HUHTAMAKI
TAKING PACKAGING FURTHER

Annual Report 2004

Huhtamaki Annual Report 2004

Contents

Front cover:
A single simple lidding solution that seals, peels open, recloses and reveals tampering will find applications in yoghurt, spreads, ice cream, snacks and many other products. Enhanced barrier properties are also available without extra films or foils.

Foreword

As a leading manufacturer of consumer and specialty packaging, Huhtamaki serves the world's premier food, food service and consumer products companies, leveraging its:

- unrivalled range of rigid and flexible packaging technologies
- comprehensive offering of innovative, high quality products
- global network comprising some 70 manufacturing and sales units in 36 countries.

In 2004, Huhtamaki took important steps to consolidate its position in its main markets – Western Europe, North America and Oceania – while further strengthening its presence in the rapidly growing markets of Eastern Europe, Asia and Latin America.

The consolidated net sales amounted to EUR 2.1 billion. Europe accounted for 55% of the total, the Americas for 29%, and Asia, Oceania and Africa for the remaining 16%. Volatile raw material prices and a slowdown in the European rigid packaging business dampened the recovery of profit margins. Toward the end of the year, the company announced a two-year restructuring program in order to improve cost efficiency.

Established in 1920 and publicly traded since 1960, the Group's parent company Huhtamäki Oyj (HEX Symbol: HUH1V) is domiciled and headquartered in Espoo, Finland.

Financial highlights **for 2004**

Underlying key figures

EUR million	2004	2003	change %
Net sales	2,092	2,108	-1
EBITDA % of net sales	253 12.1	240 11.4	5
EBITA % of net sales	148 7.1	137 6.5	8
Profit before taxes	112	95	18
Profit for the year	90	79	14
EPS (EUR)	0.91	0.79	15
Dividend per share (EUR)	0.38[1]	0.38	
Dividend yield (%)	3.2[1]	4.1	
Personnel at year-end	15,531	15,508	–

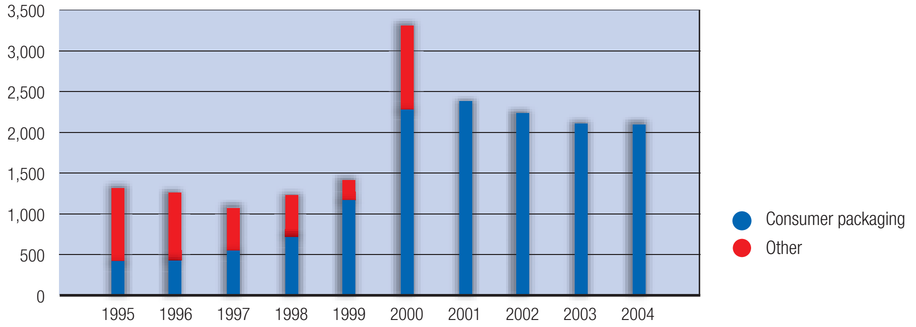
2004 figures do not include restructuring charge of EUR 46 million. 2003 figures are adjusted for goodwill amortization.

1) Board's proposal

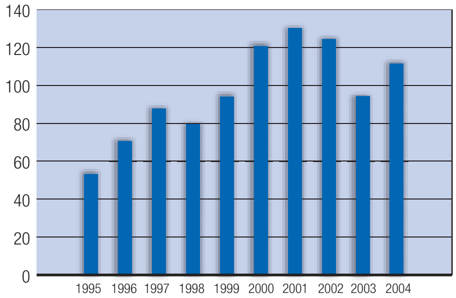
Highlights

- Continuation of favorable volume development
- Recovery in Foodservice
- Strong growth in both North and South America
- Efficiency improvement in Oceania rigid packaging operations
- Timely investments in strategic markets

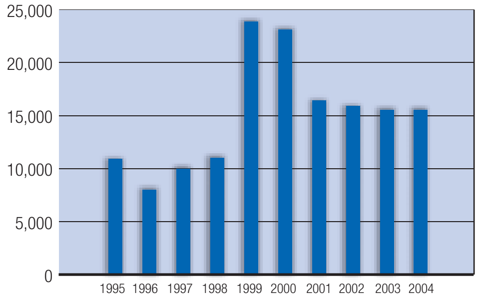
Net sales
EUR million



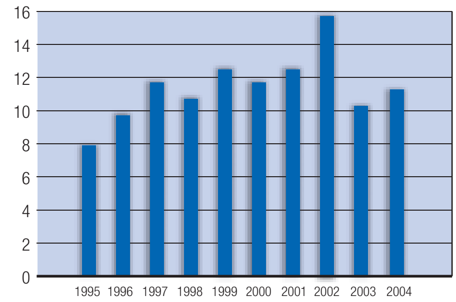
Profit before taxes
EUR million



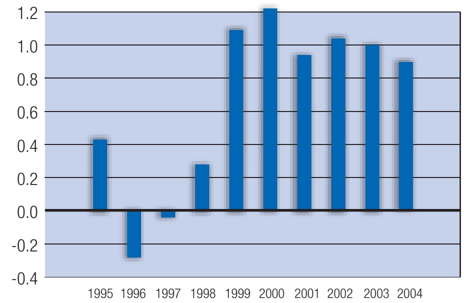
Personnel at year-end



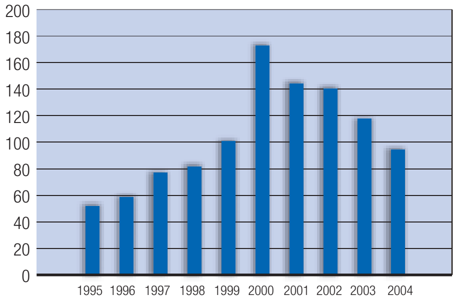
Return on equity (before amortization)
%



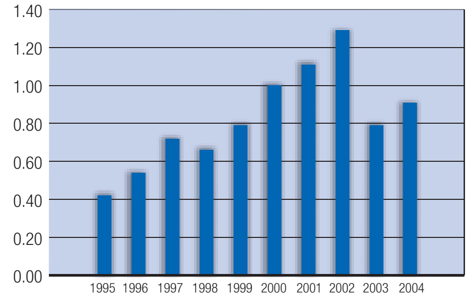
Net debt to equity



Capital expenditure
EUR million

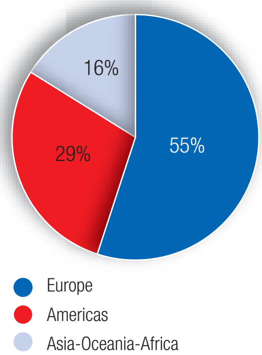


Earnings per share (before amortization)
EUR

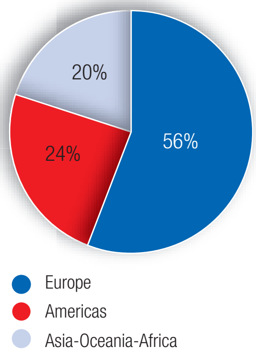


2002-2004 figures are presented in accordance with IFRS reporting; earlier periods are based on Finnish Accounting Standards.
2004 figures do not include restructuring charge of EUR 46 million. 2003 figures are adjusted for goodwill amortization.

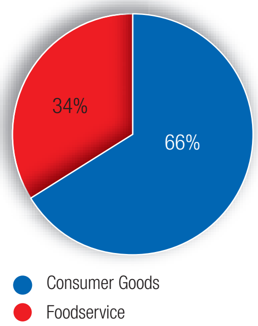
Net sales by region



EBITA by region



Net sales by business segment



A message from the CEO

A world player in packaging was created under the sovereign leadership of Timo Peltola, who retired from daily duty on September 1, 2004. I would like to start by thanking him for his vision and efforts through Huhtamaki's years of strategic change, away from foods, pharmaceuticals and many other activities and into the global consumer packaging leader the company is today.

As a starting point for further development, we have a significant global presence in terms of customer base, technologies and geographic coverage. Strategic investments to provide for growth in emerging markets have been launched proactively.

Our main strategic challenge going forward lies in the ability to fully leverage the set of assets we have, both tangible – our facilities, technologies and products – and intangible, namely the highly qualified individuals and teams that ultimately account for our reputation in the marketplace.

While profitable growth remains an important objective, we will enhance our efforts to gain a sustainable improvement in cost efficiency, a determining factor for satisfactory returns. To this end, we commenced a thorough review of Huhtamaki's strategy and operations in September.

Annual cost reductions are needed to offset the margin erosion typical for any mature industry. A tenable industrial footprint must be secured through further integration of our operations, creation of economies of scale and leveraging the potential of low cost base locations. This work will take place against the canvas of future demand trends.

We have engaged individual business units in the process with the brief to re-evaluate and confirm their potential performance levels. Consequent decisions to accelerate investment, restructure or eventually divest non-performing assets will be taken. Our average capital expenditure will reflect past levels but will focus on accelerating innovation and improving core technologies and manufacturing processes. Acquisitions will not be a main emphasis but will be considered if they represent unique opportunities of strategic importance.

Looking back, the business results for 2004 were in line with expectations. The picture was mixed in Europe, with the solid performance in molded fiber, films and flexibles offset by softness in rigid packaging. The weak U.S. dollar dampened our dynamic growth figures in North and South America. While Asian growth was more moderate than in previous years, success in margin management and efficiency improvements in Oceania led to another satisfactory year for the Asia-Oceania-Africa region.

Our financial result was affected by the EUR 46 million restructuring charge taken late in the year. A second, even more substantial charge will be announced during the first half of 2005 to cover the costs and asset revaluations associated with our ongoing two-year restructuring program.

The past year confirmed once again that the entire industry needs to be more responsive to sudden, sharp fluctuations in raw material prices. We could have grown faster but in many cases decided not to pursue sales at unacceptably low margins. Higher value added products, more responsive pricing and purchasing policies, as well as cost-effective operations will all contribute to correcting the situation. We are at active work in each of these areas.

Our near-term business prospects show gradual improvement. However, given the need to concentrate on restructuring and provide for further costs associated with it, a substantial improvement in reported profits is unlikely to materialize until the second half of 2006.

Against this realistic view of the current year, the strategy work in progress confirms that we have an attractive position and are ready to progress on to the next step in our performance development. A new, challenging but invigorating phase has started. Taking Huhtamaki forward as the new CEO is an opportunity and a privilege for which I am grateful.

Heikki Takanen

"As a starting point for further development, we have a significant global presence in terms of customer base, technologies and geographic coverage. Strategic investments to provide for growth in emerging markets have been launched proactively."

DualHeat trays are perfect for ready meals. Made from rigid and heat-resistant CPET plastic, they can be heated in traditional and microwave ovens. They also withstand cold storage very well.

Operating *environment*

The total world market for consumer packaging, excluding corrugated cartons, is estimated at USD 350 billion and growing at an annual rate of 2-3%.

Foods and beverages account for about two-thirds of the total demand for consumer packaging, with North America, Asia-Oceania and Europe as the main market areas. The emerging markets of Asia, Latin America and Eastern Europe display the highest growth rates.

Industry characteristics

Consumer packaging remains a comparatively fragmented industry due to the diversity of packaging types, shapes, sizes, materials and technologies. Furthermore, many types of packaging need to be produced close to customers. Overall, the industry has been more resistant to consolidation and globalization than its major customers. However, during the past few years, several global and regional consumer packaging groups have emerged. Having spearheaded this evolution in 1997-2000, Huhtamaki has subsequently concentrated on developing its existing operations.

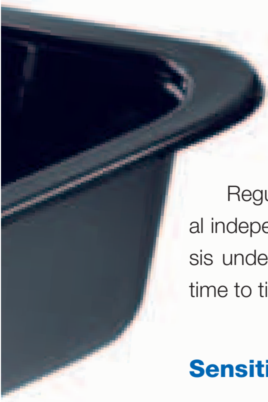
Consumer packaging is a stable and relatively non-cyclical business characterized by good cash flow as well as relatively stable profit margins. Demographic changes and consumer trends, product innovations, substitution between materials, and emerging markets provide growth opportunities. For example, plastic packaging has seen steady growth and continues to win share from glass and metal. Fiber-based packaging is also gaining further ground.

Customer structure and business patterns

Huhtamaki's largest customer accounted for 6% of the company's sales in 2004. The share of the top ten customers was 24%.

Our global customers source a number of packaging products on a continuous, contractual basis from multiple Huhtamaki locations worldwide, so major unforeseen volume or credit losses are rare.

The contractual basis for trading varies and is constantly evolving. Binding sole supplier agreements towards major customers typically apply to jointly developed, proprietary products, for a fixed term and subject to mutual performance clauses including declining prices over time and/or linked to actual volumes. The contracts may also include provisions regarding secrecy, intellectual property such as trademarks or registered shapes, tooling, changes in raw material prices, product liability, advertising or other publicity.



Regular packaging needs are often allocated to two or several independent producers on a regional and product category basis under frame agreements subject to renewal and tender from time to time.

Sensitivity to external factors

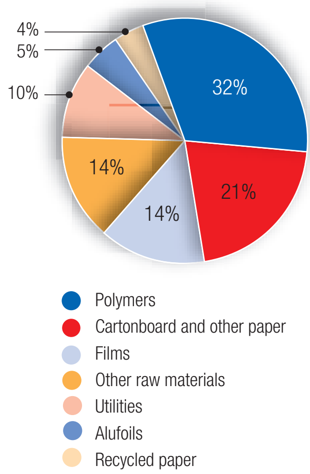
Demand Consumer packaging displays a long-term growth rate slightly above GDP growth. Business cycles do not significantly affect overall demand, but upswings tend to shift demand to higher value added packaging, while the opposite is true in downswings.

Packaging products form an integral part of customers' manufacturing processes and must conform to the rigorous needs of the entire supply chain. The filling lines for processed foods represent a major investment, with a technical lifespan up to decades. For this reason alone, sudden shifts between packaging types for large-volume food products are rare. Much of our R&D activity is directed towards gradually improving existing products and is carried out in close cooperation with customers, raw materials suppliers and equipment manufacturers. More radical packaging innovations are often tested in conjunction with the introduction of upmarket, low volume products.

Over a longer time span, consumer trends, packaging innovations and materials substitution do shift demand between packaging types. For example, plastic packaging, both high-performance flexibles and rigid barrier packaging, has taken market share from metal and glass. Fiber-based packaging (both cartonboard and molded fiber) has also found new applications. These trends have worked to Huhtamaki's benefit. Further, injection molding has won share from thermoforming in certain rigid packaging categories, and on-the-go consumers can now choose between a growing variety of "new age" bottled drinks and the more traditional cold and hot drinks served in single-use cups.

Raw materials Raw materials and utilities purchases account for 40-50% of Huhtamaki's total sales, with variation attributable to volatile commodity prices and changes in product mix. The annual usage of main raw materials and utilities breaks down as illustrated.

Breakdown of raw materials and utilities



The prices for polymers (plastic resins) have fluctuated sharply in recent years. Typically, it takes a quarter for a verified change in raw material price to be reflected in the end-product price.

Huhtamaki has taken determined measures to reduce its exposure to raw materials prices. These include:

- global bundling and central sourcing of main raw materials and other key inputs
- annual, quarterly or monthly contract pricing, with the opportunity to leverage spot markets as well
- clauses in major customer contracts allowing the pass-through of raw materials price changes with the minimum of administrative delay.

Currencies The euro is Huhtamaki's accounting currency. It also accounts for 43% of the company's sales, 52% of assets and 41% of debt. The second most important currency is the U.S. dollar, accounting for 26% sales, 21% of assets and 34% of debt. Many other currencies loosely follow the dollar, or at least move in the same direction against the euro.

A relatively minor part of Huhtamaki's total business is cross-border trade involving currency conversions, which the company hedges in most cases. Therefore, the main currency-induced risk is translation risk, i.e. the conversion of revenue and earnings in other currencies into euros.

Strategy and *capabilities*

Corporate strategy defines a company's direction for a three to five year (long term) planning horizon, addressing its business and market areas, technologies and operating models as well as commercial and financial targets.

Huhtamaki's strategy is reviewed annually, with a formal three-year plan as the result. The annual budget represents the deployment of the strategic plan into an operating plan for the first year of the strategic planning period.

In 2004, a more fundamental scrutiny was launched in order to detail plans for regions, technologies, product categories and segments to secure the best returns for our future investments.

Solid market positions

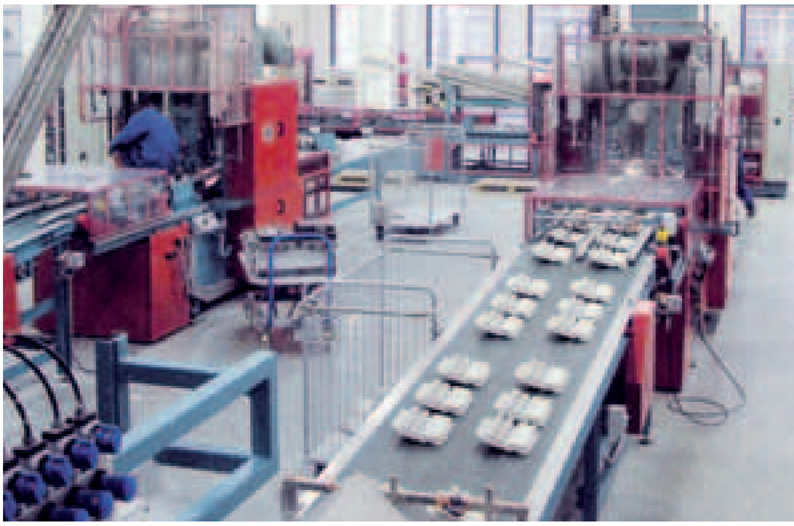
According to company estimates, we derive more than 70% of our sales from product categories and technologies where we are a world leader. We do not directly compete with the very largest packaging companies active in the broad metal, glass, liquid carton and corrugated carton categories. No single competitor matches our entire offering. Hence, different competitors can be identified for specific technologies, applications and regions.

With major customers increasingly pursuing global branding, marketing, manufacturing and sourcing strategies, the abilities of suppliers to conform to their customers' modes of operation, form deep and long-standing relationships with them and provide new, innovative packaging solutions constitute the critical criteria for success.

Our overall market positions are quite similar across Europe and Asia-Oceania-Africa, but vary significantly from one country and product category to another. In North America, certain strong segments account for a major part of sales.

Consumer trends, notably the significant dynamics resulting from changing lifestyles and eating habits, are factors that create opportunity for innovative product development and growth in select segments of the markets. Health, convenience and mobility as key factors in consumer needs drive new product development, making our multi-technology offering well positioned to respond to the new demands.

Our strong customer base, with global food manufacturers and foodservice providers well represented, posts challenges for intense product and technology development in order to meet the customers' simultaneous requirements for cost efficiency and innovative solutions.



Our new molded fiber factory in Russia specializes in egg packaging. It came on stream in the second half of 2004.

Customers who operate globally represent an opportunity for both focused geographic expansion in emerging markets and expansion into new categories within traditional markets.

Organization

Our activities are organized regionally and center around two main business segments or divisions: Consumer Goods and Foodservice (in North America also Retail). The business structure provides for a highly responsive customer interface as well as efficient manufacturing and supply, leveraging the scale of the Group. Manufacturing facilities are specialized according to technologies and manufacturing processes. The Group uses benchmarking as a change driver and will accelerate the transfer of best practices to support the development of core business processes. The management model of key accounts, providing service to global customers, is being expanded into new customer segments that have grown in importance.

Our global purchasing function will be further strengthened in 2005, reflecting the importance of leveraging Group scale in sourcing key global commodities and the need to manage fluctuations in volatile raw material markets.

Main divisions

Consumer Goods

The Consumer Goods division primarily serves the food processing industry but also the fresh foods, pet food, personal care and detergent sectors. We also have important niche positions in special product areas such as technical and release films, addressing these through a dedicated worldwide organization. The division employs all of our rigid, molded fiber and flexible packaging technologies. Advanced barrier packaging solutions, functional improvements, combination materials, new market segments, emerging market areas and the consolidation and globalization of the customer base offer further growth opportunities in both rigid and flexible packaging.

Huhtamaki Poland, a multi-technology plant completely rebuilt in 2003, represents the leading edge in manufacturing technology and automation.

Main customers (alphabetically): Arla, Colgate, Danone, Heinz, Kraft, Nestlé, Procter & Gamble, Raisio, Unilever, Valio

Foodservice

The Foodservice customers include virtually all leading quick service, beverage and catering companies, coffee and casual dining chains, as well as specialized distributors addressing the on-the-go foodservice, catering and vending markets at large. Branded single-use tableware for the retail channel is another important product category, especially in North America. The division offers opportunities for all our rigid packaging technologies.

Main customers (alphabetically): Bunzl, Burger King, Coca-Cola, Compass, CostCo, McDonald's, PapStar, Pepsi, Sam's, Sodexho, Sysco, Wal-Mart, Yum! Brands

Technology and development

We convert plastics and fiber-based raw materials into packaging products deploying two main technologies:

Rigid

- paper forming
- plastic extrusion and thermoforming
- plastic injection molding and in-mold labeling
- molded fiber

Flexible

- plastic, paper and foil converting to laminates and films

It takes skilled and committed employees to make top technology work. Our in-house engineering capabilities extend from tool production to designing and delivering entire packaging and filling lines.

While most of the processes employ commonly available equipment, we have considerable experience in optimizing equipment use and combining processes for proprietary multi-technology applications. The main printing technologies, equally subject to constant refinement, include dry offset/litho, flexo and rotogravure.

The networking of local product development resources and dedicated Technology & Development Centers ensures a steady flow of new, innovative products.

We possess considerable engineering skills for developing and supplying customer-operated equipment and complete packaging solutions. The financial results from these complementary activities are reported within Consumer Goods.

Business review

Snapshots of 2004

Expansion

- Our expansion in emerging markets continued with the completion of a state-of-the art flexible packaging plant in Vietnam, a joint venture to manufacture tube laminate in Brazil and a molded fiber egg packaging unit in Russia.
- Furthermore, we launched local films production in the U.S., reducing currency exposure, and expanded flexibles capacity in Germany and India.

Growth

- Our sales in the Americas increased by 11% when expressed in U.S dollars. Among core products, frozen dessert containers and Chinet™ tableware were in good demand.
- In Europe, close association with major contract caterers resulted in a steep increase in sales. All Foodservice key accounts showed good progress.

Challenging operating environment

- Maintaining business momentum and performance was a challenge against the backdrop of record-high plastic resin prices. Many units nevertheless improved their results thanks to success in the marketplace and cost-saving efforts.
- A significant improvement was recorded in the rigid packaging operations in Oceania.

Customer satisfaction

- Customers judge us against competition by several criteria - quality of products and service, cost competitiveness, backup capacity as well as category insight, innovatinevess and long-term track record. Last year we gained recognition as the preferred packaging partner from several major customers, especially in the Americas.

New products

- In Europe, we launched a complete line of compostable packaging products made from renewable resources: recycled fibers and biopolymers. In Brazil, we successfully replaced age-old glass packaging with a modern plastic solution.

- The flexibles and films units launched new products on all continents. Molded fiber gained foothold with both new designs in traditional segments and rapidly growing industrial/protective applications.

Recognition

- To name a few: Our Indian operation, PPL scored three coveted WorldStar awards. Another WorldStar went to Turkey for a distinctive shrink-sleeve label solution. In Europe, we received the Numico Booster award for innovative packaging together with our French partner.

New leadership

- For sixteen years, Timo Peltola was in charge, leading Huhtamaki through a major transformation into the consumer packaging leader it is today. Now, it is up to Heikki Takanen to take us to the next level of performance from this strong strategic platform.

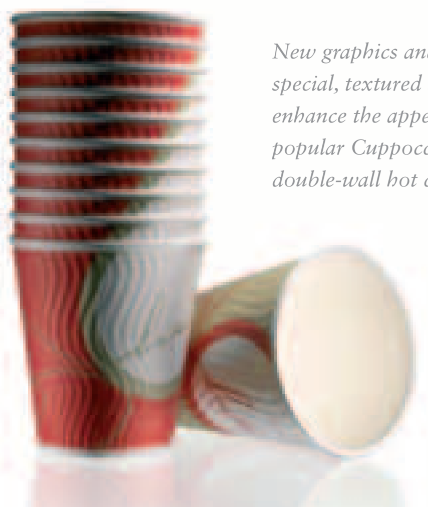
More gold! While our Finnish unit (with Ms. Sirpa Lepola from Hämeenlinna pictured in the awards ceremony) received its WorldStar award from 2003, our Indian operation scored three WorldStars and the Turkish unit one in 2004.

New CEO Heikki Takanen took the reins on September 1 and visited several operations during his first few weeks while engaging management in fundamental strategy work. Our photos come from a managers' meeting (left) and from De Soto, Kansas (USA), where Takanen (right) took a close look at the tecnology of making ice cream containers.

Packaging got greener with the European launch of "BioWare", a complete range of compostable packaging products made from renewable resources.

Our timely expansion in emerging markets continued with the inauguration of a state-of-the-art flexibles plant in Vietnam in spring 2004.

Europe



New graphics and a special, textured surface enhance the appeal of the popular Cuppoccino double-wall hot cup

Europe accounts for over half of our business, with all main product categories and manufacturing technologies well represented. In recent years, strong market growth in Eastern Europe, good demand for high-performance flexible packaging and films, as well as new rigid barrier packaging applications have largely offset the stagnation and price erosion evident in certain categories of rigid packaging, which are also more susceptible to fluctuations in raw materials prices. Molded fiber packaging is a stable and reliable source of revenue, with protective packaging for electronics growing steadily.

