Huhtamäki Oyj Results 2018

January 1–December 31, 2018

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Huhtamäki Oyj's Results January 1–December 31, 2018

Strong net sales growth in the quarter, margins still impacted by high costs

Q4 2018 in brief

- Net sales grew to EUR 813 million (EUR 745 million)
- Adjusted EBIT was EUR 62 million (EUR 65 million); EBIT EUR 27 million (EUR 62 million)
- Adjusted EPS was EUR 0.45 (EUR 0.51); EPS EUR 0.18 (EUR 0.47)
- Comparable net sales growth was 6% in total and 5% in emerging markets
- Currency movements had a negative impact of EUR 3 million on the Group's net sales and EUR 1 million on EBIT

FY 2018 in brief

- Net sales grew to EUR 3,104 million (EUR 2,989 million)
- Adjusted EBIT was EUR 248 million (EUR 268 million); EBIT EUR 223 million (EUR 264 million)
- Adjusted EPS was EUR 1.70 (EUR 1.90); EPS EUR 1.50 (EUR 1.86)
- Comparable net sales growth was 5% in total and 7% in emerging markets
- Currency movements had a negative impact of EUR 120 million on the Group's net sales and EUR 9 million on EBIT
- Capital expenditure was EUR 197 million (EUR 215 million)
- Free cash flow was EUR 59 million (EUR 56 million)
- The Board of Directors proposes a dividend of EUR 0.84 (0.80) per share

Key figures

EUR million	Q4 2018	Q4 2017	Change	FY 2018	FY 2017	Change
Net sales	812.8	745.4	9%	3,103.6	2,988.7	4%
Adjusted EBITDA [1]	95.2	95.3	-0%	373.6	389.7	-4%
Margin [1]	11.7%	12.8%		12.0%	13.0%	
EBITDA	75.3	91.9	-18%	365.2	386.3	-5%
Adjusted EBIT [2]	61.6	65.0	-5%	248.4	267.7	-7%
Margin[2]	7.6%	8.7%		8.0%	9.0%	
EBIT	26.8	61.6	-57%	222.9	264.3	-16%
Adjusted EPS[3], EUR	0.45	0.51	-13%	1.70	1.90	-11%
EPS, EUR	0.18	0.47	-62%	1.50	1.86	-19%
ROI[2]				11.9%	13.6%	
ROE[3]				14.6%	17.0%	
Capital expenditure	70.4	70.7	-0%	196.9	214.8	-8%
Free cash flow	35.4	50.3	-30%	58.9	55.5	6%

[1] *Excluding IAC of EUR -19.9 million in Q4 2018 (EUR -3.4 million in Q4 2017) and EUR -8.4 million in FY 2018 (EUR -3.4 million in FY 2017).*
[2] *Excluding IAC of EUR -34.9 million in Q4 2018 (EUR -3.4 million in Q4 2017) and EUR -25.5 million in FY 2018 (EUR -3.4 million in FY 2017).*
[3] *Excluding IAC of EUR -28.2 million in Q4 2018 (EUR -4.8 million in Q4 2017) and EUR -20.6 million in FY 2018 (EUR -4.8 million in FY 2017).*

Unless otherwise stated, all comparisons in this report are compared to the corresponding period in 2017. Figures of return on investment (ROI), return on equity (ROE) and return on net assets (RONA) presented in this report are calculated on a 12-month rolling basis.

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:

Huhtamaki had a challenging year in 2018 as our growth and profitability were impacted by an inflationary cost environment and negative currency fluctuations. However, our full-year comparable net sales growth was 5% with three acquisitions completed in Q2 adding another 3% to our annual net sales growth. Q4 comparable growth was 6% and the quarterly net sales of EUR 813 million are an all-time high for Huhtamaki.

Profit declined, impacted by negative currency movements, higher costs, which price increases did not fully offset during the year, and the start-up costs of new facilities. We took actions to reduce costs and improve our selling prices during the year with these measures starting to have a positive impact in Q4 2018. Most of the cost reduction and restructuring actions were completed by the end of 2018, the full benefit of which will be reflected in 2019 and 2020. We will continue to drive productivity and price/mix improvement actions with the aim to offset increases in raw material, distribution, and other operating costs.

In 2018, Goodyear, our Arizona plant and the main project of our 2016 investment cycle, came on stream. The ramp-up of another investment commissioned in 2016, a new flexible packaging plant in Egypt, began in Q4 2018. The investments strengthen the Group's positions in North America and Africa allowing it to capture new growth opportunities. All our segments had a good net sales development in 2018. The 5% full year organic growth achieved in the North America segment helped Huhtamaki to meet its long-term organic growth ambition both in the fourth quarter as well as for the financial year.

The North America segment had the highest negative profit impact, with earnings declining by EUR 30 million. This was primarily driven by significantly higher distribution costs, the Goodyear plant start-up costs and the negative impact from currency translation. The improvement achieved by Foodservice Europe-Asia-Oceania and Fiber Packaging, as well as the Group's overall cost efficiency, were not enough to offset the headwinds in the North America segment.

With major investments and the completed acquisitions totaling EUR 256 million, our net debt/EBITDA ratio is 2.2. This maintains a good acquisition firepower and allows continued implementation of both acquired and organic growth. The recent capital expenditures will have a positive impact on 2019. In addition, we will look for value-adding acquisition targets and invest in new packaging solutions.

Innovation work focused on developing more sustainable packaging products for food. Our experience in using renewable raw materials like paper and fiber, and our know-how in plastics, gives us a very strong knowledge base to meet the customer and consumer expectations and address changing demand. The most interesting innovation projects revolve around replacing plastic with paper and fiber solutions and in making plastic food packaging easier to recycle. Our compostable ready meal tray, Fresh, that seeks to replace black plastic has attracted the highest attention. Several similar substitution projects, such as paper straws, are either in development phase or already in implementation.

Headwinds brought by the 2018 business environment did not slow down our growth but had a negative impact on our profitability. Now early into the new year we can confirm the actions to improve Huhtamaki's profitability are impacting and we expect to be back on a positive profitability development track in 2019. Underlying demand for high-quality, sustainable, and safe food packaging is growing and Huhtamaki is in an excellent position to contribute to that trend. Our customers see positive development for 2019 and so do we.

