

# Annual Report

2002



*“...we now focus  
on accelerating growth.”*

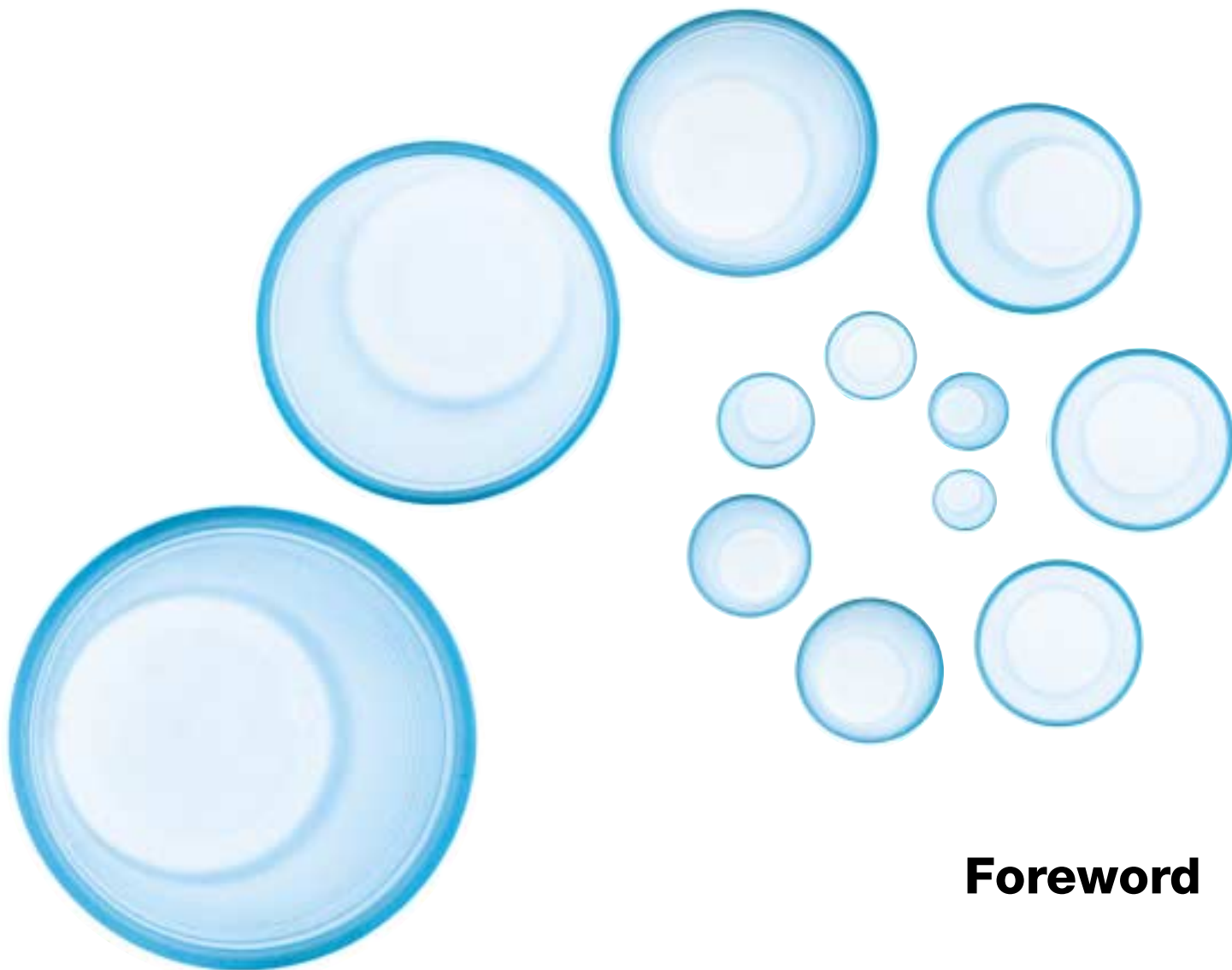


# Contents

Foreword .....	03
Financial highlights for 2002 .....	04
A word from the CEO .....	07
Strategy and capabilities .....	09
Our values in action .....	11
Europe .....	13
Americas.....	15
Asia – Oceania – Africa.....	17
Corporate responsibility .....	19
Human resources .....	21
Corporate governance .....	21
The Huhtamaki share .....	24
Administration and auditors .....	26
Key addresses .....	28
Organization .....	30
Main news headlines in 2002 .....	31

## *Front cover:*

*Huhtamaki is a leader in high-performance flexible packaging such as retortable stand-up pouches. Overall, flexible packaging and films were in strong demand in 2002.*



## Foreword

**Further** – a single word that captures our aspirations. As one of the world's premier providers of rigid and flexible packaging solutions for consumer products, we take packaging further: in functional and technical properties, as vehicles for branding and marketing, as comprehensive packaging systems, within the environmental dimension, to new markets...

Apart from its original task – protecting perishable products and ensuring their safe journey from producer to end-user – packaging today has many other roles. One of them is becoming more important all the time: brand-building. With the power of traditional advertising waning, the buying decisions for foods and other fast-moving consumer goods are increasingly taken on impulse. As the first handshake between the

product and the consumer, packaging is the most powerful tool for instant brand identification, product differentiation and in-store promotion. Our background as a consumer products company has given us deep insight into branding and consumer behavior, and we take it further through our own research activity.

Already the world leader in rigid, thin-walled plastic and paper packaging as well as in molded fiber products, we also want to go further as a company and as the 16,000 motivated Huhtamaki employees behind it.

Established in 1920, Huhtamaki has become a pure packaging company through a process of strategic change and corporate transactions, starting twenty years ago and culminating towards the end of the 1990s.

We combine a long industry experience and innovation track record with an unrivalled range of rigid and flexible packaging technologies as well as a truly global network comprising more than 70 factories and additional sales units in 36 countries.

In 2002, Huhtamaki's net sales amounted to EUR 2.2 billion, with half of that from Europe, a third from the Americas and the rest from Asia-Oceania-Africa.

Huhtamäki Oyj has its head office in Espoo, Finland, and is listed on the Helsinki Exchanges (HEX Symbol: HUHIV) since 1960. The company produced its best-ever financial results in 2002, the year under review in this Annual Report.

# Financial highlights for 2002

## Key figures

EUR million	2002	2001	Change %
Net sales	2,239	2,382	-6.0
EBITDA	327	334	-2.3
% of net sales	14.6	14.0	
Operating profit (EBITA)	218	222	-1.8
% of net sales	9.7	9.3	
EBIT	175	178	-1.8
% of net sales	7.8	7.5	
Profit before exceptional items, minority interest and taxes	131	130	0.6
Net income	88	87	1.4
EPS before amortization (EUR)	1.30	1.11	17.1
EPS after amortization (EUR)	0.88	0.74	18.9
Dividend* (EUR)	0.38 <sup>†</sup>	0.31	21.6
Personnel at year-end	15,909	16,417	-3.1

\* Board's proposal



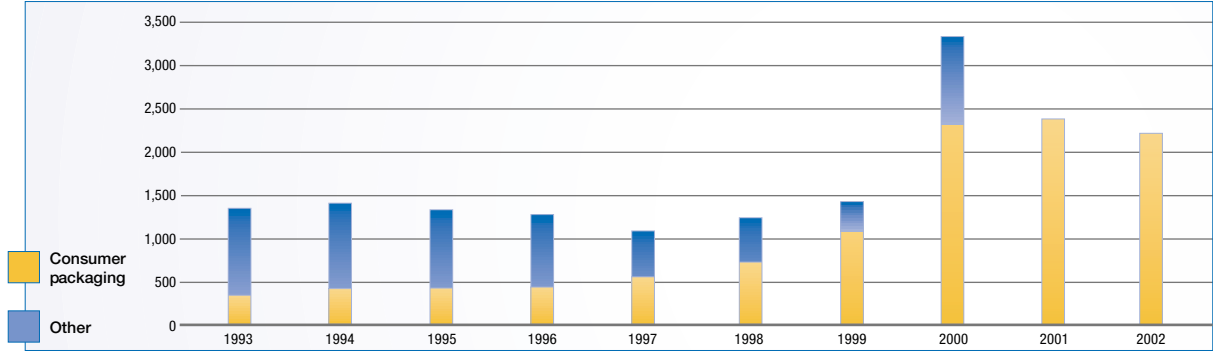
## Highlights



- + Earnings per share at new record
- + European streamlining completed
- + Strong growth in flexibles and films
- + Significant improvements in Asia and Africa

