

Huhtamäki Oyj Interim Report Q1 2019

January 1–March 31, 2019

Huhtamäki



Solid comparable net sales growth and profitability

Q1 2019 in brief

- Net sales grew to EUR 802 million (EUR 725 million)
- Adjusted EBIT was EUR 68 million (EUR 61 million); reported EBIT EUR 68 million (EUR 61 million)
- Adjusted EPS was EUR 0.44 (EUR 0.40); reported EPS EUR 0.44 (EUR 0.40)
- Comparable net sales growth was 5% in total and 7% in emerging markets
- Currency movements had a positive impact of EUR 19 million on the Group's net sales and EUR 1 million on EBIT

Key figures

EUR million	Q1 2019	Q1 2018	Change	FY 2018
Net sales	802.1	725.2	11%	3,103.6
Adjusted EBITDA ¹	107.0	95.6	12%	398.7
Margin ¹	13.3%	13.2%		12.8%
EBITDA	106.8	95.6	12%	390.3
Adjusted EBIT ²	67.8	60.6	12%	251.0
Margin ²	8.5%	8.4%		8.1%
EBIT	67.7	60.6	12%	225.5
Adjusted EPS ³	0.44	0.40	10%	1.69
EPS, EUR	0.44	0.40	10%	1.49
Adjusted ROI ^{2,4}	11.5%	13.3%		11.6%
Adjusted ROE ^{3,4}	14.6%	16.7%		14.5%
ROI ⁴	10.4%	13.1%		10.4%
ROE ⁴	13.0%	16.3%		12.8%
Capital expenditure	39.7	33.3	19%	196.9
Free cash flow	-18.3	-13.5	-35%	79.6

¹ Excluding IAC of EUR -0.1 million in Q1 2019 (no IAC in Q1 2018) and EUR -8.4 million in FY 2018.

² Excluding IAC of EUR -0.1 million in Q1 2019 (no IAC in Q1 2018) and EUR -25.5 million in FY 2018.

³ Excluding IAC of EUR -0.1 million in Q1 2019 (no IAC in Q1 2018) and IAC of EUR -20.6 million in FY 2018.

⁴ ROI and ROE for Q1 2018 have not been restated for IFRS 16 impact.

Unless otherwise stated, all comparisons in this report are compared to the corresponding period in 2018. Figures of return on investment (ROI), return on equity (ROE) and return on net assets (RONA) as well as net debt to EBITDA presented in this report are calculated on a 12-month rolling basis.

IFRS 16 Leases standard has been adopted as of January 1, 2019 using full retrospective transition method. The financial information for 2018 has been restated except for key figures ROI, ROE, RONA and net debt to EBITDA for periods Q1 2018, Q2 2018 and Q3 2018. For more information see the notes.

The figures in the tables are exact figures and consequently the sum of individual figures may deviate from the sum presented. Key figures have been calculated using exact figures.

Jukka Moisio, CEO:

“Our first quarter net sales grew 11% to EUR 802 million. The Group’s comparable net sales growth was 5% and in emerging markets 7%. Also, net sales to global key accounts developed well. Positive currency translation impact was 3%, mostly from the stronger US Dollar. The acquisitions completed in Q2 2018 brought the Group 3% growth and added EUR 25 million to the quarterly net sales.

Our EBIT grew by 12% to EUR 68 million. Good net sales growth combined with price and mix improvements and enhanced cost efficiency contributed to higher earnings. Foodservice Europe-Asia-Oceania, North America, and Flexible Packaging segments all increased their net sales and improved EBIT while Fiber Packaging EBIT declined mainly due to investments related to the ongoing Fresh innovation project.

We continued to make good progress on several innovation projects, most notably paper straws, fiber-based ready meal tray Fresh, and the recently launched Huhtamaki blueloop concept of recyclable flexible packaging. All of these are good examples of our solutions to pack and serve food safely and conveniently with less negative impact on the environment.

The year has started well with record net sales and EBIT for the first quarter. Significant organic growth investments made in the past couple of years are expected to deliver continued good growth. The most recent official facility opening was held early April in Egypt where the new flexible packaging plant is ramping up its production.”

Financial review Q1 2019

The Group's net sales growth was strong during the quarter, with all segments contributing. Comparable net sales growth was solid at 5%, led by the Flexible Packaging and North America business segments. Growth in emerging markets was 7%. The Group's net sales grew to EUR 802 million (EUR 725 million). Foreign currency translation impact on the Group's net sales was EUR 19 million (EUR -59 million) compared to 2018 exchange rates. The majority of the positive impact came from the US Dollar.

