



Annual Report 2006



Contents

Investor information	
CEO's review	2
Key Figures	4
Huhtamaki in brief	5
Packaging highlights	6
Operating Environment	8
Strategy	10
Continuous Improvement	12
Europe	14
Americas	16
Asia-Oceania-Africa	18
Corporate Responsibility	21
People	22
Environment	24
Corporate Governance	25
Risks and Risk Management	28
Board of Directors and Group Executive Team	30
Contacts	33

Investor information

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

Annual General Meeting

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

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

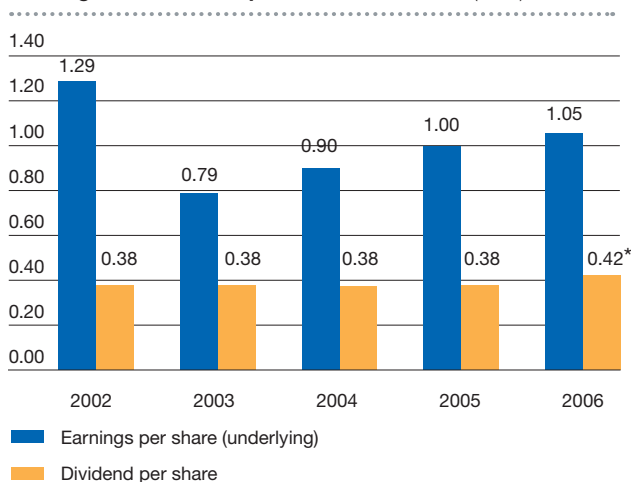
Shareholders who have been entered on April 2, 2007 into the shareholder register maintained by the Finnish Central Securities Depository Ltd are entitled to attend the AGM.

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

Dividend proposal

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

Earnings and dividend per share 2002–2006 (EUR)



*Board's proposal

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

Publication of results

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

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

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

Investor Relations at Huhtamäki

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

Equity analysts covering Huhtamäki in 2006

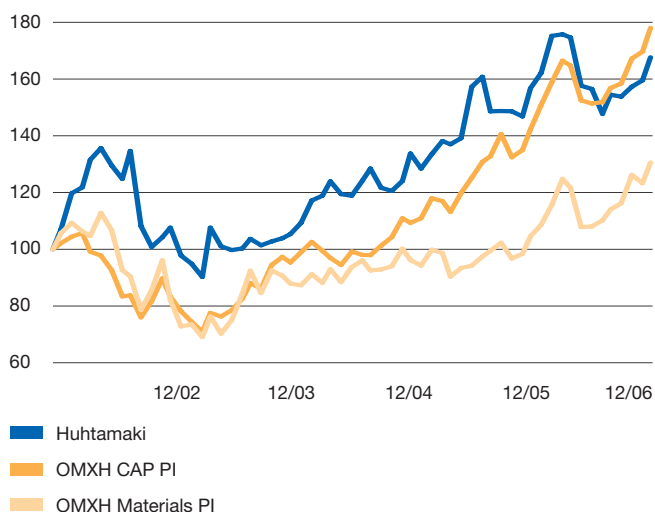
ABN AMRO, Helsinki
Carnegie, Helsinki
Cazenove, London
Deutsche Bank, Helsinki
eQ Bank, Helsinki
Evli Bank, Helsinki
FIM Securities, Helsinki
Goldman Sachs, London
Handelsbanken, Helsinki
Kaupting Bank, Helsinki
Mandatum Securities, Helsinki
OKO Bank, Helsinki
SEB Enskilda Securities, Helsinki
Valuatum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

Share data for 2006 (compared to 2005)

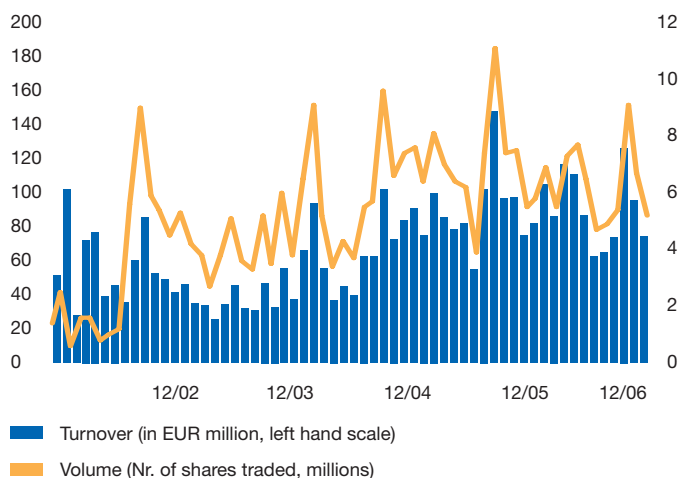
Market capitalization at year-end	EUR 1,570 million (EUR 1,444 million)
- excluding company's own shares	EUR 1,494 million (EUR 1,374 million)
Closing price at year-end	EUR 14.88 (EUR 13.91)
Volume weighted average share price	EUR 14.35 (EUR 12.84)
Highest share price on April 7, 2006	EUR 16.73 (EUR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

Additional share information can be found in the Annual Accounts.