Strategic development

During 2018 the Group continued implementing its growth strategy and focused on finalizing the large organic growth investments initiated in 2016. The most significant project was bringing the new manufacturing unit in Arizona, the U.S., to industrial scale. The ramp-up progressed according to plan and at the end of 2018 the facility had approximately 200 employees and 80% of its first phase capacity was installed. The building of the flexible packaging manufacturing unit in Egypt also progressed as planned and the unit is expected to be fully up and running towards the end of 2019. Construction work on the new foodservice manufacturing facility in Hämeenlinna, Finland began and the new unit is expected to begin

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manufacturing operations by the end of 2019. New investments to grow the fiber packaging business in Russia were announced.

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

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

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Financial review Q4 2018

The Group's net sales growth was strong during the quarter, with all segments contributing. Growth was strongest in the North America and Foodservice Europe-Asia-Oceania business segments. Comparable net sales growth was 6% and in emerging markets 5%. The Group's net sales grew to EUR 813 million (EUR 745 million). Foreign currency translation impact on the Group's net sales was EUR -3 million (EUR -35 million) compared to 2017 exchange rates. The majority of the negative impact came from the Indian rupee and Russian ruble.

Net sales by business segment

EUR million	Q4 2018	Q4 2017	Change	Of Group in Q4 2018
Foodservice Europe-Asia-Oceania	231.6	207.0	12%	28%
North America	276.6	243.5	14%	34%
Flexible Packaging	235.5	226.7	4%	29%
Fiber Packaging	72.9	72.4	1%	9%
Elimination of internal sales	-3.8	-4.2		
Group	812.8	745.4	9%	

Comparable growth by business segment

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2018
Foodservice Europe-Asia-Oceania	3%	5%	5%	5%	4%
North America	11%	2%	2%	5%	5%
Flexible Packaging	4%	6%	11%	6%	7%
Fiber Packaging	5%	4%	3%	5%	4%
Group	6%	4%	6%	5%	5%

The Group's earnings declined despite the significant earnings improvement in the Fiber Packaging segment and the continued solid performance in the Foodservice Europe-Asia-Oceania business segment. The earnings decline in the North America segment was due to high distribution and input costs, and costs related to the start-up of the Goodyear plant. In addition, comparison in Q4 2017 was strong in the North America segment. The Group's adjusted earnings before interests and taxes (EBIT) were EUR 62 million (EUR 65 million) and reported EBIT EUR 27 million (EUR 62 million). Foreign currency translation impacted the Group's earnings by EUR -1 million (EUR -3 million).

Adjusted EBIT by business segment

EUR million	Q4 2018	Q4 2017	Change	Of Group in Q4 2018
Foodservice Europe-Asia-Oceania [1]	17.6	17.9	-2%	28%
North America[2]	19.3	28.8	-33%	31%
Flexible Packaging[3]	16.8	19.1	-12%	27%
Fiber Packaging[4]	8.6	5.5	56%	14%
Other activities[5]	-0.7	-6.3		
Group	61.6	65.0	-5%	

[1] *Excluding IAC of EUR -12.0 million in Q4 2018 (EUR -3.4 million in Q4 2017).*
[2] *Excluding IAC of EUR -10.7 million in Q4 2018 (no IAC in Q4 2017).*
[3] *Excluding IAC of EUR -8.2 million in Q4 2018 (no IAC in Q4 2017).*
[4] *Excluding IAC of EUR -1.5 million in Q4 2018 (no IAC in Q4 2017).*
[5] *Excluding IAC of EUR -2.5 million in Q4 2018 (no IAC in Q4 2017).*

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Adjusted EBIT excludes EUR -35 million of items affecting comparability (IAC), which consist of restructuring costs of EUR 33 million, including write-downs of related assets, and acquisition related costs of EUR 2 million. The restructuring costs are primarily related to a program to improve efficiency and profitability as announced on October 2, 2018. The planned actions are estimated to result in annual improvements of approximately EUR 15-18 million with full impact in 2020. IAC were booked in all business segments.

Adjusted EBIT and IAC

EUR million	Q4 2018	Q4 2017
Adjusted EBIT	61.6	65.0
Restructuring costs including write-downs of related assets	-33.0	-16.7
Acquisition related costs	-1.9	-
Gains and losses relating to business combinations and disposals	-	13.3
EBIT	26.8	61.6

Net financial expenses increased to EUR 7 million (EUR 2 million). Tax expense was EUR 1 million (EUR 9 million).

Profit for the quarter was EUR 19 million (EUR 51 million). Adjusted EPS were EUR 0.45 (EUR 0.51) and reported EPS EUR 0.18 (EUR 0.47). Adjusted EPS is calculated based on adjusted profit for the quarter, which excludes EUR -35 million of IAC and EUR 7 million of related taxes.

Adjusted EPS and IAC

EUR million	Q4 2018	Q4 2017
Adjusted profit for the quarter	47.3	55.6
IAC excluded from adjusted EBIT	-34.9	-3.4
Taxes related to IAC	6.6	-1.4
Profit for the quarter	19.0	50.8

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Financial review FY 2018

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

Net sales by business segment

EUR million	FY 2018	FY 2017	Change	Of Group in FY 2018
Foodservice Europe-Asia-Oceania	881.7	807.5	9%	28%
North America	1,002.7	1,000.4	0%	32%
Flexible Packaging	952.3	912.7	4%	31%
Fiber Packaging	283.0	285.1	-1%	9%
Elimination of internal sales	-16.1	-17.0		
Group	3,103.6	2,988.7	4%	

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

Adjusted EBIT by business segment

EUR million	FY 2018	FY 2017	Change	Of Group in FY 2018
Foodservice Europe-Asia-Oceania [1]	75.8	70.1	8%	31%
North America[2]	72.7	104.1	-30%	29%
Flexible Packaging[3]	67.2	69.7	-4%	27%
Fiber Packaging[4]	30.9	28.2	9%	13%
Other activities[5]	1.8	-4.4		
Group	248.4	267.7	-7%	