Net sales by business segment

EUR million	Q1 2019	Q1 2018	Change	Of Group in Q1 2019
Foodservice Europe-Asia-Oceania	227.9	198.8	15%	28%
North America	255.7	226.8	13%	32%
Flexible Packaging	251.8	234.0	8%	31%
Fiber Packaging	71.5	69.7	3%	9%
Elimination of internal sales	-4.9	-4.1		
Group	802.1	725.2	11%	

Comparable net sales growth by business segment

	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Foodservice Europe-Asia-Oceania	4%	3%	5%	5%
North America	5%	11%	2%	2%
Flexible Packaging	5%	4%	6%	11%
Fiber Packaging	4%	5%	4%	3%
Group	5%	6%	4%	6%

The Group's earnings improved significantly and profitability was on a solid level. Earnings improved significantly in the Flexible Packaging segment as a result of positive development in India, and in the North America segment following successful pricing actions. Earnings declined in the Fiber Packaging segment due to investments related to the commercialization of the Fresh ready meal tray. The Group's adjusted earnings before interests and taxes (EBIT) were EUR 68 million (EUR 61 million) and reported EBIT EUR 68 million (EUR 61 million). Foreign currency translation impact on the Group's earnings was EUR 1 million (EUR -4 million).

Adjusted EBIT by business segment

EUR million	Q1 2019	Q1 2018	Change	Of Group in Q1 2019
Foodservice Europe-Asia-Oceania	20.1	19.5	3%	28%
North America	20.6	16.3	26%	29%
Flexible Packaging	23.0	17.6	31%	33%
Fiber Packaging	6.9	8.0	-15%	10%
Other activities ¹	-2.7	-0.8		
Group	67.8	60.6	12%	

¹ Excluding IAC of EUR -0.1 million in Q1 2019 (no IAC in Q1 2018).

Adjusted EBIT excludes EUR -0.1 million of items affecting comparability (IAC), which consist of acquisition related costs.

Adjusted EBIT and IAC

EUR million	Q1 2019	Q1 2018
Adjusted EBIT	67.8	60.6
Acquisition related costs	-0.1	-
EBIT	67.7	60.6

Net financial expenses were EUR 8 million (EUR 8 million). Tax expense was EUR 12 million (EUR 11 million). The corresponding tax rate was 21% (21%). Profit for the quarter was EUR 47 million (EUR 42 million).

Adjusted and reported earnings per share (EPS) were EUR 0.44 (EUR 0.40). Adjusted EPS is calculated based on adjusted profit for the period, which excludes EUR -0.1 million of IAC and related taxes.

Adjusted EPS and IAC

EUR million	Q1 2019	Q1 2018
Adjusted profit for the period attributable to equity holders of the parent company	45.5	41.2
IAC excluded from adjusted EBIT	-0.1	-
Taxes related to IAC	0.0	-
Profit for the period attributable to equity holders of the parent company	45.4	41.2

Statement of financial position and cash flow

The Group's net debt at the end of March was EUR 980 million (EUR 815 million). The increase was due to acquisitions completed during 2018, continued growth investments and higher working capital. The level of net debt corresponds to a gearing ratio of 0.73 (0.68). Net debt to EBITDA ratio (excluding IAC) was 2.4 (1.8). Average maturity of external committed credit facilities and loans was 3.5 years (4.4 years).

Cash and cash equivalents were EUR 100 million (EUR 111 million) at the end of March and the Group had EUR 302 million (EUR 311 million) of unused committed credit facilities available.

Total assets on the statement of financial position were EUR 3,417 million (EUR 3,035 million).

Capital expenditure was EUR 40 million (EUR 33 million). The largest investments for business expansion were made in Egypt, Finland and the U.S. The Group's free cash flow was EUR -18 million (EUR -14 million) reflecting good sales, preparation for high season and timing of investments.

Significant events during the reporting period

On March 7, 2019 the European Commission announced that it has opened an investigation into Luxembourg tax practices, in particular Huhtamaki tax rulings from the years 2009, 2012 and 2013. The investigation is not targeted at Huhtamaki and Huhtamaki has not been approached by the European Commission.

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 2019	Q1 2018	Change	FY 2018
Net sales	227.9	198.8	15%	881.7
Adjusted EBIT ¹	20.1	19.5	3%	77.1
Margin ¹	8.8%	9.8%		8.7%
Adjusted RONA ¹	11.3%	13.6%		11.9%
Capital expenditure	13.6	9.8	39%	57.8
Operating cash flow	7.7	6.1	27%	53.9

¹ Excluding IAC of EUR -13.3 million in FY 2018. RONA for Q1 2018 has not been restated for IFRS 16 impact.

Q1 2019

Demand for foodservice packaging varied across markets. Good momentum continued in Eastern Europe while demand was weak in the UK. Consumers' increased preference for sustainable packaging was visible across markets and translated to growing demand for paperboard products, particularly in continental Europe. Raw material prices were stable.

