HUHTAMAKI

Annual Report 2006

Contents

Investor information

Huhtamaki's share is quoted on the Helsinki Stock Exchange on the Nordic Large Cap list under the Materials sector. The trading code is HUH1V.

Annual General Meeting

The Annual General Meeting of Shareholders (AGM) of Huhtamäki Oyj will be held on Thursday, April 12, 2007 at 15.00 (Finnish time), at Finlandia Hall, Mannerheimintie 13 e, Helsinki.

The AGM will be conducted in Finnish and interpreted simultaneously into English. Registration of shareholders who have notified the Company of their attendance will begin at 14.00.

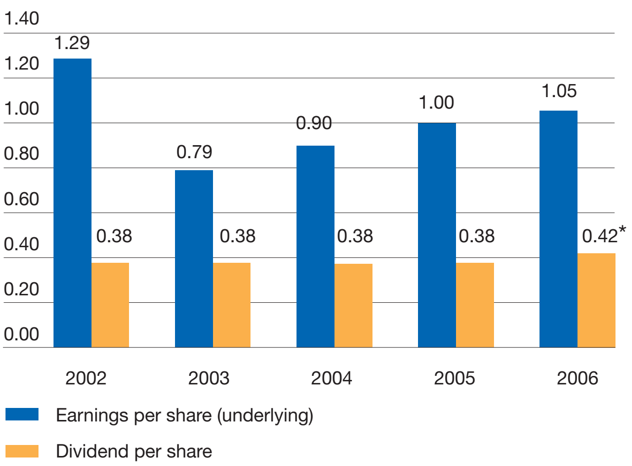
Shareholders who have been entered on April 2, 2007 into the shareholder register maintained by the Finnish Central Securities Depository Ltd are entitled to attend the AGM.

A shareholder who wishes to attend the AGM must provide prior notice to the Company by 12.00 pm on April 10, 2007. The notice to attend may be given by telephone +358 (0)800 90026 or e-mail AGM@huhtamaki.com. Possible proxies are requested to be sent to Huhtamäki Oyj/ Annual General Meeting of Shareholders, Länsituulentie 7, 02100 Espoo, Finland, prior to the expiry of the notification period.

Dividend proposal

The Board of Directors will propose to the AGM that a dividend of EUR 0.42 per share be paid. The ex-dividend date is April 13, 2007, the record date for dividend payment is April 17, 2007, and the dividend payment date is April 24, 2007.

Earnings and dividend per share 2002–2006 (EUR)



*Board's proposal

Figures are presented in accordance with IFRS. Underlying figures do not include restructuring and goodwill impairment charges.

Publication of results

- Interim Report January – March will be published on May 10, 2007
- Interim Report January – June will be published on July 19, 2007
- Interim Report January – September will be published on October 25, 2007

Annual Reports, Interim Reports and releases are published in English and Finnish.

Investor information is updated online at the company website at www.huhtamaki.com/investors, where you may also download or order publications.

Investor Relations at Huhtamaki

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Equity analysts covering Huhtamaki in 2006

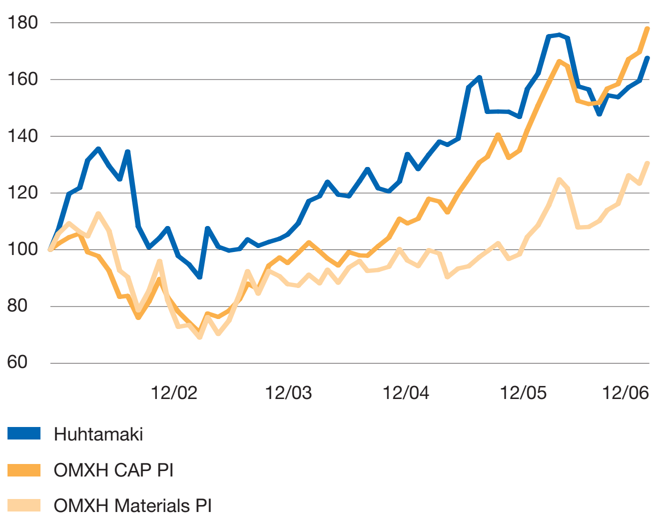
ABN AMRO, Helsinki
Carnegie, Helsinki
Cazenove, London
Deutsche Bank, Helsinki
eQ Bank, Helsinki
Evli Bank, Helsinki
FIM Securities, Helsinki
Goldman Sachs, London
Handelsbanken, Helsinki
Kaupthing Bank, Helsinki
Mandatum Securities, Helsinki
OKO Bank, Helsinki
SEB Enskilda Securities, Helsinki
Valuatum Freelance Analysts Finland, Helsinki

Share data for 2006 (compared to 2005)

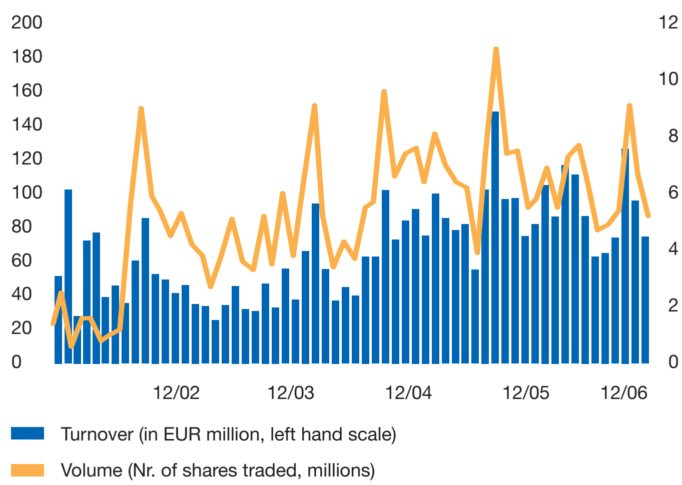
Market capitalization at year-end - excluding company's own shares	EUR 1,570 million (EUR 1,444 million) EUR 1,494 million (EUR 1,374 million)
Closing price at year-end	EUR 14.88 (EUR 13.91)
Volume weighted average share price	EUR 14.35 (EUR 12.84)
Highest share price on April 7, 2006	EUR 16.73 (EUR 14.88)
Lowest share price on June 13, 2006	EUR 12.21 (EUR 11.37)
Total turnover	EUR 1,086 million (EUR 1,086 million)
Total number of shares traded	75,644,012 (84,417,331)
Total number of outstanding shares - excluding company's own shares	105,487,550 (103,839,372) 100,426,461 (98,778,283)

Additional share information can be found in the Annual Accounts.

Share price development 2002–2006



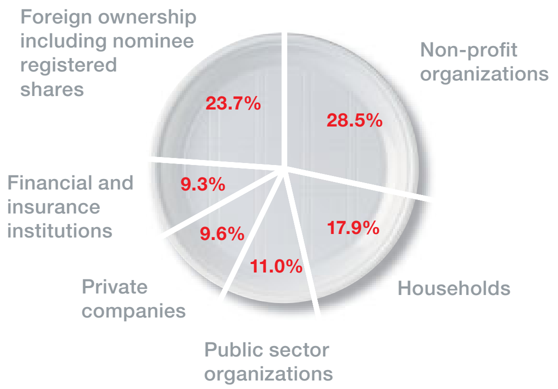
Turnover and trading development 2002–2006



Shareholders

At year-end, there were 21,582 registered shareholders. Foreign ownership accounted for 23.7%, of which 19.2% was under nominee registration at financial institutions.

Ownership by category December 31, 2006



Largest registered shareholders December 31, 2006

	Shareholder name	Nr. of shares/ votes	%
1	The Finnish Cultural Foundation	16,104,596	15.3
2	Society of Swedish Literature in Finland	4,410,000	4.2
3	Ilmarinen Mutual Pension Insurance Company	3,324,120	3.2
4	The Association for the Finnish Cultural Foundation	2,150,000	2.0
5	Varma Mutual Pension Insurance Company	2,126,369	2.0
6	Odin Norden	1,786,850	1.7
7	The State Pension Fund	1,400,000	1.3
8	OP-Delta Fund	1,059,918	1.0
9	Etera Mutual Pension Insurance Company	887,237	0.8
10	Tapiola Mutual Pension Insurance Company	868,600	0.8
	Total 10 largest shareholders	**34,117,690**	**32.3**

Excluding own shares acquired by Huhtamäki Oyj totalling 5,061,089 and representing 4.8% of the total number of shares.

usability

From filling and storing to heating and eating – that's what good packaging is all about.

Packages are designed to serve throughout the supply chain. Busy lifestyle and desire for convenience support the concept of versatile, easy to use packages. Superior functionality and protective properties provide for competitive value and appeal.

Portability and re-closability are two key features in today's snack packaging – both provided by DuoSmart®, a plastic cup with a full paper liner.

Growth through global development

The year 2006 was a period of intense development for us. In line with our strategic framework we focused on improving our operational efficiency by continuing the execution of change programs. Having completed most of the second phase restructuring activities, we turned the focus, at end of the year, towards developing attractive growth platforms.

Geographically, the sales growth was fastest in the emerging markets, which together accounted for approximately 17 percent of the Group's net sales. The demand for consumer packages in mature markets remained at the previous year's level. In the Americas, net sales stayed at a good level while profitability improved markedly. In Europe and Oceania, Rigid businesses suffered from margin erosion due to high raw material and energy costs, whereas Flexibles and Films had strong growth. Net sales amounted to EUR 2,276 million, an increase of 2 percent on the previous year - despite the divestments made during the year.

Continued investments in growth markets

Europe is an important market for Huhtamaki, where growth was most promising in Poland and Russia. In the traditional markets, we focused on securing the long-term competitiveness of our core businesses. In Germany, part of the production of the Göttingen rigid packaging unit was transferred to Spain in the beginning of the year, and the rest to Poland in the mid-year. In the UK, the operations of the Portadown production unit were downsized.

Emerging markets are receiving an increasingly pronounced emphasis in Huhtamaki's operations. To ensure profitable growth, investments were continued in emerging markets, focusing on areas that are expected to deliver competitive advantage and enable achieving the best leverage from Group synergies. The construction of a new production facility was started in Guangzhou, China, and the production of rigid packages will be transferred from the Hong Kong unit to the new facility by the end of 2007. A new flexibles plant was constructed in Rudrapur, India, and the existing flexibles unit in Vietnam was expanded.

Innovative packaging for demanding consumers

Huhtamaki's mission is to create value for its stakeholders through efficient and innovative packaging solutions that bring convenience and safety to consumers' everyday lives. A busy lifestyle and urbanization also require constant renewal from packaging solutions. Today, the packaging's preservation properties are supplemented with convenience and safety features and packaging is becoming an increasingly important branding tool. We are continuously seeking new ways

Our company values guide our daily work: we treat our world with respect, we know our business and we like to get it done.

to improve the durability, convenience and recyclability of the packaging.

The packaging market is to a significant extent driven by local preferences and consumer behavior in different countries. Huhtamaki's versatile packaging expertise, as well as the broad range of raw materials, enables us to provide all of our customers with a wide range of packaging solutions. Our customers include the world's most renowned brand houses for which we provide services both locally and internationally. It is both cost-efficient and environmentally sustainable to manufacture most packaging types close to the customer. With operations in 36 countries on all continents, we are one of the most international companies headquartered in Finland.

Shifting focus to profitable growth

During the course of 2006, Huhtamaki proved its willingness and ability to change. Our targets are set even higher: our aim is to become a highly efficient and innovative packaging company with whom customers around the world choose to do business. We want to be able to address the packaging needs arising from new consumer habits and trends as well as the challenges of sustainable development.

During the year under review, we updated the Group's long-term financial targets. The EBIT target was set at 9 percent and the ROI target at 15 percent, while gearing is targeted to be around 100 percent. We intend to maintain an average dividend payout ratio of 40 percent of the profit for the period. The targets are ambitious, but we believe that they can be achieved through consistent work.

I would like to thank all of our customers, suppliers and stakeholders for rewarding cooperation. I would also like to thank Huhtamaki employees for their commitment and open-mindedness in addressing the challenges arising from the company's renewal. In closing, I would like to express my appreciation to our shareholders for the trust they have placed in us now and for the future.

Heikki Takanen
CEO

Key 2006 Figures

Sales from emerging markets
per cent
17

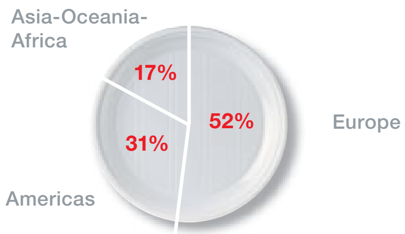
Net sales
EUR million
2,276

Foreign ownership
per cent
23.7

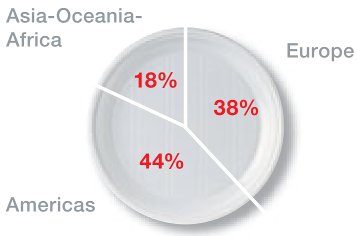
Manufacturing facilities
units
66

Waste to recovery
per cent
83

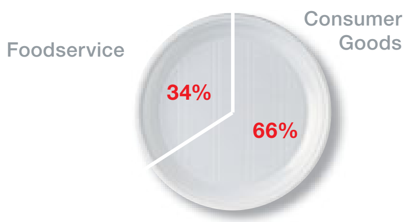
Net sales by region



Underlying EBIT by region



Net sales by business segment



Huhtamaki in brief

Huhtamaki is a global consumer and specialty packaging company. In 2006, net sales totaled EUR 2.3 billion. The Group employs approximately 14,800 people in 36 countries. Huhtamaki's share is listed on the Helsinki Stock Exchange.

Huhtamaki develops, manufactures and sells both standardized products and individually customized packaging solutions. Business-to-business customers are served through a global sales and product development network with local presence. Customers include food and beverage companies, manufacturers of other fast-moving non-food consumer products, foodservice operators, fresh food packers and retailers.

Extensive experience in consumer packaging provides Huhtamaki with deep insight into branding and consumer behavior as well as strategic understanding of its customers' product and process development.

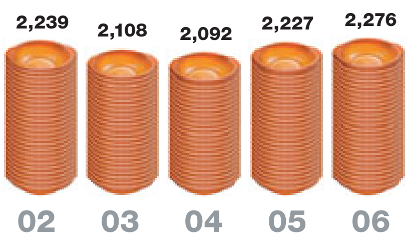
The Group has production facilities in Europe, North and South America, Asia, Oceania and Africa. Through worldwide activities and presence, Huhtamaki is committed to ensuring operational excellence and providing innovative packaging solutions that bring convenience and safety to consumers' everyday life.

Key figures

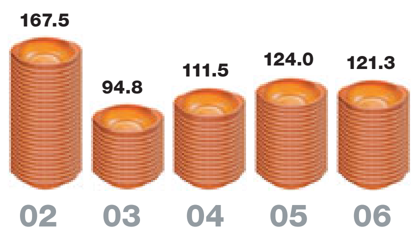
EUR million	**2006**	2005	Change %
Net sales	**2,276**	2,227	2
EBIT underlying	**158**	160	-2
EBIT reported	**146**	58	152
Result before taxes, underlying	**121**	124	-2
Result for the period, underlying	**107**	101	7
EPS reported (EUR)	**0.94**	0.07	
Dividend per share (EUR)	**0.42***	0.38	
Dividend yield (%)	**2.8***	2.7	
Personnel at year-end	**14,792**	14,935	

2006 underlying figures do not include restructuring charges of EUR 12 million.
2005 underlying figures do not include restructuring charge of EUR 70 million and goodwill impairment charge of EUR 33 million.
*Board's proposal.

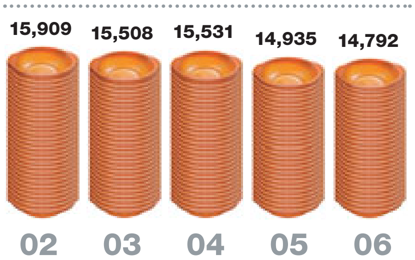
Net sales EUR million



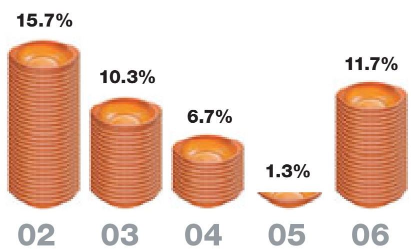
Result before taxes (1 (2 (EUR million)



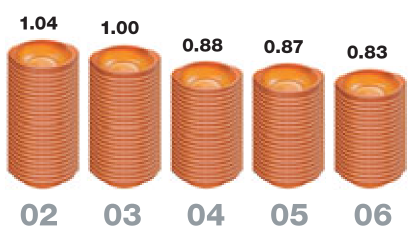
Personnel at year-end



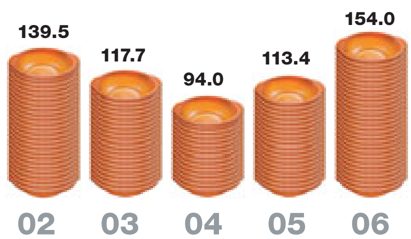
Return on equity (1



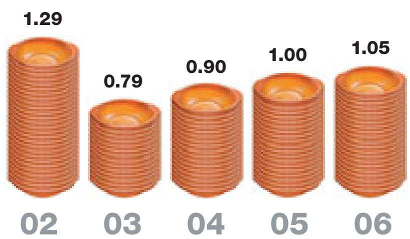
Net debt to equity



Capital expenditure (EUR million)



Earnings per share (1 (2 (EUR)



1) Figures until 2003 are adjusted for goodwill amortization.
2) 2006 figures do not include restructuring charge of EUR 12 million.
2005 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.

Packaging highlights

Huhtamaki received several awards for new products, customer service, innovation and product development in 2006.

Europe awarded for packaging developments
The Turkish Standards Institution awarded Huhtamaki Turkey the “Golden Packaging Award” for SafePack. SafePack is a transparent box for over-the-counter food, take away and catering. The box can be heated in the microwave.

The International Poznan Fair in Poland awarded Huhtamaki’s versatile DuoSmart® packaging gold for the most modern and innovative solution. DuoSmart plastic cups with paper liner offer long shelf life, reclosability, good printability and can be heated in the microwave. The cups can be used for for example ready meals, snacks and dairy.

Recognition for customer service in Americas
Quick service restaurant chain Culver’s restaurants awarded Huhtamaki Americas with the “Circle of Excellence Award”. Huhtamaki serves Culver’s with customized Chinet® disposables, cups and containers.

For the second year in a row, Six Flags has awarded Huhtamaki Americas Foodservice the Vendor Award for tireless effort and excellent service for Six Flags foodservice. Six Flags also recognized the expedient manner in which Huhtamaki helped launch their 45th Anniversary custom packaging program - surpassing Six Flags’ expectations.

Excellence and innovation saluted in Asia-Oceania-Africa
Kentucky Fried Chicken (KFC) awarded Huhtamaki South Africa “Packaging Supplier of the Year” for successfully combining all KFC’s criteria for excellence. Huhtamaki South Africa has developed new packaging in cooperation with KFC and serves them with rigid paper and plastic cups as well as containers.

DuPont Packaging awarded Huhtamaki India with two DuPont Awards, which honor innovation in packaging. The development of a hidden, tamper evident and removable promotion label for a shrink-sleeve, and a customized hologram functioning as a trademark of authentication for an integrated flexibles pouch in lined carton, were awarded.

Huhtamaki India received 10 IndiaStar Awards in the biannual competition arranged by the Indian Institute of Packaging. All the awarded products were flexible packaging.

promotion

Attractive packaging draws consumer attention

Packaging is globally recognized as a good tool to differentiate brands and improve product appearance. An efficient way to renew or re-brand a product is by redesigning the package with new looks, shapes, impressive print motifs or tactile surfaces, which bring a new feel to the package.

Ideally, good packaging attracts the purchaser again and again and establishes a long-term consumption pattern.

Horlicks Jr. is an IndiaStar and WorldStar Award winner thanks to the Huhtamaki produced glossy and attractive shrink sleeve covering the container.

Consumer packaging excellence
throughout the value chain

Stable growth is expected across the global consumer packaging market, which is estimated at EUR 280 billion. The industry is vibrant as changes in lifestyle, consumer habits and demographics drive demands for new packaging. In mature markets, the reoccurring themes for consumers are convenience, health and quality. In emerging markets, growth is driven by an increase in purchasing power and modern retail.

The vast range of packaging types, sizes, shapes, materials and technologies addressing the fast-changing needs of customers and end-users result in a fragmented packaging industry. The necessity of producing packaging close to the customer has resulted in the industry remaining largely regional. To better serve the global key accounts, Huhtamaki has made a truly global impact and is now present in 36 countries serving customers from 66 manufacturing plants. Huhtamaki's core businesses are expected to grow roughly at the average GDP rate.

» Value chain expertise vital for success in mature markets

» Demand for packaging growing in emerging markets

Packaging innovations driven by consumer needs

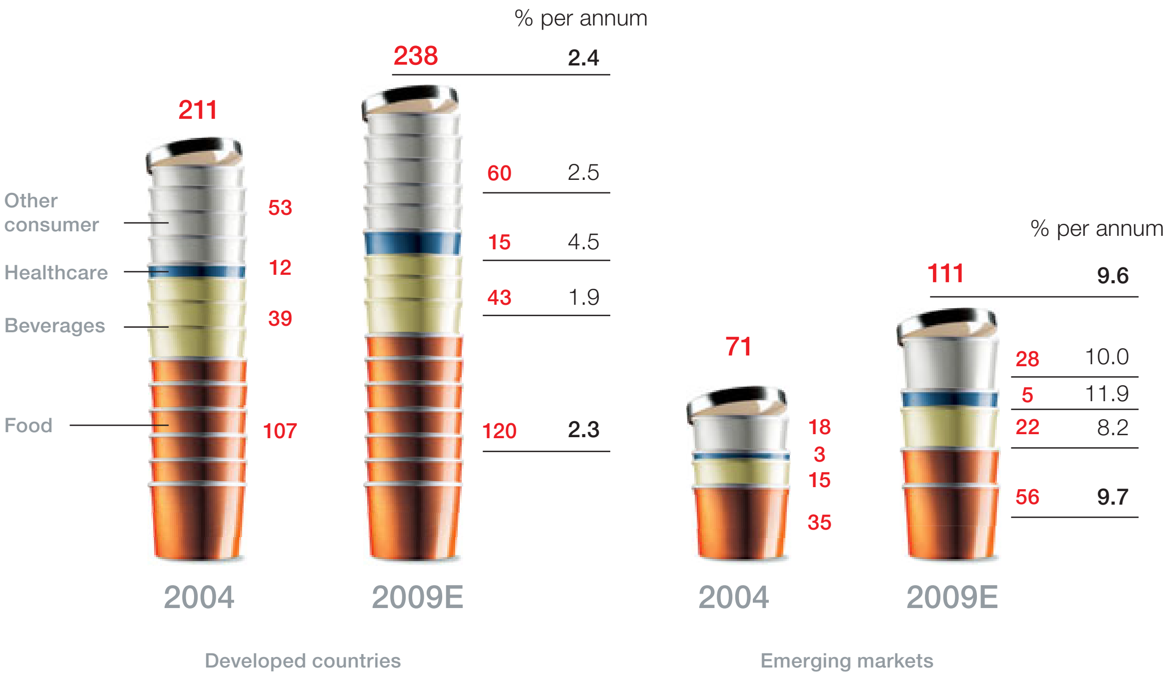
Consumers continue to value easiness and wellbeing in both emerging and traditional markets. Convenience, health, freshness and quality, urban life-style and impulse purchasing mark consumer behavior. This is reflected in new eating and drinking concepts and consequently new packaging solutions offered.

