

our journey in 2001



HUHTAMAKI
PACKAGING WORLDWIDE

Huhtamaki – *the* name in consumer packaging

Since 1920, HUHTAMAKI has stood out as a premier name in the Finnish corporate world. As Heikki Huhtamäki's original sweets business diversified into a conglomerate, the name assumed several meanings for successive generations.

Over the past two decades, the company has refocused itself, aimed at world leadership in selected business areas by the year 2000. Following almost 200 corporate transactions, this milestone was achieved in consumer packaging, a core activity since the 1960s.

Today, Huhtamaki does nothing but consumer packaging. Its products communicate brand identity, help customers sell more, protect the integrity and freshness of the contents, and add convenience to the lives of millions of consumers every day.

With annual sales of EUR 2.4 billion and 16,000 employees in 35 countries, Huhtamaki is one of the world's largest packaging companies, and one of the few truly global players. Specifically, it is the world leader in rigid, thin-walled plastic and paper food packaging and molded fiber packaging. It also has strong positions in high-performance flexible packaging.

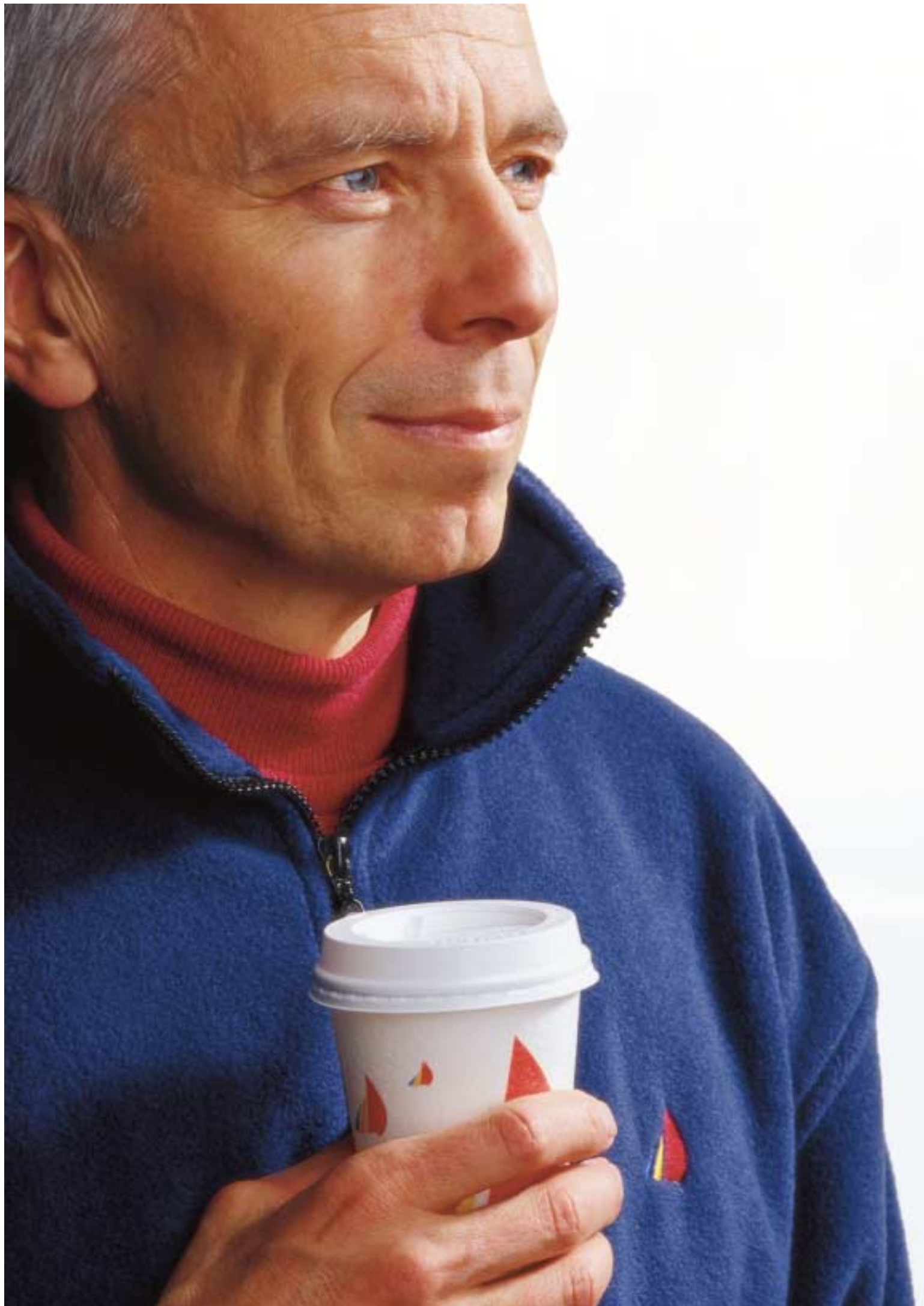
Having finally reached its desired structure, the company now concentrates on improving its internal operations and processes. The ultimate aim is to make Huhtamaki a synonym for superior quality, service and innovation in consumer packaging. This cannot be achieved in a vacuum, but together with customers, suppliers, shareholders and other stakeholders.

The following pages will take you deeper into the world of Huhtamaki. Chances are, it has more to do with yours than you have known.

A close-up photograph of a glass filled with golden beer. The beer has a thick, white head of foam on top. A white plastic stirrer is partially submerged in the beer, extending from the bottom towards the center. The glass is clear and the background is a soft, out-of-focus white.

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A word from the CEO

Against the challenges of 2001, we have reason to be satisfied, even proud of Huhtamaki's progress. We reached our key structural and business targets for the year. At the same time, we took a long step towards achieving our longer-term financial objectives.

The formula for success was simple: a clear direction, a driven, professional organization – and stability after years of constant change.

We finally established Huhtamaki as a world leader in important segments of consumer packaging. This required the divestment of the Van Leer industrial packaging division, a full 30% of our consolidated sales in 2000.

During the year, we also concluded our program to divest smaller, non-core units. Further, we focused on improving our internal efficiencies through a host of measures. Raw materials prices retreated from their peak levels in 2000. All of this laid the foundations for our strong margin improvement visible from the first quarter onwards and still accelerating towards year-end.

Several clouds gathered to shade the global economy during the year, yet against that background our overall sales growth was satisfactory. I am particularly pleased with our progress in the Americas, where a strong rebound was evident after the September 11 shock.

During the year, we made a significant commitment to boost our innovative capabilities. Three dedicated Technology and Development Centers are now up and running. We also placed more emphasis and resources on category development and

group-level marketing. The new activities cannot make a difference overnight. Rather, they underline our long-term commitment to increase our leadership in consumer packaging.

In 2002, the ongoing program to streamline manufacturing will come to fruition. Expect no major changes in strategy or structure. Expect further concentration on business development and enhancing customer satisfaction. Finally, expect our financial performance to improve further.

I thank the international community of Huhtamaki's stakeholders for another year of support and success.



Timo Peltola



Yesteryear's hand crafting of paper cups – one modern machine can produce over 300 cups per minute!

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 FOOD CONTAINERS

"The change for it."
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 FOOD CONTAINERS

How to make
 Cakes

SEALRIGHT
 FOOD CONTAINERS

NEW
 WAX FREE
MILK CARTON

Another exclusive original by Sealright

Sealright
 FOOD CONTAINERS

1937

Roots deep in the industry's history

Perception isn't always reality. For being a fresh name in the industry, Huhtamaki combines packaging history and experience that is second to none. The family tree of a company that has come together via mergers and acquisitions is bound to have several strong roots, and so has ours.



In Europe, the oldest root leads to Ronsberg in Southern Germany. Here, on what is now one of the world's largest and most advanced consumer flexibles sites, a paper mill was founded in 1585. A couple of centuries later, another paper mill was started in Pribyslavice, Czechia. It began to produce molded fiber packaging after WW II, and is now one of our top units in the field.

Speaking of molded fiber, the process of making packaging from wet pulp or recycled paper is the invention of a Mr. Keyes in the United States from the 1920s. The company he established became known for its Chinnet® brand of superior disposable tableware. Without it, Huhtamaki would not be the world leader in this environment-friendly packaging technology, with an ever-broadening range of applications.



