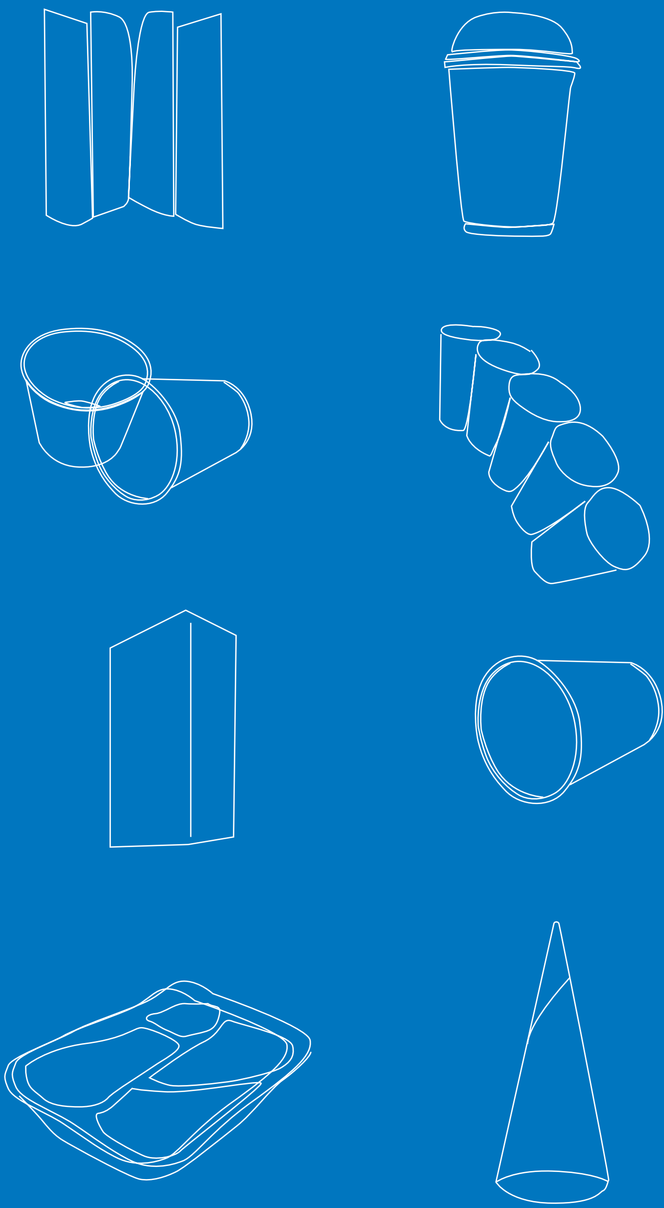
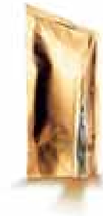


Annual Report 2005




















Contents

Huhtamaki in brief

World class packaging

Huhtamaki is a truly global consumer and specialty packaging company. Focus and expertise is in paper, plastic, films and molded fiber. Huhtamaki offers products from stock, custom designs as well as total packaging systems and solutions. Through worldwide activities and presence, Huhtamaki is committed to providing innovative solutions and ensuring operational excellence. This reflects Huhtamaki's desire to proactively contribute to its customers' success by helping them sell more. As a truly global player operating in selected categories, Huhtamaki offers its multinational customers unparalleled opportunities to improve both their efficiencies and standards by adopting similar packaging across markets. Global Technology and Development Centers help bring together people and resources devoted to developing new packaging ideas. The centers also unify Huhtamaki´s machine building and tool making activities.

Huhtamaki has evolved from a multi-industry company into a consumer packaging specialist through a series of almost 200 company acquisitions and divestments since 1980. Many of the oldest and finest names in packaging now belong to our family.

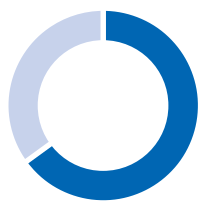
Today, Huhtamaki maintains a strategic focus on consumer packaging with 68 manufacturing and additional sales offices and almost 15,000 employees in 37 countries. Net sales in 2005 amounted to EUR 2.2 billion. Huhtamäki Oyj has been listed on the Helsinki Stock Exchange (HEX) since 1960.

Net sales by region

- Europe 52%
- Americas 32%
- Asia-Oceania-Africa 16%

Underlying EBIT by region

- Europe 51%
- Americas 32%
- Asia-Oceania-Africa 17%



Net sales by business segment

- Consumer Goods 65%
- Foodservice 35%

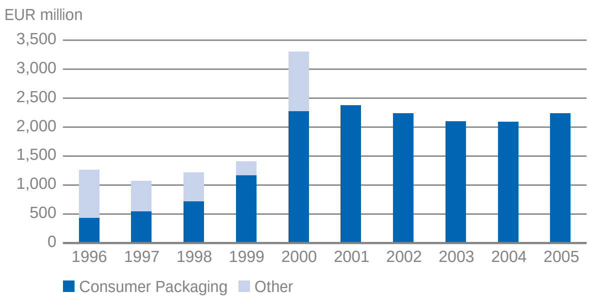
In its worldwide activities and presence Huhtamaki strives for innovative solutions and operational excellence. Huhtamaki wants to be a proactive company contributing to its customers' success by helping them sell more.

KEY FIGURES

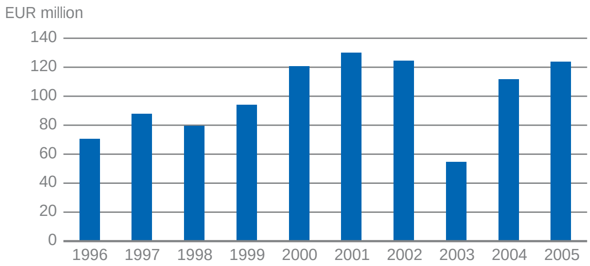
EUR million	2005	2004	change %
Net sales	2,244	2,092	+7
EBIT underlying	160	148	+9
EBIT reported	58	101	-43
Profit before taxes underlying	124	112	+11
Profit for the year underlying	101	90	+13
EPS underlying (EUR)	1.00	0.91	+11
EPS reported (EUR)	0.07	0.52	-87
Dividend per share (EUR)	0.38*	0.38	
Divident yield (%)	2.7*	3.2	
Personnel at year-end	14,935	15,531	

2005 underlying figures do not include restructuring charge of EUR 70 million and goodwill impairment charge of EUR 33 million.
2004 figures do not include restructuring charge of EUR 46 million.
*Board's proposal.

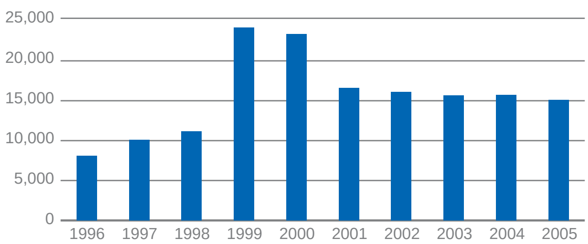
NET SALES



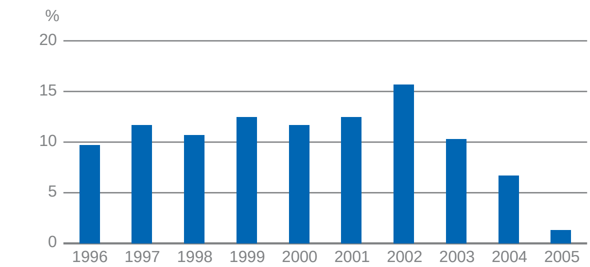
PROFIT BEFORE TAXES (1 (2



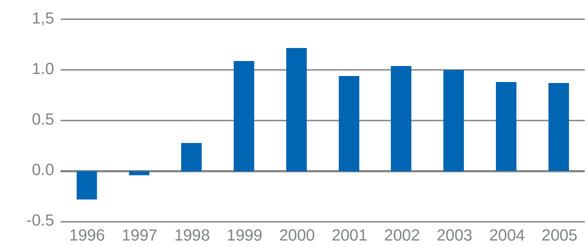
PERSONNEL AT YEAR-END



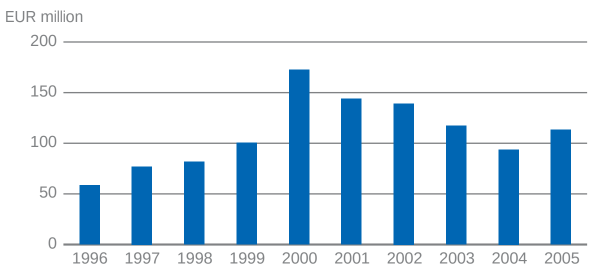
RETURN ON EQUITY (1



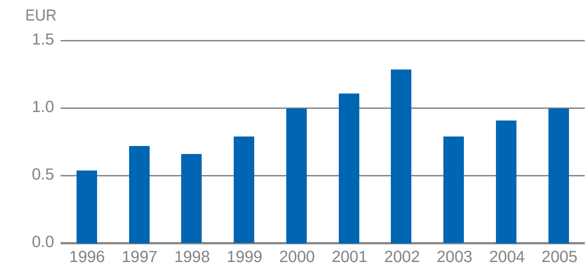
NET DEBT TO EQUITY



CAPITAL EXPENDITURE



EARNINGS PER SHARE (1 (2



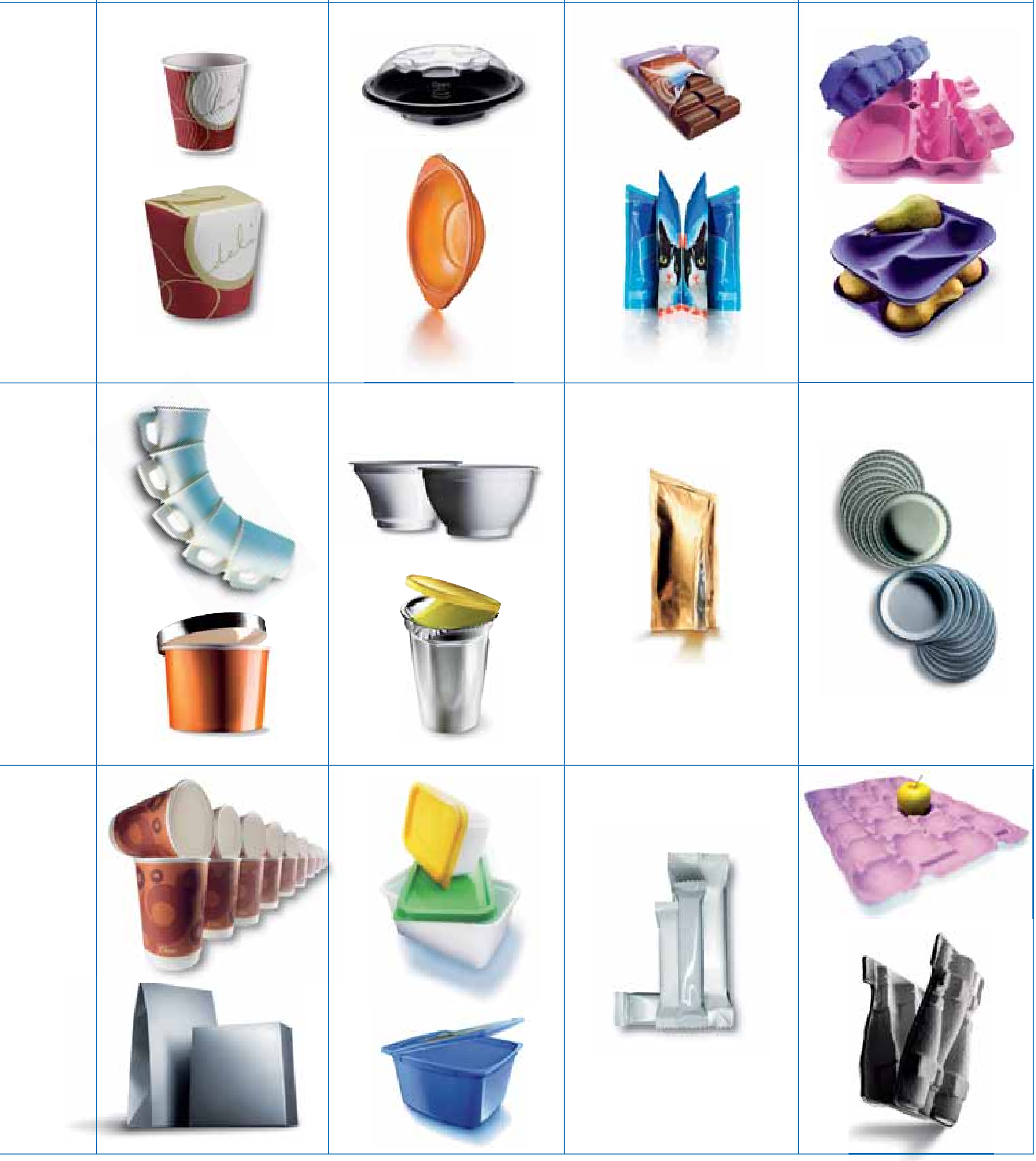
2002–2005 figures are presented in accordance with IFRS; earlier periods are based on Finnish Accounting Standards.
1) Figures until 2003 are adjusted for goodwill amortization.
2) 2005 underlying figures do not include restructuring charge of EUR 70 million and goodwill impairment charge of EUR 33 million. 2004 figures do not include restructuring charge of EUR 46 million.

Huhtamaki worldwide

	PRODUCT CATEGORIES	
	Consumer Goods	Foodservice
EUROPE Net sales MEUR 1,172 25 factories in 14 countries 7,022 employees	• Dairy • Edible fats • Ice cream • Fresh foods • Dry foods • Ready meals • Confectionary & snacks & beverages • Bady & infant food • Personal care & detergents • Pet food • Molded fiber machinery • Filling machinery • Technical & release films	• Quick service restaurants & beverage • Catering & table top • Water & vending • Retail
AMERICAS Net sales MEUR 707 18 factories in 4 countries 3,867 employees	• Dairy • Ice cream • Dry foods • Ready meals • Personal care & detergents • Technical & release films • Forming & filling machinery	• Quick service restaurants & beverage • Catering • Vending • Retail
ASIA-OCEANIA-AFRICA Net sales MEUR 365 25 factories in 12 countries 4,046 employees	• Dairy • Edible fats • Ice cream • Fresh foods • Dry foods • Ready meals • Confectionary • Baby & infant food • Pet food • Personal care & detergents	• Quick service restaurants & beverage • Catering • Retail

TECHNOLOGIES

Rigid paper	Rigid plastics	Flexibles and Films	Molded fiber



HEIKKI TAKANEN

"Our main objective in 2005 was to deliver our promise of improving business results and meet expectations – both our own and those of the company's stakeholders. I am pleased to report that we met the challenges and delivered the promise."

Message from the CEO

For Huhtamaki, 2005 was a year of action, change and improving performance. The entire organization shifted to a new gear.

Our main objective was to deliver our promise of improving business results and meet expectations – both our own and those of the company's stakeholders.

When entering the year, we knew we faced three major challenges. The volatile and exceptionally high prices for polymer-based raw materials posed one. Second, our ambitious restructuring program, including several plant closures and other invasive cost-cutting measures, had to move ahead without major disruptions to ongoing business. Third, the turnaround evident in North America had to gain strength, with accelerating sales growth followed by improving profitability. I am pleased to report that we met the challenges and delivered the promise in 2005.

A 7% increase in net sales signaled the return to growth. This reflected, above all, a sustained recovery in North America, where sales advanced clearly above market growth. The Asia-Oceania-Africa region was also dynamic. In Europe, good progress in Foodservice and Eastern Europe offset softness in some Consumer Goods packaging segments.

Growth was also profitable. The underlying EBIT before restructuring charges increased by 9% to EUR 160 million. Beyond volume growth, successful tracking of extremely volatile raw material prices contributed to the improvement, as did early cost savings from our restructuring and efficiency improvement programs. North America stood for the biggest leap in profitability, having overcome major operational inefficiencies early in the year.

Restructuring and impairment items left the year's reported EBIT at EUR 58 million. Steady cash flow from operations kept our debt position stable despite the cash impact of restructuring and a marked acceleration in capital expenditure.

When it comes to optimizing our manufacturing footprint and improving operational efficiency, 2005 was a decisive year. We were on schedule with the first phase of the restructuring program, announced in late 2004.

The second phase, announced mid-year, contained four plant closures. This work will continue through 2006. In total, restructuring will affect approximately 1,000 positions by the end of 2007 and create cost savings of EUR 40 million, with full effect from 2007 onwards.

During the year, we launched a number of initiatives in order to secure continuous improvement. We developed action programs, introduced changes in the organization and developed common core processes. Internal promotion was complemented by the external recruitment of several qualified individuals.

Huhtamaki's strategic cornerstones were defined during the year. Core businesses will be solidified through restructuring, optimizing the global manufacturing footprint and accelerating continuous improvement.

For profitable growth, we will continue investing in emerging markets such as Eastern Europe and Asia. Significant steps were announced in 2005: a new rigid packaging facility in Southern China, a flexible packaging unit in Northern India and capacity expansion in our newly completed flexibles unit in Vietnam.

In the mature markets of Western Europe, North America and Oceania, we will pursue growth through an accelerated stream of innovations and new product launches. An important prerequisite is to further deepen key customer relationships. To this end, we are developing our global Key Account Management processes.

Another element in strategy is improved leverage of group synergies. Many of the key recruitments I referred to earlier were, in fact, to reinforce critical group functions.

I remain optimistic about Huhtamaki's prospects in 2006 and beyond. Good end-user dynamics with ever-changing consumer habits and needs provide the basis for continuous innovation. In emerging markets, the number of new middle income consumers will grow significantly.

Volatility in raw material prices is likely to continue, and the cash impact of ongoing restructuring will affect our cashflow in the short-term. Keeping the restructuring program, other efficiency improvement initiatives and capital expenditure projects on track is a major challenge in itself. Overall, it is prudent to expect 2006 to be another year of moderate improvement in underlying business results.

In closing, I would like to extend my sincere thanks to all Huhtamaki employees for rising up to the challenge, as well as our customers, suppliers and other stakeholders for continued support.

HEIKKI TAKANEN

“Consumer and demographic trends, brand development, packaging innovations and materials substitution creates shifts in demand between different kinds of packaging.”

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%. Packaging for foods and beverages accounts for about two-thirds of the total demand, with North America, Asia-Oceania-Africa and Europe as the main market areas. The rapidly developing markets of Eastern Europe, Asia and South America represent significant growth potential.

Industry characteristics

The packaging industry remains fragmented due to the diversity of packaging types, shapes, sizes, materials and technologies. Furthermore, many types of packaging must be produced in relative proximity to customers.

Several global or regional consumer packaging groups have emerged, with Huhtamaki spearheading this evolution in the late 1990s. Companies that can claim category leadership typically post annual sales in the range of EUR 1 to 7 billion.

Customers

Principal customers for the consumer packaging industry are food and beverage companies, manufacturers of other fast-moving consumer products (non-food), Foodservice operators, fresh food packers and retailers.

Huhtamaki’s main customers in Consumer Goods include Arla, Colgate Palmolive, Deans, General Mills, Kroger, Nestlé, Procter & Gamble, SC Johnson, and Unilever.

Huhtamaki’s main customers in Foodservice include Bunzl, Coca-Cola Company, Costco, Kroger, McDonald’s, Sam’s, Sysco, Unilever, Wal-Mart, and Yum! Brands.

Demand

Consumer packaging displays a long-term growth rate that follows GDP growth. Business cycles do not significantly affect overall volume development.

Consumer and demographic trends, brand development, packaging innovations and materials substitution create shifts in demand between different kinds of packaging. For example, plastic – both in the form of rigid and flexible packaging – has taken market share from metal and glass in barrier applications, thus providing long shelf-life for perishable products. New applications for fiber-based packaging (both cartonboard and molded fiber) have also evolved. These trends have worked to Huhtamaki’s benefit.

Regional development

The developed markets for packaged foods and other fast-moving consumer products show significant similarities. In Western Europe, North America and Oceania, global or regional food processors, food service operators and retailers command a major part of the entire supply chain and set the pace of development. Total food consumption in these markets is not growing significantly, which intensifies competition for market share and forces major companies to seek growth from new, emerging markets. Huhtamaki's strategically positioned asset base enables the company to follow and serve this trend.

Europe

The Foodservice market continues to grow, creating opportunities to develop innovative new products. The Catering segment recently has seen the emergence of major international operators, although the cultural variety is considerable from one country to another.

In Consumer Goods, the role of packaging as a driver for sales growth and value added is widely recognized. At the same time, intensifying competition in the retail industry forces efficiency improvements throughout the supply chain.

For Huhtamaki, market growth in Eastern Europe and increasing demand for advanced rigid and flexible packaging solutions have offset stagnation and price erosion within certain established segments. Molded fiber remains the preferred packaging material for eggs and many types of fresh produce.

Americas

The North American retail arena is constantly changing. New retail chains are gaining foothold in various regions and the mass merchant market continues to grow. Customer and supplier consolidation also affect the client base.

