenditure such as ordinary maintenance and repairs is recognized in the income statement as an expense as incurred. The borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the acquisition cost. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated.

The estimated useful lives are (years):	
Buildings and other structures	20–40
Machinery and equipment	5–15
Other tangible assets	3–12

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

Impairment

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

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

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

Leases

Lease contracts in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

In finance leases the assets and accumulated depreciation are included in tangible assets and the associated obligations are included in interest-bearing liabilities. When a Group company is the lessor, the discounted future lease payments are booked as interest-bearing receivables and the assets that have been leased out are removed from tangible assets. Lease payments under finance leases are divided into interest expense or interest income and installment payment of liability or receivable. Rental payments and rental income under operating leases are charged to the income statement.

Assets financed with leasing contracts have been capitalized and are measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. Assets are impaired and depreciated under the same principles and rates as tangible fixed assets. The depreciation time is the shorter of the useful life of the asset and the lease term.

The leasing components included in purchase agreements are recognized according to same principles. Other parts of the agreement are recognized according to the related IFRS standards.

Inventories

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

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

Employee benefits

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

A defined contribution plan is a plan under which the Group pays fixed contribution into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the entity is not able to pay the relating benefits. The contributions to defined contribution plans are charged to the income statement in the year to which they relate. A defined benefit plan is a plan which is not a defined contribution plan.

The present value of the obligation of defined benefit plans is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined using interest rates of high-quality corporate bonds that have maturity terms approximating to the terms of the related defined benefit obligation. The liability or asset recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting period closing date less fair value of plan assets.

Remeasurements, including actuarial gains and losses, are recognized to equity through other comprehensive income when incurred and are not reclassified to profit or loss in subsequent periods. Past service costs are recognized in income statement at the earlier of when the plan amendment or curtailment occurs or when related restructuring costs or termination benefits are recognized.

For defined benefit plans the Group reports the current and past service cost as well as gains and losses on non-routine settlements in personnel expenses by functions. The net interest income or expense is recognized in financial income or expenses. The net interest is determined by applying the discount rate used to determine present value of obligation to the net defined benefit liability or asset at the beginning of the annual period. In addition, the changes during the period caused by contributions and benefit payments are taken into account.

Share-based payment transactions

The Group has incentive plans which include equity-settled or cash-settled share-based payment transactions. The fair value of equity-settled share-based payments granted is recognized as an employee expense with a corresponding increase in equity. The fair value of cash-settled share-based payments is valued at each reporting period closing date and the changes in fair value of liability are recognized as expense when incurred. The fair value is measured at grant date and spread over the vesting period during which the employees become unconditionally entitled to the awards. The fair value of awards granted is measured using the Black-Scholes model, taking into account the market terms and conditions of agreement when pricing the awards. The amount recognized as an expense is adjusted to reflect the actual number of awards that will be vested. Non-market vesting conditions (for example, EBIT growth target) are not included in the value of share-based instruments but in the number of instruments that are expected to vest. At each reporting period closing date the estimates about the number of awards that are expected to vest are revised and the impact is recognized in income statement. The proceeds received from the exercise of options are credited to share capital (book value equivalent) and share premium fund.

Provisions

Provisions are recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle such obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions arise from restructuring plans, onerous contracts, legal proceedings and from environmental litigation or tax risks. Obligations arising from restructuring plans are recognized when the detailed and formal plans have been established and when there is a valid expectation that such plan will be carried out (plan has been announced). Provision from emissions is recognized according to actual emissions.

Taxes

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

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

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

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

Equity, dividends and own shares

The Group's equity includes instruments that evidences a residual interest in the assets of an entity after deducting all of its liabilities and contains no contractual obligation for the issuer to deliver cash or other financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions which are unfavorable to the issuer. When Huhtamäki Oyj's own shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction in equity.

Dividends proposed by the Board of Directors are not recognized in the financial statements until the shareholders have approved them at the Annual General Meeting.

Revenue recognition

The sales income adjusted with sales discounts, indirect sales taxes and exchange rate differences relating to sales in foreign currency is presented as net sales. Revenue is recognized after the risks and rewards of ownership of the goods have been transferred to the buyer. As a main rule, revenue recognition takes place at the date of delivery according to delivery terms.

Grants

Government or other grants are recognized in the income statement on a systematic basis in the same periods in which the expenses are incurred. Investment grants are presented in the statement of financial position as deferred income and recognized as income on a systematic basis over the useful life of the asset. These grants are included in other operating income. Government grants relating to emissions are accrued based on actual emissions.

Other operating income and expense

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

Other operating expenses include losses from disposal of assets and other costs not directly related to production or sale of products such as amortization of software and goodwill impairment losses.

Items affecting comparability

Material restructuring costs, impairment losses and reversals, gains and losses relating to business combinations and disposals, gains and losses relating to sale of intangible and tangible assets, as well as material fines and penalties imposed by authorities amongst other things are presented as items affecting comparability.

Earnings before interest and taxes

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

Use of estimates

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

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

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. More information about the sensitivity of recoverable amount relating to used assumptions can be found in note Intangible assets.

New IAS/IFRS standards and interpretations

New standards and amendments to existing standards applicable for the Group that have been published and are not mandatory, and which the Group has not yet adopted are described in the following.

The Group plans to adopt the following standards and amendments in 2017:

- Revised IAS 7 Statement of Cash Flows. Disclosure Initiative. The amendment requires the disclosure of changes in liabilities arising from financing activities including both cash based and non-cash based changes. The standard impacts the disclosure information of the consolidated financial statements.
- Revised IAS 12 Income Taxes. The amendment clarifies

the requirements on recognition of deferred tax asset for unrealized losses on debt instruments measured at fair value. The amendment is not expected to have impact on the consolidated financial statements.

- IFRS 9 Financial Instruments (effective for 2018 annual period with early adoption permitted). The new standard will replace current IAS 39 Financial Instruments: Recognition and measurement -standard. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Group has been examining the impacts of the new standard and analyzing especially classification of financial assets, accounting of impairment allowances for trade receivables and new possibilities for hedge accounting. The Group does not expect material changes to the consolidated financial statements. The disclosure information will be updated according to the new standard.
- IFRS 15 Revenue from Contracts with Customers (effective for 2018 annual period with early adoption permitted). The standard establishes a new five-step framework to account revenue arising from contracts with customers. The revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has been examining the impacts of the new standard and analyzing especially performance obligations, transaction prices and transfer of control. For the Group typical contracts with customers include sale of goods to a customer with only one performance obligation. Transaction price is usually fixed, but may also include variable considerations. The revenue recognition occurs at a point in time, when the control of the goods is transferred to the customer according to the delivery terms. As the outcome of the analysis, the Group will specify the accounting of cash discounts. The Group is adopting the standard using the modified retrospective approach. The minor adjustment related to cash discounts will be done to the opening balance of retained earnings at the date of initial application. The Group does not expect material changes to the consolidated financial statements. The disclosure information will be updated according to the new standard.

The Group expects to adopt later than 2017 the following new standards and amendments to existing standards, which have not yet been endorsed in the EU:

- Revised IFRS 2 Share-based Payment. The amendment clarifies classification and measurement of share-based payment transactions. The standard is not expected to have a material impact on the consolidated financial statements.
- Revised IFRS 4 Insurance Contracts. The amendments provide options for entities that issue insurance contracts to handle the different effective dates of IFRS 9 Financial Instruments and the forthcoming new IFRS 17 Insurance Contracts. The standard is not expected to have an impact on the consolidated financial statements.
- IFRS 16 Leases (effective for 2019 annual period with early adoption permitted). The new standard will replace current IAS 17 Leases -standard. The standard introduces new requirements for accounting for lease agreements. The Group is assessing the impact of the standard.

Notes to the consolidated financial statements

1. Segment information

The Group's reportable segments are strategic business units which produce different products and which are managed as separate units. The Group's segment information is based on internal management reporting. The Group has the following four reporting segments:

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

North America: The segment serves local markets in North America with Chinet® disposable tableware products, foodservice packaging products, as well as ice cream containers and other consumer goods packaging products. The segment has rigid paper, plastic and molded fiber manufacturing units in the United States and Mexico.

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

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

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

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

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

Segments 2016

EUR million	Foodservice Europe-Asia-Oceania	North America	Flexible Packaging	Molded Fiber	Segments total
Net sales	734.5	996.4	868.4	265.7	2,865.0
Intersegment net sales	6.5	8.7	0.2	2.1	17.5
EBIT	61.5	107.6	73.8	34.6	277.5
Net assets	534.5	727.0	644.9	220.5	2,126.9
Capital expenditure	46.9	97.9	25.7	27.6	198.1
Depreciation and amortization	32.1	37.3	30.0	13.6	113.0
RONA, % (12m roll.)	13.3%	16.3%	11.6%	16.4%	-
Operating cash flow	38.0	40.4	87.9	16.7	-

Intersegment net sales are eliminated on consolidation.

See notes 2, 4, 8, 12 and 13.

Segments 2015

EUR million	Foodservice Europe-Asia-Oceania	North America	Flexible Packaging	Molded Fiber	Segments total
Net sales	660.4	939.0	868.7	258.3	2,726.4
Intersegment net sales	7.1	8.7	0.2	2.0	18.0
EBIT	52.4	88.2	68.8	33.5	242.9
Net assets	371.5	638.9	611.3	197.8	1,819.5
Capital expenditure	39.6	40.9	31.6	34.1	146.2
Depreciation and amortization	26.8	36.4	27.8	12.9	103.9
RONA, % (12m roll.)	14.2%	14.1%	12.3%	17.7%	-
Operating cash flow	35.4	61.1	63.5	9.9	-

Reconciliation calculations

Result

EUR million	2016	2015
Total EBIT for reportable segments	277.5	242.9
EBIT for other activities	-11.3	-28.0
Net financial items	-26.9	-34.2
Profit before taxes from continuing operations	**239.3**	**180.7**

Assets

EUR million	2016	2015
Total assets for reportable segments	2,620.6	2,275.4
Assets in other activities	18.1	24.5
Unallocated assets	235.9	215.4
Group's total assets	**2,874.6**	**2,515.3**

Liabilities

EUR million	2016	2015
Total liabilities for reportable segments	493.7	455.9
Liabilities in other activities	29.9	28.3
Unallocated liabilities	1,168.8	995.1
Group's total liabilities	**1,692.4**	**1,479.3**

Geographical information

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

2016 EUR million	External net sales from continuing operations	Non-current assets
The United States	992.7	595.6
Germany	391.2	141.3
India	281.9	113.7
The United Kingdom	195.2	108.4
China	107.2	78.1
Thailand	96.4	55.1
Australia	84.6	32.9
Russia	80.4	40.5
The United Arab Emirates	74.8	45.2
The Netherlands	72.6	41.7
Other countries	488.0	499.0
Total	**2,865.0**	**1,751.5**

2015 EUR million	External net sales from continuing operations	Non-current assets
The United States	933.8	515.2
Germany	409.6	142.3
India	270.9	117.2
The United Kingdom	164.4	83.8
China	107.7	75.6
Thailand	100.3	49.3
Australia	79.1	27.5
Russia	69.9	29.4
The United Arab Emirates	81.6	43.1
The Netherlands	66.1	41.0
Other countries	443.0	343.2
Total	**2,726.4**	**1,467.6**

2. Business combinations

Acquisitions 2016

On January 30, 2015 Huhtamaki completed the acquisition of Positive Packaging, a privately owned flexible packaging company with nine manufacturing facilities in India and the United Arab Emirates (UAE) as well as significant business in Africa and other countries. The measurement period ended in January 2016. The values of assets, liabilities and goodwill have not changed from the values reported in the annual financial statements for 2015.

On January 29, 2016 Huhtamaki completed the acquisition of FIOMO, a privately owned manufacturer of flexible packaging foils and labels in Czech Republic. With the acquisition Huhtamaki expanded its flexible manufacturing footprint to Eastern Europe. The acquired business has been consolidated into Flexible Packaging business segment as of February 1, 2016. The goodwill is expected to be non-deductible for income tax purposes. The consideration in cash amounted to EUR 26.4 million. The costs relating to advice etc. services EUR 0.5 million are included in the Group income statement in account Other operating expenses.

On March 22, 2016 Huhtamaki expanded its long-standing relationship in Arabian Paper Products Company (APPCO) with Olayan Saudi Holding Company (OSHCO) by increasing its ownership in APPCO to 50%. Due to the revised Shareholders' Agreement relating to APPCO the Group has control in the company and the previous associate company is consolidated as a subsidiary in the Foodservice Europe-Asia-Oceania business segment as of April 1, 2016. The goodwill is expected to be non-deductible for income tax purposes. The consideration in cash for the additional shares amounted to EUR 3.6 million. The costs relating to advice etc. services EUR 0.1 million are included in the Group income statement in account Other operating expenses. As a result of the transaction, a gain of EUR 7.8 million from the difference between remeasured interest according to the purchase price and previously held equity interest is recognized in the income statement.

On July 22, 2016 Huhtamaki acquired 51% of Val Pack Solutions Private Limited, a privately held paper cup manufacturer based in Mumbai, India. The acquired business has been consolidated into Foodservice Europe-Asia-Oceania business segment as of July 22, 2016. The goodwill is expected to be non-deductible for income tax purposes. The consideration in cash amounted to EUR 3.0 million. The costs relating to advice etc. services EUR 0.3 million are included in Group income statement in account Other operating expenses.

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

EUR million	Note	Recognized values
Customer relations	12	4.9
Tangible assets	13	33.3
Inventories	19	10.4
Trade and other receivables	20	10.1
Cash and cash equivalents	21	3.7
Total assets		**62.4**
Deferred taxes	17	-1.9
Interest-bearing loans	24	-18.8
Trade and other payables	26	-10.3
Total liabilities		**-31.0**
Net assets total		**31.4**
Non-controlling interest		-8.9
Goodwill	12	24.9
Remeasurements		14.4
Consideration		33.0

The analysis of combined cash flows of acquisitions is as follows:

EUR million	2016
Purchase consideration, paid in cash	-33.0
Cash and cash equivalents in acquired companies	3.7
Transaction costs of the acquisition	-0.9
Net cash flow on acquisition	-30.2

The net sales of the acquired businesses included in the Group income statement since the acquisition dates were EUR 36.5 million and profit for the period was EUR 2.4 million. The net sales and the profit for the period of the acquired businesses would not have had material effect in the Group income statement, if the acquired businesses had been consolidated from January 1, 2016.

On May 19, 2016 Huhtamaki completed the acquisition of Delta Print and Packaging Limited ("Delta"), a privately owned folding carton packaging manufacturer in Northern Ireland and its affiliated Polish unit European Packaging Solutions Poland Sp. Z o.o. With the acquisition Huhtamaki continued to implement its growth strategy focused on food and drink packaging and entered the folding carton packaging market also in Europe. The acquired business has been consolidated into Foodservice Europe-Asia-Oceania business segment as of May 1, 2016. The goodwill is expected to be non-deductible for income tax purposes. The consideration in cash amounted to EUR 92.4 million. The costs relating to advice etc. services EUR 1.4 million are included in the Group income statement in account Other operating expenses.

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

EUR million	Note	Recognized values
Customer relations	12	8.3
Tangible assets	13	35.3
Inventories	19	5.7
Trade and other receivables	20	14.7
Cash and cash equivalents	21	1.0
Total assets		**65.0**
Deferred taxes	17	-3.4
Interest-bearing loans	24	-11.8
Trade and other payables	26	-22.1
Total liabilities		**-37.3**
Net assets total		**27.7**
Goodwill	12	64.7
Consideration		92.4

The analysis of cash flows of acquisition is as follows:

EUR million	2016
Purchase consideration, paid in cash	-92.4
Cash and cash equivalents in acquired companies	1.0
Transaction costs of the acquisition	-1.4
Net cash flow on acquisition	-92.8

The net sales of the acquired business included in the Group income statement since acquisition date were EUR 44.7 million and profit for the period was EUR 3.1 million. The Group net sales would have been EUR 2,886.6 million and profit for the period EUR 192.1 million, if the acquired business had been consolidated from January 1, 2016.

Acquisitions 2015

On January 30, 2015 Huhtamaki completed the acquisition of Positive Packaging, a privately owned flexible packaging company with nine manufacturing facilities in India and the United Arab Emirates (UAE) as well as significant business in Africa and other countries. With the acquisition Huhtamaki continued to implement its strategy of quality growth and strengthen its position in the fast-growing emerging markets. The acquired business has been consolidated into Flexible Packaging business segment as of February 1, 2015. The goodwill is expected to be non-deductible for income tax purposes. The consideration of EUR 199.6 million was paid in cash. The costs relating to advice etc. services EUR 4.1 million are included in Group income statement in account Other operating expenses. The initial accounting of business combination is ongoing and the presented values of assets, liabilities and goodwill may change when the accounting will be finalized.

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

EUR million	Note	Recognized values
Customer relations	12	7.1
Intangible assets	12	4.3
Tangible assets	13	93.1
Inventories	19	29.6
Trade and other receivables	20	62.6
Cash and cash equivalents	21	2.5
Total assets		**199.2**
Deferred taxes	17	-4.2
Interest-bearing loans	24	-69.5
Trade and other payables	26	-42.4
Total liabilities		**-116.1**
Net assets total		**83.1**
Goodwill	12	116.5
Consideration		199.6

The analysis of cash flows of acquisition is as follows:

EUR million	**2015**
Purchase consideration, paid in cash	-199.6
Cash and cash equivalents in acquired companies	2.5
Transaction costs of the acquisition	-4.1
Net cash flow on acquisition	-201.2

The net sales of the acquired business included in the Group income statement since acquisition date were EUR 203.0 million and profit for the period was EUR 6.5 million. The Group net sales from continuing operations would have been EUR 2,742.0 million, profit for the period from continuing operations EUR 151.7 million and profit for the period EUR 150.4 million, if the acquired business had been consolidated from January 1, 2015.

On April 1, 2015 Huhtamaki completed the acquisition of Butterworth Paper Cups Sdn Bhd, a privately owned paper cup and foodservice packaging manufacturer in Malaysia. With the acquisition Huhtamaki expanded its foodservice manufacturing footprint to Southeast Asia and significantly strengthened its presence and capability to serve customers in Malaysia, Singapore and other regional Southeast Asian markets. The acquired business has been consolidated into Foodservice Europe-Asia-Oceania business segment as of April 1, 2015. The goodwill is expected to be non-deductible for income tax purposes. The consideration of EUR 5.8 million was paid in cash. The costs of EUR 0.2 million relating to advice etc. services are included in the Group income statement in account Other operating expenses.