[1] *Excluding IAC of EUR -13.3 million in FY 2018 (EUR -3.4 million in FY 2017).*
[2] *Excluding IAC of EUR -10.7 million in FY 2018 (no IAC in FY 2017).*
[3] *Excluding IAC of EUR -9.7 million in FY 2018 (no IAC in FY 2017).*
[4] *Excluding IAC of EUR -2.1 million in FY 2018 (no IAC in FY 2017).*
[5] *Excluding IAC of EUR 10.3 million in FY 2018 (no IAC in FY 2017).*

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

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Adjusted EBIT and IAC

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

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

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

Adjusted EPS and IAC

EUR million	FY 2018	FY 2017
Adjusted profit for the period	178.7	201.3
IAC excluded from Adjusted EBIT	-25.5	-3.4
Taxes related to IAC	4.9	-1.4
Profit for the period	158.1	196.5

Statement of financial position and cash flow

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

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

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

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

Acquisitions and divestments

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

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

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

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

Significant events during the reporting period

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

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

Significant events after the reporting period

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

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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	Q4 2018	Q4 2017	Change	FY 2018	FY 2017	Change
Net sales	231.6	207.0	12%	881.7	807.5	9%
Adjusted EBIT[1]	17.6	17.9	-2%	75.8	70.1	8%
Margin[1]	7.6%	8.6%		8.6%	8.7%	
EBIT	5.7	14.5	-61%	62.6	66.7	-6%
RONA[1]				12.6%	13.0%	
Capital expenditure	19.9	17.6	13%	57.8	53.4	8%
Operating cash flow	16.0	16.1	-1%	43.8	57.1	-23%

[1] Excluding IAC of EUR -12.0 million in Q4 2018 (EUR -3.4 million in Q4 2017) and EUR -13.3 million in FY 2018 (EUR -3.4 million in FY 2017).

Q4 2018

Demand for foodservice packaging was positive across most markets, particularly in Eastern and continental Europe. In the UK demand was negatively impacted by the uncertainty around Brexit. Prices of raw materials and other input costs were higher than prior year. Customer interest in substituting plastic products with alternatives made of paperboard continued in Europe.

The Foodservice Europe-Asia-Oceania segment's net sales grew significantly, primarily driven by acquisitions. Comparable net sales growth was 3% and growth including acquisitions was 12%. Growth was strong in Europe excluding the UK. Net sales developed particularly well in the segment's core paperboard items and among global key accounts. The businesses acquired during the second quarter of 2018 contributed EUR 24 million to the segment's net sales. Tailored Packaging in Australia has been reported as part of the Foodservice Europe-Asia-Oceania segment as of May 1, 2018 and CupPrint in Ireland as of June 1, 2018.

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

The segment's earnings growth was solid. Earnings grew as a result of positive net sales development and strong focus on cost control and operational excellence. The businesses acquired during the second quarter contributed positively to the segment's earnings.

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

Q1-Q4 2018

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

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

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

The segment's earnings improved significantly, mainly as a result of positive net sales development and favorable product mix development. Earnings growth was supported by successful price management and focus on cost control and operational excellence. The businesses acquired during the second quarter contributed positively to the segment's earnings.

Currency movements had a translation impact of EUR -3 million on the segment's 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	Q4 2018	Q4 2017	Change	FY 2018	FY 2017	Change
Net sales	276.6	243.5	14%	1,002.7	1,000.4	0%
Adjusted EBIT [1]	19.3	28.8	-33%	72.7	104.1	-30%
Margin[1]	7.0%	11.8%		7.2%	10.4%	
EBIT	8.6	28.8	-70%	62.0	104.1	-40%
RONA[1]				9.3%	14.2%	
Capital expenditure	20.3	22.9	-11%	62.9	97.9	-36%
Operating cash flow	20.6	24.8	-17%	15.9	31.7	-50%

[1] *Excluding IAC of EUR -10.7 million in Q4 2018 (no IAC in Q4 2017) and EUR -10.7 million in FY 2018 (no IAC in FY 2017).*

Q4 2018

Demand for retail packaging and ice cream packaging was strong in the U.S. while demand for foodservice packaging was moderated by declining store visits. Distribution costs stabilized but were on a high level. Freight capacity continued to be tight. Prices of fiber-based raw materials were high while resin prices declined. The labor market was tight.

The North America segment's net sales grew significantly, comparable growth being 11%. Net sales growth was strong across all businesses, partially resulting from the timing of customer call-offs. Growth was strongest in retail tableware, which benefited from new business wins.

Currency movements had a positive translation impact of EUR 7 million on the segment's reported net sales.

The segment's earnings declined. Earnings were negatively impacted by high distribution and input costs, and costs related to the start-up of the Goodyear plant. In addition, Q4 2017 included a positive impact on the segment's earnings due to year end provision adjustments related to employee benefits and customer discounts.

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

Q1-Q4 2018

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

The North America segment's comparable net sales growth was strong, being 5%. Growth was strongest in the retail business, with significant growth in private label tableware throughout the period. Net sales growth was good also in ice cream packaging and foodservice packaging.

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

The segment's earnings declined as a result of high distribution costs, high input costs and costs related to the start-up of the Goodyear plant.

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

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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	Q4 2018	Q4 2017	Change	FY 2018	FY 2017	Change
Net sales	235.5	226.7	4%	952.3	912.7	4%
Adjusted EBIT [1]	16.8	19.1	-12%	67.2	69.7	-4%
Margin[1]	7.1%	8.4%		7.1%	7.6%	
EBIT	8.5	19.1	-55%	57.5	69.7	-18%
RONA[1]				10.1%	10.8%	
Capital expenditure	16.0	20.7	-23%	49.7	41.1	21%
Operating cash flow	16.2	8.5	90%	37.4	36.6	2%

[1] *Excluding IAC of EUR -8.2 million in Q4 2018 (no IAC in Q4 2017) and EUR -9.7 million in FY 2018 (no IAC in FY 2017).*

Q4 2018

Demand for flexible packaging was positive in most markets. Raw material costs stabilized during the quarter but were on a high level. Competitive situation remained tight.

