





Contents

2	Huhtamaki in brief
4	Huhtamaki worldwide
6	Message from the CEO
8	Operating environment
10	Strategy
12	Technology and development
14	Europe
16	Americas
18	Asia-Oceania-Africa
20	Corporate responsibility
22	People
24	Environment
25	The Huhtamaki share
28	Analysts covering Huhtamaki
29	Corporate governance
32	Board of Directors
33	Executive Committee in 2005
34	Addresses



Huhtamaki in brief

World class packaging

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

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

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



Net sales by region

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



Underlying EBIT by region

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



Net sales by business segment

- Consumer Goods 65%
- Foodservice 35%

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

KEY FIGURES

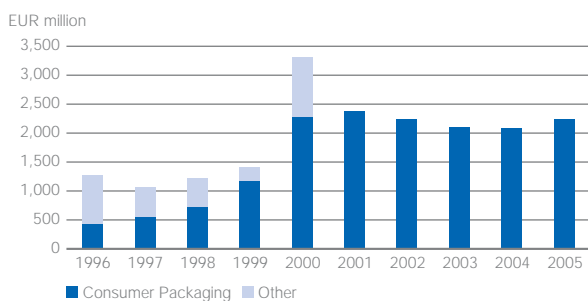
EUR million	2005	2004	change %
Net sales	2,244	2,092	+7
EBIT underlying	160	148	+9
EBIT reported	58	101	-43
Profit before taxes underlying	124	112	+11
Profit for the year underlying	101	90	+13
EPS underlying (EUR)	1.00	0.91	+11
EPS reported (EUR)	0.07	0.52	-87
Dividend per share (EUR)	0.38*	0.38	
Divident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

2005 underlying figures do not include restructuring charge of EUR 70 million and goodwill impairment charge of EUR 33 million.

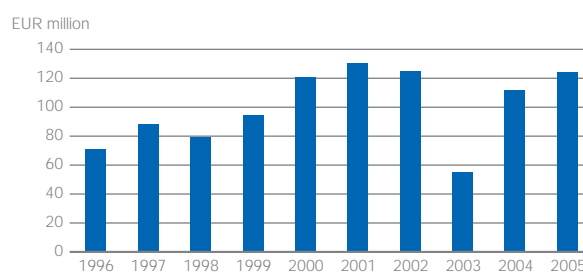
2004 figures do not include restructuring charge of EUR 46 million.

*Board's proposal.

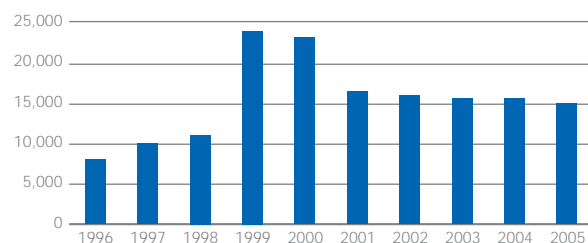
NET SALES



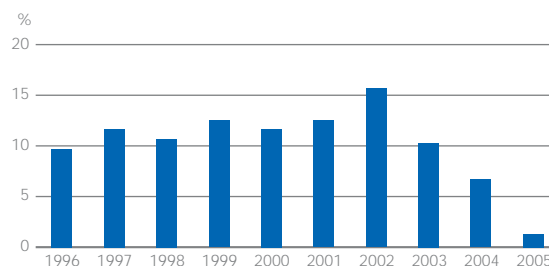
PROFIT BEFORE TAXES (1) (2)



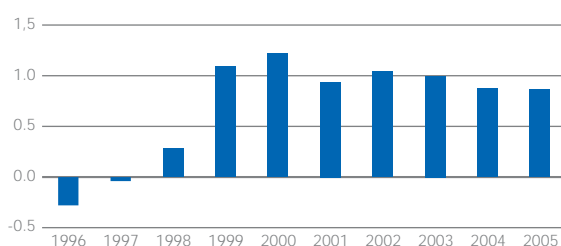
PERSONNEL AT YEAR-END



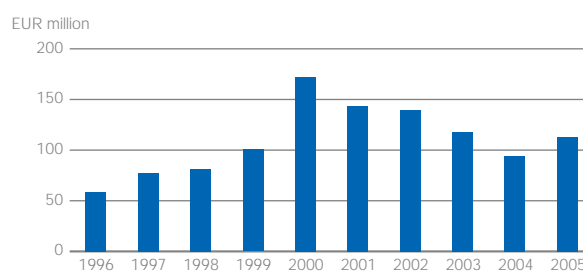
RETURN ON EQUITY (1)



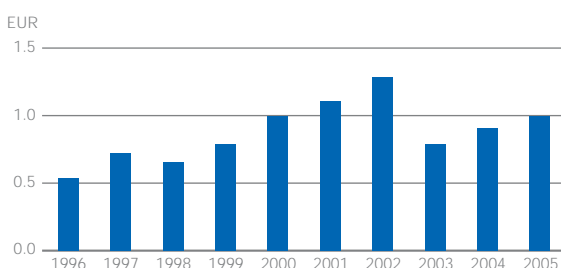
NET DEBT TO EQUITY



CAPITAL EXPENDITURE



EARNINGS PER SHARE (1) (2)