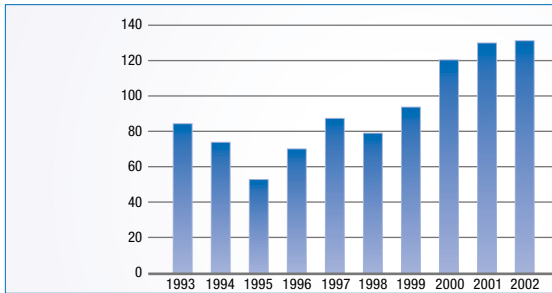
**Net sales**

EUR million

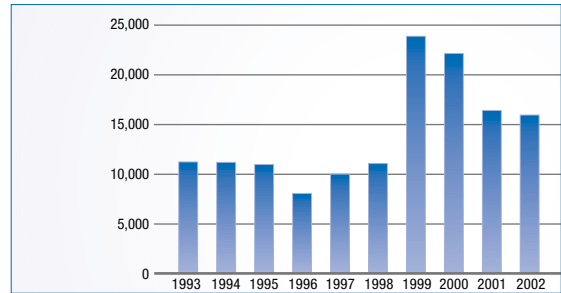


**Profit before exceptional items**

EUR million

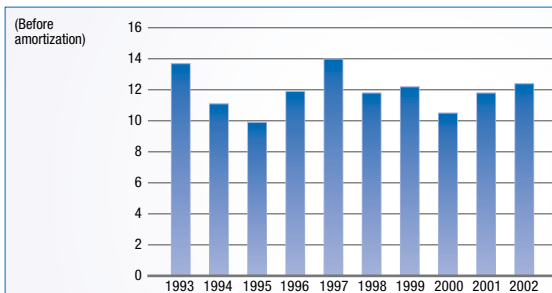


**Personnel at year-end**

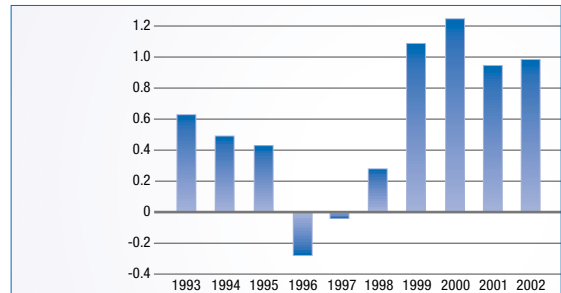


**Return on investment (ROI)**

%

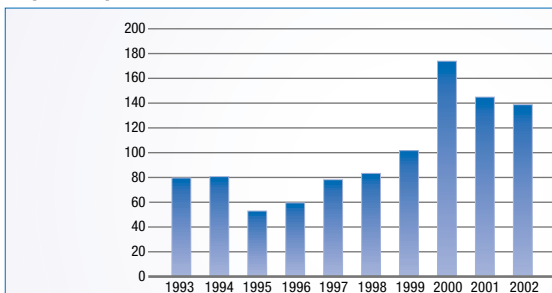


**Net debt to equity**



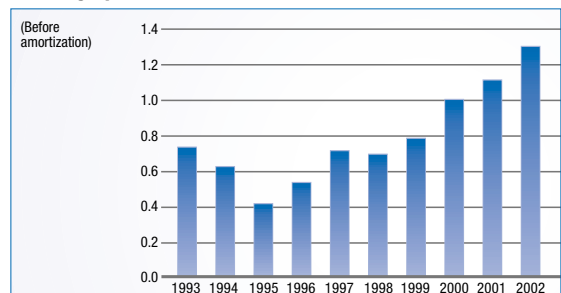
**Capital expenditure**

EUR million



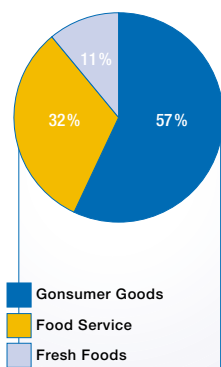
**Earnings per share**

EUR

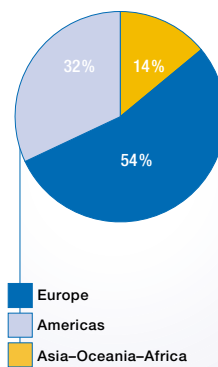


1993-2001 figures adjusted to the 3:1 bonus issue which quadrupled the number of shares in issue in 2002

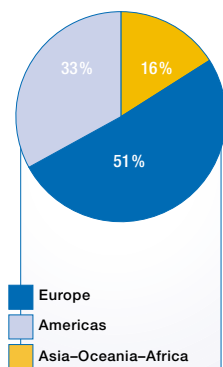
**Sales by category**

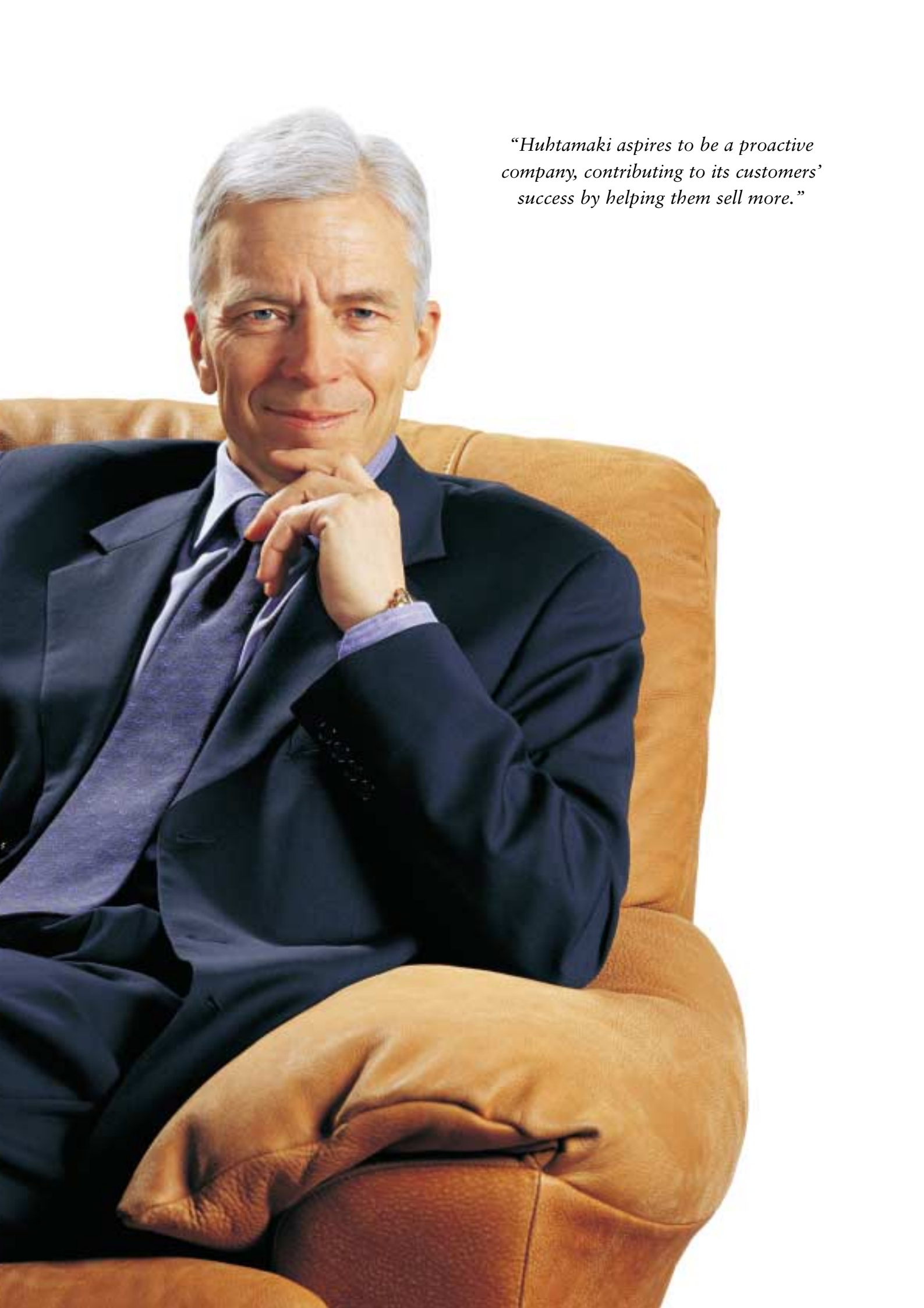


**Net sales by region**



**EBITA by region**





*“Huhtamaki aspires to be a proactive company, contributing to its customers’ success by helping them sell more.”*

# A word from the CEO

Huhtamaki entered the year 2002 confident of delivering the results of the extensive streamlining and rationalization program launched three years ago.