Package decoration and strong visual messages are important elements in brand building. As the speed of consumer decision making increases, so does the value of brand awareness, differentiation and recognition. These bring new opportunities to the packaging business.

The importance of branding is growing in Consumer Goods

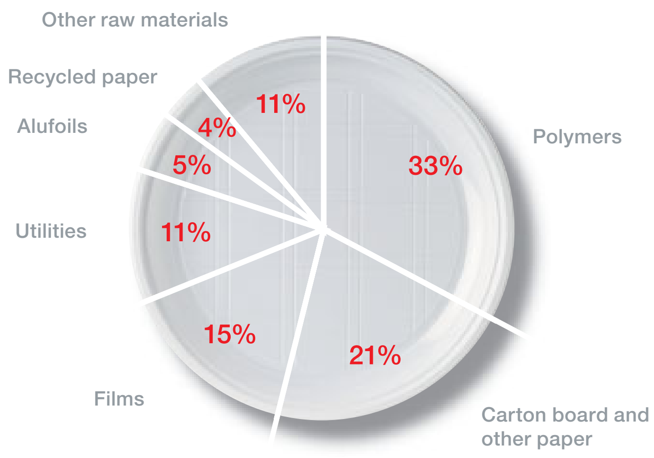
The value of display attractiveness in boosting sales in Consumer Goods is growing. The package differentiates the product from other similar products and gives the consumer a first impression of the content. Functional requirements regarding freshness of content, barrier properties, easy opening and reclosability remain important.

Global consumer packaging market (EUR billion)



Source: McKinsey / Pira International Ltd

Breakdown of raw materials and utilities (2006)



Key performance drivers for Huhtamaki are a competitive cost base, innovativeness, customer proximity and partnership in both product development and technical service.

Principal customers for the Consumer Goods segment are food and beverage companies, manufacturers of other fast-moving non-food consumer products as well as fresh food packers.

Global quick service restaurant invasion supports business in Foodservice

Foodservice operators continue their proactive expansion in both mature and emerging markets. The growth in mature markets derives from the booming fast food concept, the increase in on-the-go eating and broader assortments of take-away foods, lighter fresh foods and prepared over-the-counter meals being offered to consumers.

Expansion in emerging markets is more rapid. Global quick service restaurant chains are increasing their presence in Brazil, Russia, India and China to name a few. Global companies require the same quality, service level and innovativeness from their suppliers worldwide. New food categories such as gourmet coffee, health foods and premium desserts are entering traditional markets and creating pressure for differentiation between the foodservice providers.

The foodservice market is very competitive with supply chain excellence, key account and product range management and targeted innovations being the focal points for Huhtamaki. The principal Foodservice segment customers are foodservice operators and retail companies.

Increased environmental awareness affects the packaging business

Environmental issues are increasingly emphasized in traditional markets. Post-consumer packaging, recycling and compostability are issues that become more important for consumers and thus to Huhtamaki customers, together with requirements on material efficiency.

Huhtamaki proactively responds to upcoming environmental legislation in the product planning phase and in developing new packaging solutions together with customers. Bioplastics and 100% recycled fiber are examples of materials Huhtamaki uses when responding to both customer and consumer requests for environmentally friendly packaging.

Rising energy and raw material prices require continuous efforts

Due to the volatile prices of oil based raw materials (polymers) and changes in energy costs, Huhtamaki has intensified its efficient use of materials and continuously seeks to improve operational efficiency.

Raw material prices were high and peaking towards the end of the year. Raw materials and utilities account for 40–50% of Huhtamaki's total sales revenue. Global group-wide efforts have been taken to leverage the sourcing capabilities. Performance measures are in place to support margin management.

There was high volatility in energy prices during the year, but the impact of energy costs varies considerably between technologies. Indirect effects from the rise in energy prices can be seen in higher transportation and material costs.

Building platforms for future growth

In 2006, the focus was on further leveraging the asset base and improving performance. Towards the end of the year, the strategic emphasis shifted to developing attractive growth platforms and accelerating profitable growth.

» Continued execution of change programs
» Growth in attractive markets
» Leverage Group capabilities

Mission
Huhtamaki's mission is to create value for its stakeholders through efficient and innovative packaging solutions that bring convenience and safety to consumers' everyday life.

Vision
The aim is to become a highly efficient and innovative packaging company with whom customers around the world actively choose to do business. To achieve that position, understanding and expertise of the total value chain is demanded.

Strategic direction and long-term financial targets
To secure the long-term competitiveness of the core businesses, several change programs have been launched including the restructuring program announced in two phases. The first phase was completed in 2005. During the reporting period the headline for the Group's efforts was operational efficiency. In addition to the implementation of the second phase, the focus was on getting the continuous improvement programs up to speed and identifying ways to leverage group synergies. Towards the end of the year, the emphasis was shifted to developing attractive growth platforms in markets and segments where the biggest competitive advantages can be achieved.

In 2006, the company's long term financial targets were updated. The objective is for the earnings before interest and taxes (EBIT) margin to reach 9%. The return on investment (ROI) is targeted at 15%. The long term gearing target is around 100%. The target is to maintain an average dividend payout ratio of 40% of the profit for the period.

Execution of change programs continued
In 2006 the second phase of the restructuring program progressed with several activities, including production relocation from Göttingen in Germany to Nules, Spain and Siemianowice, Poland. In addition to the announced restructuring program, downsizing of the rigid packaging site in Portadown, UK, was completed.

To continue its strategy alignment in North America, Huhtamaki sold the rough molded fiber operation in Mexico to focus on North American foodservice and retail molded fiber markets. In Europe, Huhtamaki divested the EPS (Expanded Polystyrene) business in Portugal and France while continuing to grow capabilities and capacity in alternative technologies serving the European fresh food markets.

Continuous improvement programs, many of them related to operational efficiency and product development, brought good results in all businesses and regions.

Growth in attractive markets
Huhtamaki has a solid position in the emerging markets in Asia, Eastern Europe and South America, accounting for approximately 17 % of the company's net sales in 2006.

To further strengthen the company's position in strategic growth markets, additional capacity was installed during the year: a new flexible packaging plant was constructed in Rudrapur, India and new capacity was added to the existing flexible packaging facility in Vietnam. The rigid packaging plant in Hong Kong will be closed by the end of 2007 and relocated to Guangzhou, China, where the construction of a new larger facility was started.

Leverage Group capabilities
In order to optimize Group synergies and growth potential in the fast developing flexibles and films businesses, the regional divisions were combined to form a global organization in January 1, 2007. Group capabilities have also been leveraged in logistics, sourcing, human resources, information systems and other key functions.

Huhtamaki strategic framework

Product and process development

Huhtamaki continuously improves operations; during 2006 activities concentrated on innovation and operational efficiency. The target is to reach a level of profitability that will support sustainable growth in the future.

Huhtamaki follows the trends in traditional and emerging markets when creating optimal packaging solutions for customer needs. Consumer trends and habits play an important part whether designing entirely new solutions or improving old products.

Today's consumers look for increased convenience and safety. Opening and re-closing is demanded of many packages, as is the possibility to dispense the favored amount or offer a variety of packaging sizes to please different end-users.

Innovation in focus

Huhtamaki has established innovation teams to optimize product, material and technology development in both Consumer Goods and Foodservice. The focus is on serving customers and global accounts consistently and efficiently, offering them product innovations and winning concepts – anticipating future market needs and trends.

Knowledge of a wide range of technologies and expertise in combining them allows Huhtamaki to offer multi-technology solutions to customers. The choice of raw materials and appropriate technology depends on the requirements of the product to be packed.

Huhtamaki uses paper, plastics and aluminum separately or in combination to produce flexibles packaging. Huhtamaki is also a converter of films, papers and other web form materials that are mainly used in technical applications. Environmentally friendly and strong packaging for eggs, wine, fresh food as well as tableware are made of molded fiber (post-industrial and post-consumer recycled fiber). Rigid paper products are supplied to foodservice operators, fast food restaurants and food manufacturers. Convenient and safe trays and containers are made of plastic by using injection molding and thermoforming.

Process development to increase operational efficiency

In 2006, the focus of continuous improvement has been on operational efficiency. Through the integration of new business processes, people capability and system tools, Huhtamaki continues to increase its competitiveness and progress the development of the business.

In the Americas region, dedicated production teams have improved line efficiencies, optimized set-up times, and developed supply chain management and logistics.

In the Asia-Oceania-Africa region, development and automation projects in Oceania Molded Fiber were implemented. Continuous improvement programs were paired with projects focusing on improving manufacturing equipment and reducing set-up times. New product development projects were carried out successfully in India.

In Europe, the Molded Fiber division has been using a business improvement tool to achieve important milestones in both operations and customer service. Thanks to active training, strong commitment and good project management the improvements have been excellent.

During the year, rollout of the Enterprise Resource Planning system (ERP) continued at several plants. A project to enable a pan European approach to better serving customers and to boost continuous improvement within major business processes was started in 2004.

R&D expenditure

In 2006, spending on research and development amounted to EUR 19.3 million (EUR 18.7 million), which is 0.8% of net sales (0.8%). R&D investments have grown by 57%, or EUR 7 million during the last five years.

convenience

Triple-wall cup – a clever solution for coffee lovers

The triple-wall cup positioned Huhtamaki as the front-runner in developing advanced hot cup solutions.

Huhtamaki's quality cups are insulated to keep the drink hot but fingers cool. The functionality of hot cups is complemented by a smart lid solution that prevents spillages during takeaway. Besides the convenience factor, Huhtamaki's hot cups present a premium image for coffee.

Gourmet coffee is here to stay. The functionality and looks of the cup are significant – both for the foodservice operators and consumers.

Big market, looking East

Europe's share of Huhtamaki's net sales accounted for 52%. All main product categories and manufacturing technologies are represented in the region. According to ***Walter Günter****, Executive Vice President, Europe Rigid Packaging, and* ***Maurice Petitjean****, Executive Vice President Flexibles, Films and Molded Fiber Europe, the success stories for 2006 are related to the new innovative products in Flexibles and Films and the growth of Foodservice segment especially in Eastern Europe.*

Position in the market

The European market is fragmented with both local and international competitors. In Consumer Goods, the sales development of rigid packaging varied between markets and product categories. The Edible fats category declined while growth was visible in the Fresh foods category in the Nordic region. In Central Europe demand in the Dairy category increased slightly, whereas the market situation was challenging in the UK. The Flexibles division has a strong position in Pet food, Tube laminates and soup cubes and the Films division in the Release films category. Sustained growth continued in both divisions throughout the year. Key growth opportunities were found particularly in high value added categories like films for Personal care & detergent and Non food, and flexible packaging for Pet food.

In Foodservice, favorable sales development continued and Huhtamaki's position strengthened especially in the East European markets. Foodservice has a strong position in the Quick service restaurants & beverage, Contract catering and Water & vending categories with rigid paper and plastics products. High value added product groups, like the hot cup range, are key growth opportunities.

An active lifestyle promotes eating and drinking on-the-go and modern package solutions support the trend.

Key Figures Europe

	2006	2005	change %
Net sales, EUR million	**1,189**	1,172	1
% of Group total	**52**	53	
EBIT underlying*, EUR million	**52**	72	-28
RONA*, %	**6.7**	9.2	
Personnel at year-end	**6,731**	7,022	
Number of manufacturing units	**24**	25	

** excluding restructuring charges*

Trends in Europe

Active lifestyle promotes eating and drinking on-the-go and modern packaging solutions support this trend. Current innovations at Huhtamaki include a new generation of hot cups with reclosable hot sip lids. Demand for smaller packages is also growing due to the increasing amount of single households.

Regarding consumer trends, environmental values affect decision making, which increases demand for environmentally friendly packaging in certain markets. In Consumer Goods and Foodservice, biodegradable solutions are already on the market and new applications are being developed. Molded fiber is an ecological choice as the entire packaging is made of recycled fiber. In flexibles packaging, Huhtamaki´s Cyclero® represents an entirely new solution that is also environmentally friendly as it is made of light weight material.

A year of challenges

The Consumer Goods rigid packaging business experienced a significant volume decline especially in the UK due to the changing market dynamics. Flexibles and Films experienced strong growth in product groups such as flow wrap for confectionery and beverages. In Foodservice, favorable sales development continued in all product categories with the position in the Eastern European market strengthening. An increase in raw material and energy prices accelerated towards the end of the year, putting strong pressure on margins in the Europe Rigid business.

The restructuring program was continued in 2006. Rigid production was relocated to Spain and Poland from Göttingen, Germany and the capacity in Poland was increased. In addition to the restructuring program, the downsizing of the rigid packaging site in Portadown, UK, was completed. Another structural change was the divestment of the EPS (Expanded Polystyrene) packaging businesses in France and Portugal.

Regarding other change programs, the implementation of a common European Enterprise Resource Planning (ERP) platform continued and in the Rigid business, reinforcement of price management and alignment of the UK business to match market developments were started. The continuous improvement program showed positive results in Molded Fiber, particularly in raw material optimization and energy savings.

Growth from product and service offerings
Rigid packaging will focus on developing new product and service offerings to meet customer demands. The focus will also remain on continuous improvement and taking full benefit of the restructuring program.

In Consumer Goods, the aim is to grow in Flexibles, Films and Molded Fiber at a pace which is above the market level. Deeper customer cooperation and partnership will be emphasized in order to optimize product and service offerings. In flexible package production, new capacity will be added for ice cream products and high-value added flow wrap for chocolate.

In Foodservice, sales growth is expected especially in insulated hot cups. New capacity will be added to the hot cup production in several European countries.

First Cyclero® on the Market

"Amaroy Kaffee Pads" for Aldi Süd is the first Cyclero product on market. The easy open and re-close circular container is hermetic and keeps the coffee flavors within the pack. Aldi Süd benefits from the ability to use a form, fill and seal system to assemble and fill the packs inline.

Cyclero is soon to be launched for non-carbonated beverages. Snacks, cereals, confectionery and instant product markets are targeted next.

The sales team constantly looks for new applications for the lightweight Cyclero package.

Building on brand strength

The Americas region accounted for 31% of Huhtamaki's net sales. According to ***Clay Dunn****, Executive Vice President Americas, profitability increased in 2006 as a result of the improved business mix, the growth of the Foodservice Retail division and gains from operational efficiency programs.*

Position in the market

Huhtamaki's position in the North American market has remained strong especially in ice cream packages, Chinet® molded fiber plates, molded fiber drink carriers, plastic cups and retortable flexible packaging.

In South America, the Dairy category in Consumer Goods packaging is experiencing growth. Key success factors for Huhtamaki in South America are solid market positions with leading consumer goods companies and economies of scale that provide competitive strength.

Trends in the Americas

The relatively stable, positive economic environment has fostered good conditions for Huhtamaki Americas' products. Escalating energy and raw material costs have been a consistent issue to manage, but the value of the products has been demonstrated.

Within Foodservice, performance was driven by the Retail division especially following the successful extension of the product offering of the Chinet brand with the Chinet Casuals® product line. Growth has been driven by consumer preferences for the Chinet brand based on both performance and favorable environmental positioning. In addition, the fastest growing segment of the North American population, adults aged 45-64, have the strongest preference for Chinet brand products.

Growth is driven by consumer preferences for the Chinet® brand.

In the foodservice business, restaurant chains are growing rapidly. Upscale restaurant chains are placing increased emphasis on their take-out business, which involves single use packaging. For the positioning of their product, restaurants seek differentiation and brand recognition in their take-out packaging. Customers appreciate value-added products that have improved functionality such as the Twister™ microwaveable plastic food container with an innovative twist-off lid.

With the success of gourmet coffee outlets the emphasis on hot cups is growing. Products offering insulation, better graphics and improved lid performance are needed. The Chinet Comfort Cup™ with features that respond to this trend is being launched.

Operational efficiency and targeted growth

Foodservice´s targets in the region included expanding the Retail division by leveraging brand and distribution channel strength and driving continuous improvement in operations. Both objectives were achieved well. Brand value and consumer awareness were key growth drivers within the Retail division, and the Chinet brand was successfully expanded with the continued growth of the Chinet Casuals product line extension.

Significant costs were removed from the operations and supply chain. Resources devoted to key projects and structural initiatives provided for continuous improvement. Well-known business tools and methodologies were used to improve operational efficiency.

In addition to substantial Foodservice Retail growth, Consumer Goods grew at a good rate. In other North America Foodservice categories, growth was flat due to the change of the product assortment into higher value categories. In the South American market, Consumer Goods Dairy packaging grew nicely. The molded fiber unit in Mexico was sold and Huhtamaki will focus on North American foodservice and retail molded fiber markets.

Key Figures Americas

	2006	2005	change %
Net sales, EUR million	**712**	690	3
% of Group total	**31**	31	
EBIT underlying*, EUR million	**61**	46	33
RONA*, %	**11.0**	8.0	
Personnel at year-end	**3,728**	3,867	
Number of manufacturing units	**17**	18	

* excluding goodwill impairment charges

Product launches to strengthen market position
The main focus in the Americas will be to continue targeted growth, expanding the Chinet brand and strengthening the position in the Foodservice market. A key objective is the execution and expansion of new product launches like Chinet Cut Crystal® cup, Chinet Comfort Cup™ and Twister™ plastic food container which came on stream around year-end 2006.

In Consumer Goods, the emphasis will be on the development of Velocity™ fabricated plastic containers into new market segments. The position on Frozen desserts will be improved with the introduction of Sentinel™ Advanced Lids that offer tamper evidence, and hinge properties for greater convenience. In South America, growth will come from the introduction of drinking cups in Foodservice and dairy products for Consumer Goods.

Continuous improvement in operations and supply chain arises from sustained efforts to reduce costs.

Chinet Casuals® – finds its place at the table!

Chinet Casuals was introduced to complement the Classic White Chinet plates when US consumers began to desire more colorful table settings.

These plates are particularly popular for everyday use or for consumers who enjoy casual entertaining. To increase consumer appeal for Casuals, seasonal colors were added to the product mix. Chinet Casuals now ranks among the top 12 branded items in the US disposable tableware category.

Huhtamaki Americas sales team reviews the Chinet assortment to develop new products or fresh new prints.

Diverse market with *appealing potential*

The Asia–Oceania–Africa (AOA) region accounted for 17% of Huhtamaki's net sales. ***Henk Koekoek****, Executive Vice President Asia–Oceania–Africa, led this diverse and growing region in 2006. Molded Fiber in Oceania and Flexibles in Asia reported steady growth as did all businesses in South Africa. Capacity investments were made in Vietnam, India and China.*

Position in the market

The packaging markets in the Asia-Oceania-Africa region are primarily local. The burgeoning Asian market attracts investments to the region. The general development of retail creates a growing need for packaging with demand driven by flexible packages. The Asian market also shows healthy growth in Foodservice. The main competition in Asia is comprised of global flexible packaging companies. In Oceania, Consumer Goods competitors are predominantly local whereas Foodservice competition derives from imported products.

Asian consumers appreciate high quality print and single serve packages.

In Consumer Goods, Huhtamaki has served the Asia-Oceania-Africa market successfully and has further invested in both rigid and flexible production. Key growth opportunities are in flexible packages in Asia, where both international and local competitors, in addition to Huhtamaki, are investing in flexibles capacity and technology. In Oceania, the Dairy category offers solid growth potential.

In Foodservice, Huhtamaki has a good position with its international key accounts. Growth opportunities in Oceania are focused on hot and cold cups, particularly double-wall hot cups, and the Catering category.

Key Figures Asia–Oceania–Africa

	2006	2005	change %
Net sales, EUR million	**375**	365	3
% of Group total	**17**	16	
EBIT underlying*, EUR million	**25**	24	2
RONA*, %	**8.1**	8.2	
Personnel at year-end	**4,333**	4,046	
Number of manufacturing units	**25**	25	

* excluding restructuring and goodwill impairment charges

Trends in Asia–Oceania–Africa

Increased purchasing power fuel the request for single serve consumer packages, especially in India where alluring laminates and print attract consumer attention on the store shelf. In Oceania, eating on-the-go, as well as tamper evident and reclosable packagings are growing in demand.

The major trends in Consumer Goods flexible packaging in Asia are high quality print and single serve packages. An emerging trend in Asia is the demand for refill packages and a more "natural" paper look in flexible packaging. In Oceania rigid packaging, end users have responded well to the improved tamper evident solution for ice cream packaging.

In the foodservice business, global quick service restaurant chains are expanding rapidly in the Asian emerging markets. In Oceania the demand for double-wall hot cups is growing strongly.

There is also a growing interest for environmentally friendly products in Oceania, such as cups made of cartonboard. For Molded Fiber, the trend for environmentally friendly packaging can be seen in the reduction of fruit tray colors to just one preferred natural color.

Investments to support growth

In Asia, volume growth was strong in both Consumer Goods and Foodservice segments. Favorable sales development was supported by capacity investments. In Oceania Rigid, the business result was affected by higher raw material and energy prices, as well as by the increasingly competitive environment characterizing package markets both in Oceania and Asia Rigid.

Huhtamaki built a new flexibles manufacturing facility in Rudrapur, North India. The new facility opened at the end of the year and is expected to be in full production during the first quarter of 2007. New capacity was added to the flexibles plant in Vietnam. The construction of a new rigid production plant in Guangzhou, China, was started and will be finalized by the end of 2007. The production in Hong Kong will be transferred to this new, larger facility.

Capacity for continued growth in place
The main priority for the Asia–Oceania–Africa region is to finalize the new rigid packaging facility in Guangzhou, China. The capacity added to the existing flexible packaging facility in Vietnam will be taken into full use and premises for continued growth in Asia Flexibles will be in place.

In the emerging markets, growth is expected to continue robust in Consumer Goods flexible packaging and remain at current level in rigid packaging. In Foodservice, the emphasis will shift to launches of new premium products and the target is to be among the leading suppliers for premium coffee cups and double-wall hot cups in Oceania.

From the beginning of 2007, George T. Lai was appointed Executive Vice President, Asia-Oceania-Africa responsible for both Rigid and Molded Fiber divisions in Consumer Goods and Foodservice businesses. The Flexibles and Films divisions in Asia and Oceania report to Maurice Petitjean.

Flexibles success in the emerging markets

With the rapid growth of retail and entrance of major retail chains to the emerging markets, modern shelf ready packaging are gaining popularity. **Flexible packages** are ideal solutions for climates requiring good barrier properties of packaging.

Huhtamaki's Flexibles division has experienced robust growth in the emerging markets during recent years given its ability to produce premium quality laminates and high quality print.

The shift towards convenience foods and snacks combined with small single serve packages increases the demand for flexible packages in the emerging markets.

recycling

Sustainability plays an increasing role in the choice of packaging solutions.

Huhtamaki utilizes mainly virgin fiber carton board, molded fiber and conventional and biodegradable polymers in its production.

Molded fiber products comprise internally recycled paper scrap and post consumer recycled fiber. Rigid paper packages can be recycled. Most polymers used by Huhtamaki are incinerable and adequate for plastic recycling. Bioplastic packages are compostable when treated in industrial facilities.

Environmentally friendly molded fiber is a popular raw material for premium quality plates, egg packaging, fruit trays, hospital disposables and protective packaging.

Sustainability balances

economic interest, social and environmental responsibility

Huhtamaki is constantly expanding its base for measuring corporate performance on all three dimensions of sustainability. Overall, the past year marked solid progress in most areas of sustainable activity.

Huhtamaki's success in achieving the principles of responsible business practices is evidenced by the inclusion of its share in the pan-European STOXX Index (DJSI STOXX) for the fifth consecutive year. Packaging solutions comprised of biopolymers and recycled fiber product ranges are examples of how Huhtamaki responds to drivers for closed loop materials. It also shows that efforts are not only limited to reducing the environmental impacts of our operations, but also include product development.

