Huhtamaki 2018

Annual Accounts and Directors' Report

Huhtamaki

Contents

Financial calendar 2019

Results 2018
FEBRUARY 14

Annual Accounts 2018
WEEK 8

Annual General Meeting 2019
APRIL 25

Interim Report, January–March, 2019
APRIL 25

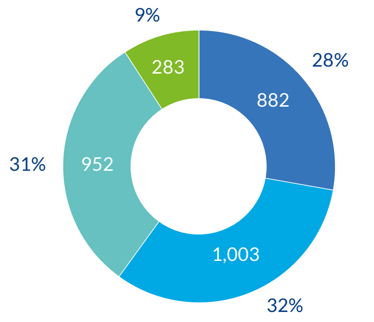
Half-yearly Report, January–June, 2019
JULY 19

Interim Report, January–September, 2019
OCTOBER 23

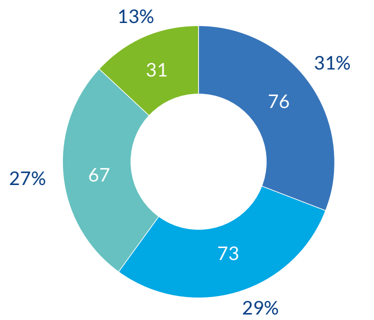
2018 in figures

With our global network of manufacturing units, we're well placed to support our customers' growth wherever they operate.

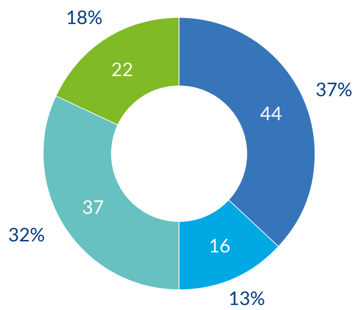
NET SALES
€ 3,104
million



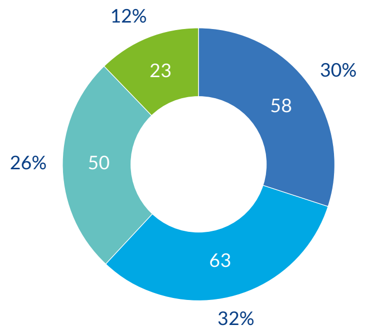
ADJUSTED EBIT
€ 248
million



OPERATING CASH FLOW
€ 119
million

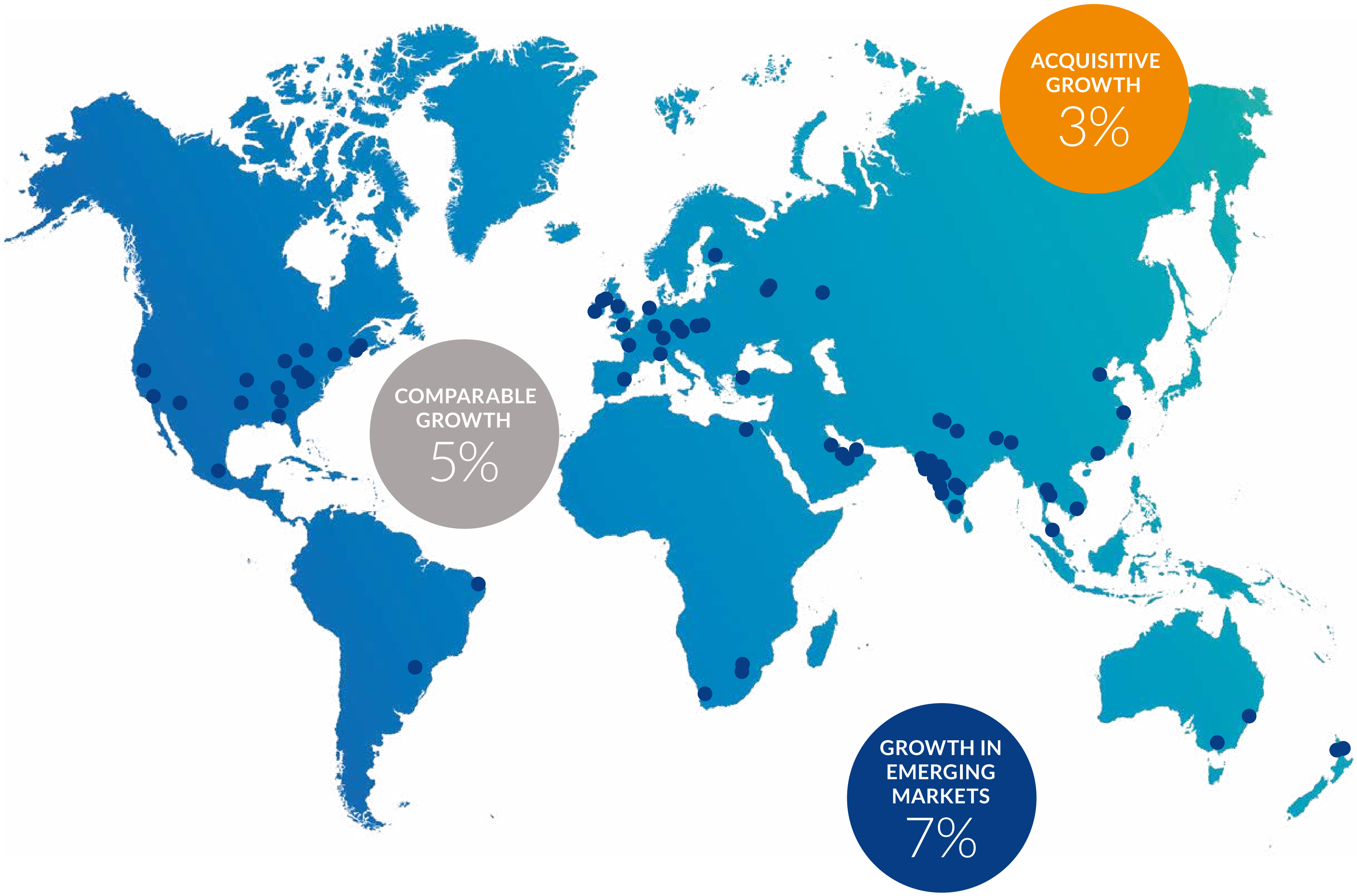


CAPITAL EXPENDITURE
€ 197
million



ADJUSTED EARNINGS PER SHARE
€ 1.70

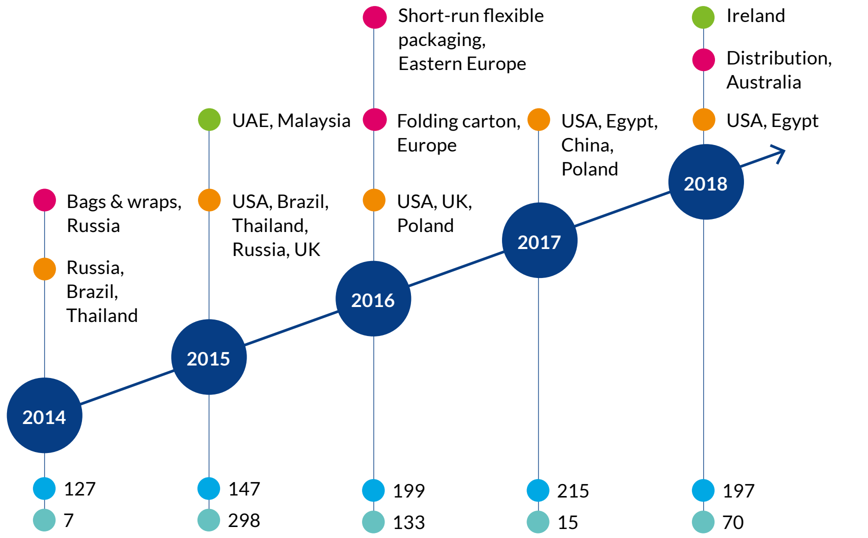
- Foodservice E-A-O
- North America
- Flexible Packaging
- Fiber Packaging



NUMBER OF EMPLOYEES	MANUFACTURING UNITS	OPERATING COUNTRIES
17,663	77	34

Business segments' net sales include internal sales of EUR 16 million in total. Adjusted EBIT is presented excluding items affecting comparability. Group's EBIT includes Other Activities EBIT of EUR 2 million.

All figures are from December 31, 2018, unless otherwise stated.

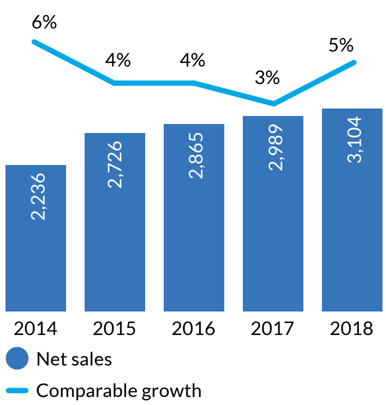


GROWTH INVESTMENTS IN 2018

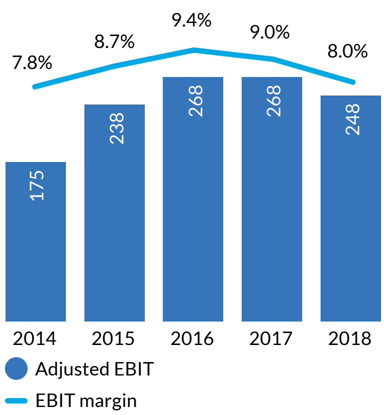
€ 267
million

New product category
New manufacturing country
Countries with major growth investments
Capital expenditure M€
Acquisitions M€

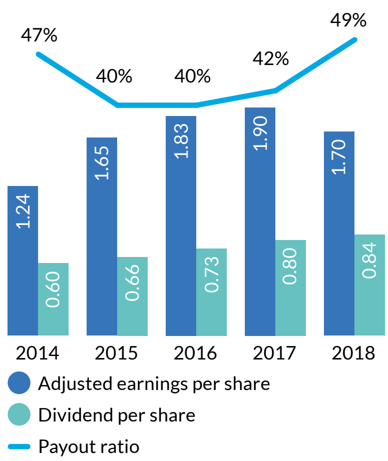
Net sales
EUR million



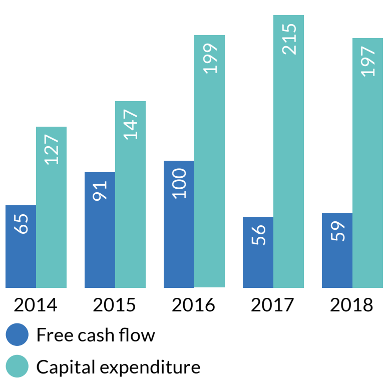
Adjusted EBIT
EUR million



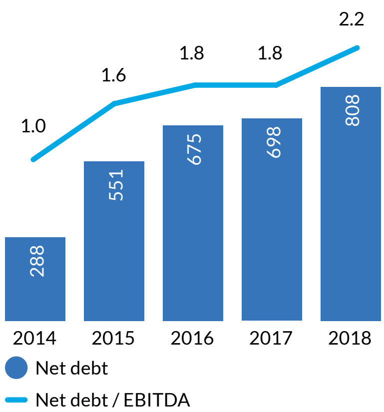
Adjusted earnings and dividend per share
EUR



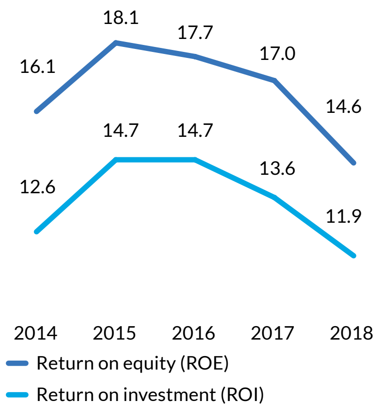
Free cash flow and capital expenditure
EUR million



Net debt
EUR million



Return on investment and equity
%



EBIT, EBIT margin, EPS, net debt / EBITDA, ROI and ROE are presented excluding items affecting comparability.
2018 dividend as proposed by the Board of Directors. 2014–2015 figures are for continuing business.

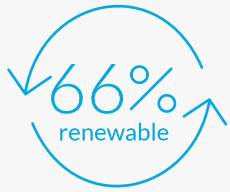
Operating model

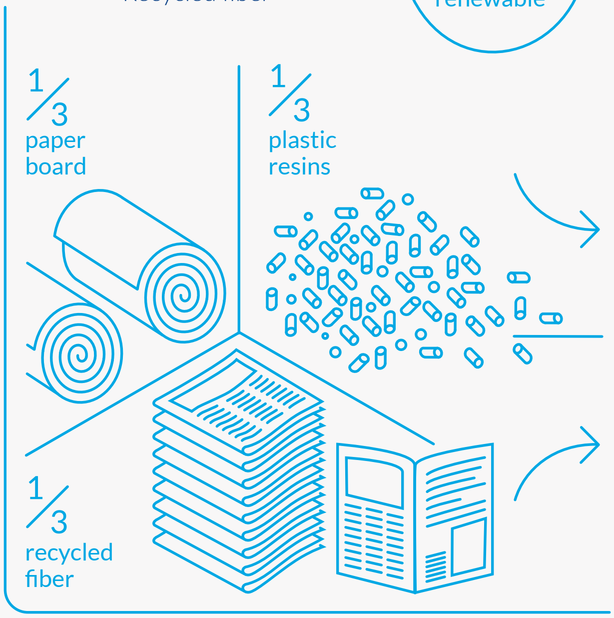
We are building the best food packaging company in the world. With our global network of manufacturing and sales units, we're well placed to support our customers' growth wherever they operate. Mastering three distinctive technologies we develop and make packaging that helps great products reach more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

Inputs

Raw materials

- Paperboard
- Plastic resins
- Recycled fiber





Global operations

- 77 manufacturing units, 34 countries

Personnel

- 17,663 employees

Social capital

Intellectual property

Financial resources

- Equity M€ 1,274
- Net debt M€ 808

For more in-depth understanding of how we create value, please read our Corporate Responsibility Report 2018. The report will be published in April 2019 and will be available at www.huhtamaki.com.

Our purpose:
Helping great products reach more people, more easily

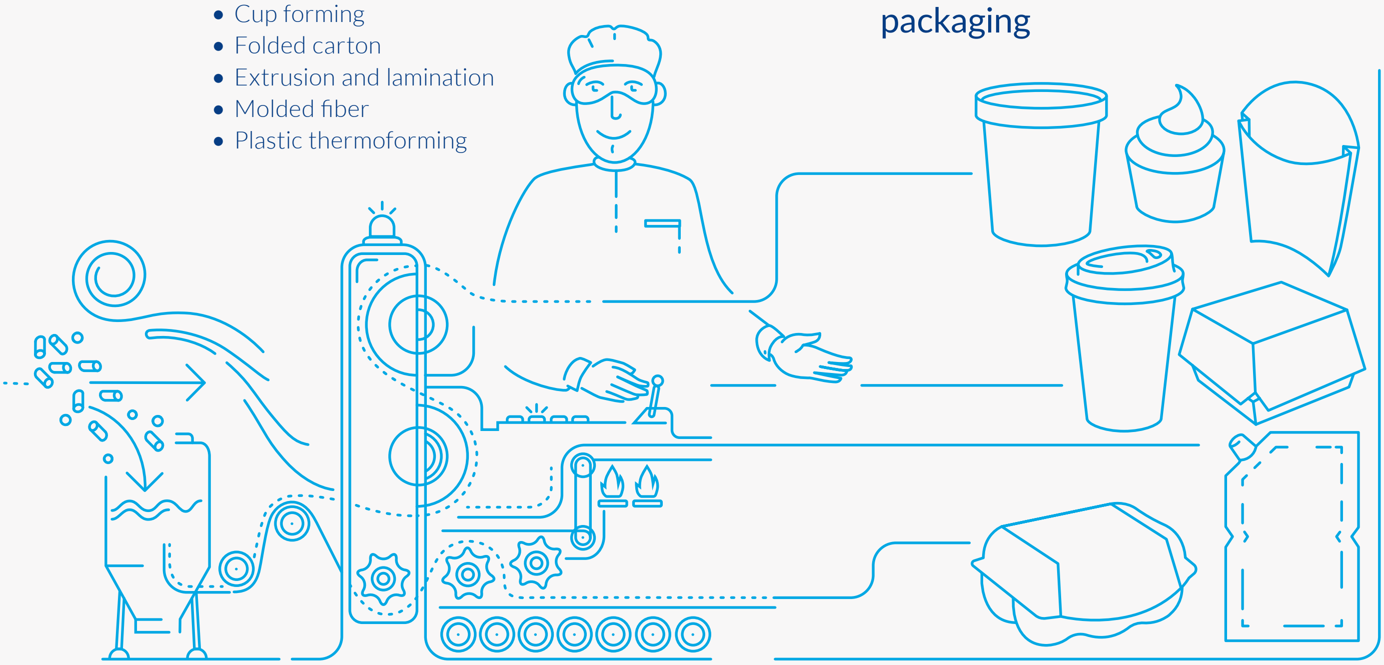
Our vision:
The first choice in food packaging

Our activities > Outputs

Conversion to food-packaging

- Cup forming
- Folded carton
- Extrusion and lamination
- Molded fiber
- Plastic thermoforming

Safe, convenient and fit-for-purpose consumer packaging



Our activities	Outputs
Resource efficiency	Emissions and waste • 82% of waste to recycling
Innovations	Intellectual
Leadership and management	New manufacturing assets
Organic growth and acquisitions	Economic value • Gross profit M€ 471

All figures are from December 31, 2018.

CEO’s review

Our net sales developed well with growth accelerating towards the end of the year

COMPARABLE NET SALES GROWTH MET OUR TARGET AND WAS

5+%

2018 was a year with many faces. We took several important steps to boost our future growth and to become the first choice in food packaging. Demand for our products was positive throughout the year despite uncertainties related to political decision making and currency swings in certain markets like the UK and some emerging markets. Cost inflation accelerated throughout the year, particularly with distribution costs in North America reaching new heights.

In general, cautiousness within the global economy characterized the latter half of the year, as did the uncertainty around trade tariffs. In Europe, plastic solutions for food packaging started to experience stronger headwinds during the year as sustainability concerns grew.

Our net sales developed well with growth accelerating towards the end of the year. Comparable net sales growth met our target and was 5%. The organic growth investment cycle that we initiated in late 2016 is now starting to bring benefits to our top line, and we expect this to contribute to our profitability improvement in 2019 and beyond.

Acquired growth in 2018 was 3%. We closed three deals, all during the second quarter. The largest of them was Tailored Packaging in Australia, a company that distributes foodservice consumables and allows us to access many new customers in the country.

Our financial performance did not meet our ambitions, and we aim to improve it in 2019. Profitability was below our expectations and long-term ambitions, having deteriorated from the record level achieved in 2017. Adjusted Earnings per share was EUR 1.70, down from EUR 1.90 in 2017.

The main reasons for the decline were currency headwind, cost inflation which our price increases did not yet offset, and the start-up of new facilities. During the third quarter, we launched a profitability improvement program with an action plan that gets us back on track to achieving our long-term profitability ambition of EBIT 10%+ and ROI 15%+. Despite continued investments in organic growth and acquisitions, our financial position remains solid.

Our continued efforts in developing workplace safety brought results, and we are proud to report improved figures. The Lost Time Incident Rate (number of incidents leading to absence per million hours worked) was 1.8 (2.4 in 2017) and the severity rate (lost hours per million hours worked) was 368 (639 in 2017).

We launched our Corporate Responsibility program, Packaging for Good, in 2018 with specific targets to be achieved by 2020, which is the year of Huhtamaki's 100th anniversary. This program and its four themes – People, Packaging, Supply Chain, and Operations – are detailed in our separate Corporate Responsibility report that will be published in April.

We had two major information systems initiatives in 2018. We implemented a human resources system that allows us to improve our talent management. At the same time we digitalized our essential global HR processes. To support smooth global teamwork and information sharing, we implemented new and enhanced collaboration tools. Both initiatives contribute to the foundation of a global work environment where teams want to collaborate efficiently in real time and avoid unnecessary travel.

Innovation in food packaging is accelerating as consumers and customers seek and favor solutions based on renewable raw materials that are easy to recycle. The war against plastics, recycling initiatives, and reduction of litter are all topics that help reinvent food packaging solutions and contribute to changing consumer behavior. Using multiple raw materials, we help our customers serve food in a safe and convenient way with ever better performing and increasingly more sustainable solutions that meet consumers' preferences.

In 2018, we focused on developing paper and fiber alternatives to plastic food-on-the-go solutions and recyclable flexible packaging solutions. The most visible example is Fresh, a compostable ready meal tray made from renewable materials. This product is in pilot marketing phase in the UK and aims to replace black plastic trays.

During our strategy review in 2018, we confirmed that the focus on food packaging brings sizable business opportunities and an exciting innovation environment. The good underlying demand growth offers possibilities for both organic and acquisition actions, as well as consolidation prospects. In 2020, Huhtamaki will turn 100 years old. The evolution from a local candy business established by Heikki Huhtamäki on the west coast of Finland to a global company whose vision is to be number one in food packaging is a remarkable journey that calls for exciting new chapters and destinations.

We are grateful for the support and recognition our employees, customers, suppliers, shareholders, and other stakeholders gave us throughout 2018.

Jukka Moisio
CEO

Directors' report 2018

Operating environment

The business environment in 2018 was challenging. Demand for foodservice and pre-packed food packaging was on a good level, but the year was characterized by cost inflation.

In Europe, demand was on a good level, particularly in continental and Eastern Europe. In the UK, the uncertainty around Brexit had a negative impact on demand for foodservice packaging towards the end of the year. The European Commission proposal for the single-use plastics directive (SUP), published in May 2018, intensified customers' interest in substituting plastic foodservice packaging with alternatives made of paperboard.

Cautiousness within the global economy increased during the year. Currency swings as well as uncertainty around trade tariffs had minor impact on demand in certain emerging markets.

Prices for the Group's main raw materials, with the exception of post-consumer recycled fiber in Europe, increased during the year. Plastic resin prices peaked during the third quarter, particularly in emerging markets, but stabilized during the fourth quarter. Prices for post-consumer recycled fiber were on a moderate level in Europe, but in the U.S., prices for post-industrial recycled fiber were at historically high levels. Paperboard prices were on a high level, following increases in pulp prices.

Distribution costs were also high, particularly in the U.S., following the tight capacity brought by a strong economy, a driver shortage and regulatory changes. The labor market was also tight in the U.S. In addition, energy costs increased during the second half of the year.

Strategic development

During 2018 the Group continued implementing its growth strategy and focused on finalizing the large organic growth investments initiated in 2016. The most significant project was bringing the new manufacturing unit in Arizona, the U.S., to industrial scale. The ramp-up progressed according to plan and at the end of 2018 the facility had approximately 200 employees and 80% of its first phase capacity was installed. The building of the flexible packaging manufacturing unit in Egypt also progressed as planned and the unit is expected to be fully up and running towards the end of 2019. Construction work on the new foodservice manufacturing facility in Hämeenlinna, Finland began and the new unit is expected to begin manufacturing operations by the end of 2019. New investments to grow the fiber packaging business in Russia were announced. In total the Group's capital expenditure in 2018 was approximately EUR 197 million (EUR 215 million).

The Group completed three acquisitions during 2018. The largest acquisition was Tailored Packaging, a foodservice distributor in Australia. With Tailored Packaging Huhtamaki gains access to a national network of distribution centers which allows it to serve existing customers better and with greater agility. It also enables the Group to address a new set of smaller customers which it was earlier unable to serve cost efficiently. Another acquisition supporting the growth of the Group's foodservice business was CupPrint in the Republic of Ireland. With CupPrint Huhtamaki improves its access to the growing market of short run custom-printed cups and boosts its on-line commercial activity. The Group also strengthened its labels business in India by acquiring Ajanta Packaging, a manufacturer of pressure sensitive labels.

A thorough review of the Group's strategy was conducted during the year, confirming the earlier identified business opportunities within on-the-go and pre-packed food. Sustainability-driven innovation continued to be a significant focus area, particularly with replacing plastic packaging applications. The Group is currently well placed to address the opportunities arising from increased environmental awareness and and will continue to focus its innovation work on developing more sustainable solutions to meet the future needs of its customers and consumers. Fresh, a renewable fiber based ready meal tray developed in partnership with Södra and Saladworks as a replacement for black plastic trays, has been tested with consumers in the UK during 2018 and is a good example innovation work.

To mitigate the impacts of an inflationary cost environment on the company's financial performance, a productivity and efficiency improvement program was launched in October 2018. As part of the program, the company closed and wrote-off non-competitive production lines and accelerated its automation initiatives. Full benefits of the program are expected in 2020.

Following thorough preparation, the Board of Directors initiated a search for a successor to Jukka Moisio as CEO of the company. During his 11 year tenure as the CEO, Jukka Moisio steered Huhtamaki into a profitable growth trajectory and to a leading global food packaging company. On January 7, 2019, Charles Héaulmé was appointed as the new President and CEO of Huhtamaki as of April 26, 2019. Charles Héaulmé joins Huhtamaki from Tetra Pak, where his latest position has been Vice President Europe and Central Asia since 2015.

The Group's capabilities and resources on strategy development, marketing and communications, information systems and compliance were strengthened during the year with certain key appointments. The Board of Directors also focused on the Group's strategy process and continued to follow the development of the Group's people activities, including leadership and succession development. In addition, the Board closely followed the implementation of new tools that support global teamwork and help the Group in digitalizing its processes. During the year the Board visited a foodservice packaging unit in Shanghai, China, a flexible packaging unit in Mumbai, India and the new foodservice unit in Arizona, in the U.S.

Financial review

The Group's comparable net sales growth was 5% with a positive contribution from all business segments. Comparable growth in emerging markets was 7%. Growth was strongest in Eastern Europe, Africa, Middle East and India. The Group's net sales grew to EUR 3,104 million (EUR 2,989 million). Foreign currency translation impact on the Group's net sales was EUR -120 million (EUR -19 million). The majority of the negative impact came from the US dollar, Indian rupee and Russian ruble.

