

Huhtamäki Oyj Interim Report Q1 2016

January 1–March 31, 2016

Huhtamäki



Good start to the year

Q1 2016 in brief

- Net sales grew to EUR 672 million (EUR 630 million)
- EBIT improved to EUR 58 million (EUR 50 million)
- EPS improved to EUR 0.40 (EUR 0.33 excluding NRI)
- Comparable net sales growth was 6% in total and 8% in emerging markets
- Currency movements had a negative impact of EUR -11 million on the Group's net sales and EUR -1 million on EBIT
- Free cash flow was solid at EUR 26 million (EUR -19 million)

Key figures

EUR million	Q1 2016	Q1 2015	Change	FY 2015
Net sales	672.3	630.1	7%	2,726.4
EBITDA*	84.6	74.8	13%	342.0
EBITDA margin*	12.6%	11.9%		12.5%
EBIT*	57.8	49.7	16%	237.5
EBIT margin*	8.6%	7.9%		8.7%
EPS*, EUR	0.40	0.33	21%	1.65
ROI**	14.8%	12.8%		14.7%
ROE**	18.3%	16.2%		18.1%
Capital expenditure	24.3	24.7	-2%	146.9
Free cash flow	25.6	-19.4	232%	91.2

* Excluding NRI of EUR -4.1 million in Q1 2015 and EUR -22.6 million in FY 2015.

** Excluding NRI of EUR -23.9 million in FY 2015.

Unless otherwise stated, all figures presented in this report, including corresponding periods in 2015, cover continuing operations only. Continuing operations include the Foodservice Europe-Asia-Oceania, North America, Flexible Packaging and Molded Fiber business segments. Discontinued operations for 2015 include the Films business segment, which was sold at the end of December 2014. Unless otherwise stated, all comparisons in this report are compared to the corresponding period in 2015. ROI, ROE and RONA figures presented in this report are calculated on a 12-month rolling basis.

Jukka Moisio, CEO:

“We had a good start to the year. Comparable growth improved to 6% and trading conditions for our businesses were relatively stable across markets. Volume growth was solid in many markets, while prices for plastic resins continued on a low level moderating our comparable growth through lower selling prices, especially in the Flexible Packaging segment.

Our profitability improved driven by North America and Flexible Packaging segments. Higher profitability combined with efficient capital management helped us to improve both the return on investment (ROI) and return on equity (ROE). Free cash flow was clearly positive despite normalized organic growth investments and seasonal inventory build-up before the summer months.

In addition to organic growth investments we finalized two acquisitions during the quarter. Flexible Packaging segment completed a capability-enhancing acquisition in Eastern Europe and Foodservice Europe-Asia-Oceania segment increased its ownership in a joint-venture company in Middle East to 50%. Both acquisitions will be consolidated and fully benefit our performance from the second quarter onwards.

Looking at 2016, we remain optimistic on the long term growth opportunities in food packaging and will continue to invest in growth. At the same time, we'll keep our eyes on the ball and ensure continued prudent housekeeping and operations management.”

Financial review Q1 2016

The Group's comparable net sales growth was 6% during the quarter. Growth was strongest in the North America and Foodservice Europe-Asia-Oceania business segments. Comparable growth in emerging markets was 8%. Growth was strongest in Eastern Europe and South Asia. Net sales development was flat in China. The Group's net sales grew to EUR 672 million (EUR 630 million). The impact from foreign currency translation on net sales turned negative and was EUR -11 million compared to 2015 exchange rates. Majority of the negative currency impact came from the weakening of emerging market currencies versus euro, whereas the impact of the US dollar versus euro continued to be positive.

Net sales by business segment

EUR million	Q1 2016	Q1 2015	Change	Of Group in Q1 2016
Foodservice Europe-Asia-Oceania	158.9	153.9	3%	23%
North America	235.2	210.7	12%	35%
Flexible Packaging	217.7	206.0	6%	32%
Molded Fiber	65.5	65.2	1%	10%
Elimination of internal sales	-5.0	-5.7		
Group	672.3	630.1	7%	

Comparable growth by business segment

	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Foodservice Europe-Asia-Oceania	7%	8%	6%	2%
North America	10%	5%	7%	-2%
Flexible Packaging	1%	-1%	5%	4%
Molded Fiber	4%	6%	5%	5%
Group	6%	4%	6%	1%

The Group's earnings grew driven by strong earnings improvement in the North America business segment. Good development in Flexible Packaging business segment contributed to the earnings growth, whereas earnings of Foodservice Europe-Asia-Oceania business segment remained flat and earnings of Molded Fiber business segment declined. The Group's earnings before interest and taxes (EBIT) were EUR 58 million (EUR 50 million). Negative foreign currency translation impact on Group's EBIT was EUR -1 million.