Rigid paperboard packaging is another forte of ours. In the United States, the hygienic board made near the Oswego Falls in upstate New York since the 1870s became the foundation of our Sealright® packaging systems for the dairy and ice cream industries. Paper drinking cups have been around for a century, and we ranked early on among the industry pioneers all over the world: in Central Europe and Oceania from the 1920s, in Scandinavia the following decade, and in Asia dating from the 1950s.

The units already engaged in paper packaging were often the early adopters of

the plastic thermoforming and injection molding technologies, which started to conquer the packaging world in the 1950s. In Germany and France, for example, we were among the very first thermoformers of dairy packaging. And in Finland, the first plastics lines were introduced in 1965, prompting Huhtamaki to sell its tin can operations to a competitor and establish Polarpak instead (the alternative name, Europak, was considered a bit bullish back then...).

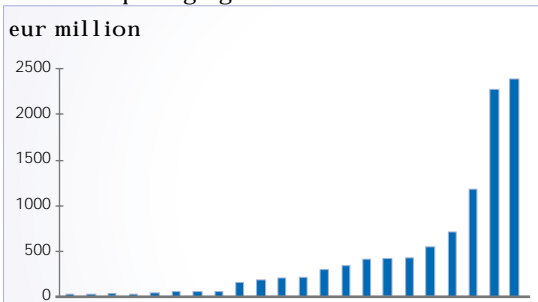
Over the years, our innovative packaging has helped many customers to successfully launch a new brand or support an old one, to enter new markets or to extend the shelf life of a sensitive product.

We were there, when the round paperboard ice cream container became an American icon. We were there, when fast food landed in Europe, Oceania and Asia, aiding its phenomenal growth. We play a leading role now that retortable stand-up pouches replace tin, glass and other materials, providing consumers superior convenience and product quality. And we will be around tomorrow, offering smarter packaging with improved barrier properties and environmental performance.

continuously serving...

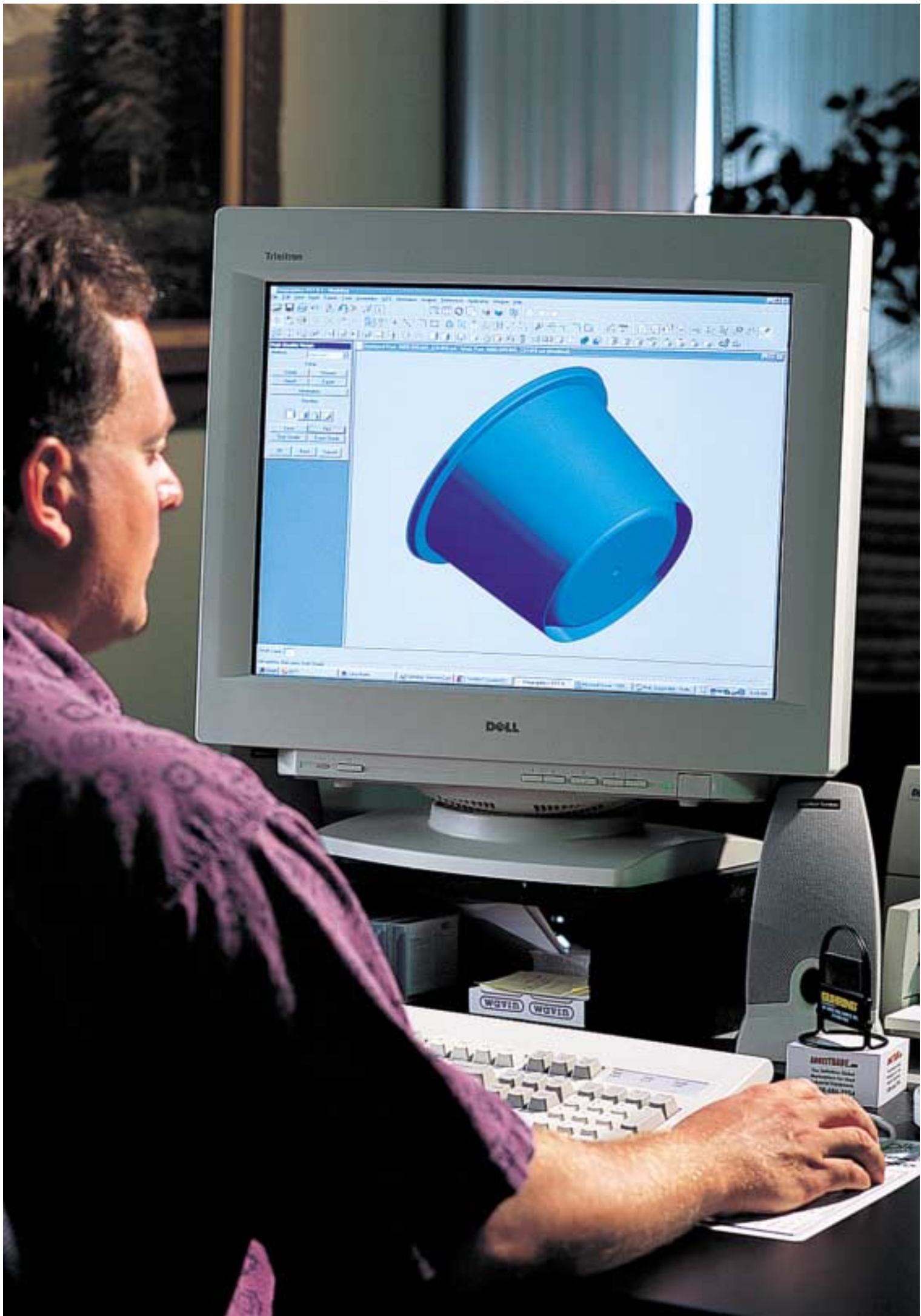
- Unilever since 1930s
- Coca-Cola since 1968
- Kraft since 1973
- McDonald's since 1983

consumer packaging sales 1980–2001



major packaging acquisitions 1987–2000

1987 Bellaplast (Germany)	1997 Monoservizio Bibo (Italy),
1988 Lilypak (Australia, New Zealand)	Güven Plastik (Turkey)
1991 Sweetheart International (U.K., The Netherlands)	1998 Sealright, Tetra Cup (USA)
1993 CMB thermoforming units (France, Italy, U.K.)	1999 Van Leer (The Netherlands etc.),
1997 Pacific World Packaging (Australia, Hong Kong etc.),	Brasholanda (Brazil)
	2000 PRI assets (USA),
	Mono Containers (South Africa),
	Malvern flexibles (USA)



An unrivalled range of capabilities

As a specialty consumer packaging group, Huhtamaki ranks among the very largest in the world. Over 70% of its sales are derived from product categories and manufacturing technologies where the company is the world leader. Hence, it does not directly compete with the even larger packaging companies present in the broad metal, glass and corrugated carton categories.

Huhtamaki's strategy rests on two pillars: a *global network* enabling the company to provide its customers high quality and a variety of products wherever they operate, and a *comprehensive technology range* permitting the company to offer alternatives, combine materials for innovative solutions, and act as a one-stop shop for many customers.

Consumer Goods

The consumer goods category serves primarily the food industry but also, increasingly, the pet food, personal care and detergent sectors. Huhtamaki is the world leader in rigid, thin-walled cups, tubs, containers and lids made from plastic and paper, and a front-runner in complex, high-performance flexible packaging.

Main market segments:

ice cream, edible fats, dairy, personal care and detergents, pet food, confectionery, soups and ready meals, coffee and tea

Main customers (alphabetically):

Colgate-Palmolive, Danone, Dreyer's, Häagen-Dazs, Kraft Foods, Mars, Nestlé, Unilever

Food Service

The food service customers include all leading international quick service and beverage operators, as well as their local counterparts. Food service products are also sold to institutional caterers and vending operators. Branded food service disposables for households are another important product category. New market segments addressed include airline catering and health care disposables. Huhtamaki is the world leader in plastic and paper cups and plates. Molded fiber products play an important role in the category as well.

Main market segments:

quick service restaurants and beverage, catering, vending, retailers

Main customers (alphabetically):

Bunzl, Burger King, Coca-Cola, McDonald's, PepsiCo, Sysco, Tricon International

Fresh Foods

There is a consumer trend to switch from processed to fresh foods, which require special packaging to promote product integrity, freshness and appearance. At the same time, the portioning and packing of fresh produce, such as meat, poultry, seafood, fruit and vegetables, has largely moved from retail trade into industrial-scale operations. Sophisticated packaging solutions, such as modified atmosphere packaging and modular concepts, prolong shelf life and facilitate logistics through the supply chain.