The Foodservice Europe-Asia-Oceania segment's net sales growth was strong, fueled by contribution from the businesses acquired during Q2 2018. Comparable net sales growth was 4%. Growth was strongest in Eastern Europe, driven by good progress in packaging products for fast food restaurants and specialty coffee chains. Net sales growth of paper food containers and folded carton packaging was also good, particularly in Central Europe. Net sales in China were in line with prior year. The businesses acquired during the second quarter of 2018 contributed EUR 23 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.

The impact of currency movements on the segment's reported net sales was EUR -2 million.

The segment's earnings grew as a result of net sales growth. The segment's profitability was negatively affected by weaker demand and unfavorable mix in the UK. The businesses acquired during Q2 2018 had a positive contribution to the segment's earnings.

There was no significant foreign currency impact on the segments reported 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 2019	Q1 2018	Change	FY 2018
Net sales	255.7	226.8	13%	1,002.7
Adjusted EBIT ¹	20.6	16.3	26%	73.0
Margin ¹	8.0%	7.2%		7.3%
Adjusted RONA ¹	9.4%	13.2%		9.2%
Capital expenditure	14.6	14.9	-1%	62.9
Operating cash flow	2.9	-25.6	111%	19.8

¹ Excluding IAC of EUR -10.7 million in FY 2018. RONA for Q1 2018 has not been restated for IFRS 16 impact.

Q1 2019

In the U.S. strong demand for retail private label tableware continued and demand for ice cream packaging was also strong. The harsh winter through most of the U.S. had a negative impact on fast food restaurant traffic, moderating the demand for foodservice packaging. Distribution costs were relatively stable. Prices for paperboard were stable while costs for smooth fiber and plastic resins moderated. The labor market continued to be tight.

The North America segment's net sales growth was strong, comparable net sales growth being 5%. Growth was strongest within retail private label tableware and ice cream packaging. Net sales of foodservice packaging grew also while sales of Chinet® branded retail tableware declined due to the late timing of Easter deliveries.

The impact of currency movements on the segment's reported net sales was EUR 19 million.

The segment's earnings grew significantly and the profitability was at a good level. Earnings growth was mainly a result of the pricing actions taken during 2018.

The impact of currency movements on the segment's reported earnings was EUR 2 million.

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 2019	Q1 2018	Change	FY 2018
Net sales	251.8	234.0	8%	952.3
Adjusted EBIT ¹	23.0	17.6	31%	67.8
Margin ¹	9.1%	7.5%		7.1%
Adjusted RONA ¹	10.5%	10.6%		10.0%
Capital expenditure	8.7	5.7	55%	49.7
Operating cash flow	-0.7	10.6	-107%	42.2

¹ Excluding IAC of EUR -9.7 million in FY 2018. RONA for Q1 2018 has not been restated for IFRS 16 impact.

Q1 2019

Demand for flexible packaging was good across most markets. Prices of plastic resins decreased compared to Q4 2018 and were lower than Q1 2018. Competitive situation was tight, particularly in Southeast Asia.

The Flexible Packaging segment's net sales growth was good, with comparable net sales growth at 5%. Growth was strongest in Africa, the Middle East and India. Growth in India was driven by export sales, supported by improved availability of currency in certain markets. First commercial orders from the segment's new facility in Egypt were delivered during the quarter. Ajanta Packaging, acquired during the second quarter in 2018, contributed EUR 2 million to the segment's net sales.

The impact of currency movements on the segment's reported net sales was EUR 3 million.

The segment's earnings improved significantly and the segment's profitability was at a good level. Earnings growth was driven by continued positive development in India, resulting from successful pricing activity and improved mix, improvements in operational efficiency and tight cost control. Good operational efficiency across the segment also supported earnings growth. In addition, earnings were positively impacted by a minor gain related to a sale of a real estate in India.

There was no significant foreign currency impact on the segments reported earnings.

Fiber Packaging

Recycled and other natural fibers are used to make fresh product packaging, such as egg, fruit, food and drink packaging. The segment has production in Europe, Oceania, Africa and South America.

EUR million	Q1 2019	Q1 2018	Change	FY 2018
Net sales	71.5	69.7	3%	283.0
Adjusted EBIT ¹	6.9	8.0	-15%	31.2
Margin ¹	9.6%	11.5%		11.0%
Adjusted RONA ¹	13.5%	13.2%		14.2%
Capital expenditure	2.6	2.2	19%	23.4
Operating cash flow	4.6	6.1	-24%	25.1

¹ Excluding IAC of EUR -2.1 million in FY 2018. RONA for Q1 2018 has not been restated for IFRS 16 impact.

Q1 2019

Demand for fiber-based packaging was solid across most markets. In Europe and in Russia demand for egg cartons was strong, while in New Zealand and South Africa a temporary lack of eggs in the market had a negative impact on the demand. In Brazil demand for fiber packaging suffered from economic conditions. Prices of recycled fiber were stable but higher than Q1 2018. Energy prices have stabilized from the previous quarter but were significantly higher than Q1 2018.