Polarization is evident in the market for packaged foods. Consumers are turning to larger count packs and the growing population of senior citizens increasingly value-conscious in their shopping behavior. As a consequence, the demand for private label products is growing in many product segments. At the same time, trends also indicate an increase in brand awareness and preference for premium quality products.

In Foodservice, demand is growing for food-on-the-go products. Various ethnic and upscale casual dining concepts have driven product development.

Flexibility in production and logistical benefits, especially in view of escalating energy prices, have given a competitive advantage to Huhtamaki's system packaging for frozen desserts and other processed foods.

In Mexico and South America, market growth is continuing, especially among Consumer Goods customers. This can be seen in rigid plastics, molded fiber and flexibles businesses.

Asia-Oceania-Africa

Global fast food chains are growing rapidly in emerging markets in the Asia-Oceania-Africa region. Foodservice remains a growing segment across the region, although growth in mature markets such as Australia and New Zealand stems mainly from the high value added foodservice channels.

Similarly, large multinational food companies are expanding in Asia following the expansion of modern food distribution. Strong demand growth is seen for flexible packaging.

Market development follows the trends of freshness and convenience. Legislation is expected to influence consumer purchasing behavior, with key economies in Asia beginning to pay more attention to environmental and sustainability issues.

Sustainability

In the long run, sustainability aspects of consumer packaging are likely to play an increasing role in the choice of preferred packaging solutions. The escalating prices of non-renewable raw materials and energy will work in favor of packaging solutions made from renewable, re-usable and recyclable raw materials. Huhtamaki has developed sustainable packaging products and concepts since the 1980s, and is an active participant in industry-wide environmental initiatives and recycling schemes.

The company's new, compostable product line in Europe has received a positive market response. Biopolymers made from annually renewable crop plants are seen as an alternative for oil-based raw materials and coatings in many packaging applications.

Raw materials and utilities

The high and volatile prices for oil-based raw materials and energy have provided major challenges for margin management in recent years. Purchases of raw materials and utilities account for 40–50% of Huhtamaki's total sales, with volatility in commodity prices and changes in product mix attributing to the variation.

Huhtamaki has taken determined measures to reduce its exposure to fluctuations in raw material and energy prices. Leveraging Group synergies through a centralized Global Sourcing function is of key importance.

Breakdown of raw materials and utilities

"Winning new business requires market and trend insight, innovativeness and technological alternatives, as well as utmost integrity and confidentiality."

Strategy

Huhtamaki's strategy builds on three cornerstones:
- *Solidifying positions in core businesses*
- *Profitable growth in attractive segments of traditional markets and expansion in emerging markets*
- *Leveraging group synergies*

In 2005, all three cornerstones were strengthened through determined actions, with focus on improving cost efficiency, investing in strategic growth and adding new talent.

Solid core businesses

Huhtamaki's core businesses are segments of the consumer and specialty packaging market where the company has or can attain a sustainable leadership position. Core businesses are also challenged to consistently produce good financial returns and provide leverage from being part of Huhtamaki. A sustainable competitive position is being secured through innovation, accelerating continuous improvement and restructuring where necessary.

Growth from deeper customer relationships

Huhtamaki's customer base represents a mix of leading global or regional food and foodservice companies, as well as smaller, local operators. While each customer deserves the same level of attention, key accounts provide important revenue and growth potential.

Drivers that benefit Huhtamaki include:
- Customer consolidation and globalization, extending existing products to new markets
- Market polarization between fewer, widely promoted brands and value-for-money private labels, each requiring appropriate packaging solutions
- Enhanced role of packaging as integral part of a distinctive product

Winning new business requires market and trend insight, innovativeness and technological alternatives, as well as utmost integrity and confidentiality. Huhtamaki's Technology and Development capabilities meet these requirements, and the constantly evolving Key Account Management processes address all aspects of intensifying key customer partnerships.

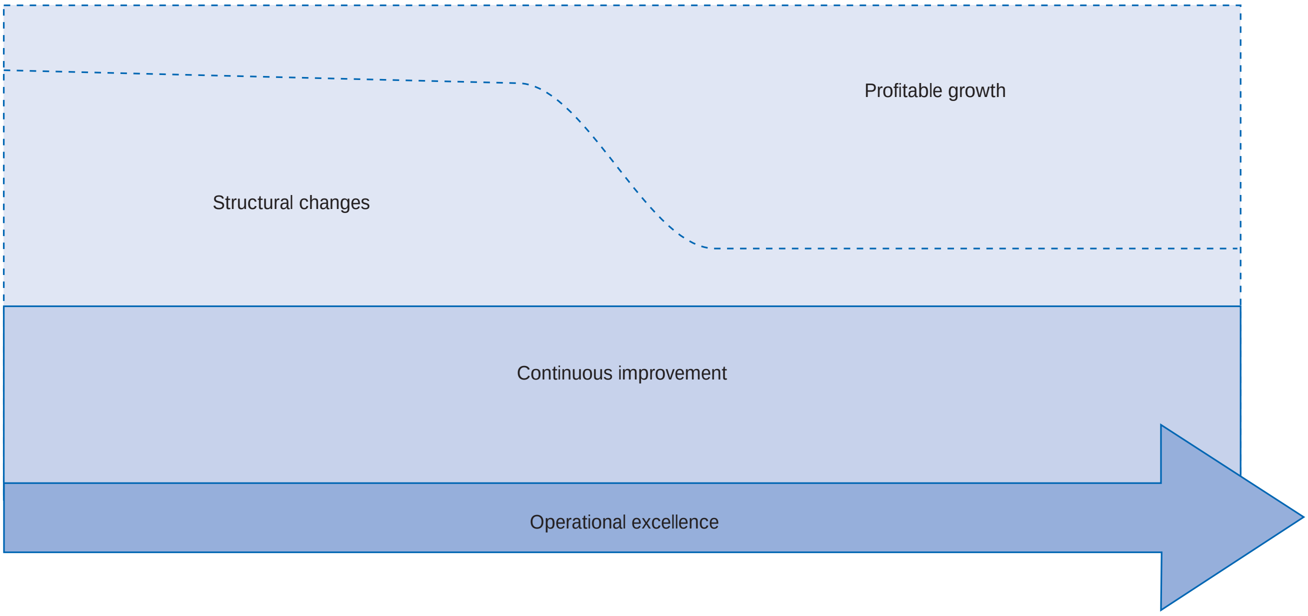
Growth from emerging markets

Huhtamaki continues to expand its activities in the emerging markets of Asia, Eastern Europe and South America. The first Asian operation was established over two decades ago, and the first Russian and Polish facilities a decade later. Today, Huhtamaki has a unique position in emerging markets, which accounted for over 15% of the company's revenue in 2005.

Leveraging Group synergies

In addition to the advantages of size, scale, and global presence, Huhtamaki is pursuing and leveraging group synergies. These include logistics, purchasing, technology and development, human resources as well as other processes. In 2005, several initiatives to improve the overall quality and efficiency of these activities progressed well. Key appointments and recruitments reinforced the organization.

HUHTAMAKI'S MEDIUM TERM AGENDA



“Knowledge of a wide range of technologies and expertise in combining different technologies allow Huhtamaki to offer multi-technology solutions to customers…”

Technology & Development

Operating as a global network, Huhtamaki’s technology & development (T&D) function ensures that optimal packaging solutions and new materials always are available to customers.

Innovation capability and improved new product development are crucial success factors. The T&D team actively heads communication within the global development network, which ensures the sharing of knowledge and best practices.

In 2005, Huhtamaki further strengthened its T&D function in order to speed up the implementation of high-priority product development. The new organization secures the coordination of Huhtamaki’s new product development resources and ensures a consolidated capabilities strategy.

Key trends drive innovation

Huhtamaki continuously pursues superior packaging solutions for the benefit of its customers. To qualify, new products and concepts must add value on several dimensions:

- Consumers (end-customers): Enhanced convenience, functionality and safety
- Customers: Brand differentiation, variety of pack sizes, shelf life, cost efficiency
- Supply chain: Packaging that best perform in the multiple stages throughout the supply chain
- Society and the environment: Sustainability and compliance with laws and regulations
- Huhtamaki: Enhanced efficiency, growth potential and adequate return on investment

In mature markets, several consumer trends are at play, creating new packaging needs and innovation opportunities. These include demographic and socioeconomic developments, such as the increasing number of single households and the aging population. Scarcity of time – to shop, cook or eat meals at home, convenience, mobile lifestyle and health consciousness are further examples of current trends. In emerging markets, the development of local infrastructure, new modern distribution channels, and in the growing urban mid-income population are key drivers.

The environmental aspects of packaging are increasingly important to customers and end-users. Huhtamaki’s technological and engineering capabilities are in place to continuously develop new, environmentally friendly packaging solutions. For example, the early adoption of biopolymers in large-scale production in 2004–2005 would not have been possible without in-house test facilities and built-in flexibility in production equipment.

Collaboration with customers and suppliers

Product development takes place in close cooperation with customers, resulting in both gradual product improvement and entirely new solutions. Huhtamaki strives to form partnerships with its key customers as an important element of integrated product development. Similarly, joint development initiatives with key materials and equipment suppliers leverages Huhtamaki's position as one of the leading players in the industry.

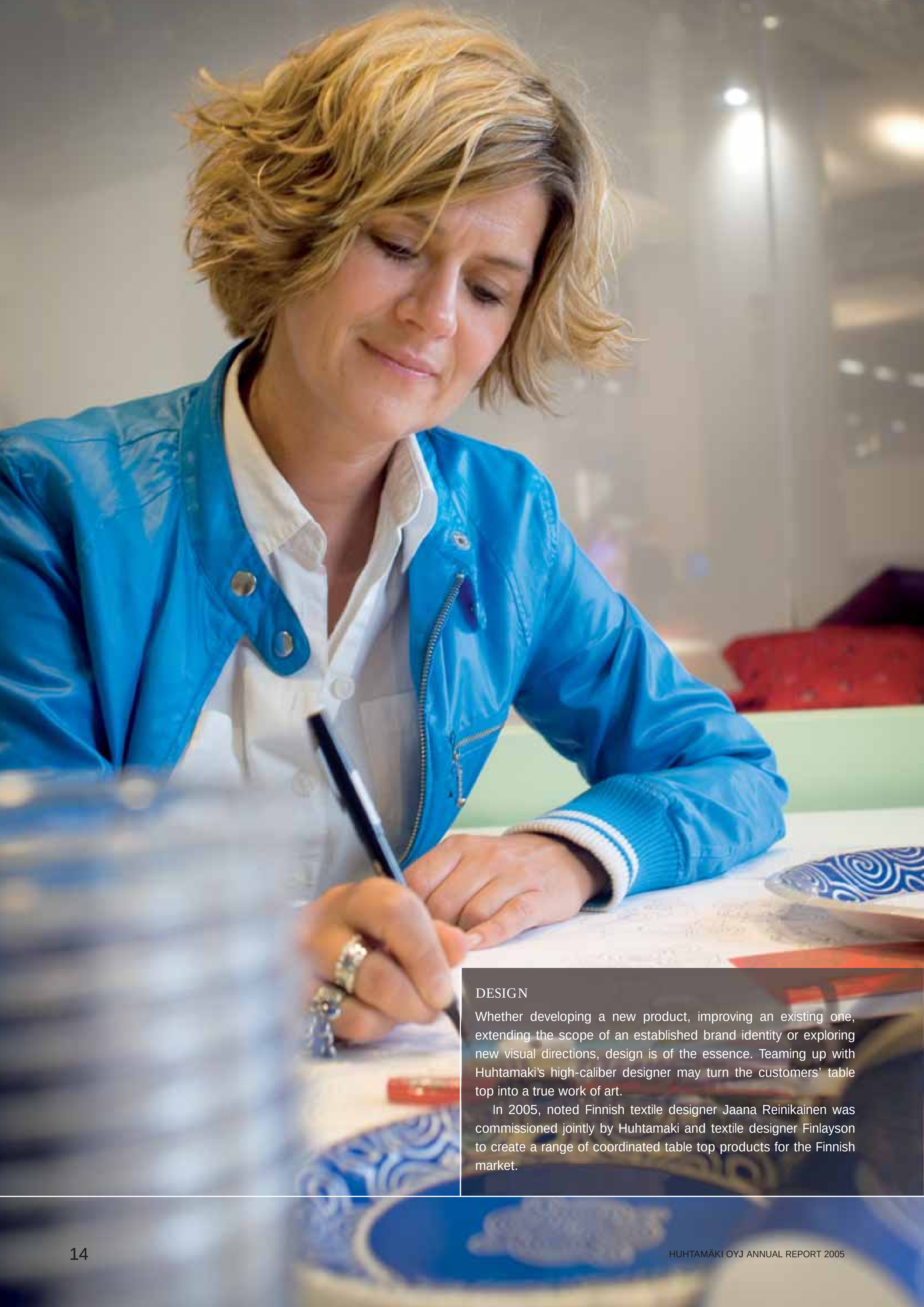
Knowledge of a wide range of technologies and expertise in combining different technologies allow Huhtamaki to offer multi-technology solutions to customers, making the company a trustworthy and innovative partner.

AWARDS IN 2005

Huhtamaki received several awards for new products in 2005.

- Two ERA 2005 awards by European Rotogravure Association to Huhtamaki Flexibles in Europe For Outstanding print quality on the Toblerone Multipack made of metallized film. Customer: Kraft Foods. For Outstanding print quality on the Coffee Multipack made of paper. Customer: Tchibo.
- WorldStar 2005 award by World Packaging Organisation (WPO) to Huhtamaki Rigid Europe for the BioWare* FreshClose container made of PLA.
- Alufoil Trophy 2005 award by the European Aluminium Foil Association (EAFA) to Huhtamaki to Huhtamaki Flexibles in Europe for the new stand-up pouch designed for Knorr Creamy Parsley Sauce (Unilever Bestfoods, UK).

*BioWare cups and containers are made from a biopolymer called NatureWorks® PLA, a trademark of NatureWork LLC.



DESIGN

Whether developing a new product, improving an existing one, extending the scope of an established brand identity or exploring new visual directions, design is of the essence. Teaming up with Huhtamaki's high-caliber designer may turn the customers' table top into a true work of art.

In 2005, noted Finnish textile designer Jaana Reinikainen was commissioned jointly by Huhtamaki and textile designer Finlayson to create a range of coordinated table top products for the Finnish market.

Europe

Europe's share of Huhtamaki's 2005 net sales totaled 52%. All main product categories and manufacturing technologies are represented in Europe. The company has a strong position in the steadily growing Foodservice category as a whole, as well as in many key segments of Consumer Goods packaging.

Huhtamaki's core technologies in Europe include paper forming and plastic thermoforming, flexibles and films lamination as well as molded fiber. Foodservice category and several Consumer Goods segments, such as high-barrier applications, fresh foods packaging, and retortable multilayer laminates offer the best growth opportunities.

Eastern Europe is a rapidly developing market, offering potential for further expansion. Huhtamaki has gained a strong position in Foodservice products and key Consumer Goods items. The Russian, Polish, Czech and Turkish units serve the growing local market, and are exporting part of their output to key European customers in Western and Central Europe.

Potential for further consolidation, demand growth in emerging markets and low cost base manufacturing all are considered when defining the future manufacturing footprint.

To this end, Huhtamaki launched a restructuring program in the latter part of 2004 designed to optimize the group's manufacturing footprint and achieve a major improvement in cost efficiency. The first phase of the program, which focused on European rigid operations, was completed by the end of 2005.

Year 2005

The dualistic development of the European market continued in 2005, with growth in Foodservice accelerating while some rigid and flexible Consumer Goods segments remained stable during most of the year.

In Foodservice, both the important Quick Service Restaurant & Beverage and Catering segments displayed growth, driven by all key accounts and with improving sales across Europe.

In Consumer Goods, the market for rigid packaging remained challenging in Western Europe, especially in the edible fats and ice cream segments. In Eastern Europe, however, Consumer Goods posted growth. The Fresh Food segment continued to grow on the strength of Huhtamaki's comprehensive and constantly evolving product offering. The flexibles business remained stable, with the positive impact of successful new products offsetting softness in established categories such as soups.

Molded fiber continued solidly, and product sales were complemented by successful machinery sales. The Films division derived growth from a broad front, much of which was based on newly introduced niche products.

Huhtamaki's ongoing restructuring program affected several European units. In the UK, the rigid packaging units Leeds and Skelmersdale were closed, and a significant workforce reduction in Portadown was initiated. The Göttingen rigid packaging unit in Germany will be closed by mid-2006, and the transfer of production to Poland and Spain was started in the second half of 2005.

CYCLERO – A REVOLUTION
ON THE SUPERMARKET SHELF

Cyclero – a new Huhtamaki packaging with high printing quality – is a real eye-catcher on the supermarket shelf. The Cyclero flexible pack can be used for any pasty, powdery and particulate products as well as non-carbonated drinks. Cyclero is based on a new generation of multilayer flexible packaging that can be combined with injection molded and thermoformed parts, giving very good convenience like easy opening, reclosability, barrier and microwaveability. The lightweight pack gives advantages in logistics, material consumption, ecology and for disposal.

Future prospects

In 2006, the main focus in Europe is to finalize restructuring and implement the new business model in full, while accelerating the momentum of day-to-day business, new product introductions, and continuous improvement in operational efficiency.

The outlook for Foodservice is one of continued growth, with the existing product range in good demand. Also new concepts, e.g. for salad, take-out containers, and hot drink cups is experiencing rapid growth. In Consumer Goods, new materials such as biopolymers and decoration enhance the competitiveness of plastic thermoforming.

Flexibles are focused on launching innovative products with various convenience options for customers, who aim to differentiate their products. The outlook for Films is to continue to grow with existing specialized products in all regions in North America and Asia. New products will support growth especially in Europe.

KEY FIGURES EUROPE

	2005	2004	change %
Net sales, EUR million	1,172	1,152	+2
% of Group total	52	55	
EBIT underlying*, EUR million	72	69	+5
RONA*, %	9.2	8.6	
Personnel at year-end	7,022	7,352	
Number of manufacturing units	25	27	

* excluding restructuring charges

SALES

A modern salesperson, like Lindomar Sousa from Huhtamaki Brazil, is a problem-solver, information resource and partner to the customer's future success.

While the interface between customers and suppliers along the supply chain has broadened from the narrow contact point between sales and purchasing to encompass marketing and T&D, for example, sales still takes the lead in developing customer relationships. In 2005, Huhtamaki took important steps to strengthen its Key Account management.

NEW FROZEN DESSERT BULK CONTAINER IN US MARKETPLACE

Americas' Consumer Goods Division introduced Bulkan EX®, a three-gallon paperboard bulk container designed for producers who utilize metal detection during production. This stout container features a plastic ring instead of metal, and is formed on the newly developed FM2000-EX packaging system machine. Package components are shipped to the producer flat instead of preformed, which reduces shipping, storage and transportation costs and enables packages to be formed on the customers' production line.

Americas

North and South America accounted for 32% of Huhtamaki's net sales in 2005. In North America, the company has strong positions in the Consumer Goods, Foodservice and Retail categories. Huhtamaki's operations in South America comprise rigid plastics in Brazil and Argentina, as well as molded fiber and flexibles (Laminor S.A.) in Brazil.

After a marked slowdown in 2002–2003, the North American Foodservice market returned to growth, with good demand for various portable foods. Paper and plastic packaging play an increasingly important role in growth and product differentiation. Huhtamaki focuses on leveraging its full range of Foodservice products and technologies to meet the growing needs and expanding requirements of this market.

The market for retail single-use tableware in North America is dynamic and growing. Consumer trends indicate increasing brand awareness and preference for premium quality products. Huhtamaki's Chinet® brand is a solid asset in the premium plate market, and this product range has been broadened succesfully.

In Consumer Goods packaging, close collaboration continues with large national food processors and other manufacturers of consumer products in order to meet their needs for innovative and functional packaging. Frozen desserts remain an important product segment. Same core technologies and products have found widespread applications also in other food and custom-packaging segments.

In South America, Huhtamaki has solid positions in several market segments. Brazil represents the most important local manufacturing base for rigid, flexible and molded fiber packaging.

Year 2005

The positive volume development recorded in 2004 in the Americas continued in 2005. Several drivers, including clear overall market growth, an actively managed product mix and pricing strategy, as well as successful new products contributed to Huhtamaki's 16% net sales increase in the region's reported net sales.

During 2005, the region's profitability improved distinctively, with progress accelerating towards the end of the year. Efforts to optimize operations, distribution and logistics were key contributors to improved profitability. In addition, aggressive recovery goals were achieved to mitigate the impact of escalating raw material and energy costs. Significant training was included in these efforts in order to get better and faster results from improvement projects.

Retail and Consumer Goods businesses in North America were strong contributors to the improvement. Also the Foodservice business showed growth, which accelerated towards year-end. The Mexican operations developed steadily and the business in South America remained on a solid footing.

During the year, the operations in the Americas continued developing innovative products for its customers. A good example of this is growing demand for the Chinet Casuals® plates, which were launched in 2004 to extend the table top product line.