EBIT by business segment

EUR million	Q1 2016	Q1 2015	Change	Of Group in Q1 2016
Foodservice Europe-Asia-Oceania	12.0	11.9	1%	20%
North America	20.8	13.8	51%	35%
Flexible Packaging	18.9	17.0	11%	31%
Molded Fiber	8.2	8.6	-5%	14%
Other activities	-2.1	-1.6		
Group	57.8	49.7	16%	

Other activities EBIT excluding NRI of EUR -4.1 million in Q1 2015.

Net financial expenses decreased to EUR 6 million (EUR 9 million). Tax expense was EUR 9 million (EUR 6 million). The corresponding tax rate was 18% (16%).

Profit for the quarter was EUR 43 million (EUR 31 million). Earnings per share (EPS) were EUR 0.40 (EUR 0.33 and EUR 0.29 including NRI).

Statement of financial position and cash flow

The Group's net debt was EUR 549 million (EUR 591 million) at the end of March. The level of net debt corresponds to a gearing ratio of 0.52 (0.60). Net debt to EBITDA ratio (excl. NRI) was 1.6 (2.1). Average maturity of external committed credit facilities and loans was 4.2 (4.0) years.

Cash and cash equivalents were EUR 183 million (EUR 98 million) at the end of March and the Group had EUR 313 million (EUR 310 million) of unused committed credit facilities available.

Total assets on the statement of financial position were EUR 2,596 million (EUR 2,560 million).

Capital expenditure was EUR 24 million (EUR 25 million). Largest investments for business expansion were made in the U.S., the UK and Russia. The Group's free cash flow was EUR 26 million (EUR -19 million). Operating cash flow improved in all business segments driven by good profitability and efficient working capital management.

Acquisitions

On January 29, 2016 Huhtamaki completed the acquisition of FIOMO, a privately owned manufacturer of flexible packaging foils and labels in the Czech Republic. The annual net sales of the acquired business in 2015 were approximately EUR 21 million and it employs approximately 120 people in its manufacturing unit in the Prague area. The debt-free purchase price was approximately EUR 28 million. The business has been consolidated into the Flexible Packaging business segment as of February 1, 2016.

On March 22, 2016 Huhtamaki announced the expansion and revision of its long-standing joint venture relationship in Arabian Paper Products Company (APPCO) with Olayan Saudi Holding Company. Huhtamaki's ownership in APPCO increased to 50% from the earlier 40%. With the expansion of the joint venture relationship Huhtamaki continues to implement its growth strategy and strengthens its position in Middle-East and North Africa. The annual net sales of APPCO in 2015 were approximately EUR 24 million. The additional shares are acquired at a price of approximately EUR 4 million. As a result of the transaction, a non-recurring gain of approximately EUR 8 million will be booked in Q2 2016 in the Foodservice Europe-Asia-Oceania business segment and the business was consolidated into the segment as of April 1, 2016.

Significant events during the reporting period

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

Business review by segment

Foodservice Europe-Asia-Oceania

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

EUR million	Q1 2016	Q1 2015	Change	FY 2015
Net sales	158.9	153.9	3%	667.5
EBIT	12.0	11.9	1%	52.4
EBIT margin	7.6%	7.7%		7.9%
RONA	14.0%	17.2%		14.2%
Capital expenditure	5.3	7.5	-29%	39.6
Operating cash flow	9.4	5.9	59%	35.4

Q1 2016

Overall demand for foodservice packaging was relatively robust across markets. In Western Europe, good momentum in foodservice packaging for QSR and coffee sectors continued, driven by insulated paper cups. Currency fluctuations had an effect both on raw material prices and on demand for foodservice packaging in many markets. Competitive situation was tight across markets.

The Foodservice Europe-Asia-Oceania segment's net sales growth was good, comparable growth being 7%. Net sales growth was solid in Europe, driven by positive overall volume development in Eastern Europe and healthy insulated paper cup volume development in Western Europe. Growth was good also in Australia, whereas net sales development was flat in China.

Currency movements had a negative impact on the segment's reported net sales. The translation impact was EUR -7 million.

The segment's reported earnings remained on the previous year's level. Operational earnings development was favorable as a result of net sales growth in Europe, whereas certain underperforming units in Oceania and Asia had a negative impact on the segment's earnings.

