

# Profitability improvement continued

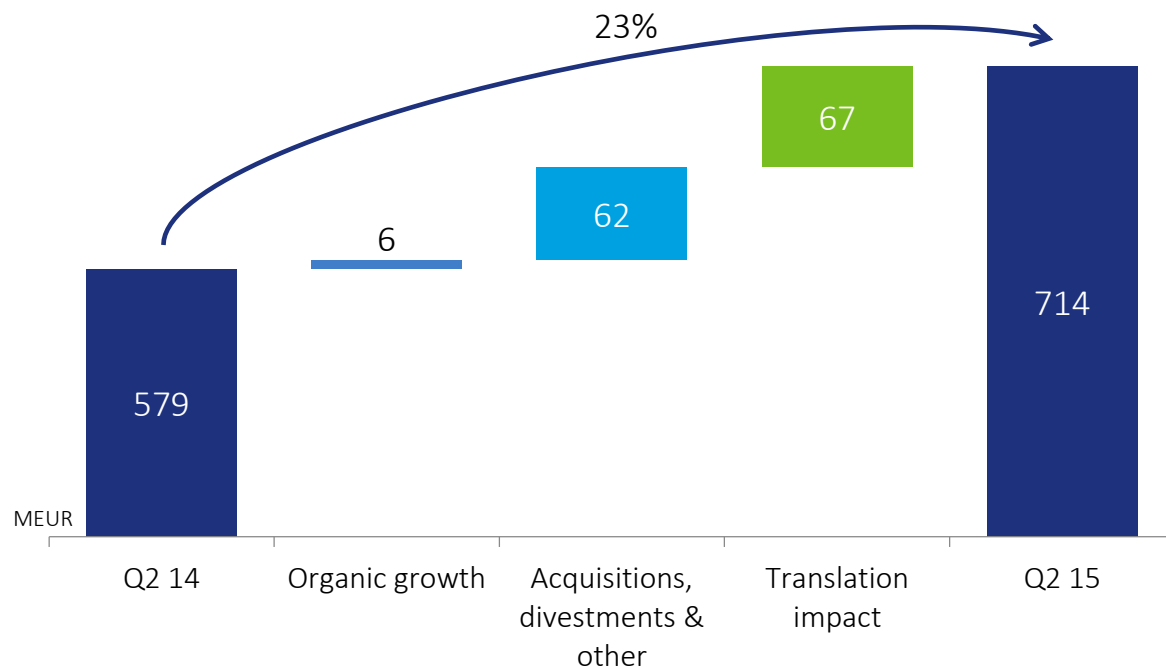
Interim Report Q2 2015

CEO Jukka Moisio  
CFO Thomas Geust

**Huhtamaki**



# Net sales growth development in Q2 2015



## Net sales growth in Q2 2015

- 1% comparable growth for the Group
- 5% in emerging markets
- 11% from acquisitions

# Comparable growth subdued in Q2 2015

	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14	Q1 14	FY 2014
Foodservice E-A-O	<b>2%</b>	3%	2%	4%	5%	3%	<b>4%</b>
North America	<b>-2%</b>	7%	5%	4%	10%	3%	<b>6%</b>
Flexible Packaging	<b>4%</b>	5%	12%	6%	4%	7%	<b>7%</b>
Molded Fiber	<b>5%</b>	5%	7%	9%	10%	10%	<b>9%</b>
<b>Group total</b>	<b>1%</b>	5%	6%	5%	7%	5%	<b>6%</b>

- Comparable growth 1% during the quarter
  - North America negative due to planned and successful actions to normalize margins
  - Market softness in China impacted growth in Foodservice E-A-O
  - De-escalation in selling prices visible in Flexible Packaging growth rate, especially in India

# Broad-based improvement

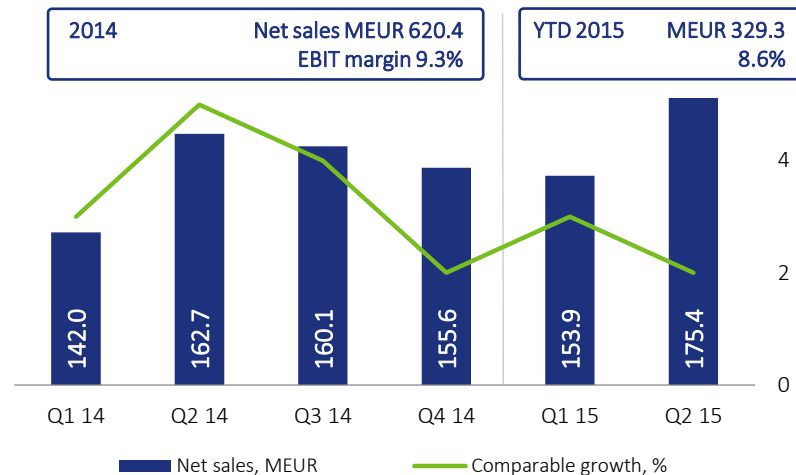
EUR million	Q2 2015	Q2 2014	Change	FY 2014
Net sales	713.6	578.9	23%	2,235.7
EBITDA*	96.2	71.5	35%	259.0
EBITDA margin*	13.5%	12.4%		11.6%
EBIT*	69.7	51.0	37%	174.9
EBIT margin*	9.8%	8.8%		7.8%
EPS*, EUR	0.52	0.34	53%	1.24
ROI**	13.4%	12.3%		12.6%
ROE**	17.5%	16.6%		16.1%
Capital expenditure	36.9	23.6	56%	127.0
Free cash flow	30.4	7.1	328%	64.6