Business responsibility for the region has been divided between two technology-based business areas, Rigid Packaging and Flexibles, Films and Molded Fiber. The latter supplies mainly the Consumer Goods division, while the former is equally engaged with Foodservice as well. Rigid packaging operations will be a focal area in Huhtamaki's two-year restructuring program launched towards the end of 2004, with a charge of EUR 28 million taken to cover the costs of the first stage of restructuring.

The strategic agenda for the region starts from an obvious need to restore margins. This will happen through a variety of measures: ongoing efficiency improvements across operations, further fundamental restructuring and transfer of production where needed, the implementation of a new European business model and structure, with an information technology platform to support it, as well as further emphasis on innovation, new product development and key customer relationships.

Henk Koekoek
Executive VP Europe
Flexibles, Films
and Molded Fiber

Timo Salonen
Executive VP Europe
Rigid Packaging

Key figures Europe

	2004	2003	change %
Net sales, EUR million	1,152	1,185	-3
% of Group total	55	56	
EBITA, EUR million	69*	82	-16
% of net sales	6.0	6.9	
RONA, %	8.6*	9.9	
Personnel at year-end	7,352	7,645	-4
Number of manufacturing units	27	28	

*Before restructuring

Business summary for 2004

In 2004, the projected economic recovery remained subdued in Europe, with no clear recovery evident in consumer spending on food and other categories relevant for Huhtamaki. In fact, many major Consumer Goods customers reported flat or even negative sales growth, with consequences for their packaging demand. A cold and rainy summer caused a drop in sales of ice cream packaging but had less impact on Foodservice, which grew moderately. Overall, the performance of the flexibles, films and molded fiber operations was better than that of the rigid plastic and paper business.

Consumer Goods packaging showed no uniform progress across Europe or within technologies and product categories. The flexibles operations were successful with new product introductions, for example in the confectionery and ice cream categories. On the other hand, laminate for retortable pouches stagnated and tube laminate sales reflected the transfer of production to Brazil. In rigid packaging, dairy and fresh foods were among the stronger categories, but edible fats and ice cream retreated. Molded fiber was solid across the region, with many units improving their performance. The new Russian factory reached full capacity in the final quarter. Films were in good demand, with no significant volume loss following from the transfer of production to the newly started U.S. unit.

BioWare

New compostable range of single-use tableware and containers

Interest in for environmentally sound tableware has been evident in the market for a long time, and today there is a solid supply of suitable raw materials available. In 2004, Huhtamaki saw the opportunity and introduced "BioWare", a complete range of single-use cold drink cups, plates, containers and cutlery, all based on renewable raw materials and compostable after use. The products can be standard or customer tailored.

The cold drink cups and containers are made from a corn based resin called NatureWorks® PLA. The material is fully natural, made from annually renewable resources and certified for compostability. Products made of this material are perfectly clear and sturdy and will decompose into water, carbon dioxide and organic material when disposed of in industrial composting conditions.

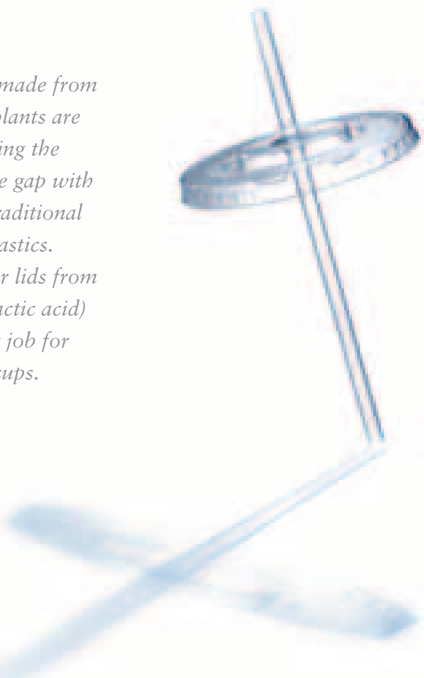
The plates and bowls of the "BioWare" range are Huhtamaki's Chinet™ products, made from 100% recycled fiber, and are certified for compostability according to EN 13432, the respective European standard.

Nature Works® PLA is a trademark of Cargill Dow LLC.

High raw materials prices affected all plastic converting units. Delays in transferring the increased costs to product prices caused a margin squeeze in the second half of the year. Rigid packaging volumes began to recover in the final quarter.

Of the main Foodservice categories, quick service and catering posted good growth. This was reflected in the development of virtually all key accounts. The fast food business was in recovery, boosted by rapid progress in Eastern Europe and elsewhere. The coffee to go trend showed no signs of abating, and the new salad bowls line was well received. In catering, partnership and sole supplier agreements with major international operators have contributed to strong growth in this segment in recent years, with accelerating progress evident in 2004.

In 2005, the European markets are expected to return to a more regular pattern. Further growth is seen in both Foodservice and several Consumer Goods categories. The company is actively promoting its high-barrier packaging solutions, both rigid and flexible, and has high expectations for a new-generation retort pouch laminate. The films business will also introduce several new products. Efforts to improve efficiency will be stepped up as part of the ongoing restructuring program.



Bioplastics made from renewable plants are rapidly closing the performance gap with respect to traditional oil-based plastics. Crystal-clear lids from PLA (polylactic acid) do a perfect job for cold drink cups.

Our progress in the Americas builds on a number of strong North American segment positions in key Consumer Goods, Foodservice and Retail categories, as well as a growing presence in the rapidly evolving markets of South America. The region accounted for 29% of Group sales in 2004, unchanged from the previous year despite the continued weakening of the U.S dollar and related currencies. After a period of soft sales in Foodservice and a disappointing 2003 in Consumer Goods, both North and South America contributed to a remarkable recovery, with sales up by 11% when expressed in U.S. dollars.

Consumer trends and packaging innovations often originate in the dynamic U.S. market. Hence, Huhtamaki's U.S. presence brings insights that benefit our business development elsewhere. Compared to Europe, the higher concentration of the packaging industry and its customer base also gives opportunities for longer product runs and

economies of scale. However, the introduction and commercialization of new products takes longer, and volume variations stemming from a single product's success or a major customer's decision to change its packaging supplier may be of significant magnitude.

Our strategic challenge is to develop profitable new business parallel to current areas of strength. Higher capacity loading with less seasonal variation will contribute to efficiency improvement, but this will also be pursued through a series of restructuring measures. It is noteworthy that much of the new business won in 2003-2004 is with major customers whom we regularly serve in other parts of the world.

Kalle Tanhuanpää
Executive VP Americas

Chinet™ continues as the number one premium plate in the US

When it was introduced more than 70 years ago, the Chinet brand, with its superior smooth molded finish, was a technological breakthrough. Today, after decades of refinements, that same technology continues to generate record growth for Huhtamaki Americas.

However, Chinet plates have always had a challenge. Because of their strength, elegant appearance and premium price, many consumers only use them for special occasions. In order to significantly increase sales and market share, Huhtamaki wanted to develop a Chinet product with more appeal for everyday use.

Extensive consumer research was used to determine the most appealing Chinet product for everyday use. It would be decorated with color and design, and would be more affordable than Classic White Chinet. As a result of that study, Chinet Casuals was introduced to fill consumer's need for an everyday Chinet plate. An all occasion size plate in two different colors (blue and green) with coordinated floral border designs make up the current line.The Fiber Technology group was able to create a plate that is less expensive to produce but maintains superior strength and rigidity. As a result, Chinet Casuals is priced more competitively to pressed-board plates. Expectations are high for this new line. Research indicates that consumers are excited about the opportunity to purchase Chinet plates also in colors. They are even more excited about being able to purchase Chinet brand plates at a right price for everyday use.

Key figures Americas

	2004	2003	change %
Net sales, EUR million	609	600	2
% of Group total	29	29	
EBITA, EUR million	30*	20	50
% of net sales	4.9	3.4	
RONA, %	5.1*	3.3	
Personnel at year-end	3,949	3,914	1
Number of manufacturing units	18	16	

*Before restructuring

Business summary for 2004

The main characteristic of 2004 was the strong volume growth achieved in the Americas, reflecting several distinct drivers. First, with a generally upbeat market, the Foodservice business recovered after an extended slowdown. Second, several major customers enjoyed good market success in their respective product categories. Third, new business was won, replacing the shortfalls experienced in 2003. Fourth, films and flexibles manufacturing was transferred from Europe to North and South America. Last but not least, the South American operation as a whole experienced double-digit growth even on a comparable basis.

In Consumer Goods, our proven frozen dessert packaging was in strong demand, reflecting a good year for several major customers. Dairy packaging was another strong category. In flexible packaging, the product portfolio saw the growth of high-performance food packaging compensating a decline in certain traditional categories. Significant new business materialized during the year. The actual order flow picked up late, however, and therefore volume growth should continue into 2005.

For Foodservice, 2004 was a year of consolidation and reorganization. Key products, such as plastic cups as well as molded fiber bowls and trays were in good demand. In Retail, the strong Chinet brand gained further share in a flat market. The traditional premium plates enjoy “top of the line” brand recognition and 99% distribution through all main retail channels. The new Chinet Casuals line for everyday use was well received.

The currency exposure inherent in transatlantic trade was significantly reduced with the successful launch of films production in North America and tube laminate manufacturing in the Brazilian joint venture Laminor. Both exceeded all expectations.

Sales in Mexico were flat but South America experienced a dynamic year. Rigid packaging did well, with remarkable success in the dairy category. An advanced plastic solution replacing glass was well received in Brazil, with good prospects for further expansion. Molded fiber was robust.

In 2005, sales growth is expected to continue fueled by newly won accounts and an active new product development program. The plastics operation in North America will be the focal area of further efficiency-boosting measures.

Asia-Oceania-Africa

This geographically vast and multicultural region contains several distinct market areas relevant for us: well-established and stable in Oceania (Australia and New Zealand); growing but very fragmented in China and Hong Kong; volatile and price-sensitive in Southeast Asia; rapidly growing but highly competitive in India, and modernizing in South Africa.

Both Foodservice and Consumer Goods packaging products are well represented in our offering. In recent years, we have taken several steps to ensure a prime role in growing markets, categories and technologies. In 2004, we expanded and modernized our flexibles capacity in India and constructed a "greenfield" flexibles plant in Vietnam.

While the operations in Oceania are recognized market leaders with high shares in key categories, Asia as a whole represents a strategic opportunity, not only as a growing market area but as a low cost, high skill manufactur-

With longer movies, snack portions keep growing as well. Large popcorn buckets have become an important product for Huhtamaki in Hong Kong.

ing base for flexibles and other high value added packaging that travels well. Huhtamaki remains committed to further investment in new capacity and will link the local operations closer to its leading-edge technological and product development in order to offer high quality products to its global customers as they expand their presence in emerging markets.

Tony Combe
Executive VP Asia-Oceania-Africa

Business summary for 2004

At the outset, the main challenge for 2004 in the Asia-Oceania-Africa region was to restore the efficiency of the Australian rigid Consumer Goods operations after a period beset with technical and productivity issues. A sustainable improvement did materialize in 2004, and many other units made progress on this score. The region posted a 3% sales increase against 2003, although a voluntary exit from low-margin business further hampered by high polymer prices slowed down Asian volume growth in the second half.

Key figures Asia-Oceania-Africa

	2004	2003	change %
Net sales, EUR million	332	323	3
% of Group total	16	15	
EBITA, EUR million	24*	20	20
% of net sales	7.2	6.3	
RONA, %	8.4*	7.3	
Personnel at year-end	4,230	3,957	7
Number of manufacturing units	26	24	

*Before restructuring

In Consumer Goods, Oceania reported good growth, for example in the Australian dairy and New Zealand edible fats categories. Flexible packaging was challenged across the region by intense competition. Margins were nevertheless successfully defended in the face of record-high raw materials prices in the second half of the year. African volumes were restrained by the strong South African rand, which held back food exports. Molded fiber did well in both Oceania and Africa.

New flexibles capacity came on stream in Vietnam (new plant in Ho Chi Minh City) and India (Hyderabad expansion). India won four WordStar prizes for its innovative, top quality products and compensated weak domestic demand with strong progress in exports. The Vietnamese unit had a slow commercial start but posted improving volumes in the final months of the year. Additionally, the Thai unit improved its performance towards year-end.

Foodservice reported moderate growth, mainly driven by the quick service and catering categories in Australia. China was another dynamic market and Hong Kong finished the year on a strong note.

The outlook for 2005 is positive. In Oceania, further efficiency gains are expected. The Asian flexibles business is set to recover on the return of stability in the raw materials prices. An early assessment of the potential impact of the Southeast Asian tsunami catastrophe has revealed no material direct exposure in the affected regions. African operations anticipate another year of progress.

Daring differentiation brings a Silver Award...

…at the 2004 Australian Packaging Awards. The Silver Award was achieved in the category Amcor "Packaging the Brand" Award, which focuses on the creation of brand value through packaging and rewards an existing brand where the packaging has been redesigned and enhanced.

The award winning product was the one litre Wicked Premium Ice Cream Pack for Nestlé Ice Cream. Strikingly different from any other in its category, the brand is differentiated primarily through its packaging. Simple design, well chosen colors and font types and the extra surface element achieved with embossing create an undisputable image of quality. The half-lit moon on the pack is actually a scoop of ice cream and with the matching embossing it brings out the deliciousness of the product.

Corporate *responsibility*

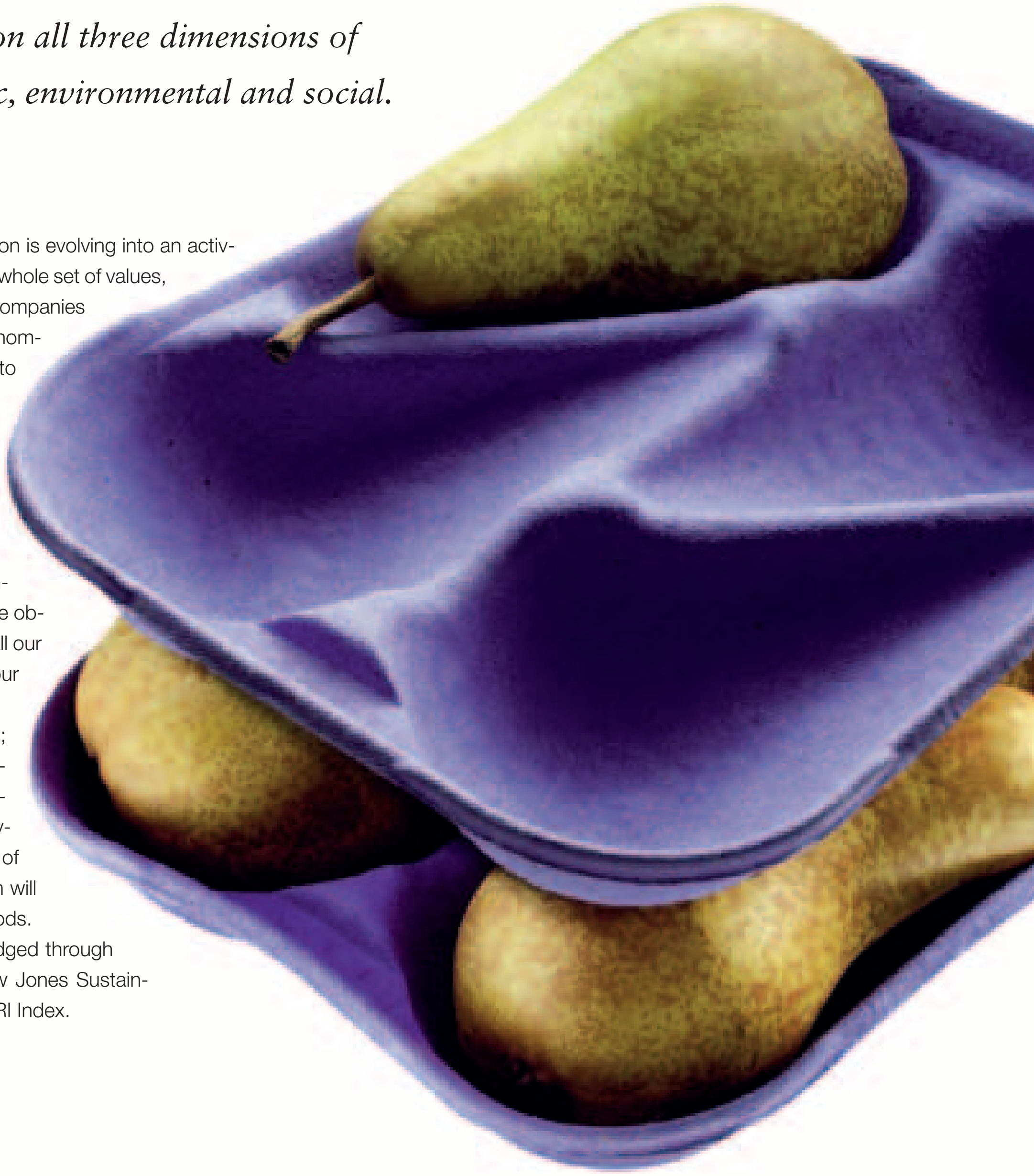
Corporate performance is increasingly judged by the value a company adds on all three dimensions of sustainability: economic, environmental and social.

Corporate analysis and valuation is evolving into an activity that strives to capture the whole set of values, issues and processes that companies should address to create positive economic, social and environmental value and to minimize any harm resulting from their activities.

Good local citizenship is deeply ingrained in our corporate culture. Local law and practice set the minimum levels for our employee and community relations, environmental footprint and business practices. We observe the highest ethical standards in all our actions and require the same from our suppliers.

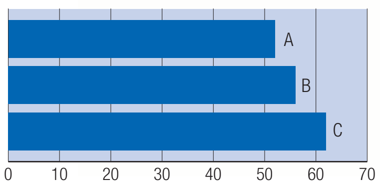
Taking good care of employees; providing equal opportunities, training and occupational safety; behaving ethically and respecting an employee's rights and dignity even in times of business integration and rationalization will benefit societies and local neighborhoods.

Our progress has been acknowledged through the inclusion of Huhtamaki in the Dow Jones Sustainability World Index and in Kempen's SRI Index.



Sustainability scores

Source: SAM Research Inc., 2004



A: Industry average on a global basis
B: Huhtamaki
C: Best company on a global basis within industry group

Human resources

- At year-end, Huhtamaki had 15,531 employees, 23 more than at the end of 2003.
- The number of European employees declined by 293 to 7,352 due to ongoing rationalization.
- In the Americas, the number of employees increased by 35 to 3,949 and in Asia-Oceania-Africa the corresponding figure rose by 273 to 4,230, reflecting the startup of a new factory in Vietnam.

In 2004, a major area of work for our Human Resources management was to further develop the HR processes related to setting common and individual goals, reviewing performance and monitoring individual development.

The annual review cycle for managers and experts was complemented by a formalized mid-period evaluation discussion between managers and subordinates. This triggered further development of the Global Resource Information Program (GRIP). Managers were also trained in preparing personal development plans, and the continuous development of both processes and individuals was accelerated on all levels of organization.

- The Group-wide training programs were attended by 194 managers and experts for a total of 525 training days.

The internal recruitment process was developed further, with the company's new, worldwide Intranet used as a channel for communicating with employees at large. International job rotation did accelerate markedly. This trend is likely to continue and will receive further attention in 2005.

- The European Works Council (EWC) held its annual conference in March, with the restructuring of European operations and matters related to the training, safety and health care programs on its agenda. In addition, the Polish and Czech operations, which will become eligible for participation in the Council's work from 2005, were introduced to the EWC. The Council's Steering Committee met twice.
- A global HR Meeting was organized in August in order to improve the business insight of HR management and to prepare the regional and local HR teams for a more active role in the coming strategy review process and change management.

In 2005, the transfer of know-how and best practices between units and individual employees will be a focal area of action. The quality and implementation of personal development plans will be improved and the global talent management process renewed.

Final touches to a stack of printed cartonboard sidewalls before they are formed into ice cream containers in a Huhtamaki Systems forming machine.

Working in cross-functional teams and projects channels our extensive knowledge into innovative solutions and transfers best practices across the organization.

Australia got its fair share of annual awards, with VP Rigid Packaging Oceania Phil Warburton (left) taking home the Manager of the Year 2004 title and VP Molded Fiber Oceania Murray Hine receiving his unit's Special Recognition for working capital management.

The environment

Policies and principles

Huhtamaki is an early signatory to the ICC Business Charter for Sustainable Development and has published a global environmental policy in order to ensure consistent operating principles.

- In 2003, we published a Code of Conduct for Huhtamaki Suppliers, and in 2004 we introduced new Huhtamaki Ethical Principles for our own employees.

We will ensure that our packaging products, while meeting customers' requirements for functional properties and the highest standards for hygiene and safety, are developed and designed to achieve prevention at source, the use of renewable or recycled materials, and the recyclability of the packaging product itself.

- In 2004, we launched in Europe the "BioWare" range of compostable packaging products made of renewable raw materials such as recycled fiber and biopolymers.
- We also formalized the chain of custody for fiber traceability in Europe and will extend the procedure to other regions.

Environmental matters form part of our interaction with customers, financial stakeholders, suppliers, authorities and employees.

- Huhtamaki is a member of several industry organizations such as the European Organization for Packaging and the Environment (EUROPEN) and the International Biodegradable Polymers Association (IBAW), and uses them as an active channel of dialogue with authorities and other parties.

Significant environmental aspects

The most significant environmental aspects of our operations are energy consumption, emissions to air and solid waste.

- Five manufacturing sites are included in the European Emissions Trading Scheme (EUETS), but the scheme does not have a material impact on Huhtamaki.
- Actions to conform to the EU's forthcoming VOC (volatile organic compounds) directive are well under way.
- Procedures to meet the essential requirements put forth in the EU's packaging and packaging waste directive are being implemented.

Environmental organization and management

Environmental, health and safety management activities are primarily carried out on site level. Each manufacturing unit is required to submit an annual action plan and to report consistent quantitative environmental information. Site-level information is consolidated at the Head Office, forming the basis of an annual environmental review by the Executive Committee.

Environmental management is daily practice at our sites. 47% of our manufacturing sites have implemented environmental management systems such as EMAS and ISO 14001 or participate in an internally audited program such as the US Environmental Care program.

- Several sites are in the process of developing their internal management procedures toward the ISO 14001 standard.
- From a customer perspective, hygiene management systems commanded a higher priority in 2004, and they have been implemented in over 90% of our manufacturing sites.
- Over 80% of our manufacturing sites follow the ISO 9001 quality system.

Risk management activities are carried out continuously. Each site has to submit an annual report on the development of its environmental management routines based on data collected through an Environment, Quality and Hygiene assessment form.

- Internal audits are carried out for approx. 60% of the current asset base annually, with a total of 45 site visits in 2004.
- Best practice environmental and risk management routines are regularly reviewed at the Group level and communicated to sites for adoption.

Chinet plates form part of the new "BioWare" range in Europe. They are made from cuttings recovered from our paper cup operations.

Environmental performance

Key environmental outputs of manufacturing units are followed and controlled via environmental Key Performance Indications (eKPI). The systematic collection of eKPIs started in 2002. The table below presents the Group summary figures for 2004.

Environmental key performance data for 2004

Environmental KPI	Amount	Unit
Energy	8,250,000	GJ
Total Chemicals	39,800	tons
Of which solvents	15,900	tons
Waste to final disposal	39,300	tons
Waste to recovery	80,000	tons
Hazardous waste	5,800	tons
CO_2	756,900	tons
VOC*	8,235	tons
Total water use	13,750,000	m^3
Total discharged water	12,800,000	m^3
Environmental investments	1,569,999	EUR

* VOC = volatile organic compounds

The Group-level indicators are further broken down for internal analysis by technology and region for the purposes of benchmarking and transfer of best practices.

Targets and goals

The company is pursuing the long-term targets set by the Executive Committee in 2003:

- 2% energy reduction year to year, 10% reduction of VOC emissions and an increase in the internal waste recycling rate to 85% by the end of 2007.

Annual action plans were evaluated and have been further developed for 2005. Further, site-level health and safety indicators were selected in 2004 and monthly reporting has commenced. Group-wide targets will be established once the basic data has been collected and analyzed.

Oval shape, embossed decoration and a precision injection molded lid enhance the premium image of the product packed in this exclusive spreads tub from Poland.

The Huhtamaki share

In 2004, the Huhtamaki share was actively traded on the Helsinki Stock Exchange and the average daily turnover increased from EUR 1.8 million in 2003 to EUR 3.0 million. Share price closed at EUR 11.87 on December 31, up by 27% over a year ago. Huhtamaki's market capitalization was EUR 1,167.2 million at year-end. The total number of shareholders was 18,303 compared with 18,806 in 2003, and shareholding by non-Finnish entities was 24.5% on December 31. Prices and trading volumes are presented in the share price development chart on the next page.

Shares and share capital

- One share class
- Book counter-value: EUR 3.40
- Each share entitles the holder to one vote at the general meetings of shareholders
- New shares issued during 2004 pursuant to convertions of stock options: 2,173,980
- Shares in issue on December 31, 2004: 103,396,772 including 5,061,089 treasury shares (5% of the company's registered share capital and voting rights). Net figure: 98,335,683.
- Average number of shares in issue in 2004: 96,734,981 (excluding treasury shares)
- Share capital on December 31, 2004: EUR 351,549,024.80
- The minimum share capital is EUR 200,000,000 and the maximum share capital EUR 1,000,000,000, within which limits the share capital can be increased or decreased without amending the Articles of Association
- The company's shares and stock options are included in the electronic book-entry system held by the Finnish Central Securities Depository Ltd.