The Group's earnings declined due to weaker profitability in the North America business segment. Earnings improved significantly in the Foodservice Europe-Asia-Oceania and Fiber Packaging segments. Reported earnings declined in the Flexible Packaging segment, but in constant currencies the Flexible Packaging segment's earnings were in line with prior year. The Group's Adjusted EBIT was EUR 248 million (EUR 268 million). Foreign currency translation impacted the Group's earnings by EUR -9 million (EUR -1 million). Reported EBIT was EUR 223 million (EUR 264 million).

Adjusted EBIT excludes EUR -25 million of items affecting comparability (IAC), which consist of EUR 36 million restructuring costs, including write-downs of related assets, acquisition related costs of EUR 3 million and a gain of EUR 14 million. The restructuring costs are primarily related to a program to improve efficiency and profitability as announced on October 2, 2018. The planned actions are estimated to result in annual improvements of approximately EUR 15–18 million with full impact in 2020. IAC were booked in all business segments. The gain is related to the sale of the Group's confectionery trademark portfolio, as announced on April 30, 2018. Huhtamaki's confectionery business was divested in 1996.

Adjusted EBIT and IAC

EUR million	2018	2017
Adjusted EBIT	248.4	267.7
Restructuring costs including write-downs of related assets	-36.2	-16.7
Acquisition related costs	-3.4	-
Gains relating to sale of trademark portfolio	14.2	-
Gains and losses relating to business combinations and disposals	-	13.3
EBIT	**222.9**	**264.3**

Net financial expenses increased to EUR 27 million (EUR 18 million) due to higher net debt. Tax expense was EUR 38 million (EUR 50 million). The corresponding tax rate was 19% (20%).

Profit for the period was EUR 158 million (EUR 197 million). Adjusted earnings per share (EPS) were EUR 1.70 (EUR 1.90), and reported EPS EUR 1.50 (EUR 1.86). Adjusted EPS is calculated based on the adjusted profit for the period, which excludes EUR -25 million of IAC and EUR 5 million of related taxes.

Adjusted EPS and IAC

EUR million	2018	2017
Adjusted profit for the period	178.7	201.3
IAC items included in Adjusted EBIT	-25.5	-3.4
Taxes relating to restructuring	4.9	-1.4
Profit for the period	**158.1**	**196.5**

Statement of financial position and cash flow

The Group's net debt increased as a result of completed acquisitions, continued growth investments and higher working capital, and was EUR 808 million (EUR 698 million) at the end of December. The level of net debt corresponds to a gearing ratio of 0.63 (0.58). Net debt to EBITDA ratio (excluding IAC) was 2.2 (1.8). Average maturity of external committed credit facilities and loans was 3.7 years (4.6 years).

Cash and cash equivalents were EUR 95 million (EUR 116 million) at the end of December and the Group had EUR 304 million (EUR 321 million) of unused committed credit facilities available.

Total assets on the statement of financial position were EUR 3,128 million (EUR 2,931 million).

Capital expenditure was EUR 197 million (EUR 215 million). The largest investments for business expansion were made in the U.S. and Egypt. The Group's free cash flow was EUR 59 million (EUR 56 million) mainly due to lower capital expenditure.

Key figures

EUR million	2018	2017	Change
Net sales	3,103.6	2,988.7	4%
Adjusted EBITDA[1]	373.6	389.7	-4%
Margin[1]	12.0%	13.0%	
EBITDA	365.2	386.3	-5%
Adjusted EBIT[2]	248.4	267.7	-7%
Margin[2]	8.0%	9.0%	
EBIT	222.9	264.3	-16%
Adjusted EPS[3], EUR	1.70	1.90	-11%
EPS, EUR	1.50	1.86	-19%
ROI[2]	11.9%	13.6%	
ROE[3]	14.6%	17.0%	
Capital expenditure	196.9	214.8	-8%
Free cash flow	58.9	55.5	6%

[1] Excluding IAC of EUR -8.4 million in FY 2018 (EUR -3.4 million in FY 2017).
[2] Excluding IAC of EUR -25.5 million in FY 2018 (EUR -3.4 million in FY 2017).
[3] Excluding IAC of EUR -20.6 million in FY 2018 (EUR -4.8 million in FY 2017).

Acquisitions and divestments

On March 23, 2018, Huhtamaki announced that it has entered into an agreement to acquire the Indian business and related assets of Ajanta Packaging, a privately-owned manufacturer of pressure sensitive labels. With the acquisition Huhtamaki strengthened its labeling business in India by adding new printing technologies into its offering as well as improving its innovation capability. The acquisition is complementary to Huhtamaki's existing labeling product portfolio. The annual net sales of the acquired business are approximately EUR 10 million. It employs altogether 170 people and has two state-of-the-art manufacturing facilities. The debt free purchase price was approximately EUR 13 million. The transaction was closed at the end of May 2018. The business has been reported as part of the Flexible Packaging business segment as of June 1, 2018.

On April 30, 2018, Huhtamaki announced the majority acquisition of Tailored Packaging, an Australian foodservice packaging distribution and wholesale group. With the acquisition Huhtamaki gained access to a national network of distribution centers across Australia, allowing it to serve its customers even better and with more agility. Tailored Packaging is one of the largest importers and distributors of foodservice packaging in Australia with annualized net sales of approximately EUR 85 million and approximately 130 employees. The debt-free purchase price for 65% ownership of the joint venture was approximately EUR 35 million. As the majority shareholder Huhtamaki consolidates the joint venture company as a subsidiary in the Group's financial reporting. The business has been reported as part of the Foodservice Europe-Asia-Oceania business segment as of May 1, 2018.

On April 30, 2018, Huhtamaki announced the sale of its confectionery trademark portfolio to Highlander Partners, a US based investment firm. Related to the sale, an after taxes gain of approximately USD 16 million was booked as an item affecting comparability during the second quarter of 2018. The sold trademark portfolio was related to Huhtamaki's confectionery business divested in 1996.

On May 31, 2018, Huhtamaki announced the majority acquisition of Cup Print Unlimited Company, a privately-owned paper cup manufacturer based in the Republic of Ireland. With the acquisition, Huhtamaki improved its access to the growing market of short-run custom-printed cups and boosted its online commercial activity. The short run capability allows Huhtamaki to even better support its current customers' promotional activities. CupPrint's annual net sales are approximately EUR 14 million, and it employs altogether approximately 110 people. The debt-free purchase price for 70% ownership of CupPrint was approximately EUR 22 million. The business has been reported as part of the Foodservice Europe-Asia-Oceania business segment as of June 1, 2018.

Significant events during the reporting period

On May 28, 2018, the European Commission published a proposal for a directive of the European Parliament and of the Council on the reduction of the impact of certain plastic products on the environment, known as the Single Use Plastics Directive or the SUP Directive. The SUP Directive targets items that have been identified as contributing to marine pollution and is expected to enter into force at the EU level in mid-2019. The Member States must then transpose it into national law by mid-2021. The SUP Directive covers a number of single use products made entirely or in part of plastics. The SUP Directive is applicable to a part of Huhtamaki's product range and contains a number of different measures such as banning certain plastic products within the EU, introducing consumption reduction obligations, widening the Extended Producer Responsibility (EPR) schemes and introducing labelling requirements. Currently the majority of Huhtamaki's products are fiber-based, and the share of products affected by the mandatory bans is less than 0.4% of the Group's net sales. Huhtamaki supports activities to reduce marine littering and develop the circular economy. The Group will continue to focus on innovation, the use of renewable and recyclable materials, and to work with policymakers, industry associations and others to ensure that the Directive achieves its objectives without compromising food safety and hygiene.

On October 2, 2018 Huhtamaki announced that it is considering to close and write-off non-competitive production lines and planning to speed-up actions to improve productivity by investing further in automation. The total effect of write-offs and other actions was estimated to amount to EUR -30 million, which would be reported as items affecting comparability (IAC) in the fourth quarter 2018. The planned actions are estimated to result in annual profit improvement of approximately EUR 15–18 million with full impact in 2020.

Significant events after the reporting period

On January 7, 2019, the Board of Directors announced that it had been preparing for CEO succession. Charles Héaulmé was appointed President and CEO of Huhtamäki Oyj as of April 26, 2019, following the Annual General Meeting. Jukka Moisio continues as CEO until April 25, 2019.

Changes in management

Leena Lie (49), M.Sc. (Economics), was appointed Senior Vice President, Marketing and Communications and a member of the Global Executive Team on April 4, 2018. Ms. Lie joined Huhtamaki on August 27, 2018.

Petr Domin (52), Executive Vice President, Fiber Packaging and a member of the Global Executive Team left Huhtamaki on August 31, 2018.

Michael Orye (46), M.Sc. (Economics), was appointed Executive Vice President, Fiber Packaging and member of the Global

Acquisitions 2018

Acquired Company	Country	Acquiring segment	Est. annual turnover at time of acquisition, EUR million
Ajanta Packaging, business in India	India	Flexible Packaging	10
CupPrint (70% ownership)	Republic of Ireland	Foodservice E-A-O	14
Tailored Packaging (65% ownership)	Australia	Foodservice E-A-O	85

Executive Team on December 18, 2018. Mr. Orye joined Huhtamaki on February 1, 2019.

Charles Héaulmé (52), BBA, was appointed as President and CEO of Huhtamäki Oyj, and Chairman of the Global Executive Team, as of April 26, 2019.

Business review by segment

Foodservice Europe-Asia-Oceania

Demand for foodservice packaging was positive across markets, especially in Eastern and continental Europe. Uncertainty in the UK increased towards the end of the period due to Brexit, causing volatility. Prices for paperboard and plastic resins increased and competition was tight. The increased public awareness of plastic marine waste and regulatory proposals, particularly in Europe, led to a notable increase in interest towards replacing plastic foodservice packaging products with alternatives made of paperboard.

The Foodservice Europe-Asia-Oceania segment's net sales growth was strong, driven by acquisitions. The segment's net sales grew to EUR 882 million (EUR 808 million). Comparable net sales growth was 4% and growth from acquisitions 9%. Growth was strongest in Europe, excluding the UK, driven by good demand in all key product categories. The businesses acquired during the second quarter of 2018 contributed EUR 57 million to the segment's net sales. Tailored Packaging in Australia has been reported as part of the Foodservice Europe-Asia-Oceania segment as of May 1, 2018, and CupPrint in Ireland as of June 1, 2018.

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

The segment's earnings improved significantly, mainly as a result of positive net sales development and favorable product mix development. Earnings growth was supported by successful price management and focus on cost control and operational excellence. Adjusted EBIT, excluding EUR -13 million of IAC, were EUR 76 million (EUR 70 million) and reported EBIT EUR 63 million (EUR 67 million). The businesses acquired during the second quarter contributed positively to the segment's earnings. The segment's return on net assets (RONA), excluding IAC, declined slightly to 12.6% (13.0%) due to increased investments. The segment's operating cash flow decreased to EUR 44 million (EUR 57 million) as a result of changes in working capital.

Currency movements had a negative translation impact of EUR -3 million on the segment's reported earnings.

North America

Demand for foodservice packaging and tableware was solid throughout the period. Demand for ice cream packaging strengthened towards the end of the year, largely driven by growth in low-sugar and low-calorie offerings. Prices of fiber-based raw materials increased during the period with smooth fiber costs reaching historically high levels. Resin prices moderated towards the end of the year. The labor market was tight.

The North America segment's comparable net sales growth was strong, being 5%. Reported net sales remained at the previous year's level and was EUR 1,003 million (EUR 1,000 million). Growth was strongest in the retail business, with significant growth in private label tableware throughout the period. Net sales growth was good also in ice cream packaging and foodservice packaging.

Currency movements had a translation impact of EUR -47 million on the segment's reported net sales.

The segment's earnings declined as a result of high distribution costs, high input costs and costs related to the start-up of the Goodyear plant. Adjusted EBIT, excluding IAC of EUR -11 million, were EUR 73 million (104 million). Reported EBIT were EUR 62 million (EUR 104 million). The segment's return on net assets (RONA), excluding IAC, declined to 9.3% (14.2%) due to decreased earnings and higher asset base. The segment's operating cash flow decreased to EUR 16 million (EUR 32 million) due to decreased earnings and changes in working capital.

Currency movements had a translation impact of EUR -3 million on the segment's reported earnings.

Flexible Packaging

Demand for flexible packaging was positive throughout the period, except in Southeast Asia where demand was moderate. Prices of plastic resins and other input costs increased, and competitive situation was tight.

The Flexible Packaging segment's net sales growth was strong, with comparable growth at 7%. Net sales were EUR 952 million (EUR 913 million). Growth was particularly strong in India, where domestic net sales developed well. Net sales growth was also strong also in the Middle East and Africa, as well as in Oceania. In Europe, growth was solid. Ajanta Packaging, acquired during the second quarter in 2018, contributed EUR 7 million to the segment's net sales.

Currency movements had a translation impact of EUR -34 million on the segment's reported net sales.

The segment's reported earnings declined as the positive development in India and in Europe was not sufficient to offset the negative impacts of increased raw material costs and tight competition in Southeast Asia. In constant currencies, the segment's earnings were at the previous year's level. Adjusted EBIT, excluding IAC of EUR -10 million, were EUR 67 million (EUR 70 million). Reported EBIT were EUR 58 million (EUR 70 million). The segment's return on net assets (RONA), excluding IAC, was 10.1% (10.8%). The segment's operating cash flow was at previous year's level and was EUR 37 million (EUR 37 million).

Currency movements had a translation impact of EUR -2 million on the segment's reported earnings.

Fiber Packaging

Overall demand for fiber packaging was solid. Prices of recycled fiber were on a low level in Europe. Energy prices increased towards the end of the period.

The Fiber Packaging segment's comparable net sales growth was 4%. Net sales growth was strong in Africa, Brazil and Russia, but moderate in Europe. Reported net sales were EUR 283 million (EUR 285 million).

Currency movements had a translation impact of EUR -9 million on the segment's reported net sales.

The segment's earnings improved significantly, as a result of strong earnings growth during the fourth quarter. Adjusted EBIT, excluding IAC of EUR -2 million, were EUR 31 million (EUR 28 million). Reported EBIT were EUR 29 million (EUR 28 million). The segment's return on net assets (RONA), excluding IAC, improved to 14.4% (12.8%) due to an increase in earnings. The segment's operating cash flow improved slightly and was EUR 22 million (EUR 21 million).

Currency movements had a translation impact of EUR -1 million on the segment's reported earnings.

Foodservice Europe-Asia-Oceania

EUR million	2018	2017	Change
Net sales	881.7	807.5	9%
Adjusted EBIT[1]	75.8	70.1	8%
Margin[1]	8.6%	8.7%	
EBIT	62.6	66.7	-6%
RONA[1]	12.6%	13.0%	
Capital expenditure	57.8	53.4	8%
Operating cash flow	43.8	57.1	-23%

[1] Excluding IAC of EUR -13.3 million in FY 2018 (EUR -3.4 million in FY 2017).

Flexible Packaging

EUR million	2018	2017	Change
Net sales	952.3	912.7	4%
Adjusted EBIT[1]	67.2	69.7	-4%
Margin[1]	7.1%	7.6%	
EBIT	57.5	69.7	-18%
RONA[1]	10.1%	10.8%	
Capital expenditure	49.7	41.1	21%
Operating cash flow	37.4	36.6	2%

[1] Excluding IAC of EUR -9.7 million in FY 2018 (no IAC in FY 2017).

North America

EUR million	2018	2017	Change
Net sales	1,002.7	1,000.4	0%
Adjusted EBIT[1]	72.7	104.1	-30%
Margin[1]	7.2%	10.4%	
EBIT	62.0	104.1	-40%
RONA[1]	9.3%	14.2%	
Capital expenditure	62.9	97.9	-36%
Operating cash flow	15.9	31.7	-50%

[1] Excluding IAC of EUR -10.7 million in FY 2018 (no IAC in FY 2017).

Fiber Packaging

EUR million	2018	2017	Change
Net sales	283.0	285.1	-1%
Adjusted EBIT[1]	30.9	28.2	9%
Margin[1]	10.9%	9.9%	
EBIT	28.8	28.2	2%
RONA[1]	14.4%	12.8%	
Capital expenditure	23.4	22.0	6%
Operating cash flow	21.6	20.7	4%

[1] Excluding IAC of EUR -2.1 million in FY 2018 (no IAC in FY 2017).

Non-financial review

Corporate responsibility is rooted in the Huhtamaki values: 'Treating our world with respect', 'We know our business' and 'We like to get it done'. Huhtamaki is committed to doing business in a responsible and sustainable manner and expects the same commitment from its business partners. Huhtamaki complies with local laws and regulations in the countries where it operates and acts in accordance with commonly accepted best practices. Violation of any laws or regulations or unethical business dealings is not accepted.

Huhtamaki's corporate responsibility program is called Packaging for Good. It has four focus areas: People, Packaging, Supply chain and Operations. Each area has an overall goal and specific targets. The Group has defined step-by-step internal actions to achieve the goals by 2020 (and beyond, because Packaging for Good is a long-term program), and tracks the progress through regular performance assessments at the manufacturing unit, business segment and Group levels.

To ensure that the Group's corporate responsibility work is focused on the most material issues, a comprehensive update of the materiality assessment was performed in 2018. A data-driven approach powered by Datamaran's artificial intelligence platform was used. The data behind the materiality assessment is based on approximately 100 Environmental, Social and Governance (ESG) topics tracked across corporate reports, mandatory regulations and voluntary initiatives, news, as well as social media. The assessment was completed with surveys with external and internal stakeholders.

The updated materiality assessment reaffirmed that the choices made in the Packaging for Good program are valid and that Huhtamaki's corporate responsibility efforts are focused to the right topics. More information on Huhtamaki's corporate responsibility work can be found in the Group's Corporate Responsibility Report, which is prepared annually in accordance with the Global Reporting Initiative (GRI) Standards Core Option. The Corporate Responsibility Report for 2018 will be published in April 2019.

Huhtamaki's operating model is described on pages 2–3 of this Huhtamaki 2018 publication. Risks and risk management procedures related to below topics are described on a separate section within this Directors' Report, on page 14.

Environmental matters

Policies

- Huhtamaki Group Code of Conduct
- Code of Conduct for Huhtamaki Suppliers
- Group Environmental Policy
- ISO management systems 14001, 50001

Huhtamaki continuously looks for ways to optimize the use of raw materials and to manage waste according to the waste hierarchy. This is beneficial for the environment and for the Huhtamaki business. Greenhouse gas emissions and production waste are the main negative environmental impacts of the Group's manufacturing operations.

The Group's operating principles regarding environment are set out in the Huhtamaki Code of Conduct, the Code of Conduct for Huhtamaki Suppliers, and the Group Environmental Policy. These policies are supported by (Lean Six Sigma) Black Belt trainings and ISO management systems and are implemented on manufacturing unit level. At the end of 2018, 49 (45) manufacturing units, representing 66% (62%) of all manufacturing units in the Group 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 data excludes manufacturing units that were acquired or closed during 2018.

The main environmental KPIs and performance are:

	2018	2017	Change
Energy consumption per sellable tons produced (MWh/STP)*	2.043	2.083	-2%
Greenhouse gas emissions per sellable tons produced (t CO_2 eqv/STP)*	0.713	0.719	-1%
Recycling rate (%)	82%	81%	1pp

* Excluding Flexible Packaging label and printing cylinder units

In 2018, the Group's environmental performance continued to improve incrementally, driven by operational efficiency measures. The environmental data excludes the units acquired during 2018.

The development of a Natural Resource Plan was initiated. The target of the Natural Resources Plan is to further improve the Group's efficient use of natural resources and thereby minimize its impact on the environment. An update on this project will be provided during 2019.

Internal and external audits are conducted to assess the environmental and social performance of manufacturing units. During 2018 a total of 485 external audits were conducted by certification bodies, authorities or customers.

The Group's environmental operating costs totaled EUR 12 million (EUR 11 million). The costs consist mainly of expenses related to waste and waste water management as well as environmental management.

Personnel and social matters

Policies

- Huhtamaki Group Code of Conduct
- OHSAS 18001
- Global Employment Guidelines
- Huhtamaki Working Conditions Requirements
- Group Performance Management Policy
- Performance Review Guidelines
- Group Compensation and Benefits Policy
- Huhtamaki Human Trafficking and Modern Slavery Statement
- Global Human Rights Policy
- Global Occupational Health & Safety Procedures (in development)

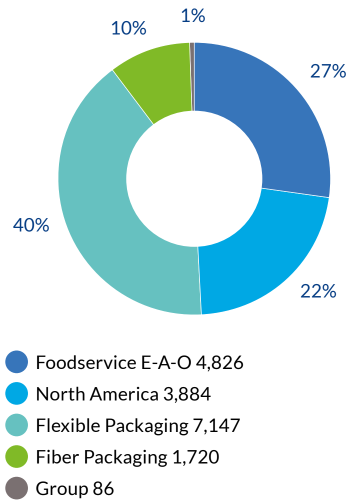
The foundation for Huhtamaki's People strategy lies in its values, Code of Conduct and commonly defined Huhtamaki behaviors. The objective of the People strategy is to support the execution of the Group's business strategy and the achievement of its short and long-term business targets. This will be attained by providing all employees with a safe workplace, developing people, fostering excellent internal communications as well as by ensuring systematic performance and talent management, and through succession planning.

In 2018, the average number of employees was 17,801 (17,361), of which 71% worked directly in production. Countries with the largest number of employees were India, USA and Germany, which accounted for 51% of the Group's personnel. At the end of the year the Group had a total of 17,663 (17,417) employees.

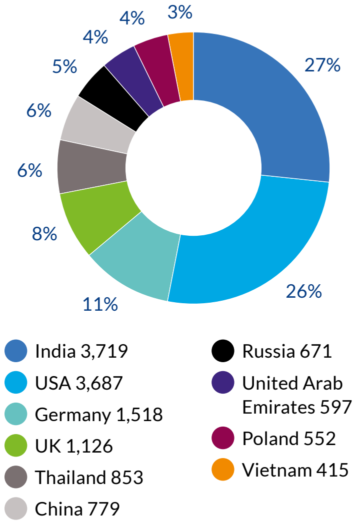
In 2018, Huhtamaki invested in digitalizing its global processes and practices. For example, the company introduced enhanced virtual meeting and online team facilitation tools. In addition, a global HR information system was implemented, where all employees can update their personal data, talent information, mobility preferences and career aspirations as a self-service.

Leadership development was continued with the introduction of the Leader's Toolbox and by continuing the existing leadership development programs for senior and middle level managers. In addition, systematic Lean Six Sigma training was continued with a number of new Black Belts and Green Belts trained across the Group. In a culture of growth, there is a passion for learning and exploring. People are ready to take on new challenges and to develop their competencies, professional skills and behaviors.

Number of personnel by segment



Largest countries by number of employees

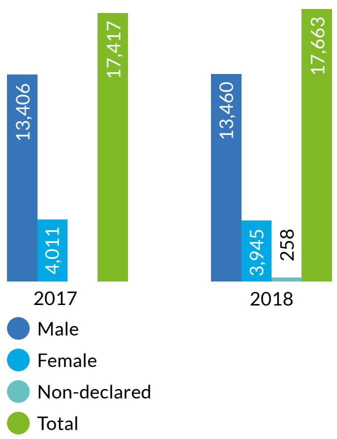


Huhtamaki business units continued to implement the global Working Conditions Requirements that cover topics such as anti-corruption, safety, work ergonomics, work contracts, working hours, grievances and supplier management. The focus in 2018 was on manufacturing unit-level trainings, self-assessments and actions for continuous improvement.

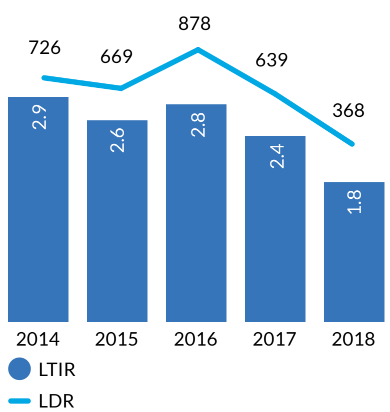
The Group's global employee engagement survey is conducted every second year to identify the key areas that affect employee engagement at Huhtamaki. The next survey will be conducted in 2019. In 2017, the response rate was 80%, and the index referring to employee engagement was 69%.

Occupational Health and Safety is an important part of Huhtamaki's corporate responsibility. In 2018, the Global Executive Team approved a Group level target for the Lost Time Incident Rate (1.7 by 2020, compared to 2.4 in 2017). In addition, a working group consisting of representatives from the business segments developed new Occupational Health and Safety Procedures, which will form the minimum requirements for all Huhtamaki units, wherever they are based. The Procedures are expected to be implemented in 2019.

Employees by gender



Incident frequency and severity 2014–2018, Group



LTI = Lost time incident, an accident or an incident that causes the employee to miss at least one working shift.

LTIR = Lost time incident frequency per million hours worked.

LDR = Lost day rate, hours lost per million hours worked.

In 2018, the Lost Time Incident Rate (LTIR) improved clearly to 1.8, very close to the 2020 target of 1.7. When calculating LTIR, the lost time incidents and actual working hours of Huhtamaki employees are considered.

The improvement in safety was driven by the North America, Flexible Packaging and Foodservice Europe-Asia-Oceania segments. There were no fatalities. Severity of incidents, measured in Lost Day Rate (LDR), also showed clear reduction to 368 compared to 639 in 2017. LDR is calculated based on the scheduled work days lost starting from the next work day after the incident.

Human rights

Policies

- Huhtamaki Group Code of Conduct
- Code of Conduct for Huhtamaki Suppliers
- Global Human Rights Policy
- Huhtamaki Human Trafficking and Modern Slavery Statement

The Huhtamaki Global Human Rights Policy reflects the Group's commitment to human rights as set forth in the United Nations International Bill of Human Rights and taking into account the UN Guiding Principles on Business and Human Rights. Respecting human rights within the Group as well as in its supply chains, is essential to Huhtamaki.

