Annual Report 2007

HUHTAMAKI

Contents

Annual Report 2007

Huhtamaki's Annual Report comprises two separate booklets: the Annual Report and the Annual Accounts. A 2007 Sustainability Report is also available.

Annual Accounts 2007

Huhtamaki in brief

Huhtamaki is one of the world's leading consumer packaging companies. Our consumer and specialty packaging carries the world's most renowned brands.

A global organization with specialization in different packaging technologies differentiates Huhtamaki from its competitors. In all operations, Huhtamaki creates value for its stakeholders through packaging solutions that bring convenience and safety to consumers' everyday lives. We apply our expansive technological know-how and market expertise to develop not only safe packaging but packaging that enhances our customers' brands.

Our way of working is built on three values: we treat our world with respect, we know our business and we like to get it done. Huhtamaki's performance with regard to sustainability is monitored and measured through Group-wide principles and environmental Key Performance Indicators.

Our people in Europe, North and South America, Asia, Oceania and Africa serve our global customers locally. Food and beverage companies, foodservice operators, retailers and other non-food consumer product customers are served through 66 production facilities in 36 countries.

In 2007, net sales totaled EUR 2.3 billion. Huhtamaki's share is listed on the Helsinki Stock Exchange.

Key figures

EUR million	2007	2006	Change, %
Net sales	**2,311**	2,276	1.6
EBIT underlying	**136**	158	-13.6
EBIT reported	**28**	146	-80.7
Result before taxes, underlying	**94**	121	-22.4
Result for the year, underlying	**76**	107	-28.8
EPS reported (EUR)	**-0.22**	0.94	
Dividend per share (EUR)	**0.42***	0.42	
Dividend yield (%)	**5.2***	2.8	
Personnel at year-end	**15,092**	14,792	

2007 underlying figures do not include restructuring charges of EUR 4 million, goodwill impairment charges of EUR 47 million and tangible asset impairment charges of EUR 58 million.
2006 underlying figures do not include restructuring charge of EUR 12 million.
*Board's proposal

Market position remained solid despite challenges

Our aim is to achieve a significant global position in flexible packaging and films. In rigid food and beverage packaging, growth is focused on Foodservice in Europe and Asia and on Retail in North America.

The past year was challenging for Huhtamaki. With raw material prices at a record high, a considerably weakened dollar and the unstable economic outlook towards the end of the year, particularly in the United States, we can be relatively satisfied with the results we have achieved. Group net sales grew by two per cent on the previous year and totaled EUR 2,311 million. The global consumer packaging market in general is growing in line with gross national product and the varying growth rates between continents are balancing both demand for Huhtamaki's products and the overall business performance of our global operations.

During the financial year we saw strong growth in the emerging markets of Asia and Europe, where changing lifestyles, increasing disposable income and new consumer needs are increasing demand for our products. Huhtamaki's presence in these markets was further strengthened by investments in new manufacturing capacity principally in India, China and Thailand. In Europe, Foodservice production capacity was increased in several countries.

Foodservice and Flexibles going strong

In Europe, demand for foodservice packaging remained strong with eastern parts of Europe accounting for an increasingly large proportion of total sales. Swings in demand for Consumer Goods rigid packaging were stronger, however, and challenges were faced particularly in the UK and in Southern Europe.

In the Americas, demand remained strong during the first half of the year, but fell slightly by the year-end due to general economic instability. However, the market position of the Chinet® products remains solid and was further strengthened during the year with new product launches.

Flexibles packaging sales were strong in Europe and accelerated towards the end of the year in the emerging markets of Asia. In the Americas, high-performance packaging is targeted as a strong growth area for the Flexibles business and production capacity in this area was increased in the United States during the reporting year.

Sustainable development a precondition for profitable growth

Sustainability has risen as a leading global trend and increased consumer awareness of environmental issues and sustainability is evident also in the packaging industry. Huhtamaki embraces its responsibility by pursuing continuous improvement in the economical, social and environmental dimensions of sustainability. Last year new environmental targets for the year 2011 were set. Huhtamaki also assists its customers in attaining their objectives by offering biodegradable and compostable tableware, recyclable molded fiber products and lightweight flexible packaging. More on these matters is presented in detail in our separate Sustainability Report.

Forward with a focused strategy

In accordance with our focused strategy, we strive to enhance our shareholder value by concentrating on business areas that offer the most positive outlook for profitable growth. Our aim is to achieve a significant global position in flexible packaging and films, a goal supported in 2007 by the formation of a new global Flexibles and Films organization as well as new plant investments in key growth areas. In rigid food and beverage packaging, growth is more selected: in Europe and Asia growth is focused on Foodservice and in North America on Retail.

The role of our people in carrying out the strategy is essential and our objective is to improve the unity, commitment and development of our employees. Defining our strategy also means being prepared to withdraw, and we do not hesitate to decrease presence in business areas that either do not support our strategy or are not sufficiently profitable.

Future outlook

Last year was both eventful and challenging. I thank our customers, shareholders, investors and all other stakeholders for excellent and close cooperation. I wish to thank our employees for their commitment, persistence and perseverance in the changing environment. Each achievement, no matter how small, brings us closer to our goal, our vision. Although our ability to influence the changing global environment may be limited, much potential lies in our own hands. In line with our strategic direction, our key objective for the new year is closer concentration on our areas of strength. The strategic investments we have already made will enable us to fully capitalize on this profitable growth potential.

Timo Salonen
Interim CEO
February 2008

Highlights 2007

Production starts at the new flexibles packaging facility in Rudrapur, India.

Construction work on the new rigid paper and plastic packaging facility in Guangzhou, China, nears completion. Full production capacity is reached at the beginning of 2008.

Beverage cup capacity expansion starts in Europe. The new capacity is brought on stream in the third quarter.

DuoSmart® yogurt cups launch successful in the Australian market.

Triple-wall hot cups launch in the European market.

Cyclero® application for coffee pads receives the Alufoil Trophy 2007 from the European Aluminium Foil association.

Construction work for the new flexibles facility starts in Thailand. Production will begin in mid 2008.

Release paper production relocates to Forchheim, Germany, and the Göttingen plant closes.

Chinet Cut Crystal® premium disposable plastic cups launch in the United States.

New Milka flow wrap production line opens at the flexibles facility in Germany. Huhtamaki's flow wrap is used on all Milka chocolate bars.

Chinet® ComfortCup™ insulated hot cup launch in the US market.

Cyclero® Drinkbax flexibles packaging for non-carbonated drinks launch. New application receive German Packaging Award 2007.

Food containers and lids made of recycled PET launch in the UK.

Huhtamaki Thailand's General Manager nominated "Manager of the Year" and Huhtamaki Forchheim in Germany nominated "Unit of the year" in Huhtamaki's Global Management Meeting.

Retortable flexibles packaging capacity expansion starts in Malvern, USA.

Chinet Cut Crystal® product line expands with the launch of Cut Crystal plates.

Compostable BioWare™ paper cups for cold and hot drinks launch in the European market.

Five Huhtamaki packages receive global WorldStar 2007 awards. These include the Style-a-Coke and Kiwi shoe polish shrink sleeves, molded fiber tray for yogurt tubs and Cyclero® flexibles packages for coffee pads and non-carbonated drinks.

Convenience and sustainability are trends in packaging

Emerging markets in Asia and Eastern Europe are driving packaging industry growth. In the mature markets of Western Europe and North America, growth in demand is based on product innovation and product differentiation. The packaging market is growing worldwide in line with gross domestic product (GDP).

The global packaging industry is fragmented in a market shared by international and local companies. Many of these companies solely operate within a single segment of the packaging industry. Huhtamaki is a world leader in such Flexibles and Films product segments as tube laminates, retortable packaging and release films. Selected segments of Huhtamaki's foodservice packaging are market leaders in Europe and Asia and frozen dessert packaging in the United States.

Huhtamaki conducts and develops its operations worldwide together with its customers without loosing sight of variations in local preferences. Ease and convenience, as well as sustainability, have become significant worldwide consumer trends. Consumer habits and lifestyles have become westernized in emerging markets, but traditional preferences and cultural requirements still need to be considered when introducing new packaging concepts. In mature markets, sustainability is reflected as a growing interest in recycling, composting and responsible use of raw materials. This trend is likely to lead to a strong increase in demand for biodegradable and more light-weight packaging solutions.

> Ease and convenience, as well as sustainability, have become significant worldwide consumer trends.

Consumers value convenience

Huhtamaki actively monitors changes in its operating environment and uses its observations as a basis for new product innovation and packaging solutions.

In Asia and Eastern Europe, growth is driven by urbanization and increasing disposable income. This is leading to a demand for more fast food and packaged meals. Quick service restaurants and retailers are gradually spreading from cities to smaller population centers where global chains are planning many new restaurants and stores.

In Europe and North America, Huhtamaki responds to consumer demand by further developing product assortments. Consumers' desire for convenience and indulgence is increasing the amount of easy-to-use and take-away packaging solutions. Busy lifestyles and individual values are affecting food choices and guide the development of packaging solutions.

Sustainability in the packaging industry

Consumers' increasing interest in sustainability is also reflected in the packaging industry. The principal role of packaging is to protect its contents. In consumer goods packaging in particular, the impacts of the manufacture of the packaging itself are relatively low when the full life cycle of the packaged product is considered.

As one of the world's leading consumer packaging companies, Huhtamaki regularly monitors its economic, environmental and social performance. Huhtamaki strives to continuously develop its operations and packaging solutions to maximize the positive whole lifecycle impact of the packaged product.

Packaging solutions respond to changes in demand

Demand for convenience foodproducts is rising among North America's growing middle-aged population. Retailers also are simultaneously pushing for sustainability throughout the value-chain. As a result, Huhtamaki's best-sellers in the North American market are Chinet® plates made of recycled fiber and premium quality Chinet beverage cups.

A burgeoning coffee-shop culture, healthy and easy take-away meals and beverages, as well as expanding quick service restaurant breakfast offerings are growth trends in Europe. Huhtamaki's customer intimacy, coupled with its leading paper and fiber capabilities and sustainable packaging alternatives create a solid basis for growth in the Foodservice sector.

Growth from emerging markets

International food and beverage companies, pharmaceutical companies and other fast-moving non-food consumer product manufacturers value packaging suppliers that have global reach as well as a strong local service presence. Customers appreciate premium quality packaging that promotes their products. Changing population structure and consumer preferences are increasing worldwide demand for easy-to-open and re-sealable packaging as well as portion-sized ready meals. The world's flexible packaging and film markets are growing by some 5% annually, with growth especially strong in Asia, Eastern Europe and North America. Huhtamaki is pursuing global expansion of its flexibles and films businesses.

Demand for foodservice packaging in Eastern Europe and Asia is healthy. In emerging markets, westernization

Consumer preferences are increasing worldwide demand for easy-to-open and re-sealable packaging as well as portion-sized ready meals.

and urbanization are driving demand and supporting the spread of retail and quick service restaurants. The annual global expansion of the foodservice market is around 4 %. The growth rate is double in Asia and Eastern Europe, where the market for take-away meals and beverages as well as quick service restaurants is expanding quickly.

Raw material and energy sourcing coordinated globally

Hand-in-hand with increased crude oil and energy prices, raw material costs for consumer goods packaging have risen to their highest levels in 30 years. Raw materials and utilities account for 40-50% of Huhtamaki's total sales revenue.

Huhtamaki's sourcing operations have been coordinated along with ongoing supplier base consolidation, particularly in mature markets. In emerging markets, industrial growth is increasing raw material prices and impacting price levels also in mature markets. The strong euro is making exports unfavorable and increasing European raw materials suppliers' offerings to their own market.

Elevating crude oil and pulp prices may put pressure on the plastic and paperboard packaging industry. Increasing customer awareness of the changes in the raw material and energy markets and their impact on consumer packaging prices remains a continuous challenge.

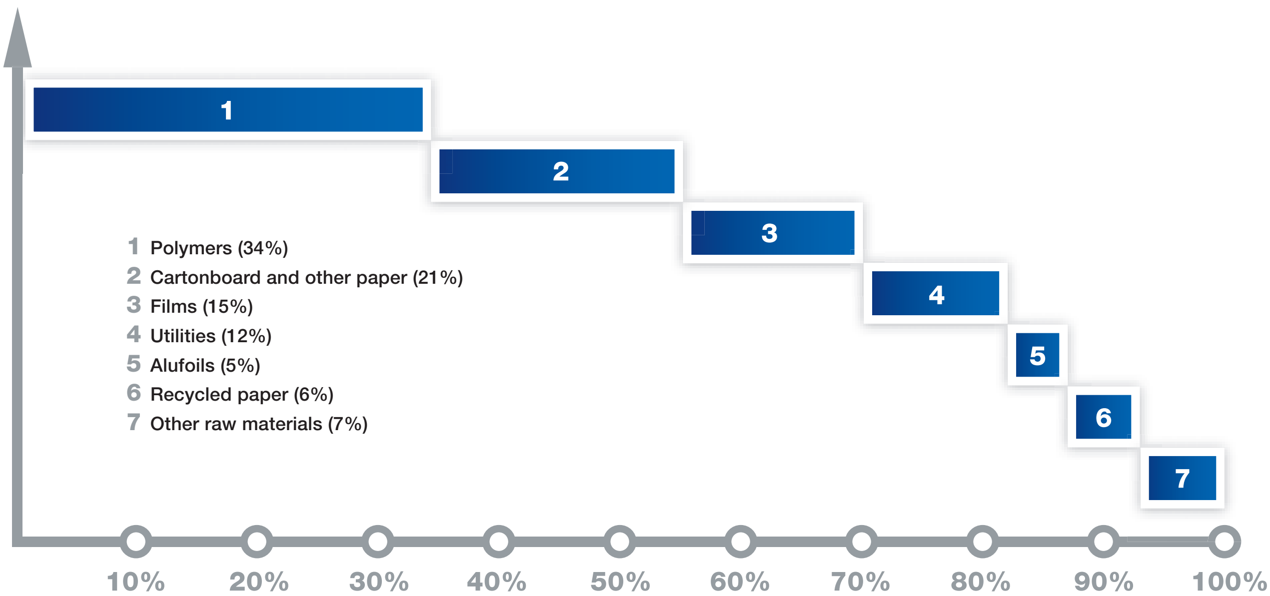
Dynamic lifestyle and new eating habits boost packaging demand

In 2007, several quick service restaurant and retail chains announced expansions.

Fast food chains are opening new restaurants in both mature and emerging markets. Leading international chains have announced they will open up to 1,000 new restaurants in Asia's emerging markets, as well as numerous new restaurants in mature markets in both the U.S. and Europe.

International retail chains are also growing fast and have announced the opening of some 200 new stores in the emerging markets of Asia and Eastern Europe as well as some 600 new stores in North America within the current decade. These chains are also expanding through local acquisitions.

Breakdown of raw materials and utilities (2007)



Focused targets lead to accelerated growth

In 2007, Huhtamaki's strategy was further developed with the focus on profitable growth areas. The move was supported by investments in foodservice packaging production in Europe and China and new Flexibles capacity in Asia and North America.

Huhtamaki's strategic framework was set in 2006 and it confirms the company values, mission, vision and long-term financial targets. The strategy was defined further during the year, and the following targets were specified:

Profitable growth

Enhanced shareholder value will be created through focused, accelerated growth capitalizing on the positions of strength. Previously confirmed financial targets will remain the same: earnings before interest and taxes (EBIT) margin is targeted at 9%, return on investment (ROI) at 15%, gearing at around 100%, and an average dividend payout ratio of 40%.

Huhtamaki will create enhanced shareholder value through focused, accelerated growth capitalizing on its positions of strength.

Global leadership in Flexibles and Films

Flexibles and Films will expand globally and be recognized as an innovative leader and best-in-class performer in chosen product and market segments. Our customers value our global dimension and local presence. They have trust in our strong technology know-how and innovations which are used to support their position and brand recognition on the market.

Food and beverage packaging as a foundation for growth

Rigid Food and Beverage Packaging will grow selectively with particular focus on Foodservice in Europe and Asia and Retail in the United States. Leading paper and fiber capabilities strengthen our position also as a supplier of sustainable packaging alternatives.

Asia's rapid development, growing demand and westernizing consumer habits support growth. In Europe, we have a strong position as a hot cup supplier and the markets for paper cups continue to grow year on year. The target is to reach a leading position as a hot cup manufacturer and as the preferred partner for key customers in Europe and Asia.

Chinet® is already one of the leading disposable brands in the United States, and our strategic focus is on leveraging the Chinet brand. Demographic changes in North America support the growth of the Chinet brand and Chinet is already the fastest growing brand in its own category.

Investments targeted at profitable growth areas

The strategic emphasis has been shifted to developing attractive growth platforms. During 2006–2007 investments were made in the target growth markets such as India, Vietnam and China. In 2007, a new flexible packaging facility started production in India. Furthermore, new capacity was added to the flexibles production in the United States and beverage cup production in several locations in Europe. The construction of a new flexible packaging facility was commenced in Thailand.

Focus on improving profitability

All businesses will focus on improving profitability. Presence will be decreased in business areas that do not meet its profitability requirements or do not create value in the execution of the Group strategy. At the end of the year it was announced that different strategic options are considered for the Consumer Goods business unit in the UK and all of the operations in South Africa.

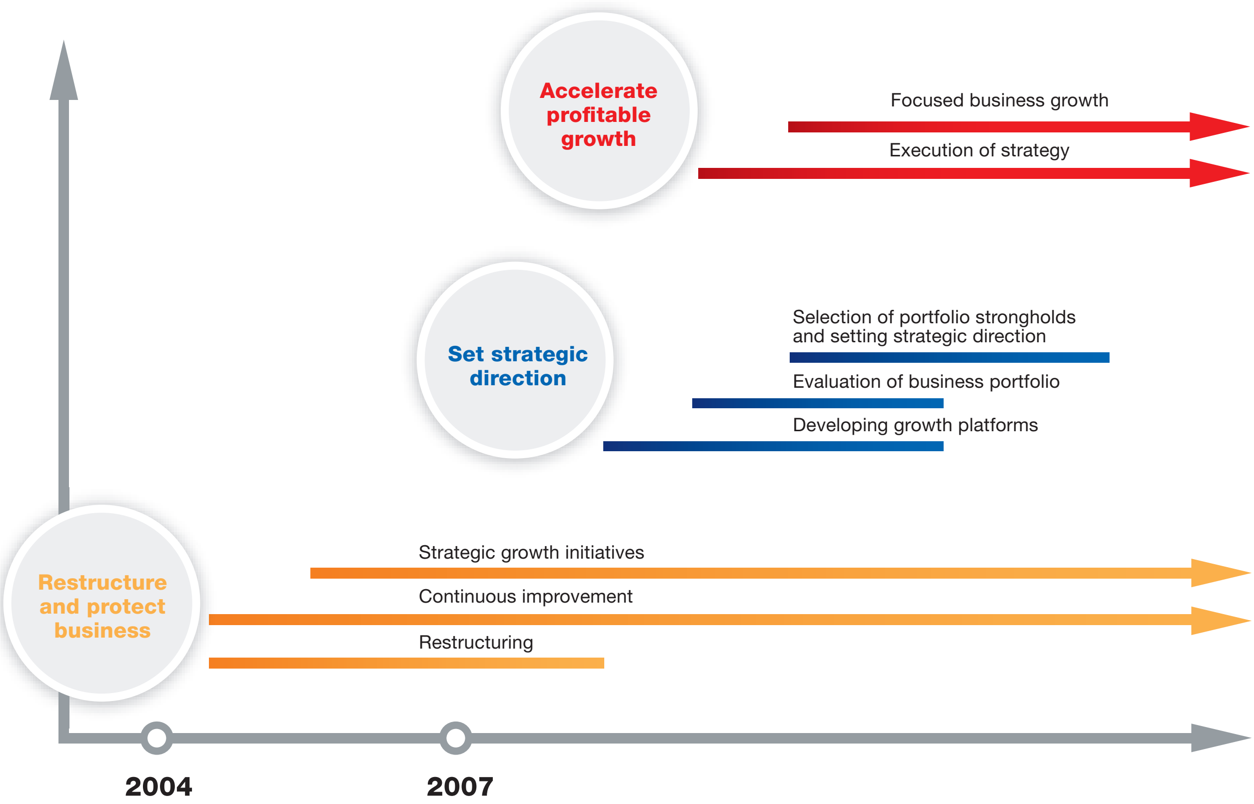
The closure of the Göttingen production unit during the second quarter of 2007 was a part of the restructuring

Huhtamaki's strong technology know-how and innovations support customers' position and brand recognition on the market.

program as well as the ongoing relocation of rigid packaging production from Hong Kong to a new larger facility in Guangzhou, China. The rigid paper production commenced there in the second half of 2007 and rigid plastics production came on line around year-end. The new production facility is expected to be fully operational during the first half of 2008.

A united, strong corporate culture
It is the people of an organization that make the strategy come true. Reaching set targets therefore calls for investment in people development. A common target is to improve the unity, commitment and development of the employees. The growth theme – "passion, pride and performance" – supports common values and strengthens the corporate culture. Skills and global networking are capitalized on and supported.

Strategic direction



Aiming for a leading position in global markets

In Flexibles and Films, the aim is to expand globally and be recognized as an innovative leader and best-in-class performer in chosen market segments. To optimize synergies, the Flexibles and Films businesses have functioned as a global organization since the beginning of January 2007. In line with the strategy, investments are targeted at strengthening market positions, especially in North America and Asia. High knowledge of technologies, innovation leadership and growth in selected product groups ensures success.

Huhtamaki has specialized in producing technically superior Flexibles and Films. The company has a significant global position in retort and tube laminates as well as a leading position in release films. Flexibles are used for food and pet food packaging as well as non-food consumer packaging. Films are mainly used for technical applications in the label, adhesive tape, graphic arts, hygiene and health care industries, as well as the building and construction, automotive and packaging industries.

The company has a significant global position in retort and tube laminates as well as a leading position in release films.

The world flexible packaging market uses over 14 million tons of plastic films, specialty papers and aluminum foils to produce a variety of flexible packaging for consumer packaging markets. Almost half of this total is used in the Asia Pacific market, yet per capita consumption of substrates in this region remains well below that of Europe and North America. This clearly illustrates the huge growth potential for flexible packaging in the Asia Pacific market.

Demand for flexible packaging is growing

The world's flexible packaging markets are forecasted to grow around five percent annually. Emerging markets in Asia, especially China and India, will account for half of this growth. As an example, currently only two percent of all food sold to Indian consumers is ready-packed.

Flexibles offer several benefits which make them the number one choice for packaging. They have superior barrier properties, can be sterilized, are puncture resistant and are easy to process. Flexible packaging is also cost efficient and has excellent printability. Only small amounts of raw material are needed to produce the packaging, thus conserving natural resources and enabling production of extremely lightweight packages. Flexibles are supplied to the converter in reels, therefore decreasing transportation costs and emissions.

Interest towards environmentally friendly films in hygiene and food contact applications has grown universally.

In Asia, the growth strategy focuses on chosen market segments and market share improvement. In North America, growth is driven by retort pouches, pet food and other technically high quality packaging. In Europe, growth is focused on packaging for the food, beverage and pharmaceutical industries.

The first Cyclero® flexible packages were launched in the market in 2007.

Films are used, for example, as release paper applications for adhesive bandages.

Extensive range of Films applications

Huhtamaki's Films production unit is one of the largest polyolefin film producers in Europe and an important converter of films, papers and other web-form materials. The range of applications for films and other laminated films is extensive. For example, release film for first-aid bandages is an important product on all continents, and siliconized single wrap films are particularly important in Europe and Asia. The main markets for films in the construction industry are in North America.