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



Huhtamaki worldwide

	PRODUCT CATEGORIES	
	Consumer Goods	Foodservice
<p>EUROPE</p> <p>Net sales MEUR 1,172 25 factories in 14 countries 7,022 employees</p>	<ul style="list-style-type: none"> • Dairy • Edible fats • Ice cream • Fresh foods • Dry foods • Ready meals • Confectionary & snacks & beverages • Baby & infant food • Personal care & detergents • Pet food • Molded fiber machinery • Filling machinery • Technical & release films 	<ul style="list-style-type: none"> • Quick service restaurants & beverage • Catering & table top • Water & vending • Retail
<p>AMERICAS</p> <p>Net sales MEUR 707 18 factories in 4 countries 3,867 employees</p>	<ul style="list-style-type: none"> • Dairy • Ice cream • Dry foods • Ready meals • Personal care & detergents • Technical & release films • Forming & filling machinery 	<ul style="list-style-type: none"> • Quick service restaurants & beverage • Catering • Vending • Retail
<p>ASIA-OCEANIA- AFRICA</p> <p>Net sales MEUR 365 25 factories in 12 countries 4,046 employees</p>	<ul style="list-style-type: none"> • Dairy • Edible fats • Ice cream • Fresh foods • Dry foods • Ready meals • Confectionary • Baby & infant food • Pet food • Personal care & detergents 	<ul style="list-style-type: none"> • Quick service restaurants & beverage • Catering • Retail

TECHNOLOGIES	Rigid plastics	Flexibles and Films	Molded fiber
<p>Rigid paper</p> 			
			
			



HEIKKI TAKANEN

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

Message from the CEO

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



HEIKKI TAKANEN



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

Operating environment

The total world market for consumer packaging excluding corrugated cartons is estimated at USD 350 billion and growing at an annual rate of 2–3%. Packaging for foods and beverages accounts for about two-thirds of the total demand, with North America, Asia-Oceania-Africa and Europe as the main market areas. The rapidly developing markets of Eastern Europe, Asia and South America represent significant growth potential.

Industry characteristics

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

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

Customers

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

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

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

Demand

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

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

Regional development

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

maki's strategically positioned asset base enables the company to follow and serve this trend.

Europe

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

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

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

Americas

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

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

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

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

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

Asia-Oceania-Africa

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

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

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



Sustainability

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

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

Raw materials and utilities

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

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



Breakdown of raw materials and utilities

Polymers	33%
Cartonboard and other paper	21%
Films	15%
Utilities	11%
Alufoils	5%
Recycled paper	4%
Other raw materials	11%



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

Strategy

Huhtamaki's strategy builds on three cornerstones:

- *Solidifying positions in core businesses*
- *Profitable growth in attractive segments of traditional markets and expansion in emerging markets*
- *Leveraging group synergies*

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

Solid core businesses

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

Growth from deeper customer relationships

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

Drivers that benefit Huhtamaki include:

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

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



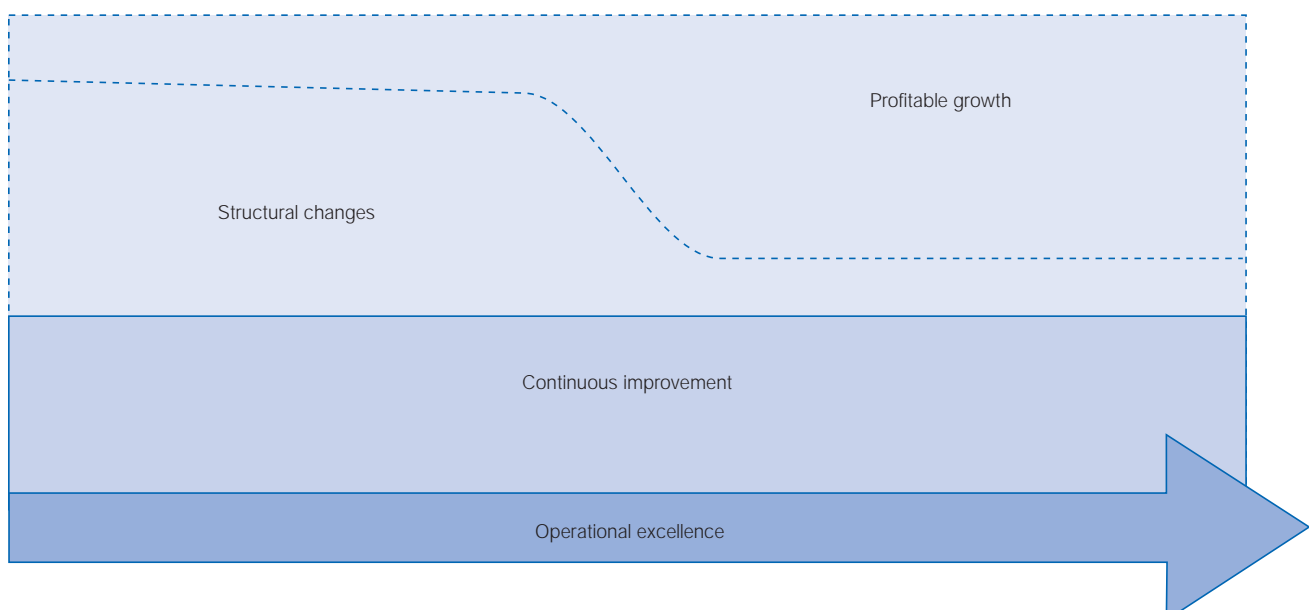
Growth from emerging markets

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

Leveraging Group synergies

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

HUHTAMAKI'S MEDIUM TERM AGENDA





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

Technology & Development

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

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

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

Key trends drive innovation

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

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

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

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



Collaboration with customers and suppliers

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

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

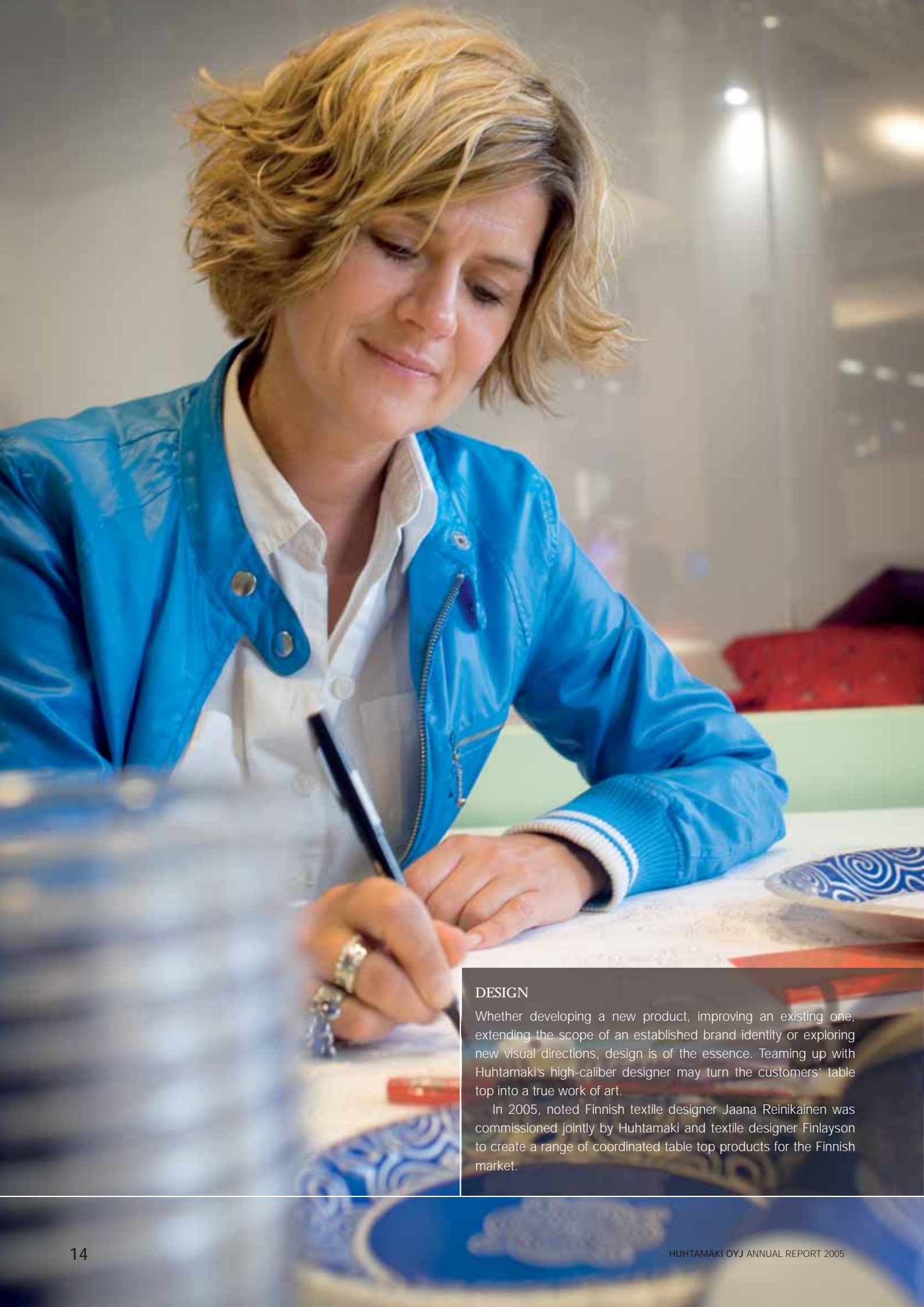
AWARDS IN 2005

Huhtamaki received several awards for new products in 2005.