Huhtamaki is the world leader in molded fiber packaging. Few if any competitors can offer such a comprehensive range of materials, technologies and packaging varieties suitable for this diverse category, which also includes the rapidly growing home meal replacement segment.

Main market segments:

Industrial packers and food industry:

fruits and vegetables, meat and poultry, eggs, chilled and frozen ready meals

Food retailers:

fresh produce, home meal replacement

Other operations

Through its Forchheim and Göttingen units in Germany, Huhtamaki is engaged in the manufacture of films, coatings and siliconized papers for different purposes. The Group also possesses considerable engineering

skills for developing and supplying customer-operated equipment and complete packaging solutions. These include molded fiber machinery as well as in-plant container forming and filling machines for frozen desserts as well as other food and non-food products. Huhtamaki is an important paper recycler in continental Europe. The company aims to commercialize the environmentally superior EarthShell® food service packaging in Europe during 2002, with future prospects in Asia and Oceania.

Technology and development

Huhtamaki deploys six main packaging technologies:

- Paper forming
- Rigid plastic extrusion, co-extrusion and thermoforming
- Foam plastic extrusion and thermoforming
- Plastic injection molding with in-mold labeling
- Flexible plastic and paper converting and lamination
- Smooth and rough molded fiber

While most of the processes employ commonly available equipment, Huhtamaki has considerable experience in optimizing their use and developing proprietary applications. A major investment has been made to introduce state-of-the-art graphics technology all the way from product design and prototyping to high-speed, high-resolution printing lines.

Local new product development activity and dedicated Technology & Development Centers ensure a steady flow of new, innovative products. Also, combining technologies enables us to introduce novel packaging products uniting the best of both worlds.



2001 in retrospect: Europe

In 2001, Huhtamaki continued to build its European operations, addressing structural and business challenges identified over the past few years. Both external factors and our own actions led to a relatively low sales growth. However, rationalization and synergies, lower raw materials prices and a higher value added product mix all contributed to a strong improvement in operating margins and return on net assets across the region

European sales amounted to EUR 1,179 million. Sales of core packaging products were robust; the 2% decline in total sales reflects the retreat from unprofitable product lines, the divestment of two business units and the low value of waste paper trading. The underlying market development was relatively stronger in North and Central Europe, with the Czech molded fiber unit posting the highest sales growth. South Europe and the U.K. also reported significant gains in operating margins. Hence, the operating profit from Europe improved by 27% to EUR 93 million, with the final-quarter figure up by 55%.

New food service products were introduced to address growth opportunities in the dynamic Coffee-to-Go and chilled drinks segments. Molded fiber carrier trays for quick service restaurants advanced sharply. In fresh foods, proprietary product development resulted in superior absorbent trays employing open cell technology. The Desto concept, which combines a plastic barrier liner inside a paperboard shell, found new applications. Multilayer barrier sheets for thermoformed food containers showed great promise. Laminate for sterilizable stand-up pouches was in good demand, and new applications were introduced.

Outside the category structure, the German-based films business continued its strong performance, and molded fiber machinery sales were up.

During the year, the Groenlo paper cup plant in the Netherlands was closed and its production relocated to other units, mainly to Göttingen, Germany. In France, the relocation of the Guegon plastics operation to Auneau was completed. A molded fiber operation in Italy and a flexible packaging unit in Turkey were divested. Overall, some 100 individual machines were transferred in order to improve manufacturing efficiencies, gain economies of scale and address growth segments.

The reconstruction of the Polish Siemianowice plant, which was destroyed by fire in late 2000, progressed on plan. In July, a warehouse fire occurred in Ivanteevka, Russia. In each case, supplies from sister units guaranteed an uninterrupted product flow to customers, proving the value of operating as a network.

The year 2002 contains important milestones for Huhtamaki's European operations. Significant growth will result from partnership agreements, recently concluded with a major pet food manufacturer and a leading global catering operator for example. New local fresh foods organizations have reached operational status in several countries, and dedicated resources will promote network sales across Europe. The European rationalization program will be concluded, with logistics as an area of special attention.

*Henk Koekoek
Executive VP Europe*





Americas

Overall, 2001 resulted in more than satisfactory performance for the Americas, despite the atrocious events of September 11. In North America, the newly acquired flexibles and plastics operations were integrated in a seamless process. The integration process no doubt benefited from the adoption of the Huhtamaki name for all Business Units early in the year.

Sales in the Americas advanced by 32% to EUR 826 million, mainly reflecting acquisitions in late 2000. Operating profit from the region increased by 38% to EUR 75 million.

In North America, the consumer packaging business unit was able to recover from the one-off issues that it faced during 2000. Fresh capacity additions became fully operational, and third party sources were eliminated. The conversion of the US frozen dessert market to non-round containers continued, and the unit fully participated in this process. New business was developed in both personal care and pet food packaging. This has allowed the unit to diversify its customer base beyond the traditional ice cream market, while successfully leveraging its ability to offer a full range of packaging solutions, using paper, plastics and flexibles.

The retail unit had an outstanding year, as volumes grew despite recession. The Chinet® brand of premium tableware responded positively to new designs and marketing campaigns, increasing its market share. Growth in the important grocery and warehouse clubs channels was above expectations. This is expected to continue in 2002, upon the introduction of plastic products to boost the product range.

The foodservice unit faced some difficult issues. Growth in the quick service segment stagnated and was further hampered by the negative events of September 11. The demand for frozen food declined, partly as a

function of high energy costs. A perennial frozen foods customer was lost following its financial difficulties and change of ownership.

These issues were countered through streamlining manufacturing: the paper packaging operations in East Providence, R.I. were relocated to Fulton, N.Y., and fixed costs in the Waterville, Maine mill were pruned via staff cuts. The Mt. Carmel, Pa. plastics unit was closed and its production relocated to other units. The remaining plastics production in East Providence will be relocated to other units in 2002.

Latin America had an excellent year, but currency translations into euros masked growth. Both Brazilian businesses performed well. In the consumer unit, new volumes were secured in dairy and ice cream. For molded fiber, the very low apple crop dictated a more turbulent year, but the unit gained new volumes in poultry to offset the volume deficit and ended the year on track. The Argentinean unit posted record volumes despite the country's fundamental economic problems.

For 2002, the outlook in both geographies is positive; new customer commitments will lead to growth, while rationalization programs will yield savings and continued improvement in operational efficiency. Specifically, the North American food service business appears to have better prospects than in 2001. New customer commitments have been secured. The full benefit of the plastics range is expected to

be seen in broadline distribution along with a renewed product development program.

*Mark Staton
Executive VP Americas*





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TM

Asia–Oceania–Africa

At the outset, 2001 appeared to be a stretching year for the Asia–Oceania–Africa region, as the outlook for Oceania was one of flat sales after several years of good growth. Across Asia–Pacific, business volumes dropped for several weeks after the September 11 events. Yet, gains in comparable sales were evident through the region.

Total sales for the year amounted to EUR 377 million. Currency translations into euros tempered the figure. Comparison to the previous year is further hampered by changes in the reporting structure. The region's operating profit was EUR 30 million.

In Oceania, the overall sales performance was solid apart from weakness in New Zealand flexibles and Australian fresh foods business. Rigid food packaging unit benefited from a late surge of demand, assisted by a stronger dairy performance in Form Fill and Seal sheet. The New Zealand rigid packaging business grew strongly across the board.

All Asian business units did well in 2001. Sales growth was particularly strong in both China and Thailand. The Thai flexibles business also gained significant new business for 2002 from a major multinational customer. The Hong Kong and Kuala Lumpur units made good internal progress.

The Indian flexibles business experienced a tough year with several major shocks to consumer confidence. Market softness was however countered with new products, applications and structures, which improved product mix and successfully defended both sales and profitability.

In South Africa, economic conditions remained adverse for any significant improvement in profitability. Restructuring programs were therefore announced in both rigid packaging and molded fiber late in the year.

Oceania will enter 2002 in good health, thanks to several capital expenditure projects commenced in 2001. The good momentum in Asia is expected to continue. Significant capital expenditure will be allocated to the African operations.