On July 1, 2015 Huhtamaki completed the acquisition of assets and business of Pure-Stat Technologies Inc., a privately owned laminate manufacturer in the United States. Pure-Stat's laminate is used as a component in a number of Huhtamaki's molded fiber products. The acquired business has been consolidated into North America business segment as of July 1, 2015. The goodwill is expected to be deductible for income tax purposes. The consideration of EUR 6.6 million was paid in cash. The costs relating to advice etc. services are not considered to be material.

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

EUR million	Note	Recognized values
Customer relations	12	0.6
Tangible assets	13	4.9
Inventories	19	1.4
Trade and other receivables	20	2.0
Cash and cash equivalents	21	0.1
Total assets		**9.0**
Deferred taxes	17	-0.2
Interest-bearing loans	24	-2.7
Trade and other payables	26	-0.9
Total liabilities		**-3.8**
Net assets total		**5.2**
Goodwill	12	7.2
Consideration		12.4

The analysis of combined cash flows of acquisitions are as follows:

EUR million	**2015**
Purchase consideration, paid in cash	-12.4
Cash and cash equivalents in acquired companies	0.1
Transaction costs of the acquisition	-0.2
Net cash flow on acquisition	-12.5

The combined net sales of the acquired businesses included in the Group income statement since acquisition date were EUR 6.1 million and profit for the period was EUR 0.3 million. The net sales and the profit for the period of the acquired businesses would not have had material effect in the Group income statement, if the acquired businesses had been consolidated from January 1, 2015.

3. Restructuring costs

The restructuring costs booked in 2016 related to efficiency enhancing measures to improve competitiveness in the Foodservice Europe-Asia-Oceania segment. Two foodservice packaging manufacturing operations in South China were decided to be consolidated into one efficient and modernized manufacturing facility. Manufacturing operations at the foodservice packaging plant in Henderson, New Zealand, were decided to be reorganized. In addition, following a supplemental site assessment at the manufacturing operations in Viul, Norway, which was closed in 2013, a provision to cover potential environmental remediation actions was recognized.

Restructuring costs represent the costs of reduction in the number of employees in China and New Zealand together with the costs of environmental remediation actions in Norway. The costs of restructuring programs have been included in reported Earnings before interest and taxes under the appropriate expense classifications of the consolidated income statement and are as follows:

EUR million	2016	2015
Cost of goods sold	8.1	-
Sales and marketing	0.3	-
Administration costs	0.2	-
Other operating expenses	0.9	-
Total	9.5	-

See note 1.

In 2015 the Group did not implement any new restructuring programs.

4. Discontinued operations

The Films business segment was sold in 2014 to DBAG Fund VI, a fund advised by Deutsche Beteiligungs AG, a German private equity company listed on the Frankfurt stock exchange. The divestment was a result of Group's growing strategic focus on food packaging. The sale was completed in 2015. In 2015 the result for the period from discontinued operations was EUR -1.3 million. Discontinued operations did not have any net cash flow in 2015.

In 2016 the Group did not have discontinued operations.

5. Other operating income

EUR million	2016	2015
Royalty income	11.7	12.2
Gains relating to business combinations	7.8	-
Rental income	0.7	0.6
Gain on disposal of tangible assets	0.5	0.3
Other	4.0	5.2
Total	24.7	18.3

6. Other operating expenses

EUR million	2016	2015
Amortization of intangible assets	8.6	6.8
Strategic project expenses	3.3	4.3
European Commission's fine and legal costs	-	18.3
Other	2.5	0.9
Total	14.4	30.3

7. Personnel expenses

EUR million	2016	2015
Wages and salaries	473.7	446.4
Compulsory social security contributions	43.5	41.6
Pensions		
Defined benefit plans	3.5	10.2
Defined contribution plans	14.1	11.9
Other post-employment benefits	1.7	1.6
Share-based payments	14.6	11.1
Other personnel costs	44.4	39.1
Total	595.5	561.9

Remuneration paid by the parent company to the members of the Board of Directors as well as the Chief Executive Officer (CEO) of Huhtamaki Oyj (8 people) amounted to EUR 2.9 million (2015: EUR 2.3 million).

See note 29, Corporate Governance Statement and Remuneration Statement.

Average number of personnel	2016	2015
Group	16,638	15,987
Huhtamäki Oyj	63	57

8. Depreciation and amortization

EUR million	2016	2015
Depreciation and amortization by function:		
Production	99.5	92.0
Sales and marketing	0.1	0.1
Research and development	0.2	0.1
Administration	1.9	1.9
Other	12.2	10.4
Total	**113.9**	**104.5**
Depreciation and amortization by asset type:		
Buildings	13.2	11.9
Machinery and equipment	86.7	80.7
Other tangible assets	5.4	5.1
Intangible assets	8.6	6.8
Total	113.9	104.5

See notes 1, 12 and 13.

9. Net financial items

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

EUR million	2016	2015
Interest income on bank deposits and other receivables	1.4	1.2
Interest income on defined benefit plans	2.0	2.0
Dividend income on available-for-sale assets	1.9	1.7
FX revaluation gains on interest-bearing assets and liabilities	0.0	0.0
Financial income	**5.3**	**4.9**
Interest expense on liabilities	-24.8	-28.0
Interest expense on defined benefit plans	-5.5	-6.3
FX revaluation losses on interest-bearing assets and liabilities	-0.2	-1.8
Other financial expenses	-1.7	-3.0
Financial expense	**-32.2**	**-39.1**
Net financial items	-26.9	-34.2

10. Taxes in income statement

EUR million	2016	2015
Current period taxes	50.5	42.1
Previous period taxes	-6.7	-2.0
Deferred tax expense	4.0	-10.8
Total tax expense	**47.8**	**29.3**
Profit before taxes	239.3	180.7
Tax calculated at domestic rate	47.9	36.1
Effect of different tax rates in foreign subsidiaries	17.7	3.9
Income not subject to tax	-16.1	-17.5
Expenses not deductible for tax purposes	8.7	11.0
Utilization of previously unrecognized tax losses	-4.3	-2.7
Recognition of previously unrecognized tax losses	-	-0.6
Previous period taxes	-6.7	-2.0
Other items	0.6	1.1
Total tax expense	47.8	29.3

Tax effects relating to components of other comprehensive income

EUR million	2016 Before tax amount	Tax expense/ benefit	Net of tax amount	2015 Before tax amount	Tax expense/ benefit	Net of tax amount
Cash flow hedges	0.7	-0.3	0.4	-4.0	-0.1	-4.1
Remeasurements on defined benefit plans	-34.1	6.2	-27.9	36.9	-9.3	27.6

11. Earnings per share

EUR million	2016	2015
Net income attributable to equity holders of the parent company (basic/diluted)		
Profit for the period from continuing operations	187.8	148.2
Result for the period from discontinued operations	-	-1.3
Total	**187.8**	**146.9**

Thousands of shares	2016	2015
Weighted average number of shares outstanding	103,822	103,665
Effect of share-based payments	240	151
Diluted weighted average number of shares outstanding	**104,062**	**103,816**

Basic earnings per share, EUR:	2016	2015
From profit for the period, continuing operations	1.81	1.43
From result for the period, discontinued operations	-	-0.01
From profit for the period attributable to equity holders of the parent company	**1.81**	**1.42**

Diluted earnings per share, EUR:	2016	2015
From profit for the period, continuing operations	1.80	1.43
From result for the period, discontinued operations	-	-0.01
From profit for the period attributable to equity holders of the parent company	**1.80**	**1.42**

12. Intangible assets

EUR million	Goodwill	Customer relations	Software	Other intangibles (including intangible rights)	Total 2016
Acquisition cost on January 1, 2016	685.5	24.3	76.4	17.6	**803.8**
Additions	-	-	0.5	2.8	**3.3**
Disposals	-	-	-0.2	-0.5	**-0.7**
Intra-balance sheet transfer	-	-	2.0	0.6	**2.6**
Business combinations	89.6	13.2	-	-	**102.8**
Changes in exchange rates	9.3	-0.3	0.6	0.1	**9.7**
Acquisition cost on December 31, 2016	784.4	37.2	79.3	20.6	**921.5**
Accumulated amortization and impairment on January 1, 2016	114.2	9.1	71.0	8.5	**202.8**
Accumulated amortization on disposals and transfers	-	-	-0.1	-0.3	**-0.4**
Amortization during the financial year	-	4.7	3.1	0.8	**8.6**
Changes in exchange rates	1.0	0.4	0.3	0.1	**1.8**
Accumulated amortization and impairment on December 31, 2016	115.2	14.2	74.3	9.1	**212.8**
Book value on December 31, 2016	**669.2**	**23.0**	**5.0**	**11.5**	**708.7**

Emission rights are included in other intangible rights and are valued at fair value on January 11, 2016. The value of emission rights at balance sheet date was EUR 0.3 million (2015: EUR 0.3 million). The Group has not sold any emission rights during 2016. 330,166 emission rights have been allocated to the Group for the commitment period 2013–2020.

EUR million	Goodwill	Customer relations	Software	Other intangibles (including intangible rights)	Total 2015
Acquisition cost on January 1, 2015	540.4	15.2	72.3	12.4	**640.3**
Additions	-	-	0.9	1.4	**2.3**
Disposals	-	-	-0.3	-0.6	**-0.9**
Intra-balance sheet transfer	-	-	2.4	0.1	**2.5**
Business combinations	123.7	7.7	0.2	4.1	**135.7**
Changes in exchange rates	21.4	1.4	0.9	0.2	**23.9**
Acquisition cost on December 31, 2015	685.5	24.3	76.4	17.6	**803.8**
Accumulated amortization and impairment on January 1, 2015	108.9	5.2	67.4	8.2	**189.7**
Accumulated amortization on disposals and transfers	-	-	-0.3	-0.3	**-0.6**
Amortization during the financial year	-	3.3	2.8	0.7	**6.8**
Changes in exchange rates	5.3	0.6	1.1	-0.1	**6.9**
Accumulated amortization and impairment on December 31, 2015	114.2	9.1	71.0	8.5	**202.8**
Book value on December 31, 2015	**571.3**	**15.2**	**5.4**	**9.1**	**601.0**

Impairment test for cash-generating units containing goodwill

Goodwill acquired through business combinations has been allocated to the level of groups of cash-generating units that are expected to benefit from the synergies of the acquisition, which represent the lowest level at which the goodwill is monitored for internal management purposes. Goodwill has been allocated to the following groups of cash-generating units:

EUR million	2016	2015
North America	234.3	229.2
Flexible Packaging Global	125.6	116.5
Foodservice EAO Global	99.7	30.1
Flexible Packaging Europe	95.0	81.1
Molded Fiber Europe	47.3	47.3
	601.9	**504.2**
Multiple units with smaller goodwill amount	67.3	67.1
Total goodwill	**669.2**	**571.3**

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

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

Goodwill is tested annually or more frequently if there are indications of impairment. In assessing whether goodwill has been impaired, the carrying value of the group of cash generating units has been compared to the recoverable amount of the group of cash generating units. The recoverable amount is based on value in use, which is estimated using a discounted cash flow model. The cash flows are determined using five year cash flow forecasts, which are based on business plans. The plans are based on past experience as well as future expected market trend. The plans are approved by management and are valid when impairment test is performed. Cash flows for future periods are extrapolated using a one percent growth rate in developed countries, two percent growth rate in developing countries and three percent growth rate in high growth countries. The management views these growth rates as being appropriate for the business, given the long-time horizon of the testing period. The pre-tax discount rate used in calculation reflects the weighted average cost of capital and risks to the asset under review. The pre-tax discount rates used in discounting the projected cash flows are as follows: North America 7.4% (2015: 7.4%), Flexible Packaging Global 11.8% (2015: 11.7%), Foodservice EAO Global 9.4% (2015: 7.9%), Flexible Packaging Europe 7.4% (2015: 7.4%) and Molded Fiber Europe 7.8% (2015: 7.8%). The pre-tax discount rates used in the smaller scale units with smaller goodwill range from 7.3% to 28.0% (2015: 7.4% to 19.2%).

The goodwill relating to the acquisition of Delta Print and Packaging Limited and increased ownership in Arabian Paper Products Company have been allocated in the cash-generating unit Foodservice EAO Global because the entities in Foodservice EAO segment are expected to benefit from the synergies of the acquisitions. The goodwill relating to acquisition of FIOMO has been allocated in the cash-generating unit Flexible Packaging Europe because the European entities of the Flexible Packaging segment are expected to benefit from the synergies of the acquisition. The goodwill relating to the acquired ownership in Val Pack Solutions Private Limited forms its own cash-generating unit and is included in the line “Multiple units with smaller goodwill amount”. (See note 2).

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

13. Tangible assets

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2016
Acquisition cost on January 1, 2016	17.9	313.2	1,338.8	89.5	64.9	**1,824.3**
Additions	-	1.9	9.5	189.0	2.3	**202.7**
Disposals	-0.2	-1.6	-14.4	-	-1.6	**-17.8**
Intra-balance sheet transfer	3.6	21.5	137.3	-168.8	3.8	**-2.6**
Business combinations	1.4	11.7	43.9	10.4	1.2	**68.6**
Changes in exchange rates	-1.4	7.4	33.4	4.8	1.6	**45.8**
Acquisition cost on December 31, 2016	21.3	354.1	1,548.5	124.9	72.2	**2,121.0**
Accumulated depreciation and impairment on January 1, 2016	-	125.9	796.9	-	47.7	**970.5**
Accumulated depreciation on disposals and transfers	-	-1.1	-13.5	-	-1.4	**-16.0**
Depreciation during the financial year	-	13.2	86.7	-	5.4	**105.3**
Changes in exchange rates	-	2.3	21.8	-	1.3	**25.4**
Accumulated depreciation and impairment on December 31, 2016	-	140.3	891.9	-	53.0	**1,085.2**
Book value on December 31, 2016	**21.3**	**213.8**	**656.6**	**124.9**	**19.2**	**1,035.8**
Value of financial leased items included in book value 2016	**-**	**5.8**	**0.3**	**-**	**0.1**	**6.2**

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2015
Acquisition cost on January 1, 2015	16.6	255.2	1,130.7	74.2	54.9	**1,531.6**
Additions	-	6.9	5.6	134.3	2.1	**148.9**
Disposals	-	-0.1	-17.2	-	-1.4	**-18.7**
Intra-balance sheet transfer	-	8.7	107.8	-122.5	3.5	**-2.5**
Business combinations	0.5	29.9	59.2	3.4	4.6	**97.6**
Changes in exchange rates	0.8	12.6	52.7	0.1	1.2	**67.4**
Acquisition cost on December 31, 2015	17.9	313.2	1,338.8	89.5	64.9	**1,824.3**
Accumulated depreciation and impairment on January 1, 2015	-	109.4	699.0	-	43.1	**851.5**
Accumulated depreciation on disposals and transfers	-	-	-16.9	-	-1.4	**-18.3**
Depreciation during the financial year	-	11.9	80.7	-	5.1	**97.7**
Changes in exchange rates	-	4.6	34.1	-	0.9	**39.6**
Accumulated depreciation and impairment on December 31, 2015	-	125.9	796.9	-	47.7	**970.5**
Book value on December 31, 2015	**17.9**	**187.3**	**541.9**	**89.5**	**17.2**	**853.8**
Value of financial leased items included in book value 2015	**-**	**6.8**	**0.6**	**-**	**0.2**	**7.6**

14. Equity-accounted investments

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

Company	Country	Ownership 2016	Ownership 2015
Laminor S.A. (joint venture)	Brazil	50.0%	50.0%
Arabian Paper Products Co. (associate)	Saudi Arabia	-	40.0%

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

The Group has increased its ownership in Arabian Paper Products Company (APPCO) which is a previous associate company with Olayan Saudi Holding Company. The Group's ownership in APPCO has increased to 50%. According to the revised Shareholders' Agreement relating to APPCO the Group has control in the company, which enables the Group to consolidate the previous associate company as a subsidiary in the Group's financial reporting as of April 1, 2016. Until then the share of profit from APPCO has been consolidated using equity method. (See note 2).

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

EUR million	2016	2015
Interest in a joint venture	7.0	5.5
Interest in an associate	-	7.3
Total	7.0	12.8
Share of profit in a joint venture	1.8	1.2
Share of profit in an associate	0.2*	0.9
Total	2.0	2.1

** Share of profit in APPCO before April 1, 2016. The Group started to consolidate the previous associate company as a subsidiary in financial reporting since April 1, 2016.*

15. Available-for-sale investments

Available-for-sale investments includes unquoted shares. For unquoted shares the fair value cannot be measured reliably, in which case the investment is carried at cost.

EUR million	2016	2015
Book value on January 1	1.9	1.9
Additions	0.2	0.0
Disposals	0.0	0.0
Changes in exchange rates	0.0	0.0
Other changes	-0.5	-
Book value on December 31	1.6	1.9

16. Interest-bearing receivables

EUR million	2016 Carrying amount	2016 Fair value	2015 Carrying amount	2015 Fair value
Current				
Loan receivables	0.7	0.7	0.6	0.6
Finance lease receivables	1.5	1.5	1.4	1.4
Current interest-bearing receivables	2.2	2.2	2.0	2.0
Non-current				
Loan receivables	1.5	1.5	1.4	1.4
Finance lease receivables	3.1	3.1	2.7	2.7
Non-current interest-bearing receivables	4.6	4.6	4.1	4.1

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

Finance lease receivables

EUR million	2016	2015
Finance lease receivable is payable as follows:		
In less than one year	1.7	1.6
Between one and five years	3.3	2.8
Total minimum lease payments	5.0	4.4
Present value of minimum lease payments		
In less than one year	1.5	1.4
Between one and five years	3.1	2.7
Total present value of minimum lease payments	4.6	4.1
Unearned future financial income	0.4	0.3

Finance lease receivables relate to packaging machines leased to customers.

17. Deferred taxes

EUR million	2016	2015
Deferred tax assets by types of temporary differences		
Tangible assets	0.9	1.0
Employee benefit	45.4	37.4
Provisions	2.7	4.0
Unused tax losses	24.9	23.2
Other temporary differences	30.4	28.1
Total	**104.3**	**93.7**
Deferred tax liabilities		
Tangible assets	84.2	74.8
Intangible assets	13.4	10.1
Employee benefit	24.8	20.7
Other temporary differences	15.5	15.6
Total	**137.9**	**121.2**
Net deferred tax liabilities	33.6	27.5
Reflected in statement of financial position as follows:		
Deferred tax assets	58.6	50.9
Deferred tax liabilities	92.2	78.4
Total	33.6	27.5

On December 31, 2016 the Group had EUR 153 million (2015: EUR 171 million) worth of deductable temporary differences, for which no deferred tax asset was recognized. EUR 146 million of these temporary differences have unlimited expiry and EUR 7 million expire in five years.