Quotations

- Helsinki Stock Exchange main list.
- Trading lot: 50 shares.
- Classification: Food Industry

Trading symbols

Helsinki Stock Exchange: HUH1V
HUH1VEW100 (2000 A option)
HUH1VEW200 (2000 B option)
HUH1VEW300 (2000 C option)
HUH1VEW103 (2003 A option)
HUH1VEW203 (2003 B option)
HUH1VEW303 (2003 C option)
Reuters: HUH1V.HE
Bloomberg: HUH1V.FH

Dividend proposal

The Board of Directors proposes to the AGM convening on March 30, 2005 a dividend of EUR 0.38 per share. The dividend will be paid on April 11, 2005 to shareholders registered on April 4, 2005.

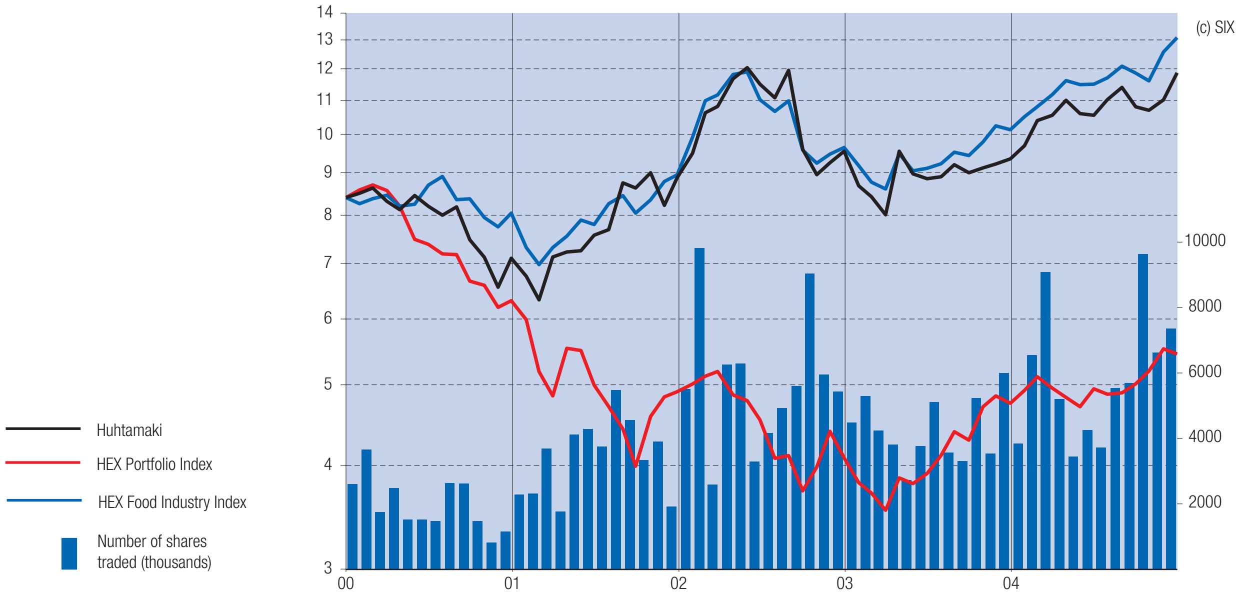
Authorizations

The Board of Directors has an authorization to decide on the conveyance of the company's own shares within one year from the Annual General Meeting. The Board proposes a similar authorization to the AGM convening on March 30, 2005.

Stock options

Stock option schemes extend to more than 140 executives and managers across the Company and its subsidiaries. A total of 5,850,000 new shares (corresponding to 5.7% of the shares outstanding) may be issued in 2005-2009 assuming full use of the stock option schemes of 2000 and 2003. The company's 2000 C stock option rights were listed on the HEX at the beginning of May. A more detailed description is given in the Annual Accounts section (see note 21).

Share price development 2000-2004



Share-related key figures

		FAS		IFRS		
		2000	**2001**	**2002**	**2003**	**2004**
Earnings per share	EUR	0.65	0.74	0.86	0.38	0.53
Earnings per share, diluted	EUR			0.86	0.38	0.53
Cash flow from operating activities, per share	EUR	0.61	2.63	1.85	1.96	1.72
Dividend per share	EUR	0.28	0.31	0.38	0.38	0.38[1]
Dividend/earnings per share	%	43.1	41.9	44.2	100.0	71.7[1]
Dividend yield	%	3.9	3.5	4.0	4.1	3.2[1]
Shareholders' equity per share	EUR	8.2	8.64	8.26	7.85	7.95
Development of share price						
Lowest trading price	EUR	6.38	6.13	8.22	7.89	9.4
Highest trading price	EUR	9.13	9.25	12.38	9.85	12.3
Trading price at Dec 31	EUR	7.1	8.88	9.55	9.35	11.87
Change during the period	EUR	-15.5	25.1	7.5	-2.1	27.0
Market capitalization at Dec 31	EUR million	893.9	898.3	931.6	899.1	1,167.2
Number of shareholders at Dec 31		15,765	15,669	15,943	18,806	18,303
Share yield, last five financial years[2]	%	14.5	2.5	3.1	6.3	10.7[1]
Average number of shares[3]		125,903,852	117,117,696	100,769,970	96,292,220	96,734,981
Number of shares at year end[3]		125,903,852	101,215,792	97,547,792	96,161,703	98,335,683
Trading volume (units)		23,679,408	41,359,940	66,996,986	51,050,523	70,919,815
In relation to average number of shares	%	18.8	35.3	66.5	53.0	73.3
P/E ratio		10.9	12.0	11.1	24.6	22.4

[1] Board's proposal [2] 5 year yield p.a. (price change + dividends) [3] Excluding treasury shares

Financial calendar

2005:

March 30	Annual General Meeting
April 20	First quarter results
August 3	Second quarter results
October 20	Third quarter results

Annual Reports, Interim Reports and other key releases are available on the Huhtamaki's website www.huhtamaki.com. These documents can also be subscribed to through the website.

Huhtamaki does not automatically mail its Annual and Interim Reports to registered shareholders. Interested parties wishing to receive mailed reports are kindly requested to contact Group Marketing & Communications, tel. + 358 9 6868 8523, or via e-mail: ir@huhtamaki.com.

Shareholder mailings are based on the contact information in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. A shareholder should inform his/her account operator, or in the case of a nominee registered shareholder the relevant bank or other custodian, about change in contact details.

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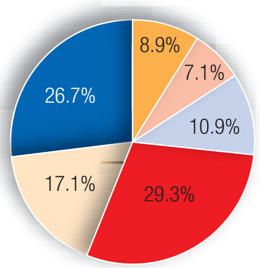
Major shareholders on December 31, 2004*

Owner	Shares / votes Dec 31, 2004
1. The Finnish Cultural Foundation	16 268 332
2. Society of Swedish Literature in Finland	4 400 800
3. Ilmarinen Mutual Pension Insurance Company	2 755 527
4. The Association for the Finnish Cultural Foundation	2 150 000
5. The State Pensionfund of Finland	1 700 000
6. Varma Mutual Pension Insurance Company	1 406 962
7. Odin Förvaltning AS	1 024 050
8. Tapiola Mutual Pension Insurance Company	868 600
9. OP-Delta Investment Fund	799 488
10. Investment Fund Pohjola Finland Value	727 300
11. Pensionfund Polaris	609 248
12. Etera Mutual Pension Insurance Company	579 580
13. Tapiola Mutual Insurance Company	513 164
14. Orkla AS	485 000
15. Aktia Capital	436 700
16. Sampo Finland Equity Fund	401 450
17. Yrjö Jahnsson Foundation	400 000
18. Social Insurance Institution	400 000
19. Tapiola Mutual Life Assurance Company	371 500
20. Nordea Life Assurance Finland Ltd	362 793

* Excluding company's own share position and nominee accounts held at custodian banks

Shareholding Dec 31, 2004*



Corporations
Financial and insurance institutions
Non-corporate public sector
Non-profit organizations
Households/private persons
Non-Finnish shareholding (of which 24.5% are under nominee registration within financial institutions)

Number of shares	Number of shareholders	% of shareholders
1 - 100	2,572	14.06
101 - 1,000	10,719	58.58
1,001 - 10,000	4,544	24.83
10,001 - 100,000	384	2.10
100,001 - 1,000,000	72	0.39
1,000,001 - 10,000,000	6	0.03
10,000,001 -	1	0.01
Total	18,298	100.00

* Excluding company's own share position and nominee accounts held at custodian banks

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Flexible packaging solutions – both retortable portion pouches for moist products and large multilayer bags for dry foods – are gaining further ground as preferred pet food packaging.

Corporate governance

Huhtamaki took immediate action to reach full compliance with new corporate governance recommendations.

In Finland, the Companies Act contains detailed provisions for the governance of publicly listed companies. A complementary set of recommendations was issued in 1997 by the Central Chamber of Commerce and the Confederation of Finnish Industries and Employers. In early 2003, these organizations were joined by the Helsinki Stock Exchange (HEX Plc, now part of OMX AB), in a thorough review of the governance recommendations.

An expert working group was appointed for this purpose. It created a set of 57 recommendations covering all aspects of corporate governance. The document, entitled "Corporate Governance Recommendation for Public Companies" was approved in late 2003 to form part of the Rules of the Helsinki Stock Exchange. Although the recommendation did not formally enter into force until July 1, 2004, Huhtamaki along with many other listed companies took immediate action to reach full compliance from the beginning of the year. External surveys published during 2004 gave Huhtamaki's governance high rankings compared to it's peer companies.

Huhtamäki Oyj ("the Company") is incorporated in Finland, and its Articles of Association conform to the Finnish Companies Act. As described in this section, the Company complies with the Corporate Governance Recommendation issued as a part of Rules of the Helsinki Stock Exchange. Information is available also via the Company´s website, www.huhtamaki.com.

General Meeting of Shareholders

The General Meeting of Shareholders is the Company's highest decision-making body. Its tasks and procedures are closely defined in the Companies Act and the Company's Articles of Association, according to which such things as election of members of the Board of Directors and auditors, amendment of the Articles of Association, increase and decrease of share capital and issuance of option rights fall under the authority of the General Meeting.

The Annual General Meeting ("AGM") shall be held annually in Espoo or Helsinki before the end of April on a date set by the Board of Directors. The AGM deals with and approves the Company's financial statements and consolidated financial statements, decides on measures stemming from the profit or loss shown and dividend, elects the members of the Board of Directors and auditors and decides on their remuneration.

A shareholder may ask a matter to be placed on the agenda of the AGM. To this effect, a written request should be sent to the Board of Directors well before the publication of the notice to convene the meeting. Counter proposals to the Board's proposals may be put forth at the AGM, when the agenda item in question is under discussion. Voting takes place through ballots issued to the participants of the AGM.

A shareholder who no later than ten days before the AGM has been entered as a shareholder in the shareholder register of the Company held by the Finnish Central Securities Depository, has the right to participate and vote at the AGM.

The holder of a share registered under the name of a nominee may be temporarily entered in the shareholder register for the purpose of participating in an AGM. Voting by proxy requires the physical attendance of a person authorized by the shareholder. The shareholder may also use an assistant in the AGM.

An Extraordinary General Meeting ("EGM") shall be held when considered necessary by the Board of Directors. An EGM shall also be held if requested in writing for the handling of a specified matter by auditor or shareholders holding a minimum of one-tenth of all shares of the Company.

Board of Directors

The Board of Directors ("Board"), which pursuant to the Articles of Association shall consist of a minimum of six and maximum of nine members, shall be responsible for the management and the proper arrangement of the operations of the Company. The term of office of each Board member expires at the close of the AGM following the election. The Board shall elect from among its members a Chairman and a Vice-Chairman. In 2004 the Board of Directors had eight members.

The Board is vested with the powers specified in the Companies Act and the Company's Articles of Association. It sets the Company's financial and strategic objectives and decides on strategic and annual business plans, capital expenditure projects, including acquisitions exceeding EUR 25 million, divestment proposals of more than EUR 25 million, as well as key policies. The Board also appoints the Chief Executive Officer ("CEO") and other Executive Committee members, decides on executive compensation, reviews management performance and, subject to authorization granted by the General Meeting of Shareholders, allocates option rights to management.

The Board shall hold at least six regular meetings each year, with one session entirely dedicated to corporate strategy. The Board also conducts a thorough annual self-evaluation of its activity. In 2004, the Board held ten meetings. The average attendance of directors at the Board meetings was 97%.

The AGM held on March 22, 2004, decided on the remuneration of the Board of Directors as follows: Chairman EUR 80,000, Vice-Chairman EUR 50,000 and other members EUR 40,000 annually. In addition a meeting fee of EUR 500 per meeting is paid. Board members in an employment or service relationship with the Company or any of its subsidiaries do not receive remuneration for their Board membership.

The Board considers Veli Sundbäck, Paavo Hohti, Eija Ailasmaa, Robertus van Gestel and Jukka Viinanen independent of the Company. The Board also considers all members except Paavo Hohti independent of the significant shareholders of the Company.

The biographical data and holdings of Board members appear in the Administration and Auditors section.

Vendiso premium vending cups combine plastic and paper. The paper sleeve offers superior insulation and good printing quality.

Board Committees

In order to focus on certain responsibilities, the Board may appoint Committees consisting of 3-5 Board members each. The Committees assist the Board by preparing matters belonging to the competence of the Board. Each Committee regularly reports on its work to the Board. The Committees have no autonomous decision-making power and thus the Board makes its decisions collectively. The entire Board remains responsible for the duties assigned to the Committees.

The Board currently has three Committees: The Nomination Committee, the Human Resources Committee and the Audit Committee. Each Committee has a written charter summarizing its tasks.

The Nomination Committee prepares proposals to the AGM concerning Board members and their remuneration principles. The Committee also discusses the appointment of Executive Committee members. The Committee meets once a year as a minimum, prior to the AGM.

The Human Resources Committee prepares and discusses organizational and human resource issues, as well as principles of remuneration of senior executives.

The Audit Committee reviews the financial statements as well as accounting principles and policies, monitors the audit and control mechanisms, ensures an adequate and transparent internal reporting system, discusses and reviews policies and procedures with respect to risk assessment and risk management and prepares the resolution concerning appointment of external auditors. For the discussion of the financial statements and interim reports the Chief Financial Officer and the external auditors participate in the Committee's meetings.

In 2004 the Nomination Committee met three times, the Human Resources Committee met three times and the Audit Committee four times.

The committee memberships of the Board were as follows:

- Nomination Committee: Veli Sundbäck (chairman), Paavo Hohti
- Human Resources Committee: Veli Sundbäck (chairman), George V. Bayly, Anthony J.B. Simon
- Audit Committee: Jukka Viinanen (chairman), Eija Ailasmaa, Robertus van Gestel, Paavo Hohti

Chief Executive Officer and Executive Committee

The Board appoints the CEO, who is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board.

The CEO is assisted by the Executive Committee ("EC") consisting of the CEO as its Chairman and executives designated by the Board. The EC convenes at least once a month and additionally on specific topics such as strategy and annual business plans.

Each EC member has a clear operating responsibility, either within a geographical region (Europe, Americas, Asia-Oceania-Africa), or for a key function (e.g. Finance). The EC members are the CEO's direct reports. Additionally, the CEO supervises directly the Sourcing, Human Resources, Legal and Group Marketing & Communications functions. The individual responsibility areas of EC members appear in the Administration and Auditors section.

The remuneration of the CEO is set by the Board of Directors.

Timo Peltola served as the CEO until August 31, 2004. In 2004, his total compensation as the CEO amounted to EUR 430,161.48, including EUR 26,606.48 of incentive-related pay for the year 2003.

Heikki Takanen has served as the CEO from September 1, 2004. His compensation as the CEO amounted in 2004 to EUR 188,492.16. In addition, 50,000 option rights marked as 2003 B were allocated to him.

According to the CEO´s Service Agreement between the Company and Heikki Takanen both the Company and Heikki Takanen may terminate the CEO´s Service Agreement with six months' prior notice.

If the Company terminates the CEO´s Service Agreement, Heikki Takanen is entitled to compensation amounting to 12 months' salary if terminated no later than on August 31, 2005 and 18 months' if terminated later than on August 31, 2005.

Heikki Takanen is entitled to retirement upon reaching 60 years of age. His retirement benefits shall be the Finnish statutory TEL pension earned during his service augmented by a voluntary group pension arrangement of the Company.

The remuneration of EC members is determined by the Board of Directors. The aggregate compensation to other EC members was EUR 1,453,472.90, including EUR 89,893.41 of incentive related pay for the year 2003. EC members are entitled to retirement upon reaching 60 years of age. The employment contract of an EC member may be terminated by giving 3–6 months prior notice depending on the member's time of employment. If the Company terminates the employment contract without cause the Company shall pay salary and other benefits for a period of 6–18 months depending on the EC member's time of employment calculated as of the expiration of the notice period. The Company has a customary directors' and officers' liability insurance policy.

The other EC members have an aggregate of 235,800 option rights under Option Rights Plans 2000 and 2003. In 2004, a total of 100,000 new option rights were granted to Executive Committee members. Their current holdings of Company shares and option rights appear in the Administration and Auditors section.

The Company's internal management principles and procedures are documented in policies and guidelines subject to review by the EC from time to time. These govern such areas as reporting, finance and treasury, capital expenditure, risk management, insurance, sales and supply contracts, intellectual property rights, information systems, sourcing, human resources, quality, environment, health and safety, insider regulations, and communications.

Other remuneration and benefits

The Company places major emphasis on the recruitment, training and career progression of management and specialist resources. The compensation and benefits for all managers follow local law and practice, based on an internationally recognized job grading system and an annual review of individual performance against set objectives. Performance-related incentive schemes are widespread, extending to junior managers and specialists.

For senior management, the annual incentive is linked to both corporate performance and personal objectives. Additionally, option rights are issued from time to time as a long-term incentive.

Option right plans extend to more than 140 executives and managers across the Company and its subsidiaries. A total of 5,850,000 new shares corresponding to 5.7% of the shares outstanding may be issued in 2005-2009 assuming full use of the option right plans of 2000 and 2003.

Insiders

The Company follows the Guidelines for Insiders issued by the Helsinki Stock Exchange, complemented by the Company's own, partly stricter Insiders Regulations.

By law, permanent insiders include the Board of Directors, the CEO and the auditors. In addition, the Company has decided to register as permanent insiders: Executive Committee members, certain Group Vice Presidents and Managers, as well as certain employees of the Group Head Office. A person not permanently registered as an insider may be included as a temporary, project-based insider in an insider register created for major or otherwise significant projects. Persons listed as permanent insiders may not trade in the Company's shares or stock options within four weeks prior to the publication of the Company's annual financial statements or two weeks prior to the publication of the interim financial statements.

The Insider Register of the Company is maintained in the insider register system of the Finnish Central Securities Depository. Project-specific insider registers are maintained by the Group Legal Department.

The information contained in the Insider Register is available to the public in the NetSire service.

Audit

The Company must have at least one auditor and at least one deputy auditor, who must be auditors or accounting firms approved by the Finnish Central Chamber of Commerce (APA). The AGM elects the Company's auditors. If the AGM appoints only one auditor, the auditor shall be an accounting firm approved by the Central Chamber of Commerce and no deputy auditor will be elected. The following auditors representing KPMG Oy Ab have been responsible for the external auditing of the Company: Esa Kailiala (APA) and Pekka Pajamo (APA) as auditors and Ari Ahti (APA) as a deputy auditor. Each subsidiary is subject to local auditing under the local regulations, which is conducted by representatives of the KPMG network in each country.

In 2003, total auditing fees of the Group amounted to EUR 1.0 million. In addition the KPMG network has provided other consultancy worth EUR 0.9 million in certain countries.

Internal audit

The internal audit function has been managed in coordination with PriceWaterhouseCoopers Oy and its international network.

Risk management

The objective of Group risk management is to maintain and further develop a comprehensive and practical risk management framework including a reporting system. This involves assessing risk systematically by function and business unit, improving risk management awareness and quality, sharing best practices and supporting cross-functional risk management initiatives.

Articles of Association, Disclosed Notifications and Shareholder Agreements

Section 11 of the Articles of Association of the Company contains provisions concerning the redemption obligation of shareholders. The Articles of Association as well as disclosed notifications of major holdings during past 12 months can be found on the Company's website, www.huhtamaki.com. There are no shareholder agreements known to the Company.

Administration and auditors

The Board of Directors (from March 22, 2004)

Veli Sundbäck (1946)

Chairman

First elected: October 7, 1999
Main occupation: Nokia Oyj, Senior Vice President
Education: Master of Laws
Primary work experience: Ministry for Foreign Affairs, Secretary of State; Ministry for Foreign Affairs, Under-Secretary of State for External Economic Relations; Ministry for Foreign Affairs, posts in Helsinki, Brussels and Geneva
Positions of trust: Confederation of Finnish Industry (EK), Chairman of the Trade Policy Committee EICTA (European Information, Communications and Consumer Electronics Technology Industry Association, Board UN ICT (United Nations Information and Communications Technology Task Force), member of the Bureau
Shares: 16,816
Option rights: No option rights

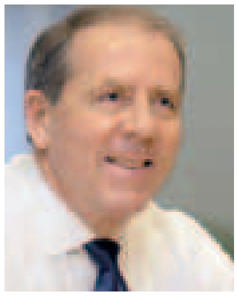
Paavo Hohti (1944)

Vice Chairman

First elected: March 18, 1999
Main occupation: Council of Finnish Foundations, Managing Director
Education: Doctor of Philosophy, Professor h.c.
Primary work experience: Finnish Cultural Foundation, Secretary General
Positions of trust: SanomaWSOY Oyj, Board
Shares: No shares
Option rights: No option rights

Eija Ailasmaa (1950)

First elected: March 22, 2004
Main occupation: CEO, Sanoma Magazines B.V.
Education: Master of Pol. Sc
Primary work experience: Various group executive roles, including President of the Helsinki Media and Sanoma Magazines Finland magazine publishing subsidiaries; Editor-in-chief for the family magazine *Kodin Kuvalehti* in 1985-89; Journalist with the newspaper *Ilta-Sanomat* in 1975-85
Positions of trust: Sanoma Magazines Finland Oy, Board; Hansaprint Oy, Board
Shares: No Shares
Option rights: No option rights



George V. Bayly (1942)

First elected: March 28, 2003
Main occupation: Whitehall Investors, LLC, Consultant
Education: MBA
Primary work experience: Ivex Packaging Corporation, Chairman, President and CEO; Olympic Packaging, Inc, Chairman, President and CEO; Packaging Corporation of America (PCA), Senior Vice President
Positions of trust: Carvel, Inc., Board; Chicago Stock Exchange, Board; Fiel Industries, Board; General Binding Corporation, Board; Packaging Dynamics, Inc., Board; Roark Capital, Board; Chargeurs, Inc., Board
Shares: No shares
Option rights: No option rights

Robertus van Gestel (1946)

First elected: March 22, 2004
Main occupation: Proudfoot Consulting, Executive Vice President Europe
Education: MBA, PhD
Primary work experience: Ford Motor Company, GTE, Mannesmann Tally and Anglo-Dutch Investments, Inc.
Shares: No shares
Option rights: No option rights

Timo Peltola (1946)

First elected: April 3, 2001
Main occupation: Huhtamäki Oyj, CEO, retired
Education: Bachelor of Science (Econ), Doctor of Economics h.c.
Positions of trust: Nordea Ab (publ.), Vice Chairman of the Board of Directors; Mutual Pension Insurance Company Ilmarinen, Chairman of Supervisory Board; The Finnish Fair Corporation, Supervisory Board; TeliaSonera AB, Board
Shares: 48,000
Option rights: 2000 C 20,000, 2003 A 50,000

Anthony J.B. Simon (1945)

First elected: October 7, 1999
Main occupation: Unilever N.V., President Marketing, retired
Education: MA, MBA
Primary work experience: Bestfoods, Inc., Vice President; Bowater Paper Corporation, packaging division
Shares: 1,248
Option rights: No option rights

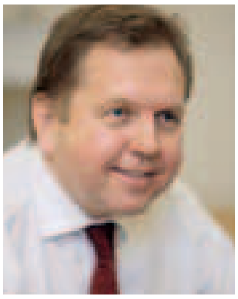
Jukka Viinanen (1948)

First elected: October 7, 1999
Main occupation: Orion-Yhtymä Oyj, President and CEO
Education: Master of Science (Chem.Eng)
Primary work experience: Neste Oy, CEO
Positions of trust: Rautaruukki Oyj, Chairman of the Board of Directors
Shares: 1,448
Option rights: No option rights

Secretary

Juha Salonen, Master of Laws, Bachelor of Science (Econ), Group VP, General counsel

Executive Committee



Heikki Takanen (1952)

CEO and Chairman of the Executive Committee

CEO since 2004
Education: Master of Science (Eng)
Joined the company: September 1, 2004
Shares: 5,000
Option rights: 2003 B 50,000, all of which were granted 2004.