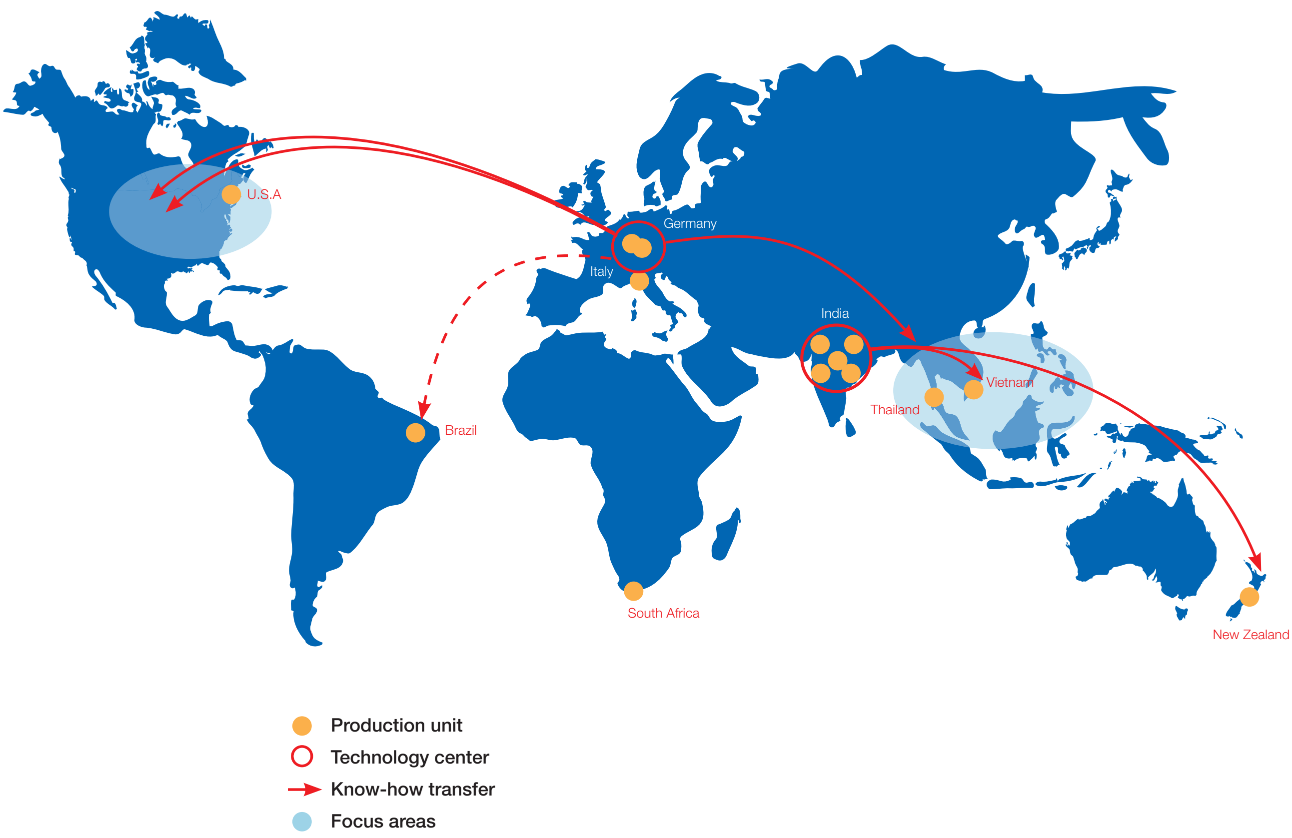
Interest towards environmentally friendly films in hygiene and food contact applications has grown universally. This has boosted investment in the development of new film solutions.

Innovations to meet customer needs

Key account relationships are important. Close cooperation offers an opportunity to get to know customers' strategies and to support their success through pro-active product development. New flexibles production units and added capacity in Asia and the Americas serve both local and global customers by offering best possible know-how internationally and high quality products locally.

Huhtamaki strives to be recognized as an innovative leader in flexibles and films. Increasingly environmentally friendly and easy-to-use packaging and film solutions are the driving forces of product development.

Centers of excellence in Germany and India support product development and production on a global scale



Another Cyclero® application for non-carbonated drinks was launched at the end of 2007.

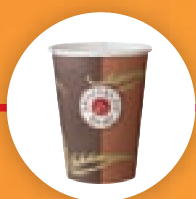
Hot cup timeline

1967

1st generation hot cup with handle

1998

2nd generation heavyboard hot cup



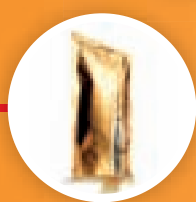
Stand up pouch

1993

Huhtamaki's first retortable stand up pouch

1998

Transparent retortable stand up pouch for food application



Convenience

Good packaging is half the food experience. Convenience is a growing trend and an important part of product branding today. Convenient packaging saves time and brings ease to daily life.

Carlo Alberto Zaggia

Sector Director Innovation Flexibles and Films, Huhtamaki

How do you define convenient packaging?

» Today's consumers want products that help them save time and make life easier. Real-life observations tell us a lot about how consumers use packaging. Some of the most requested packaging functions today are easy opening, easy pour, re-closeability, portion sizes and microwaveability. Or, from the fast food restaurants' and retailers' point of view, better storage properties.

How do you collaborate with customers?

» Today the role of packaging is stretched far beyond the traditional role of containing, protecting and presenting the product. Premium packaging, in particular, has to connect emotionally with the consumer. For this reason we work closely with brand managers, marketing people and the packaging development team in the process of developing new packaging solutions.

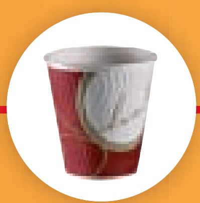
How important a factor is convenience when new products are being developed and designed?

» Convenience is used to strengthen the image of brands and differentiate the product in the eyes of the consumer. The features most valued by our customers are easy opening and re-closeability. For the new Milka chocolate flow wraps, for example, we designed an emblem on the packaging that highlights this feature.

The world is truly global nowadays. However, are there any regional differences in convenience?

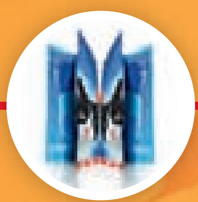
» Convenience is often linked to consumer habits and needs, but there are also examples where a regional market has set a new global standard. The need for single-serve portions and easy to use packaging was identified for pet food packaging some years ago. This was the driver for the launch of the retort stand up pouch in this market. Today, the retort stand up pouch for pet food can be considered a global standard.

2001
3rd generation double-wall cup



2007
4th generation triple-wall hot cup

2000
Thinner pouch with improved opening features



2005
Introduction of Terolen, enabling straight and easy tearing

2007
First Cyclero® applications for coffee pads - next generation flexible packaging

Strong foothold in Europe

During the past year Huhtamaki improved performance of its businesses in Europe. Growth was strongest in Eastern Europe, while stable markets in Western Europe drove product development and trends. Europe's share of the Group's net sales accounted for 53%.

In Foodservice, Huhtamaki is the market leader in selected Quick service restaurant, Catering and Vending segments. The demand for foodservice packaging in Europe grew for the third consecutive year. In Flexibles, the first Cyclero® products were successfully launched. The Cyclero Drinkbax packaging for non-carbonized beverages, for instance, is the world's first flexibles packaging solution for beverages. For rigid packaging, net sales in Eastern Europe increased by 17% during the year. The strongest areas for Rigid Consumer Goods are in Northern and Eastern Europe, particularly the Nordic countries and Poland.

The biggest achievements in Europe Rigid for 2007 were improved performance and delivery capabilities.

Investments were focused on increasing beverage cup capacity in Finland, Russia, Spain, Turkey and the UK, while flexibles capacity was added in Germany. Films manufacturing was concentrated at Forchheim in Germany.

The biggest achievements in Europe Rigid for 2007 were improved performance and delivery capabilities. Product development was also successful and new products are being launched in the market at an increasing pace.

From tailor-made solutions to a wide product assortment

In Europe, the Foodservice and Consumer Goods rigid packaging businesses differ significantly in their dynamics and business approach. Foodservice strives to be the regional market leader, while the Consumer Goods rigid business is highly localized with packaging solutions tailor-made for its customers. The sales and marketing functions for Foodservice and for Consumer Goods concentrate on supporting their own business targets, while close business cooperation is carried out in production and product development. The markets for Flexibles and Films remain global, with aligned sales and marketing functions.

Flexibles sales developed solidly throughout Europe while growth opportunities for Films were not fully captured due to the implementation and stabilization of the new enterprise resource planning (ERP) platform. Sales of Consumer Goods rigid packaging varied during the year with continued weakness in the United Kingdom. Huhtamaki is considering different strategic options for the UK Consumer Goods business unit.

Selected product assortments and good quality drive sales for Foodservice. International restaurant and retail chains as well as major customers are demanding consistent product quality worldwide. Customers vary between segments: the market share of Catering customers grew slightly, while the market share in Vending grew considerably. The market for Quick Service Restaurant customers grew especially in Eastern Europe, where Huhtamaki further strengthened its leading position.

Demand for sustainability drives packaging development

Sustainability has arisen as one of the key elements of packaging development. At the same time, consumption of premium and health foods is rising in Europe, with salads and health drinks being included in fast food restaurant offerings. Huhtamaki's customers aiming to highlight their sustainability values are choosing environmentally friendly raw materials for their packaging solutions. Sustainability

Sustainability has arisen as one of the key elements of packaging development.

legislation is also likely to increase, thus increasing demand for compostable, recyclable and lightweight packaging.

Huhtamaki works closely with its customers to develop more sustainable packaging. Prime examples of sustainability know-how are biocoated paper cups, compostable bioplastic cups and cutlery, recyclable fiber packaging and ultra light flexible packaging.

Growth from Eastern Europe

Huhtamaki strives to maintain its strong position in mature markets and to further enlarge its market share in emerging markets. Packaging offerings are being optimized according to regional demand while more focus is placed on international key accounts. Product development and technological expertise will expand across the region.

In Flexibles, Huhtamaki aims for growth in packaging for the food, beverage and pharmaceutical industries. In Consumer Goods rigid packaging, the focus is on profitable and value-added packaging solutions. The market for Consumer Goods rigid packaging is expected to continue to be fragmented with moderate growth. Business opportunities will be sought through selected special products that support ongoing packaging trends.

Key Figures Europe

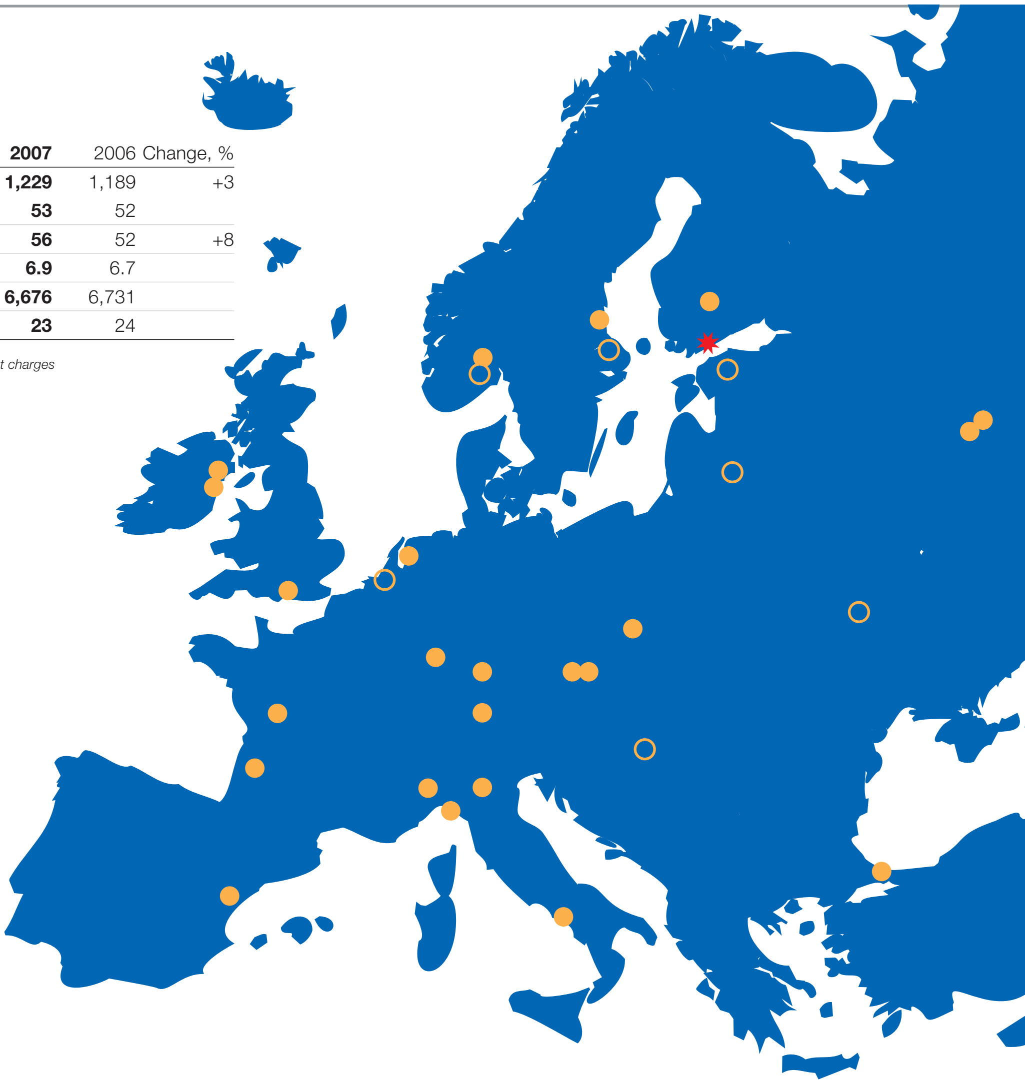
	2007	2006	Change, %
Net sales, EUR million	**1,229**	1,189	+3
% of Group total	**53**	52	
EBIT underlying*, EUR million	**56**	52	+8
RONA*, %	**6.9**	6.7	
Personnel at year-end	**6,676**	6,731	
Number of manufacturing units	**23**	24	

** excluding restructuring, goodwill and tangible asset impairment charges*

1,229 **EUR million**

manufacturing units **23**

6,676 **people**



Headquarters
Manufacturing unit
Sales unit

Profitable growth through increased production efficiency

In the Americas, 2007 was financially a good year. Costs were further cut by improving production and supply chain efficiencies. The Americas region accounted for 29% of the Group's net sales.

The success of Chinet® products continued in the United States. The Chinet disposables assortment in Retail has expanded from dinner plates to include Chinet ComfortCup™, an insulated hot beverage cup, and premium Chinet Cut Crystal® plastic cups for more festive occasions. Largely due to the success of these products, retail demand improved during the last quarter of the year. Chinet ComfortCup, as well as cup carriers made of recycled fiber and cruiser cups, were successful Foodservice products.

This success was supported by investments in Chinet Cut Crystal plastic cup production and in new capacity for Chinet molded fiber products. Investments were also made in molded fiber cup carrier production.

Success was supported by investments in Chinet Cut Crystal plastic cup production and in new capacity for Chinet molded fiber products

Consumer Goods in the Americas is largely concentrated in frozen dessert packaging, predominantly ice cream packaging. The year started well for Frozen desserts, but increases in dairy costs affected ice cream sales.

The biggest achievements for the Americas in 2007 were significant improvements in work safety, raw material usage and production efficiency. Despite increases in raw material prices, profitability remained good due to successful price management.

Growth opportunities for Flexibles

In Flexibles, growth is targeted in retortable flexibles and other technically high performance flexible packaging. Pet food pouches represent another future growth area. Production capacity for retort laminates was expanded in the flexibles packaging facility in Malvern during the year and is scheduled to be operational during the beginning of 2008.

South American packaging markets are growing. Brazil continues to step up as a food supplier to the rest of the world, thus benefiting the sales of rough molded fiber fruit trays. In addition, the plastics Consumer Goods business has close alignment with its international customers in South America. Huhtamaki also has production in Mexico and Argentina.

Strong position in sustainability

The importance of sustainability is growing in the North American market and consumers are becoming increasingly motivated to buy environmentally green products. Huhtamaki continues to develop both its products and operations towards more sustainable solutions. Package forming, for instance, is increasingly performed at customer locations, thus considerably reducing freight costs and lessening the product's ecological footprint.

Chinet disposables, some of which are made of recycled material, are some of the most successful and fastest growing products in their category. Buyers of environmentally friendly Chinet molded fiber plates consist largely of well educated and environmentally aware middle-aged Americans. The Chinet product family will be enhanced by expanding the offering of plates and cups.

Buyers of environmentally friendly Chinet plates consist largely of well educated and environmentally aware middle-aged Americans

In addition to Chinet branded products, molded fiber cup carriers used by quick service restaurants have also been successful.

Investing in key operations

Huhtamaki's position in the Americas is based on strong capabilities and specialization in key operations. In Retail, growth prospects continue to be good and demand for Chinet products is forecast to continue favorably. Investments in the Chinet brand and in strengthening supply channels will continue. Work safety and manufacturing efficiency will also remain key priorities. Successful key account management will be pursued to help achieve a positive profit development.

As a supplier of molded fiber packaging and paperboard packaging for frozen desserts, Huhtamaki has a strong franchise position in the Americas. The current development in dairy costs and the effect of this on ice cream producers may, however, create some uncertainty.

Key Figures Americas

	2007	2006	Change, %
Net sales, EUR million	**677**	712	-5
% of Group total	**29**	31	
EBIT underlying, EUR million	**63**	61	+3
RONA, %	**11.7**	11.0	
Personnel at year-end	**3,830**	3,728	
Number of manufacturing units	**17**	17	

** excluding goodwill and tangible asset impairment charges*

677 **EUR million**

17 manufacturing units

3,830 **people**

● **Manufacturing unit**

Asia grows in importance

The Asia-Oceania-Africa region experienced strong growth during the year, although profitability was affected by start-up costs associated with investments in new capacity. The region accounted for 18% of the Group's net sales.

Asia-Oceania-Africa is a geographically extensive area, including the mature markets of Australia, New Zealand and South Africa, as well as the fast-growing emerging markets of Asia.

Strong economic growth and westernized consumer habits are generating packaging demand in Asia. Eye-catching, affordable and lightweight flexible packaging, in particular, has gained a foothold in the Asian markets. Another key segment in Asia is foodservice packaging. Additional foodservice packaging capacity will be brought on stream with the inauguration of a brand new rigid packaging facility in Guangzhou, China, at the beginning of 2008.

Strong economic growth and westernizing consumer habits are generating packaging demand in Asia.

In Australia and New Zealand growth was solid for Consumer Goods in particular, boosted by the extremely successful launch of the DuoSmart® yogurt cup. Despite the successful launch of the double wall cup, competition in the foodservice market was stiff and raw material prices escalated. Demand for molded fiber packaging remained good. Imports increased competition, but Huhtamaki's molded fiber market share continued to be strong.

In South Africa, Flexibles and Molded Fiber succeeded according to plan, while rigid packaging experienced some fluctuation in demand. Different strategic options were decided to be considered for all operations in South Africa.

New capacity in China, India and Thailand

The most important growth area in the Asia-Oceania-Africa region is Greater China and India. China's growing economy coupled with its 1.3 billion people create natural demand for packaging solutions. In India, packaging demand continues to grow in line with the country's strong gross domestic product (GDP) growth. Huhtamaki's position in Australia and New Zealand's mature markets remains stable and the region's market share is on a solid footing.

In 2007, large investments were made in new production capacity in Asia. The most significant investment was the relocation of rigid packaging production from Hong Kong to a new larger facility in Guangzhou, China. Rigid paper production began during the year and rigid plastics production came on line at the turn of the year-end. The new production unit should be fully operational during the first quarter of 2008. A new flexibles production facility began operations in Rudrapur, India, at the beginning of the year and another new flexibles unit will commence production in Thailand in mid 2008. Investments in new hot cup capacity were made at several production units and some of the molded fiber machinery were renewed.

Innovations and trends arrive from the West

Convenience, ease of use and attractiveness are valued most by packaging consumers. Particularly in Asia, attractiveness and good printing quality are essential. New trends and innovations continue to spread to the Asian markets as international companies move in. The adaptation of packaging innovations to suit local preferences and needs remains the primary role of localized product development.

Huhtamaki strives to be one of the leaders in the commercialization of sustainable packaging innovations.

Australians and New Zealanders are guided by sustainability and environmental values in their choice of packaging. Sustainable packaging solutions also are expected to be increasingly valued in Asia as production costs for biodegradable and recyclable products reach a competitive level. Huhtamaki strives to be one of the leaders in the commercialization of sustainable packaging innovations.

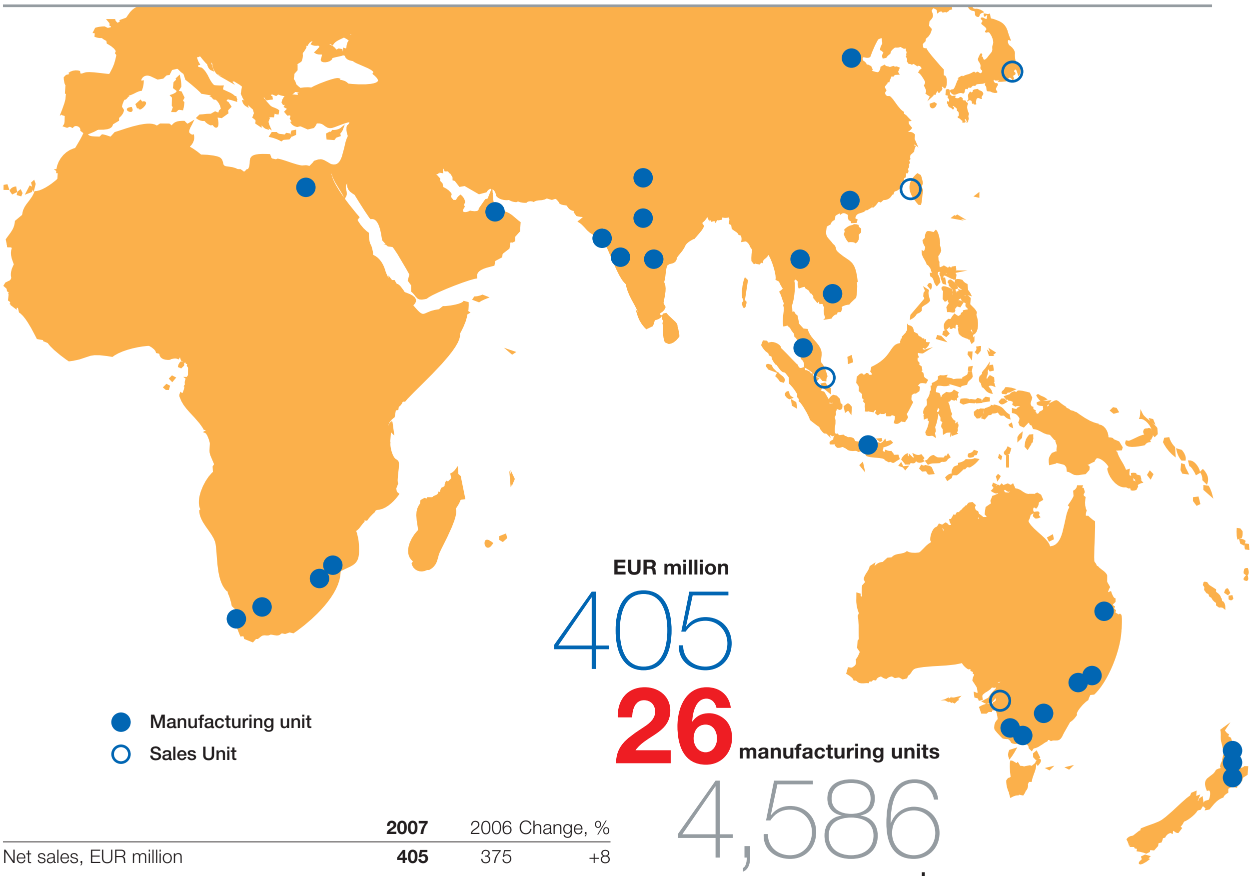
Capitalizing on growth

The objective for 2008 is to further capitalize on the fast growth in the Asian markets. Improved profitability will be a key priority. Improving production management and the supply chain will also continue to be focus areas. Modern, cost-effective new production units in China, India and Thailand are opening up opportunities to bring new packaging innovations into the Asian market.