Share price development 2002–2006



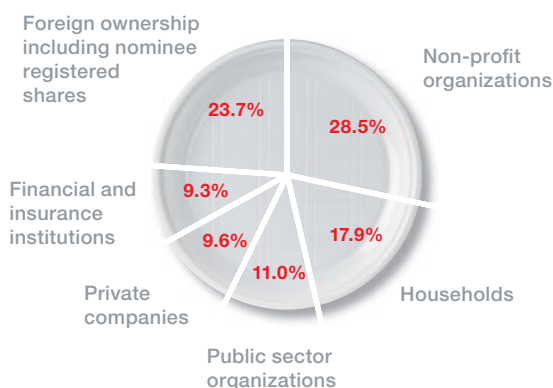
Turnover and trading development 2002–2006



Shareholders

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

Ownership by category December 31, 2006



Largest registered shareholders December 31, 2006

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

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

usability



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

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

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



Growth through global development

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

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

Continued investments in growth markets

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

beginning of the year, and the rest to Poland in the mid-year. In the UK, the operations of the Portadown production unit were downsized.

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

Innovative packaging for demanding consumers

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



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

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

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

Shifting focus to profitable growth

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

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

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



Heikki Takanen
CEO

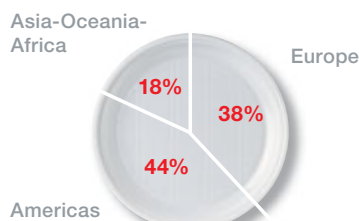
Key ²⁰⁰⁶ Figures



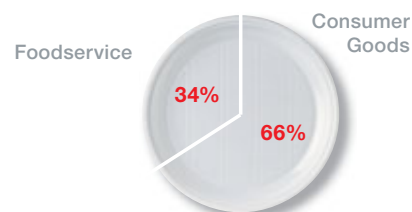
Net sales by region



Underlying EBIT by region



Net sales by business segment



Huhtamaki in brief

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

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

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

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

Key figures

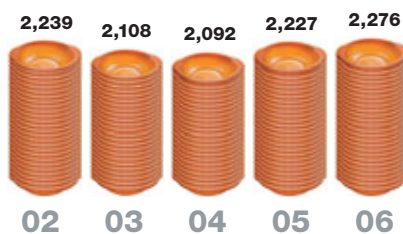
EUR million	2006	2005	Change %
Net sales	2,276	2,227	2
EBIT underlying	158	160	-2
EBIT reported	146	58	152
Result before taxes, underlying	121	124	-2
Result for the period, underlying	107	101	7
EPS reported (EUR)	0.94	0.07	
Dividend per share (EUR)	0.42*	0.38	
Dividend yield (%)	2.8*	2.7	
Personnel at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

2006 underlying figures do not include restructuring charges of EUR 12 million.

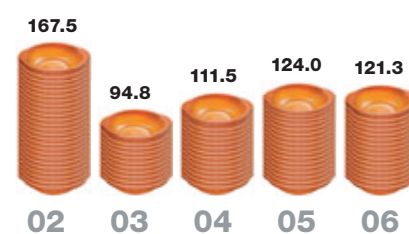
2005 underlying figures do not include restructuring charge of EUR 70 million and goodwill impairment charge of EUR 33 million.

*Board's proposal.

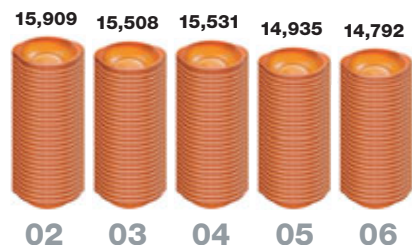
Net sales EUR million



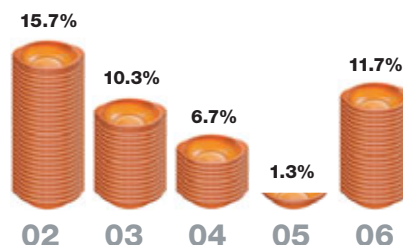
Result before taxes^{1) 2)} (EUR million)



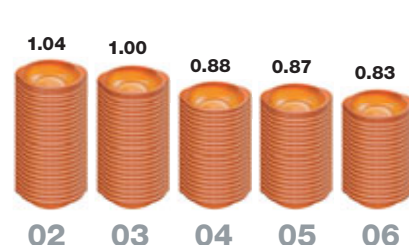
Personnel at year-end



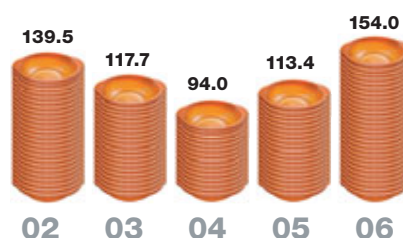
Return on equity¹⁾



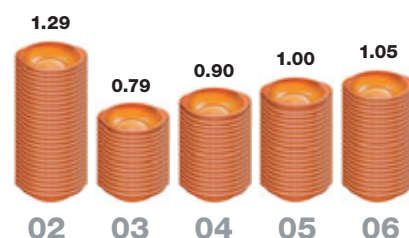
Net debt to equity



Capital expenditure (EUR million)



Earnings per share^{1) 2)} (EUR)



1) Figures until 2003 are adjusted for goodwill amortization.

2) 2006 figures do not include restructuring charge of EUR 12 million.