Henk Koekoek (1946)

Vice Chairman

Executive VP Europe Flexibles, Films, Molded Fiber since 2003
Environment, Health & Safety
Education: Master of Science (Eng)
Joined the company: 1973
Shares: No shares
Option rights: 2003 A 25,000, 2003 B 25,000, of which option rights marked with 2003 B were granted in 2004

Tony Combe (1962)

Executive VP Asia-Oceania-Africa since 2000
Education: BBA (Marketing)
Joined the company: 1986
Shares: 6,000
Option rights: 2000 B 6,000, 2003 A 25,000, 2003 B 25,000, of which option rights marked with 2003 B were granted in 2004

Timo Salonen (1958)

Executive VP Europe Rigid Packaging since 2003
CFO (acting)
Education: Master of Science (Econ), Master of Laws
Joined the company: 1991
Positions of trust: Pohjola-Yhtymä Oyj, Board of Directors
Shares: 6,000
Option rights: 2000 A 4,000, 2000 B 2,800, 2000 C 10,000, 2003 A 25,000, 2003 B 25,000, of which option rights marked with 2003 B were granted in 2004

Kalle Tanhuanpää (1952)

Executive VP, Americas since 2004
Education: Bachelor of Science (Econ)
Joined the company: 1976
Positions of trust: Finnish Packaging Association, Chairman of the Board of Directors; Association of Finnish Advertisers, Board of Directors
Shares: 6,000
Option rights: 2000 B 3,000, 2000 C 10,000, 2003 A 25,000, 2003 B 25,000, of which option rights marked with 2003 B were granted in 2004

Auditors

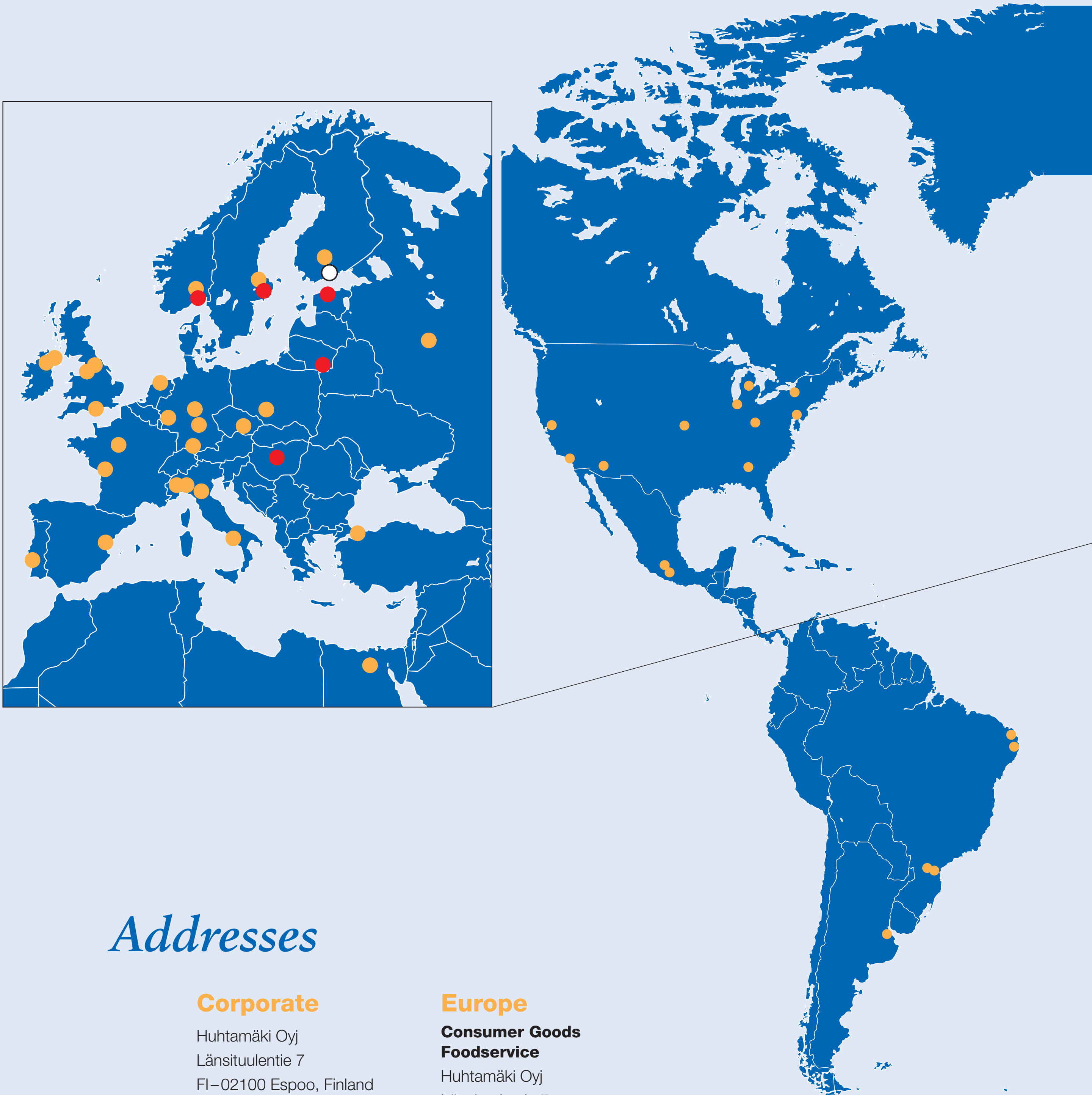
Esa Kailiala, APA, KPMG Oy Ab
Pekka Pajamo, APA, KPMG Oy Ab

Deputy Auditor

Ari Ahti, APA, KPMG Oy Ab

Mr. **Sakari Ahdekivi** has been appointed Chief Financial Officer (CFO) and Executive Committee member starting on March 15, 2005.

Biographies and holdings as of December 31, 2004.



Addresses

Corporate

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Foodservice

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Fax +358 (0) 9 660 622

Americas

Consumer Goods
Foodservice
Retail

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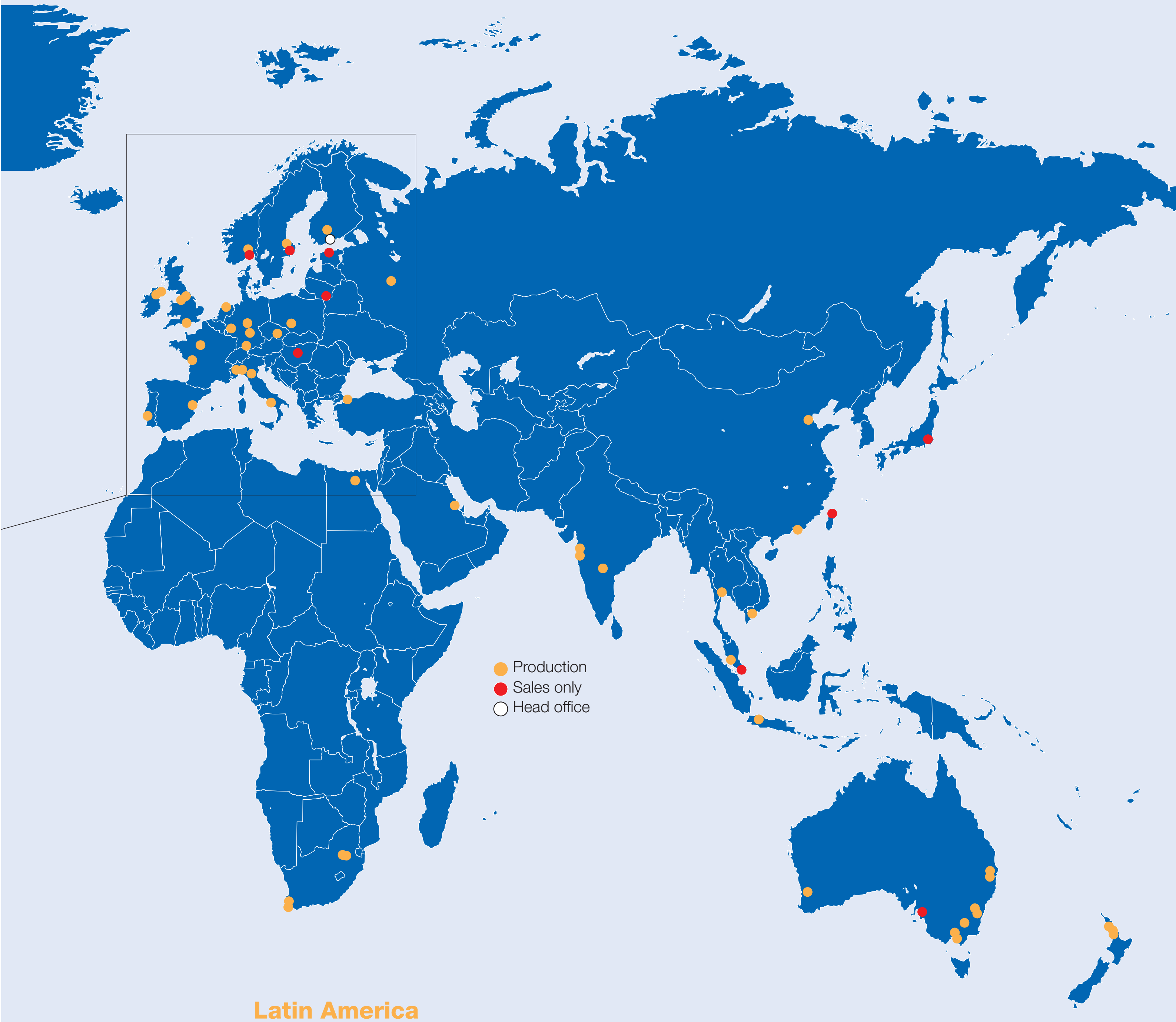
9201 Packaging Drive
De Soto, Kansas 66018
United States (USA)
Tel. +1 (0) 913 583 3025
Fax +1 (0) 913 583 8756



Latin America

Huhtamaki do Brasil Ltda.
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Pinhais–PR, Brazil
Tel. +55 (0) 41 661 1000
Fax +55 (0) 41 661 1170

Asia–Oceania–Africa

Huhtamaki Australia Limited
406 Marion Street
2200 Bankstown, N.S.W. Australia
Tel. +61 (0) 2 9708 7400
Fax +61 (0) 2 9791 0396

Contact details for each country and unit appear on the company website **www.huhtamaki.com**.

Product highlights in 2004

India: Castrol's lubrication oils shrink sleeved for security

Castrol (BP), one of the world leaders in production and marketing of lubrication oils, faced its leadership status threatened in the Indian market by the widespread counterfeiting of its brands. The premium quality lubricants were sold in one and five liter HDPE containers. The client wanted to introduce a security feature into these containers in order to help the consumer to identify it as a genuine product and at the same time see that the pack has not been tampered.

PPL, Huhtamaki in India, suggested the use of a shrink sleeve with multi-color graphics, a security hologram and a tamper evident feature as a solution that would provide the lubricant containers with an identity to be easily recognized by the not-so-discerning buyers. After implementing the Security Shrink Sleeve, sales increased significantly. Also, since this solution has proved effective in dealing with the menace of counterfeiting, British Petroleum (BP) Group is taking it across to its other locations in the Asia-Pacific. This innovation was awarded a WorldStar in 2004.

Ben & Jerry's ice cream containers

In June 2003, Unilever in North America asked Huhtamaki to submit a proposal to meet Ben & Jerry's ice cream packaging requirements. The specifications were extremely thorough and we were pleased to learn in January 2004 that we were awarded the business.

The majority of Ben & Jerry's packaging products will be produced at the Fulton, New York plant, with support from other plants in North America and Europe. We began supplying products in September 2004 and during the year also supplied a new generation of filling equipment to the customer. These machines have the capability of producing 30% faster than the previous equipment.

There were many significant reasons why Huhtamaki was selected. A reduction in lead-time on implementing new items decreased from six to three weeks. We were also able to reduce lead-times on repeat orders from three to two weeks. Our multiple in-house printing and forming locations, i.e. backup capacity, facilitated the decision. Other significant factors were the ability to manufacture products worldwide, an extensive line of packaging products, and a solid commitment to packaging innovation.

Quality Award for Huhtamaki Hong Kong

Our Hong Kong unit's main technologies are rigid paper and thermoformed plastics, with paper cups and containers, paper buckets, plastic lids and straws among the key products. The main customer segments are in foodservice and consumer packaging.

The Hong Kong Awards for Industry is an annual award scheme to recognize and encourage excellence, as well as to promote successful practices and strategies in different aspects of industrial performance. The Hong Kong Trade and Industry Department runs the Quality Award and the judging panel consists of members selected for their professional excellence.

Companies representing different industries will compete for the same award. In 2004, the event drew a total of 317 entries with 78 award winners in all categories. A company's quality is evaluated based on its products, culture and the extent to which its quality management is applied to design, materials sourcing, production and testing. The degree of innovative development will also be considered.

Huhtamaki Hong Kong has certifications in ISO 9000:2001, HACCP, GMP and AIB. Quality is part of the company's policy for continuous process improvement, as is now also proved by this award.

A WorldStar combination: Yoplait yoghurt in sleeve cup

The Turkish Standardization Institute (TSE), a jury member at the World Packaging Organization (WPO), recognized Huhtamaki Istanbul for its sleeve cup concept.

The sleeve cup utilizes a special shrink sleeve film which conforms to a variety of exciting cup shapes. The sleeve sits tightly on the cup starting from the rim and extending all the way to the bottom. The sleeving enables eye-catching designs in shiny and glossy images in eight colors.

Pinar, one of Turkey's largest dairy producers and a front-runner in milk industry, uses this packaging for its popular Yoplait fruit yoghurt range. The highly attractive Yoplait cup was rewarded with a WorldStar packaging award.

HUHTAMAKI

TAKING PACKAGING FURTHER

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Fax +358 9 660 622
www.huhtamaki.com
info.hq@huhtamaki.com
Business Identity Code: 0140879-6

Huhtamaki

Annual Accounts 2004

Contents

Announcements

Annual General Meeting

The Annual General Shareholders' Meeting (AGM) of Huhtamäki Oyj will be held on Wednesday, March 30, 2005 at 4.00 p.m. in Marina Congress Center, Katajanokanlaituri 6, Helsinki. The proceedings will be conducted in Finnish. Simultaneous translation into English will be provided.

The main items on the AGM agenda are:

– Statutory business as expressed in Article 8 of the Articles of Association
– Proposal of the Board of Directors to authorize the Board of Directors to resolve on conveyance of the company´s own shares

Shareholders registered by the Finnish Central Securities Depository Ltd. on March 18, 2005, may exercise their rights at the AGM. Beneficiary holders of nominee shares are welcome to attend and vote, provided that they have obtained a temporary registration by March 18, 2005. In each case, the company should be notified of participation no later than March 29, 2005 at 10.00 a.m. All documents and proposals under review at the AGM will be available from March 1, 2005 at Group Head Office, Länsituulentie 7, 02100 Espoo, Finland. The copies of the documents will be mailed to shareholders upon request.

Dividend

The Board of Directors proposes to the AGM a dividend of EUR 0.38 per share. The dividend will be paid on April 11, 2005 to shareholders as registered on April 4, 2005.

Financial calendar

Huhtamaki will release the following financial reports for 2005 in Finnish and English:

2005:

April 20 – First quarter interim report
August 3 – Second quarter interim report
October 20 – Third quarter interim report

Interim results and related presentation material and all other financial press releases may be retrieved instantly from the company's website, www.huhtamaki.com.

Huhtamaki does not automatically mail its Annual and Interim Reports to registered shareholders. Interested parties wishing to receive mailed reports are kindly requested to contact Group Marketing & Communications, tel. +358 9 6868 8523, or via e-mail: ir@huhtamaki.com.

Directors' report

Overview

Huhtamaki entered the year with cautious optimism. The first half progressed according to expectations, and steady volume growth continued through the year. Currency translations together with changes in product mix and pricing had an adverse effect on net sales. At EUR 2,092 million, the reported net sales were virtually unchanged from 2003.

Profitability came under increased pressure from record-high raw materials costs and intense competition in the second half. This was partly compensated by adjustments in pricing and efficiency improvement in operations. Hence, the full-year underlying results displayed improvement over 2003 despite the margin squeeze felt especially in the final quarter.

Excluding a restructuring charge of EUR 46 million taken in the final quarter, the full-year earnings per share were EUR 0.91, up by 15%. The corresponding reported figure declined by 33% to EUR 0.53. Operating cash flow remained strong throughout the year and led to a clear reduction of debt.

Following a thorough review of operations initiated in September, a new two-year restructuring program was announced in December, with the European rigid packaging operations addressed with urgency. Negotiations to reduce the workforce were initiated in Germany (Göttingen), France (Auneau), Italy (Torino and Parma) and the U.K. (Leeds and Skelmersdale), with the overall aim of eliminating approx. 300 positions during 2005. Further, more extensive measures with a worldwide scope will be announced during the first half of 2005.

Four factory startups were in progress at the beginning of the year. The films unit in USA and the flexibles joint-venture in Brazil had an excellent start. The Vietnamese (flexibles) and Russian (molded fiber) plants were completed on schedule by mid-year and reached targeted volumes towards year-end after a slow start.

Heikki Takanen started on September 1 as the new CEO of Huhtamäki Oyj as the successor to retiring CEO Timo Peltola.

In line with IFRS standards goodwill is no longer amortized but impairment tested annually. Amortization of goodwill included in 2003 financial statements was EUR 40 million. The business analysis in this report is based on adjusted figures.

Dividend proposal

The Board proposes a dividend of EUR 0.38 per share for 2004, the same as for 2003 and corresponding to a payout ratio of 72% of reported profit for the period attributable to equity holders of the parent.

Continued volume growth in all regions

In 2004, the overall demand for consumer packaging remained soft in Europe. North and South America were the most dynamic market areas for Huhtamaki, whereas an uneven picture prevailed in Asia-Oceania-Africa.

Sales volumes displayed a steady growth of 5% through 2004. Currency translations depressed the reported net sales by 3% and price, mix and other factors by a further 3%. Hence, the consolidated net sales in 2004 declined marginally against 2003 and amounted to EUR 2,092 million.

The geographical distribution of sales remained virtually unchanged and was as follows: Europe 55%, Americas 29%, and Asia, Oceania and Africa 16%. Finland's share of the total was 4%.

European volume growth was one per cent. The development largely reflects the transfer of tube laminate production from Europe to a Brazilian joint-venture, as well a lower films exports to North America, where local production was successfully started at the beginning of the year. Due to an opposite effect of 4% from changes in product mix and pricing, the reported sales declined by 3% to EUR 1,152 million.

With clear growth in core segments and good progress with most key accounts, Foodservice was more resilient than Consumer Goods. Many rigid packaging units experienced soft demand and competitive pressures. The adverse summer weather impacted the seasonal sales of ice cream packaging. The units using polystyrene as their main raw material came under severe margin pressure in the third and especially the fourth quarter.

The flexibles business remained on a stronger footing, with dynamic product development activity leading to additional volumes, and good progress e.g. in the coffee and confectionery segments offsetting a slowdown in some traditional areas of strength. Most films segments had a good year as well. The timely launch of local manufacturing in North and South America significantly reduced exposure to the weak U.S. dollar. The molded fiber business showed good progress overall and especially in the protective packaging area. The new Russian facility was operational on schedule but experienced months of delay in obtaining operating licenses from authorities.

Of the restructuring charge of EUR 46 million announced in the final quarter of 2004, EUR 28 million was related to European operations. This caused a reported EBITA loss of EUR 19 million for the region in the final quarter and a 51% decline in the full-year EBITA to EUR 40 million or 3.5% of net sales. The underlying operating income amounted to EUR 69 million or 6% of sales. RONA (return on net assets) declined to 8.6% (5.0% after restructuring) from 9.9% in 2003.

In the Americas, overall sales volume increased by 14% in 2004. This reflected continuing recovery of existing business, additional sales from new products, accounts and operations, as well as an excellent year in South America. The sales in U.S. dollars advanced by 11%. However, the strong Euro reduced the reported sales figure by 10%, while price and mix changes took another 4%. Hence, the full-year net sales amounted to EUR 609 million against EUR 600 million in 2003.

Within Consumer Goods in North America, the core frozen desserts (ice cream) segment had a robust year, and other processed foods packaging also advanced on the strength of new customers and products. Recovery continued in Foodservice, and the Retail division once again reflected the strong performance of the Chinet® brand, which gained market share both in its original premium plates segment and through the successful introduction of the Casuals™ line for everyday use. The new films unit in Malvern, Pennsylvania posted a strong performance in its first full year of operation.

Mexican operations remained on a solid footing. South America made strong progress on all main fronts – rigid packaging, molded fiber and flexibles. The new Brazilian flexibles joint-venture Laminor performed above expectations.

The high polymer prices slowed down profit improvement in the second half, and the plastics operation was unable to achieve targeted efficiency levels. Yet, the year-on-year growth in the region's underlying result was almost 50%. A restructuring charge of EUR 13.5 million led to an operating loss of EUR 11 million in the final quarter and a 20% drop in the reported full-year EBITA, to EUR 16 million or 2.7% of net sales. RONA showed improvement, from 3.3% in 2003 to 5.1% (2.8% after restructuring).

In Asia, Oceania and Africa volume growth slowed down after mid-year and was slightly negative in the final quarter, reflecting softness in Asia. The annual volume growth remained positive at 2%, with prices, mix and currencies further boosting the reported sales by 3% to EUR 332 million. Sales in Oceania grew moderately, with progress in rigid Consumer Goods, certain Foodservice segments and molded fiber.

Asian sales growth remained subdued in comparison with previous years. This was the combined effect of intense price competition and extremely volatile raw materials prices. The Indian flexibles business defended its margins successfully by concentrating on high value added products, for which it won several recognitions. The new flexibles unit in Vietnam was completed on schedule but had a slow commercial start. The rigid packaging operations were solid, with good growth again evident in China.

In South Africa, the rigid packaging and molded fiber made good progress after a period of upgrading and reorganizing the operations. The flexibles business reflected high raw materials prices.

The region's EBITA was EUR 20 million, 5.9% of net sales and virtually unchanged from 2003 despite a restructuring charge of EUR 4 million. The 15.6% gain in underlying result came largely from efficiency improvements in the rigid packaging operations in Oceania. At 8.4% RONA improved from 7.3% in 2003 to 8.4% (7% after restructuring).

Overall sales of Consumer Goods packaging amounted to EUR 1,388 million, down by one percent and 66% of the total. The corresponding underlying result before the restructuring charge was EUR 83 million (6.0% of sales) and EBITA amounted to EUR 51 million (3.7% of sales).

The sales of Foodservice packaging amounted to EUR 704 million, marginally up from 2003 and 34% of the total. The corresponding underlying result before the restructuring charge was EUR 38 million (5.4% of sales) and EBITA amounted to EUR 25 million (3.6% of sales).

Results hit by restructuring charge

The margins squeeze from record-high polymer prices was felt during the third and especially the final quarter, and corresponding product price increases took effect only towards year-end. On the other hand, efficiency improvements in the majority of units boosted earnings through the year. Legislative and accounting changes to health, pension and disability benefits systems also had a positive impact. As a result, at EUR 122 million, the underlying full-year result before corporate items and restructuring charges remained at the previous year's level.

Growth in corporate income - mainly from royalties – and a higher allocation of expenses to business units resulted in a net corporate income of EUR 26 million, sharply up from the previous year's figure of EUR 14 million. After the restructuring charge of EUR 46 million taken in the final quarter, total EBITA declined by 25% to EUR 102 million, corresponding to an operating margin of 4.9%.

Reflecting debt reduction and low interest rates, net financial expenses declined by 14% to EUR 37 million. The profit before taxes was down by 30% to EUR 66 million. Taxes declined by 17% to EUR 13 million, corresponding to an effective tax rate of 20%. After a minority interest of EUR 2 million, the profit for the period attributable to equity holders of the parent stood at EUR 53 million against EUR 79 million a year ago.

Earnings per share were EUR 0.91 (+ 15%) before the restructuring charge and EUR 0.53 (- 33%) after it. For the calculation of earnings per share, the average number of shares in issue was 96,734,981 in 2004.

The restructuring charge caused a drop in all measures for return on capital. Return on equity (ROE) was 6.7%, compared to 10.3% in 2003 and return on investment (ROI) 6.7% compared to 8.8% a year ago.

Debt reduction accelerated by strong cash flow

Despite a slowdown in the final quarter, the full-year cash flow from operations was EUR 167 million. Good progress was evident in working capital management. The free cash flow for the year amounted to EUR 77 million against EUR 83 million in 2003. At year-end, net debt amounted to EUR 699 million, down by EUR 72 million from the end of 2003. As shareholders' equity showed an increase of EUR 27 million to EUR 797 million, gearing (net debt to equity) declined to 88% from 100% a year ago.

Capital expenditure, research and development

Total capital expenditure in 2004 amounted to EUR 94 million, 20% less than in 2003 and representing an investment rate of 95% of depreciation (118%), excluding asset write-downs. Major projects extending into or commenced during 2004 included a new flexibles plant in Ho Chi Minh City, Vietnam, a new molded fiber packaging factory in Moscow, Russia, additional flexibles capacity in India as well as line modernizations at the flexibles plant in Ronsberg, Germany. The capital expenditure projected for 2005 amounts to approx. EUR 120 million.

Direct expenditure on research and development amounted to EUR 18 million compared to EUR 14 million in 2003.

Environment

Huhtamaki's Group environmental policy directs the environmental efforts of local operations. Environmental management systems and tools have been created to implement the policies and monitor progress. The company has published ethical principles for employees and a code of conduct for suppliers.

The environmental management activities are carried out primarily on site level. All manufacturing sites submit regular information on their environmental key performance indicators. From a total of 68 reporting manufacturing sites, 32 (47%) follow an externally certified environmental management system such as IS0 14001 or an internally audited program such as the U.S. Environmental Care Program. The significant direct environmental aspects of operations are energy use, emissions to air as well as solid waste.