The Flexible Packaging segment's net sales growth was solid, with comparable growth at 4%. Growth was strongest in the Middle East. Growth was strong also in India, particularly within the domestic business. Export sales to Africa suffered from restricted availability of currency. Ajanta Packaging, acquired during the second quarter in 2018, contributed EUR 3 million to the segment's net sales.

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

The segment's underlying profitability improved, particularly in Europe and in India, as a result of tight cost control and improvements in operational efficiency. Earnings in Europe were negatively impacted by a national support strike at the segment's manufacturing unit in Germany. The segment's fourth quarter earnings in 2017 were positively impacted by a benefit from a statutory pension plan change in Germany.

There was a minor negative foreign currency impact on the segments reported earnings.

Q1-Q4 2018

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

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

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

The segment's reported earnings declined as the positive development in India and in Europe was not sufficient to offset the negative impacts of increased raw material costs and tight competition in Southeast Asia. In constant currencies, the segment's earnings were at the previous year's level.

Currency movements had a translation impact of EUR -2 million on the segment's 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	Q4 2018	Q4 2017	Change	FY 2018	FY 2017	Change
Net sales	72.9	72.4	1%	283.0	285.1	-1%
Adjusted EBIT [1]	8.6	5.5	56%	30.9	28.2	9%
Margin[1]	11.8%	7.6%		10.9%	9.9%	
EBIT	7.1	5.5	28%	28.8	28.2	2%
RONA[1]				14.4%	12.8%	
Capital expenditure	13.6	9.3	46%	23.4	22.0	6%
Operating cash flow	3.3	2.7	21%	21.6	20.7	4%

[1] *Excluding IAC of EUR -1.5 million in Q4 2018 (no IAC in Q4 2017) and EUR -2.1 million in FY 2018 (no IAC in FY 2017).*

Q4 2018

Demand for fiber-based egg packaging was solid across markets. Demand for fiber fruit trays was somewhat subdued. Prices of recycled fiber increased slightly but remained on a moderate level. Energy prices increased. The competitive environment continued to be tight.

The Fiber Packaging segment's net sales growth was solid with comparable growth at 5%. Growth was strong in Australia and in Africa. Growth in Europe was supported by new capacity and new customer wins. In Russia growth remained moderate due to capacity constraints.

A successful UK-wide in-store trial for Fresh, the fiber-based ready meal tray, was conducted during the quarter. A larger widescale trial will start during Q1 2019.

Investment in a new, state of the art manufacturing line and a modernization of an existing line in Russia was announced during the quarter. The new capacity is expected to be operational during the fourth quarter in 2019.

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

The segment's earnings grew significantly, primarily as a result of moderate raw material prices. Tight cost control in operations and new product development supported earnings growth. Increasing energy prices and distribution costs had a negative impact on the segment's earnings.

Currency movements had a minor negative translation impact on the segment's reported earnings.

Q1-Q4 2018

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

The Fiber Packaging segment's comparable net sales growth was 4%. Net sales growth was strong in Africa, Brazil and Russia, but moderate in Europe.

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

The segment's earnings improved significantly as a result of the strong earnings growth during the fourth quarter.

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

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Personnel

The Group had a total of 17,663 (17,417) employees at the end of December 2018. The number of employees by segment was the following: Foodservice Europe-Asia-Oceania 4,826 (4,870), North America 3,884 (3,839), Flexible Packaging 7,147 (6,874), Fiber Packaging 1,720 (1,761), and Other activities 86 (73).

Changes in management

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

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

Michael Orye (46), M.Sc. (Economics), was appointed Executive Vice President, Fiber Packaging and member of the Global Executive Team on December 18, 2018. Mr. Orye joined Huhtamaki on February 1, 2019.

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

Share capital and shareholders

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

There were 31,755 (30,474) registered shareholders at the end of 2018. Foreign ownership including nominee registered shares accounted for 43% (49%).

Share trading

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

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

During the year, the cumulative value of the Company's share turnover on Nasdaq Helsinki Ltd was EUR 2,298 million (EUR 2,352 million). The trading volume of 74 million (68 million) shares equaled an average daily turnover of 300,838 (269,959) shares. The cumulative value of the Company's share turnover including alternative trading venues, such as BATS Chi-X and Turquoise, was EUR 6,242 million (EUR 6,117 million). During the year, 63% (62%) of all trading took place outside Nasdaq Helsinki Ltd. (Source: Fidessa Fragmentation Index, fragmentation.fidessa.com)

Resolutions of the Annual General Meeting 2018

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

The number of members of the Board of Directors was confirmed to be eight (8). Mr. Pekka Ala-Pietilä, Mr. Doug Baillie, Mr. William R. Barker, Mr. Jukka Suominen, Ms. Kerttu Tuomas and Ms. Sandra Turner were re-elected as members of the Board of Directors and Ms. Anja Korhonen and Mr. Ralf K. Wunderlich were elected as new members of the Board of Directors for a term ending at the end of the next Annual General Meeting. Mr. Ralf K. Wunderlich's term as a member of the Board of Directors started on July 1, 2018. The Board of Directors elected Mr. Pekka Ala-Pietilä as the Chairman of the Board and Mr. Jukka Suominen as the Vice-Chairman of the Board.

Ernst & Young Oy, a firm of Authorized Public Accountants, was elected as Auditor of the Company for the financial year January 1 - December 31, 2018. Mr. Mikko Järventausta, 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 authorization also covers directed repurchases of the Company's own shares. The Board of Directors was also authorized to resolve on the issuance of shares and the issuance of special rights entitling to shares. The aggregate number of shares to be issued on the basis of the authorization may not exceed 14,000,000 shares, however so that the number of new shares to be issued may not exceed 10,000,000 shares and the number of own treasury shares to be transferred may not exceed 4,000,000 shares. The authorizations remain in force until the end of the next AGM, however, no longer than until June 30, 2019.

Short-term risks and uncertainties

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

Outlook for 2019

The Group's trading conditions are expected to remain relatively stable during 2019. The good financial position and ability to generate a positive cash flow will enable the Group to address profitable growth opportunities. Capital expenditure is expected to be approximately at the same level as in 2018 with the majority of the investments directed to business expansion.