Deferred taxes recognized directly in other comprehensive income are presented in note 10.

18. Employee benefits

The Group has established a number of defined benefit plans providing pensions and other post-employment benefits for its personnel throughout the world. Major defined benefit plans exist in the U.S., the UK, Germany and the Netherlands comprising approximately 90% of the Group consolidated defined benefit obligation.

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

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

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

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

EUR million	Present value of defined benefit obligation 2016	2015	Fair value of plan assets 2016	2015	Net defined benefit liability 2016	2015
Balance on January 1	575.5	590.0	-425.1	-406.1	150.4	183.9
Included in Income statement						
Current service cost	9.8	10.1			9.8	10.1
Plan amendment and curtailment cost (+) / income (-)	-4.6	0.1			-4.6	0.1
Interest cost (+) / income (-)	17.8	18.1	-14.3	-13.8	3.5	4.3
	23.0	**28.3**	**-14.3**	**-13.8**	**8.7**	**14.5**
Included in Other comprehensive income						
Remeasurements						
Actuarial loss (+) / gain (-) arising from						
Demographic assumptions	-3.7	-4.8			-3.7	-4.8
Financial assumptions	62.6	-40.6			62.6	-40.6
Experience adjustment	-4.4	2.2			-4.4	2.2
Actual return on plan assets less interest income			-20.4	6.3	-20.4	6.3
	54.5	**-43.2**	**-20.4**	**6.3**	**34.1**	**-36.9**
Other movements						
Benefits paid	-29.2	-29.5	21.7	21.8	-7.5	-7.7
Contribution by employer			-5.2	-5.5	-5.2	-5.5
Contribution by employee			-1.1	-1.1	-1.1	-1.1
Obligations and assets assumed in business combinations	0.8	2.7	-	-0.5	0.8	2.2
Effect of movements in exchange rates	-15.5	27.2	8.7	-26.2	-6.8	1.0
Balance on December 31	**609.1**	**575.5**	**-435.7**	**-425.1**	**173.4**	**150.4**

Reflected to statement of financial position	2016	2015
Employee benefit assets	55.8	48.8
Employee benefit liabilities	229.2	199.2
	173.4	**150.4**

Amounts of funded and unfunded obligations	2016	2015
Present value of funded obligations	569.9	535.8
Present value of unfunded obligations	39.2	39.7
	609.1	**575.5**

Plan assets comprise:	2016	2015
European equities	59.4	64.6
North American equities	44.8	35.6
European debt instruments	16.4	67.7
North American debt instruments	123.5	116.4
Property	19.7	15.7
Insured plans	93.5	95.3
Other	78.4	29.8
	435.7	**425.1**

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

Expected contribution to defined benefit plans during 2017 is EUR 4.5 million.

The weighted average duration of defined benefit obligation was 15 years (2015: 15 years).

Significant actuarial assumptions	2016	2015
Discount rate (%)		
Europe	0.9–2.7	1.5–4.0
Americas	3.9–6.6	4.1–6.6
Asia, Oceania, Africa	3.4–9.1	3.9–8.5
Annual increase in healthcare costs (%)		
Americas	7.0	7.3
Asia, Oceania, Africa	7.9	7.7

The effect of changes in significant actuarial assumptions on the defined benefit obligation

EUR million	2016	2015
1% p. increase in discount rate	-74.7	-68.7
1% p. decrease in discount rate	102.4	90.6
1% p. increase in estimated healthcare cost	2.1	2.5
1% p. decrease in estimated healthcare cost	-1.9	-2.1

19. Inventories

EUR million	2016	2015
Raw and packaging material	149.7	133.5
Work-In-Process	55.4	55.1
Finished goods	192.3	191.8
Advance payments	4.5	5.3
Total	401.9	385.7

The value at cost for finished goods amounts to EUR 207.7 million (2015: EUR 203.3 million). An allowance of EUR 19.8 million (2015: EUR 16.9 million) has been established for obsolete items. Total inventories include EUR 3.2 million resulting from reversals of previously written down values (2015: EUR 4.1 million).

20. Trade and other current receivables

EUR million	2016	2015
Trade receivables	417.8	375.2
Other receivables	33.5	32.3
Accrued interest and other financial items	3.6	4.8
Other accrued income and prepaid expenses	21.2	26.4
Total	476.1	438.7

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

Aging and impairment losses of trade receivables at the closing date

EUR million	Gross 2016	Impairment 2016	Gross 2015	Impairment 2015
Not past due	365.4	1.3	306.0	1.1
Past due 0–30 days	37.5	0.2	41.8	0.3
Past due 31–120 days	13.2	0.3	24.6	0.4
Past due more than 120 days	6.6	3.1	7.8	3.2
Total	422.7	4.9	380.2	5.0

The maximum exposure to credit risk related to trade and other current receivables is equal to the book values of these items.

21. Cash and cash equivalents

EUR million	2016	2015
Cash and bank	76.9	73.7
Liquid marketable securities	29.0	29.5
Total	105.9	103.2

22. Share capital of the parent company

Share capital	Number of shares	Share capital EUR	Share premium EUR	Treasury shares EUR	Total EUR
January 1, 2015	107,760,385	366,385,309.00	115,023,103.38	-38,652,244.74	442,756,167.64
Own shares transferred through performance share incentive plan	-	-	-	1,306,381.89	1,306,381.89
December 31, 2015	107,760,385	366,385,309.00	115,023,103.38	-37,345,862.85	444,062,549.53
Own shares transferred through performance share incentive plan	-	-	-	1,470,894.94	1,470,894.94
December 31, 2016	107,760,385	366,385,309.00	115,023,103.38	-35,874,967.91	445,533,444.47

All shares issued are fully paid.

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

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

Based on the authorization given by the Annual General Meeting of Shareholders on March 25, 2002, the Company repurchased in total 5,061,089 own shares during 2002 and 2003. After 2003 no own shares have been repurchased. The Annual General Meeting of Shareholders on April 21, 2016 authorized the Board of Directors to decide on the repurchase of the Company's own shares. The authorization remains in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2017. This authorization cancelled the authorization given by the Annual General Meeting on April 21, 2015 to decide on the repurchase of the Company's own shares.

The Annual General Meeting of Shareholders on April 21, 2016 authorized the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares. The authorization remains in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2017. This authorization cancelled the authorization given by the Annual General Meeting on April 21, 2015 to decide on the issuance of shares as well as the issuance of special rights entitling to shares. During 2016 a total of 160,060 shares were transferred based on the authorization (during 2015 a total of 142,158 shares were transferred based on the authorization in force at that time).

On December 31, 2016 the Company owned a total of 3,903,846 own shares (December 31, 2015: 4,063,906 own shares).

Members of the Board of Directors and the CEO of the Company owned on December 31, 2016 a total of 107,150 shares (December 31, 2015: 88,000 shares). These shares represented 0.10% (December 31, 2015: 0.08%) of the total number of shares and voting rights in the Company on December 31, 2016.

Information according to the Securities Market Act, Chapter 7, Section 6

Pursuant to the Securities Market Act (746/2012) Chapter 7, Section 6 and the Degree on the Regular Duty of Disclosure of an Issuer of a Security (VMa 1020/2012) Chapter 2, Section 8, the Company shall present in the Directors' Report information on factors that are likely to have a material effect on a public tender offer to acquire the shares of the Company. In accordance with the aforementioned regulations, the Company gives the following information:

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

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

The Annual General Meeting of Shareholders on April 21, 2016 authorized the Board of Directors to decide: (i) on the repurchase of the Company's own shares and (ii) on the issuance of shares as well as the issuance of special rights entitling to shares. The authorizations remain in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2017.

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

Distribution of ownership by number of shares on December 31, 2016

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	7,940	30.1	427,094	0.4
101–1,000	14,350	54.3	5,693,544	5.3
1,001–10,000	3,783	14.3	9,905,061	9.2
10,001–100,000	281	1.1	7,888,634	7.3
100,001–1,000,000	44	0.2	13,009,953	12.1
More than 1,000,000	9	0.0	70,765,731	65.6
Total	26,407	100.0	107,690,017	99.9
In the joint book-entry account			70,368	0.1
Number of shares issued			107,760,385	100.0

Distribution of ownership by sector on December 31, 2016

Sector	Number of shares	%
Nominee-registered shares	48,998,293	45.5
Non-profit organizations	17,826,089	16.5
Households	16,133,991	15.0
Public-sector organizations	8,496,745	7.9
Private companies	6,774,655	6.3
Financial and insurance companies	6,608,982	6.1
Foreigners	2,851,262	2.6
In the joint book-entry account	70,368	0.1
Number of shares issued	107,760,385	100.0

Largest registered shareholders on December 31, 2016*

Name	Number of shares and votes	%
Finnish Cultural Foundation	12,001,184	11.1
Varma Mutual Pension Insurance Company	2,353,478	2.2
Ilmarinen Mutual Pension Insurance Company	1,895,318	1.8
The Local Government Pensions Institution	1,607,175	1.5
ODIN Norden Fund	1,286,657	1.2
The State Pension Fund	1,235,000	1.2
Society of Swedish Literature in Finland	983,500	0.9
Nordea Nordic Fund	868,801	0.8
Nordea Fennia Fund	799,765	0.7
ODIN Finland Fund	481,416	0.4
Total	23,512,294	21.8

** Excluding own shares acquired by Huhtamäki Oyj totaling 3,903,846 and representing 3.6% of the total number of shares.*

Performance Share Arrangement 2010

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

The aggregate maximum of 400,000 shares and as part of the reward, a cash payment equivalent to taxes arising to the key personnel from the reward may be granted under each three-year plan. Participants to the plan belonging to the Group Executive Team shall hold at least 50% of the shares received until he/she holds shares received from the Performance Share Plans corresponding in aggregate to the value of his/her annual base salary. Other participants to the plan shall hold at least 50% of the shares received until he/she holds shares received from the Performance Share Plans corresponding in aggregate to the value of his/her 6 months base salary. The aforementioned ownership requirements apply until termination of employment or service.

Performance Share Plan 2012–2014

The Performance Share Plan 2012–2014 commenced in 2012. The reward was based on the Group's earnings per share (EPS) in 2014 and was paid during 2015. The Performance Share Plan 2012–2014 was directed to 63 persons at the end of 2014.

The target, Group's earnings per share (EPS) in 2014, set forth in the Performance Share Arrangement 2010 for the earnings period 2012–2014, was reached. According to the terms and conditions of the Performance Share Arrangement a total of 142,158 shares were paid as a reward under the plan in 2015. Fair value of the paid shares on the grant date was EUR 28.96 per share. Pursuant to the IFRS standards, an expense relating to the Performance Share Plan 2012–2014 totaling EUR 4,089,520 was recorded for the reporting periods 2012–2014. This amount includes an expense totaling EUR 1,780,795 which was recorded in the reporting period ending on December 31, 2014.

Performance Share Plan 2013–2015

The Performance Share Plan 2013–2015 commenced in 2013. The reward was based on the Group's earnings per share (EPS) in 2015 and was paid in 2016. The Performance Share Plan 2013–2015 was directed to 61 persons at the end of 2015.

The target, Group's earnings per share (EPS) in 2015, set forth in the Performance Share Arrangement 2010 for the earnings period 2013–2015, was reached. According to the terms and conditions of the Performance Share Arrangement a total of 160,060 shares were as a reward under the plan in 2016. Fair value of the paid shares on the grant date was EUR 31.78 per share. Pursuant to the IFRS standards, an expense relating to the Performance Share Plan 2013–2015 totaling EUR 7,260,080 was recorded for the reporting periods 2013–2015. This amount includes an expense totaling EUR 6,440,691 which was recorded in the reporting period ending on December 31, 2015.

Performance Share Plan 2014–2016

The Performance Share Plan 2014–2016 commenced in 2014. The reward was based on the Group's earnings per share (EPS) in 2016 and will be paid in 2017. The Performance Share Plan 2014–2016 was directed to 75 persons at the end of 2016.

The target, Group's earnings per share (EPS) in 2016, set forth in the Performance Share Arrangement 2010 for the earnings period 2014–2016, was reached. Pursuant to the IFRS standards, an expense relating to the Performance Share Plan 2014–2016 totaling EUR 12,902,150 was recorded for the reporting periods 2014–2016. This amount includes an expense totaling EUR 8,185,872 which was recorded in the reporting period ending on December 31, 2016.

Performance Share Plan 2015–2017

The Performance Share Plan 2015–2017 commenced in 2015 and the possible reward will be based on the Group's earnings per share (EPS) in 2017. The reward, if any, will be paid during 2018. The Performance Share Plan 2015–2017 was directed to 82 persons at the end of 2016.

Performance Share Plan 2016–2018

The Performance Share Plan 2016–2018 commenced in 2016 and the possible reward will be based on the Group's earnings per share (EPS) in 2018. The reward, if any, will be paid during 2019. The Performance Share Plan 2016–2018 was directed to 104 persons at the end of 2016.

23. Fair value and other reserves

EUR million	
December 31, 2014	**-99.3**
Cash flow hedges recognized in other comprehensive income	-3.6
Cash flow hedges transferred to profit or loss	0.1
Cash flow hedges transferred to statement of financial position	-0.5
Deferred taxes	-0.1
Change of remeasurements on defined benefit plans	36.9
Deferred taxes	-9.3
December 31, 2015	**-75.8**
Cash flow hedges recognized in other comprehensive income	0.0
Cash flow hedges transferred to profit or loss	0.8
Cash flow hedges transferred to statement of financial position	-0.1
Deferred taxes	-0.3
Change of remeasurements on defined benefit plans	-34.1
Deferred taxes	6.2
December 31, 2016	**-103.3**

Fair value and other reserves

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

Translation differences

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

Treasury shares

Treasury shares include the purchase price of Huhtamäki Oyj's shares held by Group companies. In 2016 own shares were transferred according to the terms and conditions of the Performance Share Incentive Plan. The purchase price of transferred shares was EUR 1.5 million. There are no additions in treasury shares in 2016.

24. Interest-bearing liabilities

EUR million	2016 Carrying amount	2016 Fair value	2015 Carrying amount	2015 Fair value
Current				
Loans from financial institutions				
Fixed rate	5.0	5.0	5.0	5.0
Floating rate	134.6	134.6	150.3	150.3
Other current loans				
Fixed rate	125.0	125.0	-	-
Floating rate	0.5	0.5	0.5	0.5
Finance lease liabilities	1.8	1.8	1.7	1.7
Total	**266.9**	**266.9**	**157.5**	**157.5**
Non-current				
Loans from financial institutions				
Fixed rate	57.0	56.5	7.5	7.5
Floating rate	247.4	247.4	154.1	154.1
Other long-term loans				
Fixed rate	200.0	200.6	325.0	324.0
Floating rate	6.5	6.5	4.9	4.9
Finance lease liabilities	9.9	9.9	11.6	11.6
Total	**520.8**	**520.9**	**503.1**	**502.1**

All interest-bearing liabilities are other liabilities than liabilities for trading purposes or derivative financial instruments defined in IAS 39 and as such are carried at amortized cost. Fair values have been calculated by discounting future cash flows at the appropriate market interest rate prevailing at period end closing date. Interest rates for measuring fair values of interest-bearing liabilities were -0.11%–0.22%. The fair value of current interest-bearing liabilities is estimated to equal the carrying amount.

Repayments	Loans from financial institutions	Finance lease liabilities	Other loans	Total
2017	139.6	1.8	125.5	266.9
2018	31.8	1.9	1.1	34.8
2019	17.2	4.3	0.9	22.4
2020	0.1	1.1	203.5	204.7
2021	71.5	0.1	0.5	72.1
2022–	183.8	2.5	0.5	186.8

Finance lease liabilities

EUR million	2016	2015
Finance lease liabilities are payable as follows:		
In less than one year	2.5	2.5
Between one and five years	8.8	10.8
More than five years	4.5	4.8
Total minimum lease payments	**15.8**	**18.1**
Present value of minimum lease payments		
In less than one year	1.9	1.7
Between one and five years	7.3	9.0
More than five years	2.5	2.6
Total present value of minimum lease payments	**11.7**	**13.3**
Future finance charges	**4.1**	**4.8**

25. Provisions

Restructuring provisions

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

Tax provisions

Tax provisions are recognized for tax risks mainly due to changes in the corporate structure and intercompany financing arrangements.

