# Annual report 1996

HUHTAMAKI

# OUR MISSION

## Confectionery and Food Packaging – Globally

Huhtamaki's strategic intent is to reach global leadership in specialised areas of the food industry. Our business is in "Candy and Cups", more precisely in closely defined confectionery and food packaging segments.

Our commercial activities are conducted under the name of Leaf in confectionery and Polarcup in food packaging. The parent company, Huhtamäki Oy, is a publicly traded company established in 1920 and based in Finland.

# OUR FINANCIAL OBJECTIVE

## Creating Shareholder Value

Our financial target is to achieve a return on investment (ROI) which is five percentage points above long-term Government bond interest rates. Internally, the performance of our businesses is measured in terms of economic value created.

Reflecting our profit trend, we intend to post a steady stream of increasing dividends, with an average payout ratio of 40%.

# OUR CORE VALUES

## What We Believe In

**Excellence in business**

- Total customer and consumer orientation
- An entrepreneurial, innovative spirit
- Emphasis on performance, results and value creation

**Trust in the individual**

- Mutual loyalty and commitment
- Continuous development

**High ethical standards**

- Good corporate citizen
- Open and active communications
- Respect for the environment

# CONTENTS



## Annual general meeting

The Annual General Shareholders' meeting of Huhtamäki Oy will be held on Wednesday, April 9, 1997 at 3:00 PM in the Marina Congress Centre, Katajanokanlaituri 6, Helsinki.

Shareholders wishing to exercise their rights at the meeting must have their shares registered in their own name with the Finnish Central Securities Depository Ltd. no later than March 27, 1997. Participation should be notified to the company no later than 11:00 AM on Tuesday, April 8, either by telephone (Huhtamäki Oy, Helsinki, +358-9-6868 81), or in writing (Huhtamäki Oy, Ms Kaarina Vaartio, Eteläranta 8, 00130 Helsinki, Finland). A registered shareholder may authorise another person to physically attend the meeting and vote by proxy.

Copies of all documents under review at the AGM will be available for public viewing from Friday, March 21, 1997, at Corporate Headquarters, Eteläranta 8, 00130 Helsinki, Finland. For further information contact Investor Relations, +358-9-6868 8361.

Dividend for 1996 will be paid on April 22, 1997 to shares registered by April 14, 1997.

## Financial calendar

Huhtamaki will release the following
financial information for 1997 in Finnish and English:

**1997**

June 10 - 1st Interim Report

October 9 - 2nd Interim Report

**1998**

February 10 - Full-year Results

Week 10 - Annual Report

*This report is a translation of the original Annual Report published in Finnish.*

# FINANCIAL HIGHLIGHTS FOR 1996

**Key Figures (IAS)**

| FIM million | 1996 | 1995 | Change % |
|---|---|---|---|
| Net sales | 7,505 | 7,836 | - 4 |
| Operating earnings | 529 | 465 | 14 |
| Profit after financial items | 416 | 312 | 33 |
| Return on investment (ROI), % | 10.8 | 8.9 | .. |
| Earnings per share FIM | 10.29 | 7.56 | 36 |
| Dividend per share FIM | 4.50 [1)] | 4.00 | 13 |
| Number of employees | 8,000 | 10,930 | -27 |

[1)] Board's proposal

**Milestones**

- Corporate structure successfully aligned with revised strategy
- Divestments resulted in a very strong balance sheet
- Profitability improved
- Share price doubled

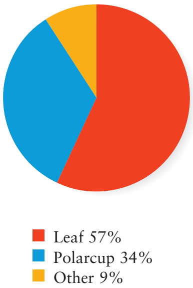
**Operational highlights**

+ Polarcup's profit improvement continued
+ Leaf's strong progress in Northern Europe
+ New ventures in Europe and Asia

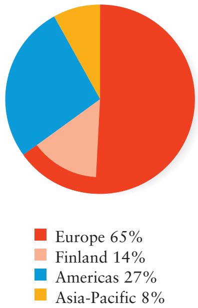
**Disappointments**

– Deflationary business environment and slow growth in Western Europe
– Volume shortfalls in UK confectionery business
– Small Asian units struggling in rapidly changing circumstances

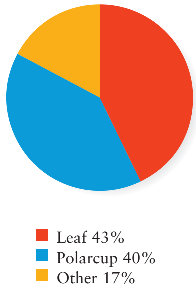
## Net sales by business sector



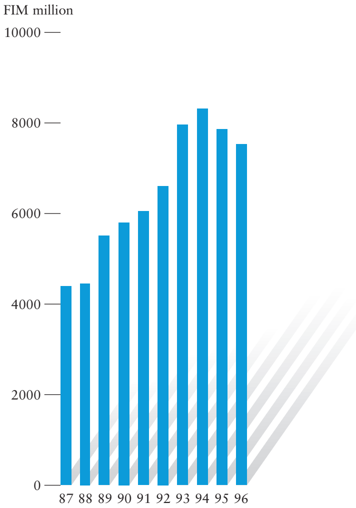

## Net sales by region



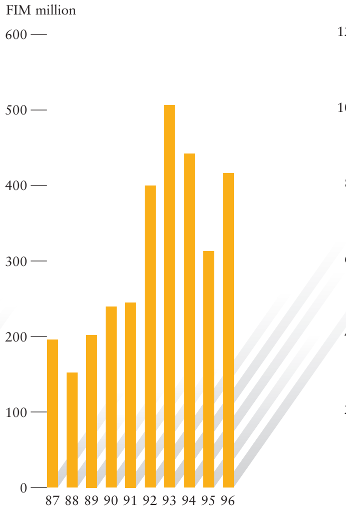

## Operating earnings by business sector



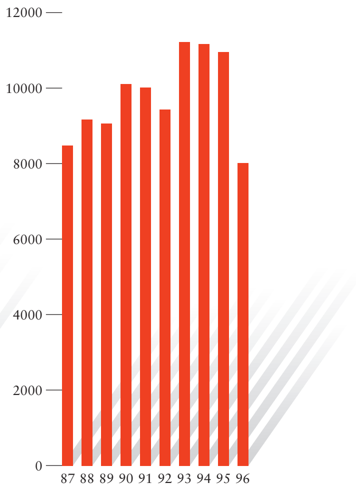

## Net sales



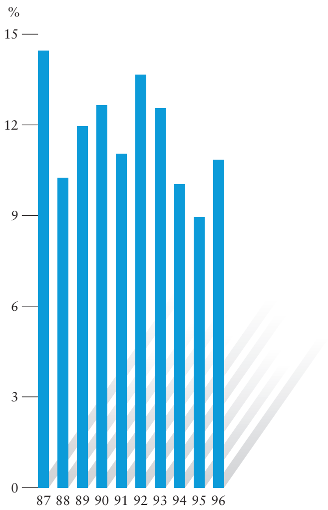

## Profit after financial items



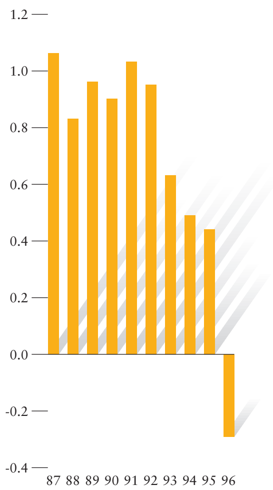

## Personnel



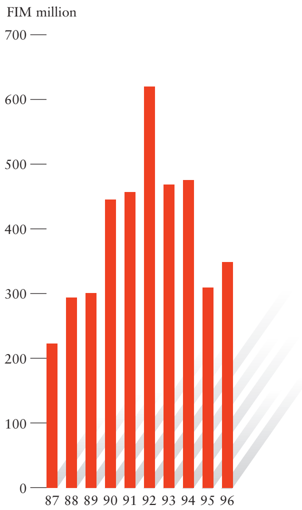

## Return on investment (ROI)




## Net debt to equity




## Gross capital expenditure



# A WORD FROM THE CEO

A year ago I sketched on these pages Huhtamaki's strategic reorientation and corporate agenda for 1996. I am pleased to report that we accomplished everything we planned to do, and more. In essence, Huhtamaki is a reborn company, with a clear mission and strategy for the coming years, and an upward profit trend reinstated.

1996 was not only an eventful year but perhaps the most demanding in Huhtamaki's history. The sheer workload and stress that our key people had to cope with on top of their ordinary duties transpires from the following list of main corporate actions:

- The loss-making Donruss collectible cards business was sold in two parts in April and June in a very difficult business environment.
- After intense negotiations, the main part of the Leiras pharmaceuticals business was sold in July to Schering AG of Germany.
- As a consequence, the Pharmacia-Leiras joint-venture was dissolved and 3 million Huhtamaki shares owned by Pharmacia & Upjohn were repurchased in September.
- In October, a confectionery asset swap was agreed with the US industry leader, Hershey Foods, whereby Huhtamaki licensed Leaf's American trademarks to Hershey, sold the North American confectionery units and acquired Hershey's European units, Gubor in Germany and Sperlari in Italy.
- The remaining pharmaceutical operation, the ophthalmics unit Star, was sold to the Japanese specialist company Santen in December.

The above actions have radically changed Huhtamaki's shape. Overall, we have divested FIM 3 billion worth of annual sales, almost 40% of the total. New acquisitions will add FIM 0.8 billion to the sales line. Royalty and rental income associated with the divestments will generate substantial income in the coming years. Our balance sheet is very strong and permits major moves to improve the market positions of Leaf and Polarcup.

Beside strategic action, our business sectors took further important steps.

Leaf's rationalisation programme, announced early in the year, included the closure of two plants, the relocation of one, and the decision to close another two by mid-1997. Two new joint-ventures will ensure a coherent entry for Leaf's products in the vast Asian markets.

Polarcup focused on key segments, won new business with major multinational customers, added capacity and geared up for an entry to the highly potential Chinese market.

In terms of business performance, the majority of reporting units posted improved results. The overall score was satisfactory given the inevitable distraction caused by corporate and restructuring measures. I would like to express my particular appreciation to the employees of Leiras, Star and Leaf North America, for never losing their patience or appetite for work during times of uncertainty.

Huhtamaki issued 30 Stock Exchange communiqués in 1996. By disclosing our plans in an open and timely fashion, we gained understanding and support among shareholders and investors, who saw that we were doing the right things for them. The share price is a powerful indicator of confidence, and it more than doubled during the year.

Our corporate agenda for 1997 is short, although not necessarily a simple one: to invest the proceeds from disposals sensibly, to help Leaf and Polarcup achieve their strategic objectives without compromising Huhtamaki's financial imperatives. In fact, as we go to press, we have just announced the acquisition of Pacific World Packaging Group, a major manufacturer of food packaging in the Asia-Pacific region.

It remains for me to thank our valued customers, suppliers, shareholders and investors for their business and support, and our employees for their efforts and results. I also thank the divested units for their contributions over the years, for being an essential part of Huhtamaki. At the same time, I warmly welcome the new units to the family. In many ways, it is a new beginning for all of us.

Timo Peltola

# LEAF

*In 1996, Leaf Group underwent the most profound changes since its inception in 1983. While an extensive rationalisation programme was undertaken to improve cost-competitiveness in the future, slow growth in Europe and disappointing sales in North America restrained the short-term earnings improvement. After reviewing several options to develop the American business, Huhtamaki agreed to an asset swap with the US industry leader, Hershey Foods.*

*Effective December 31, 1996, Leaf's American brands were licensed to Hershey, who also acquired Leaf's North American assets for USD 450 million. In exchange, Huhtamaki acquired Hershey's European units, Gubor of Germany and Sperlari of Italy, for USD 120 million.*

*These arrangements ensure a strong presence for Leaf's brands in the Americas, while the substantial capital resources tied to the US operations can be reallocated to support more dynamic business segments and territories. Henceforth, Leaf addresses Europe through its own network, the Americas via trademark licensing, and Asia and other emerging markets through joint-ventures with strong local partners.*

| FIM million | 1996 | 1995 | Change % |
|---|---|---|---|
| Net sales | 4,289 | 4,307 | -1 |
| Europe and Asia | 2,315 | 2,353 | -2 |
| Americas | 1,974 | 1,954 | 1 |
| Operating earnings | 227 | 252 | -10 |
| Europe and Asia | 170 | 172 | -1 |
| Americas | 57 | 80 | -29 |
| Net assets | 3,128 | 3,074 | 2 |
| Europe and Asia | 1,234 | 1,240 | -1 |
| Americas | 1,894 | 1,834 | 3 |
| Return on net assets % | 7.3 | 8.2 | .. |
| Europe and Asia | 13.8 | 13.9 | .. |
| Americas | 3.0 | 4.4 | .. |

## Overview

The world confectionery market, worth over USD 100 billion at consumer prices, continued to expand in 1996. In Western Europe, only modest volume growth was evident. In North America, strong market growth mainly benefited the top three manufacturers. In Eastern Europe, consumption has increased significantly during the past few years, while Asia is expected to enter a phase of accelerating growth in the near future.

In Europe, Leaf's top ten brands, corresponding to over 50% of total sales, expanded by 5%. Overall sales were flat, however, largely due to the phasing out of several non-strategic local product lines.

The North European units again posted a solid performance. Sweden was an area of rapid growth, and in Finland, a high market share was maintained. The Danish business initially suffered after factory closure announcements, but recovered again towards year-end. In Norway, further market share was gained. A regional brand focus and an expanding sales network boosted sales across Russia and its southern neighbours, as well as the Baltics.

In the UK, sales fell short of growth projections, while the Irish unit's novelty products were in good demand. The market for chewing gum in the Benelux area picked up slightly after a lengthy slump, benefiting the Dutch unit. With a substantially pruned, more focused product range, the German sales exceeded expectations. The Spanish unit suffered from volatile export markets.

Leaf was unable to capitalise on the buoyant US confectionery market, mainly due to intense competition and slack demand hurting the company's leading product, JOLLY RANCHER fruit candy. Most other key brands did well. The Canadian unit was affected by the divestment of the collectible cards business, while the Mexican joint-venture and other Latin American business developed favourably.

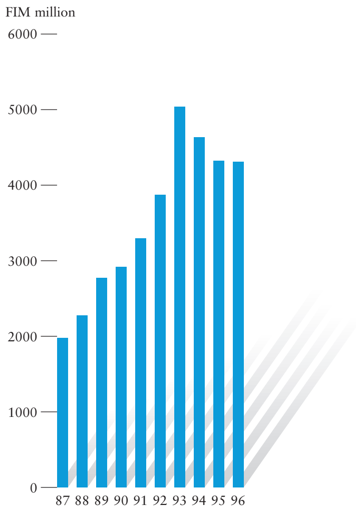
Wuxi Leaf, the Chinese joint-venture manufacturing chewing gum, had a disappointing year, due to both internal and external factors. The company will be restructured in 1997.

## Product review

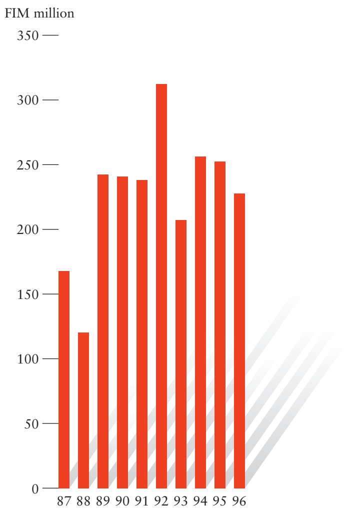
Leaf's sales of pastilles increased significantly. New flavours boosted LÄKEROL CLASSIC to all-time high figures in Scandinavia. MYNTHON, a regional brand, consolidated its position in Northeast Europe. Its volume has grown tenfold from 1992.

After the introduction of JOLLY RANCHER fruit candies in the UK in 1995, the launch programme continued in Belgium, the Baltics, Poland, Russia and Belarus. This compensated for the brand's decline in North America. Other American brands performed well, with the PAYDAY peanut bar topping the growth charts. BILAR, already Sweden's best-selling single

Net sales




Operating earnings




confectionery product, responded to quality improvements and grew substantially. The CHEWITS children's fruit toffee also advanced well.

Leaf's leading sugarfree chewing gums, SPORTLIFE and XYLIFRESH, showed resilience under heavy competition and maintained high shares in their core markets. Sportlife's new HOTMINT flavour was a straight hit.

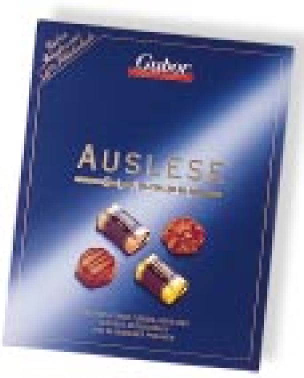

The ELIZABETH SHAW premium chocolate range saw several product changes, with encouraging results. The LO lower-calorie bars were also reformulated, with the new, vibrant LO Go introduced to an enthusiastic trade audience towards year-end.