The Huhtamaki Group Code of Conduct sets out standards for ethical behavior for all employees. Huhtamaki does not allow for example workplace violence or the use of child labor or forced labor. Huhtamaki employees are expected to take Code of Conduct training regularly.

All suppliers are expected to comply with the Code of Conduct for Huhtamaki Suppliers. This Code of Conduct is available on the Group's website and it is also referred to in the Huhtamaki General Terms and Conditions of Purchasing. Huhtamaki's suppliers are also responsible for their subcontractors' compliance with the requirements. The Code of Conduct for Huhtamaki Suppliers covers requirements related to compliance with laws and regulations as well as fundamental rights of employees.

Huhtamaki uses the NAVEX RiskRate tool to monitor the compliance of its suppliers with the Code of Conduct for Huhtamaki Suppliers. The main focus is on key suppliers, defined as the top 10 suppliers per segment based on annual spend. At the end of 2018 approximately 62.5% (68.0%) of the Group's key suppliers have confirmed their adherence to the Code of Conduct for Huhtamaki Suppliers. The confirmation level will be followed up with suppliers in 2019 with extra attention. Huhtamaki is also a corporate member of Sedex, the world's largest collaborative platform for sharing responsible sourcing data on supply chains. In 2018, SMETA (Sedex Members Ethical Trade Audit) 4-pillar audits were conducted in China for certain external suppliers of the North America business segment. Third party supplier audits give information on the environmental, social and ethical performance of Huhtamaki suppliers, helping to identify and monitor potential corrective actions. Huhtamaki also expects suppliers to comply with its Human Trafficking and Modern Slavery Statement, which is available on the Group's website. Suppliers, including labor agencies and recruiters, are required to have processes to ensure that they do not take part in human trafficking or modern slavery.

Work to strengthen the supply chain due diligence system continued in 2018. The aim is a risk-based due diligence approach which allows the identification of issues and suppliers that need the most support, and the subsequent focus of resources on those.

Huhtamaki's suppliers and workers in its value chain can report any violations of the Code of Conduct for Huhtamaki Suppliers or concerning other Huhtamaki policies through Huhtamaki's global grievance system, the Huhtamaki Speak Up channel.

Anti-corruption and anti-bribery

Policies

- Huhtamaki Group Code of Conduct
- Code of Conduct for Huhtamaki Suppliers

The Huhtamaki Group Code of Conduct is the core element of the company's ethics and compliance program. Anti-bribery and anti-corruption provisions are included in the Code of Conduct. In addition, these provisions are included in the Code of Conduct for Huhtamaki Suppliers.

To strengthen the further development of the Group's ethics and compliance program a Global Compliance function was established in January 2018. The Global Compliance function is an advisory function supporting the Group in conducting its business in compliance with laws and regulations as well as with its ethical standards, including its anti-bribery provisions. As part of the introduction of the Global Compliance function, general awareness of compliance topics, such as anti-bribery aspects, was further raised to several target groups throughout the year fostering also the company's compliance culture.

Huhtamaki's Global Compliance training program continued in 2018 with three key trainings: Code of Conduct, anti-corruption and competition compliance as well as data privacy trainings. Code of Conduct training is organized through face-to-face training sessions and an e-learning program. Both of these trainings contain an anti-bribery section. In 2018, face-to-face Code of Conduct training was organized for all Huhtamaki units in China. In addition, the Code of Conduct e-learning training program was repeated globally. The anti-corruption and competition compliance program continued also in 2018; a common face-to-face training session was conducted for all Huhtamaki units in China. In addition, the Competition Compliance e-learning program continued globally.

Huhtamaki introduced a new global web-based grievance system, Huhtamaki Speak Up channel, in December 2018. The system provides a simple way for Huhtamaki employees, suppliers, customers and other stakeholders to report suspicions of violations, i.e. anything that is not in line with Huhtamaki values, the company's Code of Conduct, or any other Huhtamaki policies or any laws or regulations. The system enables reporting either by one's name, or anonymously if allowed by local laws and regulations. The Huhtamaki Speak Up channel can be accessed by visiting the website: report.whistleb.com/Huhtamaki.

A total of 68 incidents of potential violations (2017: 27) in 11 different countries were reported in 2018. This data contains notification of incidents reported through the grievance systems and reports made to the Human Resources (HR) or other management functions. There were no substantiated corruption related incidents in 2018.

Most of these incidents were reported in the North America segment as in previous years. However, general awareness of ethics and compliance matters was raised, and actions were taken to improve systematic reporting in other segments as well. An increased number of incidents were reported in segments outside of North America during 2018.

The Global Compliance function coordinates Huhtamaki Speak Up channel and supports the business segments in the investigation of the reported incidents together with the internal audit function, as needed. The Global Executive Team and the Audit Committee of the Board of Directors follow the reported incidents regularly.

Risk review

Risk management

Risk management at Huhtamaki aims at identifying potential events that may affect the achievement of the Group's objectives. Its purpose is to manage risks to a level that the Group is capable and prepared to accept, so that there is reasonable assurance and predictability regarding the achievement of the Group's objectives. The aim is also to enable the efficient 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 2018 the key risks identified in the 2017 risk assessment process were monitored to assess their existing and newly implemented controls and any changes in the risk level itself. Actions to manage those risks were planned and executed at Group or segment level and followed by the Global Risk Management function on a quarterly basis with a focus on each business segment's most significant risks.

Parallel to the strategic planning 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 in order to reach acceptable risk levels. The acceptable risk levels associated with appropriate risk management efforts were approved by the Global 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 monitored during 2019. During 2018, the Board of Directors had a specific risk workshop concentrating on the most relevant opportunities and risks in Huhtamaki's business environment, operations and markets. The input from this workshop will be taken into account in the further development of the company's strategy.

The most significant risks

Price management as well as raw material, energy price and other cost inflation are considered among the most significant risks and opportunities to the Group. Efficient price and cost management are vital in achieving the Group's strategic and financial objectives. The Group takes the opportunity to leverage scale and share best practices to maintain profitability.

Changes in demand, consumer behavior and requirements on food packaging are raised among the most important risks and opportunities to the Group in the 2018 ERM assessment. Megatrends such as urbanization and sustainability create significant growth and innovation opportunities for the Group. Growth and market position are at risk if the Group fails to meet customer and consumer demand with its product and service offering, or production capacity. The Group manages these risks through innovation activities and investing in manufacturing capacity and capabilities, particularly in growth markets. Additionally, the Group actively pursues add-on and scale acquisitions across geographies to enhance its core business.

Macroeconomic and political risks continue to be among the important risks and opportunities for the Group. Economic growth is a key driver for organic and acquisitive business growth and performance. Political decisions may drive changes in the global and local economies and free trade agreements. Predicting such changes and their implications in business is high on the agenda.

Risks relating to human resources, destruction of facilities and continuity of operations, disruption in raw materials or energy supply as well as product safety and quality are considered the most significant operational risks for the Group. Destruction of a major facility or disruption in raw material supply and thereby compromised business continuity could have negative impact on business. Critical shortcoming in product safety or quality could decrease sales as a result of potential reputational issues.

Foreign exchange translation and transaction risks remain among the Group's twenty most important risks with very little change in ranking from 2017. More information on financial risks can be found in Note 5.8. of the Financial statements 2018.

None of the risks identified in connection with the 2018 risk assessment 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 Global Risk Management function.

Risks and risk management procedures related to non-financial information

The Group's ERM assessment involves corporate responsibility in the assessment of strategic risks relating to business environment and reputation, and operational risks relating to production, human resources as well as crime and fraud. Corporate responsibility relating to business environment is considered in terms of risks of bans on materials used in products as well as sustainability requirements affecting the Group's products, plants or processes.

Corporate responsibility relating to production is reviewed in terms of risks concerning occupational health and safety, product safety and quality, and environmental incidents. Corporate responsibility relating to human resources is considered in terms of human resources risks in general, as well as in terms of labor relations risks, and human rights risks. Corporate responsibility is also considered in connection with reputational risks relating to products, workplace, governance, and corporate citizenship.

In the 2018 ERM assessment, human resources, sustainability requirements on food packaging as well as product safety and quality represented the most significant corporate responsibility related risks and opportunities for the Group. All three were among the top fifteen risks.

Human resources risk management focuses on attracting, retaining and developing competent personnel, the strengthening of a culture aligned with the Group's values and the implementation of a standardized working conditions framework.

Changes in legislation on recycling, or restrictions on, for example, the use of plastics materials, can affect the Group's business. Monitoring key markets and awareness of upcoming regulatory changes is considered vital. The Group views that changes can also bring significant business opportunities which it is well-placed to address with its current knowledge and expertise of different raw materials and conversion technologies.

Product safety and quality are a key priority of the Group and risk management involves strict quality controls and regular audits at manufacturing units.

Occupational health and safety, labor relations, human rights, sustainability requirements affecting manufacturing units or processes, as well as bans on materials used in products are considered medium risks to the Group. Risk management relating to environmental and occupational safety as well as social responsibility is integrated with day-to-day business processes and standard practices. These must comply with applicable laws and regulations, as well as the ethical and societal responsibilities set out in the Group's Code of Conduct. Risk prevention also involves regular training and continuous improvement programs. The Group measures its progress and monitors its compliance by regular audits.

Reputational risks related to corporate citizenship and products are considered to pose a medium risk to the achievement of the Group's objectives, whereas reputational risks relative to workplace and governance are seen as a medium-low risk. Reputational risk management focuses on managing the potential root causes of the risks.

Corruption risk is included in the ERM assessment and considered an operational as well as a reputational risk. While the risk of corruption, bribery, and fraudulent activity in general is considered medium-low in the 2018 ERM assessment, anti-corruption is one of the basic principles for Huhtamaki's corporate responsibility program called Packaging for Good. More information about the materiality assessment can be found in the 2018 Corporate Responsibility report which will be published in April 2019

Share

Share capital and shareholders

At the end of 2018, the registered share capital of Huhtamäki Oyj ("the Company") was EUR 366 million (EUR 366 million) corresponding to a total number of shares of 107,760,385 (107,760,385), including 3,425,709 (3,648,318) shares owend by the Company. Own shares represent 3.2% (3.4%) of the total number of shares and votes. The number of outstanding shares excluding the Company's own shares was 104,334,676 (104,112,067). The average number of outstanding shares used in EPS calculations was 104,281,454 (104,050,625), excluding the Company's own shares.

There were 31,755 (30,474) registered shareholders at the end of 2018. Foreign ownership including nominee registered shares accounted for 43% (49%). More information on the Company's largest shareholders can be found in the Share and shareholders section of this Huhtamaki 2018 publication.

Company's own shares

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. Information on authorizations given by the AGM for the Board of Directors to resolve on the repurchase of own shares or on the issuance of shares and special rights entitling to shares is presented in the paragraph describing the resolutions of the Annual General Meeting 2018.

During 2018 a total of 222,609 (255,528) 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, 2018 the Company owned a total of 3,425,709 (3,648,318) own shares.

Share trading

During 2018, the Company's shares were quoted on Nasdaq Helsinki Ltd on the Nordic Large Cap list under the Industrials sector. It was also a component of the Nasdaq Helsinki 25 Index.

At the end of 2018, the Company's market capitalization was EUR 2,917 million (EUR 3,644 million) excluding the Company's own shares. With a closing price of EUR 27.07 (EUR 35.00) the share price decreased 23% from the beginning of the year. During the reporting period the volume weighted average price for the Company's share was EUR 31.03. The highest price paid was EUR 36.89 and the lowest was EUR 22.96.

During the year, the cumulative value of the Company's share turnover on Nasdaq Helsinki Ltd was EUR 2,298 million

(EUR 2,352 million). The trading volume of 74 million (68 million) shares equaled an average daily turnover of 300,838 (269,959) shares. The cumulative value of the Company's share turnover including alternative trading venues, such as BATS Chi-X and Turquoise, was EUR 6,242 million (EUR 6,117 million). During the year, 63% (62%) of all trading took place outside Nasdaq Helsinki Ltd. (Source: Fidessa Fragmentation Index, fragmentation.fidessa.com)

Information required under the Securities Market Act, Chapter 7, Section 6 is presented in the section Share and shareholders of this Huhtamaki 2018 publication.

Resolutions of the Annual General Meeting 2018

Huhtamäki Oyj's Annual General Meeting of Shareholders was held in Helsinki on April 25, 2018. The meeting adopted the Annual Accounts including the Consolidated Annual Accounts for 2017, discharged the members of the Company's Board of Directors and the CEO from liability, and approved all proposals made to the Annual General Meeting by the Board of Directors and its Committees. As proposed by the Board of Directors, dividend for 2017 was set at EUR 0.80 per share compared to EUR 0.73 paid for the previous year.

The number of members of the Board of Directors was confirmed to be eight (8). Mr. Pekka Ala-Pietilä, Mr. Doug Baillie, Mr. William R. Barker, Mr. Jukka Suominen, Ms. Kerttu Tuomas and Ms. Sandra Turner were re-elected as members of the Board of Directors and Ms. Anja Korhonen and Mr. Ralf K. Wunderlich were elected as new members of the Board of Directors for a term ending at the end of the next Annual General Meeting. Mr. Ralf K. Wunderlich's term as a member of the Board of Directors started on July 1, 2018. 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 will remain unchanged and thus 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 Annual General Meeting confirmed that the meeting fees will remain unchanged and thus be 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 to December 31, 2018. Mr. Mikko Järventausta, APA, has been the Auditor with principal responsibility.

The Board of Directors was authorized to resolve on the repurchase of an aggregate maximum of 10,776,038 of the Company's own shares. The authorization also covers directed repurchases 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 authorization covers also directed issuances of shares. The authorizations remain in force until the end of the next AGM, however, no longer than until June 30, 2019.

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 2019

The Group's trading conditions are expected to remain relatively stable during 2019. 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 2018 with the majority of the investments directed to business expansion.

Dividend proposal

On December 31, 2018 Huhtamäki Oyj's non-restricted equity was EUR 654 million (EUR 666 million). The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.84 (EUR 0.80) per share be paid.

Annual General Meeting 2019

The Annual General Meeting of Shareholders will be held on Thursday, April 25, 2019 at 11.00 (EET) at Messukeskus Helsinki, Expo and Convention Centre, Messuaukio 1, 00520 Helsinki, Finland.

Corporate Governance Statement and Remuneration Statement

The Corporate Governance Statement and Remuneration Statement have been issued separately and are presented in a section of this Huhtamaki 2018 publication. The statements are also available on the Group's website www.huhtamaki.com.

Financial statements

Consolidated financial statements

Consolidated statement of income (IFRS)

EUR million	Note	2018	%	2017	%
Net sales	**2.1.**	**3,103.6**	**100.0**	**2,988.7**	**100.0**
Cost of goods sold		-2,633.1		-2,482.4	
Gross profit		**470.5**	**15.2**	**506.3**	**16.9**
Other operating income	2.5.	28.5		22.4	
Sales and marketing		-74.8		-77.6	
Research and development		-20.2		-19.2	
Administration expenses		-170.7		-149.8	
Other operating expenses	2.6.	-12.2		-20.0	
Share of profit of equity-accounted investments		1.8		2.2	
		-247.6		**-242.0**	
Earnings before interest and taxes	**2.2., 2.3.**	**222.9**	**7.2**	**264.3**	**8.8**
Financial income	5.1.	4.4		4.9	
Financial expenses	5.1.	-31.3		-22.4	
Profit before taxes		**196.0**	**6.3**	**246.8**	**8.3**
Income tax expense	2.7.	-37.9		-50.3	
Profit for the period		**158.1**	**5.1**	**196.5**	**6.6**
Attributable to:					
Equity holders of the parent company		156.5		193.1	
Non-controlling interest		1.6		3.4	

EUR					
EPS attributable to equity holders of the parent company	2.8.	1.50		1.86	
Diluted EPS attributable to equity holders of the parent company	2.8.	1.50		1.85	

Group statement of comprehensive income (IFRS)

EUR million	Note	2018	2017
Profit for the period		**158.1**	**196.5**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit plans	2.2.	4.5	6.5
Income taxes related to items that will not be reclassified	2.7.	-1.1	-4.2
Total		**3.4**	**2.3**
Items that may be reclassified subsequently to profit or loss			
Translation differences		10.6	-118.8
Equity hedges		-10.1	25.4
Cash flow hedges	5.5.	2.2	-0.5
Income taxes related to items that may be reclassified	2.7.	-0.3	0.2
Total		**2.4**	**-93.7**
Other comprehensive income, net of tax		**5.7**	**-91.4**
Total comprehensive income		**163.9**	**105.1**
Attributable to:			
Equity holders of the parent company		162.3	101.7
Non-controlling interest		1.6	3.4

Consolidated statement of financial position (IFRS)

Assets

EUR million	Note	2018	2017
Non-current assets			
Goodwill	3.2.	698.1	633.8
Other intangible assets	3.3.	40.5	36.5
Tangible assets	3.4.	1,122.1	1,055.0
Equity-accounted investments	6.1.	4.9	5.9
Other investments	5.7.	2.5	1.7
Interest-bearing receivables	5.2., 5.7.	2.6	3.0
Deferred tax assets	2.7.	46.3	51.2
Employee benefit assets	2.2.	49.1	53.2
Other non-current assets		4.6	5.8
		1,970.7	**1,846.1**
Current assets			
Inventory	4.1.	497.7	444.8
Interest-bearing receivables	5.2.	10.4	5.2
Current tax assets		15.1	11.2
Trade and other current receivables	4.2, 5.7.	538.6	507.3
Cash and cash equivalents	5.3, 5.7.	95.0	116.0
		1,156.9	**1,084.5**
Total assets		**3,127.6**	**2,930.6**

Equity and liabilities

EUR million	Note	2018	2017
Share capital	5.4.	366.4	366.4
Premium fund	5.4.	115.0	115.0
Treasury shares	5.4.	-31.5	-33.5
Translation differences	5.4.	-104.2	-104.8
Fair value and other reserves	5.5.	-96.1	-101.3
Retained earnings		971.5	917.0
Equity attributable to equity holders of the parent company		**1,221.2**	**1,158.8**
Non-controlling interest		52.6	49.4
Total equity		**1,273.7**	**1,208.2**
Non-current liabilities			
Interest-bearing liabilities	5.6., 5.7.	628.5	643.7
Deferred tax liabilities	2.7.	91.0	86.9
Employee benefit liabilities	2.2.	205.1	215.7
Provisions	4.3.	14.4	15.8
Other non-current liabilities		35.1	25.4
		974.1	**987.5**
Current liabilities			
Interest-bearing liabilities			
Current portion of long-term loans	5.6., 5.7.	21.4	25.8
Short-term loans	5.6., 5.7.	266.6	153.1
Provisions	4.3.	17.2	6.9
Current tax liabilities		15.5	10.0
Trade and other current liabilities	4.4., 5.7.	559.1	539.1
		879.8	**734.9**
Total liabilities		**1,853.9**	**1,722.4**
Total equity and liabilities		**3,127.6**	**2,930.6**

Consolidated 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, 2016	366.4	115.0	-35.9	-11.4	-103.3	803.8	1,134.6	47.6	1,182.2
Change in accounting policy (IFRS 15)[1]						-1.1	-1.1		-1.1
Balance on Jan 1, 2017	366.4	115.0	-35.9	-11.4	-103.3	802.7	1,133.5	47.6	1,181.1
Dividends paid						-76.0	-76.0		-76.0
Share-based payments			2.4			1.2	3.6		3.6
Total comprehensive income for the year				-93.4	2.0	193.1	101.7	3.4	105.1
Other changes						-4.0	-4.0	-1.6	-5.6
Balance on Dec 31, 2017	366.4	115.0	-33.5	-104.8	-101.3	917.0	1,158.8	49.4	1,208.2
Change in accounting policy (IFRIC 23)[2]						-13.4	-13.4		-13.4
Balance on Jan 1, 2018	366.4	115.0	-33.5	-104.8	-101.3	903.6	1,145.4	49.4	1,194.8
Dividends paid						-83.5	-83.5		-83.5
Share-based payments			2.0			-2.2	-0.2		-0.2
Total comprehensive income for the year				0.5	5.3	156.5	162.3	1.6	163.9
Acquisition of non-controlling interest						-3.4	-3.4	0.0	-3.4
Other changes						0.5	0.5	1.6	2.1
Balance on Dec 31, 2018	366.4	115.0	-31.5	-104.2	-96.1	971.5	1,221.2	52.6	1,273.7

[1] The Group has adopted IFRS 15 Revenue from Contracts with Customers using a modified retrospective approach. An adjustment related to cash discounts has been done to the opening balance of retained earnings at the date of initial application.
[2] The Group has adopted IFRIC 23 Uncertainty over Income Tax Treatments using a modified retrospective approach. An adjustment related to tax liabilities has been done to the opening balance of retained earnings at the date of initial application. See note 1.3.

Consolidated statement of cash flows (IFRS)

EUR million	Note	2018	2017
Profit for the period		**158.1**	**196.5**
Adjustments		214.1	191.0
Depreciation and amortization		142.3	122.0
Share of profit of equity-accounted investments		0.4	0.2
Gain/loss from disposal of assets		-1.7	-5.2
Financial expense/-income		26.9	17.5
Income tax expense		37.9	50.3
Other adjustments, operational		8.4	6.2
Change in inventory		-37.6	-69.6
Change in non-interest-bearing receivables		-25.9	-37.8
Change in non-interest-bearing payables		-5.0	41.9
Dividends received		0.1	1.1
Interest received		2.0	1.7
Interest paid		-14.8	-21.9
Other financial expenses and income		-0.2	-2.3
Taxes paid		-37.8	-43.9
Net cash flow from operating activities		**253.0**	**256.7**
Capital expenditure		-196.9	-214.8
Proceeds from selling tangible assets		2.8	13.6
Acquired subsidiaries and assets		-59.2	-3.2
Proceeds from long-term deposits		0.8	1.3
Payment of long-term deposits		-0.4	0.0
Proceeds from short-term deposits		4.9	2.8
Payment of short-term deposits		-8.5	-6.1
Net cash flow from investing activities		**-256.5**	**-206.4**
Proceeds from long-term borrowings		202.0	420.8
Repayment of long-term borrowings		-221.7	-292.6
Proceeds from short-term borrowings		2,659.8	2,650.6
Repayment of short-term borrowings		-2,574.5	-2,735.6
Dividends paid		-83.5	-76.0
Net cash flow from financing activities	5.6.	**-17.8**	**-32.8**
Change in liquid assets		**-21.0**	**10.1**
Cash flow based		-21.3	17.5
Translation difference		0.3	-7.4
Liquid assets on January 1		116.0	105.9
Liquid assets on December 31		95.0	116.0

Notes to the consolidated financial statements

1. Basis of preparation

ACCOUNTING PRINCIPLES CAN BE FOUND NEXT TO THE RELEVANT NOTES IN SECTIONS 2–6

1.1. CORPORATE INFORMATION

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. A copy of consolidated financial statements is available at Group's website www.huhtamaki.com.

These Group consolidated financial statements were authorized for issue by the Board of Directors on February 13, 2019. 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.

1.2. 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, 2018. 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 other investments, 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 note 1.6. Use of estimates and judgments. The consolidated financial statements are presented in millions of euros. Figures presented are rounded and therefore the sum of individual figures might deviate from the presented total figure.

1.3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The following new or amended standards and interpretations have been adopted as of January 1, 2018:

- Revised IAS 40 Investment Property. The amendments clarify transfers of property from to, or from, investment property. The amendments had no impact on the consolidated financial statements.
- Revised IFRS 2 Share-based Payment. The amendment clarifies classification and measurement of share-based payment transactions. The amendment had no impact on the consolidated financial statements.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation clarifies the treatment of consideration received in advance of performance. The interpretation had no impact on the consolidated financial statements.
- IFRIC 23 Uncertainty over income tax treatments (effective for 2019 annual period with early adoption permitted). The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatment. The Group has reviewed it's income tax treatment and adopted the interpretation using a modified retrospective approach. An adjustment of EUR 13 million related to tax liabilities (presented as other non-current liabilities) has been done to the opening balance of retained earnings at the date of the initial application, 1 January 2018. This adoption did not have impact to other accounts. Restated opening consolidated statement of financial position is presented in the enclosed table.
- Annual improvements (2014–2016). Annual improvements include smaller amendments to three standards. These had no impact on the consolidated financial statements.

The Group plans to adopt the following standards and amendments in 2019:

- Revised IAS 28 Investments in Associates and Joint Ventures. The amendments clarify that IFRS 9 Financial Instruments is applied to the accounting for long-term interests in an associate or joint venture to which the equity method is not applied. The amendments are not expected to have

2018 IN FIGURES | OPERATING MODEL | CEO'S REVIEW | DIRECTORS' REPORT | FINANCIAL STATEMENTS | OTHER INFORMATION | CORPORATE GOVERNANCE STATEMENT | REMUNERATION STATEMENT

an impact on the consolidated financial statemets.

- Revised IFRS 9 Financial Instruments. The amendments allow the measurement of particular prepayable financial assets at amortized cost or at fair value through other comprehensive income if specified conditions are met. The amendments are not expected to have an impact on the consolidated financial statements.
- Revised IAS 19 Employee benefits. The amendments clarify how a plan amendment, curtailment or settlement impact the current service cost, the net interest and the requirements regarding the asset ceiling. The amendments are 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. It introduces a single lessee accounting model that requires a lessee to recognize most leases as assets and liabilities in the balance sheet. The Group has been examining the impacts of the new standard and analyzing especially identifying a lease and measurement of a lease liability. The new standard impacts primarily the accounting for the Group's current operating leases. On December 31, 2018, the operating lease commitments were EUR 100 million (see note 6.4. Commitments). These are reported as the nominal value of the future minimum payments of non-cancellable leases and therefore, do not directly correspond to the present value of lease liabilities according to the new standard. The Group plans to adopt the standard on January 1, 2019 and to apply full retrospective transition method to each prior reporting period presented. The Group plans to use the exemptions provided by the standard not to book short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value to the balance sheet. The leases that the Group will recognize in the balance sheet include forklifts, vehicles, other machinery and equipment, premises and land. The new standard has impact on the consolidated financial statements and key figures. The Group currently expects that the value of the statement of financial position increases approx. 3–4% and EBITDA approx. 6–8%. The impact to the profit of the period and EPS are expected to be minor. The new standard will also impact other key figures such as net debt, gearing, RONA and free cash flow.
- Annual improvements (2015–2017). Annual improvements include smaller amendments to four standards. The improvements are not expected to have an impact on the consolidated financial statements.