Other provisions

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

EUR million	Restructuring reserve	Taxes	Other	Total 2016	Total 2015
Provision on January 1, 2016	0.5	15.5	14.0	30.0	29.2
Translation difference	0.0	0.0	0.5	0.5	1.0
Provisions made during the year	9.1	4.3	3.2	16.6	5.6
Provisions used during the year	-3.4	-0.3	-5.2	-8.9	-3.8
Unused provisions reversed during the year	-0.2	-3.5	-0.4	-4.1	-2.0
Provision on December 31, 2016	**6.0**	**16.0**	**12.1**	**34.1**	**30.0**
Current	5.9	0.6	1.2	7.7	2.1
Non-current	0.1	15.4	10.9	26.4	27.9

26. Trade and other current liabilities

EUR million	2016	2015
Trade payables	304.6	301.9
Other payables	52.6	45.1
Accrued interest expense and other financial items	25.8	13.1
Personnel and social security accruals	90.1	79.0
Other accrued expenses	60.2	53.7
Total	**533.3**	**492.8**

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

27. Financial assets and liabilities by category

EUR million	2016	2015
Financial assets at fair value through profit or loss		
Derivatives	2.3	3.4
Derivatives designated for hedge accounting	6.5	5.1
Loans and receivables		
Non-current interest-bearing receivables	4.6	4.1
Other non-current assets	4.3	4.8
Current interest-bearing receivables	2.2	2.0
Trade and other current receivables	451.3	407.5
Cash and cash equivalents	105.9	103.2
Available-for-sale investments	1.6	1.9
Financial assets total	**578.7**	**532.0**
Financial liabilities at fair value through profit or loss		
Derivatives	6.7	2.8
Derivatives designated for hedge accounting	10.9	4.3
Financial liabilities measured at amortized cost		
Non-current interest-bearing liabilities	520.8	503.1
Other non-current liabilities	4.7	3.7
Current portion of long-term loans	137.0	66.7
Short-term loans	129.9	90.8
Trade and other current liabilities	351.3	344.5
Financial liabilities total	**1,161.3**	**1,015.9**

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

Financial instruments measured at fair value	Quoted prices in active markets	Valuation techniques based on observable market data	Unquoted investments	Total 2016
Assets				
Derivatives				
Currency derivatives	-	3.7	-	3.7
Interest rate derivatives	-	5.1	-	5.1
Available-for-sale investments	-	-	1.6	1.6
Total	-	8.8	1.6	10.4
Liabilities				
Derivatives				
Currency derivatives	-	16.9	-	16.9
Interest rate derivatives	-	0.7	-	0.7
Electricity forward contracts	0.0	-	-	0.0
Total	0.0	17.6	-	17.6

Financial instruments measured at fair value	Quoted prices in active markets	Valuation techniques based on observable market data	Unquoted investments	Total 2015
Assets				
Derivatives				
Currency derivatives	-	4.7	-	4.7
Interest rate derivatives	-	3.8	-	3.8
Available-for-sale investments	-	-	1.9	1.9
Total	**-**	**8.5**	**1.9**	**10.4**
Liabilities				
Derivatives				
Currency derivatives	-	5.1	-	5.1
Interest rate derivatives	-	1.7	-	1.7
Electricity forward contracts	0.3	-	-	0.3
Total	**0.3**	**6.8**	**-**	**7.1**

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

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

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

28. Management of financial risks

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

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

Currency risk

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

Transaction risk

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

Foreign exchange transaction exposure

EUR million	EUR exposure in companies reporting in GBP		EUR exposure in companies reporting in RUB		USD exposure in companies reporting in GBP		USD exposure in companies reporting in HKD		CNY exposure in companies reporting in HKD	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Trade receivables	2.7	2.6	1.3	3.6	0.7	0.1	5.1	3.4	0.0	0.0
Trade payables	-6.7	-3.5	-3.9	-7.4	-3.3	-2.4	-0.9	-0.2	-5.1	-6.1
Net balance sheet exposure	-4.0	-0.9	-2.6	-3.8	-2.6	-2.3	4.2	3.2	-5.1	-6.1
Forecasted sales (12 months)	18.4	11.2	13.5	3.9	0.0	0.2	36.6	30.2	2.3	0.0
Forecasted purchases (12 months)	-55.7	-30.7	-27.1	-22.4	-16.0	-10.5	-14.5	-8.2	-33.0	-37.5
Net forecasted exposure	-37.3	-19.5	-13.6	-18.5	-16.0	-10.3	22.1	22.0	-30.7	-37.5
Hedges										
Currency forwards (12 months)	20.5	4.3	11.9	2.9	14.2	1.6	-9.1	0.0	11.3	8.1
Currency options (12 months)	11.6	5.7			2.0	3.4				
Total net exposure	-9.2	-10.4	-4.3	-19.4	-2.4	-7.6	17.2	25.2	-24.5	-35.5

Translation risk

As a main rule individual subsidiaries do not carry translation risk as they are financed in local currencies. As an exception, the Finance Committee has approved the use of foreign currency borrowing in countries with high local interest rates, totaling EUR 6.3 million (2015: EUR 11.5 million) on reporting period closing date.

The main translation exposures derive from equities and permanent loans, which in substance form a part of the net investment in the US, India and UK based subsidiaries. The Group hedges its translation risks selectively by using foreign currency loans and derivatives. Equity hedging decisions are made by the Finance Committee, who in its decision making considers the hedge's estimated impact on the Group's key indicators, long-term cash flows and hedging cost. On the reporting period closing date the Group had outstanding translation risk hedges of USD 223 million (of which USD 110 million in the form of currency loans and USD 113 million in the form of derivatives) and of GBP 20 million (of which GBP 20 million in the form of derivatives) (2015: USD 223 million, of which USD 110 million in the form of currency loans and USD 113 million in the form of derivatives and GBP 20 million, of which GBP 20 million in the form of derivatives).

A 10% appreciation of the EUR versus the USD, INR and GBP would as of the reporting period closing date decrease the result before taxes by EUR 10.7 million (2015: EUR 9.0 million) and the Group consolidated equity by EUR 46.7 million (2015: EUR 47.9 million).

Interest rate risk

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

At the reporting period closing date the average interest rate on Group interest-bearing net debt was 3.2% (2015: 3.4%) and average duration 1.4 years (2015: 1.7 years). A one percentage point rise in market interest rates would increase Group net interest expense by EUR 3.8 million (2015: EUR 1.7 million) over the following 12 months. A similar rise in interest rates would increase Group equity with EUR 3.2 million (2015: EUR 2.5 million) due to mark-to-market revaluations of interest rate derivatives designated for cash flow hedges.

Currency split and repricing schedule of outstanding net debt including hedges

2016								2015
		Debt repricing in period, incl. derivatives						
Currency	Amount EUR million	2017	2018	2019	2020	2021	Later	Amount EUR million
EUR	195.0	13.0	2.5		125.0	20.0	34.5	230.9
USD	232.3	140.5	18.4	27.6	9.2	4.6	32.0	164.1
GBP	133.5	110.1	23.4					59.5
HKD	68.5	68.5						38.4
PLN	33.6	33.6						17.4
Other	12.1	12.1						41.0
Total	675.0	377.8	44.3	27.6	134.2	24.6	66.5	551.3

Liquidity and refinancing risk

The Group maintains sufficient liquidity reserves at all times by efficient cash management structures such as cash pools, concentration accounts and overdraft financing facilities. To mitigate the refinancing risk, the Group diversifies funding sources as well as the maturity structure of loans and debt facilities. The Group utilizes a EUR 400 million Finnish commercial paper program and uncommitted credit facilities with relationship banks for short-term financing purposes. At the reporting period closing date, the Group had committed credit facilities totaling EUR 421 million (2015: EUR 420 million) of which EUR 303 million (2015: EUR 309 million) remained undrawn. Undrawn committed long term debt facilities are sufficient to ensure adequate financing resources in all foreseeable circumstances.

Debt structure

EUR million	2016									2015		
				Maturity of facility/loan								
Debt type	Amount drawn	Amount available of committed	Total	2017	2018	2019	2020	2021	Later	Amount drawn	Amount available of committed	Total
Committed revolving facilities	117.9	302.8	420.7	3.2	17.5				400.0	111.0	309.0	420.0
Bonds and other loans	512.5		512.5	130.0	17.5	15.0	200.0	71.5	78.5	418.0		418.0
Commercial paper program	85.0		85.0	85.0						55.0		55.0
Uncommitted loans from financial institutions	60.6		60.6	46.9	5.9	3.1	3.6	0.5	0.6	63.3		63.3
Finance lease liabilities	11.7		11.7	1.8	1.9	4.3	1.1	0.1	2.5	13.3		13.3
Trade and other current liabilities	533.3		533.3	533.3						492.8		492.8
Total	**1,321.0**	**302.8**	**1,623.8**	**800.2**	**42.8**	**22.4**	**204.7**	**72.1**	**481.6**	**1,153.4**	**309.0**	**1,462.4**

Credit risk

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

The business units are responsible for the management of commercial credit risk in accordance with policies defined by the business units and approved by the Finance Committee. A Group policy sets out certain minimum requirements as to credit quality, sales terms and collection. The commercial credit risk for the Group as a whole is considered low as the receivable portfolio is diversified and historical credit loss frequency is low (see note 20).

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

Capital management

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

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

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

Capital structure

EUR million	2016	2015
Interest-bearing liabilities	787.7	660.6
Interest-bearing receivables, cash and cash equivalents	112.7	109.3
Net debt	675.0	551.3
Total equity	1,182.2	1,036.0
Net debt to equity (Gearing ratio)	**0.57**	**0.53**
Net debt to EBITDA (excluding items affecting comparability)	**1.77**	**1.61**

Nominal values of derivative financial instruments

EUR million	2016							2015
	Nominal Value	Maturity Structure						Nominal Value
Instrument		2017	2018	2019	2020	2021	Later	
Currency forwards								
for transaction risk								
Outflow	-171.1	-168.8	-2.3					-124.8
Inflow	169.8	167.6	2.2					126.2
for translation risk								
Outflow	-131.5	-108.1	-23.4					-131.0
Inflow	121.9	99.3	22.6					128.2
for financing purposes								
Outflow	-396.7	-396.7						-246.7
Inflow	392.4	392.4						247.0
Currency options								
for transaction risk								
Bought options	23.5	23.5						17.7
Sold options	-23.5	-23.5						-17.7
Interest rate swaps								
EUR	-55.0	20.0			-75.0			-55.0
USD	133.9	38.3	19.1	28.7	9.6	4.8	33.4	105.6
Electricity forward contracts	0.0	0.0	0.0					-0.3

Fair values of derivative financial instruments

EUR million	2016			2015		
Instrument	Positive Fair values	Negative Fair values	Net Fair values	Positive Fair values	Negative Fair values	Net Fair values
Currency forwards						
for transaction risk[1]	2.5	-3.3	-0.8	2.4	-1.5	0.9
for translation risk[2]		-8.5	-8.5		-2.2	-2.2
for financing purposes	0.5	-4.5	-4.0	2.0	-1.3	0.7
Currency options						
for transaction risk	0.6	-0.5	0.1	0.4	-0.1	0.3
Interest rate swaps[3]						
EUR	3.9	-0.2	3.7	3.8	-0.5	3.3
USD	1.2	-0.5	0.7		-1.3	-1.3
Electricity forward contracts[4]	0.1	-0.1	0.0	0.0	-0.3	-0.3

1 *Out of the currency forwards, fair value EUR- 0.3 million was designated for cash flow hedges (2015: EUR 1.4 million) and reported in fair value and other reserves.*

2 *Out of the currency forwards, fair value of EUR -8.5 million was designated for hedges of net investment in foreign subsidiaries (2015: EUR -2.2 million) and reported in translation difference.*

3 *Fair values of interest rate swaps include accrued interest. Fair value of EUR 0.5 million was designated for cash flow hedges (2015: EUR -1.8 million) out of which EUR 0.7 million was reported in equity in fair value and other reserves and EUR -0.2 million in the income statement in financial expense. Fair value of EUR 3.9 million was designated for fair value hedges out of which EUR 3.9 million was reported in the income statement in financial income.*

4 *Out of the electricity forward contracts, EUR 0.0 million (2015: EUR -0.3 million) was designated for cash flow hedges and was reported in equity in fair value and other reserves.*

29. Related party transactions

Huhtamaki Group has related party relationships with its joint ventures and associated companies as well as members of the Board of Directors and the Group Executive Team.

Employee benefits of the CEO and other members of the Group Executive Team

EUR million	2016	2015
Salaries and other short-term employee benefits	4.5	4.3
Share-based payments	4.8	3.3

Remuneration of the CEO and members of the Board of Directors

In thousands of euros	2016	2015
CEO Moisio Jukka	2,279	1,758
Board members		
Ala-Pietilä Pekka	141	117
Suominen Jukka	97	83
Ailasmaa Eija	77	66
Baillie Doug	56	-
Barker William R.	76	64
Börjesson Rolf	79	64
Corrales Maria Mercedes	20	64
Turner Sandra	75	66
CEO and Board in total	**2,900**	**2,282**

Members of the Board of Directors and the Group Executive Team owned a total of 250,620 shares at the end of the year 2016 (2015: 194,770 shares).

The retirement and resignation age of the CEO is 60 years, unless otherwise agreed upon. Expenses for the CEO's statutory pension were 204 thousand euros (2015: 170 thousand euros) and for the supplementary pension arrangement 55 thousand euros (2015: 53 thousand euros). Liability from the supplementary pension arrangement was 455 thousand euros (2015: 391 thousand euros).

Transactions with associated companies and joint ventures

There was a dividend payment of EUR 1.5 million from Laminor S.A. (joint venture) in 2016. There were no other transactions with associated companies or joint ventures in 2016. There were no transactions with associated companies or joint ventures in 2015.

30. Operating lease commitments

EUR million	2016	2015
Operating lease payments		
Not later than 1 year	14.8	15.6
Later than 1 year and not later than 5 years	34.7	26.5
Later than 5 years	32.4	25.3
Total	**81.9**	**67.4**

31. Contingencies

Capital expenditure commitments

EUR million	2016	2015
Under 1 year	70.5	30.4

Mortgages

EUR million	2016	2015
For own debt	-	0.0

Guarantee obligations

EUR million	2016	2015
For associated companies	-	0.5
For external parties	-	0.0

Litigations

Huhtamäki Oyj received on September 28, 2012 the European Commission's statement of objections concerning alleged anticompetitive behavior in the markets of plastic trays used for retail packaging of fresh food during years 2000–2008. On June 24, 2015 the European Commission announced the outcome of its investigations and found certain of Huhtamaki's former operations to have been involved in anticompetitive practices. Based on infringements in North-West Europe and France during years 2002–2006 the European Commission imposed a EUR 15.6 million fine on Huhtamaki.

The fine and legal costs of EUR 2.7 million related to the investigation and the appeal process were recognized as a non-recurring expense in the Group's Q2 2015 result and the payment of fine was made during Q3 2015. Huhtamaki has launched an appeal against the decision before the General Court of the European Union.

Per share data

		2016	2015	2014	2013	2012*
Earnings per share	EUR	1.81	1.42	1.33	0.91	1.19
Earnings per share (diluted)	EUR	1.80	1.42	1.33	0.91	1.18
Dividend, nominal	EUR	0.73[1]	0.66	0.60	0.57	0.56
Dividend/earnings per share	%	40.3[1]	46.6	45.0	62.6	47.1
Dividend yield[2]	%	2.1[1]	2.0	2.7	3.1	4.6
Shareholders' equity per share	EUR	10.93	9.65	8.33	7.54	7.59
Average number of shares at year end[2]		103,822,029	103,665,405	103,505,319	103,067,409	101,710,693
Number of shares at year end[2]		103,856,539	103,696,479	103,554,321	103,381,162	102,611,897
P/E ratio[2]		19.5	23.6	16.4	20.5	10.3
Market capitalization on December 31[2]	EUR million	3,664.1	3,473.8	2,261.6	1,928.1	1,259.0
Trading volume in Nasdaq Helsinki Ltd.[3]	units	57,912,190	62,227,323	52,188,506	37,430,717	44,253,448
Trading volume in alternative trading venues[4]	units	110,013,193	73,032,436	51,927,797	24,197,786	28,367,244
Trading volume, total	units	167,925,383	135,259,759	104,116,303	61,628,503	72,620,692
In relation to average number of shares[2]	%	161.7	130.5	100.6	59.8	71.4
Development of share price						
Lowest trading price	EUR	27.14	21.35	17.63	12.32	8.88
Highest trading price	EUR	42.33	34.90	22.21	18.81	13.19
Trading price on December 31	EUR	35.28	33.50	21.84	18.65	12.27

* *Restated figures, as published in February 2013*

1 *2016: Board's proposal*

2 *Issue-adjusted and excluding treasury shares*

3 *Source: Nasdaq Helsinki Ltd*

4 *Source: Fidessa Fragmentation Index, fragmentation.fidessa.com*

Huhtamaki 2012–2016

EUR million	2016	2015	2014	2013	2012*
Net sales	2,865.0	2,726.4[1]	2,235.7[1]	2,161.1[1]	2,321.2
Increase in net sales (%)	5.1	21.9[1]	3.5[1]	0.9	13.6
Net sales outside Finland	2,817.8	2,672.3[1]	2,182.7[1]	2,112.4[1]	2,267.7
Earnings before interest, taxes, depreciation, amortization and impairments	380.1	319.4[1]	259.0[1]	220.4[1]	253.5
Earnings before interest, taxes, depreciation and amortization/net sales (%)	13.3	11.7[1]	11.6[1]	10.2[1]	10.9
Earnings before interest and taxes	266.2	214.9[1]	174.9[1]	131.9[1]	163.5
Earnings before interest and taxes/net sales (%)	9.3	7.9[1]	7.8[1]	6.1[1]	7.0
Profit before taxes	239.3	180.7[1]	146.0[1]	109.3[1]	137.4
Profit before taxes/net sales (%)	8.4	6.6[1]	6.5[1]	5.1[1]	5.9
Profit for the period	191.5	151.4[1]	131.5[1]	96.2[1]	124.1
Total equity	1,182.2	1,036.0	892.8	804.8	805.5
Return on investment (%)	14.7	13.3	13.0	9.9	12.6
Return on shareholders' equity (%)	17.6	15.6	16.7	12.0	15.8
Solidity (%)	41.2	41.3	38.9	37.7	40.1
Net debt to equity	0.57	0.53	0.32	0.50	0.50
Current ratio	1.21	1.40	1.91	1.97	1.53
Times interest earned	14.11	10.21	9.16	8.56	9.68
Capital expenditure	199.1	146.9	127.0	121.0	93.5
Capital expenditure/net sales (%)	6.9	5.4	5.7	5.2	4.0
Research & development	17.2	15.7[1]	13.3[1]	14.7[1]	15.7
Research & development/net sales (%)	0.6	0.6[1]	0.6[1]	0.7[1]	0.7
Number of shareholders (December 31)	26,407	24,484	25,392	24,895	24,290
Personnel (December 31)	17,076	15,844	13,818	14,362	14,170

* *Restated figures, as published in February 2013*

[1] *Continuing operations*

Key exchange rates in euros

		2016 Income statement	2016 Statement of financial position	2015 Income statement	2015 Statement of financial position
Australian Dollar	AUD	0.6716	0.6894	0.6774	0.6713
British Pound	GBP	1.2214	1.1723	1.3776	1.3625
Indian Rupee	INR	0.0134	0.0141	0.0141	0.0139
Russian Ruble	RUB	0.0135	0.0158	0.0147	0.0124
Thai Baht	THB	0.0256	0.0266	0.0263	0.0255
US Dollar	USD	0.9035	0.9567	0.9015	0.9185

As of July 2016 the exchange rates used at the month end are the rates of the date prior to the last working day of the month, due to the change of publication time of the ECB euro foreign exchange reference rates.