Annual General Meeting

The Annual General Shareholders' Meeting (AGM) of Huhtamäki Oyj was held in Helsinki on March 22, 2004. The meeting approved the company's and consolidated accounts for 2003 and discharged the company's Board of Directors and the CEO of liability for the accounts. Dividend for 2003 was set at EUR 0.38 per share, as proposed by the Board. The AGM granted the Board an authorization to decide on the conveyance of the company's own shares within one year from the Annual General Meeting.

The following persons were elected to the Board for a one-year term lasting until the next AGM: Ms. Eija Ailasmaa (new member), Mr. George V. Bayly, Mr. Robertus van Gestel (new member), Mr. Paavo Hohti, Mr. Timo Peltola, Mr. Anthony J.B. Simon, Mr. Veli Sundbäck and Mr. Jukka Viinanen. The Board elected Mr. Sundbäck as its Chairman and Mr. Hohti as Vice Chairman.

Ownership structure

Huhtamaki's ownership structure was subject to minor changes throughout the year, as both Finnish and international institutional investors traded in and out as part of normal portfolio management. An internal transfer of shares from the Association of the Finnish Cultural Foundation to the Finnish Cultural Foundation increased the latter's holding to 16.5% but left the combined stake of the two organizations unchanged. The share of non-Finnish holdings on nominee accounts increased slightly during the year and was 24,5% in end December. The company had 18,303 registered shareholders at year-end, compared with 18,806 a year ago.

Share Developments

Share prices	
January 2	9.44*
January 2	9.40 low
August 12	12.30 high
December 30	11.87*

* closing prices

The Huhtamaki share started the year at the EUR 9.40 level. The share price had several strong runs during the year, followed by slower periods of decline. The turning points coincided with Interim Reports and other corporate news. The final quarter saw an increase of almost 20%, with a new price level settling around EUR 12.00. The share outperformed the HEX Portfolio Index by 11%. At year-end, the company's market capitalization was EUR 1.167 million, 30% above the corresponding figure at the end of 2003.

The average daily turnover of the share on the Helsinki Exchanges (HEX) was EUR 3.0 million in 2004, compared to EUR 1.8 million in 2003. Trading activity was particularly strong from September onwards. The company's 2000 C stock option rights were listed on the HEX at the beginning of May. In total, 279,500 1997 A and B option rights were traded during the year, representing 62% of the total allocation. The corresponding turnover for the 2000 A, B and C option rights was 694,950 units, 77% of the total in issue.

Corporate structure

There were no major changes in Huhtamaki's legal or overall business structure in 2004. No material acquisitions or divestments were conducted.

Executive developments

The Board launched a search for a new chief executive in March, having granted CEO Timo Peltola's wish to retire from day-to-day duty after 33 years with the company and 16 years as the CEO. On June 7, the Board of Directors appointed Mr. Heikki Takanen (51), former President, Commercial Refrigeration of AB Electrolux and a Swedish citizen of Finnish parentage, as the new CEO of Huhtamäki Oyj with effect from September 1, 2004.

In May, Mr. Mark Staton, Executive VP Americas, announced his resignation in order to pursue a career outside the company. His duties were assigned, until further notice, to Mr. Kalle Tanhuanpää, Executive VP Marketing and Development, who was already based in North America.

Mr. Mikko Kaukoranta, CFO and Executive Committee Member, resigned from the company on September 30. Mr. Timo Salonen, Executive VP Rigid Packaging Europe, who has formerly held the position, was appointed Acting CFO.

Personnel

At year-end, Huhtamaki had 15,531 employees, 23 more than at the end of 2003. In most units, the headcount was stable or declining reflecting efficiency improvements. Offsetting this development, factory startups and capacity additions in the Americas and Asia resulted in an increase of approx. 300 persons. The number of European employees declined by 293 to 7,352; the corresponding figure was 3,949 for the Americas (+ 35) and 4,230 for Asia-Oceania-Africa (+ 273). The average number of employees was 15,652 against 15,857 in 2003.

The parent company employed 720 people at year-end, comprising the Espoo Head Office (73) and the Finnish packaging operations (647). The respective annual average was 768. The figures were virtually unchanged from 2003.

The outlook for 2005

In 2005, Huhtamaki's business outlook should gradually strengthen. Announced price increases, a favorable shift in product mix, as well as new products, accounts and facilities are expected to contribute to sales and earnings growth after a soft first quarter.

Barring further major shocks from raw material price increases and continued weakening of the U.S. dollar and related currencies, the underlying business performance is expected to show a moderate improvement over 2004.

The company is resolutely pursuing a sustainable improvement in efficiency through a two-year restructuring program with a worldwide scope. New restructuring measures to be announced in the first half of 2005 are nevertheless likely to dampen immediate earnings growth, and their extent will largely determine the financial outcome of the year.

Key exchange rates in Euros

		2004		2003	
		Income statement	Balance sheet	Income statement	Balance sheet
Australia	AUD	0.5912	0.5728	0.5751	0.5952
Brazil	BRL	0.2753	0.2761	0.2880	0.2728
UK	GBP	1.4721	1.4183	1.4449	1.4188
India	INR	0.0178	0.0169	0.0190	0.0174
South Africa	ZAR	0.1258	0.1300	0.1173	0.1201
United States	USD	0.8062	0.7342	0.8842	0.7918

Consolidated annual accounts 2004

Group income statement (IFRS)

EUR million	Note	2004	%	2003	%
Net sales	**2**	**2,092.3**	**100.0**	**2,108.3**	**100.0**
Cost of goods sold	1	-1,797.0		-1,774.2	
Gross profit		**295.3**	**14.1**	**334.2**	**15.8**
Other operating income	3	43.5		49.6	
Sales and marketing	1	-93.3		-97.5	
Research and development	1	-17.9		-14.0	
Administration costs	1	-111.7		-116.2	
Other operating expenses	1,4	-13.8		-59.4	
		-193.2		-237.5	
Earnings before interest and taxes	**5,6**	**102.1**	**4.9**	**96.6**	**4.6**
Net financial items	7	-36.6		-42.7	
Income from associated companies		0.8		0.8	
Profit before taxes		**66.3**	**3.1**	**54.8**	**2.6**
Taxes	8	-13.1		-15.8	
Profit for the period		**53.2**	**2.4**	**39.0**	**1.7**
Attributable to:					
Equity holders of the parent company		51.2		36.3	
Minority interest		2.0		2.7	
		53.2		39.0	
Basic earnings per share (EUR) for the shareholders of parent company	9	0.53		0.38	
Diluted earnings per share (EUR) for the shareholders of parent company		0.53		0.38	

As of January 2004, goodwill has not been amortized.

Group balance sheet (IFRS)

ASSETS

EUR million	Notes	2004	%	2003	%
Non-current assets					
Goodwill	10	567.9		577.0	
Intangible assets	10	7.5		10.2	
Tangible assets	11	816.7		869.7	
Investments in associated companies	12	1.6		1.5	
Available for sale investments	14	1.7		1.8	
Interest bearing receivables	15	20.0		24.5	
Deferred tax assets	16	21.8		85.8	
Employee benefit assets	17	55.6		55.9	
Other non-current assets		19.1		25.4	
		1,511.9	**67.8**	**1,651.8**	**70.7**
Current assets					
Inventory	18	289.8		268.0	
Interest bearing receivables	15	15.5		6.4	
Income tax receivables		24.2		31.0	
Trade and other current receivables	19	361.5		353.2	
Cash and cash equivalents	20	28.6		24.7	
		719.6	32.2	683.3	29.3
Total Assets		**2,231.5**	**100.0**	**2,335.1**	**100.0**

EQUITY AND LIABILITIES

EUR million		2004	%	2003	%
Share capital	21	351.5		344.2	
Premium fund		95.4		85.4	
Treasury shares		-46.5		-46.5	
Translation differences		-119.7		-110.3	
Fair value and other reserves	27	-2.9		-7.7	
Retained earnings		504.0		490.1	
Total equity attributable to equity holders of the parent		**781.8**	**35.0**	**755.2**	**32.3**
Minority interest		14.7	0.7	14.8	0.6
Total equity		**796.5**	**35.7**	**770.0**	**32.9**
Non-current liabilities					
Interest bearing liabilities	22	370.7		337.2	
Deferred tax liabilities	16	42.2		112.7	
Employee benefit liabilities	17	123.8		138.3	
Provisions	23	84.7		83.4	
Other non-current liabilities		7.6		11.4	
		629.0	**28.2**	**683.0**	**29.3**
Current liabilities					
Interest bearing liabilities					
Current portion of long term loans	22	13.1		132.7	
Short term loans	22	379.5		356.7	
Provisions	23	24.0		14.5	
Income tax liabilities		35.2		46.0	
Trade and other current liabilities	24	354.2		332.2	
		806.0	**36.1**	**882.1**	**37.8**
Total liabilities		**1,435.0**	**64.3**	**1,565.1**	**67.1**
Total Equity and Liabilities		**2,231.5**	**100.0**	**2,335.1**	**100.0**

Group cash flow statement (IFRS)

EUR million	2004	2003
Profit for the period	**53.2**	**39.0**
Adjustments	184.1	190.0
Depreciation and amortisation	133.9	143.3
Gain on equity of minorities	-0.8	-0.8
Gain/loss from disposal of assets	-1.0	0.5
Financial expense/-income	36.6	42.7
Taxes expense/-income	13.1	15.8
Other adjustments, operational	2.3	-11.4
Change in inventory	-28.4	1.6
Change in non-interest bearing receivables	-8.8	-8.7
Change in non-interest bearing payables	24.3	25.4
Dividends received	0.9	1.4
Interest received	4.6	5.4
Interest paid	-40.7	-45.4
Other financial expenses and income	-2.2	-3.9
Taxes paid	-20.4	-16.2
Cash flows from operating activities	**166.6**	**188.6**
Capital expenditure	-94.0	-117.7
Proceeds from selling other investments	0.1	1.5
Proceeds from selling fixed assets	4.0	10.5
Change in long-term deposits	4.5	5.6
Change in short-term deposits	-9.4	2.4
Cash flows from investing	**-94.7**	**-97.7**
Proceeds from long-term borrowings	239.4	211.6
Repayment of long-term borrowings	-204.4	-296.3
Proceeds from short-term borrowings	1,684.8	1,563.5
Repayment of short-term borrowings	-1,767.9	-1,513.4
Dividends paid	-36.5	-36.5
Proceeds from stock option exercises	17.4	–
Share repurchases	–	-14.8
Cash flows from financing	**-67.3**	**-85.9**
Change in liquid assets	**3.9**	**5.0**
Cash flow based	4.6	3.1
Translation difference	-0.7	1.9
Liquid assets on January 1	24.7	19.7
Liquid assest on December 31	28.6	24.7

Statement of changes in shareholders' equity

EUR million	Share capital	Share issue premium	Treasury shares	Translation differences	Fair Value and other reserves	Retained earnings	Total equity	Minority interest	Total
	Attributable to equity holders of the parent								
Total equity at 31.12.2002	**344.2**	**85.4**	**-34.1**	**-70.3**	**-11.6**	**491.9**	**805.5**	**14.9**	**820.4**
Available-for-Sale investments									
Valuation gain transferred to income statement on sale					-0.5		-0.5		-0.5
Cashflow Hedges									
Hedge result deferred to equity					7.6		7.6		7.6
Translation difference					0.4		0.4		0.4
Hedge result recognised in income statement					-0.4		-0.4		-0.4
Translation differencies				-40.0			-40.0	-2.2	-42.2
Deferred tax in equity					-3.5		-3.5		-3.5
Other changes					0.3	-1.5	-1.2		-1.2
Net income recognised directly in equity				**-40.0**	**3.9**	**-1.5**	**-37.6**	**-2.2**	**-39.8**
Net income for the period						36.3	36.3	2.7	39.0
Total recognised income and expense for the period				**-40.0**	**3.9**	**34.8**	**-1.3**	**0.5**	**-0.8**
Dividend						-36.5	-36.5	-0.6	-37.1
Repurchase of Shares			-12.4				-12.4		-12.4
Balance at 31.12.2003	**344.2**	**85.4**	**-46.5**	**-110.3**	**-7.7**	**490.1**	**755.2**	**14.8**	**770.0**
Cashflow Hedges									
Hedge result deferred to equity					-2.3		-2.3		-2.3
Hedge result recognised in income statement					8.5		8.5		8.5
Hedge result to carrying amount of hedged items					0.6		0.6		0.6
Translation differencies				-9.4			-9.4	-0.6	-10.0
Deferred tax in equity					-2.0		-2.0		-2.0
Other changes						-0.8	-0.8		-0.8
Net income recognised directly in equity				**-9.4**	**4.8**	**-0.8**	**-5.4**	**-0.6**	**-6.0**
Net income for the period						51.2	51.2	2.0	53.2
Total recognised income and expense for the period				**-9.4**	**4.8**	**50.4**	**45.8**	**1.4**	**47.2**
Dividend						-36.5	-36.5	-1.5	-38.0
Stock options exercised	7.3	10.0					17.3		17.3
Balance at 31.12.2004	**351.5**	**95.4**	**-46.5**	**-119.7**	**-2.9**	**504.0**	**781.8**	**14.7**	**796.5**

Additional information is presented in note 21 for share capital and in note 27 for fair value and other reserves

DISTRIBUTABLE FUNDS

EUR million	Dec 31/2004	Dec 31/2003
Retained earnings	504.0	490.1
Untaxed reserves in retained earnings	-29.6	-28.3
Treasury shares	-46.5	-46.5
Distributable funds	427.9	415.3

Accounting principles for consolidated accounts

The consolidated financial statements of Huhtamäki Oyj, a Finnish limited liability company domiciled in Espoo have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements are presented in millions of euros and have been prepared under the historical cost convention except as disclosed in accounting policies below.

In 2003 the group adopted all IFRS standards and the adoption was done according to the IFRS 1 - First-Time Adoption of the IFRS standard using January 1, 2002 as the transition date. The Group has adopted as from January 1, 2004 fifteen International Accounting Standards, which were revised as result of the IASB's Improvement project. Adopting these standards effected mainly disclosures. IFRS 3 Business Combination and revised IAS 36 Impairment of Asset and IAS 38 Intangible Asset have also been applied as from January 1, 2004. Following the adoption of these standards goodwill is not amortized but impairment tested on an annual basis. Amortization of goodwill included in 2003 financial statements was 40.0 million EUR.

Principles of consolidation

The consolidated financial statements include the parent company Huhtamäki Oyj and all subsidiaries where over 50% of the subsidiary's voting rights are controlled directly or indirectly by the parent company, or the parent company is otherwise in control of the company.

Associated companies, where Huhtamaki holds voting rights of between 20% and 50% and in which Huhtamaki has significant influence, but not control, over the financial and operating policies, are included in consolidated profit and loss accounts using the equity method. When Huhtamaki's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associates.

Proportional consolidation is applied for companies over whose activities Huhtamaki has joint control, established by contractual agreement. The consolidated financial statements include Huhtamaki's proportionate share (usually 50%) of the entity's assets, liabilities, income and expenses, from the date that joint control commences until the date that joint control ceases.

Acquired companies are accounted for using the purchase method according to which the assets and liabilities of the acquired company are measured at their fair value at the date of acquisition and the remaining balance of purchase price less acquired equity is recognized as goodwill. In accordance with the exception included in the IFRS 1 the acquisitions prior to the IFRS transition date have not been restated but the previous values are taken as the deemed cost. Goodwill on the consolidated balance sheet is recognized as an asset in the currency of the acquiring entity until December 31.2003 and after that goodwill arising from new acquisitions is recognized in the functional currency of foreign operations.

Subsidiaries acquired during the financial year are included in the consolidated financial statements from the date of their acquisition and divested subsidiaries are included up to their date of sale.

All intercompany transactions, receivables, liabilities and unrealized profits, as well as distribution of profits within the group, are eliminated. Profit for the period is attributable to equity holders of the parent company and minority interest. Minority interest is also disclosed as a separate item within equity.

Foreign currency translation

Foreign currency transactions are translated into functional currency, at the rates of exchange prevailing at the date of the transaction. For practical reasons, an approximate exchange rate is often used for transactions taking place during the month. Monetary assets and liabilities are translated at the rates of exchange at the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement.

On consolidation the income statements of foreign entities are translated into euros at the average exchange rate for the accounting period. The balance sheets of foreign entities are translated at the year-end exchange rate.

Differences resulting from the translation of income statement items at the average rate and balance sheet items at the closing rate are recognized as a separate item in equity.

In accordance with the exception included in the IFRS 1 the cumulative translation differences until the transition date have been reclassified to retained earnings. From the transition date onwards exchange differences arising on the translation of the net investment in foreign subsidiaries and associated companies are recorded in translation difference, which is a separate component of equity. A similar treatment is applied to intragroup permanent loans, which in substance are equity. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as part of the gain or loss on sale.

Financial instruments

All derivative financial instruments are carried at fair value. The Group applies cash flow hedge accounting for certain interest rate swaps and foreign exchange forwards that meet hedge accounting criteria as defined in IAS 39. The hedged item must be highly probable to occur and must ultimately affect the income statement. The hedges must be highly effective both prospectively and retrospectively. For qualifying cash flow hedges, the portion of any change in fair value that is effective is included in equity, and any remaining ineffective portion is reported in the income statement. The cumulative changes of fair value of the hedging instrument that have been recorded in equity are included in the income statement when the forecasted transaction affects net income. When the hedged transaction is a firm commitment, the cumulative change of fair value of the hedging instrument that has been recorded in equity is included in the initial carrying value of the asset or liability at the time it is recognized.

Changes in fair values of derivative financial instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

The Group uses foreign exchange forwards and foreign currency loans to hedge net investments in foreign entities. Hedges of net investment in foreign entities must meet the same hedge accounting criteria as cash flow hedges as detailed in IAS 39. For qualifying foreign exchange forwards, the change in the fair value of the forwards that reflect the change in spot exchange rates is deferred in shareholder's equity. The change in the fair value of the forwards that reflects the change in forward interest points is booked in the income statement. When foreign currency loans are used as a hedge, all foreign exchange gains and losses arising from the transaction are recognized in equity. If the hedged entity is disposed of, the cumulative changes in fair value of the hedging instrument that have been recorded in equity are included in the income statement at the time of disposal.

Fair values of foreign exchange forwards are calculated using market rates on the balance sheet date. Fair values of foreign exchange options are calculated with the Garman-Kohlhagen model. Fair values of interest rate swaps, futures and forwards are based on net present values of estimated future cash flows. Cash, short-term loans and overdrafts have fair values that approximate to their carrying amounts because of their short-term nature.

Available-for-sale investments

Publicly traded shares are classified as available-for-sale assets and are recognized at fair value, which is based on quoted market prices at the balance sheet date. Gains or losses arising from changes in fair value are recognized directly in equity until the financial asset is sold or otherwise disposed of, at which time the cumulative gain or loss is included in the income statement. If the assets are impaired, the impairment loss is included in the income statement. Unlisted shares are carried at cost, as their fair value cannot be measured reliably.

Goodwill and other intangible assets

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated amortization until end of 2003 and accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortized but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associates.

Other intangible assets include patents, copyrights, land use rights and software licenses. These are stated at cost and amortized on a straight-line basis over expected useful lives, which may vary from 3 to 20 years. Land use rights are depreciated over the agreement period.

Periods of amortization used:

Intangible rights	up to 20 (years)
Software	3-5 (years)

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Research and development

Research and development costs are charged to the income statement in the year in which they are incurred.

Expenditure on development activities related to new products and processes has not been capitalized because the assured availability of future economic benefits is evident only once the products are in the market place. Currently the Group balance sheet carries no capitalized development expenditure.

Tangible assets

Tangible assets comprised mainly of land, buildings, machinery, tooling and equipment are valued at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of material, direct labor and an appropriated proportion of production overheads. When an asset includes major components that have different useful lives, they are accounted for as separate items.

Expenditure incurred to replace a component in a tangible asset that is accounted for separately, including major inspection and overhaul costs, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the asset. All other expenditure such as ordinary maintenance and repairs is recognized in the income statement as an expense as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated. The estimated useful lives are:

Buildings and other structures	20 – 40 (years)
Machinery and equipment	5 – 15 (years)
Other tangible assets	3 – 12 (years)

Gains or losses arising on the disposal of tangible fixed assets are included in Earnings before interest and taxes.

Impairment

The carrying amounts of assets are assessed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of assets or cash-generating unit exceeds the recoverable amount. Impairment losses are recognized in the income statement.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying value of goodwill allocated to groups of cash-generating units and then to reduce the carrying amount of other assets in the group of units on pro rata bases.

For intangible and tangible assets the recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on the average cost of capital rate (pre-tax) of the cash generating unit where the assets are located, adjusted for risks specific to the assets.

In respect of tangible assets and other intangible assets excluding goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is never reversed.

The recoverable amount for financial investments such as available-for-sale investments or receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted. An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

Leases

In accordance with the criteria for finance leases in IAS 17 Leases, lease contracts in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. In finance leases the assets and accumulated depreciation are included in fixed assets and the associated obligations are included in interest bearing liabilities. When a group company is the lessor, the discounted future lease payments are booked as interest bearing receivables and the property that has been leased out is removed from tangible assets. Lease payments under finance leases are divided into interest expense or interest income and installment payment of liability or receivable. Rental payments and rental income under operating leases are charged to the income statement.

Assets financed with leasing contracts that are defined as finance leases under IAS 17 have been capitalized and are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease less accumulated depreciation and impairment losses, and are depreciated at the rates disclosed above for tangible fixed assets, however not exceeding the rental period.

Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost is determined on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Cost for produced finished goods and work in process represents the purchase price of materials, direct labor, other direct costs and related production overheads excluding selling and financial costs.

A provision for inventory obsolescence is maintained.

Trade and other receivables

Trade and other receivables are initially measured at cost. A provision is made for doubtful receivables based on individual assessment of potential risk. Bad debts are recognized in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with banks and other liquid investments with maturity of less than 3 months. Bank overdrafts are included in short-term borrowings under current liabilities.

Interest bearing borrowings

Interest-bearing borrowings are originated loans and are carried at amortized cost. The interest expenses are accrued for and recorded in the income statement over the period of the borrowings on an effective interest basis.

Employee benefits

The Group companies have various pension plans in accordance with local conditions and practices throughout the world. The plans are classified as either defined contribution plans or defined benefit plans.

The contributions to defined contribution plans are charged to the income statement in the year to which they relate.

The present value of the obligation of defined benefit plans is determined using the projected unit credit method and the plan assets are measured at fair value at the measurement date.

In calculating the Group's obligation with respect to a plan, the extent to which the cumulative unrecognized actuarial gain or loss exceeds the greater of the present value of the defined benefit obligation and the fair value of plan assets by more than 10% is identified. That excess portion is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

In accordance with the exception included in the IFRS1, all unrecognized actuarial gains and losses have been recognized at the date of transition.

Equity and equity-related compensation benefits

The granted stock option programme allows certain members of management of Huhtamäki Oyj and its subsidiaries to acquire shares of Huhtamäki Oyj. The option exercise price equals the market price of the underlying shares at the date of the grant and no compensation cost or obligation is recognized. When the options are exercised, equity is increased by the amount of the proceeds received.

Provisions

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions arise from restructuring plans, onerous contracts and from environmental litigation or tax risks. Obligations arising from restructuring plans are recognized when the detailed and formal plans have been established and when there is a valid expectation that such plans will be carried out (plan has been announced).

Taxes

The Group income statement includes current taxes of Group companies based on taxable profit for the financial period according to local tax regulations as well as adjustments to prior year taxes and changes in deferred taxes.

Deferred tax assets and liabilities are recognized using the liability method for all temporary differences arising from the difference between the tax basis of assets and liabilities and their carrying values for IFRS reporting purposes. In the determination of deferred income tax the enacted tax rate is used.

Principal temporary differences arise from tangible fixed assets, untaxed reserves, tax losses carried forward, financial instruments and defined benefit pension plans. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. Temporary differences are not provided for goodwill, which is not deductible for tax purposes.

Equity, dividends and own shares

Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

When Huhtamaki Oyj's own shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction in equity.

Revenue recognition

Revenue is recognized after the risks and rewards of ownership of the goods have been transferred to the buyer. Normally revenue recognition takes place at the date of delivery. Net sales is calculated after deduction of sales discounts and indirect sales taxes.

Grants

Government or other grants are recognized in the income statement on a systematic basis in the same periods in which the expenses are incurred. Investment grants are recognized as revenue on a systematic basis over the useful life of the asset.

Other operating income and expense

Other operating income includes gains from disposal of assets and regular income, such as royalty and rental income, which have not been derived from primary activities.

Other operating expenses include losses from disposal of assets and other costs not directly related to production or sale of products such as amortization of software.

Use of estimates

Preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, income and expenses, as well as the disclosure of contingent assets and liabilities. The estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, which form the basis of making the judgments about carrying values. These estimates and assumptions are reviewed on an ongoing basis. Actual results could differ from these estimates. Such estimates mainly affect restructuring plans, provisions for inventory obsolescence, environmental litigation and tax risks, carrying amounts of assets, the measurement of pension liabilities and the probability of deferred tax assets being recovered against future taxable profits.