## Investments

Leaf's capital expenditure, FIM 160 million, was mainly associated with the rationalisation programme launched early in the year. The Oulu plant in Finland and the Centralia, IL unit in the United States were closed, with their lines relocated to Turku, Finland and Robinson, IL, respectively. The Spanish unit moved to a new, smaller premises in July. Overall, the rationalisation programme advanced according to plan.


## Organisation

Early in the year, an agreement was concluded with Parry's, India's leading company in sugar confectionery, for the establishment of a manufacturing joint-venture near Madras. In July, another joint-venture was concluded with the Danish company EAC, for the sale, distribution and potential manufacture of Leaf's sugar confectionery in 17 Asian countries, including China. These ventures will enable Leaf to access, in a rapid and controlled manner, emerging markets with a population base approaching three billion.




New regional units were established in Budapest, Hungary, for Central Eastern Europe and in Singapore for Asia-Pacific and the Middle East. The existing Russian and Baltic organisations were strengthened, and several new marketing units were opened.

## New European units

The two European operations acquired from Hershey started as Leaf units at the beginning of 1997. Common to both is top-class technology, skilled employees and a range of distinctive products with good positions in their home countries. Becoming part of Leaf's network is an opportunity for both to increase their cross-border trade and reduce seasonal variations in their sales. At the same time, Leaf's business in Germany more than triples, while Italy is a totally new market.

Gubor, with two plants in Münstertal and Müllheim, Southwest Germany, was established in 1953 as a manufacturer of chocolate pralines. Today, it is Germany's market leader in alcohol filled pralines and No. 2 overall in premium chocolate praline assortments, with a market share exceeding 10%. The Münstertal plant mainly produces chocolate coating for the biscuits industry. GUBOR as a trademark in Germany stands for quality, with product integrity enhanced through a rigorous direct distribution and in-store management system. The company had net sales of approx. FIM 435 million in

1996, posted a small operating profit and employed 397 at year-end.

Sperlari, based in Cremona, North Italy, dates back to 1836. The current company has emerged through a series of acquisitions, and has a wide product range. A second plant operates in Gordona near the Swiss border. Sperlari is Italy's No. 2 in sugar confectionery and market leader in nougat specialities. The key brands include SPERLARI (an umbrella name), GNAMMY, SCARAMELLINI and GALATINE. In 1996, Sperlari had sales of approx. FIM 355 million, made a small profit and employed 293 at year-end.

## Outlook for 1997

In 1997, Leaf will concentrate on growing organically through further expansion of its international core brands, while integrating new European units into the network and bringing the Asian ventures into an operational status.

Apart from bringing out brands like LÄKEROL, JOLLY RANCHER, CHEWITS and LO Go into new markets or in new flavours and variations, there will be several regional and local product launches. With Gubor and Sperlari, speciality chocolate becomes an important product category for Leaf.

Growth is expected to continue in Eastern Europe. In Asia, Leaf's first new product launches are scheduled around mid-year, with sales attaining significant volumes in 1998. The Indian joint-venture plant will start production towards year-end, while the EAC venture will initially source its merchandise from existing European units, thus improving capacity utilisation.

Leaf's capital expenditure is budgeted at FIM 135 million. The closure of two Danish plants mid-year will result in a more cost-effective manufacturing structure, but the full extent of savings will become visible in 1998. Resources will be dedicated to operational improvements in areas such as logistics, supply management and, importantly, customer service. In R&D, Leaf's commitment to innovative, health-related products will be further enhanced.




# POLARCUP

*Polarcup converts plastics and paperboard into rigid thin-walled food and beverage cups and containers for the food processing industry and for on-the-spot catering. The industry is composed of a few major suppliers with cross-border activities, and a vast number of local companies, mostly family-owned. As the overall industry leader in Europe and Asia-Pacific, Polarcup has a wider geographic presence and addresses more customer segments with a broader range of products and technologies than most of its competitors.*

*Polarcup's multinational customers are in the process of centralising their purchases of packaging materials to a limited number of suppliers capable of serving them on a regional basis, and certified for their quality and environmental management systems. This, together with economies of scale in purchasing and manufacturing, has already given Polarcup a competitive edge. After significant success in Central Eastern Europe, Polarcup is now investing in the rapidly growing Asian food packaging and food service markets.*

| FIM million | 1996 | 1995 | Change % |
|---|---|---|---|
| Net sales | 2,551 | 2,484 | 3 |
| Europe | 2,188 | 2,139 | 2 |
| Asia-Pacific | 363 | 345 | 5 |
| Operating earnings | 214 | 161 | 33 |
| Net assets | 1,612 | 1,656 | -3 |
| Return on net assets % | 13.3 | 9.7 | .. |

## Overview

The overall demand for Polarcup's products was somewhat affected by the cold summer in Western Europe, whereas dynamic progress continued in Central Eastern Europe, Russia and parts of the Asia-Pacific region. A decline in raw materials prices early in the year was reflected in the prices of finished goods; hence, the underlying volume growth, approximately 6%, exceeded Polarcup's 3% overall increase in net sales. High capacity utilisation, focus on value added products and internal efficiencies resulted in a 33% improvement in operating earnings, although the year was by no means a perfect score.

Raw materials prices moved less erratically than over the past couple of years. As an annual average, the prices for Polarcup's key plastic feedstocks, polystyrene and polypropylene were below their 1995 levels, while various liquid carton grades displayed stable prices, failing to follow a sharp decline evident in the pulp market. Polarcup has successfully centralised its plastics purchases during 1995-96; the bulk of paper stock has traditionally been sourced centrally.

Boosted by a strong fast food market and a flying start for its new polypropylene food containers, the Finnish unit had a record year in sales. Lower product prices led to flat sales in Sweden, where Polarcup nevertheless strengthened its leadership in key segments. In Norway, good volumes were also maintained. With sales almost doubled, the Russian plant operated smoothly during its first full year and prepared for capacity expansion.

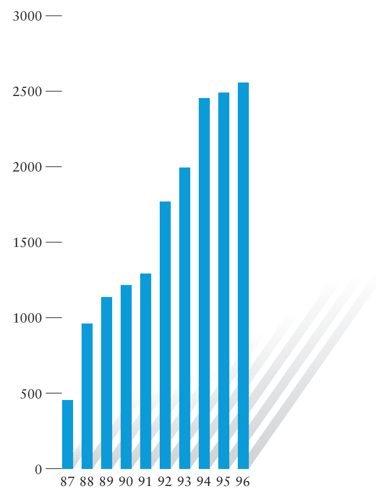
The UK operation posted an improved performance despite flat sales from a mix of volume growth and declining product prices. At year-end, the Gosport unit was awarded an ISO 14000 certification for its environmental management system; the first within Polarcup as well as the first for a UK packaging company.

Export-driven volume growth contributed to an improving performance by the German unit. The Benelux company's sales of ice cream containers were adversely affected by the cold summer across Europe. Sales in Central Eastern Europe advanced by 40%, calling for another major capacity expansion in Poland. The Hungarian sales unit started on a wholly-owned basis.

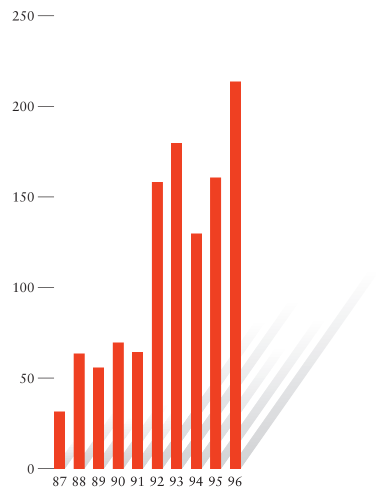
The French unit felt the effects of the "mad cow" scare in the meat tray business and a sharp decline in the prepared meals market, but won important new business for 1997. In Italy, strong volume growth was achieved. The Spanish unit was well braced for a market stagnation and actually improved its performance. In Portugal, the Plastono joint-venture, a specialised manufacturer of expanded polystyrene products, became a wholly-owned subsidiary at year-end.

The Australian unit successfully diversified into higher value added product segments and reported a good performance. In New Zealand, a sharp drop in exports of packaged foods was the main reason for

### Net sales




### Operating earnings




stagnant sales. In Singapore, unsatisfactory progress led to a major restructuring project.

## New product development

In 1996, few entirely new products were introduced, but recent innovations were further developed or made available to new markets.

Originally launched in 1995, the fully biodegradable BIOPOL coated paper cups and plates are now available in several European countries; in Germany they are marketed as the NATUR range. In Germany, Polarcup also offers the new MULTI-X-MAL reusable cup for vending operators.


The new polypropylene containers for margarine, butter and other spreads have been an unmitigated success in Finland. With further capacity additions, they can be offered in Scandinavia, Russia and the Baltics.

One of the most dynamic product areas is packaging for ice cream. In 1996, the Benelux unit successfully developed two new, innovative concepts for the impulse segment: the THUMB and STICK CUP products.

For prepacked fresh food, Polarcup offers a competitive range of expanded polystyrene (EPS) trays. The new TOP TRAY product with an integral absorbent layer was well received in France and is being introduced in several other markets.


Supporting its packaging sales, Polarcup offers the FLEX-E-FILL system of small, flexible filling machines with a wide range of applications within the food and beverage industry. Several new orders were taken in during 1996.

## Investments

Polarcup's total capital expenditure amounted to FIM 168 million, 28% above the 1995 figure. The dedicated polypropylene plant in Finland, specialising in edible fats and spreads containers, came on stream in March. Several major installations, both capacity expansions and line transfers, were undertaken. Printing quality was an important area of investment.

## Outlook for 1997

Polarcup has an ambitious agenda for 1997. Further capacity will be built e.g. in Finland, Italy, Poland and Russia, while the Benelux plant will be relocated to a new site integral to its current warehouse. The acquisition in early 1997 of Pacific World Packaging Group, with manufacturing and marketing units in Australia, China, Hong Kong, Malaysia and Taiwan, will double Polarcup's presence in Asia-Pacific. The acquisition will postpone, until further notice, the announced FIM 160 million investment in a new Chinese manufacturing unit.

The plans call for an acceleration of sales growth from 1996, largely based on new contracts and higher account penetration with major customers, new product launches and growing business in emerging markets. The highest single risk is a steep increase in polymer prices. Barring that, Polarcup should be able to deliver a further improvement in operating earnings.

# DIVESTED OPERATIONS

In 1996, Huhtamaki divested the Leiras pharmaceuticals subsidiary, which it had established 50 years earlier, as well as the Donruss collectible cards business, which had started as a USD 1 million sideline activity in the United States in 1984. Donruss was consolidated until April 30. Leiras was consolidated until September 2, after which date a new entity, Star, carried on the ophthalmics business not acquired by Schering AG. Star was acquired at year-end by the Japanese company Santen Pharmaceutical, with the closing of the deal likely in early 1997.

The Leaf North America confectionery operations, which were sold to Hershey Foods, have been reviewed in the Leaf section on pages 8-11.

## Leiras and Star

Leiras's business developed favourably despite extended uncertainty about the company's future owner. In January-August, Leiras's net sales were FIM 561 million, 2% ahead of the previous year. Comparable sales (excluding licence business discontinued at the end of 1995) increased tangibly. Operating earnings for the period improved.

The Tampere-based ophthalmics unit continued as a separate entity after the main part of Leiras had been assumed by Schering. Beside its core activities, Star also manufactures certain products for Leiras as a subcontractor. Star will become a key international unit for the world's No. 2 prescription ophthalmics company, the Osaka-based Santen.

Following the divestment of Leiras, the outstanding shares in the Pharmacia-Leiras joint-venture were acquired and the winding down of this marketing company was commenced.

## Donruss

Huhtamaki first attempted to divest the Donruss collectible cards business in 1992, when the cards market was at its peak. Subsequent market decline and industry consolidation made an orderly exit very difficult. An effort to diversify into new product segments in late 1995 bore no fruit, whereby an accelerated exit strategy was implemented.

The sports cards business was sold in April to Pinnacle Brands, one of the main US competitors. The interactive business was sold in June to US Playing Cards, a specialist in card games.

# THE HUHTAMAKI SHARE

## Investor relations contacts

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Fax +1-609-896-1302

## Share classes and share capital

The shares are divided into Series K and Series I, which grant the same rights to shareholders in regard to company capital and dividends. However, each K share carries 20 votes at the General Shareholders' meetings while each Series I share entitles only one vote. The nominal value of each share is FIM 20.

In 1996 the share capital of Huhtamäki Oy increased from FIM 593.6 to FIM 594.8 million. The increase stems from share conversions under previously approved stock option schemes for management. In September 1996, Huhtamaki repurchased from Pharmacia & Upjohn, to the books of its Dutch finance company Huhtamaki Finance B.V., 3,000,000 Series I shares corresponding to 10.1% of the equity and 1.1% of the voting power.

## Registration

The Huhtamaki shares are registered in the Finnish electronic Book Entry system. Shareholding will be registered immediately when a transaction is effected. Non-Finnish shareholders may register their holdings through a nominee, such as a commercial bank. Shareholders wishing to exercise their rights at the General Shareholders' Meetings must register their shares under their own name.

## Quotations

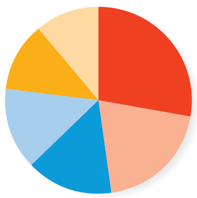
Huhtamäki Oy has been publicly quoted on the Helsinki Stock Exchange since 1959. The K and I shares are quoted separately. The Series I shares are traded in London on the SEAQ International system. In late 1996, trading in the Series I shares was commenced on the unsponsored "Freiverkehr" list at the Frankfurt and Munich bourses in Germany.

## ISSUE-ADJUSTED SHARE PRICE QUOTATIONS AND TURNOVER AT THE HELSINKI STOCK EXCHANGE

| | | Series K lowest FIM | Series K highest FIM | Series K turnover (shares) | Series I lowest FIM | Series I highest FIM | Series I turnover (shares) |
|---|---|---|---|---|---|---|---|
| 1992[1] | | 107.00 | 185.00 | 2,328,782 | 76.00 | 159.00 | 7,031,490 |
| 1993 | | 175.00 | 249.00 | 2,317,688 | 166.00 | 218.00 | 8,064,024 |
| 1994 | | | | | | | |
| | I quarter | 191.00 | 231.00 | 231,049 | 181.00 | 228.00 | 2,200,463 |
| | II quarter | 170.00 | 230.00 | 154,568 | 167.00 | 233.00 | 1,601,126 |
| | III quarter | 147.00 | 185.00 | 180,068 | 141.00 | 180.00 | 1,807,550 |
| | IV quarter | 136.00 | 160.00 | 305,173 | 132.00 | 161.00 | 1,837,101 |
| 1995 | | | | | | | |
| | I quarter | 125.00 | 171.00 | 240,033 | 125.00 | 170.00 | 2,271,493 |
| | II quarter | 125.00 | 150.00 | 331,751 | 127.00 | 152.00 | 1,519,593 |
| | III quarter | 138.00 | 158.00 | 246,324 | 143.00 | 160.00 | 1,509,313 |
| | IV quarter | 103.00 | 143.00 | 130,057 | 105.00 | 144.00 | 2,229,334 |
| 1996 | | | | | | | |
| | I quarter | 107.00 | 150.00 | 304,565 | 106.80 | 156.00 | 3,748,807 |
| | II quarter | 141.00 | 160.00 | 277,512 | 146.00 | 164.00 | 2,094,015 |
| | III quarter | 147.00 | 170.00 | 213,588 | 150.00 | 173.50 | 1,868,172 |
| | IV quarter | 163.00 | 211.00 | 764,046 | 166.00 | 218.00 | 3,059,515 |

1) Data combined for restricted and free shares.

Shareholding in Huhtamaki at December 31, 1996



- Foreign shareholders 28%
- Non-profit organisations 20%
- Financial institutions 15%
- Individuals 14%
- Corporations 12%
- Non-corporate public sector 11%

## Authorisations

The Executive Board had no authorisation to increase the company's share capital. However, pursuant to previously approved stock option schemes, a maximum of 320,000 new Series I shares may be issued in 1997-2000, corresponding to an increase in share capital of up to FIM 6.4 million and representing 1.1% of share capital and 0.1% of voting power.

## Shareholders

At the end of 1996, Huhtamäki Oy had 17,888 registered shareholders. Shareholding outside Finland increased from 26% to 28% during the year, when excluding the shares held by Huhtamaki Finance B.V. from the calculations.

Members of the Supervisory Board and the Executive Board as well as their dependent family members owned a total of 48,781 shares at year-end, corresponding to 0.04% of the voting rights. Full participation in the above mentioned incentive schemes entitles them to a further 0.03% of the total votes in the company by 2000.

## Trading developments

Helsinki was the strongest performer among the world's major stock exchanges in 1996, with the HEX index showing an increase of 46% and finishing the year at an all-time high of 2,495.8 points.