Definitions for performance measures

Performance measures according to IFRS

Earnings per share (EPS) from profit for the period from continuing operations =	Profit for the period from continuing operations – non-controlling interest / Average number of shares outstanding
Earnings per share (EPS) from profit for the period from discontinued operations =	Profit for the period from discontinued operations – non-controlling interest / Average number of shares outstanding
Earnings per share (EPS) attributable to equity holders of the parent company =	Profit for the period – non-controlling interest / Average number of shares outstanding
Diluted earnings per share (EPS) from profit for the period from continuing operations =	Diluted profit for the period from continuing operations – non-controlling interest / Average fully diluted number of shares outstanding
Diluted earnings per share (EPS) from profit for the period from discontinued operations =	Diluted profit for the period from discontinued operations – non-controlling interest / Average fully diluted number of shares outstanding
Earnings per share attributable to equity holders of the parent company (diluted EPS) =	Diluted profit for the period – non-controlling interest / Average fully diluted number of shares outstanding

Alternative performance measures

EBITDA =	EBIT + depreciation and amortization
Dividend yield =	100 x Dividend per share / Share price at December 31
Shareholders' equity per share =	Total equity attributable to equity holders of the parent company / Number of shares outstanding at December 31
P/E ratio =	Share price at December 31 / Earnings per share
Market capitalization =	Number of shares outstanding multiplied by the corresponding share price on the stock exchange at December 31
Return on investment (ROI) =	100 x (Profit before taxes + interest expenses + net other financial expenses) / Statement of financial position total – interest-free liabilities (average)
Return on equity (ROE) =	100 x Profit for the period / Total equity (average)
Net debt to equity (gearing) =	Interest-bearing net debt / Total equity
Solidity =	100 x Total equity / Statement of financial position total – advances received
Current ratio =	Current assets / Current liabilities
Times interest earned =	Earnings before interest and taxes + depreciation, amortization and impairment / Net interest expenses
Return on net assets (RONA) =	100 x Earnings before interest and taxes (12 m roll.) / Net assets (12 m roll.)
Operating cash flow =	EBIT + depreciation and amortization (including impairment) – capital expenditure + disposals +/– change in inventories, trade receivables and trade payables
Free cash flow =	Net cash flow from operating activities – capital expenditure + proceeds from selling tangible and intangible assets

In addition to IFRS and alternative performance measures presented above, Huhtamaki may present adjusted performance measures, which are derived from IFRS or alternative performance measures by adding or deducting items affecting comparability (IAC). The adjusted performance measures are used in addition to, but not substituing, the performance measures reported in accordance with IFRS.

Subsidiaries

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

Name	**Group holding, %**
Australia	
Huhtamaki Australia Pty Limited	100.0
Brazil	
Huhtamaki do Brasil Ltda	100.0
Czech Republic	
Huhtamaki Ceska republika, a.s.	100.0
Huhtamaki Flexible Packaging Czech a.s.	100.0
LeoCzech spol s r.o.	100.0
Egypt	
Huhtamaki Egypt L.L.C.	75.0
Finland	
Huhtamaki Foodservice Nordic Oy	100.0
France	
Huhtamaki Foodservice France S.A.S	100.0
Huhtamaki La Rochelle S.A.S	100.0
Germany	
Huhtamaki Flexible Packaging Germany GmbH & Co. KG	100.0
Huhtamaki Foodservice Germany GmbH & Co. KG	100.0
Hungary	
Huhtamaki Hungary Kft	100.0
India	
Huhtamaki PPL Limited	68.8
Positive Packaging Industries Limited	100.0
Val Pack Solutions Pvt. Ltd.	51.0
Webtech Labels Private Limited	35.1
Italy	
Huhtamaki Flexibles Italy S.r.l.	100.0
Luxembourg	
Huhtalux S.à r.l.	100.0
Malaysia	
Huhtamaki Foodservice Malaysia Sdn. Bhd.	100.0
Mexico	
Huhtamaki Mexicana S.A. de C.V.	100.0
Netherlands	
Huhtamaki Finance B.V.	100.0
Huhtamaki Molded Fiber Technology B.V.	100.0
Huhtamaki Nederland B.V.	100.0
Huhtamaki Paper Recycling B.V.	100.0
New Zealand	
Huhtamaki Henderson Limited	100.0
Huhtamaki New Zealand Limited	100.0
People's Republic of China	
Guangdong Josco Disposable Product Ltd.	100.0
Huhtamaki (Guangzhou) Limited	100.0
Huhtamaki (Tianjin) Limited	100.0
Shandong GreenGood Eco-Tech Co. Ltd.	86.8

Name	**Group holding, %**
People's Republic of China/Hong Kong	
Dixie Cup (Hong Kong) Limited	54.0
Huhtamaki Hong Kong Limited	100.0
Poland	
European Packaging Solutions Poland sp. z o.o	100.0
Huhtamaki Foodservice Poland Sp. z o.o.	100.0
Russia	
OOO Huhtamaki Foodservice Alabuga	100.0
OOO Huhtamaki S.N.G.	100.0
Saudi Arabia	
Arabian Paper Products Company	50.0
Singapore	
Huhtamaki Singapore Pte. Ltd.	100.0
South Africa	
Gravics Systems South Africa (Pty) Limited	100.0
Huhtamaki South Africa (Pty) Ltd.	100.0
Positive Packaging Industries South Africa (Pty) Limited	100.0
Spain	
Huhtamaki Spain S.L.	100.0
Thailand	
Huhtamaki (Thailand) Ltd.	100.0
Turkey	
Huhtamaki Turkey Gıda Servisi Ambalajı A.Ş.	100.0
Ukraine	
Huhtamaki Foodservice Ukraine LLC	100.0
United Arab Emirates	
Huhtamaki Flexible Packaging Middle East LLC	100.0
Positive Packaging United (M.E.) FZCO	100.0
Primetech (M.E.) FZE	100.0
United Kingdom	
Huhtamaki BCP Limited	100.0
Huhtamaki Foodservice Delta Ltd.	100.0
Huhtamaki (Lisburn) Limited	100.0
Huhtamaki (Lurgan) Limited	100.0
Huhtamaki (UK) Limited	100.0
United States	
Huhtamaki, Inc.	100.0
Vietnam	
Huhtamaki (Vietnam) Limited	100.0

The Group's control in Webtech Labels Private Limited is based on the Group owning a majority of the voting rights in Huhtamaki PPL Limited which owns a majority of the voting rights in Webtech Labels Private Limited. The Group's control in Arabian Paper Products Company is based on a Shareholders' Agreement according to which the Group has control in the company. The Group's control in Huhtamaki Flexible Packaging Middle East LLC is based on a Shareholders' Agreement according to which the Group can consolidate the company as a fully owned subsidiary.

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

Parent Company Annual Accounts 2016
Parent company income statement (FAS)

EUR million	Note	2016	2015
Other operating income	1	86.7	89.6
Sales and marketing		-2.4	-2.7
Administration costs		-28.7	-25.1
Other operating expenses	2	-4.3	-29.2
Earnings before interest and taxes	**3, 4**	**51.3**	**32.6**
Net financial income/expense	5	-10.0	-12.5
Profit before appropriations and taxes		**41.3**	**20.1**
Gain (-) / loss (+) from depreciation differences		-	0.0
Income tax expense	6	-4.5	-4.9
Profit for the period		**36.8**	**15.2**

Parent company balance sheet (FAS)

Assets

EUR million	Note	2016	%	2015	%
Non-current assets					
Intangible assets	7				
Intangible rights		0.5		0.5	
Other capitalized expenditure		0.4		0.4	
		0.9	**0.0**	**0.9**	**0.0**
Tangible assets	8				
Other tangible assets		0.7		0.4	
Construction in progress and advance payments		0.5		0.2	
		1.2	**0.1**	**0.6**	**0.0**
Investments					
Investment in subsidiaries		1,615.4		1,611.2	
Investment in associated companies		-		0.5	
Other shares and holdings		0.8		0.7	
Loan receivables	9	3.3		3.3	
Other receivables		0.1		0.1	
		1,619.6	**75.8**	**1,615.8**	**80.8**
Current assets					
Current receivables					
Loan receivables	9	430.8		301.9	
Accrued income	10	56.9		40.2	
Other receivables	9	24.0		36.8	
		511.7	**24.0**	**378.9**	**19.0**
Cash and bank		2.7	0.1	3.4	0.2
Total assets		2,136.1	100.0	1,999.6	100.0

Equity and liabilities

EUR million	Note	2016	%	2015	%
Shareholders' equity	11				
Share capital		366.4		366.4	
Premium fund		115.0		115.0	
Retained earnings		627.2		680.5	
Profit for the period		36.8		15.2	
		1,145.4	**53.6**	**1,177.1**	**58.9**
Liabilities					
Non-current liabilities					
Loans from financial institutions	12	382.0		361.8	
Other non-current liabilities	13	1.0		2.4	
		383.0	**17.9**	**364.2**	**18.2**
Current liabilities					
Loans from financial institutions	12	215.0		110.5	
Other loans	12	341.4		313.7	
Trade payables	14	2.4		2.1	
Accrued expenses	15	47.5		30.0	
Other current liabilities		1.4		2.0	
		607.7	**28.5**	**458.3**	**22.9**
Total equity and liabilities		2,136.1	100.0	1,999.6	100.0
Total retained earnings available for distribution		**664.0**		**695.7**	

Parent company cash flow statement (FAS)

EUR million	2016	2015
EBIT	51.3	32.6
Adjustments		
Depreciation and amortization	0.5	0.5
Other adjustments	0.0	-0.1
Change in non-interest-bearing receivables	9.1	-1.0
Change in non-interest-bearing payables	1.7	3.7
Dividends received	0.0	0.0
Net financial income and expense	-6.9	-18.8
Taxes paid	-5.4	-0.2
Net cash flow from operating activities	**50.3**	**16.7**
Capital expenditure	-1.0	-0.7
Disposal of tangible and intangible assets	0.1	0.1
Investments in subsidiaries	-3.8	-8.5
Change in non-current receivables	0.0	-0.1
Change in current deposits	-128.9	-112.7
Net cash flow from investing activities	**-133.6**	**-121.9**
Change in non-current loans	18.9	-55.7
Change in current loans	132.2	98.5
Dividends paid	-68.5	-62.2
Net cash flow from financing activities	**82.6**	**-19.4**
Change in liquid assets	-0.7	-124.6
Liquid assets on January 1	3.4	128.0
Liquid assets on December 31	2.7	3.4

Parent Company accounting principles

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

Foreign currency

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

Derivative instruments

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

Intangible assets

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

Tangible assets

Items of property, plant and equipment are stated at historical cost and are depreciated using the straight-line method over their estimated useful lives. Land is not depreciated.

Depreciation periods of tangible assets (years):

Buildings and other structures	20–40
Other tangible assets	3–12

Leases of tangible assets are classified as operating leases.

Investments

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

Investments in subsidiaries are carried at cost in the balance sheet of the company. Investments in associated companies are carried in the company's balance sheet in accordance with the valuation policy applied to long-term investments noted above. An associated company is one in which Huhtamäki Oyj holds, directly or indirectly, between 20% and 50% of the voting power of the company.

Income taxes

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

Other operating income and revenue recognition

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

Other operating expenses

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

Appropriations

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

Notes to the parent company financial statements

1. Other operating income

EUR million	2016	2015
Royalty income	46.3	47.4
Group cost income	22.3	18.4
Rental income	2.0	2.0
IT recharge	0.9	2.2
Other	15.2	19.6
Total	86.7	89.6

2. Other operating expenses

EUR million	2016	2015
Intercompany other operating expenses	2.4	3.1
European Commission's fine and legal costs	-	17.5
Other	1.9	8.6
Total	4.3	29.2

3. Personnel expenses

EUR million	2016	2015
Wages and salaries	10.1	9.6
Pension costs	1.4	1.7
Other personnel costs	4.8	3.5
Total	16.3	14.8

The above amounts are on accrual basis. Remuneration paid by the parent company to the members of the Board of Directors as well as the CEO of Huhtamäki Oyj (8 people) amounted to EUR 2.9 million (2015: EUR 2.3 million).

See note 29, Corporate Governance Statement and Remuneration Statement.

Average number of personnel	2016	2015
Huhtamäki Oyj	63	57

4. Depreciation and amortization

EUR million	2016	2015
Depreciation and amortization by function:		
Administration	0.5	0.5
Total	**0.5**	**0.5**
Depreciation and amortization by asset type:		
Other tangible assets	0.2	0.3
Other capitalized expenditure	0.3	0.2
Total	0.5	0.5

5. Financial income and expense

EUR million	2016	2015
Dividend income	**0.0**	**0.0**
Interest and other financial income		
Intercompany interest income	11.1	8.1
Other interest income	0.1	0.1
Total interest income	**11.2**	**8.2**
Other financial income	191.1	226.2
Total interest and other financial income	**202.3**	**234.4**
Interest and other financial expenses		
Intercompany interest expenses	-2.1	-1.0
Other interest expenses	-18.1	-18.8
Total interest expenses	**-20.2**	**-19.8**
Other financial expenses	-192.1	-227.1
Total interest and other financial expenses	**-212.3**	**-246.9**
Net financial items	-10.0	-12.5

6. Taxes

EUR million	2016	2015
Ordinary taxes	4.5	4.9
Total	4.5	4.9

Deferred taxes are not included in income statement or balance sheet. Unrecognized deferred tax liability from timing differences is EUR 0.7 million (2015: EUR 0.3 million).

7. Intangible assets

EUR million	Intangible rights	Other capitalized expenditure	2016 Total	2015 Total
Acquisition cost on January 1	0.8	67.1	67.9	67.6
Additions	0.0	0.3	0.3	0.1
Disposals	0.0	-	0.0	-0.1
Intra-balance sheet transfer	0.0	-	0.0	0.3
Acquisition cost on December 31	0.8	67.4	68.2	67.9
Accumulated amortization on January 1	0.3	66.7	67.0	66.8
Accumulated amortization on disposals and transfers	0.0	-	0.0	0.0
Amortization during the financial year	0.0	0.3	0.3	0.2
Accumulated amortization on December 31	0.3	67.0	67.3	67.0
Book value on December 31, 2016	0.5	0.4	0.9	-
Book value on December 31, 2015	0.5	0.4	-	0.9

8. Tangible assets

EUR million	Construction in progress and advance payments	Other tangible assets	2016 Total	2015 Total
Acquisition cost on January 1	0.2	3.4	3.6	3.4
Additions	0.5	0.3	0.8	0.5
Disposals	0.0	-	0.0	0.0
Intra-balance sheet transfer	-0.2	0.2	0.0	-0.3
Acquisition cost on December 31	0.5	3.9	4.4	3.6
Accumulated depreciation on January 1	-	3.0	3.0	2.7
Depreciation during the financial year	-	0.2	0.2	0.3
Accumulated depreciation on December 31	-	3.2	3.2	3.0
Book value on December 31, 2016	0.5	0.7	1.2	-
Book value on December 31, 2015	0.2	0.4	-	0.6

9. Receivables

EUR million	2016	2015
Current		
Loan receivables from subsidiaries	430.8	301.9
Accrued income	21.5	18.2
Accrued corporate income	35.4	22.0
Other receivables	2.7	1.2
Other receivables from subsidiaries	21.3	35.6
Total	**511.7**	**378.9**
Non-current		
Intercompany loan receivables	3.3	3.3
Other receivables	0.1	0.1
Total	**3.4**	**3.4**
Total	515.1	382.3

10. Accrued income

EUR million	2016	2015
Accrued interest and other financial items	1.9	1.9
Accruals for profit on exchange	3.4	3.4
Miscellaneous accrued income	13.4	11.8
Accrued corporate income and prepaid expense	35.4	22.0
Other	2.8	1.1
Total	56.9	40.2

11. Changes in equity

EUR million	2016	2015
Restricted equity		
Share capital January 1	366.4	366.4
Share capital December 31	366.4	366.4
Premium fund January 1	115.0	115.0
Premium fund December 31	115.0	115.0
Restricted equity total	**481.4**	**481.4**
Non-restricted equity		
Retained earnings January 1	695.7	742.7
Dividends paid	-68.5	-62.2
Net income for the period	36.8	15.2
Retained earnings December 31	664.0	695.7
Non-restricted equity total	**664.0**	**695.7**
Total equity	1,145.4	1,177.1

For details on share capital see note 22 of the notes to the consolidated financial statements.

12. Loans

EUR million	2016	2015
Non-current		
Loans from financial institutions	382.0	361.8
Non-current loans from financial institutions total	382.0	361.8
Current		
Current portion of long-term loans from financial institutions	130.0	55.5
Loans from financial institutions and other current loans	85.0	55.0
Current loans from financial institutions total	215.0	110.5
Loans from subsidiaries	341.4	313.7
Other loans total	341.4	313.7
Changes in non-current loans		
Loans from financial institutions		
January 1	361.8	417.1
Additions	150.0	-
Decreases	-129.8	-55.3
Total	**382.0**	**361.8**

Repayments	Loans from financial institutions
2017	215.0
2018	17.5
2019	15.0
2020	199.5
2021	71.5
2022–	78.5

13. Other non-current liabilities

EUR million	2016	2015
Interest rate derivatives	0.4	0.5
Loans from subsidiaries	0.0	0.0
Employee benefits	0.4	0.4
Long-term provisions	0.2	1.5
Total	1.0	2.4

14. Trade payables

EUR million	2016	2015
Trade payables	2.1	1.6
Intercompany trade payables	0.3	0.5
Total	2.4	2.1

15. Accrued expenses

EUR million	2016	2015
Accrued interest expense	23.0	12.3
Accrued interest expense to subsidiaries	10.7	5.2
Salaries and social security	7.7	5.7
Accrued income taxes	3.9	4.8
Miscellaneous accrued expense	2.2	2.0
Total	47.5	30.0

16. Derivatives

Fair values of derivatives, EUR million	2016	2015
Currency derivatives		
with external parties	-12.1	-1.7
with subsidiaries	9.5	1.4
Interest rate swaps	4.4	2.0
Total	1.8	1.7

Nominal values of principles, EUR million	2016	2015
Currency derivatives		
with external parties	711.2	517.4
with subsidiaries	591.7	481.2
Interest rate swaps	228.9	200.6
Total	1,531.8	1,199.2

The nominal value of external currency derivatives is EUR 711.2 million and the nominal value of internal currency derivatives allocated to them is EUR 591.7 million. For the rest of the external currency derivatives hedge accounting is applied.

See note 28 in the consolidated financial statements for more information on the Group's financial risk management.

17. Commitments and contingencies

EUR million	2016	2015
Operating lease payments		
Under one year	2.4	2.1
Later than one year	14.1	12.8
Total	16.5	14.9
Guarantee obligations		
For subsidiaries	89.3	81.0
For associated companies	-	0.5

Proposal of the Board of Directors to Distribute Retained Earnings

On December 31, 2016 Huhtamäki Oyj's non-restricted equity was	EUR 663,842,376.47
of which the result for the financial period was	EUR 36,757,490.01

The Board of Directors proposes that dividend will be distributed at EUR 0.73 per share.
No dividend for the own shares held by the Company on the record date shall be distributed.