The Fiber Packaging segment's net sales growth was solid with comparable net sales growth at 4%. Growth was strongest in Oceania, Central Europe and Africa, supported by good demand and new capacity installed during the previous year. In Russia growth was constrained by lack of capacity.

The impact of currency movements on the segment's reported net sales was EUR -1 million.

The segment's earnings declined as the good operational performance across units was not sufficient to fully cover the investments related to the commercialization of the Fresh ready meal tray.

There was no significant foreign currency impact on the segments reported earnings.

Personnel

The Group had a total of 17,714 (17,645) employees at the end of March 2019. The number of employees by segment was the following: Foodservice Europe-Asia-Oceania 4,881 (4,945), North America 3,907 (3,894), Flexible Packaging 7,090 (6,995), Fiber Packaging 1,748 (1,734), and Other activities, including global functions in Finland 88 (77).

Changes in management

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

Share capital and shareholders

At the end of March 2019, 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 (3,488,722) shares owned by the Company. Own shares represent 3.2% (3.2%) of the total number of shares and votes. The number of outstanding shares excluding the Company's own shares was 104,334,676 (104,271,663). The average number of outstanding shares used in EPS calculations was 104,334,676 (104,120,933), excluding the Company's own shares.

There were 31,693 (30,271) registered shareholders at the end of March 2019. Foreign ownership including nominee registered shares accounted for 45% (47%).

Share trading

During January-March 2019, the Company's shares were quoted on Nasdaq Helsinki Ltd on the Nordic Large Cap list under the Industrials sector. It was a component of the Nasdaq Helsinki 25 Index.

At the end of March 2019, the Company's market capitalization was EUR 3,574 million (EUR 3,841 million) excluding the Company's own shares. With a closing price of EUR 33.17 (EUR 35.64) the share price increased 23% from the beginning of the year. During the quarter the volume weighted average price for the Company's shares was EUR 30.41. The highest price paid was EUR 33.86 and the lowest was EUR 26.81.

During the quarter, the cumulative value of the Company's share turnover on Nasdaq Helsinki Ltd was EUR 532 million (EUR 701 million). The trading volume of 17 million (21 million) shares equaled an average daily turnover of 277,197 (325,710) shares. The cumulative value of the Company's share turnover including alternative trading venues, such as BATS Chi-X and Turquoise, was EUR 1,385 million (EUR 1,812 million). During the quarter, 63% (61%) of all trading took place outside Nasdaq Helsinki Ltd. (Source: Fidessa Fragmentation Index, 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 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.

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, Helsinki, Finland.

Financial reporting in 2019

In 2019, Huhtamäki will publish financial information as follows:

Half-yearly Report, January 1–June 30, 2019	July 19
Interim Report, January 1–September 30, 2019	October 23

Espoo, April 24, 2019

Huhtamäki Oyj
Board of Directors

Group income statement (IFRS) - unaudited

<i>EUR million</i>	Q1 2019	Q1 2018	Q1-Q4 2018
Net sales	802.1	725.2	3,103.6
Cost of goods sold	-666.5	-604.8	-2,630.8
Gross profit	135.6	120.4	472.8
Other operating income	2.1	2.5	28.5
Sales and marketing	-20.4	-18.0	-74.8
Research and development	-5.4	-5.0	-20.2
Administration expenses	-41.8	-37.4	-170.4
Other operating expenses	-3.1	-2.5	-12.2
Share of profit of equity-accounted investments	0.6	0.6	1.8
	-67.9	-59.8	-247.3
Earnings before interest and taxes	67.7	60.6	225.5
Financial income	1.4	1.1	4.4
Financial expenses	-9.3	-8.7	-35.6
Profit before taxes	59.7	53.0	194.4
Income tax expense	-12.4	-11.1	-37.5
Profit for the period	47.3	41.9	156.9
Attributable to:			
Equity holders of the parent company	45.4	41.2	155.4
Non-controlling interest	1.9	0.7	1.5
EUR			
EPS attributable to equity holders of the parent company	0.44	0.40	1.49
Diluted EPS attributable to equity holders of the parent company	0.44	0.40	1.49

Group statement of comprehensive income (IFRS) - unaudited

<i>EUR million</i>	Q1 2019	Q1 2018	Q1-Q4 2018
Profit for the period	47.3	41.9	156.9
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit plans	-	0.3	4.5
Taxes related to items that will not be reclassified	0.0	-0.1	-1.1
Total	0.0	0.2	3.4
Items that may be reclassified subsequently to profit or loss			
Translation differences	36.4	-35.4	10.6
Equity hedges	-6.1	6.1	-10.1
Cash flow hedges	-2.4	0.6	2.2
Taxes related to items that may be reclassified	0.3	-0.2	-0.3
Total	28.2	-28.9	2.4
Other comprehensive income, net of tax	28.2	-28.7	5.7
Total comprehensive income	75.5	13.2	162.6
Attributable to:			
Equity holders of the parent company	73.5	12.5	161.2
Non-controlling interest	2.0	0.7	1.5

