Huhtamäki Oyj Half-yearly Report

January 1–June 30, 2016

Huhtamaki

Huhtamaki

Huhtamäki Oyj's Half-yearly Report January 1–June 30, 2016

Solid organic and acquisitive growth

Q2 2016 in brief

- Net sales grew to EUR 742 million (EUR 714 million)
- Adjusted EBIT improved to EUR 77.8 million (EUR 69.7 million); EBIT EUR 77.6 million (EUR 51.2 million)
- Adjusted EPS improved to EUR 0.54 (EUR 0.52); EPS EUR 0.53 (EUR 0.33)
- Comparable net sales growth was 6% in total and 9% in emerging markets
- Currency movements had a negative impact of EUR -28 million on the Group's net sales and EUR -3 million on EBIT

H1 2016 in brief

- Net sales grew to EUR 1,414 million (EUR 1,344 million)
- Adjusted EBIT improved to EUR 135.6 million (EUR 119.4 million); EBIT EUR 135.4 million (EUR 96.8 million)
- Adjusted EPS improved to EUR 0.94 (EUR 0.85); EPS EUR 0.93 (EUR 0.62)
- Comparable net sales growth was 6% in total and 8% in emerging markets
- Currency movements had a negative impact of EUR -39 million on the Group's net sales and EUR -4 million on EBIT
- Free cash flow improved to EUR 38 million (EUR 11 million)

Key figures

EUR million	Q2 2016	Q2 2015	Change	H1 2016	H1 2015	Change	FY 2015
Net sales	742.0	713.6	4%	1,414.3	1,343.7	5%	2,726.4
Adjusted EBITDA[1]	105.9	96.2	10%	190.5	171.0	11%	342.0
Margin[1]	14.3%	13.5%		13.5%	12.7%		12.5%
EBITDA	105.7	77.7	36%	190.3	148.4	28%	319.4
Adjusted EBIT[1]	77.8	69.7	12%	135.6	119.4	14%	237.5
Margin[1]	10.5%	9.8%		9.6%	8.9%		8.7%
EBIT	77.6	51.2	52%	135.4	96.8	40%	214.9
Adjusted EPS, EUR[1]	0.54	0.52	4%	0.94	0.85	11%	1.65
EPS, EUR	0.53	0.33	61%	0.93	0.62	50%	1.43
ROI[1]				14.9%	13.4%		14.7%
ROE[1]				18.3%	17.5%		18.1%
Capital expenditure	31.7	36.9	-14%	56.0	61.6	-9%	146.9
Free cash flow	12.0	30.4	-61%	37.6	11.0	242%	91.2

[1] Excluding IAC of EUR -0.2 million in Q2 2016 and in H1 2016, EUR -18.5 million in Q2 2015, EUR -22.6 million in H1 2015 and 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.

Impact of new ESMA guidelines

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

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

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

Huhtamaki

Jukka Moisio, CEO:

“Our business did well during the second quarter which is traditionally our high season. The Group's comparable growth was 6%. Trading conditions were relatively stable in mature markets of Western Europe and North America. In emerging markets, the like-for-like growth of 9% was led by good development in India, Eastern Europe and Southeast Asia, while conditions in certain markets of Africa were more challenging. Sales development in China was marginally positive.

We continued to implement our strategy and targeted future growth through organic investments and acquisitions. We finalized three acquisitions during the first half of the year and the most recent one, Delta Print and Packaging, facilitated our entry into the folding carton packaging business also in Europe. Delta's product range is complementary to our European foodservice offering and supports our customers’ future growth ambitions.

Our profitability improvement in the second quarter was good and primarily driven by continued solid development in the North America segment. Earnings developed positively also in the Foodservice Europe-Asia-Oceania and Flexible Packaging segments. During the quarter we decided to take additional actions in the Foodservice Europe-Asia-Oceania segment to improve its competitiveness in China and New Zealand. Our profitability was all-time high with Adjusted EPS at EUR 0.54 and 12-month rolling EBIT at 9.1% and ROI at 14.9% in the second quarter.

We have achieved good profitability improvement in the first half of 2016 and will stay focused in addressing profitable growth opportunities in the future.”

Financial review Q2 2016

The Group's comparable net sales growth was 6% during the quarter. Strong growth in the North America and Foodservice Europe-Asia-Oceania business segments continued. Comparable growth in emerging markets was 9%. Growth was strongest in Eastern Europe and South Asia, led by good momentum both in Russia and in India. Net sales development turned marginally positive in China. The Group's net sales grew to EUR 742 million (EUR 714 million). Foreign currency translation impact on the Group's net sales was EUR -28 million (EUR 67 million) compared to 2015 exchange rates. The majority of the negative currency impact was due to weakening of major emerging market currencies, US dollar, and pound sterling versus euro.

Net sales by business segment

EUR million	Q2 2016	Q2 2015	Change	Of Group in Q2 2016
Foodservice Europe-Asia-Oceania	193.9	175.4	11%	26%
North America	265.7	252.5	5%	35%
Flexible Packaging	220.5	224.8	-2%	30%
Molded Fiber	66.2	66.2	0%	9%
Elimination of internal sales	-4.3	-5.3		
Group	742.0	713.6	4%	

Comparable growth by business segment

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

The Group's earnings grew driven by strong profitability improvement in the North America business segment. Good development in the Foodservice Europe-Asia-Oceania and Flexible Packaging business segments contributed to the earnings growth, whereas Molded Fiber business segment's earnings declined. The Group's Adjusted EBIT were EUR 77.8 million (EUR 69.7 million) and reported EBIT EUR 77.6 million (EUR 51.2 million). Foreign currency translation impacted the Group's profitability by EUR -3 million (EUR 6 million).