The total amount of dividend on the date of this proposal would be	EUR 75,815,273.47

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

Espoo, February 14, 2017

Pekka Ala-Pietilä	Jukka Suominen	Eija Ailasmaa	Doug Baillie
William R. Barker	Rolf Börjesson	Sandra Turner	

Jukka Moisio
CEO

Auditors' Report

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Huhtamäki Oyj (business identity code 0140879-6) for the year ended December 31, 2016. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flow and notes.

In our opinion

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

Basis for Opinion

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

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

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

Key Audit Matters

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

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

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

Valuation of goodwill

We refer to financial statements' accounting principles on goodwill and related disclosure in the note 12.

At the balance sheet date, the value of goodwill amounted to EUR 669 million representing 23% of total assets and 57% of total equity. Management's annual impairment tests were considered key audit matter due to the size of the goodwill amount and because they involve management judgments on future results of the business and the discount rates applied to future cash flows.

We engaged valuation specialists to assist us in evaluating the assumptions and methodologies used for impairment tests. We focused on forecasted growth and profitability as well as discount rates. We assessed management's underlying assumptions and among other things benchmarked those with external data. We focused on the sensitivity and the availability of headroom for cash generating units and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We assessed company's forecasting accuracy in the history and compared projections to the latest Board approved budgets. We also tested the mathematical formulas of the underlying calculations.

In addition we assessed the adequacy of the company's disclosures related to impairment tests.

Revenue recognition

We refer to financial statements' accounting principles on revenue recognition and disclosure in the note 1 related to turnover.

We focused on this area as a key audit matter due to the risk of incorrect timing of revenue recognition and estimation related to recording the discounts and rebates. According to financial statements' accounting principles revenue is recognized when the risks and rewards of the underlying products and services have been transferred to the customer. Due to the variation of contractual sales terms and practices across the markets and the pressure the local management may feel to achieve performance targets, there is a risk for material error.

To address the risk for material error on revenue recognition, our audit procedures included amongst other:

- assessing the compliance of company's revenue recognition accounting policies with applicable accounting standards, including those relating to discounts and rebates.
- assessing the revenue recognition processes and practices. On major locations we tested the effectiveness of the key controls.
- testing the accuracy of cut-off with substantive analytical procedures supplemented with test of details on a transaction level on either side of the balance sheet date and by analyzing credit notes issued after the balance sheet dates.

We assessed the adequacy of the company's disclosures related to revenues.

Valuation of inventories

We refer to financial statements' accounting principles on inventories and related disclosure in the note 19.

At the balance sheet date, the value of inventory amounted to EUR 402 million representing 14% of total assets and 34% of total equity. Inventories were considered as a key audit matter due to the size of the balance and because inventory valuation involves management judgement.

To address the risk for material error on inventories, our audit procedures included amongst other:

- assessing the compliance of company's accounting policies over inventory with applicable accounting standards.
- assessing the inventory valuation processes and practices. On major locations we tested the effectiveness of the key controls.
- assessing the analyses and assessment made by management with respect to slow moving and obsolete stock.

We assessed the adequacy of the company's disclosures related to inventories.

Acquisition of Delta Print and Packaging

We refer to financial statements' accounting principles on business combinations and related disclosure in notes number 2.

During the financial year 2016 Group acquired Delta Print and Packaging for a purchase consideration of EUR 92 million. The acquisition was considered as a key audit matter as the accounting for the transaction was complex and included judgmental matters. Management judgements related to determining the fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to separately identifiable intangible assets such as customer contracts and goodwill.

To address the risk for material error on business combination, our audit procedures included amongst other:

- assessing the compliance of company's accounting policies over business combinations with applicable accounting standards.
- evaluation together with our valuation specialists the valuation processes and methodology to identify acquired assets and liabilities and to determine the fair value respectively.

We assessed the adequacy of the company's disclosures related to business combinations.

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

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

transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Other information

The Board of Directors and / or the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Huhtamaki Publication 2016, but does not include the financial statements and our report thereon. We obtained the report of the Board of Directors, Corporate Governance Statement and Remuneration Statement included in the Huhtamaki Publication 2016 prior to the date of the auditor's report, and the Huhtamaki Publication 2016 is expected to be made available to us after the date of the auditor's report.

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, Corporate Governance Statement and Remuneration Statement, we are required to report this fact. We have nothing to report in this regard.

Espoo, February 14, 2017

Ernst & Young Oy
Authorized Public Accountant Firm

Harri Pärssinen
Authorized Public Accountant

Corporate Governance Statement

Introduction

Huhtamäki Oyj (the Company) complies with the Finnish Corporate Governance Code (Code) adopted by the Securities Market Association. This Corporate Governance Statement complies with the Code effective from January 1, 2016. In addition, the Company has issued a separate Remuneration Statement prepared in accordance with the Code. The Code is available in its entirety on the internet at www.cgfinland.fi. Huhtamäki Oyj is a support member of the Securities Market Association.

This separate Corporate Governance Statement has been issued and published in connection with the Directors' Report. The Audit Committee of the Board of Directors of the Company has reviewed the statement and it has been approved by the Board of Directors. The Auditor of the Company has reviewed that the statement has been issued and that the description of the main principles of internal control and risk management systems of the financial reporting process fully complies with the financial statements of the Company.

The Company's corporate governance comprises the General Meeting of Shareholders, the Board of Directors (Board) and the committees founded by it, the Chief Executive Officer (CEO) and the Group Executive Team (GET), laws and regulations applicable in countries where the Group operates as well as the Group's internal policies, guidelines and practices.

Updated information on the governance of the Company is available on the Company's website in section "Corporate Governance" (http://www.huhtamaki.com/investors/governance).

Corporate governance structure

Descriptions concerning corporate governance

Board of Directors

Election and composition of the Board

The Nomination Committee of the Board prepares a proposal for the election of the Board members to the Annual General Meeting of Shareholders (AGM) which elects the Board members for the term of office expiring at the close of the AGM following the election. The Articles of Association of the Company do not contain any provisions on a special order of appointment of the Board members but the AGM elects the Board members based on the proposal of the Nomination Committee of the Board. The Board shall elect from among its members the Chairman and the Vice-Chairman. If the CEO of the Company was elected to the Board, the CEO could however not be elected as the Chairman of the Board.

The number of Board members and the composition of the Board shall make it possible for the Board to discharge its duties in an efficient manner. The composition shall reflect the requirements set by the Group's operations and the development stage of the Group. A person to be elected to the Board shall have the qualifications required by the duties and the possibility to devote a sufficient amount of time to attend to the duties efficiently. According to the Articles of Association of the Company the Board shall consist of a minimum of six and a maximum of nine members. There are no limitations as to the number of terms a person may be elected as Board member or as to the maximum age of a Board member.

Diversity of the Board

According to the Charter of the Board of Directors, the Company strives to ensure strong, versatile and mutually complementary expertise, experience and knowledge in the different businesses and geographical market areas that are important for the Group when electing the Board members. The Board members of the Company shall represent various businesses and have broad management experience in important market areas for the Group, including the emerging markets. Factors to be taken into account when electing the Board members include age and gender as well as occupational, educational and international background. Both genders shall be represented in the Board in a well-balanced manner.

The principles on diversity of the Board are taken into account as part of the Company's succession planning when considering the composition of the Board. As regards diversity in terms of gender, both genders have been represented in the Board for a long time. Since 2009, two to three Board members have been female thus representing 25–43% of all Board members.

Board members

The AGM 2016 elected the following seven individuals to the Board:

Chairman Mr. Pekka Ala-Pietilä

Born 1957, Finnish citizen
Independent of the Company and significant shareholders
Date of election: April 24, 2012
Board committees: Chairman of the Nomination Committee and Human Resources Committee
Main occupation: Miscellaneous positions of trust
Education: M.Sc. (Econ); D.Sc. (Econ) h.c. and D.Sc. (Tech) h.c.
Primary working experience: Blyk Services Ltd., Co-founder and CEO (2006–2011); Nokia Corporation, several different positions (1984–2005), last positions as President (1999–2005), Member of the Group Executive Board (1992–2005) and Nokia Mobile Phones, President (1992–1998)
Key positions of trust: Sanoma Corporation, Chairman of the Board (2016–) and Board member (2014–2016); Pöyry PLC, Board member (2006–); SAP AG, Supervisory Board member (2002–); Solidium Oy, Chairman of the Board (2011–2015)

Vice-Chairman Mr. Jukka Suominen

Born 1947, Finnish citizen
Independent of the Company, based on an overall evaluation dependent of a significant shareholder
Date of election: March 30, 2005
Board committees: Chairman of the Audit Committee, member of the Nomination Committee
Main occupation: Miscellaneous positions of trust
Education: M.Sc. (Eng), B.Sc. (Econ)
Primary working experience: Silja Group, executive roles (1975–2000), Group CEO, Silja Oyj Abp (1995–2000), CEO, Silja Line (1991–1995) and VP, Effoa / Finland Steamship Company Ltd. (1975–1994)
Key positions of trust: Rederiaktiebolaget Eckerö, Chairman of the Board (2006–); Lamor Corporation Ab, Chairman of the Board (2010–); Fiskars Oyj Abp, Board member (2008–2014)

Ms. Eija Ailasmaa

Born 1950, Finnish citizen
Independent of the Company and significant shareholders
Date of election: March 22, 2004
Board committees: Member of the Audit Committee
Main occupation: Miscellaneous positions of trust
Education: M.Pol.Sc.
Primary working experience: Sanoma Media B.V., President and CEO (2003–2011); Sanoma Group, executive roles in magazine publishing subsidiaries, including Helsinki Media/ Sanoma Magazines Finland, President (2000–2003) and other executive roles (1989–2000); Kodin Kuvalehti magazine, Editor-in-chief (1985–1989)
Key positions of trust: Outotec Oyj, Board member (2010–); Solidium Oy, Vice-Chairman of the Board (2008–2015, 2016–)

Mr. Doug Baillie
Born 1955, U.K. citizen
Independent of the Company and significant shareholders
Date of election: April 21, 2016
Board committees: Member of the Human Resources Committee
Main occupation: Miscellaneous positions of trust
Education: BComm, Business Finance, Marketing & Business Administration
Primary working experience: Unilever Group, several different roles (1978–2016), last positions Chief Human Resources Officer and a member of the Executive Board (ULE) of Unilever Group (2008–2016), President, Western Europe (2008–2011), Chief Executive Officer & Group Vice President, South Asia, Hindustan Unilever (2006–2008) and Group Vice President, Africa, Middle East & Turkey (2004–2005)
Key positions of trust: The MasterCard Foundation, Board member (2015–); Leverhulme Trust, Board member (2015–); Africa Platform Capital LLP, Senior Advisor (2016–); Huozhi Limited, Advisor (2016–)

Mr. William R. Barker
Born 1949, U.S. citizen
Independent of the Company and significant shareholders
Date of election: March 24, 2010
Board committees: Member of the Human Resources Committee
Main occupation: Miscellaneous positions of trust
Education: MBA and B.Sc. (Chem. Eng.)
Primary working experience: Milacron LLC, Executive Vice President (2013–2014); Mold-Masters (2007) Limited, President (2013) and President and CEO (2010–2013); The Whitehawk Group LLC, CEO (2009–2010); Rexam PLC, Board member and Rexam Beverage Can, Group Executive Director (2005–2009); Rexam Beverage Can Americas, President & CEO (2001–2004); Textron, Inc., President, Textron Fastening Systems - Commercial Solutions (2000–2001); OEA Inc., President, OEA Automotive Safety Products (1998–2000); Bosal International N.V., President, Bosal North America (1995–1998); Gates Rubber Company, Vice President, Gates Power Drive Products, Managing Director, Asia Pacific Operations and other positions (1972–1995)
Key positions of trust: Shield Holdco LLC (holding company of Dynatect Manufacturing, Inc.), Chairman of the Board (2014–) and Board member (2014); Shape Technologies Group, Inc., Chairman of the Board (2015–) and Board member (2015); The Carlstar Group LLC., Board member (2014–); Leeds School of Business, University of Colorado, Board member (2008–); Mcron Acquisition Corporation, Board Member (2013–2014); Mold-Masters (2007) Limited, Board member (2010–2013)

Mr. Rolf Börjesson
Born 1942, Swedish citizen
Independent of the Company and significant shareholders
Date of election: March 31, 2008
Board committees: Member of the Nomination Committee and Human Resources Committee
Main occupation: Miscellaneous positions of trust
Education: M.Sc. (Chem. Eng.)
Primary working experience: Rexam PLC, Chairman of the Board (2004–2008) and CEO and Board member (1996–2004)
Key positions of trust: LifeAir AB (publ), Chairman of the Board (2017–); Biolight AB (publ), Chairman of the Board (2011–2016); Svenska Cellulosa Aktiebolaget SCA (publ), Board member (2003–2015); Avery Dennison Corporation, Board member (2005–2015); Ahlsell AB, Chairman of the Board (2006–2012)

Ms. Sandra Turner
Born 1952, U.K. citizen
Independent of the Company and significant shareholders
Date of election: April 20, 2011
Board committees: Member of the Audit Committee
Main occupation: Miscellaneous positions of trust
Education: BA (Marketing) Honours
Primary working experience: Tesco PLC, several different roles in United Kingdom and Ireland (1987–2009), last position Commercial Director, Tesco Ireland Limited (2003–2009)
Key positions of trust: Carpetright PLC, Board member (2010–); McBride PLC, Board member (2011–); Greggs PLC, Board member (2014–); Berkhamsted School, Board of Governors, Vice-Chairman (2013–) and member (2011–2013); Countrywide PLC, Board member (2013–2014); Northern Foods PLC, Board member (2010–2011)

In addition, Ms. Maria Mercedes Corrales has acted as a member of the Board in 2016. Her membership ended at the AGM 2016 and her CV is presented as it was on April 21, 2016.

Ms. Maria Mercedes Corrales
Born 1949, Filipino citizen
Independent of the Company and significant shareholders
Date of election: April 24, 2012
Board Committees: Member of the Human Resources Committee
Main occupation: Miscellaneous positions of trust
Education: MBA and B.Sc. (Business Management)
Primary working experience: Starbucks Corporation, Corporate Senior Vice President & President, Asia Pacific Division (2009–2010) and Representative Director, CEO/COO, Starbucks Japan (2006–2009); Levi Strauss & Co., several executive positions in Asia and Latin America (1973–2005), last positions as President and Representative Director (LS Japan KK) & Regional Vice President, North Asia (Japan, Greater China and South Korea) (2001–2005) and Regional Vice President, South America (1996–2000)
Key positions of trust: Mapúa Institute of Technology, Board of Trustees (2013–); D.E Master Blenders 1753, Board member (2012–2013); Fraser and Neave, Limited, Board member (2010–2013); RCBC Savings Bank Philippines, Board member (2015–)

Independence of the Board members

All members of the Board are non-executive. The Board considers all members of the Board independent of the Company. It was noted in the consideration that despite Eija Ailasmaa and Jukka Suominen having served as directors for more than 10 consecutive years, the Board has determined no reasons justifying them to be considered dependent on the Company. The evaluation has been made based on the actual circumstances from both the perspective of the Company and the directors in question. The Board also considers all members except Jukka Suominen independent of the significant shareholders of the Company. According to his own notification and an overall evaluation by the Board, Jukka Suominen is dependent of the significant shareholder of the Company, The Finnish Cultural Foundation.

Shares owned by the Board members on December 31, 2016

	2016
Pekka Ala-Pietilä	3,250
Jukka Suominen	3,000
Eija Ailasmaa	1,000
Doug Baillie	-
William R. Barker	-
Rolf Börjesson	3,000
Sandra Turner	1,000
Board total	**11,250**

The shareholdings include the Company's shares owned by the Board members and by any potential corporations over which a Board member exercises control. Board members do not own any shares in any other Group companies than the Company.

Information on the remuneration of the Board members is available in the Remuneration Statement issued and published in connection with the Directors' Report and available on the Company's website (http://www.huhtamaki.com/investors/governance/remuneration).

Responsibilities and duties of the Board

In addition to the powers vested in the Board by the Companies Act and the Articles of Association, the essential duties and working principles of the Board are defined in the Company's Charter of the Board of Directors which was last updated in 2016.

The Board decides among other things on strategic and financial targets as well as on dividend policy. The Board approves the strategic plans and budget as well as monitors their implementation. The Board also decides on acquisitions and divestments as well as capital expenditure proposals exceeding EUR 10 million or proposals which are otherwise of material importance to the Group. The Board appoints and dismisses the CEO, approves the proposals by the CEO for GET members' appointments and dismissals, decides on their compensation and annually reviews the performance of the CEO and other GET members. Other duties of the Board include for example the approval of financial statements, the review of risks and internal control as well as the preparation of matters to be resolved by the AGM. The Board also conducts an annual evaluation of its own performance and working methods. The evaluation may be conducted as an internal self-evaluation or by using an external evaluator. In 2016, the evaluation was done by using an external evaluator.

In order to discharge its duties, the Board requires sufficient information on the structure, business operations and markets of the Group. Each member of the Board is provided with a monthly report on the financial situation and markets of the Group. In addition, if necessary, the Board is informed of all material events in the Group. New Board members are properly introduced to the operations of the Company.

Board meetings

The meetings of the Board are held at the Company's headquarters in Espoo or in other Group locations or in other places as decided by the Board. The Board may also hold its meetings by telephone or electronically and make decisions without convening a meeting. According to the Charter of the Board of Directors, it shall hold at least six regular meetings each year. In 2016, the Board held eleven meetings, three of which were telephone meetings and one was held without convening. The average attendance of the members at the Board meetings was 93%.

The CEO and the Chief Financial Officer (CFO) of the Company are usually attending the Board meetings. When necessary, e.g. in connection with deliberation of strategy or budgets, the meetings are attended also by other GET members. The Auditor is participating in the meeting deliberating the financial statements. The General Counsel of the Company acts as the secretary of the Board.

Board members' attendance at the Board meetings

	2016	
	Attendance (%)	Number of meetings attended
Pekka Ala-Pietilä (Chairman)	100	11/11
Jukka Suominen (Vice-Chairman)	100	11/11
Eija Ailasmaa	100	11/11
Doug Baillie*	75	6/8
William R. Barker	100	11/11
Rolf Börjesson	100	11/11
Sandra Turner	100	11/11
Maria Mercedes Corrales**	67	2/3

** Member of the Board since April 21, 2016*
*** Member of the Board until April 21, 2016*

Board Committees

General

In order to focus on certain responsibilities, the Board may appoint Committees consisting of three to five Board members each. The Board also appoints the Chairman of each Committee. Each Committee member shall have the qualifications required by the duties of the Committee.