New IAS/IFRS standards and interpretations

The IASB has published during 2004 the following standards and interpretations considered applicable to Huhtamaki: IFRS 2 Share-based Payment, IFRS 4 Insurance Contracts, IFRS 5 Non-Current Asset Held for Sale and Discontinued Operations and revised IAS 19 Employee Benefits –standards and: IFRIC 1 Changes in existing commissions, restructuring and similar liabilities, IFRIC 3 Emission rights and IFRIC 4 Determining whether an arrangement contains a lease -interpretations The group has analyzed the effects that these revised standards may cause when adopted and expects that the impact will not be significant. The revised standards will be adopted on January 1, 2005.

Notes to the consolidated financial statements

1. RESTRUCTURING COSTS

A Group strategy review process commenced in the second half of 2004. Following the initial outcome of the strategy review process, the Board of Directors approved the first step of a restructuring program for EUR 46 million in December 2004. This represents the costs of site rightsizing and closures together with the writing down of manufacturing assets for technical or economic reasons. These manufacturing assets have already been separately identified and written down in December 2004. Consultations have taken place between management and employee representatives at those sites directly affected by the restructuring program. This first phase of restructuring is expected to be completed by the end of 2005. The costs of the restructuring program have been included within reported Earnings before interest and taxes under the appropriate expense classifications within the Consolidated income statement and are as follows:

EUR million	2004
Cost of goods sold	43.4
Sales and marketing	0.6
Research and development	0.6
Administration costs	1.0
Other operating expense	0.4
Total	**46.0**

The Board also announced in December 2004 that a second more sizeable restructuring step will be announced during the first half of 2005.

2. SEGMENT INFORMATION

In segment reporting geographical segment is defined as the primary segment and business segment as secondary. Segment reporting reflects the Group's management and internal reporting structure.

Geographical segments:

Europe
Americas
Asia, Oceania, Africa

Segment revenue is based on the geographical location of customers whereas segment assets/liabilities are based on geographical location of assets. Intercompany sales between regions are insignificant.

Business segments:

Consumer Goods: Primarily serves the food processing industry and packers of food products but also other consumer products packers including pet food, personal care and detergents.
Foodservice: Serves all leading international quick service and beverage companies, coffee and casual dining restaurant chains, institutional caterers and vending operators. Segment also includes tableware sales for the retail channels.

These business segments are managed through the three geographical regions presented in primary segments.

Segment income statement is presented down to EBIT (earnings before interest and taxes).

Segment assets and liabilities include items directly attributable to a segment and items which can be allocated on reasonable basis. Assets comprise intangible assets (including goodwill), tangible assets, inventories, trade and other receivables and accrued income and prepayments for operative items. Segment liabilities include trade payables, other payables and accrued expenses.

Unallocated items

Unallocated income statement items include unallocated corporate costs and royalty income. Unallocated assets mainly represent assets relating to corporate function, tax assets and financial assets. Liabilities not allocated to segments are items related to corporate functions, financial and tax liabilities. Investment in associated companies is presented in unallocated assets. Income from associated companies is excluded from segment reporting.

Geographical segments 2004

EUR million	Europe	Americas	AOA	Unallocated	Consolidated
Net sales	1,151.5	608.7	332.1	–	2,092.3
EBITA	40.1	16.2	19.6	26.2	102.1
Amortization	–	–	–	–	–
EBIT *	40.1	16.2	19.6	26.2	102.1
Assets	1,083.9	646.2	341.4	160.0	2,231.5
Liabilities	296.1	107.4	63.2	968.3	1,435.0
Capital expenditure	45.8	25.0	23.0	0.2	94.0
Depreciation	70.0	42.2	21.7	–	133.9
* includes restructuring cost of	28.4	13.5	4.1	–	46.0

Geographical segments 2003

EUR million	Europe	Americas	AOA	Unallocated	Consolidated
Net sales	1,185,4	599.6	323.3	–	2,108.3
EBITA	81.8	20.2	20.4	14.3	136.6
Amortization	16.9	17.0	6.1	–	40.0
EBIT	64.8	3.2	14.3	14.3	96.6
Assets	1,098.3	678.6	334.1	224.2	2,335.2
Liabilities	289.8	107.2	58.2	1,110.0	1,565.1
Capital expenditure	58.0	36.2	23.5	–	117.7
Depreciation	56.6	29.6	16.9	–	103.2

Business segments 2004

EUR million	Consumer Goods	Foodservice	Unallocated	Consolidated
Net sales	1,387.9	704.4	–	2,092.3
EBITA	50.7	25.2	26.2	102.1
Amortization	–	–	–	–
EBIT *	50.7	25.2	26.2	102.1
Assets	1,424.6	646.9	160.0	2,231.5
Capital expenditure	68.5	25.3	0.2	94.0
* includes restructuring cost of	32.8	13.2	–	46.0

Business segments 2003

EUR million	Consumer Goods	Foodservice	Unallocated	Consolidated
Net sales	1,406.2	702.1	–	2,108.3
EBITA	79.5	42.9	14.3	136.6
Amortization	28.0	12.0	–	40.0
EBIT	51.5	30.9	14.3	96.6
Assets	1,475.1	635.9	224.2	2,335.2
Capital expenditure	92.8	25.0	–	117.7

3. OTHER OPERATING INCOME

EUR million	2004	2003
Royalties	22.6	21.3
Release of provisions	6.8	0.3
Leasing Income	2.0	2.2
Insurance compensations	5.4	20.6
Grants	0.7	2.2
Gain on disposal of fixed assets	0.8	0.5
Other	5.2	2.5
Total	**43.5**	**49.6**

4. OTHER OPERATING EXPENSES

EUR million	2004	2003
Amortization of goodwill and other intangible assets	4.5	43.7
Other	9.3	15.7
Total	**13.8**	**59.4**

As of January 2004, goodwill has not been amortized.

5. PERSONNEL EXPENSES

EUR million	2004	2003
Wages and salaries	426.9	424.9
Compulsory social security contributions	53.8	55.0
Pensions		
Defined benefit plans	-1.8	14.5
Defined contribution plans	6.2	5.5
Other post employment benefits	0.8	1.2
Other personnel costs	32.3	34.2
Total	**518.2**	**535.3**
Remunerations to the Board of Directors and the CEO (10 persons)	**1.8**	**1.1**

The CEO is entitled to retirement at the age of 60. (See note 28)

Average number of personnel	2004	2003
	15,652	15,857

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

EUR million	2004	2003
Depreciation and amortization by function:		
Production	123.6	93.7
Sales and marketing	0.3	0.4
Research and development	0.3	0.2
Administration	3.6	3.6
Other	6.1	45.3
Total	**133.9**	**143.2**
Depreciation and amortization by asset type:		
Buildings	17.8	11.3
Machinery and equipment	111.6	88.2
Goodwill	–	40.0
Other intangible assets	4.5	3.7
Total	**133.9**	**143.2**

No impairment loss is recognized in the income statement in 2004 or 2003.
Production depreciation includes 29,5 MEUR restructuring costs; see Note 1.
As of January 2004, goodwill has not been amortized.

7. NET FINANCIAL ITEMS

Gains and losses on fair value hedges are reported net of the gain or loss on the hedged item. Taxes included in other financial expenses are taxes payable in some jurisdictions on financial transactions. Only FX revaluation gains and losses arising from purely financial exposures such as loans denominated in foreign currencies are reported in other financial items.

EUR million	2004	2003
Interest income	4.6	5.1
Dividend income	0.2	0.3
Gain on disposal of available-for-sale assets	–	0.8
Gain on cash flow hedge - ineffective portion	–	0.1
Gain on fair value hedges	0.7	0.7
FX revaluation gains	1.9	2.2
Other financial income	2.6	3.8
Interest expense	-39.3	-45.3
Net financial expense from trading assets	-0.1	–
Loss on cash flow hedges - ineffective portion	–	-0.1
Loss on fair value hedges	-0.5	–
FX revaluation losses	-2.6	-3.6
Bank fees, taxes and stock exchange expenses	-1.3	-2.4
Other financial expense	-4.5	-6.1
Loss on net monetary position in hyperinflationary units	-0.2	-0.5
Total	**-36.6**	**-42.7**

8. INCOME TAXES

EUR million	2004	2003
Current tax	21.1	22.4
Deferred tax	-8.0	-6.6
Total	**13.1**	**15.8**
Profit before tax	66.3	54.8
Tax calculated at the domestic corporation tax rate of 29% (2002:29%)	19.2	15.9
Effect of different tax rates in foreign subsidiaries	3.1	4.3
Income not subject to tax	-10.8	-16.2
Expenses not deductible for tax purposes	4.0	1.9
Goodwill amortization	–	11.7
Utilization of previously unrecognised tax losses	0.1	-2.8
Effect of changed tax rates	-1.3	–
Other items	-1.2	1.0
Tax charge	**13.1**	**15.8**

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by weighted average number of shares outstanding i.e. excluding treasury shares. In calculations of diluted earnings per share, the weighted average of shares is adjusted by the dilutive effect of stock options outstanding during the period. (See note 21).

EUR million	2004	2003
Profit attributable to equity holders of the parent company (basic/diluted)	51.2	36.3

Thousands of shares	2004	2003
Weighted average number of shares outstanding	96,735	96,292
Effect of issued share options	684	377
Diluted weighted average number of shares outstanding	97,419	96,669
Basic earnings per share (EUR)	0.53	0.38
Diluted earnings per share (EUR)	0.53	0.38

10. INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangible assets (incl. software)	Total 2004	Total 2003
Acquisition cost at January 1	778.2	3.0	30.3	811.5	840.5
Additions	–	–	1.0	1.0	2.4
Disposals	–	-0.2	-0.9	-1.1	-0.7
Intra-balance sheet transfer	–	–	1.1	1.1	2.8
Changes in exchange rates	-12.0	-0.1	-0.3	-12.4	-33.5
Acquisition cost at December 31	766.2	2.7	31.2	800.1	811.5
Accumulated amortization at January 1	201.2	1.1	22.0	224.3	188.0
Accumulated amortization on disposals and transfers	–	–	-0.9	-0.9	-0.6
Amortization during the financial year	–	0.1	4.4	4.5	43.7
Impairments	–	–	–	–	–
Changes in exchange rates	-2.9	–	-0.3	-3.2	-6.8
Accumulated amortization at December 31	198.3	1.2	25.2	224.7	224.3
Book value at 31 December 2004	567.9	1.5	6.0	575.4	–
Book value at 31 December 2003	577.0	1.9	8.3	–	587.2

As of January 2004 goodwill has not been amortized.

Impairment test for cash-generating units containing goodwill

The following cash-generating units have significant carrying amounts of goodwill:

EUR million	2004	2003
North America	218.9	227.8
Rigid Europe	75.6	75.6
FFF Europe	174.4	174.4
	468.9	477.8
Multiple units without significant goodwill	99.0	99.2
Total	**567.9**	**577.0**

The recoverable amount is based on value in use calculations. Those calculations use cash flow projections based on actual EBIT and five-year business forecasts. Cash flows for a further 20-year period are extrapolated using a one per cent growth rate. Management view this growth rate as being appropriate for the business, given the long time horizon of the testing period. This growth rate has been applied consistently to all units. The pre-tax discount rates used in discounting the projected cash flows are as follows; North America 7.2 percent, Rigid Europe 8.3 percent, and FFF Europe 7.1 percent. The multiple units without significant goodwill represent smaller scale units in other geographic regions. The pre-tax discount rates used in the smaller scale units without significant goodwill range from 7.1 percent to 18.8 percent.

Management believes that any reasonably possible change in the key assumptions on which the units recoverable amount is based would not cause any units carrying amount to exceed its recoverable amount.

11. TANGIBLE ASSET

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2004	Total 2003
Acquisition cost at January 1	32.1	282.8	975.2	63.0	48.2	1,401.3	1,337.0
Additions	0.0	2.4	14.3	71.7	4.5	92.9	115.4
Disposals	-0.8	-1.9	-8.1	-0.1	-1.5	-12.4	31.7
Intra-balance sheet transfer	-0.1	8.0	61.6	-74.3	3.2	-1.6	-2.6
Changes in exchange rates	-0.7	-3.2	-22.5	1.1	-0.5	-25.8	-80.2
Acquisition cost at December 31	30.5	288.1	1,020.5	61.4	53.9	1,454.4	1,401.3
Accumulated depreciation at January 1	0.8	69.1	430.0	–	31.6	531.5	409.7
Accumulated depreciation on disposals and transfers	–	-0.4	-6.4	–	-1.7	-8.5	42.5
Depreciation during the financial year	0.1	17.7	106.6	–	5.0	129.4	99.5
Impairments	–	–	–	–	–	–	–
Changes in exchange rates	0.0	-1.8	-12.7	–	-0.2	-14.7	-20.2
Accumulated depreciation at December 31	0.9	84.6	517.5	–	34.7	637.7	531.5
Book value at 31 December 2004	29.6	203.5	503.0	61.4	19.2	816.7	–
Book value at 31 December 2003	31.3	213.7	545.2	63.0	16.6	–	869.7

Value of financial leased assets included in book value							
2004	–	0.7	0.3	–	–	1.0	–
2003	–	2.3	5.3	–	0.1	–	7.7

12. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has investments in the following associates:

EUR million	2004	2003
Book value at January 1	1.5	1.9
Share of results	0.8	0.8
Dividends	-0.7	-1.1
Translation differences	–	-0.1
Book value at December 31	1.6	1.5

Summary financial information on associates (100%) is as follows:

2004:

EUR million	Holding %	Assets	Liabilities	Equity	Net Sales	Profit for the period
Arabian Paper Products Co., Saudi-Arabia	40.0	4.5	1.8	2.7	8.2	1.0
Hiatus B.V., Netherlands	50.0	1.7	0.3	1.4	2.3	0.4
Allobi AB, Sweden	25.0	4.1	3.5	0.6	4.4	0.0

2003:

EUR million	Holding %	Assets	Liabilities	Equity	Net Sales	Profit for the period
Arabian Paper Products Co., Saudi-Arabia	40.0	4.6	1.4	3.2	9.5	1.4
Hiatus B.V., Netherlands	50.0	1.7	0.3	1.4	2.4	0.7
Allobi AB, Sweden	25.0	4.0	3.4	0.6	4.2	0.0

13. JOINT VENTURES

The Group has a 50 per cent interest in the following joint ventures:

Name	Holding %
Huhtamaki EarthShell A.p.S., Denmark (in liquidation)	50.0
Laminor S.A., Brazil	50.0

Included in the consolidated financial statements are the following items that represent the Group's interest in the assets and liabilities, revenues and expenses of the joint venture.

EUR million	2004	2003
Non-current assets	5.4	5.5
Current assets	3.0	1.6
Non-current liabilities	-2.7	-1.6
Current liabilities	-4.3	-4.1
Net assets/ (liabilities)	1.4	1.4
Income	10.9	1.0
Expenses	-10.9	-1.7
Profit for the period	0.0	-0.7

14. AVAILABLE-FOR-SALE INVESTMENTS

Available for sale investments include listed and unlisted shares. Listed shares are measured at fair value.
For unlisted shares the fair value cannot be measured reliably, in which case the investment is carried at cost.

EUR million	2004	2003
Book value at January 1	1.8	3.9
Disposals	-0.1	-2.8
Change in fair value	–	0.7
Book value at December 31	1.7	1.8

15. INTEREST BEARING RECEIVABLES

	2004		2003	
EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Current				
Loan receivables	10.7	10.7	1.8	1.8
Finance lease receivables	4.8	6.3	4.6	6.2
Current interest bearing receivables	15.5	17.0	6.4	8.0
Non-current				
Loan receivables	4.0	4.3	3.7	4.1
Finance lease receivables	16.0	17.0	20.8	22.2
Non-current interest bearing receivables	20.0	21.3	24.5	26.3

Fair values have been calculated by discounting future cashflows or each major receivable at the appropriate market interest rate prevailing at closing date. Receivables payable on demand have a fair value equal to their carrying amount, which would be recovered if the receivables were disposed of at closing date.

Finance lease receivables

EUR million	2004	2003
Finance lease receivables payable as follows:		
In less than one year	5.9	5.9
Between one and five years	16.4	22.3
Total minimum lease receivables	**22.3**	**28.2**
Present value of minimum lease receivables		
In less than one year	4.8	4.6
Between one and five years	16.0	20.8
Total present value of minimum lease receivables	**20.8**	**25.4**
Unearned future financial income	1.5	2.8

Finance lease receivables arise from the lease of a factory building in 1996. Minimum lease payments include a terminal payment for title transfer at the end of lease term in 2006. This terminal payment is based on a mutual put/call option included in the lease contract with such terms and conditions as to make it reasonably certain either Huhtamaki or the lessee will exercise the option. Lease contract provides for annual inflation adjustments which are excluded from minimum lease payments due to their contingent nature.

16. DEFERRED TAXES

EUR million	2004	2003
Deferred tax assets by types of temporary differences		
Tangible assets	20.9	3.3
Employee benefits	22.5	25.9
Provisions	7.5	10.2
Unused tax losses	34.5	60.9
Other temporary differences	14.1	20.9
Total	**99.5**	**121.2**
Deferred tax liabilities		
Tangible assets	86.4	112.2
Employee benefits	21.2	21.9
Other temporary differences	12.4	14.0
Total	**119.9**	**148.1**
Net deferred tax liabilities	20.4	26.9
Reflected in balance sheet as follows:		
Deferred tax assets	21.8	85.8
Deferred tax liabilities	42.2	112.7

December 31, 2004 the group had EUR 117 million (2003: EUR 78 million) worth of deductable temporary differences, for which no deferred tax asset was recognised.

Deferred taxes recognized directly in equity are presented in note 27.

17. EMPLOYEE BENEFITS

The group has established a number of pension plans for its personnel throughout the world. Pension coverage is provided in accordance with rules and practices in the respective countries. In Finland pensions are mainly covered by the statutory pension system (TEL system). In certain countries with traditionally low statutory pension coverage, additional pension plans are organized. Some schemes can include early retirement and disability.

The main countries that have defined benefit plans are USA, UK and Germany, whose aggregate share comprises over 90% of the group consolidated defined benefit obligation for pension and other post-retirement benefits.

Most of the defined benefit plans are organized through pension funds. The assets of these plans are held separately from the assets of the group. Subsidiaries' funding of the plans meets local authority requirements.

The calculations for defined benefit plans have been made by qualified actuaries.

EUR million	2004	2003
Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of unfunded obligations	64.8	74.3
Present value of funded obligations	346.6	335.1
Fair value of plan assets	-323.1	-312.5
Unrecognized actuarial gains(–) and losses(+)	-21.6	-14.6
Unrecognized past service costs (–)	-0.1	–
Unrecognised assets	1.6	–
Net liability in the Balance Sheet	**68.2**	**82.3**
Reflected in the Balance Sheet as follows:		
Employee benefit assets	-55.6	-55.9
Employee benefit liability	123.8	138.3
Net liability in the Balance Sheet	**68.2**	**82.3**
Expenses recognised in the income statement		
Current service cost	10.5	10.2
Interest cost	21.4	23.5
Expected return on plan assets	-22.0	-20.4
Actuarial gains (–) and losses (+)	1.0	1.2
Past service costs	-2.4	–
Effect of any curtailments or settlements	-10.3	–
Total defined benefit expenses	**-1.8**	**14.5**
The expenses of defined benefit plans are allocated by function as follows		
Cost of goods sold	3.8	9.5
Sales and marketing	0.5	1.1
Administration costs	-6.1	3.9
Total	**-1.8**	**14.5**
Movements of defined benefit net liabilities recognised in the balance sheet		
Net liability at 1 January	82.3	80.5
Translation difference	1.8	0.8
Contributions paid to the fund	-8.8	-8.0
Benefits paid to retirees from the fund	-5.3	-5.5
Expense recognized in the income statement (3)	-1.8	14.5
Net liability at 31 December	**68.2**	**82.3**

The actual return on plan assets was EUR 25.8 million in 2004 (2003: EUR 30.4 million).

Principal actuarial assumptions	2004	2003
At December 31		
Discount rate (%)		
Europe	5.0 - 6.0	5.5 - 6.0
Americas	6.25	6.75
Asia, Oceania and Africa	3.5 - 10.0	3.5 - 10.0
Expected rates of return on plan asset (%)		
Europe	5.5 - 7.2	5.5 - 7.0
Americas	8.5	8.5
Asia, Oceania and Africa	3.5 - 10.0	3.5 - 10.0
Expected rates of salary increase (%)		
Europe	1.2 - 3.8	2.5 - 4.0
Americas	4.5	5.5
Asia, Oceania and Africa	3.0 - 8.0	3.0 - 8.0
Expected rates of pension increase (%)		
Europe	1.4 - 3.0	0.4 - 3.0
Americas	1.0	1.0
Asia, Oceania and Africa		
Medical cost trend rate (%)		
Americas	10.0	8.0
Expected average remaining working lives (years)		
Europe	7 - 23	8 - 23
Americas	11 - 14	9 - 14
Asia, Oceania and Africa	21 - 22	19 - 23

18. INVENTORY

EUR million	2004	2003
Raw and packaging material	94.9	83.1
Work-in-process	46.7	40.4
Finished goods	146.7	143.5
Advance payments	1.5	1.0
Inventories Total	**289.8**	**268.0**

The value at cost for finished goods amounts to EUR 164.7 million (2003: EUR 158.2 million). An allowance of EUR 18.0 million (2003: EUR 14.7 million) has been established for obsolete items. The total value of inventories includes EUR 0.4 million resulting from reversals of previously written down values (2003: EUR 0.1 million).

19. TRADE AND OTHER CURRENT RECEIVABLES

EUR million	2004	2003
Trade receivables	306.9	301.0
Other receivables	25.3	18.8
Accrued interest and other financial items	6.2	6.3
Other accrued income and prepaid expenses	23.1	27.1
Total	**361.5**	**353.2**

Other accrued income and prepaid expenses include prepayments for goods, rebates and other miscellaneous accruals.

20. CASH AND CASH EQUIVALENTS

EUR million	2004	2003
Cash and bank	26.9	19.1
Marketable securities	1.7	5.6
Total	**28.6**	**24.7**

21. SHARE CAPITAL OF THE PARENT COMPANY

Share capital	Number of shares	Share capital EUR	Share premium EUR	Treasury shares EUR	Total EUR
January 1, 2003	97,547,792	344,157,492,80	85,445,297.30	-34,121,057.05	395,481,733.05
Own shares purchased 2nd January - 28th February	-1,386,089	–	–	-12,388,566.15	-12,388,566.15
December 31, 2003	96,161,703	344,157,492.80	85,445,297.30	-46,509,623.20	383,093,166.90
Subscription through option rights June 16, 2004	249,000	846,600.00	1,297,290.00	–	2,143,890.00
Subscription through option rights June 30, 2004	52,600	178,840.00	201,648.00	–	380,488.00
Subscription through option rights July 14, 2004	266,612	906,480.80	818,843.84	–	1,725,324.64
Subscription through option rights August 24, 2004	68,200	231,880.00	249.200.00	–	481,080.00
Subscription through option rights September 9, 2004	297,908	1,012,887.20	1,004,157.12	–	2,017,044.32
Subscription through option rights October 21, 2004	51,000	173,400.00	223,528.00	–	396,928.00
Subscription through option rights November 11, 2004	1,188,660	4,041,444.00	6,167,110.60	–	10,208,554.60
December 31, 2004	98,335,683	351,549,024.80	95,407,074.86	-46,509,623.20	400,446,476.46

Total number of shares is 103,396,772 (December 2003: 101,222,792). The counter value of a share is EUR 3.40, and the maximum share capital amounts to EUR 1,000 million. All issued shares are fully paid.

Based on an authorization given at the Annual General Meeting on March 25, 2002 the company has acquired in total 5,061,089 own shares by December 2004 (December 2003: 5,061,089).

Members of Board of Directors and the CEO of Huhtamaki Oyj owned on December 31, 2004 a total of 72,512 shares (December 2003: 127,384 shares). These shares represent 0.07% (December 2003: 0.13%) of total number of shares and voting rights.

OPTION RIGHTS

Option Rights 1997 Plan

The Annual General Meeting held on April 9, 1997 approved the issue of up to 450,000 option rights to certain members of the management of Huhtamäki Oyj and its subsidiaries. The option rights are marked as follows: 225,000 with A and 225,000 with B. The Extraordinary General Meeting held on August 26, 2002 resolved to amend the terms of the option plan so that each option right entitles its holder to subscribe for four (4) shares. If exercised in full, the option rights would have entitled to subscription for a total of 1,800,000 shares, whereby the share capital would have been increased by a maximum amount of EUR 6,120,000 representing approximately 1.7% of the outstanding share capital of Huhtamäki Oyj. The option rights A and B are listed on the Helsinki Exchanges as of April 1, 2002. The table below depicts the share subscription periods and share subscription prices for each option right. During the year 2004 the exercise of 376,515 option rights under the Option Rights 1997 Plan resulted in the issue of 1,506,060 new shares and the increase of the share capital with EUR 5,120,604. The share subscription period for all the option rights under Option Rights 1997 Plan ended October 31, 2004. During the validity of the Option Rights 1997 Plan altogether 1,507,560 new shares were issued and the share capital increased with EUR 5,125,704. As the share subscription period ended on October 31, 2004 the Option Rights under Option Plan 1997 were delisted in Helsinki Exchanges.