North America

The North America segment serves local markets with Chinet® disposable tableware products, foodservice packaging products, as well as ice-cream containers and other consumer goods packaging products. The segment has production in the United States and Mexico.

EUR million	Q1 2016	Q1 2015	Change	FY 2015
Net sales	235.2	210.7	12%	947.7
EBIT	20.8	13.8	51%	88.2
EBIT margin	8.8%	6.5%		9.3%
RONA	14.9%	7.6%		14.1%
Capital expenditure	10.4	7.9	32%	40.9
Operating cash flow	10.3	-13.7	175%	61.1

Q1 2016

Overall market conditions in the United States were stable. Demand for foodservice packaging grew driven by new product launches in the QSR sector. Momentum was positive also in retail tableware.

The North America segment's net sales growth was strong, comparable growth being 10%. Growth was strongest in the foodservice packaging business, with healthy volume growth resulting from onboarding new business and utilizing increased capacity of the Batavia facility. Net sales growth was further supported by solid demand for private label retail tableware.

The segment's reported net sales were positively affected by currency movements. The translation impact was EUR 5 million.

The segment's profitability improved significantly. Earnings growth was driven by healthy volume growth in foodservice packaging. In addition, improved manufacturing output and active margin management contributed positively to earnings growth.

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.

EUR million	Q1 2016	Q1 2015	Change	FY 2015
Net sales	217.7	206.0	6%	868.9
EBIT	18.9	17.0	11%	68.8
EBIT margin	8.7%	8.3%		7.9%
RONA	11.5%	12.9%		12.3%
Capital expenditure	4.1	5.8	-29%	31.6
Operating cash flow	16.7	12.8	30%	63.5

Q1 2016

Demand for flexible packaging was relatively stable in Europe. In India, demand picked up compared to latter part of 2015. Good growth momentum in Southeast Asia continued. Uncertainty in trading environment due to currency fluctuations as well as tightened foreign exchange controls had a negative impact on exports to African markets. Prices for plastic resins remained soft.

The Flexible Packaging segment's comparable net sales growth was 1%. While the segment's overall volume development was good, the low raw material prices had a negative impact on selling prices and thus moderated the comparable growth. Net sales grew in India and Southeast Asia driven by packaging for personal care, food and beverages. Due to soft export demand, net sales declined in the Middle East. In Europe, net sales declined slightly despite good development in certain product categories.

Currency movements had a negative impact on the segment's reported net sales. The translation impact was EUR -5 million.

The segment's earnings grew. Volume growth, low raw material prices, favorable product mix in Europe and good cost containment all contributed positively to the earnings growth.

Molded Fiber

Recycled molded 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.

EUR million	Q1 2016	Q1 2015	Change	FY 2015
Net sales	65.5	65.2	1%	260.3
EBIT	8.2	8.6	-5%	33.5
EBIT margin	12.5%	13.2%		12.9%
RONA	17.1%	20.4%		17.7%
Capital expenditure	4.3	3.4	26%	34.1
Operating cash flow	3.9	3.7	5%	9.9

Q1 2016

Overall demand for molded fiber packaging was stable. In Europe, demand for egg packaging was shifting towards larger family packs. Prices for recycled fiber were generally stable, but increased in certain emerging markets, where the depreciation of local currencies boosted export demand.

The Molded Fiber segment's comparable net sales growth was 4%. In Europe, net sales growth was driven by premium egg packaging, while the impact of Easter period was moderate. In addition, recent capacity additions in South America and Eastern Europe contributed to growth.

Currency movements had a negative impact on the segment's reported net sales. The translation impact was EUR -4 million.

The segment's reported earnings declined reflecting the impact of currency movements. Operational earnings development was favorable as a result of good cost containment.

Personnel

The Group had a total of 16,074 (15,953) employees at the end of March 2016. The number of employees by segment was the following: Foodservice Europe-Asia-Oceania 4,323 (4,441), North America 3,546 (3,272), Flexible Packaging 6,455 (6,595), Molded Fiber 1,684 (1,586), and Other activities 66 (59).

Share capital and shareholders

At the end of March 2016, Huhtamäki Oyj's ("the Company") registered share capital was EUR 366 million (EUR 366 million) corresponding to a total number of shares of 107,760,385 (107,760,385), including 3,949,426 (4,102,334) Company's own shares. Own shares represent 3.7% (3.8%) of the total number of shares and votes. The number of outstanding shares excluding the Company's own shares was 103,810,959 (103,658,051). The average number of outstanding shares used in EPS calculations was 103,718,103 (103,570,457), excluding the Company's own shares.