Tony Combe
Executive VP Asia–Oceania–Africa



Financial highlights for 2001

key figures

EUR million	2001	2000 (Pro forma)	Change %
Net sales	2,382	2,278	4.6
EBITDA	334	297	12.7
% of net sales	14.0	13.0	
Operating profit (EBITA)	222	184	20.4
% of net sales	9.3	8.1	
EBIT	178	144.5	23.4
% of net sales	7.5	6.3	
Profit before exceptional items, minority interest and taxes	130	118	10.7
Net income	87	80	8.6
EPS before amortization (EUR)	4.45	3.82	16.6
EPS after amortization (EUR)	2.97	2.55	16.6
Dividend (EUR)	1.25*	1.10	13.6
Personnel at year-end	16,417	16,759	-2.0

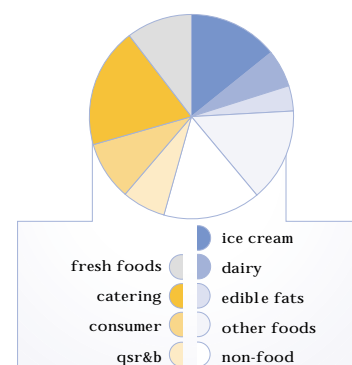
*) Board's proposal

highlights



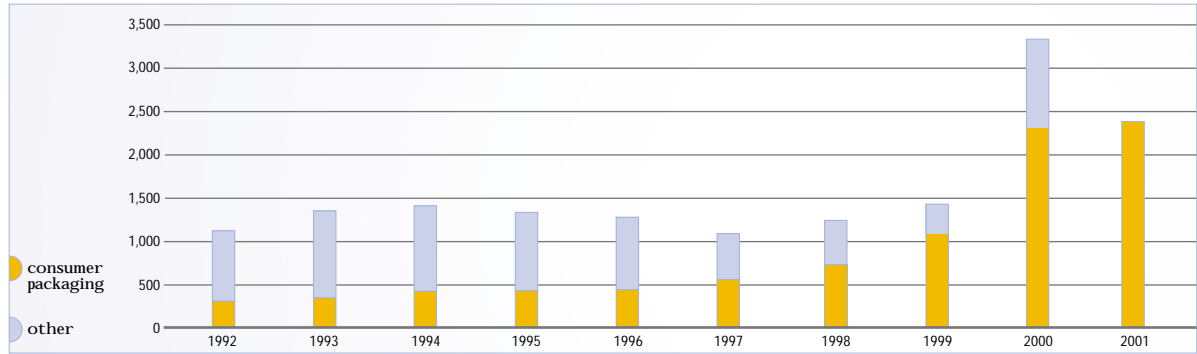
- + Record earnings per share
- + Synergy benefits accumulating
- + Healthy margin improvement
- + Capital structure in line with targets
- + Strong cash flow

net sales by segment



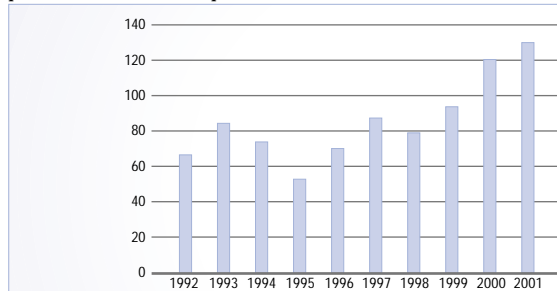
net sales

eur million

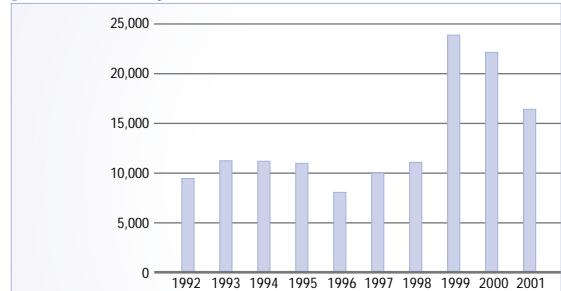


profit before exceptional items

eur million

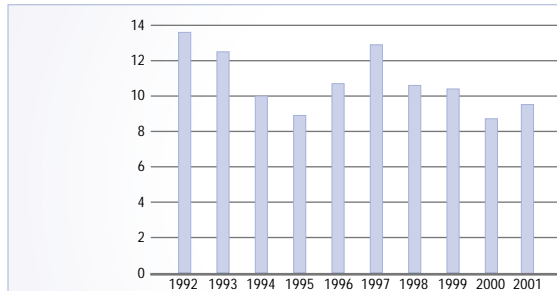


personnel at year-end

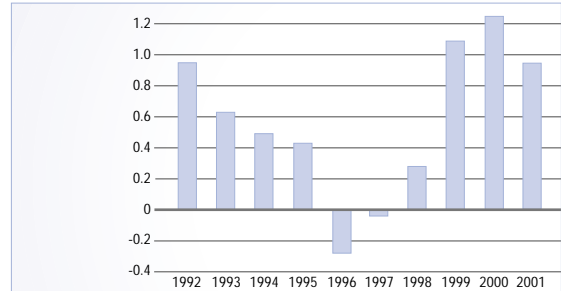


return on investment (roi)

%

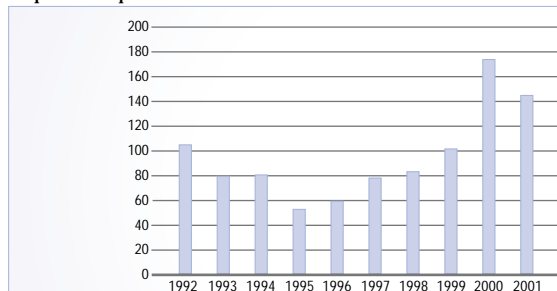


net debt to equity



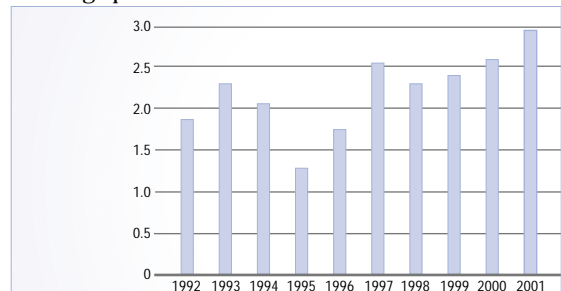
capital expenditure

eur million

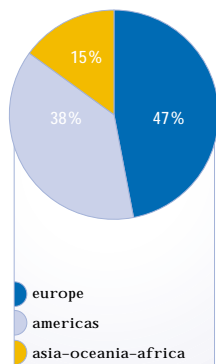


earnings per share

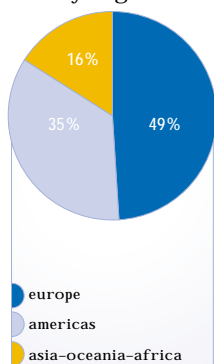
eur



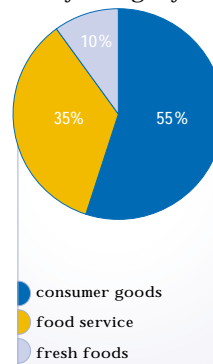
ebita by region



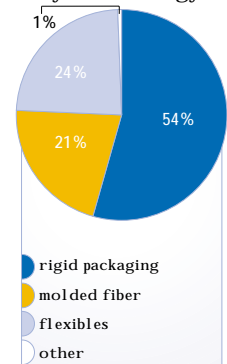
net sales by region



net sales by category



net sales by technology



The Huhtamaki share

Supported by an improving financial performance, major share repurchases and positive views widely held among equity analysts, the Huhtamaki share price increased by 21% during calendar 2001, with the upward trend continuing into early 2002. Hence, the share traded at around EUR 44.00 in mid-February 2002, some 80% above its lowest value of EUR 24.50 a year earlier. The volume of average daily trading in the share increased by 70% during 2001.

Shares and share capital

- One share class
- No physical share certificates
- Original nominal value FIM 20 abolished in 1999; accounting counter value EUR 3.40
- Shares in issue at December 31, 2001: 25,303,948
- Average number of shares in issue in 2001: 29,279,424
- Share capital at December 31, 2001: EUR 86.0 million

Registration

- Finnish Central Securities Depository Ltd., electronic Book Entry system
- Nominee registration and temporary registration for voting at General Shareholders' Meetings available to foreign shareholders

Quotations

- HEX (Helsinki Exchanges) main list since 1960
- Standard lot 50 shares
- Classification: Food Industry
- AEX (EuroNext Amsterdam) from October 1999 until de-listing in February 2001

- Over the counter trading at the Frankfurt, Munich and Berlin exchanges
- Rule 144A ADR program in the U.S. from 1990 technically valid

Symbols

HEX:	HUH1V
Reuters:	HUH1V.HE
Bloomberg:	HUH1V.FH

Authorizations

No current authorization for Board of Directors to alter share capital through issue of new shares or repurchase and invalidation of company shares. Annual General Meeting on March 25, 2002 to address the Board's proposal to launch a new share repurchase program.