- Significant profitability improvement led by North America and Flexible Packaging continued
- Good earnings contribution from Positive Packaging
- Solid improvement in free cash flow vs. Q2 2014

# Business segment review

# Foodservice Europe-Asia-Oceania: Differences between markets

- Net sales growth led by insulated paper cups, paper vending cups and PET tumblers
- Western Europe and Oceania continued strong
- Net sales grew in Russia inspite of softening market conditions
- Net sales decline in China had an adverse effect on earnings

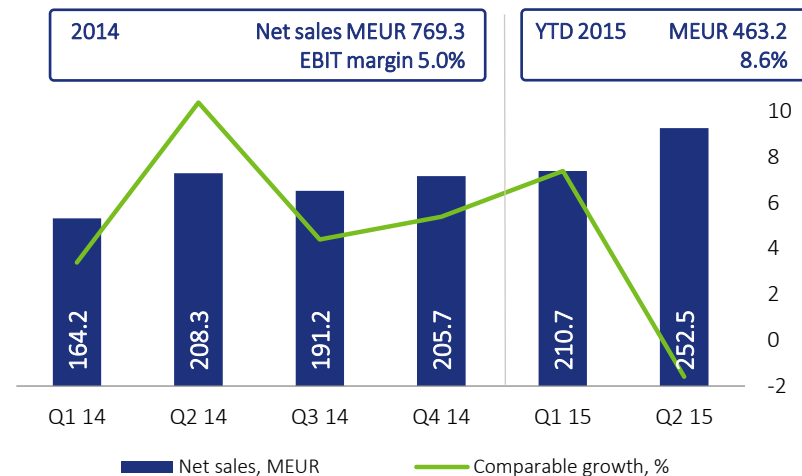


## Key figures

MEUR	Q2 2015	Q2 2014	Change
EBIT	16.4	17.4	-6%
EBIT margin	9.4%	10.7%	
RONA	16.2%	16.1%	
Capital expenditure	9.8	5.6	75%
Operating cash flow	7.7	9.8	-21%

# North America: Profitability improvement continued

- Planned and successful actions to normalize margins led to negative comparable growth
- Strong profitability improvement continued
  - Normalized distribution and energy costs
  - Discontinuation of low profitability products led to improved product mix
  - Normalized operational efficiency
- Good cash flow as a result of solid working capital management

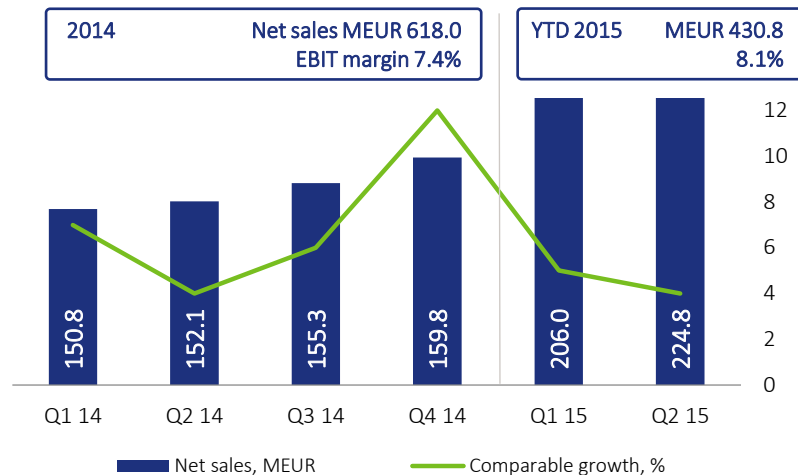


## Key figures

MEUR	Q2 2015	Q2 2014	Change
EBIT	26.2	13.2	98%
EBIT margin	10.4%	6.3%	
RONA	9.5%	7.5%	
Capital expenditure	9.8	7.0	40%
Operating cash flow	10.1	-2.5	504%

# Flexible Packaging: Solid sales and profitability development continued

- Net sales growth led by pet food and personal care packaging in Southeast Asia and Europe
- Raw material prices increased sharply in Q2 after having reached their lows in Q1
  - De-escalation in selling prices visible in growth rate, especially in India
  - Average time lag 3-6 months
- Positive Packaging net sales for Q2 2015 were MEUR 57 and earnings positive
- Strong cash flow as a result of prudent housekeeping



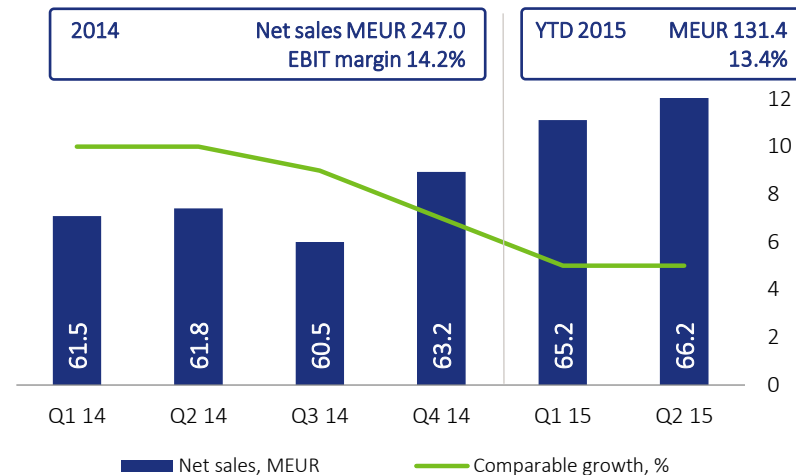
## Key figures

MEUR	Q2 2015	Q2 2014	Change
EBIT	17.8	11.3	58%
EBIT margin	7.9%	7.4%	
RONA	12.8%	13.0%	
Capital expenditure	11.1	5.3	109%
Operating cash flow	22.5	2.8	704%