The environmental work within Huhtamaki continues and additional programs have been initiated during the year. Energy efficiency programs in Europe have already produced positive results and are continuing with several smaller projects to secure further improvements. A North America based project focused on increasing internal recycling of paperboard side products has been successful.

Employee health and safety issues continued to be an area of focus during 2006. Several initiatives have been taken to improve worksafety. A behavior based safety program has been implemented in North America, whereas in Europe special attention has been put on sharing best practices on effective preventive actions.

Dow Jones Sustainability Indexes
Member 2006/07

SRI

Working towards sustainability involves taking a longer-term view. Dow Jones believe that corporate sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.

The Huhtamaki share was included in the pan-European STOXX Index (DJSI STOXX) for the fifth consecutive year. DJSI STOXX index includes over 160 leading companies from 12 countries in terms of corporate sustainability.

Huhtamaki's position and progress has also been acknowledged through the inclusion in Kempen's SRI Index.

Policies and Principles

Huhtamaki's Code of Conduct addresses the obligations and ethics regarding all aspects of the company's business and thus sets out clear guidelines for employees when interacting with customers, other parties in the supply chain, shareholders and authorities. The Code of Conduct is complemented by more detailed corporate policies and guidelines such as the company's global environmental policy and the code of conduct for group suppliers. Huhtamaki is also an early signatory to the ICC Charter for Sustainable Development.

Safety comes first

Increased safety awareness, clear expectations and open communication about safety related matters; Huhtamaki's De Soto, Kansas facility is nurturing a culture where 'safety comes first'.

In 2006, a 63% decrease in recordable safety incidents was achieved in De Soto. Over 450 safety observations were recorded during the year, where supervisors observed and discussed safe behavior with their employees. Additionally, a team of hourly employees was established to identify and resolve safety issues within the facility.

Also contributing to De Soto's safety success was the completion of several ergonomic projects. By adding vacuum assist manipulators, employees can stack large cartons on pallets without having to lift the full weight of the product.

Aligning performance *with business targets*

Huhtamaki has a diverse workforce with some 14,800 employees in 66 production and sales units in 36 countries across the globe. The aim is for employees to be connected, deployed and developed in order to together continuously improve the way Huhtamaki does business.

Huhtamaki's values are considered as the heart of the company. They play an important role in building the common culture and increasing unity in the geographically widespread workforce. While the physical distance between the units may be substantial, the values connect the employees to each other by providing a sense of belonging to the Huhtamaki community. It is important that every employee is committed to the Huhtamaki Values: we treat our world with respect, we know our business, and we like to get it done.

Huhtamaki is recognized as a great company to work for, thriving on a network of highly engaged and achievement driven employees.

In 2006, the values were reviewed and cascaded globally throughout the organization. Managers received support in communicating the values through training, workshops and other communication activities.

The company management and leadership development programs continue to be enriched every year

Daniel Blomstedt, Federico Spalla, Teea Pietilä, Marina Bussi and Günter Rauscher participate in the Advanced Leadership Program.

New Human Resources Strategy anchored to business priorities

The Human Resources vision is that Huhtamaki is recognized as a great company to work for, thriving on a network of highly engaged and achievement driven employees. In 2006, the Human Resources Strategy was aligned to support the business targets and complemented by regional action plans.

During the second half of 2006, the main focus was on enhancing high performance culture, developing organizational capability and compensation practices by planning the long-term people initiatives and processes.

Enhancing high performance culture

Performance management enables the cascading of business goals and action plans into individual objectives, thus helping to engage people with Huhtamaki's goals. In 2006, a snapshot survey relating to the employees' views of the company performance management practices was conducted globally and some important indicators were identified. For instance, training the employees and managers in giving and receiving feedback on their performance was regarded as an important focus area. Going forward, the focus is to increase the coverage and execution of the performance management process. This will be done by training the managers in coaching and supporting their team members to achieve better results and grow within the company, and the employees to drive their own career and development.

Developing organizational capability

Talent Management continues to be a key focus area at Huhtamaki. The People and Organization Planning process (POPP) introduced in 2005 continued to be developed as an important driver. Supported by Human Resources function and training of the key line management, the process was taken one more level through the organization. Steps were taken to further integrate POPP with performance management practices. This enables congruence between organizational design and individual aspirations.

Developing compensation practices

Huhtamaki's compensation philosophy was revalidated and the strong link between performance and compensation was emphasized in the concept of pay for performance.

Emphasis was put on the base salary market measurement practice to ensure a globally consistent approach and market competitiveness. Looking ahead, the key objective is to increase transparency and quality of pay decisions by further development of the company compensation practices.

Long- and short-term incentives constitute a part of the company compensation principles. Performance-related incentive schemes are widespread in the organization, and the company's option right plans extend to more than 90 key persons belonging to the management of Huhtamäki Oyj and its subsidiaries.

Steady improvement in Health and Safety performance

Huhtamaki continues its efforts to provide employees with a safer working environment. Regional and local initiatives in particular improved the occupational Health and Safety performance during 2006. The Lost Time Incident Frequency showed an improving trend through fewer occupational accidents.

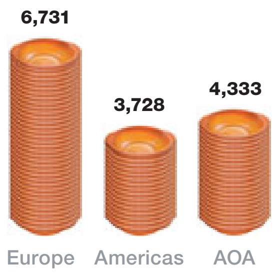
In 2006, performance measurement was further defined and sharing of best practices continued. The Group Health and Safety performance data was consolidated monthly and actively communicated back to the organization. Group level indicators were analyzed per technology and region. Internal evaluation was carried out between the sites to compare existing results against best practices.

Focus in 2007

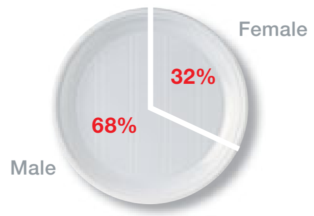
In 2007, the focus will be to continue the Human Resources Strategy implementation by developing the processes and operational mode. The implementation of Huhtamaki's Performance Management process will be continued on a wider scale and global compensation practices continue to be developed. Constant improvement of workplace safety will also be a key focus area.

Number of employees, year-end

Number of employees by region, year-end

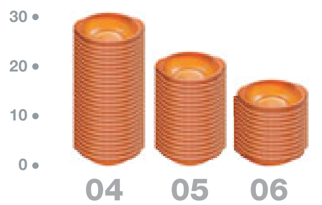


Gender distribution

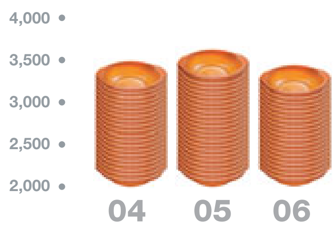


% of hourly and salaried employees

LTIF (Lost Time Incident Frequency) [1



LTIS (Lost Time Incident Severity) [2



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.

1) Lost Time Incident Frequency (LTIF) = (LTI divided with worked man-hours) * 1,000,000 hours.

2) Lost Time Incident Severity (LTIS) = (Lost time hours divided with worked man-hours) * 1,000,000 hours.

Packaging value chain in focus

When measuring the environmental impacts of packaging, the assessment should not be limited just to the lifecycle of the packaging itself, but also to the content.

As raw materials, Huhtamaki utilizes mainly conventional and biodegradable polymers, virgin fiber carton board and molded fiber made out of internally recycled paper scrap and post consumer recycled fiber. The most significant, direct environmental aspects of Huhtamaki's operations are energy use, emissions into the air and solid waste.

Environmental performance targets

The key environmental aspects are followed and controlled via environmental Key Performance Indicators (eKPI). Targets set in 2003 are:

- A 2% energy efficiency improvement year on year
- An 85% recovery rate of the waste leaving Huhtamaki
- A 10% reduction in the VOC (volatile organic compounds) air emission

Progress has been made in reaching energy efficiency and waste to recovery targets. While the level of VOC emissions has been reduced compared to the previous year, there is still room for improvement.

Global policy in place

Huhtamaki has adopted a Code of Conduct and a global environmental policy supported by plant level environmental policies to ensure globally consistent environmental operating principles. Forums to encourage sharing of best practices are held periodically throughout the year.

Environmental impacts are not limited to the converting phase of the packaging, but also include phases either before or after conversion.

Environmental Management Systems

Continual environmental improvement efforts are supported by environmental management systems to identify risks and opportunities, implement policies and monitor progress. In 2006, six plants further developed their internal management procedures and one new site achieved the ISO 14001 accreditation. In total, 51% of Huhtamaki sites have implemented externally certified environmental management systems or internally audited programs. Hygiene management systems have been implemented in over 60% of the sites. More than 80% of the manufacturing sites have a certified ISO 9001 quality system.

Asset risk management activities are carried out continuously. All manufacturing sites report on the development of their environmental management routines on a yearly basis. External audits are performed on some 60% of the current asset base annually, totaling 38 site visits in 2006. The remaining sites are audited in a three year sequence.

New legislation

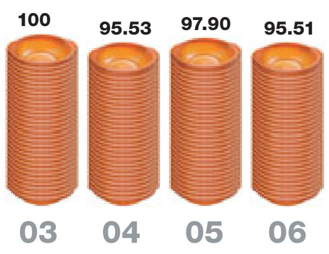
Impacts on the environment deriving from human activity have been widely discussed during 2006. The new European chemical Regulation, Registration, Evaluation and Authorization of Chemicals (REACH), comes into force in June 2007 and is initially assessed to have rather insignificant direct impacts on a downstream user like Huhtamaki.

Future targets

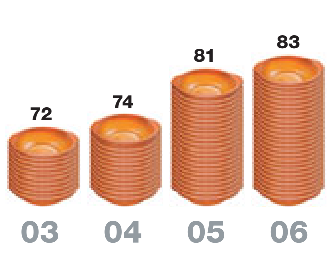
Quantitative environmental information is reported for the calendar year 2006. The scope of this data covers all the manufacturing units, in which Huhtamaki's ownership exceeds 50%. The Group level indicators are further broken down for internal analysis by technology and region. Internal evaluation is carried out between the sites to compare existing results against best practices.

Huhtamaki continues to pursue the Group environmental targets set in 2003 and the cycle for their renewal calls for an update in 2007. Energy and material efficiency will clearly belong to these key targets.

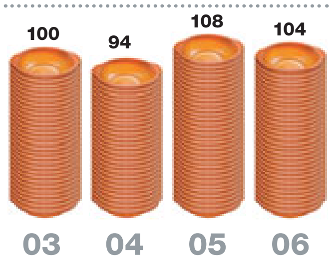
Energy efficiency improvement
2003–2006 (indexed normalized)



Waste to recovery
2003–2006, %



VOC Emissions
2003–2006 (indexed normalized)



Corporate Governance

Huhtamäki Oyj's (Huhtamaki or the Company) corporate governance is based on Finland's corporate, book-keeping and securities market legislation as well as the Rules of the Helsinki Stock Exchange. The Company complies with the Corporate Governance Recommendation for Listed Companies adopted by the Helsinki Stock Exchange.

Huhtamaki's corporate governance comprises of the General Meeting of Shareholders, the Board of Directors (Board) and committees founded by it, the Chief Executive Officer (CEO) and the Group Executive Team (GET).

GENERAL MEETING OF SHAREHOLDERS

General Meeting of Shareholders' Role

The General Meeting of Shareholders is the Company's highest decision-making body. Its tasks and procedures are defined in the Companies Act and the Company's Articles of Association. The Annual General Meeting of Shareholders (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 resolves i.a. upon adoption of financial statements, distribution of profits, granting the members of the Board and the CEO discharge from liability as well as election of the members of the Board and Auditors. The AGM decides also on Board members' and Auditors' remuneration. In a General Meeting of Shareholders it may additionally be resolved e.g. upon amendments to the Company's Articles of Association, to issue new shares and option rights and repurchase the Company's own shares. The General Meeting of Shareholders may authorize the Board to decide e.g. on issuances of new shares or share repurchases.

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

Shareholder Rights

According to the Companies Act, a shareholder may request that a matter falling under the authority of the General Meeting of Shareholders be placed on the agenda of the meeting. To this effect, a written request should be sent to the Board well before the publication of the notice to convene the meeting. A shareholder has a right to make proposals and questions on matters handled in the General Meeting.

A shareholder who has been entered as a shareholder in the shareholder register of the Company 10 days before a General Meeting of Shareholders has the right to participate in the meeting.

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 a General Meeting of Shareholders. A shareholder may participate in a General Meeting either in person or by proxy.

BOARD OF DIRECTORS

Board of Directors' responsibilities

The Board of Directors is responsible for the management and the proper arrangement of the operations of Huhtamaki. In addition to the powers vested in the Board by the Companies Act and the Articles of Association, the essential duties and working principles of the Board are defined in the Code of Governance for the Board of Directors. The Board is deciding i.a. on long-term strategic and financial targets as well as on dividend policy. The Board approves the strategic plans, annual plans and budget as well as monitors their implementation. The Board resolves upon corporate transactions and capital expenditures exceeding EUR 10 million. The Board elects the CEO, approves the GET members' appointments, decides on executive compensation and annually reviews the management performance. The Board also conducts an annual evaluation of its own performance and working methods.

The Board shall hold at least six regular meetings each year, with one session entirely dedicated to corporate strategy. In 2006, the Board held 10 meetings. The average attendance of directors at the Board meetings was 97%.

Composition of the Board of Directors

The Board shall consist of a minimum of six and maximum of nine members. The AGM elects the Board members for the term of office expiring at the close of the AGM following the election. The Board shall elect from among its members a Chairman and a Vice-Chairman. The AGM 2006 elected the following seven individuals to the Board:

Mikael Lilius, Chairman
Paavo Hohti, Vice-Chairman
Eija Ailasmaa,
George V. Bayly,
Robertus van Gestel,
Anthony J.B. Simon,
Jukka Suominen.

More information on Board members is available on pages 30–31.

Remuneration of the Board members

The AGM 2006 resolved to keep the annual remuneration of the Board members unchanged, which was as follows: EUR 80,000 to the Chairman of the Board, EUR 50,000 to the Vice-Chairman and EUR 40,000 to the other members. In addition, it was decided to pay a meeting fee of EUR 500 for each Board and Board Committee meeting a Board member has participated in.

Independence of the Board members

The Board considers Mikael Lilius, Paavo Hohti, Eija Ailasmaa, Robertus van Gestel, Anthony J.B. Simon and Jukka Suominen independent of the Company. The Board also considers all members except Paavo Hohti and Jukka Suominen independent of the significant shareholders of the Company.

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. The Committee meets once a year as a minimum, prior to the AGM. The following individuals comprised the Nomination Committee during 2006: Mikael Lilius (Chairman), Eija Ailasmaa, Paavo Hohti (until March 26, 2006) and Jukka Suominen (as from March 27, 2006).

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 following individuals comprised the Human Resources Committee during 2006: Mikael Lilius (Chairman), George V. Bayly and Anthony J.B. Simon.

The Audit Committee assists the Board in its responsibility to supervise that the book-keeping and financial administration of the Company is appropriately arranged. It handles matters relating to financial statements, interim reports, accounting principles and policies as well as internal reporting systems and internal audit. Additionally, the Audit Committee reviews risk assessment and risk management mechanisms and prepares the resolution concerning appointment of external auditors. In addition to the members of the Audit Committee, the Chief Financial Officer participates in the Committee's meetings. The external auditors also participate in the discussion of the financial statements and interim reports. The following persons formed the Audit Committee during 2006: Jukka Suominen (Chairman), Eija Ailasmaa, Robertus van Gestel and Paavo Hohti.

In 2006 the Nomination Committee met twice, the Human Resources Committee three times and the Audit Committee six times.

CHIEF EXECUTIVE OFFICER

The Board elects the CEO, who is in charge of the day-to-day management of Huhtamaki in accordance with the instructions and orders given by the Board. The CEO is responsible for ensuring that the book-keeping of Huhtamaki complies with the law and that the financial administration is arranged in a reliable manner. The CEO of Huhtamaki is Heikki Takanen.

The remuneration of the CEO is determined by the Board of Directors. In 2006, the CEO's total compensation including benefits amounted to EUR 879,002, including EUR 337,500 of incentive related pay based on the year 2005. Additionally he received 80,000 option rights marked as 2006A.

According to the Service Agreement between the Company and the CEO, either party may terminate the Service Agreement with six months' prior notice. If the Company terminates the Service Agreement, the 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 the Company's voluntary group pension arrangement.

More information on the CEO is available on page 30.

GROUP EXECUTIVE TEAM

Group Executive Team's responsibilities and nomination

The Group Executive Team assists the CEO. The GET addresses strategic development, overall financial performance, Group wide projects and development efforts. It has no formal status under company law.

The GET consists of the CEO as the Chairman and the executives approved by the Board. The GET convenes at least once a month.

Each GET member has a clear operating responsibility, either within a geographical region or for a key function. The geographical regions are Europe (divided to Rigid, Flexibles, Films, and Molded Fiber), Americas and Asia–Oceania–Africa. The relevant key functions are Finance, Strategy Development and Human Resources. GET members report directly to the CEO. Additionally, the CEO supervises directly the Sourcing, Administration and Legal and Communications functions. The individual responsibility areas of GET members appear on pages 30–31.

Remuneration of Group Executive Team members

The remuneration of GET members is determined by the Board of Directors. In 2006, the aggregate compensation including benefits to GET members excluding the CEO was EUR 2,287,138, which included EUR 600,558 of incentive related pay based on the year 2005.

GET members, excluding the CEO, have an aggregate of 465,350 option rights under the Option Rights Plans 2003 and 2006. In 2006, a total of 253,000 new option rights were granted to the GET members. Their current holdings of Company shares and option rights appear on pages 30–31.

COMPENSATION PRINCIPLES

Huhtamaki compensation and benefits principles follow local laws and are aligned with market practice. Reviews of individual performance against set objectives take place annually. The short-term incentive for senior executives is assessed based on corporate performance and personal objectives metrics. Additionally, option rights plans and a performance share incentive plan function as long-term incentives.

Option rights plans extend to more than 90 key persons belonging to the management of the Company and its subsidiaries. The Option Rights 2003 and 2006 Plans will entitle subscription for a total of 5,479,250 new shares in 2007 – 2014 representing approximately 5.2 % of the Company´s share capital.

A performance share incentive plan has been established in Huhtamaki by a resolution passed by the Board of Directors to form part of the remuneration and commitment program for key personnel. The plan extends to approximately 15 key persons designated by the Board and having a possibility to earn Company's shares as remuneration for reaching targets set forth for a determined earning period. A possible remuneration will be paid in 2008.

The aggregate maximum number of shares possible to be granted under the plan is 150,000. The plan requires a receiver to own the shares at least two years following the grant. A receiver must also continue to own the shares, at least in an amount equivalent to his/her annual gross salary, for a period lasting until the end of employment or service.

Risk management

The purpose of risk management in Huhtamaki is to ensure the effective and successful operation of the company, reliable information and compliance with relevant regulations and operating principles.

Risk management is an essential part of the Company's control system and its objective is to maintain and further develop a comprehensive and practical risk management framework including a reporting system. This involves assessing risks systematically by function and business unit, improving risk management awareness and quality, sharing best practices and supporting cross-functional risk management initiatives.

Risk management is discussed more thoroughly in the Risks and risk management chapter of the Annual Report.

Internal audit

Procedures forming part of internal audit process help to improve the effective fulfillment of the Board of Director's supervising obligation. The Company's internal audit function has been managed in coordination with PricewaterhouseCoopers Oy and its international network. A number of internal audit processes have been conducted in pre-defined units in all regions during the year 2006.

Audit

The Company must have at least one auditor and at least one deputy auditor, who are 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 2006 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 2006, total auditing costs of the Group amounted to EUR 1,250,000. The KPMG network has also provided other consultancy worth EUR 554,000 in certain countries.

Insider administration

Huhtamaki follows the Guidelines for Insiders issued by the Helsinki Stock Exchange. The Company maintains a public insider register and a company specific insider register on persons holding an insider position. Pursuant to the Securities Market Act, the Board members, the CEO and the Auditors will be registered in the public insider register given their position. As GET members belong to the senior management and receive inside information on a regular basis, Huhtamaki has decided to register them in the public insider register. The company specific insider register contains information on persons employed by Huhtamaki who, by virtue of their position or duties, receive insider information on a regular basis. The company specific insider register is not public.

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 during the 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 Huhtamaki are maintained in the insider register system of the Finnish Central Securities Depository. Project-specific insider registers are maintained by the Group Legal Department.

The information contained in the public insider register is available to the public in the NetSire service.

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 the past 12 months can be found on the Company's website, www.huhtamaki.com. There are no shareholder agreements known to the Company.

Risks and Risk Management

Risk management is an essential part of Huhtamaki's control system. The purpose of risk management is to ensure that the risks related to the business operations are identified and monitored.

RISK MANAGEMENT FRAMEWORK

Risk management approach in Huhtamaki is holistic, covering all kinds of risks. Risk management is not solely focusing on the mitigation of risks, but the enlightened assessment of risks as a whole and in relation to the environment. This involves assessing risks systematically by each Group function and business unit, improving risk management awareness and quality, sharing best practices and supporting cross-functional risk management initiatives.

Risk management policy

Effective risk management requires definition of risk management guidelines and, for that purpose, a Huhtamaki Group Enterprise Risk Management (ERM) Policy has been adopted. The policy is to govern processes that ensure the timely identification and recording of risks across Huhtamaki Group and the application of relevant risk management measures to such risks.

Risk management organization

The Audit Committee evaluates the adequacy and appropriateness of risk management. The Audit Committee reports regularly to the Board of Directors which is responsible for reviewing i.a. strategic, financial, managerial and operational risks for the Group. The Board of Directors accepts the risk levels and the extent to which these risks have been properly identified, recognized and addressed.

The Group Executive Team (GET) consisting of the CEO as the Chairman and the executives approved by the Board of Directors is responsible for adopting the Group's internal management principles and procedures relating to risk management. The GET is regularly performing a risk prioritization based on data collected through annual risk surveys.

The Group Risk Committee is responsible for organizing and supervising risk management activities. The Group Risk Committee is carrying out Huhtamaki Group Enterprise Risk Management (ERM) Policy and, particularly, gathering and reporting risks.

Risk management process and reporting

All Huhtamaki Group functions and business units participate in a regular risk survey and for all relevant units the survey is performed annually. With minimum three year intervals the GET performs a risk prioritization in order to align risk management efforts with strategic goals.

The Risk Committee analyzes changes and trends in reported risk impacts, likelihoods or management quality. It reports annually the results of the risk management process to the Audit Committee. The Risk Committee is also preparing reports for the CEO and the GET and for statutory reporting purposes.

During the year 2006, special attention has been put on communication in possible crisis situations. Based on risk assessment, Group Crisis Communications Guidelines were introduced in order to facilitate all regions, manufacturing units and sales offices to handle possible crisis.

RISKS

The key risks in Huhtamaki have been identified to fall under the following categories: strategic risks, financial risks and operational risks.

Strategic risks

Strategic risks relate to Huhtamaki's business environment, market structure as well as governance and strategic management. A strategic risk may relate for example to macroeconomic instability, shifts in consumer behavior, new technologies or materials or increased raw material and energy prices.

Regarding strategic risks, special focus has been laid on shifts in technologies and materials. Emerging technologies and shifts in materials have to be identified and reacted to in a timely manner in order to gain advantage by developing superior products or production processes.

Increasing attention has also been paid to risks attached to major change programs. Operational efficiency and service levels need to be secured in connection with implementation of major business restructuring or development programs.

Price management is a significant element in Huhtamaki's business operations. Risks relating to price management include risks of sub-optimal pricing caused e.g. by increased raw material and energy price fluctuations or changes in clientele. Price management in Huhtamaki has been improved and projects within this field have been launched. Global raw material and energy sourcing functions have been put in place to endeavor mitigation of the market price risks. In Europe, an Energy Sourcing Policy has been introduced in the year 2006.