On the whole, we can be pleased with the outcome. We completed our European and North American streamlining measures on schedule, gaining targeted efficiencies in most concerned operations. Despite a hesitant world economy, the company's comparable sales remained on the previous year's level. Our flexible packaging, films and molded fiber products saw significant volume growth.

Reflecting improving efficiency, our operating margins strengthened across the board. Earnings per share improved by 17% from the previous record in 2001, and we came very close to most of our financial targets.

We also made progress in such areas as innovation management, new product launches, organizational development and building the Huhtamaki brand. These are the foundations for our long-term progress – for maintaining and strengthening our leadership in the global arena.

However appealing it might be to stop here and enjoy the picture, the truth is that 2002 had two distinct halves. The full-year results materialized largely on the strength of the first half. In the second, softening markets and several short-term issues combined to bring our long succession of quarterly profit improvements to a halt in the final quarter.

No matter how you look at it, the world economy did not recover in 2002 – rather the opposite. Even in our relatively stable industry, this meant slow volume growth, intensified

price competition and a shift to lower value added products.

It is safe to expect a hesitant business environment to prevail through much of 2003. New business wins and efficient production nevertheless place us in a good position to deliver a stronger second half of the year. To an extent, this scenario is contingent on how the present confrontation in the Middle East will be resolved.


World politics aside, Huhtamaki will continue to vigorously implement the strategy laid out two years ago. After improvements in operating margin, return on capital and balance sheet structure, we now focus on accelerating growth. To this effect, we have changed our organization in both Europe and North America. We have an array of new products soon reaching the market, and will address identified growth opportunities in eastern Europe, Asia and the Americas through capital expenditure.

The current year has started off according to expectations. On the whole, I look forward to another year of structural stability and customer focus, with accelerating growth and further efficiency improvements ensuring good financial results again.

Huhtamaki aspires to be a proactive company, contributing to its customers' success by helping them sell more. We are privileged and grateful to serve and support some of the best-known and most demanding brands in consumer products, food service and food trade. The role of packaging in the marketing mix is clearly becoming stronger. I see exciting opportunities to go further together.



Timo Peltola  
CEO



*“Local new product development activity and dedicated Technology & Development Centers ensure a steady flow of new, innovative products.”*



# Strategy and capabilities

As a specialty consumer packaging group, Huhtamaki ranks among the very largest in the world. More than 70% of its sales are derived from product categories and manufacturing technologies where the company is the world leader. Most of the company's competitors are much smaller, local enterprises with fewer technologies, customer segments or geographical markets. Huhtamaki does not directly compete with the even larger packaging companies active 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 products wherever they operate, and extensive technological capabilities permitting the company to offer alternatives and combine materials for innovative solutions.

## Consumer Goods

The Consumer Goods business area 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. The latter area currently presents the highest growth rates.

Advanced barrier packaging solutions, innovative applications for Huhtamaki's system packaging technology, new market segments such as confectionery or non-food products, as well as emerging market areas and the consolidation and globalization of the customer base offer major opportunities in rigid packaging as well.

Huhtamaki is also engaged in the manufacture of siliconized films and papers for different purposes, serving a worldwide customer base.

### *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):*

Arla, Colgate-Palmolive, Danone, Dreyer's, Heinz, Kraft Foods, Mars/Masterfoods, Nestlé, Procter & Gamble, Raisio, Unilever, Valio

## Food Service

The Food Service customers include virtually all leading international quick service and beverage companies, many rapidly growing coffee and casual dining restaurant chains, as well as successful local operators. Food Service products are also sold to contract caterers and vending operators, mainly through major specialized distributors. Branded single-use tableware for the retail channel is another important product category.

Huhtamaki is the world leader in plastic and paper cups and plates. Molded fiber products play an important role in the category as well. The Food Service business has for two decades presented opportunities for rapid growth. Although several factors have combined to slow down the growth in 2001–02, the business area remains dynamic and eager to adopt value-added packaging innovations.

### *Main market segments:*

Quick service restaurants and beverage, catering, vending, retailers

### *Main customers (alphabetically):*

Bunzl, Burger King, Coca-Cola, Costco, McDonald's, PapStar, PepsiCo, Sam's, Sodexho, Sysco, Wal-Mart, Yum! Brands

## Fresh Foods

A clear trend from highly processed to fresh foods has created the need for ranges of special packaging that promote the integrity, freshness and appearance of over-the-counter foods. New packaging solutions feature functional benefits such as pressure cooking. At the same time, the portioning and packing of fresh food ingredients, such as meat, poultry, seafood, fruits and vegetables, has largely moved from retail trade into efficient, industrial-scale operations. Sophisticated solutions, including modified atmosphere packaging, modular concepts and active packaging, prolong shelf life and facilitate logistics through the supply chain.

Huhtamaki is the world leader in molded fiber packaging, which is the primary packaging material for eggs and many other types of farm produce. Overall, few if any competitors can

offer such a comprehensive range of materials, technologies and packaging varieties suitable for the dynamic fresh foods business area, 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

## 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; in-mold labeling
- Flexible plastic, metal foil 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 multi-technology applications.

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 paperboard container forming and filling machines for frozen desserts and other food and non-food products.

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. The printing technologies include dry offset, offset/litho, flexo, rotogravure and – still in its infancy – digital printing.

Local new product development activity and dedicated Technology & Development Centers ensure a steady flow of new, innovative products.



# Our values in action

In 2001, we took a first serious look at our branding strategy after a series of company acquisitions and divestments from 1997 to 2000, which transformed Huhtamaki into a pure consumer packaging company. We then decided to concentrate everything except our retail tableware business under one business-to-business brand – Huhtamaki. In 2002, we spent considerable time and effort to define the Huhtamaki brand in a systematic way. In this process, we addressed and articulated all the key factors that set one brand apart from the rest.

As an important part of this exercise, we revisited our corporate values. First put in writing in 1990, Huhtamaki's values have been subject to minor editorial changes until now. This time, a more fundamental redrafting was necessary in order to align the vocabulary and style with those used in the other branding tenets: Core Purpose, Brand Essence and Brand Attributes.

## **We treat our world with respect**

- We care about our people, place and planet
- We welcome diversity and recognize it as a source of innovation
- We encourage people to speak up, question and progress new ideas

## **We know our business**

- We seek to understand our customers and consumers
- We strive for open and active communications, honest feedback and a world view
- We learn from everything we do

## **We like to get it done**

- We have high aspirations
- We trust and empower individuals to get on with their job
- We are inspired by the entrepreneurial spirit of our founder Heikki Huhtamäki

On the following pages, you will not find the customary account of what went up and what went down in 2002. Instead, we want to highlight a few cases around the world, which underline our professionalism, proactiveness and sense of responsibility. In other words, they demonstrate our values in action.



*“The company also introduced an unprecedented number of new molded fiber products, including Ecom® and Multi-K Plus egg packaging...”*



# Europe

The year 2002 was one of stability and improving financial performance for Huhtamaki's European operations. Comparable sales, excluding structural changes and currency translations, increased year-on-year, and organic growth accelerated in the final quarter. Reported annual sales nevertheless declined by 3% to EUR 1,202 million. The region's operating profit (EBITA) advanced by 3% to EUR 99 million or 8.3% of net sales. RONA (return on net assets) was virtually stable at 14.6%.

In Europe, flexible packaging saw a 7% sales growth and the films business also had an excellent year. Molded fiber operations performed solidly, and most rigid packaging units met their targets. A further decline in rigid packaging sales reflects, in part, the company's voluntary retreat from stagnating, low margin product areas. Consumer Goods as a whole fared well, quick service was resilient within Food Service, and Fresh Food sales began to respond to the efforts to develop a dedicated product range and sales network across Europe. The Polish and Russian operations returned to business as usual after extensive facility reconstruction.

New flexible packaging applications included a resealable chocolate wrapper for Kraft Foods and a tear-proof, high-barrier aluminum foil replacement for Valio's Aura blue cheese. Laminates for retortable stand-up pouches were in strong demand.

The Films operation introduced surface films for the building and construction industry, digitally printable films, an innovative method of adding a stamping foil to reel-to-reel printed films, as well as new biodegradable films and bags.

In rigid packaging, the company's capabilities in barrier and multimaterial technology led to promising new solutions, such as second-generation DuoSmart™ (Desto) plastic/paper combination container. Demanding thermoforming applications, such as Unilever's Chupster impulse ice cream concept and Procter & Gamble's detergent containers, were developed in record time and to full customer satisfaction. A tamper-

evident, reclosable hinged-lid container was well received in consumer trials.

Proprietary open-cell technology scored another success with the introduction of TopBox® liquid-absorbing foam plastic deep tray for poultry and larger volumes of packed meat. The company also introduced an unprecedented number of new molded fiber products, including Ecom® and Multi-K Plus egg packaging, as well as protective packaging solutions for printers and other electronic appliances.