The Group expects to adopt the following new standards and amendments to existing standards later than 2019, which are not expected to have impact on the consolidated financial statements:

- Revised IAS 1 Presentation of Financial Statements and revised IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify the definition of material and how it should be applied.
- Revised IFRS 3 Business Combinations. The amendments clarify the definition of a business and help to determine whether an acquisition made is of a business or a group of assets.
- Revised Conceptual Framework for Financial Reporting. The amendments include revised definitions for an asset and a liability, new guidance on measurement and derecognition, presentation and disclosure.

IFRIC 23 Restated opening consolidated statement of financial position

EUR million	Jan 1, 2018	Dec 31, 2017
Assets		
Non-current assets	1,846.1	1,846.1
Current assets	1,084.5	1,084.5
Total assets	**2,930.6**	**2,930.6**
Equity and liabilities		
Total equity[1]	1,194.8	1,208.2
Non-current liabilities[1]	1,000.9	987.5
Current liabilities	734.9	734.9
Total liabilities	1,735.8	1,722.4
Total equity and liabilities	**2,930.6**	**2,930.6**

[1] IFRIC 23 restatement

1.4. PRINCIPLES OF CONSOLIDATION

Subsidiaries

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. Acquisition related costs are expensed as incurred. 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. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. Divested subsidiaries are included up to the date the control ceases.

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 disclosed as a separate item within equity.

Associated companies and joint ventures

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.

1.5. FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into functional currency at the rates of exchange prevailing at the date of the transaction. The consolidated financial statements are presented in EUR, which is the Group's presentation currency and the parent company's functional currency. 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.

On consolidation, exchange differences arising on the translation of the net investments 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.

1.6. USE OF ESTIMATES AND JUDGMENTS

Preparation of the consolidated finacial 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.

Notes to the consolidated financial statements

2.

Financial performance

GROUP NET SALES 2018
€ 3,103.6 million

ADJUSTED EBIT 2018
€ 248.4 million

ADJUSTED EBIT MARGIN 2018
8.0%

2.1. SEGMENT AND REVENUE INFORMATION

The Group's operating 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 three business areas which are organized into four reporting segments:

Foodservice Packaging:

- **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.

Fiber Packaging:

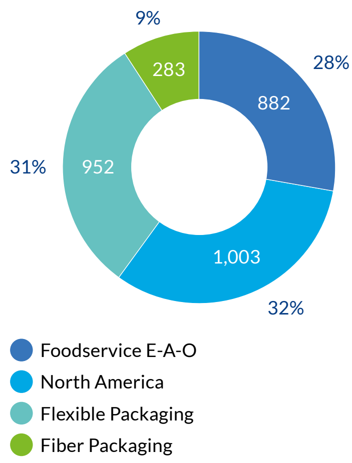
Recycled fiber is used to make fresh product packaging, such as egg and fruit packaging. The segment has production in Europe, Oceania, Africa and South America.

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.

Net sales by segment
EUR million



GROUP NET SALES 2018
€ 3,103.6 million
▲ 4%

GROUP NET SALES 2017
€ 2,988.7 million

Segments 2018

EUR million	Foodservice Europe-Asia-Oceania	North America	Flexible Packaging	Fiber Packaging	Segments total
Net sales	876.2	995.7	951.8	280.0	3,103.6
Intersegment net sales	5.6	7.1	0.5	3.1	16.1
EBIT	62.6	62.0	57.5	28.8	210.9
Net assets	649.0	806.8	690.1	214.9	2,360.9
Capital expenditure	57.8	62.9	49.7	23.4	193.7
Depreciation and amortization	42.1	51.8	31.6	15.7	141.0
RONA, % (12m roll.)	10.4%	8.0%	8.6%	13.4%	-
Operating cash flow	43.8	15.9	37.4	21.6	-

Intersegment net sales are eliminated on consolidation.

See notes 3.1., 2.3., 3.3. and 3.4.

Segments 2017

EUR million	Foodservice Europe-Asia-Oceania	North America	Flexible Packaging	Fiber Packaging	Segments total
Net sales	801.3	992.5	912.4	282.5	2,988.7
Intersegment net sales	6.2	7.9	0.3	2.6	17.0
EBIT	66.7	104.1	69.7	28.2	268.7
Net assets	551.0	727.9	647.2	214.4	2,140.5
Capital expenditure	53.4	97.9	41.1	22.0	214.4
Depreciation and amortization	36.5	39.1	30.1	15.4	121.1
RONA, % (12m roll.)	12.4%	14.2%	10.8%	12.8%	-
Operating cash flow	57.1	31.7	36.6	20.7	-

ACCOUNTING PRINCIPLES

Revenue recognition

The revenue is recognized at an amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. The transaction price is usually fixed, but may also include variable considerations such as volume or cash discounts. The variable considerations are estimated using the most likely value method if not yet realized in the end of reporting period. The revenue further adjusted with indirect sales taxes and exchange rate differences relating to sales in foreign currency is presented as net sales.

Typical contracts with customers include a sale of goods to a customer with only one performance obligation. 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.

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 expenses, administration expenses, 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.

Reconciliation calculations

Result

EUR million	2018	2017
Total EBIT for operating segments	210.9	268.7
EBIT for other activities	12.1	-4.4
Net financial items	-26.9	-17.5
Profit before taxes	**196.0**	**246.8**

Assets

EUR million	2018	2017
Total assets for operating segments	2,882.2	2,654.8
Assets in other activities	10.9	18.6
Unallocated assets	234.6	257.2
Group's total assets	**3,127.6**	**2,930.6**

Liabilities

EUR million	2018	2017
Total liabilities for operating segments	521.3	514.3
Liabilities in other activities	32.2	19.1
Unallocated liabilities	1,300.4	1,189.0
Group's total liabilities	**1,853.9**	**1,722.4**

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.

2018

EUR million	External net sales	Non-current assets
The United States	992.7	622.8
Germany	444.4	139.6
India	280.9	108.4
The United Kingdom	219.1	103.5
Australia	128.4	40.5
Thailand	109.1	60.8
China	108.1	83.7
Russia	97.3	39.3
The United Arab Emirates	85.3	40.0
Poland	80.6	45.4
Other countries	557.7	581.5
Total	**3,103.6**	**1,865.5**

2017

EUR million	External net sales	Non-current assets
The United States	988.3	591.4
Germany	418.3	139.6
India	274.7	104.0
The United Kingdom	215.4	104.0
Australia	85.0	35.1
Thailand	105.7	57.8
China	110.7	80.9
Russia	97.5	40.5
The United Arab Emirates	80.0	37.7
Poland	74.7	45.9
Other countries	538.4	494.3
Total	**2,988.7**	**1,731.2**

2.2. EMPLOYEE BENEFITS

Personnel expenses

EUR million	2018	2017
Wages and Salaries	517.5	503.1
Compulsory social security contributions	54.4	52.1
Pensions		
Defined benefit plans	7.6	2.4
Defined contribution plans	17.0	15.2
Other post-employment benefits	1.9	1.2
Share-based payments	-0.6	7.6
Other personnel expenses	39.0	34.7
Total	**636.9**	**616.3**

Remuneration paid by the parent company to the members of the Board of Directors as well as the Chief Executive Officer (CEO) of Huhtamäki Oyj (9 people) amounted to EUR 3.2 million (EUR 3.4 million).

See note 6.2. and Remuneration Statement.

Average number of personnel	2018	2017
Group	17,801	17,361
Huhtamäki Oyj	70	66

Pension plans

The Group has established a number of defined benefit plans providing pensions and other post-employment benefits for its personnel worldwide. The US, the UK, Germany and the Netherlands are the countries having major defined benefit plans comprising approximately 90% of the Group consolidated defined benefit obligation. The US 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 US. 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.

ACCOUNTING PRINCIPLES

Employee benefits

Employee benefits are all forms of consideration given in exchange for service rendered by employees or for the termination of employment. In addition, the Group has personnel expenses related to share-based payments and other personnel expenses.

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

In defined contribution plans, the Group pay fixed contributions into a separate entity such as an insurance company. The Group has no legal or constructive obligations to pay further contributions. The contributions are recognized in the income statement as personnel expenses in the period to which they relate.

In defined benefit plans, the Group is obligated for the current contributions, but also for sufficiency of the plan assets to provide agreed benefits for employees. The liability recognized in the statement of financial position is the present value of defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of defined benefit plan obligation is calculated annually by independent actuaries using projected unit credit method. The present value is determined by discounting estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have maturity terms approximating to the terms of the related obligation. The cost of providing defined benefit plans is recognized in the income statement as personnel expense, when the service is rendered by employees or when a plan amendment or curtailment takes place. The net interest expense is recognized in the income statement as financial expense. Remeasurements, including actuarial gains or losses, are recognized through other comprehensive income in shareholder's equity in the period which they rise and are not reclassified to profit or loss in subsequent periods.

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
EUR million	2018	2017	2018	2017	2018	2017
Balance at January 1	566.1	609.1	-403.6	-435.7	162.5	173.4
Included in Income statement						
Current service cost	9.3	8.8			9.3	8.8
Plan amendment and curtailment cost (+) / income (-)	0.2	-5.2			0.2	-5.2
Interest cost (+) / income (-)	13.9	14.1	-11.1	-11.1	2.9	3.0
	23.4	**17.7**	**-11.1**	**-11.1**	**12.4**	**6.6**
Included in Other comprehensive income						
Remeasurements						
Actuarial loss (+) / gain (-) arising from						
Demographic assumptions	-0.7	4.1			-0.7	4.1
Financial assumptions	-18.9	0.5			-18.9	0.5
Experience adjustment	-0.6	6.1			-0.6	6.1
Actual return on plan assets less interest income			15.7	-17.2	15.7	-17.2
	-20.2	**10.7**	**15.7**	**-17.2**	**-4.5**	**-6.5**
Other movements						
Benefits paid	-32.0	-26.9	25.0	19.6	-7.0	-7.3
Contribution by employer			-4.6	-3.7	-4.6	-3.7
Contribution by employee			-0.4	-0.4	-0.4	-0.4
Obligations and assets extinguished on plan amendment and curtailment	-	-15.5	-	15.5	-	0.0
Obligations and assets assumed in business combinations	0.1	-	-0.1	-	0.0	-
Effect of movements in exchange rates	2.2	-29.0	-4.6	29.4	-2.5	0.4
Balance at December 31	**539.6**	**566.1**	**-383.6**	**-403.6**	**156.0**	**162.5**

Reflected to statement of financial position	2018	2017
Employee benefit assets	49.1	53.2
Employee benefit liabilities	205.1	215.7
	156.0	**162.5**

Amounts of funded and unfunded obligations	2018	2017
Present value of funded obligations	500.7	531.6
Presend value of unfunded obligations	38.9	34.5
	539.6	**566.1**

Plan assets comprise:	2018	2017
European equities	9.0	24.6
North American equities	49.3	46.3
European debt instruments	16.2	22.3
North American debt instruments	111.6	106.4
Property	20.4	19.7
Insured plans	87.5	88.7
Other	89.6	95.6
	383.6	**403.6**

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

Expected contribution to defined benefit plans during 2019 is EUR 3.9 million.

The weighted average duration of defined benefit obligation was 14 years (2017: 15 years).

Significant actuarial assumptions	2018	2017
Discount rate %		
Europe	1.4–2.9	0.9–2.5
Americas	4.1–7.8	3.5–7.4
Asia, Oceania, Africa	3.4–9.3	3.4–10.0
Annual increase in healthcare costs %		
Americas	6.4	6.7
Asia, Oceania, Africa	6.9	7.6

The effect of changes of significant actuarial assumptions on the defined benefit obligations

EUR million	2018	2017
1% p. increase in discount rate	-41.6	-45.7
1% p. decrease in discount rate	50.9	55.7
1% p. increase of estimated healthcare cost	1.4	1.8
1% p. decrease of estimated healthcare cost	-1.2	-1.5

2.3. DEPRECIATION AND AMORTIZATION

EUR million	2018	2017
Depreciation and amortization by function:		
Production	126.7	107.5
Sales and marketing	0.1	0.1
Research and development	0.2	0.1
Administration	2.3	2.0
Other	13.0	12.3
Total	**142.3**	**122.0**
Depreciation and amortization by asset type:		
Buildings	16.0	14.4
Machinery and equipment	111.5	93.8
Other tangible assets	5.7	5.4
Intangible assets	9.1	8.4
Total	**142.3**	**122.0**

ACCOUNTING PRINCIPLES

Depreciation and amortization

Depreciation and amortization is recorded on a straight-line basis over the economic useful lives of the assets as follows:

The estimated useful lives are (years):

Buildings and other structures	20–40
Machinery and equipment	5–15
Other tangible assets	3–12
Intangible assets	3–20

Land is not depreciated.

See notes 2.1., 3.3. and 3.4.

2.4. RESTRUCTURING ITEMS

The restructuring costs booked in 2018 related to program to improve efficiency and profitability. The restructuring costs were booked in all segments. The restructuring costs booked in 2017 related to further improvement of competitiveness in China in the Foodservice Europe-Asia-Oceania segment.

EUR million	2018	2017
Cost of goods sold	25.0	8.1
Other operating income	-0.9	-13.3
Administration expenses	12.1	-
Other operating expenses	-	8.6
Total	**36.2**	**3.4**

2.5. OTHER OPERATING INCOME

EUR million	2018	2017
Gain from selling confectionary trademark portfolio[1]	14.2	-
Royalty income	6.4	2.6
Gain on disposal of tangible assets	2.3	14.4
Rental income	0.6	0.6
Other	4.9	4.8
Total	**28.5**	**22.4**

[1] The gain is related to the sale of the Group's confectionery trademark portfolio, as announced on April 30, 2018. Huhtamaki's confectionery business was divested in 1996.

ACCOUNTING PRINCIPLES

Other operating income

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

2.6. OTHER OPERATING EXPENSES

EUR million	2018	2017
Amortization of other intangible assets	9.1	8.4
Strategic project expenses	2.3	1.3
Loss on disposal of tangible assets	0.6	9.2
Other	0.1	1.1
Total	**12.2**	**20.0**

In 2018, total auditing costs of the Group amounted to EUR 2.0 million (2017: EUR 1.9 million). The Ernst & Young network has also provided other consultancy not related to auditing worth of EUR 0.6 million (2017: EUR 0.7 million). Such other consultancy services are subject to separate review and approval process concerning the provision of non-audit services by the Auditor and included e.g. advisory in connection with various tax, reporting and other local compliance matters.

ACCOUNTING PRINCIPLES

Other operating expenses

Other operating expenses include amortization of intangible assets, losses from disposal of assets and other costs not directly related to production or sale of products such as strategic project expenses.

2.7. INCOME TAXES

EUR million	2018	2017
Current period taxes	39.9	47.0
Previous period taxes	-5.5	-2.4
Deferred tax expense	3.5	5.7
Total tax expense	**37.9**	**50.3**
Profit before taxes	196.0	246.8
Tax calculated at domestic rate	39.2	49.4
Effect of different tax rates in foreign subsidiaries	7.4	17.3
Non-deductible expenses and tax-exempt income	-9.2	-5.8
Tax effect of unrecognized tax losses	2.9	-3.5
Previous period taxes	-5.5	-2.4
Other items[1]	3.1	-4.7
Total tax expense	**37.9**	**50.3**

[1] Other items include changes in local tax rates.

2018 IN FIGURES | OPERATING MODEL | CEO'S REVIEW | DIRECTORS' REPORT | FINANCIAL STATEMENTS | OTHER INFORMATION | CORPORATE GOVERNANCE STATEMENT | REMUNERATION STATEMENT

Tax effects relating to components of other comprehensive income

EUR million	2018 Before tax amount	2018 Tax expense/ benefit	2018 Net of tax amount	2017 Before tax amount	2017 Tax expense/ benefit	2017 Net of tax amount
Cash flow hedges	2.2	-0.3	1.9	-0.5	0.2	-0.3
Remeasurements on defined benefit plans	4.5	-1.1	3.4	6.5	-4.2	2.3

Deferred taxes

EUR million	2018	2017
Deferred tax assets by types of temporary differences		
Tangible assets	1.4	0.8
Employee benefit	34.5	36.5
Provisions	3.1	2.7
Unused tax losses	19.1	20.6
Other temporary differences	26.0	19.2
Total	**84.1**	**79.8**
Deferred tax liabilities		
Tangible assets	78.8	67.8
Intangible assets	10.4	10.8
Employee benefit	15.4	15.5
Other temporary differences	24.3	21.4
Total	**128.9**	**115.5**
Net deferred tax liabilities	44.7	35.7
Reflected in statement of financial position as follows:		
Deferred tax assets	46.3	51.2
Deferred tax liabilities	91.0	86.9
Total	**44.7**	**35.7**

On December 31, 2018 the Group had EUR 126 million (2017: EUR 121 million) worth of deductable temporary differences, for which no deferred tax asset was recognized. EUR 119 million of these temporary differences have unlimited expiry, EUR 1 million expire over five years and EUR 6 million in five years.

ACCOUNTING PRINCIPLES

Income 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.

2.8. EARNINGS PER SHARE

	2018	2017
Net income attributable to equity holders of the parent company (basic/diluted), EUR million	156.5	193.1
Weighted average number of shares outstanding, in thousands	104,281	104,051
Effect of share-based payments, in thousands	0	208
Diluted weighted average number of shares outstanding, in thousands	**104,281**	**104,259**
Earnings per share from the profit for the period attributable to equity holders of the parent company		
Basic earnings per share, EUR	1.50	1.86
Diluted earnings per share, EUR	1.50	1.85

ACCOUNTING PRINCIPLES

Earnings per share

The basic earnings per share figure is calculated by dividing the net income attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of shares by the effect of diluting shares due to Performance Share Arrangement in the Group.

Notes to the consolidated financial statements

3. Acquisitions and capital expenditure

CAPEX 2018

€ 196.9 million

CAPEX 2017

€ 214.8 million

3.1. BUSINESS COMBINATIONS

On April 30, 2018 Huhtamaki completed the acquisition of the majority of Tailored Packaging, an Australian foodservice packaging distribution and wholesale group. The business has been reported as part of the Foodservice Europe-Asia-Oceania business segment as of May 1, 2018.

On May 31, 2018 Huhtamaki completed the acquisition of the majority of Cup Print Unlimited Company, a privately-owned paper cup manufacturer based in the Republic of Ireland. The business has been reported as part of the Foodservice Europe-Asia-Oceania business segment as of June 1, 2018. In relation to the acquisition Huhtamaki has booked contingent consideration of EUR 13.7 million in the balance sheet.

In the end of May 2018 Huhtamaki completed the acquisition of Ajanta Packaging's business in India. Ajanta Packaging is a manufacturer of pressure sensitive labels in India. The business has been reported as part of the Flexible Packaging business segment as of June 1, 2018.

The goodwill from the acquired businesses is expected to be non-deductible for income tax purposes. The costs relating to advice etc. services EUR 1.5 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	2018
Intangible assets	6.2
Tangible assets	12.3
Other long-term investments	0.7
Inventories	14.0
Trade and other receivables	16.8
Other short-term investments	0.0
Cash and cash equivalents	2.1
Total assets	**52.1**
Deferred taxes	-2.0
Interest-bearing loans	-21.1
Trade and other payables	-13.5
Total liabilities	**-36.6**
Net assets total	**15.5**
Non-controlling interest	-1.4
Goodwill	56.9
Consideration	71.0

The analysis of cash flows of acquisitions is as follows:

EUR million	2018
Purchase consideration, cash payment	-57.2
Cash and cash equivalents in acquired companies	2.1
Transaction costs related to the acquisitions	-1.5
Net cash flow on acquisitions	**-56.6**
Contingent consideration	13.7

The net sales of the acquired businesses included in the Group income statement since acquisition date were EUR 63.7 million and result for the period was EUR 3.6 million. The net sales and the result 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, 2018.

ACCOUNTING PRINCIPLES

Acquisitions

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. Acquisition related costs are expensed as incurred. 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. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group.

At the acquisition date, the non-controlling interests are valued either at the acquisition date fair values or at non-controlling interests' proportionate share in the recognized amounts of the identifiable net assets.

3.2. GOODWILL

Goodwill allocation by cash-generating unit

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	2018	2017
North America	223.1	218.4
Flexible Packaging Global	114.2	110.9
Foodservice EAO Global	96.0	95.5
Flexible Packaging Europe	95.7	95.8
Fiber Packaging Europe	47.3	47.3
	576.3	**567.9**
Multiple units with smaller goodwill amount	121.7	65.9
Total goodwill	**698.1**	**633.8**

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

Impairment testing

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 9.3% (2017: 9.0%), Flexible Packaging Global 11.6% (2017: 11.4%), Foodservice EAO Global 9.8% (2017: 9.7%), Flexible Packaging Europe 8.0% (2017: 8.0%) and Fiber Packaging Europe 8.3% (2017: 7.8%). The pre-tax discount rates used in the smaller scale units with smaller goodwill range from 8.8% to 30.4% (2017: 7.2% to 27.9%).

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.

ACCOUNTING PRINCIPLES

Goodwill

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. Goodwill impairment loss is never reversed.

3.3. INTANGIBLE ASSETS

EUR million	Goodwill	Customer relations	Software	Other intangibles (including intangible rights)	Total 2018
Acquisition cost on January 1, 2018	743.9	34.5	81.3	22.8	882.5
Additions	-	-	1.0	0.4	1.4
Disposals	-	-	-1.4	-0.4	-1.7
Intra-balance sheet transfer	-	-	5.6	0.8	6.5
Business combinations	56.9	5.0	0.1	1.1	63.1
Changes in exchange rates	7.9	0.1	0.0	-0.4	7.6
Acquisition cost on December 31, 2018	808.8	39.6	86.6	24.4	959.4
Accumulated amortization and impairment on January 1, 2018	110.1	17.7	74.9	9.5	212.2
Accumulated amortization on disposals and transfers	-	-	-1.1	-	-1.2
Amortization during the financial year	-	5.4	2.7	1.0	9.1
Changes in exchange rates	0.6	0.3	0.1	-0.3	0.7
Accumulated amortization and impairment on December 31, 2018	110.7	23.4	76.6	10.2	220.9
Book value on December 31, 2018	**698.1**	**16.2**	**10.0**	**14.2**	**738.5**

Emission rights are included in other intangible rights and are valued at fair value on January 2, 2018. The value of emission rights at balance sheet date was EUR 0.4 million (2017: EUR 0.4 million). The Group has not sold any emission rights during 2018. 330,166 emission rights have been allocated to the Group for the commitment period 2013–2020.

ACCOUNTING PRINCIPLES

Intangible assets

In addition to goodwill 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.

EUR million	Goodwill	Customer relations	Software	Other intangibles (including intangible rights)	Total 2017
Acquisition cost on January 1,2017	784.4	37.2	79.3	20.6	921.5
Additions	-	-	1.5	0.5	2.0
Disposals	-	-	-0.1	-1.2	-1.3
Intra-balance sheet transfer	-	-	2.5	0.2	2.7
Business combinations	2.4	0.1	-	3.7	6.2
Changes in exchange rates	-42.9	-2.8	-1.9	-1.0	-48.6
Acquisition cost on December 31, 2017	743.9	34.5	81.3	22.8	882.5
Accumulated amortization and impairment on January 1, 2017	115.2	14.2	74.3	9.1	212.8
Accumulated amortization on disposals and transfers	-	-	-0.1	-0.1	-0.2
Amortization during the financial year	-	5.1	2.4	0.9	8.4
Changes in exchange rates	-5.1	-1.6	-1.7	-0.4	-8.8
Accumulated amortization and impairment on December 31, 2017	110.1	17.7	74.9	9.5	212.2
Book value on December 31, 2017	**633.8**	**16.8**	**6.4**	**13.3**	**670.3**

3.4. TANGIBLE ASSETS

Impairment of assets

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.

ACCOUNTING PRINCIPLES

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.