Dividend proposal

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

Annual General Meeting 2019

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

Financial reporting in 2019

In 2019, Huhtamaki will publish financial information as follows:

Interim Report, January 1–March 31, 2019	April 25
Half-yearly Report, January 1–June 30, 2019	July 19
Interim Report, January 1–September 30, 2019	October 23

Annual Accounts 2018 will be published on week 8.

Espoo, February 13, 2019

Huhtamäki Oyj
Board of Directors

Huhtamaki

Group income statement (IFRS)

EUR million	Q1-Q4 2018	Q1-Q4 2017	Q4 2018	Q4 2017
Net sales	3,103.6	2,988.7	812.8	745.4
Cost of goods sold	-2,633.1	-2,482.4	-708.6	-625.5
Gross profit	470.5	506.3	104.1	119.9
Other operating income	28.5	22.4	2.8	17.3
Sales and marketing	-74.8	-77.6	-19.3	-19.1
Research and development	-20.2	-19.2	-4.7	-4.7
Administration expenses	-170.7	-149.8	-51.9	-39.8
Other operating expenses	-12.2	-20.0	-4.4	-12.4
Share of profit of equity-accounted investments	1.8	2.2	0.2	0.4
	-247.6	-242.0	-77.4	-58.3
Earnings before interest and taxes	222.9	264.3	26.8	61.6
Financial income	4.4	4.9	1.3	0.0
Financial expenses	-31.3	-22.4	-8.1	-1.5
Profit before taxes	196.0	246.8	19.9	60.1
Income tax expense	-37.9	-50.3	-0.9	-9.3
Profit for the period	158.1	196.5	19.0	50.8
Attributable to:				
Equity holders of the parent company	156.5	193.1	18.3	48.6
Non-controlling interest	1.6	3.4	0.7	2.2
EUR				
EPS attributable to equity holders of the parent company	1.50	1.86	0.18	0.47
Diluted EPS attributable to equity holders of the parent company	1.50	1.85	0.18	0.46

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Group statement of comprehensive income (IFRS)

EUR million	Q1-Q4 2018	Q1-Q4 2017	Q4 2018	Q4 2017
Profit for the period	158.1	196.5	19.0	50.8
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit plans	4.5	6.5	5.1	5.7
Taxes related to items that will not be reclassified	-1.1	-4.2	-1.3	-4.0
Total	3.4	2.3	3.9	1.7
Items that may be reclassified subsequently to profit or loss				
Translation differences	10.6	-118.8	27.9	-8.4
Equity hedges	-10.1	25.4	-4.7	2.2
Cash flow hedges	2.2	-0.5	-0.4	0.9
Taxes related to items that may be reclassified	-0.3	0.2	0.3	-0.1
Total	2.4	-93.7	23.1	-5.4
Other comprehensive income, net of tax	5.7	-91.4	26.9	-3.7
Total comprehensive income	163.9	105.1	46.0	47.1
Attributable to:				
Equity holders of the parent company	162.3	101.7	45.2	44.9
Non-controlling interest	1.6	3.4	0.8	2.2

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Group statement of financial position (IFRS)

EUR million	Dec 31, 2018	Dec 31, 2017
ASSETS		
Non-current assets		
Goodwill	698.1	633.8
Other intangible assets	40.5	36.5
Tangible assets	1,122.1	1,055.0
Equity-accounted investments	4.9	5.9
Other investments	2.5	1.7
Interest-bearing receivables	2.6	3.0
Deferred tax assets	46.3	51.2
Employee benefit assets	49.1	53.2
Other non-current assets	4.6	5.8
	1,970.7	1,846.1
Current assets		
Inventory	497.7	444.8
Interest-bearing receivables	10.4	5.2
Current tax assets	15.1	11.2
Trade and other current receivables	538.6	507.3
Cash and cash equivalents	95.0	116.0
	1,156.9	1,084.5
Total assets	3,127.6	2,930.6
EQUITY AND LIABILITIES		
Share capital	366.4	366.4
Premium fund	115.0	115.0
Treasury shares	-31.5	-33.5
Translation differences	-104.2	-104.8
Fair value and other reserves	-96.1	-101.3
Retained earnings	971.5	917.0
Total equity attributable to equity holders of the parent company	1,221.2	1,158.8
Non-controlling interest	52.6	49.4
Total equity	1,273.7	1,208.2
Non-current liabilities		
Interest-bearing liabilities	628.5	643.7
Deferred tax liabilities	91.0	86.9
Employee benefit liabilities	205.1	215.7
Provisions	14.4	15.8
Other non-current liabilities	35.1	25.4
	974.1	987.5
Current liabilities		
Interest-bearing liabilities		
Current portion of long term loans	21.4	25.8
Short-term loans	266.6	153.1
Provisions	17.2	6.9
Current tax liabilities	15.5	10.0
Trade and other current liabilities	559.1	539.1
	879.8	734.9
Total liabilities	1,853.9	1,722.4
Total equity and liabilities	3,127.6	2,930.6
Net debt	808.5	698.4
Net debt to equity (gearing)	0.63	0.58

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Group statement of changes in equity (IFRS)

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

[1] The Group has adopted IFRS 15 Revenue from Contracts with Customers using a modified retrospective approach. An adjustment related to cash discounts has been done to the opening balance of retained earnings at the date of initial application.

[2] The Group has adopted IFRIC 23 Uncertainty over Income Tax Treatments using a modified retrospective approach. An adjustment related to tax liabilities has been done to the opening balance of retained earnings at the date of initial application. See IFRIC 23 restatement note.