Strategic risks include also environmental risks. Environmental legal requirements on materials used in products and on disposables are strictly followed and Huhtamaki has adopted a global environmental policy supported by local manufacturing site level environmental policies that are applied throughout the Group. Continuous environmental efforts at Huhtamaki are supported by environmental management systems.

Financial risks

Financial risks are risks attached to credit, liquidity and interest rates as well as foreign exchange risks. More information on financial risks can be found in Note 27 to the Annual Accounts 2006.

Operational risks

Operational risks include a variety of risks starting from legal and compliance risks, risks relating to criminal actions, human resources related risks, production and supply chain related risks and information risks. The most significant operational risks are destruction of production facilities, product safety and quality risks, disruptions in raw material supply, contractual risks and human resources risks.

Due to their nature, operational risks are challenging to be assessed and special attention has been put to create procedures, systems and models to secure compliance with best practices. Also group-wide insurance programs have been established to govern insurable operational risks. The programs cover risks relating to property damage, business interruption, various liability exposures, cargo and business travel in the Group.

Information risks contain information security related risks, information systems and technology risks and risks relating to intellectual property rights.

Board of Directors, from March 27, 2006

MIKAEL LILIUS (1949)
Chairman

Date of election:
March 30, 2005
Main occupation:
Fortum Oyj, CEO
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;
Hafslund ASA, Board
Shares 31.12.2006: 50,000

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 31.12.2006: –

EIJA AILASMAA (1950)

Date of election:
March 22, 2004
Main occupation:
Sanoma Magazines B.V., CEO
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:
Rotterdam School of Management, Erasmus University, Advisory Board
Shares 31.12.2006: –

GEORGE V. BAYLY (1942)

Date of election:
March 28, 2003
Main occupation:
Whitehall Investors, LLC, Consultant; Altivity Packaging, LLC, CEO
Education: MBA
Primary work experience:
U.S. Can Company, Co-Chairman; Ivex Packaging Corporation, Chairman, President & CEO; Olympic Packaging, Inc, Chairman, President & CEO; Packaging Corporation of America (PCA), Senior Vice President
Positions of trust:
Packaging Dynamics, Inc., Board; Treehouse Foods, Inc., Board; U.S. Can Corporation, Board; Acco Brands Corporation, Inc., Board; John G. Shedd Aquarium, Board; Miami University, Board; United Way, Chicago, Board; Whitehall Investors, LLC, Board
Shares 31.12.2006: –

Group Executive Team in 2006

HEIKKI TAKANEN (1952)

Chief Executive Officer since 2004
Education:
Master of Science (Eng)
Joined the company: 2004
Shares 31.12.2006: 10,000
Option rights 31.12.2006:
2003B 50,000; 2003C 50,000 and 2006A 80,000

CLAY DUNN (1957)

Executive Vice President, Americas since 2005
Education: BBA (Marketing and Management)
Joined the company: 2005
Shares 31.12.2006: –
Option rights 31.12.2006:
2003B 15,000; 2003C 15,000 and 2006A 40,000

WALTER GÜNTER (1948)

Executive Vice President, Europe Rigid Packaging since September 1, 2006
Education:
Chemical Engineer
Joined the company: 1972
Shares 31.12.2006: –
Option rights 31.12.2006:
2003A 15,000; 2003B 15,000; 2003C 7,500 and 2006A 15,000

HENK KOEKOEK (1946)

Executive Vice President, Asia-Oceania-Africa until December 31, 2006
Education:
Master of Science (Eng)
Joined the company: 1973
Shares 31.12.2006: –
Option rights 31.12.2006:
2003A 25,000; 2003B 25,000; 2003C 25,000 and 2006A 15,000

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.
Positions of trust:
Moore Hall Investments Ltd, Chairman of the Board
Shares 31.12.2006: –

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:
Unilever, Bestfoods, Corporate Vice President; Bowater Paper Corporation, Packaging Division
Shares 31.12.2006: 1,248

JUKKA SUOMINEN (1947)

Date of election:
March 30, 2005
Education:
Master of Science (Eng), Bachelor of Science (Econ)
Primary work experience:
Silja Oyj Abp, Group CEO
Positions of trust:
Rederiaktiebolaget Eckerö, Board; Birka Line Abp, Board; Merivaara Oy, Board; Lamor Group Oy, Board; Finnish Cultural Foundation, Supervisory Board
Shares 31.12.2006: –

SECRETARY

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

MAURICE PETITJEAN (1954)

Executive Vice President, Flexibles, Films and Molded Fiber Europe since September 1, 2006
Education:
Master of Science (Eng)
Joined the company: 2006
Shares 31.12.2006: –
Option rights 31.12.2006:
2006A 20,000

SAKARI AHDEKIVI (1963)

Chief Financial Officer (CFO) since 2005
Education:
Master of Science (Econ)
Joined the company: 2005
Shares 31.12.2006: –
Option rights 31.12.2006:
2003C 25,000 and 2006A 35,000

PII KOTILAINEN (1960)

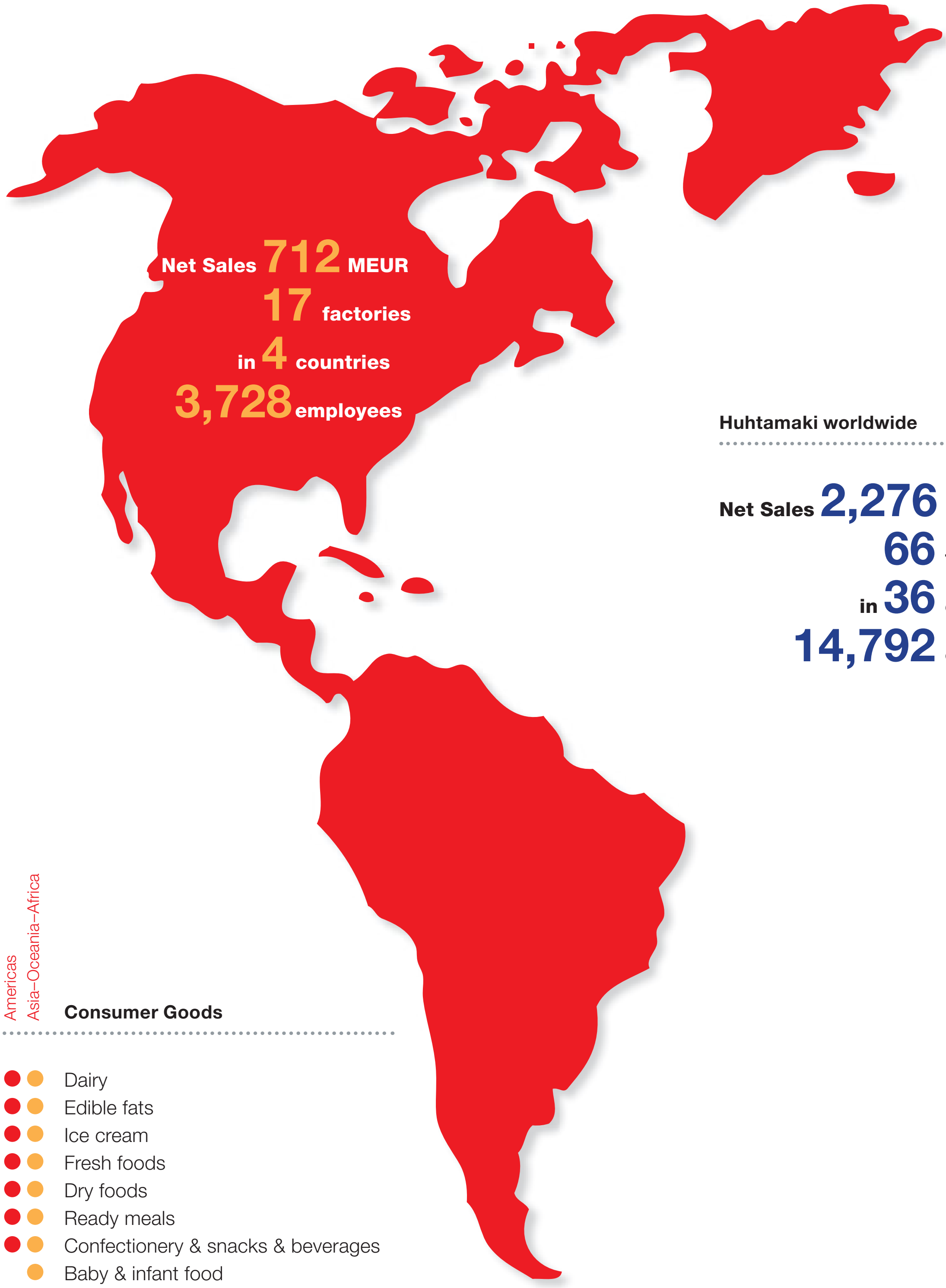
Senior Vice President, Human Resources since January 2, 2006
Education:
Master of Science (Econ)
Joined the company: 2006
Shares 31.12.2006: –
Option rights 31.12.2006:
2003B 5,000; 2003C 15,000 and 2006A 28,000

TIMO SALONEN (1958)

Executive Vice President, Europe Rigid Packaging 2003–2006; Executive Vice President, Strategy Development since September 1, 2006
Education:
Master of Science (Econ), Master of Laws
Joined the company: 1991
Shares 31.12.2006: 6,000
Option rights 31.12.2006:
2003A 19,850; 2003B 25,000; 2003C 25,000 and 2006A 40,000

GEORGE T. LAI (1951)

Executive Vice President, Asia-Oceania-Africa since January 1, 2007
Education:
MBA (Finance and Marketing), Bachelor of Science (Econ)
Joined the company: 2007
Shares 31.12.2006: –
Option rights 31.12.2006:
2006A 15,000

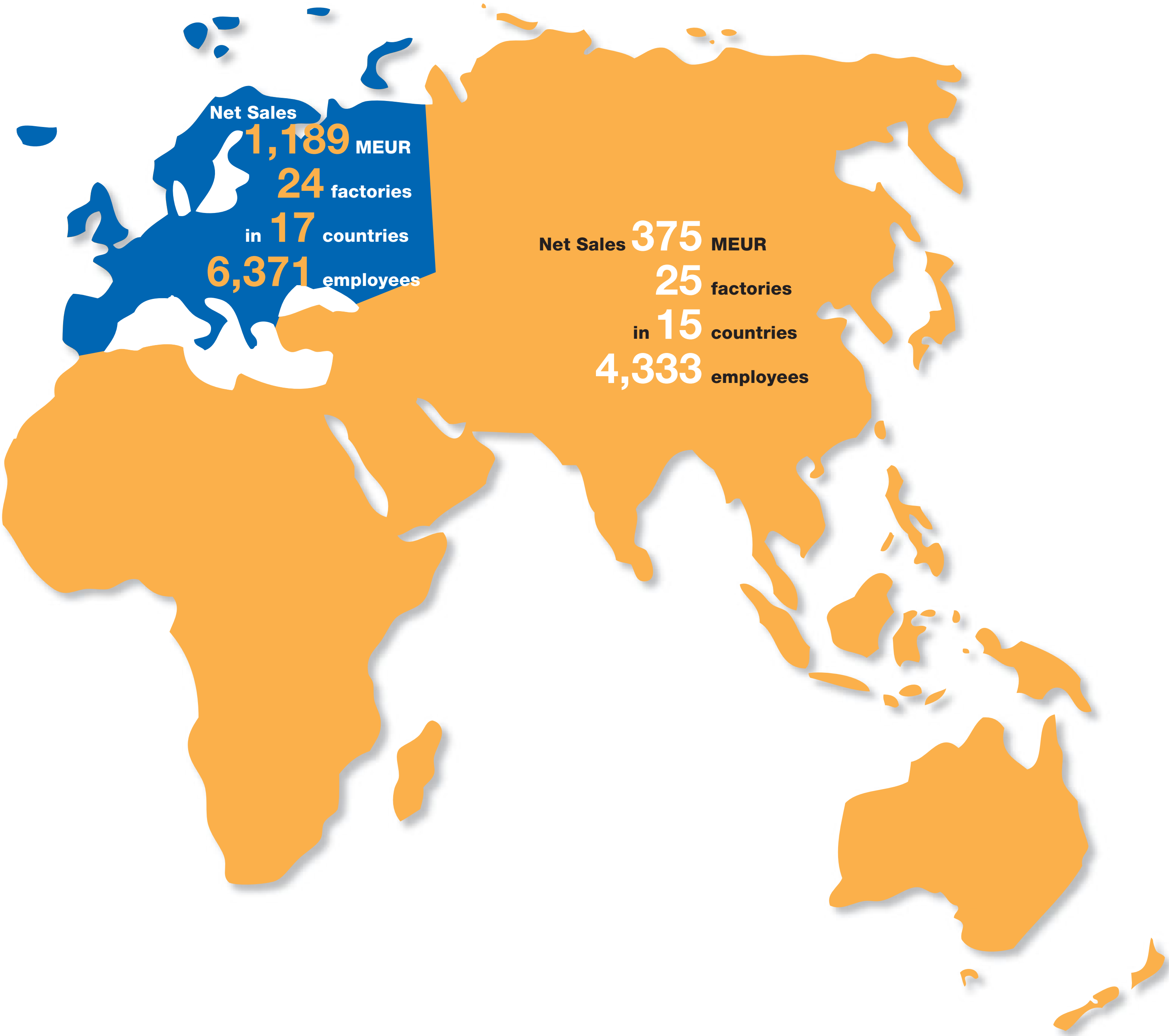


Huhtamaki worldwide

Net Sales **2,276** MEUR
66 factories
in **36** countries
14,792 employees

Europe	Americas	Asia–Oceania–Africa	Consumer Goods
●	●	●	Dairy
●	●	●	Edible fats
●	●	●	Ice cream
●	●	●	Fresh foods
●	●	●	Dry foods
●	●	●	Ready meals
●	●	●	Confectionery & snacks & beverages
●		●	Baby & infant food
●	●	●	Personal care & detergents
●	●	●	Pet food
●	●	●	Molded fiber machinery
●	●	●	Filling machinery
●	●	●	Technical & release films
	●	●	Forming & filling machinery

Europe	Americas	Asia–Oceania–Africa	Foodservice
●	●	●	Quick service restaurants & beverage
●	●	●	Contract catering & distribution
●	●	●	Water & vending
●	●	●	Retail



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

Huhtamaki do Brasil Ltda.
Rua Brasholanda, 01
Curitiba 83322 – 070
Pinhais – PR, Brazil
Tel. +55 (0) 41 3661 1000
Fax +55 (0) 41 3661 1225

Asia-Oceania-Africa
Huhtamaki Australia Pty Limited
406 Marion Street
Bankstown, N.S.W. 2200, Australia
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Fax +61 (0) 2 979 103 96

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

HUHTAMAKI

www.huhtamaki.com

Business Identity Code: 0140879-6

HUHTAMAKI

Annual Accounts and Directors' Report 2006

Contents

Announcements

Annual General Meeting

The Annual General Meeting of Shareholders (AGM) of Huhtamäki Oyj will be held on Thursday, April 12, 2007 at 15.00 pm (Finnish time) at Finlandia Hall, Mannerheimintie 13 e, Helsinki. The AGM will be conducted in Finnish and interpreted simultaneously into English.

The items on the AGM agenda are:

- Matters specified in Article 8 of the Articles of Association and Chapter 5 Section 3 of the Companies Act as subject to the decision by the AGM
- Proposal of the Board of Directors on amending the Articles of Association to comply with the Companies Act which entered in force on September 1, 2006
- Proposal of the Board of Directors to authorize the Board of Directors to resolve on conveyance of the Company's own shares.

Shareholders, who have been entered on April 2, 2007 into the shareholder register of the Company, may exercise their voting rights at the AGM. The holder of a share registered in the name of a nominee may be temporarily entered in the shareholder register on April 2, 2007, at the latest, for the purpose of participating in the AGM. In each case, a shareholder who wishes to attend the AGM must provide prior notice to the Company by 12 pm (Finnish time) on April 10, 2007. The documents relating to the Annual Accounts and the proposals of the Board of Directors to the AGM are available at the Company's head office in Espoo at the address Länsituulentie 7 as of March 8, 2007. Copies of the same shall be sent to a shareholder requesting those.

Dividend

The Board of Directors proposes a dividend of EUR 0.42 per share to be paid. The dividend is proposed to be paid on April 24, 2007 to a shareholder who on the record date April 17, 2007 is registered as a shareholder in the Company's shareholder register.

Financial calendar 2007

Huhtamäki Oyj will release the following financial reports for 2007 in Finnish and English:

May 10, 2007
– Interim Report January 1 – March 31, 2007

July 19, 2007
– Interim Report January 1 – June 30, 2007

October 25, 2007
– Interim Report January 1 – September 30, 2007.

Annual Reports, Interim Reports and other releases are available on the Company website www.huhtamaki.com.

The Company will mail its Annual and Interim Reports only upon request. Interested parties wishing to be added on the Company mailing list or to receive printed copies of the reports are kindly requested to order materials through the Company website at www.huhtamaki.com under Investors. To order material by telephone, please call +358 10 686 7000.

Directors' report

Overview

In 2006, market demand for Huhtamaki's consumer packaging remained stable in the mature markets and continued robust in the emerging markets, which represented approximately 17% of Group net sales.

The underlying EBIT* was largely in line with expectations, excluding weaker than anticipated profitability within the Rigid businesses in Europe and Oceania. In the Americas net sales were sustained on a good level, while profitability improved significantly. The strong growth in net sales in the Flexibles and Films businesses and in the emerging markets as a whole had a positive result.

The implementation of change programs continued in 2006. Towards the end of the year the emphasis shifted to developing attractive growth platforms and accelerating profitable growth.

Business review by region

Net sales were EUR 2,275.6 million (+2% compared to year 2005). Sales were positively impacted by volume growth (+2%) with minor effect from price/mix changes and currency translations. The geographical distribution of sales was the following: Europe 52%, Americas 31% and Asia-Oceania-Africa 17%.

Raw material prices remained on a high level in 2006. The prices showed a clear increase compared to the average level of the previous year and peaked in October. Energy costs also increased from the previous year's level.

Europe

In Europe, net sales for the full year remained flat at EUR 1,188.7 million (+1%). Sales were positively impacted by volume growth (+2%) with minor effect from price/mix changes and currency translations.

Net sales development in Europe was varied. Within Consumer Goods, sales growth in the Flexibles and Films businesses was strong in product groups such as confectionary and beverages, and was further accelerated by new product introductions. Sales in the Rigid business remained subdued in certain units. Volume decline was strongest in the UK due to the changing market dynamics. Sales development in the Molded Fiber business was stable. Within Foodservice, the business maintained its solid footing throughout the year with growth accelerating towards the end of the year. In Eastern Europe, which represented approximately 11% of the region's sales, sales growth was robust as a whole and especially in Russia and Poland.

In 2006 the region's underlying EBIT decreased by 28% to EUR 52.1 million (EUR 71.9 million), corresponding to an EBIT margin of 4.4% (6.1%). The positive impact from cost savings related to the restructuring program was more than offset by margin erosion experienced in the Rigid business, further accelerated by higher raw material and energy prices. Operational inefficiencies in units with major change programs had a negative effect with a weaker than anticipated closing of the year. In order to address the situation in the Rigid business, the reinforcement of price management and the alignment of the UK business to match market development were started. The reported EBIT, EUR 40.3 million (EUR 8.1 million), includes restructuring charges of EUR 11.8 million (EUR 63.9 million). On a rolling 12-month basis, the region's underlying RONA was 6.7% (9.2%).

Americas

In the Americas, net sales for the full year were EUR 711.5 million (+3%). On a comparable basis, sales were flat with a minor impact by price/mix changes (+4%). After a stronger first quarter of the year, volume growth leveled off in the remaining quarters. The impact from currency translations was positive in the first half of the year, annualized the effect was neutral.

Within Foodservice, performance was driven by the Retail Division especially following the successful extension of the product offering of the Chinet® brand with the Chinet Casuals® product line. In the remaining Foodservice categories the change of product assortment in the second half of the year had a negative sales impact before new product introductions from year-end. Within Consumer Goods, the Frozen desserts category benefited from a strong start to the year while the Flexibles and Films businesses enjoyed favorable sales development throughout the year. In South America, which represented approximately 14% of the region's sales, the Dairy category posted good sales growth.

In 2006 the region's underlying EBIT showed a significant increase of 33% to EUR 61.3 million (EUR 46.0 million), corresponding to an EBIT margin of 8.6% (6.7%). This reflects continued improvements in operational efficiency along with a successful supply chain and price management. The pace of result improvement stabilized towards year-end. The reported EBIT was EUR 61.3 million. In the previous year the reported EBIT of EUR 14.8 million included goodwill impairment charges of EUR 31.2 million. On a rolling 12-month basis, underlying RONA was 11.0% (8.0%).

Asia-Oceania-Africa

In Asia-Oceania-Africa, net sales for the full year were EUR 375.4 million (+3%). The positive impact of volume growth (+6%) was partially offset by currency translations (-3%). Growth was led by the Flexibles business in India. Sales development was favorable in South Africa while a reverse trend prevailed in Oceania. The emerging markets represent approximately 43% of the region's sales.

*The underlying EBIT excludes restructuring and goodwill impairment charges.

In 2006 the region's underlying EBIT remained flat at EUR 24.7 million (EUR 24.3 million), corresponding to an EBIT margin of 6.6% (6.7%). The overall progress in profitability posted by the emerging markets was largely offset by margin erosion in the Rigid business in Oceania due to an increasingly competitive environment further accelerated by higher raw material and energy prices. The reported full year EBIT of EUR 24.4 million includes restructuring charges of EUR 0.3 million. The previous year's reported EBIT of EUR 16.8 million included restructuring charges of EUR 6.0 million and goodwill impairment charges of EUR 1.5 million. On a rolling 12-month basis, underlying RONA was 8.1% (8.2%).

Financial review

In 2006 the underlying EBIT before corporate items decreased by 3% to EUR 138.1 million (EUR 142.2 million), corresponding to an EBIT margin of 6.1% (6.4%). This reflects weak development in certain Rigid units in Europe and Oceania partly compensated for by improved profitability in the Americas and sustained growth in the Flexibles and Films businesses, as well as in the emerging markets.

Corporate net for the year was slightly higher at EUR 19.5 million (EUR 18.0 million). Hence the underlying group EBIT remained flat at EUR 157.6 million (EUR 160.2 million), corresponding to an EBIT margin of 6.9% (7.2%). The reported EBIT of EUR 145.5 million includes restructuring charges of EUR 12.1 million. The previous year's reported EBIT of EUR 57.7 million included restructuring charges of EUR 69.8 million and goodwill impairment charges of EUR 32.7 million.

Net financial items for the year were EUR 36.8 million, virtually unchanged from the previous year's EUR 36.9 million. The reported result for the period was EUR 96.6 million (EUR 9.4 million). The reported EPS was 94 cents (7 cents).

The average number of outstanding shares used in the EPS calculation was 99,169,003 (98,501,625) excluding 5,061,089 (unchanged) company's own shares.

On a rolling 12-month basis, the return on investment (ROI) was 9.4% (4.0%) and return on equity (ROE) was 11.7% (1.3%).

Balance sheet and cash flow

At the end of December 2006, net debt remained flat at EUR 710.7 million (EUR 711.5 million). This corresponds to a gearing ratio of 0.83 (0.87).

Free cash flow was EUR -8.4 million (EUR 65.5 million) burdened by an increase in capital expenditure and cash outflow relating to restructuring. Working capital increased mainly due to higher inventories in units with major change programs.