Adjusted EBIT by business segment

EUR million	Q2 2016	Q2 2015	Change	Of Group in Q2 2016
Foodservice Europe-Asia-Oceania[1]	17.6	16.4	7%	21%
North America	37.2	26.2	42%	46%
Flexible Packaging	19.1	17.8	7%	23%
Molded Fiber	8.2	9.0	-9%	10%
Other activities[2]	-4.3	0.3		
Group	77.8	69.7	12%	

[1] *Excluding IACs of EUR -0.2 million in Q2 2016*
[2] *Excluding IACs of EUR -18.5 million in Q2 2015*

IACs consist of restructuring costs of EUR -8.0 million and a gain relating to business combination of EUR 7.8 million. The restructuring costs include costs expected to incur from actions to improve the competitiveness of the foodservice business in China and New Zealand and a provision to cover potential environmental remediation actions at the former Huhtamaki manufacturing unit in Norway as announced on June 27, 2016. The gain relating to business combination derives from the increase of Huhtamaki's ownership in Arabian Paper Products Company as announced on March 22, 2016. IACs were booked for the second quarter in the Foodservice Europe-Asia-Oceania business segment.

Adjusted EBIT and IACs

EUR million	Q2 2016	Q2 2015
Adjusted EBIT	77.8	69.7
Restructuring costs	-8.0	
Gains and losses relating to business combinations and disposals	7.8	-0.2
Fines and penalties imposed by authorities		-18.3
EBIT	77.6	51.2

Net financial expenses decreased to EUR 8 million (EUR 9 million). Tax expense increased to EUR 14 million (EUR 7 million).

Profit for the quarter was EUR 57 million (EUR 36 million). Adjusted EPS were EUR 0.54 (EUR 0.52) and reported EPS EUR 0.53 (EUR 0.33).

Huhtamaki

Financial review H1 2016

The Group's comparable net sales growth was 6% during the reporting period. Growth was strongest in the North America and Foodservice Europe-Asia-Oceania business segments throughout the period. Comparable growth in emerging markets was 8%. Growth was strongest in Eastern Europe and South Asia. Net sales development was marginally positive in China. The Group's net sales grew to EUR 1,414 million (EUR 1,344 million). Foreign currency translation impact on the Group's net sales was EUR -39 million (EUR 120 million) compared to 2015 exchange rates. The majority of the negative currency impact came from the weakening of emerging market currencies versus euro.

Net sales by business segment

EUR million	H1 2016	H1 2015	Change	Of Group in H1 2016
Foodservice Europe-Asia-Oceania	352.8	329.3	7%	25%
North America	500.9	463.2	8%	35%
Flexible Packaging	438.2	430.8	2%	31%
Molded Fiber	131.7	131.4	0%	9%
Elimination of internal sales	-9.3	-11.0		
Group	1,414.3	1,343.7	5%	

The Group's earnings grew. Solid earnings improvement in the North America business segment was the main contributor to the earnings growth. Also the good development in the Flexible Packaging and Foodservice Europe-Asia-Oceania business segments supported earnings growth. The Group's Adjusted EBIT were EUR 135.6 million (EUR 119.4 million) and reported EBIT EUR 135.4 million (EUR 96.8 million). Foreign currency translation impacted the Group's profitability by EUR -4 million (EUR 10 million).

Adjusted EBIT by business segment

EUR million	H1 2016	H1 2015	Change	Of Group in H1 2016
Foodservice Europe-Asia-Oceania[1]	29.6	28.3	5%	21%
North America	58.0	40.0	45%	41%
Flexible Packaging	38.0	34.8	9%	27%
Molded Fiber	16.4	17.6	-7%	11%
Other activities[2]	-6.4	-1.3		
Group	135.6	119.4	14%	

[1] Excluding IACs of EUR -0.2 million in H1 2016
[2] Excluding IACs of EUR –22.6 million in H1 2015

IACs consist of restructuring costs of EUR -8.0 million and a gain relating to business combination of EUR 7.8 million. The restructuring costs include costs expected to incur from actions to improve the competitiveness of the foodservice business in China and New Zealand and a provision to cover potential environmental remediation actions at the former Huhtamaki manufacturing unit in Norway as announced on June 27, 2016. The gain relating to business combination derives from the increase of Huhtamaki's ownership in Arabian Paper Products Company as announced on March 22, 2016. IACs were booked for the second quarter in the Foodservice Europe-Asia-Oceania business segment.

Adjusted EBIT and IACs

EUR million	H1 2016	H1 2015
Adjusted EBIT	135.6	119.4
Restructuring costs	-8.0	
Gains and losses relating to business combinations and disposals	7.8	-4.3
Fines and penalties imposed by authorities		-18.3
EBIT	135.4	96.8

Net financial expenses decreased to EUR 13 million (EUR 18 million). Tax expense increased and was EUR 23 million (EUR 13 million). The corresponding tax rate was 19% (16%).

Profit for the period was EUR 99 million (EUR 66 million). Adjusted EPS were EUR 0.94 (EUR 0.85) and reported EPS EUR 0.93 (EUR 0.62).

Statement of financial position and cash flow

The Group's net debt increased during the first half of the year and was EUR 728 million (EUR 630 million) at the end of June. The increase in net debt was to a large extent due to the three acquisitions completed during the reporting period. The level of net debt corresponds to a gearing ratio of 0.68 (0.68). Net debt to EBITDA ratio (excluding IACs) was 2.0 (2.1). Average maturity of external committed credit facilities and loans was 4.0 (3.8) years.

Cash and cash equivalents were EUR 102 million (EUR 98 million) at the end of June and the Group had EUR 310 million (EUR 310 million) of unused committed credit facilities available.

Total assets on the statement of financial position were EUR 2,748 million (EUR 2,524 million).

Capital expenditure was EUR 56 million (EUR 62 million). Largest investments for business expansion were made in the U.S. and the UK. The Group's free cash flow was EUR 38 million (EUR 11 million). Solid operating cash flows in the North America and Foodservice Europe-Asia-Oceania business segments supported the Group's free cash flow generation.

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 were acquired at a price of approximately EUR 4 million. The business has been consolidated into the Foodservice Europe-Asia-Oceania business segment as of April 1, 2016.