There were 24,381 (25,683) registered shareholders at the end of March 2016. Foreign ownership including nominee registered shares accounted for 50% (46%).

Share trading

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

At the end of March 2016, the Company's market capitalization was EUR 3,387 million (EUR 3,001 million) excluding the Company's own shares. With a closing price of EUR 32.63 the share price decreased 3% from the beginning of the year. During the reporting period the volume weighted average price for the Company's share was EUR 31.38. The highest price paid was EUR 34.12 and the lowest price paid was EUR 27.14.

During the quarter the cumulative value of the Company's share turnover on Nasdaq Helsinki Ltd was EUR 434 million (EUR 474 million). The trading volume of 14 million (18 million) shares equaled an average daily turnover of 226,787 (298,222) shares. The cumulative value of the Company's share turnover including alternative trading venues, such as BATS Chi-X and Turquoise, was EUR 1,161 million (EUR 964 million). During the quarter, 63% (51%) of all trading took place outside Nasdaq Helsinki Ltd. (Source: Fidessa Fragmentation Index, www.fragmentation.fidessa.com)

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 2016

The Group's trading conditions are expected to remain relatively stable during 2016. 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 2015 with the majority of the investments directed to business expansion.

Annual General Meeting 2016

The Annual General Meeting of Shareholders will be held on Thursday, April 21, 2016 at 13.00 (EET) at Finlandia Hall, Mannerheimintie 13e, in Helsinki, Finland.

Financial reporting in 2016

In 2016, Huhtamäki will publish financial information as follows:

Interim Report, January 1–June 30, 2016

July 22

Interim Report, January 1–September 30, 2016

October 26

Espoo, April 20, 2016

Huhtamäki Oyj

Board of Directors

Group income statement (IFRS) - unaudited

EUR million	Q1 2016	Q1 2015	Q1-Q4 2015
Continuing operations			
Net sales	672.3	630.1	2,726.4
Cost of goods sold	-553.8	-529.0	-2,255.5
Gross profit	118.5	101.1	470.9
Other operating income	3.6	4.4	18.3
Sales and marketing	-18.3	-16.5	-74.1
Research and development	-4.3	-3.8	-15.7
Administration costs	-38.9	-34.4	-156.3
Other operating expenses	-3.3	-5.7	-30.3
Share of profit of equity-accounted investments	0.5	0.5	2.1
	-60.7	-55.5	-256.0
Earnings before interest and taxes	57.8	45.6	214.9
Financial income	1.6	1.2	4.9
Financial expenses	-7.3	-10.1	-39.1
Profit before taxes	52.1	36.7	180.7
Income tax expense	-9.4	-5.8	-29.3
Profit for the period from continuing operations	42.7	30.9	151.4
Discontinued operations			
Result relating to disposed operations	-	-	-1.3
Result for the period from discontinued operations	-	-	-1.3
Profit for the period	42.7	30.9	150.1
Attributable to:			
Equity holders of the parent company			
Profit for the period from continuing operations	41.5	29.7	148.2
Result for the period from discontinued operations	-	-	-1.3
Profit for the period attributable to equity holders of the parent company	41.5	29.7	146.9
Non-controlling interest			
Profit for the period from continuing operations	1.2	1.2	3.2
Result for the period from discontinued operations	-	-	-
Profit for the period attributable to non-controlling interest	1.2	1.2	3.2
EUR			
EPS profit for the period from continuing operations	0.40	0.29	1.43
EPS result for the period from discontinued operations	-	-	-0.01
EPS attributable to equity holders of the parent company	0.40	0.29	1.42
Diluted:			
EPS profit for the period from continuing operations	0.40	0.29	1.43
EPS result for the period from discontinued operations	-	-	-0.01
EPS attributable to equity holders of the parent company	0.40	0.29	1.42

Group statement of comprehensive income (IFRS) - unaudited

<i>EUR million</i>	Q1 2016	Q1 2015	Q1-Q4 2015
Profit for the period	42.7	30.9	150.1
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit plans	0.0	-0.8	36.9
Taxes related to items that will not be reclassified	0.0	0.3	-9.3
Total	0.0	-0.5	27.6
Items that may be reclassified subsequently to profit or loss			
Translation differences	-35.9	93.4	51.7
Equity hedges	10.7	-25.4	-23.4
Cash flow hedges	-3.0	-7.0	-4.0
Taxes related to items that may be reclassified	0.5	0.1	-0.1
Total	-27.7	61.1	24.2
Other comprehensive income, net of tax	-27.7	60.6	51.8
Total comprehensive income	15.0	91.5	201.9
Attributable to:			
Equity holders of the parent company	13.8	90.3	198.7
Non-controlling interest	1.2	1.2	3.2