The Huhtamaki shares outperformed the HEX index, and were among the strongest risers in Helsinki. The widely traded I share was quoted at FIM 105 on January 2, briefly peaked at FIM 221 in October and finished the year at FIM 216, representing an annual increase of 106%. The corresponding opening and closing prices for K shares were FIM 104 and FIM 211, respectively. The turnover in Helsinki was 10.8 million I-shares and 1.6 million K-shares, in total 43% of the shares outstanding.

## Symbols

**Helsinki Stock Exchange:**
Series K - HUHKV
Series I - HUHIV
**SEAQ International:**
Series I - HTI
**Reuters:**
Series I - HUHK.HE

## MAJOR OWNERS AT DECEMBER 31, 1996[1]

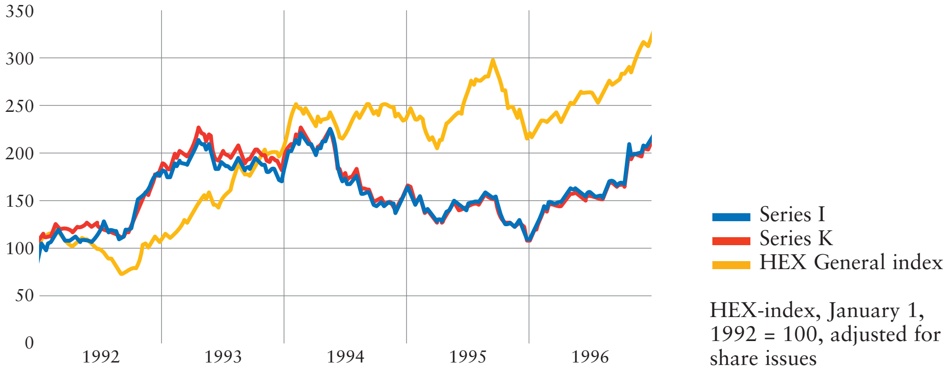
| | | Shares % | Votes % |
|---|---|---|---|
| 1. | Finnish Cultural Foundation | 15.6 | 31.3 |
| 2. | Huhtamaki Finance B.V. | 10.1 | -[2] |
| 3. | Pohjola Insurance Group | 10.0 | 18.2 |
| 4. | Merita Bank Ltd | 3.4 | 7.3 |
| 5. | Sampo Insurance Group | 3.3 | 5.1 |
| 6. | The Local Government Pensions Institutions | 1.5 | 1.1 |
| 7. | Tapiola Insurance Group | 1.4 | 1.9 |
| 8. | The University Foundation in Turku | 0.8 | 1.7 |
| 9. | Svenska Handelsbanken | 0.6 | 0.4 |
| 10. | Pension Foundation Polaris | 0.5 | 0.8 |
| 11. | Alfred Berg Finland Unit Trust | 0.4 | - |
| 12. | Social Insurance Institution | 0.3 | 0.7 |
| 13. | Yrjö Jahnsson Foundation | 0.3 | - |
| 14. | Jenny and Antti Wihuri Foundation | 0.3 | 0.3 |
| 15. | Huhtamäki Oy Pension Foundation | 0.2 | 0.4 |
| 16. | Partita Ltd | 0.2 | - |
| 17. | Merita Fennia Fund | 0.2 | - |
| 18. | Emil Aaltonen Foundation | 0.2 | 0.3 |
| 19. | The Central Church Fund | 0.2 | 0.2 |
| 20. | Teresia and Rafael Lönnström Foundation | 0.1 | 0.3 |

[1] Nominee registered shares represent 28.3% of shares represent and 4.4% of votes.
[2] No voting rights at General Shareholders' Meetings.

## STRUCTURE OF SHARE CAPITAL AT DECEMBER 31, 1996

| | Number of shares | Shares % | Votes % |
|---|---|---|---|
| Series K | 12,471,403 | 42.0 | 93.5 |
| Series I | 17,240,493 | 58.0 | 6.5 |
| Total | 29,711,896 | 100.0 | 100.0 |
| Owned by Huhtamaki Finance B.V. | 3,000,000 | 10.1 | - |
| Total outstanding | 26,711,896 | - | - |

## SHARE PRICE DEVELOPMENT




HEX-index, January 1, 1992 = 100, adjusted for share issues

## PER SHARE DATA

| | | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| Earnings per share | FIM | 11.07 | 13.59 | 12.16 | 7.56 | 10.29 [1] |
| Calculated earnings per share (FAS) | FIM | 12.12 | 13.97 | 12.21 | 7.73 | 10.46 |
| Dividend, nominal | FIM | 3.20 | 3.70 | 4.00 | 4.00 | 4.50 [2] |
| Dividend/earnings per share | % | 28.9 | 27.2 | 32.9 | 52.9 | 43.7 [2] |
| Dividend yield | | | | | | |
| Series K | % | 1.8 | 2.0 | 2.6 | 3.8 | 2.1 [2] |
| Series I | % | 1.8 | 2.1 | 2.5 | 3.8 | 2.1 [2] |
| Shareholders' equity per share | FIM | 98.88 | 124.43 | 124.16 | 121.92 | 135.82 |
| Calculated shareholders' equity per share (FAS) | FIM | 100.72 | 127.04 | 126.94 | 124.85 | 139.26 |
| Share price adjusted for share issue at December 31 | | | | | | |
| Series K | FIM | 181.00 | 188.00 | 156.00 | 104.00 | 211.00 |
| Series I | FIM | 175.00 | 180.00 | 157.00 | 105.00 | 214.00 |
| Average number of shares adjusted for share issue | | 24,464,444 | 25,452,167 | 29,408,522 | 29,539,212 | 28,711,451 |
| Number of shares adjusted for share issue at year-end | | 24,464,444 | 29,342,144 | 29,484,596 | 29,654,196 | 26,711,896 |
| P/E ratio | | | | | | |
| Series K | | 16.4 | 13.8 | 12.8 | 13.8 | 20.5 |
| Series I | | 15.8 | 13.3 | 12.9 | 13.9 | 20.8 |
| Market capitalisation at December 31 | FIM mill. | 4,338.1 | 5,381.4 | 4,616.6 | 3,101.2 | 5,678.9 [3] |

[1] The dilutive effect of the bonds with warrants of 1991 and 1993 included: FIM 10.17
[2] 1996: Board's proposal
[3] Exclusive of shares owned by Huhtamaki Finance B.V.

# DIRECTORS' REPORT

## General review

In 1996, Huhtamaki's main objectives were the implementation of a revised corporate strategy and the return to a trend of improving profitability. The disposal of the pharmaceuticals division Leiras had been initiated in 1995, while an exit from the Donruss collectible cards business trade had been pursued since 1992. Both projects were successfully completed. An extensive rationalisation programme designed to improve the capacity utilisation and cost-effectiveness of Leaf's confectionery manufacturing also advanced according to plan.

During the year, however, it became increasingly clear that return on the substantial assets invested in the Leaf North America confectionery business since 1983 was unlikely to reach the targeted level despite past capital expenditure and the current rationalisation programme. Commercial considerations would have required substantial further investment, as a wave of consolidation within the US confectionery industry was rapidly eroding Leaf's market positions. Having reviewed the strategic options, the Board in October decided in favour of a trademark licensing and asset swap arrangement proposed by the US industry leader, Hershey Foods.

Overall, the divestments and acquisitions agreed during 1996 freed capital worth over FIM 3 billion prior to the repurchase of three million shares. A positive cash flow from ordinary business also contributed to a very strong balance sheet at year-end.

The business climate in most mature markets was one of slow volume growth, tough competition and downward price pressures. No doubt, uncertainty and the extra management input associated with restructuring affected the day-to-day business performance. The Board therefore notes with contentment an increase of 33% in the profit after financial items and 36% in earnings per share. Return on investment improved from 8.9% to 10.8%.

## Dividend proposal

In view of Huhtamaki's improving profitability, the Board proposes a dividend of FIM 4.50 per share, 12,5 % more than for 1995. The proposal corresponds to a payout ratio of 44%.

## Consolidation

Donruss was consolidated until April 30. Leiras was consolidated until September 2, from which date the Star ophthalmics business was consolidated until year-end. The Leaf North America division was consolidated until December 31.

The year-end balance sheet includes the real estate rented to Leiras, which remains in Huhtamaki's ownership, as well as the acquired companies Gubor and Sperlari. Not included in the balance sheet are assets divested or agreed to be divested during the year, notably Leaf's North American companies and the Star ophthalmics business and real estate.

The 3,000,000 Huhtamaki Series I shares repurchased from Pharmacia & Upjohn by Huhtamaki Finance B.V. at FIM 170 apiece entailed a corresponding elimination from restricted shareholders' equity at Group level (FAS).

## Slow growth in comparable sales

Huhtamaki's consolidated net sales in 1996 amounted to FIM 7,505 million, showing a decline of 4% from 1995. The mid-year divestment of Donruss and the main part of Leiras reduced the sales volume by approx. FIM 400 million. The sales of Leaf and Polarcup in Europe and Asia-Pacific, the platform of Huhtamaki's future development, amounted to FIM 4,866 million, compared to FIM 4,837 million a year ago. Exchange rate changes had a slight positive impact on the Finnmark figure.

Leaf Europe and Asia accounted for 31% of the total sales, Polarcup for 34% and divested operations (Leaf Americas, Leiras, Star and Donruss) for 35%. On an annualised basis, the divested units accounted for some 38% of Huhtamaki's total sales.

Geographically, the breakdown of Huhtamaki's sales was as follows: European Union 57%, other Europe 8%, North America 27%, and Asia-Pacific and other regions 8%. Sales in Finland represented 14% of the total, and exports from Finland amounted to FIM 590 million (- 31%).

The net sales of the parent company, Huhtamäki Oy, were FIM 1,193 million, stemming from Leaf's and Polarcup's Finnish-based business units.

## Earnings per share up by 36%

Higher operating earnings and lower financing costs significantly boosted Huhtamaki's profitability. The profit after financial items was up by 33% and earnings per share, by 36%.

Although Leiras was divested mid-year, consolidated operating earnings (IAS) improved by 14% to FIM 529 million, 7.0% of net sales. Leaf's operating earnings in Europe and Asia were virtually unchanged at FIM 170 million, 7.3% of net sales. Polarcup's operating earnings improved by 33% to FIM 214 million or 8.4% of net sales. Thus, the contribution from continuing operations was FIM 384 million, compared to FIM 333 million in 1995. Exchange rate developments had a slight positive effect on the Finnmark figure.

The profitability of Leaf's American operations remained unsatisfactory due to slow sales, and operating earnings declined by 29% to FIM 57 million, 2.9% of net sales. The operating earnings from other divested units, together with corporate income and expenses, stood at a total of FIM 88 million.

At FIM 104 million, net financing costs were down by 21%, reflecting a stronger balance sheet towards year-end. A net loss from associated companies of FIM 9 million compared favourably with the corresponding 1995 figure of FIM 21 million. Consequently, the profit after financial items improved by 33% to FIM 416 million.

Taxes from ordinary business increased by 35% to FIM 120 million. Earnings per share thus improved by 36% to FIM 10.29.

After adjustments due to structural changes and changes in accounting principles, the company divestments of 1996 resulted in an exceptional income of FIM 1,014 million. An exceptional expense of FIM 393 million was booked, covering restructuring already in progress and further rationalisation needs in manufacturing structure. Of this amount, FIM 180 million had not been used by year-end.

Taxes attached to exceptional items amounted to FIM 495 million, mainly stemming from the divestment of the pharmaceutical business, as well as from provisions related to the divested North American confectionery

## NET SALES BY BUSINESS SECTOR

| FIM million | 1992 | % | 1993 | % | 1994 | % | 1995 | % | 1996 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Leaf[1] | 3,856.6 | 58.6 | 5,013.4 | 63.2 | 4,612.9 | 55.7 | 4,307.3 | 55.0 | 4,289.0 | 57.1 |
| Polarcup | 1,765.1 | 26.8 | 1,988.9 | 25.0 | 2,446.6 | 29.5 | 2,484.1 | 31.7 | 2,551.3 | 34.0 |
| Other[2] | 960.3 | 14.6 | 932.9 | 11.8 | 1,225.3 | 14.8 | 1,044.2 | 13.3 | 665.2 | 8.9 |
| Total | 6,582.0 | 100.0 | 7,935.2 | 100.0 | 8,284.8 | 100.0 | 7,835.6 | 100.0 | 7,505.5 | 100.0 |

## OPERATING EARNINGS BY BUSINESS SECTOR

| FIM million | 1992 | % | 1993 | % | 1994 | % | 1995 | % | 1996 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Leaf[1] | 311.8 | 8.1 | 206.9 | 4.1 | 256.0 | 5.5 | 252.0 | 5.9 | 227.3 | 5.3 |
| Polarcup | 158.3 | 9.0 | 179.8 | 9.0 | 130.0 | 5.3 | 160.7 | 6.5 | 213.7 | 8.4 |
| Other[2] | 91.0 | 9.5 | 262.6 | 28.1 | 181.7 | 14.8 | 52.5 | 5.0 | 87.6 | 13.2 |
| Total | 561.1 | 8.5 | 649.3 | 8.2 | 567.7 | 6.9 | 465.2 | 5.9 | 528.6 | 7.0 |

[1] Donruss included in Leaf's figures in 1992-1993 and thereafter in the group Other
[2] Unallocated costs and income; revenue from divested units (excluding Leaf North America Division).

units. The net profit for the year thus improved by 134% to FIM 421 million.

## Tighter accounting principles

Formerly, a maximum amortisation period of 40 years has been applied to goodwill and other intangible assets mainly attached to US operations. The relevant accounting priciples have been revised and a maximum amortisation period of 20 years has been adopted. The asset swap with Hershey and other changes in corporate structure, together with tighter accounting principles resulted in a goodwill write-off of FIM 480 million against exceptional income. An exceptional expense of FIM 56 million was booked, related to goodwill and intangibles, as well as to certain pension arrangements previously disclosed as commitments and contingencies.

## Capital expenditure

Huhtamaki's gross capital expenditure amounted to FIM 348 million, 13% up from the previous year. Leaf's investments, FIM 160 million, were mainly related to ongoing restructuring projects. Polarcup's capital expenditure, FIM 168 million, went predominantly to capacity expansions and process improvements across Europe.

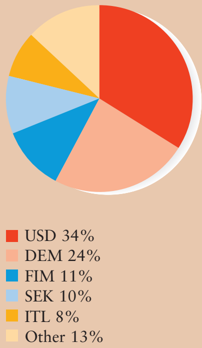
Reflecting the part-year consolidation of Leiras, expenditure on research and development declined by 29% to FIM 160 million. Leiras's share of the total was FIM 112 million, Star's FIM 4 million, Leaf's FIM 33 million and Polarcup's FIM 11 million.

## Share capital

The Annual General Shareholders' Meeting, which convened on April 10, 1996, approved a dividend of FIM 4.00 per share. During the year, Huhtamaki's share capital was increased from FIM 593.6 million to FIM 594.8 million, reflecting share conversions under previously approved stock option plans.

Due to the repurchase of 3,000,000 shares by Huhtamaki Finance B.V., the average number of shares outstanding decreased from 29,539,212 for 1995 to 28,711,451. At year-end, the number of shares outstanding was 26,711,896 (29,711,896 including the repurchased shares). Huhtamaki Oy had 17.888 registered shareholders at year-end. Foreign shareholding, eliminating the repurchased shares, increased from 26% to 28%.

External debt by currency at December 31,1996




## Share developments

The Huhtamaki Series I share was one of the strongest performers on the Helsinki Stock Exchange, appreciating from FIM 105 at the beginning of the year to FIM 216 at the end of December. The less traded K shares showed a similar development. The HEX index gained 46% during the year. Trading in Huhtamaki shares was brisk, with a turnover of over 40% of the equity recorded in Helsinki. The Series I shares were also traded on the Seaq International system in London, and were introcuded in the over-the-counter (Freiverkehr) trade on the Frankfurt and Munich (Bavaria) bourses towards year-end.

## Strong balance sheet at year-end

Through the year, Huhtamaki's finances continued to strengthen on the back of profit improvement and a strong cash flow from operations. However, the structure of the balance sheet changed materially only at year-end, as company divestments resulted in a swing from a net debt into a net deposit position of over FIM 1 billion.

## Governance reform enhances shareholders' role

The Annual General Meeting approved the Board's proposal to amend the Company's Articles of Association on several points. By far the most important change was the replacement of the Company's then 16-strong Supervisory

Board with a smaller body consisting of a minimum of six and a maximum of nine members, and with express powers to decide on all major changes in corporate structure or strategy. The following persons were elected to the Supervisory Board: Mr Paavo Hohti (chairman), Mr Iiro Viinanen (deputy chairman), Mr Jan Ekberg, Mr Urpo Kangas, Mr Mikael Lilius, Mr Matti Liukkonen and Mr Pertti Voutilainen. Mr Ekberg, Chairman of Pharmacia & Upjohn, submitted his resignation in October.