On May 19, 2016 Huhtamaki acquired Delta Print and Packaging Limited ("Delta"), a privately held folding carton packaging manufacturer based in Belfast, Northern Ireland, and its affiliated Polish unit European Packaging Solutions Poland Sp. Z o.o. with a new manufacturing unit in Gliwice, Poland. With the acquisition Huhtamaki entered the folding carton packaging market also in Europe, as Delta is specialized in bespoke printed folding carton packaging for the UK and European foodservice, packaged food and retail markets. The net sales of Delta for the year 2016 are expected to be approximately EUR 70 million and it employs altogether approximately 300 employees. The debt free purchase price was GBP 80 million (approximately EUR 103 million). The business has been consolidated into the Foodservice Europe-Asia-Oceania business segment as of May 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.

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

Huhtamaki

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	Q2 2016	Q2 2015	Change	H1 2016	H1 2015	Change	FY 2015
Net sales	193.9	175.4	11%	352.8	329.3	7%	667.5
Adjusted EBIT[1]	17.6	16.4	7%	29.6	28.3	5%	52.4
Margin[1]	9.1%	9.4%		8.4%	8.6%		7.9%
EBIT	17.4	16.4	6%	29.4	28.3	4%	52.4
RONA[1]				13.3%	16.2%		14.2%
Capital expenditure	8.2	9.8	-16%	13.5	17.3	-22%	39.6
Operating cash flow	13.7	7.7	78%	23.1	13.6	70%	35.4

[1] *Excluding IAC of EUR -0.2 million in Q2 2016 and H1 2016*

Q2 2016

Relatively robust demand for foodservice packaging continued across markets. In Western Europe, good momentum continued, whereas in emerging markets demand varied between countries. Market sentiment was good in Russia and it stabilized in China. Raw material prices were relatively stable. 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 strong across markets in Eastern and Central Europe excluding Turkey. Volume development in the segment's key paper packaging categories was favorable. Good growth momentum in Australia continued and net sales development turned marginally positive in China. Delta Print and Packaging has been reported as part of the segment as of May 1, 2016 and contributed EUR 11 million to the segment's net sales.

Currency movements had a significant negative impact on the segment's reported net sales. The translation impact was EUR -13 million.

The segment's earnings improved as a result of healthy net sales development, favorable product mix and good operational efficiency. The underperforming units in China and New Zealand continued to have a negative impact on the segment's earnings and actions to improve competitiveness in these units were announced during the quarter. Delta Print and Packaging contributed positively to the segment's earnings.

H1 2016

Overall demand for foodservice packaging was relatively healthy across markets. Demand development of foodservice packaging for QSR and coffee sectors was solid in Western and Eastern Europe. Currency fluctuations had some 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, especially in Eastern Europe overall and for insulated paper cups in Western Europe. Growth was good also in Australia and flat in China. Delta Print and Packaging contributed EUR 11 million to the segment's net sales.

Currency movements had a significant negative impact on the segment's reported net sales. The translation impact was EUR -20 million.

The segment's profitability improved driven by good earnings development in the second quarter. The underperforming units in China and New Zealand had a negative impact on the segment's earnings. Delta Print and Packaging contributed positively to 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	Q2 2016	Q2 2015	Change	H1 2016	H1 2015	Change	FY 2015
Net sales	265.7	252.5	5%	500.9	463.2	8%	947.7
EBIT	37.2	26.2	42%	58.0	40.0	45%	88.2
Margin	14.0%	10.4%		11.6%	8.6%		9.3%
RONA				16.6%	9.5%		14.1%
Capital expenditure	13.0	9.8	33%	23.4	17.7	32%	40.9
Operating cash flow	22.1	10.1	119%	32.4	-3.6	1,000%	61.1

Q2 2016

Overall market conditions in the U.S. remained stable and demand for foodservice packaging was on a good level. Good momentum in retail tableware was boosted by high promotional activity. Demand for frozen dessert packaging remained soft. Main input costs were relatively stable.

The North America segment's strong net sales growth continued, comparable growth being 8%. Growth was strongest in the retail tableware and foodservice packaging businesses, where onboarding new business was driving volume growth. Net sales of frozen dessert packaging declined reflecting soft market conditions.

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

The segment's earnings grew significantly driven by good volume growth and favorable product mix, which resulted from onboarding new business and successful promotions of Chinet® branded products. In addition, good operational efficiency and relatively stable input costs supported earnings growth.

H1 2016

Overall market conditions in the U.S. were stable. Demand for foodservice packaging and retail tableware grew, whereas demand for frozen dessert packaging was soft. Main input costs were relatively stable throughout the period.

The North America segment's net sales growth was strong, comparable growth being 9%. Growth was strongest in the foodservice packaging business, where onboarding new business resulted in healthy volume growth. Good demand for both branded and private label retail tableware supported net sales growth.

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

The segment's profitability improved significantly. Volume growth combined with improved manufacturing output and relatively stable input costs 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	Q2 2016	Q2 2015	Change	H1 2016	H1 2015	Change	FY 2015
Net sales	220.5	224.8	-2%	438.2	430.8	2%	868.9
EBIT	19.1	17.8	7%	38.0	34.8	9%	68.8
Margin	8.7%	7.9%		8.7%	8.1%		7.9%
RONA				11.6%	12.8%		12.3%
Capital expenditure	5.7	11.1	-49%	9.8	16.9	-42%	31.6
Operating cash flow	7.8	22.5	-65%	24.5	35.3	-31%	63.5

Q2 2016

Good growth momentum in the flexible packaging markets in India and Southeast Asia continued, whereas demand development was modest in Europe. Uncertainty in trading environment due to currency fluctuations as well as tightened foreign exchange controls continued to have a negative impact on exports to African markets. Prices for plastic resins remained relatively stable but soft.

The Flexible Packaging segment's comparable net sales growth was 2%. While the segment's overall volume development was good especially in Asia, the low raw material prices continued to impact selling prices negatively and thus moderated the comparable growth. Net sales grew in India and Southeast Asia driven by good volume growth in packaging for personal care, ready meals and snacks, as well as beverages. Net sales declined in Middle East, as the good domestic sales development was not sufficient to offset the adverse impact of soft export sales development to Africa. In Europe, net sales continued to decline 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 -6 million.