Continuous improvements in production efficiencies remain another objective for 2008. The availability of a skilled workforce may present a challenge, especially in China where competition for skilled labor and managerial talents is intense.

The amount of imported product offerings, particularly rigid and molded fiber packaging, is forecasted to escalate in the Australian and New Zealand markets. The threat of these imports is less acute for Huhtamaki, as it is a truly international company with its own operations in Asia. Maximizing synergies and exploiting innovations worldwide gives a competitive edge compared to local competitors. International customers favor global suppliers who can deliver guaranteed quality and an extensive product assortment worldwide.

Key Figures Asia-Oceania-Africa



EUR million
405

26 manufacturing units

4,586
people

	2007	2006	Change, %
Net sales, EUR million	**405**	375	+8
% of Group total	**18**	17	
EBIT underlying*, EUR million	**21**	25	-16
RONA*, %	**6.0**	8.1	
Personnel at year-end	**4,586**	4,333	
Number of manufacturing units	**26**	25	

** excluding restructuring and goodwill impairment charges*

People

Huhtamaki's personnel, around 15,000 employees, are located in 66 production and sales units in 36 countries across the globe.

Huhtamaki's values - we treat our world with respect, we know our business, and we like to get it done – are at the heart of the company. They play an important role in building a common culture and strengthening unity within the geographically widespread workforce.

Implementing the Human Resources Strategy

The priorities in human resources management are defined on the basis of the business objectives. Human resources management ensures the development and implementation of common ways of operating and people management practices throughout the organization. The task of the Human Resources function is to develop common practices, while leaders and managers are responsible for implementation. Daily human resources management takes place in the units in accordance with commonly agreed principles. These common practices relate to performance management, which includes setting objectives and development discussions as well as compensation principles.

Improved support for business operations

Huhtamaki's strategic direction was further defined in 2007. One of the major changes was the establishment of a global Flexibles and Films organization. The different needs of the businesses and the right competencies of the personnel each play an important part in the implementation of the strategy. The role of human resources management is to ensure that the right people are available in different parts of the organization so that best possible business synergies are accomplished. Huhtamaki complies with local regulations and good employer practices in its human resources planning and recruiting.

Employee satisfaction surveys were carried out during the year at regional and local level in, for example, the Americas and Oceania. Based on the results, development needs were identified and several projects are being implemented to improve employee satisfaction at work. Going forward, the aim is to develop employee satisfaction indicators and surveys throughout the organization.

Focus on Performance Management and Leadership and Competencies Development
Achieving the business targets calls for constant development of the personnel. Competence development is based on business needs and planned in the annual individual performance review discussions. The competence development discussions are an important element in supporting the employee's professional development.

A Talent Management Council was founded in 2007 consisting of representatives from business and support functions. The goal of the council is to support competence development in the group by harmonizing talent management practices and by enhancing a corporate culture where the people and values mindset is a top priority. Performance management practices and the People and Organization Planning Process are integral elements of organizational competence development.

The development of managers and leaders is supported by means of both global and local programs. These have included the group-wide International Leadership Program for senior managers, completed already by more than 300 people, and the Advanced Leadership Program, a management and leadership training program completed by more than 400 people by the end of 2007.

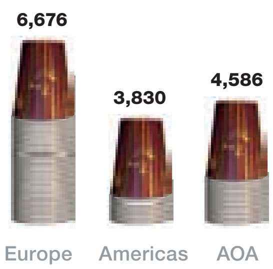
Developing the quality and transparency of compensation practices continued during the year. The strong connection between work performance and compensation continues to be emphasized.

Goals for 2008
The intent is to strengthen leadership and managerial capabilities at all levels within the organization. In 2008, the performance management culture, which ensures the cascading of strategic corporate goals into the organization, will be further strengthened. The aim is to ensure each employee understands the strategic direction and contributes in their work to achieving the strategic targets. Developing capability in the Group's key success factor areas will also be crucial in future. Supporting managers' accountability in people issues continues to be a priority. This will be done through continuous dialogue and developing transparency in all of our people practices.

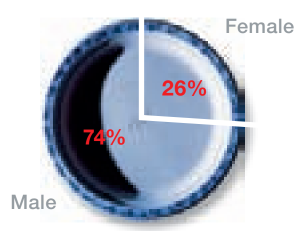
Number of employees, year-end

Number of employees by country (10 largest countries)

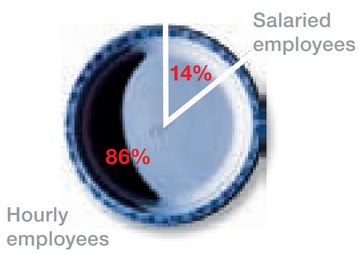
Number of employees by region



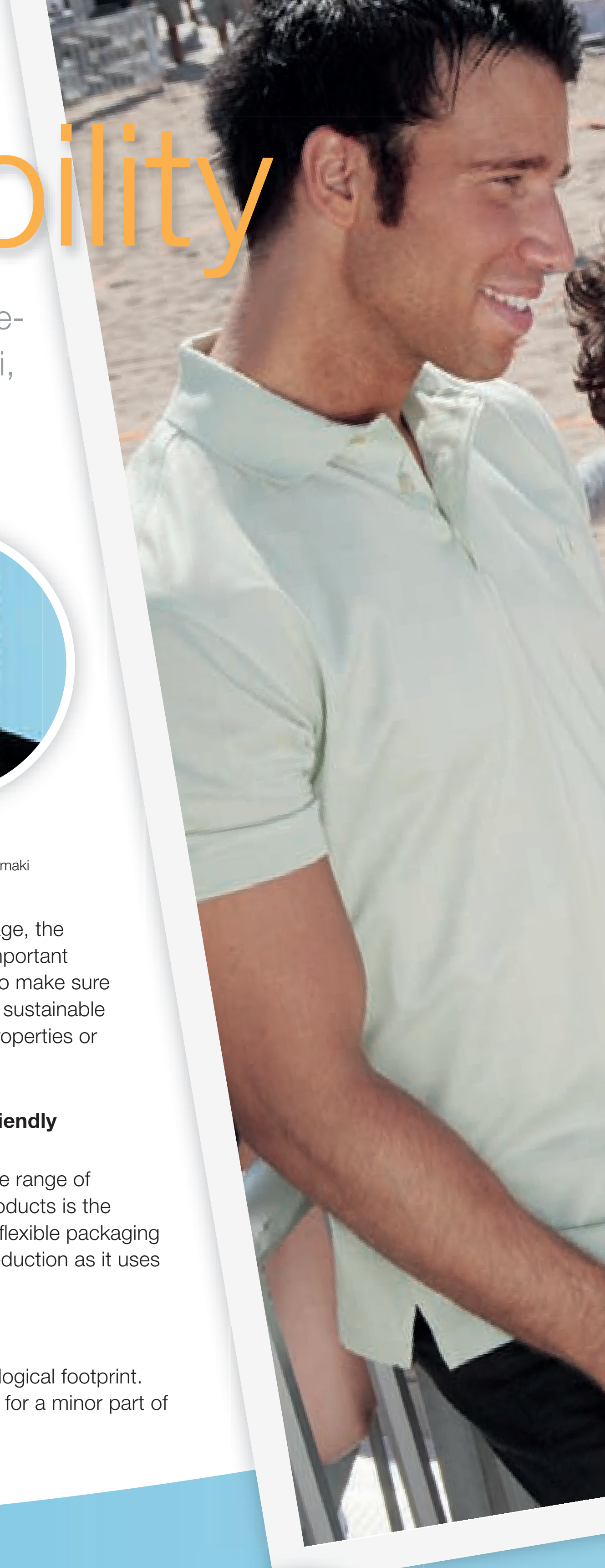
Gender distribution (%)



Hourly and salaried employees (%)



Sustainability



Today, sustainability is not an option but a pre-requisite for profitable growth. For Huhtamaki, continual improvement of sustainability performance remains a key priority.

Mats Hägerström

Group EHS Manager, Huhtamaki

How can the consumers promote environmental sustainability in their choice of packaging?

» Function should drive the choice. If the packaging increases the lifespan of food in your home and meets your needs and values in terms of re-closeability, compostability, recyclability or some other key properties, or even a combination of all of these, then you are making a sound environmental decision.

How do you define a sustainable package?

» When evaluating the environmental sustainability of a consumer package, the entire life cycle of the packed item should be considered. The most important environmental objective the packaging has is to protect its contents, to make sure they stay fresh and usable for as long as possible. An environmentally sustainable package preserves the content without compromising its functional properties or the highest standards of hygiene and safety.

Customers are demanding new sustainable and environmentally friendly packaging solutions. What do you have to offer them?

» Huhtamaki is well positioned to respond to this challenge. The BioWare range of compostable and biodegradable disposables and films for hygiene products is the obvious first choice for the environmentally discerning consumer. Our flexible packaging is a benchmark performer in terms of material efficiency and source reduction as it uses ultra thin layers of material to achieve superior protective properties.

How big an ecological footprint do your packages have?

» The property requirements placed on the packaging determine its ecological footprint. In the lifecycle of packed food, the packaging itself is responsible only for a minor part of the product's overall environmental impact.

Chinet®

1930's Production of Chinet plates begins

1979 First plates produced from recycled paper

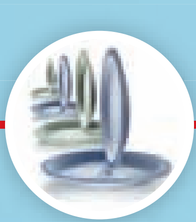
BioWare™

1995 First commercial trials with biocoated paper cups

2002 Films and bags for hygiene & health care

Did you know that BioWare beverage cups compost to soil and carbon dioxide when composted in industrial conditions?

2004
Chinet Casuals plates



Today, 100% recycled paper is used and Chinet has become a market leader in premium disposables in the US.

2004
BioWare concept and foodservice tableware product line launched

2005
BioWare food packaging for a major retailer

2007
BioWare concept launched in Oceania

A comprehensive approach to sustainability

Huhtamaki's operations and products impact society and the environment. To understand and assess these impacts, and to apply a comprehensive and responsible policy, the role of sustainability and corporate responsibility were strengthened in 2007.

Both environmental and sustainability aspects are integrated into the Group's operations, which are developed with the aim of continuously improving eco-efficiency.

Principles of sustainable development

- Commitment to a compliance with the principles of sustainable development. Operations are based on mutual respect for our business partners, the environment, local communities and other stakeholders.
- Constant development of recoverable packaging solutions. Huhtamaki strives to be a preferred provider of environmentally friendly high-quality consumer goods and foodservice packaging products.
- Focus on improving operational eco-efficiency on a continuous basis while also striving for 100% success in the prevention of occupational incidents.

Huhtamaki is an early signatory to the ICC Charter of Sustainable Development. The Charter and its 16 principles form part of the basis for the Group's environmental management and are reflected in the environmental policy and guidelines regarding environmental issues as well as employee health and safety issues.

The sustainability principles are supported by the Code of Conduct and more detailed corporate policies and guidelines such as the company's global environmental policy and the code of conduct for group suppliers.

Sustainability calls for balance between all three dimensions

The three dimensions of sustainability are economic, social and environmental. Of these dimensions, economic sustainability provides the basis for all other sustainable development. Economic responsibility means that Huhtamaki aims to meet the expectations of its shareholders and society and to contribute to economic welfare. This requires profitable, efficient and competitive business operations, compliance with the principles of good corporate governance and effective risk management.

Social responsibility entails taking good care of stakeholder relations. Key issues include product safety, employee wellbeing and consideration for the employees' competence development as well as their health and safety. Emphasis is also put on a broad dialogue with other stakeholders and the local community.

Environmental excellence is embedded in the policy of responsible operations. Environmental responsibility means sustainable management of issues relating to natural resources and the environment, protection of water sources, air and soil, measures to slow climate change and responsible use of natural resources. Environmental responsibility entails not only identification of the environmental impacts of the production process but also responsibility throughout the lifecycle of the product and the value chain.

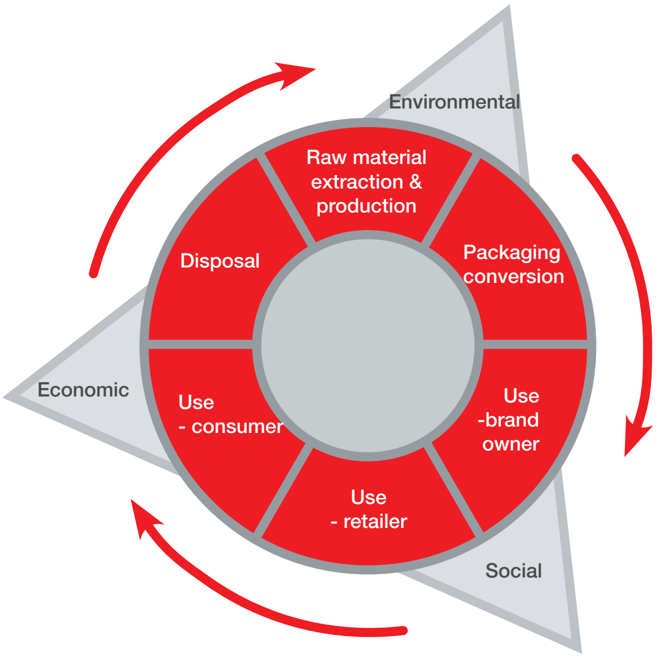
Continuous assessment supports sustainable development

Economic, environmental and social performance are monitored on a regular basis. These assessments include the company's operations and the entire lifecycles of its products. Huhtamaki strives to continuously develop its operations and packaging solutions in order to maximize the positive whole lifecycle impacts of the products.

One of the keys to developing a sustainable packaging solution is to understand the requirements set for the package throughout its lifecycle. Conventional and biodegradable polymers, virgin fiber cartonboard and molded fiber made from internally recycled paper scrap and post-consumer recycled fiber are used as main rawmaterials. The most significant direct environmental aspects of the operations are energy use, emissions to air and solid waste.

Huhtamaki's first Sustainability Report has been published for the year 2007.

Huhtamaki's share is included in the Kempen SRI (Socially Responsible Investment) index. Companies whose business ethics, personnel management and environmental protection fulfill the index's criteria across all dimensions are approved as members.



Opportunities and risks of sustainability are systematically identified over the entire lifecycle of the materials, technologies and products, covering all three dimensions of sustainability.

Committed to improving eco-efficiency

Huhtamaki continues its commitment to improve the eco-efficiency of its manufacturing processes by setting new eco-efficiency targets for 2011 following the successful attainment of its current targets. The number of environmentally friendly product launches in 2007 reflects the continued strong environmental product performance.

Huhtamaki manufactures packaging from conventional and biodegradable polymers, virgin fiber cartonboard and molded fiber made from internally recycled paper scrap and post-consumer recycled fiber. The material portfolio combined with technological capabilities provides an excellent platform for manufacturing environmentally sound packaging without sacrificing functional properties or the highest standards of hygiene and safety.

In addition to the BioWare™ range, the first choice for the environmentally aware consumer, Huhtamaki offers packaging made from renewable resources, such as its wide range of virgin fiber based packaging or recycled fiber packaging, which offer strong environmental benefits. The excellent properties of Huhtamaki's food contact packaging also play an active role in preserving packaged food and thus reducing the amount of food going to waste.

Strong environmental product performance is supported by the commitment to reduce the negative environmental impacts of packaging production. Focus on improving the environmental performance of the manufacturing units is continued by setting new environmental targets to be reached by the end of 2011.

Environmental performance targets 2003-2007 achieved

The environmental Key Performance Indicator's (eKPI) for 2007 were defined in 2003. They were a 2% year-on-year improvement in energy efficiency, an 85% recovery rate for all waste leaving Huhtamaki and a 10% reduction in VOC (volatile organic compound) emissions to air.

All environmental targets set in 2003 were met with the exception of VOC emissions, where an increase in solvent-based printing ink intensive production outweighed the emission reduction measures and implemented investments. The key environmental aspects are monitored and controlled via eKPI's at each manufacturing site and are consolidated for analysis and reporting. Quantitative environmental information is reported for the calendar year 2007. The scope of this data covers all manufacturing units in which ownership exceeds 50%.

Group-level environmental indicators are broken down by technology and region for internal analysis. Internal site evaluations are carried out to compare existing performance results against best practices, and forums to encourage dissemination of best practices are held periodically throughout the year.

Future targets for 2008–2011

As a continuance to operational and eco-efficiency activities, Huhtamaki has set new operational environmental targets to be reached by 2011:

- A 15% relative improvement in energy efficiency of production
- A 15% relative improvement of the direct CO_2 emissions
- A 20% relative reduction in the total amount of waste per ton of packaging
- A 95% recovery rate for all waste leaving Huhtamaki
- Huhtamaki is revising the calculation and reporting guidelines and the abatement actions during 2008 and will set a target for the volatile organic compound (VOC) emissions during the reporting period for 2011

Environmental policy

Huhtamaki's environmental sustainability vision is endorsed by the Group's environmental policy. This global environmental policy is supported by the environmental policies implemented at the local manufacturing site level. Huhtamaki strives to ensure globally consistent environmental operating principles by supporting its overall commitment to sustainable development.

One of the essential functions of packaging is to protect food. By effectively protecting food, packaging contributes to reducing the environmental impact of the food production chain.

Environmental Management Systems

Continual environmental improvement efforts are supported by Environmental Management Systems, which are used to identify environmental risks and opportunities, implement policies and monitor progress.

In 2007, several units progressed in their efforts to achieve ISO 14001 certification by further developing their internal management procedures. Sites covered by an externally certified environmental management system totaled 47% in 2007. Hygiene management systems are implemented in over 50% of manufacturing sites. Over 60% of sites have a certified ISO 9001 quality system.

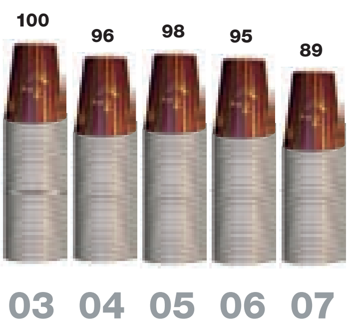
Asset risk management activities are carried out continuously. All manufacturing sites report on the development of their environmental management routines on a yearly basis. External environmental audits are carried out on some 60% of the current asset base annually, totaling 58 site visits in 2007. The remaining sites are audited in a three-year sequence.

Environmental and risk management best practices are consolidated at Group level and communicated throughout the Group for implementation.

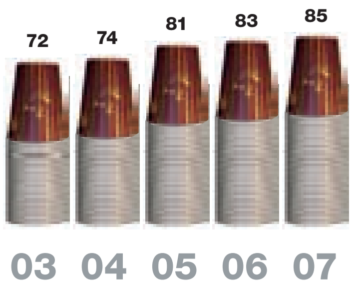
New legislation

The environmental impacts of human activity continued to be a key topic of debate in 2007. In the wake of the ongoing debate on climate change and its potential impacts on humankind and our economy, a broader discussion on environmental issues has emerged at both the regional and international levels. For Huhtamaki, the first Kyoto commitment period and the new European chemical policy on Registration, Evaluation and Authorization of Chemicals (REACH) are not estimated to have a significant direct impact on operations.

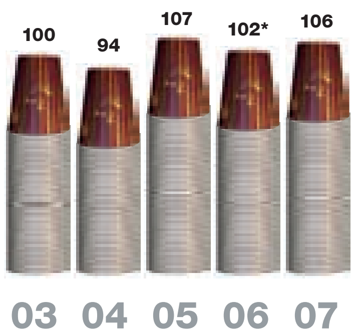
Energy efficiency improvement
(indexed normalized)



Waste to recovery (%)



VOC emissions
(indexed normalized)



Corrections made to 2006 data (104)

Occupational Health & Safety

A workplace free of incidents and injuries can ultimately be attained only through continual improvement. Improving workers' safety is not a project, but a process. In 2007, Huhtamaki set a group target to halve the current lost time incident frequency (LTIF) and severity (LTIS) rate by the end of 2011. The ultimate target is the achievement of a totally incident-free workplace.

Employee wellbeing, health and safety are the cornerstones of a good work environment. Huhtamaki invests in preventive measures and, in recent years, has placed a particular focus on workplace safety. Employee wellbeing is also supported by the Group's ethical principles, with which all employees are expected to comply.

Activities and actions focusing on occupational health and safety continued during 2007. Regional programs, such as the safety training program in the Americas and the safety plan program implemented by Europe Rigid, have been initiated in order to improve performance by bringing occupational safety aspects all the way to the shop floor. In the Americas safety training program, managers and supervisors are trained to eliminate incidents and injuries by increasing employee safety awareness and preventing incidents by reinforcing safe work practice. For example, at the New Vienna site in the USA, recordable incidents have been reduced by a third since the implementation of the program. In the safety plan program taken into use by Europe Rigid, sharing and implementing best practices is used as a means of improving awareness of how to operate safely in the workplace. During 2007, best practices such as standardized accident reporting procedures and standardized personal protective equipment were implemented at all Europe Rigid sites.

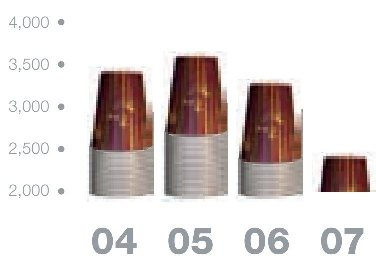
In 2007, the Lost Time Incident Frequency showed an improving trend in terms of fewer occupational accidents. The number of incidents has decreased by 52 per cent since 2004. The results of the safety improvement efforts are also reflected in the decreased Lost Time Incident Frequency (LTIF, lost time incidents per million man-hours worked).

Lost Time Incident Severity (LTIS) did not follow the positive development of the LTIF. A key reason for this is that as levels of safety knowledge increase, less severe accidents are typically the first to decrease in number. Severe accidents (lost time exceeding 10 days) are now subject to special monitoring.

The Group health and safety performance data are consolidated monthly and actively communicated to the senior executives and back to the regions and units. The Group Executive Team confirms the annual target levels.

LTIF (Lost Time Incident Frequency)[1]

LTIS (Lost Time Incident Severity)[2]



A Lost Time Incident (LTI) is defined as an accident or injury resulting in an employee missing one full shift that is regularly scheduled for the employee.

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

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

Corporate Governance

Huhtamäki Oyj (Huhtamaki or the Company) complies with the Corporate Governance Recommendation for Listed Companies adopted by the Helsinki Stock Exchange. Huhtamaki's corporate governance comprises 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

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 June on a date set by the Board of Directors.

The AGM resolves i.a. upon adoption of financial statements including the consolidated 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. A General Meeting of Shareholders may also resolve, for example, amendments to the Company's Articles of Association, issuing of new shares and option rights and repurchasing of the Company's own shares. The General Meeting of Shareholders may authorize the Board to decide, for example, 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 altogether 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. A shareholder may also employ the services of an assistant in a General Meeting.

Huhtamaki's corporate governance comprises 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).

BOARD OF DIRECTORS

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 decides 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 6 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 2007, the Board held 16 meetings. The average attendance of directors at the Board meetings was 96 %.

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 2007 elected the following seven individuals to the Board:

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

More information on Board members is available on page 35.

Remuneration of the Board members

The AGM is resolving upon remuneration for the Board of Directors. In 2007, the annual compensation for the Chairman was EUR 90,000, for the Vice-Chairman EUR 55,000 and for the other members EUR 45,000. In addition, a meeting fee of EUR 500 per meeting was paid to all members for the Board and Board Committee meetings they attended. Traveling expenses were paid in accordance with the Company policy.