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

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



DESIGN

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

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

Europe

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

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

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

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

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

Year 2005

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

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

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

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

Huhtamaki's ongoing restructuring program affected several European units. In the UK, the rigid packaging units Leeds and



CYCLERO – A REVOLUTION ON THE SUPERMARKET SHELF

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

Skelmersdale were closed, and a significant workforce reduction in Portadown was initiated. The Göttingen rigid packaging unit in Germany will be closed by mid-2006, and the transfer of production to Poland and Spain was started in the second half of 2005.

Future prospects

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

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

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

KEY FIGURES EUROPE

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

* excluding restructuring charges



SALES

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

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

Americas

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

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

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

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

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

Year 2005

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

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

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

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



NEW FROZEN DESSERT BULK CONTAINER IN US MARKETPLACE

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

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

Future prospects

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

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

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

KEY FIGURES AMERICAS

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

* excluding restructuring and goodwill impairment charges



PRODUCTION

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

Asia-Oceania-Africa

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

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

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

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

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

Year 2005

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

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

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



AIRLINE CUP A SUCCESS IN NEW ZEALAND

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

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

core markets and also address export opportunities with state-of-the-art technology and a favorable cost structure.

Future prospects

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

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

KEY FIGURES ASIA-OCEANIA-AFRICA

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

* excluding restructuring and goodwill impairment charges

Corporate responsibility



People



Environment



WORLD CHAMPIONSHIPS AND BIOWARE*

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

Corporate responsibility

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

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

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

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

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

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

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



Policies and principles

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

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

People

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

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

Personal development

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

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

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

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

Talent management

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

As a consequence, Huhtamaki's People and Organization Planning process, POPP, was renewed in 2005. The objective of POPP is to assess the organization's capability needs to ensure

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

Employee health and safety

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

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

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

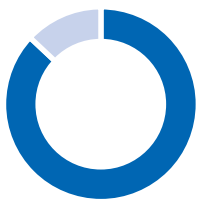
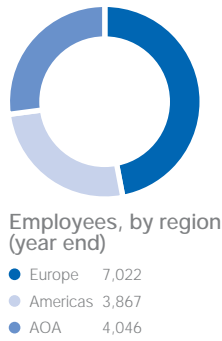
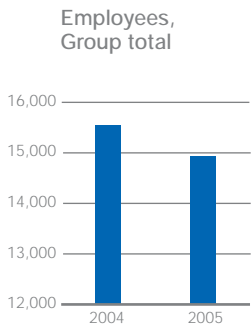
In Huhtamaki Asia-Oceania-Africa lost time injuries were reduced by 40% in 2005. Site and country based programs, such as establishing common health and safety management standards and improvement plans in each location, have contributed to the result. Internal and external audits have been employed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

Human resources

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

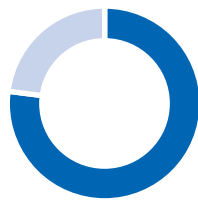
To ensure that the HR function is closely linked to the business, local and regional HR staff report to line management. The global HR network unites these functional experts to regional and Group HR on a dotted-line basis. An annual HR conference as well as shared HR projects and systems strengthen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

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



Employees, hourly vs. salaried Group total

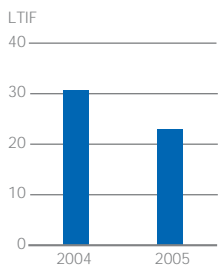
- Hourly employees 87%
- Salaried employees 13%



Gender distribution Group total

- Male 77%
- Female 23%

Lost Time Incident Frequency



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

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



Environment

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

Organization

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

Significant environmental aspects

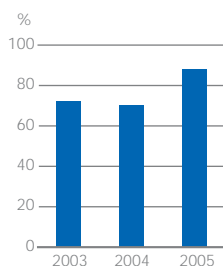
The most significant environmental aspects of operations are energy consumption, emissions to air and solid waste. Actions to incorporate the requirements of the forthcoming Volatile Organic Compounds (VOC) directive are well underway. Procedures to meet the essential requirements put forward in the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