Group statement of financial position (IFRS) - unaudited

EUR million	Mar 31 2016	Dec 31 2015	Mar 31 2015
ASSETS			
Non-current assets			
Goodwill	572.3	571.3	570.8
Other intangible assets	36.1	29.7	29.2
Tangible assets	838.6	853.8	846.8
Equity-accounted investments	11.7	12.8	12.4
Available-for-sale investments	1.9	1.9	1.9
Interest-bearing receivables	3.9	4.1	5.1
Deferred tax assets	49.6	50.9	58.3
Employee benefit assets	46.4	48.8	54.7
Other non-current assets	8.6	8.6	8.0
	1,569.1	1,581.9	1,587.2
Current assets			
Inventory	394.2	385.7	391.9
Interest-bearing receivables	2.6	2.0	2.4
Current tax assets	2.6	3.8	9.8
Trade and other current receivables	444.8	438.7	470.6
Cash and cash equivalents	183.1	103.2	97.6
	1,027.3	933.4	972.3
Total assets	2,596.4	2,515.3	2,559.5
EQUITY AND LIABILITIES			
Share capital	366.4	366.4	366.4
Premium fund	115.0	115.0	115.0
Treasury shares	-36.3	-37.3	-37.7
Translation differences	-74.7	-49.5	-9.8
Fair value and other reserves	-78.3	-75.8	-106.7
Retained earnings	723.7	682.1	626.4
Total equity attributable to equity holders of the parent company	1,015.8	1,000.9	953.6
Non-controlling interest	34.5	35.1	36.1
Total equity	1,050.3	1,036.0	989.7
Non-current liabilities			
Interest-bearing liabilities	648.4	503.1	566.0
Deferred tax liabilities	76.6	78.4	84.5
Employee benefit liabilities	194.8	199.2	242.5
Provisions	27.7	27.9	25.5
Other non-current liabilities	5.5	5.4	5.3
	953.0	814.0	923.8
Current liabilities			
Interest-bearing liabilities			
Current portion of long term loans	13.1	66.7	68.9
Short-term loans	77.4	90.8	61.4
Provisions	1.9	2.1	5.0
Current tax liabilities	12.0	12.9	8.6
Trade and other current liabilities	488.7	492.8	502.1
	593.1	665.3	646.0
Total liabilities	1,546.1	1,479.3	1,569.8
Total equity and liabilities	2,596.4	2,515.3	2,559.5
	Mar 31 2016	Dec 31 2015	Mar 31 2015
Net debt	549.3	551.3	591.2
Net debt to equity (gearing)	0.52	0.53	0.60

Group statement of changes in equity (IFRS) - unaudited

Attributable to equity holders of the parent company

<i>EUR million</i>	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance on Dec 31, 2014	366.4	115.0	-38.7	-77.8	-99.3	596.6	862.2	30.6	892.8
Share-based payments			1.0			-0.4	0.6		0.6
Total comprehensive income for the year				68.0	-7.4	29.7	90.3	1.2	91.5
Other changes						0.5	0.5	4.3	4.8
Balance on Mar 31, 2015	366.4	115.0	-37.7	-9.8	-106.7	626.4	953.6	36.1	989.7
Balance on Dec 31, 2015	366.4	115.0	-37.3	-49.5	-75.8	682.1	1,000.9	35.1	1,036.0
Share-based payments			1.0			1.0	2.0		2.0
Total comprehensive income for the year				-25.2	-2.5	41.5	13.8	1.2	15.0
Other changes						-0.9	-0.9	-1.8	-2.7
Balance on Mar 31, 2016	366.4	115.0	-36.3	-74.7	-78.3	723.7	1,015.8	34.5	1,050.3