The European business was reorganized at the beginning of 2003 in order to accelerate growth. The good momentum of the flexibles and films businesses is expected to continue. Molded fiber looks solid, with a new manufacturing unit planned for Russia. Newly introduced rigid packaging products will reach projected sales levels, contributing to overall growth. Further efficiency improvements are expected.



## Delivering value: Swiffer Wet (Procter & Gamble)

Procter & Gamble's Swiffer Wet cleaning system was successfully launched in Europe in 2002. The product required a custom-designed container with exceptionally high functional and visual demands. Consisting of a thermoformed plastic tub in two sizes and a thermoformed lid with a self-adhesive label, it was realized by Huhtamaki's Alf unit in Germany. The challenge was to meet the customer's stringent specifications and quality requirements, which are normally only reached with more expensive injection molding technology. Not only is the tub quite large for thermoforming, the tolerances for dimensional accuracy, sealing rim flatness and lid fit and tightness are unusually narrow

as well. Hence, significant R&D, quality assurance, key account management and manufacturing resources were put behind this project, which was completed on time and to full customer satisfaction.



*“Substantial volumes  
of new Food Service  
business have been secured.”*



# Americas

2002 was a challenging year in North America, especially for the Food Service business, which suffered from general market softness and customer-specific volume shortfalls. The Consumer Goods business was solid, and Chinet® Retail products again had an excellent year in the U.S. and Mexico. The South American rigid and molded fiber operations strengthened their positions in volatile market conditions.

The region's net sales declined by 13% to EUR 715 million. The weakening of the U.S. dollar against the Euro accounts for a major part of the drop. The operating profit (EBITA) declined by 15% to EUR 64 million, still a healthy 8.9% of net sales. RONA declined from 15.8% to 14.9%.

In the U.S., new container sizes and shapes were developed in record short throughput

times for major ice cream customers, such as Dreyer's and Schwan's. The versatile, high speed HSF 150 container forming machine was perfected to match filling speeds up to 150 per minute for a broad range of frozen dessert containers.

In Food Service, the trend is towards diversity, notably ethnic and upscale take-out food as well as casual restaurant dining. A major customer's needs were met with a technically challenging molded fiber bowl combining a laminated, smooth molded interior with a rough molded outside. The Chinet® range of single-use tableware for the retail channel again improved its market share in the United States and Mexico.

In South America, the rigid packaging business strengthened its market clout and did well in adverse conditions. The molded

fiber operation held its positions under heavy price competition.

The outlook for 2003 is one of continued softness in North America in the early months, followed by a stronger second half. Substantial volumes of new Food Service business have been secured. The newly established Business Units will vigorously pursue growth opportunities within and outside traditionally strong segments. A new Films line within the Malvern (Pennsylvania) flexibles unit will absorb significant capital expenditure. A Brazilian joint venture for the manufacture of dentifrice tube laminate is under construction.



## Delivering value: 56oz. Convocan, (Dreyer's Grand Ice Cream)

Dreyer's Grand Ice Cream, our largest customer in the Americas, asked Huhtamaki to work with them to develop a new container that would maintain the current consumer base while enhancing retailing opportunities. The new 56 ounce Convocan® ice cream container has improved production, increased shelf facings, and has allowed Dreyer's to maintain its market leader position. But even more so, it is a prime example of a true collaborative relationship. According to Tom Malone, Director of Materials at Dreyer's, the project "was a great example of how a supply partnership can drive world-class

performance." Working on an accelerated schedule, "Dreyer's and Huhtamaki were able to develop, test market, and convert an entire U.S. marketplace to the new package within a record time frame," Malone added. "This is no small feat as this involved three different Huhtamaki plants, five of our own facilities, and a host of marketing and sales people," he said.



*“This vast geographical area...  
showed the strongest growth,  
highest operating margin and best  
return on capital...”*





# Asia-Oceania-Africa

This vast geographical area did not make uniform progress, but as a whole showed the strongest growth, highest operating margin and best return on capital among Huhtamaki's reporting regions. While Oceania again performed reliably, most of the growth and profit improvement came from Asia and Africa. The Asian flexibles operations, for example, posted very good growth rates whilst Africa benefited from the flow through of recent restructuring efforts.

At EUR 323 million, reported Euro sales were unchanged from 2001, masking a brisk growth in original currencies. The operating profit (EBITA) improved by 16% to EUR 32 million, with the corresponding margin jumping from 8.5% to 9.9%. RONA improved from 12.6% to 15.7%.

In Oceania, rigid packaging and molded fiber were solid, but the flexibles business still faced challenges. The stagnant Australian egg market responded positively to Huhtamaki's initiative to revitalize the supermarket channel, optimizing all aspects of the supply chain. Food Service once again delivered a strong performance.

In Asia, Huhtamaki India helped Unilever launch Knorr Cooking Base, a new concept, as well as the premium Axe brand of shaving

products. The Thai flexibles business served its expanding multinational customer base flawlessly.

The South African rigid packaging, flexibles and molded fiber operations all improved their performance significantly, both in customer service and financially.

In 2003, the region is expected to show further growth. Approaching capacity constraint in flexible packaging will be alleviated through the establishment of a new manufacturing unit in Vietnam, a high-growth market with a population of 80 million and a rapidly developing food industry.



## Delivering value: Knorr Cooking Base in Stand Up Pouch (Unilever)

To expand its Knorr brand in India, Unilever went through a series of cooking mix launches. As part of the effort they introduced Knorr Cooking Base, which is a ready-to-use gravy base. This is a unique concept in India where cooking is done from base ingredients. Hence, the new product needed to stand out in the retail shop environment, and Huhtamaki was invited to develop a creative, cost-effective packaging solution replacing a glass bottle. After going through various pack options, the customer settled on a stand up pouch that is bottle shaped. This was a major technical innovation utilizing the synergies of in-house

flexible packaging and machine building technologies. The key areas of development were resealing a standard pouch and further accurate die cutting to give it the desired shape. This pack has the advantage of offering a convenient one-time use at a significantly reduced cost when compared with the traditional glass bottle. The package created a solid impact and has been well accepted by the upper end target consumer.





# Corporate responsibility

Any major company interacts with a number of key stakeholders with different needs and expectations. Through its products and environmental impact, it may affect a much broader sphere of people. We recognize Huhtamaki's corporate responsibility and have taken steps to address it in a more systematic and measurable way.

The company has always adhered to strict business ethics and expected the highest integrity from its employees. Beyond this, corporate responsibility is largely about choices, action and practice.



Managing and reporting corporate responsibility in an integrated way has become possible only after the return of stability in corporate structure after years of extensive change. Nevertheless, our work has already been recognized with the inclusion of the Huhtamaki share into the 2003 Dow Jones Sustainability Index STOXX, which monitors the development of European listed companies deemed to be the leaders in sustainability in their respective industries.

## Completed Work and Future Targets

The following key steps were taken in 2002:

- Established a working committee to manage and coordinate corporate responsibility work within Huhtamaki
- Implemented pilot projects with business partners

- Issued binding Ethical Guidelines to our global suppliers
- Integrated environmental key performance indicators (eKPI's) into our operations monitoring systems

During 2003, we will develop a Code of Conduct for Huhtamaki describing the key ethical principles that steer our everyday work. As well, we will integrate environmental considerations into our new product development process.

## Quality, environment, hygiene and safety

Quality, environment, hygiene and safety (QEHS) considerations are of primary concern for Huhtamaki. As a producer of packaging to the world's leading consumer products companies, we actively seek to improve our own performance in this field.

Our approach starts from prevention. Our packaging products are designed and manufactured to the strictest standards of product safety and hygiene relevant to the application. Our internal quality, hygiene and safety management systems are built focusing on the critical control points of our own operations as well as identifying those relevant in the whole supply chain.

By the end of 2002, a total of 44 Huhtamaki sites had established management systems aligned with international recognized QEHS standards such as ISO 9001, ISO 14001, OHSAS 18001 and HACCP.

## Environment

In 2002, we significantly deepened our environmental programs and operating principles. Environmental management systems are integrated into our day-to-day management. As well, environmental considerations constitute a major driver for the company's new product development activities.

Monitoring environmental key performance indicators (eKPI) will form an essential part of our corporate responsibility strategy. Our first set of aggregate eKPI data appears in the attached table. These figures will serve as the reference point for our long-term monitoring of environmental performance as a Group.

The figures are a representative average from 85% of Huhtamaki's manufacturing sites, which employ several different plastic, paper and recycled fibre conversion and printing technologies. CO<sub>2</sub> emissions relate mainly to energy generation. Water is used principally for cooling and in the molded fiber manufacturing process.