## Material changes in corporate structure

Following the strategic reorientation adopted in 1995, Huhtamaki divested almost 40% of its sales volume during the year under review and started to strengthen the core Leaf and Polarcup operations. New joint-ventures were launched in Asia in order to bring Leaf's products to emerging markets with a combined population approaching 3 billion.

The US collectible cards business, Donruss, was sold in two parts: the sports cards to Pinnacle Brands in April and the interactive card games business to US Playing Cards in June.

The main part of the pharmaceuticals subsidiary, Leiras, was sold to the German company Schering AG, for a sum of FIM 1,425 million. The transaction took effect on September 2. Excluded from the deal were Leiras's ophthalmics business, later divested separately, as well as real estate, which remains in Huhtamaki's ownership and will generate annual income. Huhtamaki will also receive royalty income on Schering's sales of the Mirena hormonal contraceptive device for the next ten years.

The outstanding shares of the Pharmacia-Leiras joint-venture were purchased in September; the dissolving of this group of companies was in progress at year-end, with the associated costs written off against exceptional income.

Leiras's ophthalmics business was carried on by a separate unit, Star, which was acquired by the Japanese specialist company Santen Pharmaceutical at year-end for FIM 430 million. The transaction is scheduled to be completed in early 1997.

In October, a trademark licensing and asset swap agreement was reached with the US company Hershey Foods. Hershey will become the licensed manufacturer of Leaf's American trademarks, which remain in Huhtamaki's ownership and will generate perpetual royalty income.

On December 31, Hershey took over Leaf's North American companies for a sum of USD 450 million (FIM 2,083 million), and Huhtamaki acquired Hershey's European confectionery units, Gubor from Germany and Sperlari from Italy, for USD 120 million (FIM 555 million).

The outstanding 50% of the shares of Plastono, a small Portuguese packaging joint-venture, were acquired in December.

An agreement was reached with the Indian sugar confectionery company Parry's in January 1996 to establish of a joint-venture to manufacture a range of Leaf's products in a new factory in Madras.

Another Asian joint-venture was concluded in July with the Danish East Asiatic Company. Backed by a local sales force of over 2,000 people, the new venture will market Leaf's products sales in 17 Asian countries. To support the initiative, a regional Leaf unit was established in Singapore.

Further new regional and local sales organisations were established in Central Eastern Europe and the former Soviet Republics.

## Litigation

The divestment of Leiras significantly reduced Huhtamaki's exposure to US product liability cases related to Norplant contraceptive implants. The residual risk, if any, is contained contractually, as well as through insurance policies and reserves.

## Environmental developments

The structural changes of 1996 altered Huhtamaki's environmental risk profile. The pharmaceutical industry deals with inherently more complex chemical compounds and processes than the rest of Huhtamaki's operations.

In 1996, Leaf's environmental programmes were overshadowed by the restructuring projects which as such will result in more efficient production and, hence, lower energy use and emission per produced unit. Polarcup developed a uniform set of criteria for environmental management and monitoring of progress at each plant from 1997 onwards, with the long-term objective of an ISO 14000 compatible environmental management system at each major facility. Indeed, the UK unit in Gosport won the ISO 14000 accreditation at year-end and was the first British packaging company to achieve this status.

Much of the practical work in 1996 related to the national implementation of the European Union's Packaging and Packaging Waste Directive. Huhtamaki is an active participant in this work, both directly and through various industry associations.

## Management

The Annual General Meeting reduced the size of Huhtamaki's Executive Board to a minimum of four and a maximum of six persons. Mr Mikael Lilius resigned from the Executive Board upon becoming elected to the Supervisory Board. In September, Mr Tuomo Lähdesmäki, President of Leiras, also resigned from the Executive Board, which subsequently has consisted of four persons.

## Personnel

At year-end, Huhtamaki had 8,000 employees, 2,930 less than at the end of 1996. 1,656 were employed in Finland, 1,612 in the UK, 951 in Germany, 589 in the Netherlands, 435 in Sweden, 412 in Spain, 383 in Italy, 356 in Poland, 330 in Australia and 1,276 in 17 other countries. Leaf had 4,063 employees and Polarcup 3,888. The average number of employees was 10,606, compared to 11,403 in 1995.

The parent company employed 1,652 at year-end. The corresponding figure for 1995 was 1,653. The respective annual averages were 1,656 in 1996 and 1,695 in 1995.

## The outlook for 1997

In 1997, a steady development is expected for Leaf's and Polarcup's main Western European markets. Further growth is sought from expanding product segments and the new markets in Eastern Europe and Asia. Company acquisitions to strengthen Leaf and Polarcup will be actively pursued. For this reason alone, any sales projections for 1997 are likely to be wrong. An agreement was reached in February 1997 for the acquisition of Pacific World Packaging Group, a manufacturer of food packaging in the Asia-Pacific region with approximate annual sales of FIM 350 million.

Capital expenditure has been budgeted at FIM 360 million, of which amount Polarcup's capacity expansions account for a major part.

Huhtamaki's new structure materially changes the seasonal pattern of sales and profit generation. Operating earnings for the first four months will represent less than a fifth of the annual total, due to Polarcup's strong summer sales and Leaf's higher seasonal business in the autumn following the acquisition of Gubor and Sperlari. The pattern is accentuated by Leaf's restructuring activity in Europe and pre-launch expenditure in Asia during the first half of the year.

At the corporate level, the shift of financial expenditure into revenue, together with material rental and royalty income, will boost profits substantially. Thus, after a weaker relative performance early in the year, a further improvement in full-year earnings per share can be expected.

## INCOME STATEMENTS - IAS

| | FIM million | Group | | | | Huhtamäki Oy | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 1996 | % | 1995 | % | 1996 | % | 1995 | % |
| | **Net sales** | 7,505.5 | 100.0 | 7,835.6 | 100.0 | 1,193.3 | 100.0 | 1,185.4 | 100.0 |
| | **Cost of goods sold** | 4,937.9 | | 5,069.5 | | 796.0 | | 809.8 | |
| | **Gross profit** | 2,567.6 | 34.2 | 2,766.1 | 35.3 | 397.3 | 33.3 | 375.6 | 31.7 |
| | Sales and marketing | 522.8 | | 543.6 | | 75.6 | | 67.0 | |
| | Advertising and promotion | 492.7 | | 551.6 | | 67.7 | | 77.6 | |
| | Administration costs | 412.4 | | 482.6 | | 80.9 | | 79.6 | |
| | Other fixed costs | 611.1 | | 723.1 | | -4.9 | | 23.0 | |
| | | 2,039.0 | | 2,300.9 | | 219.3 | | 247.2 | |
| 1, 2 | **Operating earnings** | 528.6 | 7.0 | 465.2 | 5.9 | 178.0 | 14.9 | 128.4 | 10.8 |
| 3 | Net financial income/expense | -103.6 | | -131.7 | | +11.6 | | +37.0 | |
| | Gain/loss on equity of associated companies | -9.3 | | -21.3 | | +2.5 | | -20.3 | |
| | **Profit after financial items** | 415.7 | 5.5 | 312.2 | 4.0 | 192.1 | 16.1 | 145.1 | 12.2 |
| | **Ordinary taxes** | -120.1 | | -88.8 | | -60.3 | | -72.5 | |
| | **Exceptional taxes** | -495.1 | | - | | -260.2 | | - | |
| 4 | **Exceptional income** | 1,013.8 | | 1.2 | | 1,058.7 | | 141.8 | |
| 4 | **Exceptional expense** | -393.3 | | -44.8 | | -226.5 | | -30.6 | |
| | **Net income** | 421.0 | 5.6 | 179.8 | 2.3 | 703.8 | 59.0 | 183.8 | 15.5 |

## BALANCE SHEETS - IAS

| | FIM million | Group | | | | Huhtamäki Oy | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 1996 | % | 1995 | % | 1996 | % | 1995 | % |
| | **ASSETS** | | | | | | | | |
| 5 | **Tangible assets** | | | | | | | | |
| | Land and buildings | 1,276.5 | | 1,658.4 | | 593.4 | | 570.3 | |
| | Machinery and equipment | 2,719.8 | | 3,833.3 | | 487.1 | | 449.6 | |
| | Other tangible assets | 168.0 | | 276.3 | | 15.4 | | 14.0 | |
| | Construction in progress | 73.4 | | 98.9 | | 7.9 | | 11.3 | |
| | Accumulated depreciation | -2,133.5 | | -2,876.3 | | -556.4 | | -507.1 | |
| | | 2,104.2 | 30.0 | 2,990.6 | 38.6 | 547.4 | 11.0 | 538.1 | 12.7 |
| 5 | **Intangible assets** | | | | | | | | |
| | Goodwill | 646.1 | | 1,213.9 | | - | | - | |
| | Other intangible assets | 261.7 | | 242.3 | | 179.2 | | 178.6 | |
| | Accumulated amortisation | -366.6 | | -435.2 | | -162.5 | | -141.9 | |
| | | 541.2 | 7.7 | 1,021.0 | 13.2 | 16.7 | 0.3 | 36.7 | 0.8 |
| | **Other long-term assets** | | | | | | | | |
| 6 | Investment in subsidiaries | - | | - | | 2,775.4 | | 2,008.2 | |
| 7 | Investment in associated companies | 6.9 | | 25.7 | | 6.9 | | 23.7 | |
| 7 | Other investments | 58.1 | | 60.8 | | 5.9 | | 8.0 | |
| 8 | Long-term loan receivables | 103.4 | | 118.3 | | 25.4 | | 22.0 | |
| 8 | Other long-term receivables | - | | 93.0 | | - | | - | |
| | | 168.4 | 2.4 | 297.8 | 3.8 | 2,813.6 | 56.5 | 2,061.9 | 48.5 |
| | **Current assets** | | | | | | | | |
| | Inventories | 720.5 | | 1,119.7 | | 142.1 | | 141.0 | |
| 8 | Trade receivables | 1,000.0 | | 1,122.3 | | 136.7 | | 125.5 | |
| 8 | Loan receivables | 1,665.5 | | 232.2 | | 1,256.7 | | 1,147.7 | |
| 8 | Other receivables | 172.2 | | 356.9 | | 54.8 | | 188.4 | |
| | Cash and marketable securities | 640.3 | | 607.6 | | 10.2 | | 13.2 | |
| | | 4,198.5 | 59.9 | 3,438.7 | 44.4 | 1,600.5 | 32.2 | 1,615.8 | 38.0 |
| | | 7,012.3 | 100.0 | 7,748.1 | 100.0 | 4,978.2 | 100.0 | 4,252.5 | 100.0 |
| | **LIABILITIES AND EQUITY** | | | | | | | | |
| | **Long-term liabilities** | | | | | | | | |
| 9 | Loans | 503.3 | | 1,297.5 | | 600.7 | | 616.3 | |
| 10 | Other long-term liabilities | 382.9 | | 331.3 | | 84.0 | | 75.2 | |
| | | 886.2 | 12.6 | 1,628.8 | 21.0 | 684.7 | 13.7 | 691.5 | 16.3 |
| | **Current liabilities** | | | | | | | | |
| 9 | Short-term loans and overdrafts | 369.4 | | 1,048.8 | | 244.5 | | 253.6 | |
| 9 | Current portion of long-term loans | 472.4 | | 188.7 | | - | | - | |
| 11 | Trade payables | 525.3 | | 449.1 | | 74.7 | | 81.0 | |
| 11 | Other current liabilities | 1,131.0 | | 817.2 | | 252.6 | | 94.9 | |
| | | 2,498.1 | 35.6 | 2,503.8 | 32.3 | 571.8 | 11.5 | 429.5 | 10.1 |
| | **Minority interest** | - | | 0.2 | | - | | - | |
| 12, 13 | **Shareholders' Equity** | | | | | | | | |
| | Share capital | 594.8 | | 593.6 | | 594.8 | | 593.6 | |
| | Share premium | 1,609.7 | | 1,605.8 | | 1,609.7 | | 1,605.8 | |
| | Repurchased shares | -501.7 | | - | | - | | - | |
| | Revaluation fund | 15.0 | | 15.0 | | 15.0 | | 15.0 | |
| | Consolidation difference | 62.8 | | -228.3 | | - | | - | |
| | Retained earnings | 1,847.4 | | 1,629.2 | | 1,502.2 | | 917.1 | |
| | | 3,628.0 | 51.8 | 3,615.3 | 46.7 | 3,721.7 | 74.8 | 3,131.5 | 73.6 |
| | | 7,012.3 | 100.0 | 7,748.1 | 100.0 | 4,978.2 | 100.0 | 4,252.5 | 100.0 |

## CASH FLOW STATEMENTS - IAS

| FIM million | Group | | Huhtamäki Oy | |
|---|---|---|---|---|
| | 1996 | 1995 | 1996 | 1995 |
| **Operations** | | | | |
| Net income | 421.0 | 179.8 | 703.8 | 183.8 |
| Depreciation and amortisation | 456.4 | 451.4 | 81.0 | 77.3 |
| Provisions | 274.2 | 18.2 | 24.2 | - |
| Deferred tax | 238.9 | -16.9 | 14.7 | -3.1 |
| Gain/loss on equity of associated companies | 9.3 | 21.3 | -2.5 | 20.3 |
| Dividends from associated companies | 3.4 | 1.7 | 3.4 | 1.7 |
| Gain/loss on sale of long-term assets | 1.6 | 4.2 | 1.9 | -0.1 |
| Other, net | -885.1 | - | -727.0 | - |
| | 519.7 | 659.7 | 99.5 | 279.9 |
| Net change in working capital | 427.0 | -285.2 | -1.2 | -6.5 |
| Total from operations | 946.7 | 374.5 | 98.3 | 273.4 |
| **Investing** | | | | |
| Purchase of tangible assets | -347.6 | -308.7 | -56.4 | -70.3 |
| Disposal of long-term assets | 27.2 | 9.8 | 4.9 | 1.0 |
| Divestiture of net assets in subsidiaries | 3,183.6 | - | 1,136.6 | - |
| Acquisition of net assets in subsidiaries | -581.5 | - | -884.8 | -512.0 |
| Repurchase of Huhtamäki Oy shares | -501.7 | - | - | - |
| Investment in associated companies | - | -24.2 | - | -24.2 |
| Other, net | - | -1.1 | - | - |
| Total investing | 1,780.0 | -324.2 | 200.3 | -605.5 |
| **Financing** | | | | |
| Net increase/decrease of long-term loans/receivables | -679.7 | -103.5 | -6.8 | 21.4 |
| Net increase/decrease of short-term loans/receivables | -2,221.1 | 542.2 | -178.0 | 425.9 |
| Increase/decrease of current portion of long-term debt | 283.9 | -41.9 | -0.3 | -6.5 |
| Dividends paid | -118.6 | -117.9 | -118.6 | -117.9 |
| Proceeds from share issues | 5.1 | 14.8 | 5.1 | 14.8 |
| Other, net | 3.7 | -5.7 | - | - |
| Total financing | -2,726.7 | 288.0 | -298.6 | 337.7 |
| Cash and marketable securities at beginning of year | 607.6 | 269.3 | 13.2 | 7.6 |
| Cash and marketable securities at end of year | 640.3 | 607.6 | 10.2 | 13.2 |
| Net change | 32.7 | 338.3 | -3.0 | 5.6 |

## INCOME STATEMENTS - FAS

| Note | FIM million | | Group 1996 | % | | Group 1995 | % | | Huhtamäki Oy 1996 | % | | Huhtamäki Oy 1995 | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Net sales** | | 7,505.5 | 100.0 | | 7,835.6 | 100.0 | | 1,193.3 | 100.0 | | 1,185.4 | 100.0 |
| | **Cost of goods sold** | | 4,935.5 | | | 5,066.1 | | | 794.3 | | | 807.0 | |
| | **Gross profit** | | 2,570.0 | 34.2 | | 2,769.5 | 35.3 | | 399.0 | 33.4 | | 378.4 | 31.9 |
| | Sales and marketing | | 522.8 | | | 543.6 | | | 75.6 | | | 66.9 | |
| | Advertising and promotion | | 492.7 | | | 551.6 | | | 67.7 | | | 77.6 | |
| | Administration costs | | 412.4 | | | 482.6 | | | 80.9 | | | 79.6 | |
| | Other operating expenses | | 749.7 | | | 835.4 | | | 59.9 | | | 73.6 | |
| | Other operating income | | -141.0 | | | -113.9 | | | -67.2 | | | -52.0 | |
| | | | 2,036.6 | | | 2,299.3 | | | 216.9 | | | 245.7 | |
| 1, 2 | **Operating earnings** | | 533.4 | 7.1 | | 470.2 | 6.0 | | 182.1 | 15.3 | | 132.7 | 11.2 |
| 3 | Net financial income/expense | | -103.6 | | | -131.7 | | | +15.2 | | | +37.2 | |
| | Gain/loss on equity of associated companies | | -9.3 | | | -21.3 | | | - | | | - | |
| | **Profit before exceptional items, appropriations and taxes** | | 420.5 | 5.6 | | 317.2 | 4.0 | | 197.3 | 16.5 | | 169.9 | 14.3 |
| 4 | **Exceptional income** | | 1,013.8 | | | 1.2 | | | 1,035.7 | | | 141.7 | |
| 4 | **Exceptional expense** | | -393.3 | | | -44.8 | | | -226.5 | | | -30.6 | |
| | **Profit before appropriations and taxes** | | 1,041.0 | 13.9 | | 273.6 | 3.5 | | 1,006.5 | 84.3 | | 281.0 | 23.7 |
| | **Depreciation difference, (-) increase, (+) decrease** | | +68.4 | | | -18.0 | | | -5.2 | | | -9.9 | |
| 15 | **Change in voluntary reserves, (-) increase, (+) decrease** | | +58.8 | | | +24.3 | | | +5.9 | | | +22.2 | |
| | Ordinary taxes | -150.5 | | | -90.9 | | | -51.6 | | | -75.6 | | |
| | Deferred tax on untaxed reserves | 30.4 | | | 2.1 | | | - | | | - | | |
| | Exceptional taxes | -495.1 | -615.2 | | - | -88.8 | | -260.2 | -311.8 | | - | -75.6 | |
| | **Net Income** | | 553.0 | 7.4 | | 191.1 | 2.4 | | 695.4 | 58.3 | | 217.7 | 18.4 |