Option Rights 2000 Plan

The Annual General Meeting held on April 12, 2000 approved the issue of up to 900,000 option rights to certain members of the management of Huhtamäki Oyj and its subsidiaries. The option rights are marked as follows: 300,000 with A, 300,000 with B and 300,000 with C. The Extraordinary General Meeting held on August 26, 2002 resolved to amend the terms of the option plan so that each option right entitles its holder to subscribe for four (4) shares. If exercised in full, the option rights will entitle to the subscription for a total of 3,600,000 shares whereby the share capital would be increased by a maximum amount of EUR 12,240,000 representing approximately 3.5% of the outstanding share capital of Huhtamäki Oyj. At the end of the year 2004 the Option Rights 2000 Plan had 120 participants. The option rights A are listed on the Helsinki Exchanges as of May 2, 2002, option rights B as of May 2, 2003 and option rights C as of May 3, 2004. The table below depicts the share subscription periods and subscription prices for each option right. During the year 2004 the exercise of 166,980 option rights under the Option Rights 2000 Plan resulted in the issue of 667,920 new shares and the increase of the share capital with EUR 2,270,928.

Option Rights 2003 Plan

The Annual General Meeting of held on March 28, 2003 approved the issue of up to 2,250,000 option rights to certain members of the management of Huhtamäki Oyj and its subsidiaries. The option rights are marked as follows: 750,000 with 2003 A, 750,000 with 2003 B and 750,000 with 2003 C. If exercised in full, the option rights will entitle to the subscription for a total of 2,250,000 shares whereby the share capital would increase by a maximum amount of EUR 7,650,000 representing approximately 2,2% of the outstanding share capital of Huhtamäki Oyj. Huhtamäki Oyj will apply for the listing of the option rights 2003 A in Helsinki Exchanges as of May 2, 2005. At the end of year 2004 the Option Rights 2003 Plan had 82 participants.

Option Right	Number of shares one option right entitles to subscribe for	Subscription price for one share[1]	Subscription period
1997 A	4	EUR 8.61	April 1, 2000 – October 31, 2004[3]
1997 B	4	EUR 8.61	April 1, 2002 – October 31, 2004[3]
2000 A	4	EUR 7.58	May 2, 2002 – October 31, 2006[4]
2000 B	4	EUR 6.04	May 2, 2003 – October 31, 2006[4]
2000 C	4	EUR 10.53	May 2, 2004 – October 31, 2006[4]
2003 A	1	EUR 8.72	May 2, 2005 – October 31, 2009[4]
2003 B	1	EUR 10,98	May 2, 2006 – October 31, 2009[4]
2003 C	1	[2]	May 2, 2007 – October 31, 2009[4]

1) Subscription price before deduction of the year 2004 dividend.

2) The subscription price for the shares shall be the market value of Huhtamäki Oyj's share on the Helsinki Stock Exchange during the period of March 1, 2005 – March 31, 2005 added with such an amount that equals to ten (10) % of the market value. The aggregate amount of dividends per one share resolved after the subscription for the option rights and before the subscription for the shares shall be deducted from the subscription price.

3) The period of subscription was annually between April 1 and October 31.

4) The period of subscription shall be annually between May 2 and October 31 on such days as defined by the company.

General

Shares subscribed for pursuant to option rights shall entitle to the distribution of dividend for the accounting period during which such shares were subscribed and paid for. Right to vote and other shareholders' rights attached to the shares subscribed for under the option rights shall become effective as of the registration of the increase of the share capital.

Pursuant to the option rights issued, an aggregate maximum number of 5,850,000 new shares may be subscribed representing approximately 5.7% of the total number of votes on December 31, 2004.

Information relating to amount of option rights issued during 2004 and 2003

Amount of option rights (pcs)	Options 2004	Shares based on Option Rights 2004	Options 2003	Shares based on Option Rights 2003
At the beginning of the financial year	1,691,871	4,953,984	1,098,353	4,397,912
Granted	682,500	691,500	618,500	656,000
Exercised	543,495	2,173,980	–	–
Forfeited and expired	111,846	195,951	24,982	99,928
At the end of the financial year	1,719,030	3,275,553	1,691,871	4,953,984

22. INTEREST BEARING LIABILITIES

EUR million	2004 Carrying amount	2004 Fair value	2003 Carrying amount	2003 Fair value
Current				
Loans from financial institutions				
current portion	6.2	6.7	125.7	126.1
Pension loans				
current portion	5.7	5.6	5.7	5.9
Other loans				
current portion	0.4	0.4	0.4	0.4
Finance lease liabilities				
current portion	0.8	0.8	0.9	0.9
Short-term loans	379.5	379.5	356.7	356.7
Total	**392.6**	**393.0**	**489.4**	**490.0**
Long-term				
Loans from financial institutions	326.8	329.5	287.0	290.3
Pension loans	40.4	43.3	45.9	47.8
Other long-term loans	2.5	2.5	3.0	3.0
Finance lease liabilities	1.0	1.0	1.3	1.3
Total	**370.7**	**376.3**	**337.2**	**342.4**
Pension loans				
From pension foundations	0.3		0.1	
From pension insurance companies	45.8		51.5	
Total	**46.1**		**51.6**	

All interest bearing liabilities are loans originated by the group and as such are carried at amortized cost. Fair values have been calculated by discounting future cash flows at the appropriate market interest rate prevailing at closing date.

	Loans from financial institutions	Pension loans	Finance lease liabilities	Other loans
Repayment				
2005	6.2	5.7	0.8	0.4
2006	26.2	5.7	0.4	0.1
2007	32.2	5.7	0.2	–
2008	237.3	5.7	0.1	0.1
2009	4.1	6.1	0.1	0.1
2010–	27.0	17.2	0.2	2.2

Finance lease liabilities

EUR million	2004	2003
Finance lease liabilities are payable as follows:		
In less than one year	0.9	1.0
Between one and five years	0.9	1.2
In over five years	0.2	0.4
Total minimum lease payments	2.0	2.6
Present value of minimum lease payments		
In less than one year	0.8	0.9
Between one and five years	0.7	1.0
In over five years	0.3	0.3
Total present value of minimum lease payments	1.8	2.2
Future finance charges	**0.2**	**0.4**

23. PROVISIONS

Restructuring provisions include various ongoing projects to streamline operations and to improve efficiencies. These projects are taking place in all regions. Tax provisions are recognized for tax related risks mainly due to changes in the corporate structure. Other provisions include mainly captive insurance provisions and provisions related to divested operations.

EUR million	Restructuring	Taxes	Other	2004 total	2003 total
Provision at January 1, 2004	3.0	62.6	32.2	97.9	114.5
Translation difference	0.0	–	0.0	0.0	-0.1
Provisions made during the year	14.1	9.0	4.7	27.8	14.9
Provisions used during the year	-2.1	-1.4	-2.1	-5.6	-3.5
Unused provisions reversed during the year	–	–	-11.4	-11.4	-27.9
Provision at December 31, 2004	**15.1**	**70.2**	**23.4**	**108.7**	**97.9**
Current	15.1	–	8.9	24.0	14.5
Non-current	–	70.2	14.5	84.7	83.4

24. TRADE AND OTHER CURRENT LIABILITIES

EUR million	2004	2003
Trade payables	217.2	195.6
Other payables	31.6	33.8
Accrued interest expense and other financial items	7.3	10.9
Personnel, social security and pensions	50.0	49.0
Other accrued expenses	48.1	42.9
Total	**354.2**	**332.2**

Other accrued expenses include accruals for purchases of material, rebates, prepayments and other miscellaneous accruals.

25. MANAGEMENT OF FINANCIAL RISKS

The objective of the financial risk management is to ensure that the company has access to sufficient funding in the most cost efficient way and to minimize the impact on the company from adverse movements in the financial markets.

Management of financial risks is guided and controlled by a Finance Committee, led by the CEO. Risk reports on the company's interest bearing balance sheet items, commercial flows and derivatives are reviewed and required measures are approved by the Finance Committee on a monthly basis.

The Group Treasury Department at the Espoo headquarters is the center point of the company's funding and risk management, serving the business units in daily financing, foreign exchange transactions and cash management coordination.

Currency risk

The company operates in 36 countries and is exposed to exchange rate risk through intra-company cross-border trade, exports and imports, funding of foreign units and currency denominated equities.

Transaction risk: The largest transaction exposures derive from capital flows, imports, exports and royalty receivables. The objective of currency transaction risk management is to protect the company from negative exchange rate movements. Business units are in charge of actively managing their currency risks related to future commercial cash flows, according to policies and limits defined by the business unit and approved by the Finance Committee. The net commercial position is monitored on a 12-month rolling basis. Eligible hedging instruments are currency forwards and in authorized subsidiaries also currency options. The Business units' counterpart in hedging transactions is mainly Huhtamäki Oyj.

Translation risk: As a main rule individual subsidiaries do not carry translation risk as they are financed in local currencies. As an exception, the Finance Committee has approved the use of foreign currency borrowing in countries with high local interest rates, totaling EUR 16.1 million at balance sheet date.

The main translation exposures derive from equities and permanent loans which in substance form a part of the net investment in US, Australian and UK subsidiaries. The company hedges its translation risks selectively by using foreign currency loans and derivatives. Equity hedging decisions are made by the Finance Committee. The hedging decisions are based on the currency's estimated impact on the consolidated income statement and balance sheet ratios, long-term cash flows and hedging costs. The company had outstanding translation risk hedges in USD 249 million and in GBP 33 million at balance sheet date. The majority of the hedges are in the form of foreign currency denominated loans.

Interest rate risk

The interest bearing debt together with related hedging measures expose the company to interest rate risk, namely repricing and price risk caused by interest rate movements. Management of interest rate risk is centralized to the Group Treasury Department.

The company's policy is to maintain in the main debt currencies a duration that matches a benchmark duration target range based on the company's estimated cash flow, selected balance sheet ratios, assumed business cyclicality and also the shape and level of the yield curve. The objective of interest rate risk management is to reduce the fluctuation of the interest charge, enabling a more stable net income.

The company manages interest rate risk by selection of debt interest periods and by using derivatives such as futures, forward rate agreements, interest rate swaps and options.

Liquidity and re-financing risk

The company maintains sufficient liquidity reserves at all times by efficient cash management structures such as cash pools and concentration accounts and by maintaining overdraft facilities. Excess cash is invested in short-term bank deposits at relationship banks or in government bonds, treasury bills or commercial papers of borrowers with a solid investment grade rating and selected Finnish corporate issuers.

The company utilizes a EUR 400 million Finnish commercial paper program and uncommitted credit facilities with relationship banks for short-term financing purposes. The company maintains unused committed credit facilities to ensure financing resources under all circumstances.

Re-financing risk is managed by maintaining an appropriately diversified maturity structure of loans and debt facilities, that reflects the estimated cash flow of the company.

26. FINANCIAL INSTRUMENTS

FOREIGN EXCHANGE TRANSACTION EXPOSURE

EUR million	December 31,2004 12 month Commercial Position	December 31,2003 12 month Commercial Position
Currency		
USD	33	23
AUD	22	22
GBP	33	21
PLN	17	17
Other	53	57
Total	**157**	**140**

CURRENCY SPLIT AND REPRICING SCHEDULE OF OUTSTANDING NET DEBT INCLUDING HEDGES

EUR million	December 31,2004										December 31,2003		
				Rate	Debt repricing in period, incl. derivatives								
Currency	Amount mEUR	Avg. duration	Avg. rate	sensitivity[1] mEUR	2005	2006	2007	2008	2009	Later	Amount mEUR	Avg. duration	Avg. rate
EUR	286	1.1 y	3.9%	1.8	205	43	6	6	6	20	332	1.8 y	4.9%
USD	237	1.5 y	4.1%	1.0	126	27	27	19	18	20	256	1.8 y	3.9%
AUD	45	1.1 y	6.0%	0.2	34				11		48	1.2 y	5.3%
GBP	65	1.2 y	5.5%	0.4	41	9	8	7			70	1.0 y	5.3%
Other	66	0.6 y	9.8%	0.3	61					5	65	0.6 y	8.5%
Total	**699**	**1.2 y**	**4.8%**	**3.7**	**467**	**79**	**41**	**32**	**35**	**45**	**771**	**1.6 y**	**4.9%**

[1] Effect of one percentage point rise in market interest rates on the Group's net interest expenses over the following 12 months.

DEBT STRUCTURE

EUR million	December 31,2004									December 31,2003		
				Maturity of facility/loan								
Debt type	Amount drawn	Amount available	Total	2005	2006	2007	2008	2009	Later	Amount drawn	Amount available	Total
Committed revolving facilities	232	317	549		25		524			280	391	671
Loans from financial institutions	181		181	86	28	33	6	6	22	209		209
Private placements	48		48	4	5	5	5	5	24	56		56
Commercial Paper Program	302		302	302						282		282
Total	**763**	**317**	**1,080**	**392**	**58**	**38**	**535**	**11**	**46**	**827**	**391**	**1,218**

NOMINAL VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	December 31,2004								December 31,2003	
	Nominal value		Maturity structure						Nominal value	
Instrument	Gross	Net	2005	2006	2007	2008	2009	Later	Gross	Net
Currency forwards										
for transaction risk	36		35	1					44	
for translation risk	50		50						53	
for financing purposes	125		125						81	
Currency options										
for transaction risk	6	6	6							
Forward rate agreements and futures contracts										
EUR									80	80
USD									32	32
Interest rate swaps										
EUR	125	125	50	75					175	175
USD	128	128	40	22	22	15	15	14	143	143
GBP	34	34	10	9	8		7		44	44
Other	11	11				11			18	18
Electricity forward contracts	1		1	0	0				1	

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	December 31,2004			December 31,2003		
Instrument	Positive fair values	Negative fair values	Net fair values	Positive fair values	Negative fair values	Net fair values
Currency forwards						
for transaction risk[1]	2.8	-0.9	1.9	3.5	-1.7	1.8
for translation risk[2]	0.3	–	0.3	2.2	–	2.2
for financing purposes	2.6	-1.4	1.2	0.5	-2.3	-1.8
Currency options						
for transaction risk	0.3		0.3			
Forward rate agreements and futures contracts						
EUR				0.0	0.0	0.0
USD				0.0	–	0.0
Interest rate swaps[3]						
EUR		-3.6	-3.6		-6.5	-6.5
USD	1.1	-2.4	-1.3	0.2	-5.3	-5.1
GBP		-0.4	-0.4		-0.8	-0.8
other		-0.2	-0.2		-0.2	-0.2
Electricity forward contracts		-0.1	-0.1	0.1	0.0	0.1

1) Out of the currency forwards, fair value of EUR 1.8 million was designated for cash flow hedges as at December 31, 2004 (EUR 0.3 million at December 31, 2003) and reported in fair value and other reserves.

2) Out of the currency forwards, fair value of EUR 0.3 million was designated for hedges of net investment in foreign subsidiaries as at December 31, 2004 (EUR 2.2 million at December 31, 2003) and reported in translation difference.

3) Fair values of interest rate swaps include accrued interest. Out of the interest rate swaps, fair value of EUR -5.6 million was designated for cash flow hedges as at December 31, 2004 (EUR -12.5 million as at December 31, 2003) out of which EUR -4.1 million was reported in equity in fair value and other reserves and EUR -1.5 million in profit and loss statement as interest expense.

27. FAIR VALUE AND OTHER RESERVES

EUR million	Hedge reserve	Available for sale reserve	Total
January 1, 2003	-11.8	0.3	-11.6
Translation difference	0.4	–	0.4
Realized gain (–) or loss (+) on available-for-sale assets	–	-0.5	-0.5
Cash flow hedge result deferred to equity	7.6	–	7.6
Cash flow hedge result recognised in P&L	-0.4	–	-0.4
Deferred taxes	-3.5	0.2	-3.3
December 31, 2003	**-7.7**	–	**-7.7**
Cash flow hedge result deferred to equity	-2.3	–	-2.3
Cash flow hedge result recognized in P&L	8.5	–	8.5
Cash flow hedge result recognised in BS	0.6	–	0.6
Deferred taxes	-2.0	–	-2.0
December 31, 2004	**-2.9**	–	**-2.9**

28. RELATED PARTY TRANSACTIONS

Huhtamaki Group has related party relationships with its associate companies, Board members, CEO and executive officers (members of the Executive Committee).

Transactions with Directors and executive officers:

The key management personnel compensations are as follows:

EUR million	2004	2003
Salaries and other short-term employee benefits	2.9	2.6

Total compensation in 2004 includes EUR 0.8 million long term compensation payments. Total remuneration is included in personnel expenses (see note 5).

Based on Group's pension plan executive officers are entitled to retirement at the age of 60. Directors and executive officers owned in total 355,800 option rights and 90,512 shares at December 31, 2004 (December 2003: 415,000 options rights and 145,384 shares). The option rights entitle the holders to subscribe in total 523,200 shares representing 0.51% of total shares and voting rights (2003: 1,135,000 shares representing 1.12% of shares and votes). Option rights owned by executive officers have the same terms and conditions as those owned by other option rights holders.

Transactions with associate companies

Transactions with associate companies are carried out at fair market prices as listed below:

EUR million	2004	2003
Purchase of goods	2.2	2.5

29. OPERATING LEASE COMMITMENTS

EUR million	2004	2003
Operating lease payments:		
Not later than 1 year	11.3	14.8
Later than 1 year and not later than 5 years	17.6	21.6
Later than 5 years	37.7	26.6
Total	**66.6**	**63.0**

30. CONTINGENCIES

Capital expenditure commitments:		
2004	–	7.7
2005	4.6	–
Total	**4.6**	**7.7**
Mortgages:		
For own debt	15.5	15.6
Guarantee obligations:		
For joint ventures	3.1	3.7
For external parties	4.6	5.0

Huhtamaki 2000–2004

EUR million	FAS 2000	FAS 2001	FAS 2002	IFRS 2002	IFRS 2003	IFRS 2004
Net sales	3,307.7	2,382.4	2,238.7	2,238.7	2,108.3	2,092.3
Increase in net sales (%)	134.2	-28.0	-6.0	-6.0	-5.8	-0.8
Net sales outside Finland	3,251.5	2,301.1	2,133.6	2,133.6	2,001.9	1,986.7
Earnings before interest, taxes, depreciation and amortization	376.8	334.4	326.8	324.3	239.7	236.0
Earnings before interest, taxes, depreciation and amortization/net sales (%)	11.4	14.0	14.6	14.5	11.4	11.3
Earnings before interest and taxes	182.1	178.3	175.1	172.6	96.6	102.1*
Earnings before interest and taxes/ net sales (%)	5.5	7.5	7.8	7.7	4.6	4.9*
Profit before taxes	121.1	130.3	131.1	124.8	54.8	66.3*
Profit before taxes/net sales (%)	3.7	5.5	5.9	5.6	2.6	3.2*
Net income	81.1	87.1	88.3	87.3	36.3	51.2*
Shareholders' equity	1,032.5	874.6	857.7	805.5	755.2	781.8
Return on investment (%)	8.7	9.6	10.0	10.1	6.2	6.7*
Return on shareholders' equity (%)	7.8	8.6	10.5	10.7	5.0	6.7*
Solidity (%)	30.8	36.0	35.4	32.6	33.0	35.7
Net debt to equity	1.22	0.94	0.97	1.04	1.00	0.88
Current ratio	0.96	0.94	0.85	0.81	0.79	0.89
Times interest earned	5.40	6.58	7.33	6.89	5.97	6.79
Capital expenditure	172.7	144.0	139.5	139.5	117.7	94.0
Capital expenditure/net sales (%)	5.2	6.0	6.2	6.2	5.6	4.5
Research and development	10.0	12.8	12.3	12.3	14.0	17.9
Research and development/ net sales (%)	0.3	0.5	0.5	0.5	0.7	0.9
Number of shareholders (December 31)	15,765	15,669	15,943	15,943	18,806	18,303
Personnel (December 31)	23,098	16,417	15,909	15,909	15,508	15,531

* As of January 2004 goodwill has not been amortized.

Per share data

Comparison figures (1999-2001) adjusted for the 3:1 bonus issue in August 2002

		FAS			IFRS		
		2000	**2001**	**2002**	**2002**	**2003**	**2004**
Earnings per share	EUR	0.65	0.74	0.88	0.86	0.38	0.53
Earnings per share (diluted)					0.86	0.38	0.53
Dividend, nominal	EUR	0.28	0.31	0.38	0.38	0.38	0.38[1]
Dividend/earnings per share	%	43.1	41.9	43.2	44.2	100.0	71.7[1]
Dividend yield	%	3.9	3.5	4.0	4.0	4.1	3.2[1]
Shareholders' equity per share	EUR	8.20	8.64	8.79	8.26	7.85	7.95
Share price at December 31	EUR	7.10	8.88	9.55	9.55	9.35	11.87
Average number of shares adjusted for share issue		125,903,852	117,117,696	100,769,970	100,769,970	96,292,220	96,734,981
Number of shares adjusted for share issue at year end		125,903,852	101,215,792	97,547,792	97,547,792	96,161,703	98,335,683
P/E ratio		10.9	12.0	10.9	11.1	24.6	22.4
Market capitalization at December 31	EUR million	893.9	898.3	931.6	931.6	899.1	1,167.2

[1] 2004: Board's proposal

Definitions for key indicators

Earnings per share = (diluted)

$$\frac{\text{Diluted profit before taxes} - \text{minority interest} - \text{taxes}}{\text{Average fully diluted number of shares outstanding}}$$

Earnings per share =

$$\frac{\text{Profit before taxes} - \text{minority interest} - \text{taxes}}{\text{Average number of shares outstanding}}$$

Dividend yield =

$$\frac{\text{100 x issue-adjusted dividend}}{\text{Issue-adjusted share price at December 31}}$$

Shareholders' equity per share =

$$\frac{\text{Equity}}{\text{Issue-adjusted number of shares at December 31}}$$

P/E ratio =

$$\frac{\text{Issue-adjusted share price at December 31}}{\text{Earnings per share}}$$

Market capitalization = Number of shares outstanding in the different share series multiplied by the corresponding share prices on the stock exchange at December 31

Return on investment =

$$\frac{\text{100 x (Profit before taxes + interest expenses + net other financial expenses)}}{\text{Balance sheet total} - \text{Interest-free liabilities (average)}}$$

Return on equity =

$$\frac{\text{100 x (Profit before taxes} - \text{taxes)}}{\text{Equity + minority interest (average)}}$$

Net debt to equity =

$$\frac{\text{Interest bearing net debt}}{\text{Equity + minority interest (average)}}$$

Solidity =

$$\frac{\text{100 x (Equity + minority interest)}}{\text{Balance sheet total} - \text{advances received}}$$

Current ratio =

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Times interest earned =

$$\frac{\text{Earnings before interest and taxes + depreciation and amortization}}{\text{Net interest expenses}}$$

List of subsidiaries

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

Name	Number of shares	Size of holding, %		Nominal value		Book value	Group holding, %
Huhtamaki Oyj's shareholding in subsidiaries:							
Huhtamaki Finance B.V.	6,534,313	75.0	EUR	653,431	EUR	1,712,765	100.0
Huhtamaki Portugal SGPS, Lda	2	50.0	EUR	251	EUR	1,975	100.0
Pacific World Packaging (International) Ltd.	182,502	100.0	HKD	183	EUR	9,512	100.0
Partner Polarcup Oy	78,694	100.0	EUR	13,236	EUR	13,236	100.0
Huhtamaki Argentina S.A.	1,400,000	91.2	ARS	1,400	EUR	1,803	100.0
Huhtamaki Hungary Kft	1	100.0	HUF	67,240	EUR	339	100.0
Subsidiary shares owned by Huhtamaki Finance B.V.:							
Huhtamaki Istanbul Ambalaj Sanayi A.S.	6,600,000	100.0	TRL	6,600,000,000	EUR	25,404	100.0
Huhtamaki Holdings Pty Ltd	43,052,750	100.0	AUD	43,053	EUR	2	100.0
Huhtamaki (NZ) Holdings Ltd	13,920,000	100.0	NZD	12,250	EUR	2,637	100.0
Huhtamaki Anglo Holding	64,000,001	100.0	GBP	64,000	EUR	102,597	100.0
Huhtamaki Finance B.V.Y. Cia, Sociedada Collectiva–		100.0	EUR	24,604	EUR	24,604	100.0
Huhtamaki Finance Co I B.V.	200	100.0	EUR	20	EUR	241,623	100.0
Huhtamaki Holdings France SNC	519,203	100.0	EUR	7,918	EUR	8,176	100.0
Huhtamaki (Norway) Holdings A/S	28,459	100.0	NOK	28,459	EUR	3,470	100.0
Huhtamaki Sweden Holding AB	1,000	100.0	SEK	100	EUR	2,401	100.0
Huhtamaki Egypt Ltd	6,000	75.0	EGP	6,000	EUR	2,611	75.0
Huhtamaki South Africa (Pty) Ltd.	272,192	100.0	ZAR	335	EUR	3,121	100.0
Huhtamaki S.p.A	20,020,000	100.0	EUR	10,410	EUR	34,836	100.0
Huhtamaki Singapore Pte. Ltd	28,000,000	100.0	SGD	28,000	EUR	11,977	100.0
Huhtamaki (Vietnam) Ltd	–	100.0	USD	3,800	USD	4,203	100.0
Subsidiary shares owned by Huhtamaki Holdings Pty. Ltd:							
Huhtamaki Australia Limited	9,241,702	100.0	AUD	9,242	AUD	9,242	100.0
Subsidiary shares owned by Huhtamaki (NZ) Holdings Ltd:							
Huhtamaki Henderson Ltd	195,700	99.8	NZD	391	NZD	28,493	100.0
Subsidiary shares owned by Huhtamaki Holdings France SNC:							
Huhtamaki Participations France SNC.	37,370,200	100.0	EUR	37,370	EUR	37,420	100.0
Subsidiary shares owned by Huhtamaki Finance B.V.Y. Cia, Sociedada Collectiva:							
Huhtamaki Spain S.L.	1,048,992	100.0	EUR	31,522	EUR	24,000	100.0
Subsidiary shares owned by Huhtamaki Anglo Holding Unlimited:							
Huhtamaki Ltd.	51,928,202	100.0	GBP	51,928	GBP	87,000	100.0
Huhtamaki (UK) Holdings Ltd	69	100.0	GBP	–	GBP	22,000	100.0