Our environmental planning horizon currently extends to the end of 2005. By that time, we will have developed site-specific plans to minimize the environmental impact for each manufacturing unit and introduced group-wide monitoring of safety issues, fully integrated our QEHS systems and launched new biodegradable product ranges.

Environmental KPI	Amount per product ton (PPT)
Energy . . . . .	11.6 . . . GJ
Chemical use . . . . .	52.0 . . . kg
of which solvents . . . . .	20.9 . . . kg
Waste to landfill . . . . .	44.5 . . . kg
Waste to recovery . . . . .	116.2 . . . kg
Hazardous waste . . . . .	3.7 . . . kg
CO <sub>2</sub> emission . . . . .	708.4 . . . kg
VOC <sup>1</sup> emission . . . . .	12.2 . . . kg
Water use . . . . .	11.8 . . . m <sup>3</sup>
Wastewater . . . . .	11.6 . . . m <sup>3</sup>
Environmental investments . . .	7,762,000 . . EUR

<sup>1</sup> VOC = Volatile Organic Compounds

### Delivering value: producer responsibility sparks off cooperation with Finnair

Requiring significant volumes of single-use packaging, in-flight catering is subject to constant environmental attention. Finland's leading airline Finnair has partnered with Huhtamaki to create a waste reclamation system. The primary objective is to return the fiber content of waste to an economical secondary use. The principle of the recycling project is simple: in-flight waste is separated into plastic and fibre-based fractions, eventually ending up as raw material for other purposes.

The project is off to a promising start according both parties. Pre-sorting of waste by cabin personnel is a prerequisite for success. The passengers have been extremely supportive. Huhtamaki's interest is primarily driven by producer responsibility. As well, recycling packaging waste often makes both economical and ecological sense, which is why plans exist to expand the project further at Helsinki-Vantaa Airport.



# Human resources

In 2002, the Human Resources function reached significant milestones. The global HR systems platform, GRIP, was taken into full use. Hence, management's performance reviews and personal development plans now follow the same principles and employ the same electronic system company-wide.

The company's own management training programs continued with regular intensity, with of 103 managers attending a total of 870 training days. The top-level program, ILP, was organized for the tenth time. Local programs were running normally.

The European Works Council (EWC) held its annual meeting with top management in March in Göttingen, Germany. Its Steering Committee met in December to prepare the next annual meeting and to review the new European organization.

Systems development, ongoing streamlining projects as well as management relocation and recruitment all placed demands on HR services and counsel during the year. The function cooperated closely with other support functions, e.g. Group Information Systems and Group Marketing and Communications, and participated actively in Corporate Responsibility issues, Intranet development and internal marketing projects.

During 2002, Huhtamäki's core purpose, vision and values were reformulated. An internal communication and marketing program, Taking You Further, will expose these to all employees in the course of 2003, with the ultimate aim of creating a uniform corporate culture and an open, positive and empowering working atmosphere.



# Corporate governance

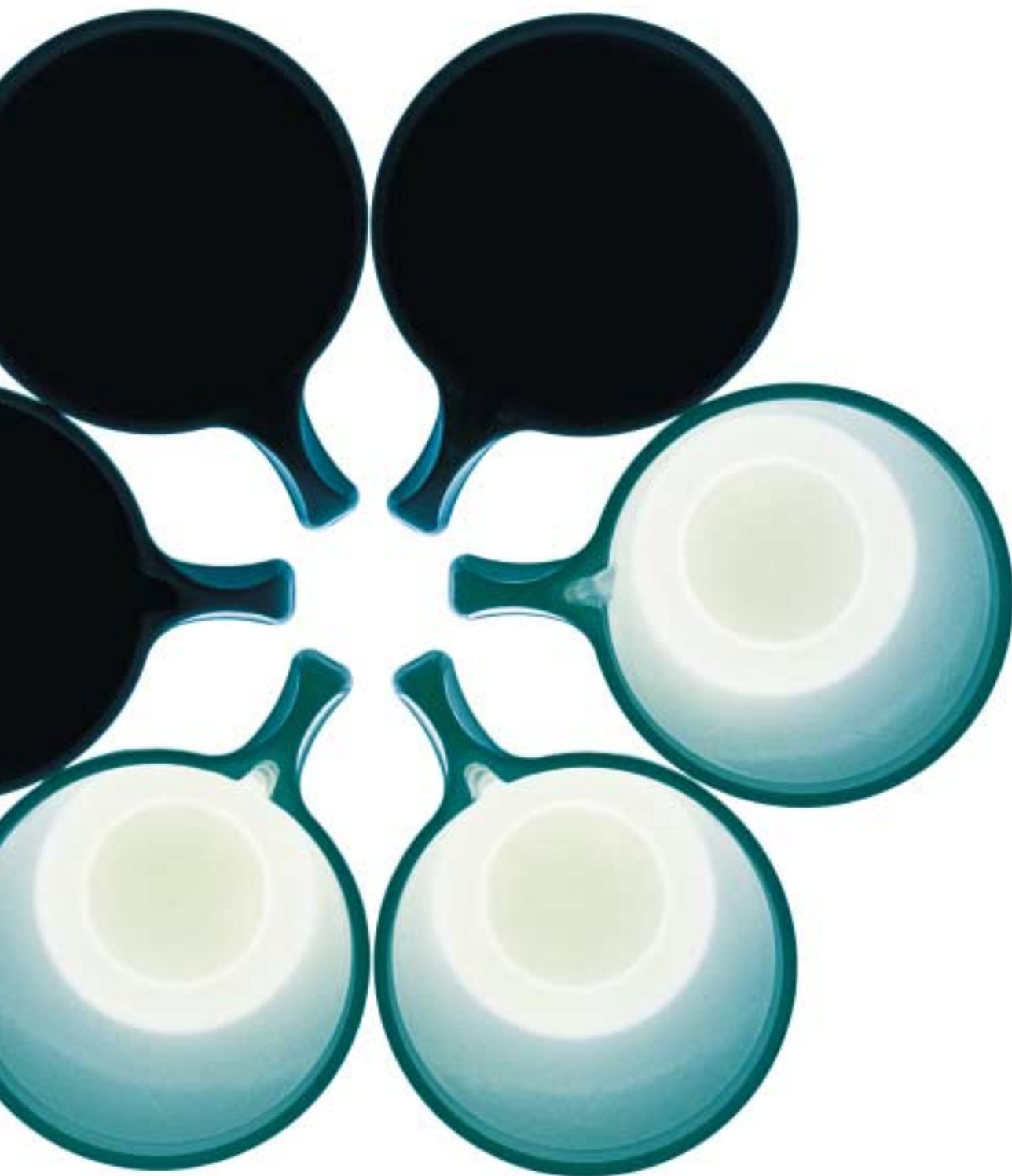
Huhtamäki Oyj is incorporated in Finland, and its Articles of Association reflect the Finnish Companies Act. As a publicly listed company with a broad and international shareholder base, Huhtamäki has aligned its governance system with widely accepted principles and recommendations.

A Board of Directors, consisting of 6 to 9 predominantly non-executive members, governs the company. The Annual General Meeting (AGM) elects the Board annually for a one-year term. 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 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 session entirely dedicated to corporate strategy. In 2002, the Board held seven regular and three teleconference meetings.

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



# Corporate governance (continued)

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

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

The Audit Committee reviews the annual accounts as well as accounting principles and policies, monitors the audit and control mechanisms, ensures a transparent internal reporting system and discusses and reviews policies and procedures with respect to risk assessment and risk management. The Chief Financial Officer and, for the discussion of the annual accounts and interim reports, the external auditors participate the Committee's meetings.

The Committee memberships of Board members in 2002 are indicated in the biographical section of this report.

The company's day-to-day operation is the responsibility of the CEO, who is also Chairman of the Executive Committee (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, Marketing and Development). The EC members are the CEO's direct reports; additionally, the CEO supervises the Human Resources function. The individual responsibility areas of EC members appear in the biographical section of this report.

The company's internal management principles and procedures are documented in policies and guidelines subject to review by the EC from time to time. These govern such areas as reporting, finance and treasury, capital expenditure, insurance, contracts, information systems, sourcing, human

resources, quality, environment, health and safety, insider regulations and communications.

## Remuneration and benefits

The AGM held on March 25, 2002, 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. In 2002, a total of 40% of the Board's remuneration was paid in Huhtamaki shares purchased from the market. The CEO does not receive remuneration for his Board membership.