Group statement of financial position (IFRS) - unaudited

<i>EUR million</i>	Mar 31, 2019	Dec 31, 2018	Mar 31, 2018
ASSETS			
Non-current assets			
Goodwill	708.6	698.1	624.3
Other intangible assets	40.3	40.5	35.2
Tangible assets	1,285.0	1,233.4	1,131.2
Equity-accounted investments	5.5	4.9	6.2
Other investments	2.5	2.5	1.7
Interest-bearing receivables	2.9	2.6	2.7
Deferred tax assets	46.2	47.8	52.0
Employee benefit assets	49.7	49.1	50.7
Other non-current assets	3.9	4.6	6.1
	2,144.8	2,083.6	1,910.1
Current assets			
Inventory	542.2	497.7	466.4
Interest-bearing receivables	9.7	10.4	3.8
Current tax assets	15.2	15.1	12.7
Trade and other current receivables	605.5	538.2	531.3
Cash and cash equivalents	99.9	95.0	110.7
	1,272.4	1,156.5	1,124.9
Total assets	3,417.2	3,240.0	3,035.0
EQUITY AND LIABILITIES			
Share capital	366.4	366.4	366.4
Premium fund	115.0	115.0	115.0
Treasury shares	-31.5	-31.5	-32.1
Translation differences	-73.9	-104.2	-134.0
Fair value and other reserves	-98.3	-96.1	-100.8
Retained earnings	1,009.8	965.5	938.7
Total equity attributable to equity holders of the parent company	1,287.5	1,215.1	1,153.3
Non-controlling interest	57.1	52.2	47.5
Total equity	1,344.6	1,267.3	1,200.8
Non-current liabilities			
Interest-bearing liabilities	743.3	729.2	709.9
Deferred tax liabilities	90.3	91.1	85.1
Employee benefit liabilities	208.2	205.1	214.5
Provisions	14.9	14.4	15.2
Other non-current liabilities	35.7	35.1	38.1
	1,092.4	1,074.9	1,062.7
Current liabilities			
Interest-bearing liabilities			
Current portion of long term loans	26.9	40.4	51.3
Short-term loans	322.5	266.6	171.2
Provisions	15.5	17.2	6.2
Current tax liabilities	18.4	15.5	13.1
Trade and other current liabilities	596.9	558.1	529.5
	980.2	897.8	771.4
Total liabilities	2,072.6	1,972.7	1,834.1
Total equity and liabilities	3,417.2	3,240.0	3,035.0
Net debt	980.2	928.2	815.2
Net debt to equity (gearing)	0.73	0.73	0.68

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, 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) ¹						-13.4	-13.4		-13.4
Change in accounting policy (IFRS 16) ²						-5.0	-5.0	-0.2	-5.2
Balance on Jan 1, 2018	366.4	115.0	-33.5	-104.8	-101.3	898.6	1,140.4	49.2	1,189.6
Share-based payments			1.5			-1.2	0.3		0.3
Total comprehensive income for the year				-29.3	0.6	41.2	12.5	0.7	13.2
Other changes						0.1	0.1	-2.4	-2.2
Balance on Mar 31, 2018	366.4	115.0	-32.1	-134.0	-100.8	938.7	1,153.3	47.5	1,200.8
Balance on Jan 1, 2019	366.4	115.0	-31.5	-104.2	-96.1	965.5	1,215.1	52.2	1,267.3
Share-based payments						0.2	0.2		0.2
Total comprehensive income for the year				30.3	-2.2	45.4	73.5	2.0	75.5
Acquisition of non-controlling interest						-1.3	-1.3	0.2	-1.1
Other changes						-0.1	-0.1	2.7	2.7
Balance on Mar 31, 2019	366.4	115.0	-31.5	-73.9	-98.3	1,009.8	1,287.5	57.1	1,344.6

¹ 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.

² The Group has adopted IFRS 16 Leases using a full retrospective approach. An adjustment related to tangible assets and interest bearing liabilities has been done to the opening balances of retained earnings and non-controlling interest at the date of initial application.