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Group statement of cash flows (IFRS)

EUR million	Q1-Q4 2018	Q1-Q4 2017	Q4 2018	Q4 2017
Profit for the period*	158.1	196.5	19.0	50.8
Adjustments*	214.1	191.0	68.2	40.3
Depreciation and amortization*	142.3	122.0	48.5	30.3
Share of profit of equity-accounted investments*	0.4	0.2	-0.2	-0.4
Gain/loss from disposal of assets*	-1.7	-5.2	-0.2	-5.4
Financial expense/-income*	26.9	17.5	6.8	1.5
Income tax expense*	37.9	50.3	0.9	9.3
Other adjustments, operational*	8.4	6.2	12.3	5.0
Change in inventory*	-37.6	-69.6	25.9	1.3
Change in non-interest bearing receivables*	-25.9	-37.8	9.2	38.2
Change in non-interest bearing payables*	-5.0	41.9	0.9	-11.2
Dividends received*	0.1	1.1	0.0	0.2
Interest received*	2.0	1.7	0.4	0.6
Interest paid*	-14.8	-21.9	-4.6	-3.9
Other financial expense and income*	-0.2	-2.3	-0.4	-1.2
Taxes paid*	-37.8	-43.9	-13.6	-6.1
Net cash flows from operating activities	253.0	256.7	105.0	109.0
Capital expenditure*	-196.9	-214.8	-70.4	-70.7
Proceeds from selling tangible assets*	2.8	13.6	0.8	12.0
Acquired subsidiaries and assets	-59.2	-3.2	-1.9	-
Proceeds from long-term deposits	0.8	1.3	0.2	0.3
Payment of long-term deposits	-0.4	0.0	-0.2	0.0
Proceeds from short-term deposits	4.9	2.8	0.0	2.1
Payment of short-term deposits	-8.5	-6.1	-1.6	-3.2
Net cash flows from investing activities	-256.5	-206.4	-73.0	-59.5
Proceeds from long-term borrowings	202.0	420.8	2.2	164.1
Repayment of long-term borrowings	-221.7	-292.6	-10.5	-141.1
Proceeds from short-term borrowings	2,659.8	2,650.6	656.4	485.7
Repayment of short-term borrowings	-2,574.5	-2,735.6	-665.5	-532.2
Dividends paid	-83.5	-76.0	-	-
Net cash flows from financing activities	-17.8	-32.8	-17.5	-23.5
Change in liquid assets	-21.0	10.1	16.0	26.4
Cash flow based	-21.3	17.5	14.5	26.0
Translation difference	0.3	-7.4	1.5	0.4
Liquid assets period start	116.0	105.9	79.0	89.6
Liquid assets period end	95.0	116.0	95.0	116.0
Free cash flow (including figures marked with *)	58.9	55.5	35.4	50.3

Notes to the results report

This results 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 results report as in the annual financial statements for 2017. The following new and amended standards and interpretations have been adopted with effect from January 1, 2018:

• Revised IAS 40 Investment Property. The amendments clarify transfers of property from to, or from, investment property. The amendments had no impact on the results financial statements.
• Revised IFRS 2 Share-based Payment. The amendment clarifies classification and measurement of share-based payment transactions. The amendment had no impact on the results financial statements.
• IFRC 22 Foreign Currency Transactions and Advance Consideration. The interpretation clarifies the treatment of consideration received in advance of performance. The interpretation had no impact on the results financial statements.
• IFRIC 23 Uncertainty over Income Tax Treatments. The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatment. The Group has early adopted the interpretation using a modified retrospective approach. An adjustment of EUR 13 million related to tax liabilities (presented as other non-current liabilities) has been done to the opening balance of retained earnings at the date of the initial application.
• Annual improvements (2014-2016). Annual improvements include smaller amendments to three standards. The amendments had no impact on the results 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

EUR million	Q1-Q4 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania	876.2	230.2	228.6	220.1	197.2	801.3	205.3	200.9	204.3	190.8
Intersegment net sales	5.6	1.3	1.3	1.3	1.6	6.2	1.7	1.7	1.1	1.7
North America	995.7	275.1	240.4	255.1	225.1	992.5	241.8	233.4	272.4	244.9
Intersegment net sales	7.1	1.5	1.9	2.0	1.7	7.9	1.7	1.9	1.9	2.4
Flexible Packaging	951.8	235.3	242.4	240.2	234.0	912.4	226.6	229.6	224.0	232.2
Intersegment net sales	0.5	0.2	0.0	0.2	0.0	0.3	0.1	0.1	0.0	0.1
Fiber Packaging	280.0	72.1	68.4	70.5	69.0	282.5	71.7	68.1	71.2	71.5
Intersegment net sales	3.1	0.8	0.8	0.7	0.8	2.6	0.7	0.5	0.6	0.8
Elimination of intersegment net sales	-16.1	-3.8	-4.0	-4.2	-4.1	-17.0	-4.2	-4.2	-3.6	-5.0
Total	3,103.6	812.8	779.8	785.9	725.2	2,988.7	745.4	732.0	771.9	739.4

EBIT

EUR million	Q1-Q4 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania[1]	62.6	5.7	18.7	19.0	19.2	66.7	14.5	18.4	18.4	15.4
North America[1]	62.0	8.6	14.6	22.5	16.2	104.1	28.8	20.2	32.6	22.5
Flexible Packaging[1]	57.5	8.5	15.0	16.5	17.5	69.7	19.1	17.7	14.0	18.9
Fiber Packaging[1]	28.8	7.1	7.0	6.7	7.9	28.2	5.5	7.3	8.1	7.3
Other activities[1]	12.1	-3.2	1.1	15.0	-0.9	-4.4	-6.3	0.7	2.5	-1.3
Total[1]	222.9	26.8	56.4	79.7	60.0	264.3	61.6	64.3	75.6	62.8

[1] 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). Q1-Q4 2017 Foodservice E-A-O include items affecting comparability EUR -3.4 million.

Segments (continued)

EBITDA

EUR million	Q1-Q4 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania[1]	104.6	18.7	28.3	29.2	28.5	103.2	24.0	27.3	27.5	24.4
North America[1]	113.8	30.4	24.9	32.6	25.9	143.2	38.3	29.5	42.6	32.8
Flexible Packaging[1]	89.1	17.6	22.3	24.6	24.6	99.8	26.6	25.2	21.5	26.5
Fiber Packaging[1]	44.4	11.3	10.7	10.7	11.8	43.6	9.2	11.0	12.1	11.3
Other activities[1]	13.3	-2.7	1.4	15.2	-0.6	-3.5	-6.2	1.0	2.7	-1.0
Total[1]	365.2	75.3	87.5	112.3	90.1	386.3	91.9	94.0	106.4	94.0

[1] 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). Q1-Q4 2017 Foodservice E-A-O include items affecting comparability EUR -3.4 million.