Management

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

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

Waste to Recovery



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



Environmental management system

● Externally audited 49%
● Internal 51%

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

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

Performance of operations

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

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

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

ENVIRONMENTAL KEY PERFORMANCE DATA FOR 2005

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

The Huhtamaki share

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

Share developments

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

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

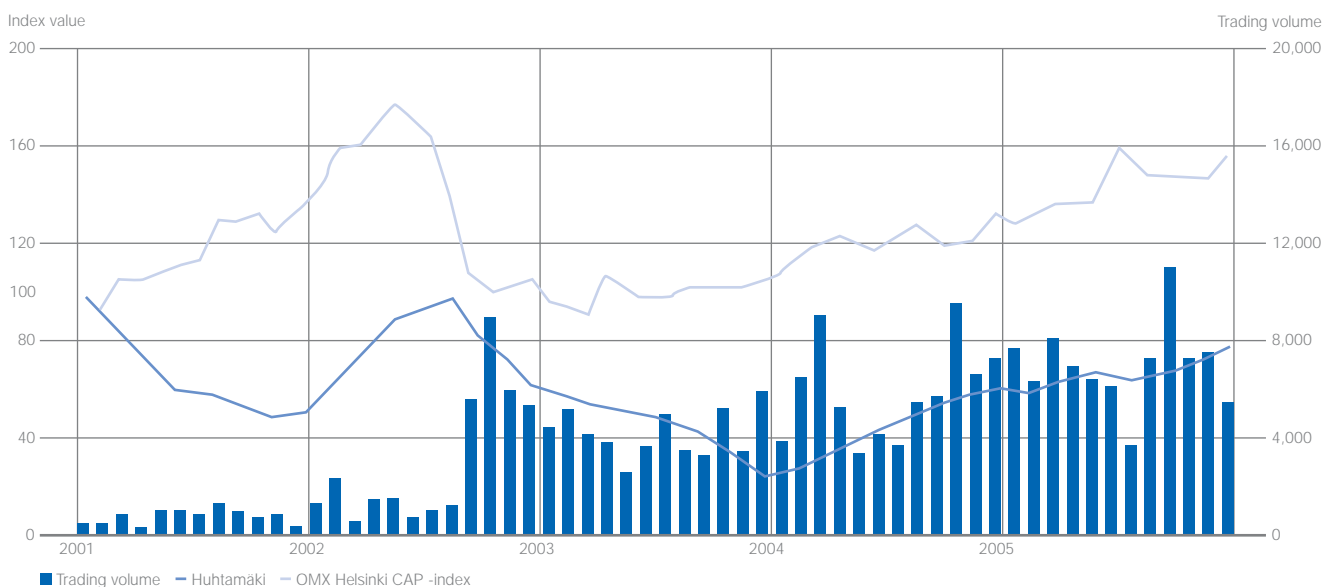
Trading symbols

Helsinki Stock Exchange:	HUH1V HUH1VEW100 (2000 A option) HUH1VEW200 (2000 B option) HUH1VEW300 (2000 C option) HUH1VEW103 (2003 A option) HUH1VEW203 (2003 B option) HUH1VEW303 (2003 C option)
Reuters:	HUH1V.HE
Bloomberg:	HUH1V FH

Shares and share capital

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

SHARE DEVELOPMENTS 2001–2005



Shareholders

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

MAJOR SHAREHOLDERS ON DECEMBER 31, 2005*

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

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

DISTRIBUTION OF SHAREHOLDING, DECEMBER 31, 2005

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

Incl. shares held by the company and by shareholders under nominee registration.

* Of total number of shares 75,376 (0.1 %) shares are held in the joint book-entry account.

BY SHAREHOLDER CATEGORY



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

Option rights

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

Authorizations

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

Dividend proposal

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

Financial calendar 2006

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

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

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

Investor Relations contact

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

Analysts covering Huhtamaki

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

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Corporate governance

Huhtamäki Oyj (the "Company") is incorporated in Finland, and its Articles of Association conform to the Finnish Companies Act. As described in this section, the Company complies with the Corporate Governance Recommendation issued as a part of Rules of the Helsinki Stock Exchange. Information is available also via the Company's website, www.huhtamaki.com.

General Meeting of Shareholders

The **General Meeting of Shareholders** is the Company's highest decision-making body. Its tasks and procedures are closely defined in the Companies Act and the Company's Articles of Association, according to which such things as resolutions regarding election of members of the Board of Directors and auditors, the amendment of the Articles of Association, increase and decrease of share capital and issuance of option rights fall under the authority of the General Meeting.

The Annual General Meeting ("AGM") shall be held annually in Espoo or Helsinki before the end of April on a date set by the Board of Directors. The AGM deals with and approves the Company's financial statements and consolidated financial statements, decides on measures stemming from the profit or loss shown and dividend, elects the members of the Board of Directors and auditors and decides on their remuneration.

A shareholder may ask a matter to be placed on the agenda of the AGM. To this effect, a written request should be sent to the Board of Directors well before the publication of the notice to convene the meeting. Counter-proposals to the Board's proposals may be put forth at the AGM, when the agenda item in question is under discussion. Voting takes place through ballots issued to the participants of the AGM.

A shareholder, who no later than ten days before the AGM has been entered as a shareholder in the shareholder register of the Company held by the Finnish Central Securities Depository, has the right to participate and vote at the AGM.

The holder of a share registered under the name of a nominee may be temporarily entered in the shareholder register for the purpose of participating in an AGM. Voting by proxy requires the physical attendance of a person authorized by the shareholder. The shareholder may also use an assistant in AGM.

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

Board of Directors

The Board of Directors ("Board"), which pursuant to the Articles of Association shall consist of a minimum of six and maximum of nine members, shall be responsible for the management and the proper arrangement of the operations of the Company. The term of office of each Board member expires at the close of the AGM following the election. The Board shall elect from among its members a Chairman and a Vice-Chairman. In 2005 the Board of Directors had seven members.

The Board is vested with the powers specified in the Com-

panies Act and the Company's Articles of Association. It sets the Company's financial and strategic objectives and decides on strategic and annual business plans, capital expenditure projects, including acquisitions exceeding EUR 25 million, divestment proposals of more than EUR 25 million, as well as main policies. The Board also appoints the Chief Executive Officer ("CEO") and other Executive Committee members, decides on executive compensation and annually reviews the management performance.