The segment's earnings grew driven by good volume development in India and Southeast Asia. In addition, favorable product mix, low raw material prices and good cost containment had a positive contribution to the earnings growth.

H1 2016

Demand for flexible packaging was good in India and in Southeast Asia, whereas in Europe demand was modest. Uncertainty in trading environment due to currency fluctuations as well as tightened foreign exchange controls had a negative impact on exports to African markets. Prices for plastic resins were 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 growth was strongest in packaging for food and beverages as well as personal care. Geographically, growth was strongest in India and Southeast Asia, but soft in Europe and in Middle East.

Currency movements had a negative impact on the segment's reported net sales. The translation impact was EUR -11 million.

The segment's earnings grew. Good volume growth together with low raw material prices and favorable product mix contributed positively to the earnings growth.

Huhtamaki

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	Q2 2016	Q2 2015	Change	H1 2016	H1 2015	Change	FY 2015
Net sales	66.2	66.2	0%	131.7	131.4	0%	260.3
EBIT	8.2	9.0	-9%	16.4	17.6	-7%	33.5
Margin	12.4%	13.6%		12.5%	13.4%		12.9%
RONA				16.2%	19.2%		17.7%
Capital expenditure	4.7	6.0	-22%	9.0	9.4	-4%	34.1
Operating cash flow	4.2	7.5	-44%	8.1	11.2	-28%	9.9

Q2 2016

Overall demand for molded fiber egg packaging was relatively stable. In Eastern Europe, demand for egg trays grew at the expense of egg cartons. Demand for molded fiber fruit packaging was modest due to weak harvesting seasons across markets. Prices for recycled fiber were relatively stable, but stayed on a higher level in certain emerging markets, where the depreciation of local currencies made exports more attractive. Competitive situation was tight.

The Molded Fiber segment's comparable net sales growth was 5%. Net sales grew mainly as a result of new capacity coming fully on stream in the UK and in Egypt.

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. Operational earnings development was flat. Continued good cost control and solid operational efficiency were not sufficient to offset the adverse earnings impact of currency translation and product mix changes.

H1 2016

Overall demand for molded fiber packaging was relatively stable. In Europe, demand for egg trays and larger family egg packs grew. Demand for molded fiber fruit packaging was soft across markets. Prices for recycled fiber were generally stable. In certain emerging markets raw material prices were on a higher level as the depreciation of local currencies boosted export demand. Competitive situation was tight.

The Molded Fiber segment's comparable net sales growth was 4%. Net sales growth was driven by recent capacity additions.

Currency movements had a negative impact on the segment's reported net sales. The translation impact was EUR -8 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 and solid operational efficiency.

Personnel

The Group had a total of 16,814 (16,598) employees at the end of June 2016. The change in the number of personnel is mainly due to acquisitions. The number of employees by segment was the following: Foodservice Europe-Asia-Oceania 4,895 (4,628), North America 3,653 (3,622), Flexible Packaging 6,533 (6,651), Molded Fiber 1,666 (1,636), and Other activities 67 (61).

Changes in management

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

Share capital and shareholders

At the end of June 2016, Huhtamäki Oyj's ("the Company") registered share capital was EUR 366 million (EUR 366 million) corresponding to a total number of shares of 107,760,385 (107,760,385), including 3,903,846 (4,063,906) Company's own shares. Own shares represent 3.6% (3.8%) of the total number of shares and votes. The number of outstanding shares excluding the Company's own shares was 103,856,539 (103,696,479). The average number of outstanding shares used in EPS calculations was 103,786,948 (103,633,816), excluding the Company's own shares.

There were 23,530 (24,602) registered shareholders at the end of June 2016. Foreign ownership including nominee registered shares accounted for 52% (48%).

Share trading

During January-June 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 June 2016, the Company's market capitalization was EUR 3,861 million (EUR 2,874 million) excluding the Company's own shares. With a closing price of EUR 37.18 (EUR 27.72) the share price increased 11% from the beginning of the year. During the reporting period the volume weighted average price for the Company's share was EUR 33.36. The highest price paid was EUR 38.18 and the lowest price paid was EUR 27.14.

During the reporting period the cumulative value of the Company's share turnover on Nasdaq Helsinki Ltd was EUR 873 million (EUR 996 million). The trading volume of 26 million (36 million) shares equaled an average daily turnover of 211,686 (296,533) shares. The cumulative value of the Company's share turnover including alternative trading venues, such as BATS Chi-X and Turquoise, was EUR 2,653 million (EUR 2,071 million). During the reporting period, 67% (52%) of all trading took place outside Nasdaq Helsinki Ltd. (Source: Fidessa Fragmentation Index, www.fragmentation.fidessa.com)

Resolutions of the Annual General Meeting 2016

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

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

Huhtamaki

Ernst & Young Oy, a firm of Authorized Public Accountants, was elected as Auditor of the Company for the financial year January 1 - December 31, 2016. Mr. Harri Pärssinen, APA, will be 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 Board of Directors was also authorized to resolve on the issuance of shares and the issuance of special rights entitling to shares. The aggregate number of shares to be issued on the basis of the authorization may not exceed 14,000,000 shares, however so that the number of new shares to be issued may not exceed 10,000,000 shares and the number of own treasury shares to be transferred may not exceed 4,000,000 shares. The authorizations remain in force until the end of the next AGM, however, no longer than until June 30, 2017.

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.