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2018
Acquisition cost on January 1,2018	28.3	382.1	1,535.1	128.7	75.6	2,149.8
Additions	0.6	0.5	9.5	180.7	2.8	194.1
Disposals	0.0	-7.4	-47.9	0.4	-2.9	-57.9
Intra-balance sheet transfer	0.0	16.1	141.7	-173.3	9.0	-6.5
Business combinations	0.2	0.8	10.6	-	1.2	12.8
Changes in exchange rates	0.6	4.4	4.6	-0.8	-0.4	8.4
Acquisition cost on December 31, 2018	29.6	396.6	1,653.7	135.6	85.3	2,300.8
Accumulated depreciation and impairment on January 1, 2018	-	141.5	898.6	-	54.7	1,094.8
Accumulated depreciation on disposals and transfers	-	-4.8	-46.3	-	-2.8	-54.0
Depreciation during the financial year	-	16.0	111.5	-	5.7	133.2
Changes in exchange rates	-	1.1	4.0	-	-0.3	4.8
Accumulated depreciation and impairment on December 31, 2018	-	153.8	967.8	-	57.3	1,178.8
Book value on December 31, 2018	**29.6**	**242.8**	**685.9**	**135.6**	**28.1**	**1,122.1**
Value of financial leased items included in book value 2018	**-**	**1.8**	**1.5**	**-**	**0.4**	**3.7**

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2017
Acquisition cost on January 1, 2017	21.3	354.1	1,548.5	124.9	72.2	2,121.0
Additions	0.3	1.1	8.9	201.1	3.2	214.6
Disposals	-0.1	-6.5	-21.2	-0.2	-1.2	-29.2
Intra-balance sheet transfer	8.5	57.7	112.9	-187.1	5.3	-2.7
Business combinations	-	3.6	3.9	0.1	0.0	7.6
Changes in exchange rates	-1.7	-27.9	-117.9	-10.1	-3.9	-161.5
Acquisition cost on December 31, 2017	28.3	382.1	1,535.1	128.7	75.6	2,149.8
Accumulated depreciation and impairment on January 1, 2017	-	140.3	891.9	-	53.0	1,085.2
Accumulated depreciation on disposals and transfers	-	-3.2	-17.4	-	-1.0	-21.6
Depreciation during the financial year	-	14.4	93.8	-	5.4	113.6
Changes in exchange rates	-	-10.0	-69.7	-	-2.7	-82.4
Accumulated depreciation and impairment on December 31, 2017	-	141.5	898.6	-	54.7	1,094.8
Book value on December 31, 2017	**28.3**	**240.6**	**636.5**	**128.7**	**20.9**	**1,055.0**
Value of financial leased items included in book value 2017	**-**	**4.9**	**0.4**	**-**	**0.1**	**5.4**

Notes to the consolidated financial statements

4.

Working capital

4.1. INVENTORIES

EUR million	2018	2017
Raw and packaging material	177.3	165.3
Work-In-Process	69.1	62.2
Finished goods	242.3	211.3
Advance payments	9.0	6.0
Total	**497.7**	**444.8**

The value at cost for finished goods amounts to EUR 254.2 million (2017: EUR 224.2 million). An allowance of EUR 20.9 million (2017: EUR 18.9 million) has been established for obsolete items. Total inventories include EUR 5.7 million resulting from reversals of previously written down values (2017: EUR 2.2 million).

ACCOUNTING PRINCIPLES

Inventories

Inventories are measured at the lower of cost and 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 of inventories is determined using the first-in first-out (FIFO) 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.

4.2. TRADE AND OTHER CURRENT RECEIVABLES

EUR million	2018	2017
Trade receivables	461.3	418.8
Other receivables	37.8	44.3
Accrued interest and other financial items	16.7	20.8
Other accrued income and prepaid expenses	22.8	23.4
Total	**538.6**	**507.3**

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 2018	Impairment 2018	Gross 2017	Impairment 2017
Not past due	397.9	1.9	362.4	1.3
Past due 0–30 days	49.1	0.9	39.9	0.3
Past due 31–120 days	14.7	1.0	15.6	0.5
Past due more than 120 days	8.7	5.3	5.7	2.7
Total	**470.3**	**9.0**	**423.6**	**4.8**

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

ACCOUNTING PRINCIPLES

Trade and other current receivables

Trade and other current receivables are intially measured at amortised cost by using the effective interest rate method. The Group uses its historical credit loss experience adjusted with current conditions and forecasts to future conditions to estimate credit losses for financial assets.

4.3. PROVISIONS

Restructuring provisions

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

Other provisions

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

EUR million	Restructuring reserve	Other	Total 2018	Total 2017
Provision on January 1, 2018	7.5	15.2	22.7	18.1
Translation difference	0.0	0.4	0.4	-1.8
Provisions made during the year	19.9	3.9	23.8	15.8
Provisions used during the year	-10.5	-3.9	-14.4	-9.0
Unused provisions reversed during the year	0.0	-0.9	-0.9	-0.4
Provision on December 31, 2018	**16.9**	**14.8**	**31.7**	**22.7**
Current	16.0	1.2	17.2	6.9
Non-current	0.8	13.6	14.4	15.8

ACCOUNTING PRINCIPLES

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 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.

4.4. TRADE AND OTHER CURRENT LIABILITIES

EUR million	2018	2017
Trade payables	361.3	352.1
Other payables	62.6	49.4
Accrued interest expense and other financial items	16.0	9.7
Personnel and social security accruals	39.5	81.9
Other accrued expenses	79.6	46.0
Total	**559.1**	**539.1**

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

ACCOUNTING PRINCIPLES

Trade and other current liabilities are measured at amortized cost.

Notes to the consolidated financial statements

5. Capital structure and financial items

TOTAL EQUITY 2018

€ 1,273.7 million

5.1. NET FINANCIAL ITEMS

EUR million	2018	2017
Interest income on bank deposits and other receivables	2.3	1.9
Interest income on defined benefit plans	1.8	1.9
Dividend income on other investments	0.1	1.1
FX revaluation gains on interest-bearing assets and liabilities	0.2	0.0
Financial income	**4.4**	**4.9**
Interest expense on liabilities	-25.1	-14.9
Interest expense on defined benefit plans	-4.7	-4.9
FX revaluation losses on interest-bearing assets and liabilities	0.0	-1.1
Other financial expenses	-1.5	-1.5
Financial expense	**-31.3**	**-22.4**
Net financial items	**-26.9**	**-17.5**

ACCOUNTING PRINCIPLES

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.

5.2. INTEREST-BEARING RECEIVABLES

	2018		2017	
EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Current				
Loan receivables	9.4	9.4	4.1	4.1
Finance lease receivables	1.0	1.0	1.1	1.1
Current interest-bearing receivables	**10.4**	**10.4**	**5.2**	**5.2**
Non-current				
Loan receivables	1.5	1.5	1.5	1.5
Finance lease receivables	1.2	1.2	1.5	1.5
Non-current interest-bearing receivables	**2.6**	**2.6**	**3.0**	**3.0**

ACCOUNTING PRINCIPLES

Interest-bearing receivables

Interest bearing receivables are measured at amortized cost. 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.

2018 IN FIGURES | OPERATING MODEL | CEO'S REVIEW | DIRECTORS' REPORT | FINANCIAL STATEMENTS | OTHER INFORMATION | CORPORATE GOVERNANCE STATEMENT | REMUNERATION STATEMENT

Finance lease receivables

EUR million	2018	2017
Finance lease receivable is payable as follows:		
In less than one year	1.0	1.1
Between one and five years	1.2	1.7
Total minimum lease payments	**2.2**	**2.8**
Present value of minimum lease payments		
In less than one year	0.9	1.1
Between one and five years	1.1	1.5
Total present value of minimum lease payments	**2.0**	**2.6**
Unearned future financial income	**0.2**	**0.2**

Finance lease receivables relate to packaging machines leased to customers.

5.3. CASH AND CASH EQUIVALENTS

EUR million	2018	2017
Cash and bank	89.8	98.0
Liquid marketable securities	5.2	18.0
Total	**95.0**	**116.0**

ACCOUNTING PRINCIPLES

Cash and cash equivalents

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.

5.4. SHAREHOLDERS' EQUITY

Share capital	Number of shares	Share capital EUR	Share premium EUR	Treasury shares EUR	Total EUR
January 1, 2017	**107,760,385**	**366,385,309.00**	**115,023,103.38**	**-35,874,967.91**	**445,533,444.47**
Own shares conveyance through performance share incentive plan	-	-	-	2,348,302.32	2,348,302.32
December 31, 2017	**107,760,385**	**366,385,309.00**	**115,023,103.38**	**-33,526,665.59**	**447,881,746.79**
Own shares conveyance through performance share incentive plan	-	-	-	2,045,776.71	2,045,776.71
December 31, 2018	**107,760,385**	**366,385,309.00**	**115,023,103.38**	**-31,480,888.88**	**449,927,523.50**

All shares issued are fully paid.

ACCOUNTING PRINCIPLES

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.

Share capital of the parent company

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 last 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 25, 2018 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, 2019. This authorization cancelled the authorization given by the Annual General Meeting on April 27, 2017 to decide on the repurchase of the Company's own shares.

The Annual General Meeting of Shareholders on April 25, 2018 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, 2019. This authorization cancelled the authorization given by the Annual General Meeting on April 27, 2017 to decide on the issuance of shares as well as the issuance of special rights entitling to shares. During 2018 a total of 222,609 own shares were transferred based on the authorization (during 2017 a total of 255,528 own shares were transferred based on the authorization in force at that time).

On December 31, 2018 the Company owned a total of 3,425,709 own shares (December 31, 2017: 3,648,318 own shares).

Members of the Board of Directors and the CEO of the Company owned on December 31, 2018 a total of 149,800 shares (December 31, 2017: 117,250 shares). These shares represented 0.14% (December 31, 2017: 0.11%) of the total number of shares and voting rights in the Company on December 31, 2018.

Treasury shares

Treasury shares include the purchase price of Huhtamäki Oyj's shares held by Group companies. In 2018 own shares were transferred according to the terms and conditions of the Performance Share Incentive Plan. The purchase price of transferred shares was EUR 2.0 million. There are no additions in treasury shares in 2018.

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.

5.5. FAIR VALUE AND OTHER RESERVES

EUR million	
December 31, 2016	**-103.3**
Cash flow hedges recognized in other comprehensive income	-0.5
Cash flow hedges transferred to profit or loss	0.1
Cash flow hedges transferred to statement of financial position	-0.1
Deferred taxes	0.2
Change of remeasurements on defined benefit plans	6.5
Deferred taxes	-4.2
December 31, 2017	**-101.3**
Cash flow hedges recognized in other comprehensive income	2.7
Cash flow hedges transferred to profit or loss	-0.3
Cash flow hedges transferred to statement of financial position	-0.3
Deferred taxes	-0.3
Change of remeasurements on defined benefit plans	4.5
Deferred taxes	-1.1
December 31, 2018	**-96.1**

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, the change in fair value of other investments and remeasurements on defined benefit plans. Also deferred taxes in equity are reported in fair value and other reserves.

ACCOUNTING PRINCIPLES

Fair value and other reserves

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 IFRS 9. The hedged item must be highly probable to occur and must ultimately affect the income statement. The hedges must be highly effective prospectively. 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 IFRS 9 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. A non-split presentation is applied to liabilities at fair value through profit or loss because the presentation in OCI would create or enlarge an accounting mismatch in profit or loss.

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 IFRS 9. 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.

5.6. INTEREST-BEARING LIABILITIES

EUR million	2018 Carrying amount	2018 Fair value	2017 Carrying amount	2017 Fair value
Current				
Loans from financial institutions				
Fixed rate	-	-	2.5	2.5
Floating rate	282.5	282.5	174.2	174.2
Other current loans				
Fixed rate	-	-	0.0	0.0
Floating rate	0.4	0.4	0.4	0.4
Finance lease liabilities	5.1	5.1	1.8	1.8
Total	**288.0**	**288.0**	**178.9**	**178.9**
Non-current				
Loans from financial institutions				
Fixed rate	122.5	120.6	122.5	118.8
Floating rate	286.6	286.6	294.3	294.3
Other long-term loans				
Fixed rate	215.0	212.5	215.0	209.6
Floating rate	2.7	2.7	4.1	4.1
Finance lease liabilities	1.7	1.7	7.8	7.8
Total	**628.5**	**624.0**	**643.7**	**634.6**

ACCOUNTING PRINCIPLES

Interest-bearing liabilities

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. All interest-bearing liabilities are other liabilities than liabilities for trading purposes or derivative financial instruments defined in IFRS 9 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 -0.32%–0.66%. The fair value of current interest-bearing liabilities is estimated to equal the carrying amount.

Repayment	Loans from financial institutions	Finance lease liabilities	Other loans	Total
2019	282.5	5.1	0.4	288.0
2020	5.0	1.1	65.7	71.8
2021	76.4	0.5	1.6	78.5
2022	180.9	0.0	0.2	181.2
2023	81.1	-	0.2	81.4
2024–	65.3	-	150.2	215.5

Finance lease liabilities

EUR million	2018	2017
Finance lease liabilities are payable as follows:		
In less than one year	4.8	2.4
Between one and five years	2.2	6.5
More than five years	0.0	4.3
Total minimum lease payments	**7.0**	**13.2**
Present value of minimum lease payments		
In less than one year	4.7	1.9
Between one and five years	2.1	5.4
More than five years	0.0	2.3
Total present value of minimum lease payments	**6.8**	**9.6**
Future finance charges	**0.2**	**3.6**

Reconciliation of liabilities arising from financing activities

	2018					2017
			Non-cash changes			
EUR million	Total	Cash flows	Acquisition	Foreign exchange movement	Other	Total
Long-term borrowings	626.8	-13.6	0.0	4.7	-0.2	635.9
Short-term borrowings	282.9	82.1	21.1	-19.8	22.5	177.1
Finance lease liabilities	6.8	-3.0	0.0	-0.5	0.6	9.6
Total liabilities from financing activities	**916.5**	**65.6**	**21.1**	**-15.7**	**22.9**	**822.6**

5.7. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR million	2018	2017
Financial assets at fair value through profit or loss		
Derivatives	2.0	2.1
Derivatives designated for hedge accounting	5.2	7.0
Financial assets at amortized cost		
Non-current interest-bearing receivables	2.6	3.0
Other non-current assets	0.9	1.9
Current interest-bearing receivables	10.4	5.2
Trade and other current receivables	498.7	463.2
Cash and cash equivalents	95.0	116.0
Other investments	2.5	1.7
Financial assets total	**617.4**	**600.1**
Financial liabilities at fair value through profit or loss		
Derivatives	3.3	3.0
Derivatives designated for hedge accounting	8.2	2.0
Financial liabilities measured at amortized cost		
Non-current interest-bearing liabilities	628.5	643.7
Other non-current liabilities	4.5	4.6
Current portion of long-term loans	21.4	25.8
Short-term loans	266.6	153.1
Trade and other current liabilities	418.8	395.3
Financial liabilities total	**1,351.3**	**1,227.5**

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.

ACCOUNTING PRINCIPLES

Financial assets and liabilities

Financial assets are classified according to IFRS 9 on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics to the following categories: financial assets at fair value through profit or loss, financial assets at fair value through OCI and financial assets at amortized cost. Financial liabilities are classified to financial liabilities at fair value through profit and loss and financial liabilities at amortized cost.

Publicly traded and unlisted shares are classified as financial assets at fair value through OCI. 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. 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 financial assets at amortized cost. 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.

The Group uses its historical credit loss experience adjusted with current conditions and forecasts to future conditions to estimate credit losses for financial assets. The credit loss allowance is estimated based on grouping the assets with similar patterns of geographical region, product type and customer rating. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed.

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.

EUR million Financial instruments measured at fair value	Quoted prices in active markets	Valuation techniques based on observable market data	Unquoted investments	Total 2018
Assets				
Derivatives				
Currency derivatives	-	3.5	-	3.5
Interest rate derivatives	-	3.7	-	3.7
Other investments	-	-	2.5	2.5
Total	-	7.2	2.5	9.7
Liabilities				
Derivatives				
Currency derivatives	-	10.5	-	10.5
Interest rate derivatives	-	1.1	-	1.1
Electricity forward contracts	0.0	-	-	0.0
Total	0.0	11.5	0.0	11.5

EUR million Financial instruments measured at fair value	Quoted prices in active markets	Valuation techniques based on observable market data	Unquoted investments	Total 2017
Assets				
Derivatives				
Currency derivatives	-	5.2	-	5.2
Interest rate derivatives	-	3.9	-	3.9
Other investments	-	-	1.7	1.7
Total	**-**	**9.1**	**1.7**	**10.8**
Liabilities				
Derivatives				
Currency derivatives	-	3.5	-	3.5
Interest rate derivatives	-	1.5	-	1.5
Electricity forward contracts	0.0	-	-	0.0
Total	**0.0**	**5.0**	**-**	**5.0**

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.

5.8. 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 Chief Financial Officer (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		CNY exposure in companies reporting in HKD		USD exposure in companies reporting in AUD		USD exposure in companies reporting in GBP		EUR exposure in companies reporting in RUB	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Trade receivables	3.4	1.8	1.6	0.1	1.5	0.9	0.0	0.0	1.3	1.5
Trade payables	-7.5	-6.5	-10.3	-6.7	-7.0	-3.4	-1.7	-1.6	-4.1	-4.3
Net balance sheet exposure	-4.1	-4.7	-8.7	-6.6	-5.5	-2.5	-1.7	-1.6	-2.8	-2.8
Forecasted sales (12 months)	23.5	22.7	7.9	0.4	5.4	4.7	0.0	0.5	20.7	16.9
Forecasted purchases (12 months)	-58.9	-63.8	-30.8	-26.7	-52.2	-11.4	-16.3	-16.7	-33.4	-32.3
Net forecasted exposure	-35.3	-41.1	-22.8	-26.3	-46.9	-6.7	-16.3	-16.2	-12.7	-15.4
Hedges										
Currency forwards (12 months)	21.8	19.1	12.4	4.0	17.5	4.9	6.7	1.2	5.9	5.5
Currency options (12 months)		12.7						10.3		
Total net exposure	-17.5	-14.0	-19.1	-28.9	-34.9	-4.4	-11.3	-6.3	-9.6	-12.7

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 can approve the use of foreign currency borrowing in countries with high local interest rates. On reporting period closing date no such borrowings were outstanding (2017: EUR 1.1 million).

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) (2017: 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 6.2 million (2017: EUR 7.8 million) and the Group consolidated equity by EUR 53.6 million (2017: EUR 46.6 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 2.5% (2017: 2.6%) and average duration 2.1 years (2017: 2.5 years). A one percentage point rise in market interest rates would increase Group net interest expense by EUR 4.1 million (2017: EUR 2.8 million) over the following 12 months. A similar rise in interest rates would increase Group equity with EUR 3.6 million (2017: EUR 3.7 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

	2018							2017
		Debt repricing in period, incl. derivatives						
Currency	Amount EUR million	2019	2020	2021	2022	2023	Later	Amount EUR million
EUR	357.1	66.3	0.0	20.0	39.3	34.5	197.0	253.4
USD	184.1	88.1	8.7	21.8	26.2	30.6	8.7	224.9
GBP	123.7	123.7						125.6
HKD	71.3	71.3						70.0
AUD	51.0	51.0						7.8
Other	21.2	21.2						16.7
Total	**808.5**	**421.6**	**8.7**	**41.8**	**65.5**	**65.1**	**205.7**	**698.4**

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 400 million (2017: EUR 418 million) of which EUR 304 million (2017: EUR 321 million) remained undrawn. Undrawn committed long-term debt facilities are sufficient to ensure adequate financing resources in all foreseeable circumstances.

Debt structure

EUR million	2018									2017		
				Maturity of facility/loan								
Debt type	Amount drawn	Amount available of committed	Total	2019	2020	2021	2022	2023	Later	Amount drawn	Amount available of committed	Total
Committed revolving facilities	96.0	304.0	400.0				400.0			96.5	321.0	417.5
Bonds and other loans	527.5		527.5	15.0	65.0	71.5	82.1	78.5	215.5	513.3		513.3
Commercial paper program	216.0		216.0	216.0						127.0		127.0
Uncommitted loans from financial institutions	70.2		70.2	52.0	5.7	6.5	3.1	2.9		76.2		76.2
Finance lease liabilities	6.7		6.7	5.1	1.1	0.5	0.0			9.6		9.6
Trade and other current liabilities	559.1		559.1	559.1						539.1		539.1
Total	**1,475.6**	**304.0**	**1,779.5**	**847.1**	**71.8**	**78.5**	**485.2**	**81.4**	**215.5**	**1,361.7**	**321.0**	**1,682.7**

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 4.2.).

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 (excluding items affecting comparability) 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	2018	2017
Interest-bearing liabilities	916.5	822.6
Interest-bearing receivables, cash and cash equivalents	108.0	124.2
Net debt	808.5	698.4
Total equity	1,273.7	1,208.2
Net debt to equity (Gearing ratio)	**0.63**	**0.58**
Net debt to EBITDA (excluding items affecting comparability)	**2.16**	**1.79**

Nominal values of derivative financial instruments

EUR million	2018							2017
	Nominal Value	Maturity Structure						Nominal Value
Instrument		2019	2020	2021	2022	2023	Later	
Currency forwards								
for transaction risk								
Outflow	-157.8	-156.1	-1.8					-109.4
Inflow	159.2	157.4	1.7					109.4
for translation risk								
Outflow	-120.8	-120.8						-117.2
Inflow	112.7	112.7						118.7
for financing purposes								
Outflow	-511.9	-511.9						-385.1
Inflow	507.8	507.8						383.8
Currency options								
for transaction risk								
Bought options	8.7	8.7						30.1
Sold options	-8.7	-8.7						-30.1
Interest rate swaps								
EUR	-65.0		-65.0					-65.0
USD	122.2	26.2	8.7	21.8	26.2	30.6	8.7	104.7
Cross currency swaps								
EUR	-18.3					-18.3		-18.3
USD	17.5					17.5		16.8
Electricity forward contracts	0.0	0.0						0.0

Fair values of derivative financial instruments

EUR million	2018			2017		
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]	2.4	-0.7	1.7	1.1	-1.7	-0.6
for translation risk[2]	0.1	-7.0	-6.9	2.7	-0.2	2.5
for financing purposes	0.9	-2.7	-1.8	1.2	-1.2	0.0
Currency options						
for transaction risk	0.0	-0.1	0.0	0.2	-0.4	-0.1
Interest rate swaps[3]						
EUR	1.7		1.7	2.6		2.6
USD	2.0	-0.3	1.7	1.3	-0.2	1.1
Cross-currency swaps[4]						
EURUSD		-0.8	-0.8		-1.3	-1.3
Electricity forward contracts[5]	0.0	0.0	0.0	0.0	0.0	0.0

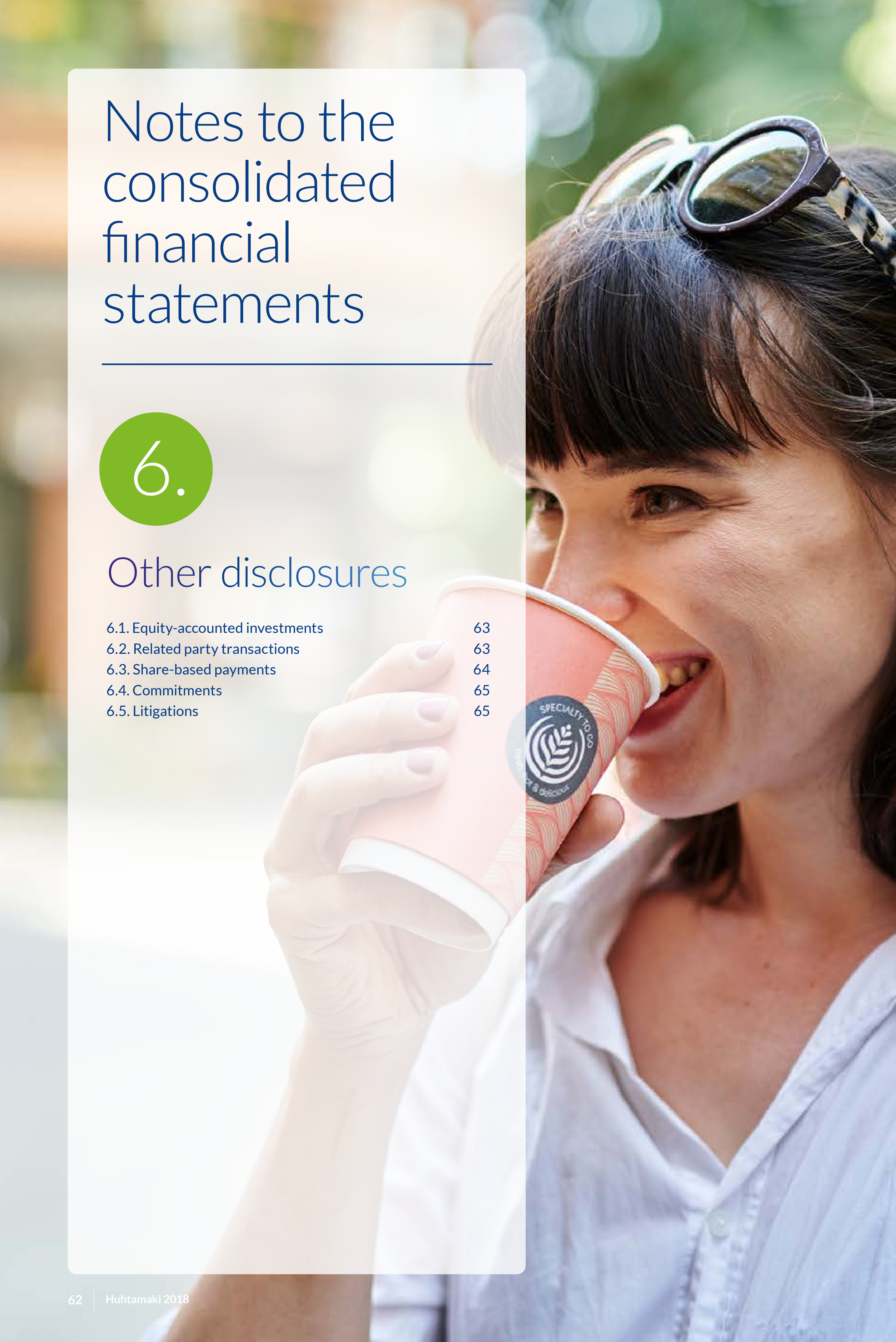
[1] Out of the currency forwards, fair value EUR 1.2 million was designated for cash flow hedges (2017: EUR 0.0 million) and reported in fair value and other reserves.

[2] Out of the currency forwards, fair value of EUR -6.9 million was designated for hedges of net investment in foreign subsidiaries (2017: EUR 2.5 million) and reported in translation difference.

[3] Fair values of interest rate swaps include accrued interest. Fair value of EUR 1.7 million was designated for cash flow hedges (2017: EUR 1.2 million) out of which EUR 1.7 million was reported in equity in fair value and other reserves and EUR 0.0 million in the income statement in financial expense. Fair value of EUR 1.7 million was designated for fair value hedges out of which EUR 1.7 million was reported in the income statement in financial income.