YUM! Brands, Inc., the restaurant company, presented Huhtamaki two prestigious awards for its achievements in North America in 2005. "US Supplier of the Year" and "US Packaging Supplier of the Year" are coveted awards that show appreciation for Huhtamaki's services and products.

Future prospects

In 2006, sales growth is expected to continue in the Americas, albeit closer to market growth in North America than in 2005.

Growth is projected for the Retail segment. The grocery trade channel will continue to consolidate, while private label and generic products will grow in most channels. Foodservice will continue to focus on expanding its share of the fiber, paper and plastic market, while Consumer Goods is expected to grow approximately in line with GDP growth. Key account management will be one key area of emphasis.

In South America, growth is expected to continue, especially within the Consumer Goods category.

KEY FIGURES AMERICAS

	2005	2004	change %
Net sales, EUR million	707	609	+16
% of Group total	32	29	
EBIT underlying*, EUR million	46	30	+55
RONA*, %	8.0	5.1	
Personnel at year-end	3,867	3,949	
Number of manufacturing units	18	18	

* excluding restructuring and goodwill impairment charges

PRODUCTION

"We like to get it done!" With the skilled and committed employees, like Elizabeth Salguero from Huhtamaki Australia, promises are delivered. In the vast Asia-Oceania-Africa region over 4,000 employees ensure Huhtamaki's customers the best available service. The market is growing rapidly especially in South-East Asia, India and China, and Huhtamaki follows the growth with new capacity investments.

AIRLINE CUP A SUCCESS IN NEW ZEALAND

Building a profile for a product and establishing end user awareness has been made easy in the successful New Zealand market with the acceptance of the recently launched double wall cup range by the national airline.

As the airline of prominence in New Zealand, our cups have become a pivotal promotional vehicle for numerous marketing initiatives on their annual calendar, an outstanding success which has been widely heralded.

Asia-Oceania-Africa

The Asia-Oceania-Africa (AOA) region accounted for 16% of Huhtamaki's net sales in 2005. The vast and diverse region is addressed through three main business units: Rigids, Flexibles and Molded Fiber. Huhtamaki is one of the leading specialty packaging companies in AOA, with the most widespread presence across the geography.

The region consists of both developed and stable markets such as Oceania, and rapidly expanding markets including South-East Asia, India and China. Many of Huhtamaki's customers are multinational or large local companies pursuing opportunities to provide higher value products to both well-developed and emerging markets.

Huhtamaki is investing in strategic growth markets in the region in order to increase production capacity and enhance competitiveness through improved cost-effeciency. The company is also developing a strong innovation and product development platform to ensure the flow and management of new products.

By sharing technologies, knowledge and products across business regions duplication is minimized and consistent product offerings are maintained.

Sustainable growth also requires continuous improvement in product quality and logistics.

Year 2005

During 2005 the AOA region experienced several changes. Whilst focus in Oceania continued on innovation and cost efficency, the growing Asian markets are supported with capacity expansion.

The company's ongoing restructuring program extended to AOA. In Australia, the smaller Bayswater rigid unit was consolidated into the larger Mulgrave unit in the final months of the year.

Following a comprehensive review of the AOA operations, important investment decisions were made. A new rigid packaging plant will be constructed in Southern China. The existing site in Hong Kong will gradually be closed down by the end of 2007, and the activities will be transferred to the new unit. A new flexibles plant will be constructed in Northern India during the first half of 2006. In addition, the flexibles unit in Vietnam, which was completed in 2004, will see significant capacity addition by mid-2006. These initiatives will improve the growth potential in the respecitve core markets and also address export opportunities with state-of-the-art technology and a favorable cost structure.

Future prospects

Huhtamaki's presence and capabilities across AOA will strengthen, following the recent investment decisions. The outlook for 2006 is one of continued growth in flexibles, as well as in rigid packaging, the latter being driven mainly by Foodservice accounts. The new organizational structure will help the company to address its key customers' needs to the fullest, and to align the product offering across the region.

The outlook for high value added flexibles is improving, and the global films business is also set to grow as the Asian market expands.

KEY FIGURES ASIA-OCEANIA-AFRICA

	2005	2004	change %
Net sales, EUR million	365	332	+10
% of Group total	16	16	
EBIT underlying*, EUR million	24	24	+3
RONA*, %	8.2	8.4	
Personnel at year-end	4,046	4,230	
Number of manufacturing units	25	26	

* excluding restructuring and goodwill impairment charges

Corporate responsibility


WORLD CHAMPIONSHIPS AND BIOWARE*

Huhtamaki's environmentally sound single-use range BioWare was used by the main caterers of the 10th IAAF World Championships in Athletics, arranged in Helsinki in August 2005. BioWare suited the event's profile, as it observes the environmental program ECO-mass (ECO-efficient Mass event), a program aimed to reduce the overall environmental impact of the event by e.g. enhancing the sorting of waste and reducing the amount of waste to landfill.

Corporate responsibility

To an increasing extent, corporate performance is judged not only by economic criteria, but also by the environmental and social value added. Huhtamaki is committed to continuous improvement on the three dimensions of sustainability.

Together with customers, suppliers and other relevant stakeholders, Huhtamaki continuously develops its processes and procedures to effectively manage the opportunities and risks that paradigm shift towards sustainability entails.

Overall, the past year marked the continuation of solid progress in most areas of activity included in the broad categories of sustainability or corporate responsibility.

The continuing development of the range of biopolymer coated paperboard cups, cups and containers made of the NatureWorks® PLA* biodegradable plastic and Chinet® plates and bowls from 100% recycled fiber are all examples of innovative packaging developments. Huhtamaki's efforts in developing the biodegradable range have also been recognized, with Europe rigid packaging receiving the WorldStar 2005 award from the World Packaging Organisation (WPO) for the FreshClose container made of PLA.

The Group Operational Environmental performance is showing progress towards the eco-efficiency targets set in 2003 and internal data systems have been upgraded to better fulfill the expectations on data consolidation and best practice sharing.

The ongoing restructuring, resulting in four plant closures will affect approximately 1,000 employees, posed particular challenges to Human Resources (HR) management. In this process, Huhtamaki offered coaching and consultation, outplacement services and training for the employees affected.

Huhtamaki's position and progress have been acknowledged through its inclusion in the Dow Jones Sustainability STOXX Index and Kempen's SRI Index.

Policies and principles

Huhtamaki has a global environmental policy in order to ensure globally consistent operating principles and is a signatory to the ICC Business Charter for Sustainable Development. Following the introduction of a condensed version in 2004, the company issued the definitive Code of Conduct in 2005. It addresses the obligations and ethics in all aspects of the company's business and thus sets out clear guidelines for employees when dealing with customers, other parties in the supply chain, shareholders and authorities. The Code of Conduct is complemented by more detailed corporate policies and guidelines.

*BioWare cups and containers are made from a biopolymer called NatureWorks® PLA, a trademark of NatureWork LLC.

People

Some 15,000 professionals in 37 countries around the world ensure Huhtamaki's customers the best available service. Huhtamaki's Human Resource mission is to "Take our People Further" by influencing the strategic direction, supporting the achievement of business goals, and ensuring the effective use of our people capabilities.

Huhtamaki is an equal opportunity employer, recognizing diversity as an asset in its workforce. In all its activities Huhtamaki complies with national and international laws and standards, and respects human rights and fair labor practices. Huhtamaki supports the International Labour Organization Principles and group-wide ethical guidelines have been issued and communicated throughout the organization. Huhtamaki's updated Code of Conduct was issued in 2005 and it further sets out standards of ethical behavior required of all employees and members of the management.

Personal development

Huhtamaki encourages its employees to steer their personal development and expects managers to develop their teams' capabilities. There are many initiatives underway to support the personnel development.

Both the existing competence framework and the development programs are currently under review, and clear development pathways for employees are being identified. Huhtamaki also aims to build on the strength of its Performance Management culture by further developing performance management processes and practices.

Huhtamaki strives to be the company of choice for professionals who are keen to expand their knowledge and who are motivated and able to work in a global environment. Development and learning is supported in all its forms; by on-the-job learning, project assignments, formal training programs and international job rotation. Job rotation, which accelerated markedly in 2005, improves general employee awareness of the company's internal career opportunities. During the year, over one hundred specialists and professionals were invited to participate in global task forces or projects.

The well-established company management and leadership training programs, Advanced Leadership Program and International Leadership Program, were also held in 2005 and continue to be enriched every year. The programs are valued as a forum, where participants can build their network across the units and share best practices, thus promoting the Huhtamaki One Company approach.

Talent management

Talent Management is a key process and is continuously reviewed by the Group management. The objective of Talent Management in Huhtamaki is to make sure we have the right people in the right place doing the right things in order to reach strategic goals and meet individual aspirations.

As a consequence, Huhtamaki's People and Organization Planning process, POPP, was renewed in 2005. The objective of POPP is to assess the organization's capability needs to ensure that strategic goals of each organization can be met. Local management teams, with the support of the local HR, identify the talent requirements of each team in order to actively address any capability gaps identified. POPP thus provides managers with concrete tools to develop their teams. In 2005, the Huhtamaki talent pool was further strengthened by successful key recruitments. The POPP process will be further developed and implemented during 2006.

Employee health and safety

Huhtamaki emphasizes frequent training and motivation to follow safe working procedures in order to avoid industrial accidents.

In Europe, for example, a comprehensive safety campaign was carried out in Huhtamaki Ronsberg in Germany. The safety campaign started with awareness-building and continued as a training program to achieve a permanent change in behavior. The result was a notable decline in hours lost due to accidents, with the 2005 figure at only one-third of the peak rate in 2003. The decline of severe accidents resulting in more than three days of absence was even more pronounced, with an 80% reduction from 2003.

In Huhtamaki Americas, Human Resources partnered with Operations to begin behavior-based safety training for Huhtamaki's manufacturing facilities in the United States. The training focuses on increasing safety awareness and aims to establish clear expectations for working safely, teaching employees how to make safety observations and promoting communication between line management and employees about safety related matters.

In Huhtamaki Asia-Oceania-Africa lost time injuries were reduced by 40% in 2005. Site and country based programs, such as establishing common health and safety management standards and improvement plans in each location, have contributed to the result. Internal and external audits have been employed to measure improvement.

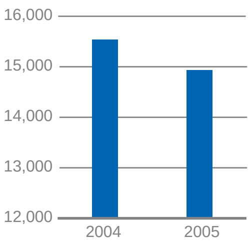
Human resources

Huhtamaki has group level policies and guidelines in the areas of compensation & benefits, recruitment, performance management and development. Our local HR policies, while conforming to local legislation, are in line with and complement the global policies.

To ensure that the HR function is closely linked to the business, local and regional HR staff report to line management. The global HR network unites these functional experts to regional and Group HR on a dotted-line basis. An annual HR conference as well as shared HR projects and systems strengthen global HR cooperation and align local practices.

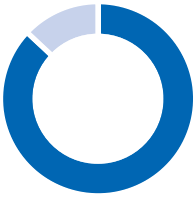
The ongoing restructuring processes have progressed according to plan, owing to the highly competent and motivated people involved.

Employees,
Group total



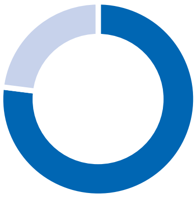
Employees, by region
(year end)

- Europe 7,022
- Americas 3,867
- AOA 4,046



Employees, hourly vs. salaried
Group total

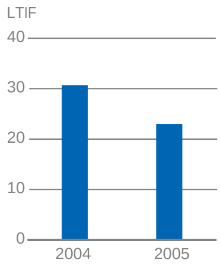
- Hourly employees 87%
- Salaried employees 13%



Gender distribution
Group total

- Male 77%
- Female 23%

Lost Time
Incident Frenquency



Lost time incident frequency = (LTI divided with worked man-hours) * 1,000,000 hours.

Lost time incident (LTI) is defined to be an accident or an injury that caused the employee to miss one full shift which is regularly scheduled for the employee.

Environment

Assessing the environmental aspects of our packaging and the products it protects throughout the entire lifecycle is an essential activity when determining the focus of our environmental efforts. Huhtamaki's environmental drivers are not limited to the converting phase of the packaging, but also originate from phases either before or after converting. Uncompromised hygiene and reduced spoilage are not only essential for human health, but also for the environment.

Organization

The environmental health and safety management activities are primarily carried out on site level. Dedicated specialists consolidate site level information and activities at Group level. The Environment, Health and Safety (EHS) functions at the manufacturing units convene regularly for assessing the development of the Group EHS targets and action plans.

Significant environmental aspects

The most significant environmental aspects of operations are energy consumption, emissions to air and solid waste. Actions to incorporate the requirements of the forthcoming Volatile Organic Compounds (VOC) directive are well underway. Procedures to meet the essential requirements put forward in the packaging and packaging waste directive are being implemented in Europe.

Management

Management systems are one of the tools Huhtamaki uses for identifying environmental risks and opportunities, supporting implementation and monitoring progress. Huhtamaki relies to a great extent on standards when implementing a systematic approach for continued improvement.

In 2005, several units made progress in developing their internal management procedures toward the ISO 14001 standard, with new three accreditations received during the year. The percentage of sites following an externally certified environmental management system such as IS0 14001 or an internally audited program such as the US Environmental Care Program was thus 49%. Hygiene management systems are implemented in over 95% of the sites, with over 80% of them following the ISO 9001 quality system.

Asset risk management activities are carried out continuously. Every site must report the development of their environmental management routines annually, and external audits are also carried out annually covering some 60% of the current asset base, totaling 45 site visits in 2005. The remaining sites are audited in sequence of three years.

Environmental and risk management best practices are consolidated on group level and communicated and implemented throughout the company.

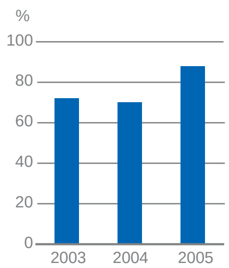
Performance of operations

The key environmental aspects are followed and controlled via environmental Key Performance Indications (eKPI) at each of Huhtamaki's manufacturing sites. The eKPI's were defined in 2002. The group-wide environmental reduction targets set for 2007 are as follows:

- Energy use reduction of 2% year-to-year
- Internal waste recycling increased to 85%
- VOC air emission reduction of 10%

The quantitative environmental information is reported for the year 2005 and covers only the manufacturing units. The group level indicators are further broken down for internal analysis per technology and per region. Evaluation is carried out internally between the sites to compare existing results against best practices.

Waste to Recovery



Huhtamaki is on target with diverting process side product to recovery (recycling, composting or energy recovery) and hence reducing the amount of process waste ending up at landfill.

Enviromental management system

- Externally audited 49%
- Internal 51%

ENVIRONMENTAL KEY PERFORMANCE DATA FOR 2005

Environmental KPI	Amount	Unit
Energy	8,259,557	GJ
Total Chemicals	48,373	t
Of Which Solvents	16,970	t
Waste to Final Disposal	24,454	t
Waste to Recovery	93,418	t
Hazardous Waste	3,855	t
CO_2 Emissions	218,897	t
VOC* Emissions	10,698	t
Water Withdrawal	13,582,818	m3
Water Discharge	12,265,314	m3
Environmental Expenditures	2,700,000	EUR

The Huhtamaki share

Huhtamaki's share is quoted on the main list of the Helsinki Stock Exchange under the Materials sector. The size of a trading lot is 50 shares.

Share developments

Huhtamaki's share price rose by 17% during the year with the closing price at year-end being EUR 13.91 (EUR 11.87 in 2004). Meanwhile, the OMX Helsinki CAP Index (previously HEX Portfolio Index) increased over the year by 27% (11%). The highest share price paid over the year was EUR 14.88 (EUR 12.30) and the lowest EUR 11.37 (EUR 9.40). The volume weighted average price was EUR 12.84 (EUR 10.71). Huhtamaki's market capitalization at year-end was EUR 1,374 million (EUR 1,167 million).

The cumulative value of the share turnover was EUR 1,085 million (EUR 759 million) with a trading volume of 84 million (71 million) shares. This equals an average daily turnover of 4.3 million (3.0 million) or correspondingly of 333,665 (280,315) shares. Trading in the Huhtamaki share was particularly strong in September with a volume turnover of 11.1 million shares. The weakest months in trading were in July and in December with a turnover of 3.9 million shares and 5.5 million shares, respectively. For the majority of the year trading activity was relatively even with volumes between 6.2–8.1 million shares per month.

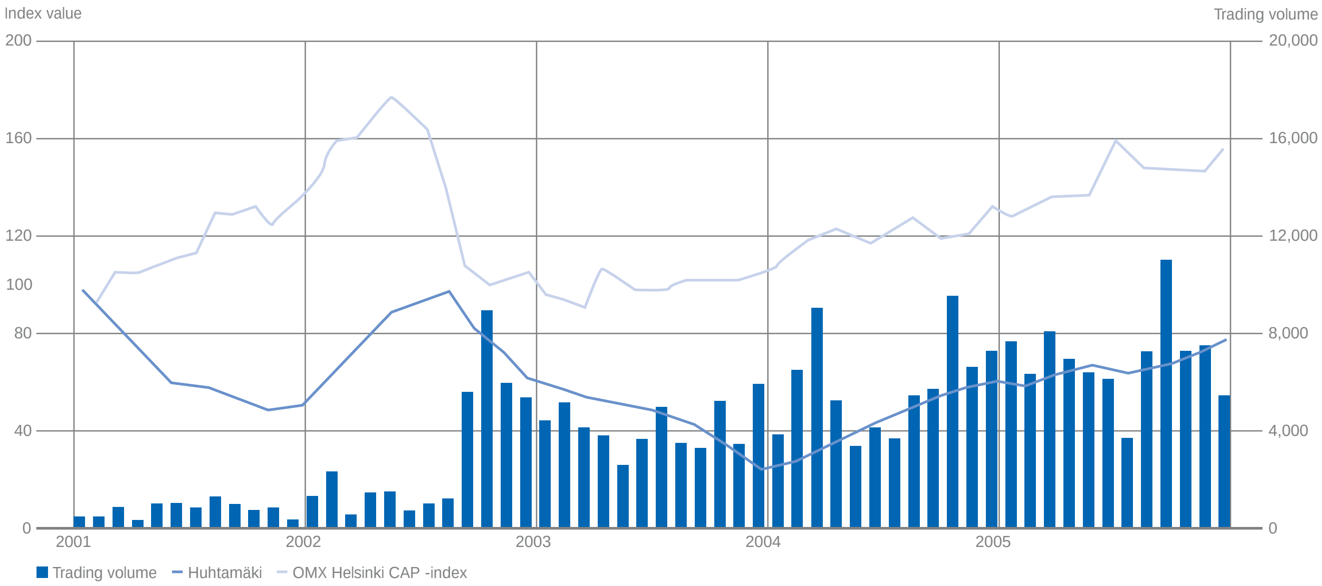
Trading symbols

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

Shares and share capital

- One share class with each share entitling to one vote at the General Meetings of Shareholders
- Book counter value: EUR 3.40
- The minimum share capital is EUR 200,000,000 and the maximum EUR 1,000,000,000, within which limits the share capital can be increased or decreased without amending the Articles of Association
- Share capital on December 31, 2005: EUR 353,053,864.80
- Shares in issue on December 31, 2005: 103,839,372 including 5,061,089 shares owned by the company (4.9% of the company's registered share capital and voting rights); net figure: 98,778,283
- Average number of shares in issue in 2005: 98,501,625 (excluding shares owned by the company)
- New shares issued during 2005 pursuant to conversions of option rights: 442,600
- The company's shares and option rights are included in the electronic book-entry system held by the Finnish Central Securities Depositary Ltd

SHARE DEVELOPMENTS 2001–2005



Shareholders

The ownership structure relating to the largest shareholders was not subject to major changes over the year. At the end of December 2005 there were 20,268 (18,303) registered shareholders.

MAJOR SHAREHOLDERS ON DECEMBER 31, 2005*

Shareholder name	Shares/votes	%
1 The Finnish Cultural Foundation	16,281,185	16.5
2 Society of Swedish Literature in Finland	4,400,800	4.5
3 Ilmarinen Mutual Pension Insurance Company	3,168,619	3.2
4 The Association for the Finnish Cultural Foundation	2,150,000	2.2
5 Varma Mutual Pension Insurance Company	1,753,312	1.8
6 Odin Norden	1,670,500	1.7
7 The Finnish State Pension Fund	1,400,000	1.4
8 Etera Mutual Pension Insurance Company	1,006,230	1.0
9 Sampo Finnish Equity Fund	913,750	0.9
10 Pohjola Finland Value Fund	880,000	0.9
11 Tapiola Mutual Pension Insurance Company	868,600	0.9
12 Eläke-Fennia Mutual Insurance Company	843,762	0.9
13 Odin Förvaltning AS	559,100	0.6
14 Tapiola Mutual Insurance Company	513,164	0.5
15 Aktia Capital	481,700	0.5
16 The Finnish National Fund for Research and Development	475,200	0.5
17 Polaris Pension Fund	447,248	0.5
18 Neste Oil Eläkesäätiö	429,200	0.4
19 The Finnish Social Insurance Institution	400,000	0.4
20 Yrjö Jahnsson Foundation	400,000	0.4
Total 20 largest shareholders	39,042,370	39.7

* Excl. shares held by the company and by shareholders under nominee registration

DISTRIBUTION OF SHAREHOLDING, DECEMBER 31, 2005

Number of shares held	Number of shareholders	% of shareholders	Number of shares/votes	% of shares/votes
1 - 100	2,830	14.0	170,885	0.2
101 - 1,000	12,110	59.7	5,533,686	5.3
1,001 - 10,000	4,852	23.9	13,031,289	12.5
10,001 - 100,000	389	1.9	10,186,643	9.8
100 001 - 1,000,000	74	0.4	19,600,977	18.9
over 1,000,000	13	0.1	55,240,516	53.2
Total	20,268	100.0	103,763,996	99.9*

Incl. shares held by the company and by shareholders under nominee registration.
* Of total number of shares 75,376 (0.1 %) shares are held in the joint book-entry account.