Shareholders and shareholder agreement

- 15,669 registered shareholders at the end of 2001
- Largest shareholders: Finnish Cultural Foundation and the Association of the Finnish Cultural Foundation, together 18.2% of share capital
- No current shareholder agreements, following exit of Van Leer Group Foundation as shareholder on September 11, 2001

Insider provisions and shareholding

- Full compliance with HEX guidelines of March 1, 2000
- Insider register maintained by company, based on information from Central Securities Depository Ltd

- Share ownership of Directors and Executive Committee members at year-end: 29,450 shares, corresponding to 0.10% of total
- Management's stock options: up to 1,350,000 new shares may be issued in 2002–2006, corresponding to 5.3% of total after subscriptions
- Non-executive Directors have no stock options

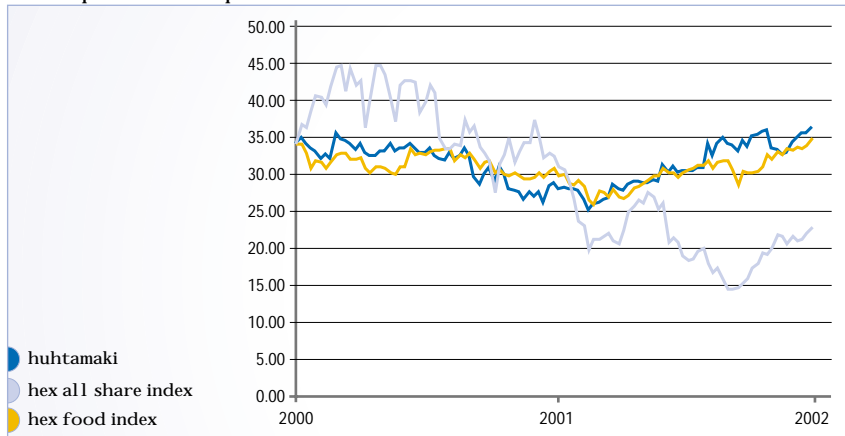
Trading developments in 2001

- Opening EUR 29.44 (Jan 2)
- Low EUR 24.50 (Feb 21)
- High EUR 37.00 (Oct 11)
- Closing EUR 35.50 (Dec 28)
- Total turnover on HEX 10,341,985 shares (35% of the annual average of 29,279,424 shares in issue), corresponding to EUR 322.8 million
- Average daily volume on HEX 41,534 shares, EUR 1.3 million

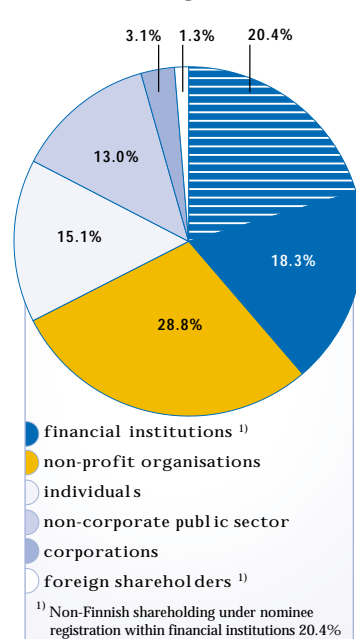
Investor relations contact

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share price development



shareholding dec 28, 2001



share price quotations (eur) and turnover (units) at helsinki exchanges

(HUHTAMAKI)

2001	lowest	highest	turnover
I quarter	24.50	29.50	2,065,194
II quarter	26.10	31.50	2,541,147
III quarter	29.50	35.00	3,449,060
IV quarter	32.37	37.00	2,286,584

(HUHTAMAKI VAN LEER)

2000	lowest	highest	turnover
I quarter	31.00	36.50	2,002,397
II quarter	31.00	35.50	1,382,884
III quarter	28.30	34.00	1,680,453
IV quarter	25.50	32.00	854,118



(Series I and K were united on Oct 8, 1999)

(HUHTAMAKI)

1999	SERIES I			SERIES K		
	lowest	highest	turnover	lowest	highest	turnover
I quarter	29.00	36.50	2,897,688	29.00	36.00	171,007
II quarter	32.00	37.40	2,011,727	31.01	37.00	196,624
III quarter	29.00	36.75	1,252,541	29.06	37.00	335,300
IV quarter	27.60	34.45	1,796,551	28.80	30.00	20,330
1998						
I quarter	36.66	51.30	1,796,067	36.16	49.62	311,421
II quarter	48.77	58.87	2,317,490	47.93	56.51	567,069
III quarter	26.41	52.81	2,102,919	26.07	51.47	107,288
IV quarter	24.64	32.63	3,739,409	24.39	32.63	255,167
1997						
I quarter	35.66	42.43	3,128,218	35.49	41.71	1,202,205
II quarter	37.00	41.21	1,837,360	36.18	40.03	384,394
III quarter	33.13	41.88	1,869,069	32.80	40.53	147,735
IV quarter	32.12	39.19	1,534,220	31.96	37.51	272,089