The Board shall hold at least six regular meetings each year, with one session entirely dedicated to corporate strategy. The Board also conducts a thorough annual self-evaluation of its activity. In 2005, the Board held twelve meetings. The average attendance of directors at the Board meetings was 99%.

The AGM held on March 30, 2005, decided on the remuneration of the Board of Directors as follows: Chairman EUR 80,000, Vice-Chairman EUR 50,000 and other members EUR 40,000 annually. In addition a meeting fee of EUR 500 per meeting is paid. According to the terms and conditions of the Option Plans 2000 and 2003 the members of the Board are not entitled to subscribe any option rights.

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

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

Board Committees

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

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

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

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

The Audit Committee reviews the financial statements as well as accounting principles and policies, monitors the audit and control mechanisms, ensures an adequate and transparent internal reporting system, discusses and reviews policies and procedures with respect to risk assessment and risk management and prepares the resolution concerning appointment of external auditors. For the discussion of the financial statements and interim reports the Chief Financial Officer and the external auditors participate in the Committee's meetings.

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

The Committee memberships of the Board were as following:

- Nomination Committee: Mikael Lilius (chairman), Eija Ailasmaa, Paavo Hohti
- Human Resources Committee: Mikael Lilius (chairman), George V. Bayly, Anthony J.B. Simon
- Audit Committee: Jukka Suominen (chairman), Eija Ailasmaa, Robertus van Gestel, Paavo Hohti

Chief Executive Officer and Executive Committee

The Board appoints the CEO, who is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board.

The CEO is assisted by the Executive Committee ("EC") consisting of the CEO as its Chairman and the executives designated by the Board. The EC convenes at least once a month.

Each EC member has a clear operating responsibility, either within a geographical region (Europe, Americas, Asia-Oceania-Africa), or for a key function (e.g. Finance, Global Customer Strategy). The EC members are the CEO's direct reports. Additionally, the CEO supervises directly the Sourcing, Human Resources, Administration and Legal and Group Communications functions. The individual responsibility areas of EC members appear in the Administration and Auditors section.

The remuneration of the CEO is set by the Board of Directors. In 2005 the CEO's total compensation amounted to 530,379.60 EUR. In addition in 2005 50,000 option rights marked as 2003 C were allocated to him.

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

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

The remuneration of EC members is resolved by the Board of Directors. In 2005 the aggregate compensation to other EC members was EUR 1,388,775.29, including EUR 145,136.61 of incentive related pay based on year 2004. EC members are entitled to retirement upon reaching 60 years of age. The employ-

ment contract of an EC member may be terminated by giving 3–6 months prior notice depending on the member's time of employment. In case the Company terminates the employment contract without cause the Company shall pay salary and other benefits for a period of 6–18 months depending on EC member's time of employment calculated as of the expiration of the notice period. The Company has a customary directors' and officers' liability insurance policy.

The other EC members have an aggregate of 417,000 option rights under Option Rights Plans 2000 and 2003. In 2005, a total of 190,000 new option rights were granted to the Executive Committee members. Their current holdings of Company shares and option rights appear in the Administration and Auditors section.

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

Other remuneration and benefits

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

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

Option right plans extend to more than 135 executives and managers across the Company and its subsidiaries. A total of 4,738,480 new shares corresponding to 4.6% of the shares outstanding may be issued in 2006–2009 assuming full use of the option right plans of 2000 and 2003.

Insiders

The Company follows the Guidelines for Insiders issued by the Helsinki Stock Exchange. Furthermore, the Company has confirmed Insiders Regulations for the Company.

During the financial year permanent insiders included the Board of Directors, the CEO and auditors. In addition, the Company had decided to register as permanent insiders: Executive Committee members, certain Group Vice Presidents and Managers, as well as certain employees of the Group Head Office.

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

A person not permanently registered as an insider may be in-

cluded as a temporary, project-based insider in an insider register created for major or otherwise significant projects. Persons included in the public and company specific inside registers may not trade in the Company's shares or stock options within four weeks prior to the publication of the Company's annual financial statements or two weeks prior to the publication of the interim financial statements.

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

Audit

The Company has to have at least one auditor and at least one deputy auditor, who must be auditors or accounting firms approved by the Finnish Central Chamber of Commerce (APA). The AGM elects the Company's auditors. In case the AGM appoints only one auditor, the auditor shall be an accounting firm approved by the Central Chamber of Commerce and no deputy auditor will be elected. The AGM held on March 30, 2005 elected Pekka Pajamo (APA) and Solveig Törnroos-Huhtamäki (APA) as auditors and Ari Ahti (APA) as a deputy auditor of the Company. The auditors represent KPMG Oy Ab. Each subsidiary is subject to local auditing under the local regulations, which is conducted by representatives of the KPMG network in each country.

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

Internal audit

The internal audit function has been managed in coordination with PriceWaterhouseCoopers Oy and its international network.