Group statement of cash flows (IFRS) - unaudited

<i>EUR million</i>	Q1 2016	Q1 2015	Q1-Q4 2015
Profit for the period*	42.7	30.9	150.1
Adjustments*	43.4	38.3	164.6
Depreciation and amortization*	26.8	25.1	104.5
Share of profit of equity-accounted investments*	1.0	-0.5	-2.1
Gain/loss from disposal of assets*	0.1	0.0	-0.1
Financial expense/-income*	5.7	8.9	34.2
Income tax expense*	9.4	5.8	29.3
Other adjustments, operational*	0.4	-1.0	-1.2
Change in inventory*	-14.2	-23.3	-28.3
Change in non-interest bearing receivables*	-18.9	-69.6	-19.3
Change in non-interest bearing payables*	7.0	39.4	25.8
Dividends received*	0.4	0.3	1.7
Interest received*	0.2	0.2	1.2
Interest paid*	-3.0	-5.6	-25.7
Other financial expense and income*	0.0	-0.8	-3.3
Taxes paid*	-8.7	-4.5	-29.1
Net cash flows from operating activities	48.9	5.3	237.7
Capital expenditure*	-24.3	-24.7	-146.9
Proceeds from selling tangible assets*	1.0	0.0	0.4
Acquired subsidiaries and assets	-23.6	-208.0	-210.8
Proceeds from long-term deposits	0.3	1.5	1.2
Payment of long-term deposits	-0.2	-1.9	-0.7
Proceeds from short-term deposits	0.4	1.7	5.4
Payment of short-term deposits	-1.1	-0.3	-4.8
Net cash flows from investing activities	-47.5	-231.7	-356.2
Proceeds from long-term borrowings	151.4	23.9	40.0
Repayment of long-term borrowings	-8.4	-18.1	-94.5
Proceeds from short-term borrowings	376.6	42.1	988.5
Repayment of short-term borrowings	-436.2	-88.0	-1,009.6
Dividends paid	-	-	-62.2
Net cash flows from financing activities	83.4	-40.1	-137.8
Change in liquid assets	79.9	-253.2	-247.6
Cash flow based	84.8	-266.5	-256.3
Translation difference	-4.9	13.3	8.7
Liquid assets period start	103.2	350.8	350.8
Liquid assets period end	183.1	97.6	103.2
Free cash flow (including figures marked with *)	25.6	-19.4	91.2

Notes for the interim results report

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. Except for the accounting policy changes listed below, the same accounting principles have been applied in the interim financial statements as in the annual financial statements for 2015. The following amended standards and interpretations, which have been adopted with effect from January 1, 2016, had no impact on the interim financial statements:

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

Segments

Segment information is presented according to the IFRS standards. Items below EBIT - financial items and taxes - are not allocated to the segments. Unless otherwise stated, all figures presented in the notes of interim results report, including corresponding periods in 2015, cover continuing operations only.

Net Sales

<i>EUR million</i>	Q1 2016	Q1-Q4 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Foodservice Europe-Asia-Oceania	156.6	660.4	166.9	168.8	173.6	151.1
Intersegment net sales	2.3	7.1	1.8	0.7	1.8	2.8
North America	233.0	939.0	243.0	238.0	249.6	208.4
Intersegment net sales	2.2	8.7	1.2	2.3	2.9	2.3
Flexible Packaging	217.6	868.7	214.5	223.5	224.8	205.9
Intersegment net sales	0.1	0.2	0.0	0.1	0.0	0.1
Molded Fiber	65.1	258.3	66.1	61.9	65.6	64.7
Intersegment net sales	0.4	2.0	0.4	0.5	0.6	0.5
Elimination of intersegment net sales	-5.0	-18.0	-3.4	-3.6	-5.3	-5.7
Total	672.3	2,726.4	690.5	692.2	713.6	630.1

EBIT

<i>EUR million</i>	Q1 2016	Q1-Q4 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Continuing operations						
Foodservice Europe-Asia-Oceania	12.0	52.4	10.3	13.8	16.4	11.9
North America	20.8	88.2	23.2	25.0	26.2	13.8
Flexible Packaging	18.9	68.8	18.3	15.7	17.8	17.0
Molded Fiber	8.2	33.5	8.0	7.9	9.0	8.6
Other activities ¹	-2.1	-28.0	-4.1	0.0	-18.2	-5.7
Total continuing operations	57.8	214.9	55.7	62.4	51.2	45.6
Discontinued operations						
Films ²	-	-1.3	-	-	-1.3	-

¹ Q1-Q4 2015 includes non-recurring items MEUR -22.6, Q2 2015 MEUR -18.5 and Q1 2015 MEUR -4.1.

² Q1-Q4 2015 and Q2 2015 include non-recurring items MEUR -1.3.