Group statement of cash flows (IFRS) - unaudited

<i>EUR million</i>	Q1 2019	Q1 2018	Q1-Q4 2018
Profit for the period*	47.3	41.9	156.9
Adjustments*	55.7	51.7	240.4
Depreciation and amortization*	39.1	35.0	164.7
Share of profit of equity-accounted investments*	-0.6	-0.6	0.4
Gain/loss from disposal of assets*	-1.0	-0.6	-1.7
Financial expense/-income*	8.0	7.6	31.2
Income tax expense*	12.4	11.1	37.5
Other adjustments, operational*	-2.2	-0.9	8.4
Change in inventory*	-33.8	-30.7	-37.6
Change in non-interest bearing receivables*	-59.3	-30.0	-25.9
Change in non-interest bearing payables*	25.0	0.2	-5.5
Dividends received*	-	0.1	0.1
Interest received*	0.9	0.5	2.0
Interest paid*	-6.5	-4.4	-18.7
Other financial expense and income*	-0.1	-0.3	-0.2
Taxes paid*	-9.5	-9.7	-37.8
Net cash flows from operating activities	19.6	19.3	273.7
Capital expenditure*	-39.7	-33.3	-196.9
Proceeds from selling tangible assets*	1.9	0.4	2.8
Acquired subsidiaries and assets	-	-	-55.1
Proceeds from long-term deposits	0.1	0.2	0.8
Payment of long-term deposits	-0.4	0.0	-0.4
Proceeds from short-term deposits	0.1	1.3	4.9
Payment of short-term deposits	-1.0	0.0	-8.5
Net cash flows from investing activities	-39.0	-31.3	-252.4
Proceeds from long-term borrowings	117.9	90.0	202.0
Repayment of long-term borrowings	-116.3	-110.6	-221.7
Change in short-term borrowings	19.2	28.1	64.5
Acquisition of non-controlling interest	-1.1	-	-4.1
Dividends paid	-	-	-83.5
Net cash flows from financing activities	19.7	7.5	-42.7
Change in liquid assets	4.9	-5.3	-21.0
Cash flow based	0.3	-4.4	-21.3
Translation difference	4.6	-0.9	0.3
Liquid assets period start	95.0	116.0	116.0
Liquid assets period end	99.9	110.7	95.0
Free cash flow (including figures marked with *)	-18.3	-13.5	79.6

Notes to the Interim 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 policies have been applied in the interim report as in the annual financial statements for 2018. The following new and amended standards and interpretations have been adopted with effect from January 1, 2019:

- **IFRS 16 Leases.** The new standard (effective for 2019 annual period with early adoption permitted) replaces 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 statement of financial position.

The Group has examined the impacts of the new standard, analyzing especially the identification of a lease and the measurement of a lease liability. The new standard impacts primarily the accounting for the Group's IAS 17 operating leases. On December 31, 2018, the operating lease commitments were EUR 100 million. These were 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 IFRS 16.

The Group has adopted the standard as of January 1, 2019 using the full retrospective transition method. The Group uses 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 statement of financial position. The leases that the Group recognizes in the statement of financial position include forklifts, vehicles, other machinery and equipment, premises and land. The new standard impacts the consolidated financial statements and key figures such as earnings per share (EPS), net debt, gearing, return on net assets (RONA) and free cash flow.

The Group has restated the quarterly financial information for 2018. Restated tables were published March 27, 2019. The main impacts of the implementation are:

Group income statement for Q1-Q4 2018

- EUR 1.3 million decrease to the profit for the period
- EUR 2.6 million increase to EBIT and adjusted EBIT
- EUR 25.1 million increase to EBITDA and adjusted EBITDA

Group statement of financial position for January 1, 2018

- EUR 97.6 million increase to tangible assets
- EUR 5.2 million decrease to the total equity, which represent the cumulative impact on the profit for the period for previous reporting periods
- EUR 88.2 million increase to non-current interest-bearing liabilities and EUR 15.7 million increase to current interest-bearing liabilities

Group statement of financial position for December 31, 2018

- EUR 111.4 million increase to tangible assets
- EUR 100.7 million increase to non-current interest-bearing liabilities and EUR 18.9 million increase to current interest-bearing liabilities
- EUR 20.8 million increase to net cash flows from operating activities and 20.8 million decrease to net cash flows from financing activities

Summary of new accounting policies: Right of use (ROU) assets are recognized at the commencement date of the lease. ROU assets comprising mainly of land, building, machinery and equipment are measured at cost less accumulated depreciation and impairment losses. The costs include the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less lease incentives received, any direct costs and an estimate of dismantling costs. The carrying amount is further adjusted for any remeasurement of the lease liability. Depreciation is expensed to the income statement on a straight-line basis over the lease term. The lease term includes the non-cancellable period of lease together with any extension or termination options that are reasonable certain to be exercised. ROU assets are presented as tangible assets in the statement of financial position. Lease liabilities are recognized at the commencement date of the lease. Lease liabilities are measured at the present value of future lease payments using an effective interest method. The carrying amount is reduced to reflect the lease payments made and the interest expense is allocated over the lease term. A lease liability is remeasured, when there is a lease modification or reassessment. Lease liabilities are presented as current and non-current interest-bearing liabilities in the statement of financial position.

- **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 had no impact on the interim financial statements.

- **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 had no impact on the interim financial statements.

- **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 had no impact on the interim financial statements.

- **Annual improvements (2015-2017).** Annual improvements include smaller amendments to four standards. The improvements had no impact on the interim financial statements.