The Board currently has three committees: the Nomination Committee, the Human Resources Committee and the Audit Committee. The duties and responsibilities of the Committees are described in the charter for each Committee approved by the Board. The charters were last updated in 2016. The Committees assist the Board by preparing matters belonging to the competence of the Board. Each Committee regularly reports on its work to the Board. The Committees have no autonomous decision-making power and, thus, the Board passes its resolutions collectively. The entire Board remains responsible for the duties assigned to the Committees.

Nomination Committee

The Nomination Committee prepares proposals to the AGM concerning election of Board members and their remuneration. It may also conduct succession planning of the Board members.

The Committee shall meet at least once a year, prior to the AGM. The following individuals have comprised the Nomination Committee in 2016: Pekka Ala-Pietilä (Chairman), Rolf Börjesson and Jukka Suominen. In 2016, the Nomination Committee held four meetings. The average attendance of the members at the Nomination Committee meetings was 100%.

Members' attendance at the Nomination Committee meetings

	2016	
	Attendance (%)	Number of meetings attended
Pekka Ala-Pietilä (Chairman)	100	4/4
Rolf Börjesson	100	4/4
Jukka Suominen	100	4/4

Human Resources Committee

The Human Resources Committee prepares and discusses organizational and human resource matters including remuneration, appointment and succession planning of the CEO and other GET members as well as the development of the people strategy and human resources policies.

The Committee shall meet at least twice a year. The following individuals have comprised the Human Resources Committee from the date of the AGM in 2016: Pekka Ala-Pietilä (Chairman), Doug Baillie, William R. Barker and Rolf Börjesson. In 2016, the Human Resources Committee held six meetings. The average attendance of the members at the Human Resources Committee meetings was 90%.

Members' attendance at the Human Resources Committee meetings

	2016	
	Attendance (%)	Number of meetings attended
Pekka Ala-Pietilä (Chairman)	100	6/6
Doug Baillie*	100	4/4
William R. Barker	100	6/6
Rolf Börjesson	100	6/6
Maria Mercedes Corrales**	50	1/2

** Member of the Human Resources Committee since April 21, 2016*

*** Member of the Human Resources Committee until April 21, 2016*

Audit Committee

The Audit Committee assists the Board by preparing certain matters relating to financial reporting and control. Audit Committee's duties include for example monitoring and evaluating the Company's financial reporting process, the effectiveness of internal control, internal audit and risk management systems as well as evaluating the independence of the statutory auditor and in particular the provision of non-audit services. The Audit Committee also prepares and makes proposals to the AGM for the election of the statutory auditor and reviews the financial statements and various other reports to be published by the Company.

The Audit Committee members shall have the expertise and experience required for the performance of the responsibilities of the Committee and at least one member shall have competence in accounting and/or auditing. The Audit Committee members shall not be involved in the day-to-day management of the Group. The majority of the members shall be independent of the Company and at least one member shall be independent of the Company's significant shareholders. In addition to the members of the Audit Committee, the CFO of the Company participates in the Committee's meetings. The Auditor participates in the meeting deliberating the financial statements and also other meetings, if considered necessary. The Committee shall meet in accordance with the schedule determined by the Committee but at least four times a year. The following individuals have comprised the Audit Committee in 2016: Jukka Suominen (Chairman), Eija Ailasmaa and Sandra Turner. In 2016, the Audit Committee held six meetings. The average attendance of the members at the Audit Committee meetings was 100%.

Members' attendance at the Audit Committee meetings

	2016	
	Attendance (%)	Number of meetings attended
Jukka Suominen (Chairman)	100	6/6
Eija Ailasmaa	100	6/6
Sandra Turner	100	6/6

Chief Executive Officer

The CEO is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board. The CEO is responsible for the achievement of the goals, plans and objectives set by the Board. The CEO is responsible for ensuring that the book-keeping of the Company complies with the law and that the financial administration is arranged in a reliable manner. The CEO is the Chairman of the GET.

M.Sc. (Econ), MBA Jukka Moisio (born 1961) has acted as the Company's CEO since April 1, 2008. Before joining the Company, Jukka Moisio acted during 1991–2008 in several different roles in Ahlstrom Corporation, last position being the CEO. Further information on the CEO as well as his shareholding in the Company is available later in this statement in connection with information on other GET members.

Certain key conditions of the written Service Agreement between the Company and the CEO, CEO's remuneration and information on the statutory and supplementary pension arrangement of the CEO are available in the Remuneration Statement issued and published in connection with the Directors' Report and available on the Company's website (http://www.huhtamaki.com/investors/governance/remuneration).

Group Executive Team

The GET assists the CEO. It addresses and follows the implementation of the Group strategy and overall financial performance as well as the fulfillment of significant projects and set targets. It has no formal status under company law. The GET consists of the CEO as the Chairman and the executives approved by the Board. The GET members report to the CEO. Each GET member has a clear operational responsibility within a Group function or a business segment. The GET convenes at least once a month.

The following persons belong to the GET at the date of this statement:

Mr. Jukka Moisio

Born 1961, Finnish citizen
Chairman of the GET, Chief Executive Officer (CEO)
GET member since: April 1, 2008
Joined the company: 2008
Education: M.Sc. (Econ), MBA
Primary working experience: Ahlstrom Corporation (1991–2008), several different roles, last position as CEO
Key positions of trust: Atria Oyj, Board member (2014–); The Finnish Fair Corporation, Supervisory Board member (2009–)

Mr. Thomas Geust

Born 1973, Finnish citizen
Chief Financial Officer (CFO)
GET member since: October 1, 2013
Joined the company: 2013
Education: M.Sc. (Econ)
Primary working experience: ABB Group (2004–2013), several different roles, last position as Group Vice President, Global Controller, Business Unit Marine & Cranes; Schneider Electric (2003–2004), Global Division Controller, Vice President, Control; Lexel Group (2000–2003), Production Controller; KPMG (1998–2000), Auditor
Key positions of trust: –

Mr. Sami Pauni

Born 1974, Finnish citizen
Senior Vice President, Corporate Affairs and Legal, Group General Counsel
GET member since: February 12, 2015
Joined the company: 2006
Education: LL.M., EMBA
Primary working experience: Huhtamäki Oyj (2006–), several different legal and compliance positions, previous position as Group Vice President, Legal, and General Counsel; Roschier Attorneys Ltd. (2001–2006), Attorney
Key positions of trust: Securities Market Association, member of the Market Practice Board (2013–); Confederation of Finnish Industries EK, member of the Legal Affairs Committee (2013–)

Ms. Teija Sarajärvi

Born 1969, Finnish citizen
Senior Vice President, Human Resources
GET member since: October 1, 2015
Joined the company: 2015
Education: M.A.
Primary working experience: OP Financial Group (2012–2015), Executive Vice President HR; Metso Oyj (2009–2012), several different roles, last position as Senior Vice President, Human Resources; Nokia Oyj (1998–2009), several different roles, last position as Director, Human Resources, Nokia Markets; ABB Oyj (1993–1998), several different roles
Key positions of trust: Federation of Finnish Financial Service, Chairman of the Labour Market Committee (2013–2015); Confederation of Finnish Industries, Member of Skilled Workforce Committee (2014– 2015); Unico Banking Group, Member of HR Committee (2012–2015); OP Pension Fund, OP Pension Foundation, Chairman of the Board (2012–2015)

Mr. Petr Domin

Born 1966, Czech citizen
Executive Vice President, Molded Fiber
GET member since: July 1, 2016
Joined the company: 1990
Education: EMBA, M.Sc. (Eng., Pulp and Paper)
Primary working experience: Huhtamaki Group (1990–), several different roles, latest positions as interim Executive Vice President, Molded Fiber (2015–2016); Managing Director, Molded Fiber Europe (2012–), Global Operations Support Manager (2009–2012), Molded Fiber; General Manager, UK & Ireland, Huhtamaki Lurgan (2006–2009); General Manager, Norway, Huhtamaki Norway (2006–2008); General Manager, Central East Europe, Huhtamaki Czech Republic (2005–2006)
Key positions of trust: –

Mr. Clay Dunn

Born 1957, U.S. citizen
Executive Vice President, North America
GET member since: June 1, 2005
Joined the company: 2005
Education: BBA (Marketing and Management)
Primary working experience: Dow Chemical Company (1979–2005), several different roles, including positions as Vice President, Global Sourcing and Vice President, Polystyrene
Key positions of trust: –

Mr. Olli Koponen

Born 1959, Finnish citizen
Executive Vice President, Flexible Packaging
GET member since: January 1, 2011
Joined the company: 1990
Education: M.Sc. (Eng., Automation & Information Technology), B.Sc. (Eng., Automation Technology)
Primary working experience: Huhtamäki Oyj (1990–), several different roles, previous positions as Executive Vice President, Molded Fiber; Senior Vice President, Molded Fiber Europe as well as General Manager positions in Hämeenlinna, Finland, Turkey, Hong Kong and Russia; Systecon Oy (1984–1990), several different roles, last position as Product Manager
Key positions of trust: –

Mr. Eric Le Lay

Born 1962, French citizen
Executive Vice President, Foodservice Europe-Asia-Oceania
GET member since: March 12, 2008
Joined the company: 2008
Education: MBA, M.Sc. (Eng.)
Primary working experience: Amcor Limited (1997–2008), several different roles, last position as Managing Director, Chilled Foods, Amcor Flexible Europe; United Biscuits (1996–1997), Plant Manager; Johnson & Johnson International S.A. (1994–1996), Deputy Plant Manager; Kraft General Food France S.A. (1986–1994), various positions in operations and finance/controlling
Key positions of trust: –

Shares owned by the GET members on December 31, 2016

	2016
Jukka Moisio	95,900
Thomas Geust	5,590
Sami Pauni	7,730
Teija Sarajärvi	-
Petr Domin	5,870
Clay Dunn	33,000
Olli Koponen	39,000
Eric Le Lay	52,280
GET total	**239,370**

The shareholdings include the Company's shares owned by the GET members and by any potential corporations over which a GET member exercises control. GET members do not own any shares in any other Group companies than the Company.

Information on the remuneration of the GET members is available in the Remuneration Statement issued and published in connection with the Directors' Report and available on the Company's website (http://www.huhtamaki.com/investors/governance/remuneration).

Descriptions of risk management systems, internal control procedures and internal audit function

Overview of the risk management systems

Risk management is an essential part of the internal control system of the Group. The Company has defined the principles applied in the organization of the risk management. The purpose of risk management is to identify potential events that may affect the achievement of the Group's objectives in changing business environment and to manage such risks to a level that the Group is capable and prepared to accept so that there is reasonable assurance and predictability on the achievement of the Group's objectives. The risk management process of the Group is based on Enterprise Risk Management (ERM) framework of Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Group's risk management process involves assessing risks systematically by business unit, segment and Group function, improving risk management awareness and quality, sharing best practices and supporting cross-functional risk management initiatives. In order to systematize and facilitate the identification of risks they are categorized as strategic, operational, financial, and information risks. These categories are closely aligned with the strategic, operational, financial and compliance objectives of the Group.

Huhtamaki Group Enterprise Risk Management (ERM) Policy defines the objectives, scope and responsibilities of risk management. Compliance with the risk management policy assures timely identification and recording of risks and the application of relevant risk management measures to address these risks. More detailed risk management procedures are set forth in the Group's ERM framework and process guideline.

The Audit Committee monitors the implementation of risk management activities, and evaluates the adequacy and appropriateness of ERM. The Audit Committee reports regularly to the Board of Directors, which is responsible for reviewing the Group's strategic, operational, financial and information risks. The Board of Directors approves the risk level that the Group is capable and prepared to accept and the extent to which risks have been identified, addressed and followed up.

The Group Executive Team is responsible for the adoption and deployment of the Group's internal control principles and procedures relating to risk management. The risk management process includes systematic identification and assessment of risks in each business segment and their business units as well as at Group level. Risks are consolidated from the business unit to the segment level and from the business segment to the Group level. At each level risk treatment actions are defined in order to reach acceptable risk levels. Execution and supervision of these risk treatment actions is a task of line management. Upper level line management always approves lower level risk mitigation actions and the risk level reached after implementation of such actions. The Group Risk Management function monitors and reports the achievement of these actions. The purpose is to verify that risk treatment actions support the achievement of the Group's strategic, operational, financial and compliance objectives. The Group Risk Management function monitors and reports the achievement of these actions. The purpose is to verify that risk treatment actions support the achievement of the Group's strategic, operational, financial and compliance objectives.

The Group Risk Management function organizes, instructs supports, supervises and monitors risk management activities on an ongoing basis. The function also analyzes changes in the impact, likelihood and level of control for each identified business risk. It reports results of the risk management process to the Audit Committee annually. The Group risk management function also prepares reports to the business segment and Group management as well as the internal audit and the Auditor.

Business unit, segment and Group level risk management process and activities are engaged with the Group's strategic planning and budgeting process. Risk management process may be commenced any time in the course of the financial year should a certain business area encounter essential strategic changes requiring initiation of the risk management process.

A description of the risks that are material to the Group as well as of the focus of the risk management processes in 2016 is available in the Directors' Report and on the Company's website in section "Risk management" (http://www.huhtamaki.com/investors/governance/risk-management).

Overview of internal control

Successful business requires continuous development and monitoring of the Group's operations, processes and procedures. Internal control is an essential part of the corporate governance and management of the Group. The Company has defined the operating principles for internal control. The Board of Directors and the CEO are responsible for adequate internal control. The Audit Committee of the Board of Directors is monitoring the effectiveness and efficiency of the internal control systems and the correctness of the financial reporting.

Internal control is a process aiming at providing reasonable assurance on achievement of Group's strategic and financial objectives. The responsibility for arranging the internal controls belongs to the executive management of the Group and is being carried out by the whole organization. The aim of internal control is to ensure reliability of financial reporting, effectiveness and efficiency of operations as well as compliance with laws and regulations.

Control of financial reporting assures that financial statements are prepared in a reliable manner. The aim is also to ensure that all financial reports published and other financial information disclosed by the Company provide a fair view on the Group's financial situation.

Control of operations is aiming to ensure effectiveness and efficiency of operations and achievement of the Group's strategic and financial objectives.

Control of compliance ensures that the Group follows applicable laws and regulations.

Foundation of all Group's activities lies with Huhtamaki values and principles providing discipline and structure for the operations formalized in policies and guidelines on integrity, ethical behavior and management of personnel. Allocation of authorities and responsibilities as well as segregation of duties allow efficient and proper decision-making procedures.

Group policies, standards and guidelines are deployed in all business segments and business units. Policies, standards and guidelines on financial, human resources, environmental, legal and compliance as well as risk management related matters have been issued in the Group. In addition to the Group policies, there are more specific local policies in the business segments and their business units.

Reliability of financial reporting

The Group's finance function and the network of business segment and business unit controllers are supporting and coordinating the financial management and financial control of operations in the Group. The Group's financial reporting guidelines and standards are applicable throughout the financial reporting process of the Group. The interpretation and application of accounting standards are centralized in the Group finance function which maintains the financial reporting guidelines and standards and takes care of communicating such throughout the Group. The Group's finance function also supervises the compliance with such guidelines and standards. Supervision of reporting and budgeting processes is based on the Group's reporting standards which are determined and updated by the Group's finance function. The reporting standards are uniformly applied in the whole Group and a unified Group reporting system is used.

Effectiveness and efficiency of operations

The Group's strategic direction, objectives and related actions are deployed and communicated throughout the Group. Key performance indicators and annual targets are agreed, approved and communicated as part of the annual planning process. Achievements are followed monthly and quarterly in business review meetings that are held with line management in all business segments and business units.

Key operational performance indicators are monitored continuously. Key process controls aim at identifying risks as well as designing preventive and detective controls. Corrective actions are implemented and monitored by business segment and business unit management. These activities need to be in compliance with Group policies and standards. Internal controls related to quality, safety and environmental processes and procedures are audited both internally and by external service providers.

The Group is applying Lean Six Sigma process in all business segments to identify and implement continuous improvement projects.

Compliance with laws and regulations

Group-wide policies, for example on corporate governance for subsidiaries, competition compliance, contracts and agreements, management of claims, disputes and proceedings as well as insider matters have been issued. Compliance with the policies is facilitated through communication and training. Internal audit also covers the compliance with policies.

Overview of internal audit

The objective of the internal audit is to improve the effectiveness of supervising obligation of the Board of Directors. Internal audit aims at ensuring that the Group's operations are efficient, information is adequate and reliable and that set policies and procedures are properly followed by the organization.

The Group has an internal audit function, and in 2016 internal audit field work has been managed in cooperation with Deloitte & Touche Oy. The Code of Ethics and other standards and guidelines issued by the Institute of Internal Auditors are complied with in internal audit activities. In 2016 internal audits have been conducted in various Group and business segment level processes as well as in business units on a monthly basis according to an approved annual internal audit plan.

Group internal audit function evaluates independently and systematically Group's management and governance systems as well as the effectiveness, efficiency and appropriateness of the Group's business processes and risk management. The internal audit function provides development recommendations for the aforementioned systems and processes in the internal audit reports. The main purpose of these activities is to assure achievement of strategic and financial objectives of the Group.

The Audit Committee of the Board approves the annual internal audit plan. Audit engagements are included in the plan in accordance with the Group's strategic objectives, assessed risks, focus areas defined by the Board and the executive management of the Group on a rotation basis. The internal audit function reports to the Audit Committee. Additionally, the CEO, the CFO, the General Counsel and management of the business segment and business unit where the audit has been conducted are informed of the results of the audit.

Internal audit pre-material, documentation and data are collected before internal audit field work. During the field work further findings are recorded at site. Internal audit reports include key findings, conclusions and recommendations for control improvements. The management of the audit target prepares an action plan to mitigate risks and develop controls to improve recommended audit issues. The implementation of the action plans is followed up regularly by the line management and the Group internal audit manager.

Other information

Insider administration

Legal framework

The Company follows the Regulation No. 596/2014 of the European Parliament and of the Council (the Market Abuse Regulation), the Finnish Securities Market Act and the thereto relating regulations and guidelines by the European Securities Markets Authority, the Finnish Financial Supervisory Authority and Nasdaq Helsinki Ltd. In addition, the Group has an insider policy which was updated in 2016. Certain key provisions of the Company's insider policy have been described below. The insider policy clearly defines certain practices and decision-making procedures in order to ensure that insider administration in the Company is arranged in a consistent and reliable way.