Total capital expenditure in 2006 amounted to EUR 154.0 million (EUR 113.4 million), corresponding to an investment rate of 162% (113%) of depreciation. The increase in capital expenditure is mainly explained by the capacity expansion in China, India and Vietnam, as well as the continued implementation of a common European enterprise resource planning (ERP) platform.

Direct expenditure on research and development amounted to EUR 19.3 million (EUR 18.7 million).

The proceeds from the divestments conducted during the year amounted to EUR 22.9 million. The Molded Fiber unit in Mexico was sold in March. It had annual net sales of around EUR 12 million with approximately 100 employees. As a result of the transaction the North American molded fiber operations are more focused on foodservice and retail markets. The sale of Huhtamaki's expanded polystyrene (EPS) packaging businesses in France and Portugal was finalized in June. The sold units had annual net sales of around EUR 21 million with approximately 130 employees. In the future serving the European fresh food markets will continue by growing capacity in alternative technologies.

Strategic direction and financial targets

Several change programs have been launched to secure the long-term competitiveness of the core businesses, including the restructuring program announced in two phases. The first phase was completed in 2005. During the reporting period the headline of efforts was operational efficiency. In addition to the implementation of the second phase, the focus was on getting the continuous improvement programs up to speed and identifying ways to leverage group synergies. Towards the end of the year, the emphasis was shifted to developing attractive growth platforms in order to accelerate profitable growth in markets and segments where the biggest competitive advantages can be achieved.

Progress was made in the key change program activities during the year. In Europe, the relocation of the rigid packaging site from Göttingen in Germany to Spain was completed during the first quarter of 2006, while the relocation to Poland was completed by mid 2006. Over 400 employees were affected in Göttingen. The final exit of the site in Göttingen is planned to take place by mid 2007. The downsizing of the rigid packaging site in Portadown, UK, was completed by the end of the first quarter of 2006, resulting in an employee reduction of close to 90.

In Asia-Oceania-Africa the construction of the new rigid packaging facility in Guangzhou, China, started during the third quarter of 2006. Once the larger facility in Guangzhou is in operation, the existing site in Hong Kong will be relocated there by the end of 2007. Over 100 employees will be affected in Hong Kong. The new flexible packaging facility in the state of Uttaranchal in India was in operation at year-end 2006. The new capacity added to the existing flexible packaging facility in Vietnam was in operation during the third quarter of 2006.

In total, the activities from the first and second phases of the restructuring program are estimated to result in annualized savings of EUR 40 million by 2008.

The company's long term financial targets were updated in 2006. The objective is for the earnings before interest and taxes (EBIT) margin to reach 9%. The return on investment (ROI) is targeted at 15%. The long term gearing target is around 100%. The target remains to keep an average dividend payout ratio of 40% of the profit for the period.

Risk management

Risk management is an essential part of the Group's control system purporting to ensure that the risks related to the business operations are identified and monitored. During the year special emphasis has been laid on the effectiveness of various risk management activities. Huhtamaki's risk management comprises the organization participating in risk management, a risk management process and related reporting, as well as the Group Enterprise Risk Management (ERM) Policy. All Group functions and business units participate in a regular risk survey and the survey is performed annually for all relevant units. The key risks are divided into strategic risks, financial risks and operational risks. Huhtamaki takes measures to manage and limit the possible effects of risks.

Regarding strategic risks, special focus has been laid on shifts in technologies and materials. Increasing attention has also been paid to risks attached to major change programs. Raw material and energy price fluctuations as well as changes in clientele are challenging factors in price management and profitability. Strategic risks also include environmental risks.

Financial risks are risks attached to credit, liquidity and interest rates as well as foreign exchange risks. More information on financial risks may be found in Note 27 to the Annual Accounts.

Operational risks are managed by creating procedures, systems and models in order to secure compliance with best practices. The most significant operational risks are destruction of production facilities, product safety and quality risks, disruptions in raw material supply, contractual risks and human resources risks. Also Group-wide insurance programs have been established to govern insurable operational risks. The programs cover risks relating to property damage, business interruption, various liability exposures, cargo and business travel in the Group.

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, the Group has committed to following the Business Charter for Sustainable Development by the International Chamber of Commerce (ICC). Environmental management systems and tools have been created to support implementation and monitor progress. All manufacturing sites regularly report on their environmental performance through environmental key performance indicators. From the total number of manufacturing sites, 51% (49%) follow externally certified environmental management systems such as ISO 14001 and the Eco-Management and Audit Scheme (EMAS) or internally audited programs such as the US Environmental Care Program. The significant direct environmental aspects of operations are energy use, emissions into the air and solid waste.

The Group is pursuing the environmental targets set in 2003 and the cycle for their renewal calls for an update in 2007. Progress towards reaching these goals has been made in energy efficiency and waste to recovery. While the level of volatile organic compounds (VOC) emissions has reduced, there is still room for improvement. The new Regulation of the European Union concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) is initially assessed to have rather insignificant direct impacts on a downstream user like Huhtamaki.

Personnel

Huhtamaki had 14,792 (14,935) employees at year-end. The number of employees in Europe region was 6,731 (7,022); the corresponding figure for the Americas was 3,728 (3,867) and for Asia-Oceania-Africa 4,333 (4,046). The average number of employees was 14,749 (15,294).

The parent company employed 839 (762) people at year-end, comprising the Espoo head office 75 (80) and the Finnish packaging operations 764 (682). The annual average was 850 (783).

Changes in Group Executive Team

A number of key appointments took place in the Group Executive Team during the year. Pii Kotilainen started as Senior Vice President, Human Resources on January 2, 2006. Timo Salonen was appointed Executive Vice President, Strategy Development, and Walter Günter started as Executive Vice President, Europe Rigid Packaging; both appointments became effective from September 1, 2006. Simultaneously, Maurice Petitjean was appointed Executive Vice President, Flexibles, Films and Molded Fiber Europe. He assumed global leadership of the Flexibles and Films businesses from the beginning of 2007. George T. Lai was appointed Executive Vice President to the Asia-Oceania-Africa region, responsible for the Rigid and Molded Fiber businesses, with effect from January 1, 2007. He succeeded Henk Koekoek, who retired as planned at the end of 2006.

Decisions taken by the Annual General Meeting in 2006

The Annual General Meeting of Shareholders (AGM) was held in Helsinki on March 27, 2006. The meeting approved the company's and consolidated accounts for 2005 and discharged the company's Board of Directors and the CEO from liability. The dividend was set at EUR 0.38 per share, unchanged from the previous year. Furthermore, the AGM approved the option rights 2006 plan directed at certain members of the management of Huhtamäki Oyj and its subsidiaries. The option rights will entitle subscription for a total of 3,300,000 shares during 2008–2014. The Board of Directors was granted 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.

Eija Ailasmaa, George V. Bayly, Robertus van Gestel, Paavo Hohti, Mikael Lilius, Anthony J.B. Simon and Jukka Suominen were re-elected to the Board of Directors for the term lasting until the next AGM. The Board of Directors subsequently elected Mikael Lilius as its Chairman and Paavo Hohti as Vice Chairman.

Share capital and shareholders

At year-end, the company's registered share capital was EUR 358,657,670.00 (EUR 353,053,864.80) corresponding to a total number of outstanding shares of 105,487,550 (103,839,372) including 5,061,089 (unchanged) company's own shares. The company's own shares represent 4.8% of the total number of shares. The net figure of outstanding shares was 100,426,461 (98,778,283). In January-December, a total of 1,648,178 new shares were issued following share subscriptions based on option rights 2000 A, B and C as well as 2003 A and B. The option rights 2000 plan expired on October 31, 2006.

The ownership structure relating to the largest registered shareholders saw some adjustments but was not subject to major changes over the year. At the end of December there were 21,582 (20,268) registered shareholders. Foreign ownership accounted for 23.7% (21.3%), of which 19.2% (17.8%) was under nominee registration within financial institutions.

Share developments

Huhtamaki's share is quoted on the Helsinki Stock Exchange on the Nordic Large Cap list under the Materials sector. At the end of December, the company's market capitalization was EUR 1,569.7 million (EUR 1,444.4 million) and EUR 1,494.3 million (EUR 1,374.0 million) excluding company's own shares. With a closing price of EUR 14.88 (EUR 13.91) the share price increased by 7% (17%) from the beginning of the year, while the OMX Helsinki CAP PI Index increased by 25% (30%). In January-December, the highest price paid for the Huhtamaki share was EUR 16.73 on April 7, 2006 (EUR 14.88 on July 14, 2005), and the lowest price paid was EUR 12.21 on June 13, 2006 (EUR 11.37 on April 18, 2005). The volume weighted average price was EUR 14.35 (EUR 12.84).

The cumulative value of the Huhtamaki share turnover was virtually unchanged from the previous year at EUR 1,085.6 million. The trading volume of 75.6 million (84.4 million) shares equaled an average daily turnover of EUR 4.3 million (unchanged) or, correspondingly 301,371 (333,665) shares. Trading in the Huhtamaki share was particularly strong in October with a volume turnover of EUR 126.4 million and weakest in July with EUR 62.7 million.

In total, turnover of the company's 2000 A, B and C as well as 2003 A and B option rights was EUR 14.6 million (EUR 9.4 million), corresponding to a trading volume of 1,252,614 (738,916). The company's 2003 B option rights were listed on the Helsinki Stock Exchange on May 2, 2006.

Outlook for 2007

Organic growth will continue to be a priority. The positive impact from sales growth and cost savings should balance out the significant reduction in unallocated corporate income. Volatile polymer-based raw material and energy prices may put pressure on margins.

Capital expenditure is estimated to be somewhat lower in 2007 versus 2006.

Despite a slow start in the first half of the year, the underlying EBIT for the full year is expected to be around the level of 2006.

Annual General Meeting 2007

The Annual General Meeting of Shareholders will be held on Thursday, April 12, 2007, at 15.00 pm (Finnish time), at Finlandia Hall, Mannerheimintie 13 e, Helsinki.

Dividend proposal

The Board of Directors will propose to the AGM that a dividend of EUR 0.42 (EUR 0.38) per share be paid.

Key exchange rates in Euros

		2006		2005	
		Income statement	Balance sheet	Income statement	Balance sheet
Australia	AUD	0.6000	0.5991	0.6124	0.6208
Brazil	BRL	0.3662	0.3556	0.3291	0.3644
UK	GBP	1.4667	1.4892	1.4622	1.4592
India	INR	0.0176	0.0172	0.0182	0.0188
Poland	PLN	0.2568	0.2610	0.2486	0.2591
United States	USD	0.7964	0.7593	0.8033	0.8477

Consolidated annual accounts 2006

Group income statement (IFRS)

EUR million	Note	2006	%	2005	%
Net sales	**2**	**2,275.6**	**100.0**	**2,226.6**	**100.0**
Cost of goods sold	1	-1,946.4		-1,907.7	
Gross profit		**329.2**	**14.5**	**318.9**	**14.3**
Other operating income	3	56.2		46.8	
Sales and marketing	1	-82.8		-82.1	
Research and development	1	-19.3		-18.7	
Administration costs	1	-126.5		-121.2	
Other operating expenses	1,4	-11.3		-86.0	
		-183.7		-261.2	
Earnings before interest and taxes	**5,6**	**145.5**	**6.4**	**57.7**	**2.6**
Financial income	7	11.0		9.6	
Financial expenses	7	-47.8		-46.5	
Income from associated companies		0.5		0.6	
Profit before taxes		**109.2**	**4.8**	**21.4**	**1.0**
Income tax expense	8	-12.6		-12.0	
Profit for the period		**96.6**	**4.2**	**9.4**	**0.4**
Attributable to:					
Equity holders of the parent company		93.3		6.9	
Minority interest		3.3		2.5	
Basic earnings per share (EUR) for the shareholders of parent company	9	0,94		0.07	
Diluted earnings per share (EUR) for the shareholders of parent company		0,93		0.07	

Group balance sheet (IFRS)

ASSETS

EUR million	Notes	2006	%	2005	%
Non-current assets					
Goodwill	10	525.2		546.0	
Other intangible assets	10	35.1		8.0	
Tangible assets	11	840.1		849.2	
Investments in associated companies	12	1.5		1.7	
Available for sale investments	14	1.8		1.8	
Interest bearing receivables	15	6.6		4.3	
Deferred tax assets	16	14.1		16.0	
Employee benefit assets	17	64.0		68.2	
Other non-current assets		5.0		15.7	
		1,493.4	**65.8**	**1,510.9**	**65.5**
Current assets					
Inventory	18	341.8		311.3	
Interest bearing receivables	15	0.5		17.2	
Current tax assets		9.9		29.6	
Trade and other current receivables	19	400.7		400.7	
Cash and cash equivalents	20	22.3		37.6	
		775.2	**34.2**	**796.4**	**34.5**
Total Assets		**2,268.6**	**100.0**	**2,307.3**	**100.0**

EQUITY AND LIABILITIES

EUR million		2006	%	2005	%
Share capital	21	358.7		353.0	
Premium fund		104.7		96.8	
Treasury shares		-46.5		-46.5	
Translation differences	22	-106.7		-76.3	
Fair value and other reserves	22	2.1		-0.2	
Retained earnings		528.8		475.2	
Total equity attributable to equity holders of the parent		**841.1**	**37.1**	**802.0**	**34.8**
Minority interest		19.3	0.8	18.4	0.8
Total equity		**860.4**	**37.9**	**820.4**	**35.6**
Non-current liabilities					
Interest bearing liabilities	23	314.7		404.1	
Deferred tax liabilities	16	62.9		81.5	
Employee benefit liabilities	17	111.4		117.8	
Provisions	24	46.8		51.1	
Other non-current liabilities		3.9		4.9	
		539.7	**23.8**	**659.4**	**28.5**
Current liabilities					
Interest bearing liabilities					
Current portion of long term loans	23	41.7		15.1	
Short term loans	23	383.7		351.4	
Provisions	24	11.9		24.2	
Current tax liabilities		19.7		35.4	
Trade and other current liabilities	25	411.5		401.4	
		868.5	**38.3**	**827.5**	**35.9**
Total liabilities		**1,408.2**	**62.1**	**1,486.9**	**64.4**
Total Equity and Liabilities		**2,268.6**	**100.0**	**2,307.3**	**100.0**

Group cash flow statement (IFRS)

EUR million	2006	2005
Profit for the period	**96.6**	**9.4**
Adjustments	126.9	225.4
Depreciation and amortization	101.5	132.5
Gain on equity of minorities	-0.5	-0.7
Gain/loss from disposal of assets	0.1	4.3
Financial expense/-income	36.8	36.9
Income tax expense	12.6	12.0
Other adjustments, operational	-23.6	40.4
Change in inventory	-44.1	-2.7
Change in non-interest bearing receivables	-9.7	-59.5
Change in non-interest bearing payables	19.3	52.7
Dividends received	1.0	0.9
Interest received	2.7	3.8
Interest paid	-38.0	-43.6
Other financial expenses and income	0.7	-2.5
Taxes paid	-16.3	-15.4
Net cash flows from operating activities	**139.1**	**168.5**
Capital expenditure	-154.0	-113.4
Proceeds from selling fixed assets	6.5	10.4
Divested subsidiaries	22.9	-
Proceeds from long-term deposits	1.6	16.0
Payment of long-term deposits	-3.9	-0.3
Proceeds from long-term deposits	24.8	24.1
Payment of long-term deposits	-8.1	-25.3
Net cash flows from investing	**-110.2**	**-88.5**
Proceeds from long-term borrowings	409.0	1,045.0
Repayment of long-term borrowings	-495.5	-1,021.8
Proceeds from short-term borrowings	2,612.7	2,343.1
Repayment of short-term borrowings	-2,543.6	-2,405.7
Dividends paid	-37.5	-37.4
Proceeds from stock option exercises	13.5	2.9
Net cash flows from financing	**-41.4**	**-73.9**
Change in liquid assets	**-15.3**	**9.0**
Cash flow based	-12.5	6.1
Translation difference	-2.8	2.9
Liquid assets on January 1	37.6	28.6
Liquid assest on December 31	22.3	37.6

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 31.12.2004	351.5	95.4	-46.5	-119.7	-2.9	504.0	781.8	14.7	796.5
Cash flow hedges									
Hedge result deferred to equity					-2.0		-2.0		-2.0
Hedge result recognized in income statement*					4.6		4.6		4.6
Translation differences				43.4			43.4	1.1	44.5
Deferred tax in equity					0.1		0.1		0.1
Other changes						0.3	0.3		0.3
Net income recognized directly in equity				43.4	2.7	0.3	46.4	1.1	47.5
Net income for the period						6.9	6.9	2.5	9.4
Total recognized income and expense for the period				43.4	2.7	7.2	53.3	3.6	56.9
Dividend						-37.4	-37.4		-37.4
Share-based payments						1.4	1.4		1.4
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
Cash flow hedges									
Hedge result deferred to equity					1.7		1.7		1.7
Hedge result recognized in income statement*					2.2		2.2		2.2
Translation differences				-30.4			-30.4	-2.4	-32.8
Deferred tax in equity					-1.7		-1.7		-1.7
Other changes						-3.6	-3.6		-3.6
Net income recognized directly in equity				-30.4	2.2	-3.6	-31.8	-2.4	-34.2
Net income for the period						93.3	93.3	3.3	96.6
Total recognized income and expense for the period				-30.4	2.2	89.7	61.6	0.9	62.4
Dividend						-37.5	-37.5		-37.5
Share-based payments						1.4	1.4		1.4
Stock options exercised	5.7	7.9					13.6		13.6
Balance at 31.12.2006	**358.7**	**104.7**	**-46.5**	**-106.7**	**2.1**	**528.8**	**841.1**	**19.3**	**860.4**

*For qualifying cash flow hedges, the portion of any change in fair value that is effective is included in equity.
Additional information is presented in note 21 for share capital and in note 22 for fair value and other reserves.

Accounting principles for consolidated accounts

Main activities

Huhtamaki Group is a truly global consumer and specialty packaging company with operations in 36 countries. Focus and expertise is in paper, plastic, films and molded fiber. Huhtamaki offers standardized products, customized designs as well as total packaging systems and solutions. 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.

The parent company Huhtamaki Oyj, is a limited liability company domiciled in Espoo and listed on the Helsinki Stock Exchange. The address of its registered office is Länsituulentie 7, 02100 Espoo, Finland.

These group consolidated financial statements were authorised for issue by the Board of Directors on February 14, 2007.

Bases of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in preparation have been followed IAS- and IFRS standards and SIC- and IFRIC interpretations which were valid on December 31, 2006. 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 have been prepared under the historical cost convention except for available-for-sale financial assets, financial instruments at fair value through income statement, derivative instruments and liabilities for cash-settled share-based payment arrangements are measured at fair value. The consolidated financial statements are presented in millions of euros.

The Group has adopted following standards and interpretations as from January 1, 2006

- IFRS 7 Financial Instruments: Disclosures. Adoption of this standard introduces new disclosures about financial instruments. It requires information about exposure to risks arising from financial instruments including minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.
- Following amendments to IAS 39 Financial Instruments: Recognition and Measurement: Fair value option, Cash flow hedge accounting of forecast intra-group transactions and Financial guarantee contracts and credit insurance. These changes have not had a material impact on the reported results.
- Amendment to IAS 21 The effects of Changed in Foreign Exchange Rates; Foreign operations. This change clarifies requirements for third party currency loans to be treated as part of the net investment in a foreign operations. The change has not had any affect to items recognised in equity.
- IFRIC 5 Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds. Interpretation is not relevant to Group operations.
- IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment. Interpretation is not relevant to Group operations.
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economics. Interpretation is not relevant to Group operations.

Principles of consolidation

The consolidated financial statements include the parent company Huhtamäki Oyj and all its 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 the Group holds voting rights of between 20% and 50% and in which the Group 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 the Group'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 the Group 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 January 1, 2002 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. Foreign exchange gains and losses relating operating activities are recognised in same account as underlying transaction above Earnings before interest and taxes. Foreign exchange differences relating to financial liability are recognised in financial income or expense except currency differences relating to loans designated as a hedge of the net investment in foreign operations. Those currency differences are recognised as translation differences in equity.

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.

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

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.

Non-derivative assets with fixed or determinable payments that are not quoted in an active market are classified as loans and other receivables. 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.

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. All changes in fair value arising from the hedges are recognized as a translation difference in shareholder’s equity if hedge accounting criteria are met. 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.

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. Short-term receivables 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.

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 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 other 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 have 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 labour 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, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. 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.

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 instalment 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.

The Group has made purchase agreements, which include leasing component. These leasing components are booked according to IAS 17. Other parts of the agreement are booked according to relating IFRS-standard.

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 labour, other direct costs and related production overheads excluding selling and financial costs.

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.

A defined contribution plan is a pension plan under which Group pays fixed contribution into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the entity is not able to pay the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan which is not a defined contribution plan. The contributions to defined contribution plans are charged to the income statement in the year to which they relate.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less fair value of plan asset together with adjustment for unrecognised actuarial gains and losses and past service costs. The present value of the obligation of defined benefit plans is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined using interest rates of high-quality corporate bonds that have maturity terms approximating to the terms of the related pension liability.

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.

Past-service costs are recognised immediately in income statement, unless the changes to the pension plan are conditional on the employees remaining service for specific period of time. In this case, the past-service costs are amortized in straight-line basis over the vesting period.

Share-based payment transactions

The Group has incentive plans which include equity-settled or cash-settled share-based payment transactions. The fair value of equity–settled share-based payments granted is recognized as an employee expense with corresponding increase in equity. The fair value of cash-settled share-based payments is valued at each balance sheet date and the changes in fair value of liability are recognized as expense when incurred. 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. Non-market vesting conditions (for example, EBIT growth target) are not included in value of share-based instruments but in number of instruments that are expected to vest. At each balance sheet date the estimates about the number of options that are expected to vest are revised and the impact is recognised in income statement. The proceeds received when options are exercised, are credited to share capital (book value equivalent) and share premium.

Share options, which have been granted after November 7, 2002 and which have not vested before January 1, 2005 have been recognised as an expense according to IFRS 2.

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 from 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. Tax effect relating to items recognised directly to equity, is recognised to equity.

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. Deferred tax is not recognised for non-deductible goodwill and differences in investments in subsidiaries to the extend that they probably will not reverse in the foreseeable future. Deferred tax is not recognised in the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit. 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.

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 according to delivery terms. 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 presented in balance sheet as deferred income and recognized as income on a systematic basis over the useful life of the asset. These grants are included in other operating income. 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.

Earnings before interest and taxes

Earnings before interest and taxes is net sales less costs of goods sold, sales and marketing expenses, research and development costs, administration costs, other operating expenses plus other operating income. Foreign exchange gains and losses and changes of fair value of the derivative financial instruments relating to business are included in earnings before interest and taxes.

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. Possible effect of the changes in estimates and assumptions are recognised in the period, they are changed. The estimates and assumptions that have a significant risk of causing a adjustment to the carrying value of assets within next financial year relates to impairment testing, the measurement of pension liabilities, litigation and tax risks, restructuring plans, provision for inventory obsolescence and the probability of deferred tax assets being recovered against future taxable profits.

The Group in testing annually whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. More information about the sensitivity of recoverable amount relating to used assumptions can be find in note 10.