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

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

Packaging highlights

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

Europe awarded for packaging developments

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

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

Recognition for customer service in Americas

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

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

Excellence and innovation saluted in Asia-Oceania-Africa

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

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

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



promotion

Attractive packaging draws consumer attention



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

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

.....

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



Consumer packaging excellence *throughout the value chain*

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

The vast range of packaging types, sizes, shapes, materials and technologies addressing the fast-changing needs of customers and end-users result in a fragmented packaging industry. The necessity of producing packaging close to the customer has resulted in the industry remaining largely regional. To better serve the global key accounts, Huhtamaki has made a truly global

impact and is now present in 36 countries serving customers from 66 manufacturing plants. Huhtamaki's core businesses are expected to grow roughly at the average GDP rate.

Packaging innovations driven by consumer needs

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

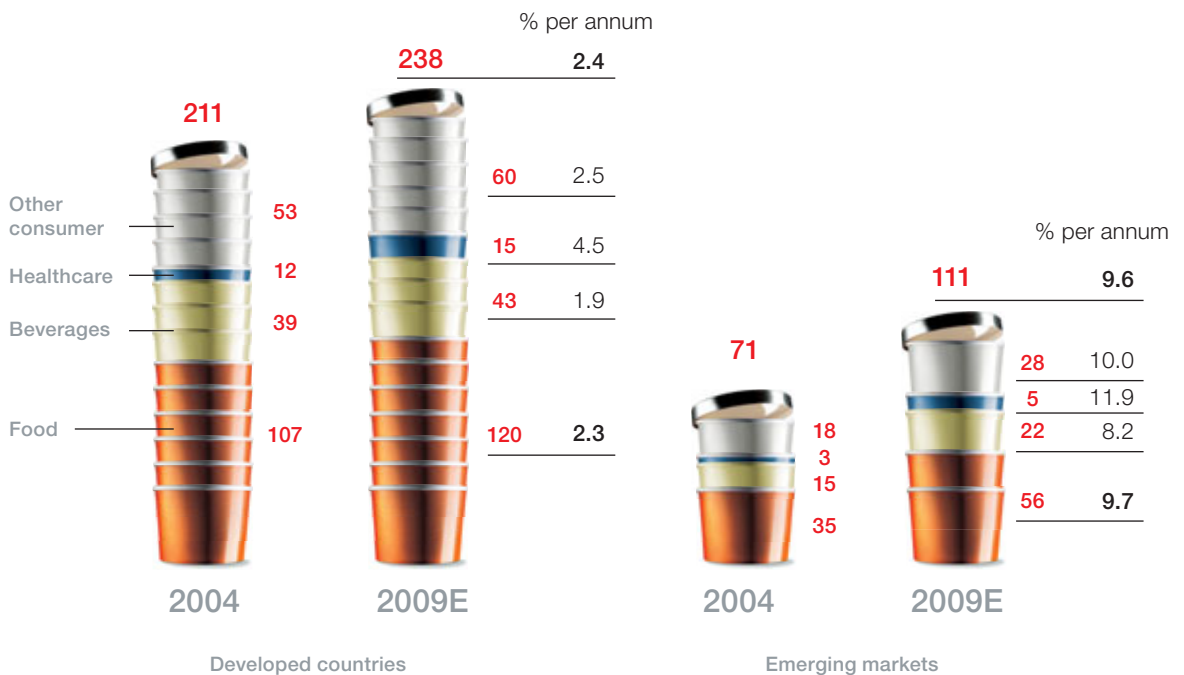
Package decoration and strong visual messages are important elements in brand building. As the speed of consumer decision making increases, so does the value of brand awareness, differentiation and recognition. These bring new opportunities to the packaging business.

The importance of branding is growing in Consumer Goods

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

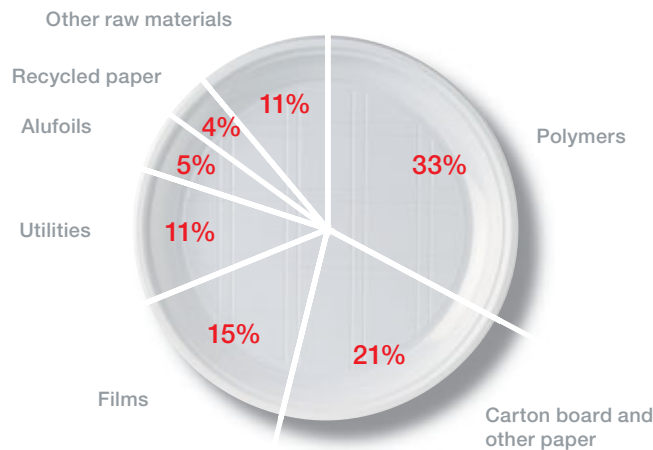
- » Value chain expertise vital for success in mature markets
- » Demand for packaging growing in emerging markets

Global consumer packaging market (EUR billion)



Source: McKinsey / Pira International Ltd

Breakdown of raw materials and utilities (2006)



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

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

Global quick service restaurant invasion supports business in Foodservice

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

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

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

Increased environmental awareness affects the packaging business

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

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

Rising energy and raw material prices require continuous efforts

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

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

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

Building platforms for future growth

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

Mission

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

Vision

The aim is to become a highly efficient and innovative packaging company with whom customers around the

world actively choose to do business. To achieve that position, understanding and expertise of the total value chain is demanded.