Segments (continued)

EBITDA

<i>EUR million</i>	Q1 2016	Q1-Q4 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Continuing operations						
Foodservice Europe-Asia-Oceania	18.7	79.2	17.2	20.4	23.3	18.3
North America	30.0	124.6	32.7	34.0	35.1	22.8
Flexible Packaging	26.1	96.6	25.2	22.9	25.2	23.3
Molded Fiber	11.7	46.4	11.2	11.2	12.2	11.8
Other activities ¹	-1.9	-27.4	-3.9	0.1	-18.1	-5.5
Total continuing operations	84.6	319.4	82.4	88.6	77.7	70.7
Discontinued operations						
Films ²	-	-1.3	-	-	-1.3	-

¹ Q1-Q4 2015 includes non-recurring items MEUR -22.6, Q2 2015 MEUR -18.5 and Q1 2015 MEUR -4.1.

² Q1-Q4 2015 and Q2 2015 include non-recurring items MEUR -1.3.

Depreciation and amortization

<i>EUR million</i>	Q1 2016	Q1-Q4 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Foodservice Europe-Asia-Oceania	6.7	26.8	6.9	6.6	6.9	6.4
North America	9.2	36.4	9.5	9.0	8.9	9.0
Flexible Packaging	7.2	27.8	6.9	7.2	7.4	6.3
Molded Fiber	3.5	12.9	3.2	3.3	3.2	3.2
Other activities	0.2	0.6	0.2	0.1	0.1	0.2
Total	26.8	104.5	26.7	26.2	26.5	25.1

Net assets allocated to the segments³

<i>EUR million</i>	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Foodservice Europe-Asia-Oceania	366.9	371.5	372.9	385.0	377.7
North America	631.1	638.9	634.8	643.0	653.5
Flexible Packaging	631.9	611.3	604.1	608.5	630.8
Molded Fiber	202.6	197.8	192.5	189.5	189.1

³ Following statement of financial position items are included in net assets: intangible and tangible assets, equity-accounted investments, other non-current assets, inventories, trade and other current receivables (excluding accrued interest income), other non-current liabilities and trade and other current liabilities (excluding accrued interest expense).

Segments (continued)

Capital expenditure

<i>EUR million</i>	Q1 2016	Q1-Q4 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Foodservice Europe-Asia-Oceania	5.3	39.6	10.2	12.1	9.8	7.5
North America	10.4	40.9	12.0	11.2	9.8	7.9
Flexible Packaging	4.1	31.6	9.5	5.2	11.1	5.8
Molded Fiber	4.3	34.1	18.4	6.3	6.0	3.4
Other activities	0.2	0.7	0.4	0.0	0.2	0.1
Total	24.3	146.9	50.5	34.8	36.9	24.7

RONA (12m roll.)

<i>EUR million</i>	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Foodservice Europe-Asia-Oceania	14.0%	14.2%	15.2%	16.2%	17.2%
North America	14.9%	14.1%	12.0%	9.5%	7.6%
Flexible Packaging	11.5%	12.3%	12.4%	12.8%	12.9%
Molded Fiber	17.1%	17.7%	19.1%	19.2%	20.4%

Operating cash flow

<i>EUR million</i>	Q1 2016	Q1-Q4 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Foodservice Europe-Asia-Oceania	9.4	35.4	11.8	10.0	7.7	5.9
North America	10.3	61.1	33.0	31.7	10.1	-13.7
Flexible Packaging	16.7	63.5	18.7	9.5	22.5	12.8
Molded Fiber	3.9	9.9	-5.3	4.0	7.5	3.7

Reportable segments' net sales and EBIT form Groups' total net sales and EBIT, so no reconciliations to corresponding amounts are presented.

Business combinations

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

On January 29, 2016 Huhtamaki completed the acquisition of FIOMO, a privately owned manufacturer of flexible packaging foils and labels in Czech Republic. With the acquisition Huhtamaki expanded its flexible manufacturing footprint to Eastern Europe. The acquired business has been consolidated into Flexible Packaging business segment as of February 1, 2016. The goodwill is expected to be non-deductible for income tax purposes. The consideration in cash amounted to EUR 26.5 million. The costs relating to advice etc. services EUR 0.5 million are included in Group income statement in account Other operating expenses.

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

EUR million

Customer relations	7.1
Tangible assets	10.1
Inventories	3.8
Trade and other receivables	3.5
Cash and cash equivalents	2.9
Total assets	27.4
Deferred taxes	-2.3
Interest-bearing loans	-5.0
Trade and other payables	-3.3
Total liabilities	-10.6
Net assets total	16.8
Goodwill	9.7
Consideration	26.5

Analysis of cash flows of acquisition

EUR million

Purchase consideration, cash payment	-26.5
Cash and cash equivalents in acquired companies	2.9
Transaction costs of the acquisition	-0.5
Net cash flow on acquisition	-24.1

The net sales of the acquired business included in the Group income statement since acquisition date were EUR 3.2 million and profit for the period was EUR 0.2 million. The net sales and the profit for the period of the acquired business would not have had material effect in the Group income statement, if the acquired business had been consolidated from January 1, 2016.