Risk management

The objective of Group risk management is to maintain and further develop a comprehensive and practical risk management framework including a reporting system. This involves assessing risk systematically by function and business unit, improving risk management awareness and quality, sharing best practices and supporting cross-functional risk management initiatives.

Articles of Association, disclosed notifications and shareholder agreements

Section 11 of the Articles of Association of the Company contains provisions concerning the redemption obligation of shareholders. The Articles of Association as well as disclosed notifications on major holdings during past 12 months can be found on the Company's website, www.huhtamaki.com. There are no shareholder agreements known to the Company.



Board of Directors, from March 30, 2005



MIKAEL LILIUS (1949)
Chairman

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



PAAVO HOHTI (1944)
Vice Chairman

Date of election: March 18, 1999
Main occupation: Council of Finnish Foundations, Managing Director
Education: Doctor of Philosophy, Professor h.c.
Primary work experience: Finnish Cultural Foundation, Secretary General
Positions of trust: SanomaWSOY Oyj, Board
Shares 31.12.2005: -



EIJA AILASMAA (1950)

Date of election: March 22, 2004
Main occupation: CEO, Sanoma Magazines B.V.
Education: Master of Political Science
Primary work experience: Various group executive roles, including President of the Helsinki Media and Sanoma Magazines Finland magazine publishing subsidiaries; Editor-in-chief for the family magazine Kodin Kuvalehti in 1985–89; Journalist with the newspaper Ilta-Sanomat in 1975–85
Positions of trust: Hansaprint Oy, Board
Shares 31.12.2005: -



GEORGE V. BAYLY (1942)

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



ROBERTUS VAN GESTEL (1946)

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



ANTHONY J.B. SIMON (1945)

Date of election: October 7, 1999
Main occupation: Unilever N.V., President Marketing, retired
Education: MA, MBA
Primary work experience: Bestfoods, Inc., Vice President; Bowater Paper Corporation, packaging division
Shares 31.12.2005: 1,248



JUKKA SUOMINEN (1948)

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

SECRETARY

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

Executive Committee in 2005



HEIKKI TAKANEN (1952)

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



HENK KOEKOEK (1946)

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



SAKARI AHDEKIVI (1963)

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



TONY COMBE (1962)

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



CLAY DUNN (1957)

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



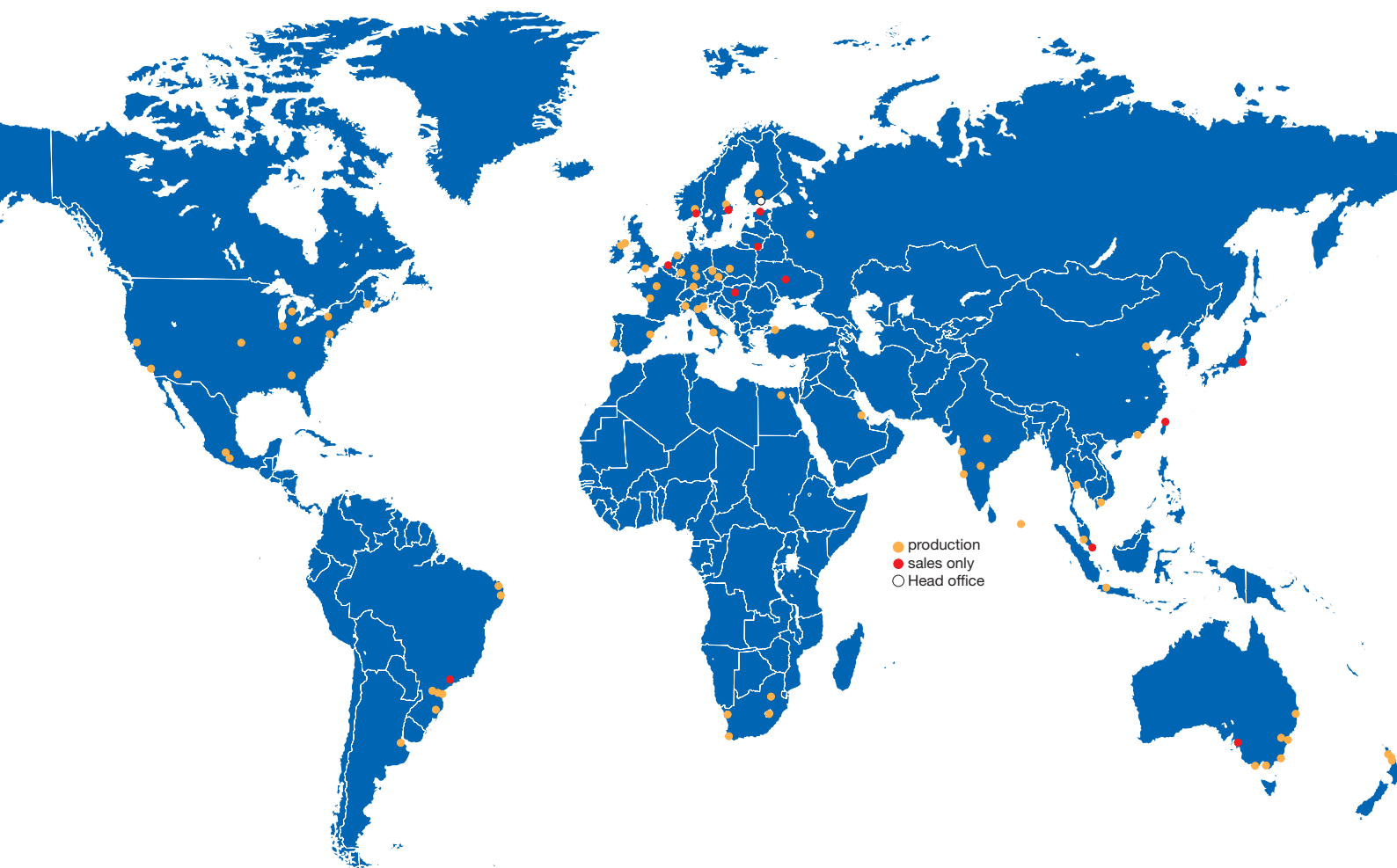
TIMO SALONEN (1958)