Financial reporting in 2016

In 2016, Huhtamaki will publish financial information as follows:

Interim Report, January 1–September 30, 2016	October 26

Espoo, July 21, 2016

Huhtamäki Oyj
Board of Directors

Huhtamaki

Group income statement (IFRS) - unaudited

EUR million	H1 2016	H1 2015	Q2 2016	Q2 2015	Q1-Q4 2015
Continuing operations					
Net sales	1,414.3	1,343.7	742.0	713.6	2,726.4
Cost of goods sold	-1,157.2	-1,116.7	-603.4	-587.7	-2,255.5
Gross profit	257.1	227.0	138.6	125.9	470.9
Other operating income	16.1	9.2	12.5	4.7	18.3
Sales and marketing	-37.9	-35.2	-19.6	-18.8	-74.1
Research and development	-8.7	-7.5	-4.4	-3.7	-15.7
Administration costs	-84.1	-71.0	-45.2	-36.6	-156.3
Other operating expenses	-8.1	-26.8	-4.8	-20.8	-30.3
Share of profit of equity-accounted investments	1.0	1.1	0.5	0.5	2.1
	-121.7	-130.2	-61.0	-74.7	-256.0
Earnings before interest and taxes	135.4	96.8	77.6	51.2	214.9
Financial income	2.3	2.1	0.7	0.9	4.9
Financial expenses	-15.5	-19.6	-8.2	-9.5	-39.1
Profit before taxes	122.2	79.3	70.1	42.6	180.7
Income tax expense	-23.0	-12.5	-13.6	-6.7	-29.3
Profit for the period from continuing operations	99.2	66.8	56.5	35.9	151.4
Discontinued operations					
Result relating to disposed operations	-	-1.3	-	-1.3	-1.3
Result for the period from discontinued operations	-	-1.3	-	-1.3	-1.3
Profit for the period	99.2	65.5	56.5	34.6	150.1
Attributable to:					
Equity holders of the parent company					
Profit for the period from continuing operations	96.9	65.0	55.4	35.3	148.2
Result for the period from discontinued operations	-	-1.3	-	-1.3	-1.3
Profit for the period attributable to equity holders of the parent company	96.9	63.7	55.4	34.0	146.9
Non-controlling interest					
Profit for the period from continuing operations	2.3	1.8	1.1	0.6	3.2
Result for the period from discontinued operations	-	-	-	-	-
Profit for the period attributable to non-controlling interest	2.3	1.8	1.1	0.6	3.2
EUR					
EPS profit for the period from continuing operations	0.93	0.62	0.53	0.33	1.43
EPS result for the period from discontinued operations	-	-0.01	-	-0.01	-0.01
EPS attributable to equity holders of the parent company	0.93	0.61	0.53	0.32	1.42
Diluted:					
EPS profit for the period from continuing operations	0.93	0.62	0.53	0.33	1.43
EPS result for the period from discontinued operations	-	-0.01	-	-0.01	-0.01
EPS attributable to equity holders of the parent company	0.93	0.61	0.53	0.32	1.42

Huhtamaki

Group statement of comprehensive income (IFRS) - unaudited

EUR million	H1 2016	H1 2015	Q2 2016	Q2 2015	Q1-Q4 2015
Profit for the period	99.2	65.5	56.5	34.6	150.1
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefit plans	0.0	-0.9	0.0	-0.1	36.9
Taxes related to items that will not be reclassified	0.0	0.3	0.0	0.0	-9.3
Total	0.0	-0.6	0.0	-0.1	27.6
Items that may be reclassified subsequently to profit or loss					
Translation differences	-11.4	55.1	24.5	-38.3	51.7
Equity hedges	6.4	-18.3	-4.3	7.1	-23.4
Cash flow hedges	-3.4	-6.0	-0.4	1.0	-4.0
Taxes related to items that may be reclassified	0.5	0.1	0.0	0.0	-0.1
Total	-7.9	30.9	19.8	-30.2	24.2
Other comprehensive income, net of tax	-7.9	30.3	19.8	-30.3	51.8
Total comprehensive income	91.3	95.8	76.3	4.3	201.9
Attributable to:					
Equity holders of the parent company	89.0	94.0	75.2	3.7	198.7
Non-controlling interest	2.3	1.8	1.1	0.6	3.2

Huhtamaki

Group statement of financial position (IFRS) - unaudited

EUR million	Jun 30 2016	Dec 31 2015	Jun 30 2015
ASSETS			
Non-current assets			
Goodwill	647.8	571.3	558.5
Other intangible assets	42.2	29.7	30.5
Tangible assets	915.2	853.8	835.6
Equity-accounted investments	5.6	12.8	12.7
Available-for-sale investments	2.0	1.9	1.9
Interest-bearing receivables	3.6	4.1	4.7
Deferred tax assets	48.2	50.9	51.7
Employee benefit assets	47.1	48.8	52.1
Other non-current assets	8.0	8.6	6.3
	1,719.7	1,581.9	1,554.0
Current assets			
Inventory	403.2	385.7	388.8
Interest-bearing receivables	2.7	2.0	3.1
Current tax assets	2.7	3.8	8.9
Trade and other current receivables	517.6	438.7	471.0
Cash and cash equivalents	102.4	103.2	97.7
	1,028.6	933.4	969.5
Total assets	2,748.3	2,515.3	2,523.5
EQUITY AND LIABILITIES			
Share capital	366.4	366.4	366.4
Premium fund	115.0	115.0	115.0
Treasury shares	-35.9	-37.3	-37.3
Translation differences	-54.5	-49.5	-41.0
Fair value and other reserves	-78.7	-75.8	-105.8
Retained earnings	710.8	682.1	598.3
Total equity attributable to equity holders of the parent company	1,023.1	1,000.9	895.6
Non-controlling interest	43.2	35.1	33.8
Total equity	1,066.3	1,036.0	929.4
Non-current liabilities			
Interest-bearing liabilities	535.4	503.1	557.1
Deferred tax liabilities	80.2	78.4	80.2
Employee benefit liabilities	194.8	199.2	242.7
Provisions	28.7	27.9	26.3
Other non-current liabilities	6.6	5.4	4.7
	845.7	814.0	911.0
Current liabilities			
Interest-bearing liabilities			
Current portion of long term loans	137.6	66.7	66.5
Short-term loans	163.4	90.8	111.8
Provisions	8.6	2.1	1.9
Current tax liabilities	13.3	12.9	8.1
Trade and other current liabilities	513.4	492.8	494.8
	836.3	665.3	683.1
Total liabilities	1,682.0	1,479.3	1,594.1
Total equity and liabilities	2,748.3	2,515.3	2,523.5