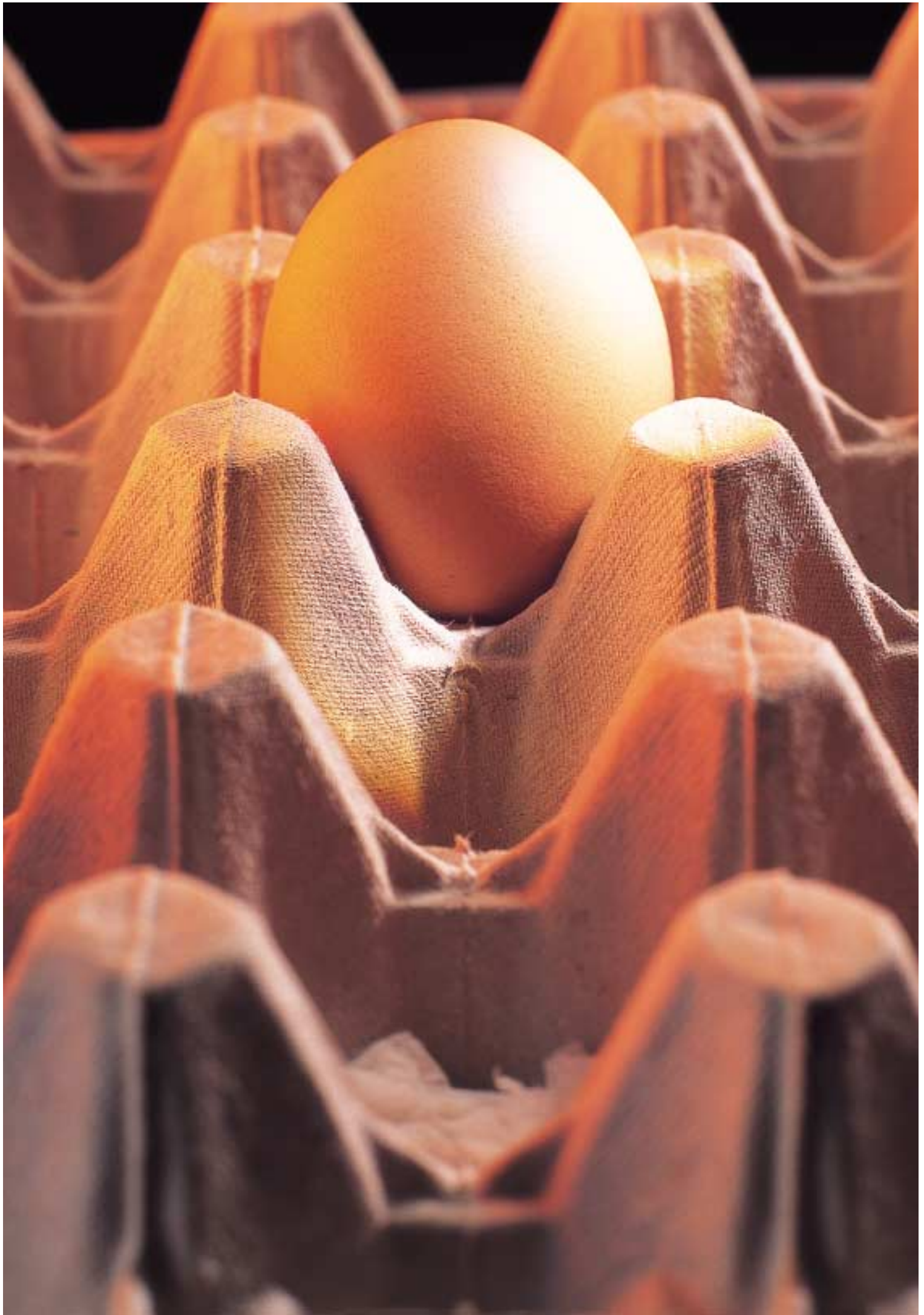
major owners at feb 15, 2002

	Shares and votes %
1. The Finnish Cultural Foundation	12.9
2. The Association for the Finnish Cultural Foundation	5.3
3. Society of Swedish Literature in Finland	4.1
4. Ilmarinen Mutual Pension Insurance Company	3.1
5. Varma-Sampo Mutual Pension Insurance Company	2.6
6. Suomi Mutual Life Assurance Company	2.0
7. Pohjola Non-Life Insurance Company Ltd.	2.0
8. Suomi Insurance Company	1.9
9. Nordea Life Assurance	1.1
10. Odin Norden	0.8
11. Tapiola Mutual Insurance Company	0.8
12. The State Pensionfund of Finland	0.7
13. FIM Forte Investment Fund	0.7
14. Tapiola Mutual Pension Insurance Company	0.6
15. Pensionfund Polaris	0.6
16. IF Non-Life Insurance Company	0.6
17. Nordea Optima Investment Fund	0.5
18. Kaleva Mutual Insurance Company	0.5
19. Tapiola Mutual Life Assurance Company	0.5
20. Aktia Capital	0.4

stock analysis

The following institutions published reports on Huhtamaki during 2001. An updated list appears on the company's website, www.huhtamaki.com

Company	City	Analyst
Alfred Berg	Helsinki	Tia Lehto
CA Indosuez Cheuvreux Nordic	Helsinki	Jan Kaijala
Conventum Securities	Helsinki	Hannu Nyman
D. Carnegie AB Finland	Helsinki	Kia Aejmelaesus
Den Danske Bank	Helsinki	Ari Järvinen
Deutsche Bank	Helsinki	Tomi Railo
Enskilda Securities	Helsinki	Tommy Ilmoni
Evli Securities Plc	Helsinki	Antti Seppänen
FIM Securities	Helsinki	Mikko Linnanvuori
Impivaara Securities	London	Jeffrey Roberts
Mandatum Stockbrokers Ltd	Helsinki	Ari Laakso
Merrill Lynch	London	Mads Aspren
Morgan Stanley Dean Witter	London	Andreas Mavrikakis
Nordea Securities	Helsinki	Ville Kivela
Opstock Securities	Helsinki	Sanna Päiväniemi
Schroder Salomon Smith Barney	New York	George L. Staphos



Corporate governance

Huhtamäki Oyj is incorporated in Finland, and the stipulations in its Articles of Association have been derived from the Finnish Companies Act. As a publicly listed company with an international shareholder base, Huhtamäki has in recent years revised its governance system in order to align with widely accepted principles and recommendations. Hence, the company has unified its shares into one class and abolished a two-tier decision-making structure with an external Supervisory Board and an internal Board of Directors.

The most recent change in governance was adopted by an Extraordinary General Shareholders' Meeting in October 2001. The company's current Articles of Association contain no privileges to the main shareholders, and the requirement of a qualified majority of 3/4 of votes for amending certain items in the Articles was lifted.

The company is governed by Board of Directors consisting of 6 to 9 predominantly non-executive members. The Board is annually elected for a one-year term by the Annual General Shareholders' Meeting (AGM), based on a proposal from the Board's Nomination Committee. At the AGM, shareholders may propose and elect other candidates. The Board elects its Chairman and Vice-Chairman from among its members.

The Board is vested with the powers specified in Finnish Companies Act and the company's Articles of Association. It sets the company's financial and strategic objectives and decides on main policies, strategic and business plans, significant acquisitions and divestments as well as capital expenditure projects exceeding EUR 25 million. The Board also appoints the Chief Executive Officer (CEO) and other Executive Committee (EC) members, decides on executive compensation, allocates stock options to management and annually reviews the management performance. The Board meets at least six times per year, with one meeting entirely dedicated to corporate strategy. In 2001, the Board met 8 times.

In 2001, the Board had three committees. Nomination Committee, Remuneration Committee and Audit Committee. Due to the Board's compactness and availability via electronic conferencing channels between scheduled meetings, only the Nomination Committee will continue in 2002.

The company's day-to-day operation is the responsibility of the CEO, who is also Chairman of the EC. The EC convenes at least once a month and additionally on specific topics such as strategy and annual business plans.

Each EC member has a clear operative responsibility, either for a geographical region (Europe, Americas, Asia-Oceania-Africa), or a key function (Finance, Technology, Marketing). The EC members are the CEO's direct reports; additionally, the CEO supervises the Human Resources function. Individual responsibilities appear in the biographical section of this report.

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

It is to be noted, however, that local laws and conditions require flexibility, and that company-wide information systems and network tools increasingly replace written procedures. A major emphasis is placed on the recruitment, training and career progression of management and specialist resources.

Remuneration and benefits

The AGM held on April 12, 2000, maintained the remuneration of the Board of Directors as follows: Chairman EUR 75,685, Vice-Chairman EUR 43,730 and other members EUR 33,638 annually. The CEO does not receive remuneration for his Board membership.

The remuneration of senior management consists of a base salary, benefits such as routine health care and company car, an annual bonus linked to corporate and personal objectives (short-term incentive; typically up to 30% of base salary depending on level of responsibility), as well as stock options issued from time to time (long-term incentive). The compensation and benefits for line managers follows local law and practice, based on an internationally recognized job grading system and an annual review of individual performance. Performance-related bonus schemes are widespread.

The EC members are entitled to retirement upon reaching sixty years of age. They, as well as certain other senior executives, have been provided with a general directors' and officers' liability insurance policy, and a severance pay exceeding the legal minimum in their respective countries of operation.

In 2001, the CEO's total compensation amounted to EUR 594,898.

The Executive Committee members have an aggregate of 229,000 stock options under schemes adopted in 1997 and 2000. In 2001, a total of 70,000 new stock options were allocated to them. Their individual positions and shareholding in the company appear in the biographical section.

Stock option schemes extend to some 120 executives and managers across the company and its subsidiaries. A total of 1,350,000 new shares (corresponding to 5.3% of the shares outstanding) may be issued in 2002–2006 assuming full use of the stock options schemes of 1997 and 2000.



Our human resources objective: motivating 16,000 professionals in 35 countries to act and work as one company

The Human Resources function in a global company should be more occupied with the identification and development of strategically important talent and skills than just traditional personnel administration. This is why, for the past decade, Huhtamaki has continued its own international training programs aimed at junior managers and experts, as well as middle and top management. Keeping the programs alive and relevant has been a challenge during Huhtamaki's years of major structural change. With stability returning, HR programs have been developed with vigor.

Efficient management requires systems. During 2001, a major project was undertaken to set forth Huhtamaki's global HR processes. A new information system was used as a tool to create a common database for all the knowledge and skills critical to Huhtamaki's success.

The data reveals, for example, that the average age of Huhtamaki's managers and specialists is 43 years and their average length of service 11 years. However, 37% globally fall in the age group 30–39 years.

In 2001, a total of 77 employees spent 599 training days attending Huhtamaki's development programs. In addition, the local training programs were running normally. The top-level International Leadership Program was renewed. The 9th ILP course had 23 participants representing 13 nationalities. For the course, a new Huhtamaki Business Simulation Game was introduced. In 2002 it will be extended to regional and country-level programs, thus giving trainees a shared experience and the opportunity to realistically simulate business decision-making in their own environment.

The European Works Council held its statutory annual meeting and a training meeting during 2001. The Council was informed of the European restructuring projects and the Group's business outlook.

The training concentrated on teambuilding and improving communication.