New IAS/IFRS standards and interpretations

New standards, amendments and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1. January 2007 but which the Group has not adopted in 2006:

- IAS 1 Presentation of Financial statements: Capital disclosures (effective from January 1, 2007): The amendment to IAS 1 requires information about equity and equity management during the accounting period. The amendment will have effect to the notes and the Group will apply it for periods beginning January 1, 2007.
- IFRS 8 Operating segments (effective from January 1, 2009). IFRS 8 assumes that segment reporting reflects the Group's management and internal reporting structure. The Group will apply this standard earliest for periods beginning January 1, 2008.
- IFRIC 8 Scope of IFRS 2 Share-Based Payments (effective from May 1, 2006). The interpretation will apply to share-based payments, where the received compensation will be below the fair value of granted equity instrument. The Group will apply the interpretation for periods beginning January 1, 2007. Group's estimate is that the interpretation will not have effect on coming annual accounts.
- IFRIC 9 Reassessment of Embedded Derivatives (effective from June 1, 2006). The interpretation requires the determination of whether the arrangement contains embedded derivatives, which have to be reported separately as derivative instrument. Group believes that this interpretation will not have effect on reported results and it will be applied for periods beginning January 1, 2007.
- IFRIC 10 Interim Financial reporting and Impairment (effective from November 1, 2006) IFRIC 10 denies to reverse the impairment charge reported in interim report at later closing dates. The Group will apply this interpretation from January 1, 2007. This Interpretation will not have effect on reported results.

Notes to the consolidated financial statements

1. RESTRUCTURING COSTS

The Group announced restructuring program in two phases, at the end of 2004 and mid-year 2005. The first phase of restructuring has been completed by the end of 2005 in accordance with plan and the second phase will be completed by the end of 2007. The main locations affected were in Germany, UK and Hong Kong. Restructuring costs represent the costs of site rightsizing and closures together with the writing down of manufacturing assets for technical or economic reasons. 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	2006	2005
Cost of goods sold	11.4	30.9
Sales and marketing	0.1	1.1
Research and development	0.2	0.2
Administration costs	0.1	1.5
Other operating expense	0.3	36.1
Total	**12.1**	**69.8**

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 and segment asset and liabilities are based on geographical location of assets. Intercompany sales between regions is insignificant.

Business segments:

Consumer Goods: Segment 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: Segment 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 pension liabilities, provisions, 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. Investments in associated companies and income from associated companies are presented in unallocated items.

Geographical segments 2006

EUR million	Europe	Americas	AOA	Unallocated	Consolidated
Net sales	1,188.7	711.5	375.4	–	2,275.6
EBIT *	40.3	61.3	24.4	19.5	145.5
Assets	1,117.5	652.4	394.2	104.5	2,268.6
Liabilities	313.9	125.2	78.5	890.7	1,408.3
Capital expenditure	78.0	28.3	46.9	0.8	154.0
Depreciation	49.4	27.6	17.9	0.4	95.3
* includes restructuring cost of	11.8	–	0.3	–	12.1

Geographical segments 2005

EUR million	Europe	Americas	AOA	Unallocated	Consolidated
Net sales	1,172.1	**690.0	364.5	–	**2,226.6
EBITA	8.1	46.0	18.3	18.0	90.4
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

Business segments 2006

EUR million	Consumer Goods	Foodservice	Unallocated	Consolidated
Net sales	1,495.3	780.3	–	2,275.6
EBITA	74.7	51.3	19.5	145.5
Goodwill impairment loss	–	–	–	–
EBIT *	74.7	51.3	19.5	145.5
Assets	1,471.4	692.7	104.5	2,268.6
Capital expenditure	98.4	54.8	0.8	154.0
* includes restructuring cost of	9.4	2.7	–	12.1

Business segments 2005

EUR million	Consumer Goods	Foodservice	Unallocated	Consolidated
Net sales	1,470.2	**756.4	–	**2,226.6
EBITA	50.1	22.3	18.0	90.4
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

** In Americas segment the price reduction type item 17.1 million euros has been tranferred to amend net sales. In 2005 the item has been reported in sales and marketing costs. In business segments the whole item fell on Foodservice segment.

3. OTHER OPERATING INCOME

EUR million	2006	2005
Royalties	22.4	26.4
Release of provisions	2.7	1.6
Leasing Income	1.2	1.7
Insurance compensations	10.9	4.4
Grants	1.5	0.3
Gain on disposal of fixed assets	2.6	3.0
Divested subsidiaries	2.5	-
Other	12.4	9.4
Total	**56.2**	**46.8**

4. OTHER OPERATING EXPENSES

EUR million	2006	2005
Amortization of other intangible assets	2.6	3.3
Impairment of goodwill	-	32.7
Restructuring writedowns	0.3	36.1
Other	8.4	13.9
Total	**11.3**	**86.0**

5. EMPLOYEE BENEFIT EXPENSE

EUR million	2006	2005
Wages and salaries	407.8	441.3
Compulsory social security contributions	47.5	52.4
Pensions		
Defined benefit plans	7.4	6.5
Defined contribution plans	15.5	8.1
Other post employment benefits	7.6	7.8
Share-based payments	1.4	1.4
Other personnel costs	33.7	25.7
Total	**520.9**	**543.2**
Remuneration paid by the parent company to the members of the Board of Directors as well as the CEO of Huhtamäki Oyj (8 people).	**1.3**	**0.9**

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

Average number of personnel	2006	2005
Group	14,749	15,294
Huhtamäki Oyj	850	783

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

EUR million	2006	2005
Depreciation and amortization by function:		
Production	87.3	91.3
Sales and marketing	0.3	0.3
Research and development	0.5	0.5
Administration	4.0	4.0
Other	3.2	3.7
Total	**95.3**	**99.8**
Depreciation and amortization by asset type:		
Buildings	10.4	11.3
Machinery and equipment	82.2	85.2
Other intangible assets	2.7	3.3
Total	**95.3**	**99.8**
Impairments by asset type:		
Goodwill	-	32.7
Total	**-**	**32.7**

7. FINANCIAL INCOME AND EXPENSES

Gains and losses on fair value hedges are reported net of the gain or loss on the hedged item. Taxes reported 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	2006	2005
Interest income on bank deposits	2.0	2.2
Interest income on loans and other receivables	1.1	1.7
Dividend income on available for sales asset	0.2	0.4
Fair value gain on cash flow hedge	0.1	-
Gain on fair value hedges	0.1	1.0
FX revaluation gains on interest bearing assets and liabilities	7.5	4.4
Other financial income	7.7	5.4
Interest expense on liabilities	-40.4	-38.9
Fair value loss on cash flow hedges	-0.1	-
Loss on fair value hedges	-0.4	-2.5
FX revaluation losses on interest bearing assets and liabilities	-6.0	-3.0
Bank fees, taxes and stock exchange expenses	-1.0	-2.1
Other financial expense	-7.4	-7.6
Total	**-36.8**	**-36.9**

8. INCOME TAXES

EUR million	2006	2005
Current period taxes	17.8	16.9
Previous period taxes	9.6	-47.3
Deferred tax expense	-14.8	42.4
Total	**12.6**	**12.0**
Profit before taxes	109.2	20.8
Tax calculated at domestic rates	28.4	5.4
Effect of different tax rates in foreign subsidiaries	-1.8	1.5
Income not subject to tax	-13.8	-3.8
Expenses not deductible for tax purposes	4.4	2.3
Goodwill amortization	0.1	0.1
Utilization of previously unrecognised tax losses	-13.3	-5.1
Valuation allowance	-	-31.1
Changes in tax provisions	-	44.1
Previous period taxes	9.6	-
Other items	-1.0	-1.4
Tax charge	**12.6**	**12.0**

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	2006	2005
Profit attributable to equity holders of the parent company (basic/diluted)	93.3	6.9

Thousands of shares	2006	2005
Weighted average number of shares outstanding	99,169	98,502
Effect of issued share options	1,017	995
Diluted weighted average number of shares outstanding	100,186	99,497
Basic earnings per share (EUR)	0.94	0.07
Diluted earnings per share (EUR)	0.93	0.07

10. INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangible assets (incl. software)	Total 2006
Acquisition cost at January 1, 2006	578.7	4.0	35.8	**618.6**
Additions	-	1.2	1.5	**2.7**
Disposals	-0.4	-0.9	-2.6	**-3.9**
Intra-balance sheet transfer	1.9	-	25.7	**27.6**
Changes in exchange rates	-22.3	-0.2	0.2	**-22.3**
Acquisition cost at December 31, 2006	557.9	4.1	60.7	**622.7**
Accumulated amortization and impairment losses at January 1, 2006	32.7	1.4	30.5	**64.6**
Accumulated amortization on disposals and transfers	-	-0.4	-4.0	**-4.4**
Amortization during the financial year	-	0.1	2.6	**2.7**
Impairments	-	-	-	**-**
Changes in exchange rates	-	-	-0.5	**-0.5**
Accumulated amortization and impairment losses at December 31, 2006	32.7	1.1	28.6	**62.4**
Book value at December 31, 2006	525.2	3.0	32.1	**560.3**

EUR million	Goodwill	Intangible rights	Other intangible assets (incl. software)	Total 2005
Acquisition cost at January 1, 2005	567.9	2.7	31.2	**601.9**
Additions	-	1.8	1.2	**3.0**
Disposals	-6.7	-0.9	-1.3	**-8.9**
Intra-balance sheet transfer	-2.8	-	3.4	**0.6**
Changes in exchange rates	20.3	0.4	1.4	**22.0**
Acquisition cost at December 31, 2005	578.7	4.0	35.9	**618.6**
Accumulated amortization and impairment losses at January 1, 2005	-	1.2	25.2	**26.4**
Accumulated amortization on disposals and transfers	-	-0.1	1.9	**1.8**
Amortization during the financial year	-	0.2	3.1	**3.3**
Impairments	32.7	-	-	**32.7**
Changes in exchange rates	-	0.1	0.4	**0.4**
Accumulated amortization and impairment losses at December 31, 2005	32.7	1.4	30.5	**64.6**
Book value at December 31, 2005	546.0	2.6	5.4	**554.0**

For impairment of goodwill, see note 6.

Emission rights are included in other intangible assets and are valued at fair value at 3. January 2006. The value of emission rights included in balance sheet at closing date 2006 was 1.2 million euros. The Group has not sold any emission rights during 2006. 142,692 emission rights has been allocated to the Group for the commitment period 2005–2007. In 2006 the emission allowance surplus was 240 allowances.

Impairment charge

In 2006 no impairment charge is recognized based on impairment testing. In 2005 impairment charge of 32.7 MEUR was recognized. From the charge 30.3 MEUR related to North Americas cash generating unit and 2.4 MEUR to units without significant goodwill. The impairment charge was included in Other operating expenses in income statement.

Impairment test for cash-generating units containing goodwill

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

EUR million	2006	2005
North America	192.5	206.1
Rigid Europe	66.2	66.3
FFF Europe	174.4	174.4
	433.1	446.8
Multiple units without significant goodwill	92.1	99.2
Total	**525.2**	**546.0**

The recoverable amount is based on value in use calculations. Those calculations use cash flow projections based on actual EBIT and five-year business forecasts. Cash flows for a further 20-year period are extrapolated using a one per cent growth rate. Management view this growth rate as being appropriate for the business, given the long time horizon of the testing period. This growth rate has been applied to nearly all units.
The pre-tax discount rates used in discounting the projected cash flows are as follows: North America 9.2 (2005: 9.5) percent, Rigid Europe 9.4 (2005: 10.3) percent and FFF Europe 9.1 (2005: 8.3) 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 7.7 percent to 22.0 percent (2005: from 7.2 to 22.3 percent). The discount rate reflects the weighted average cost of capital and risks to the asset under review.
One smaller cash generating unit should have reported 2 million euro impairment charge, if the used discount rate has been one percent higher. Management believes that any reasonably possible change in the key assumptions relating to other cash generating units, on which the units recoverable amount is based would not cause any units carrying amount to exceed its recoverable amount. The margin of the recoverable amount to the carrying amount is relatively low for Rigid Europe cash generating unit.

11. TANGIBLE ASSETS

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2006
Acquisition cost at January 1, 2006	28.1	289.3	1,090.6	77.9	55.7	**1,541.5**
Additions	0.6	2.2	19.5	125.5	3.6	**151.4**
Disposals	-0.9	-8.4	-36.3	-0.7	-2.6	**-48.9**
Intra-balance sheet transfer	-	7.1	61.1	-97.4	-0.3	**-29.5**
Changes in exchange rates	-0.9	-9.3	-59.1	5.6	-1.5	**-65.1**
Acquisition cost at December 31, 2006	26.9	280.9	1,075.8	110.9	54.9	**1,549.4**
Accumulated depreciation and impairment losses at January 1, 2006	1.0	96.4	559.5	-	35.4	**692.3**
Accumulated depreciation on disposals and transfers	-	-6.0	-30.4	-	-4.1	**-40.5**
Depreciation during the financial year	0.1	10.4	77.1	-	5.1	**92.7**
Impairments	-	-	-	-	-	**0.0**
Changes in exchange rates	-0.1	-2.7	-31.3	-	-1.2	**-35.2**
Accumulated depreciation and impairment losses at December 31, 2006	1.0	98.0	574.9	-	35.4	**709.3**
Book value at 31 December 2006	25.9	182.8	500.9	110.9	19.5	**840.1**
Value of Financial leased items included in book value 2006	-	0.7	2.4	-	0.5	**3.6**

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

12. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has investments in the following associates:

Company	Country	Ownership 2006	Ownership 2005
Arabian Paper Products Co.	Saudi-Arabia	40.0%	40.0%
Hiatus B.V.	Netherlands	50.0%	50.0%

EUR million	2006	2005
Book value at January 1	1.7	1.6
Share of results	0.5	0.6
Dividends	-0.7	-0.4
Divestments	-	-0.1
Book value at December 31	1.5	1.7

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

2006:

EUR million	Assets	Liabilities	Equity	Net Sales	Profit for the period
Arabian Paper Products Co., Saudi-Arabia	6.0	3.4	2.5	8.4	1.1
Hiatus B.V., Netherlands	2.4	1.3	1.1	2.4	0.2

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

13. JOINT VENTURES

The Group has 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	2006	2005
Non-current assets	5.4	6.5
Current assets	6.1	5.8
Non-current liabilities	-1.7	-4.2
Current liabilities	-7.1	-5.2
Net assets/ (liabilities)	2.7	2.9
Income	19.6	17.2
Expenses	-18.8	-16.1
Profit for the period	0.8	1.1

14. AVAILABLE-FOR-SALE INVESTMENTS

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

EUR million	2006	2005
Book value at January 1	1.8	1.7
Additions	–	0.1
Book value at December 31	1.8	1.8

15. INTEREST BEARING RECEIVABLES

	2006		2005	
EUR million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Current				
Loan receivables	0.1	0.1	0.9	0.9
Finance lease receivables	0.4	0.4	16.3	17.8
Current interest bearing receivables	0.5	0.5	17.2	18.7
Non-current				
Loan receivables	5.8	5.8	3.9	4.1
Finance lease receivables	0.8	0.8	0.4	0.4
Non-current interest bearing receivables	6.6	6.6	4.3	4.5

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	2006	2005
Finance lease receivables payable as follows:		
In less than one year	0.5	16.8
Between one and five years	0.9	0.5
Total minimum lease receivables	**1.5**	**17.3**
Present value of minimum lease receivables		
In less than one year	0.4	16.3
Between one and five years	0.8	0.4
Total present value of minimum lease receivables	**1.2**	**16.7**
Unearned future financial income	0.2	0.6

Finance lease receivables relates to packaging machines leased to customers. In 2005 finance lease receivables included also receivables related to the lease agreement of factory buildings signed in 1996. The lessee exercised its purchase option during 2006.

16. DEFERRED TAXES

EUR million	2006	2005
Deferred tax assets by types of temporary differences		
Tangible assets	3.5	3.5
Employee benefits	19.3	25.1
Provisions	4.4	7.5
Unused tax losses	15.1	9.7
Other temporary differences	19.9	15.5
Total	**62.2**	**61.2**
Deferred tax liabilities		
Tangible assets	67.0	73.1
Employee benefits	24.2	26.1
Other temporary differences	19.8	27.6
Total	**111.0**	**126.8**
Net deferred tax liabilities	48.8	65.5
Reflected in balance sheet as follows:		
Deferred tax assets	14.1	16.0
Deferred tax liabilities	62.9	81.5
Total	**48.8**	**65.6**

December 31, 2006 the Group had EUR 158 million (2005: EUR 170 million) worth of deductable temporary differences, for which no deferred tax asset was recognised. EUR 95 million of these temporary differences have unlimited expiry and EUR 63 million over six years.

Deferred taxes recognised directly in equity are represented in note 22.

17. EMPLOYEE BENEFITS

The Group has established a number of defined pension schemes for its personnel throughout the world. US, UK and Germany are the major countries having defined benefit plans comprising approximately 90% of the Group consolidated defined benefit obligation for pensions and other post-retirement benefits.

The defined benefit plans are organised through a pension fund or insurance company. The assets of these plans are segregated from the assets of the Group. Subsidiaries' funding of the plans meet local authority requirements. In these defined benefit plans the pensions payable are based on salary level before retirement and number of service years. Some schemes can include early retirement. The computations for defined benefit obligations and assessment of the fair value of assets at closing date have been made by qualified actuaries.

The Group has also post-employment medical benefit schemes, principally in US. The method of accounting, assumptions and the frequency of valuations are similar to those used for the defined benefit pension schemes.

EUR million	2006	2005
The amounts recognized in the Balance sheet:		
Present value of funded obligations	402.9	408.8
Fair value of plan assets	-362.5	-375.0
Present value of unfunded obligations	66.7	71.8
Unrecognized actuarial gains (–) and losses (+)	-59.9	-57.8
Unrecognized assets	0.2	1.9
Net asset (-) or liability (+)	**47.4**	**49.7**
Reflected to Balance Sheet as follows:		
Pension assets	64.0	68.2
Pension liabilities	111.4	117.8
Expenses recognised in the income statement:		
Current service cost	9.0	8.6
Interest cost	21.1	18.8
Expected return on plan assets	-21.2	-20.1
Actuarial gains (–) and losses (+)	2.2	1.3
Recognized past service costs	-0.1	-0.6
Effect of any curtailments or settlements	-3.6	-1.5
Total defined benefit expenses	**7.4**	**6.5**
Actual return of pension assets	25.5	29.0
The expenses of defined benefit plans are allocated by function as follows:		
Cost of goods sold	4.7	4.2
Sales and marketing	0.7	0.8
Administration costs	2.0	1.5
Functional split of expense	**7.4**	**6.5**
Movement in the present value of the defined benefit obligation:		
Defined benefit obligation at January 1	480.5	411.5
Translation difference	-14.2	23.7
Service cost	11.6	11.7
Interest cost	21.8	22.0
Acturial gains (-) and losses (+)	12.2	42.4
Losses (+) and gains (-) on curtailments or settlements	-14.8	-1.3
Liabilities extinguished on settlements	-0.6	-0.7
Benefits paid	-26.9	-28.8
Defined benefit obligation at December 31	**469.6**	**480.5**

Movement in the fair value of the plan assets are as follows:	2006	2005
Fair value of plan assets at January 1	-375.0	-323.2
Translation difference	13.8	-21.4
Expected return on plan assets	-22.9	-23.9
Acturial gains (-) and losses (+)	-3.6	-8.7
Assets distributed on settlements	12.6	0.0
Contribution by employer	-3.1	-11.6
Contribution by employee	-1.7	-3.1
Benefits paid	17.4	16.9
Fair value of plan assets at December 31	**-362.5**	**-375.0**

Expected contribution to defined contribution plans during 2007 are 17.8 million euros.

The major categories of plan assets as percentage of total plan assets:		
European equities (%)	21.9	19.9
North America equities (%)	19.5	20.1
European bonds (%)	9.4	8.4
North American bonds (%)	14.0	14.5
Property (%)	0.3	0.6
Other (%)	34.9	36.5
	100.0	**100.0**

The expected return on plan assets was determined by considering the expected returns returns available on the assets. Expected returns on equity and property investment reflect long-term real rates of return experienced in the respective markets. The returns on fixed interest investments are based on terms of agreements.

Principal actuarial assumptions:	2006	2005
Discount rate (%)		
Europe	4.2–5.0	4.0–6.0
Americas	5.8	5.8
Asia, Oceania and Africa	2.8–10.0	3.5–10.0
Expected return on plan asset (%)		
Europe	4.5–7.0	4.3–7.0
Americas	8.5	8.5
Asia, Oceania and Africa	2.0–10.0	3.5–10.0
Expected salary increases (%)		
Europe	4.5	1.5–3.9
Americas	4.3	4.3
Asia, Oceania and Africa	2.8–8.0	3.0–8.0
Future pension increases (%)		
Europe	0.5–3.0	1.5–3.0
Americas	1.0	1.0
Employees opting for early retirement (%)		
Europe	7.5	2.0
Annual increase in healthcare costs (%)		
Americas	10.0	9.0
Asia, Oceania and Africa	7.0	7.5
Future change in max. state healthcare benefit (%)		
Americas	10.0	9.0

Assumptions regarding future mortality are based on published statistics and mortality tables.

One percentage point change in assumed healthcare cost trend would have the following effetcs on defined benefit obligation:	2006	2005
1% p. increase of healthcare	5.6	4.7
1% p. decrease of healthcare	-3.0	-3.8

Amounts for the currect and previous periods are as follows:	2006	2005	2004
Defined benefit pension plans			
Defined benefit obligation	408.4	414.9	353.1
Fair value of plan assets	-362.5	-375.0	-323.2
Surplus/(deficit)	-45.9	-39.9	-30.0
Experience adj.on pension plan liabilities	0.6	0.1	-0.7
Experience adj. on pension plan assets	4.2	3.7	-3.0
Post-employment medical benefits and other defined benefits:			
Defined benefit obligation	61.1	65.6	58.3
Experience adj.on pension plan liabilities	2.0	-1.6	1.3

18. INVENTORIES

EUR million	2006	2005
Raw and packaging material	109.1	108.5
Work-in-process	49.8	46.1
Finished goods	180.4	154.3
Advance payments	2.5	2.4
Inventories Total	**341.8**	**311.3**

The value at cost for finished goods amounts to EUR 195.8 million (2005: EUR 170.8 million). An allowance of EUR 17.8 million (2005: EUR 18.8 million) has been established for obsolete items. The total value of inventories include EUR 1.5 million resulting from reversals of previously written down values (2005: EUR 0.1 million).

19. TRADE AND OTHER CURRENT RECEIVABLES

EUR million	2006	2005
Trade receivables	350.6	338.2
Other receivables	29.4	32.4
Accrued interest and other financial items	5.5	1.5
Other accrued income and prepaid expenses	15.2	28.6
Total	**400.7**	**400.7**

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

Aging and impairment losses of trade receivables at the closing date

EUR million	Gross 2006	Impairment 2006	Gross 2005	Impairment 2005
Not past due	285.1	1.7	276.0	2.0
Past due 0–30 days	49.8	0.3	45.6	0.5
Past due 31–120 days	15.1	1.3	15.0	2.1
Past due more than 120 days	10.8	6.9	12.3	6.1
Total	**360.8**	**10.2**	**348.9**	**10.7**

The maximum exposure to credit risk related to trade and other current receivables is equal to the book value of these items.

20. CASH AND CASH EQUIVALENTS

EUR million	2006	2005
Cash and bank	22.1	36.0
Marketable securities	0.2	1.6
Total	**22.3**	**37.6**

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, 2005	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	397,832.20	–	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
Subscription through option rights June 14, 2006	368,414	1,252,607.60	1,622,167.68	-	2,874,775.28
Subscription through option rights July 31, 2006	24,200	82,280.00	94,564.00	-	176,844.00
Subscription through option rights August 21, 2006	21,000	71,400.00	93,928.00	-	165,328.00
Subscription through option rights September 20, 2006	70,800	240,720.00	336,662.00	-	577,382.00
Subscription through option rights October 25, 2006	130,200	442,680.00	533,558.00	-	976,238.00
Subscription through option rights November 16, 2006	1,033,564	3,514,117.60	5,188,598.68	-	8,702,716.28
December 31, 2006	100,426,461	358,657,670.00	104,666,771.42	-46,509,623.20	416,814,818.22

Total number of shares is 105,487,550 (December 2005: 103,839,372). All issued shares are fully paid.