	Jun 30 2016	Dec 31 2015	Jun 30 2015
Net debt	727.7	551.3	629.9
Net debt to equity (gearing)	0.68	0.53	0.68

Huhtamaki

Group statement of changes in equity (IFRS) - unaudited

	Attributable to equity holders of the parent company								
EUR million	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance on Dec 31, 2014	366.4	115.0	-38.7	-77.8	-99.3	596.6	862.2	30.6	892.8
Dividents paid						-62.2	-62.2		-62.2
Share-based payments			1.4			-0.9	0.5		0.5
Total comprehensive income for the year				36.8	-6.5	63.7	94.0	1.8	95.8
Other changes						1.1	1.1	1.4	2.5
Balance on Jun 30, 2015	366.4	115.0	-37.3	-41.0	-105.8	598.3	895.6	33.8	929.4
Balance on Dec 31, 2015	366.4	115.0	-37.3	-49.5	-75.8	682.1	1,000.9	35.1	1,036.0
Dividends paid						-68.5	-68.5		-68.5
Share-based payments			1.4			3.2	4.6		4.6
Total comprehensive income for the year				-5.0	-2.9	96.9	89.0	2.3	91.3
Other changes						-2.9	-2.9	5.8	2.9
Balance on Jun 30, 2016	366.4	115.0	-35.9	-54.5	-78.7	710.8	1,023.1	43.2	1,066.3

Huhtamaki

Group statement of cash flows (IFRS) - unaudited

EUR million	H1 2016	H1 2015	Q2 2016	Q2 2015	Q1-Q4 2015
Profit for the period*	99.2	65.5	56.5	34.6	150.1
Adjustments*	92.2	79.3	48.8	41.0	164.6
Depreciation and amortization*	54.9	51.6	28.1	26.5	104.5
Share of profit of equity-accounted investments*	0.7	-1.1	-0.3	-0.6	-2.1
Gain/loss from disposal of assets*	0.1	-0.1	0.0	-0.1	-0.1
Financial expense/-income*	13.2	17.5	7.5	8.6	34.2
Income tax expense*	23.0	12.5	13.6	6.7	29.3
Other adjustments, operational*	0.3	-1.1	-0.1	-0.1	-1.2
Change in inventory*	-7.0	-29.9	7.2	-6.6	-28.3
Change in non-interest bearing receivables*	-73.2	-53.5	-54.3	16.1	-19.3
Change in non-interest bearing payables*	16.4	40.2	9.4	0.8	25.8
Dividends received*	0.8	0.7	0.4	0.4	1.7
Interest received*	0.5	0.5	0.3	0.3	1.2
Interest paid*	-15.1	-19.2	-12.1	-13.6	-25.7
Other financial expense and income*	-0.8	-0.7	-0.8	0.1	-3.3
Taxes paid*	-20.7	-10.5	-12.0	-6.0	-29.1
Net cash flows from operating activities	92.3	72.4	43.4	67.1	237.7
Capital expenditure*	-56.0	-61.6	-31.7	-36.9	-146.9
Proceeds from selling tangible assets*	1.3	0.2	0.3	0.2	0.4
Acquired subsidiaries and assets	-115.6	-204.2	-92.0	3.8	-210.8
Proceeds from long-term deposits	0.7	1.9	0.3	0.4	1.2
Payment of long-term deposits	-0.3	-2.0	0.0	-0.1	-0.7
Proceeds from short-term deposits	1.3	2.5	0.9	0.9	5.4
Payment of short-term deposits	-1.8	-3.0	-0.7	-2.8	-4.8
Net cash flows from investing activities	-170.4	-266.2	-122.9	-34.5	-356.2
Proceeds from long-term borrowings	166.6	23.9	15.2	0.0	40.0
Repayment of long-term borrowings	-154.7	-30.6	-146.3	-12.5	-94.5
Proceeds from short-term borrowings	839.5	381.5	462.9	339.4	988.5
Repayment of short-term borrowings	-701.9	-381.9	-265.7	-293.9	-1,009.6
Dividends paid	-68.5	-62.2	-68.5	-62.2	-62.2
Net cash flows from financing activities	81.0	-69.3	-2.4	-29.2	-137.8
Change in liquid assets	-0.8	-253.1	-80.7	0.1	-247.6
Cash flow based	2.9	-263.1	-81.9	3.4	-256.3
Translation difference	-3.7	10.0	1.2	-3.3	8.7
Liquid assets period start	103.2	350.8	183.1	97.6	350.8
Liquid assets period end	102.4	97.7	102.4	97.7	103.2
Free cash flow (including figures marked with *)	37.6	11.0	12.0	30.4	91.2

Huhtamaki

Notes for the half-yearly results report

This half-yearly 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 half-yearly 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 half-yearly 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 half-yearly results report, including corresponding periods in 2015, cover continuing operations only.

Net Sales

EUR million	H1 2016	Q2 2016	Q1 2016	Q1-Q4 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Foodservice Europe-Asia-Oceania	348.9	192.3	156.6	660.4	166.9	168.8	173.6	151.1
Intersegment net sales	3.9	1.6	2.3	7.1	1.8	0.7	1.8	2.8
North America	496.7	263.7	233.0	939.0	243.0	238.0	249.6	208.4
Intersegment net sales	4.2	2.0	2.2	8.7	1.2	2.3	2.9	2.3
Flexible Packaging	438.0	220.4	217.6	868.7	214.5	223.5	224.8	205.9
Intersegment net sales	0.2	0.1	0.1	0.2	0.0	0.1	0.0	0.1
Molded Fiber	130.7	65.6	65.1	258.3	66.1	61.9	65.6	64.7
Intersegment net sales	1.0	0.6	0.4	2.0	0.4	0.5	0.6	0.5
Elimination of intersegment net sales	-9.3	-4.3	-5.0	-18.0	-3.4	-3.6	-5.3	-5.7
Total	1,414.3	742.0	672.3	2,726.4	690.5	692.2	713.6	630.1