Strategic direction and long-term financial targets

To secure the long-term competitiveness of the core businesses, several change

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

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

Execution of change programs continued

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

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

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

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

Growth in attractive markets

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

To further strengthen the company's position in strategic growth markets, additional capacity was installed during the year: a new flexible packaging plant was constructed in Rudrapur, India and new capacity was added to the existing flexible packaging facility in Vietnam. The rigid packaging plant in Hong Kong will

be closed by the end of 2007 and relocated to Guangzhou, China, where the construction of a new larger facility was started.

Leverage Group capabilities

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

Huhtamaki strategic framework

Vision

Huhtamaki is a highly efficient and innovative packaging company with whom customers around the world actively choose to do business.

Strategy

Secure long-term competitiveness of our core businesses

Grow in attractive markets where we can achieve competitive advantage

Leverage Group capabilities

Total Value Chain understanding and expertise

Mission

Huhtamaki creates value for its stakeholders through efficient and innovative packaging solutions that bring convenience and safety to consumers' everyday life.

Values

We treat our world with respect

We know our business

We like to get it done

Product and process development

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

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

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

Innovation in focus

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

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

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

Process development to increase operational efficiency

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

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

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

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

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

R&D expenditure

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

convenience

*Triple-wall cup – a clever solution
for coffee lovers*



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

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

.....

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

Big market, looking East

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

Position in the market

The European market is fragmented with both local and international competitors. In Consumer Goods, the sales development of rigid packaging varied between markets and product categories. The Edible fats category declined while growth was visible in the Fresh foods category in the Nordic region. In Central Europe demand in the Dairy category increased slightly, whereas the market situation was challenging in the

UK. The Flexibles division has a strong position in Pet food, Tube laminates and soup cubes and the Films division in the Release films category. Sustained growth continued in both divisions throughout the year. Key growth opportunities were found particularly in high

value added categories like films for Personal care & detergent and Non food, and flexible packaging for Pet food.

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

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

Trends in Europe

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

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

A year of challenges

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

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

Regarding other change programs, the implementation of a common European Enterprise Resource Planning (ERP) platform continued and in the Rigid business, reinforcement of price management and

Key Figures Europe

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

* excluding restructuring charges

alignment of the UK business to match market developments were started. The continuous improvement program showed positive results in Molded Fiber, particularly in raw material optimization and energy savings.

Growth from product and service offerings

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

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

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

First Cyclero® on the Market

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

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



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

Building on brand strength

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

Position in the market

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

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

Trends in the Americas

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

Within Foodservice, performance was driven by the Retail division especially following the successful extension of the product offering of the Chinet

brand with the Chinet Casuals® product line. Growth has been driven by consumer preferences for the Chinet brand based on both performance and favorable environmental positioning. In addition, the fastest growing segment of the North American

population, adults aged 45-64, have the strongest preference for Chinet brand products.

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

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

Operational efficiency and targeted growth

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

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

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

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

Key Figures Americas

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

* excluding goodwill impairment charges

Product launches to strengthen market position

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

In Consumer Goods, the emphasis will be on the development of Velocity™ fabricated plastic containers

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

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

Chinet Casuals® – finds its place at the table!

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

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



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

Diverse market with *appealing potential*

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

Position in the market

The packaging markets in the Asia–Oceania–Africa region are primarily local. The burgeoning Asian market attracts investments to the region. The general development of retail creates a growing need for

packaging with demand driven by flexible packages. The Asian market also shows healthy growth in Foodservice. The main competition in Asia is comprised of global flexible packaging companies. In Oceania, Consumer Goods competitors are predominantly local whereas

Foodservice competition derives from imported products.

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

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

Asian consumers appreciate high quality print and single serve packages.

Trends in Asia–Oceania–Africa

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

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

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

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

Investments to support growth

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

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

Key Figures Asia–Oceania–Africa

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

* excluding restructuring and goodwill impairment charges

Capacity for continued growth in place

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

In the emerging markets, growth is expected to continue robust in Consumer Goods flexible packaging and remain at current level in rigid packaging. In Foodservice, the emphasis will shift to launches of new

premium products and the target is to be among the leading suppliers for premium coffee cups and double-wall hot cups in Oceania.

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

Flexibles success in the emerging markets

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

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



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

recycling



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

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

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

.....



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

Sustainability balances

economic interest, social and environmental responsibility

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

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

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

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

Policies and Principles

Huhtamaki's Code of Conduct addresses the obligations and ethics regarding all aspects of the company's business and thus sets out clear guidelines for employees when interacting with customers, other parties in the supply chain, shareholders and authori-



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

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

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

ties. The Code of Conduct is complemented by more detailed corporate policies and guidelines such as the company's global environmental policy and the code of conduct for group suppliers. Huhtamaki is also an early signatory to the ICC Charter for Sustainable Development.

Safety comes first

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

In 2006, a 63% decrease in recordable safety incidents was achieved in De Soto. Over 450 safety observations were recorded during the year, where supervisors observed and discussed safe behavior with

their employees. Additionally, a team of hourly employees was established to identify and resolve safety issues within the facility.