A new international job posting system was developed in 2001, and it will be in widespread use in 2002. This new process will allow all the employees to apply for any open positions globally, creating more international mobility and opportunities for junior employees.

Overall, international interest and participation in HR project work was higher than previous years, and a new phase in developing the global processes and working environment clearly started in 2001.

In 2002, Huhtamaki will step up its internal communication and marketing efforts. The overall aim is to create a more coherent corporate culture and ingrain it deeper into local organizations, many of which have become Huhtamaki entities only recently. Improving networking between units is a specific objective, and this makes sound commercial sense.

Such objectives cannot materialize if perceived as a top-down Headquarters dictates superimposed on local cultures and agendas. The company's vision, mission and values must be widely shared and internalized through local commitment and programs. The ongoing corporate identity and branding project will provide the necessary communications tools, platforms and core messages for both internal and external work, for years to come.





Caring for the environment

Huhtamaki recognizes its corporate responsibility to contribute to sustainable development. Environmental considerations form an integral part of our day-to-day management. Our commitment is spelled out in the Group environmental policy, originally developed on the cornerstones of the International Chamber of Commerce (ICC), Business Charter for Sustainable Development, and recently revised to take account of the company's transformation into a consumer packaging company.

highlights of 2001

Global activities

- Globally 42 Huhtamaki manufacturing units are implementing certified systems either in quality, environmental, health and safety or hygiene management
- Group environmental action plan for 2002 was drafted and approved by the Executive Committee
- Decision to start monitoring of environmental key performance indicators (eKPI) forming the basis for the environmental reporting of Huhtamaki Group

Europe

- Implemented the Garbage Gang recycling system at the world orienteering championships, Tampere, Finland. This sports event was regarded as the "world's environmentally friendliest sporting event."
- The innovative closed loop recycling system pilot test was implemented together with

McDonalds Finland. Up to 95% of the restaurant kitchen waste and used packaging waste was recycled.

Americas

- Environmental Care Program was launched as an internal environmental management system ensuring improved environmental performance and reporting of environmental information
- Began development of a crisis management plan for mission-critical processes. When completed, the plan will outline a contingency for each core process vital to the successful operation of the Americas' business.
- Six plants received the superior rating in health and safety management according to the implemented standard

Australia and New Zealand

- Huhtamaki Australia became a signatory of the National Packaging Covenant and has submitted its first year's action plan
- Plastics recycling pilots in Australia have commenced involving several levels of the supply chain
- Huhtamaki New Zealand, Henderson plant, has been awarded a HACCP certification, achieving a high level of compliance with key customers, as well as meeting the national CODEX and the World Health Organisation standards
- In New Zealand, signed the national waste minimization strategy aimed at minimizing the amount of waste ending in landfills

Asia and Africa

- Thane plant in India received the first prize in the Best Safety Performance in Large Scale Industry category

Environmental policy

As a leading global provider of high-performing consumer packaging products and services, Huhtamaki recognizes its responsibility to contribute to sustainable development. The Group will continue to integrate standards for Quality, Hygiene, Safety, Health and Environment into its day-to-day business as an essential element of management.

As a matter of course, we will conduct our business in compliance with all applicable laws and regulations, and in accordance with our ethical and societal responsibilities;

We will continuously improve our management, total quality and environmental performance;

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

We manufacture our products with the aim to minimise natural resource depletion, to optimize process efficiency, to apply the best available techniques and practices, and to reduce solid waste generation, effluent discharges and emissions to air;

We will educate, train and motivate all employees to instil a keen sense of environmental responsibility and accountability;

We will engage our suppliers to comply with our stringent standards of quality, safety, hygiene and environmental excellence;

As an industry leader, we are eager to cooperate with public, governmental and industrial organisations, both at national and international level, to develop effective and balanced environmental standards and modes of operation;

We will transpose this policy into a long-term environmental program, requiring detailed annual action plans and progress reports from our operating units;

We will communicate our environmental record to our stakeholders using widely accepted concepts and measurements.

Administration and auditors

board of directors (from april 3, 2001)

CHAIRMAN

VELI SUNDBÄCK (55)



Executive Vice President
Nokia Oyj
Shares: 1,000

VICE CHAIRMAN

PAAVO HOHTI (57)



Secretary General
Finnish Cultural Foundation
Shares: 150

MEMBERS:

JEAN PHILIPPE DESCHAMPS (60)



Professor
International Institute for Management Development
Shares: –

ANTHONY J.B. SIMON (56)



President Marketing
Unilever
Shares: –

MIKAEL LILIUS (52)



President and CEO
Fortum Oyj
Shares: 3,600

JUKKA VIINANEN (54)



President and CEO
Orion Corporation
Shares: –

TIMO PELTOLA (55)



CEO
Huhtamäki Oyj
Shares: 22,500
Share options:
1997 A 20,000
1997 B 20,000
2000 A 15,000
2000 B 20,000

HARRY LELIVELD

Executive Director Stichting Van Leer Group
Foundation
Resigned on September 11

IVAR SAMRÉN

Chairman Stichting Van Leer Group Foundation
Resigned on September 11

executive committee

CHAIRMAN

TIMO PELTOLA (55)



Dr. Econ.h.c.
B.Sc. (Econ) Turku School of Economics
CEO since 1989
Joined the company in 1971
Positions of trust:
Board Member of Nordea Plc.,
AvestaPolarit Oyj and Instrumentarium Corp.
Chairman of the Supervisory Board of Ilmarinen
Mutual Pension Insurance Company
Member of the Supervisory Boards of the Finnish
Cultural Foundation and the Finnish Fair Corporation

MEMBERS:

TONY COMBE (40)



Executive VP Asia–Oceania–Africa since 2000
B.Bus. (Marketing) University of South Australia
Joined the company in 1986
Positions of trust: Board Member of Packaging
Council of Australia (PCA)
Shares: –
Share options:
1997 A 6,000
1997 B 6,000
2000 A 8,000
2000 B 10,000

MARK STATON (42)



Executive VP Americas since 2000
BA in Business Studies (hons) University of West England
Joined the company in 1989
Shares: –
Share options:
1997 A 7,500
1997 B 7,500
2000 A 8,000
2000 B 10,000

H.R. (HENK) KOEKOEK (55)



Executive Vice President, Europe since 2002
M.Sc. (Eng) Technical University Delft
Joined the company in 1973
Shares: 3,400
Share options:
1997 A –
1997 B –
2000 A 8,000
2000 B 10,000

kalle tanhuanpää (49)



Chief Marketing Officer since 2002
• Marketing
• Category and branding strategies
• Corporate and Marketing Communications
B.Sc. (Econ) Turku School of Economics
Joined the company in 1976
Positions of trust:
Board Member of HK Ruokatalo Oyj,
The Association of Finnish Advertisers
Shares: 1,500
Share options:
1997 A 6,000
1997 B 6,000
2000 A –
2000 B –

TIMO SALONEN (43)



Chief Financial Officer since 1998
• Finance
• Administration
• Legal
• Investor Relations
• Information Systems
B.Sc. (Econ) Turku School of Economics
LL.M. University of Turku
Joined the company in 1991
Positions of trust: Board Member of Pohjola Group plc
Shares: 1,500
Share options:
1997 A 7,500
1997 B 7,500
2000 A 8,000
2000 B 10,000

MATTI TIKKAKOSKI (48)