Segments

Segment information is presented according to the IFRS standards. Items below EBIT – financial items and taxes – are not allocated to the segments. Reportable segments' net sales and EBIT form Group's total net sales and EBIT, so no reconciliations to corresponding amounts are presented.

Net sales

<i>EUR million</i>	Q1 2019	Q1-Q4 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Foodservice Europe-Asia-Oceania	226.5	876.2	230.2	228.6	220.1	197.2
Intersegment net sales	1.4	5.6	1.3	1.3	1.3	1.6
North America	253.8	995.7	275.1	240.4	255.1	225.1
Intersegment net sales	1.8	7.1	1.5	1.9	2.0	1.7
Flexible Packaging	251.1	951.8	235.3	242.4	240.2	234.0
Intersegment net sales	0.7	0.5	0.2	0.0	0.2	0.0
Fiber Packaging	70.6	280.0	72.1	68.4	70.5	69.0
Intersegment net sales	0.9	3.1	0.8	0.8	0.7	0.8
Elimination of intersegment net sales	-4.9	-16.1	-3.8	-4.0	-4.2	-4.1
Total	802.1	3,103.6	812.8	779.8	785.9	725.2

EBIT

<i>EUR million</i>	Q1 2019	Q1-Q4 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Foodservice Europe-Asia-Oceania ¹	20.1	63.9	6.0	19.1	19.3	19.5
North America ¹	20.6	62.3	8.7	14.7	22.6	16.3
Flexible Packaging ¹	23.0	58.1	8.7	15.2	16.6	17.6
Fiber Packaging ¹	6.9	29.1	7.2	7.1	6.8	8.0
Other activities ¹	-2.8	12.2	-3.1	1.1	15.0	-0.8
Total¹	67.7	225.5	27.5	57.1	80.3	60.6

¹ Q1 2019 Other activities includes items affecting comparability EUR -0.1 million. Q1-Q4 2018 includes items affecting comparability EUR -25.5 million (Foodservice E-A-O EUR -13.3 million, North America -10.7 million, Flexible Packaging EUR -9.7 million, Fiber Packaging EUR -2.1 million and Other activities EUR 10.3 million).

EBITDA

<i>EUR million</i>	Q1 2019	Q1-Q4 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Foodservice Europe-Asia-Oceania ¹	32.5	114.7	21.5	31.0	31.7	30.4
North America ¹	32.5	117.8	31.5	25.9	33.6	26.8
Flexible Packaging ¹	32.0	93.9	18.8	23.6	25.8	25.7
Fiber Packaging ¹	11.7	47.9	12.2	11.5	11.5	12.7
Other activities ¹	-1.9	16.0	-2.0	2.1	15.9	0.0
Total¹	106.8	390.3	82.0	94.1	118.6	95.6

¹ Q1 2019 Other activities includes items affecting comparability EUR -0.1 million. Q1-Q4 2018 include items affecting comparability EUR -8.4 million (Foodservice E-A-O EUR -9.4 million, Flexible Packaging EUR -7.6 million, Fiber Packaging EUR -1.6 million and Other activities EUR 10.3 million).

Depreciation and amortization

<i>EUR million</i>	Q1 2019	Q1-Q4 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Foodservice Europe-Asia-Oceania	12.4	50.9	15.5	12.0	12.4	11.0
North America	12.0	55.4	22.8	11.2	11.0	10.5
Flexible Packaging	9.0	35.8	10.1	8.4	9.2	8.1
Fiber Packaging	4.9	18.8	5.0	4.4	4.7	4.6
Other activities	0.9	3.8	1.1	0.9	0.9	0.9
Total	39.1	164.7	54.5	37.0	38.2	35.0

Segments (continued)

Net assets allocated to the segments¹

<i>EUR million</i>	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Foodservice Europe-Asia-Oceania	745.3	707.5	691.4	691.4	593.7
North America	878.8	825.6	823.7	816.4	771.2
Flexible Packaging	742.8	704.7	689.7	688.4	654.8
Fiber Packaging	229.2	221.6	220.9	218.9	224.6

¹ 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).

Capital expenditure

<i>EUR million</i>	Q1 2019	Q1-Q4 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Foodservice Europe-Asia-Oceania	13.6	57.8	19.9	14.1	14.0	9.8
North America	14.6	62.9	20.3	12.6	15.1	14.9
Flexible Packaging	8.7	49.7	16.0	13.5	14.6	5.7
Fiber Packaging	2.6	23.4	13.6	4.7	2.9	2.2
Other activities	0.2	3.2	0.6	0.7	1.0	0.8
Total	39.7	196.9	70.4	45.6	47.7	33.3

RONA (12m roll.)¹

<i>EUR million</i>	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Foodservice Europe-Asia-Oceania	9.4%	9.9%	12.3%	12.7%	13.0%
North America	8.1%	7.9%	10.8%	11.7%	13.2%
Flexible Packaging	9.1%	8.6%	10.4%	10.9%	10.6%
Fiber Packaging	12.5%	13.2%	12.6%	12.7%	13.2%

¹ Comparative figures for Q3 2018, Q2 2018 and Q1 2018 have not been restated with IFRS 16 Leases impacts.