Based on an authorization given at the Annual General Meeting of Shareholders 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 repurchased or conveyed and on December 31, 2006 the Board of Directors had no authorization to repurchase own shares. The Annual General Meeting of Shareholders on March 27, 2006 gave the Board of Directors an authorization to decide on conveyance of the company's own shares within one year's time. This authorization was not exercised during 2006.

Members of the Board of Directors and the CEO of Huhtamäki Oyj owned on December 31, 2006 a total of 61,248 shares (December 2005: 41,896 shares). These shares represent 0.06% (December 2005: 0.04%) of total number of shares and voting rights in the company.

Distribution of shareholding, December 31, 2006

By number of shares held	Number of shareholders	% of shareholders	Total number of shares	% of shares
1–100	3,403	15.8	216,229	0.2
101–1.000	12,795	59.3	5,796,141	5.5
1.001–10.000	4,941	22.8	13,195,287	12.5
10.001–100.000	367	1.7	9,626,088	9.1
100.001–1.000.000	63	0.3	19,075,982	18.1
over 1.000.000	13	0.1	57,502,679	54.5
Total	21,582	100.0	105,412,406	99.9
Held in the joint book-entry account			75,144	0.1
Total number of shares			105,487,550	100.0

By shareholder category	% of shares
Non-profit organizations	28.5
Households	17.9
Non-corporate public sector	11.0
Corporations	9.6
Financial and insurance institutions	9.3
Non-Finnish shareholding (of which 19,2% under nominee registration within financial institutions)	23.7
Total	100.0

Largest registered shareholders, December 31, 2006*	Shares/votes	%
The Finnish Cultural Foundation	16,104,596	15.3
Society of Swedish Literature in Finland	4,410,000	4.2
Ilmarinen Mutual Pension Insurance Company	3,324,120	3.2
The Association for the Finnish Cultural Foundation	2,150,000	2.0
Varma Mutual Pension Insurance Company	2,126,369	2.0
Odin Norden Fund	1,786,850	1.7
The Finnish State Pension Insurance Company	1,400,000	1.3
OP-Delta Fund	1,059,918	1.0
Etera Mutual Pension Insurance Company	887,237	0.8
Tapiola Mutual Pension Insurance Company	868,600	0.8

* Excluding own shares acquired by Huhtamäki Oyj.

OPTION RIGHTS

Option Rights 2000 Plan

The Annual General Meeting of Shareholders 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 2000 A, 300,000 with 2000 B and 300,000 with 2000 C. The Extraordinary General Meeting of Shareholders held on August 26, 2002 resolved to amend the terms of the option rights plan so that each option right entitles its holder to subscribe for four (4) shares. The share subscription period for all the option rights under the Option Rights 2000 Plan ended on October 31, 2006. During the year 2006, the exercise of 394,357 option rights under the Option Rights 2000 Plan resulted in the issue of 1,577,428 new shares and the increase of the share capital with EUR 5,363,255.20. During the validity of the Option Rights 2000 Plan altogether 2,688,948 shares were issued and the share capital increased with EUR 9,142,423.20. If had been exercised in full, the option rights would have entitled to the subscription for a total of 3,600,000 shares whereby the share capital would have been increased by a maximum amount of EUR 12,240,000 representing approximately 3.4 per cent of the outstanding share capital of Huhtamäki Oyj. The option rights 2000 A were listed on the Helsinki Stock Exchange as of May 2, 2002, the option rights 2000 B as of May 2, 2003 and the option rights 2000 C as of May 3, 2004. As the share subscription period ended on October 31, 2006, the option rights under the Option Rights 2000 Plan were delisted on the Helsinki Stock Exchange. The table below depicts the share subscription periods and the subscription prices for each option right.

Option Rights 2003 Plan

The Annual General Meeting of Shareholders 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 be increased by a maximum amount of EUR 7,650,000 representing approximately 2.1 per cent of the outstanding share capital of Huhtamäki Oyj. The option rights 2003 A are listed on the Helsinki Stock Exchange as of May 2, 2005 and the option rights 2003 B as of May 2, 2006. Huhtamäki Oyj will apply for the listing of the option rights 2003 C on the Helsinki Stock Exchange as of May 2, 2007. At the end of the year 2006, the Option Rights 2003 Plan had 81 participants. During the year 2006, the exercise of 70,750 option rights under the Option Rights 2003 Plan resulted in the issue of 70,750 new shares and the increase of the share capital with EUR 240,550. The table below depicts the share subscription periods and the subscription prices for each option right.

Option Rights 2006 Plan

The Annual General Meeting held on March 27, 2006 approved the issue of up to 3,300,000 option rights to certain members of the management of Huhtamäki Oyj and its subsidiaries. The option rights are marked as follows: 1,100,000 with 2006 A, 1,100,000 with 2006 B and 1,100,000 with 2006 C. If exercised in full, the option rights will entitle to the subscription for a total of 3,300,000 shares whereby the share capital would be increased by a maximum amount of EUR 11,220,000 representing approximately 3.1 per cent of the outstanding share capital of Huhtamäki Oyj. At the end of the year 2006, the Option Rights 2006 Plan had 95 participants. The table below depicts the share subscription periods and the subscription prices for each option right.

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 6.82	May 2, 2002 – October 31, 2006[2]
2000 B	4	EUR 5.28	May 2, 2003–October 31, 2006[2]
2000 C	4	EUR 9.77	May 2, 2004–October 31, 2006[2]
2003 A	1	EUR 7.96	May 2, 2005–October 31, 2009[3]
2003 B	1	EUR 10.22	May 2, 2006–October 31, 2009[3]
2003 C	1	EUR 12.35	May 2, 2007–October 31, 2009[3]
2006 A	1	EUR 17.56	October 1, 2008 – October 31, 2011[4]
2006 B	1	[5]	October 1, 2009 – October 31, 2012[4]
2006 C	1	[6]	April 1, 2011 – April 30, 2014[4]

1) Subscription price before the deduction of the year 2006 dividend.

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

3) 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.

4) The period of subscription shall be annually between January 2 and November 15 on such days as defined by the Board of Directors of the Company.

5) The subscription price for the shares under the option rights marked with 2006 B shall be the market value of the Company share on the Helsinki Stock Exchange during the period of April 1, 2007 – April 30, 2007 added with such an amount that equals to ten (10%) per cent of the market value. The market value shall mean the average price paid for the share of the Company during the above-mentioned period weighted by the volume of the trade. The aggregate amount of dividends per one share resolved by the Company's Annual General Meeting of Shareholders after April 30, 2007 but before the subscription for the shares shall be deducted from the subscription price of the shares under option rights marked with 2006 B at each dividend record date.

6) The subscription price for the shares under the option rights marked with 2006 C shall be the market value of the Company share on the Helsinki Stock Exchange during the period of April 1, 2008 – April 30, 2008 added with such an amount that equals to ten (10%) per cent of the market value. The market value shall mean the average price paid for the share of the Company during the above-mentioned period weighted by the volume of the trade. The aggregate amount of dividends per one share resolved by the Company's Annual General Meeting of Shareholders after April 30, 2008 but before the subscription for the shares shall be deducted from the subscription price of the shares under option rights marked with 2006 C at each dividend record date.

General

The option rights are granted under a service condition. In case the employee ceases to be employed by Huhtamäki Oyj or any of its subsidiaries before the share subscription period has commenced, the option rights 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 Company's option rights plans, an aggregate maximum number of 5,479,250 new shares may be subscribed for in 2007–2014 representing approximately 5.2 per cent of the total number of votes on December 31, 2006.

Information relating to the amount of option rights outstanding 2006 and 2005

Amount of option rights (pcs)	Weighted average exercise price/share EUR 2006	Options 2006	Shares based on option rights 2006	Weighted average exercise price/share EUR 2005	Options 2005	Shares based on option rights 2005
At the beginning of the financial year	9.94	2,274,380	3,498,953	9.12	1,719,030	3,275,553
Granted	16.87	1,019,500	1,019,500	12.55	750,500	750,500
Exercised	8.15	-465.107	1,648,178	6.54	-110,650	442,600
Forfeited and expired	11.38	-136.334	177,836	10.61	-84,500	84,500
At the end of the financial year	12.80	2,692,439	2,692,439	10.32	2,274,380	3,498,953
Exercisable at the end of the period	9.12	1,123,939		8.45	974,880	

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	2006 A
Fair value at grant date	1.89	2.13	2.30	1.16
Grant date	September 30, 2003	September 30, 2004	September 30, 2005	August 31, 2006
Number of outstanding options at December 31, 2006	545,939	578,000	640,500	928,000
Exercise price	9.097	10.98	13.49	17.56
Share price at grant date	9.00	10.80	13.50	13.71
Expected volatility (%)	21.5	21.1	20.0	18.0
Option life as weigthed average at grant date (years)	3.8	3.3	2.8	3.4
Risk-free interest rate (%)	3.0	3.6	3.0	3.8

PERFORMANCE SHARE INCENTIVE PLAN

A performance share incentive plan has been established in Huhtamaki by a resolution passed by the Board of Directors on February 7, 2006 to form a part of the remuneration and commitment program for key personnel. The plan was presented in the Annual General Meeting of Shareholders held on March 27, 2006. The plan extends to approximately 15 key persons designated by the Board and having a possibility to earn Company's shares as remuneration for reaching targets set forth for a determined earning period. A possible remuneration will be paid in 2008. The aggregate maximum number of shares possible to be granted under the plan is 150,000. The plan requires a receiver to own the shares at least two years following the grant. A receiver must also continue to own the shares, at least in an amount equivalent to his/her annual gross salary, for a period lasting until the end of the employment or service.

No expense has been recorded relating to performance share incentive plan in reporting period, as it was not probable at the closing date, that targets set forth for a determined earning period could be reached.

22. FAIR VALUE AND OTHER RESERVES

EUR million	Hedge reserve	Total
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
Deferred taxes	0.1	0.1
December 31, 2005	**-0.2**	**-0.2**
Cash flow hedge result deferred to equity	1.7	1.7
Cash flow hedge result recognized in P&L	2.2	2.2
Deferred taxes	-1.7	-1.7
December 31, 2006	**2.1**	**2.1**

Fair value and other reserves

Fair value and other reserves contain fair value changes of derivative instruments assigned as cash flow hedges. Also deferred tax in equity are reported in fair value and other reserves.

Translation differences

Translation differences contain the result arising from the translation of foreign entities' financial statements into euros. Also FX gains and losses from net investments in foreign entities are reported in translation differences. Hedges of those investments are reported in translation differences, if hedge accounting criteria is met.

Treasury shares

Treasury shares include Huhtamäki Oyj shares repurchased by group companies. The Group has not repurchased or conveyed own shares in financial year 2006.

23. INTEREST BEARING LIABILITIES

	2006		2005	
EUR million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Current				
Current portion				
Loans from financial institutions				
- fixed rate	12.2	12.0	12.2	12.5
- floating rate	28.6	28.6	1.9	1.9
Other loans	0.1	0.1	0.2	0.2
Financial lease liabilities	0.8	0.8	0.8	0.8
Short-term loans	383.7	383.7	351.4	351.4
Total	**425.4**	**425.2**	**366.5**	**366.8**
Long-term				
Loans from financial institutions				
- fixed rate	47.4	45.6	59.6	63.6
- floating rate	262.0	262.0	339.3	339.3
Other long-term loans	3.5	3.5	3.2	3.2
Finance lease liabilities	1.7	1.7	2.0	2.0
Total	**314.7**	**312.9**	**404.1**	**408.1**

All interest bearing liabilities are other liabilities than available for sale liabilities or derivative financial instruments 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. Effective interest rates for measuring fair values of interest bearing liabilities were 3.9%–4.2% for EUR-loans and 5.2%–5.5% for USD-loans.

Repayment	Loans from financial institutions	Finance lease liabilities	Other loans
2007	40.8	0.8	0.1
2008	17.4	0.6	0.0
2009	10.4	0.5	0.0
2010	31.0	0.3	0.0
2011	173.8	0.1	0,0
2012–	76.8	0.3	3.4

Finance lease liabilities

EUR million	2006	2005
Finance lease liabilities are payable as follows:		
In less than one year	1.0	1.0
Between one and five years	1.8	1.8
In over five years	-	0.3
Total minimum lease payments	2.8	3.1
Present value of minimum lease payments		
In less than one year	0.9	0.9
Between one and five years	1.7	1.7
In over five years	-	0.3
Total present value of minimum lease payments	2.6	2.8
Future finance charges	**0.3**	**0.3**

24. PROVISIONS

Restructuring provisions
Restructuring provisions include various ongoing projects published in 2005 to streamline operations. Provision relates to employee termination benefits. Provision will be used mainly during 2007.

Tax provisions
Tax provisions are recognized for tax risks mainly due to changes in the corporate structure.

Other provisions
Other provisions include mainly captive insurance provisions relating to workers compensation.

EUR million	Restructuring	Taxes	Other	2006 total	2005 total
Provision at January 1, 2006	22.0	29.6	23.7	75.4	108.7
Translation difference	0.0	-	-0.6	-0.6	0.4
Provisions made during the year	0.0	11.5	7.4	18.9	49.2
Provisions used during the year	-11.3	-	-9.7	-21.0	-31.6
Unused provisions reversed during the year	-	-6.4	-7.5	-14.0	-51.4
Provision at December 31, 2006	**10.7**	**34.7**	**13.3**	**58.7**	**75.4**
Current	10.7	-	1.2	11.9	24.2
Non-current	-	34.7	12.1	46.8	51.1

25. TRADE AND OTHER CURRENT LIABILITIES

EUR million	2006	2005
Trade payables	252.0	243.3
Other payables	26.8	28.6
Accrued interest expense and other financial items	9.4	8.4
Personnel, social security and pensions	62.1	63.6
Other accrued expenses	61.2	57.5
Total	**411.5**	**401.4**

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

26. CARRYING AMOUNTS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES CLASSIFIED BASED ON IAS 39

EUR million	2006	2005
Financial assets at fair value through profit or loss		
Cash and cash equivalents	22.3	37.6
Derivatives	8.1	4.3
Loans and receivables		
Non-current interest bearing receivables	4.6	4.3
Other non-current assets	5.0	13.7
Current interest bearing receivables	0.5	17.2
Trade and other current receivables	394.6	398.4
Available-for-sale investments	1.8	1.8
Financial assets total	**436.9**	**477.3**
Financial liabilities at fair value through profit or loss		
Derivatives	4.2	6.9
Financial liabilities measured at amortised cost		
Non-current interest bearing liabilities	314.7	404.1
Other non-current liabilities	3.9	4.5
Current portion of long term loans	41.7	15.1
Short term loans	383.7	351.4
Trade and other current liabilities	407.3	394.9
Financial liabilities total	**1,155.5**	**1,176.9**

In the balance sheet derivatives are included in the following groups: Non-current interest bearing liabilities, other no-current assets, trade and other current receivables, other non-current liabilities and trade and other current liabilities.

27. MANAGEMENT OF FINANCIAL RISKS

The objective of the financial risk management is to ensure that the Group has access to sufficient funding in the most cost efficient way and to minimize the impact on the Group from adverse movements in the financial markets. As defined in the Group Treasury Policy, management of financial risks is guided and controlled by a Finance Committee, led by the CEO. The Finance Committee reviews risk reports on the Group'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 Group's funding and risk management and serves the business units in daily financing, foreign exchange transactions and cash management co-ordination.

Currency risk

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

Transaction risk: The largest transaction exposures derive from capital flows, imports, exports and royalty receivables. The objective of currency transaction risk management is to protect the Group from negative exchange rate movements. Business units are responsible for actively managing their currency risks related to future commercial cash flows, in accordance with policies and limits defined by the business unit and approved by the Finance Committee. As a rule, commercial receivables and payables recorded on the balance sheet are always fully hedged, as well as 25% of probable flows over a minimum 12-month horizon. Eligible hedging instruments are currency forwards and in authorized subsidiaries also currency options. Business units' counterpart in hedging transactions is mainly Huhtamäki Oyj.

Foreign exchange transaction exposure

EUR million	EUR exposure in companies reporting in GBP		USD exposure in companies reporting in EUR		USD exposure in companies reporting in AUD		EUR exposure in companies reporting in CZK		USD exposure in companies reporting in GBP	
	31.12.06	31.12.05	**31.12.06**	31.12.05	**31.12.06**	31.12.05	**31.12.06**	31.12.05	**31.12.06**	31.12.05
Trade receivables	5	2	7	3	3	0	1	1	0	0
Trade payables	-4	-2	-1	0	-7	-1	0	0	-1	0
Net balance sheet exposure	2	0	6	3	-5	-1	1	1	-1	0
Forecasted sales (12 months)	8	6	38	42	16	0	9	9	0	0
Forecasted purchases (12 months)	-48	-36	-8	-9	-24	-4	-2	0	-6	-5
Net forecasted exposure	-40	-30	30	32	-8	-4	7	9	-6	-5
Hedges										
Currency forwards (12 months)	7	10	-25	-19	11	2	-7	-10	3	0
Total net exposure	-31	-20	11	16	-1	-3	1	0	-3	-5

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 13.1 million at balance sheet date.

The main translation exposures derive from equities and permanent loans, which in substance form a part of the net investment in US, Australian and UK subsidiaries. The Group 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. At balance sheet date the Group had outstanding translation risk hedges of USD 249 million (thereof USD 150 million in the form of currency loans and USD 99 million in the form of derivatives) and of GBP 50 million (thereof GBP 25 million in the form of currency loans and GBP 25 million in the form of derivatives).

Foreign exchange translation exposure

Effect in EUR million	10% appreciation of EUR				10% depreciation of EUR			
	31.12.2006		31.12.2005		**31.12.2006**		31.12.2005	
	Equity	**Income Statement**	Equity	Income Statement	**Equity**	**Income Statement**	Equity	Income Statement
USD	-14.1	-3.1	-13.5	-1.6	17.3	3.7	16.5	3.0
GBP	-7.9	0.8	2.3	1.3	9.7	-1.0	-2.8	-1.4
AUD	-0.1	-0.1	-1.8	-0.4	0.1	0.1	2.2	0.0

Interest rate risk

The interest bearing debt exposes the Group 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.

The Group's policy is to maintain in the main currency debt portfolios a duration that matches a benchmark duration range based on the Group'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 Group 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.

Currency split and repricing schedule of outstanding net debt including hedges

EUR million	December 31, 2006										December 31, 2005		
					Debt repricing in period, incl. derivatives								
Currency	Amount mEUR	Avg. duration	Avg. rate	Rate sensitivity[1] mEUR	2007	2008	2009	2010	2011	Later	Amount mEUR	Avg. duration	Avg. rate
EUR	235	0.7y	4.1%	1.9	185	1	6	6	26	12	258	0.7 y	3.6%
USD	200	1.3y	5.1%	0.9	123	22	19	36			243	1.7 y	4.9%
AUD	49	0.5y	6.3%	0.6	37	12					46	1.3 y	6.0%
GBP	89	0.8y	5.3%	0.3	74		7	7			86	1.1 y	5.2%
Other	138	0.4y	7.2%	0.8	132	2					79	0.6 y	9.1%
Total	**711**	**0.8y**	**5.3%**	**4.5**	**551**	**38**	**32**	**49**	**26**	**15**	**712**	**1.1 y**	**5.0%**

[1] Effect of one percentage point rise in market interest rates on the Group's net interest expenses over the following 12 months.
A similar rise in interest rates would increase Group equity with EUR 2.4 million due to mark-to-market revaluations of interest rate swaps.
All other variables, such as FX rates have been assumed constant.

Liquidity and re-financing risk

The Group maintains sufficient liquidity reserves at all times by efficient cash management structures such as cash pools, concentration accounts and overdraft financing facilities.

The Group utilizes a EUR 400 million Finnish commercial paper program and uncommitted credit facilities with relationship banks for short-term financing purposes. Unused long term committed credit facilities ensure adequate 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 Group.

Debt structure

EUR million	December 31, 2006									December 31, 2005		
				Maturity of facility/loan								
Debt type	Amount drawn	Amount available of committed	Total	2007	2008	2009	2010	2011	Later	Amount drawn	Amount available of committed	Total
Committed revolving facilities	174	352	527		50			476		229	326	555
Loans from financial institutions	163		163	127	7	6		10	7	165		165
Finance Lease Liabilities	3		3	1	1	1				2		2
Private placements	109		109	5	5	4	26		70	117		117
Commercial Paper Program	291		291	291						257		257
Total	**740**	**352**	**1,092**	**424**	**63**	**10**	**32**	**486**	**77**	**771**	**326**	**1,097**

Credit risk

The Group is exposed to credit risk from its commercial receivables and receivables from financial institutions based on short-term investment of liquid funds as well as derivatives transactions.

The business units are responsible for the management of commercial credit risk in accordance with policies defined by the business units and approved by the Finance Committee. A Group policy to be implemented during 2007 sets out certain minimum requirements as to credit quality, sales terms and collection. The commercial credit risk is considered low for the Group as a whole as the receivable portfolio is diversified and historical credit loss frequency is low (see note 19).

Liquid funds are from time to time invested in short-term bank deposits at relationship banks with a solid credit rating, in government bonds, treasury bills or in commercial papers issued by corporate borrowers with an investment grade rating. Credit risk stemming from receivables from financial institutions, including derivative transaction settlements, is considered small and is managed centrally by the Group Treasury Department, in accordance with limits set by the Finance Committee.

Nominal values of derivative financial instruments

EUR million	December 31, 2006								December 31, 2005	
	Nominal value		Maturity structure						Nominal value	
Instrument	Gross	Net	2007	2008	2009	2010	2011	Later	Gross	Net
Currency forwards										
for transaction risk										
Outflow	54		49	5					91	
Inflow	55		49	6					89	
for translation risk										
Outflow	112		112						59	
Inflow	112		112						58	
For financing purposes										
Outflow	107		107						121	
Inflow	106		106						119	
Currency options										
for transaction risk										
Outflow	1		1						1	
Inflow	1		1						1	
Interest rate swaps										
EUR	20	20					20		95	95
USD	84	84	23	15	15	31			119	119
GBP	24	24	9		8	7			32	32
Other	12	12		12					12	12
Electricity forward contracts	2		2						1	

Fair values of derivative financial instruments

EUR million	December 31, 2006			December 31, 2005		
Instrument	Positive fair values	Negative fair values	Net fair values	Positive fair values	Negative fair values	Net fair values
Currency forwards						
for transaction risk[1)]	2.6	-1.0	1.5	0.6	-2.6	-2.0
for translation risk[2)]	0.7	-0.4	0.4	0.1	-0.6	-0.5
for financing purposes	1.7	-2.6	-0.9	0.8	-1.4	-0.6
Currency options						
for transaction risk	0,0	0,0	0,0	0,0	0,0	0,0
Interest rate swaps[3)]						
EUR	0.7		0.7	0.1	-1.4	-1.3
USD	2.4		2.4	2.5	-0.2	2.3
GBP	0.2	0,0	0.1		-0.5	-0.5
Other	0.1		0.1		-0.2	-0.2
Electricity forward contracts	0.1	-0.2	-0.1	0.3		0.3

[1)] Out of the currency forwards, fair value of EUR 0.7 million was designated for cash flow hedges as at December 31, 2006 (EUR -1.1 million at December 31, 2005) and reported in fair value and other reserves.

[2)] Out of the currency forwards, fair value of EUR 0.4 million was designated for hedges of net investment in foreign subsidiaries as at December 31, 2006 (EUR -0.5 million at December 31, 2005) 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 3.2 million was designated for cash flow hedges as at December 31, 2006 (EUR 0.3 million as at December 31, 2005) out of which EUR 2.9 million was reported in equity in fair value and other reserves and EUR 0.4 million in profit and loss statement as an adjustment to interest expense.