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

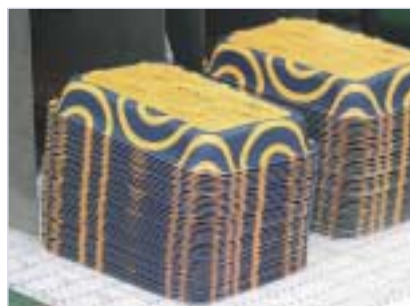
For senior management, the annual bonus is linked to both corporate performance and personal objectives. Additionally, stock options are issued from time to time as a long-term incentive.

The EC members are entitled to retirement upon reaching sixty years of age and a severance pay exceeding the legal minimum in their respective countries of operation. The company has a customary directors' and officers' liability insurance policy.

In 2002, the CEO's total compensation amounted to EUR 681,996. The aggregate compensation to other EC members was EUR 1,568,205.

The Executive Committee members have an aggregate of 240,000 stock options under schemes adopted in 1997 and 2000. In 2002, a total of 70,000 new stock options were allocated to them. Their current holdings of Huhtamaki shares and stock options appear in the biographical section.

Stock option schemes extend to more than 120 executives and managers across the company and its subsidiaries. A total of 5,400,000 new shares (corresponding to 5.3% of the shares outstanding) may be issued in 2003-2006 assuming full use of the stock option schemes of 1997 and 2000.



# The Huhtamaki share

In 2002, the Huhtamaki share ranked 16th among the most actively traded equities on the Helsinki Exchanges (HEX). Although entirely focused on packaging, Huhtamaki is still classified as a food company, because approx. 70% of its products are used for foods and food service.

The share had a strong first half of the year, clearly overperforming the relevant HEX indexes, and a more moderate second half, when it more closely followed the overall market trend.

The share's turnover more than doubled from 2001, to EUR 699 million or 72% of the company's market capitalization at year-end. Shareholding by non-Finnish entities increased from approx. 20% to 29.4% at year-end, having reached an even higher figure during the autumn.

The number of shares in issue quadrupled in August 2002 following a bonus issue, in which three new shares were issued free of charge against every existing share. Correspondingly, the share price declined to a quarter of the previous level. The share price information below refers to the situation after the bonus issue; the corresponding pre-issue prices appear in brackets.

The company's stock option rights 1997 A and B as well as 2000 A were listed on the HEX in the spring of 2002. Trading was lively at times but total volume remained modest compared to share turnover.

## 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 on December 31, 2002: 101,222,792, including the 3,675,500 shares repurchased during 2002. Net figure 97,547,792.
- Average number of shares in issue in 2002: 100,769,970 (adjusted for the bonus issue and excluding repurchased shares)
- Share capital on December 31, 2002: EUR 344.15 million

## 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; formally terminated in 2002

## Symbols

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

## Authorizations

AGM on March 25, 2002 granted the Board an authorization for one year to launch a new share

repurchase program covering up to 5% of the shares in issue. The authorization extends to March 2003; it was virtually fully used by the end of February 2003.

## Trading developments in 2002

- Jan 2: Opening EUR 8.88 (35.80)
- Apr 18: High EUR 12.38 (49.50)
- Oct 24: Low EUR 8.22 (32.88)
- Dec 30: Closing EUR 9.55 (38.20)
- Total turnover on HEX EUR 698.7 million
- Average daily turnover on HEX EUR 2.8 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

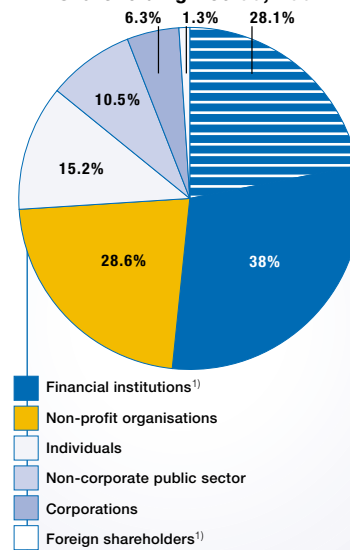
## Investor relations contact

Huhtamäki Oyj  
Mr. Markus Holm, Investor Relations Manager  
Tel. +358 9 6868 8519 (direct)  
Fax +358 9 6868 8311  
E-mail: Markus.holm@fi.huhtamaki.com  
IR@huhtamaki.com

## Share price development



## Shareholding Dec 30, 2002



<sup>1)</sup> Non-Finnish shareholding under nominee registration within financial institutions 28.1%



## Share price quotations (EUR) and turnover (units) at Helsinki Exchanges

The number of shares in issue quadrupled on August 29,2002 and the share prices declined to a quarter. The historical figures have been adjusted accordingly.

(HUHTAMAKI)

2002	lowest	highest	turnover
I quarter	8.88	11.10	17,929,384
II quarter	10.73	12.38	15,839,868
III quarter	10.50	12.05	12,808,613
IV quarter	8.22	10.40	20,419,121

(HUHTAMAKI)

2001	lowest	highest	turnover
I quarter	6.13	7.38	8,260,776
II quarter	6.53	7.88	10,164,588
III quarter	7.38	8.75	13,788,240
IV quarter	8.09	9.25	9,146,336

(HUHTAMAKI VAN LEER)

2000	lowest	highest	turnover
I quarter	7.75	9.13	8,009,588
II quarter	7.75	8.88	5,531,536
III quarter	7.08	8.50	6,721,812
IV quarter	6.38	8.00	3,416,472



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

(HUHTAMAKI)

1999	SERIES I			SERIES K			
	lowest	highest	turnover	lowest	highest	turnover	
I quarter	7.25	9.13	11,590,752	7.25	9.00	684,028	
II quarter	8.00	9.35	8,046,908	7.75	9.25	786,496	
III quarter	7.25	9.19	5,010,164	7.27	9.25	1,341,200	
IV quarter	6.90	8.61	7,186,204	7.20	7.50	81,320	
1998	I quarter	9.17	12.83	7,184,268	9.04	12.41	1,245,684
	II quarter	12.19	14.72	9,269,960	11.98	14.13	2,268,276
	III quarter	6.60	13.20	8,411,676	6.52	12.87	429,152
	IV quarter	6.16	8.16	14,957,636	6.10	8.16	1,020,668

## Major owners at Jan 31, 2003

	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	2.3
6. Suomi Mutual Life Assurance Company	1.0
7. Nordea Life Assurance Suomi Oy	0.9
8. Pohjola Non-Life Insurance Company Ltd.	0.8
9. Odin Norden	0.8
10. The State Pensionfund of Finland	0.7
11. Pensionfund Polaris	0.6
12. Tapiola Mutual Pension Insurance Company	0.6
13. Tapiola Mutual Insurance Company	0.5
14. Investment Fund Nordea Nordia	0.4
15. Aktia Capital	0.4
16. LEL Employee Pension Fund	0.4
17. Pohjola Group Plc	0.4
18. Social Insurance Institution	0.4
19. Yrjö Jahnsson Foundation	0.4
20. Investment Fund Conventum Finland Value	0.4

## Stock analysis

The following analysts follow Huhtamaki actively and are likely to issue reports on the company in 2003. An updated analyst list appears on the company's website, [www.huhtamaki.com](http://www.huhtamaki.com).

Company	City	Analyst	e-mail
Alfred Berg	Helsinki	Tia Lehto	tia.lehto@alfredberg.fi
Cazenove Securities	London	Mike Yates	mike.yates@cazenove.com
Conventum Securities	Helsinki	Ritva Karling	ritva.karling@conventum.fi
D. Carnegie AB Finland	Helsinki	Kia Aejmelaesus	kia.ajmelaesus@carnegie.fi
Deutsche Bank	Helsinki	Tomi Railo	tomi.railo@db.com
Enskilda Securities	Helsinki	Tommy Ilmoni	tommy.ilmoni@enskilda.se
Evli Securities Plc	Helsinki	Derek Silva	derek.silva@evli.com
FIM Securities	Helsinki	Mikko Linnanvuori	mikko.linnanvuori@fim.com
Goldman Sachs	London	Tim Cahill	tim.cahill@gs.com
Handelsbanken	Helsinki	Tom Skogman	tom.skogman@handelsbanken.fi
Impivaara Securities	London	Jeffrey Roberts	jrobertsa@cix.co.uk
Kaupthing Sofi	Helsinki	Mika Metsälä	mika.metsala@sofi.fi
Mandatum Stockbrokers Ltd	Helsinki	Ari Laakso	ari.laakso@mandatum.fi
Merrill Lynch	London	Mads Aspremad	aspremad@exchange.uk.ml.com
Morgan Stanley Dean Witter	London	Charles Spencer	charles.spencer@msdw.com
Nordea Securities	Helsinki	Ville Kivelä	ville.kivela@nordeasecurities.com
Opstock Securities	Helsinki	Jari Räisänen	jari.raisanen@oko.fi
UBS Warburg	Stockholm	Fredrik Liljewall	fredrik.liljewall@ubsw.com
Salomon Smith Barney	New York	George L. Staphos	george.l.staphos@ssmb.com