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

Aligning performance *with business targets*

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

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

Huhtamaki's values are considered as the heart of the company. They play an important role in building the common culture and increasing unity in the geographically widespread workforce. While the physical distance between the units may be substantial, the values

connect the employees to each other by providing a sense of belonging to the Huhtamaki community. It is important that every employee is committed to the Huhtamaki Values: we treat our world with respect, we know our business, and we like to get it done.

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

New Human Resources Strategy anchored to business priorities

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

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

Enhancing high performance culture

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

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



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

Developing organizational capability

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

Developing compensation practices

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

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

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

Steady improvement in Health and Safety performance

Huhtamaki continues its efforts to provide employees with a safer working environment. Regional and local

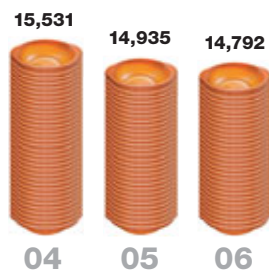
initiatives in particular improved the occupational Health and Safety performance during 2006. The Lost Time Incident Frequency showed an improving trend through fewer occupational accidents.

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

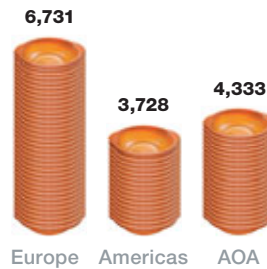
Focus in 2007

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

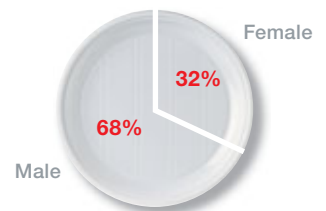
Number of employees, year-end



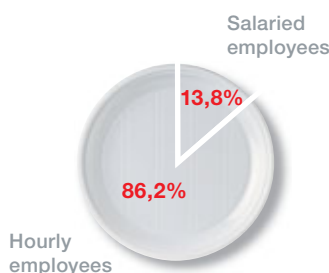
Number of employees by region, year-end



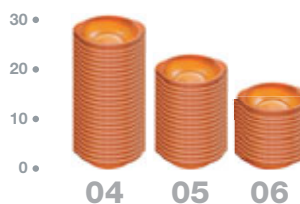
Gender distribution



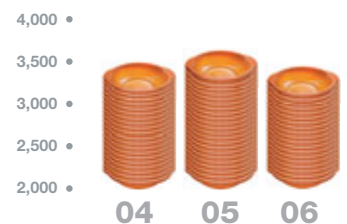
% of hourly and salaried employees



LTIF (Lost Time Incident Frequency) ⁽¹⁾



LTIS (Lost Time Incident Severity) ⁽²⁾



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

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

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

Packaging value chain in focus

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

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

Environmental performance targets

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

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

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

Global policy in place

Huhtamaki has adopted a Code of Conduct and a global environmental policy supported by plant level environmental policies to

ensure globally consistent environmental operating principles. Forums to encourage sharing of best practices are held periodically throughout the year.

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

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

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

New legislation

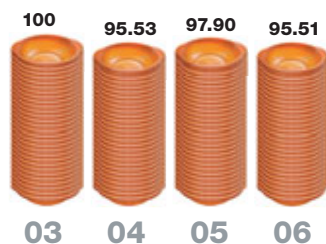
Impacts on the environment deriving from human activity have been widely discussed during 2006. The new European chemical Regulation, Registration, Evaluation and Authorization of Chemicals (REACH), comes into force in June 2007 and is initially assessed to have rather insignificant direct impacts on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

Future targets

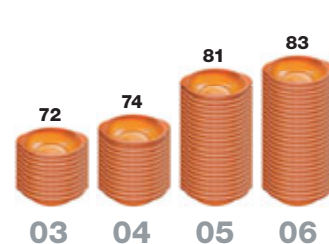
Quantitative environmental information is reported for the calendar year 2006. The scope of this data covers all the manufacturing units, in which Huhtamaki's ownership exceeds 50%. The Group level indicators are further broken down for internal analysis by technology and region. Internal evaluation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

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

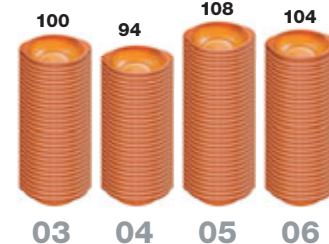
Energy efficiency improvement
2003–2006 (indexed normalized)



Waste to recovery
2003–2006, %



VOC Emissions
2003–2006 (indexed normalized)



Corporate Governance

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

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



GENERAL MEETING OF SHAREHOLDERS

General Meeting of Shareholders' Role

The General Meeting of Shareholders is the Company's highest decision-making body. Its tasks and procedures are defined in the Companies Act and the Company's Articles of Association. The Annual General Meeting of Shareholders (AGM) shall be held annually in Espoo or Helsinki before the end of April on a date set by the Board of Directors.

The AGM resolves i.a. upon adoption of financial statements, distribution of profits, granting the members of the Board and the CEO discharge from liability as well as election of the members of the Board and Auditors. The AGM decides also on Board members' and Auditors' remuneration. In a General Meeting of Shareholders it may additionally be resolved e.g. upon amendments to the Company's Articles of Association, to issue new shares and option rights and repurchase the Company's own shares. The General Meeting of Shareholders may authorize the Board to decide e.g. on issuances of new shares or share repurchases.