EBIT

EUR million	H1 2016	Q2 2016	Q1 2016	Q1-Q4 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Continuing operations								
Foodservice Europe-Asia-Oceania[1]	29.4	17.4	12.0	52.4	10.3	13.8	16.4	11.9
North America	58.0	37.2	20.8	88.2	23.2	25.0	26.2	13.8
Flexible Packaging	38.0	19.1	18.9	68.8	18.3	15.7	17.8	17.0
Molded Fiber	16.4	8.2	8.2	33.5	8.0	7.9	9.0	8.6
Other activities[2]	-6.4	-4.3	-2.1	-28.0	-4.1	0.0	-18.2	-5.7
Total continuing operations	135.4	77.6	57.8	214.9	55.7	62.4	51.2	45.6
Discontinued operations								
Films[3]	-	-	-	-1.3	-	-	-1.3	-

[1] H1 2016 and Q2 2016 include items affecting comparability MEUR -0.2.

[2] Q1-Q4 2015 includes items affecting comparability MEUR -22.6, Q2 2015 MEUR -18.5 and Q1 2015 MEUR -4.1.

[3] Q1-Q4 2015 and Q2 2015 include items affecting comparability MEUR -1.3.

Huhtamaki

Segments (continued)

EBITDA

EUR million	H1 2016	Q2 2016	Q1 2016	Q1-Q4 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Continuing operations								
Foodservice Europe-Asia-Oceania[1]	44.2	25.5	18.7	79.2	17.2	20.4	23.3	18.3
North America	76.2	46.2	30.0	124.6	32.7	34.0	35.1	22.8
Flexible Packaging	52.6	26.5	26.1	96.6	25.2	22.9	25.2	23.3
Molded Fiber	23.4	11.7	11.7	46.4	11.2	11.2	12.2	11.8
Other activities[2]	-6.1	-4.2	-1.9	-27.4	-3.9	0.1	-18.1	-5.5
Total continuing operations	190.3	105.7	84.6	319.4	82.4	88.6	77.7	70.7
Discontinued operations								
Films[3]	-	-	-	-1.3	-	-	-1.3	-

[1] H1 2016 and Q2 2016 include items affecting comparability MEUR -0.2.

[2] Q1-Q4 2015 includes items affecting comparability MEUR -22.6, Q2 2015 MEUR -18.5 and Q1 2015 MEUR -4.1.

[3] Q1-Q4 2015 and Q2 2015 include items affecting comparability MEUR -1.3.

Depreciation and amortization

EUR million	H1 2016	Q2 2016	Q1 2016	Q1-Q4 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Foodservice Europe-Asia-Oceania	14.8	8.1	6.7	26.8	6.9	6.6	6.9	6.4
North America	18.2	9.0	9.2	36.4	9.5	9.0	8.9	9.0
Flexible Packaging	14.6	7.4	7.2	27.8	6.9	7.2	7.4	6.3
Molded Fiber	7.0	3.5	3.5	12.9	3.2	3.3	3.2	3.2
Other activities	0.3	0.1	0.2	0.6	0.2	0.1	0.1	0.2
Total	54.9	28.1	26.8	104.5	26.7	26.2	26.5	25.1

Net assets allocated to the segments[4]

EUR million	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Foodservice Europe-Asia-Oceania	514.6	366.9	371.5	372.9	385.0	377.7
North America	654.3	631.1	638.9	634.8	643.0	653.5
Flexible Packaging	648.3	631.9	611.3	604.1	608.5	630.8
Molded Fiber	215.1	202.6	197.8	192.5	189.5	189.1

[4] 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).

Huhtamaki

Segments (continued)

Capital expenditure

EUR million	H1 2016	Q2 2016	Q1 2016	Q1-Q4 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Foodservice Europe-Asia-Oceania	13.5	8.2	5.3	39.6	10.2	12.1	9.8	7.5
North America	23.4	13.0	10.4	40.9	12.0	11.2	9.8	7.9
Flexible Packaging	9.8	5.7	4.1	31.6	9.5	5.2	11.1	5.8
Molded Fiber	9.0	4.7	4.3	34.1	18.4	6.3	6.0	3.4
Other activities	0.3	0.1	0.2	0.7	0.4	0.0	0.2	0.1
Total	56.0	31.7	24.3	146.9	50.5	34.8	36.9	24.7

RONA (12m roll.)

EUR million	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Foodservice Europe-Asia-Oceania	13.3%	14.0%	14.2%	15.2%	16.2%	17.2%
North America	16.6%	14.9%	14.1%	12.0%	9.5%	7.6%
Flexible Packaging	11.6%	11.5%	12.3%	12.4%	12.8%	12.9%
Molded Fiber	16.2%	17.1%	17.7%	19.1%	19.2%	20.4%

Operating cash flow

EUR million	H1 2016	Q2 2016	Q1 2016	Q1-Q4 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Foodservice Europe-Asia-Oceania	23.1	13.7	9.4	35.4	11.8	10.0	7.7	5.9
North America	32.4	22.1	10.3	61.1	33.0	31.7	10.1	-13.7
Flexible Packaging	24.5	7.8	16.7	63.5	18.7	9.5	22.5	12.8
Molded Fiber	8.1	4.2	3.9	9.9	-5.3	4.0	7.5	3.7

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

Huhtamaki

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 have not changed from the values reported in the annual financial statements for 2015.

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

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

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

EUR million	
Customer relations	5.8
Tangible assets	31.7
Inventories	9.8
Trade and other receivables	8.9
Cash and cash equivalents	3.0
Total assets	59.2
Deferred taxes	-2.1
Interest-bearing loans	-17.3
Trade and other payables	-8.6
Total liabilities	-28.0
Net assets total	31.2
Non-controlling interest	-9.0
Goodwill	22.2
Remeasurements	14.4
Consideration	30.0

Analysis of combined cash flows of acquisitions

EUR million	
Purchase consideration, cash payment	-30.0
Cash and cash equivalents in acquired companies	2.9
Transaction costs of the acquisition	-0.6
Net cash flow on acquisition	-27.7

The net sales of the acquired businesses included in the Group income statement since acquisition date were EUR 14.3 million and profit for the period was EUR 1.3 million. The net sales and the profit for the period of the acquired businesses would not have had material effect in the Group income statement, if the acquired businesses had been consolidated from January 1, 2016.