[4] Out of the cross-currency swaps, the foreign exchange revaluation result of EUR -0.9 million was designated for fair value hedges and was reported in net financial items (2017: -). The interest rate revaluation result of EUR -0.8 million was designated for cash flow hedges and was reported in equity in fair value and other reserves. The fair value includes accrued interest of EUR 0.1 million which was reported in financial expense.

[5] Out of the electricity forward contracts, EUR 0.0 million (2017: EUR 0.0 million) was designated for cash flow hedges and was reported in equity in fair value and other reserves.



Notes to the consolidated financial statements

6.

Other disclosures

6.1. EQUITY-ACCOUNTED INVESTMENTS

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

Company	Country	Ownership 2018	Ownership 2017
Laminor S.A. (joint venture)	Brazil	50.0%	50.0%

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

EUR million	2018	2017
Interest in a joint venture	4.9	5.9
Share of profit in a joint venture	1.8	2.2

6.2. 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 Global Executive Team.

Employee benefits of CEO and members of the Global Executive Team

EUR million	2018	2017
Salaries and other short-term employee benefits	4.4[1]	4.3
Share-based payments	-1.6	2.7

Remunerations of the CEO and members of the Board of Directors

In thousands of euros	2018	2017
CEO Jukka Moisio	2,539[1]	2,755
Board members		
Ala-Pietilä Pekka	144	140
Suominen Jukka	98	99
Ailasmaa Eija	23	75
Baillie Doug	78	72
Barker William R.	77	72
Börjesson Rolf	26	77
Korhonen Anja	54	-
Tuomas Kerttu	78	53
Turner Sandra	77	76
Wunderlich Ralf K.	33	-
CEO and Board in total	**3,227**	**3,419**

[1] The amount doesn't include the accrued severance payment to be paid for the CEO.

Members of the Board of Directors and the Group Executive Team owned a total of 344,735 shares at the end of the year 2018 (2017: 278,725 shares).

The retirement and resignation age of the CEO is 60 years, unless otherwise agreed upon. Expenses for the CEO's statutory pension were 184 thousand euros (2017: 206 thousand euros) and for the supplementary pension arrangement 150 thousand euros (2017: 150 thousand euros). Liability from the supplementary pension arrangement was 780 thousand euros (2017: 616 thousand euros).

Transactions with associate companies and joint ventures

There was a dividend payment of EUR 2.2 million from Laminor S.A. (joint venture) in 2018 (2017: EUR 2.5 million).

There were also a few other transactions with minor value with Laminor S.A. in 2017 and 2018.

6.3. SHARE-BASED PAYMENTS

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 consists of annually commencing individual 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 and tax-like charges arising to the key personnel from the reward may be granted under each three-year plan. Global Executive Team members that are participants to the performance share plan shall hold at least half (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 gross base salary. Other participants to the plan shall hold at least half (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 six (6) months' gross base salary. The ownership requirement applies until termination of employment or service.

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 was 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. According to the terms and conditions of the Performance Share Arrangement a total of 255,528 shares were paid as a reward under the plan in 2017. Fair value of the paid shares on the grant date was EUR 32.54 per share. 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. The reward was based on the Group's earnings per share (EPS) in 2017 and was paid in 2018. The Performance Share Plan 2015–2017 was directed to 79 persons at the end of 2017.

The target, Group's earnings per share (EPS) in 2017, set forth in the Performance Share Arrangement 2010 for the earnings period 2015–2017, was reached. According to the terms and conditions of the Performance Share Arrangement a total of 222,609 shares were paid as a reward under the plan in 2018. Fair value of the paid shares on the grant date was EUR 36.02 per share. Pursuant to the IFRS standards, an expense relating to the Performance Share Plan 2015–2017 totaling EUR 13,734,584 was recorded for the reporting periods 2015–2017. This amount includes an expense totaling EUR 7,910,176 which was recorded in the reporting period ending on December 31, 2017.

Performance Share Plan 2016–2018

The Performance Share Plan 2016–2018 commenced in 2016 and the possible reward is based on the Group's earnings per share (EPS) in 2018. The Performance Share Plan 2016–2018 was directed to 87 persons at the end of 2018.

The target, Group's earnings per share (EPS) in 2018, set forth in the Performance Share Arrangement 2010 for the earnings period 2016–2018, was not reached. Pursuant to the IFRS standards, no expense relating to the Performance Share Plan 2016–2018 was recorded for the reporting periods 2016–2018. For the reporting period ending

ACCOUNTING PRINCIPLES

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 amount recognized as an expense is adjusted to reflect the actual number of awards that will be vested. Non-market vesting conditions 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.

December 31, 2018, a positive impact totaling EUR 1,161,722 resulting from prior years' accrual reversing was recorded.

Performance Share Plan 2017–2019

The Performance Share Plan 2017–2019 commenced in 2017 and the possible reward will be based on the Group's earnings per share (EPS) in 2019. The reward, if any, will be paid during 2020. The Performance Share Plan 2017–2019 was directed to 130 persons at the end of 2018.

Performance Share Plan 2018–2020

The Performance Share Plan 2018–2020 commenced in 2018 and the possible reward will be based on the Group's earnings per share (EPS) in 2020. The reward, if any, will be paid during 2021. The Performance Share Plan 2018–2020 was directed to 126 persons at the end of 2018.

6.4. COMMITMENTS

EUR million	2018	2017
Capital expenditure	58.5	68.9
Operating leases	99.8	98.7
Total commitments	**158.3**	**167.6**

EUR million	2018	2017
Capital expenditure commitments		
Under 1 year	58.5	68.9
Total	**58.5**	**68.9**

EUR million	2018	2017
The minimum lease payments under non-cancellable operating leases		
Not later than 1 year	19.9	17.2
Later than 1 year and not later than 5 years	45.5	42.0
Later than 5 years	34.4	39.5
Total	**99.8**	**98.7**

ACCOUNTING PRINCIPLES

Commitments

Lease contracts, under which Group does not assume substansially all the risks and rewards of ownership, are classified as operating leases. Lease payments under operating leases are recognized in the income statement as incurred over the lease term.

Leases classified as finance leases are included in the tangible assets (see note 3.4.).

6.5. 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.

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.

Country	Company	Group holding %
Australia	Huhtamaki Australia Pty Limited	100.0
	Huhtamaki Tailored Packaging Pty Ltd - Group	69.8
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
	Huhtamaki Flexible Packaging Egypt LLC	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 Operations GmbH & Co. KG	100.0
	Huhtamaki Foodservice Germany Sales GmbH & Co. KG	100.0
Hungary	Huhtamaki Hungary Kft	100.0
India	Huhtamaki Foodservice Packaging India Private Limited	51.0
	Huhtamaki PPL Limited	66.9
Ireland	Huhtamaki CupPrint Limited	70.0 [1]
Italy	Huhtamaki Flexibles Italy S.r.l.	100.0
Luxembourg	Huhtamaki 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	Huhtamaki Foodservice (Shanghai) Limited	100.0
	Huhtamaki Foodservice (Tianjin) Limited	100.0
	Huhtamaki (Guangzhou) Limited	100.0
People's Republic of China/Hong Kong	Dixie Cup (Hong Kong) Limited	54.0
	Huhtamaki Hong Kong Limited	100.0
Poland	Huhtamaki Foodservice Gliwice 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 [2]
Singapore	Huhtamaki Singapore Pte. Ltd.	100.0
South Africa	Gravics Systems South Africa (Pty) Ltd.	100.0
	Huhtamaki South Africa (Pty) Ltd.	100.0
	Positive Packaging Industries South Africa (Pty) Ltd.	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	49.0 [3]
	Positive Packaging United (M.E.) FZCO	100.0
	Primetech (M.E.) FZE	100.0
United Kingdom	Huhtamaki BCP Limited	100.0
	Huhtamaki Foodservice Delta Limited	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

[1] The Group can consolidate the company as a fully owned subsidiary based on a Shareholders' Agreement.
[2] The Group's control is based on a Shareholders' Agreement according to which the Group has control in the company.
[3] The Group has control in the company and can consolidate the company as a fully owned subsidiary based on a Shareholders' Agreement.

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 Operations GmbH & Co. KG, Huhtamaki Foodservice Germany Sales GmbH & Co. KG, Huhtamaki Real Estate Holding B.V. & Co. KG.

Parent company financial statements

Parent company income statement (FAS)

EUR million	Note	2018	2017
Other operating income	1.	89.3	76.6
Sales and marketing		-2.5	-2.7
Administration expenses		-28.1	-27.6
Other operating expenses	2.	-3.5	-3.6
Earnings before interest and taxes	3., 4.	55.2	42.7
Net financial income/expense	5.	24.6	42.2
Profit before appropriations and taxes		79.8	84.9
Income tax expense	6.	-8.7	-6.5
Profit for the period		71.1	78.4

Parent company balance sheet (FAS)

Assets

EUR million	Note	2018	%	2017	%
Non-current assets					
Intangible assets	7.				
Intangible rights		0.5		0.6	
Other capitalized expenditure		2.7		0.4	
		3.3	**0.1**	**1.0**	**0.1**
Tangible assets	8.				
Other tangible assets		0.5		0.7	
Construction in progress and advance payments		0.3		0.2	
		0.8	**0.0**	**0.9**	**0.0**
Investments					
Investment in subsidiaries		1,935.1		1,849.1	
Other shares and holdings		1.1		0.9	
Loan receivables	9.	3.3		3.3	
		1,939.6	**81.6**	**1,853.3**	**82.5**
Current assets					
Current receivables					
Loan receivables	9.	346.1		274.6	
Accrued income	10.	50.4		53.3	
Other receivables	9.	35.4		50.6	
		432.0	**18.2**	**378.5**	**16.8**
Cash and bank		2.2	0.1	14.4	0.6
Total assets		**2,377.9**	**100.0**	**2,248.1**	**100.0**

Equity and liabilities

EUR million	Note	2018	%	2017	%
Shareholders' equity	11.				
Share capital		366.4		366.4	
Premium fund		115.0		115.0	
Retained earnings		583.1		587.9	
Profit for the period		71.1		78.4	
		1,135.7	**47.8**	**1,147.7**	**51.1**
Liabilities					
Non-current liabilities					
Loans from financial institutions	12.	608.2		618.0	
Other non-current liabilities	13.	0.8		0.6	
		609.0	**25.6**	**618.6**	**27.5**
Current liabilities					
Loans from financial institutions	12.	330.9		177.8	
Other loans	12.	275.2		271.4	
Trade payables	14.	1.8		2.3	
Accrued expenses	15.	24.1		25.2	
Other current liabilities		1.2		5.1	
		633.2	**26.6**	**481.8**	**21.4**
Total equity and liabilities		**2,377.9**	**100.0**	**2,248.1**	**100.0**
Total retained earnings available for distribution		**654.3**		**666.3**	

Parent company cash flow statement (FAS)

EUR million	2018	2017
Earnings before interest and taxes	55.2	42.7
Adjustments		
Depreciation and amortization	0.8	0.6
Other adjustments	-14.2	-0.2
Change in non-interest-bearing receivables	18.9	-36.5
Change in non-interest-bearing payables	-8.8	1.8
Net financial income and expense	-9.0	-7.1
Taxes paid	-3.9	-12.6
Net cash flow from operating activities	**39.2**	**-11.3**
Capital expenditure	-3.2	-0.6
Disposal of tangible and intangible assets	14.2	0.0
Investments in subsidiaries	-86.1	-233.6
Proceeds from subsidiary investments	31.5	48.3
Change in non-current receivables	-	0.1
Change in current deposits	-71.5	156.2
Net cash flow from investing activities	**-115.2**	**-29.6**
Change in non-current loans	-9.6	235.7
Change in current loans	156.9	-107.0
Dividends paid	-83.5	-76.0
Cash flow from financing activities	**63.8**	**52.7**
Change in liquid assets	-12.2	11.7
Liquid assets on January 1	14.4	2.7
Liquid assets on December 31	2.2	14.4

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.

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	2018	2017
Royalty income	40.5	34.9
Group cost income	23.7	26.3
Gain from selling confectionary trademark portfolio[1]	14.2	-
Rental income	2.0	2.0
IT recharge	0.5	0.9
Other	8.4	12.5
Total	**89.3**	**76.6**

[1] The gain is related to the sale of the Group's confectionery trademark portfolio, as announced on April 30, 2018. Huhtamaki's confectionery business was divested in 1996.

2. OTHER OPERATING EXPENSES

EUR million	2018	2017
Intercompany other operating expenses	2.8	2.4
Other	0.7	1.2
Total	**3.5**	**3.6**

3. PERSONNEL EXPENSES

See note 6.2. in the consolidated financial statements and Remuneration Statement.

EUR million	2018	2017
Wages and salaries	10.7	11.0
Pension costs	1.8	1.8
Other personnel costs	1.7	4.4
Total	**14.2**	**17.2**

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 (9 people) amounted to EUR 3.2 million (EUR 3.4 million).

Average number of personnel	2018	2017
Huhtamäki Oyj	70	66

4. DEPRECIATION AND AMORTIZATION

EUR million	2018	2017
Depreciation by function:		
Administration	0.8	0.6
Total	**0.8**	**0.6**
Depreciation and amortization by asset type:		
Other tangible assets	0.3	0.3
Other capitalized expenditure	0.5	0.3
Total	**0.8**	**0.6**

5. FINANCIAL INCOME AND EXPENSE

EUR million	2018	2017
Dividend income	**31.5**	**48.3**
Interest and other financial income		
Intercompany interest income	17.0	15.3
Other interest income	0.2	0.1
Total interest income	**17.2**	**15.4**
Other financial income	163.1	157.2
Total interest and other financial income	**211.8**	**220.9**
Interest and other financial expenses		
Intercompany interest expenses	-0.8	-2.5
Other interest expenses	-22.0	-18.4
Total interest expenses	**-22.8**	**-20.9**
Other financial expenses	-164.4	-157.8
Total interest and other financial expenses	**-187.2**	**-178.7**
Net financial items	**24.6**	**42.2**

6. TAXES

EUR million	2018	2017
Ordinary taxes	8.7	6.5
Total	**8.7**	**6.5**

Deferred taxes are not included in income statement or balance sheet. Unrecognized deferred tax liability from timing differences is EUR 0.3 million (2017: EUR 0.3 million).

7. INTANGIBLE ASSETS

EUR million	Intangible rights	Other capitalized expenditure	2018 Total	2017 Total
Aquisition cost on January 1	1.0	67.6	68.6	68.2
Additions	0.0	0.4	0.4	0.1
Disposals	0.0	-	0.0	0.0
Intra-balance sheet transfer	0.0	2.4	2.4	0.3
Aquisition cost on December 31	1.0	70.4	71.3	68.6
Accumulated amortization on January 1	0.4	67.2	67.6	67.3
Accumulated amortization on disposals and transfers	0.0	-	0.0	0.0
Amortization during the financial year	0.1	0.5	0.5	0.3
Accumulated amortization on December 31	0.4	67.6	68.1	67.6
Book value on December 31, 2018	**0.5**	**2.7**	**3.3**	**-**
Book value on December 31, 2017	0.6	0.4	-	1.0

8. TANGIBLE ASSETS

EUR million	Construction in progress and advance payments	Other tangible assets	2018 Total	2017 Total
Aquisition cost on January 1	0.2	4.2	4.4	4.4
Additions	2.5	0.1	2.7	0.3
Disposals	-	-	-	0.0
Intra-balance sheet transfer	-2.4	0.0	-2.4	-0.3
Aquisition cost on December 31	0.3	4.3	4.6	4.4
Accumulated depreciation on January 1	-	3.5	3.5	3.2
Depreciation during the financial year	-	0.3	0.3	0.3
Accumulated depreciation on December 31	-	3.8	3.8	3.5
Book value on December 31, 2018	**0.3**	**0.5**	**0.8**	**-**
Book value on December 31, 2017	0.2	0.7	-	0.9

9. RECEIVABLES

EUR million	2018	2017
Current		
Loan receivables	-	1.1
Loan receivables from subsidiaries	346.1	273.5
Accrued income	22.9	32.7
Accrued corporate income	27.6	20.6
Other receivables	2.7	4.2
Other receivables from subsidiaries	32.7	46.4
Total	**432.0**	**378.5**
Non-current		
Intercompany loan receivables	3.3	3.3
Other receivables	-	0.0
Total	**3.3**	**3.3**
Total	**435.3**	**381.8**

10. ACCRUED INCOME

EUR million	2018	2017
Accrued interest and other financial items	11.2	13.6
Accruals for profit on exchange	2.7	5.0
Miscellaneous accrued income	7.0	9.6
Accrued corporate income and prepaid expense	27.6	20.7
Other	2.0	4.4
Total	**50.5**	**53.3**

11. CHANGES IN EQUITY

EUR million	2018	2017
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	666.3	664.0
Dividends paid	-83.5	-76.0
Obsolete dividends	0.4	-
Profit for the period	71.1	78.4
Retained earnings December 31	654.3	666.3
Non-restricted equity total	**654.3**	**666.3**
Total equity	**1,135.7**	**1,147.7**

For details on share capital see note 5.4. in the consolidated financial statements.

12. LOANS

EUR million	2018	2017
Non-current		
Loans from financial institutions	608.2	618.0
Non-current loans from financial institutions total	**608.2**	**618.0**
Current		
Current portion of long-term loans from financial institutions	15.0	17.5
Loans from financial institutions and other current loans	315.9	160.3
Current loans from financial institutions total	**330.9**	**177.8**
Loans from subsidiaries	275.2	271.4
Other loans total	**275.2**	**271.4**

Changes in non-current loans		
Loans from financial institutions		
January 1	618.0	382.0
Additions	180.6	389.2
Decreases	-190.4	-153.2
Total	**608.2**	**618.0**

Repayments	**Loans from financial institutions**
2019	330.9
2020	65.0
2021	71.5
2022	178.1
2023	78.5
2024–	215.1

13. OTHER NON-CURRENT LIABILITIES

EUR million	2018	2017
Loans from subsidiaries	0.0	0.0
Employee benefits	0.8	0.6
Total	**0.8**	**0.6**

14. TRADE PAYABLES

EUR million	2018	2017
Trade payables	1.3	1.9
Intercompany trade payables	0.5	0.4
Total	**1.8**	**2.3**

15. ACCRUED EXPENSES

EUR million	2018	2017
Accrued interest expense	15.0	8.0
Accrued interest expense to subsidiaries	2.9	8.4
Salaries and social security	2.3	7.0
Accrued income taxes	2.7	0.7
Miscellaneous accrued expense	1.2	1.1
Total	**24.1**	**25.2**

16. DERIVATIVES

Fair values of derivatives, EUR million	2018	2017
Currency derivatives		
with external parties	13.6	9.0
with subsidiaries	10.8	10.2
Interest rate swaps	2.7	2.4
Total	**27.0**	**21.6**

Nominal values of principles, EUR million	2018	2017
Currency derivatives		
with external parties	767.8	672.5
with subsidiaries	398.4	438.4
Interest rate swaps	204.7	186.5
Total	**1,370.9**	**1,297.4**

The nominal value of external currency derivatives is EUR 767.8 million and the nominal value of internal currency derivatives allocated to them is EUR 398.4 million. For the rest of the external currency derivatives hedge accounting is applied.

See note 5.8. in the consolidated financial statements for more information on the Group's financial risk management.

17. COMMITMENTS AND CONTINGENCIES

EUR million	2018	2017
Operating lease payments		
Under one year	2.2	2.5
Later than one year	11.7	12.1
Total	**13.9**	**14.6**
Guarantee obligations		
For subsidiaries	77.6	56.3

Proposal of the Board of Directors to distribute the earnings

DIVIDEND PROPOSAL (PER SHARE)

€ 0.84

On December 31, 2018 Huhtamäki Oyj's non-restricted equity was .... EUR 654,253,056.01
of which the result for the financial period was .... EUR 71,113,126.05

The Board of Directors proposes that dividend will be distributed at EUR 0.84 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 87,641,127.84

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 13, 2019

Pekka Ala-Pietilä	Jukka Suominen	Doug Baillie	William R. Barker
Anja Korhonen	Kerttu Tuomas	Sandra Turner	Ralf K. Wunderlich

Jukka Moisio
CEO

Auditors' report

Auditors' report

(Translation of the Finnish original)

To the Annual General Meeting of Huhtamäki Oyj

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, 2018. 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 summaries of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows 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.

Our opinion is consistent with the additional report submitted to the Audit Committee.

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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.6. to the consolidated financial statements.

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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of goodwill *We refer to financial statements' accounting principles on goodwill and related disclosure in the note 3.2.* At the balance sheet date 31.12.2018, the value of goodwill amounted to EUR 698 million representing 22% of total assets and 55% of total equity. Management's annual impairment test was a key audit matter due to the size of the goodwill amount and because the test involves management estimates on future results of the business and the discount rates applied to future cash flows.	We engaged our valuation specialists to assist us in evaluating the assumptions and methodologies used for impairment tests. We focused on forecasted growth, profitability and discount rates among other things. We assessed management's underlying assumptions and also 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 the forecasting accuracy in the history and compared the projections to the latest Board approved budgets. In addition we assessed the adequacy of the disclosures related to impairment tests.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *We refer to financial statements' accounting principles on revenue recognition and disclosure in the note 2.1. related to revenue.* 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 the financial statements' accounting principles revenue is recognized at an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring goods to a customer. 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. 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. This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	To address the risk of material misstatement relating to revenue recognition, our audit procedures included amongst other: • assessing the compliance of the group's revenue recognition accounting policies with applicable accounting standards, including those relating to discounts and rebates. • assessing the revenue recognition processes and related 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 date. We assessed the adequacy of the disclosures related to revenues.
Valuation of inventories *We refer to financial statements' accounting principles on inventories and related disclosure in the note 4.1.* At the balance sheet date, the value of inventory amounted to EUR 498 million representing 16% of total assets and 39% of total equity. Inventories were considered as a key audit matter due to the size of the balance and because inventory valuation involves management judgment. According to the financial statements' accounting principles inventories are measured at the lower of cost or net realizable value. The company has segment and region specific procedures for identifying risk for obsolescence and measuring inventories at the lower of cost or net realizable value.	To address the risk for material error on inventories, our audit procedures included amongst other: • assessing the compliance of the group's accounting policies over inventory with applicable accounting standards. • assessing the inventory valuation processes and related controls. • assessing the analyses and assessment made by management with respect to slow moving and obsolete stock. We assessed the adequacy of the disclosures related to inventories and their valuation.
Income taxes *We refer to financial statements' accounting principles on income taxes and related disclosure in the notes 1.3. and 2.7.* Income taxes was a key audit matter because of the judgments and estimates involved and the amount of income taxes is material to the financial statements as a whole. The group's business is international and in the normal course of business the management makes judgments and estimates in connection with tax issues and tax exposures resulting in the recognition of deferred tax assets and liabilities as well as tax provisions.	We performed audit procedures on the calculation and valuation of current tax and deferred tax. Procedures included assessment of correspondence with tax authorities and evaluation of tax exposures. Our tax specialists assisted us both on group level and in significant components in evaluating the assumptions and methodologies applied by the management. In addition, we evaluated the appropriateness of the recognition principles and the sufficiency of the given disclosures.

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 parent company or the group 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

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on March 24, 2010, and our appointment represents a total period of uninterrupted engagement of nine years.

Other information

The Board of Directors and/or the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors with referred statements and the other information included in Huhtamaki 2018 publication, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors with referred statements prior to the date of this auditor's report, and Huhtamaki 2018 publication is expected to be made available to us after that date.

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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Espoo, February 13, 2019

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

Definitions for performance measures

Performance measures according to IFRS

Earnings per share (EPS) attributable to equity holders of the parent company =

$$\frac{\text{Profit for the period – non-controlling interest}}{\text{Average number of shares outstanding}}$$

Diluted earnings per share attributable to equity holders of the parent company (diluted EPS) =

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

Alternative performance measures

EBITDA = EBIT + depreciation and amortization

Dividend yield =

$$\frac{\text{100 x Dividend per share}}{\text{Share price at December 31}}$$

Shareholders' equity per share =

$$\frac{\text{Total equity attributable to equity holders of the parent company}}{\text{Number of shares outstanding at December 31}}$$

P/E ratio =

$$\frac{\text{Share price at December 31}}{\text{Earnings per share}}$$

Market capitalization = Number of shares outstanding multiplied by the corresponding share price on the stock exchange at December 31

Return on investment (ROI) =

$$\frac{\text{100 x (Profit before taxes + interest expenses + net other financial expenses)}}{\text{Statement of financial position total – interest-free liabilities (average)}}$$

Return on equity (ROE) =

$$\frac{\text{100 x Profit for the period}}{\text{Total equity (average)}}$$

Net debt to equity (gearing) =

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

Solidity =

$$\frac{\text{100 x Total equity}}{\text{Statement of financial position total – advances received}}$$

Current ratio =

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Times interest earned =

$$\frac{\text{Earnings before interest and taxes + depreciation, amortization and impairment}}{\text{Net interest expenses}}$$

Return on net assets (RONA) =

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

Operating cash flow = Adjusted 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 substituting, the performance measures reported in accordance with IFRS.