Operating cash flow

<i>EUR million</i>	Q1 2019	Q1-Q4 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Foodservice Europe-Asia-Oceania	7.7	53.9	18.9	13.3	15.6	6.1
North America	2.9	19.8	21.6	-3.1	27.0	-25.6
Flexible Packaging	-0.7	42.2	17.4	2.9	11.2	10.6
Fiber Packaging	4.6	25.1	4.2	2.4	12.5	6.1

Other information

Key indicators

	Q1 2019	Q1-Q4 2018	Q1 2018
Equity per share (EUR)	12.34	11.65	11.06
ROE, % (12m roll.) ¹	13.0	12.8	16.3
ROI, % (12m roll.) ¹	10.4	10.4	13.1
Personnel	17,714	17,663	17,645
Profit before taxes (EUR million, 12m roll.) ¹	201.1	194.4	242.5
Depreciation of tangible assets (EUR million)	36.8	155.6	32.9
Amortization of other intangible assets (EUR million)	2.4	9.1	2.1

¹ Comparative figures for Q1 2018 have not been restated with IFRS 16 Leases impacts.

Contingent liabilities

<i>EUR million</i>	Mar 31, 2019	Dec 31, 2018	Mar 31, 2018
Capital expenditure commitments	61.7	58.5	76.3

Financial instruments measured at fair value

<i>EUR million</i>	Mar 31, 2019	Dec 31, 2018	Mar 31, 2018
Derivatives - assets			
Currency forwards, transaction risk hedges	1.5	2.4	1.7
Currency forwards, translation risk hedges	-	0.1	1.3
Currency forwards, for financing purposes	0.8	0.9	3.0
Currency options, transaction risk hedges	0.0	0.0	0.1
Interest rate swaps	2.5	3.7	5.2
Electricity forwards	-	0.0	0.0
Other investments	2.5	2.5	1.7
Derivatives - liabilities			
Currency forwards, transaction risk hedges	1.9	0.7	1.8
Currency forwards, translation risk hedges	3.1	7.0	0.4
Currency forwards, for financing purposes	10.4	2.7	0.7
Currency options, transaction risk hedges	0.0	0.1	0.6
Interest rate swaps	0.5	0.3	0.0
Cross currency swaps	0.4	0.8	2.0
Electricity forwards	-	0.0	0.0

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. Other investments include quoted and unquoted shares. 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

<i>EUR million</i>	Mar 31, 2019		Dec 31, 2018		Mar 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current	743.3	742.4	729.2	724.8	709.9	700.3
Current	349.4	349.4	307.0	307.0	222.6	222.6
Total	1,092.7	1,091.9	1,036.2	1,031.7	932.4	922.8

Other information

Exchange rates

Income statement, average:

	Q1 2019	Q1 2018
AUD 1 =	0.6270	0.6399
GBP 1 =	1.1456	1.1318
INR 1 =	0.0125	0.0126
RUB 1 =	0.0133	0.0143
THB 1 =	0.0278	0.0258
USD 1 =	0.8803	0.8137

Statement of financial position, month end:

	Mar 31, 2019	Mar 31, 2018
AUD 1 =	0.6309	0.6199
GBP 1 =	1.1688	1.1415
INR 1 =	0.0129	0.0124
RUB 1 =	0.0137	0.0140
THB 1 =	0.0280	0.0258
USD 1 =	0.8914	0.8066

Definitions for performance measures

Performance measures according to IFRS

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

Profit for the period - non-controlling interest
Average number of shares outstanding

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

Diluted profit for the period - non-controlling interest
Average fully diluted number of shares outstanding

Alternative performance measures

EBITDA =

EBIT + depreciation and amortization

Net debt to equity (gearing) =

Interest-bearing net debt
Total equity

Return on net assets (RONA) =

100 x Earnings before interest and taxes (12m roll)
Net assets (12m roll)

Operating cash flow =

Adjusted EBIT + depreciation and amortization - capital expenditure + disposals +/- change in inventories, trade receivables and trade payables

Shareholders' equity per share =

Total equity attributable to equity holders of the parent company
Issue-adjusted number of shares at period end

Return on equity (ROE) =

100 x Profit for the period (12m roll)
Total equity (average)

Return on investment (ROI) =

100 x (Profit before taxes + interest expenses + net other financial expenses) (12m roll)
Statement of financial position total - interest-free liabilities (average)

Comparable net sales growth =

Net sales growth excluding foreign currency changes, acquisitions and divestments

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.