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

Shareholder Rights

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

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

The holder of a share registered under the name of a nominee may be temporarily entered in the shareholder register for the purpose of participating in a General Meeting of Shareholders. A shareholder may participate in a General Meeting either in person or by proxy.

BOARD OF DIRECTORS

Board of Directors' responsibilities

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

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

Composition of the Board of Directors

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

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

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

Remuneration of the Board members

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

Independence of the Board members

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

Board Committees

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

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

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

The Human Resources Committee prepares and discusses organizational and human resource issues, as well as principles of remuneration of senior executives and their compensation. The following individuals comprised the Human Resources Committee during 2006: Mikael Lilius (Chairman), George V. Bayly and Anthony J.B. Simon.

The Audit Committee assists the Board in its responsibility to supervise that the book-keeping and financial administration of the Company is appropriately arranged. It handles matters relating to financial statements, interim reports, accounting principles and policies as well as internal reporting systems and internal audit. Additionally, the Audit Committee reviews risk assessment and risk management mechanisms and prepares the resolution concerning appointment of external auditors. In addition to the members of

the Audit Committee, the Chief Financial Officer participates in the Committee's meetings. The external auditors also participate in the discussion of the financial statements and interim reports. The following persons formed the Audit Committee during 2006: Jukka Suominen (Chairman), Eija Ailasmaa, Robertus van Gestel and Paavo Hohti.

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

CHIEF EXECUTIVE OFFICER

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

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

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

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

More information on the CEO is available on page 30.

GROUP EXECUTIVE TEAM

Group Executive Team's responsibilities and nomination

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

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

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

Remuneration of Group Executive Team members

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

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

COMPENSATION PRINCIPLES

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

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

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

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

Risk management

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

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

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

Internal audit

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

Audit

The Company must have at least one auditor and at least one deputy auditor, who are auditors or accounting firms approved by the Finnish Central Chamber of Commerce (APA). The AGM elects the Company's auditors. In case the AGM appoints only one auditor, the auditor shall be an accounting firm approved by the Central Chamber of Commerce and no deputy auditor will be elected. The AGM 2006 elected Pekka Pajamo (APA) and Solveig Törnroos–Huhtamäki (APA) as auditors and Ari Ahti (APA) as a deputy auditor of the Company. The auditors represent KPMG Oy Ab. Each subsidiary is subject to local auditing under the local regulations, which is conducted by representatives of the KPMG network in each country.

In 2006, total auditing costs of the Group amounted to EUR 1,250,000. The KPMG network has also provided other consultancy worth EUR 554,000 in certain countries.

Insider administration

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

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

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

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

Articles of Association, Disclosed Notifications and Shareholder Agreements

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

Risks and Risk Management

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

RISK MANAGEMENT FRAMEWORK

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

Risk management policy

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

Risk management organization

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

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

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

Risk management process and reporting

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

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

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

RISKS

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

Strategic risks

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

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

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

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

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

Financial risks

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

Operational risks

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

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

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

Board of Directors, from March 27, 2006



MIKAEL LILIUS (1949)
Chairman

Date of election:
March 30, 2005
Main occupation:
Fortum Oyj, CEO
Education:
Bachelor of Science (Econ)
Primary work experience:
Gambro AB, CEO; Incentive AB, CEO; KF Industri AB, CEO; Huhtamäki Oy, President of the Packaging Division
Positions of trust:
Sanitec Oy, Board; Hafslund ASA, Board
Shares 31.12.2006: 50,000

PAAVO HOHTI (1944)
Vice Chairman

Date of election:
March 18, 1999
Main occupation:
Council of Finnish Foundations, Managing Director
Education:
Doctor of Philosophy, Professor h.c.
Primary work experience:
Finnish Cultural Foundation, Secretary General
Positions of trust:
SanomaWSOY Oyj, Board
Shares 31.12.2006: –

EIJA AILASMAA (1950)

Date of election:
March 22, 2004
Main occupation:
Sanoma Magazines B.V., CEO
Education:
Master of Political Science
Primary work experience:
Various group executive roles, including President of the Helsinki Media and Sanoma Magazines Finland magazine publishing subsidiaries; Editor-in-chief for the family magazine Kodin Kuvalehti in 1985–89; Journalist with the newspaper Ilta-Sanomat in 1975–85
Positions of trust:
Rotterdam School of Management, Erasmus University, Advisory Board
Shares 31.12.2006: –

GEORGE V. BAYLY (1942)

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

Group Executive Team in 2006



HEIKKI TAKANEN (1952)

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

CLAY DUNN (1957)

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

WALTER GÜNTER (1948)

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

HENK KOEKOEK (1946)

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



ROBERTUS VAN GESTEL
(1946)

Date of election:
March 22, 2004
Main occupation:
Proudfoot Consulting,
Executive Vice President Europe
Education:
MBA, PhD
Primary work experience:
Ford Motor Company; GTE;
Mannesmann Tally; Anglo-Dutch
Investments, Inc.
Positions of trust:
Moore Hall Investments Ltd,
Chairman of the Board
Shares 31.12.2006: –