Key figures and financial development

GROUP NET SALES 2018

€ 3,103.6 million

▲39%

GROUP NET SALES 2014

€ 2,235.7 million

Huhtamaki 2014–2018

EUR million	2018	2017	2016	2015	2014
Net sales	3,103.6	2,988.7	2,865.0	2,726.4[1]	2,235.7[1]
Increase in net sales (%)	3.8	4.3	5.1	21.9[1]	3.5[1]
Net sales outside Finland	3,055.4	2,941.7	2,817.8	2,672.3[1]	2,182.7[1]
Earnings before interest, taxes, depreciation, amortization and impairments	365.2	386.3	380.1	319.4[1]	259.0[1]
Earnings before interest, taxes, depreciation and amortization/net sales (%)	11.8	12.9	13.3	11.7[1]	11.6[1]
Earnings before interest and taxes	222.9	264.3	266.2	214.9[1]	174.9[1]
Earnings before interest and taxes/net sales (%)	7.2	8.8	9.3	7.9[1]	7.8[1]
Profit before taxes	196.0	246.8	239.3	180.7[1]	146.0[1]
Profit before taxes/net sales (%)	6.3	8.3	8.4	6.6[1]	6.5[1]
Profit for the period	158.1	196.5	191.5	151.4[1]	131.5[1]
Total equity	1,273.7	1,208.2	1,182.2	1,036.0	892.8
Return on investment (%)	10.7	13.4	14.7	13.3	13.0
Return on shareholders' equity (%)	12.9	16.6	17.6	15.6	16.7
Solidity (%)	40.8	41.4	41.2	41.3	38.9
Net debt to equity	0.63	0.58	0.57	0.53	0.32
Current ratio	1.32	1.48	1.21	1.40	1.91
Times interest earned	14.23	24.01	14.11	10.21	9.16
Capital expenditure	196.9	214.8	199.1	146.9	127.0
Capital expenditure/net sales (%)	6.3	7.2	6.9	5.4	5.7
Research & development	20.2	19.2	17.2	15.7[1]	13.3[1]
Research & development/net sales (%)	0.7	0.6	0.6	0.6[1]	0.6[1]
Number of shareholders (December 31)	31,755	30,474	26,407	24,484	25,392
Personnel (December 31)	17,663	17,417	17,076	15,844	13,818

[1] Continuing business

Key exchange rates in euros

		2018 Income statement	2018 Statement of financial position	2017 Income statement	2017 Statement of financial position
Australian Dollar	AUD	0.6332	0.6167	0.6791	0.6523
British Pound	GBP	1.1302	1.1078	1.1415	1.1265
Indian Rupee	INR	0.0124	0.0125	0.0136	0.0131
Russian Ruble	RUB	0.0135	0.0126	0.0152	0.0145
Thai Baht	THB	0.0262	0.0268	0.0261	0.0257
US Dollar	USD	0.8462	0.8731	0.8860	0.8379

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.

Share and shareholders

DIVIDEND PER SHARE 2018 (Board's proposal)

€ 0.84

▲ 40%

DIVIDEND PER SHARE 2014

€ 0.60

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 25, 2018 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, 2019.

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.

Per share data

		2018	2017	2016	2015	2014
Earnings per share	EUR	1.50	1.86	1.81	1.42	1.33
Earnings per share (diluted)	EUR	1.50	1.85	1.80	1.42	1.33
Dividend, nominal	EUR	0.84[1]	0.80	0.73	0.66	0.60
Dividend/earnings per share	%	56.0[1]	43.0	40.3	46.6	45.0
Dividend yield[2]	%	3.1[1]	2.3	2.1	2.0	2.7
Shareholders' equity per share	EUR	11.70	11.13	10.93	9.65	8.33
Average number of shares at year end[2]		104,281,454	104,050,625	103,822,029	103,665,405	103,505,319
Number of shares at year end[2]		104,334,676	104,112,067	103,856,539	103,696,479	103,554,321
P/E ratio[2]		18.0	18.8	19.5	23.6	16.4
Market capitalization on December 31[2]	EUR million	2,824.3	3,643.9	3,664.1	3,473.8	2,261.6
Trading volume in NASDAQ OMX Helsinki Ltd.[3]	units	75,209,544	67,759,658	57,912,190	62,227,323	52,188,506
Trading volume in alternative trading venues[4]	units	125,806,431	108,324,464	110,013,193	73,032,436	51,927,797
Trading volume, total	units	201,015,975	176,084,122	167,925,383	135,259,759	104,116,303
In relation to average number of shares[2]	%	192.8	169.2	161,7	130.5	100.6
Development of share price						
Lowest trading price	EUR	22.96	31.45	27.14	21.35	17.63
Highest trading price	EUR	36.89	37.68	42.33	34.90	22.21
Trading price on December 31	EUR	27.07	35.00	35.28	33.50	21.84

[1] 2018: Board's proposal
[2] Issue-adjusted and excluding treasury shares
[3] Source: Nasdaq Helsinki Ltd
[4] Source: Fidessa Fragmentation Index, fragmentation.fidessa.com

See also note 2.8. Earnings per share.

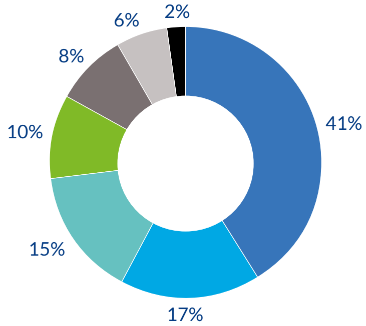
Distribution of ownership by number of shares on December 31, 2018

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	11,973	37.7	575,504	0.5
101–1,000	15,741	49.6	6,020,763	5.6
1,001–10,000	3,709	11.7	9,638,636	8.9
10,001–100,000	276	0.9	7,889,050	7.3
100,001–1,000,000	45	0.1	12,972,173	12.0
More than 1,000,000	11	0.0	70,596,111	65.5
Total	31,755		107,692,237	99.9
In the joint book-entry account			68,148	0.1
Number of shares issued			**107,760,385**	

Distribution of ownership by sector on December 31, 2018

Sector	Number of shares	%
Nominee-registered shares	44,449,838	41.3
Non-profit organizations	18,009,313	16.7
Households	16,279,139	15.1
Public-sector organizations	10,941,985	10.2
Financial and insurance companies	9,103,676	8.4
Private companies	6,618,315	6.1
Foreigners	2,289,971	2.1
In the joint book-entry account	68,148	0.1
Number of shares issued	**107,760,385**	**100.0**

Shareholder distribution by sector December 31, 2018



Largest registered shareholders on December 31, 2018*

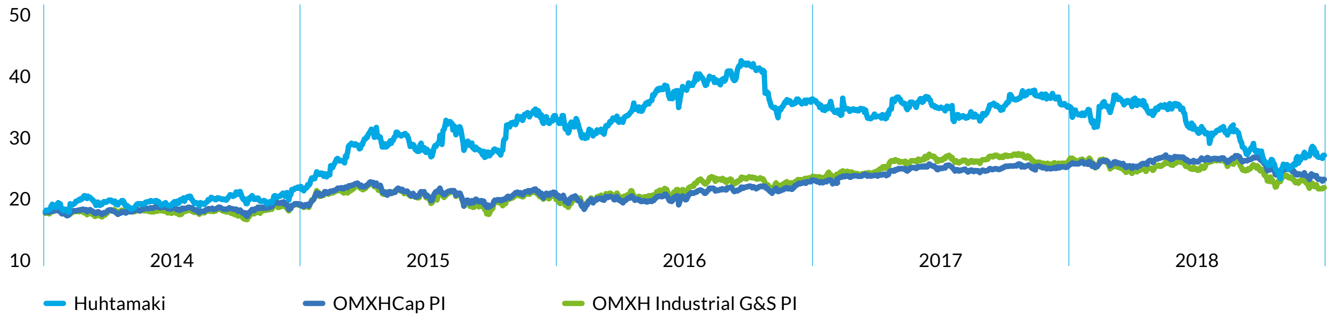
Name	Number of shares and votes	%
Finnish Cultural Foundation	12,009,422	11.1
Varma Mutual Pension Insurance Company	4,717,799	4.4
Ilmarinen Mutual Pension Insurance Company	2,520,000	2.3
The Local Government Pensions Institution	1,607,175	1.5
ODIN Norden Fund	1,342,303	1.3
Society of Swedish Literature in Finland	1,008,500	0.9
The State Pension Fund	1,000,000	0.9
OP-Finland	960,476	0.9
Nordea Nordic Fund	905,687	0.8
Nordea Pro Finland Fund	797,114	0.7
Total	**26,868,476**	**24.8**

* Excluding own shares acquired by Huhtamäki Oyj totaling 3,425,709 and representing 3.2% of the total number of shares.

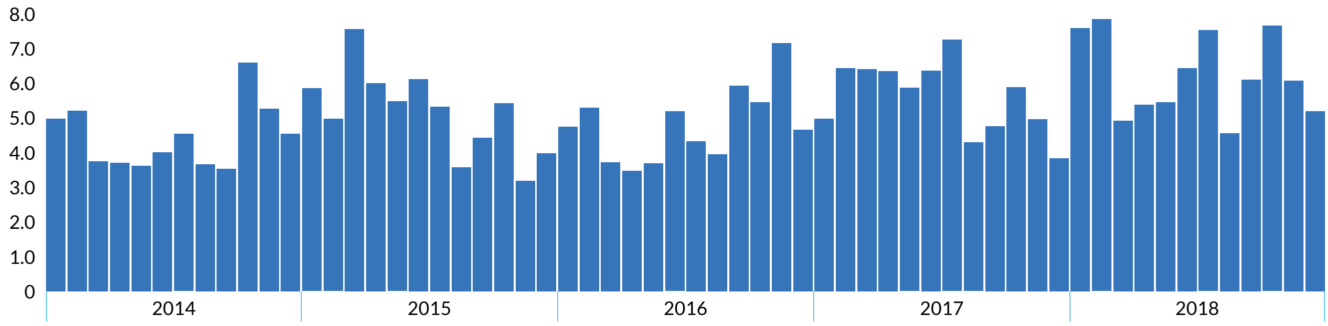
The above list includes only direct registered shareholders and is based on information available from Euroclear Finland Ltd., excluding 3,425,709 shares held by Huhtamäki Oyj that represent 3.2% of the total number of shares. Nominee registered holdings, which may be substantial, are not included. On December 31, 2018 nominee registered shareholders held in total 41% of Huhtamäki Oyj's shares.

Lannebo Fonder AB whose shareholding is nominee registered has requested to be identified as a major shareholder of Huhtamäki Oyj. According to documentation provided by Lannebo, on December 31, 2018 they held 4,445,000 Huhtamäki Oyj shares, representing 4.1% of the total number of shares.

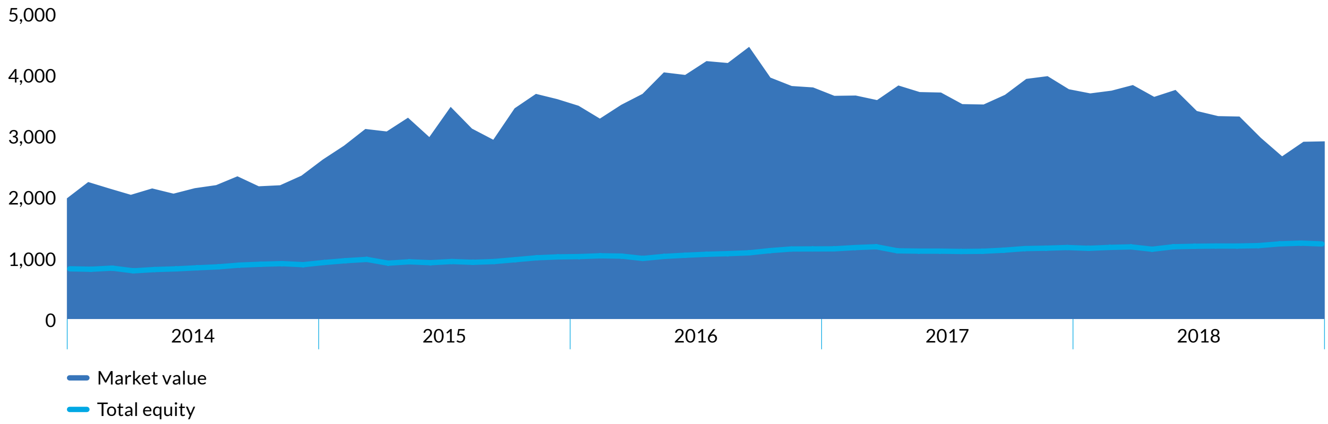
Development of Huhtamaki's share price January 2, 2014–December 31, 2018
EUR



Monthly trading volume on Nasdaq Helsinki 2014–2018
Shares, million



Market value and equity 2014–2018
EUR million



Corporate Governance Statement

Introduction

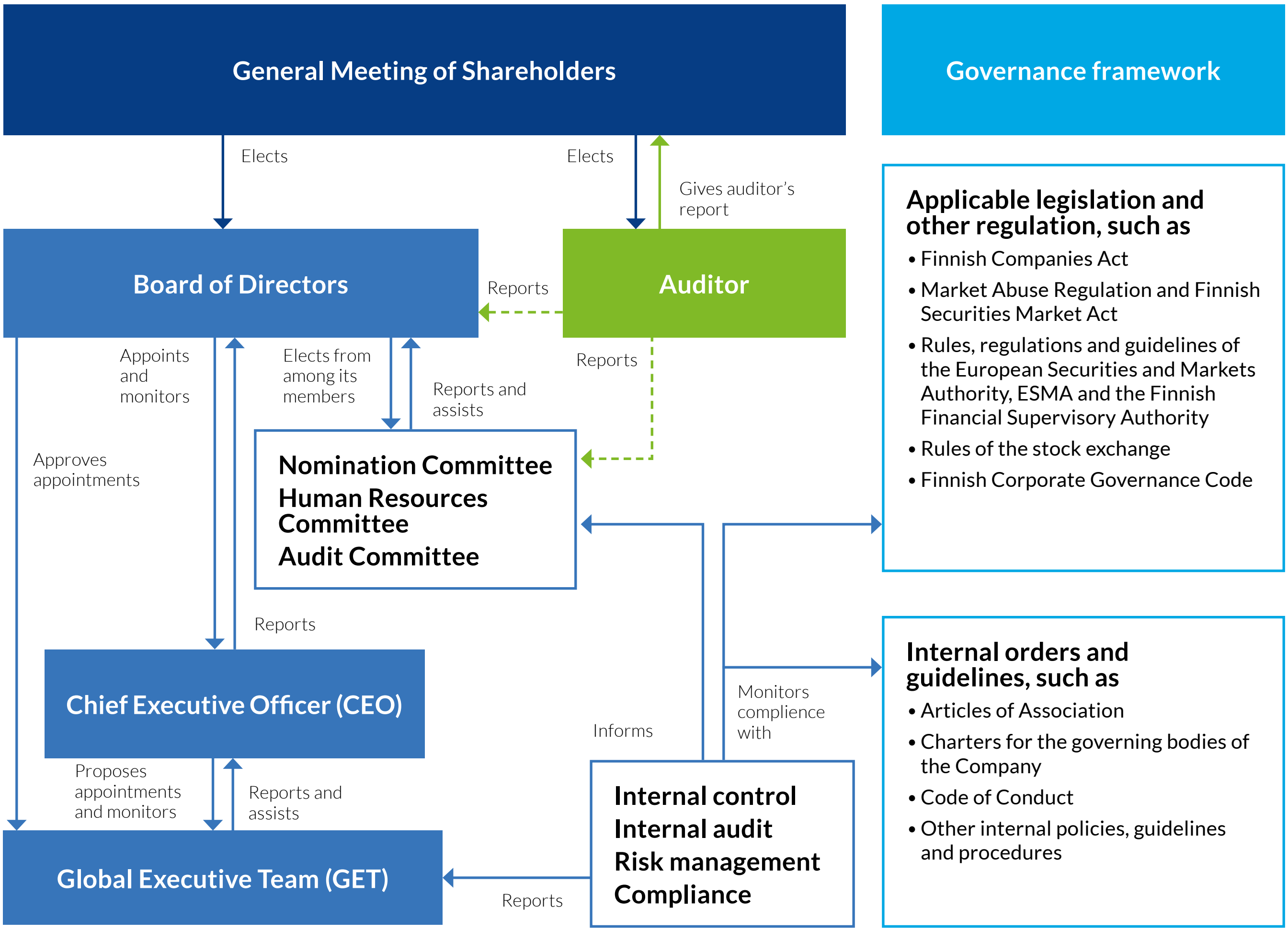
Huhtamäki Oyj (the Company) complies with the Finnish Corporate Governance Code (Code) adopted by the Securities Market Association. This Corporate Governance Statement complies with the Code effective from January 1, 2016. In addition, the Company has issued a separate Remuneration Statement prepared 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 Global 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" (www.huhtamaki.com–Investors–Corporate Governance).

Corporate governance structure



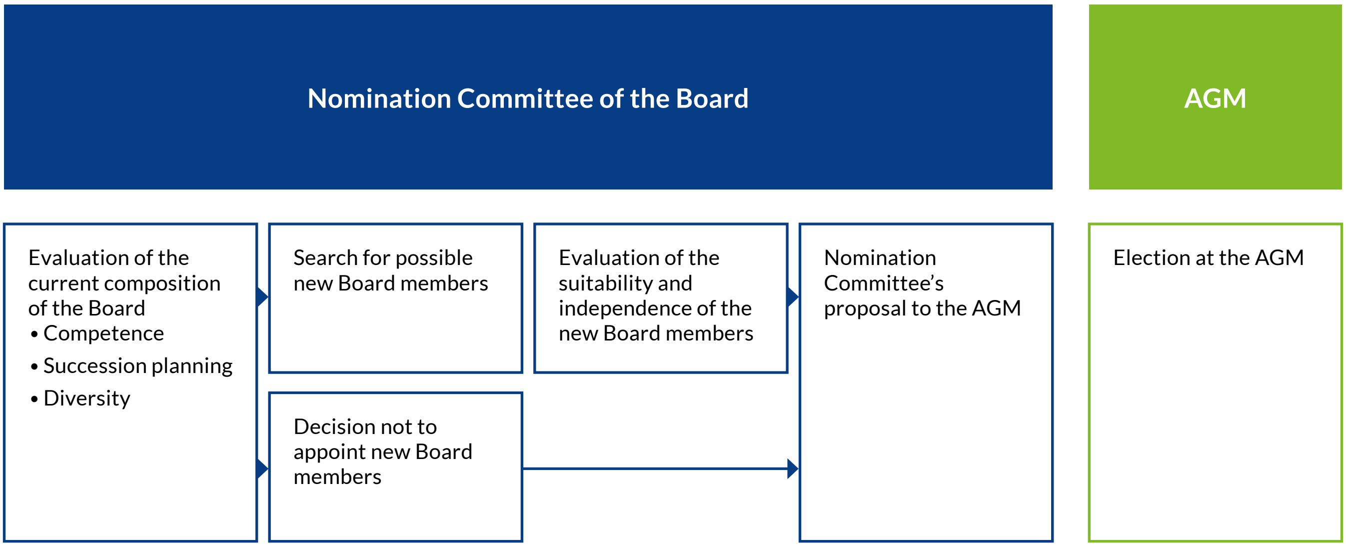
Descriptions concerning corporate governance

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 all 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.



Board members

The AGM 2018 elected the following eight individuals to the Board:

Chairman
Mr. Pekka Ala-Pietilä

Born 1957, Finnish citizen
Independent of the Company and significant shareholders

Starting date: 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 roles (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–); Netcompany A/S, Chairman of the Board (2017–); SAP SE, Supervisory Board member (2002–); Pöyry PLC, Board member (2006–2017); 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

Starting date: 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, Board member (2018–) and Chairman of the Board (2006–2018); Lamor Corporation Ab, Board member (2018–) and Chairman of the Board (2010–2018); Suomenlahden Telakka Oy, Board member (2018–); Fiskars Oyj Abp, Board member (2008–2014)

Mr. Doug Baillie
Born 1955, U.K. citizen
Independent of the Company and significant shareholders

Starting date: April 21, 2016
Board Committees: Member of the Nomination Committee and 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–)

Mr. William R. Barker
Born 1949, U.S. citizen
Independent of the Company and significant shareholders

Starting date: 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); Leeds School of Business, University of Colorado, Board member (2008–2018); The Carlstar Group LLC, Board member (2014–2017); Mcron Acquisition Corporation, Board Member (2013–2014); Mold-Masters (2007) Limited, Board member (2010–2013)

Ms. Anja Korhonen
Born 1953, Finnish citizen
Independent of the Company and significant shareholders

Starting date: April 25, 2018
Board Committees: Member of the Audit Committee
Main occupation: Miscellaneous positions of trust
Education: M.Sc. (Econ.)

Primary working experience: Nokia Corporation, several different roles (1996–2011), Senior Vice President, Corporate Controller (2006–2011), Vice President, Business Controller, Mobile Phones (2004–2006) and Senior Vice President, Business Controller, Mobile Phones (1996–2003); Hewlett-Packard, several different roles (1983–1996), including Nordic Controller and Finance & Admin Manager, Finland (1996) as well as other management and finance positions in Finland and abroad

Key positions of trust: Outotec Oyj, Board member (2013–); Oriola Oyj, Board member (2014–)

Ms. Kerttu Tuomas
Born 1957, Finnish citizen
Independent of the Company and significant shareholders

Starting date: April 27, 2017
Board Committees: Member of the Audit Committee
Main occupation: Miscellaneous positions of trust
Education: B.Sc. (Econ)

Primary working experience: KONE Corporation, Executive Vice President, Human Resources and member of the Executive Board (2002–2017); Elcoteq Network Corporation, Group Vice President, Human Resources (2000–2002); MasterFoods Oy (Mars), Personnel & Organization Manager (1994–1999); Mercuri Urval, Consultant (1987–1993)

Key positions of trust: Kemira Oyj, Vice-Chairman of the Board (2014–) and Board member (2010–); Medix Biochemica Group Oy, Board member (2018–); Finnish National Opera and Ballet, Board member (2016–); Aamu Suomen Lasten Syöpäsäätiö sr, Board Member (2017–); CEMS (the Global Alliance in Management Education), member of the Strategic Board (2008–2016); Federation of Finnish Technology Industries, member of the working committees: Employer & labor market relations (2007–2015), Employee safety (2009–2010), Education and labor issues (2007–2008); JTO School of Management, Board member (2007–2010)

Ms. Sandra Turner
Born 1952, U.K. citizen
Independent of the Company and significant shareholders

Starting date: 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)

Mr. Ralf K. Wunderlich
Born 1966, German citizen
Independent of the Company and significant shareholders

Starting date: July 1, 2018
Board Committees: Member of the Human Resources Committee
Main occupation: Senior Adviser, Independent Consultant and Operating Partner to private equity companies
Education: B.Sc. (Business Administration)

Primary working experience: Amcor Group, President and Managing Director, Flexibles, Asia Pacific and Member, Global Management Team (2010–2016); LINPAC Packaging Ltd, President and Managing Director, and Board member, LINPAC Group companies (2008–2009); Rio Tinto Alcan, several different roles (1993–2007), including President, Alcan Packaging Global Tobacco and Member, Alcan Packaging Executive Committee United States and United Kingdom (2005–2007) as well as other management positions in Germany, Italy, Malaysia and Singapore

Key positions of trust: AptarGroup, Board member (2009–); Essentra PLC, Board member (2017–)

In addition, Ms. Eija Ailasmaa and Mr. Rolf Börjesson have acted as Board members in 2018. Their memberships ended at the AGM 2018 and their CVs are presented as they were on April 25, 2018.

Ms. Eija Ailasmaa

Born 1950, Finnish citizen
Independent of the Company and significant shareholders
Board member: March 22, 2004–April 25, 2018
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: Solidium Oy, Vice-Chairman of the Board (2008–2015, 2016–); Outotec Oyj, Board member (2010–)

Mr. Rolf Börjesson

Born 1942, Swedish citizen
Independent of the Company and significant shareholders
Board member: March 31, 2008–April 25, 2018.
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)

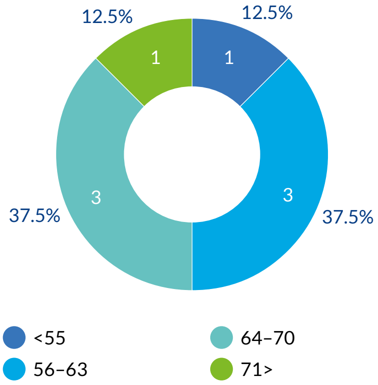
Diversity of the Board

The principles on diversity of the Board have been defined in 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 shall represent various businesses comprehensively and have broad management experience in important market areas for the Group, including the emerging markets. Factors promoting the diversity of the Board include e.g. Board members' educational, professional and international background, experience relevant for the position, members' age structure, representation of both genders in the Board and other personal characteristics. Both genders shall be represented in the Board in a well-balanced manner. In addition, it is important that the Board composition ensures both comprehensive knowledge of the Company through experienced Board members as well as new insights. The Nomination Committee of the Board takes the principles on diversity into account as part of the Company's succession planning when considering the composition of the Board and the fulfillment of the principles is evaluated annually.

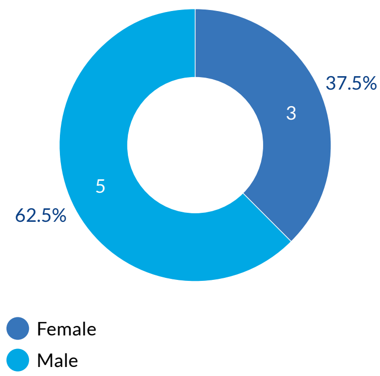
The objectives concerning the diversity of the Board have been achieved well. According to the Nomination Committee the Board composition comprises qualifications defined in the principles on diversity in a balanced way. As regards diversity in terms of gender, both genders are represented in the Board in a well-balanced manner and 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. At the AGM in 2018 eight members representing four different nationalities were elected to the Board. The age structure of the Board members has been 52–71 years and three Board members have been female and five male. The Board members have international experience in different roles in global companies operating in the different businesses and geographical market areas that are important for the Group. Board members hold or have held management positions and positions of trust in both listed and unlisted companies. All Board members have a university level degree, mainly in technology or finance. More information on the educational and professional background of the Board members is available on pages 97–99. In the view of the Nomination Committee the current composition of the Board ensures well both comprehensive knowledge of the Company and new insights. The Board strives to ensure that experienced Board members with longer history in the Company's Board and with wide knowledge of the Company's various stages transfer their Company specific knowledge and expertise to the new members thereby ensuring that the knowledge stays in the Board also in the future.