BY SHAREHOLDER CATEGORY

- Financial and insurance institutions 9.3%
- Non-profit organizations 29.9%
- Households/private persons 17.9%
- Non-corporate public sector 12.1%
- Corporations 9.5%
- Foreign ownership (of which 17.8% under nominee registration) 21.3%

Option rights

Option rights plans extend to 135 executives and managers across the company and its subsidiaries. Assuming full use of the option rights 2000 and 2003 plans, a total of 5,850,000 new shares may be issued. In 2005, 110,650 option rights were exercised and converted to 442,600 new shares. Pursuant to the option rights issued, an aggregate maximum number of 4,738,480 new shares may be subscribed in 2006–2009 representing approximately 4.6% of the total number of shares on December 31, 2005. The company's 2003 A option rights were listed on the Helsinki Stock Exchange on May 2, 2005. A more detailed description is given in the Annual Accounts section in note 21.

Authorizations

The Annual General Meeting (AGM) granted the Board of Directors an authorization to decide on the conveyance of the company's own shares within one year's time. The authorization was not exercised during the year. The Board proposes the renewal of this authorization to the AGM convening on March 27, 2006.

Dividend proposal

The Board of Directors proposes to the AGM a dividend of EUR 0.38 (0.38) per share for 2005. Dividend will be paid on April 6, 2006 to shareholders as registered on March 30, 2006.

Financial calendar 2006

February 8	Results 2005
Week 7	Annual Accounts available on website
Week 12	Annual Report mailed
March 27	Annual General Meeting
April 27	Interim Report for the first quarter 2006
July 21	Interim Report for the second quarter 2006
October 24	Interim Report for the third quarter 2006

Annual Reports, Interim Reports and other news releases are available on the company website. Huhtamaki does not automatically mail its Annual or Interim Reports. Interested parties wishing to be added on the company mailing list or to receive printed copies of reports are kindly requested to order materials through the company website at www.huhtamaki.com under Investor Relations or by phone (+358 9 6868 8356).

A shareholder should inform his/her account operator, or in the case of a nominee registered shareholder the relevant financial institution or other custodian, about change in contact details.

Investor Relations contact

Ms. Kia Aejmelaeus
Huhtamäki Oyj
Investor Relations
E-mail: ir@huhtamaki.com

Analysts covering Huhtamaki

In 2005, at least the sell-side analysts listed below regularly published earnings estimates and research reports on Huhtamaki:

Alfred Berg ABN AMRO
Tia Lehto
+358 9 2283 2711
tia.lehto@alfredberg.fi

Cazenove
Erik Karlsson
+44 20 7155 8203
erik.karlsson@cazenove.com

Danske Equities
Fasial Kalim Ahmad
+45 33 44 04 26
fasial.kalim@danskebank.dk

Deutsche Bank
Pontus Grönlund
+358 9 2525 2552
pontus.gronlund@db.com

eQ Bank Ltd
Kalle Karppinen
+358 9 6817 8654
kalle.karppinen@eQonline.fi

Evli Bank Plc
Mika Karppinen
+358 9 4766 9643
mika.karppinen@evli.com

FIM Securities
Kim Gorschelnik
+358 9 6134 6234
kim.gorschelnik@fim.com

Goldman Sachs
Eshan Toorabally
+44 20 7774 3246
eshan.toorabally@gs.com

Handelsbanken
Tom Skogman
+358 10 444 2752
tosk07@handelsbanken.se

Kaupthing Bank Oyj
Mika Metsälä
+358 9 4784 0241
mika.metsala@kaupthing.fi

Mandatum Securities
Noora Alestalo
+358 10 236 4794
noora.alestalo@mandatum.fi

Opstock Securities
Jari Räisänen
+358 10 252 4408
jari.raisanen@oko.fi

SEB Enskilda Securities
Tommy Ilmoni
+358 9 6162 8720
tommy.ilmoni@enskilda.fi

UBS Investment Research
Fredrik Liljewall
+44 20 7567 5364
fredrik.liljewall@ubs.com

Valuatum
Ville Halttunen
+358 50 558 1579
ville.halttunen@valuatum.com

Corporate governance

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 resolutions regarding election of members of the Board of Directors and auditors, the 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 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 2005 the Board of Directors had seven 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 main policies. The Board also appoints the Chief Executive Officer ("CEO") and other Executive Committee members, decides on executive compensation and annually reviews the management performance.

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 2005, the Board held twelve meetings. The average attendance of directors at the Board meetings was 99%.

The AGM held on March 30, 2005, 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. According to the terms and conditions of the Option Plans 2000 and 2003 the members of the Board are not entitled to subscribe any option rights.

The AGM held on March 30, 2005 elected Mikael Lilius, Paavo Hohti, Eija Ailasmaa, George V. Bayly, Robertus van Gestel, Anthony J.B Simon and Jukka Suominen as members of the Board. The Board considers all members except George V. Bayly independent of the company. The Board also considers all members except Paavo Hohti and Jukka Suominen independent of the significant shareholders of the Company.

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

Board Committees

In order to focus on certain responsibilities, the Board can 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 and their compensation.

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 2005 the Nomination Committee met two times, both the Human Resources Committee and the Audit Committee met six times.

The Committee memberships of the Board were as following:

- Nomination Committee: Mikael Lilius (chairman), Eija Ailasmaa, Paavo Hohti
- Human Resources Committee: Mikael Lilius (chairman), George V. Bayly, Anthony J.B. Simon
- Audit Committee: Jukka Suominen (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 the executives designated by the Board. The EC convenes at least once a month.

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, Global Customer Strategy). The EC members are the CEO's direct reports. Additionally, the CEO supervises directly the Sourcing, Human Resources, Administration and Legal and Group 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. In 2005 the CEO's total compensation amounted to 530,379.60 EUR. In addition in 2005 50.000 option rights marked as 2003 C were allocated to him.

According to the Service Agreement between the Company and the CEO both the Company and the CEO may terminate the Service Agreement with six months' prior notice. In case the Company terminates the Service Agreement, CEO is entitled to a compensation amounting to 18 months' salary.

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

The remuneration of EC members is resolved by the Board of Directors. In 2005 the aggregate compensation to other EC members was EUR 1,388,775.29, including EUR 145,136.61 of incentive related pay based on year 2004. 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. In case 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 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 417,000 option rights under Option Rights Plans 2000 and 2003. In 2005, a total of 190,000 new option rights were granted to the 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 135 executives and managers across the Company and its subsidiaries. A total of 4,738,480 new shares corresponding to 4.6% of the shares outstanding may be issued in 2006–2009 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. Furthermore, the Company has confirmed Insiders Regulations for the Company.

During the financial year permanent insiders included the Board of Directors, the CEO and auditors. In addition, the Company had 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.

The legislations and regulations regarding Insiders were amended during the year 2005. Company is obliged to maintain both a public insider register and a non-public company specific register on insider holdings as of January 1, 2006. A public register on insiders include the members of the Board of Directors, the CEO and auditors. The Company has decided to include also EC members in the public insider register. Company specific insider register contains information on persons who by virtue of their position and duties regularly obtain inside information.

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 included in the public and company specific inside registers 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 registers of the Company are maintained in the insider register system of the Finnish Central Securities Depository. Project-specific insider registers are maintained by Group Legal Department. The information contained in the public insider register is available for public in the NetSire service.

Audit

The Company has to 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. In case 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 AGM held on March 30, 2005 elected Pekka Pajamo (APA) and Solveig Törnroos-Huhtamäki (APA) as auditors and Ari Ahti (APA) as a deputy auditor of the Company The auditors represent KPMG Oy Ab. Each subsidiary is subject to local auditing under the local regulations, which is conducted by representatives of the KPMG network in each country.

In 2005, total auditing fees of the Group amounted to EUR 1.0 million. In addition KPMG network has provided other consultancy worth EUR 1.0 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 on 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.

Board of Directors, from March 30, 2005

MIKAEL LILIUS (1949)
Chairman

Date of election: March 30, 2005
Main occupation: CEO, Fortum Oyj
Education: Bachelor of Science (Econ)
Primary work experience: Gambro AB, CEO; Incentive AB, CEO; KF Industri AB, CEO; Huhtamäki Oy, President of the Packaging Division.
Positions of trust: Sanitec Oy, Board; The Finnish Fair Corporation, Supervisory Board.
Shares 31.12.2005: 35,648

PAAVO HOHTI (1944)
Vice Chairman

Date of election: 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 31.12.2005: -

EIJA AILASMAA (1950)

Date of election: March 22, 2004
Main occupation: CEO, Sanoma Magazines B.V.
Education: Master of Political Science
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: Hansaprint Oy, Board
Shares 31.12.2005: -

GEORGE V. BAYLY (1942)

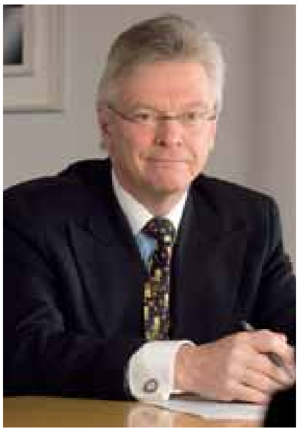
Date of election: March 28, 2003
Main occupation: Whitehall Investors, LLC, Consultant
Education: MBA
Primary work experience: Ivex Packaging Corporation, Chairman, President & CEO; Olympic Packaging, Inc, Chairman, President & CEO; Packaging Corporation of America (PCA), Senior Vice President
Positions of trust: Carvel, Inc., Board; Chicago Stock Exchange, Board; General Binding Corporation, Board; Packaging Dynamics, Inc., Board; Treehouse Foods, Inc, Board; U.S. Can Corporation, Board; Acco Brands Corporation, Inc. Board
Shares 31.12.2005: -

ROBERTUS VAN GESTEL (1946)

Date of election: March 22, 2004
Main occupation: Proudfoot Consulting, Executive Vice President Europe
Education: MBA, PhD
Primary work experience: Ford Motor Company, GTE; Mannesmann Tally; Anglo-Dutch Investments, Inc.
Shares 31.12.2005: -

ANTHONY J.B. SIMON (1945)

Date of election: 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 31.12.2005: 1,248



JUKKA SUOMINEN (1948)

Date of election: March 30, 2005
Education: Master of Science (Eng), Bachelor of Science (Econ)
Primary work experience: Silja Oyj Abp, CEO
Positions of trust: Finnish Cultural Foundation, Supervisory Board
Shares 31.12.2005: -

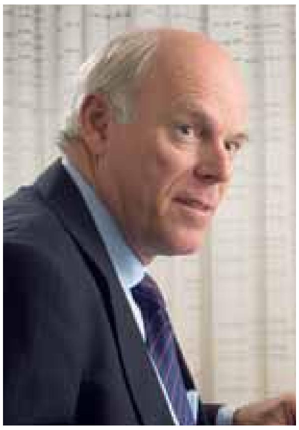
SECRETARY

Juha Salonen
Master of Laws, Bachelor of Science (Econ.), Group Vice President, General Counsel

Executive Committee in 2005

HEIKKI TAKANEN (1952)

CEO since 2004
Education: Master of Science (Eng)
Joined the company: 2004
Shares 31.12.2005: 5,000
Option rights 31.12.2005: 2003B 50,000 and 2003C 50,000



HENK KOEKOEK (1946)

Executive Vice President Europe Flexibles, Films and Molded Fiber since 2003, Executive Vice President, Asia-Oceania-Africa since 2006
Education: Master of Science (Eng)
Joined the company: 1973
Shares 31.12.2005: -
Option rights 31.12.2005: 2003A 25,000, 2003B 25,000 and 2003C 25,000

SAKARI AHDEKIVI (1963)

Chief Financial Officer (CFO) since 2005
Education: Master of Science (Econ)
Joined the company: 2005
Shares 31.12.2005: -
Option rights 31.12.2005: 2003C 25,000

TONY COMBE (1962)

Executive Vice President, Asia-Oceania-Africa until January 9, 2006
Education: BBA (Marketing)
Joined the company: 1976
Shares 31.12.2005: 6,000
Option rights 31.12.2005: 2003 B 25,000 ja 2003 C 25,000

CLAY DUNN (1957)

Executive Vice President, Americas since 2005
Education: BBA (Marketing and Management)
Joined the company: 2005
Shares 31.12.2005: -
Option rights 31.12.2005: 2003B 15,000 and 2003C 15,000

TIMO SALONEN (1958)

Executive Vice President Europe Rigid Packaging since 2003
Education: Master of Science (Econ), Master of Laws
Joined the company: 1991
Shares 31.12.2005: 6,000
Option rights 31.12.2005: 2003A 25,000, 2003B 25,000 and 2003C 25,000

KALLE TANHUANPÄÄ (1952)

Executive Vice President, Global Customer Strategy until May 3, 2006
Education: Bachelor of Science (Econ)
Joined the company: 1976
Positions of trust: Association of Finnish Advertisers, Board of Directors
Shares 31.12.2005: 10,000
Option rights 31.12.2005: 2000B 2,000, 2000C 10,000, 2003B 25,000 and 2003C 25,000

Addresses

Corporate

Huhtamäki Oyj
Länsituulentie 7
FI – 02100 Espoo, Finland
Tel. +358 (0) 9 6868 81
Fax +358 (0) 9 660 622

Huhtamaki Finance B.V.
Jupiterstraat 102
2132 HE Hoofddorp
The Netherlands
Tel. +31 (0) 23 567 998 8
Fax +31 (0) 23 567 998 9

Europe

Consumer Goods
Foodservice
Huhtamäki Oyj
Länsituulentie 7
FI – 02100 Espoo, Finland
Tel. +358 (0) 9 6868 81
Fax +358 (0) 9 660 622

Americas

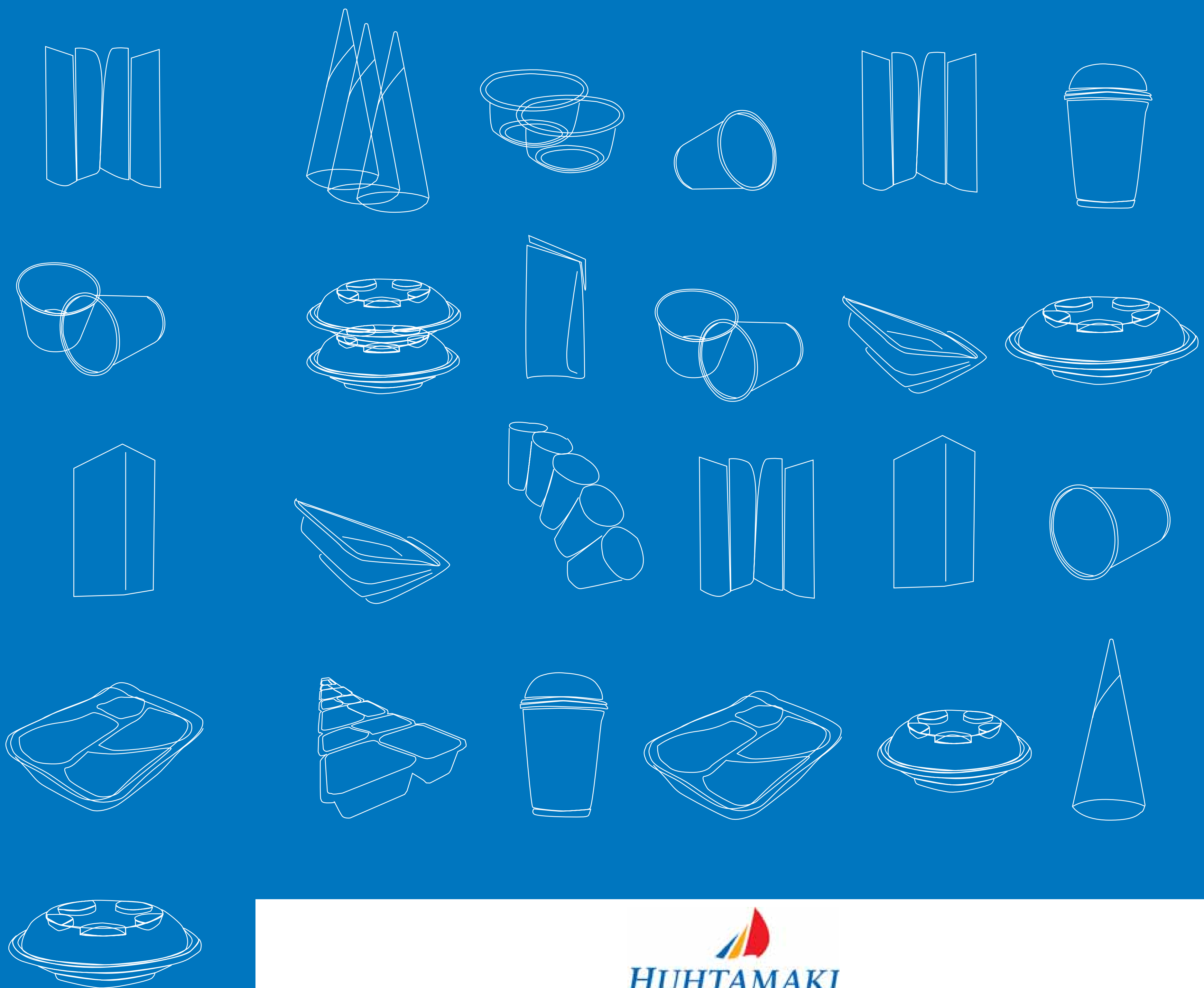
Consumer Goods
Foodservice
Retail
Huhtamaki Americas, Inc
9201 Packaging Drive
De Soto, Kansas 66018
United States (USA)
Tel. +1 (0) 913 583 3025
Fax +1 (0) 913 583 8756

Huhtamaki do Brasil Ltda.
Rua Brasholanda, 01
Curitiba 83322 – 070
Pinhais – PR, Brazil
Tel. +55 (0) 41 661 100 0
Fax +55 (0) 41 661 117 0

Asia-Oceania-Africa

Huhtamaki Australia Limited
406 Marion Street
2200 Bankstown, N.S.W. Australia
Tel. +61 (0) 2 970 874 00
Fax +61 (0) 2 979 103 96

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



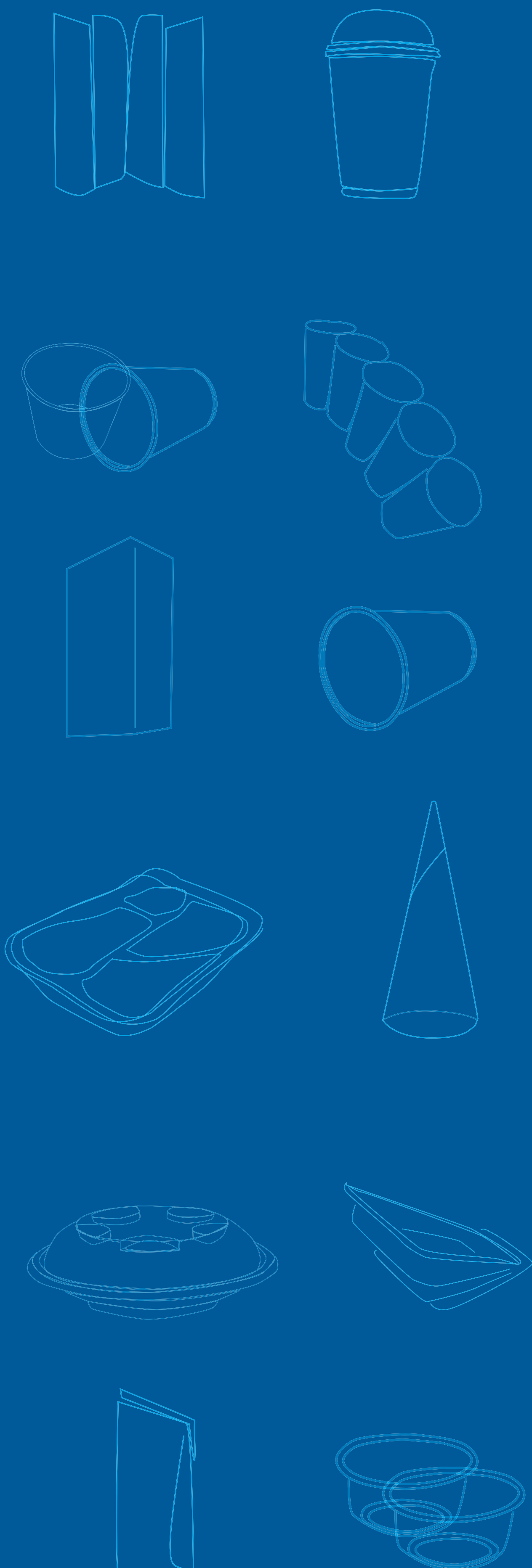
HUHTAMAKI

TAKING PACKAGING FURTHER

Huhtamäki Oyj | Länsituulentie 7 | 02100 ESPOO, Finland
tel +358 9 6868 81 | fax +358 9 660 622
www.huhtamaki.com | www.huhtamaki.fi | info.hq@huhtamaki.com
Business Identity Code: 0410879-6

HUHTAMAKI

TAKING PACKAGING FURTHER



Annual Accounts 2005

Contents

Directors' report

Overview

In 2005, Huhtamaki's underlying business result improved in line with expectations, despite volatility in raw material prices and the focus on restructuring. After a slower start, positive business momentum continued throughout the year, mainly driven by strong recovery in North America.