# BALANCE SHEETS - FAS

| | FIM million | Group | | | | Huhtamäki Oy | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 1996 | % | 1995 | % | 1996 | % | 1995 | % |
| | ASSETS | | | | | | | | |
| | **Fixed assets** | | | | | | | | |
| 5 | **Intangible assets** | | | | | | | | |
| | Intangible rights | 160.2 | | 110.7 | | 3.3 | | 3.4 | |
| | Goodwill | 337.7 | | 867.6 | | - | | - | |
| | Other capitalised expenditure | 43.3 | | 42.7 | | 13.4 | | 33.3 | |
| | | 541.2 | 7.6 | 1,021.0 | 13.0 | 16.7 | 0.3 | 36.7 | 0.8 |
| 5 | **Tangible assets** | | | | | | | | |
| | Land | 115.8 | | 120.8 | | 17.9 | | 17.8 | |
| | Buildings and constructions | 772.7 | | 1,068.2 | | 371.7 | | 366.3 | |
| | Machinery and equipment | 1,172.6 | | 1,706.6 | | 232.6 | | 220.8 | |
| | Other tangible assets | 61.5 | | 83.0 | | 1.3 | | 1.6 | |
| | Construction in progress and advance payments | 73.4 | | 98.9 | | 7.9 | | 11.3 | |
| | | 2,196.0 | 30.9 | 3,077.5 | 39.3 | 631.4 | 12.4 | 617.8 | 14.1 |
| | **Other fixed assets** | | | | | | | | |
| 6, 7 | Shares and holdings | 65.0 | | 86.4 | | 2,841.6 | | 2,105.6 | |
| | Loan receivables | 103.4 | | 118.3 | | 25.4 | | 22.0 | |
| | Other long-term receivables | - | | 93.1 | | - | | - | |
| | | 168.4 | 2.4 | 297.8 | 3.8 | 2,867.0 | 56.0 | 2,127.6 | 48.4 |
| | **Current assets** | | | | | | | | |
| | **Inventories** | | | | | | | | |
| | Raw and packaging materials | 248.2 | | 346.4 | | 36.9 | | 38.2 | |
| | Work-in-process | 71.1 | | 134.6 | | 12.2 | | 10.6 | |
| | Finished goods | 398.6 | | 621.0 | | 93.0 | | 89.7 | |
| | Advance payments | 2.6 | | 17.7 | | - | | 2.5 | |
| | | 720.5 | 10.1 | 1,119.7 | 14.3 | 142.1 | 2.8 | 141.0 | 3.2 |
| 8 | **Receivables** | | | | | | | | |
| | Trade receivables | 1,000.0 | | 1,122.3 | | 136.7 | | 125.5 | |
| | Loan receivables | 1,665.5 | | 232.2 | | 1,256.7 | | 1,147.7 | |
| | Accrued income | 172.2 | | 347.7 | | 52.4 | | 187.5 | |
| | Other receivables | - | | 9.2 | | 2.4 | | 0.6 | |
| | | 2,837.7 | 40.0 | 1 711.4 | 21.8 | 1,448.2 | 28.3 | 1,461.3 | 33.2 |
| | **Marketable securities** | 502.3 | 7.1 | 544.0 | 7.0 | - | - | - | - |
| | **Cash and bank** | 138.0 | 1.9 | 63.6 | 0.8 | 10.2 | 0.2 | 13.2 | 0.3 |
| | | 7,104.1 | 100.0 | 7,835.0 | 100.0 | 5,115.6 | 100.0 | 4,397.6 | 100.0 |
| | LIABILITIES AND EQUITY | | | | | | | | |
| 12, 13 | **Shareholders' equity** | | | | | | | | |
| | **Restricted equity** | | | | | | | | |
| | Share capital | 594.8 | | 593.6 | | 594.8 | | 593.6 | |
| | Share premium | 1,108.0 | | 1,605.8 | | 1,609.7 | | 1,605.8 | |
| | Revaluation fund | 15.0 | | 15.0 | | 15.0 | | 15.0 | |
| | Consolidation difference | 62.8 | | -228.3 | | - | | - | |
| | | 1,780.6 | | 1,986.1 | | 2,219.5 | | 2,214.4 | |
| | **Non-restricted equity** | | | | | | | | |
| | Retained earnings - transferred from untaxed reserves | 216.1 | | 343.3 | | - | | - | |
| | Retained earnings - available for distribution | 1,170.1 | | 1,181.8 | | 670.6 | | 571.6 | |
| | Net income for the period | 553.0 | | 191.1 | | 695.4 | | 217.7 | |
| | | 1,939.2 | | 1,716.2 | | 1,366.0 | | 789.3 | |
| | | 3,719.8 | 52.4 | 3,702.3 | 47.2 | 3,585.5 | 70.1 | 3,003.7 | 68.3 |
| | **Minority interest** | - | | 0.2 | | - | | - | |
| | **Untaxed reserves** | | | | | | | | |
| | Depreciation difference | - | | - | | 239.6 | | 234.4 | |
| | Other voluntary reserves | - | | - | | 60.6 | | 66.4 | |
| | | - | | - | | 300.2 | 5.9 | 300.8 | 6.8 |
| | **Valuation items** | - | | - | | 57.4 | 1.1 | 47.3 | 1.1 |
| | **Long-term liabilities** | | | | | | | | |
| 9 | Loans from financial institutions | 383.5 | | 1,136.3 | | - | | 0.3 | |
| 9 | Pension loans | 119.8 | | 161.2 | | 119.8 | | 125.0 | |
| 10 | Deferred tax on untaxed reserves | 84.0 | | 114.5 | | - | | - | |
| 10 | Other long-term liabilities | 298.9 | | 216.8 | | 480.9 | | 491.0 | |
| | | 886.2 | 12.5 | 1,628.8 | 20.8 | 600.7 | 11.7 | 616.3 | 14.0 |
| | **Current liabilities** | | | | | | | | |
| 9 | Loans from financial institutions | 841.8 | | 1,237.5 | | - | | - | |
| 11 | Trade payables | 525.3 | | 449.0 | | 74.7 | | 81.0 | |
| 11 | Accrued expenses | 1,131.0 | | 817.2 | | 252.6 | | 94.9 | |
| 9 | Other short-term liabilities | - | | - | | 244.5 | | 253.6 | |
| | | 2,498.1 | 35.1 | 2,503.7 | 32.0 | 571.8 | 11.2 | 429.5 | 9.8 |
| | | 7,104.1 | 100.0 | 7,835.0 | 100.0 | 5,115.6 | 100.0 | 4,397.6 | 100.0 |

## FUNDS STATEMENTS - FAS

| FIM million | Group | | Huhtamäki Oy | |
|---|---|---|---|---|
| | 1996 | 1995 | 1996 | 1995 |
| **Operations** | | | | |
| Operating earnings | 533.4 | 470.2 | 182.1 | 132.7 |
| Depreciation and amortisation | 451.6 | 446.5 | 76.9 | 73.0 |
| Financial income/expense | -112.9 | -153.0 | 15.2 | 37.2 |
| Exceptional items | -19.5 | - | 892.2 | 143.8 |
| Taxes | -376.6 | -88.8 | -311.8 | -75.6 |
| | 476.0 | 674.9 | 854.6 | 311.1 |
| **Change in working capital** | | | | |
| Change in inventories | 35.8 | -42.3 | -1.2 | -9.2 |
| Change in current receivables | 220.2 | -200.5 | 13.0 | 472.7 |
| Change in non-interest bearing current liabilities | 147.7 | -95.6 | 127.3 | -9.7 |
| Total from operations | 879.7 | 336.5 | 993.7 | 764.9 |
| **Investing** | | | | |
| Capital expenditure | -347.6 | -308.7 | -884.2 | -607.9 |
| Change in corporate structure | 2,557.0 | - | - | - |
| Repurchase of Huhtamäki Oy shares | -501.7 | - | - | - |
| Sale of fixed assets | 27.2 | 9.9 | 4.9 | 1.0 |
| Funds flow before financing | 2 ,614.6 | 37.7 | 114.4 | 158.0 |
| **Financing** | | | | |
| Change in long-term receivables | 14.9 | -183.2 | -3.4 | -5.2 |
| Change in long-term loans | -486.9 | -188.1 | 8.5 | -9.8 |
| Change in short-term loans | -2,165.7 | 503.6 | -9.0 | -34.3 |
| Dividends | -118.6 | -117.9 | -118.6 | -117.9 |
| Proceeds from share issues | 5.1 | 14.8 | 5.1 | 14.8 |
| **Calculated change in cash and cash equivalents** | -136.6 | 66.9 | -3.0 | 5.6 |
| Adjustments for non-cash items | 169.3 | 276.9 | - | - |
| **Balance sheet change in cash and cash equivalents** | 32.7 | 343.8 | -3.0 | 5.6 |

# ACCOUNTING PRINCIPLES

The financial statements of Huhtamäki Oy and its subsidiaries have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee (IAS). Additionally financial statements have been prepared according to Finnish Accounting Standards (FAS). The main differences are explained in more detail on page 39. The financial statements have been prepared on the basis of historical costs and do not take into account increases in the market value of assets, except where stated.

## CONSOLIDATION PRINCIPLES

The Group's investments in subsidiaries have been eliminated on the basis of the acquisition cost method, according to which the shareholders' equity of a subsidiary is deducted from the purchase price of that subsidiary's shares, including untaxed reserves net of tax. The excess of purchase price over the fair value of assets and liabilities in companies acquired is allocated to underlying assets and to goodwill. The consolidated financial statements include all subsidiaries where more than 50% of a subsidiary's voting power is controlled directly or indirectly by the parent company, or the parent company is otherwise in control of the company.

All intercompany balances and transactions have been eliminated. The financial period for all companies ended on December 31, 1996.

## GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill, as well as other intangible assets, are amortised on a systematic basis over their useful life. The period of amortisation does not exceed 20 years.

## INVESTMENTS

Investments classified as current assets are carried at market value. Any increases or decreases in carrying values are credited or charged to income.

Investments classified as long-term assets are carried at cost, less amounts written off to recognise other than temporary declines in the value of the investment. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to income.

Investments in subsidiaries are carried at cost in the balance sheet of the parent company in accordance with the valuation policy applied to long-term investments. A listing of the Group's significant subsidiaries is set out in note 6.

Investments in associated companies are carried in parent company's FAS balance sheet in accordance with the valuation policy applied to long-term investments noted above and in IAS balance sheet under the equity method. In the Group's consolidated financial statements, the investments in associates are accounted for under the equity method and jointly owned companies according to the share of ownership. An associated company is one in which Huhtamaki holds, directly or indirectly, between 20% and 50% of the voting power of the company. A listing of the Group's significant associates is set out in note 7.

## FOREIGN CURRENCY

Foreign currency trade receivables and payables are valued at the rate of exchange on the balance sheet date except when the amount is fixed by a forward contract in which case this rate is used. Exchange differences on foreign currency receivables and payables are recorded in the income statement.

In the consolidated financial statements, in regard to the shareholders' equity, translation differences due to exchange rate fluctuations have been recorded as a separate component of equity. To reduce translation differences, part of the foreign subsidiaries' shareholders' equity has been hedged with foreign currency loans. The unrealised foreign exchange gains arising from these loans have been recorded as valuation items in the parent company's FAS balance sheet.

The income statements of all foreign subsidiaries have been translated into Finnmarks at the average annual exchange rate and the balance sheets at the year-end exchange rate.

## TAXATION

The provision for taxes is calculated in accordance with the rules for determining taxable income established by taxation rules in each country. Deferred tax arising from timing differences between the commercial and fiscal valuation of net income is calculated applying the standard tax rate applicable at the balance sheet date or the tax rate at when the tax is going to be paid. Deferred tax debits are only carried forward if there is a reasonable expectation of realisation.

Untaxed reserves (FAS) have been divided into deferred tax and unrestricted equity in IAS and Group FAS balance sheets.

## INVENTORIES

Inventories are stated at the lower of cost, replacement cost or net realisable value. Cost for purchased inventories represent historical purchase price determined on the "first in first out" (FIFO) basis.

Cost for produced finished goods and work in process represent the historical purchase price of materials, determined on a first in first out basis, plus direct labour and overheads and an appropriate portion of indirect overheads excluding selling and financial costs.

## TANGIBLE ASSETS

Items of property, plant and equipment are stated at historical cost and are depreciated using the straight line method over their estimated useful lives. Land is not depreciated.

The periods of depreciation used are:
- buildings and other structures 20 – 25 years
- machinery and equipment 5 – 10 years
- other tangible assets 3 – 5 years

Leases of plant and equipment under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

## RESEARCH AND DEVELOPMENT

Research and development costs are charged as an expense in the income statement in the period in which they are incurred without exception.

## CAPITALISED INTEREST

Significant interest costs are capitalised when they have incurred on projects requiring more than one year to complete. All other interest costs are charged to income of the period in which they are incurred.

## PROVISION FOR EMPLOYEE PENSION BENEFITS

The Group companies outside Finland have various pension plans in accordance with local conditions and practices. Contributions are based on periodic actuarial valuations and are charged against profits. The plans are covered.

Generally, the statutory retirement plans of Group companies in Finland have been arranged through pension insurance. Additional retirement plans have been taken care of by the Group's own pension funds. Only those employees in Finland, whose employment commenced before July 1, 1979 and continues uninterruptedly until retirement, are entitled to voluntary retirement benefits in addition to the statutory retirement plan.

# KEY EXCHANGE RATES

| | | 1996 | | 1995 | |
|---|---|---|---|---|---|
| | | Income statement | Balance sheet | Income statement | Balance sheet |
| United States | USD | 4.5923 | 4.6439 | 4.3643 | 4.3586 |
| UK | GBP | 7.1695 | 7.8690 | 6.8915 | 6.7410 |
| Sweden | SEK | 0.6851 | 0.6748 | 0.6130 | 0.6546 |
| Germany | DEM | 3.0533 | 2.9880 | 3.0466 | 3.0435 |
| Holland | NLG | 2.7252 | 2.6624 | 2.7198 | 2.7185 |
| Spain | ESP | 0.0363 | 0.0354 | 0.0350 | 0.0359 |
| Australia | AUD | 3.5966 | 3.6980 | 3.2344 | 3.2470 |
| New Zealand | NZD | 3.1585 | 3.2859 | 2.8654 | 2.8453 |
| Italy | ITL | 0.0030 | 0.0030 | 0.0027 | 0.0027 |
| France | FRF | 0.8980 | 0.8862 | 0.8741 | 0.8906 |

# NOTES TO THE FINANCIAL ACCOUNTS

## 1. PERSONNEL COSTS

| FIM million | Group 1996 | Group 1995 | Huhtamäki Oy 1996 | Huhtamäki Oy 1995 |
|---|---|---|---|---|
| Wages, salaries and fringe benefits | 1,300.2 | 1,388.3 | 192.4 | 184.1 |
| Pension costs | 97.6 | 102.2 | 31.1 | 32.6 |
| Other personnel costs | 439.7 | 373.4 | 72.4 | 78.6 |
| Total | 1,837.5 | 1,863.9 | 295.9 | 295.3 |

The above amounts are on accrual basis. Remuneration to the members of the Supervisory Board and Executive Board as well as the CEO of Huhtamäki Oy (24 people) amounted to FIM 2.7 million; the corresponding figures for the Group were FIM 27.0 million and 48 people. The members of the Executive Board and the CEO of Huhtamäki Oy are entitled to retirement at the age of 60.