Independence of the Board members

The Board considers all the members of the Board independent of the Company. The Board also considers all members except Jukka Suominen and Paavo Hohti independent of the significant shareholders of the Company.

Board Committees

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

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

The Nomination Committee prepares proposals to the AGM concerning Board members and their remuneration. The Committee meets once a year as a minimum, prior to the AGM. The following individuals comprised the Nomination Committee during 2007: Mikael Lilius (Chairman), Eija Ailasmaa and Jukka Suominen.

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 2007: 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 to the AGM 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 2007: Jukka Suominen (Chairman), Eija Ailasmaa, Robertus van Gestel and Paavo Hohti.

In 2007 the Nomination Committee met two times, the Human Resources Committee four times and the Audit Committee seven times.

CHIEF EXECUTIVE OFFICER

The Board elects the CEO, who is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board. The remuneration of the CEO is also determined by the Board of Directors. The CEO is responsible for ensuring that the book-keeping of the Company complies with the law and that the financial administration is arranged in a reliable manner. Heikki Takanen acted as the CEO until November 14, 2007. The Board of Directors has appointed CFO Timo Salonen to act as an interim CEO as from November 14, 2007. Further, the Board of Directors has appointed Clay Dunn, Executive Vice President, Americas, as the Company's interim Chief Operating Officer (COO), to whom the Executive Vice Presidents will report to.

Heikki Takanen's total compensation including benefits in 2007 amounted to EUR 778,303, including EUR 214,650 of incentive related pay based on the year 2006. Additionally he received 90,000 option rights marked as 2006 B during the year 2007. According to the CEO agreement, Heikki Takanen shall be paid a monthly salary until May 14, 2008, after which the Company shall pay Takanen as resignation compensation EUR 787 428, amounting to 18 months' salary. In accordance with Huhtamäki Oyj's 2006 option rights program conditions, Heikki Takanen shall return the 2006 A and 2006 B option rights granted to him.

GROUP EXECUTIVE TEAM

The Group Executive Team assists the CEO. It 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 members of the GET report to the CEO. The GET convenes at least once a month.

Each GET member has a clear operating responsibility, either within a geographical region or for a Group function. The geographical regions are Europe (divided into Rigid and Molded Fiber), the Americas and Asia–Oceania–Africa. Flexibles and Films operate as a global business unit. The Group functions represented in the GET are Finance and Human Resources. GET members report directly to the CEO. The individual responsibility areas of GET members appear on page 35.

Remuneration of Group Executive Team members

The remuneration of GET members is determined by the Board of Directors. In 2007, the aggregate compensation including benefits to GET members excluding the CEO was EUR 2,102,771, which included EUR 430,868 of incentive related pay based on the year 2006.

GET members, excluding the CEO, had on December 31, 2007, an aggregate of 495,350 option rights under the Option Rights Plans 2003 and 2006. In 2007, a total of 230,000 new option rights were granted to the GET members. Their current holdings of Company shares and option rights appear on page 35.

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 110 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 2008 – 2014 representing approximately 5.2% of the Company's share capital.

A performance share incentive plan was also formed in Huhtamaki. The plan extended 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 would have been paid in 2008. The targets set forth for the determined earning period were, however, not reached and hence no remuneration shall be paid under the plan.

The Board decided in February 2008 on a new performance share incentive plan to form a part of the incentive and commitment program for the key personnel of the Company and its subsidiaries. The plan includes three earnings periods which are calendar years 2008, 2009 and 2010. Upon establishment, the plan is directed to approximately 20 persons.

INTERNAL AUDIT

Successful business requires continuous monitoring of the Company's operations. Procedures forming part of the 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 the Company's Internal Audit Manager as well as with Ernst & Young Oy and its international network. A number of internal audit processes have been conducted in pre-defined units in all regions during the year 2007.

The Company's internal audit evaluates independently and systematically the functionality, efficiency and appropriateness of the Company's managerial, administrative and risk management systems by giving recommendations for the development of these systems and for reaching the strategic targets of the Company.

The Board's Audit committee approves the internal audit's Annual plan. Audit engagements are selected according to the Company's strategic objectives, assessed risks and focus areas defined by the Board and the CEO. Audit engagements are also selected according to a rotation principle. The internal audit function reports to the Board's Audit Committee of such assignments that the Audit Committee has given to the internal audit function. Also, the CEO and the management of the unit where the audit has been conducted are informed of the results of the audit.

AUDIT

The Company must have one auditor, which is an accounting firm approved by the Finnish Central Chamber of Commerce (APA). The AGM elects the Company's auditor. The AGM 2007 elected the Authorized Public Accounting firm KPMG Oy Ab as the auditor of the Company. Solveig Törnroos-Huhtamäki, APA, has acted as the auditor with principal responsibility. Each subsidiary is subject to local auditing under the local regulations, which is conducted by representatives of the KPMG network in each country.

In 2007, total auditing costs of the Group amounted to EUR 1,252,000. The KPMG network has also provided other consultancy worth EUR 510,000 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 on the basis of 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 inside information on a regular basis. The company-specific insider register is not public. A person may also 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 with the Company's shares or option rights during the period between December 31 and the publication of annual accounts of the Company, as well as during the period between the last trading day at Helsinki Stock Exchange of the period for which an interim report of the Company shall be prepared and the publication of such interim report.

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 through Company's website.

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.

Risk Management and Risks

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

Risk management at Huhtamaki focuses on business opportunities and threats that affect the achievement of Group objectives in the changing business environment. Business risks are categorized as strategic, operational and financial. The risk management process includes systematic identification and assessment of risks in each business unit and Group function, improving risk awareness and quality, sharing best practices and supporting cross-functional risk management initiatives.

Risk management policy

The Huhtamaki Group Enterprise Risk Management (ERM) Policy defines the risk management guidelines for the Group. It also defines the risk management process and responsibilities and the risk categories used in risk analysis and risk consolidation. Huhtamaki follows Group ERM policy to assure timely Group-wide identification and recording of risks and the application of relevant risk management measures to address these risks.

Risk management organization

The Audit Committee evaluates the adequacy and appropriateness of risk management activities. The Audit Committee reports regularly to the Board of Directors, which is responsible for reviewing the Group's strategic, operational and financial risks. The Board of Directors decides on acceptable 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 the adoption and deployment of the Group's internal control principles and procedures relating to risk management. The GET regularly carries out risk prioritization based on data collected through annual risk analyses.

The Group Risk Committee is responsible for organizing, facilitating and supervising risk management activities and analyzing and reporting risks annually in accordance with the Huhtamaki Group Enterprise Risk Management (ERM) Policy.

Risk management process and reporting

All Group functions as well as major business units and, on a rotation principle other units, participate in a regular risk analysis. The GET performs risk prioritization in order to align risk management efforts with strategic goals.

The Group Risk Committee analyzes changes in impact, likelihood and level of control for each reported business risk, and annually reports the results of the risk management process to the Audit Committee. The Risk Committee also prepares reports for the CEO and the GET as well as for statutory reporting purposes.

Huhtamaki ERM Risk categories

Strategic risks:
- Business environment
- Market structure
- Governance and strategic management

Financial risks:
- Capital structure
- Credit
- Liquidity
- Market
- Reporting
- Tax

Operational risks:
- Crime and fraud
- Legal and compliance
- Management and operations
- Human resources
- Physical asset
- Production
- Supply chain
- Information security
- Information systems and IT
- Intellectual property

Board of Directors, from April 12, 2007

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 31.12.2007: **1,248**

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, Chairman of the Board; Hafslund ASA, Board
Shares 31.12.2007: **50,000**

JUKKA SUOMINEN (1947)
Vice Chairman

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, Chairman of the Board; Birka Line Abp, Chairman of the Board; Merivaara Oy, Chairman of the Board; Finnish Cultural Foundation, Supervisory Board; Varustamoliikelaitos, Board
Shares 31.12.2007: **1,500**

SECRETARY

Juha Salonen

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

PAAVO HOHTI (1944)

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 31.12.2007: **–**

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 SanomaWSOY group executive roles, including President of Helsinki Media and Sanoma Magazines Finland magazine publishing subsidiaries; Editor-in-chief for the family magazine Kodin Kuvalehti in 1985–89**
Positions of trust: **Rotterdam School of Management, Erasmus University, Advisory Board**
Shares 31.12.2007: **1,000**

ROBERTUS VAN GESTEL (1946)

Date of election: **March 22, 2004**
Main occupation: **Proudfoot Consulting Europe, Deputy President**
Education: **MBA, PhD**
Primary work experience: **Ford Motor Company; GTE; Mannesmann Tally; Anglo-Dutch Investments, Inc.**
Positions of trust: **MCG PLC, Partner; Moore Hall Investments Ltd, Chairman of the Board**
Shares 31.12.2007: **–**

GEORGE V. BAYLY (1942)

Date of election: **March 28, 2003**
Main occupation: **Whitehall Investors, LLC, Consultant; Altivity Packaging, LLC, Chairman & 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: **Treehouse Foods, Inc., Board; Acco Brands Corporation, Inc., Board; John G. Shedd Aquarium, Board; Miami University, Board; United Way, Chicago, Board; Whitehall Investors, LLC, Board**
Shares 31.12.2007: **–**

Group Executive Team in 2007

TIMO SALONEN (1958)

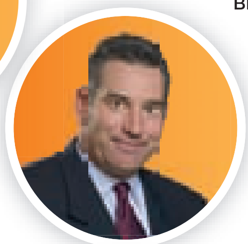
Executive Vice President,
Strategy Development until June 30, 2007
Chief Financial Officer (CFO) since July 1, 2007
Interim CEO since November 14, 2007
Education: Master of Science (Econ), Master of Laws
Joined the company: 1991
Shares 31.12.2007: 20,000
Option rights 31.12.2007: 2003 A 19,850, 2003 B 25,000, 2003 C 25,000, 2006 A 40,000, 2006 B 40,000

WALTER GÜNTER (1948)

Executive Vice President,
Europe Rigid Packaging since 2006
Education: Chemical Engineer
Joined the company: 1972
Shares 31.12.2007: -
Option rights 31.12.2007:
2003 A 15,000, 2003 B 15,000, 2003 C 7,500, 2006 A 15,000

CLAY DUNN (1957)

Executive Vice President,
Americas since 2005
Interim Chief Operating Officer (COO) since November 14, 2007
Education:
BBA (Marketing and Management)
Joined the company: 2005
Shares 31.12.2007: 5,000
Option rights 31.12.2007:
2003 C 15,000, 2006 A 40,000, 2006 B 50,000



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 31.12.2007: -
Option rights 31.12.2007: 2006 A 15,000, 2006 B 35,000

PII KOTILAINEN (1960)

Senior Vice President, Human Resources since 2006
Education: Master of Science (Econ)
Joined the company: 2006
Shares 31.12.2007: -
Option rights 31.12.2007:
2003 B 5,000, 2003 C 15,000, 2006 A 28,000, 2006 B 30,000

MAURICE PETITJEAN (1954)

Executive Vice President, Flexibles, Films and Molded Fiber Europe since 2006
Education: Master of Science (Eng)
Joined the company: 2006
Shares 31.12.2007: -
Option rights 31.12.2007:
2006 A 20,000, 2006 B 40,000

HEIKKI TAKANEN (1952)

Chief Executive Officer until November 14, 2007
Education: Master of Science (Eng)
Joined the company: 2004
Shares 14.11.2007: 20,000
Option rights 14.11.2007: 2003 B 50,000, 2003 C 50,000, 2006 A 80,000, 2006 B 90,000

SAKARI AHDEKIVI (1963)

Chief Financial Officer (CFO) until June 30, 2007
Education: Master of Science (Econ)
Joined the company: 2005
Shares 30.9.2007: -
Option rights 30.9.2007: 2003 C 25,000

Investor information

Huhtamaki's share was quoted on the Helsinki Stock Exchange on the Nordic Large Cap list under the Materials sector until the end of 2007. From the beginning of 2008, Huhtamaki's share is quoted on the Nordic Mid Cap list for the same sector. The trading code is HUH1V and the ISIN code FI0009000459.

Annual General Meeting
The Annual General Meeting of Shareholders (AGM) of Huhtamäki Oyj will be held on Monday, March 31, 2008 at 16.30 (Finnish time) at Finlandia Hall, Mannerheimintie 13 e, Helsinki. The AGM will be conducted in Finnish and interpreted simultaneously into English.

A shareholder who on Friday, March 21, 2008, has been entered as shareholder into the shareholder register of the Company is entitled to attend the AGM. The record date for registration in the shareholder register not being a banking day (Good Friday) in Finland the shareholder has to be entered into the shareholder register on Thursday, March 20, 2008, at the latest. The holder of a share registered in the name of a nominee may be temporarily entered in the shareholder register by the aforementioned record date for the purpose of participating in the AGM.

A shareholder who wishes to attend the AGM must notify the Company of his or her intention to attend no later than on Wednesday, March 26, 2008 by 18.00 (Finnish time) by telephone (+358 (0)800 90026) on weekdays from 08.00 to 18.00 or by e-mail AGM@huhtamaki.com. The notification period starts on March 4, 2008. Possible proxies are requested to be sent to Huhtamäki Oyj, Annual General Meeting of Shareholders, Keilaranta 10, FI-02150 Espoo, Finland, prior to the expiry of the notification period.

Dividend proposal
The Board of Directors proposes to the AGM that for the financial year 2007 a dividend of EUR 0.42 per share be paid. The ex-dividend date is April 1, 2008, the record date for dividend payment is April 3, 2008 and the proposed dividend payment date is April 10, 2008.

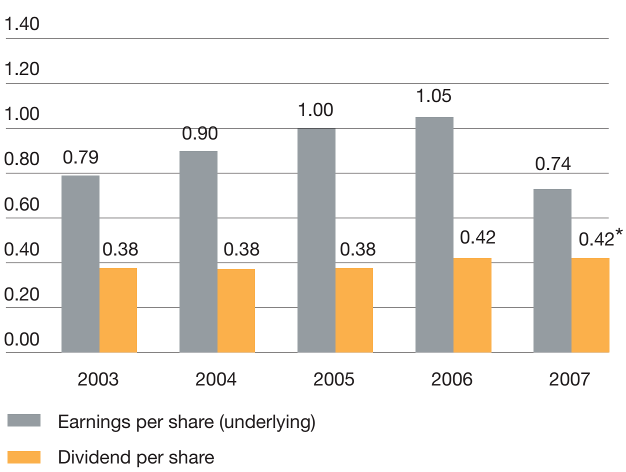
Publication of results
- » Interim Report January – March will be published on April 23, 2008
- » Interim Report January – June will be published on July 18, 2008
- » Interim Report January – September will be published on October 22, 2008

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
Kia Aejmelaeus
Head of Investor Relations
Tel.: +358 10 686 7819
E-mail: ir@huhtamaki.com

Earnings and dividend per share (EUR) 2003–2007



*Board's proposal

Figures are presented in accordance with IFRS. Underlying figures exclude goodwill and tangible asset impairment losses and restructuring charges.

Equity analysts covering Huhtamaki as of December 31, 2007

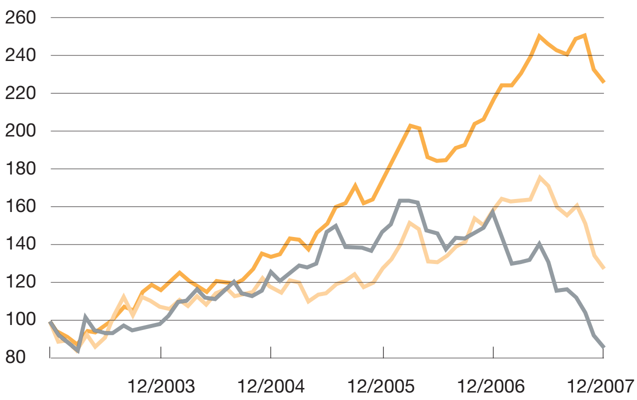
ABN AMRO, Helsinki
Carnegie, Helsinki
Danske Markets Equities, Helsinki
Deutsche Bank, Helsinki
eQ Bank Ltd, Helsinki
Evli Bank Plc, Helsinki
Glitnir, Helsinki
Goldman Sachs, London
Handelsbanken, Helsinki
Impivaara Securities, London
Inderes, Helsinki
Kaupthing Bank, Helsinki
Pohjola Bank plc, Helsinki
SEB Enskilda, Helsinki

Share data for 2007 (compared to 2006)

Market capitalization at year-end	EUR 857 million (EUR 1,570 million)
- excluding company's own shares	EUR 815 million (EUR 1,494 million)
Closing price at year-end	EUR 8.12 (EUR 14.88)
Volume weighted average share price	EUR 11.33 (EUR 14.35)
Highest share price on January 15, 2007	EUR 15.89 (EUR 16.73)
Lowest share price on December 28, 2007	EUR 7.65 (EUR 12.21)
Total turnover	EUR 1,483 million (EUR 1,086 million)
Total number of shares traded	131,050,556 (75,644,012)
Total number of outstanding shares	105,487,550 (unchanged)
- excluding company's own shares	100,426,461 (unchanged)

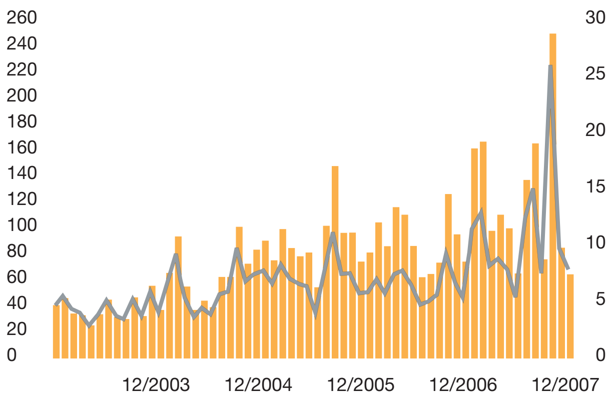
Additional share information can be found in the Annual Accounts.

Share price development 2003–2007



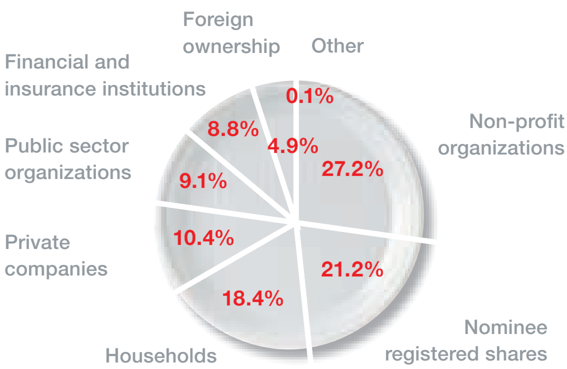
Huhtamaki
OMXH CAP PI
OMXH Materials PI

Turnover and trading development 2003–2007



Turnover (in EUR million, left hand scale)
Volume (number of shares traded in millions, right hand scale)

Ownership by category December 31, 2007



Shareholders

At year-end, there were 21,424 (21,582) registered shareholders. Nominee registrations including foreign ownership accounted for 26.1% (23.7%).

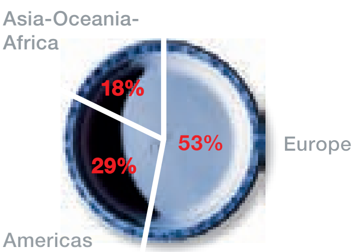
Largest registered shareholders December 31, 2007

	Shareholder name	Nr. of shares/ votes	%
1	The Finnish Cultural Foundation	16,110,196	15.3
2	Society of Swedish Literature in Finland	4,416,000	4.2
3	Ilmarinen Mutual Pension Insurance Company	2,540,793	2.4
4	The Association for the Finnish Cultural Foundation	2,150,000	2.0
5	Odin Norden	1,819,450	1.7
6	Varma Mutual Pension Insurance Company	1,764,369	1.7
7	Nordea Bank Finland Abp	1,559,165	1.5
8	Odin Forvaltning As/ Odin Europa Smb	1,222,265	1.2
9	Odin Förvaltning As	1,066,550	1.0
10	OP-Delta Fund	940,209	0.9
	Total 10 largest shareholders	33,588,997	31.8

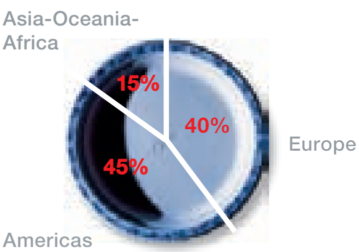
Excluding own shares acquired by Huhtamäki Oyj totalling 5,061,089 and representing 4.8% of the total number of shares.

Key figures

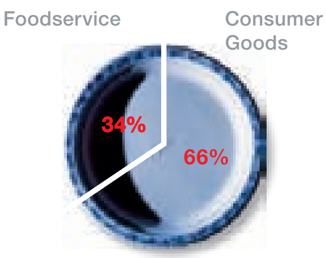
Net sales by region



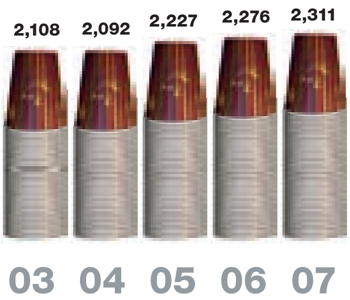
Underlying EBIT by region



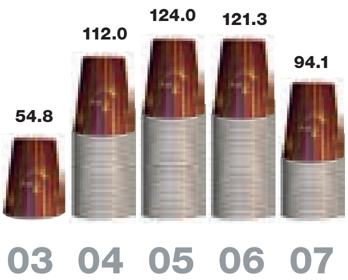
Net sales by business segment



Net sales (EUR million)

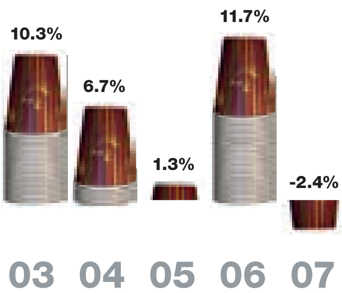


Result before taxes [1,2] (EUR million)

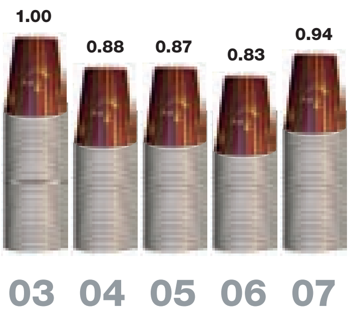


Personnel at year-end

Return on equity [1]



Net debt to equity

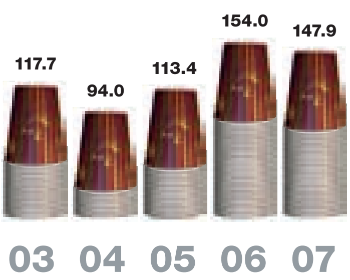


2003-2007 figures are presented in accordance with IFRS

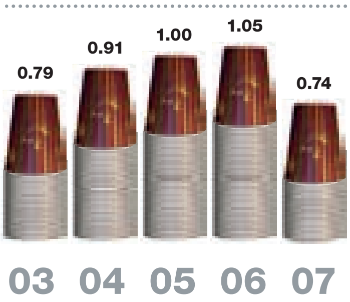
1) Figures until 2003 are adjusted for goodwill amortization.

2) 2007 figures do not include restructuring charge of EUR 4 million, goodwill impairment charge of EUR 47 million and tangible asset impairment charge of EUR 58 million.
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.

Capital expenditure (EUR million)



Earnings per share [1,2] (EUR)



Contact information

Huhtamäki Oyj
Keilaranta 10
FI–02150 Espoo
Finland

Tel. +358 (0) 10 686 7000
Fax +358 (0) 10 686 7992

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

HUHTAMAKI

www.huhtamaki.com

Business Identity Code: 0140879-6

Annual Accounts and Directors' Report 2007

HUHTAMAKI

Contents

Annual Accounts 2007

Annual report 2007

Huhtamaki's Annual Report comprises two separate booklets:
the Annual Report and the Annual Accounts.
A 2007 Sustainability Report is also available.