# Molded Fiber: Good performance continued

- Strongest growth in South America, Eastern Europe and Africa
  - Recent capacity additions in full speed
  - Local position in Russia an advantage
- Volume growth supported earnings
- Q2 2014 earnings include MEUR 1.8 gain related to historical energy cost refund in Brazil



## Key figures

MEUR	Q2 2015	Q2 2014	Change
EBIT	9.0	10.0	-10%
EBIT margin	13.6%	16.2%	
RONA	19.2%	19.9%	
Capital expenditure	6.0	4.9	22%
Operating cash flow	7.5	4.2	79%

# Financial review

# Broad-based improvement continued

EUR million	Q2 2015	Q2 2014	Change	H1 2015	H1 2014	Change
Net sales	713.6	578.9	23%	1,343.7	1,092.5	23%
EBITDA*	96.2	71.5	35%	171.0	130.2	31%
EBIT*	69.7	51.0	37%	119.4	89.4	34%
Net financial items	-8.6	-6.9	25%	-17.5	-14.0	25%
Profit before taxes*	61.1	44.1	39%	101.9	75.4	35%
Income tax expense	-6.7	-7.5	-11%	-12.5	-12.9	-3%
Profit for the period*	54.4	36.6	49%	89.4	62.5	43%
EPS, EUR*	0.52	0.34	53%	0.85	0.59	44%

- Profitability improvement throughout the P/L continued
- MEUR 15.6 million fine imposed on Huhtamaki by the European Commission based on infringements of EU's competition regulation in 2002-2006 as well as MEUR 2.7 legal costs related to the investigation and appeal processes booked as NRI in Q2 2015

# Foreign currency translation impact was positive

## Average exchange rates

	H1 2015	H1 2014	Change
USD	1.12	1.37	19%
INR	70.08	83.30	16%
GBP	0.73	0.82	11%
CNY	6.94	8.45	18%
AUD	1.43	1.50	5%
THB	36.76	44.62	18%
RUB	64.60	48.03	-34%
BRL	3.31	3.15	-5%
NZD	1.51	1.61	7%
ZAR	13.29	14.68	9%

- Delayed impact on income statement as average exchange rates are used

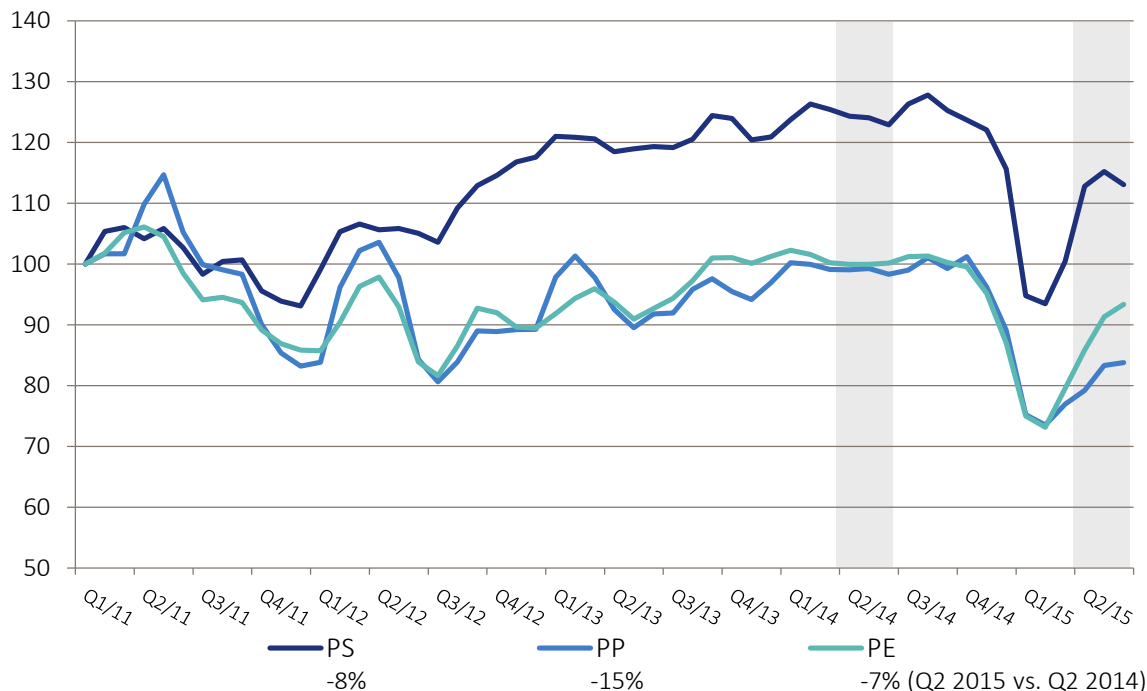
→ Foreign currency translation impact on net sales MEUR 67 and on EBIT MEUR 6 in Q2 2015, MEUR 120 and MEUR 10 respectively in H1 2015