Business combinations

On May 19, 2016 Huhtamaki completed the acquisition of Delta Print and Packaging Limited ("Delta"), a privately owned folding carton packaging manufacturer in Northern Ireland and its affiliated Polish unit European Packaging Solutions Poland Sp. Z o.o. With the acquisition Huhtamaki continued to implement its growth strategy focused on food and drink packaging and entered the folding carton packaging market also in Europe. The acquired business has been consolidated into Foodservice Europe-Asia-Oceania business segment as of May 1, 2016. The goodwill is expected to be non-deductible for income tax purposes. The consideration in cash amounted to EUR 92.3 million. The costs relating to advice etc. services EUR 0.9 million are included in the 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	9.1
Tangible assets	38.4
Inventories	5.7
Trade and other receivables	14.6
Cash and cash equivalents	0.2
Total assets	68.0
Deferred taxes	-1.8
Interest-bearing loans	-17.0
Trade and other payables	-17.0
Total liabilities	-35.8
Net assets total	32.2
Goodwill	60.1
Consideration	92.3

Analysis of cash flows of acquisition

EUR million	
Purchase consideration, cash payment	-92.3
Cash and cash equivalents in acquired companies	0.2
Transaction costs of the acquisition	-0.9
Net cash flow on acquisition	-93.0

The net sales of the acquired business included in the Group income statement since acquisition date were EUR 11.4 million and profit for the period was EUR 0.8 million. The Group net sales would have been EUR 1,437.9 million and profit for the period EUR 99.8 million, if the acquired business had been consolidated from January 1, 2016.

Huhtamaki

Other information

Key indicators

	H1 2016	Q1-Q4 2015	H1 2015
Equity per share (EUR)	9.85	9.65	8.64
ROE, % (12m roll.)	18.3	15.6	15.4
ROI, % (12m roll.)	14.9	13.3	12.3
Personnel	16,814	15,844	16,598
Profit before taxes (EUR million, 12m roll.)	223.7	180.7	149.9
Depreciation of tangible assets (EUR million)	50.8	97.7	48.3
Amortization of other intangible assets (EUR million)	4.1	6.8	3.3

Contingent liabilities

EUR million	Jun 30 2016	Dec 31 2015	Jun 30 2015
Mortgages	-	0.0	0.0
Guarantee obligations	-	0.5	0.5
Lease payments	61.2	67.4	67.0
Capital expenditure commitments	46.7	30.4	40.3

Financial instruments measured at fair value

EUR million	Jun 30 2016	Dec 31 2015	Jun 30 2015
Derivatives - assets			
Currency forwards, transaction risk hedges	1.6	2.4	1.9
Currency forwards, translation risk hedges	2.9	-	1.6
Currency forwards, for financing purposes	7.0	2.0	2.3
Currency options, transaction risk hedges	1.1	0.4	0.2
Interest rate swaps	4.2	3.8	2.7
Cross currency swaps	-	-	0.8
Electricity forwards	0.0	0.0	0.0
Available-for-sale investments	2.0	1.9	1.9
Derivatives - liabilities			
Currency forwards, transaction risk hedges	2.8	1.5	1.0
Currency forwards, translation risk hedges	1.4	2.2	0.3
Currency forwards, for financing purposes	2.7	1.3	1.0
Currency options, transaction risk hedges	0.1	0.1	0.4
Interest rate swaps	3.1	1.8	2.1
Cross currency swaps	-	-	0.4
Electricity forwards	0.2	0.3	0.3

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	Jun 30 2016 Carrying amount	Fair value	Dec 31 2015 Carrying amount	Fair value	Jun 30 2015 Carrying amount	Fair value
Non-current	535.4	536.8	503.1	502.1	557.1	552.0
Current	301.0	301.0	157.5	157.5	178.3	178.3
Total	836.4	837.8	660.6	659.6	735.4	730.3

Huhtamaki

Other information (continued)

Exchange rates

Income statement, average:

	H1 2016	H1 2015
AUD 1 =	0.6567	0.7014
GBP 1 =	1.2846	1.3656
INR 1 =	0.0133	0.0143
RUB 1 =	0.0127	0.0155
THB 1 =	0.0253	0.0272
USD 1 =	0.8963	0.8966

Statement of financial position, month end:

	Jun 30 2016	Jun 30 2015
AUD 1 =	0.6698	0.6873
GBP 1 =	1.2099	1.4057
INR 1 =	0.0133	0.0140
RUB 1 =	0.0140	0.0160
THB 1 =	0.0256	0.0265
USD 1 =	0.9007	0.8937

Definitions for performance measures

Performance measures according to IFRS

Earnings per share (EPS) from profit for the period from continuing operations =
Profit for the period from continuing operations – non-controlling interest
Average number of shares outstanding

Earnings per share (EPS) from profit for the period from discontinued operations =
Profit for the period from discontinued operations – non-controlling interest
Average number of shares outstanding

Earnings per share (EPS) attributable to equity holders of the parent company =
Profit for the period – non-controlling interest
Average number of shares outstanding

Diluted earnings per share (EPS) from profit for the period from continuing operations =
Diluted profit for the period from continuing operations – non-controlling interest
Average fully diluted number of shares outstanding

Diluted earnings per share (EPS) from profit for the period from discontinued operations =
Diluted profit for the period from discontinued operations – non-controlling interest
Average fully diluted number of shares outstanding

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

Alternative performance measures

EBITDA =
EBIT + depreciation and amortization

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 =
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)

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.

Huhtamäki Oyj, Miestentie 9, FI-02150 Espoo, Finland
Tel +358 (0)10 686 7000, Fax +358 (0)10 686 7992, www.huhtamaki.com
Domicile: Espoo, Finland, Business Identity Code: 0140879-6