Diversity of the Board*

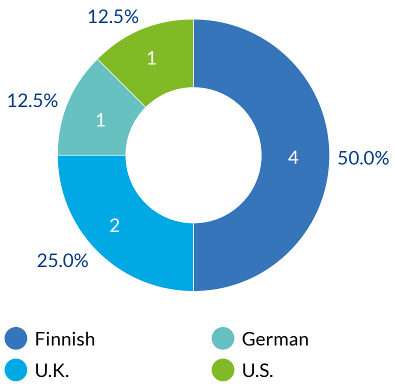
Age



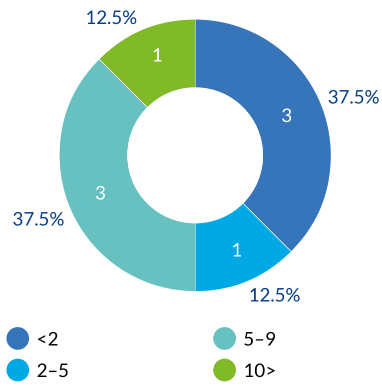
Gender



Nationality



Tenure



* Composition of the Board on December 31, 2018

Independence of the Board members

All Board members are non-executive. The Board considers all Board members independent of the Company. It was noted in the consideration that despite Jukka Suominen having served as a director for more than 10 consecutive years, the Board has determined no reasons justifying him to be considered dependent of the Company. The evaluation has been made based on the actual circumstances from both the perspective of the Company and the director in question. The Board also considers all Board 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, 2018

Pekka Ala-Pietilä	3,250
Jukka Suominen	3,000
Doug Baillie	1,000
William R. Barker	-
Anja Korhonen	-
Kerttu Tuomas	1,000
Sandra Turner	1,000
Ralf K. Wunderlich	16,350
Board total	**25,600**

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 in section "Remuneration" (www.huhtamaki.com–Investors–Corporate 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 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 2018, the evaluation was done as an internal self-evaluation without 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 Board member 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 with induction presentations and materials as well as visits to selected manufacturing units.

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 video or telephone 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 2018, the Board held fourteen (14) meetings, three of which were video or telephone meetings and six were held without convening. The average attendance of the members at the Board meetings was 98%.

The CEO, the Chief Financial Officer (CFO), the Senior Vice President (SVP), Human Resources, the SVP, Corporate Affairs & Legal, Group General Counsel as well as the SVP, Marketing and Communications 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 annually in the meeting deliberating the financial statements.

The Group General Counsel of the Company acts as the secretary of the Board.

Board members' attendance at the Board meetings in 2018

	Attendance (%)	Meetings attended
Pekka Ala-Pietilä (Chairman)	100	14/14
Jukka Suominen (Vice-Chairman)	100	14/14
Doug Baillie	100	14/14
William R. Barker	100	14/14
Anja Korhonen*	90	9/10
Kerttu Tuomas	100	14/14
Sandra Turner	93	13/14
Ralf K. Wunderlich**	100	6/6
Eija Ailasmaa***	100	4/4
Rolf Börjesson***	100	4/4

* Board member since April 25, 2018
** Board member since July 1, 2018
*** Board member until April 25, 2018

The responsibilities and duties of the Board include, among other things,

- organizing the Company's management and operations including e.g.
  - appointing and dismissing the CEO and approving the proposals by the CEO for GET members' appointments and dismissals
  - deciding on the compensation of the CEO and other GET members and annually reviewing the performance of the CEO and other GET members
  - defining the Group's ethical values and methods of working including e.g. the approval of the Company's Code of Conduct
- directing the Company's business and strategy including e.g.
  - establishing strategic and financial targets as well as dividend policy and approving the strategic plans and budget as well as monitoring their implementation
  - approving acquisitions and divestments as well as capital expenditure proposals exceeding EUR 10 million or proposals which are otherwise of material importance to the Group
  - discussing and approving of financial statements, Directors' Report, interim reports, Corporate Governance Statement, Remuneration Statement and Corporate Responsibility Report
- financial communication and outlook
- internal control and risk management and
- preparation of matters to be resolved by the AGM

Board Committees

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.

Board Committees and their duties and responsibilities

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.

The duties and responsibilities of the Board Committees

Nomination Committee

- To prepare and make proposals to the AGM concerning the number of the Board members and the composition of the Board
- To prepare and make proposals to the AGM concerning the remuneration of the Board members and the principles for compensating the expenses of the Board members
- To conduct succession planning of the Board members

Human Resources Committee

- To prepare and discuss organizational and human resources matters
- To prepare, discuss and adopt the appointment of the CEO and other GET members
- To prepare, discuss and adopt the performance and remuneration of the CEO and other GET members
- To prepare, discuss and adopt talent management and succession planning of the CEO and other GET members and
- To discuss the development of the people strategy and human resources policies

Audit Committee

- To monitor and evaluate Company's financial reporting process
- To monitor and evaluate effectiveness of the Company's internal control, internal audit and risk management systems
- To monitor and evaluate the independence of the statutory auditor, and in particular the provision of non-audit services
- To monitor the statutory audit of the annual and consolidated financial statements
- To prepare and make proposal to the AGM for the election of the statutory auditor
- To review the financial statements, Directors' Report, interim reports, Corporate Governance Statement, Remuneration Statement and Corporate Responsibility Report

The members and meetings of the Board Committees

Nomination Committee

The Nomination Committee shall meet at least once a year, prior to the AGM. The following individuals have comprised the Nomination Committee from the date of the AGM in 2018: Pekka Ala-Pietilä (Chairman), Doug Baillie and Jukka Suominen. In 2018, the Nomination Committee held one meeting. The average attendance of the members at the Nomination Committee meetings was 100%.

Members' attendance at the Nomination Committee meetings in 2018

	Attendance (%)	Meetings attended
Pekka Ala-Pietilä (Chairman)	100	1/1
Doug Baillie*	-	-
Jukka Suominen	100	1/1
Rolf Börjesson**	100	1/1

* Nomination Committee member since April 25, 2018
** Nomination Committee member until April 25, 2018

Human Resources Committee

The Human Resources Committee shall meet at least twice a year. The following individuals have comprised the Human Resources Committee from the date of the AGM in 2018: Pekka Ala-Pietilä (Chairman), Doug Baillie and William R. Barker. In addition, Ralf K. Wunderlich has been a Human Resources Committee member since July 1, 2018. In 2018, the Human Resources Committee held six meetings. The average attendance of the members at the Human Resources Committee meetings was 100%.

Members' attendance at the Human Resources Committee meetings in 2018

	Attendance (%)	Meetings attended
Pekka Ala-Pietilä (Chairman)	100	6/6
Doug Baillie	100	6/6
William R. Barker	100	6/6
Ralf K. Wunderlich*	100	2/2
Rolf Börjesson**	100	3/3

* Human Resources Committee member since July 1, 2018
** Human Resources Committee member until April 25, 2018

Audit Committee

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 Audit Committee members, the CFO of the Company and when considered necessary also other members of the Company's management participate in the Committee's meetings. The Auditor participates in the meeting deliberating the financial statements and also other meetings, if considered necessary.

The Audit 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 from the date of the AGM in 2018: Jukka Suominen (Chairman), Anja Korhonen, Kerttu Tuomas and Sandra Turner. In 2018, the Audit Committee held seven meetings. The average attendance of the members at the Audit Committee meetings was 96%.

Members' attendance at the Audit Committee meetings in 2018

	Attendance (%)	Meetings attended
Jukka Suominen (Chairman)	100	7/7
Anja Korhonen*	100	4/4
Kerttu Tuomas	100	7/7
Sandra Turner	100	7/7
Eija Ailasmaa**	67	2/3

* Audit Committee member since April 25, 2018
** Audit Committee member until April 25, 2018

Chief Executive Officer

The CEO manages the Group and its businesses. According to the Companies Act 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 and 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 responsible for the achievement of the goals, plans and objectives set by the Board. The CEO is the Chairman of the GET.

M.Sc. (Econ), MBA Jukka Moisio (born 1961) has acted as the Group 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 Jukka Moisio 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 Jukka Moisio, 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 in section "Remuneration" (www.huhtamaki.com–Investors–Corporate Governance–Remuneration).

Charles Héaulmé, BBA (born 1966) has been appointed as the President and CEO of Huhtamaki as of April 26, 2019. The transition will take place when Jukka Moisio steps down following the Annual General Meeting on April 25, 2019.

Global Executive Team

The GET supports the CEO in the management of the Group and its businesses. 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. The GET 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 Global function or a business segment. The GET convenes at least once a month.

The following persons belonged to the GET on December 31, 2018:

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: –

Ms. Leena Lie

Born 1968, Finnish citizen
Senior Vice President, Marketing and Communications

GET member since: August 27, 2018
Joined the company: 2018
Education: M.Sc. (Econ.)

Primary working experience: Cargotec Corporation (2015–2018), Senior Vice President Communications & IR; Kemira Oyj (2009–2015), several different roles, last position as Senior Vice President, Communications and Corporate Responsibility; KONE Corporation (2006–2009), several different roles, last position Vice President, Brand and Reputation Management; Nokia Corporation (1999–2006), several different roles, last position as Head of Communications, Nokia, Customer and Market Operations; Hartwall Arena (1997–1999) Marketing, Communications and Event Manager; Nokia Mobile Phones (1995–1997), Communications officer

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 corporate affairs roles, 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: Sarlin Group Oy Ab, Board member (2017–); 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. 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: –

In addition, Mr. Petr Domin has been a GET member during 2018 (until August 31, 2018).

Mr. Petr Domin

Mr. Petr Domin's CV is presented as it was on August 31, 2018
Born 1966, Czech citizen
Executive Vice President, Fiber Packaging
GET member: July 1, 2016–August 31, 2018
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, Molded Fiber (2009–2012), 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: Association of the Pulp and Paper Industry (Czech Republic), Board member (2017–)

The following changes to the GET that take place during 2019 have been announced at the date of this statement:

Mr. Charles Héaulmé (born 1966), BBA, has been appointed as the President and CEO of Huhtamaki as of April 26, 2019. Charles Héaulmé joins Huhtamaki from Tetra Pak, where his latest position has been Vice President Europe and Central Asia since 2015. Prior to this he has worked in various business and finance leadership roles in Tetra Pak in different geographies since 1999. He has also held financial controlling roles in Bosch Braking Systems Division 1994–1999 and served as a senior auditor in KPMG during 1990–1993. The transition will take place when Jukka Moisio steps down following the Annual General Meeting on April 25, 2019.

Mr. Michael Orye (born 1972), M.Sc. (Economics), has been appointed as the Executive Vice President, Fiber Packaging and GET member as of February 1, 2019. Michael Orye joins Huhtamaki from Amcor, where he has held various leadership positions in South Africa, Europe and USA since 2002, latest position being Managing Director, Sub-Saharan Africa, Amcor Flexibles. Prior to that he has worked as Vice President Medical Europe, Managing Director Amcor Flexibles Winterbourne as well as held general management and business development roles in Amcor Flexibles USA. Before joining Amcor, he worked as a project manager for Danisco in China.

Shares owned by the GET members on December 31, 2018

Jukka Moisio	124,200
Thomas Geust	21,636
Leena Lie	0
Sami Pauni	12,974
Teija Sarajärvi	9,520
Clay Dunn	54,814
Olli Koponen	44,136
Eric Le Lay	51,855
GET total	**319,135**

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 in section "Remuneration" (www.huhtamaki.com–Investors–Corporate Governance–Remuneration).

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

Overview of the risk management systems

Principles of risk management

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).

Risk management process and responsibilities

The Group's risk management process involves assessing risks systematically by business unit, segment and Global 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, which is responsible for reviewing the Group's strategic, operational, financial and information risks. The Board 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 GET 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 Global 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 Global 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 Global 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 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.

Risk management focus

A description of the risks that are material to the Group as well as of the focus of the risk management processes in 2018 is available in the Directors' Report and on the Company's website in section "Risk management" (www.huhtamaki.com–Investors–Corporate 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 and the CEO are responsible for adequate internal control. The Audit Committee 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, corporate responsibility, 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 Global 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 Global finance function which maintains the financial reporting guidelines and standards and takes care of communicating such throughout the Group. The Global 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 Global 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, data privacy, 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. The Group has a Global compliance function. 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. 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 2018 internal audit field work has been managed in cooperation with Deloitte 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 2018 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.

Global 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 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 Group General Counsel, the Head of Compliance, other representatives of relevant Global functions as well as the management of the business segment and business unit where the audit has been conducted are informed of the results of the audit. Achievement of actions related to internal audit recommendations are followed by segment management and internal auditor. Results of these internal audit follow-ups are reported to the Audit Committee.

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 Group General Counsel. Similarly, the CEO also determines, after consultation with the Group 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 Group 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 obligation

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 2018 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 2018 elected the Authorized Public Accountant firm Ernst & Young Oy as the Company's Auditor. Mr. Mikko Järventausta, 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.

Fees paid to the Auditor (MEUR)

	2018	2017
Auditing costs	2.0	1.9
Other consultancy not related to auditing*	0.6	0.7
Total	**2.6**	**2.6**

* Such other consultancy services are subject to separate review and approval process concerning the provision of non-audit services by the Auditor and included e.g. advisory in connection with various tax, reporting and other local compliance matters.

Remuneration Statement

Introduction

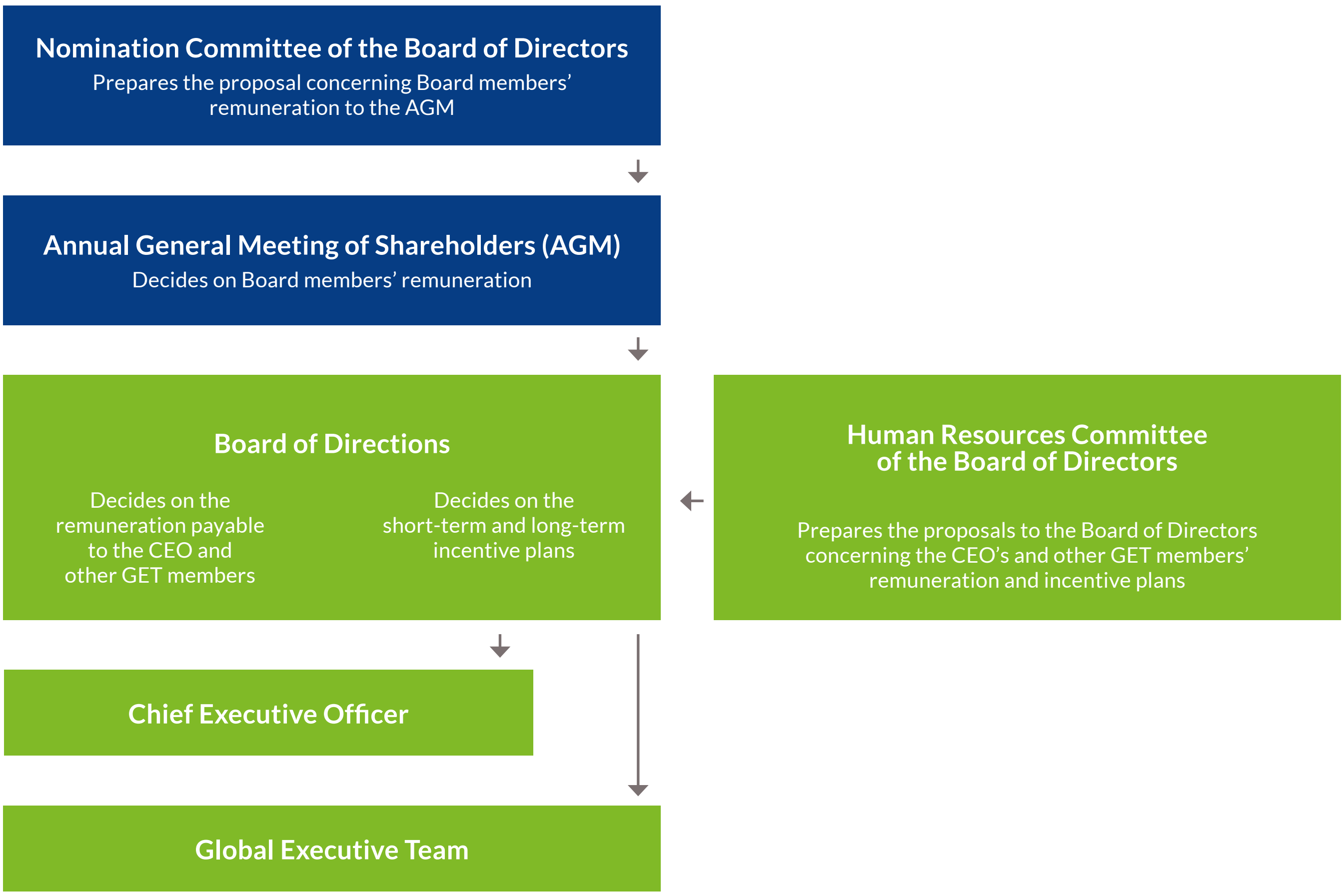
Huhtamäki Oyj (the Company) complies with the Finnish Corporate Governance Code (Code) adopted by the Securities Market Association. This Remuneration Statement has been prepared in accordance with the Corporate Governance Code effective from January 1, 2016. The Code is available in its entirety on 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 has reviewed the statement and it has been approved by the Board of Directors. The Company's Auditor 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 Global 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 2018. The remuneration and other financial benefits paid during the financial year 2017 are presented for comparison.

Updated information on the remuneration of the Company is available on the Company's website in section "Remuneration" (www.huhtamaki.com–Investors–Corporate 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

The decision-making process in remuneration related matters



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 prepares a proposal to the AGM on the same.

Chief Executive Officer and Global Executive Team

Remuneration and benefits payable to the CEO and other GET members are determined by the Board 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 always deliberated by the Human Resources Committee.

Authorizations relating to remuneration

The AGM on April 25, 2018 decided in accordance with the proposal of the Board that the Board 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% 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 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, 2019.

During 2018 the Board decided, based on the authorization, to transfer in total 222,609 of the Company's own shares as part of the Company's performance share plan (directed issue).

Main principles of remuneration

Board of Directors

The remuneration of the Board members consists of annual compensation and meeting fees paid for each meeting attended. The AGM on April 25, 2018 decided on the following remuneration:

Annual compensation 2018

	EUR
Chairman	120,000
Vice-Chairman	68,000
Members	57,000

Meeting fees for each Board meeting attended 2018

	EUR
Chairman	1,000
Members	1,000

Meeting fees for each Committee meeting attended 2018

	EUR
Chairman of the Audit Committee	2,000
Chairman of the Human Resources Committee	1,200
Chairman of the Nomination Committee	1,200
Members	1,000

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, 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 Global Executive Team

General

The remuneration of the 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 arrangement consisting of individual performance share plans.

The criteria for the remuneration of the CEO and other GET members are reviewed and the results of such reviews are regularly reported to the Human Resources Committee and the Board. The reviews aim 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 are based on the financial performance of the Group. The short term incentives for other GET members are based on the financial performance of the Group and the achievement of personal objectives. The short-term incentives for the GET members having a business segment responsibility are also determined based on the financial performance of the business segment in question. The weighting of the financial objectives is 100% for the CEO and 80% or 90% for other GET members. The weighting of the personal objectives is correspondingly 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 (VA) 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 annual 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. According to the established principles of the Group, the GET members having a business segment responsibility are not paid any short-term incentives (including any incentives based on personal objectives) if the criteria for financial performance of the relevant business segment is not achieved.

Performance share plans

Performance share plans function as long-term incentives for the CEO and other GET members. On March 12, 2010 the Board 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 consists of annually commencing individual 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. The Company's performance share plans with earnings year 2016 or later and based on which incentives may be paid out in 2017 or later have been illustrated below.

Performance Share Plan

	2014	2015	2016	2017	2018	2019	2020	2021
Performance Share Plan 2014–2016	1	2	3	4				
Performance Share Plan 2015–2017		1	2	3	4			
Performance Share Plan 2016–2018			1	2	3	4		
Performance Share Plan 2017–2019				1	2	3	4	
Performance Share Plan 2018–2020					1	2	3	4

Three-year earnings period; Reward is based on the Group´s earnings per share (EPS) on the third year of the earnings period
Payment year of possible reward
Paid out Performance Share Plans, earnings period
Paid out Performance Share Plans, payment year of reward

A cash payment equivalent to taxes and tax-like charges arising to the key personnel from the reward may be granted as part of the remuneration. GET members that are participants to a performance share plan shall hold at least half (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 gross base salary. The ownership requirement applies until termination of employment or service.

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 EUR 150,000. 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. At the end of the year in addition to the CEO, six other GET members belonged to the national employee pension system in Finland and one GET member belonged to corresponding pension system in the United States. 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.

Summary on remuneration of the Chief Executive Officer and other Global Executive Team members

	CEO Jukka Moisio	Other Global Executive Team members
Non-variable annual base salary and benefits	Non-variable annual base salary and benefits (mobile phone and car benefits)	
Short-term incentives	The CEO is entitled to short-term incentives. The maximum amount of the incentives is the amount corresponding to 100% of the non-variable annual base salary. The short-term incentives are based on the financial performance of the Group. Weighting: Financial objectives 100%	The other GET members are entitled to short-term incentives. The maximum amount of the incentives varies depending on the position between 50–75% of the non-variable annual base salary. The short-term incentives are based on the financial performance of the Group and the achievement of personal objectives. The short-term incentives for the GET members having a business segment responsibility are also determined based on the financial performance of the business segment in question. Weighting: Financial objectives 80 or 90% Personal objectives 20 or 10%
Long-term incentives	Performance share plans function as long-term incentives for the CEO and other GET members. The plans offer a possibility to earn the Company shares as remuneration for achieving established targets. Possible reward is based on the Group's EPS on the third year of each three-year earnings period.	
Shareholding requirement	GET members that are participants to a performance share plan, including the CEO, shall hold at least half (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 gross base salary. The ownership requirement applies until termination of employment or service.	
Pension	The retirement and resignation age of the CEO is 60 years, unless otherwise agreed upon. Early retirement is covered by an arrangement under which the Company contributes annually to a supplementary pension arrangement an amount which shall not exceed EUR 150,000. However, the contribution paid by the Company is subject to the CEO contributing the same amount to the supplementary pension arrangement.	Other GET members belong to pension systems of their country of residence in force at the time. 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.
Termination of service	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 2018

Board of Directors

In accordance with the resolution passed by the AGM held on April 25, 2018, as of the AGM 2018 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. The remuneration has remained unchanged from 2017.

In 2018, 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 remuneration was paid to the members of the Board for the financial years 2018 and 2017.

	2018			2017		
	Annual compensation	Meeting fees[6]	Total	Annual compensation	Meeting fees[6]	Total
Pekka Ala-Pietilä[1]	120,240	23,600	143,840	120,240	19,600	139,840
Jukka Suominen	68,000	30,000	98,000	68,000	31,000	99,000
Doug Baillie	57,000	21,000	78,000	57,000	15,000	72,000
William R. Barker	57,000	20,000	77,000	57,000	15,000	72,000
Anja Korhonen[2]	42,750	11,000	53,750	-	-	-
Kerttu Tuomas[3]	57,000	21,000	78,000	42,750	10,000	52,750
Sandra Turner	57,000	20,000	77,000	57,000	19,000	76,000
Ralf K. Wunderlich[4]	28,500	4,000	32,500	-	-	-
Eija Ailasmaa[5]	14,250	9,000	23,250	57,000	18,000	75,000
Rolf Börjesson[5]	14,250	12,000	26,250	57,000	20,000	77,000
Board total	**515,990**	**171,600**	**687,590**	**515,990**	**147,600**	**663,590**

[1] Annual compensation for Pekka Ala-Pietilä includes a mobile phone benefit
[2] Board member since April 25, 2018
[3] Board member since April 27, 2017
[4] Board member since July 1, 2018
[5] Board member until April 25, 2018
[6] The meeting fees have been entered in the table on the year when they have been paid

Chief Executive Officer and Global Executive Team

The following remuneration was paid to the CEO and the other GET members for the financial years 2018 and 2017.

	CEO Jukka Moisio		Other Global Executive Team members[4]	
	2018	2017	2018	2017
Non-variable annual base salary and benefits[1]	733,686	717,711	2,505,732	2,161,508
Short-term incentives[2]				
Remuneration based on the performance in the year preceding the payment year	370,630	505,248	746,547	891,638
Long-term incentives[3]				
Number of shares received as a reward	19,200 shares	22,750 shares	56,832 shares	58,604 shares
Value of the shares at the time of the transfer	691,695	740,392	2,049,628	1,912,384
Amount of income taxes and tax-like charges arising based on the shares received	742,514	791,808	2,141,929	1,999,854
Total value of the reward	1,434,209	1,532,200	4,191,557	3,912,238
Total remuneration	**2,538,525**	**2,755,159**	**7,443,836**	**6,965,384**

[1] Non-variable annual base salary and benefits include compensation relating to the commencement and termination of employment.
[2] 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 and tax-like charges 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. The reward based on the performance in 2017 under the Performance Share Plan 2015–2017 was paid in April 2018 and the reward based on the performance in 2016 under the Performance Share Plan 2014–2016 was paid in April 2017.
[4] Remuneration paid to other GET members is reported for the period that the person has been a member of the GET.

In 2018, expenses for the Company for the CEO's statutory pension were EUR 183,869 (2017: EUR 206,069) and for the supplementary pension arrangement EUR 150,000 (2017: EUR 150,000). At the end of 2018 liability from the supplementary pension arrangement was EUR 780,239 (2017: EUR 615,689) in the Company's statement of financial position. In 2018, the Company paid a total of EUR 18,560 (2017: EUR 22,998) to pension arrangements of the other GET members, excluding the CEO.

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