Depreciation and amortization

EUR million	Q1-Q4 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania	42.1	13.0	9.6	10.2	9.3	36.5	9.5	8.9	9.1	9.0
North America	51.8	21.8	10.3	10.0	9.6	39.1	9.5	9.3	10.0	10.3
Flexible Packaging	31.6	9.0	7.3	8.2	7.1	30.1	7.5	7.5	7.5	7.6
Fiber Packaging	15.7	4.2	3.6	3.9	3.9	15.4	3.7	3.7	4.0	4.0
Other activities	1.3	0.5	0.3	0.3	0.3	0.9	0.1	0.3	0.2	0.3
Total	142.3	48.5	31.1	32.6	30.1	122.0	30.3	29.7	30.8	31.2

Net assets allocated to the segments[2]

EUR million	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania	649.0	633.4	631.0	554.3	551.0	543.1	528.9	540.1
North America	806.8	805.1	797.0	752.5	727.9	729.7	736.7	756.6
Flexible Packaging	690.1	675.4	672.7	639.4	647.2	641.4	638.4	645.1
Fiber Packaging	214.9	213.6	211.0	216.1	214.4	219.3	218.5	224.6

[2] 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

EUR million	Q1-Q4 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania	57.8	19.9	14.1	14.0	9.8	53.4	17.6	11.5	12.8	11.5
North America	62.9	20.3	12.6	15.1	14.9	97.9	22.9	27.0	23.8	24.2
Flexible Packaging	49.7	16.0	13.5	14.6	5.7	41.1	20.7	5.8	7.7	6.9
Fiber Packaging	23.4	13.6	4.7	2.9	2.2	22.0	9.3	4.3	4.1	4.3
Other activities	3.2	0.6	0.7	1.0	0.8	0.4	0.2	0.1	0.0	0.1
Total	196.9	70.4	45.6	47.7	33.3	214.8	70.7	48.7	48.4	47.0

RONA (12m roll.)

EUR million	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania	10.4%	12.3%	12.7%	13.0%	12.4%	12.4%	12.5%	13.1%
North America	8.0%	10.8%	11.7%	13.2%	14.2%	13.9%	14.8%	16.0%
Flexible Packaging	8.6%	10.4%	10.9%	10.6%	10.8%	10.6%	10.7%	11.5%
Fiber Packaging	13.4%	12.6%	12.7%	13.2%	12.8%	14.8%	15.3%	15.6%

Operating cash flow

EUR million	Q1-Q4 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q1-Q4 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Foodservice Europe-Asia-Oceania	43.8	16.0	10.5	13.0	4.2	57.1	16.1	16.0	11.6	13.4
North America	15.9	20.6	-4.2	26.0	-26.6	31.7	24.8	9.6	14.4	-17.1
Flexible Packaging	37.4	16.2	1.7	10.0	9.5	36.6	8.5	12.4	-0.5	16.2
Fiber Packaging	21.6	3.3	1.5	11.6	5.2	20.7	2.7	3.3	9.5	5.2

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Business combinations

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

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

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

The goodwill from the acquired businesses is expected to be non-deductible for income tax purposes. The costs relating to advice etc. services EUR 1.5 million are included in the Group income statement in account Other operating expenses.

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

EUR million	
Intangible assets	6.2
Tangible assets	12.3
Other long-term investments	0.7
Inventories	14.0
Trade and other receivables	16.8
Other short-term investments	0.0
Cash and cash equivalents	2.1
Total assets	52.1
Deferred taxes	-2.0
Interest-bearing loans	-21.1
Trade and other payables	-13.5
Total liabilities	-36.6
Net assets total	15.5
Non-controlling interest	-1.4
Goodwill	56.9
Consideration	71.0

Analysis of cash flows of acquisitions

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

The net sales of the acquired businesses included in the Group income statement since acquisition date were EUR 63.7 million and result for the period was EUR 3.6 million. The net sales and the result for the period of the acquired businesses would not have had material effect in the Group income statement, if the acquired businesses had been consolidated from January 1, 2018.

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Other information

Key indicators

	Q1-Q4 2018	Q1-Q4 2017
Equity per share (EUR)	11.70	11.13
ROE, % (12m roll.)	12.9	16.6
ROI, % (12m roll.)	10.7	13.4
Personnel	17,663	17,417
Profit before taxes (EUR million, 12m roll.)	196.0	246.8
Depreciation of tangible assets (EUR million)	133.2	113.6
Amortization of other intangible assets (EUR million)	9.1	8.4

Contingent liabilities

EUR million	Dec 31, 2018	Dec 31, 2017
Lease payments	99.8	98.7
Capital expenditure commitments	58.5	68.9

Financial instruments measured at fair value

EUR million	Dec 31, 2018	Dec 31, 2017
Derivatives - assets		
Currency forwards, transaction risk hedges	2.4	1.1
Currency forwards, translation risk hedges	0.1	2.7
Currency forwards, for financing purposes	0.9	1.2
Currency options, transaction risk hedges	0.0	0.2
Interest rate swaps	3.7	3.9
Electricity forwards	0.0	0.0
Other investments	2.5	1.7
Derivatives - liabilities		
Currency forwards, transaction risk hedges	0.7	1.7
Currency forwards, translation risk hedges	7.0	0.2
Currency forwards, for financing purposes	2.7	1.2
Currency options, transaction risk hedges	0.1	0.4
Interest rate swaps	0.3	0.2
Cross currency swaps	0.8	1.3
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

	Dec 31, 2018		Dec 31, 2017	
EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Non-current	628.5	624.0	643.7	634.6
Current	288.0	288.0	178.9	178.9
Total	916.5	912.1	822.6	813.5

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Restatement Q1-Q3 2018: IFRIC 23 - Uncertainty over Income Tax Treatments

IFRIC 23 Uncertainty over Income Tax Treatments (effective for 2019 annual period with early adoption permitted) clarifies the application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatment. The Group has reviewed it's income tax treatment and adopted the interpretation using a modified retrospective approach. An adjustment of EUR 13 million related to tax liabilities (presented as other non-current liabilities) has been done to the opening balance of retained earnings at the date of the initial application, 1 January 2018. This adjustment did not have impact to other accounts.