During 2005 Huhtamaki began the implementation of a restructuring program that targets at optimizing the group's global manufacturing footprint in order to achieve a major improvement in cost efficiency and to build a foundation for future growth. The restructuring program was announced in two phases, at the end of 2004 and mid-year 2005. The first phase was completed on schedule by year-end and the second phase is progressing according to plan. Parallel to the restructuring work, which primarily concerns rigid packaging operations, further capacity expansion was initiated in strategic growth markets.

The underlying result excludes the restructuring and goodwill impairment charges.

During the year the company's organization was strengthened and change momentum accelerated through a number of key appointments.

Business review by region

For the full year, net sales increased by 7% to EUR 2,244 million, with growth accelerating towards the end of the year. Sales were positively impacted by price/mix changes (+4%), volume growth (+2%) and currency translations (+1%). Sales growth was robust in the Americas (+16%) and Asia-Oceania-Africa (+10%), while growth in Europe remained moderate (+2%).

The geographical distribution of sales was the following: Europe 52% (55% in 2004), Americas 32% (29%) and Asia-Oceania-Africa 16% (16%).

In 2005, raw material prices continued to increase strongly compared to the average level in 2004. Furthermore, volatility was present throughout the year, while in 2004 there was a steady increase, with prices accelerating towards year-end.

Europe

In Europe, net sales for the full year were up by 2% to EUR 1,172 million. Sales were positively impacted by price/mix changes (+2%) and currency translations (+1%), partly offset by the negative impact from decline in volume (-2%). While price/mix changes and currency translations developed in a more stable manner during the year, overall volume growth was weak in the first quarter, recovering slightly in the remaining quarters. While Eastern Europe as a whole was dynamic with sales growth especially in Russia, development in Western Europe was more varied. The Foodservice business saw accelerated growth, especially during the high season in the middle of the year, but the Consumer Goods business remained subdued over the year. Performance in the Films business was strong all year, while the Flexibles business started and finished strongly. The Molded Fiber business maintained its solid footing throughout the year.

The region's underlying full year EBIT improved by 5% to EUR 72 million, corresponding to an EBIT margin of 6.1% (5.9%). This reflects cost savings materializing from the ongoing restructuring, while polymer-based raw material prices remained extremely volatile throughout the year exerting pressure on margins. The reported EBIT, EUR 8 million (EUR 40 million), includes a restructuring charge of EUR 64 million (EUR 28 million). On a rolling 12-month basis, the region's underlying RONA was 9.2% (8.6%).

Americas

In the Americas, net sales for the full year were up by 16% to EUR 707 million. Sales were positively impacted by price/mix changes (+9%), volume growth (+6%) and currency translations (+1%). After a strong first half of the year, volume growth stabilized closer to market growth in the second half. The development in price/mix was solid throughout the year, being especially strong in the second and third quarters. After a negative first half of the year, the impact from currency translations turned positive in the third quarter and continued to boost reported sales in the final quarter. In North America, performance within the Retail division and the Consumer Goods business was strong throughout the year. Also, the Foodservice business posted solid growth, which accelerated towards year-end. Mexico improved after a slow start to the year. In South America, business in Brazil remained on a solid footing.

The region's underlying full year EBIT of EUR 46 million showed a clear improvement of 55%, corresponding to an EBIT margin of 6.5% (4.9%). This reflects positive sales development and successful price management, partly offset by operational inefficiencies and higher distribution costs. The reported EBIT of EUR 15 million includes a goodwill impairment charge of EUR 31 million. The previous year's EBIT, EUR 16 million, included a restructuring charge of EUR 14 million. On a rolling 12-month basis, underlying RONA was 8.0% (5.1%).

Asia-Oceania-Africa

In Asia-Oceania-Africa, net sales for the full year were up by 10% to EUR 365 million. Sales were positively impacted by volume growth (+6%), currency translations (+3%) and price/mix changes (+1%). After a slower start to the year, volume growth accelerated towards year-end. The reverse took place with price/mix development. After a negative first quarter, positive impact from currency translations accelerated towards year-end. Overall, the whole region put in a solid performance during the year lead by the Flexibles business in Southeast Asia.

The region's underlying full year EBIT improved by 3% to EUR 24 million, corresponding to an EBIT margin of 6.7% (7.1%). The overall progress in profitability posted by the Rigid business in Oceania was largely offset by operational inefficiencies in the rest of the business in Oceania, as well as one-off costs relating to the downsizing of the Flexibles business in South Africa recorded in the fourth quarter. The reported full year EBIT of EUR 17 million includes a restructuring charge of EUR 6 million and a goodwill impairment charge of EUR 1 million. The previous year's reported EBIT of EUR 20 million included a restructuring charge of EUR 4 million. On a rolling 12-month basis, underlying RONA was 8.2% (8.4%).

The company is also taking steps to increase production capacity in selected, strategic growth markets. During the third quarter a decision was reached to build a new flexible packaging facility in Northern India, and to add a new production line to the existing flexible packaging site in Vietnam. Both projects are progressing according to plan and are expected to be operational around mid 2006. Furthermore, a new rigid packaging facility will be constructed in Southern China, which is expected to be ready by the end of 2007.

Financial review

For the full year, the underlying EBIT before corporate items increased by 17% to EUR 142 million, corresponding to an EBIT margin of 6.3% (5.8%). The improvement was mainly driven by the sustained turnaround in the Americas, and further supported by a lower cost structure achieved in Europe.

At EUR 18 million, corporate net for the year was lower than the EUR 25 million a year ago. Hence, the underlying group EBIT amounted to EUR 160 million (+9%), corresponding to an EBIT margin of 7.1% (7.0%). The reported EBIT of EUR 58 million includes a restructuring charge of EUR 70 million and a goodwill impairment charge of EUR 33 million, and compares with the previous year's EUR 101 million, which included a restructuring charge of EUR 46 million.

Net financial items for the year were EUR 37 million, unchanged from the previous year. The reported profit for the period was EUR 9 million (EUR 52 million). The reported EPS was 7 cents (52 cents).

The average number of outstanding shares used in the EPS calculation was 98,501,625 (96,734,981), both figures excluding the 5,061,089 shares owned by the company.

On a rolling 12-month basis, the return on investment (ROI) was 4.0% (6.7%), reflecting the restructuring costs and goodwill impairment charge recorded. Correspondingly, return on equity (ROE) was 1.3% (6.7%).

Balance sheet and cash flow

At the end of December 2005, net debt was EUR 712 million increasing by 2% from a year ago. This corresponds with a gearing ratio of 0.87 (0.88).

In December, a EUR 475 million revolving credit facility was signed, used to refinance the company's existing facility from November 2003 as well as for general corporate purposes. The maturity of the new facility is five years with one-year extension options after years one and two.

For the full year, free cash flow decreased to EUR 66 million (EUR 77 million) driven by an increase of capital expenditure as well as cash outflow relating to restructuring.

Capital expenditure

Total capital expenditure amounted to EUR 113 million (EUR 94 million), corresponding to an investment rate of 113% (95%) of depreciation. Although the level of comparison was on the low side to begin with, the increase in capital expenditure in 2005 is explained by projects relating to restructuring and capacity expansion, as well as to the continued development of a common European enterprise resource planning (ERP) platform.

Direct expenditure on research and development amounted to EUR 19 million (EUR 18 million).

Environmental review

Huhtamaki adheres to its Group Environmental Policy in order to ensure globally consistent operating principles. This is complemented by more detailed corporate policies and guidelines such as the code of conduct for suppliers. In addition, Huhtamaki is a signatory to the ICC Business Charter for Sustainable Development. Environmental management systems and tools have been created to support implementation and monitor progress. All manufacturing sites regularly inform on their performance. From a total of 68 reporting manufacturing sites, 33 (49%) follow an externally certified environmental management system such as ISO 14001, the Eco-Management and Audit Scheme (EMAS) or an internally audited program such as the US Environmental Care Program. The significant direct environmental aspects of operations are energy use, emissions into the air as well as waste.

Restructuring program

Through 2005, Huhtamaki implemented a restructuring program that targets at optimizing the group's global manufacturing footprint in order to achieve a major improvement in cost efficiency and to build a foundation for future growth. In total, it will result in estimated annualized savings of EUR 40 million, reaching full run-rate by the end of 2007. Close to 1,000 employees will be directly affected in units subject to closure or downsizing, but the net impact will be less due to capacity expansion in other locations.

The restructuring program was announced in two phases, at the end of 2004 and mid-year 2005. The total charges related to the program are EUR 126 million, of which EUR 46 million were recorded in 2004, EUR 70 million in 2005, with the majority of the remaining EUR 10 million to be recorded in 2006. Additionally, the reported result was impacted by a goodwill write-down of EUR 33 million in the second quarter of 2005 that mostly related to the operations in North America.

The first phase of the restructuring targeted a reduction of 300 employees by the end of 2005, focusing on European rigid packaging operations with the closure of the site in Leeds (UK), and headcount reductions at Göttingen (Germany), Auneau (France) and several other units. At the end of December 2005, all activities had been completed in accordance with the plan.

The key activities related to the second phase of the restructuring include the following:

- Closure of the rigid packaging site in Skelmersdale (UK), completed in the fourth quarter of 2005 with an employee reduction of approximately 100.
- Closure of the rigid packaging site in Bayswater (Australia), completed in the fourth quarter of 2005 with the transfer of operations to Mulgrave, resulting in an employee reduction of close to 30.
- Closure of the rigid packaging site in Göttingen (Germany), to be completed by mid-2006, with reloation to Siemianowice (Poland) and Nules (Spain). Approximately 400 employees are affected in Göttingen.
- Downsizing of the rigid packaging site in Portadown (UK), with the remaining operations becoming a satellite of the unit in Gosport (UK). The estimated reduction is close to 90 employees, with completion estimated by the end of the first quarter of 2006.
- Closure of the rigid packaging site in Hong Kong (China) by the end of 2007 following relocation to a new, larger facility to be constructed in Southern China. Over 100 employees are affected in Hong Kong.

Corporate structure

No material acquisitions or divestments were conducted.

Personnel

At year-end, Huhtamaki had 14,935 (15,531) employees. The number of European employees was 7,022 (7,352); the corresponding figure for the Americas was 3,867 (3,949) and for Asia-Oceania-Africa 4,046 (4,230). The average number of employees was 15,294 (15,652).

The parent company employed 762 (720) people at year-end, comprising the Espoo head office 80 (73) and the Finnish packaging operations 682 (647). The annual average was 783 (768).

Changes in management

Mr. Sakari Ahdekivi was appointed CFO and Executive Committee member effective from March 15, 2005. Mr. Clay Dunn started as EVP Americas and Executive Committee member on June 1, 2005. Mr. Kalle Tanhuanpää, an Executive Committee member, was appointed EVP, Global Customer Strategy, starting August 1, 2005. He repatriated to Espoo, Finland from his previous assignment as EVP Americas. In November, Mr. Tony Combe, EVP Australia-Oceania-Africa and Executive Committee member announced his resignation in order to pursue a career outside of the company. Mr. Henk Koekoek, an Executive Committee member, replaced Mr. Tony Combe and relocated to Sydney, Australia from his previous position as EVP Europe Flexibles, Films and Molded Fiber (FFF) with effect from January 9, 2006. Mr. Walter Günter, Division President Films, will assume responsibility for Europe FFF until further notice.

Decisions taken by the Annual General Meeting

The Annual General Meeting (AGM) of Huhtamäki Oyj was held on March 30, 2005 in Helsinki. The meeting approved the company's and consolidated accounts for 2004 and discharged the company's Board of Directors and the CEO of liability. The dividend for 2004 was set at EUR 0.38 per share, unchanged from the previous year's dividend. The AGM granted the Board authorization to decide on the conveyance of the company's own shares within one year's time. The authorization was not exercised during the year.

The AGM decided that the Board of Directors shall consist of seven members (previously eight members). The following persons were re-elected to the Board for a one-year term lasting until the next AGM: Ms. Eija Ailasmaa, Mr. George V. Bayly, Mr. Robertus van Gestel, Mr. Paavo Hohti and Mr. Anthony J.B. Simon. Mr. Mikael Lilius and Mr. Jukka Suominen replaced the previous Board members Mr. Timo Peltola, Mr. Veli Sundbäck, Chairman, and Mr. Jukka Viinanen, who all announced that they were no longer available for re-election. The Board subsequently elected Mr. Lilius as its Chairman and Mr. Hohti as Vice Chairman.

Share capital and shareholders

At year-end, the company's registered share capital was EUR 353,053,864.80 (EUR 351,549,024.80) corresponding to a total number of outstanding shares of 103,839,372 (103,396,772) including 5,061,089 (unchanged) shares owned by the company; net figure of outstanding shares: 98,778,283 (98,335,683). In 2005, a total of 442,600 new shares were issued under the 2000 A, B and C stock option rights.

The ownership structure relating to the largest shareholders was not subject to major changes over the year. At the end of December 2005 there were 20,268 (18,303) registered shareholders. Foreign ownership accounted for 21.3% (26.7%), of which 17.8% (24.5%) was under nominee registration.

Share developments

Huhtamaki's share is quoted on the main list of the Helsinki Stock Exchange under the Materials sector (previously Food Industry). Huhtamaki's share price rose by 17% (26% in 2004) during the year with the closing price at year-end being EUR 13.91 (EUR 11.87). Meanwhile, the OMX Helsinki CAP Index (previously HEX Portfolio Index) increased over the year by 27% (11%).

Huhtamaki's market capitalization at year-end was EUR 1,374 million (EUR 1,167 million). The highest price paid for the Huhtamaki share was EUR 14.88 (EUR 12.30) on July 14, 2005 occurring shortly after the second phase of restructuring was announced. The lowest share price paid was EUR 11.37 (EUR 9.40) on April 18, 2005 taking place a few days prior to the publication of the first quarter results. In 2005, the volume weighted average price was EUR 12.84 (EUR 10.71).

The cumulative value of the share turnover was EUR 1,085 million (EUR 759 million) with a trading volume of 84 million (71 million) shares, 86% (73%) of the average number of shares in issue. This equals an average daily turnover of 4.3 million (3.0 million) or correspondingly of 333,665 (280,315) shares. Trading in the Huhtamaki share was particularly strong in September with a volume turnover of 11.1 million shares. The weakest months in trading were in July and in December with a turnover of 3.9 million shares and 5.5 million shares, respectively. For the majority of the year trading activity was relatively even with volumes between 6.2–8.1 million shares per month.

In total, trading volume in the company's 2000 A, B, C and 2003 A option rights was 738,916 (694,950), 45% (77%) of the total in issue. The company's 2003 A stock option rights were listed on the Helsinki Stock Exchange on May 2, 2005.

Outlook for 2006

In 2006, the underlying EBIT is expected to show a moderate improvement over 2005, despite decreasing unallocated corporate income in the second half of the year. The improvement will be based on cost savings, as well as profitable growth in selected markets. Volatile polymer-based raw material prices may put pressure on margins. The reported result will include most of the remaining EUR 10 million of charges related to the previously announced restructuring programs.

Capital expenditure will be temporarily elevated to EUR 150 million primarily driven by the announced expansion projects. This combined with restructuring related cash outflows will impact on free cash flow.

Emphasis on performance management and capacity investments for growth will continue. Execution of the change program remains essential, while maintaining positive business momentum.

Annual General Meeting 2006

The Annual General Meeting of Huhtamäki Oyj will be held on Monday March 27, 2006 at 16.00 (Finnish time) at Finlandia Hall, Mannerheimintie 13 e, Helsinki, Finland.

Dividend proposal

The Board proposes a dividend of EUR 0.38 (EUR 0.38) per share.

Key exchange rates in Euros

		2005		2004	
		Income statement	Balance sheet	Income statement	Balance sheet
Australia	AUD	0.6124	0.6208	0.5912	0.5728
Brazil	BRL	0.3291	0.3644	0.2753	0.2761
UK	GBP	1.4622	1.4592	1.4721	1.4183
India	INR	0.0182	0.0188	0.0178	0.0169
South Africa	ZAR	0.1267	0.1340	0.1258	0.1300
United States	USD	0.8033	0.8477	0.8062	0.7342

Consolidated annual accounts 2005

Group income statement (IFRS)

EUR million	Note	2005	%	2004	%
Net sales	**2**	**2,243.7**	**100.0**	**2,092.3**	**100.0**
Cost of goods sold	1	-1,907.7		-1,797.0	
Gross profit		**336.0**	**15.0**	**295.3**	**14.1**
Other operating income	3	46.8		43.5	
Sales and marketing	1	-99.2		-93.3	
Research and development	1	-18.7		-17.9	
Administration costs	1	-121.2		-112.5	
Other operating expenses	1,4	-86.0		-13.8	
		-278.3		-194.0	
Earnings before interest and taxes	**5,6**	**57.7**	**2.6**	**101.3**	**4.8**
Net financial items	7	-36.9		-36.6	
Income from associated companies		0.6		0.8	
Profit before taxes		**21.4**	**1.0**	**65.5**	**3.1**
Taxes	8	-12.0		-13.1	
Profit for the period		**9.4**	**0.4**	**52.4**	**2.5**
Attributable to:					
Equity holders of the parent company		6.9		50.4	
Minority interest		2.5		2.0	
Basic earnings per share (EUR) for the shareholders of parent company	9	0.07		0.52	
Diluted earnings per share (EUR) for the shareholders of parent company		0.07		0.52	

Group balance sheet (IFRS)

ASSETS

EUR million	Notes	2005	%	2004	%
Non-current assets					
Goodwill	10	546.0		567.9	
Intangible assets	10	8.0		7.5	
Tangible assets	11	849.2		816.7	
Investments in associated companies	12	1.7		1.6	
Available for sale investments	14	1.8		1.7	
Interest bearing receivables	15	4.3		20.0	
Deferred tax assets	16	16.0		21.8	
Employee benefit assets	17	68.2		55.6	
Other non-current assets		15.7		19.1	
		1,510.9	**65.5**	**1,511.9**	**67.8**
Current assets					
Inventory	18	311.3		289.8	
Interest bearing receivables	15	17.2		15.5	
Income tax receivables		29.6		24.2	
Trade and other current receivables	19	400.7		361.5	
Cash and cash equivalents	20	37.6		28.6	
		796.4	34.5	719.6	32.2
Total Assets		**2,307.3**	**100.0**	**2,231.5**	**100.0**

EQUITY AND LIABILITIES

EUR million		2005	%	2004	%
Share capital	21	353.0		351.5	
Premium fund		96.8		95.4	
Treasury shares		-46.5		-46.5	
Translation differences		-76.9		-119.7	
Fair value and other reserves	27	-0.2		-2.9	
Retained earnings		475.8		504.0	
Total equity attributable to equity holders of the parent		**802.0**	**34.8**	**781.8**	**35.0**
Minority interest		18.4	0.8	14.7	0.7
Total equity		**820.4**	**35.6**	**796.5**	**35.7**
Non-current liabilities					
Interest bearing liabilities	22	404.1		370.7	
Deferred tax liabilities	16	81.5		42.2	
Employee benefit liabilities	17	117.8		123.8	
Provisions	23	51.1		84.7	
Other non-current liabilities		4.9		7.6	
		659.4	**28.5**	**629.0**	**28.2**
Current liabilities					
Interest bearing liabilities					
Current portion of long term loans	22	15.1		13.1	
Short term loans	22	351.4		379.5	
Provisions	23	24.2		24.0	
Income tax liabilities		35.4		35.2	
Trade and other current liabilities	24	401.4		354.2	
		827.5	**35.9**	**806.0**	**36.1**
Total liabilities		**1,486.9**	**64.4**	**1,435.0**	**64.3**
Total Equity and Liabilities		**2,307.3**	**100.0**	**2,231.5**	**100.0**