Other information

Key indicators

	Q1 2016	Q1-Q4 2015	Q1 2015
Equity per share (EUR)	9.79	9.65	9.20
ROE, % (12m roll.)	16.3	15.6	16.3
ROI, % (12m roll.)	13.6	13.3	12.9
Personnel	16,074	15,844	15,953
Profit before taxes (EUR million, 12m roll.)	196.1	180.7	151.4
Depreciation of tangible assets (EUR million)	25.0	97.7	23.6
Amortization of intangible assets (EUR million)	1.8	6.8	1.5

Contingent liabilities

EUR million	Mar 31 2016	Dec 31 2015	Mar 31 2015
Mortgages	0.0	0.0	0.0
Guarantee obligations	0.5	0.5	0.5
Lease payments	62.0	67.4	67.0
Capital expenditure commitments	46.1	30.4	44.1

Financial instruments measured at fair value

EUR million	Mar 31 2016	Dec 31 2015	Mar 31 2015
Derivatives - assets			
Currency forwards, transaction risk hedges	2.3	2.4	2.0
Currency forwards, translation risk hedges	3.2	-	-
Currency forwards, for financing purposes	2.7	2.0	4.5
Currency options, transaction risk hedges	0.7	0.4	0.5
Interest rate swaps	4.7	3.8	4.4
Cross currency swaps	-	-	0.4
Electricity forwards	0.0	0.0	0.0
Available-for-sale investments	1.9	1.9	1.9
Derivatives - liabilities			
Currency forwards, transaction risk hedges	3.1	1.5	3.1
Currency forwards, translation risk hedges	0.0	2.2	4.6
Currency forwards, for financing purposes	1.5	1.3	9.6
Currency options, transaction risk hedges	0.4	0.1	0.6
Interest rate swaps	2.2	1.8	2.3
Cross currency swaps	-	-	0.6
Electricity forwards	0.3	0.3	0.2

The fair values of the financial instruments measured at fair value have been indirectly derived from market prices. Only fair values of electricity forwards are based on quoted prices in active markets. Quoted and unquoted shares are classified as available-for-sale investments. Quoted shares are measured at fair value. For unquoted shares the fair value cannot be measured reliably, as a result of which the investments are carried at cost.

Interest-bearing liabilities

EUR million	Mar 31 2016		Dec 31 2015		Mar 31 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current	648.4	648.2	503.1	502.1	566.0	563.5
Current	90.5	90.5	157.5	157.5	130.3	130.3
Total	738.9	738.7	660.6	659.6	696.3	693.8

Other information (continued)

Exchange rates

Income statement, average:

	Q1 2016	Q1 2015
AUD 1 =	0.6535	0.6984
GBP 1 =	1.2979	1.3453
INR 1 =	0.0134	0.0143
RUB 1 =	0.0121	0.0141
THB 1 =	0.0255	0.0272
USD 1 =	0.9075	0.8877

Statement of financial position, month end:

	Mar 31 2016	Mar 31 2015
AUD 1 =	0.6754	0.7065
GBP 1 =	1.2633	1.3749
INR 1 =	0.0133	0.0149
RUB 1 =	0.0131	0.0160
THB 1 =	0.0250	0.0286
USD 1 =	0.8783	0.9295

Definitions for key indicators

Earnings per share (EPS) from profit for the period from continuing operations =

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

Earnings per share (EPS) from profit for the period from discontinued operations =

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

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

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

Diluted earnings per share (EPS) from profit for the period from continuing operations =

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

Diluted earnings per share (EPS) from profit for the period from discontinued operations =

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

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

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

Net debt to equity (gearing) =

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

Return on net assets (RONA) =

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

Operating cash flow =

EBIT + depreciation and amortization (including impairment) - capital expenditure + disposals +/- change in inventories, trade receivables and trade payables

Shareholders' equity per share =

$\frac{\text{Total equity attributable to equity holders of the parent company}}{\text{Issue-adjusted number of shares at period end}}$

Return on equity (ROE) =

$\frac{100 \times \text{Profit for the period (12m roll.)}}{\text{Total equity (average)}}$

Return on investment (ROI) =

$\frac{100 \times (\text{Profit before taxes} + \text{interest expenses} + \text{net other financial expenses}) (12m roll.)}{\text{Statement of financial position total} - \text{interest-free liabilities (average)}}$