## Closing exchange rates

	June 30 2015	June 30 2014	Change
USD	1.12	1.37	18%
INR	71.19	82.20	13%
GBP	0.71	0.80	11%
CNY	6.94	8.47	18%
AUD	1.46	1.45	0%
THB	37.80	44.32	15%
RUB	62.35	46.38	-34%
BRL	3.47	3.00	-16%
NZD	1.65	1.56	-6%
ZAR	13.64	14.46	6%

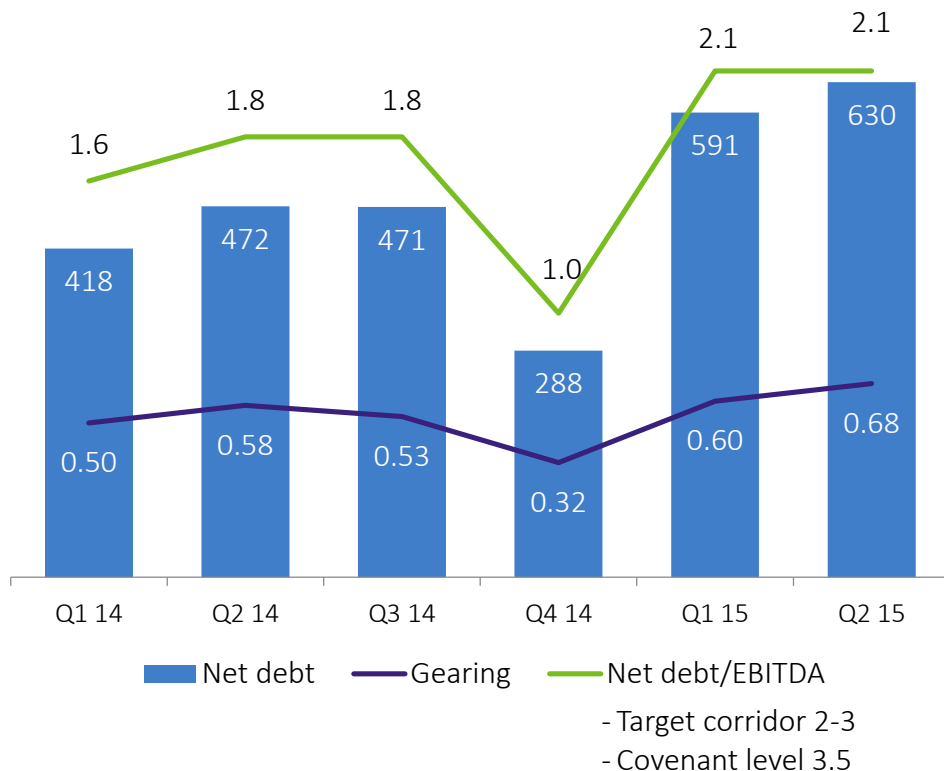
- Balance sheet inflated as closing exchange rates are used

# High volatility in plastic resin prices



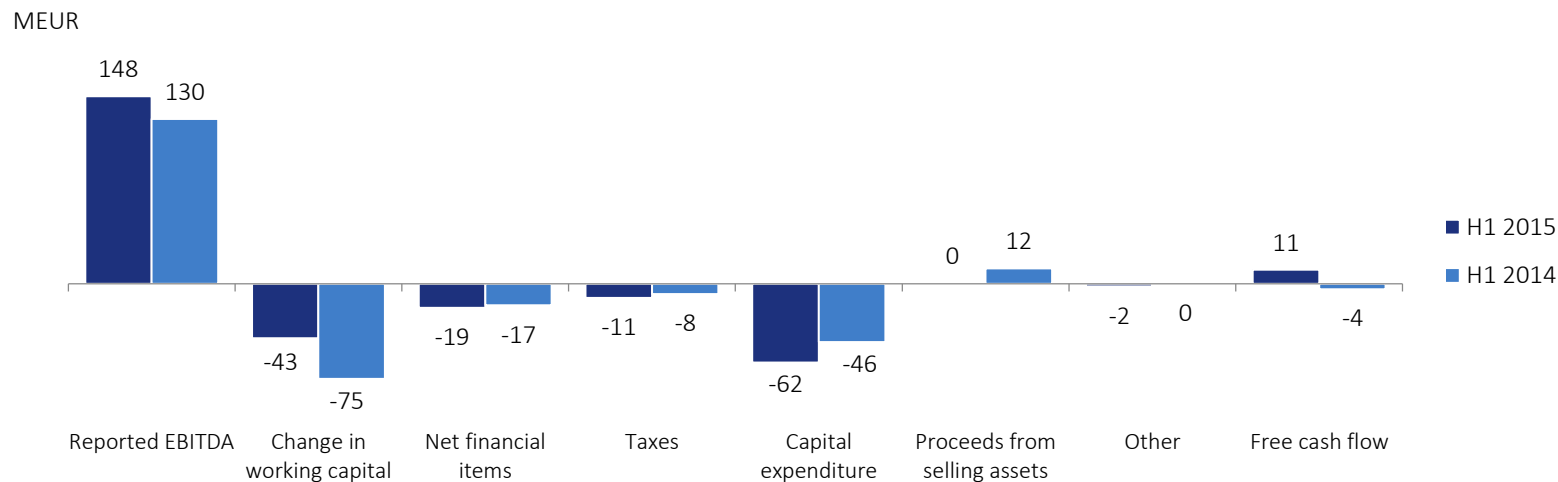
- Polymer prices increased sharply during the quarter
- Paperboard prices were relatively stable
- Prices for waste paper increased slightly driven by export demand