Group cash flow statement (IFRS)

EUR million	2005	2004
Profit for the period	**9.4**	**52.4**
Adjustments	225.4	184.9
Depreciation and amortisation	132.5	133.9
Gain on equity of minorities	-0.7	-0.8
Gain/loss from disposal of assets	4.3	-1.0
Financial expense/-income	36.9	36.6
Taxes expense/-income	12.0	13.1
Other adjustments, operational	40.4	3.1
Change in inventory	-2.7	-28.4
Change in non-interest bearing receivables	-59.5	-8.8
Change in non-interest bearing payables	52.7	24.3
Dividends received	0.9	0.9
Interest received	3.8	4.6
Interest paid	-43.6	-40.7
Other financial expenses and income	-2.5	-2.2
Taxes paid	-15.4	-20.4
Cash flows from operating activities	**168.5**	**166.6**
Capital expenditure	-113.4	-94.0
Proceeds from selling other investments	0.0	0.1
Proceeds from selling fixed assets	10.4	4.0
Change in long-term deposits	15.7	4.5
Change in short-term deposits	-1.2	-9.4
Cash flows from investing	**-88.5**	**-94.7**
Proceeds from long-term borrowings	1,045.0	239.4
Repayment of long-term borrowings	-1,021.8	-204.4
Proceeds from short-term borrowings	2,343.1	1,684.8
Repayment of short-term borrowings	-2,405.7	-1,767.9
Dividends paid	-37.4	-36.5
Proceeds from stock option exercises	2.9	17.4
Cash flows from financing	**-73.9**	**-67.3**
Change in liquid assets	**9.0**	**3.9**
Cash flow based	6.1	4.6
Translation difference	2.9	-0.7
Liquid assets on January 1	28.6	24.7
Liquid assest on December 31	37.6	28.6

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								
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
Share-based payments						0.8	0.8		0.8
Other changes						-0.8	-0.8		-0.8
Net income recognised directly in equity				**-9.4**	**4.8**	**0.0**	**-4.6**	**-0.6**	**-5.2**
Net income for the period						50.4	50.4	2.0	52.4
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**
Cashflow Hedges									
Hedge result deferred to equity					-2.0		-2.0		-2.0
Hedge result recognised in income statement					4.6		4.6		4.6
Translation differencies				43.4			43.4	1.1	44.5
Deferred tax in equity					0.1		0.1		0.1
Share-based payments						1.4	1.4		1.4
Other changes						0.3	0.3		0.3
Net income recognised directly in equity				**43.4**	**2.7**	**1.7**	**47.8**	**1.1**	**48.9**
Net income for the period						6.9	6.9	2.5	9.4
Total recognised income and expense for the period				**43.4**	**2.7**	**8.6**	**54.7**	**3.6**	**58.3**
Dividend						-37.4	-37.4		-37.4
Stock options exercised	1.5	1.4					2.9		2.9
Balance at 31.12.2005	**353.0**	**96.8**	**-46.5**	**-76.3**	**-0.2**	**475.2**	**802.0**	**18.4**	**820.4**

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 31/2005	Dec 31/2004
Retained earnings	475.8	504.0
Untaxed reserves in retained earnings	-29.6	-29.6
Treasury shares	-46.5	-46.5
Distributable funds	399.6	427.9

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). IFRSs, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulations (EC) No 1606/2002 of the EU.

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, 2005 following International Accounting Standards and interpretations: IFRS 2 Share-based Payment, IFRS 4 Insurance Contracts, IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, revised IAS 19 Employee Benefit, IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities and IFRIC 4 Determining whether an agreement contains a lease. As IASB has cancelled the interpretation of IFRIC 3 Emission rights in June 2005, Huhtamaki has valued and booked the emission rights and liability to deliver allowances initially at their fair value. Adopting these standards had no material impact on reported result, but some changes to disclosures. The 2004 employee expense and retained earnings comparative figures have been restated by 0.8 million euros reflecting the adoption of IFRS 2 Share-based Payment.

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 identifiable 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

Financial instruments are classified based on IAS 39 to the following groups: financial assets at fair value through profit or loss, available for sale assets and loans and other receivables.

As financial assets at fair value through profit and loss are classified cash balances and call deposits with banks and other liquid investments, such as cash and cash equivalents.

Publicly traded and unlisted shares are classified as available-for-sale assets. Publicly traded shares are recognized at fair value, which is based on quoted market bid 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.

As loans and other receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active markets. Trade and other receivables are included in this class. Trade and other receivables are initially measured at cost. Impairment is made for doubtful trade receivables or to loan receivables based on individual assessment of potential identified credit risk.

In Group interest bearing borrowings are classified as other liabilities. Interest-bearing borrowings are originated loans and are carried at amortized cost by using the effective interest rate method.

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.

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, emission 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.

Bought emission rights will be initially valued at cost. Received emission rights are reported in balance sheet initially at their fair value. After that emission rights are valued at cost. Emission rights, which will be sold on market, are not depreciated, as carrying value of those emission rights are considered to account for initial value. Emission rights will be derecognised at transaction date, when actual emissions are defined.

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)

Tangible assets which are classified as for sale, are valued at lower of its carrying amount or fair value less costs to sell. The depreciation of these assets will be ceased when assets are classified as held for sale.

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.

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.

Share-based payment transactions

The granted stock option programme allows certain members of management of Huhtamäki Oyj and its subsidiaries to acquire shares of Huhtamäki Oyj. The fair value of options granted is recognized as an employee expense with corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period during which the employees become unconditionally entitled to the options. The fair value of options granted is measured using the Black-Scholes model, taking into account the market terms and conditions of agreement when pricing the options. The amount recognized as an expense is adjusted to reflect the actual number of share options that will be vested.

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 plan will be carried out (plan has been announced). Provision form emissions are recognized according to actual emissions.

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 the shareholders at the Annual General Meeting have approved them.

When Huhtamäki 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. Government grants relating to emissions are accrued based on actual emissions.

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 2005 IFRS 7 Financial Instruments disclosures -standard and following amendments to IAS 39 Financial Instruments: Recognition and Measurement -standard: Fair value option, Cash flow hedge accounting of forecast intragroup transactions and Financial guarantee contracts and credit insurance. Additionally Net investment in a Foreign Operation amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates has been published. 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, 2006.

Notes to the consolidated financial statements

1. RESTRUCTURING COSTS

In mid-year 2005 the Board of Directors approved the second phase of restructuring program for EUR 80 million, of which EUR 69.8 million incurred during 2005. The first phase was announced in December 2004 amounting EUR 46 million. These amounts represent the costs of site rightsizing and closures together with the writing down of manufacturing assets for technical or economic reasons. The first phase of restructuring have been completed by the end of 2005 in accordance with plan. The second phase will continue during 2006 and will be completed by the end of 2007. 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	2005	2004
Cost of goods sold	30.9	43.4
Sales and marketing	1.1	0.6
Research and development	0.2	0.6
Administration costs	1.5	1.0
Other operating expense	36.1	0.4
Total	**69.8**	**46.0**

The major part of the remaining EUR 10 million of total EUR 126 million restructuring costs will be recorded in 2006.

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 is 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.

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, accrued income and prepayments, cash (and cash equivalents). 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 2005

EUR million	Europe	Americas	AOA	Unallocated	Consolidated
Net sales	1,172.1	707.1	364.5	–	2,243.7
EBITA	8.1	46.0	18.3	18.0	90.4
Amortization (includes goodwill impairment loss)	–	31.2	1.5	–	32.7
EBIT *	8.1	14.8	16.8	18.0	57.7
Assets	1,070.4	708.1	375.1	153.7	2,307.3
Liabilities	300.9	133.2	75.0	977.9	1,486.9
Capital expenditure	62.6	25.2	25.5	–	113.4
Depreciation	53.0	29.0	17.7	–	99.8
* includes restructuring cost of	63.9	–	6.0	–	69.8

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	25.4	101.3
Amortization	–	–	–	–	–
EBIT *	40.1	16.2	19.6	25.4	101.3
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

Business segments 2005

EUR million	Consumer Goods	Foodservice	Unallocated	Consolidated
Net sales	1,470.2	773.5	–	2,243.7
EBITA	50.1	22.3	18.0	90.4
Amortization (includes goodwill impairment loss)	23.3	9.4	–	32.7
EBIT *	26.8	12.9	18.0	57.7
Assets	1,495.4	658.2	153.7	2,307.3
Capital expenditure	65.6	47.7	–	113.4
* includes restructuring cost of	39.5	30.3	–	69.8

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	25.4	101.3
Amortization	–	–	–	–
EBIT *	50.7	25.2	25.4	101.3
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

3. OTHER OPERATING INCOME

EUR million	2005	2004
Royalties	26.4	22.6
Release of provisions	1.6	6.8
Leasing Income	1.7	2.0
Insurance compensations	4.4	5.4
Grants	0.3	0.7
Gain on disposal of fixed assets	3.0	0.8
Other	9.4	5.2
Total	**46.8**	**43.5**

4. OTHER OPERATING EXPENSES

EUR million	2005	2004
Impairment of goodwill and amortization of other intangible assets	36.0	4.5
Restructuring writedowns	36.1	–
Other	13.9	9.3
Total	**86.0**	**13.8**

5. PERSONNEL EXPENSES

EUR million	2005	2004
Wages and salaries	441.3	426.9
Compulsory social security contributions	52.4	53.8
Pensions		
Defined benefit plans	6.5	-1.8
Defined contribution plans	8.1	6.2
Other post employment benefits	7.8	0.8
Share-based payments	1.4	0.8
Other personnel costs	25.7	32.3
Total	**543.2**	**519.0**
Remuneration paid by the parent company to the members of the Board of Directors as well as the CEO of Huhtamäki Oyj (10 people)	**0.9**	**1.8**

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

Average number of personnel	2005	2004
Group	15,294	15,652
Huhtamäki Oyj	783	768

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

EUR million	2005	2004
Depreciation and amortization by function:		
Production	91.3	123.6
Sales and marketing	0.3	0.3
Research and development	0.5	0.3
Administration	4.0	3.6
Goodwill	32.7	–
Other	3.7	6.1
Total	**132.5**	**133.9**
Depreciation and amortization by asset type:		
Buildings	11.3	17.8
Machinery and equipment	85.2	111.6
Goodwill	32.7	–
Other intangible assets	3.3	4.5
Total	**132.5**	**133.9**
Impairments by asset type:		
Goodwill	32.7	–
Total	**32.7**	–

Production depreciation includes 29,5 MEUR restructuring costs in year 2004; see Note 1.

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	2005	2004
Interest income	3.9	4.6
Dividend income	0.4	0.2
Gain on fair value hedges	1.0	0.7
FX revaluation gains	3.9	1.9
Other financial income	4.9	2.6
Interest expense	-38.9	-39.3
Net financial expense from trading assets		-0.1
Loss on fair value hedges	-2.5	-0.5
FX revaluation losses	-3.0	-2.6
Bank fees, taxes and stock exchange expenses	-2.1	-1.3
Other financial expense	-7.6	-4.5
Loss on net monetary position in hyperinflationary units	0.5	-0.2
Total	**-36.9**	**-36.6**

8. INCOME TAXES

EUR million	2005	2004
Current period taxes	16.9	19.8
Previous period taxes	-47.3	1.3
Deferred tax expense	42.4	-8.0
Total	**12.0**	**13.1**
Profit before taxes	21.4	65.5
Tax calculated at domestic rates	5.6	19.2
Effect of different tax rates in foreign subsidiaries	1.6	3.1
Income not subject to tax	-3.8	-10.8
Expenses not deductible for tax purposes	2.3	4.0
Goodwill amortization	0.1	–
Utilization of previously unrecognised tax losses	-5.1	0.1
Effect of changed tax rates	0.0	-1.3
Valuation allowance	-31.1	–
Changes in tax provisions	44.1	–
Other items	-1.4	-1.2
Tax charge	**12.0**	**13.1**

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	2005	2004
Profit attributable to equity holders of the parent company (basic/diluted)	6.9	50.4

Thousands of shares	2005	2004
Weighted average number of shares outstanding	98,502	96,735
Effect of issued share options	995	684
Diluted weighted average number of shares outstanding	99,497	97,419
Basic earnings per share (EUR)	0.07	0.52
Diluted earnings per share (EUR)	0.07	0.52

10. INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangible assets (incl. software)	Total 2005	Total 2004
Acquisition cost at January 1	766.2	2.7	31.2	800.1	811.5
Additions	–	1.8	1.2	3.0	1.0
Disposals	-13.5	-0.9	-1.3	-15.7	-1.1
Intra-balance sheet transfer	-2.8	–	3.4	0.6	1.1
Changes in exchange rates	41.9	0.4	1.4	43.6	-12.4
Acquisition cost at December 31	791.7	4.0	35.9	831.6	800.1
Accumulated amortization at January 1	198.3	1.2	25.2	224.7	224.3
Accumulated amortization on disposals and transfers	-6.9	-0.1	1.9	-5.1	-0.9
Amortization during the financial year	–	0.2	3.1	3.3	4.5
Impairments	32.7	–	–	32.7	–
Changes in exchange rates	21.5	0.1	0.4	22.0	-3.2
Accumulated amortization at December 31	245.7	1.4	30.5	277.6	224.7
Book value at December 31, 2005	546.0	2.6	5.4	554.0	–
Book value at December 31, 2004	567.9	1.5	6.0	–	575.4

For write-off and impairment of goodwill, see note 6.

Impairment charge

As a result of goodwill impairment testing, a 32.7 MEUR impairment charge is recognized during 2005. From the charge 30.3 MEUR relates to North America's cash generating unit and 2.4 MEUR to units without significant goodwill. The impairment charge is included in Other operating expenses in the income statement.

Impairment test for cash-generating units containing goodwill

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

EUR million	2005	2004
North America	206.1	218.9
Rigid Europe	66.3	75.6
FFF Europe	174.4	174.4
	446.8	468.9
Multiple units without significant goodwill	99.2	99.0
Total	**546.0**	**567.9**

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 9.5 percent (2004: 7.2 percent), Rigid Europe 10.3 percent (2004: 8.3 percent), and FFF Europe 8.3 percent (2004: 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 7.2 percent to 22.3 percent (2004: 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 ASSETS

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2005	Total 2004
Acquisition cost at January 1	30.5	288.1	1,020.5	61.4	53.9	1,454.4	1,401.3
Additions	0.3	2.1	25.7	79.2	3.0	110.3	92.9
Disposals	-4.7	-17.6	-75.4	-0.2	-5.0	-102.9	-12.4
Intra-balance sheet transfer	–	0.5	68.8	-69.6	2.4	2.1	-1.6
Changes in exchange rates	2.0	16.2	51.0	7.1	1.4	77.7	-25.8
Acquisition cost at December 31	28.1	289.3	1,090.6	77.9	55.7	1,541.6	1,454.4
Accumulated depreciation at January 1	0.9	84.6	517.5	–	34.7	637.7	531.5
Accumulated depreciation on disposals and transfers	-0.1	-2.7	-54.8	–	-5.0	-62.6	-8.5
Depreciation during the financial year	0.1	11.2	80.4	–	4.8	96.5	129.4
Impairments	–	–	–	–	–	–	–
Changes in exchange rates	0.1	3.3	16.4	–	0.9	20.8	-14.7
Accumulated depreciation at December 31	1.0	96.4	559.5	–	35.4	692.4	637.7
Book value at 31 December 2005	27.0	192.9	531.1	77.9	20.3	849.2	–
Book value at 31 December 2004	29.6	203.5	503.0	61.4	19.2	–	816.7
Value of financial leased assets included in book value							
2005	–	0.6	3.0	0.0	0.0	3.6	–
2004	–	0.7	0.3	–	-	–	1.0

12. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has investments in the following associates:

Company	Country	Onwership 2005	Onwership 2004
Arabian Paper Products Co.	Saudi-Arabia	40.0 %	40.0 %
Hiatus B.V.	Netherlands	50.0 %	50.0 %
Allobi AB	Sweden	–	25.0 %

Allobi AB, Sweden is on December 31, 2005 not anymore included as associated company, because the ownership has fallen under 20 %.

EUR million	2005	2004
Book value at January 1	1.6	1.5
Share of results	0.6	0.8
Dividends	-0.4	-0.7
Divestments	-0.1	–
Book value at December 31	1.7	1.6

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

2005:

EUR million	Assets	Liabilities	Equity	Net Sales	Profit for the period
Arabian Paper Products Co., Saudi-Arabia	6.2	3.0	3.2	8.8	1.1
Hiatus B.V., Netherlands	1.6	0.3	1.3	2.7	0.3

2004:

EUR million	Assets	Liabilities	Equity	Net Sales	Profit for the period
Arabian Paper Products Co., Saudi-Arabia	4.5	1.8	2.7	8.2	1.0
Hiatus B.V., Netherlands	1.7	0.3	1.4	2.3	0.4
Allobi AB, Sweden	4.1	3.5	0.6	4.4	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	2005	2004
Non-current assets	6.5	5.4
Current assets	5.8	3.0
Non-current liabilities	-4.2	-2.7
Current liabilities	-5.2	-4.3
Net assets/ (liabilities)	2.9	1.4
Income	17.2	10.9
Expenses	-16.1	-10.9
Profit for the period	1.1	0.0

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	2005	2004
Book value at January 1	1.7	1.8
Additions	0.1	–
Disposals	–	-0.1
Change in fair value	–	–
Book value at December 31	1.8	1.7

15. INTEREST BEARING RECEIVABLES

	2005		2004	
EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Current				
Loan receivables	0.9	0.9	10.7	10.7
Finance lease receivables	16.3	17.8	4.8	6.3
Current interest bearing receivables	17.2	18.7	15.5	17.0
Non-current				
Loan receivables	3.9	4.1	4.0	4.3
Finance lease receivables	0.4	0.4	16.0	17.0
Non-current interest bearing receivables	4.3	4.5	20.0	21.3

Fair values have been calculated by discounting future cashflows of 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	2005	2004
Finance lease receivables payable as follows:		
In less than one year	16.8	5.9
Between one and five years	0.5	16.4
Total minimum lease receivables	**17.3**	**22.3**
Present value of minimum lease receivables		
In less than one year	16.3	4.8
Between one and five years	0.4	16.0
Total present value of minimum lease receivables	**16.7**	**20.8**
Unearned future financial income	0.6	1.5

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	2005	2004
Deferred tax assets by types of temporary differences		
Tangible assets	3.5	20.9
Employee benefits	25.1	22.5
Provisions	7.5	7.5
Unused tax losses	9.7	34.5
Other temporary differences	15.5	14.1
Total	**61.2**	**99.5**
Deferred tax liabilities		
Tangible assets	73.1	86.4
Employee benefits	26.1	21.2
Other temporary differences	27.6	12.4
Total	**126.8**	**119.9**
Net deferred tax liabilities	65.5	20.4
Reflected in balance sheet as follows:		
Deferred tax assets	16.0	21.8
Deferred tax liabilities	81.5	42.2

December 31, 2005 the group had EUR 170 million (2004: EUR 117 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	2005	2004
The amounts recognized in the Balance sheet:		
Present value of funded obligations	408.8	346.6
Fair value of plan assets	-375.0	-323.1
Present value of unfunded obligations	71.8	64.8
Unrecognized actuarial gains (–) and losses (+)	-57.8	-21.6
Unrecognized past service costs (–)	0.0	-0.1
Unrecognized assets	1.9	1.6
Net asset (-) or liability (+)	**49.7**	**68.2**
Reflected to Balance Sheet as follows:		
Pension assets	68.2	55.6
Pension liabilities	117.8	123.8
Expenses recognised in the income statement:		
Current service cost	8.6	10.5
Interest cost	18.8	21.4
Expected return on plan assets	-20.1	-22.0
Actuarial gains (–) and losses (+)	1.3	1.0
Recognized past service costs	-0.6	-2.4
Effect of any curtailments or settlements	-1.5	-10.3
Total defined benefit expenses	**6.5**	**-1.8**
Actual return of pension assets	29.0	25.0
The expenses of defined benefit plans are allocated by function as follows:		
Cost of goods sold	4.2	3.8
Sales and marketing	0.8	0.5
Administration costs	1.5	-6.1
Functional split of expense	**6.5**	**-1.8**
Movement in the present value of the defined benefit obligation:		
Opening defined benefit obligation	411.5	424.1
Translation difference	23.7	-12.3
Service cost	11.7	7.2
Interest cost	22.0	20.0
Acturial gains (-) and losses (+)	42.4	18.5
Losses (+) and gains (-) on curt	-1.3	-6.9
Liabilities extinguished on settlements	-0.7	-9.5
Benefits paid	-28.8	-29.6
Total defined benefit obligation	**480.5**	**411.5**

Movement in the fair value of the plan assets are as follows:	**2005**	**2004**
Opening fair value of plan asset	-323.2	-329.8
Translation difference	-21.4	12.9
Expected return	-23.9	-21.5
Acturial gains (-) and losses (+)	-8.7	-0.9
Assets distributed on settlements	0.0	7.2
Contribution by employer	-11.6	-4.0
Contribution by employee	-3.1	-2.4
Benefits paid	16.9	15.3
Total plan assets	**-375.0**	**-323.2**
Expected contribution to defined contribution plan during next year (2006)	**18.1**	

The major categories of plan assets as percentage of total plan assets:		
European equities (%)	19.9	17.3
North America equities (%)	20.1	20.8
European bonds (%)	8.4	8.2
North American bonds (%)	14.5	14.0
Property (%)	0.6	1.1
Other (%)	36.5	38.6
	100.0	**100.0**

Principal actuarial assumptions:	**2005**	**2004**
Discount rate (%)		
Europe	4.0 - 6.0	5.0 - 6.0
Americas	5.8	6.25
Asia, Oceania and Africa	3.5 - 10.0	3.5 - 10.0
Expected return on plan asset (%)		
Europe	4.3 - 7.0	5.5 - 7.2
Americas	8.5	8.5
Asia, Oceania and Africa	3.5 - 10.0	3.5 - 10.0
Expected salary increases (%)		
Europe	1.5 - 3.9	1.2 - 3.8
Americas	4.3	4.5
Asia, Oceania and Africa	3.0 - 8.0	3.0 - 8.0
Future pension increases (%)		
Europe	1.5 - 3.0	1.4 - 3.0
Americas	1.0	1.0
Employees opting for early retirement (%)		
Europe	2.0	–
Annual increase in healthcare costs (%)		
Americas	9.0	10.0
Asia, Oceania and Africa	7.5	–
Future change in max. state healthcare benefit (%)		
Americas	9.0	10.0

One percentage point change in assumed healthcare cost trend would have the following effetcs on defined benefit obligation:	**2005**
1 % p. increase of healthcare	4.7
1 % p. decrease of healthcare	-3.8

Amounts for the currect and previous periods are as follows:	2005	2004
Defined benefit pension plans		
Defined benefit obligation	414.9	353.1
Fair value of plan assets	-375.0	-323.2
Surplus/(deficit)	39.9	30.0
Experience adj.on pension plan liabilities	0.1	-0.7
Experience adj. on pension plan assets	3.7	-3.0

Post-employment medical benefits and other defined benefits:		
Defined benefit obligation	65.6	58.3
Experience adj.on pension plan liabilities	-1.6	1.3

18. INVENTORIES

EUR million	2005	2004
Raw and packaging material	108.5	94.9
Work-in-process	46.1	46.7
Finished goods	154.3	146.7
Advance payments	2.4	1.5
Inventories Total	**311.3**	**289.8**

The value at cost for finished goods amounts to EUR 170.8 million (2004: EUR 164.7 million). An allowance of EUR 18.8 million (2004: EUR 18.0 million) has been established for obsolete items. The total value of inventories include EUR 0.1 million resulting from reversals of previously written down values (2004: EUR 0.4 million).