Name	Number of shares	Size of holding, %		Nominal value		Book value	Group holding, %
Subsidiary shares owned by Huhtamaki Participations France SNC:							
Huhtamaki France S.A.	71,994	100.0	EUR	1,097	EUR	42,908	100.0
Procédés Modernes d`Impression	1,004,674	99.1	EUR	15,070	EUR	10,461	100.0
Subsidiary shares owned by Procédés Modernes d`Impression.:							
Huhtamaki Dourdan S. A.	58,500	99.7	EUR	2,051	EUR	1,934	100.0
Subsidiary shares owned by Huhtamaki Ltd:							
Huhtamaki (UK) Ltd	11,000,003	100.0	GBP	11,000	GBP	25,513	100.0
Subsidiary shares owned by Huhtamaki (Norway) Holdings A/S:							
Huhtamaki Norway A/S	950	100.0	NOK	950	NOK	148,000	100.0
Subsidiary shares owned by Huhtamaki Sweden Holding AB:							
Huhtamaki Sweden AB	1,500	100.0	SEK	150	SEK	17,157	100.0
Subsidiary shares owned by Partner Polarcup Oy:							
OOO Huhtamaki S.N.G.	170,958,800	95.0	RUR	170,959	EUR	16,563	100.0
Subsidiary shares owned by Huhtamaki Portugal SGPS, Lda:							
Huhtamaki Embalagens Portugal, S.A.	170,000	100.0	EUR	848	EUR	1,920	100.0
Subsidiary shares owned by Pacific World Packaging (International) Ltd:							
Huhtamaki Malaysia Sdn. Bhd.	21,999,999	100.0	MYR	22,000	HKD	45,915	100.0
Huhtamaki Hong Kong Limited	181,402	100.0	HKD	181	HKD	78,034	100.0
Subsidiary shares owned by Huhtamaki Hong Kong Limited:							
Huhtamaki (Tianjin) Limited	1	100.0	CNY	128,124	HKD	127,952	100.0
Subsidiary shares owned by Huhtamaki Finance Co I B.V.:							
Huhtamaki Polska Sp. z o.o.	50,370	99.3	PLN	25,185	EUR	19,742	100.0
Huhtamaki Consorcio Mexicana S.A. de C.V.	114,789,065	96.9	MXP	110,782	EUR	13,321	100.0
Huhtamaki Ceská republika,a.s.	1	100.0	CZK	111,215	EUR	5,389	100.0
Huhtamaki France Investments Holding B.V.	191	100.0	EUR	19	EUR	13,385	100.0
Huhtavefa B.V.	180	100.0	EUR	18	EUR	18	100.0
Huhtamaki Beheer V B.V.	182	100.0	EUR	18	EUR	241,667	100.0
Huhtamaki Beheer XI B.V.	182	100.0	EUR	18	EUR	21,121	100.0
Huhtamaki Industries B.V.	170,000	100.0	EUR	43,010	EUR	–	100.0
Huhtamaki Nederland B.V.	10,000	100.0	EUR	4,530	EUR	0	100.0
Huhtamaki Paper Recycling B.V.	1,350	100.0	EUR	61	EUR	0	100.0
Huhtamaki Molded Fiber Technology B.V.	200	100.0	EUR	91	EUR	0	100.0
Huhtamaki Protective Packaging B.V.	250	100.0	EUR	113	EUR	0	100.0
Huhtamaki (Thailand) Ltd.	999,993	100.0	THB	100,000	EUR	7,885	100.0
Huhtamaki New Zealand Limited	7,737,306	100.0	NZD	7,737	EUR	4,800	100.0
P.T. Huhtamaki ASABA Indonesia	11,250	50.0	IDR	2,678,625	EUR	1,094	50.0

Name	Number of shares	Size of holding, %		Nominal value		Book value	Group holding, %
Subsidiary shares owned by Huhtamaki Consorcio Mexicana, S.A. de C.V.:							
Huhtamaki Packaging Mexicana, S.A. de C.V.	150,087,165	100.0	MXP	150,091	MXP	150,087	100.0
Subsidiary shares owned by Huhtavefa B.V.:							
The Paper Products Limited	7,386,820	58.9	INR	73,868	EUR	25,718	58.9
Subsidiary shares owned by Huhtamaki (UK) Holdings Limited:							
Huhtamaki (Lurgan) Limited	3,104,000	100.0	GBP	1,583	GBP	4,937	100.0
Subsidiary shares owned by Huhtamaki Beheer V B.V.:							
Huhtamaki Americas, Inc.	100	100.0	USD	–	EUR	241,650	100.0
Subsidiary shares owned by Huhtamaki Americas, Inc.:							
Huhtamaki North America	1,000	90.0	USD	1	USD	109,797	100.0
Huhtamaki Consumer Packaging, Inc.	1,000	100.0	USD	1	USD	123,548	100.0
Subsidiary shares owned by Huhtamaki Consumer Packaging, Inc.:							
Huhtamaki Packaging, Inc.	1,000	100.0	USD	1	USD	23,164	100.0
Subsidiary shares owned by Huhtamaki Beheer XI B.V.:							
Huhtamaki Brazil Investments B.V.	200	100.0	EUR	20	EUR	42,804	100.0
Subsidiary shares owned by Huhtamaki North America:							
Huhtamaki Delaware, Inc.	100	100.0	USD	1	USD	381,129	100.0
Subsidiary shares owned by Huhtamaki Delaware, Inc.:							
Huhtamaki Holding, Inc.	100	100.0	USD	1	USD	284,857	100.0
Subsidiary shares owned by Huhtamaki Holding Inc.:							
Huhtamaki Flexibles, Inc.	100	100.0	USD	1	USD	1,000	100.0
Huhtamaki Plastics, Inc.	1,000	100.0	USD	3	USD	1,500	100.0
Huhtamaki - East Providence., Inc.	6,445	100.0	USD	15	USD	32,463	100.0
Huhtamaki Group of Companies	100	100.0	USD	1	USD	82,830	100.0
Subsidiary shares owned by Huhtamaki Brazil Investments B.V.:							
Huhtamaki do Brasil Ltda	26,926,590	100.0	BRL	26,926	EUR	13,482	100.0
Subsidiary shares owned by Huhtamaki France Investments Holding B.V.:							
Huhtamaki La Rochelle SNC	2,500,000	100.0	EUR	3,811	EUR	206	100.0
Subsidiary shares owned by Huhtamaki (Deutschland) Holding GmbH & Co. KG:							
Huhtamaki Deutschland GmbH & Co. KG	1	100.0	EUR	10,000	EUR	151,312	100.0
Huhtamaki Beteiligungen Verwaltungs GmbH	1	100.0	EUR	25	EUR	29	100.0

Parent company annual accounts 2004

Parent company income statement (FAS)

EUR million	Note	2004	%	2003	%
Net sales	1	105.6	100.0	106.4	100.0
Cost of goods sold		-77.3		-76.6	
Gross profit		**28.3**	**26.8**	**29.8**	**28.0**
Sales and marketing		-9.1		-9.2	
Research and development		-1.9		-1.7	
Administration costs		-22.2		-19.7	
Other operating expenses		-5.0		-9.9	
Other operating income		57.7		36.1	
		19.5		-4.4	
Earnings before interest and taxes	2,3	**47.8**	**45.3**	**25.4**	**23.8**
Net financial income/expense	4	290.5		-15.9	
Profit before exceptional items		**338.3**	**320.3**	**9.5**	**8.9**
Exceptional income	5	–		3.1	
Exceptional expense	5	–		-0.5	
Profit before appropriations and taxes		**338.3**	**320.3**	**12.1**	**11.3**
Depreciation difference, (–) increase, (+) decrease		-0.2		+1.0	
Taxes	6	-1.9		-9.2	
Net income		**336.2**	**318.3**	**3.8**	**3.6**

Parent company balance sheet (FAS)

ASSETS EUR million	Note	2004	%	2003	%
Fixed assets					
Intangible assets	7				
Intangible rights		0.4		0.3	
Other capitalized expenditure		8.0		11.0	
		8.4	**0.3**	**11.3**	**0.5**
Tangible assets	8				
Land		0.5		0.5	
Buildings and constructions		34.1		25.6	
Machinery and equipment		37.5		32.3	
Other tangible assets		0.5		2.0	
Construction in progress and advance payments		13.0		7.8	
		85.6	**3.2**	**68.2**	**3.2**
Other fixed assets					
Shares and holdings		2,408.9		1,752.3	
Loans receivable	9	3.3		3.5	
		2,412.2	**90.9**	**1,755.8**	**83.6**
Current assets					
Inventories					
Raw and packaging material		3.3		2.7	
Work-in-process		0.6		0.6	
Finished goods		8.2		7.7	
		12.1	**0.5**	**11.0**	**0.5**
Short-term					
Trade receivables	9	11.4		12.9	
Loans receivable	9	43.3		174.1	
Accrued income	15	22.5		16.2	
		77.2	**2.9**	**203.1**	**9.7**
Marketable securities					
Own shares		46.6		46.5	
Cash and bank		12.9	0.5	4.6	0.2
		2,655.0	**100.0**	**2,100.5**	**100.0**

LIABILITIES AND EQUITY

EUR million	Note	2004	%	2003	%
Shareholders' equity	12,13				
Share capital		351.5		344.2	
Premium fund		95.4		85.4	
Reserve for own shares		46.5		46.5	
Retained earnings available for distribution		841.6		874.3	
Net income for the period		336.2		3.8	
		1,671.3	**62.9**	**1,354.2**	**64.5**
Untaxed reserves		40.0	1.5	39.8	1.9
Liabilities					
Long-term					
Loans from financial institutions	10	282.4		214.0	
Pension loans	10	40.4		45.9	
Other long-term liabilities		0.0		0.0	
		322.8	**12.2**	**260.0**	**12.4**
Short-term					
Trade payables	11	12.0		8.2	
Accrued expenses	16	42.1		17.7	
Other short-term liabilities	11	566.8		420.5	
		620.9	**23.4**	**446.4**	**21.3**
		2,655.0	**100.0**	**2,100.5**	**100.0**
Total retained earnings available for distribution		**1,177.8**		**878.1**	

Parent company cash flow statement (FAS)

EUR million	2004	2003
EBIT	47.8	25.4
Depreciation	-2.6	12.3
Change in inventory	-1.1	0.1
Change in non-interest bearing receivables	4.7	7.0
Change in non-interest bearing payables	0.6	4.3
Net financial income/expense	-21.5	-21.0
Taxes	-7.8	-5.2
Exceptional income/expense	0.0	3.1
Cash flows from operating activities	**20.1**	**25.9**
Capital expenditure	-12.4	-7.4
Proceeds from selling fixed assets	0.3	0.5
Acquired subsidiaries	-319.3	-0.2
Change in long-term deposits	-0.3	-0.2
Change in short-term deposits	-3.7	-174.0
Cash flows from investing activities	**-335.4**	**-181.3**
Change in long-term loans	40.8	124.5
Change in short-term loans	-36.8	81.4
Dividends	319.7	1.8
Dividends paid	-36.5	-36.5
Proceeds from stock option exercises	17.4	0.0
Proceeds from share issues	0.0	-14.8
Cash flows from financing activities	**304.5**	**156.4**
Change in liquid assets	-10.8	0.9
Liquid assets on January 1	4.6	3.6
Liquid assets from mergers	19.1	–
Liquid assets on December 31	12.8	4.6

Parent company accounting principles

The financial statements of Huhtamäki Oyj have been prepared according to Finnish Accounting Standards (FAS). The financial statements have been prepared in Euros on the basis of historical costs and do not take into account increases in the market value of assets, unless otherwise stated.

Foreign currency

Foreign currency transactions are recorded according to the exchange rates prevailing on the transaction date. Trade receivables and payables are revalued at the rate of exchange on the balance sheet date. Exchange rate differences arising from translation of trade receivables are recorded under net sales, and exchange rate differences on trade payables under costs and expenses. Exchange rate differences on translation of financial items, such as loans and deposits, are entered under financial income and expenses.

Derivative instruments

Foreign exchange forward contracts are used for hedging the company's currency position. Foreign exchange forwards are marked-to-market at the rate of exchange on the balance sheet date and recorded in the income statement as an adjustment of sales and purchases only to the extent they relate to balance sheet items being hedged. The revaluation differences of forwards used for hedging forecasted cash flows are booked to the income statement.

Foreign exchange forward contracts used for hedging financial items, such as loans and deposits, are marked-to-market and booked to other financial income and expense. Foreign exchange forwards and foreign currency loans are used to hedge net investments in foreign entities. The foreign exchange gain or loss is booked in the income statement.

The company manages its interest rate risks using interest rate swaps. Interest income or expenses deriving from such instruments are accrued over the contract period.

Intangible assets

Intangible assets are amortized on a systematic basis over their estimated useful life. The period of amortization does not exceed 20 years.

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. Freehold land is not depreciated.

Periods of depreciation used:

Buildings and other structures	20–40 (years)
Machinery and equipment	5–15 (years)
Other tangible assets	3–12 (years)

Leases of equipment are classified as operating leases.

Investments

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

Investments classified as long-term assets are carried at cost, less amounts written off to recognize permanent 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 company in accordance with the valuation policy applied to long-term investments.

Investments in associated companies are carried in the company's balance sheet in accordance with the valuation policy applied to long-term investments noted above. An associated company is one in which Huhtamaki holds, directly or indirectly, between 20% and 50% of the voting power of the company.

Inventories

Inventories are stated at the lower of cost, replacement cost or net realizable value. Cost for purchased inventories represents historic purchase price determined on a first in first out (FIFO) basis.

Cost for produced finished goods and work in process represents the historic purchase price of materials, determined on a first in first out basis, plus direct labor, other direct costs and related production overheads excluding selling and financial costs.

Income taxes

The income statement includes income taxes of the company based on taxable profit for the financial period according to local tax regulations as well as adjustments to prior year taxes. The information related to deferred tax items is included in notes.

Revenue recognition

Revenue is recognized at the date of delivery. Net sales is calculated after deduction of sales discounts, indirect sales taxes and exchange differences on sales in foreign currencies.

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.

Other operating income and expenses

Other operating income includes gains from disposal of assets and regular income, such as royalty and rental income, which has not been derived from primary activities.

Other operating expenses include losses from disposal of assets and other costs not directly related to end products such as research and development.

Exceptional income and expenses

Exceptional income and expenses includes items which fall outside the ordinary activities of the company, such as group contributions or divestments.

Notes to the parent company financial statements

1. NET SALES

EUR million	2004	2003
Net sales by categories:		
Consumer Goods	40.3	39.5
Foodservice	65.3	66.9
Total	**105.6**	**106.4**

2. PERSONNEL COSTS

EUR million	2004	2003
Wages and salaries	27.6	25.9
Pension costs	4.3	3.6
Other personnel costs	2.6	2.1
Total	**34.6**	**31.6**

The above amounts are on an accrual basis. Remuneration paid by the parent company to the members of the Board of Directors as well as the Managing Director of Huhtamäki Oyj (10 people) amounted to EUR 1.8 million. The Managing Director of Huhtamäki Oyj is entitled to retirement at the age of 60.

Personnel (average)	2004	2003
	768	**770**

3.DEPRECIATION AND AMORTIZATION

EUR million	2004	2003
Depreciation by function:		
Production	4.5	4.3
Sales and marketing	0.8	0.4
Administration	0.7	0.7
Other	2.9	2.9
Total depreciation	**8.9**	**8.3**
Depreciation by asset type:		
Land, buildings	1.0	0.8
Machinery and equipment	4.8	4.4
Other intangible assets	3.1	3.1
Total depreciation	**8.9**	**8.3**

4. FINANCIAL INCOME/EXPENSE

EUR million	2004	2003
Interest income	1.0	0.1
Intercompany interest income	4.9	0.4
Dividend income	0.4	0.2
Dividend income from subsidiaries	319.3	1.3
Dividend income from associated companies	0.4	0.5
Other financial income	185.6	17.5
Interest expense	-29.7	-7.7
Intercompany interest expense	-4.4	-25.9
Other financial expense	-187.0	-2.3
Total	**290.5**	**-15.9**

5. EXCEPTIONAL ITEMS

EUR million	2004	2003
Exceptional expense	–	-0.5
Exceptional income	–	3.1
Total	**–**	**2.6**

The exceptional expense is comprised of structural changes within the group that have been eliminated on the group level. The exceptional income consists of group contributions.

6. TAXES

EUR million	2004	2003
Ordinary taxes	-1.9	-9.2
Total	**-1.9**	**-9.2**

Deferred tax asset or liability is not included in the income statement or balance sheet. Deferred tax liability from timing differences is EUR 11.0 million (2003: EUR 11.5 million).

7. INTANGIBLE ASSETS

EUR million	Intangible rights	Other capitalized Expenditure	2004 total	2003 total
Acquisition cost at January 1	0.4	31.2	31.6	31.5
Additions	0.2	0.2	0.4	0.1
Acquisition cost at December 31	0.6	31.5	32.1	31.6
Accumulated amortization at January 1	0.1	20.2	20.3	17.2
Amortization during the financial year	–	3.3	3.3	3.1
Accumulated amortization at December 31	0.1	23.5	23.6	20.3
Book value at December 31, 2004	0.5	8.0	**8.5**	**–**
Book value at December 31, 2003	0.3	11.0	**–**	**11.3**

8.TANGIBLE ASSETS

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	2004 total	2003 total
Acquisition cost at January 1	0.5	51.3	78.7	7.8	7.9	146.2	139.0
Additions	–	8.9	0.6	11.0	2.6	23.1	7.3
Disposals	–	–	-0.4	0.0	-0.2	-0.6	-0.2
Intra-balance sheet transfer	–	0.7	4.0	-5.9	1.9	0.8	0.1
Acquisition cost at December 31	0.5	60.9	82.9	13.0	12.1	169.4	146.2
Accumulated depreciation at January 1	–	25.7	46.4	–	5.9	78.0	72.8
Accum. depreciation on decreases and transfers	–	–	-0.3	–	-0.1	-0.4	-0.1
Depreciation during the financial year	–	1.2	4.0	–	1.0	6.2	5.3
Accumulated depreciation at December 31	–	26.8	50.1	–	6.9	83.8	78.0
Book value at December 31, 2004	0.5	34.1	32.8	13.0	5.2	**85.6**	**–**
Book value at December 31, 2003	0.5	25.6	32.3	7.8	2.0	**–**	**68.2**

Revaluations of buildings and constructions in 2004 is EUR 2.4 million (2003: EUR 2.4 million).

9. RECEIVABLES

EUR million	2004	2003
Current		
Trade receivables	6.1	6.1
Intercompany trade receivables	5.3	6.7
Loan receivables	–	–
Loan receivables from subsidiaries	43.3	174.1
Accrued income and other short-term receivables	15.5	8.9
Accrued corporate income and other intercompany receivables	7.0	7.3
Total	**77.2**	**203.1**
Long-term		
Intercompany loan receivables	3.3	3.5
Total receivables	**80.6**	**206.6**

10. LOANS

EUR million	2004	2003
Current		
Loans from financial institutions – current portion	–	63.9
Pension loans – current portion	5.7	5.7
Loans from subsidiaries		
– current portion	218.5	349.0
Short-term loans	340.3	–
Total	564.5	418.6
Long-term		
Loans from financial institutions	282.4	214.0
Pension loans	40.4	45.9
Total	322.8	259.9

Changes in long-term loans and repayments	2004	2003
Loans from financial institutions		
January 1	214.0	83.9
Additions	188.3	194.0
Decreases	-107.1	-63.9
Foreign exchange effect	-12.8	0.0
Total	282.4	214.0
Repayments in 2005	–	63.9
Pension loans		
January 1	45.9	51.6
Increases	4.6	5.2
Decreases	-10.1	-10.9
Total	40.4	45.9
Repayments in 2005	5.7	5.7
Pension loans December 31		
From pension foundation	0.3	0.2
From TEL company	45.8	51.5
Total	46.1	51.7

Repayments	Financial institution loans	Pension loans
2005	–	5.7
2006	20.0	5.7
2007	22.2	5.7
2008	220.2	5.7
2009	–	5.7
2010-	20.0	17.6

11. PAYABLES

EUR million	2004	2003
Trade payables	9.6	6.5
Intercompany trade payables	2.4	1.7
Total	**12.0**	**8.2**
Other short-term payables	2.3	1.9
Current loans	564.5	418.6
Total	**566.8**	**420.5**

12. SHARE CAPITAL OF THE PARENT COMPANY

For details on share capital see note 21 of the notes to the consolidated financial statements.

13. CHANGES IN EQUITY

EUR million	2004	2003
Restricted equity:		
Share capital January 1	344.2	344.2
Subscription through option rights	7.3	–
Share capital December 31	351.5	344.2
Premium fund January 1	85.4	85.4
Subscription through option rights	10.0	–
Premium fund December 31	95.4	85.4
Total restricted equity	**446.9**	**429.6**
Non-restricted equity:		
Retained earnings January 1	878.1	923.2
Dividends	-36.5	-36.5
Treasury shares	–	-12.4
Net income for the period	336.2	3.8
Retained earnings December 31	1,177.8	878.1
Treasury shares January 1	46.5	34.1
Share buyback	–	12.4
Treasury shares December 31	46.5	46.5
Total non-restricted equity	**1,224.4**	**924.6**

14. COMMITMENTS AND CONTINGENCIES

EUR million	2004	2003
Operating lease payments:		
2005	0.2	0.3
2006 and thereafter	0.1	0.3
Total	**0.4**	**0.6**
Capital expenditure commitments:		
2005	0.2	1.0
2006 and thereafter	–	–
Total	**0.2**	**1.0**
Mortgages:		
For own debt	14.9	14.7
Guarantee obligations:		
For subsidiaries	111.3	490.1
For joint ventures	3.1	3.7
For external parties	4.6	5.0

15. ACCRUED INCOME

EUR million	2004	2003
Accrued interest and other financial items	6.0	0.0
Prepayments	6.9	6.6
Personnel, social security and pensions	0.3	0.4
Rebates	0.6	0.4
Accruals for income and other taxes	0.6	0.1
Miscellaneous accrued income	0.1	0.0
Accrued corporate income and prepaid expense	7.0	7.3
Other	1.2	1.3
Total accrued income and other short-term receivables	**22.6**	**16.2**

16. ACCRUED EXPENSES

EUR million	2004	2003
Accrued interest expense	7.2	1.6
Accrued interest expense to subsidiaries	22.7	–
Personnel, social security and pensions	9.8	7.7
Purchases of material	0.4	0.4
Rebates	–	0.2
Accrued income taxes	–	5.7
Miscellaneous accrued expense	1.7	0.9
Other accrued corporate expense	0.4	1.3
Other	–	–
Total	**42.1**	**17.7**

Proposal of the Board of Directors

On December 31, 2004, consolidated non-restricted equity amounted to	EUR 427,902,081.66
On December 31, 2004, Huhtamäki Oyj's non-restricted equity was	EUR 1,177,802,406.18
of which the net income for the financial period was	EUR 336,213,855.10

The Board of Directors proposes distribution of the retained earnings as follows:	
– to the shareholders at EUR 0.38 a share	37,367,559.54
– to be left in non-restricted equity	1,140,434,846.64
	1,177,802,406.18

The Board of Directors proposes that the payment of dividends will be made on April 11, 2005. The dividends will be paid to shareholders who on the record date April 4, 2005 are registered as shareholders in the register of shareholders.

Espoo, January 31, 2005

Veli Sundbäck	Eija Ailasmaa	Paavo Hohti
George V. Bayly	Robertus van Gestel	Timo Peltola
Anthony J.B. Simon	Jukka Viinanen	Heikki Takanen CEO

Auditors' report

To the shareholders of Huhtamäki Oyj

We have audited the accounting records, the financial statements and the administration of Huhtamäki Oyj for the period 1.1.-31.12.2004. The financial statements prepared by the Board of Directors and the Managing Director include the report of the Board of Directors, consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and parent company financial statements prepared in accordance with prevailing regulations in Finland (FAS). Based on our audit we express an opinion on the consolidated financial statements and on the parent company's financial statements and on administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 statement presentation. The purpose of our audit of the administration has been to examine that the members of the Board of Directors and the Managing Director have complied with the rules of the Finnish Companies' Act.

Consolidated financial statements

In our opinion, the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) give a true and fair view of the consolidated results of operations as well as of the financial position. The financial statements are in accordance with prevailing regulations in Finland and can be adopted.

Parent company's financial statements and administration

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 Finnish Accounting Act, of the parent company's result of operations, as well as the financial position. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors concerning the distribution of retained earnings is in compliance with the Finnish Companies' Act.

Espoo, January 31, 2005

Esa Kailiala Authorized Public Accountant KPMG	Pekka Pajamo Authorized Public Accountant KPMG

HUHTAMAKI
TAKING PACKAGING FURTHER

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