# Administration and auditors

## Board of Directors (from March 25, 2002)

### *Chairman*

#### **Veli Sundbäck (56)**



Chairman of Nomination Committee  
Chairman of Human Resources Committee  
Executive Vice President  
Nokia Oyj  
Shares: 16,816

### *Vice Chairman*

#### **Paavo Hohti (58)**



Member of Nomination Committee  
Member of Audit Committee  
Secretary General  
Finnish Cultural Foundation  
Shares: 2,224

### *Members:*

#### **Jean Philippe Deschamps (61)**



Member of Human Resources Committee  
Professor  
International Institute for Management Development  
Shares: 5,248

#### **Anthony J.B. Simon (57)**



Member of Audit Committee  
President Marketing  
Unilever N.V.  
Shares: 1,248

#### **Mikael Lilius (53)**



Chairman of Audit Committee  
President and CEO  
Fortum Corporation  
Shares: 15,648

#### **Jukka Viinanen (55)**



Member of Audit Committee  
President and CEO  
Orion Corporation  
Shares: 1,248

#### **Timo Peltola (56)**



CEO  
Huhtamäki Oyj  
Member of Human Resources Committee  
Shares: 90,000  
Share options:  
1997 A 10,000  
1997 B 10,000  
2000 A 15,000  
2000 B 20,000  
2000 C 20,000



## Executive Committee

### Kalle Tanhuanpää (50)

Executive VP, Marketing & Development since 2002

- Marketing and Category strategies
- Research & development
- Quality, environment, hygiene, safety
- Communications

B.Sc. (Econ) Turku School of Economics

Joined the company in 1976

Positions of trust:

Board Member of Evia Oyj,  
The Association of Finnish Advertisers

Shares: 6,000

Share options:

1997 A	6,000
1997 B	6,000
2000 A	–
2000 B	3,000
2000 C	10,000

### Tony Combe (41)

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: 6,000

Share options:

1997 A	–
1997 B	–
2000 A	6,000
2000 B	10,000
2000 C	10,000

### Chairman

### Timo Peltola (56)

Dr. Econ.h.c.

B.Sc. (Econ) Turku School of Economics

CEO since 1989

Joined the company in 1971

Positions of trust:

Vice chairman of the board of Nordea Plc.,  
Chairman of the board of 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

### Mark Staton (43)

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
2000 C	10,000

### Timo Salonen (44)

Chief Financial Officer since 1998

• Finance

• Sourcing

• 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: 6,000

Share options:

1997 A	7,500
1997 B	7,500
2000 A	8,000
2000 B	10,000
2000 C	10,000

### H.R. (Henk) Koekoek (56)

Executive Vice President, Europe since 2002

M.Sc. (Eng) Technical University Delft

Joined the company in 1973

Shares: –

Share options:

1997 A	–
1997 B	–
2000 A	8,000
2000 B	10,000
2000 C	10,000

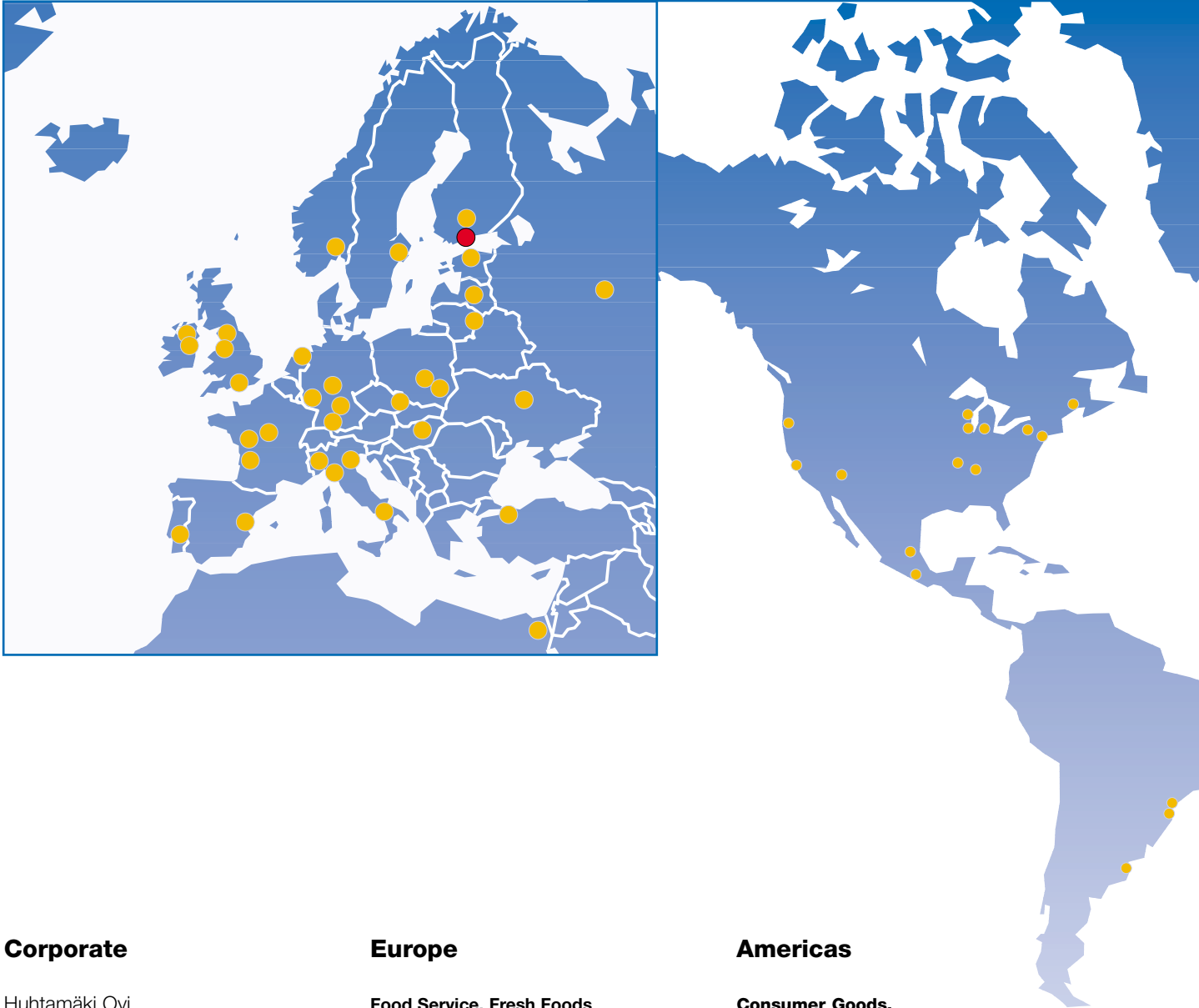
### Matti Tikkakoski

Chief Technology Officer until September 1, 2002

## Auditors

- Esa Kailiala, APA
- Pekka Pajamo, APA

# Addresses



## Corporate

Huhtamäki Oyj  
Länsituulentie 7  
FIN-02100 Espoo  
FINLAND  
Tel. +358 (0) 9 6868 81  
Fax +358 (0) 9 6606 22

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

## Europe

### Food Service, Fresh Foods

Huhtamäki Oyj  
Länsituulentie 7  
FIN-02100 Espoo  
FINLAND  
Tel. +358 (0) 9 6868 81  
Fax +358 (0) 9 6606 22

### Consumer Goods

Huhtamaki Ronsberg GmbH  
Heinrich Nicolaus Strasse 6  
D-87671 Ronsberg Allgau  
GERMANY  
Tel. +49 (0) 830 6 770  
Fax +49 (0) 830 6 772 26