19. TRADE AND OTHER CURRENT RECEIVABLES

EUR million	2005	2004
Trade receivables	338.2	306.9
Other receivables	32.4	25.3
Accrued interest and other financial items	1.5	6.2
Other accrued income and prepaid expenses	28.6	23.1
Total	**400.7**	**361.5**

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

20. CASH AND CASH EQUIVALENTS

EUR million	2005	2004
Cash and bank	36.0	26.9
Marketable securities	1.6	1.7
Total	**37.6**	**28.6**

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, 2004	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
Subscription through option rights June 13, 2005	117,400	399,160.00	397,832.00	–	796,992.20
Subscription through option rights July 25, 2005	147,200	500,480.00	374,752.00	–	875,232.00
Subscription through option rights August 30, 2005	22,600	76,840.00	96,036.00	–	172,876.00
Subscription through option rights October 3, 2005	66,200	225,080.00	226.170.00	–	451,250.00
Subscription through option rights October 25, 2005	57,400	195,160.00	189,680.00	–	384,840.00
Subscription through option rights November 29, 2005	31,800	108,120.00	105,748.00	–	213,868.00
December 31, 2005	98,778,283	353,053,864.80	96,797,293.06	-46,509,623.20	403,341,534.66

Total number of shares is 103,839,372 (December 2004: 103,396,772). 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 during 2002 and 2003. After 2003 no own shares have been acquired or disposed and on December 31, 2005 the Board had no authorization to acquire own shares. The Annual General Meeting on March 30, 2005 gave the Board an authorization to decide on conveyance of the company's own shares within one year's time. This authorization was not exercised during 2005.

Members of Board of Directors and the CEO of Huhtamäki Oyj owned on December 31, 2005 a total of 41,896 shares (December 2004: 72,512 shares). These shares represent 0.04 % (December 2004: 0.07 %) of total number of shares and voting rights.

Distribution of shareholding, December 31, 2005 *

Number of shares held	Number of shareholders	% of shareholders	Total number of shares	% of shares
1-100	2,830	13.96	170,885	0.17
101-1.000	12,110	59.75	5,533,686	5.33
1.001-10.000	4,852	23.94	13,031,289	12.55
10.001-100.000	389	1.92	10,186,643	9.81
100.001-1.000.000	74	0.37	19,600,977	18.88
over 1.000.000	13	0.06	55,240,516	53.20
Total	**20,268**	**100.00**	**103,763,996**	**99.93**

* of total number of shares 75,376 (0.07%) shares are held in the joint book-entry account.

By shareholder category	% of shares
Financial and insurance institutions	9.3
Non-profit organizations	29.9
Households	17.9
Non-corporate public sector	12.1
Corporations	9.5
Non-Finnish shareholding (of which 17,8 % under nominee registration within financial institutions)	21.3
Total	**100.0**

Largest shareholders, December 31, 2005*	Shares/votes	%
The Finnish Cultural Foundation	16,281,185	16.5
Society of Swedish Literature in Finland	4,400,800	4.5
Ilmarinen Mutual Pension Insurance Company	3,168,619	3.2
The Association for the Finnish Cultural Foundation	2,150,000	2.2
Varma Mutual Pension Insurance Company	1,753,312	1.8
Odin Norden	1,670,500	1.7
The Finnish State Pension Fund	1,400,000	1.4
Etera Mutual Pension Insurance Company	1,006,230	1.0
Sampo Finnish Equity Fund	913,750	0.9
Pohjola Finland Value Fund	880,000	0.9

* Excl. nominee registation within financial institutions and own shares acquired by Huhtamäki Oyj.

OPTION RIGHTS

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 per cent of the outstanding share capital of Huhtamäki Oyj. At the end of the year 2005 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 2005 the exercise of 110.650 option rights under the Option Rights 2000 Plan resulted in the issue of 442.600 new shares and the increase of the share capital with EUR 1.504.840.

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 increased by a maximum amount of EUR 7,650,000 representing approximately 2,2 per cent of the outstanding share capital of Huhtamäki Oyj. The option rights 2003 A are listed on the Helsinki Exchanges as of May 2, 2005. Huhtamäki Oyj will apply for the listing of the option rights 2003 B in Helsinki Exchanges as of May 2, 2006. At the end of year 2003 the Option Rights 2003 Plan had 80 participants.

Option Right	Number of shares one option right entitles to subscribe for	Subscription price for one share[1]	Subscription period[2]
2000 A	4	EUR 7.20	May 2, 2002 – October 31, 2006
2000 B	4	EUR 5.66	May 2, 2003 – October 31, 2006
2000 C	4	EUR 10.15	May 2, 2004 – October 31, 2006
2003 A	1	EUR 8.34	May 2, 2005 – October 31, 2009
2003 B	1	EUR 10.60	May 2, 2006 – October 31, 2009
2003 C	1	EUR 12.73	May 2, 2007 – October 31, 2009

1) Subscription price before deduction of the year 2005 dividend.

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

General

Share options to key management personnel are granted under a service condition. In case the employee ceases to be employed by Huhtamäki Oyj or any of its subsidiary before the share subscription period has commenced, the share options will be forfeited. 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 4,738,480 new shares may be subscribed representing approximately 4.6 % of the total number of votes on December 31, 2005.

Information relating to the amount of option rights outstanding 2005 and 2004

Amount of option rights (pcs)	Weighted average exercise price/share EUR 2005	Options 2005	Shares based on option rights 2005	Weighted average exercise price/share EUR 2004	Options 2004	Shares based on option rights 2004
At the beginning of the financial year	9.12	1,719,030	3,275,553	8.43	1,691,871	4,953,984
Granted	12.55	750,500	750,500	10.87	682,500	691,500
Exercised	6.54	110,650	442,600	7.98	543,495	2,173,980
Forfeited and expired	10.61	84,500	84,500	9.24	111,846	195,951
At the end of the financial year	10.32	2,274,380	3,498,953	9.50	1,719,030	3,275,553
Exercisable at the end of the period	8.45	974,880		8.54	518,841	

Share options of the Option Rights 2003 Plan, which have been granted after November 7, 2002 and which have not vested before January 1, 2005, have been recognized as an expence according to IFRS 2, see Note 5. Options granted before November 7, 2002 (Option Right Plan 2000) have not been recognized as an expense.

The fair value of options granted is measured using the Black-Scholes model taking into account the market terms and conditions of agreement when pricing the options. The expected volatility is based on the historic volatility of Huhtamäki Oyj share and adjusted for any expected changes to future volatility due to publicly available information. Paid dividends are deducted from the exercise price of the options. Therefore the impact of dividends on the fair value of the option at grant date is not taken into account when pricing the options. The fair value is spread over the period under which the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of options that will be vested.

Share option plan	2003 A	2003 B	2003 C
Fair value at grant date	1.89	2.13	2.30
Grant date	September 30, 2003	September 30, 2004	September 30, 2005
Number of outstanding options at December 31, 2005	566,689	614,500	685,000
Exercise price	9.097	10.980	13.490
Share price at grant date	9.0	10.8	13.5
Expected volatility (%)	21.5	21.1	20.0
Option life as weigthed average at grant date (years)	3.8	3.3	2.8
Risk-free interest rate (%)	3.0	3.6	3.0

22. INTEREST BEARING LIABILITIES

	2005		2004	
EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Current				
Loans from financial institutions				
current portion	14.1	14.4	11.9	12.3
Other loans				
current portion	0.2	0.2	0.4	0.4
Finance lease liabilities				
current portion	0.8	0.8	0.8	0.8
Short-term loans	351.4	351.4	379.5	379.5
Total	**366.5**	**366.8**	**392.6**	**393.0**
Long-term				
Loans from financial institutions	398.9	402.9	367.2	372.8
Other long-term loans	3.2	3.2	2.5	2.5
Finance lease liabilities	2.0	2.0	1.0	1.0
Total	**404.1**	**408.1**	**370.7**	**376.3**
Pension loans				
From pension foundations	–		0.3	
Total	**–**		**0.3**	

All interest bearing liabilities are other liabilities as defined in IAS 39 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 pension insurance companies have been transferred to Loans from financial institutions according to their nature (same applies to 2004 comparison).

	Loans from financial institutions	Finance lease liabilities	Other loans
Repayment			
2006	14.1	0.8	0.2
2007	40.4	0.8	0.0
2008	35.3	0.5	0.1
2009	8.8	0.3	0.1
2010	213.2	0.1	–
2011–	101.2	0.2	3.0

Finance lease liabilities

EUR million	2005	2004
Finance lease liabilities are payable as follows:		
In less than one year	1.0	0.9
Between one and five years	1.8	0.9
In over five years	0.3	0.2
Total minimum lease payments	3.1	2.0
Present value of minimum lease payments		
In less than one year	0.9	0.8
Between one and five years	1.7	0.7
In over five years	0.3	0.3
Total present value of minimum lease payments	2.8	1.8
Future finance charges	**0.3**	**0.2**

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	2005 total	2004 total
Provision at January 1, 2005	15.1	70.2	23.4	108.7	97.9
Translation difference	0.0	–	0.4	0.4	–
Provisions made during the year	27.9	3.5	17.8	49.2	27.8
Provisions used during the year	-20.9	–	-10.7	-31.6	-5.6
Unused provisions reversed during the year	-0.1	-44.1	-7.2	-51.4	-11.4
Provision at December 31, 2005	**22.0**	**29.6**	**23.7**	**75.4**	**108.7**
Current	22.0	–	2.2	24.2	24.0
Non-current	–	29.6	21.5	51.1	84.7

24. TRADE AND OTHER CURRENT LIABILITIES

EUR million	2005	2004
Trade payables	243.3	217.2
Other payables	28.6	31.6
Accrued interest expense and other financial items	8.4	7.3
Personnel, social security and pensions	63.6	50.0
Other accrued expenses	57.5	48.1
Total	**401.4**	**354.2**

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. The Finance Committee reviews risk reports are on the company's interest bearing balance sheet items, commercial flows and derivatives and approves required measures on a monthly basis.

The Group Treasury Department at the Espoo headquarters is responsible of the company's funding and risk management ans serves the business units in daily financing, foreign exchange transactions and cash management co-ordination.

Currency risk

The company is exposed to exchange rate risk through intracompany 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. As a policy all commercial receivables and payables recorded on the balance sheet and 25 % of probable flows over a minumum 12-month monitoring horizon are always hedged. Eligible hedging instruments are currency forwards and in authorized subsidiaries also currency options. 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 11.9 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, who in its decision-making considers the hedge's estimated impact on the consolidated income statement and balance sheet ratios, long-term cash flows and hedging cost. 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 exposes the company to interest rate risk, namely re-pricing 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 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 overdraft facilities.

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 long-term committed credit facilities to ensure financing resources in all circumstances.

Re-financing risk is managed by maintaining a diversified maturity structure of loans and debt facilities, that takes into account the estimated cash flow of the company.

Credit risk

The business units arew responsible for the management of commerical credit risk.

Liquid funds are invested in short-term bank deposits at relationship banks or in government bonds, treasury bills or commerical papers of borrowers with a solid investment grade rating and selected Finnish corporate issuers. Counterpart risk stemming from these investments is considered small and managed by the Group Treasury Department .

26. FINANCIAL INSTRUMENTS

FOREIGN EXCHANGE TRANSACTION EXPOSURE

EUR million	December 31, 2005 12 month Commercial Position	December 31, 2004 12 month Commercial Position
Currency		
USD	35	33
AUD	19	22
GBP	35	33
PLN	29	17
Other	46	53
Total	**165**	**157**

CURRENCY SPLIT AND REPRICING SCHEDULE OF OUTSTANDING NET DEBT INCLUDING HEDGES

EUR million	December 31, 2005										December 31, 2004		
					Debt repricing in period, incl. derivatives								
Currency	Amount mEUR	Avg. duration	Avg. rate	Rate sensitivity[1] mEUR	2006	2007	2008	2009	2010	Later	Amount mEUR	Avg. duration	Avg. rate
EUR	258	0.7 y	3.6%	1.6	203	6	6	6	6	32	286	1.1 y	3.9%
USD	243	1.7 y	4.9%	0.9	112	19	31	21	41	19	237	1.5 y	4.1%
AUD	46	1.3 y	6.0%	0.1	33		12				45	1.1 y	6.0%
GBP	86	1.1 y	5.2%	0.3	63	9	7	7			65	1.2 y	5.5%
Other	79	0.6 y	9.1%	0.3	71	3	1			4	66	0.6 y	9.8%
Total	**712**	**1.1 y**	**5.0%**	**3.2**	**482**	**37**	**57**	**34**	**46**	**54**	**699**	**1.2 y**	**4.8%**

[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, 2005									December 31, 2004		
				Maturity of facility/loan								
Debt type	Amount drawn	Amount available	Total	2006	2007	2008	2009	2010	Later	Amount drawn	Amount available	Total
Committed revolving facilities	229	326	555	25		55		475		232	317	549
Loans from financial institutions	167		167	94	38	7	7	7	15	181		181
Private placements	117		117	6	6	5	4	27	70	48		48
Commercial Paper Program	257		257	257						302		302
Total	**771**	**326**	**1,097**	**382**	**43**	**67**	**11**	**509**	**85**	**763**	**317**	**1,080**

NOMINAL VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	December 31, 2005								December 31,2004	
	Nominal value		Maturity structure						Nominal value	
Instrument	**Gross**	**Net**	**2006**	**2007**	**2008**	**2009**	**2010**	**Later**	**Gross**	**Net**
Currency forwards										
for transaction risk	91		72	15	4				36	
for translation risk	59		59						50	
for financing purposes	121		121						125	
Currency options										
for transaction risk	1	1	1						6	6
Forward rate agreements and futures contracts										
EUR										
USD										
Interest rate swaps										
EUR	95	95	75					20	125	125
USD	119	119	25	25	17	17	34		128	128
GBP	32	32	9	9		7	7		34	34
Other	12	12			12				11	11
Electricity forward contracts	1		1						1	

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	December 31, 2005			December 31, 2004		
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)]	0.6	-2.6	-2.0	2.8	-0.9	1.9
for translation risk[2)]	0.1	-0.6	-0.5	0.3	–	0.3
for financing purposes	0.8	-1.4	-0.6	2.6	-1.4	1.2
Currency options						
for transaction risk				0.3		0.3
Forward rate agreements and futures contracts						
EUR						
USD						
Interest rate swaps[3)]						
EUR	0.1	-1.4	-1.3		-3.6	-3.6
USD	2.5	-0.2	2.3	1.1	-2.4	-1.3
GBP		-0.5	-0.5		-0.4	-0.4
other		-0.2	-0.2		-0.2	-0.2
Electricity forward contracts	0.3		0.3		-0.1	-0.1

[1)] Out of the currency forwards, fair value of EUR -2.0 million was designated for cash flow hedges as at December 31, 2005 (EUR 1.8 million at December 31, 2004) and reported in fair value and other reserves.
[2)] Out of the currency forwards, fair value of EUR -0.5 million was designated for hedges of net investment in foreign subsidiaries as at December 31, 2005 (EUR 0.3 million at December 31, 2004) 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 0.3 million was designated for cash flow hedges as at December 31, 2005 (EUR -5.6 million as at December 31, 2004) out of which EUR 0.5 million was reported in equity in fair value and other reserves and EUR -0.1 million in profit and loss statement as interest expense.

27. FAIR VALUE AND OTHER RESERVES

EUR million	Hedge reserve	Total
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**
Cash flow hedge result deferred to equity	-2.0	-2.0
Cash flow hedge result recognized in P&L	4.6	4.6
Cash flow hedge result recognised in BS	0.0	0.0
Deferred taxes	0.1	0.1
December 31, 2005	**-0.2**	**-0.2**

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:

EUR million	2005	2004
Salaries and other short-term employee benefits	2.3	2.9

Total compensation in 2005 includes EUR 0.2 million (2004: EUR 0.8 million) long term compensation payments. Total remuneration is included in personnel expenses (see note 5).

Salaries of CEO and board members (thousand euros)

CEO Heikki Takanen	530
Board members	
Mikael Lilius	64
Paavo Hohti	57
Eija Ailasmaa	46
George V. Bayly	46
Robertus van Gestel	47
Anthony J.B. Simon	46
Veli Sundbäck	22
Jukka Suominen	36
Jukka Viinanen	11
Total	**903**

Based on Group's pension plan executive officers are entitled to retirement at the age of 60.