## 2. DEPRECIATION AND AMORTISATION

| FIM million | Group 1996 | Group 1995 | Huhtamäki Oy 1996 | Huhtamäki Oy 1995 |
|---|---|---|---|---|
| Depreciation by function: | | | | |
| Production | 335.1 | 335.3 | 38.6 | 35.0 |
| Sales and marketing | 8.2 | 7.8 | 0.9 | 1.0 |
| Administration | 37.5 | 35.8 | 5.8 | 3.2 |
| Other depreciation and amortisation | 70.8 | 67.6 | 31.6 | 33.8 |
| Total (FAS) | 451.6 | 446.5 | 76.9 | 73.0 |
| Depreciation by asset type: | | | | |
| Buildings and structures | 48.4 | 56.1 | 21.2 | 20.6 |
| Machinery and equipment | 341.3 | 332.0 | 37.6 | 34.9 |
| Goodwill | 55.0 | 51.6 | - | - |
| Other intangible assets | 11.7 | 11.7 | 22.2 | 21.8 |
| Total depreciation (IAS) | 456.4 | 451.4 | 81.0 | 77.3 |
| Depreciation on revalued assets | -4.8 | -4.9 | -4.1 | -4.3 |
| Total depreciation (FAS) | 451.6 | 446.5 | 76.9 | 73.0 |

## 3. FINANCIAL INCOME/EXPENSE

| FIM million | Group 1996 | Group 1995 | Huhtamäki Oy 1996 | Huhtamäki Oy 1995 |
|---|---|---|---|---|
| Interest income | 75.9 | 60.2 | 0.2 | 2.0 |
| Intercompany interest income | - | - | 34.1 | 82.9 |
| Interest income from associated companies | - | 0.2 | - | - |
| Dividend income | 1.4 | 0.6 | 4.5 | 2.3 |
| Intercompany dividend income | - | - | 7.7 | 0.6 |
| Other financial income | 4.4 | 31.9 | 2.0 | 4.4 |
| Other intercompany financial income | - | - | 2.5 | 3.3 |
| Interest expense | -157.6 | -194.8 | -6.3 | -8.5 |
| Intercompany interest expense | - | - | -27.3 | -44.0 |
| Interest expense to associated companies | - | -0.2 | - | - |
| Other financial expense | -27.7 | -29.6 | -2.2 | -5.8 |
| Total (FAS) | -103.6 | -131.7 | 15.2 | 37.2 |
| Other | - | - | -3.6 | -0.2 |
| Total (IAS) | -103.6 | -131.7 | 11.6 | 37.0 |

## 4. EXCEPTIONAL ITEMS

| FIM million | Group 1996 | Group 1995 | Huhtamäki Oy 1996 | Huhtamäki Oy 1995 |
|---|---|---|---|---|
| Exceptional income | 1,013.8 | 1.2 | 1,035.7 | - |
| Exceptional expense | -393.3 | -44.8 | -176.7 | -30.6 |
| Group contributions, net | - | - | -49.8 | 141.8 |
| Total (FAS) | 620.5 | -43.6 | 809.2 | 111.2 |
| Change from equity to cost method | - | - | 23.0 | - |
| Total (IAS) | 620.5 | -43.6 | 832.2 | 111.2 |

Exceptional income includes gains on sold businesses less realised divestment expenses and potential future expenses. In addition, expenses arising from changes in corporate structure and the effect of change in accounting policy relating to these divestments have been deducted from exceptional income. Exceptional expense items contain charges related to current and forthcoming restructurings, loss on exiting the collectible cards business and effect of change in accounting policy.

## 5. FIXED ASSETS

| FIM million | Group 1996 | Group 1995 | Huhtamäki Oy 1996 | Huhtamäki Oy 1995 |
|---|---|---|---|---|
| **Intangible rights** | | | | |
| Acquisition cost at beginning | 128.4 | 127.3 | 4.5 | 3.7 |
| Additions | 72.6 | 4.9 | 0.2 | 0.8 |
| Disposals | -19.5 | -3.5 | - | - |
| Changes in exchange rates | 6.3 | -0.3 | - | - |
| Acquisition cost at end | 187.8 | 128.4 | 4.7 | 4.5 |
| Accumulated amortisation | -27.6 | -17.7 | -1.4 | -1.1 |
| Intangible rights, net | 160.2 | 110.7 | 3.3 | 3.4 |
| **Goodwill** | | | | |
| Acquisition cost at beginning | 1,213.9 | 1,284.9 | - | - |
| Additions | 86.2 | 2.8 | - | - |
| Disposals | -730.0 | -17.4 | - | - |
| Changes in exchange rates | 76.0 | -56.4 | - | - |
| Acquisition cost at end | 646.1 | 1,213.9 | - | - |
| Accumulated amortisation | -308.4 | -346.3 | - | - |
| Goodwill, net | 337.7 | 867.6 | - | - |
| **Other capitalised expenditure** | | | | |
| Acquisition cost at beginning | 113.9 | 129.7 | 174.1 | 175.5 |
| Additions | 9.3 | 7.5 | 1.0 | 1.0 |
| Disposals | -53.4 | -21.2 | -0.6 | -2.4 |
| Changes in exchange rates | 4.1 | -2.1 | - | - |
| Acquisition cost at end | 73.9 | 113.9 | 174.5 | 174.1 |
| Accumulated amortisation | -30.6 | -71.2 | -161.1 | -140.8 |
| Other capitalised expenditure, net | 43.3 | 42.7 | 13.4 | 33.3 |
| **Land** | | | | |
| Acquisition cost at beginning | 120.8 | 136.7 | 17.9 | 17.5 |
| Additions | 18.6 | 2.7 | - | 0.4 |
| Disposals | -30.8 | -11.6 | - | - |
| Changes in exchange rates | 7.2 | -7.0 | - | - |
| Acquisition cost at end | 115.8 | 120.8 | 17.9 | 17.9 |
| **Buildings and constructions** | | | | |
| Acquisition cost at beginning | 1,537.6 | 1,527.0 | 552.4 | 533.4 |
| Additions | 128.3 | 73.1 | 23.1 | 19.0 |
| Disposals | -548.2 | -19.3 | - | - |
| Changes in exchange rates | 43.0 | -43.2 | - | - |
| Acquisition cost at end | 1,160.7 | 1,537.6 | 575.5 | 552.4 |
| Accumulated depreciation | -388.0 | -469.4 | -203.8 | -186.2 |
| Buildings and constructions, net (FAS) | 772.7 | 1,068.2 | 371.7 | 366.2 |
| Accumulated depreciation on revaluation | -91.7 | -86.9 | -83.8 | -79.7 |
| Buildings and constructions, net (IAS) | 681.0 | 981.3 | 287.9 | 286.5 |
| **Machinery and equipment** | | | | |
| Acquisition cost at beginning | 3,833.3 | 3,732.4 | 449.6 | 414.2 |
| Additions | 252.2 | 314.8 | 51.7 | 40.2 |
| Disposals | -1,525.6 | -57.1 | -14.2 | -4.8 |
| Changes in exchange rates | 159.9 | -156.8 | - | - |
| Acquisition cost at end | 2,719.8 | 3,833.3 | 487.1 | 449.6 |
| Accumulated depreciation | -1,547.2 | -2,126.7 | -254.5 | -228.8 |
| Machinery and equipment, net | 1,172.6 | 1,706.6 | 232.6 | 220.8 |
| **Other tangible assets** | | | | |
| Acquisition cost at beginning | 276.3 | 264.2 | 14.0 | 13.9 |
| Additions | 25.0 | 31.6 | 1.4 | 0.5 |
| Disposals | -138.0 | -11.4 | - | -0.4 |
| Changes in exchange rates | 4.7 | -8.1 | - | - |
| Acquisition cost at end | 168.0 | 276.3 | 15.4 | 14.0 |
| Accumulated depreciation | -106.5 | -193.3 | -14.1 | -12.4 |
| Other tangible assets, net | 61.5 | 83.0 | 1.3 | 1.6 |
| **Construction in progress and advance payments** | | | | |
| Acquisition cost at beginning | 98.9 | 232.6 | 11.3 | 1.6 |
| Additions | 192.9 | 136.4 | 7.9 | 11.3 |
| Transfers | -222.1 | -253.5 | -11.3 | -1.6 |
| Change in exchange rates | 3.7 | -16.6 | - | - |
| Acquisition cost at end | 73.4 | 98.9 | 7.9 | 11.3 |
| **Taxation value of fixed assets (Finland):** | | | | |
| Land | 12.1 | 12.3 | 12.1 | 12.3 |
| Buildings | 142.1 | 146.0 | 142.1 | 145.4 |

## 6. INVESTMENTS IN SUBSIDIARIES

The list contains operative companies, holding companies and other subsidiaries with significant assets. A complete statutory list is enclosed in the official statutory accounts, which may be obtained from the company on request. Foreign subsidiaries' nominal value is expressed in local currency (1,000). Subsidiaries' book value is expressed in holding company's currency (1,000).

**Huhtamäki Oy's shareholding in subsidiaries:**

| Name | Number of shares | Size of holding % | | Nominal value (1,000) | | Book value (1,000) | Group holding % |
|---|---|---|---|---|---|---|---|
| Huhtamaki Finance B.V. | 1,079,972 | 100.0 | NLG | 1,079,972 | | 2,709,199 | 100.0 |
| Huhtamaki Portugal S.G.P.S. Lda | 380 | 95.0 | PTE | 380 | | 11,571 | 100.0 |
| Huhtamäki Finance Oy | 50 | 100.0 | | 50,000 | | 50,000 | 100.0 |
| Huhtamäki Leaf Estonia Ltd | 5,300 | 100.0 | EEK | 5,300 | | 2,079 | 100.0 |
| Leaf Iberia S.A. | 861,000 | 100.0 | ESP | 4,735,500 | | 40,501 | 100.0 |
| Leaf (Schweiz) AG | 100 | 100.0 | CHF | 100 | | 5,543 | 100.0 |
| Leaf ZAO | 100 | 100.0 | RUR | 100,000 | | 140 | 100.0 |
| Nihar AB | 800 | 100.0 | SEK | 8,000 | | 1,971 | 100.0 |
| Oy Star Ab | 500 | 100.0 | | 500 | | 985 | 100.0 |
| Polarcup Hungary Kft. | 1 | 100.0 | HUF | 31,060 | | 1,076 | 100.0 |
| Polarcup (Wuxi) Packaging Co. Ltd | 1 | 100.0 | USD | 770 | | 3,780 | 100.0 |

Taxation value of the subsidiary shares amounted to FIM 2,829.4 million.

**Subsidiary shares owned by Huhtamaki Finance B.V.:**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Huhtamaki (Australia) Pty. Ltd | 13,052,750 | 100.0 | AUD | 13,053 | NLG | 87,129 | 100.0 |
| Huhtamäki (Deutschland) GmbH | 1 | 100.0 | DEM | 15,050 | NLG | 116,719 | 100.0 |
| Huhtamaki (New Zealand) Ltd | 12,223,400 | 100.0 | NZD | 12,223,400 | NLG | 11,934 | 100.0 |
| Huhtamaki A/S | 10,000 | 100.0 | DKK | 10,000 | NLG | 34,040 | 100.0 |
| Huhtamaki Belgium S.A. | 215,010 | 99.9 | BEF | 2,150,100 | NLG | 7,142 | 100.0 |
| Huhtamaki Holdings France | 29,000 | 100.0 | FRF | 2,900 | NLG | 1,540 | 100.0 |
| Huhtamaki Ltd | 41,928 | 100.0 | GBP | 41,928 | NLG | 139,239 | 100.0 |
| Huhtamaki Norway A/S | 950 | 100.0 | NOK | 950 | NLG | 249 | 100.0 |
| Huhtamaki Sweden AB | 171,000 | 100.0 | SEK | 17,100 | NLG | 9,669 | 100.0 |
| Leaf Group B.V. | 7,100 | 100.0 | NLG | 7,100 | NLG | 4,010 | 100.0 |
| Leaf Holland B.V. | 50,000 | 100.0 | NLG | 5,000 | NLG | 5,000 | 100.0 |
| Leaf Ireland Ltd | 643,357 | 100.0 | IEP | 643 | NLG | 1,603 | 100.0 |
| Leaf Poland Sp. z o.o. | 12,045 | 100.0 | PLN | 10,182,482 | NLG | 9,823 | 100.0 |
| Maple Leaf Asia Ltd | 100 | 100.0 | USD | 100 | NLG | 3,030 | 100.0 |
| Polarcup (East Asia), Ltd | 10,500,000 | 100.0 | HKD | 10,500 | NLG | 2,635 | 100.0 |
| Polarcup Poland Sp. z o.o. | 52,731 | 100.0 | PLN | 14,488 | NLG | 25,799 | 100.0 |
| Polarcup S.A. | 230,000 | 100.0 | ESP | 1,150,000 | NLG | 40,772 | 100.0 |
| Polarcup S.r.l. | 13,420,000 | 100.0 | ITL | 13,420,000 | NLG | 15,206 | 100.0 |
| Polarcup Singapore Pte. Ltd | 22,000,000 | 100.0 | SGD | 22,000 | NLG | 18,149 | 100.0 |
| Sperlari S.r.l. | 1 | 100.0 | ITL | 200,000,000 | NLG | 133,329 | 100.0 |
| Sweetheart B.V. | 200 | 100.0 | NLG | 100 | NLG | 2,092 | 100.0 |

**Subsidiary shares owned by Huhtamaki A/S:**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Leaf Danmark A/S | 35,000 | 100.0 | DKK | 35,000 | DKK | 118,629 | 100.0 |
| Polarcup Danmark A/S | 3,000 | 100.0 | DKK | 3,000 | DKK | 112 | 100.0 |

**Subsidiary shares owned by Huhtamaki (Australia) Pty. Ltd:**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Polarcup (Australia) Ltd | 9,241,702 | 100.0 | AUD | 9,242 | AUD | 16,320 | 100.0 |

**Subsidiary shares owned by Huhtamaki Belgium S.A.:**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Leaf Belgium S.A. | 2,292 | 100.0 | BEF | 5,000 | BEF | 138,731 | 100.0 |
| Polarcup Belgium S.A. | 999 | 99.9 | BEF | 9,990 | BEF | 9,990 | 100.0 |

**Subsidiary shares owned by Huhtamäki (Deutschland) GmbH:**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Gubor Holding GmbH | 1 | 100.0 | DEM | 20,050 | DEM | 59,995 | 100.0 |
| Leaf GmbH | 1 | 100.0 | DEM | 10,050 | DEM | 10,286 | 100.0 |
| Polarcup GmbH | 1 | 100.0 | DEM | 17,100 | DEM | 98,776 | 100.0 |

**Subsidiary shares owned by Huhtamaki Holdings France:**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Plastyl S.A. | 1,600 | 100.0 | FRF | 1,200 | FRF | 438 | 100.0 |
| Polarcup France S.A. | 50,000 | 100.0 | FRF | 5,000 | FRF | 2,792 | 100.0 |

| Name | Number of shares | Size of holding % | | Nominal value (1,000) | | Book value (1,000) | Group holding % |
|---|---|---|---|---|---|---|---|
| **Subsidiary shares owned by Huhtamaki Ltd:** | | | | | | | |
| Leaf (U.K.) Ltd | 3,800,100 | 100.0 | GBP | 3,800 | GBP | 3,800 | 100.0 |
| Leaf United Kingdom Ltd | 11,250,000 | 100.0 | GBP | 11,250 | GBP | 12,696 | 100.0 |
| Polarcup Ltd | 1,000,004 | 100.0 | GBP | 1,000 | GBP | 15,514 | 100.0 |
| **Subsidiary shares owned by Huhtamaki (New Zealand) Ltd:** | | | | | | | |
| Polarcup (New Zealand) Ltd | 195,700 | 100.0 | NZD | 391 | NZD | 28,493 | 100.0 |
| **Subsidiary shares owned by Huhtamaki Norway A/S:** | | | | | | | |
| Leaf Norge A/S | 30,000 | 100.0 | NOK | 3,000 | NOK | 11,334 | 100.0 |
| Polarcup A/S | 950 | 100.0 | NOK | 950 | NOK | 1,000 | 100.0 |
| **Subsidiary shares owned by Huhtamaki Portugal S.G.P.S. Lda:** | | | | | | | |
| Plastono - Embalagens, S.A. | 149,960 | 100.0 | PTE | 149,960 | PTE | 365,000 | 100.0 |
| **Subsidiary shares owned by Huhtamaki Sweden AB:** | | | | | | | |
| Leaf Sverige AB | 692,000 | 100.0 | SEK | 34,600 | SEK | 259,473 | 100.0 |
| Polarcup AB | 1,500 | 100.0 | SEK | 1,500 | SEK | 16,895 | 100.0 |
| **Subsidiary shares owned by Sweetheart B.V:** | | | | | | | |
| Polarcup Benelux B.V. | 1,260 | 100.0 | NLG | 1,260 | NLG | 36,573 | 100.0 |

## 7. INVESTMENTS IN ASSOCIATED AND OTHER COMPANIES

| FIM 1,000 | Number of shares | Size of holding % | | Nominal value | | Book value |
|---|---|---|---|---|---|---|
| Owned by Huhtamäki Oy: | | | | | | |
| Associated companies: | | | | | | |
| Arabian Paper Products Co. | 1,600 | 40.0 | SAR | 1,600 | | 2,689 |
| Other: | | | | | | |
| MTV Oy | 1,427 | 2.6 | | 714 | | 2,141 |
| Repligen Corporation | 30,514 | 0.2 | USD | - | | 1,610 |
| Suomen Osakekeskusrekisteri Osuuskunta | 8 | 1.7 | | 560 | | 560 |
| Vakuutusosakeyhtiö Sampo | 6,782 | 0.0 | | 136 | | 218 |
| Owned by the Group: | | | | | | |
| Associated companies: | | | | | | |
| Wuxi Leaf Confectionery Co. Ltd | 14,170 | 50.0 | USD | 2,500 | NLG | 5,724 |
| Other: | | | | | | |
| Aamulehti-yhtymä Oy | 50,694 | 0.7 | | 507 | | 2,185 |
| Merita | 1,409,022 | 0.2 | | 14,090 | | 27,702 |
| Vakuutus Oy Pohjola | 117,664 | 0.3 | | 588 | | 8,686 |

Taxation value of the shares owned by the parent company in companies outside the Group amounted to FIM 17.8 milllion while that of the shares owned by the Group was FIM 45.5 million.