28. RELATED PARTY TRANSACTIONS

Huhtamaki Group has related party relationships with its joint ventures and associated companies, members of the Board of Directors and the Group Executive Team.

Employee benefits of CEO and members of the Group Executive Team:

EUR million	2006	2005
Salaries and other short-term employee benefits	3.2	1.9
Share based payments	0.3	0.3

Salaries of CEO and members of the Board of Directors (thousand euros)	2006	2005
CEO Heikki Takanen	879	530
Board members		
Mikael Lilius	86	64
Paavo Hohti	58	57
Eija Ailasmaa	49	46
Jukka Suominen	49	36
Robertus van Gestel	47	47
George V. Bayly	46	46
Anthony J.B. Simon	45	46
Veli Sundbäck		22
Jukka Viinanen		11
Total	**1.259**	**903**

Members of the Board of Directors and the Group Executive Team owned a total of 67,248 shares at the end of the year 2006 (2005: 63,896 shares). The members of the Group Executive Team owned a total of 630,350 option rights at December 31, 2006 (417,000 option rights). The option rights entitle to a subscription of 630,350 shares in total representing 0.59% of the total shares and voting rights (2005: 453,000 shares representing 0.44% of total shares and voting rights). The same terms and conditions apply to the option rights owned by the Group Executive Team members and to those owned by other option rights holders.

Transactions with associated companies

EUR million	2006	2005
Purchase of goods	2.1	2.2
Sales of goods	0.1	-
Payables	0.1	-

Transactions with joint ventures are presented in note 13.

29. OPERATING LEASE COMMITMENTS

EUR million	2006	2005
Operating lease payments:		
Not later than 1 year	14.4	14.4
Later than 1 year and not later than 5 years	19.8	25.7
Later than 5 years	25.1	26.5
Total	**59.3**	**66.6**

30. CONTINGENCIES

EUR million	2006	2005
Capital expenditure commitments:		
Under 1 year	27.4	10.4

The investment need due to the council Directive 1999/13/EC on the limitation of emissions of volatile organic compounds due to the use of organic solvents in certain activities and installations will in 2007 amount to 1.4 million euros.

Mortgages:		
For own debt	14.7	14.9
Guarantee obligations:		
For joint ventures and associated companies	3.8	5.2
For external parties	0.0	0.3

Huhtamaki 2002–2006

EUR million	2002	2003	2004	2005	2006
Net sales	2,238.7	2,108.3	2,092.3	2,226.6	2.275,6
Increase in net sales (%)	-6.0	-5.8	-0.8	7.2	2,2
Net sales outside Finland	2,133.6	2,001.9	1,986.7	2,119.2	2,168.2
Earnings before interest, taxes, depreciation and amortization	324.3	239.7	235.2	190.2	240.5
Earnings before interest, taxes, depreciation and amortization/net sales (%)	14.5	11.4	11.2	8.5	10.6
Earnings before interest and taxes	172.6	96.6	101.3	57.7	145.5
Earnings before interest and taxes/ net sales (%)	7.7	4.6	4.8	2.6	6.4
Profit before taxes	124.8	54.8	65.5	21.4	109.2
Profit before taxes/net sales (%)	5.6	2.6	3.1	1.0	4.8
Net income	87.3	36.3	52.4	9.4	96.6
Shareholders' equity	805.5	755.2	781.8	802.0	841.1
Return on investment (%)	10.1	6.2	6.7	4.0	9.4
Return on shareholders' equity (%)	10.7	5.0	6.7	1.3	11.7
Solidity (%)	32.6	33.0	35.7	35.6	37.9
Net debt to equity	1.04	1.00	0.88	0.87	0.83
Current ratio	0.81	0.79	0.89	0.96	0.89
Times interest earned	6.89	5.97	6.79	5.43	6.72
Capital expenditure	139.5	117.7	94.0	113.4	154.0
Capital expenditure/net sales (%)	6.2	5.6	4.5	5.1	6.8
Research and development	12.3	14.0	17.9	18.7	19.3
Research and development/ net sales (%)	0.5	0.7	0.9	0.8	0.8
Number of shareholders (December 31)	15,943	18,806	18,303	20,268	21,582
Personnel (December 31)	15,909	15,508	15,531	14,935	14,792

Per share data

		2002	2003	2004	2005	2006
Earnings per share	EUR	0.86	0.38	0.52	0.07	0.94
Earnings per share (diluted)		0.86	0.38	0.52	0.07	0.93
Dividend, nominal	EUR	0.38	0.38	0.38	0.38	0.42(1
Dividend/earnings per share	%	44.2	100.0	73.1	542.9	44.7(1
Dividend yield	%	4.0	4.1	3.2	2.7	2.8(1
Shareholders' equity per share	EUR	8.26	7.85	7.95	8.12	8.37
Average number of shares adjusted for share issue		100,769,970	96,292,220	96,734,981	98,501,625	99,169,003
Number of shares adjusted for share issue at year end		97,547,792	96,161,703	98,335,683	98,778,283	100,426,461
P/E ratio		11.1	24.6	22.8	198.7	15.8
Market capitalization at December 31	EUR million	931.6	899.1	1,167.2	1,374.0	1,494.3
Trading volume	units	66,996,986	51,050,523	70,919,815	84,417,331	75,644,012
In relation to average number of shares(2	%	66.5	53.0	73.3	85.7	76.3
Development of share price						
Lowest trading price	EUR	8.22	7.89	9.40	11.37	12.21
Highest trading price	EUR	12.38	9.85	12.30	14.88	16.73
Trading price at Dec 31	EUR	9.55	9.35	11.87	13.91	14.88

1) 2006: 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 =	$\dfrac{\text{100 x (Profit for the period)}}{\text{Equity + minority interest (average)}}$
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 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
Pacific World Packaging (International) Ltd.	182,501	100.0	HKD	183	EUR	9,512	100.0
Partner Polarcup Oy	78,695	100.0	EUR	13,236	EUR	13,236	100.0
Huhtamaki Hungary Kft	1	100.0	HUF	67,240	EUR	339	100.0
Huhtalux Supra S.A.R.L.	125	100.0	EUR	13	EUR	319,307	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	64,000,002	100.0	GBP	64,000	EUR	225,416	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	1,006,809	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 L.L.C.	6,000	75.0	EGP	6,000	EUR	2,611	75.0
Huhtamaki South Africa (Pty) Ltd.	168,661	100.0	ZAR	335	EUR	9,427	100.0
Huhtamaki S.p.A	20,020,000	100.0	EUR	10,410	EUR	30,836	100.0
Huhtamaki Argentina S.A.	123,722	8.8	ARS	124	EUR	175	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	EUR	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	390	NZD	28,493	100.0
Subsidiary shares owned by Huhtamaki Holdings France SNC:							
Huhtamaki Participations France SNC.	37,370,199	100.0	EUR	37,370	EUR	37,420	100.0
Subsidiary shares owned by Huhtamaki Participations France SNC:							
Huhtamaki France S.A.	71,994	100.0	EUR	1,097	EUR	42,908	100.0
Huhtamaki La Rochelle	2,500	100.0	EUR	3.811	EUR	33,243	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:							
Huhtamaki Ltd.	51,928,202	100.0	GBP	51,928	GBP	180,533	100.0

Name	Number of shares	Size of holding, %	Nominal value		Book value		Group holding, %
Subsidiary shares owned by Huhtamaki Ltd:							
Huhtamaki (UK) Ltd	11,000,003	100.0	GBP	11,000	GBP	25,513	100.0
Huhtamaki (UK) Holdings Ltd	69	100.0	GBP	-	GBP	54,800	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.	162,410,860	95.0	RUR	162,411	EUR	16,563	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	6,649	HKD	51,650	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.	110,782,035	96.5	MXP	110,782	EUR	13,321	100.0
Huhtamaki Finance Co II B.V.	200	100.0	EUR	20	EUR	679.454	100.0
Huhtamaki Ceská republika,a.s.	3	100.0	CZK	111,215	EUR	5,389	100.0
P.T. Huhtamaki ASABA Indonesia	11,250	50.0	IDR		EUR	1,094	100,1
Huhtavefa B.V.	180	100.0	EUR	18	EUR	22,890	100.0
Huhtamaki Beheer V B.V.	182	100.0	EUR	18	EUR	265,512	100.0
Huhtamaki Beheer XI B.V.	182	100.0	EUR	18	EUR	23,759	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
Subsidiary shares owned by Huhtamaki Consorcio Mexicana, S.A. de C.V.:							
Huhtamaki Mexicana, S.A. de C.V.	19,130,916	100.0	MXP	19,131	MXP	19,131	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	3,103,999	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	263,828	100.0
Subsidiary shares owned by Huhtamaki Americas Inc.:							
Huhtamaki Cousumer Packaging, Inc.	1,000	100.0	USD	1	USD	138,547	100.0
Huhtamaki - East Providence, Inc.	6,445	100.0	USD	15	USD	33,148	100.0
Huhtamaki Plastics, Inc.	1,000	100.0	USD	3	USD	140,172	100.0
Huhtamaki Flexibles, Inc.	100	100.0	USD	1	USD	26,874	100.0
Huhtamaki Company Manufacturing	1,145	100.0	USD	1	USD	119,953	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	58,610	100.0
Subsidiary shares owned by Huhtamaki Brazil Investments B.V.:							
Huhtamaki do Brazil Ltda	26,926,590	100.0	BRL	26,926	EUR	13,482	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	39,148	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 Deutschland GmbH & Co. KG	19,391	75.1	EUR	1,939	EUR	373,861	100.0

Parent company annual accounts 2006

Parent company income statement (FAS)

EUR million	Note	2006	%	2005	%
Net sales	1	107.4	100.0	107.5	100.0
Cost of goods sold		-89.8		-82.8	
Gross profit		**17.6**	**16.4**	**24.7**	**22.9**
Sales and marketing		-6.7		-7.4	
Research and development		-2.4		-2.2	
Administration costs		-21.6		-22.9	
Other operating expenses	3	-6.6		-5.2	
Other operating income	2	46.2		51.4	
		8.9		13.7	
Earnings before interest and taxes	4, 5	**26.5**	**24.7**	**38.4**	**35.7**
Net financial income/expense	6	-28.0		-24.3	
Profit before exceptional items, appropriations and taxes		**-1.5**	**-1.4**	**14.1**	**13.1**
Depreciation difference,					
(–) increase, (+) decrease		8.8		0.0	
Taxes	7	-1.9		-3.0	
Net income		**5.4**	**5.1**	**11.1**	**10.3**

Parent company balance sheet (FAS)

ASSETS

EUR million	Note	2006	%	2005	%
Fixed assets					
Intangible assets	8				
Intangible rights		0.5		0.5	
Other capitalized expenditure		28.8		4.9	
		29.3	**1.1**	**5.4**	**0.2**
Tangible assets	9				
Land		0.3		0.5	
Buildings and constructions		19.5		33.5	
Machinery and equipment		29.4		33.1	
Other tangible assets		4.6		4.7	
Construction in progress and advance payments		12.1		25.4	
		65.9	**2.5**	**97.2**	**3.6**
Other fixed assets					
Investments in subsidiaries		2,408.2		2,408.2	
Investments in associated companies		0.4		0.4	
Other shares and holdings		0.3		0.3	
Loan receivable	10	3.4		3.4	
		2,412.3	**92.5**	**2,412.3**	**90.0**
Current assets					
Inventories					
Raw and packaging material		3.5		3.4	
Work-in-process		1.9		2.0	
Finished goods		12.2		7.1	
		17.6	**0.7**	**12.5**	**0.5**
Short-term					
Trade receivables	10	19.5		13.7	
Loans receivable	10	25.9		104.8	
Accrued income	11	28.8		26.2	
Other receivables	10	0.6			
		74.8	**2.9**	**144.7**	**5.4**
Cash and bank		7.6	0.3	7.1	0.3
Total assets		**2,607.5**	**100.0**	**2,679.2**	**100.0**

LIABILITIES AND EQUITY

EUR million	Note	2006	%	2005	%
Shareholders' equity	12				
Share capital		358.7		353.1	
Premium fund		104,7		96.8	
Retained earnings available for distribution		1,114.0		1,140.4	
Net income for the period		5.4		11.1	
		1,582.8	**60.7**	**1,601.4**	**59.8**
Untaxed reserves		31.1	1.2	40.0	1.5
Liabilities					
Long-term					
Loans from financial institutions	13	284.7		354.4	
Other long-term liabilities		0.0		–	
		284.7	**10.9**	**354.4**	**13.2**
Short-term					
Loans from financial institutions	13	315.6		296.3	
Other loans	13	323.6		302.8	
Trade payables	14	13.1		12.6	
Accrued expenses	15	35.2		25.2	
Other short-term liabilities	14	21.4		46.4	
		708.9	**27.2**	**683.4**	**25.5**
Total equity and liabilities		**2,607.5**	**100.0**	**2,679.2**	**100.0**
Total retained earnings available for distribution		**1,119.4**		**1,151.5**	

Parent company cash flow statement (FAS)

EUR million	2006	2005
EBIT	26.5	38.4
Depreciation	8.0	9.0
Change in inventory	-5.1	-0.4
Change in non-interest bearing receivables	-3.8	-7.0
Change in non-interest bearing payables	-19.6	2.6
Net financial income/expense	-23.7	-44.6
Taxes	-5.3	-0.8
Cash flows from operating activities	**-23.0**	**-2.8**
Capital expenditure	-16.9	-17.6
Proceeds from selling fixed assets	16.3	–
Change in short-term deposits	78.9	-62.0
Cash flows from investing activities	**78.3**	**-79.6**
Change in long-term loans	-69.7	31.7
Change in short-term loans	38.4	77.2
Dividends	0.5	2.2
Dividends paid	-37.5	-37.3
Proceeds from stock option exercises	13.5	2.9
Cash flows from financing activities	**-54.8**	**76.7**
Change in liquid assets	0.5	-5.7
Liquid assets on January 1	7.1	12.8
Liquid assets on December 31	7.6	7.1

Parent company accounting principles

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

Foreign currency

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

Derivative instruments

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

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

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

Intangible assets

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

Tangible assets

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

Periods of depreciation used:

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

Leases of equipment are classified as operating leases.

Investments

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

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

Investments in subsidiaries are carried at cost in the balance sheet of the company.

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 Huhtamäki Oyj 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.

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.

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	2006	2005
Net sales by categories:		
Consumer Goods	48.0	42.9
Foodservice	59.4	64.6
Total	**107.4**	**107.5**

2. OTHER OPERATING INCOME

EUR million	2006	2005
Royalty income	22.4	26.4
Group cost income	16.4	16.4
Gain from disposal of fixed assets	0.8	-
Rental income	4.3	6.4
Other	2.3	2.2
Total	**46.2**	**51.4**

3. OTHER OPERATING EXPENSES

EUR million	2006	2005
Amortization of other intangible assets	2.8	2.8
Group cost expense	3.1	2.2
Other	0.7	0.2
Total	**6.6**	**5.2**

4. PERSONNEL COSTS

EUR million	2006	2005
Wages and salaries	31.9	27.9
Pension costs	4.9	4.4
Other personnel costs	3.5	2.3
Total	**40.3**	**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 (8 people) amounted to EUR 1.3 million. (2005: EUR 0.9 million). The CEO of Huhtamäki Oyj is entitled to retirement at the age of 60.

Personnel (average)	2006	2005
	850	**783**

5. DEPRECIATION AND AMORTIZATION

EUR million	2006	2005
Depreciation by function:		
Production	5.3	4.7
Sales and marketing	0.0	0.8
Administration	0.5	0.6
Other	3.0	3.0
Total depreciation	**8.8**	**9.1**
Depreciation by asset type:		
Land, buildings	0.9	1.0
Machinery and equipment	4.9	5.0
Other intangible assets	3.0	3.1
Total depreciation	**8.8**	**9.1**

6. FINANCIAL INCOME/EXPENSE

EUR million	2006	2005
Interest income	0.3	0.4
Intercompany interest income	13.6	9.2
Dividend income from subsidiaries	0.0	2.1
Dividend income from associated companies	0.6	0.2
Other financial income	168.4	155.1
Interest expense	-30.9	-28.9
Intercompany interest expense	-11.0	-6.3
Other financial expense	-169.0	-156.1
Total	**-28.0**	**-24.3**

7. TAXES

EUR million	2006	2005
Ordinary taxes	-1.9	-3.0
Total	**-1.9**	**-3.0**

Deferred taxes are not included in the income statement or balance sheet. Unrecognised deferred tax liability from timing differences is EUR 8.4 million (2005: EUR 11.0 million).

8. INTANGIBLE ASSETS

EUR million	Intangible rights	Other capitalized Expenditure	2006 total	2005 total
Acquisition cost at January 1	0.6	31.5	32.1	32.1
Additions	0.1	0.0	0.1	0.0
Disposals	0.0	-1.3	-1.3	-
Intra-balance sheet transfer	0.0	26.8	26.8	-
Acquisition cost at December 31	0.7	57.0	57.7	32.1
Accumulated amortization at January 1	0.1	26.6	26.7	23.6
Accum. depreciation on decreases and transfers	0.0	-1.3	-1.3	
Amortization during the financial year	0.1	2.9	3.0	3.1
Accumulated amortization at December 31	0.2	28.2	28.4	26.7
Book value at December 31, 2006	0.5	28.8	**29.3**	**-**
Book value at December 31, 2005	0.5	4.9	-	**5.4**

9.TANGIBLE ASSETS

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	2006 total	2005 total
Acquisition cost at January 1	0.5	61.3	87.4	25.4	12.4	186.9	169.4
Additions	-	0.0	0.0	16.6	0.2	16.8	17.5
Disposals	-0.2	-31.8	-3.6	-0.1	-2.5	-38.2	–
Intra-balance sheet transfer	-	0.2	3.1	-29.8	-0.3	-26.8	–
Acquisition cost at December 31	0.3	29.7	86.9	12.1	9.8	138.8	186.9
Accumulated depreciation at January 1	-	27.8	54.3		7.6	89.7	83.8
Accum. depreciation on decreases and transfers	-	-18.5	-1.6		-2.5	-22.6	–
Depreciation during the financial year	-	0.9	4.2		0.7	5.8	6.1
Intra-balance sheet transfer	-	0.0	0.6		-0.6	-	-
Accumulated depreciation at December 31	-	10.2	57.5		5.2	72.9	89.7
Book value at December 31, 2006	0.3	19.5	29.4	12.1	4.6	**65.9**	**–**
Book value at December 31, 2005	0.5	33.5	33.1	25.4	4.7	-	**97.2**

Revaluations of buildings and constructions in 2006 is EUR 2.4 million (2005: EUR 2.4 million).

10. RECEIVABLES

EUR million	2006	2005
Current		
Trade receivables	5.9	7.4
Intercompany trade receivables	13.6	6.3
Loan receivables	0,5	-
Loan receivables from subsidiaries	25.4	104.8
Accrued income	10.1	11.7
Accrued corporate income	18.7	14.5
Other income	0.6	-
Total	**74.8**	**144.7**
Long-term		
Intercompany loan receivables	3.4	3.3
Total receivables	**78.2**	**148.0**

11. ACCRUED INCOME

EUR million	2006	2005
Accrued interest and other financial items	1.0	0.4
Accruals for profit on exchange	5.0	1.5
Personnel, social security and pensions	-	0.2
Rebates	0.2	0.7
Accruals for income and other taxes	1.7	–
Miscellaneous accrued income	1.5	8.6
Accrued corporate income and prepaid expense	18.8	14.5
Other	0.6	0.3
Total accrued income	**28.8**	**26.2**

12. CHANGES IN EQUITY

EUR million	2006	2005
Share capital January 1	353.1	351.5
Subscription through option rights	5.6	1.6
Share capital December 31	358.7	353.1
Premium fund January 1	96.8	95.4
Subscription through option rights	7.9	1.4
Premium fund December 31	104.7	96.8
Retained earnings January 1	1,151.5	1,177.8
Dividends	-37.5	-37.4
Net income for the period	5.4	11.1
Retained earnings December 31	1,119.4	1,151.5
Total equity	**1,582.8**	**1,601.4**

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

13. LOANS

EUR million	2006	2005
Non-current		
Long-term loans from financial institutions	284.7	354.5
Total	284.7	354.5
Current		
Current portion of loans from financial institutions	27.8	5.7
Short-term loans from financial institutions	287.7	290.6
Short-term loans from subsidiaries	323.6	302.8
Total	639.2	599.2

Changes in long-term loans	2006	2005
Loans from financial institutions		
January 1	354.5	322.5
Additions	406.6	1,037.0
Decreases	-459.1	-1,020.8
FX movement	-17.3	15.8
Total	284.7	354.5
Pension loans		
January 1	-	0.3
Increases	-	0.3
Decreases	-	-0.6
Total	-	-

Repayments	Financial institution loans
2007	27,8
2008	5,7
2009	5,7
2010	25,7
2011	171,8
2012–	75,7

14. PAYABLES

EUR million	2006	2005
Trade payables	10.8	11.1
Intercompany trade payables	2.3	1.5
Total	**13.1**	**12.6**
Other short-term payables	21.4	46.4
Total	**21.4**	**46.4**

15. ACCRUED EXPENSES

EUR million	2006	2005
Accrued interest expense	9.2	6.5
Accrued interest expense to subsidiaries	10.1	4.5
Personnel, social security and pensions	10.6	10.5
Purchases of material	-	0.1
Miscellaneous accrued expense	3.1	2.3
Other accrued corporate expense	2.1	1.2
Other	0.1	0.1
Total	**35.2**	**25.2**

16. COMMITMENTS AND CONTINGENCIES

EUR million	2006	2005
Operating lease payments:		
Under one year	0.1	0.1
Later than one year	0.2	0.3
Total	**0.3**	**0.4**
Capital expenditure commitments:		
Under one year	2.2	0.8
Later than one year	0.0	–
Total	**2.2**	**0.8**
Mortgages:		
For own debt	14.5	14.5
Guarantee obligations:		
For subsidiaries	132.0	111.2
For joint ventures and associated companies	3.8	5.2
For external parties	0.0	0.3

Proposal of the Board of Directors

On December 31, 2006, Huhtamäki Oyj's non-restricted equity was	EUR	1,119,435,247.71
of which the net income for the financial period was	EUR	5,429,050.76

The Board of Directors proposes distribution of the retained earnings as follows:

– to the shareholders at EUR 0.42 a share	42,179,113.62
– to be left in non-restricted equity	1,077,256,134.09
	1,119,435,247.71

The Board of Directors proposes that the payment of dividends will be made on April 24, 2007. The dividends will be paid to shareholders who on the record date April 17, 2007 are registered as shareholders in the register of shareholders.

Espoo, February 14, 2007

Mikael Lilius   Eija Ailasmaa   George V. Bayly

Robertus van Gestel   Paavo Hohti   Anthony J.B. Simon

Jukka Suominen

Heikki Takanen
CEO

Auditors’ report

To the shareholders of Huhtamäki Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Huhtamäki Oyj for the period 1.1. – 31.12.2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company’s financial statements, prepared in accordance with prevailing regulations in Finland, containing the 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, as well as on the report of the Board of Directors, the parent company’s financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the 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 defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company’s financial statements, report of the Board of Directors and administration

In our opinion the parent company’s financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company’s financial statements give a true and fair view of the parent company’s result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company’s financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company’s 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 disposal of distributable funds is in compliance with the Companies Act.

Espoo, February 14, 2007

Solveig Törnroos-Huhtamäki
Authorized Public Accountant
KPMG

Pekka Pajamo
Authorized Public Accountant
KPMG

HUHTAMAKI

www.huhtamaki.com

Business Identity Code: 0140879-6