ANTHONY J.B. SIMON (1945)

Date of election:
October 7, 1999
Main occupation:
Unilever N.V., President
Marketing, retired
Education:
MA, MBA
Primary work experience:
Unilever, Bestfoods, Corporate
Vice President; Bowater Paper
Corporation, Packaging Division
Shares 31.12.2006: 1,248

JUKKA SUOMINEN (1947)

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

SECRETARY

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



MAURICE PETITJEAN (1954)

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

SAKARI AHDEKIVI (1963)

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

PII KOTILAINEN (1960)

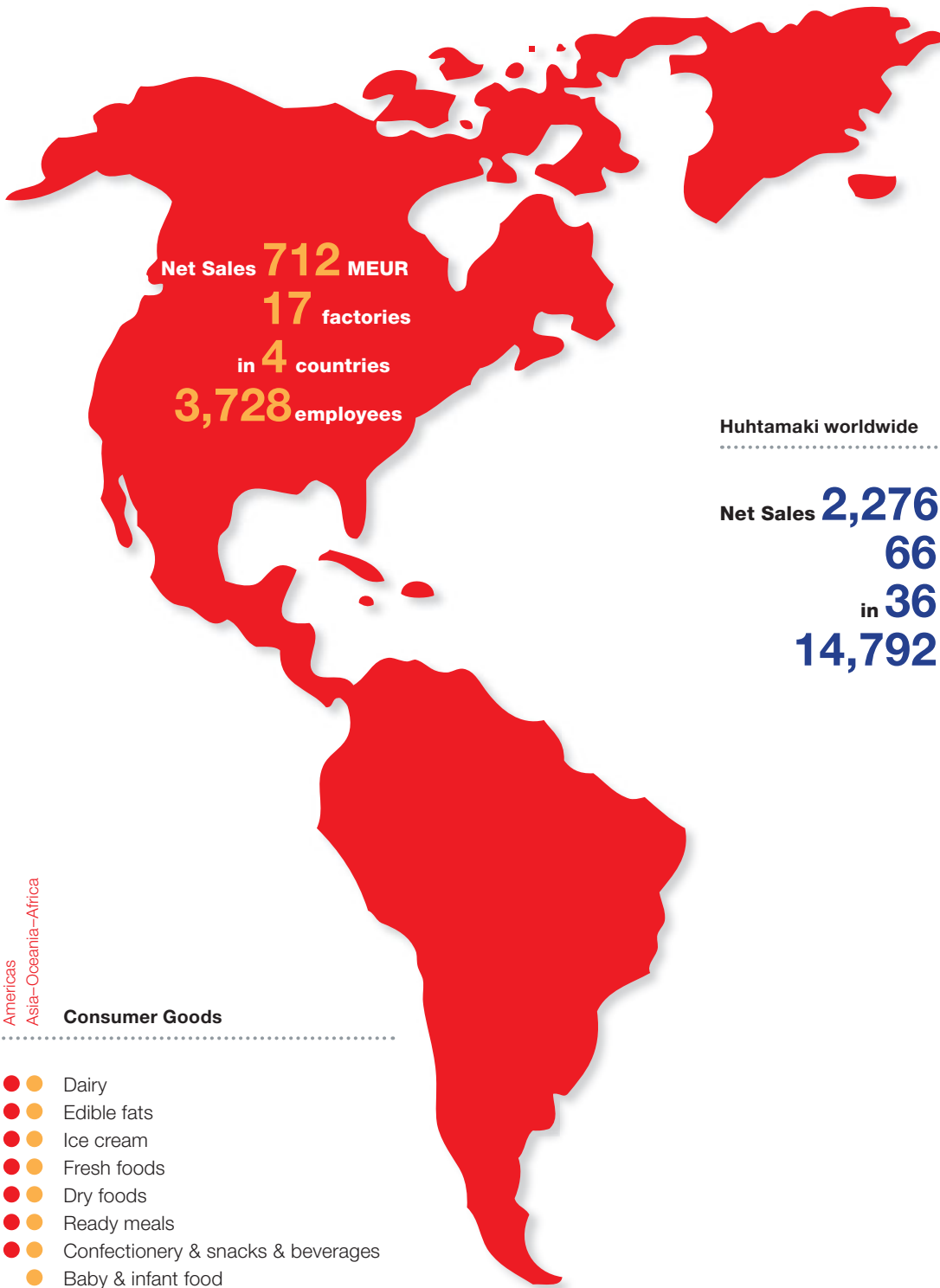
Senior Vice President,
Human Resources since
January 2, 2006
Education:
Master of Science (Econ)
Joined the company: 2006
Shares 31.12.2006: –
Option rights 31.12.2006:
2003B 5,000; 2003C 15,000
and 2006A 28,000

TIMO SALONEN (1958)

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

GEORGE T. LAI (1951)