Group statement of financial position (IFRS) - Restated

EUR million	30 Sep, 2018	30-Jun-18	31 Mar, 2018	1 Jan, 2018
ASSETS				
Non-current assets				
Goodwill	680.9	685.6	624.3	633.8
Other intangible assets	32.2	34.3	35.2	36.5
Tangible assets	1,090.7	1,092.5	1,035.0	1,055.0
Equity-accounted investments	4.4	6.1	6.2	5.9
Other investments	2.3	2.4	1.7	1.7
Interest-bearing receivables	2.6	2.6	2.7	3.0
Deferred tax assets	49.0	50.1	50.8	51.2
Employee benefit assets	53.0	54.1	50.7	53.2
Other non-current assets	5.7	5.9	6.1	5.8
	1,920.8	1,933.7	1,812.7	1,846.1
Current assets				
Inventory	518.5	502.8	466.4	444.8
Interest-bearing receivables	6.9	7.6	3.8	5.2
Current tax assets	6.6	13.7	12.7	11.2
Trade and other current receivables	549.9	572.3	531.7	507.3
Cash and cash equivalents	79.0	116.7	110.7	116.0
	1,160.9	1,213.1	1,125.4	1,084.5
Total assets	3,081.8	3,146.8	2,938.1	2,930.6
EQUITY AND LIABILITIES				
Share capital	366.4	366.4	366.4	366.4
Premium fund	115.0	115.0	115.0	115.0
Treasury shares	-31.5	-31.5	-32.1	-33.5
Translation differences	-127.4	-103.9	-134.0	-104.8
Fair value and other reserves	-99.7	-98.3	-100.8	-101.3
Retained earnings	954.6	914.9	944.0	903.6
Total equity attributable to equity holders of the parent company	1,177.3	1,162.7	1,158.5	1,145.4
Non-controlling interest	52.0	54.7	47.7	49.4
Total equity	1,229.4	1,217.4	1,206.3	1,194.8
Non-current liabilities				
Interest-bearing liabilities	631.4	630.3	622.3	643.7
Deferred tax liabilities	88.9	90.2	85.1	86.9
Employee benefit liabilities	214.8	215.3	214.5	215.7
Provisions	14.7	15.9	15.2	15.8
Other non-current liabilities	37.5	38.2	38.1	38.8
	987.2	989.9	975.1	1,000.9
Current liabilities				
Interest-bearing liabilities				
Current portion of long term loans	17.7	33.1	36.0	25.8
Short-term loans	278.2	298.4	171.2	153.1
Provisions	4.4	6.4	6.2	6.9
Current tax liabilities	15.7	17.1	13.1	10.0
Trade and other current liabilities	549.1	584.5	530.1	539.1
	865.2	939.5	756.7	734.9
Total liabilities	1,852.4	1,929.4	1,731.8	1,735.8
Total equity and liabilities	3,081.8	3,146.8	2,938.1	2,930.6
Net debt	838.8	834.8	712.3	698.4
Net debt to equity (gearing)	0.68	0.69	0.59	0.58

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Statement of changes in equity (IFRS) - Restated

	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, 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
Balance on Jan 1, 2018	366.4	115.0	-33.5	-104.8	-101.3	903.6	1,145.4	49.4	1,194.8
Share-based payments			1.5			-1.2	0.3		0.3
Total comprehensive income for the year				-29.3	0.6	41.5	12.8	0.7	13.5
Other changes								-2.4	-2.4
Balance on Mar 31, 2018	366.4	115.0	-32.1	-134.0	-100.8	944.0	1,158.5	47.7	1,206.3
Balance on Jan 1, 2018	366.4	115.0	-33.5	-104.8	-101.3	903.6	1,145.4	49.4	1,194.8
Dividends paid						-83.5	-83.5		-83.5
Share-based payments			2.0			-1.4	0.6		0.6
Total comprehensive income for the year				0.8	3.1	98.1	102.0	1.6	103.5
Acquisition of non-controlling interest						-2.1	-2.1	4.4	2.3
Other changes						0.2	0.2	-0.7	-0.4
Balance on Jun 30, 2018	366.4	115.0	-31.5	-103.9	-98.3	914.9	1,162.7	54.7	1,217.4
Balance on Jan 1, 2018	366.4	115.0	-33.5	-104.8	-101.3	903.6	1,145.4	49.4	1,194.8
Dividends paid						-83.5	-83.5		-83.5
Share-based payments			2.0			-1.9	0.2		0.2
Total comprehensive income for the year				-22.7	1.6	138.2	117.1	0.9	117.9
Acquisition of non-controlling interest						-2.1	-2.1	4.4	2.3
Other changes						0.2	0.2	-2.6	-2.4
Balance on Sep 30, 2018	366.4	115.0	-31.5	-127.4	-99.7	954.6	1,177.3	52.0	1,229.4

[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.

Other information - Restated

Key indicators - Restated

	Q1-Q3 2018	H1 2018	Q1 2018
Equity per share (EUR)	11.28	11.14	11.11
ROE, % (12m roll.)	15.8	16.6	16.3
ROI, % (12m roll.)	12.5	13.1	13.1

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Other information (continued)

Exchange rates

Income statement, average:

	Q1-Q4 2018	Q1-Q4 2017
AUD 1 =	0.6332	0.6791
GBP 1 =	1.1302	1.1415
INR 1 =	0.0124	0.0136
RUB 1 =	0.0135	0.0152
THB 1 =	0.0262	0.0261
USD 1 =	0.8462	0.8860

Statement of financial position, month end:

	Dec 31, 2018	Dec 31, 2017
AUD 1 =	0.6167	0.6523
GBP 1 =	1.1078	1.1265
INR 1 =	0.0125	0.0131
RUB 1 =	0.0126	0.0145
THB 1 =	0.0268	0.0257
USD 1 =	0.8731	0.8379

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)

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.

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