## 8. RECEIVABLES

| FIM million | Group 1996 | Group 1995 | Huhtamäki Oy 1996 | Huhtamäki Oy 1995 |
|---|---|---|---|---|
| Current | | | | |
| Trade receivables | 1,000.0 | 1,120.3 | 112.1 | 98.7 |
| Intercompany trade receivables | - | - | 24.6 | 26.8 |
| Trade receivables from associated companies | - | 2.0 | - | - |
| Loan receivables | 1,665.5 | 232.2 | - | - |
| Intercompany loan receivables | - | - | 1,256.7 | 1,147.7 |
| Other receivables | 172.2 | 356.9 | 49.7 | 24.1 |
| Other intercompany receivables | - | - | 5.1 | 164.0 |
| | 2,837.7 | 1,711.4 | 1,448.2 | 1,461.3 |
| Long-term | | | | |
| Loan receivables | 103.4 | 118.3 | 0.5 | 0.7 |
| Intercompany loans receivables | - | - | 24.9 | 21.3 |
| Other long-term receivables | - | 93.0 | - | - |
| | 103.4 | 211.3 | 25.4 | 22.0 |
| Total receivables | 2,941.1 | 1,922.7 | 1,473.6 | 1,483.3 |

Loan receivables from directors of Group companies were FIM 0.1 million.

## 9. LOANS

| FIM million | Group 1996 | Group 1995 | Huhtamäki Oy 1996 | Huhtamäki Oy 1995 |
|---|---|---|---|---|
| Current | | | | |
| Bank loans - current portion | 469.1 | 181.6 | - | - |
| Other loans - current portion | 3.3 | 3.7 | - | - |
| Obligations under finance leases - current portion | - | 3.4 | - | - |
| Short-term loans | 369.4 | 1,040.6 | 28.0 | 25.6 |
| Intercompany loans | - | - | 216.5 | 228.0 |
| Loans from associated companies | - | 8.2 | - | - |
| | 841.8 | 1,237.5 | 244.5 | 253.6 |
| Long-term | | | | |
| Bank loans | 376.9 | 1.115.1 | - | 0.3 |
| Pension loans | 119.8 | 161.2 | 119.8 | 125.0 |
| Intercompany loans | - | - | 479.5 | 489.6 |
| Other long-term loans | 6.6 | 17.9 | 1.4 | 1.4 |
| Obligations under finance leases | - | 3.3 | - | - |
| | 503.3 | 1,297.5 | 600.7 | 616.3 |
| Changes in long-term loans and repayments | | | | |
| Bank loans | | | | |
| Jan 1, 1996 | 1,296.7 | | 0.3 | |
| Increases | 78.2 | | - | |
| Decreases | 581.7 | | 0.3 | |
| Changes in exchange rates | +52.8 | | - | |
| | 846.0 | | - | |
| Repayments 1997 | 469.1 | | - | |
| Dec 31, 1996 | 376.9 | | - | |
| Pension loans Dec 31, 1996 | | | | |
| From pension foundations | 119.8 | | 119.8 | |
| Repayments | | | | |
| 1997 | 472.4 | | - | |
| 1998 | 64.4 | | 0.6 | |
| 1999 | 195.6 | | 479.4 | |
| 2000 | 0.5 | | 0.3 | |
| 2001 | 0.4 | | 0.2 | |
| 2002 – | 242.4 | | 120.2 | |

## 10. OTHER LONG-TERM LIABILITIES AND PROVISIONS

| FIM million | Group | | Huhtamäki Oy | |
|---|---|---|---|---|
| | 1996 | 1995 | 1996 | 1995 |
| Deferred taxes | 183.3 | 233.1 | 84.0 | 75.2 |
| Other | 199.6 | 98.2 | - | - |
| Total (IAS) | 382.9 | 331.3 | 84.0 | 75.2 |
| Deferred taxes on untaxed reserves | -84.0 | -114.5 | -84.0 | -75.2 |
| Intercompany loans | - | - | 479.5 | 490.7 |
| Other | - | - | 1.4 | 0.3 |
| Total (FAS) | 298.9 | 216.8 | 480.9 | 491.0 |

## 11. PAYABLES

| FIM million | Group | | Huhtamäki Oy | |
|---|---|---|---|---|
| | 1996 | 1995 | 1996 | 1995 |
| Trade payables | 525.3 | 449.1 | 65.1 | 71.1 |
| Intercompany payables | - | - | 9.6 | 9.9 |
| Taxes payable | 199.9 | 125.0 | 46.6 | 32.0 |
| Other payables and accrued expenses | 931.1 | 692.2 | 206.0 | 62.9 |
| | 1,656.3 | 1,266.3 | 327.3 | 175.9 |

## 12. SHARE CAPITAL OF THE PARENT COMPANY

| | Number of shares | FIM |
|---|---|---|
| Series K, total | 12,499,558 | 249,991,160.00 |
| Redeemed without a reduction in share capital | 28,155 | - |
| Outstanding Dec 31, 1996 | 12,471,403 | - |
| Series I | | |
| Jan 1, 1996 | 17,182,793 | 343,655,860.00 |
| Increase due to warrants | 57,700 | 1,154,000.00 |
| Outstanding Dec 31, 1996 | 17,240,493 | 344,809,860.00 |
| Total | 29,740,051 | 594,801,020.00 |
| Total outstanding Dec 31, 1996 | 29,711,896 | - |

The nominal value of each share, including the redeemed ones, is FIM 20.00.

The loan with warrants issued in 1991 will entitle to a maximum subscription for 72,000 Series I shares in 1997. The loan with warrants issued in 1993 will entitle to a maximum subscription for 248,000 Series I shares in 1998, 1999 and 2000. Total of 320,000 Series I shares can be subscribed based on the loans with warrants, which represents a share capital increase of FIM 6,400,000.

Members of the Supervisory Board and the Executive Board owned on Dec 31, 1996 a total of 48,781 shares in Huhtamäki Oy. These shares represent 0.04 % of the voting rights.

## 13. CHANGES IN EQUITY

| FIM million | Group | Huhtamäki Oy |
|---|---|---|
| IAS | | |
| Share capital | | |
| Balance at beginning | 593.6 | 593.6 |
| Increase in 1996 | 1.2 | 1.2 |
| Balance at end | 594.8 | 594.8 |
| Share premium | | |
| Balance at beginning | 1,605.8 | 1,605.8 |
| Increase in 1996 | 3.9 | 3.9 |
| Balance at end | 1,609.7 | 1,609.7 |
| Revaluation fund | | |
| Balance at beginning | 15.0 | 15.0 |
| Balance at end | 15.0 | 15.0 |
| Repurchase of own shares | -501.7 | - |
| Consolidation difference | | |
| Balance at beginning | -228.3 | - |
| Adjustment on translation of foreign subsidiaries | +291.1 | - |
| Balance at end | 62.8 | - |
| Retained earnings | | |
| Balance Jan 1, 1996 | 1,629.2 | 917.1 |
| Change in exchange rates | -84.2 | - |
| Dividends paid | -118.6 | -118.6 |
| Net income of the period | 421.0 | 703.8 |
| Balance Dec 31, 1996 | 1,847.4 | 1,502.3 |

| FIM million | Group | Huhtamäki Oy |
|---|---|---|
| FAS | | |
| Restricted equity: | | |
| Share capital Jan 1, 1996 | 593.6 | 593.6 |
| Increase in 1996 | 1.2 | 1.2 |
| Share capital Dec 31, 1996 | 594.8 | 594.8 |
| Share premium Jan 1, 1996 | 1,605.8 | 1,605.8 |
| Increase in 1996 | 3.9 | 3.9 |
| Elimination of repurchased shares | -501.7 | - |
| Share premium Dec 31, 1996 | 1,108.0 | 1,609.7 |
| Revaluation fund Jan 1, 1996 | 15.0 | 15.0 |
| Revaluation fund Dec 31, 1996 | 15.0 | 15.0 |
| Consolidation difference Jan 1, 1996 | -228.3 | - |
| Change 1996 | +291.1 | - |
| Consolidation difference Dec 31, 1996 | 62.8 | - |
| Total restricted equity | 1,780.6 | 2,219.5 |
| Non-restricted equity: | | |
| Retained earnings Jan 1, 1996 | 1,372.9 | 789.3 |
| Changes in exchange rates | -84.2 | - |
| Dividends 1996 | -118.6 | -118.6 |
| Net income 1996 | 553.0 | 695.4 |
| Retained earnings Dec 31, 1996 | 1,723.1 | 1,366.1 |
| Transfers from untaxed reserves: | | |
| Jan 1, 1996 | 343.3 | - |
| Change in 1996 | -127.2 | - |
| Dec 31, 1996 | 216.1 | - |
| Total non-restricted equity | 1,939.2 | 1,366.1 |

## 14. COMMITMENTS AND CONTINGENCIES

| FIM million | Group | Huhtamäki Oy |
|---|---|---|
| Operating lease payments: | | |
| 1997 | 49.2 | 2.3 |
| 1998 and thereafter | 120.1 | 2.3 |
| Total | 169.3 | 4.6 |
| Capital expenditure commitments: | | |
| 1997 | 42.0 | 10.0 |
| 1998 and thereafter | - | - |
| Total | 42.0 | 10.0 |
| Liabilities for pension commitments (Finland): | | |
| Uncovered liability deficit of pension foundation Jan 1, 1996 | 7.4 | 3.5 |
| Decrease in liability in 1996 | -7.4 | -3.5 |
| Transferred to cover liability deficit | - | - |
| Uncovered liability deficit Dec 31, 1996 | - | - |
| Total liability of pension foundation | 119.1 | 119.1 |
| Mortgages: | | |
| For own debt | 45.4 | 45.4 |
| Guarantee obligations: | | |
| For subsidiaries | - | 1,234.0 |
| For associated companies | 3.5 | 3.5 |

| Outstanding off-balance sheet instruments | 1996 | 1995 |
|---|---|---|
| Currency forwards, transaction risk hedges | 228 | 519 |
| Currency swaps, financing hedges | 777 | 928 |
| Currency options | 30 | - |
| Forward rate agreements, gross | 14,159 | 9,645 |
| Forward rate agreements, net | 635 | 125 |
| Interest rate swaps | 90 | 963 |
| Interest rate options | 120 | 122 |

All off-balance sheet instruments except for interest rate swaps and options are marked to market as per balance sheet date. Unrealised gains and losses are booked as accrual to the result for the period. For interest rate swaps and options the net interest amount to be paid or received at next fixing is accrued until balance sheet date.

## 15. CHANGES IN VOLUNTARY RESERVES (FAS)

| FIM million | Group | | Huhtamäki Oy | |
|---|---|---|---|---|
| | 1996 | 1995 | 1996 | 1995 |
| (- = increase, + = decrease) | | | | |
| Reserve for change in inventory valuation | - | +5.9 | - | +5.9 |
| Other voluntary reserves | +81.6 | +26.5 | +5.9 | +16.3 |
| | +81.6 | +32.4 | +5.9 | +22.2 |
| Deferred tax impact | -22.8 | -8.1 | -1.6 | - |
| | +58.8 | +24.3 | +4.3 | +22.2 |

## 16. SPECIFICATION OF ADJUSTMENTS TO NET INCOME

| FIM million | Group 1996 | Group 1995 | Huhtamäki Oy 1996 | Huhtamäki Oy 1995 |
|---|---|---|---|---|
| Net income for the period (FAS) | 553.0 | 191.1 | 695.4 | 217.7 |
| Depreciation difference | -68.4 | 18.0 | 5.2 | 9.9 |
| Change in voluntary reserves | -58.8 | -24.4 | -5.9 | -22.2 |
| Depreciation on revaluation | -4.8 | -4.9 | -4.1 | -4.3 |
| Gain/loss on equity of associated companies | - | - | 2.5 | -20.3 |
| Other | - | - | 10.7 | 3.0 |
| Net income for the period (IAS) | 421.0 | 179.8 | 703.8 | 183.8 |

## 17. SPECIFICATION OF ADJUSTMENTS TO SHAREHOLDERS' EQUITY

| FIM million | Group 1996 | Group 1995 | Huhtamäki Oy 1996 | Huhtamäki Oy 1995 |
|---|---|---|---|---|
| Shareholders' equity (FAS) | 3,719.8 | 3,702.3 | 3,585.5 | 3,003.7 |
| Reclassification from untaxed reserves | - | - | 216.1 | 225.6 |
| Accumulated depreciation on revaluation | -91.7 | -86.9 | -83.8 | -79.7 |
| Cumulative gain/loss on equity of associated companies | - | - | 15.6 | -10.5 |
| Other | - | - | -11.7 | -7.6 |
| Shareholders' equity (IAS) | 3,628.1 | 3,615.4 | 3,721.7 | 3,131.5 |

## FINNISH ACCOUNTING STANDARDS (FAS)

With the current Finnish Accounting Standards, the differences between FAS and IAS have largely disappeared.

The following are the principal items resulting in differences in the Group and the parent company financial statements prepared in accordance with Finnish Accounting Standards and International Accounting Standards.

**1. Depreciation on revalued tangible assets**
Depreciation on revaluation of buildings is not allowed according to FAS. In Huhtamaki's financial statements according to IAS, such revaluations are depreciated over a period of 25 years.

**2. Untaxed reserves and taxation**
The difference between accelerated depreciation and straight line depreciation, as well as other untaxed reserves, have been divided between unrestricted equity and deferred tax in the IAS and the Group FAS statements.

**3. Associated companies**
In the financial statements according to IAS, associated companies are included applying the equity accounting method also for the parent company.

# PROPOSAL OF THE EXECUTIVE BOARD

On December 31, 1996, Group non-restricted equity amounted to FIM 1,939,223,065.00.
On December 31, 1996, Huhtamäki Oy's non-restricted equity was FIM 1,365,984,718.62, of which amount the net income for the financial period was FIM 695,352,041.33.

The Board proposes distribution of the earnings as follows:

| | |
|---|---|
| - to the shareholders 22.5% of the nominal value of share or FIM 4.50 a share | 133,703,532.00 |
| - to be left in the non-restricted equity | 1,232,281,186.62 |
| | 1,365,984,718.62 |

The Board proposes that the payment of the dividends be commenced on April 22, 1997. For shareholders, who have not transferred their shares to the book-entry securities system by April 14, 1997, the dividends will be paid after transfer of the shares to the book-entry securities system.

Helsinki, February 10, 1997

Timo Peltola
Eero Aho

Keijo Suila
Matti Tikkakoski

# AUDITORS' REPORT

**To the shareholders of Huhtamäki Oy**

We have audited the accounting records, the financial statements, as well as the administration for the year ended December 31, 1996. The financial statements, which include the report of the Executive Board, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Executive Board and the Chief Executive. Based on our audit we express an opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. The purpose of our audit of the administration has been to examine that the Supervisory Board, the Executive Board and the Chief Executive have complied with the rules of the Finnish Companies' Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations as well as of the financial position. The financial statements can be adopted and the members of the Supervisory Board, the Executive Board and the Chief Executive of the parent company can be discharged from liability for the period audited by us. The proposal made by the Executive Board on how to deal with regarding the retained earnings is in compliance with the Finnish Companies' Act.

We have acquainted ourselves with the interim reports made public by the company during the year. It is our understanding that the interim financial statements have been prepared in accordance with the rules and regulations governing the preparation of such statements in Finland.