# Stable net debt development after Positive Packaging acquisition



- Net debt level relatively stable compared to end of Q1 2015
- MEUR 65 dividends were paid in May
- At the end of June 2015
  - Cash and cash equivalents MEUR 98
  - Unused committed credit facilities available MEUR 310
- Funds available for acquisitions approx. MEUR 300-400

# Cash flow improvement



- Efficient management of operating working capital more than compensated for the increased capital expenditure

# Stable financial position

EUR million	June 2015	Dec 2014	June 2014
Total assets	2,523.5	2,298.0	2,177.9
Operating working capital	485.1	363.6	439.0
Net debt	629.9	288.0	471.9
Equity & non-controlling interest	929.4	892.8	815.9
Gearing	0.68	0.32	0.58
ROI*	13.4%	12.6%	12.3%
ROE*	17.5%	16.1%	16.6%



- Continued movements in balance sheet through changes in currency rates



# On track towards our mid-term ambitions

	FY 2012	FY 2013	FY 2014	YTD Q2 2015	Mid-term ambition
Organic growth	3%	3%	6%	3%	5-7%
EBITDA margin	10.9%	11.2%	11.6%	12.7%	13+%
EBIT margin	7.0%	7.4%	7.8%	8.9%	9+%
ROI	12.6%	12.1%	12.6%	13.4%	15%
ROE	15.8%	15.8%	16.1%	17.5%	16+%
Capex/EBITDA	37%	50%	49%	36%	40%
Net debt/EBITDA	1.6	1.6	1.0	2.1	2-3
Free cash flow, MEUR	103	56	65	11	100
Dividend payout ratio	47%	47%	47%	n/a	40-50%

Looking forward

# Outlook 2015

- The Group's trading conditions are expected to remain relatively stable during 2015.
- The good financial position and ability to generate a positive cash flow will enable the Group to continue to address profitable growth opportunities.
- Capital expenditure is expected to be at the same level as in 2014. Majority of the investments are expected to be directed to enhance growth in the emerging markets.



Coming next

October 22

Q3 2015 Interim Report

Helping great  
products reach more  
people, more easily


## 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.



# Appendices

# Huhtamaki at a glance

- 
- We're the global specialist in packaging for food and drink
  - Helping great products reach more people, more easily
  - Our ambition is to be the preferred global food packaging brand
  - Our three business areas are Foodservice packaging, Flexible packaging and Molded fiber packaging
  - We're listed as Huhtamäki Oyj on NASDAQ OMX Helsinki Ltd.