Announcements

Annual General Meeting

The Annual General Meeting of Shareholders (AGM) of Huhtamäki Oyj will be held on Monday, March 31, 2008 at 16.30 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 the matters specified in Article 8 of the Articles of Association as subject to the resolution by the AGM.

A shareholder who on Friday, March 21, 2008, has been entered as shareholder into the shareholder register of the Company is entitled to attend the AGM. The record date for registration in the shareholder register not being a banking day (Good Friday) in Finland the shareholder has to be entered into the shareholder register on Thursday, March 20, 2008, at the latest. The holder of a share registered in the name of a nominee may be temporarily entered in the shareholder register by the aforementioned record date 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 18 pm (Finnish time) on March 26, 2008. The Annual Accounts, the Directors' Report and the Auditors' Report are available at the Company's head office in Espoo at the address Keilaranta 10 as of March 4, 2008. 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 10, 2008 to a shareholder who on the record date April 3, 2008 is registered as a shareholder in the Company's shareholder register.

Financial calendar 2008

Huhtamäki Oyj will release the following financial reports for 2008 in Finnish and English:

April 23, 2008
–Interim Report January 1–March 31, 2008

July 18, 2008
–Interim Report January 1–June 30, 2008

October 22, 2008
–Interim Report January 1–September 30, 2008

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 2007, the overall market demand for consumer packaging was healthy in the emerging markets and stable in the majority of the mature markets. The Group net sales remained steady, while an unchanged operational result and an expected significant reduction in royalty income led to the underlying EBIT* coming below the previous year's level.

The underlying result improved in the Rigid business in Europe, and weakened in the Global Flexibles and Films businesses as well as in Asia-Oceania-Africa. Profitability remained on a good level in the Americas despite softer volumes in the second half of the year.

In the fourth quarter it was decided to book non-cash goodwill and tangible asset impairment losses of EUR 104 million, mostly related to the Rigid plastics production in Europe. These impacted the reported Group EBIT. The cash generation turned positive at year-end, and also net debt reduced significantly.

The Company's Chief Executive Officer resigned in November. Also a number of changes took place in the Group Executive Team during the year.

Business review by region

The Group net sales were EUR 2,311 million (+2% compared to year 2006). Sales performance was driven by a positive price/mix (+2%), especially in the beginning of the year. Volume development (+1%) picked up in the second half of the year. The impact from currencies (-2%) was negative throughout the year.

The geographical distribution of sales was the following: Europe 53% (52%), Americas 29% (31%) and Asia-Oceania-Africa 18% (17%).

Europe

In Europe, the Flexibles and Foodservice businesses were the main sales growth drivers. Growth opportunities in the Films business were not fully captured due to the implementation and stabilization of the new enterprise resource planning (ERP) platform. The sales performance in the Rigid Consumer Goods business varied during the year, however, with continued weakness in the UK and in Southern Europe. Within Foodservice business, sales growth remained healthy driven by Eastern Europe, which represented approximately 16% (11%) of the region's sales. Sales development in the Molded Fiber business was stable. For the full-year, the reported net sales were EUR 1,229 million (+3%) with a positive impact from volume (+2%) as well as minor impact from price/mix changes (+1%).

The region's underlying EBIT was EUR 56 million (+8%), corresponding to an EBIT margin of 4.6% (4.4%). This reflects improved performance in the Rigid business, which was boosted by a EUR 5 million gain, net of one-off costs, realized in the fourth quarter following the sale of the facility in Portadown, UK. The positive development was offset by lower profitability in the Films business, and a weaker price/mix development experienced in the second half of the year in the Flexibles business. The reported EBIT was EUR -23 million including goodwill impairment losses of EUR 32 million, tangible asset impairment losses of EUR 46 million and restructuring charges of EUR 1 million. The impairment losses resulted from the adjustment of book values to lower future cash flow expectations in the Rigid plastics business. The restructuring charges related to the closure of the site in Göttingen, Germany, that was completed during the second quarter of 2007 as part of an earlier restructuring program. In the previous year the reported EBIT of EUR 40 million included EUR 12 million in restructuring charges. On a rolling 12-month basis, the region's underlying return on net assets (RONA) was 6.9% (6.7%).

During the year, capacity expansion in Foodservice beverage cup production was completed in several locations in Europe. Different strategic options for the Consumer Goods business unit in the UK were decided to be considered.

Americas

In the Americas, sales growth in local currencies was solid in Retail, demonstrating the strong market position of the Chinet® brand. In the remaining Foodservice categories, growth picked up towards year-end as a result of new product introductions. Sales declined within Flexibles Pet food category and the Rigid Frozen desserts especially during the second half of the year due to the softness of market demand. In South America, which represented approximately 13% (14%) of the region's sales, growth was on a good level as a result of a favorable harvest season for fruit. For the full-year, the positive impact from price/mix changes (+6%) compensated for the decline in volume (-3%). The reported net sales of EUR 677 million (-5%) was depressed by currency translations (-7%).

The region's underlying EBIT was EUR 63 million (+3%), corresponding to an EBIT margin of 9.3% (8.6%). This includes approximately EUR 6 million received as damages compensation in the first quarter of 2007. On a comparable basis, the result reflects volume shortfall and negative currency impact largely compensated for by diligent price management and continued improvement in operational efficiency. The reported EBIT was EUR 46 million (EUR 61 million) including a goodwill impairment loss of EUR 5 million and tangible asset impairment losses of EUR 12 million. On a rolling 12-month basis, the region's underlying RONA was 11.7% (11.0%).

The new capacity added during the year to the flexibles packaging facility in Malvern, USA, is scheduled to be operational during the first quarter of 2008.

* The underlying EBIT excludes goodwill and tangible asset impairment losses and restructuring charges.

Asia-Oceania-Africa

In Asia-Oceania-Africa, favorable volume growth was driven by the Flexibles business, in which performance was solid in Thailand and accelerating during the year in India following the introduction of new capacity. In the Rigid businesses, sales performance was steady in Oceania but weak in South Africa and Asia. For the full-year, there was continued volume growth (+6%) and a positive impact from price/mix changes (+2%). The reported net sales were EUR 405 million (+8%) with a minor effect from currency translations (-1%). The emerging markets represented approximately 59% (43%) of the region's sales.

The region's underlying EBIT was EUR 21 million (-16%), corresponding to an EBIT margin of 5.1% (6.6%). This reflects profitability in Asia impacted by start-up costs associated with investments in new capacity as well as unfavorable margin development, especially in India. The reported EBIT was EUR 9 million including a goodwill impairment loss of EUR 10 million and restructuring charges of EUR 2 million related to the closure of the production site in Hong Kong, China. In the previous year the reported EBIT of EUR 24 million included EUR 0.3 million in restructuring charges. On a rolling 12-month basis, the region's underlying RONA was 6.0% (8.1%).

At the beginning of 2007, a new flexible packaging facility started production in Rudrapur, India. Another major project was the ongoing relocation of the rigid packaging production from Hong Kong to a new larger facility in Guangzhou, China, which is expected to be fully operational during the first half of 2008. Furthermore, the construction of a new flexible packaging facility in Bangkok, Thailand, was started during the year with production expected to commence around mid 2008. Different strategic options were decided to be considered for all of the operations in South Africa.

Financial review

For the full-year, the underlying Group EBIT before corporate items was EUR 140 million (EUR 138 million), corresponding to an EBIT margin of 6.1% (unchanged). Corporate net was EUR -4 million (EUR 20 million). Hence, the underlying EBIT was EUR 136 million (EUR 158 million), corresponding to an EBIT margin of 5.9% (6.9%). The reported EBIT was EUR 28 million including goodwill impairment losses of EUR 47 million, tangible asset impairment losses of EUR 58 million and final restructuring charges of EUR 4 million. In the previous year the reported EBIT of EUR 146 million included restructuring charges of EUR 12 million.

At EUR 43 million (EUR 37 million), the increase in net financial items was mainly due to higher level of debt. The income tax expense was EUR 6 million (EUR 13 million). The reported result for the period was EUR -20 million (EUR 97 million), and earnings per share (EPS) were EUR -0.22 (EUR 0.94).

The average number of outstanding shares used in the EPS calculation was 100,426,461 (99,169,003) excluding 5,061,089 (unchanged) Company's own shares.

On a rolling 12-month basis, the return on investment (ROI) was 1.8% (9.4%) and return on equity (ROE) was -2.4% (11.7%).

Balance sheet and cash flow

Free cash flow of EUR -28 million (EUR -8 million) was burdened mainly by an increase in working capital as well as the continued high level of capital expenditure. The cash flow generation improved, and turned positive, in the second half of the year. Total capital expenditure in 2007 amounted to EUR 148 million (EUR 154 million), corresponding to an investment rate of 150% (162%) of depreciation before impairments.

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

At the end of December 2007, net debt was EUR 749 million (EUR 711 million). This corresponds to a gearing ratio of 0.94 (0.83).

Strategic direction

The Group's strategic framework was defined further during 2007. The earlier confirmed financial targets for the Group remained unchanged. Earnings before interest and taxes (EBIT) margin is targeted at 9%, return on investment (ROI) target is 15%, gearing is at around 100%, and an average dividend payout ratio is 40%. Enhanced shareholder value will be created through focused growth, capitalizing on Huhtamaki's positions of strength.

Flexibles and Films will expand globally and be recognized as an innovative leader and best-in-class performer in chosen product and market segments. Investments will be targeted on strengthening the position especially in North America and Asia.

Rigid Food and Beverage Packaging will grow selectively with particular focus on Foodservice in Europe and Asia and Retail in North America. Huhtamaki's leading paper and fiber capabilities strengthen its position also as a supplier of sustainable packaging alternatives.

To support the strategic direction, capital expenditure will be prioritized in areas with highest potential for profitable growth, such as Asia and Eastern Europe. As a consequence of the focused strategy, Huhtamaki will decrease its presence in business areas that do not meet its profitability requirements or do not create value in the execution of the Group strategy. In the short-term, working capital reduction is a high priority within the Group.

Risks and uncertainties

Key risks are categorized to strategic, operational and financial risks. All major business units and other units, on rotation principle, participate in a regular risk analysis. Necessary measures are taken to mitigate the potential effects of risks. However, if such risks materialized, they could have material adverse effects on the Group's business, financial condition and operating result.

Key strategic risks are related to price management, execution of major change programs, and shifts in technologies and materials. Risks relating to price management include risks of sub-optimal pricing caused, for example, by raw material and energy price fluctuations or changes in clientele. Price management projects within this field have been continued. Careful project management aims to mitigate the risks related with major change programs, such as implementation of major business restructuring or development programs. During the year Huhtamaki has promoted collaboration between customers, R&D centers and business units in new product development projects in order to manage risks relating to shifts in technologies and materials. Environmental legal requirements on materials used in products and on disposables are strictly followed and the Group has adopted a global environmental policy supported by local manufacturing site level environmental procedures.

Key operational risks are destruction of production facilities, disruptions in raw material supply, product safety and quality risks, contractual risks and human resources risks. Special attention has been put on establishing systems and procedures to serve best practices deployment and compliance with these. Also Group-wide insurance programs have been maintained to govern insurable operational risks. The programs cover risks relating to property damage, business interruption, various liability exposures and cargo in the Group.

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 2007.

Sustainability

Huhtamaki adheres to its Group Environmental Policy in order to ensure globally consistent operating principles. This is complemented by more detailed corporate instructions and guidelines such as the code of conduct for Group suppliers. In addition, the Company is a signatory to the International Chamber of Commerce (ICC) Business Charter for Sustainable Development.

Environmental management activities are carried out primarily on the site level. All manufacturing sites regularly report on their environmental performance through environmental key performance indicators. From the total number of reporting manufacturing sites, 47% (51%) follow an externally certified environmental management system such as ISO 14001, the Eco-Management and Audit Scheme (EMAS) or an internally audited program such as the U.S. Environmental Care Program. The significant direct environmental aspects of operations are energy use, emissions into the air as well as solid waste.

Huhtamaki met its environmental targets, set in 2003 for 2007, on all dimensions except the volatile organic compounds (VOC) emissions. Increase in solvent based printing ink intensive production outweighed the emission reduction activities and investments taken.

The Group pursues continuous improvement in each of the economical, social and environmental dimensions of sustainability. During the reporting period new environmental objectives for the year 2011 were set. Customers are supported by offering biodegradable and compostable tableware, recyclable molded fiber products and lightweight flexible packaging.

Personnel

Huhtamaki had 15,092 (14,792) employees at year-end. The number of employees in Europe was 6,676 (6,731); the corresponding figure for the Americas was 3,830 (3,728) and for Asia-Oceania-Africa 4,586 (4,333). The average number of employees was 14,986 (14,749).

The parent company employed 794 (839) people at year-end, comprising of the Group and European head office in Espoo 71 (75) and the Finnish packaging operations 723 (764). The annual average was 825 (850).

Changes in Group Executive Team

Huhtamäki Oyj's Board of Directors and Chief Executive Officer (CEO) Heikki Takanen agreed on Heikki Takanen's resignation from the position of the Company's CEO as from November 14, 2007. With effect from the same date, the Board of Directors appointed Chief Financial Officer (CFO) Timo Salonen to act as an interim CEO. Furthermore, Clay Dunn, Executive Vice President, Americas, was appointed as the interim Chief Operating Officer (COO), to whom the regional Executive Vice Presidents report to. The Board of Directors commenced a process of recruiting a new CEO and the aforementioned appointments will be in force until the new CEO has been elected. Earlier in the year, following Sakari Ahdekivi leaving to join another company Timo Salonen was appointed as CFO with effect from July 1, 2007.

Resolutions taken by the Annual General Meeting in 2007

The Annual General Meeting of Shareholders (AGM) of Huhtamäki Oyj was held on April 12, 2007 in Helsinki, Finland. The meeting approved the Company's and consolidated financial statements for 2006 and discharged the members of the Board of Directors and the CEO from liability. The dividend for 2006 was set at EUR 0.42 per share, increasing by 11% from the previous year. The meeting approved the proposal of the Board of Directors regarding the amendment of the Articles of Association of Huhtamäki Oyj. The AGM granted the Board of Directors authorization to decide on the conveyance of the Company's own shares. The authorization is valid until December 31, 2009.

The Board of Directors was re-elected and comprises of the following persons: Ms. Eija Ailasmaa, Mr. George V. Bayly, Mr. Robertus van Gestel, Mr. Paavo Hohti, Mr. Mikael

Lilius, Mr. Anthony J.B. Simon and Mr. Jukka Suominen. The Board of Directors subsequently elected Mikael Lilius as the Chairman and Jukka Suominen as Vice Chairman.

Share capital and shareholders

At year-end 2007, the Company's registered share capital was EUR 358,657,670.00 (unchanged) corresponding to a total number of outstanding shares of 105,487,550 (unchanged) 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 (unchanged).

The ownership structure relating to the largest registered shareholders was not subject to major changes over the year. At the end of December 2007 there were 21,424 (21,582) registered shareholders. Nominee registrations including foreign ownership accounted for 26% (24%).

Share developments

The Company's share was quoted on the Helsinki Stock Exchange on the Nordic Large Cap list under the Materials sector until the end of 2007. From the beginning of 2008, the Company's share is quoted on the Nordic Mid Cap list for the same sector.

At the end of December 2007, the Company's market capitalization was EUR 857 million (EUR 1,570 million) and EUR 815 million (EUR 1,494 million) excluding Company's own shares. With a closing price of EUR 8.12 (EUR 14.88) the share price decreased by 45% (+7%) from the beginning of the year, while the OMX Helsinki CAP PI Index increased by 4% (+25%). During the period, the highest price paid for the Company's share was EUR 15.89 on January 15, 2007 (EUR 16.73 on April 7, 2006), and the lowest price paid was EUR 7.65 on December 28, 2007 (EUR 12.21 on June 13, 2006). The volume weighted average price was EUR 11.33 (EUR 14.35).

The cumulative value of the Company's share turnover was EUR 1,483 million (EUR 1,086 million). The trading volume of 131 million (76 million) shares equalled an average daily turnover of EUR 6 million (EUR 4 million) or, correspondingly 524,202 (301,371) shares.

In total, turnover of the Company's 2003 A, B and C option rights was EUR 4 million, corresponding to a trading volume of 1,138,781. In 2006, turnover of the Company's 2000 A, B and C as well as 2003 A and B option rights was EUR 15 million, corresponding to a trading volume of 1,252,614. The Company's 2003 C option rights were listed on the Helsinki Stock Exchange on May 2, 2007.

Information provided pursuant to the Securities Market Act, Chapter 2, Section 6 b

Information required under the Securities Market Act, Chapter 2, Section 6 b is presented in Note 21 to the Annual Accounts 2007.

Events after the reporting period

Pii Kotilainen, Senior Vice President, Human Resources, and member of the Group Executive Team resigned as from March 31, 2008. Eric Le Lay was appointed Executive Vice President, Europe Rigid and a member of the Group Executive Team, effective from March 12, 2008, following the retirement of Walter Günter.

Possible remuneration based on the performance share incentive plan established on February 7, 2006 would have become payable in 2008. However, the targets set forth in the performance share incentive plan for a determined earnings period have not been reached and no remuneration will be paid under the plan.

On February 13, 2008 the Board of Directors of the Company decided on establishing a new performance share incentive plan to form part of the incentive and commitment program for the key personnel of the Company and its subsidiaries. The plan offers a possibility to earn the Company's shares as remuneration for achieving targets established for the earnings criteria. The plan includes three (3) earnings periods which are calendar years 2008, 2009 and 2010. A possible remuneration shall be paid during the calendar year following each earnings period. The incentive plan is directed to approximately 20 persons. The aggregate maximum of 720,000 shares and a cash payment equivalent to taxes arising from the reward to the key personnel may be granted under the plan. As the cash proportion of the reward shall, however, be paid an amount equivalent to the transfer date value of the distributable shares in the maximum. The plan requires a receiver to own the shares at least two years following the grant. A receiver must also after the restriction period continue to own the shares at least in an amount equivalent to the value of 50% of his/her annual gross salary, for a period lasting until the end of the employment or service.

Outlook for 2008

In 2008, Group EBIT is expected to be at the level of the underlying EBIT in 2007 (EUR 136 million). Group EBIT in the first quarter is estimated to be lower than in the same period in the previous year. Capital expenditure is expected to be clearly lower than in 2007 (EUR 148 million).

Volatile raw material and energy prices as well as movements in currency translations are considered to be relevant short-term business risks and uncertainties in the Group's operations.

Annual General Meeting 2008

The Annual General Meeting of Shareholders will be held on Monday, March 31, 2008, at 4.30 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 (unchanged) per share be paid.

Consolidated annual accounts 2007

Group income statement (IFRS)

EUR million	Note	2007	%	2006	%
Net sales	**2**	**2,311.0**	**100.0**	**2,275.6**	**100.0**
Cost of goods sold	1	-2,028.0		-1,946.4	
Gross profit		**283.0**	**12.2**	**329.2**	**14.5**
Other operating income	3	31.9		56.2	
Sales and marketing	1	-83.6		-82.8	
Research and development	1	-17.8		-19.3	
Administration costs	1	-122.6		-126.5	
Other operating expenses	1,4	-62.8		-11.3	
		-254.9		-183.7	
Earnings before interest and taxes	**5,6**	**28.1**	**1.2**	**145.5**	**6.4**
Financial income	7	9.2		11.0	
Financial expenses	7	-51.7		-47.8	
Income from associated companies		0.4		0.5	
Result before taxes		**-14.0**	**-0.6**	**109.2**	**4.8**
Income tax expense	8	-6.2		-12.6	
Result for the period		**-20.2**	**-0.9**	**96.6**	**4.2**
Attributable to:					
Equity holders of the parent company		-22.5		93.3	
Minority interest		2.3		3.3	
Basic earnings per share (EUR) for the shareholders of the parent company	9	-0,22		0.94	
Diluted earnings per share (EUR) for the sharehold-ers of the parent company		-0,22		0.93	

Key exchange rates in Euros

		2007		2006	
		Income statement	Balance sheet	Income statement	Balance sheet
Australia	AUD	0.6115	0.5968	0.6000	0.5991
Brazil	BRL	0.3755	0.3851	0.3662	0.3556
UK	GBP	1.4609	1.3636	1.4667	1.4892
India	INR	0.0177	0.0173	0.0176	0.0172
Poland	PLN	0.2643	0.2783	0.2568	0.2610
United States	USD	0.7295	0.6793	0.7964	0.7593

Group balance sheet (IFRS)

ASSETS

EUR million	Note	2007	%	2006	%
Non-current assets					
Goodwill	10	471.9		525.2	
Other intangible assets	10	41.4		35.1	
Tangible assets	11	799.3		840.1	
Investments in associated companies	12	1.5		1.5	
Available for sale investments	14	1.9		1.8	
Interest bearing receivables	15	0.9		6.6	
Deferred tax assets	16	13.7		14.1	
Employee benefit assets	17	59.2		64.0	
Other non-current assets		4.8		5.0	
		1,394.6	**63.6**	**1,493.4**	**65.8**
Current assets					
Inventory	18	348.5		341.8	
Interest bearing receivables	15	4.6		0.5	
Current tax assets		17.9		9.9	
Trade and other current receivables	19	394.8		400.7	
Cash and cash equivalents	20	30.8		22.3	
		796.6	**36.4**	**775.2**	**34.2**
Total assets		**2,191.2**	**100.0**	**2,268.6**	**100.0**

EQUITY AND LIABILITIES

EUR million		2007	%	2006	%
Share capital	21	358.7		358.7	
Premium fund		104.7		104.7	
Treasury shares		-46.5		-46.5	
Translation differencies	22	-121.1		-106.7	
Fair value and other reserves	22	1.4		2.1	
Retained earnings		475.7		528.8	
Total equity attributable to equity holders of the parent company		**772.9**	**35.3**	**841.1**	**37.1**
Minority interest		20.5	0.9	19.3	0.8
Total equity		**793.4**	**36.2**	**860.4**	**37.9**
Non-current liabilities					
Interest bearing liabilities	23	401.1		314.7	
Deferred tax liabilities	16	38.8		62.9	
Employee benefit liabilities	17	108.8		111.4	
Provisions	24	60.3		46.8	
Other non-current liabilities		4.3		3.9	
		613.3	**28.0**	**539.7**	**23.8**
Current liabilities					
Interest bearing liabilities					
Current portion of long term loans	23	17.9		41.7	
Short term loans	23	365.7		383.7	
Provisions	24	8.0		11.9	
Current tax liabilities		21.1		19.7	
Trade and other current liabilities	25	371.8		411.5	
		784.5	**35.8**	**868.5**	**38.3**
Total liabilities		**1,397.8**	**63.8**	**1,408.2**	**62.1**
Total equity and liabilities		**2,191.2**	**100.0**	**2,268.6**	**100.0**

Group cash flow statement (IFRS)

EUR million	2007	2006
Result for the period	**-20.2**	**96.6**
Adjustments	243.2	126.9
Depreciation, amortization and impairment	203.3	101.5
Gain on equity of minorities	-0.4	-0.5
Gain/loss from disposal of assets	-8.1	0.1
Financial expense/-income	42.5	36.8
Income tax expense	6.2	12.6
Other adjustments, operational	-0.3	-23.6
Change in inventory	-14.8	-44.1
Change in non-interest bearing receivables	-3.7	-9.7
Change in non-interest bearing payables	-38.5	19.3
Dividends received	0.9	1.0
Interest received	1.3	2.7
Interest paid	-42.7	-38.0
Other financial expenses and income	-1.1	0.7
Taxes paid	-18.6	-16.3
Net cash flows from operating activities	**105.8**	**139.1**
Capital expenditure	-147.9	-154.0
Proceeds from selling fixed assets	14.3	6.5
Divested subsidiaries	-	22.9
Proceeds from long-term deposits	7.2	1.6
Payment of long-term deposits	-6.1	-3.9
Proceeds from short-term deposits	11.5	24.8
Payment of short-term deposits	-11.0	-8.1
Net cash flows from investing	**-132.0**	**-110.2**
Proceeds from long-term borrowings	520.2	409.0
Repayment of long-term borrowings	-434.4	-495.5
Proceeds from short-term borrowings	2,987.4	2,612.7
Repayment of short-term borrowings	-2,995.0	-2,543.6
Dividends paid	-42.2	-37.5
Proceeds from stock option exercises	-	13.5
Net cash flows from financing	**36.0**	**-41.4**
Change in liquid assets	**8.5**	**-15.3**
Cash flow based	9.8	-12.5
Translation difference	-1.3	-2.8
Liquid assets on January 1	22.3	37.6
Liquid assets on December 31	30.8	22.3

Statement of changes in shareholders' equity

EUR million	Share capital	Share issue premium	Treasury shares	Translation difference	Fair value and other reserves	Retained earnings	Total equity	Minority interest	Total
	Attributable to equity holders of the parent company								
Balance at Dec 31, 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
Income and expense recognized directly in equity				-30.4	2.2	-3.6	-31.8	-2.4	-34.2
Result 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 Dec 31, 2006	358.7	104.7	-46.5	-106.7	2.1	528.8	841.1	19.3	860.4
Cash flow hedges									
Hedge result deferred to equity					0.5		0.5		0.5
Hedge result recognized in income statement*					-3.7		-3.7		-3.7
Hedge result transferred to carrying amount of hedged items					1.7		1.7		1.7
Translation differences				-14.4			-14.4	-1.1	-15.5
Deferred tax in equity					0.8		0.8		0.8
Other changes						10.0	10.0		10.0
Income and expense recognized directly in equity				**-14.4**	**-0.7**	**10.0**	**-5.1**	**-1.1**	**-6.2**
Result for the period						-22.5	-22.5	2.3	-20.2
Total recognized income and expense for the period				**-14.4**	**-0.7**	**-12.5**	**-27.6**	**1.2**	**-26.4**
Dividend						-42.2	-42.2		-42.2
Share-based payments						1.6	1.6		1.6
Stock options exercised									
Balance at Dec 31, 2007	**358.7**	**104.7**	**-46.5**	**-121.1**	**1.4**	**475.7**	**772.9**	**20.5**	**793.4**

*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 Keilaranta 10, 02150 Espoo, Finland.