Helsinki, February 10, 1997

Thor Nyroos
APA

Eero Suomela
APA

# MANAGEMENT OF FINANCIAL RISK

Huhtamaki's financial position changed drastically towards the year-end, from a material debt position to a material net asset position. The swing between the opening net debt balance and the closing net deposit balance was FIM 2.6 billion despite the share repurchase of FIM 0.5 billion and exceptionally high taxes paid during the year.

The main objectives for the treasury function in 1996 were to:

- Manage all financial exposures related to the restructuring transactions;
- Pay down and prepay as much external debt as possible, and change capitalisation of the business units in order to reduce debt and maximise net income;
- Prepare for changes in asset management policies and principles and start preparations for the introduction of Euro/EMU

Huhtamaki's financial and treasury functions are managed in a centralised manner. The Huhtamaki Finance companies serve the business units in daily financing, foreign exchange transactions and cash management co-ordination. The corporate finance function is in charge of bank relationships, long term financing, long term risks, new and restricted markets, and treasury projects. Treasury policies and risk management principles and limits are determined by a Finance Committee led by the CEO.

An important role for treasury is to act as an in-house financial consultant, to monitor and give advice on business units' transaction risks, and to review each new business initiative from a currency and economic exposure point of view.

## Currency risks

Huhtamaki operates in more than 30 countries and has production units in 19 countries. Inter-company cross border business as well as external exports and imports create exposures to movements in currency rates. Business units are in charge of actively managing their currency exposure deriving from future commercial cash flows. Hedging is done with Huhtamaki Finance.

During 1996, commercial foreign exchange volumes declined because of company divestments. The expected 12-month net commercial position was FIM 680 million, with approx. 35% of the amount hedged with forward contracts or options as of balance sheet date. Foreign exchange options were introduced as a corporate foreign exchange risk hedging instrument in late 1996.

In inter-company cross-border business DEM is mainly used in Europe and USD in other regions. The biggest exposure is in FIM, mainly due to exports from Finland.

Translation exposure relates to changes in currency-denominated balance sheet values. Business units do not carry material exposures, because they are financed in their base currency. FIM and NLG liquidity can be used to finance business units in other currencies, in which case currency swaps are used to eliminate the currency exposure. The most important exposure stems from the equities and especially the current and future retained earnings of the business units. Equity hedging is a Finance Committee decision. Long term loans are used in equity hedging.

## Interest rate risk

Due to the major divestments the focus for treasury was to pay down debt as much as possible and prepare for changes in asset management policies and principles. In connection with prepaying long-term debt, most long-term interest rate hedges were also closed.

The liquid assets of the company amounted to FIM 2.4 billion at year-end, with an average maturity of less than one year. The company intends to place part of these assets into longer maturities but will keep them in liquid instruments in order to be prepared to finance industrial investments or acquisitions.

Huhtamaki Finance hedges its interest rate risk either on a cash or forward rate agreement basis. The company actively uses forward rate agreements in managing short-term interest rate exposures mainly in FIM and NLG. Use of interest rate derivatives is controlled by limits set by the Finance Committee.

## Counterpart risk

The increased volume of liquid assets underlines the importance of counterpart risk. The company may only place funds at banks with which it has credit facilities, and may invest in state bonds, treasury bills and in commercial papers of selected Finnish corporate issuers and non-Finnish borrowers with a solid investment grade rating. Finance Committee approves all counterpart limits.

Counterpart risk in relation to derivatives is limited by concluding transactions with only financially strong banks.

Outstanding off-balance sheet instruments at year-end have been presented in Note 14 on page 38.

## HUHTAMAKI IN 1992-1996

| FIM million | | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| Net sales | | 6,582.0 | 7,935.2 | 8,284.8 | 7,835.6 | 7,505.5 |
| Increase in net sales | % | 9.2 | 20.6 | 4.4 | -5.4 | -4.2 |
| Net sales outside Finland | | 5,385.9 | 6,836.6 | 7,194.2 | 6,664.1 | 6,420.9 |
| Operating profit before depreciation (FAS) | | 912.3 | 1,067.7 | 1,038.1 | 916.7 | 985.0 |
| Operating profit before depreciation/net sales (FAS) | % | 14.2 | 13.5 | 12.5 | 11.7 | 13.1 |
| Operating earnings | | 561.1 | 649.3 | 567.7 | 465.2 | 528.6 |
| Operating earnings/net sales | % | 8.5 | 8.2 | 6.9 | 5.9 | 7.0 |
| Profit after financial items | | 399.1 | 505.5 | 441.6 | 312.2 | 415.7 |
| Profit after financial items/net sales | % | 6.1 | 6.4 | 5.3 | 4.0 | 5.5 |
| Profit before appropriations and taxes (FAS) | | 371.1 | 567.7 | 421.9 | 273.6 | 1,041.1 |
| Profit before appropriations and taxes/net sales | % | 5.6 | 7.2 | 5.1 | 3.5 | 13.9 |
| Net income | | 249.1 | 347.7 | 332.6 | 179.8 | 421.0 |
| Shareholders' equity | | 2,419.1 | 3,651.0 | 3,660.7 | 3,615.3 | 3,628.0 |
| Return on investment | % | 13.6 | 12.5 | 10.0 | 8.9 | 10.8 |
| Return on shareholders' equity | % | 11.6 | 12.0 | 9.9 | 6.3 | 8.1 |
| Solidity | % | 36.9 | 41.4 | 48.2 | 46.7 | 51.8 |
| Net debt to equity | | 0.95 | 0.63 | 0.49 | 0.44 | -0.29 |
| Current ratio | | 1.25 | 1.63 | 1.35 | 1.37 | 1.68 |
| Times interest earned | | 6.93 | 7.64 | 8.24 | 6.81 | 12.06 |
| Capital expenditure | | 618.2 | 467.2 | 473.8 | 308.7 | 347.6 |
| Capital expenditure/net sales | % | 9.4 | 5.9 | 5.7 | 3.9 | 4.6 |
| Research & development | | 139.7 | 193.7 | 213.6 | 224.7 | 160.5 |
| Research & development/net sales | % | 2.1 | 2.4 | 2.6 | 2.9 | 2.1 |
| Number of shareholders (December 31) | | 28,931 | 20,424 | 21,010 | 19,966 | 17,888 |
| Personnel (December 31) | | 9,405 | 11,190 | 11,145 | 10,930 | 8,000 |

Note: Figures according to IAS, unless otherwise indicated.

# DEFINITIONS FOR KEY INDICATORS

| | | |
|---|---|---|
| Earnings per share | = | Profit after financial items - minority interest - ordinary taxes / Average issue-adjusted number of shares |
| Calculated earnings per share | = | Profit after financial items - minority interest - ordinary taxes - calculated tax liability related to changes in reserves / Average issue-adjusted number of shares |
| Dividend yield | = | 100 x issue-adjusted dividend / Issue-adjusted share price at Dec 31 |
| Shareholders' equity per share | = | Equity / Issue-adjusted number of shares at Dec 31 |
| Calculated shareholders' equity per share | = | Equity + untaxed reserves - tax liability latent in untaxed reserves / Issue-adjusted number of shares at Dec 31 |
| P/E ratio | = | Issue-adjusted share price at Dec 31 / Earnings per share |
| Market capitalisation | = | The number of shares issued in the different share series at Dec 31 multiplied by the corresponding share prices on the stock exchange |
| Return on investment | = | 100 x (profit after financial items + interest expenses + other financial expenses) / Balance sheet total - interest-free liabilities (average) |
| Return on net assets | = | 100 x operating earnings / Net operating assets (average) |
| Return on shareholders' equity | = | 100 x (profit after financial items - ordinary taxes) / Equity + minority interest (average) |
| Net debt to equity | = | Interest bearing net debt / Equity |
| Solidity | = | 100 x (equity + minority interest) / Balance sheet total - advances received |
| Current ratio | = | Current assets / Current liabilities |
| Times interest earned | = | Operating earnings + depreciation and amortisation / Net interest expenses |

Repurchased shares have been excluded from calculations of key indicators.

# NEWS IN 1996

*Main events and announcements in chronological order*

## January

03 • Leaf launches Finnish rationalisation plan

26 • Preliminary 1995 results
Leaf's full rationalisation programme launched

30 • Leaf to establish confectionery joint-venture in India

## February

13 • Results for 1995
• Proposals to AGM: dividend and amendments to company statutes
• Plan to divest Leiras

16 • Leaf's US rationalisation programme specified

## April

10 • AGM decisions: dividend and new governance system

18 • Dividend paid
• Donruss sports cards business sold to Pinnacle Brands

## June

12 • Interim Report

27 • Leaf plans to close two Danish factories

## July

15 • Leaf to establish confectionery joint-venture for 17 Asian countries

16 • Schering AG to acquire main part of Leiras
• Huhtamaki Finance B.V. to repurchase 3 million shares from Pharmacia & Upjohn

## September

02 • Leiras divestment completed; ophthalmics unit Star to be sold separately
• Share repurchase details agreed

## October

11 • Interim Report

14 • Pharmacia & Upjohn Chairman Jan Ekberg resigns from Supervisory Board

18 • Trademark licensing and asset swap with Hershey Foods: preliminary agreement

## November

25 • Hershey deal signed

## December

10 • Outstanding shares of Portuguese packaging joint-venture acquired

23 • Ophthalmics unit Star sold to Santen Pharmaceutical

31 • Hershey deal closed

# ADMINISTRATION AND AUDITORS

## SUPERVISORY BOARD

(from April 10, 1996)

**Chairman**
Paavo Hohti, Secretary General
Finnish Cultural Foundation

**Vice Chairman**
Iiro Viinanen, President
Chairman of the Boards
Pohjola Group

**Members**
Jan Ekberg, Chairman
Pharmacia & Upjohn
(until October 10, 1996)

Urpo Kangas, Professor
Member of the Board of Trustees
Finnish Cultural Foundation

Mikael Lilius, President
Incentive AB

Matti Liukkonen, M.A. (Econ.)
Chairman of the Association for
the Finnish Cultural Foundation

Pertti Voutilainen, President
Merita Bank Ltd

## SUPERVISORY BOARD

(until April 10, 1996)

**Chairman**
Asko Tarkka, LL.M.

**Vice Chairman**
Markku Mannerkoski, President

**Members**
Pirkko Alitalo, Director
Timo Arjas, Executive Secretary
Jan Ekberg, President, CEO
Paavo Hohti, Secretary General
Eero Ikkala, Professor
Matti Ilmanen, M.Sc. (Pol.)
Juhani Jaakkola, Professor
Juhani Leppä, LL.B.
Yrjö Niskanen, Chairman of the Board
Kari Ola, Senior Vice President, Finance
Jouni Riskilä, Chairman
Jorma Routti, Professor
Pertti Voutilainen, President

*Supervisory Board (from left to right): Pertti Voutilainen, Paavo Hohti (seated), Matti Liukkonen, Urpo Kangas, Iiro Viinanen, Mikael Lilius.*

## EXECUTIVE BOARD

**Chairman**
Timo Peltola, CEO

**Vice Chairman**
Keijo Suila, Executive Vice President

**Members**
Eero Aho, Executive Vice President

Mikael Lilius
(until April 10, 1996)

Tuomo Lähdesmäki
(until September 2, 1996)

Matti Tikkakoski

## AUDITORS

Thor Nyroos, APA

Heikki Koskelainen, APA
(until April 10, 1996)

Eero Suomela, APA
(from April 10, 1996)

**Deputies**
Pertti Keskinen, APA
Esa Kailiala, APA

# EXECUTIVE BOARD MEMBERS

## Timo Peltola

CEO since 1989 and Chairman of the Executive Board since 1993. A graduate of the Turku School of Economics, he joined Huhtamaki in 1971 after two years with Finnish Unilever and held marketing positions in Jalostaja and a Danish Subsidiary until appointed President of Polarcup in 1981. Was elected to the Board in 1984 and appointed Executive Vice President two years later. Born in 1946.

## Keijo Suila

Executive Vice President since 1992 and Vice Chairman of the Executive Board since 1996. A graduate of the Helsinki School of Economics, he joined Finnish Unilever in 1968 and served as Vice President, Marketing, before becoming Executive Vice President of Oy Sinebrychoff Ab in 1981. He joined Huhtamaki in 1985 to become President of Leaf Europe. In 1988 he was appointed President of Leaf Group and in 1989 Board member. Born in 1945.

## Eero Aho

Executive Vice President since 1989. A law graduate of the University of Helsinki, he started his career with the Finnish Cultural Foundation. Joined Huhtamaki in 1970 as Counsel and Secretary to the Executive Board. Was elected to the Board in 1979 and in 1980 became Corporate Vice President for Finance and Administration. Since 1995 responsible for Corporate Development. Born in 1939.

## Matti Tikkakoski

President of Polarcup Group since 1995. A graduate of the Helsinki School of Economics, he joined Huhtamaki in 1980 and in 1985 became President, Polarcup Singapore. Has headed Polarcup's Asia-Pacific Division and Northern Europe Division. In 1994-95 served as Senior Vice President, Asia and in 1995 was elected to the Executive Board. Born in 1953.

*Executive Board (from left to right): Eero Aho, Timo Peltola, Keijo Suila, Matti Tikkakoski.*

# ORGANISATION AS OF MARCH 1, 1997

## SUPERVISORY BOARD
Chairman
PAAVO HOHTI

## EXECUTIVE BOARD

Chief Executive Officer
Chairman
TIMO PELTOLA

Executive VP
EERO AHO

Executive VP; Vice Chairman
President, Leaf
KEIJO SUILA

President, Polarcup
MATTI TIKKAKOSKI

**Finance**
Hannu Kottonen
**Human Resources**
Hannele Salminen
**Communications**
Markku Pietinen
**Administration**
Juha Salonen

## POLARCUP
Matti Tikkakoski

**UK** — **Ice Cream**
Mark Staton
**Benelux**
Gijs Nooteboom

**Finland** — **Fast Food**
Joel Portnoj
**Sweden**
Henk Venneman
**Norway**
Odd Thue
**Russia**
Samuli Lehtonen

**France** — **Dairy**
Dominique Kieffer
**Spain**
Tony Combe
**Portugal**
Herculano Oliveira

**Germany** — **Edible fats**, **Vending**
Jan Lång

**Central Eastern Europe** — **Catering**
Kim Aganimov
**Poland**
Kim Aganimov
**Hungary**
Jozsef Havas

**Italy**
Paolo Mastropietro

**Asia-Pacific**
Len Harvey
**Australia**
David Hoff
**New Zealand**
Mark Crossley
**Singapore**
Ivan Teh

**Control**
Krister Björkqvist

**Operations**
Bob Harris

## LEAF
Keijo Suila

**Control**
Timo Salonen

**Operations**
Roger Rönnblad
Malachy McReynolds

**R&D**
Hannu Hanhijärvi

**Marketing**
Tero Vähäkylä

**Human Resources**
Geoff Matthews

**Finland**
Kalle Tanhuanpää
**Baltics**
Pentti Ikävalko
**Russia**
Tapio Riihinen

**Sweden**
Ove Anonsen
**Denmark**
Per Snejbjerg
**Norway**
André Gobel

**Holland**
André Veerman
**Belgium**
Jan Janssens
**Germany**
André Veerman
**Germany** / Gubor
Gabriele Kühnle-Radtke
**Switzerland**
Kristofer Roelli

**UK**
John Aspin

**Ireland**
Charles Sproat

**Italy** / Sperlari
Franco Seletti

**Spain**
Francesc Tous

**Asia-Pacific & Middle East**
Martin Pearce
**China** / Wuxi Leaf
**India** / Leaf Parry's
**Singapore** / Leaf East Asia Pte.

**Central Eastern Europe**
Sakari Kotka
**Poland**
Tapio Pajuharju

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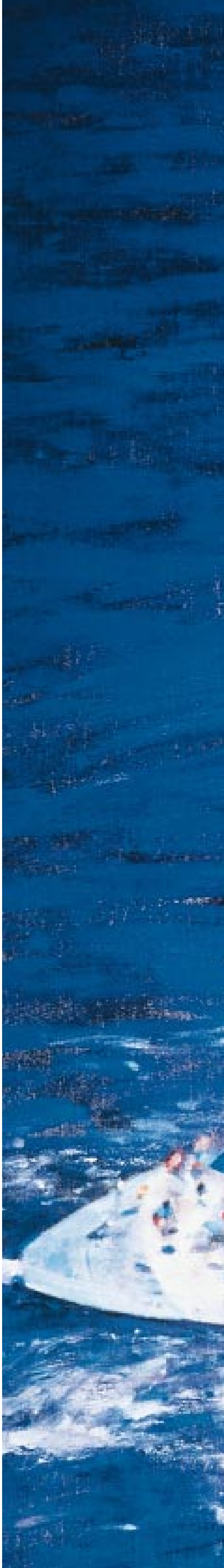



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