€2.4bn  
net sales\*

16,000  
employees\*

69  
manufacturing  
sites\*

6%  
comparable  
growth

8%  
EBIT  
margin

13%  
ROI



# Our three business areas are organized into four reporting segments

## Foodservice packaging



### Foodservice Europe-Asia-Oceania and North America

- 37 plants on 5 continents
- 8,000 employees
- €1.4bn net sales

## Flexible packaging



### Flexible Packaging\*

- 21 plants on 3 continents
- 6,700 employees
- €840mn net sales pro forma

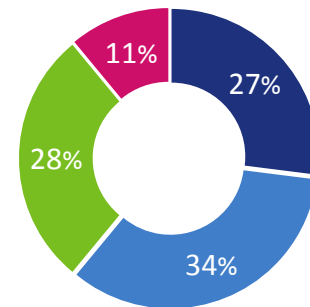
## Molded fiber packaging



### Molded Fiber

- 11 plants on 4 continents
- 1,500 employees
- €247mn net sales

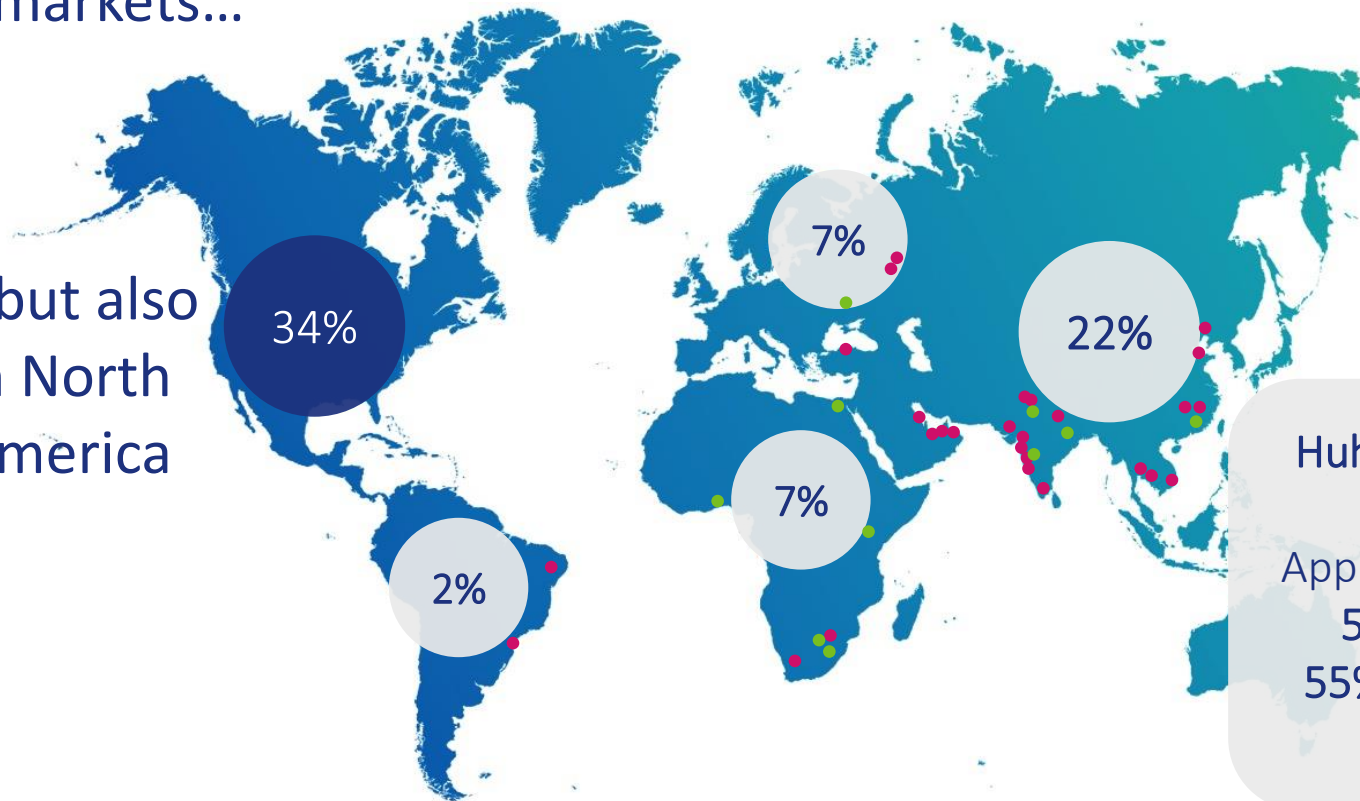
## Share of net sales per segment in 2014



- Foodservice Europe-Asia-Oceania
- North America
- Flexible Packaging
- Molded Fiber

Huhtamaki has strong presence in the fast-growing emerging markets...

... but also  
in North  
America



Huhtamaki at emerging  
markets\*  
Approx. 38% of net sales  
56% of employees  
55% of manufacturing  
units

# Foodservice E-A-O: Expanding our footprint and product portfolio

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

## Our products



Net sales by geography



## Our competitive advantages

- Unique footprint
- Thorough knowledge of key conversion technologies
- Innovations
- Operating efficiency and up-to-date manufacturing capacity
- Relations with key customers

## Our customers



## Market position



## Key competitors

Seda, HK Cups, International Paper and local players

MEUR	Mid-term ambition	LTM Q2 2015	2014	2013	2012	2011
Net sales		645.0	620.4	629.1	626.8	524.1
Comparable growth	5-7%	2%*	4%	2%	-1%	0%
EBIT**		57.3	57.4	46.9	38.1	20.0
EBIT margin**	9-11%	8.9%	9.3%	7.5%	6.1%	3.8%
RONA**	18+%	16.2%	17.6%	13.9%	11.6%	7.8%
Capex		39.7	33.6	16.8	21.1	20.9
Operating cash flow		35.5	41.9	55.9	39.7	10.7



## Focus areas

- Footprint expansion
  - Product portfolio expansion
  - Market consolidation to create customer value
- Become the category leader for our customers and serve them globally, being local

# North America: Focus on growth and margin improvement

The North America segment serves local markets with Chinnet® 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.

## Our products



Net sales by market channel in 2014



## Our competitive advantages

- Global in foodservice packaging
- Leading shaped paperboard converter
- Recent investments in up-to-date capacity
- Chinnet® brand and molded fiber competence
- Ice-cream systems offering

MEUR	Mid-term ambition	LTM Q2 2015	2014	2013	2012	2011
Net sales		860.0	769.3	725.3	704.3	532.3
Comparable growth	4-6%	2%*	6%	5%	5%	-4%
EBIT		56.4	38.4	38.4	53.0	43.5
EBIT margin	7-9%	6.6%	5.0%	5.3%	7.5%	8.2%
RONA	~12%	9.5%	7.2%	8.0%	11.7%	11.2%
Capex		38.3	36.7	66.7	31.5	24.0
Operating cash flow		39.1	18.7	-15.0	28.7	43.5

## Our customers



## Market position



## Key competitors

International Paper, Dart/Solo, Gen Pak, Reynolds/Pactiv, AJM, Koch/Georgia Pacific, Aspen, Rock Tenn



## Focus areas

- Margin management by pricing, cost management and operational efficiency
- Leverage the paperboard packaging capacity now in place
- Grow Chinnet® thru product line extensions

**Huhtamaki**

# Flexible Packaging: Building on our focus on emerging markets

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.