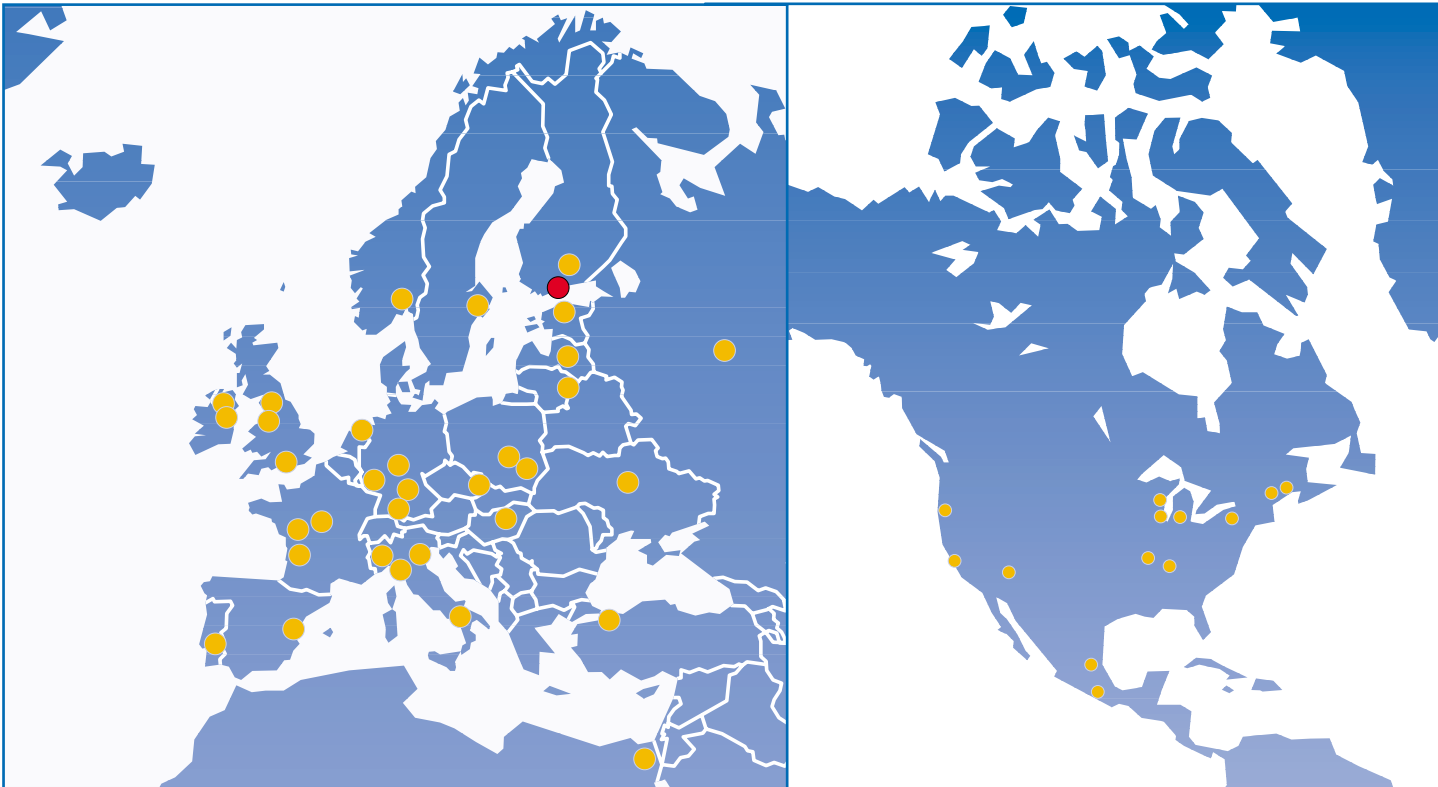


Chief Technology Officer since 2002
• Global manufacturing strategy
• R&D
• Quality, Health, Environment
B.Sc. (Econ.) Helsinki School of Economics
Joined the company in 1980
Shares: 1,700
Share options:
1997 B 10,000
2000 A 8,000
2000 B 10,000

auditors

- ESA KAILIALA, APA
- PEKKA PAJAMO, APA

Key addresses



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Category management

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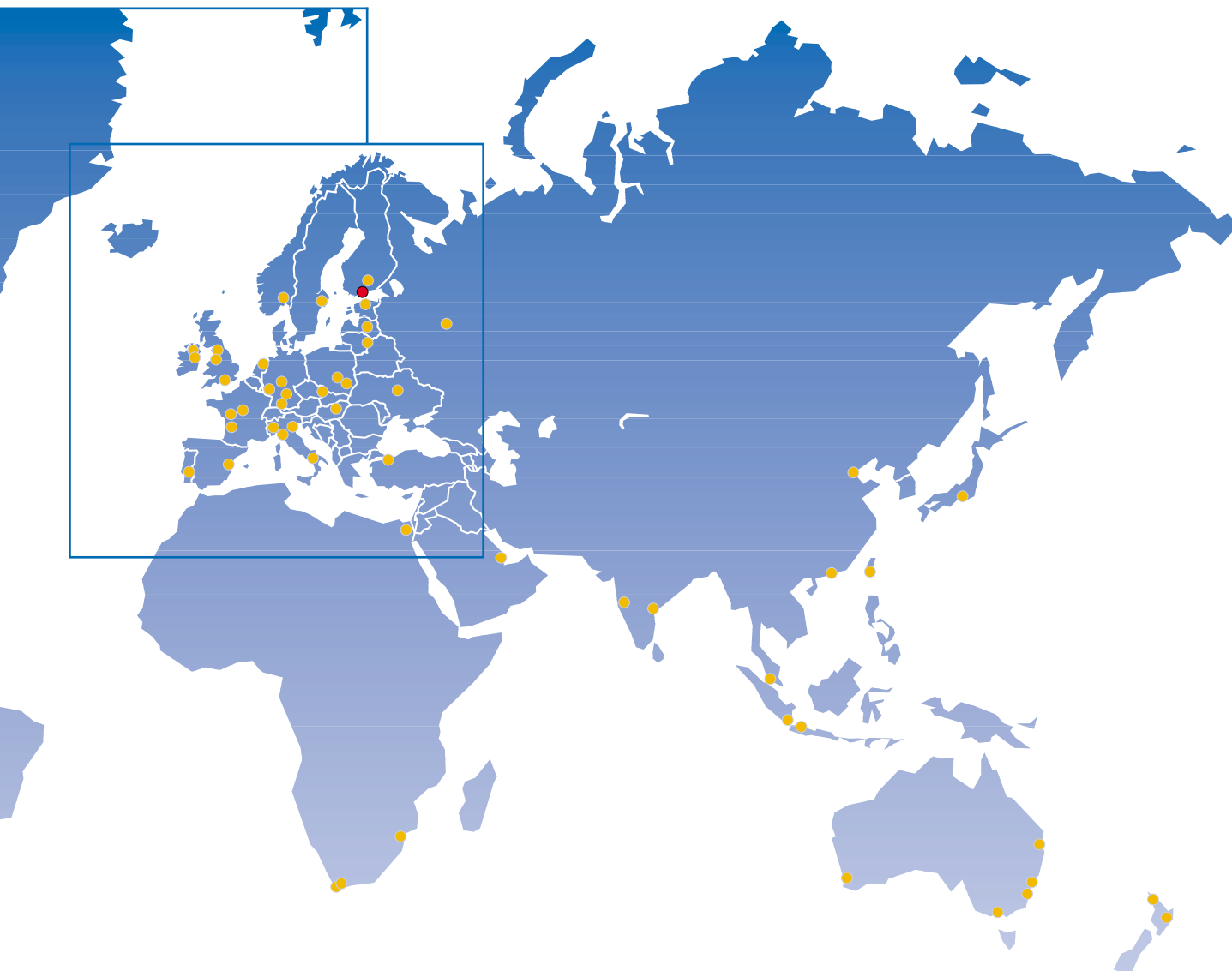
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 Fax: +55 (0) 41 661 117 0

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 406 Marion Street
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 Fax: +61 (0) 2 979 103 96

The Paper Products Ltd.
 Lbs Marg, Majiwade
 Thane West, Maharashtra 400601
 INDIA
 Tel: +91 (0) 22 542 705 1
 Fax: +91 (0) 22 534 059 9

Huhtamaki South Africa (Pty) Ltd.
 Industry Road, New Era
 Springs 1560
 SOUTH AFRICA
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 Fax: +27 (0) 11 813 243 8

News headlines in 2001

February 13

Results 2000

March 2

Divestment of Van Leer Industrial to Greif Bros. completed

April 3

AGM decisions

May 11

First quarter on track

July 5

Italian molded fiber unit sold

July 19

U.S. fruit packaging unit divested

August 7

A strong second quarter

August 21

Share buyback program expected to continue

August 30

Huhtamaki streamlines manufacturing in the U.S.

September 12

Huhtamaki acquires Van Leer Group Foundation's shareholding through Dutch subsidiary

September 17

Extraordinary Shareholders' Meeting to be held on October 10, 2001

September 18

Kalle Tanhuanpää appointed to Executive Committee as Chief Marketing Officer

October 10

EGM approves lowering of share capital

October 17

New share capital and amendments to Articles of Association registered

November 6

Earnings improvement and strong cash flow continued in third quarter

November 6

Role switch in Executive Committee

November 30

Turkish consumer flexibles operation sold





www.huhtamaki.com



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