Directors and executive officers owned in total 63,896 shares at December 31, 2005 (December 2004: 90,512 shares). Executive officers owned in total 417,000 option rights at December 31, 2005 (December 2004: 355,800 option rights). The option rights entitle the holders to subscribe in total 453,000 shares representing 0.44 % of total shares and voting rights (2004: 523,200 shares representing 0.51 % 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	2005	2004
Purchase of goods	2.2	2.2

29. OPERATING LEASE COMMITMENTS

EUR million	2005	2004
Operating lease payments:		
Not later than 1 year	14.4	11.3
Later than 1 year and not later than 5 years	25.7	17.6
Later than 5 years	26.5	37.7
Total	**66.6**	**66.6**

30. CONTINGENCIES

EUR million	2005	2004
Capital expenditure commitments:		
Under 1 year	10.4	4.6
Mortgages:		
For own debt	14.9	15.5
Guarantee obligations:		
For joint ventures	5.2	3.1
For external parties	0.3	4.6

Huhtamaki 2001–2005

EUR million	FAS 2001	FAS 2002	IFRS 2002	IFRS 2003	IFRS 2004	IFRS 2005
Net sales	2,382.4	2,238.7	2,238.7	2,108.3	2,092.3	2,243.7
Increase in net sales (%)	-28.0	-6.0	-6.0	-5.8	-0.8	7.2
Net sales outside Finland	2,301.1	2,133.6	2,133.6	2,001.9	1,986.7	2,136.3
Earnings before interest, taxes, depreciation and amortization	334.4	326.8	324.3	239.7	235.2	190.2
Earnings before interest, taxes, depreciation and amortization/net sales (%)	14.0	14.6	14.5	11.4	11.2	8.5
Earnings before interest and taxes	178.3	175.1	172.6	96.6	101.3	57.7
Earnings before interest and taxes/ net sales (%)	7.5	7.8	7.7	4.6	4.8	2.6
Profit before taxes	130.3	131.1	124.8	54.8	65.5	21.4
Profit before taxes/net sales (%)	5.5	5.9	5.6	2.6	3.1	1.0
Net income	87.1	88.3	87.3	36.3	52.4	9.4
Shareholders' equity	874.6	857.7	805.5	755.2	781.8	802.0
Return on investment (%)	9.6	10.0	10.1	6.2	6.7	4.0
Return on shareholders' equity (%)	8.6	10.5	10.7	5.0	6.7	1.3
Solidity (%)	36.0	35.4	32.6	33.0	35.7	35.6
Net debt to equity	0.94	0.97	1.04	1.00	0.88	0.87
Current ratio	0.94	0.85	0.81	0.79	0.89	0.96
Times interest earned	6.58	7.33	6.89	5.97	6.79	5.43
Capital expenditure	144.0	139.5	139.5	117.7	94.0	113.4
Capital expenditure/net sales (%)	6.0	6.2	6.2	5.6	4.5	5.1
Research and development	12.8	12.3	12.3	14.0	17.9	18.7
Research and development/ net sales (%)	0.5	0.5	0.5	0.7	0.9	0.8
Number of shareholders (December 31)	15,669	15,943	15,943	18,806	18,303	20,268
Personnel (December 31)	16,417	15,909	15,909	15,508	15,531	14,935

Per share data

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

		FAS		IFRS			
		2001	**2002**	**2002**	**2003**	**2004**	**2005**
Earnings per share	EUR	0.74	0.88	0.86	0.38	0.52	0.07
Earnings per share (diluted)				0.86	0.38	0.52	0.07
Dividend, nominal	EUR	0.31	0.38	0.38	0.38	0.38	0.38[1]
Dividend/earnings per share	%	41.9	43.2	44.2	100.0	73.1	542.9[1]
Dividend yield	%	3.5	4.0	4.0	4.1	3.2	2.7[1]
Shareholders' equity per share	EUR	8.64	8.79	8.26	7.85	7.95	8.12
Average number of shares adjusted for share issue		117,117,696	100,769,970	100,769,970	96,292,220	96,734,981	96,501,625
Number of shares adjusted for share issue at year end		101,215,792	97,547,792	97,547,792	96,161,703	98,335,683	98,778,283
P/E ratio		12.0	10.9	11.1	24.6	22.8	198.7
Market capitalization at December 31	EUR million	898.3	931.6	931.6	899.1	1,167.2	1,374.0
Trading volume	units	41,359,940	66,996,986	66,996,986	51,050,523	70,919,815	84,417,331
In relation to average number of shares[2]	%	35.3	66.5	66.5	53.0	73.3	85.7
Development of share price							
Lowest trading price	EUR	6.13	8.22	8.22	7.89	9.40	11.37
Highest trading price	EUR	9.25	12.38	12.38	9.85	12.30	14.88
Trading price at Dec 31	EUR	8.88	9.55	9.55	9.35	11.87	13.91

1) 2005: Board's proposal
2) Excluding treasury shares

Definitions for key indicators

Earnings per share = $\dfrac{\text{Profit before taxes – minority interest – taxes}}{\text{Average number of shares outstanding}}$

Earnings per share = (diluted) $\dfrac{\text{Diluted profit before taxes – minority interest – taxes}}{\text{Average fully diluted number of shares outstanding}}$

Dividend yield = $\dfrac{\text{100 x issue-adjusted dividend}}{\text{Issue-adjusted share price at December 31}}$

Shareholders' equity per share = $\dfrac{\text{Equity}}{\text{Issue-adjusted number of shares at December 31}}$

P/E ratio = $\dfrac{\text{Issue-adjusted share price at December 31}}{\text{Earnings per share}}$

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

Return on investment = $\dfrac{\text{100 x (Profit before taxes + interest expenses + net other financial expenses)}}{\text{Balance sheet total – Interest-free liabilities (average)}}$

Return on equity = $\dfrac{\text{100 x (Profit before taxes – taxes)}}{\text{Equity + minority interest (average)}}$

Net debt to equity = $\dfrac{\text{Interest bearing net debt}}{\text{Equity + minority interest (average)}}$

Solidity = $\dfrac{\text{100 x (Equity + minority interest)}}{\text{Balance sheet total – advances received}}$

Current ratio = $\dfrac{\text{Current assets}}{\text{Current liabilities}}$

Times interest earned = $\dfrac{\text{Earnings before interest and taxes + depreciation and amortization}}{\text{Net interest expenses}}$

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, %
Huhtamäki Oyj's shareholding in subsidiaries:							
Huhtamaki Finance B.V.	6,534,313	100.0	EUR	653,431	EUR	2,060,188	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.	6,599,984	100.0	TRY	6,600	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	24,601	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.	168,661	100.0	ZAR	335	EUR	10,862	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	7,574	USD	6,370	100.0
Huhtamaki Hong Kong Limited	181,401	100.0	HKD	181	EUR	21,336	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 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	17,936	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
Subsidiary shares owned by Huhtamaki Hong Kong Limited:							
Huhtamaki (Tianjin) Limited	1	100.0	CNY	128,124	HKD	127,952	100.0
Huhtamaki (Guangzhou) Limited	1	100.0	USD	3,177	HKD	24,650	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
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

Name	Number of shares	Size of holding, %		Nominal value		Book value	Group holding, %
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	–	90.0	USD	1	USD	225,578	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	462,480	100.0
Subsidiary shares owned by Huhtamaki Delaware, Inc.:							
Huhtamaki Holding, Inc.	100	100.0	USD	1	USD	366,218	100.0
Subsidiary shares owned by Huhtamaki Holding Inc.:							
Huhtamaki Flexibles, Inc.	100	100.0	USD	1	USD	26,874	100.0
Huhtamaki Plastics, Inc.	1,000	100.0	USD	1	USD	110,173	100.0
Huhtamaki - East Providence., Inc.	6,445	100.0	USD	15	USD	33,148	100.0
Huhtamaki Group of Companies	100	100.0	USD	1	USD	118,685	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 Supra S.A.R.L.:							
Huhtalux S.A.R.L.	125	100.0	EUR	13	EUR	233,493	100.0
Huhtamaki German Holdings Supra B.V.	180	100.0	EUR	18	EUR	86,000	100.0
Subsidiary shares owned by Huhtamaki German Holdings Supra B.V.:							
Huhtamaki German Holdings B.V.	180	100.0	EUR	18	EUR	39,000	100.0
Subsidiary shares owned by Huhtamaki German Holdings B.V.:							
Huhtamaki Dritte Beteiligungs GmbH	1	100.0	EUR	30	EUR	385,005	100.0
Subsidiary shares owned by Huhtamaki Dritte Beteiligungs GmbH:							
Huhtamaki Vierte Beteiligungs GmbH	1	100.0	EUR	30	EUR	384,980	100.0
Subsidiary shares owned by Huhtamaki Vierte Beteiligungs GmbH:							
Huhtamaki Deutchland GmbH & Co. KG	19.391	75.1	EUR	1,939	EUR	384,955	100.0

Parent company annual accounts 2005

Parent company income statement (FAS)

EUR million	Note	2005	%	2004	%
Net sales	1	107.5	100.0	105.6	100.0
Cost of goods sold		-82.8		-77.3	
Gross profit		**24.7**	**22.9**	**28.3**	**26.8**
Sales and marketing		-7.4		-9.1	
Research and development		-2.2		-1.9	
Administration costs		-22.9		-22.2	
Other operating expenses		-5.2		-5.0	
Other operating income		51.4		57.7	
		13.7		19.5	
Earnings before interest and taxes	2,3	**38.4**	**35.7**	**47.8**	**45.3**
Net financial income/expense	4	-24.3		290.5	
Profit before exceptional items, appro-priations and taxes		**14.1**	**31.1**	**338.3**	**320.3**
Depreciation difference, (–) increase, (+) decrease		0.0		-0.2	
Taxes	5	-3.0		-1.9	
Net income		**11.1**	**10.3**	**336.2**	**318.3**

Parent company balance sheet (FAS)

ASSETS EUR million	Note	2005	%	2004	%
Fixed assets					
Intangible assets	6				
Intangible rights		0.5		0.4	
Other capitalized expenditure		4.9		8.0	
		5.4	**0.2**	**8.4**	**0.3**
Tangible assets	7				
Land		0.5		0.5	
Buildings and constructions		33.5		34.1	
Machinery and equipment		33.1		33.1	
Other tangible assets		4.7		4.9	
Construction in progress and advance payments		25.4		13.0	
		97.2	**3.6**	**85.6**	**3.3**
Other fixed assets					
Shares and holdings		2,408.9		2,408.9	
Loans receivable	8	3.4		3.3	
		2,412.3	**90.0**	**2,412.2**	**92.5**
Current assets					
Inventories					
Raw and packaging material		3.4		3.3	
Work-in-process		2.0		0.6	
Finished goods		7.1		8.2	
		12.5	**0.5**	**12.1**	**0.5**
Short-term					
Trade receivables	8	13.7		11.4	
Loans receivable	8	104.8		43.3	
Accrued income	9	26.2		22.5	
		144.7	**5.4**	**77.2**	**2.9**
Cash and bank		7.1	0.3	12.9	0.5
		2,679.2	**100.0**	**2,608.5**	**100.0**

LIABILITIES AND EQUITY

EUR million	Note	2005	%	2004	%
Shareholders' equity	10,11				
Share capital		353.1		351.5	
Premium fund		96.8		95.4	
Retained earnings available for distribution		1.140.4		841.6	
Net income for the period		11.1		336.2	
		1,601.4	**59.8**	**1,624.8**	**62.3**
Untaxed reserves		40.0	1.5	40.0	1.5
Liabilities					
Long-term					
Loans from financial institutions	13	320.1		282.4	
Pension loans	13	34.3		40.4	
Other long-term liabilities		–		0.0	
		354.4	**13.2**	**322.8**	**12.4**
Short-term					
Trade payables	12	12.6		12.0	
Accrued expenses	14	25.2		42.1	
Other short-term liabilities	12	645.6		566.8	
		683.4	**25.5**	**620.9**	**23.8**
		2,679.2	**100.0**	**2,608.5**	**100.0**
Total retained earnings available for distribution		**1,151.5**		**1,177.8**	

Parent company cash flow statement (FAS)

EUR million	2005	2004
EBIT	38.4	47.8
Depreciation	9.0	-2.6
Change in inventory	-0.4	-1.1
Change in non-interest bearing receivables	-7.0	4.7
Change in non-interest bearing payables	2.6	0.6
Net financial income/expense	-44.6	-21.5
Taxes	-0.8	-7.8
Cash flows from operating activities	**-2.8**	**20.1**
Capital expenditure	-17.6	-12.4
Proceeds from selling fixed assets	0.0	0.3
Acquired subsidiaries	–	-319.3
Change in long-term deposits	–	-0.3
Change in short-term deposits	-62.0	-3.7
Cash flows from investing activities	**-79.6**	**-335.4**
Change in long-term loans	31.7	40.8
Change in short-term loans	77.2	-36.8
Dividends	2.2	319.7
Dividends paid	-37.3	-36.5
Proceeds from stock option exercises	2.9	17.4
Cash flows from financing activities	**76.7**	**304.5**
Change in liquid assets	-5.7	-10.8
Liquid assets on January 1	12.8	4.6
Liquid assets from mergers	–	19.1
Liquid assets on December 31	7.1	12.8

Parent company accounting principles

The financial statements of Huhtamäki Oyj have been prepared according to Finnish Accounting Standards (FAS). In accordance with the new legislation the treasury shares can not be included in balance sheet assets. This change in accounting principles is also shown in the balance sheet of the previous year. 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	2005	2004
Net sales by categories:		
Consumer Goods	42.9	40.3
Foodservice	64.6	65.3
Total	**107.5**	**105.6**

2. PERSONNEL COSTS

EUR million	2005	2004
Wages and salaries	27.9	27.6
Pension costs	4.4	4.3
Other personnel costs	2.3	2.6
Total	**34.6**	**34.6**

Theabove amounts are on an accrual basis. Remuneration paid by the parent company to the members of the Board of Directors as well as the CEO of Huhtamäki Oyj (10 people) amounted to EUR 0.9 million. The CEO of Huhtamäki Oyj is entitled to retirement at the age of 60.

Personnel (average)	2005	2004
	783	**768**

3.DEPRECIATION AND AMORTIZATION

EUR million	2005	2004
Depreciation by function:		
Production	4.7	4.5
Sales and marketing	0.8	0.8
Administration	0.6	0.7
Other	3.0	2.9
Total depreciation	**9.1**	**8.9**
Depreciation by asset type:		
Land, buildings	1.0	1.0
Machinery and equipment	5.0	4.8
Other intangible assets	3.1	3.1
Total depreciation	**9.1**	**8.9**

4. FINANCIAL INCOME/EXPENSE

EUR million	2005	2004
Interest income	0.4	1.0
Intercompany interest income	9.2	4.9
Dividend income	0.0	0.4
Dividend income from subsidiaries	2.1	319.3
Dividend income from associated companies	0.2	0.4
Other financial income	155.1	185.6
Interest expense	-28.9	-29.7
Intercompany interest expense	-6.3	-4.4
Other financial expense	-156.1	-187.0
Total	**-24.3**	**290.5**

5. TAXES

EUR million	2005	2004
Ordinary taxes	-3.0	-1.9
Total	**-3.0**	**-1.9**

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 (2004: EUR 11.0 million).

6. INTANGIBLE ASSETS

EUR million	Intangible rights	Other capitalized Expenditure	2005 total	2004 total
Acquisition cost at January 1	0.6	31.5	32.1	31.6
Additions	0.0	0.0	0.0	0.4
Acquisition cost at December 31	0.6	31.5	32.1	32.1
Accumulated amortization at January 1	0.1	23.5	23.6	20.3
Amortization during the financial year	0.0	3.1	3.1	3.3
Accumulated amortization at December 31	0.1	26.6	26.7	23.6
Book value at December 31, 2005	0.5	4.9	**5.4**	–
Book value at December 31, 2004	0.5	8.0	–	**8.5**

7.TANGIBLE ASSETS

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	2005 total	2004 total
Acquisition cost at January 1	0.5	60.9	82.9	13.0	12.1	169.4	146.2
Additions	–	–	–	17.3	0.2	17.5	23.1
Disposals	–	–	–	–	–	–	-0.6
Intra-balance sheet transfer	–	0.4	4.5	-4.9	0.0	–	0.7
Acquisition cost at December 31	0.5	61.3	87.4	25.4	12.3	186.9	169.4
Accumulated depreciation at January 1	–	26.8	50.1	–	6.9	83.8	78.0
Accum. depreciation on decreases and transfers	–	–	–	–	–	–	-0.4
Depreciation during the financial year	–	1.0	4.3	–	0.7	6.1	6.2
Accumulated depreciation at December 31	–	27.8	54.3	–	7.6	89.7	83.8
Book value at December 31, 2005	0.5	33.5	33.1	25.4	4.7	**97.2**	–
Book value at December 31, 2004	0.5	34.1	32.8	13.0	5.2	–	**85.6**

Revaluations of buildings and constructions in 2005 is EUR 2.4 million (2004: EUR 2.4 million).

8. RECEIVABLES

EUR million	2005	2004
Current		
Trade receivables	7.4	6.1
Intercompany trade receivables	6.3	5.3
Loan receivables from subsidiaries	104.8	43.3
Accrued income and other short-term receivables	11.7	15.5
Accrued corporate income and other intercompany receivables	14.5	7.0
Total	**144.7**	**77.2**
Long-term		
Intercompany loan receivables	3.3	3.3
Total receivables	**148.0**	**80.6**

9. ACCRUED INCOME

EUR million	2005	2004
Accrued interest and other financial items	0.4	6.0
Accruals for profit on exchange	1.5	–
Personnel, social security and pensions	0.2	0.3
Rebates	0.7	0.6
Accruals for income and other taxes	–	0.6
Miscellaneous accrued income	8.6	6.9
Accrued corporate income and prepaid expense	14.5	7.0
Other	0.3	1.2
Total accrued income and other short-term receivables	**26.2**	**22.6**

10. SHARE CAPITAL OF THE PARENT COMPANY

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

11. CHANGES IN EQUITY

EUR million	2005	2004
Restricted equity:		
Share capital January 1	351.5	344.2
Subscription through option rights	1.6	7.3
Share capital December 31	353.1	351.5
Premium fund January 1	95.4	85.4
Subscription through option rights	1.4	10.0
Premium fund December 31	96.8	95.4
Non-restricted equity:		
Retained earnings January 1	1,177.8	878.1
Dividends	-37.4	-36.5
Net income for the period	11.1	336.2
Retained earnings December 31	1,151.5	1,177.8
Total equity	**1,601.4**	**1,624.8**

12. PAYABLES

EUR million	2005	2004
Trade payables	11.1	9.6
Intercompany trade payables	1.5	2.4
Total	**12.6**	**12.0**
Other short-term payables	46.4	2.3
Current loans	599.2	564.5
Total	**645.6**	**566.8**

13. LOANS

EUR million	2005	2004
Current		
Loans from financial institutions – current portion	5.7	5.7
Finance lease liabilities – current portion	0.1	–
Loans from subsidiaries		
– current portion	302.8	218.5
Short term loans	290.6	340.3
Total	599.2	564.5
Long-term		
Loans from financial institutions	354.5	322.8
Finance lease liabilities	0.5	–
Total	355.0	322.8

Changes in long-term loans and repayments	2005	2004
Loans from financial institutions		
January 1	322.5	259.8
Additions	1,037.0	188.3
Decreases	-1.020.8	-112.8
Foreign exchange effect	15.8	-12.8
Total	354.5	322.5
Repayments in 2006	5.7	5.7
Pension loans		
January 1	0.3	0.2
Increases	0.3	4.6
Decreases	-0.6	-4.5
Total	0.0	0.3
Finance lease liabilities		
January 1	0.0	–
Increases	0.7	–
Decreases	-0.1	–
Total	0.6	0.0
Repayments in 2006	0.1	–
Pension loans December 31		
From pension foundation	0.0	0.3
Total	0.0	0.3

Repayments	Financial institution loans	Finance lease liabilites
2006	5.7	0.1
2007	27.0	0.1
2008	29.7	0.2
2009	5.7	0.2
2010	210.5	0.0
2011-	81.5	–

14. ACCRUED EXPENSES

EUR million	2005	2004
Accrued interest expense	6.5	7.2
Accrued interest expense to subsidiaries	4.5	22.7
Personnel, social security and pensions	10.5	9.8
Purchases of material	0.1	0.4
Miscellaneous accrued expense	2.3	1.7
Other accrued corporate expense	1.2	0.4
Other	0.1	–
Total	**25.2**	**42.1**

15. COMMITMENTS AND CONTINGENCIES

EUR million	2005	2004
Operating lease payments:		
Under one year	0.1	0.2
Later than one year	0.3	0.1
Total	**0.4**	**0.4**
Capital expenditure commitments:		
Under one year	0.8	0.2
Later than one year	–	–
Total	**0.8**	**0.2**
Mortgages:		
For own debt	14.5	14.9
Guarantee obligations:		
For subsidiaries	111.2	111.3
For joint ventures	5.2	3.1
For external parties	0.3	4.6

Proposal of the Board of Directors

On December 31, 2005, consolidated non-restricted equity amounted to	EUR 399,647,430.26
On December 31, 2005, Huhtamäki Oyj's non-restricted equity was	EUR 1,151,541,944.49
of which the net income for the financial period was	EUR 11,107,097.85

The Board of Directors proposes distribution of the retained earnings as follows:	
– to the shareholders at EUR 0.38 a share	37,535,747.54
– to be left in non-restricted equity	1,114,006,196.95
	1,151,541,944.49

The Board of Directors proposes that the payment of dividends will be made on April 6, 2006. The dividends will be paid to shareholders who on the record date March 30, 2006 are registered as shareholders in the register of shareholders.

Espoo, February 7, 2006

Mikael Lilius	Eija Ailasmaa	Paavo Hohti
George V. Bayly	Robertus van Gestel	
Anthony J.B. Simon	Jukka Suominen	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. – 31.12.2005. The Board of Directors and the Managing Director have prepared the Report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that include parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

We have conducted the 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 administration is to examine that the members of the Board of Directors and the Managing Director of the parent company 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 as adopted by the EU give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Parent company's financial statements and administration

In our opinion the parent company's 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 of 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 regarding the distribution of retained earnings is in compliance with the Finnish Companies Act.

Espoo, February 7, 2006

Solveig Törnroos-Huhtamäki Authorized Public Accountant KPMG	Pekka Pajamo Authorized Public Accountant KPMG

HUHTAMAKI

TAKING PACKAGING FURTHER

Huhtamäki Oyj | Länsituulentie 7 | 02100 ESPOO, Finland
tel +358 9 6868 81 | fax +358 9 660 622
www.huhtamaki.com | www.huhtamaki.fi | info.hq@huhtamaki.com
Business Identity Code: 0410879-6