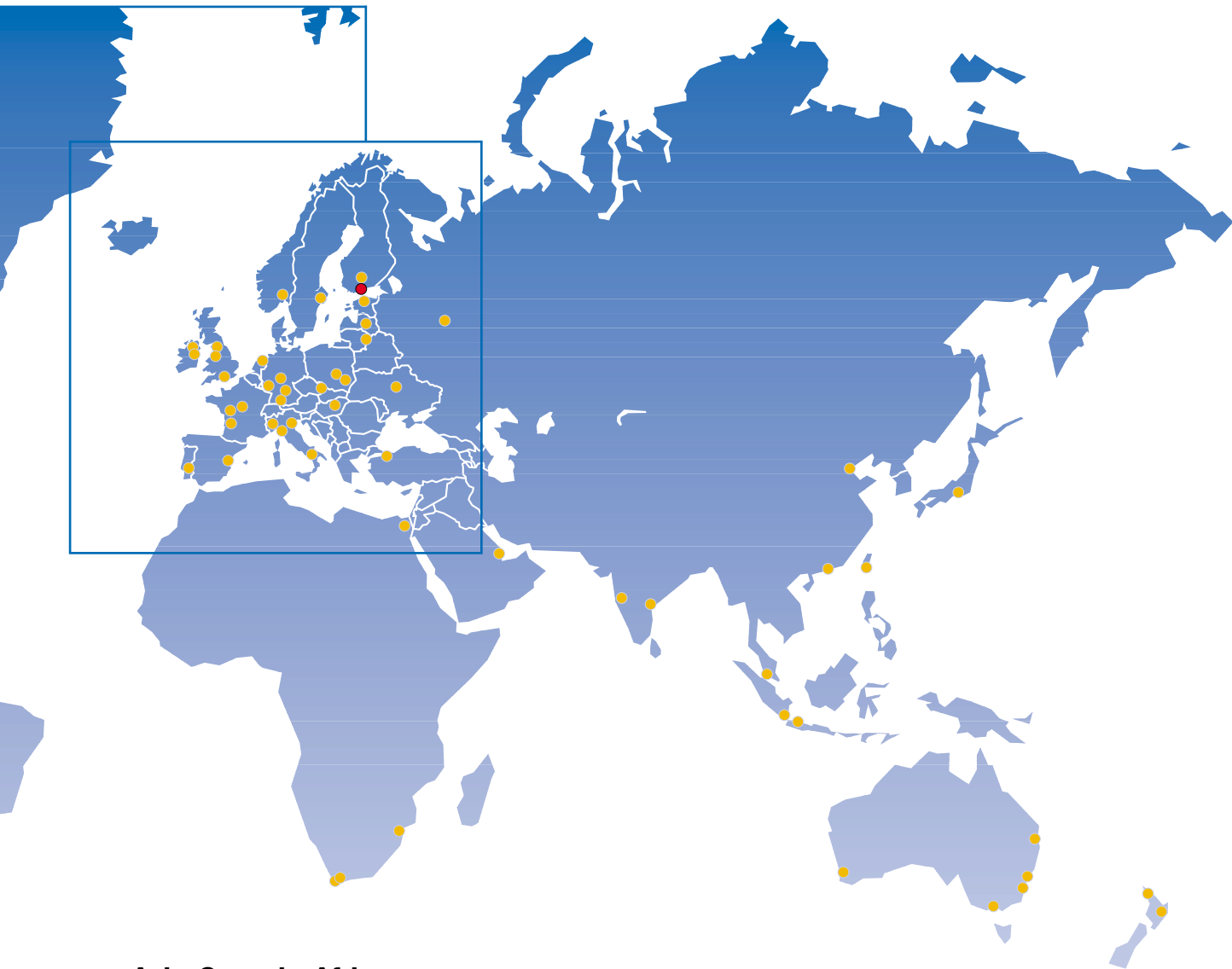
## Americas

### Consumer Goods, Food Service & Retail

Huhtamaki Americas  
9201 Packaging Drive  
DeSoto, Kansas 66018  
UNITED STATES (USA)  
Tel. +1 (0) 913 583 302 5  
Fax +1 (0) 913 583 875 6

### Latin America

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

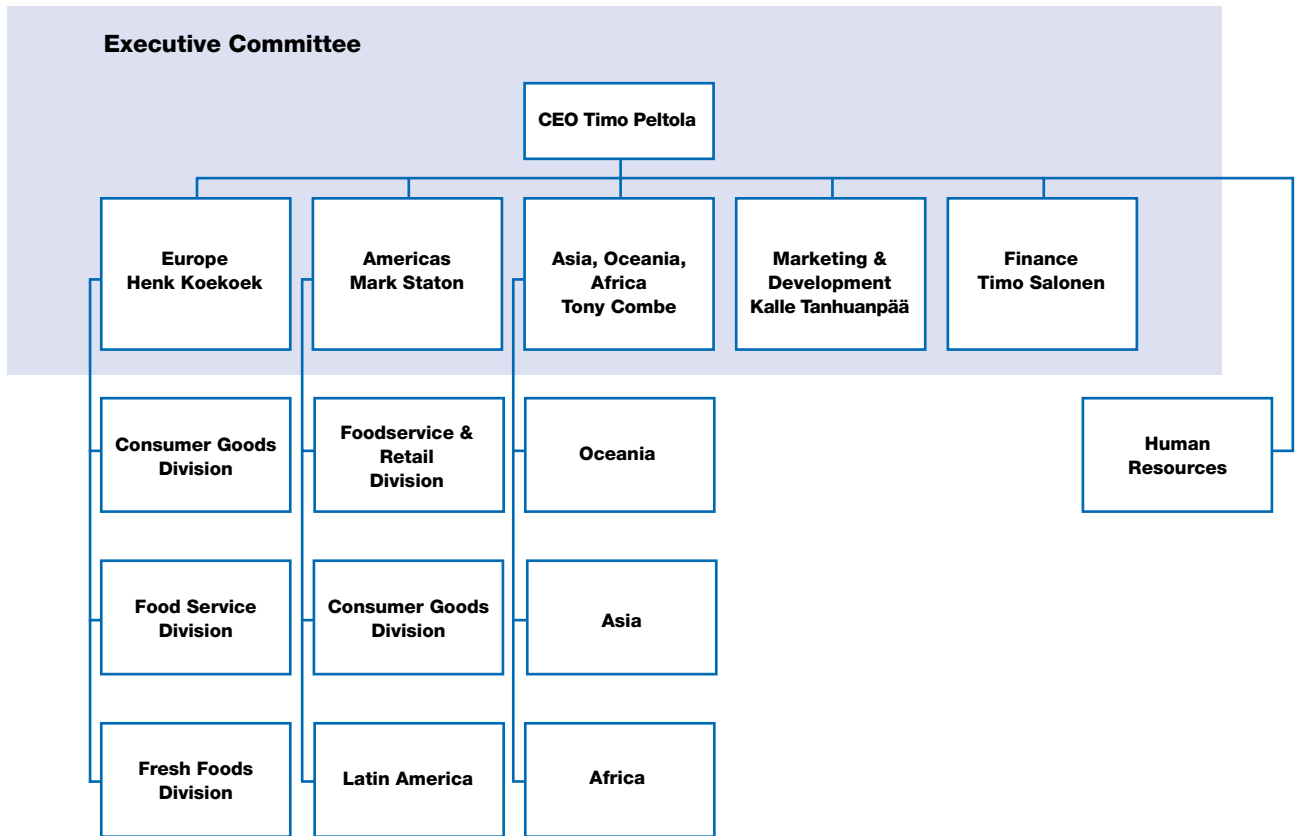


## Asia–Oceania–Africa

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

Contact details for each country and unit appear in the Corporate Directory in [www.huhtamaki.com](http://www.huhtamaki.com)

# Organization



# Main news headlines 2002

## **January 24**

Huhtamaki will close down its East Providence (RI), USA facility

## **February 11**

Year 2001 results: Full-year EPS up 17% after strong final quarter

## **March 1**

Huhtamaki seeks listing of stock options

## **March 25**

Annual General Meeting decides on share repurchase authorization

## **April 25**

Interim report: Strong profit improvement in first quarter

## **June 7**

Huhtamaki inaugurates new logistics center in Moscow region, Russia

## **June 14**

Capital Markets Day in Frankfurt, Germany

## **July 25**

Interim report: Huhtamaki's strong profit improvement continued

## **August 20**

Huhtamaki inaugurates new logistics center in Hämeenlinna, Finland

## **August 26**

Huhtamaki's EGM approves bonus issue, share split  
CTO Matti Tikkakoski leaves Huhtamaki

## **September 4**

Huhtamaki launches share buyback program

## **September 9**

Huhtamaki: New Executive Committee responsibilities

## **September 23**

Huhtamaki included in Dow Jones Sustainability Index

## **October 24**

Interim report: steady sales volume and continued profit improvement

## **December 5**

Huhtamaki organizes for growth in Europe, North America

## **December 12**

Huhtamaki and Dixie Toga join forces in Brazil for oral care packaging

## **December 31**

Huhtamaki buys out minority stake in German subsidiary



**Huhtamäki Oyj**

Länsituulentie 7, 02100 ESPOO, Finland  
Tel +358 9 6868 81  
Fax +358 9 660 622  
[www.huhtamaki.com](http://www.huhtamaki.com)  
[info.hq@huhtamaki.com](mailto:info.hq@huhtamaki.com)  
Business Identity Code: 0140879-6