Assessment regarding inside information

The assessment whether certain information constitutes inside information is made by the CEO after consultation with the General Counsel. Similarly, the CEO also determines, after consultation with the General Counsel, whether the Company is to immediately disclose the information or whether conditions exist to delay the disclosure. The Company properly records any decisions to delay disclosure and the grounds for such decision, and follows set procedures as required by applicable laws and regulations.

Insider list

The Company maintains an insider list for recording the persons having inside information. The Company's employees and service providers who have access to inside information are entered into a relevant project-specific section of the insider list. The decision to establish such section is made by the CEO. The Company has decided not to establish a permanent insider section. Each person entered into a project-specific section is notified by e-mail of the entry, the duties entailed and the applicable sanctions. The person receiving such notification shall promptly confirm their acknowledgment of such notification in written form. The decision to terminate the project-specific section is made by the CEO after consultation with the General Counsel and persons entered into such list are notified by email of the termination of the project-specific section. Service providers may assume the task of maintaining insider lists of their employees as decided by the Company on a case-by-case basis.

Trading restrictions

Insider dealing is always prohibited. In addition, there are trading restrictions imposed on certain managers and employees of the Company even when such parties do not hold any inside information.

The Company has defined the Board and the GET members as persons discharging managerial responsibilities in accordance with the Market Abuse Regulation. Such managers cannot, subject to the exceptions set out in the applicable regulations, conduct any transactions on their own account or for the account of a third party, directly or indirectly, relating to the Company's shares or debt instruments or to derivatives or other financial instruments linked to them during a closed period of 30 calendar days before the announcement of an interim report or a year-end report.

The Company also applies a specific recommendation not to trade to its employees who regularly receive information on the contents of the Company's interim and year-end reports before their publication due to the highly confidential nature of the unpublished financial information. Such restricted period commences 30 calendar days before the announcement of an interim report or a year-end report.

Notification obligations

The persons discharging managerial responsibilities at the Company i.e. the Board and the GET members as well as their related parties must notify the Company and the Finnish Financial Supervisory Authority of the transactions conducted on their own account relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto. The notification obligation applies to any transaction made once a total value of EUR 5,000 has been reached within a calendar year (calculated without netting). The Company has an obligation to publish the received notification through a stock exchange release.

Related party transactions

The Company has not concluded transactions with its related parties in 2016 that are material to the Company and that either deviate from the Company's normal business operations or are not made on market or market equivalent terms.

Audit

The Company must have one Auditor, which is an accounting firm approved by the Auditor Oversight unit of the Finnish Patent and Registration Office. The AGM elects the Company's Auditor. The AGM 2016 elected the Authorized Public Accounting firm Ernst & Young Oy as the Auditor of the Company. Mr. Harri Pärssinen, APA, has acted as the auditor with principal responsibility. Each subsidiary is subject to local auditing under the local regulations, which is conducted by representatives of the Ernst & Young network in each country. Ernst & Young Oy has acted as the Company's Auditor since the AGM 2010. Before the financial year 2010 the Company's Auditor for several years was the Authorized Public Accountant firm KPMG Oy Ab and auditors representing it.

In 2016, total auditing costs of the Group amounted to EUR 2.3 million (2015: EUR 1.9 million). The Ernst & Young network has also provided other consultancy not related to auditing worth EUR 0.8 million (2015: EUR 1.0 million). Such other consultancy services included e.g. advisory in connection with various structuring and transactional projects. During 2016 the Company has actively discussed and defined the processes relating to the new legal framework (Regulation (EU) No 537/2014) concerning the provision of non-audit services by the auditor.

Remuneration Statement

Introduction

Huhtamäki Oyj (the Company) complies with the Finnish Corporate Governance Code (Code) adopted by the Securities Market Association. This Remuneration Statement has been prepared in accordance with the Corporate Governance Code effective from January 1, 2016. The Code is available in its entirety on the internet at www.cgfinland.fi. Huhtamäki Oyj is a support member of the Securities Market Association.

This separate Remuneration Statement has been issued and published in connection with the Directors' Report. The Audit Committee of the Board of Directors of the Company has reviewed the statement and it has been approved by the Board of Directors. The Auditor of the Company has reviewed that the statement has been issued. The Remuneration Statement outlines the Group's decision-making procedures and most important principles concerning the remuneration of the Board of Directors (Board), the Chief Executive Officer (CEO) and other Group Executive Team (GET) members. The Remuneration Statement also includes the Remuneration Report which provides information on the remuneration paid to the Board members, the CEO and other GET members during the financial year 2016. The remuneration and other financial benefits paid during the financial year 2015 are presented for comparison.

Updated information on the remuneration of the Company is available on the Company's website in section "Remuneration" (http://www.huhtamaki.com/investors/governance/remuneration). The descriptions on decision-making procedure concerning remuneration and main principles of remuneration included in the Remuneration Statement are continuously kept up to date on the Company's website.

Decision-making procedure concerning remuneration

Board of Directors

The Annual General Meeting (AGM) decides annually on the remuneration payable to the members of the Board of Directors and its Committees as well as on related remuneration principles and on the principles for compensating the expenses of the Board members. The Nomination Committee of the Board of Directors prepares a proposal to the AGM on the same.

Chief Executive Officer and Group Executive Team

Remuneration and financial benefits payable to the CEO and other GET members are determined by the Board of Directors on an annual basis. The Board also makes decisions concerning any potential compensation payable to the CEO and other GET members upon the termination of such person's employment. Prior to the relevant Board meeting, the matter is deliberated by the Human Resources Committee of the Board of Directors.

Authorizations relating to remuneration

The AGM on April 21, 2016 decided in accordance with the proposal of the Board of Directors that the Board of Directors shall be authorized to resolve on the issuance of shares and the issuance of options and other special rights entitling to shares referred to in chapter 10, section 1 of the Companies Act as follows:

The aggregate number of shares to be issued on the basis of this authorization may not exceed 14,000,000 shares, which corresponds to approximately 13 percent of the current shares of the Company. The authorization concerns both the issuance of new shares and the transfer of the Company's own treasury shares, however so that the number of new shares to be issued may not exceed 10,000,000 shares and the number of own treasury shares to be transferred may not exceed 4,000,000 shares. The Board of Directors resolves on all the terms and conditions of the issuance of shares and special rights entitling to shares and may deviate from the shareholders' pre-emptive subscription rights (directed issue). The authorization remains in force until the end of the next AGM, however, no longer than until June 30, 2017.

During 2016 the Company's Board decided, based on the authorization, to transfer in total 160,060 of the Company's own shares as part of the Company's performance share plan (directed issue).

Main principles of remuneration

Board of Directors

In accordance with the resolution passed by the AGM held on April 21, 2016, as of the AGM 2016 the annual compensation for the Chairman of the Board is EUR 120,000, for the Vice-Chairman EUR 68,000 and for other members EUR 57,000. In addition, the following meeting fees are paid for each meeting attended: EUR 1,000 for all meetings, except EUR 2,000 to the Chairman for the Audit Committee meetings, EUR 1,200 to the Chairman for the Human Resources Committee meetings and EUR 1,200 to the Chairman for the Nomination Committee meetings. Traveling expenses of the Board members are compensated in accordance with the Company policy. In addition, the Chairman of the Board has a mobile phone benefit.

None of the Board members is employed by the Company or any other Group Company or acts as an advisor for the Company and, thus, Board members are not eligible for any employment relationship related salaries or remuneration or financial or other benefits not related to the Board work nor are they eligible for any pension scheme. Board members do not receive Company shares as remuneration and they are not participants in Company's share-based incentive plans.

Chief Executive Officer and Group Executive Team

General

The remuneration of CEO and other GET members is based on Group level remuneration principles, but local laws and market practices are taken into account when applying these principles. The remuneration consists of a non-variable annual base salary, benefits and an annually determined short-term incentive. In addition, the CEO and other GET members are participants in the long-term incentive plans consisting of the performance share plans.

The criteria on the basis of the remuneration of the CEO and other GET members are monitored and the results of such monitoring are regularly reported to the Human Resources Committee and the Board of Directors. The monitoring aims to follow the impact of the remuneration criteria on reaching the Group's long-term financial targets.

Short-term incentives

The short-term incentives for the CEO and other GET members are based on the financial performance of the Group and the achievement of personal objectives. The short-term incentives for those GET members having a business segment responsibility are also determined based on the financial performance of the business segment in question. The relevance of the financial performance is 90% for the CEO and 80% or 90% for other GET members and the relevance of the personal objectives is correspondingly 10% for the CEO and 20% or 10% for other GET members. The following indicators are applied when setting financial objectives: earnings per share (EPS) before taxes and return on investment (ROI). In addition, for the GET members having a business segment responsibility also return on net assets (RONA) and value added of the business segment in question are relevant indicators. The above mentioned criteria are selected to promote the Group's financial targets and success on a short- and a long-term basis.

Objectives for the short-term incentives are set and the achievement is evaluated annually. Possible incentive payments are typically made in March following the earnings period January-December. The payment of the incentive is subject to the person being employed by the Group and not having resigned by the time of the payment. The maximum amount of the short-term incentive for the CEO is the amount corresponding to 100% of the non-variable annual base salary. The maximum amount of the short-term incentives for other GET members varies depending on the position between 50–75% of the non-variable annual base salary.

Performance share plans

Performance share plans function as long-term incentives for the CEO and other GET members. On March 12, 2010 the Board of Directors of the Company decided on establishing a Performance Share Arrangement to form a part of the long-term incentive and retention program for the key personnel of the Company and its subsidiaries. The Performance Share Arrangement offers a possibility to earn the Company shares as remuneration for achieving established targets. A cash payment equivalent to taxes arising to the key personnel from the reward may be granted as part of the remuneration. Participants to the plan belonging to the GET shall hold at least 50% of the shares received until he/she holds shares received from the Performance Share Plans corresponding in aggregate to the value of his/her annual base salary. The ownership requirement applies until termination of employment or service.

The arrangement includes three-year performance share plans which commence annually. A possible reward shall be paid during the calendar year following each three-year plan. Commencement of each three-year plan will be separately decided by the Board of Directors. The Company's share-based incentive plans in which the earnings year is 2014 or later and based on which incentives are paid in 2015 or later have been described below.

- Performance Share Plan 2012–2014 commenced in 2012 and the reward was based on the Group's earnings per share (EPS) in 2014. The reward was paid in 2015.
- Performance Share Plan 2013–2015 commenced in 2013 and the reward was based on the Group's earnings per share (EPS) in 2015. The reward was paid in 2016.
- Performance Share Plan 2014–2016 commenced in 2014 and the reward will be based on the Group's earnings per share (EPS) in 2016. The reward will be paid during 2017.
- Performance Share Plan 2015–2017 commenced in 2015 and the possible reward will be based on the EPS in 2017. The reward, if any, will be paid during 2018.
- Performance Share Plan 2016–2018 commenced in 2016 and the possible reward will be based on the Group's EPS in 2018. The reward, if any, will be paid during 2019.

Other key terms

The retirement and resignation age of the CEO is 60 years, unless otherwise agreed upon. In addition to statutory employment pension contribution, early retirement is covered by an arrangement under which the Company contributes annually to a supplementary pension arrangement an amount which shall not exceed the CEO's monthly base salary. However, the contribution paid by the Company is subject to the CEO contributing the same amount to the supplementary pension arrangement. In case the Service Agreement is terminated prior to the retirement and resignation age, the CEO maintains the right to the funds in the supplementary pension arrangement. The amount of the supplementary pension is determined based on funds contributed to the arrangement by the Company and the CEO as well as returns on these funds.

All other GET members belong to pension systems of their country of residence in force at the time. In addition to the CEO, five other GET members belong to the national employee pension system in Finland and two GET members belong to corresponding pension systems in the United States and the Czech Republic. Subject to a specific resolution by the Board, GET members may additionally be entitled to pension arrangements following local practices, which may be considered partly comparable to supplementary pension plans.

According to the Service Agreement between the Company and the CEO, either party may terminate the Service Agreement with six months' prior notice. During the notice period, the CEO is entitled to normal salary payments. If the Company terminates the Service Agreement, the CEO is entitled to a termination compensation amounting to 18 months' base salary in addition to the six months' salary paid for the notice period. The notice periods and terms applicable to any compensation payable upon the termination of the employment of the other GET members are based on the Service Agreement between the Company and each GET member.

Remuneration Report 2016

Board of Directors

In accordance with the resolution passed by the AGM held on April 21, 2016 the annual compensation for the Chairman of the Board was decided to be EUR 120,000 (2015: EUR 100,000), for the Vice-Chairman EUR 68,000 (2015: EUR 60,000) and for other members EUR 57,000 (2015: EUR 50,000). In addition, the following meeting fees were paid for each meeting attended: EUR 1,000 (2015: EUR 1,000) for all meetings, except EUR 2,000 (2015: EUR 2,000) to the Chairman for the Audit Committee meetings, EUR 1,200 (2015: EUR 1,200) to the Chairman for the Human Resources Committee meetings and EUR 1,200 (2015: EUR 1,200) to the Chairman for the Nomination Committee meetings. Traveling expenses of the Board members were compensated in accordance with the Company policy. In addition, the Chairman of the Board had a mobile phone benefit.

In 2016, the Board members were not eligible for remuneration or other benefits not related to the Board work. Board members did not receive Company shares as remuneration and they were not participants in Company's share-based incentive plans.

The following table describes the remuneration paid to the members of the Board of Directors for the financial years 2016 and 2015.

Remuneration paid to members of the Board of Directors (EUR)

	2016			2015		
	Annual compensation	Meeting fees	Total	Annual compensation	Meeting fees	Total
Pekka Ala-Pietilä*	115,240	25,600	140,840	100,240	17,200	117,440
Jukka Suominen	66,000	31,000	97,000	60,000	22,600	82,600
Eija Ailasmaa	55,250	22,000	77,250	50,000	16,000	66,000
Doug Baillie**	42,750	13,000	55,750	-	-	-
William R. Barker	55,250	21,000	76,250	50,000	14,200	64,200
Rolf Börjesson	55,250	24,000	79,250	50,000	14,200	64,200
Sandra Turner	55,250	20,000	75,250	50,000	16,000	66,000
Maria Mercedes Corrales***	12,500	7,000	19,500	50,000	14,200	64,200
Board total	**457,490**	**163,600**	**621,090**	**410,240**	**114,400**	**524,640**

** Annual compensation for Pekka Ala-Pietilä includes a mobile phone benefit*
*** Member of the Board of Directors since April 21, 2016*
**** Member of the Board of Directors until April 21, 2016*

Chief Executive Officer

In 2016, CEO Jukka Moisio's non-variable annual base salary and benefits amounted to EUR 698,788 (2015: EUR 673,963) and the short-term incentive based on the performance in 2015 amounted to EUR 499,125 (2015: EUR 271,373 based on the performance in 2014). Based on the performance in 2015, the CEO received in 2016 under the Performance Share Plan 2013–2015 a total of 15,900 shares with an aggregate value of EUR 505,302 at the time of the transfer and a cash payment of EUR 575,512 relating to the amount of income taxes arising based on the received shares. This reward based on the Performance Share Plan with a total value of EUR 1,080,814 was paid in April 2016. Based on the performance in 2014, the CEO received in 2015 under the Performance Share Plan 2012–2014 a total of 13,120 shares with an aggregate value of EUR 379,955 at the time of the transfer and a cash payment of EUR 432,749 relating to the amount of taxes arising based on the received shares. This reward based on the Performance Share Plan with a total value of 812,704 was paid in April 2015. Thus, in 2016 the CEO's total remuneration amounted to EUR 2,278,727 (2015: EUR 1,758,040).

In 2016, expenses for the Company for the CEO's statutory pension were EUR 203,645 (2015: EUR 170,160) and for the supplementary pension arrangement EUR 54,930 (2015: EUR 52,817). At the end of 2016 liability from the supplementary pension arrangement was EUR 455,014 (2015: EUR 390,942) in the Company's statement of financial position.

Other Group Executive Team members

In 2016, the non-variable annual base salary of GET members, excluding the CEO, amounted to a total of EUR 2,043,048 including benefits and compensation relating to the commencement and termination of employment (2015: EUR 2,741,772) and the short-term incentives, based on the performance in 2015, amounted to a total of EUR 1,271,330 (2015: EUR 642,762 based on the performance in 2014). Based on the performance in 2015, GET members, excluding the CEO, received in 2016 under the Performance Share Plan 2013–2015 a total of 32,330 shares with an aggregate value of EUR 1,034,147 at the time of the transfer and a cash payment of EUR 1,156,720 relating to the amount of income taxes arising based on the received shares. This reward based on the Performance Share Plan with a total value of EUR 2,190,866 was paid in April 2016. Based on the performance in 2014, GET members, excluding the CEO received in 2015 under the Performance Share Plan 2012–2014 a total of 29,930 shares with an aggregate value of EUR 869,264 at the time of the transfer and a cash payment of EUR 1,002,343 relating to the amount of income taxes arising based on the received shares. This reward based on the Performance Share Plan with a total value of EUR 1,871,607 was paid in April 2015. Thus, in 2016 the total remuneration of GET members, excluding the CEO, amounted to EUR 5,505,244 (2015: EUR 5,256,141).

In 2016, the Company paid a total of EUR 20,938 (2015: EUR 34,739) to pension arrangements of the GET members, excluding the CEO.

The following table describes the remuneration paid to the CEO and other GET members for the financial years 2016 and 2015.

Remuneration paid to the CEO and other GET members (EUR)

	2016				2015			
	Non-variable annual base salary[1]	Short-term incentives[2]	Share-based incentives[3]	Total	Non-variable annual base salary[1]	Short-term incentives[2]	Share-based incentives[3]	Total
CEO	698,788	499,125	1,080,814	2,278,727	673,963	271,373	812,704	1,758,040
Other GET members[4]	2,043,048	1,271,330	2,190,866	5,505,244	2,741,772	642, 762	1,871,607	5,256,141
Total	**2,741,836**	**1,770,455**	**3,271,680**	**7,783,971**	**3,415,735**	**914,135**	**2,684,311**	**7,014,181**

1 *Non-variable annual base salary includes benefits and compensation relating to the commencement and termination of employment.*

2 *Short-term incentives are based on the performance in the year preceding the payment year. Paid short-term incentives have been entered in the table on the year when they have been paid.*

3 *Share-based incentives include the monetary value of the payments based on the Performance Share Plans at the time of granting the shares and including the value of taxes arising based on the received shares. The share-based incentives are based on the performance in the year preceding the payment year and they have been entered in the table on the year when they have been paid.*

4 *Remuneration paid to other GET members is reported for the period that the person has been a member of the GET.*

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