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



Net Sales **712** MEUR
17 factories
 in **4** countries
3,728 employees

Huhtamaki worldwide

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

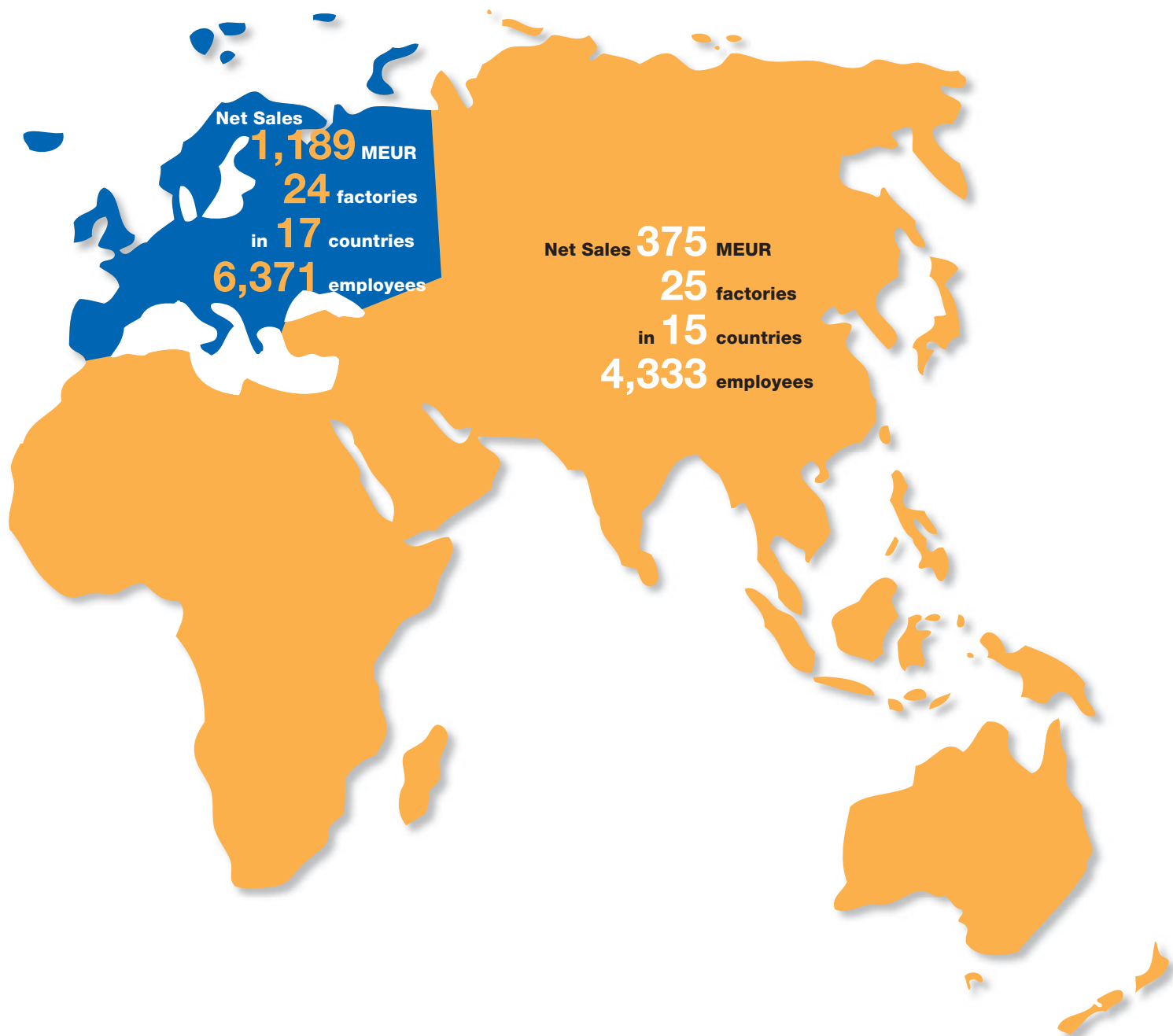
Europe
 Americas
 Asia—Oceania—Africa

Consumer Goods

- ● ● Dairy
- ● ● Edible fats
- ● ● Ice cream
- ● ● Fresh foods
- ● ● Dry foods
- ● ● Ready meals
- ● ● Confectionery & snacks & beverages
- ● ● Baby & infant food
- ● ● Personal care & detergents
- ● ● Pet food
- ● ● Molded fiber machinery
- ● ● Filling machinery
- ● ● Technical & release films
- ● ● Forming & filling machinery

Foodservice

- ● ● Quick service restaurants & beverage
- ● ● Contract catering & distribution
- ● ● Water & vending
- ● ● Retail



CONTACTS

Corporate

Huhtamäki Oyj
 Länsituulentie 7
 FI – 02100 Espoo, Finland
 info.hq@huhtamaki.com
 Tel. +358 (0) 10 686 7000
 Fax +358 (0) 10 686 7992

Europe

Consumer Goods
 Foodservice
 Huhtamäki Oyj
 Länsituulentie 7
 FI – 02100 Espoo, Finland
 Tel. +358 (0) 10 686 7000
 Fax +358 (0) 10 686 7992

Americas

Consumer Goods
 Foodservice
 Retail
 Huhtamaki Americas, Inc
 9201 Packaging Drive
 De Soto, Kansas 66018
 United States (USA)
 Tel. +1 (0) 913 583 3025
 Fax +1 (0) 913 583 8756

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

Asia-Oceania-Africa

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

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



HUHTAMAKI

www.huhtamaki.com

Business Identity Code: 0140879-6