These group consolidated financial statements were authorized for issue by the Board of Directors on February 13, 2008.

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, 2007. 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, 2007

- IAS 1 Presentation of Financial Statements: Capital disclosures. The amendment to IAS 1 requires information about equity and equity management during the accounting period. The change has increased notes in annual accounts.
- IFRIC 8 Scope of IFRS 2 Share-Based Payments. The interpretation will apply to share-based payments, where the received compensation will be below the fair value of granted equity instrument. The interpretation does not have any impact on the Group's financial statements.
- IFRIC 9 Reassessment of Embedded Derivatives. The interpretation prohibits the reassessment of whether embedded derivatives should be separated from the host contract, unless there is a change in the term of the contract that significantly modifies the cash flows under the contract. This interpretation does not have effect on financial statements.
- IFRIC 10 Interim Financial reporting and Impairment. IFRIC 10 prohibits the impairment losses recognized in interim period on goodwill and investment in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This Interpretation does not have any impact on the Group's financial statements.

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 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 recognized in same account as underlying transaction above Earnings before interest and taxes. Foreign exchange differences relating to financial liability are recognized 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 recognized 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 and derivative instruments, which not fulfill IAS 39 hedge accounting requirements, 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 in fair value reserves. Fair value changes are transferred from equity to income statement, when the investment is sold or its value has been impaired so that related impairment loss should be recognized. 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. A provision for impairment of trade receivables is established, when there is objective evidence that the group will not be able to collect all amounts due according to original terms of receivables. When the trade receivable is uncollectible, it is written of against provision.

Interest bearing borrowings are classified as other liabilities. Interest bearing borrowings are originated loans and bank 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 has 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 derecognized at transaction date, when actual emissions are defined.

Periods of amortization used:

Intangible rights	up to 20 (years)
Software	3–8 (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 labor and an appropriated proportion of production overheads. When an asset includes major components that have different useful lives, they are accounted for as separate items.

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

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

The estimated useful lives are:

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

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

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

Impairment

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

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

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

In respect of tangible assets and other intangible assets excluding goodwill, impairment losses recognized 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 installment payment of liability or receivable. Rental payments and rental income under operating leases are charged to the income statement.

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

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 labor, 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 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. The liability recognized 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 unrecognized actuarial gains and losses and past service costs.

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.

Past-service costs are recognized 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 recognized in income statement. The proceeds received when options are exercised, are credited to share capital (book value equivalent) and share premium.

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 is 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 recognized directly to equity, is recognized 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 recognized 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 recognized in the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor 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 are 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 and goodwill impairment losses.

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 recognized in the period, they are changed. The estimates and assumptions that have a significant risk of causing 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 2008 but which the Group has not adopted:

- 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 change will affect Group's segment reporting as currently geographical segments are primary segments. The Group will apply this standard beginning January 1, 2008.
- IAS 23 Borrowing costs (effective from January 1, 2009).The amendment requires capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of asset. Group's estimate is that the amendment will not have substantial impact to Group result. Group will apply the amendment for periods beginning after January 1, 2009.
- IAS 1 Presentation of Financial Statements -amendment (effective from January 1, 2009). Amended standard will change the presentation of Financial Statements. Group's estimate is that the amendment will change the presentation of income statement and statement of changes in shareholders' equity. Group will apply the amendment for periods beginning after January 1, 2009.
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions (effective from March 1, 2007). New interpretation clarifies how share based transactions should be presented in stand alone accounts of subsidiaries. This interpretation does not have an impact on the Group's consolidated financial statements.
- IFRIC 12 Service Concession Arrangements (effective from January 1, 2008). The Group does not have applicable contract with public sector, so the interpretation does not affect Group's financial statements.
- IFRIC 13 Customer Loyalty Programmes (effective from July 1, 2008). The interpretation addresses the accounting by entities that operate customer loyalty programmes with their customers. The interpretation is not expected to have any impact to consolidated financial statements. Group will apply this interpretation in accounting period starting January 1, 2009.
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding requirements and their Interaction (effective from January 1, 2008). The interpretation provides guidance on assessing the amount of the surplus that can be recognized as defined benefit asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. Group has not yet assessed the possible effect of the interpretation. Group will apply the interpretation from January 1, 2008.

Notes to the consolidated financial statements

1. RESTRUCTURING COSTS

The restructuring costs are part of earlier restructuring programs. The costs related to the closure of the site in Göttingen, Germany, that was completed during second quarter and relocation of the rigid packaging production from Hong Kong to Guangzhou, China.

Restructuring costs represent the costs of site 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	2007	2006
Cost of goods sold	3.7	11.4
Sales and marketing	-	0.1
Research and development	-	0.2
Administration costs	-	0.1
Other operating expenses	-	0.3
Total	**3.7**	**12.1**

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 Segment 2007

EUR million	Europe	Americas	AOA	Unallocated	Consolidated
Net Sales	1,229.4	676.8	404.8	-	2,311.0
EBIT *	-22.7	46.0	8.6	-3.8	28.1
Assets	1,043.7	609.3	415.8	122.4	2,191.2
Liabilities	288.8	109.7	75.9	923.4	1,397.8
Capital Expenditure	67.0	41.4	39.5	-	147.9
Depreciations	51.6	26.1	20.8	0.4	98.9
* includes restructuring cost of	1.4	-	2.3	-	3.7
* includes goodwill impairment of	31.6	5.1	9.9	-	46.6
* includes tangible asset impairment of	46.0	11.7	-	-	57.7

Geographical Segment 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

Business Segments 2007

EUR million	Consumer Goods	Food Service	Unallocated	Consolidated
Net Sales	1,513.7	797.3	-	2,311.0
EBIT *	17.7	14.2	-3.8	28.1
Assets	1,383.9	684.9	122.4	2,191.2
Capital Expenditure	92.4	55.5	-	147.9
* includes restructuring cost of	1.4	2.3	-	3.7
* includes goodwill impairment of	36.6	10.0	-	46.6
* includes tangible asset impairment of	41.2	16.5	-	57.7

Business Segments 2006

EUR million	Consumer Goods	Food Service	Unallocated	Consolidated
Net sales	1,495.3	780.3	–	2,275.6
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

3. OTHER OPERATING INCOME

EUR million	2007	2006
Royalties	6.9	22.4
Release of provisions	0.3	2.7
Leasing Income	0.8	1.2
Insurance compensations	0.3	10.9
Grants	0.8	1.5
Gain on Disposal of fixed assets	8.7	2.6
Divested subsidiaries	-	2.5
Other	14.1	12.4
TOTAL	**31.9**	**56.2**

4. OTHER OPERATING EXPENSES

EUR million	2007	2006
Amortization other intangible assets	6.0	2.6
Impairment of goodwill	46.6	-
Restructuring writedowns	-	0.3
Other	10.2	8.4
TOTAL	**62.8**	**11.3**

5. EMPLOYEE BENEFIT EXPENSE

EUR million	2007	2006
Wages and Salaries	408.4	407.8
Compulsory social security contributions	46.4	47.5
Pensions		
Defined benefit plans	12.5	7.4
Defined contribution plans	15.4	15.5
Other post employment benefits	6.8	7.6
Share based payments	1.6	1.4
Other personnel costs	19.4	33.7
TOTAL	**510.5**	**520.9**

Remuneration paid by the parent company to the members of the Board of Directors as well as the CEO of Huhtamaki Oyj (8 people).	**1.2**	**1.3**

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

Average number of personnel	2007	2006
Group	14,986	14,749
Huhtamäki Oyj	825	850

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

EUR million	2007	2006
Depreciation and amortization by function:		
Production	86.3	87.3
Sales and marketing	0.2	0.3
Research and development	0.5	0.5
Administration	1.7	4.0
Other	10.2	3.2
Total	**98.9**	**95.3**
Depreciation and amortization by asset type:		
Buildings	10.4	10.4
Machinery and equipment	82.5	82.2
Other intangible assets	6.0	2.7
Total	**98.9**	**95.3**
Impairments by asset type:		
Buildings	6.7	-
Machinery and equipment	51.0	-
Goodwill	46.6	-
Total impairments	**104.3**	**-**

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	2007	2006
Interest income on bank deposits	1.2	2.0
Interest income on loans and other receivables	-	1.1
Dividend income on available for sales asset	0.5	0.2
Fair value gain on cash flow hedge	-	0.1
Gain on fair value hedges	0.2	0.1
FX revaluation gains on interest bearing assets and liabilities	7.3	7.5
Other financial income	7.5	7.7
Interest expense on liabilities	-44.7	-40.4
Fair value loss on cash flow hedges	-	-0.1
Loss on fair value hedges	-0.7	-0.4
FX revaluation losses on interest bearing assets and liabilities	-5.6	-6.0
Bank fees, taxes and stock exhange expenses	-0.7	-1.0
Other financial expense	-7.0	-7.4
Total	**-42.5**	**-36.8**

8. INCOME TAXES

EUR million	2007	2006
Current Period taxes	23.1	17.8
Previous period taxes	1.4	9.6
Deferred tax expense	-18.3	-14.8
Total	**6.2**	**12.6**
Result before taxes	-14.0	109.2
Tax calculated at domestic rate	-3.7	28.4
Effect of different tax rates in foreign subsidiaries	2.6	-1.8
Income not subject to tax	-8.7	-13.8
Expenses not deductible for tax purposes	9.2	4.4
Utilization of previously unrecognised tax losses	-0.6	-13.3
Previous period taxes	4.5	9.6
Other items	2.9	-0.9
Total tax charge	**6.2**	**12.6**

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the result 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	2007	2006
Result attributable to equity holders of the parent company (basic/diluted)	-22.5	93.3

Thousands of shares	2007	2006
Weighted average number of shares outstanding	100,426	99,169
Effect of issued share options	261	1,017
Diluted weigted average number of shares outstanding	100,687	100,186
Basic earnings per share (EUR)	-0.22	0.94
Diluted earnings per share (EUR)	-0.22	0.93

10. INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangible assets (incl. software)	Total 2007
Acquisition cost at January 1, 2007	557.9	4.1	60.7	**622.7**
Additions	-	0.3	2.3	**2.6**
Disposals	-	-1.2	-0.5	**-1.7**
Intra-balance sheet transfer	-	-	11.2	**11.2**
Changes in exchange rates	-12.4	-0.1	-0.9	**-13.4**
Acquisition cost at December 31, 2007	545.5	3.1	72.8	**621.4**
Accumulated amortisation and impairment at January 1, 2007	32.7	1.1	28.6	**62.4**
Accumulated amortisation on disposals and transfers	-	-0.1	-0.4	**-0.5**
Amortisation during the financial year	-	0.1	5.9	**6.0**
Impairments	46.6	-	-	**46.6**
Changes in exchange rates	-5.7	-0.1	-0.6	**-6.4**
Accumulated amortisation and impairment at December 31, 2007	73.6	1.0	33.5	**108.1**
Book value at December 31, 2007	471.9	2.1	39.3	**513.3**

EUR million	Goodwill	Intangible rights	Other intangibles (including 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 amortisation at January 1, 2006	32.7	1.4	30.5	**64.6**
Accumulated amortisation and impairment on disposals and transfers	-	-0.4	-4.0	**-4.4**
Amortisation during the financial year	-	0.1	2.6	**2.7**
Impairments	-	-	-	**-**
Changes in exchange rates	-	-	-0.5	**-0.5**
Accumulated amortisation and impairment 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**

For write-off and impairment of goodwill, see Notes 1 and 6.

Emission rights are included in other intangible assets and are valued at fair value at 2. January 2007. The value of emission rights included in balance sheet closing data was 0.3 million euros. The Group has not sold any emission rights by book closing 2007. 146,692 emission rights has been allocated to the Group for the commitment period 2005–2007. In 2007 the emission allowance surplus was 2,461 allowances.

Impairment charge

During accounting period in Rigid Europe unit 77.6 MEUR impairment losses have been recognized based on value in use calculation. 31.6 MEUR of impairment loss has been allocated to goodwill and 46.0 MEUR to tangible asset. Reasons for impairment losses were substantially lower future cash flow estimates due to continued weakness in UK and South Europe sales performance and profitability expectations and write-downs for some separate machines due to low utilization rate.

In North America unit 11.7 MEUR impairment loss has been recognized relating to tangible asset in Plastics operations due to write downs of planned businessline disposal. Recognition is based on fair value of the assets.

Addition to that 15.0 MEUR impairment loss relating to goodwill has been recognized in multiple units with smaller goodwill due to lower future cash flow estimates.

Impairment losses relating to tangible assets are included in income statement in line Cost of goods sold and impairment losses relating to goodwill in line Other operating expenses. In 2006 no impairment charge is recognized based on impairment testing.

Impairment test for cash-generating units containing goodwill

Goodwill acquired through business combinations has been allocated to the level of cash-generating unit that is expected to benefit the synergies of the acquisition. Goodwill has been allocated to following cash-generating units:

EUR million	2007	2006
North America	185.6	192.5
Rigid Europe	34.5	66.2
FFF Europe	174.4	174.4
	394.5	433.1
Other units with allocated goodwill	77.4	92.1
Total	**471.9**	**525.2**

Other units with goodwill represent smaller scale units in other geographic regions.

Goodwill is tested for impairment annually or more frequently if there are indications that amounts might be impaired. In assessing whether goodwill has been impaired, the carrying value of the cash generating unit has been compared to with the recoverable amount of the cash generating unit. The recoverable amount is based on value in use, which is estimated using a discounted cash flow model.

The cash flows are dermined using five year cash flow budgets, which are based on business plans. The plans are based on past experience as well as future expected market trend. The plans are approved by Management and are valid when impairment test is performed. Cash flows for future periods are extrapolated using a one per cent growth rate. Management view this growth rate as being appropriate for the business, given the long time horizon of the testing period. This growth rate has been applied consistently to all cash generating units.

The pre-tax discount rate used in calculations reflects the weighted average cost of capital and risks to the asset under review. The pre-tax discount rates used in discounting the projected cash flows are as follows: North America 9.0 (2006: 9.2) percent, Rigid Europe 10.6 (2006: 9.4) percent and FFF Europe 9.7 (2006: 9.1) percent. The pre-tax discount rates used in the smaller scale units with smaller goodwill range from 7.7 percent to 18.9 percent (2006: from 7.7 to 22.0 percent).

Sensitivity analysis around the base assumptions have been performed and management believes that any reasonably possible change in any other than Rigid Europe units' key assumptions would not cause carrying amount of cash generating unit to exceed its recoverable amount.

11. TANGIBLE ASSETS

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2007
Acquisition cost at January 1, 2007	26.9	280.9	1,075.8	110.9	54.9	**1,549.4**
Additions	1.4	7.1	21.1	113.9	1.8	**145.3**
Disposals	-1.2	-3.0	-30.7	-0.2	-6.1	**-41.2**
Intra-balance sheet transfer	-	17.8	105.9	-133.0	-2.1	**-11.4**
Changes in exchange rates	-0.5	-6.5	-39.2	0.6	-0.7	**-46.3**
Acquisition cost at December 31, 2007	26.6	296.3	1,132.9	92.2	47.8	**1,595.8**
Accumulated depreciation and impairment losses at January 1, 2007	1.0	98.0	574.9	-	35.4	**709.3**
Accumulated depreciation on disposals and transfers	-	0.3	-24.3	-	-12.2	**-36.2**
Depreciation during the financial year	0.1	10.3	77.6	-	4.9	**92.9**
Impairments	-	6.7	50.6	-	0.4	**57.7**
Changes in exchange rates	-0.1	-2.6	-24.0	-	-0.5	**-27.2**
Accumulated depreciation and impairment losses at December 31, 2007	1.0	112.7	654.8	-	28.0	**796.5**
Book value at December 31, 2007	25.6	183.6	478.1	92.2	19.8	**799.3**
Value of Financial leased items included in bookvalue 2007	-	0.6	0.4	-	-	**1.0**

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	-	-	-	-	-	**-**
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 December 31,2006	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**

12. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has investments in the following associates:

Company	Country	Ownership 2007	Ownership 2006
Arabian Paper Products Co.	Saudi-Arabia	40.0%	40.0%
Hiatus B.V.	Netherlands	50.0%	50.0%

EUR million	2007	2006
Book value at January 1	1.5	1.7
Share of results	0.4	0.5
Dividends	-0.4	-0.7
Book value at December 31	1.5	1.5

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

2007

EUR million	Assets	Liabilities	Equity	Net Sales	Profit for the period
Arabian Paper Products Co., Saudi-Arabia	4.9	3.0	2.6	8.8	1.0
Hiatus B.V., Netherlands	2.5	1.1	1.4	2.4	0.4

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

13. JOINT VENTURES

The Group has investments in the following joint ventures:

Company	Ownership 2007	Ownership 2006
Huhtamaki EarthShell A.p.S., Denmark (liquidated 2007)	-	50.0%
Laminor S.A., Brazil	50.0%	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	2007	2006
Non-current assets	5.4	5.4
Current assets	4.8	6.1
Non-current liabilities	-0.3	-1.7
Current liabilities	-5.8	-7.1
Net assets/ (liabilities)	4.1	2.7
Income	17.5	19.6
Expenses	-16.4	-18.8
Profit for the period	1.1	0.8

14. AVAILABLE-FOR-SALE INVESTMENTS

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

EUR million	2007	2006
Book value at January 1	1.8	1.8
Additions	-	-
Change in fair value	0.1	-
Book value at December 31	1.9	1.8

15. INTEREST BEARING RECEIVABLES

	2007		2006	
EUR million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Current				
Loan receivables	4.2	4.2	0.1	0.1
Finance lease receivables	0.4	0.4	0.4	0.4
Current interest bearing receivables	4.6	4.6	0.5	0.5
Non-Current				
Loan receivables	0.1	0.1	5.8	5.8
Finance lease receivables	0.8	0.8	0.8	0.8
Non-Current interest bearing receivables	0.9	0.9	6.6	6.6

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	2007	2006
Finance lease receivable is payable as follows:		
In less than one year	0.5	0.5
Between one and five years	0.9	0.9
Total minimum lease payments	**1.4**	**1.5**
Present value of minimum lease payments		
In less than one year	0.4	0.4
Between one and five years	0.8	0.8
Total present value of minimum lease payments	**1.2**	**1.2**
Unearned future financial income	0.2	0.2

Finance lease receivables relates to packaging machines leased to customers.

16. DEFERRED TAXES

EUR million	2007	2006
Deferred Tax assets by types of temporary differences		
Tangible assets	2.9	3.5
Employee benefit	19.4	19.3
Provisions	2.4	4.4
Unused tax losses	20.4	15.1
Other temporary differences	19.1	19.9
Total	**64.2**	**62.2**
Deferred tax liabilities		
Tangible assets	51.9	67.0
Employee benefit	21.7	24.2
Other temporary differences	15.7	19.8
Total	**89.3**	**111.0**
Net deferred tax liabilities	25.1	48.8
Reflected in balance sheet as follows:		
Deferred tax assets	13.7	14.1
Deferred tax liabilities	38.8	62.9
Total	**25.1**	**48.8**

December 31, 2007 the Group had EUR 115 million (2006: EUR 158 million) worth of deductable temporary differences, for which no deferred tax asset was recognised. EUR 88 million of these temporary differences have unlimited expiry and EUR 27 million expire later than in five years.

Deferred taxes recognized directly in equity are presented 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	2007	2006
The amounts recognized in the Balance sheet:		
Present value of funded obligations	355.0	402.9
Fair value of plan assets	-350.5	-362.5
Present value of unfunded obligations	56.5	66.7
Unrecognised actuarial gains(-) and losses (+)	-11.7	-59.9
Unrecognised assets	0.2	0.2
Net asset(-) or liability(+)	**49.6**	**47.4**
Reflected to Balance Sheet as follows:		
Pension assets	59.2	64.0
Pension liabilities	108.8	111.4
Expenses recognised in the income statement:		
Current service cost	10.0	9.0
Interest cost	21.5	21.1
Expected return on plan assets	-20.6	-21.2
Actuarial gains (-) and losses (+)	1.6	2.2
Recognized past service costs	0.1	-0.1
Effect of any curtailments or settlements	-0.1	-3.6
Total defined benefit expenses	**12.5**	**7.4**
Actual return of pension assets	21.9	25.5
The expenses of defined benefit plans are allocated by function as follows:		
Cost of goods sold	7.5	4.7
Sales and marketing	1.2	0.7
Administration costs	3.8	2.0
Functional split of expense	**12.5**	**7.4**
Movements in the present value of the defined benefit obligation:		
Defined benefit obligation at January 1	469.5	480.5
Translation difference	-22.5	-14.2
Service cost	10.5	11.6
Interest cost	21.1	21.8
Actuarial losses (+) gains (-)	-43.6	12.2
Losses (+) gains (-) on curtailments or settlements	-0.1	-14.8
Liabilities extinguished on settlements	-0.1	-0.6
Benefits paid	-23.2	-26.9
Defined benefit obligation at December 31	**411.7**	**469.6**

Movement in the fair value of the plan assets are as follows:	2007	2006
Fair value of plan assets at January 1	-362.5	-375.0
Translation difference	21.5	13.8
Expected return on plan assets	-20.8	-22.9
Actuarial losses (+) gains (-)	1.0	-3.6
Assets distributed on settlements	0.2	12.6
Contribution by employer	-3.1	-3.1
Contribution by employee	-1.4	-1.7
Benefits paid	14.7	17.4
Fair value of plan assets at December 31	**-350.5**	**-362.5**

Expected contribution to defined contribution plans during 2008 are 15,4 million euros.