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



KALLE TANHUANPÄÄ (1952)

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



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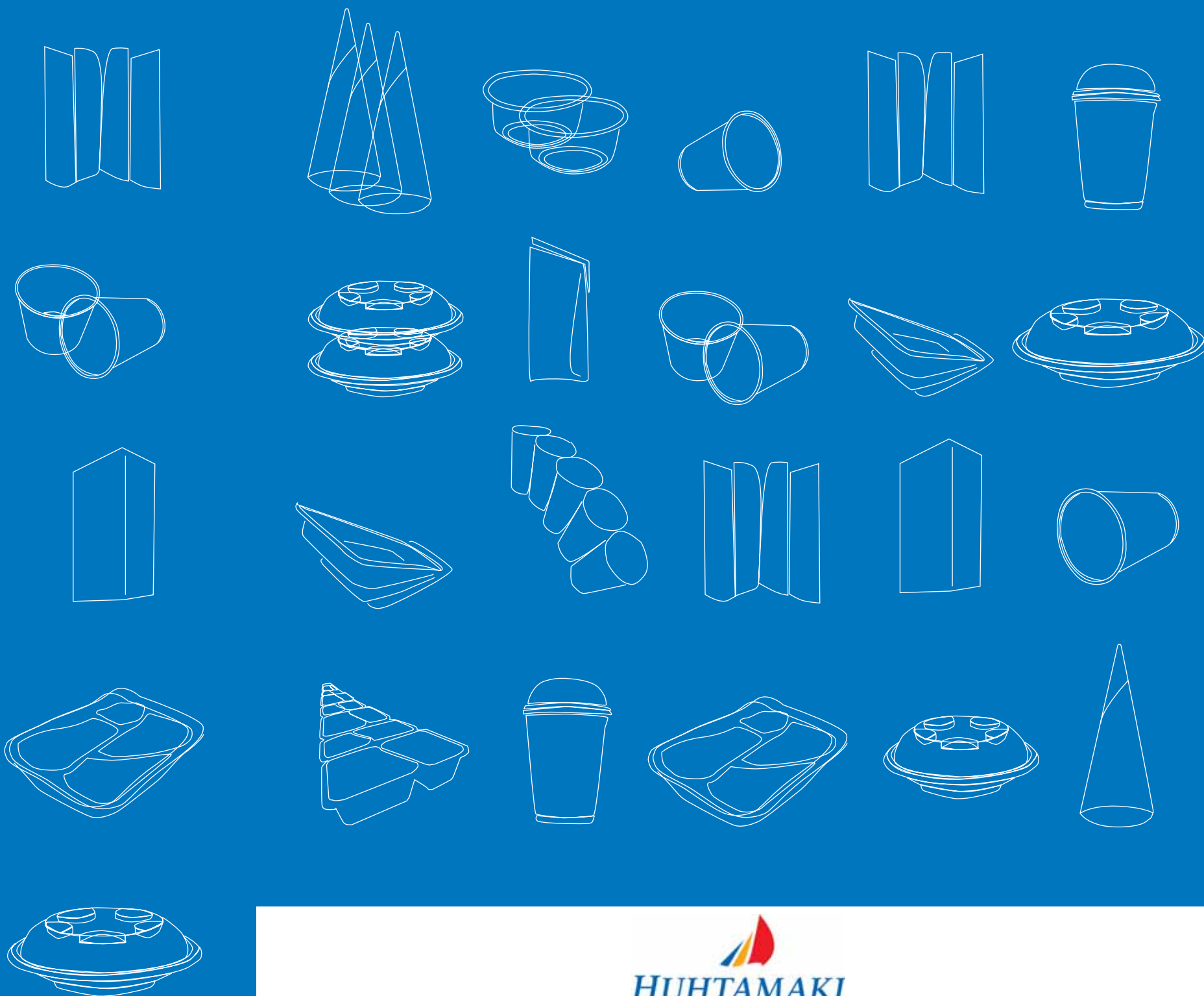
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