## Our products



Sales by geography



## Our competitive advantages

- Unmatched footprint in emerging markets
- Innovation track record
- Strong reputation
- Blue-chip customers
- Reliable & responsible partner
- Technical expertise

## Our customers



## Market position

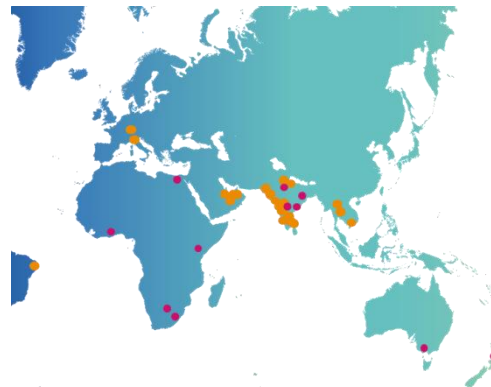


flexible packaging company in emerging markets

## Key competitors

Amcor, Constantia, Bemis, Dai Nippon, regional and local players

MEUR	Mid-term ambition	LTM Q2 2015	2014	2013	2012	2011
Net sales		745.9	618.0	585.8	573.3	578.3
Comparable growth	8-10%	5%*	7%	4%	2%	4%
EBIT**		58.0	45.5	44.0	44.6	38.3
EBIT margin**	8-9%	7.8%	7.4%	7.5%	7.8%	6.6%
RONA**	15-18%	12.8%	13.6%	13.3%	13.8%	9.3%
Capex		32.1	24.7	15.6	19.8	18.6
Operating cash flow		58.2	27.8	34.8	41.4	39.7



## Focus areas

- Outperform the market with improved go-to-market capability
  - Operational and sourcing excellence to improve profitability
  - Integration of Positive Packaging
  - Disciplined investment strategy
- Leverage our emerging market leadership

# Molded Fiber: Innovation and emerging markets driving growth

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.

## Our products



Sales by geography



■ Europe  
■ ROW

## Our competitive advantages

- Local service strengthened by global knowledge
- New product development
- Own recycled paper trading
- Own machine development
- Passionate people

## Our customers



Gebr. Van Beek Group



## Market position



in molded fiber globally

## Key competitors

Hartmann, Pactiv, local players, plastics manufacturers

MEUR	Mid-term ambition	LTM Q2 2015	2014	2013	2012	2011
Net sales		255.1	247.0	236.3	237.3	244.0
Comparable growth	5-7%	5%*	9%	6%	4%	3%
EBIT		35.0	35.0	29.6	26.4	20.9
EBIT margin	13-15%	13.7%	14.2%	12.5%	11.1%	8.6%
RONA	20+%	19.2%	20.4%	18.2%	16.1%	12.0%
Capex		29.3	27.3	18.9	14.8	11.2
Operating cash flow		19.4	17.5	21.0	25.6	18.5



## Focus areas

- Investment and NPD projects
- Introduction of innovations as game changers
- Development of alternative fibers and energy
- Implementation of cost out projects
- Knowledge sharing and succession readiness

**Huhtamaki**

# Group financials 2009-2014

		*2014	*2013	**2012	2011	2010	2009
Net sales	MEUR	2,236	2,161	2,321	2,043	1,952	1,832
Comparable growth***	%	6	3	3	5	3	-5
EBITDA****	MEUR	259	242	254	208	214	193
EBITDA margin****	%	11.6	11.2	10.9	10.2	11.0	10.5
EBIT****	MEUR	175	160	164	128	134	112
EBIT margin****	%	7.8	7.4	7.0	6.2	6.9	6.1
EPS****	EUR	1.24	1.17	1.19	0.87	0.92	0.57
ROJ****	%	12.6	12.1	12.6	9.8	12.0	9.6
ROE****	%	16.1	15.8	15.8	11.0	14.5	10.1
Capex	MEUR	127	121	94	82	86	53
Free cash flow	MEUR	65	56	103	65	113	208
Gearing		0.32	0.50	0.50	0.49	0.32	0.50
Net debt to EBITDA****		1.0	1.6	1.6	1.9	1.2	1.7
Dividend per share	EUR	0.60	0.57	0.56	0.46	0.44	0.38

# We've successfully implemented our quality growth strategy with ten acquisitions completed since 2011

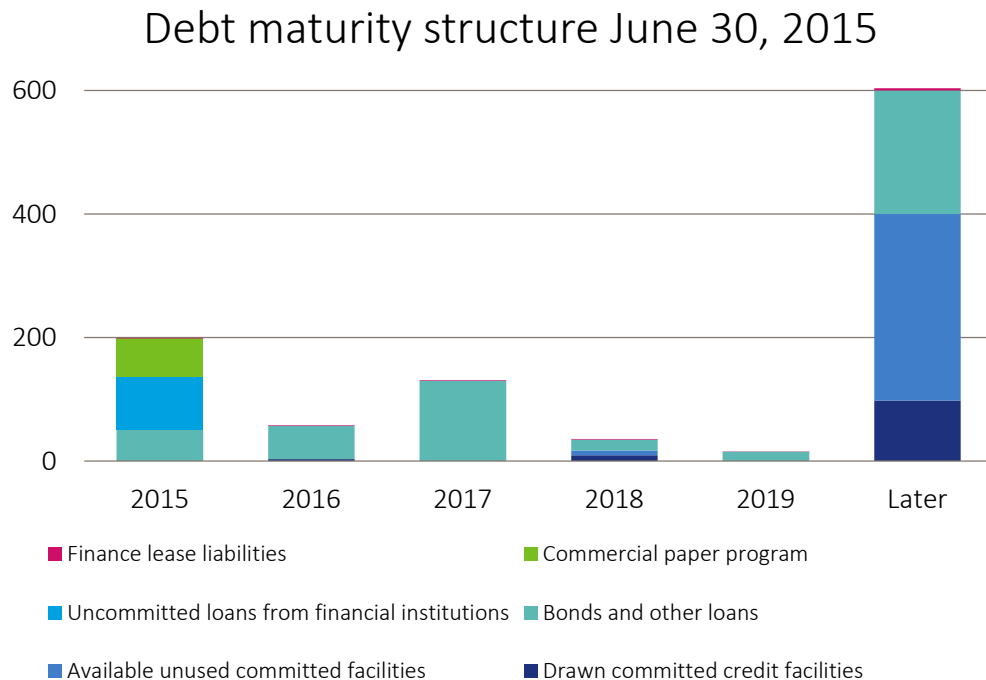
- Paris Packaging, Inc., US, September 2011 (North America)
- Ample Industries, Inc., US, November 2011 (North America)
- Josco (Holdings) Limited, China, April 2012 (Foodservice E-A-O)
- Winterfield, LLC, US, August 2012 (North America)
- Webtech Labels Private Limited, India, November 2012 (Flexible Packaging)
- BCP Fluted Packaging Ltd., UK, November 2013 (Foodservice E-A-O)
- Interpac Packaging Ltd., New Zealand, August 2014 (Foodservice E-A-O)
- Positive Packaging, India, January 2015 (Flexible Packaging)
- Butterworth Paper Cups, Malaysia, March 2015 (Foodservice E-A-O)
- Pure-Stat Technologies, Inc., US, July 2015 (North America)