The major categories of plan assets as percentage of total plan assets:		
European equities %	21.8	21.9
North American equities %	10.1	19.5
European bonds %	9.5	9.4
North American bonds %	22.5	14.0
Property %	0.3	0.3
Other %	35.8	34.9
	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:	2007	2006
Discount rate (%)		
Europe	5.0–5.7	4.2–5.0
Americas	6.4	5.8
Asia,Oceania,Africa	6.0–9.0	2.8–10.0
Expected return on plan asset (%)		
Europe	4.5–7.0	4.5–7.0
Americas	7.2	8.5
Asia,Oceania,Africa	7.5–8.0	2.0–10.0
Future salary increases (%)		
Europe	4.5	4.5
Americas	4.3	4.3
Asia,Oceania,Africa	5.0–7.5	2.8–8.0
Future pension increases (%)		
Europe	1.5–3.2	0.5–3.0
Americas	4.3	1.0
Employees opting for early retirement (%)		
Europe	7.3	7.5
Annual increase in healthcare costs (%)		
Americas	9.0	10.0
Asia,Oceania,Africa	7.0	7.0
Future change in max. state healtcare benefit (%)		
Americas	9.0	10.0

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 effects on defined benefit obligation:	2007	2006
1% p. increase of healthcare	3.5	5.6
1% p. decrease of healthcare	-2.9	-3.0

Amounts for the current and previous periods are as follows:	2007	2006	2005	2004
Defined benefit pension plans				
Defined benefit obligation	360.3	408.4	414.9	353.1
Fair value of plan assets	-350.5	-362.5	-375.0	-323.2
Surplus/(deficit)	9.8	-45.9	-39.9	-30.0
Experience adj.on pension plan liabilities	-1.2	0.6	0.1	-0.7
Experience adj.on pension plan assets	1.8	4.2	3.7	-3.0
Post-employment medical benefits and other defined benefits				
Defined benefit obligation	51.2	61.1	65.6	58.3
Experience adj. on other plan liabilities	-3.9	2.0	-1.6	1.3

18. INVENTORIES

EUR million	2007	2006
Raw and packaging material	102.9	109.1
Work-in-process	55.7	49.8
Finished goods	186.5	180.4
Advance payments	3.4	2.5
Inventories total	**348.5**	**341.8**

The value at cost for finished goods amounts to EUR 198.3 million (2006: EUR 195.8 million). An allowance of EUR 15.3 million (2006: EUR 17.8 million) has been established for obsolete items. The total inventories include EUR 0.4 million resulting from reversals of previously written down values (2006: EUR 1.5 million).

19. TRADE AND OTHER CURRENT RECEIVABLES

EUR million	2007	2006
Trade receivables	343.4	350.6
Other receivables	25.4	29.4
Accrued interest and other financial items	7.6	5.5
Other accrued income and prepaid expenses	18.4	15.2
Total	**394.8**	**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 2007	Impairment 2007	Gross 2006	Impairment 2006
Not past due	275.2	0.9	285.1	1.7
Past due 0–30 days	52.2	0.1	49.8	0.3
Past due 31–120 days	13.1	1.0	15.1	1.3
Past due more than 120 days	12.1	7.2	10.8	6.9
Total	**352.6**	**9.2**	**360.8**	**10.2**

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	2007	2006
Cash and bank	28.4	22.1
Marketable securities	2.4	0.2
Total	**30.8**	**22.3**

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, 2006	103,839,372	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	105,487,550	358,657,670.00	104,666,771.42	-46,509,623.20	416,814,818.22
December 31, 2007	105,487,550	358,657,670.00	104,666,771.42	-46,509,623.20	416,814,818.22

All shares issued are fully paid.

Based on an authorization given at the Annual General Meeting of Shareholders on March 25, 2002 the Company has repurchased 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, 2007 the Board of Directors had no authorization to repurchase own shares. The Annual General Meeting of Shareholders on April 12, 2007 gave the Board of Directors an authorization to resolve upon conveyance of the Company's own shares by December 31, 2009. This authorization was not exercised during 2007.

Members of the Board of Directors and the CEO of Huhtamäki Oyj owned on December 31, 2007 a total of 53,748 shares (December 2006: 61,248 shares). These shares represent 0.05% (December 2006: 0.06%) of total number of shares and voting rights in the Company.

Securities Market Act, Chapter 2, Section 6 b

Pursuant to the Securities Market Act (495/1989) Chapter 2, Section 6 b and Degree on the Regular Duty of Disclosure of an Issuer of a Security (VMa 153/2007) Chapter 2, Section 6, the Company shall present information on factors that are likely to have a material effect on a public tender offer to acquire the shares of the Company. In accordance with the aforementioned regulations, the Company states as follows:

The Company has one class of shares. Each share carries one vote at the General Meeting of Shareholders. The Company has two option rights plans in force (Option Rights 2003 Plan and Option Rights 2006 Plan).

Section 11 of the Articles of Association of the Company contains provisions concerning the redemption obligation of Shareholders. Election of the members of the Board of Directors and the Managing Director is stipulated in Sections 4, 5 and 8 of the Articles of Association.

At the Annual General Meeting of Shareholders held on April 12, 2007, the Board of Directors was granted authorization to resolve upon conveyance of 5,061,089 Company's own shares. The authorization is valid until December 31, 2009.

Certain agreements relating to financing of the Company as well as supply agreements entered into with certain most significant customers contain terms and conditions upon which the agreement may terminate, if control in the Company changes as a result of a public tender offer.

Distribution by number of shares

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	3,543	16.5	223,972	0.2
101–1000	12,658	59.1	5,639,024	5.3
1001–10000	4,779	22.3	12,958,929	12.3
10001–100000	379	1.8	9,905,588	9.4
100001–1000000	52	0.2	17,823,962	16.9
Over 1000000	13	0.1	58,862,759	55.8
Total	21,424	100.0	105,414,234	99.9
In the joint book-entry account			73,316	0.1
Number of shares issued			105,487,550	100.0

Distribution by sector	% of shares
Non-profit organizations	27.2
Nominee-registered shares	21.2
Households	18.4
Private companies	10.4
Public-sector organizations	9.1
Financial and insurance companies	8.8
Foreigners	4.9
Other, in the joint book-entry account	0.1
Total	100.0

Largest registered shareholders December 31, 2007*

Shareholder name	Nr. of shares/votes	%
The Finnish Cultural Foundation	16,110,196	15.3
Society of Swedish Literature in Finland	4,416,000	4.2
Ilmarinen Mutual Pension Insurance Company	2,540,793	2.4
The Association for the Finnish Cultural Foundation	2,150,000	2.0
Odin Norden Fund	1,819,450	1.7
Varma Mutual Pension Insurance Company	1,764,369	1.7
Nordea Bank Finland Abp	1,559,165	1.5
Odin Forvaltning As/Odin Europa Smb	1,222,265	1.2
Odin Förvaltning As	1,066,550	1.0
OP-Delta Fund	940,209	0.9
Total 10 largest shareholders	33,588,997	31.8

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

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 were 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 entitled 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 and therefore it no longer was possible to subscribe for new shares in 2007. 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. 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, the option rights 2003 B as of May 2, 2006 and the option rights 2003 C as of May 2, 2007. At the end of the year 2007 the Option Rights 2003 Plan had 103 participants. During the year 2007 no option rights were exercised and therefore the share capital has not been increased and no new shares issued. 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 of Shareholders 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. Huhtamäki Oyj will apply for the listing of the option rights 2006 A on the Helsinki Stock Exchange as of October 1, 2008. At the end of year the 2007, the Option Rights 2006 Plan had 113 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	Subscription Period
2000 A	1:4	EUR 6.82 [1]	2.5.2002–31.10.2006 [3]
2000 B	1:4	EUR 5.28 [1]	2.5.2003–31.10.2006 [3]
2000 C	1:4	EUR 9.77 [1]	2.5.2004–31.10.2006 [3]
2003 A	1:1	EUR 7.54 [2]	2.5.2005–31.10.2009 [4]
2003 B	1:1	EUR 9.80 [2]	2.5.2006–31.10.2009 [4]
2003 C	1:1	EUR 11.93 [2]	2.5.2007–31.10.2009 [4]
2006 A	1:1	EUR 17.14 [2]	1.10.2008–31.10.2011 [5]
2006 B	1:1	EUR 13.96 [2]	1.10.2009–31.10.2012 [5]
2006 C	1:1	[6]	1.4.2011–30.4.2014 [5]

1) Subscription price at the end of the subscription period on October 31, 2006

2) Subscription price before the deduction of the year 2007 dividend.

3) 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.

4) 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.

5) 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.

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 2008–2014 representing approximately 5.2 per cent of the total number of votes on December 31, 2007.

Information relating to the amount of option rights outstanding 2007 and 2006

	Weighted average exercise price/share EUR 2007	Option rights (pcs) 2007	Shares based on option rights (pcs) 2007	Weighted average exercise price/share EUR 2006	Options (pcs) 2006	Shares based on option rights (pcs) 2006
At the beginning of the financial year	12.38	2,692,439	2,692,439	9.94	2,274,380	3,498,953
Granted	13.96	1,074,000	1,074,000	16.87	1,019,500	1,019,500
Exercised	-	-	-	8.15	-465,107	1,648,178
Forfeited and expired	14.61	-171,473	-171,473	11.38	-136,334	177,836
At the end of the financial year	12.74	3,594,966	3,594,966	12.80	2,692,439	2,692,439
Exercisable at the end of the period	9.82	1,722,466	1,722,466	9.12	1,123,939	1,123,939

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	2006 B
Fair value at grant date	1.89	2.13	2.30	1.30	2.97
Grant date	September 30, 2003	September 30, 2004	September 30, 2005	August 31, 2006	May 31, 2007
Number of outstanding options at December 31, 2007	545,939	578,000	598,527	866,000	1,006,500
Exercise price at grant date	9.10	10.98	13.49	17.56	13.96
Share price at grant date	9.00	10.80	13.50	13.71	13.30
Expected volatility (%)	21.5	21.1	20.0	18.0	21.0
Option life as weighted average at grant date (years)	3.8	3.3	2.8	3.7	3.9
Risk-free interest rate (%)	3.0	3.6	3.0	3.8	4.6

PERFORMANCE SHARE INCENTIVE PLAN

A performance share incentive plan was 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 extended to approximately 15 key persons designated by the Board and having had a possibility to earn Company's shares as remuneration for reaching targets set forth for a determined earning period. The aggregate maximum number of shares possible to be granted under the plan was 150,000. The plan required a receiver to own the shares at least two years following the grant. A receiver had to 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.

Possible remuneration would have been paid in 2008. However, the targets set forth in the performance share incentive plan for a determined earning period have not been reached and no remuneration will be paid under the plan. No expense has been recorded relating to performance share incentive plan in reporting period.

22. FAIR VALUE AND OTHER RESERVES

EUR million	Hedge reserve	Total
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
Cash flow hedge result recognised in BS	-	-
Deferred taxes	-1.7	-1.7
December 31, 2006	**2.1**	**2.1**
Cash flow hedge result deferred to equity	0.5	0.5
Cash flow hedge result recognized in P&L	-3.7	-3.7
Cash flow hedge result recognised in BS	1.7	1.7
Deferred taxes	0.8	0.8
December 31, 2007	**1.4**	**1.4**

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 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 purchased by group companies. There are no additions in treasury shares in financial year 2007.

23. INTEREST BEARING LIABILITIES

	2007		2006	
EUR million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Current				
Current portion				
Loans from financial institutions				
- fixed rate	10.0	10.2	12.2	12.4
- floating rate	7.9	7.9	28.6	28.6
Other current loans	365.0	365.0	383.8	383.8
Finance lease liabilities	0.8	0.8	0.8	0.8
Total	**383.6**	**383.8**	**425.4**	**425.6**
Long-term				
Loans from financial institutions				
- fixed rate	66.0	66.8	47.4	49.2
- floating rate	240.5	240.5	262.0	262.0
Other long-term loans	93.6	93.9	3.5	3.5
Finance lease liabilities	1.0	1.0	1.7	1.7
Total	**401.1**	**402.2**	**314.7**	**316.4**

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 rate. Effective interest rate for measuring fair values of interest bearing liabilities were 4.6%–4.8% for EUR-loans and 3.9%–4.8% for USD-loans.

Repayment	Loans from financial institutions	Finance lease liabilities	Other loans	Total
2008	17.8	0.8	365.0	383.6
2009	20.2	0.5	-	20.7
2010	16.5	0.2	20.0	36.7
2011	49.9	0.1	-	50.0
2012	207.5	0.2	70.0	277.7
2013–	12.4	-	3.6	16.0

Finance lease liabilities

EUR million	2007	2006
Finance lease liabilities are payable as follows:		
In less than one year	0.8	1.0
Between one and five years	1.0	1.8
In over five years	-	-
Total minimum lease payments	1.8	2.8
Present value of minimum lease payments		
In less than one year	0.7	0.9
Between one and five years	1.0	1.7
In over five years	-	-
Total present value of minimum lease payments	1.7	2.6
Future finance charges	**0.1**	**0.3**

24. PROVISIONS

Restructuring provisions
Restructuring provisions include various ongoing projects to streamline operations. Provision relates to employee termination benefits.

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

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

EUR million	Restructuring reserve	Taxes	Other	Total 2007	Total 2006
Provision at 1 January 2007	10.7	34.7	13.3	58.7	75.4
- Translation difference	-0.1	-0.7	-0.5	-1.3	-0.6
- Provisions made during the year	7.0	17.2	3.1	27.3	18.9
- Provisions used during the year	-7.7	-	-3.1	-10.8	-21.0
- Unused provisions reversed during the year	-	-5.3	-0.3	-5.6	-14.0
Provision at 31 December 2007	**9.9**	**45.9**	**12.5**	**68.3**	**58.7**
Current	6.3	-	1.7	8.0	11.9
Non-current	3.6	45.9	10.8	60.3	46.8

25. TRADE AND OTHER CURRENT LIABILITIES

EUR million	2007	2006
Trade Payables	227.6	252.0
Other Payables	23.7	26.8
Accrued interest expense and other financial items	9.6	9.4
Personnel, social security and pensions	59.6	62.1
Other accrued expenses	51.3	61.2
Total	**371.8**	**411.5**

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

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

EUR million	2007	2006
Financial assets at fair value through profit or loss		
Cash and cash equivalents	30.8	22.3
Derivatives	1.7	8.1
Loans and receivables		
Non-current interest bearing receivables	0.9	4.6
Other non-current assets	4.0	5.0
Current interest bearing receivables	4.6	0.5
Trade and other current receivables	393.9	394.6
Available-for-sale investments	1.9	1.8
Financial assets total	**437.8**	**436.9**
Financial liabilities at fair value through profit or loss		
Derivatives	1.3	4.2
Financial liabilities measured at amortised cost		
Non-current interest bearing liabilities	401.1	314.7
Other non-current liabilities	3.1	3.9
Current portion of long term loans	17.9	41.7
Short term loans	365.7	383.7
Trade and other current liabilities	371.7	407.3
Financial liabilities total	**1,160.8**	**1,155.5**

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 cross-border trade within the Group, exports and imports, funding of foreign subsidiaries 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		AUD exposure in companies reporting in NZD		USD exposure in companies reporting in GBP	
	31.12.07	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06
Trade receivables	1	5	3	7	3	3	1	1		0
Trade payables	-2	-4	0	-1	-4	-7	-1	-1	0	-1
Net balance sheet exposure	-1	2	3	6	-2	-5	1	1	0	-1
Forecasted sales (12 months)	16	8	25	38	10	16	22	16		0
Forecasted purchases (12 months)	-34	-48	-4	-8	-20	-24	-5	-5	-7	-6
Net forecasted exposure	-18	-40	20	30	-10	-8	17	11	-7	-6
Hedges										
Currency forwards (12 months)	7	7	-18	-25	5	11	-13	-2	7	3
Total net exposure	-12	-31	5	11	-5	-1	5	9	0	-3

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			
	31.12.2007		31.12.2006		**31.12.2007**		31.12.2006	
	Equity	**Income Statement**	Equity	Income Statement	**Equity**	**Income Statement**	Equity	Income Statement
USD	-11.1	-4.0	-14.1	-3.1	13.6	4.9	17.3	3.7
GBP	-0.1	-0.1	-7.9	0.8	0.1	0.1	9.7	-1.0
AUD	-1.5	0.0	-0.1	-0.1	1.8	0.1	0.1	0.1

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 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, 2007										December 31, 2006		
				Rate	Debt repricing in period, incl. derivatives								
Currency	Amount mEUR	Avg. duration	Avg. rate	sensitivity[1] mEUR	2008	2009	2010	2011	2012	Later	Amount mEUR	Avg. duration	Avg. rate
EUR	282	1.4y	5.0%	1.5	169	17	21	31	31	12	235	0.7y	4.1%
USD	192	1.3y	5.0%	1.2	109	21	32	15	14	1	200	1.3y	5.1%
AUD	70	0.3y	6.7%	0.9	70						49	0.5y	6.3%
GBP	66	1.8y	6.1%	0.2	39	7	7		14		89	0.8y	5.3%
Other	139	0.5y	7.2%	0.7	128	2				9	138	0.4y	7.2%
Total	**749**	**1.1y**	**5.7%**	**4.3**	**514**	**47**	**61**	**47**	**59**	**21**	**711**	**0.8y**	**5.3%**

[1] Effect of one percentage point rise in market interest rates on Group's net interest expenses over the following 12 months. A similar rise in interest rates would increase Group equity with EUR 1.6 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. To mitigate the re-financing risk, Huhtamaki maintains a diversified maturity structure of loans and debt facilities. Unused committed long term debt facilities are sufficient to ensure adequate financing resources in all foreseeable circumstances.

Debt structure

EUR million	December 31, 2007									December 31, 2006		
				Maturity of facility/loan								
Debt type	Amount drawn	Amount available of committed	Total	2008	2009	2010	2011	2012	Later	Amount drawn	Amount available of committed	Total
Committed revolving facilities	239	282	521	46			75	400		174	352	527
Loans from financial institutions	164		164	88	19	17	13	12	12	163		163
Finance lease liabilities	2		2	1	1					3		3
Other loans	90		90			20		70	4	109		109
Commercial paper program	289		289	289						291		291
Total	**785**	**282**	**1,067**	**424**	**19**	**37**	**88**	**482**	**16**	**740**	**352**	**1,092**

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 currently in the process of being implemented 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 and in accordance with limits set by the Finance Committee.

Capital management

The Group's objective is to maintain an efficient capital structure. Consequently a long term target of 1:1 has been set for the net debt to equity capital (gearing) ratio. This policy remained unchanged during the year. In this context Huhtamaki defines equity capital as total equity. Net debt is defined as interest bearing liabilities less interest bearing receivables, cash and cash equivalents.
The Group is subject to a restriction on its net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio through a clause in a key financing agreement. This restriction is not seen hindering the Group's ability to carry out its business or its strategy.
Changes in the capital structure are resulting from capital investments in the business and cash returns to shareholders, which are funded by the stable cash flow.

Capital structure

EUR million	December 31, 2007	December 31, 2006
Interest bearing debt	784.7	740.1
Interest bearing receivables, cash and cash equivalents	36.3	29.4
Net debt	748.5	710.7
Total equity	793.4	860.4
Net debt to equity (Gearing ratio)	0.94	0.83
Net debt to EBITDA	3.24	2.84

Nominal values of derivative financial instruments

EUR million	December 31, 2007								December 31, 2006	
	Nominal Value		Maturity Structure						Nominal Value	
Instrument	Gross	Net	2008	2009	2010	2011	2012	Later	Gross	Net
Currency forwards										
for transaction risk										
Outflow	-45		-41	-5					54	
Inflow	48		43	5					55	
for translation risk										
Outflow	-101		-101						112	
Inflow	105		105						112	
for financing purposes										
Outflow	-143		-143						107	
Inflow	140		140						106	
Currency options										
for transaction risk										
Outflow	-1		-1						1	
Inflow	1		1						1	
Interest rate swaps										
EUR	50	50			10	20	20		20	20
USD	75	75	14	14	27	7	14		84	84
GBP	27	27		7	7		14		24	24
other	12	12	12						12	12
Electricity forward contracts	1		1						2	

Fair values of derivative financial instruments

EUR million	December 31, 2007			December 31, 2006		
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]	3.1	-0.4	2.7	2.6	-1.0	1.5
for translation risk [2]	3.4	0	3.4	0.7	-0.4	0.4
for financing purposes	0.8	-3.1	-2.3	1.7	-2.6	-0.9
Currency options						
for transaction risk		0.0	0.0	0.0	0.0	0.0
Interest rate swaps [3]						
EUR	1.3	-0.2	1.1	0.7		0.7
USD	0.6	-0.8	-0.2	2.4		2.4
GBP	0.2	-0.4	-0.2	0.2	0.0	0.1
other	0.0	0.0	0.0	0.1		0.1
Electricity forward contracts	0.3			0.1	-0.2	-0.1

[1] Out of the currency forwards, fair value EUR 1.2 million was designated for cash flow hedges as at December 31, 2007 (EUR 0.6 million as at December 31, 2006) and reported in fair value and other reserves.

[2] Out of the currency forwards, fair value of EUR 3.4 million was designated for hedges of net investment in foreign subsidiaries as at December 31, 2007 (EUR 0.4 million as at December 31, 2006) and reported in translation difference.

[3] Fair values of interest rate swaps include accrued interest. Out of the interest rate swaps, fair value of EUR 0.8 million was designated for cash flow hedges as of December 31, 2007 (EUR 3.2 million as at December 31, 2006) out of which EUR 0.3 million was reported in equity in fair value and other reserves and EUR 0.5 million in profit and loss statement as interest income.

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	2007	2006
Salaries and other short-term employee benefits	2.9	3.2
Share based payments	0.3	0.3

Salaries of CEO and members of the Board of Directors

(thousand euros)	2007	2006
CEO Heikki Takanen	778	879
Board members		
Mikael Lilius	96	86
Paavo Hohti	57	58
Eija Ailasmaa	54	49
Jukka Suominen	62	49
Robertus van Gestel	52	47
George V. Bayly	50	46
Anthony J.B. Simon	52	45
Total	**1,201**	**1,259**

According to the CEO agreement, Heikki Takanen shall be paid monthly salary until May 14, 2008, after which the Company shall pay Takanen resignation compensation EUR 787,428, amounting to 18 months' salary.

Members of the Board of Directors and the Group Executive Team owned a total of 78,748 shares at the end of the year 2007 (2006: 67,248 shares). The members of the Group Executive Team owned a total of 495,350 option rights at the end of the year 2007 (2006: 630,350 option rights). The option rights entitle to a subscription of 495,350 shares in total representing 0.47% of total shares and voting rights (2006: 630,350 shares representing 0.59% 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 ther option rights holders.

Transactions with associate companies

EUR million	2007	2006
Purchase of goods	2.1	2.1
Sales of goods	0.0	0.1
Payables	0.3	0.1

Transactions with joint ventures are presented in note 13.

29. OPERATING LEASES

EUR million	2007	2006
Operating lease payments:		
Not later than 1 year	13.3	14.4
Later than 1 year and not later than 5 years	19.2	19.8
Later than 5 years	23.1	25.1
Total	**55.6**	**59.3**

30. CONTINGENCIES

Capital expenditure commitments:

EUR million	2007	2006
Under 1 year	19.4	27.4
Later than 1 year	-	-
Total	19.4	27.4

Mortgages:		
For own debt	14.5	14.7
Guarantee obligations:		
For joint ventures and associated companies	2.8	3.8
For external parties	-	0.0

Huhtamaki 2003–2007

EUR million	2003	2004	2005	2006	2007
Net sales	2,108.3	2,092.3	2,226.6	2,275.6	2,311.0
Increase in net sales (%)	-5.8	-0.8	7.2	2.2	1.6
Net sales outside Finland	2,001.9	1,986.7	2,119.2	2,168.2	2,204.2
Earnings before interest, taxes, depreciation and amortization	239.7	235.2	190.2	240.5	231.4
Earnings before interest, taxes, depreciation and amortization/net sales (%)	11.4	11.2	8.5	10.6	10.0
Earnings before interest and taxes	96.6	101.3	57.7	145.5	28.1
Earnings before interest and taxes/net sales (%)	4.6	4.8	2.6	6.4	1.2
Result before taxes	54.8	65.5	21.4	109.2	-14.0
Result before taxes/net sales (%)	2.6	3.1	1.0	4.8	-0.6
Net income	36.3	52.4	9.4	96.6	-20.2
Shareholders' equity	755.2	781.8	802.0	841.1	772.9
Return on investment (%)	6.2	6.7	4.0	9.4	1.8
Return on shareholders' equity (%)	5.0	6.7	1.3	11.7	-2.4
Solidity (%)	33.0	35.7	35.6	37.9	36.2
Net debt to equity	1.00	0.88	0.87	0.83	0.94
Current ratio	0.79	0.89	0.96	0.89	1.02
Times interest earned	5.97	6.79	5.43	6.72	5.32
Capital expenditure	117.7	94.0	113.4	154.0	147.9
Capital expenditure/net sales (%)	5.6	4.5	5.1	6.8	6.4
Research & development	14.0	17.9	18.7	19.3	17.8
Research & development/net sales (%)	0.7	0.9	0.8	0.8	0.8
Number of shareholders (December 31)	18,806	18,303	20,268	21,582	21,424
Personnel (December 31)	15,508	15,531	14,935	14,792	15,092

Per share data

		2003	2004	2005	2006	2007
Earnings per share	EUR	0.38	0.52	0.07	0.94	-0.22
Earnings per share (diluted)	EUR	0.38	0.52	0.07	0.93	-0.22
Dividend, nominal	EUR	0.38	0.38	0.38	0.42	0.42 (1
Dividend/earnings per share	%	100.0	73.1	542.9	44.7	-190.9 (1
Dividend yield	%	4.1	3.2	2.7	2.8	5.2 (1
Shareholders' equity per share	EUR	7.85	7.95	8.12	8.37	7.70
Average number of shares adjusted for share issue at year end		96,292,220	96,734,981	98,501,625	99,169,003	100,426,461
Number of shares adjusted for share issue at year end		96,161,703	98,335,683	98,778,283	100,426,461	100,426,461
P/E ratio		24.6	22.8	198.7	15.8	-36.9
Market capitalization at December 31	EUR Million	899.1	1,167.2	1,374.0	1,494.3	815.5
Trading Volume	units	51,050,523	70,919,815	84,417,331	75,644,012	131,050,556
In relation to average number of shares (2	%	53.0	73.3	85.7	76.3	130.5
Development of share price						
Lowest trading price	EUR	7.89	9.40	11.37	12.21	7.65
Highest trading price	EUR	9.85	12.30	14.88	16.73	15.89
Trading price at Dec 31	EUR	9.35	11.87	13.91	14.88	8.12

1) 2007: Board’s proposal
2) Excluding treasury shares

Definitions for key indicators

Earnings per share =	$\frac{\text{Profit before taxes – minority interest – taxes}}{\text{Average number of shares outstanding}}$
Earnings per share = (diluted)	$\frac{\text{Diluted profit before taxes – minority interest – taxes}}{\text{Average fully diluted number of shares outstanding}}$
Dividend yield =	$\frac{\text{100 x issue-adjusted dividend}}{\text{Issue-adjusted share price at December 31}}$
Shareholders' equity per share =	$\frac{\text{Equity}}{\text{Issue-adjusted number of shares at December 31}}$
P/E ratio =	$\frac{\text{Issue-adjusted share price at December 31}}{\text{Earnings per share}}$
Market capitalization =	Number of shares outstanding multiplied by the corresponding share prices on the stock exchange at December 31
Return on investment =	$\frac{\text{100 x (Profit before taxes + interest expenses + net other financial expenses)}}{\text{Balance sheet total – Interest-free liabilities (average)}}$
Return on equity =	$\frac{\text{100 x (Profit for the period)}}{\text{Equity + minority interest (average)}}$
Net debt to equity =	$\frac{\text{Interest bearing net debt}}{\text{Equity + minority interest (average)}}$
Solidity =	$\frac{\text{100 x (Equity + minority interest)}}{\text{Balance sheet total – advances received}}$
Current ratio =	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Times interest earned =	$\frac{\text{Earnings before interest and taxes + depreciation and amortization}}{\text{Net interest expenses}}$

List of Subsidiaries

The list contains operative companies, holding companies and other subsidiaries with sufficient assets. A complete 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:							
Huhtamäki Holding Oy	8	100.0	EUR	1,399,107	EUR	1,399,107	100.0
Huhtamaki Finance B.V.	4,900,713	75.0	EUR	490,071	EUR	905,131	100.0
Partner Polarcup Oy	78,695	100.0	EUR	13,236	EUR	13,236	100.0
Huhtamaki Argentina S.A.	1,276,277	91.2	ARS	1,276	EUR	1,803	100.0
Huhtamaki Hungary Kft	1	100.0	HUF	67,240	EUR	339	100.0
UAB Huhtamaki Lietuva	4,061	100.0	LTL	975	EUR	546	100.0
Subsidiary shares owned by Huhtamäki Holding Oy							
Huhtalux Supra S.A.R.L.	46,698,626	100.0	EUR	46,699	EUR	1,051,664	100.0
Huhtamaki Finance B.V.	1,633,600	25.0	EUR	163,360	EUR	347,422	100.0
Subsidiary shares owned by Huhtalux Supra S.A.R.L.:							
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	373,911	100.0
Subsidiary shares owned by Huhtamaki Dritte Beteiligungs GmbH:							
Huhtamaki Vierte Beteiligungs GmbH	1	100.0	EUR	30	EUR	373,886	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
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 Holdings France SNC	2,699,049	100.0	EUR	41,161	EUR	38,739	100.0
Huhtamaki Anglo Holding	-	100.0	GBP	-	EUR	225,416	100.0
Huhtamaki Finance B.V.Y. Cia, Sociedada Collectiva	-	100.0	EUR	24,604	EUR	24,601	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 Hong Kong Limited	13,831,402	100.0	HKD	13,831	EUR	21,336	100.0
Huhtamaki Finance Co I B.V.	200	100.0	EUR	20	EUR	309,982	100.0
Huhtamaki Egypt L.L.C.	6,000	75.0	EGP	6,000	EUR	2,593	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 Henderson Ltd	489	0.2	NZD	1	EUR	456	100.0
Huhtamaki Singapore Pte. Ltd	28,000,000	100.0	SGD	28,000	EUR	11,977	100.0
Huhtamaki (Malaysia) Sdn. Bhd.	22,000,000	100.0	MYR	22,000	EUR	-	100.0
Huhtamaki (Vietnam) Ltd	-	100.0	USD	8,422	EUR	7,000	100.0
Subsidiary shares owned by Huhtamaki Holdings Pty. Ltd:							
Huhtamaki Australia Pty Limited	9,241,702	100.0	AUD	9,242	AUD	9,242	100.0

Name	Number of Shares	Size of holding, %		Nominal value		Book value	Group Holding, %
Subsidiary shares owned by Huhtamaki (NZ) Holdings Ltd.:							
Huhtamaki Henderson Ltd	195,211	99.8	NZD	390	NZD	28,493	100.0
Subsidiary shares owned by Huhtamaki Holdings France SNC:							
Huhtamaki Participations France SNC	70,612,842	100.0	EUR	70,613	EUR	70,613	100.0
Subsidiary shares owned by Huhtamaki Participations France SNC:							
Huhtamaki France S.A.	72,000	100.0	EUR	1,097	EUR	52,008	100.0
Huhtamaki La Rochelle SAS	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	145,460,909	100.0	GBP	145,461	GBP	180,533	100.0
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 (UK) Holdings Limited:							
Huhtamaki (Lurgan) Limited	3,103,999	100.0	GBP	1,583	GBP	4,937	100.0
Subsidiary shares owned by Huhtamaki (Norway) Holdings A/S:							
Huhtamaki Norway A/S	950	100.0	NOK	950	NOK	106,412	100.0
Subsidiary shares owned by Huhtamaki Sweden Holding AB:							
Huhtamaki Sweden AB	1,500	100.0	SEK	150	SEK	18,039	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	20,888	HKD	162,206	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.	8,902,970	69.0	MXN	8,903	EUR	-	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	2,678,625	EUR	1,094	50.0
Huhtavefa B.V.	180	100.0	EUR	18	EUR	22,890	100.0
Huhtamaki Beheer V B.V.	182	100.0	EUR	18	EUR	264,512	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	-	100.0
Huhtamaki Paper Recycling B.V.	1,350	100.0	EUR	61	EUR	-	100.0
Huhtamaki Molded Fiber Technology B.V.	200	100.0	EUR	91	EUR	-	100.0
Huhtamaki Protective Packaging B.V.	250	100.0	EUR	113	EUR	-	100.0
Huhtamaki New Zealand Limited	7,737,306	100.0	NZD	7,737	EUR	4,800	100.0
Huhtamaki (Thailand) Limited	999,993	100.0	THB	100,000	EUR	7,885	100.0

Name	Number of Shares	Size of holding, %		Nominal value		Book value	Group Holding, %
Subsidiary shares owned by Huhtamaki Consorcio Mexicana, S.A. de C.V.:							
Huhtamaki Mexicana, S.A. de C.V.	19,130,916	100.0	MXN	19,131	MXN	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
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 Consumer Packaging, Inc.	1,000	100.0	USD	1	USD	138,548	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	140,173	100.0
Huhtamaki Flexibles, Inc.	100	100.0	USD	1	USD	26,875	100.0
Huhtamaki Company Manufacturing	1,145	100.0	USD	1	USD	119,954	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 Brasil Ltda	26,926,590	100.0	BRL	26,926	EUR	13,482	100.0
Subsidiary shares owned by Partner Polarcup Oy:							
OOO Huhtamaki S.N.G.	162,410,860	95.0	RUB	162,411	EUR	16,563	100.0

Parent company annual accounts 2007

Parent company income statement (FAS)

EUR million	Note	2007	%	2006	%
Net sales	1	106.8	100.0	107.4	100.0
Costs of goods sold		-94.6		-89.8	
Gross profit		**12.2**	**11.4**	**17.6**	**16.4**
Sales and marketing		-6.9		-6.7	
Research and development		-2.0		-2.4	
Administration costs		-26.8		-21.6	
Other operating expenses	3	-10.1		-6.6	
Other operating income	2	44.2		46.2	
		-1.6		8.9	
Earnings before interest and taxes	4, 5	**10.5**	**9.9**	**26.5**	**24.7**
Net financial income/expense	6	-36.5		-28.0	
Result before exceptional items, appropriations and taxes		**-26.0**	**-24.3**	**-1.5**	**-1.4**
Depreciation difference, (-) increase, (+) decrease		3.8		8.8	
Taxes	7	-0.6		-1.9	
Result for the period		**-22.8**	**-21.3**	**5.4**	**5.1**

Parent company balance sheet (FAS)

ASSETS EUR million	Note	2007	%	2006	%
Fixed assets					
Intangible assets	8				
Intangible rights		0.5		0.5	
Other capitalized expenditure		33.4		28.8	
		33.9	**1.3**	**29.3**	**1.1**
Tangible assets	9				
Land		0.3		0.3	
Buildings and constructions		19.0		19.5	
Machinery and equipment		30.3		29.4	
Other tangible assets		4.3		4.6	
Construction in progress and advance payments		5.5		12.1	
		59.4	**2.3**	**65.9**	**2.5**
Other fixed assets					
Investment in subsidiaries		2,330.0		2,408.2	
Investment in associated companies		0.5		0.4	
Other shares and holdings		0.3		0.3	
Loan receivables	10	3.3		3.4	
		2,334.1	**91.1**	**2,412.3**	**92.5**
Current assets					
Inventories					
Raw and packaging material		4.0		3.5	
Work-in-process		2.0		1.9	
Finished goods		10.0		12.2	
		16.0	**0.6**	**17.6**	**0.7**
Short-term					
Trade receivables	10	25.1		19.5	
Loan receivables	10	48.5		25.9	
Accrued income	11	38.1		28.8	
Other receivables	10	0.7		0.6	
		112.4	**4.4**	**74.8**	**2.9**
Cash and bank		6.6	0.3	7.6	0.3
Total assets		**2,562.4**	**100.0**	**2,607.5**	**100.0**

LIABILITIES AND EQUITY

EUR million	Note	2007	%	2006	%
Shareholders' equity	12				
Share capital		358.7		358.7	
Premium fund		104.7		104.7	
Retained earnings available for distribution		1,077.3		1,114.0	
Result for the period		-22.8		5.4	
		1,517.8	**59.2**	**1,582.8**	**60.7**
Untaxed reserves		27.3	1.1	31.1	1.2
Liabilities					
Long-term					
Loans from financial institutions	13	281.9		284.7	
Other long-term liabilities		0.0		0.0	
		281.9	**11.0**	**284.7**	**10.9**
Short-term					
Loans from financial institutions	13	297.3		315.6	
Other loans	13	361.9		323.6	
Trade payables	14	13.8		13.1	
Accrued expenses	15	37.3		35.2	
Other short-term liabilities	14	25.1		21.4	
		735.4	**28.7**	**708.9**	**27.2**
Total equity and liabilities		**2,562.4**	**100.0**	**2,607.5**	**100.0**
Total retained earnings available for distribution		**1,054.5**		**1,119.4**	

Parent company cash flow statement (FAS)

EUR million	2007	2006
EBIT	10.5	26.5
Adjustments	14.8	8.0
Change in inventory	-1.6	-5.1
Change in non-interest bearing receivables	-7.2	-3.8
Change in non-interest bearing payables	4.3	-19.6
Net financial income/expense	-38.6	-23.7
Taxes	-2.8	-5.3
Cash flows from operating activities	**-20.6**	**-23.0**
Capital expenditure	-12.4	-16.9
Proceeds from selling fixed assets	1.0	16.3
Proceeds from selling subsidiary shares	78.2	-
Change in short-term deposits	-22.6	78.9
Cash flows from investing activities	**44.2**	**78.3**
Change in long-term loans	-2.8	-69.7
Change in short-term loans	19.9	38.4
Dividends received	0.3	0.5
Dividends paid	-42.1	-37.5
Proceeds from stock option exercises	-	13.5
Cash flows from financing activities	**-24.7**	**-54.8**
Change in liquid assets	-1.0	0.5
Liquid assets on January 1	7.6	7.1
Liquid assets on December 31	6.6	7.6

Parent company accounting principles

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

Foreign currency

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

Derivative instruments

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

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

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

Intangible assets

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

Tangible assets

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

Periods of depreciation used:

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

Leases of equipment are classified as operating leases.

Investments

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

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

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

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	2007	2006
Net sales by categories:		
Consumer Goods	48.4	48.0
Food Service	58.4	59.4
Total	**106.8**	**107.4**

2. OTHER OPERATING INCOME

EUR million	2007	2006
Royalty income	17.1	22.4
Group cost income	23.8	16.4
Gain from disposal of fixed assets	0.5	0.8
Rental income	-	4.3
Other	2.8	2.3
Total	**44.2**	**46.2**

3. OTHER OPERATING EXPENSES

EUR million	2007	2006
Amortization of other intangible assets	1.9	2.8
Group cost expense	3.4	3.1
Other	4.8	0.7
Total	**10.1**	**6.6**

4. PERSONNEL COSTS

EUR million	2007	2006
Wages and salaries	31.4	31.9
Pension costs	4.8	4.9
Other personnel costs	2.8	3.5
Total	**39.0**	**40.3**

The above amounts are on accrual basis. Remuneration paid by the parent company to the members of the board as well as the CEO of Huhtamäki Oyj (8 people) amounted to EUR 1.2 million. (2006: EUR 1.3 million).

According to the CEO agreement, Heikki Takanen shall be paid monthly salary until May 14, 2008, after which the Company shall pay Takanen resignation compensation EUR 787,428, amounting to 18 months' salary.

Average number of personnel	2007	2006
	825	850

5. DEPRECIATION AND AMORTIZATION

EUR million	2007	2006
Depreciation by function:		
Production	7.0	5.3
Administration	4.1	0.5
Other	2.1	3.0
Total depreciation	**13.2**	**8.8**
Depreciation by asset type:		
Land, buildings	0.8	0.9
Machinery and equipment	6.6	4.9
Other intangible assets	5.8	3.0
Total depreciation	**13.2**	**8.8**

6. FINANCIAL INCOME/EXPENSE

EUR million	2007	2006
Interest income	0.2	0.3
Intercompany interest income	8.3	13.6
Dividend income from associated companies	0.4	0.6
Other financial income	240.9	168.4
Interest expense	-31.9	-30.9
Intercompany interest expense	-12.8	-11.0
Other financial expense	-241.6	-169.0
Total	**-36.5**	**-28.0**

7. TAXES

EUR million	2007	2006
Ordinary taxes	-0.6	-1.9
Total	**-0.6**	**-1.9**

Deferred taxes are not included in income statement or balance sheet. Unrecognised deferred tax liability from timing differences is EUR 7.1 million (2006: EUR 8.4 million).

8. INTANGIBLE ASSETS

EUR million	Intangible rights	Other capitalized expenditure	2007 total	2006 total
Aquisition cost at January 1	0.7	57.0	57.7	32.1
Additions	-	1.1	1.1	0.1
Disposals	-	-	-	-1.3
Intra-balance sheet transfer	-	9.3	9.3	26.8
Aquisition cost at December 31	0.7	67.4	68.1	57.7
Accumulated amortization at January 1	0.2	28.2	28.4	26.7
Accum. Depreciation on decreases and transfers	-	-	-	-1.3
Amortization during the financial year	-	5.8	5.8	3.0
Accumulated amortization at December 31	0.2	34.0	34.2	28.4
Book value at December 31, 2007	0.5	33.4	**33.9**	-
Book value at December 31, 2006	0.5	28.8	-	**29.3**

9. TANGIBLE ASSETS

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	2007 total	2006 total
Aquisition cost at January 1	0.3	29.7	86.9	12.1	9.8	138.8	186.9
Additions	-	-	-	11.2	0.1	11.3	16.8
Disposals	-	-	-2.1	-	-0.2	-2.3	-38.2
Intra-balance sheet transfer	-	0.2	7.8	-17.8	0.4	-9.4	-26.8
Aquisition cost at December 31	0.3	29.9	92.6	5.5	10.1	138.4	138.8
Accumulated depreciation at January 1	-	10.2	57.5	-	5.2	72.9	89.7
Accum. Depreciation on decreases and transfers	-		-1.1	-	-0.2	-1.3	-22.6
Depreciation during the financial year	-	0.7	5.9	-	0.8	7.4	5.8
Accumulated depreciation at December 31		10.9	62.3	-	5.8	79.0	72.9
Book value at December 31, 2007	0.3	19.0	30.3	5.5	4.3	**59.4**	-
Book value at December 31, 2006	0.3	19.5	29.4	12.1	4.6	-	**65.9**

Revaluations of buildings and constructions in 2007 is EUR 2.4 million (2006: EUR 2.4 million).

10. RECEIVABLES

EUR million	2007	2006
Current		
Trade receivables	5.2	5.9
Intercompany trade receivables	19.9	13.6
Loan receivables	3.9	0.5
Loan receivables from subsidiaries	44.6	25.4
Accrued income	14.5	10.1
Accrued corporate income	23.6	18.7
Other income	0.7	0.6
Total	**112.4**	**74.8**
Long-term		
Intercompany loan receivables	3.3	3.4
Total receivables	**115.7**	**78.2**

11. ACCRUED INCOME

EUR million	2007	2006
Accrued interest and other financial items	0.5	1.0
Accruals for profit on exchange	7.1	5.0
Personnel, social security and pensions	0.8	0.0
Rebates	0.1	0.2
Accruals for income and other taxes	3.9	1.7
Miscellaneous accrued income	1.5	1.5
Accrued corporate income and prepaid expense	23.6	18.8
Other	0.6	0.6
Total accrued income	**38.1**	**28.8**

12. CHANGES IN EQUITY

EUR million	2007	2006
Share capital January 1	358.7	353.1
Subscription through option rights	-	5.6
Share capital December 31	358.7	358.7
Premium fund January 1	104.7	96.8
Subscription through option rights	-	7.9
Premium fund December 31	104.7	104.7
Retained earnings January 1	1,119.4	1,151.5
Dividends	-42.2	-37.5
Net income for the period	-22.8	5.4
Retained earnings December 31	1,054.5	1,119.4
Total equity	**1,517.8**	**1,582.8**

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

13. LOANS

EUR million	2007	2006
Non-current		
Long-term loans from financial institutions	281.9	284.7
Total	281.9	284.7
Current		
Current Portion of loans from financial institutions	5.7	27.8
Short term loans from financial institutions and other current loans	291.6	287.7
Short-term loans from subsidiaries	361.9	323.6
	659.2	639.2

Changes in long-term loans	2007	2006
Loans from financial institutions		
January 1	284.7	354.5
Additions	421.3	406.6
Decreases	-413.2	-459.1
FX movement	-10.9	-17.3
Total	281.9	284.7

Repayments	Loans from financial institutions and other loans
2008	297.3
2009	11.5
2010	31.5
2011	32.7
2012	194.8
2013–	11.5

14. PAYABLES

EUR million	2007	2006
Trade payables	8.6	10.8
Intercompany trade payables	5.2	2.3
Total	**13.8**	**13.1**
Other short-term payables	25.1	21.4
Total	**25.1**	**21.4**

15. ACCRUED EXPENSES

EUR million	2007	2006
Accrued interest expense	7.6	9.2
Accrued interest expense to subsidiaries	15.6	10.1
Personnel, social security and pensions	10.0	10.6
Miscellaneous accrued expense	2.1	3.1
Other accrued corporate expense	2.0	2.1
Other	-	0.1
Total	**37.3**	**35.2**

16. COMMITMENTS AND CONTINGENCIES

EUR million	2007	2006
Operating lease payments		
Under one year	0.2	0.1
Later than one year	0.2	0.2
Total	**0.4**	**0.3**
Capital expenditure commitments:		
Under one year	0.4	2.2
Total	**0.4**	**2.2**
Mortgages:		
For own debt	14.5	14.5
Guarantee obligations		
For subsidiaries	105.7	132.0
For joint ventures and associated companies	2.8	3.8

Proposal of the Board of Directors

On December 31, 2007, Huhtamäki Oyj's non-restricted equity was	EUR	1,054,477,515.15
of which the result for the financial period was	EUR	-22,778,618.94

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	1,012,298,401.53
	1,054,477,515.15

The Board of Directors proposes that the payment of dividends will be made on April 10, 2008. The dividends will be paid to shareholders who on the record date April 3, 2008 are registered as shareholders in the register of shareholders.

Espoo, February 13, 2008

Mikael Lilius

Eija Ailasmaa

George V. Bayly

Robertus van Gestel

Paavo Hohti

Anthony J.B. Simon

Jukka Suominen

Timo Salonen
CEO (Interim)

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.–31.12.2007. 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.

Helsinki 13 February 2008

KPMG Oy Ab

Solveig Törnroos-Huhtamäki
Authorized Public Accountant

HUHTAMAKI

www.huhtamaki.com

Business Identity Code: 0140879-6