In total approx. MEUR 490 of annual net sales acquired for MEUR 477\*

More details per acquisition are available on our website [www.huhtamaki.com/investors/financial-information/acquisitions-and-divestments](http://www.huhtamaki.com/investors/financial-information/acquisitions-and-divestments)



# Debt maturity structure extended

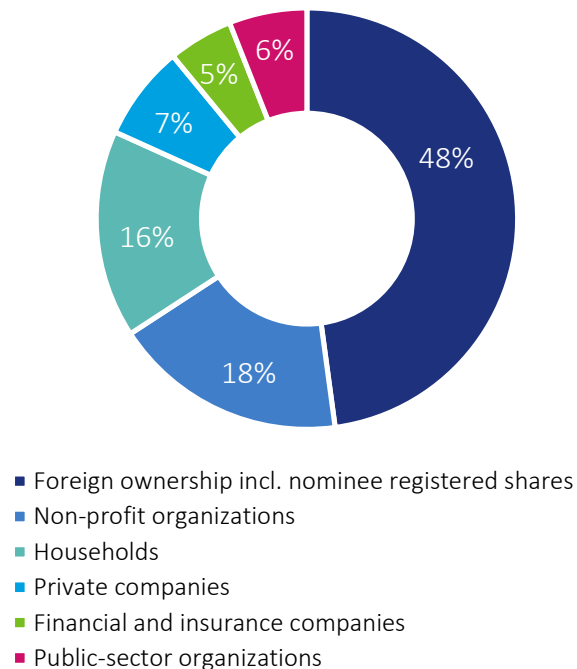


- EUR 400 million syndicated revolving credit facility was refinanced in January 2015 for a 5 year period  
→ Significant maturity extension
- MEUR 310 of unused committed credit facilities available at the end of June 2015

# Ownership

- 24,602 registered shareholders at the end of June 2015
- 52% of shares in domestic ownership
- 18% of shares controlled by non-profit organizations
  - Finnish Cultural Foundation a major owner since 1943, current ownership 12%
- Number of outstanding shares 107,760,385 including 4,063,906 of the Company's own shares

Shareholder distribution by sector  
June 30, 2015



# Definitions for key indicators

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

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

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

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

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

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

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

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

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

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

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

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

Net debt to equity (gearing) =

$$\frac{\text{Interest-bearing net debt}}{\text{Equity} + \text{non-controlling interest}}$$

Return on net assets (RONA) =

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

Operating cash flow =

$$\text{Ebit} + \text{depreciation and amortization (including impairment)} - \text{capital expenditure} + \text{disposals} \pm \text{change in inventories, trade receivables and trade payables}$$

Shareholders' equity per share =

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

Return on equity (ROE) =

$$\frac{100 \times \text{Profit for the period}}{\text{Equity} + \text{non-controlling interest (average)}}$$

Return on investment (ROI) =

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

# Disclaimer

Information presented herein contains, or may be deemed to contain, forward-looking statements. These statements relate to future events or Huhtamäki Oyj's or its affiliates' ("Huhtamäki") future financial performance, including, but not limited to, strategic plans, potential growth, expected capital expenditure, ability to generate cash flows, liquidity and cost savings that involve known and unknown risks, uncertainties and other factors that may cause Huhtamäki's actual results, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such risks and uncertainties include, but are not limited to: (1) general economic conditions such as movements in currency rates, volatile raw material and energy prices and political uncertainties; (2) industry conditions such as demand for Huhtamäki's products, pricing pressures and competitive situation; and (3) Huhtamäki's own operating and other conditions such as the success of manufacturing activities and the achievement of efficiencies therein as well as the success of pending and future acquisitions and restructurings and product innovations. Future results may vary from the results expressed in, or implied by, forward-looking statements, possibly to a material degree. All forward-looking statements made in this presentation are based on information currently available to the management and Huhtamäki assumes no obligation to update or revise any forward-looking statements. Nothing in this presentation constitutes investment advice and this presentation shall not constitute an offer to sell or the solicitation of an offer to buy any securities or otherwise to engage in any investment activity.

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