Annual Accounts and Directors' Report 2007

HUHTAMAKI

Contents

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

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Annual General Meeting

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

The items on the AGM agenda are the matters specified in Article 8 of the Articles of Association as subject to the resolution by the AGM.

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

In each case, a shareholder who wishes to attend the AGM must provide prior notice to the Company by 18 pm (Finnish time) on March 26, 2008. The Annual Accounts, the Directors' Report and the Auditors' Report are available at the Company's head office in Espoo at the address Keilaranta 10 as of March 4, 2008. Copies of the same shall be sent to a shareholder requesting those.

Dividend

The Board of Directors proposes a dividend of EUR 0.42 per share to be paid. The dividend is proposed to be paid on April 10, 2008 to a shareholder who on the record date April 3, 2008 is registered as a shareholder in the Company's shareholder register.

Financial calendar 2008

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

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

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

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

Annual Reports, Interim Reports and other releases are available on the Company website www.huhtamaki.com.

The Company will mail its Annual and Interim Reports only upon request. Interested parties wishing to be added on the Company mailing list or to receive printed copies of the reports are kindly requested to order materials through the Company website at www.huhtamaki.com under Investors. To order material by telephone, please call +358 10 686 7000.

Directors’ Report

Overview

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

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

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

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

Business review by region

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

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

Europe

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

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

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

Americas

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

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

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

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

Asia-Oceania-Africa

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

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

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

Financial review

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

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

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

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

Balance sheet and cash flow

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

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

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

Strategic direction

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

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

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

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

Risks and uncertainties

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

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

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

Financial risks are risks attached to credit, liquidity and interest rates as well as foreign exchange risks. More information on financial risks can be found in Note 27 to the Annual Accounts 2007.

Sustainability

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

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

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

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

Personnel

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

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

Changes in Group Executive Team

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

Resolutions taken by the Annual General Meeting in 2007

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

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

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

Share capital and shareholders

At year-end 2007, the Company's registered share capital was EUR 358,657,670.00 (unchanged) corresponding to a total number of outstanding shares of 105,487,550 (unchanged) including 5,061,089 (unchanged) Company's own shares. The Company's own shares represent 4.8% of the total number of shares. The net figure of outstanding shares was 100,426,461 (unchanged).

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

Share developments

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

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

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

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

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

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

Events after the reporting period

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

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

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

Outlook for 2008

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

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

Annual General Meeting 2008

The Annual General Meeting of Shareholders will be held on Monday, March 31, 2008, at 4.30 pm (Finnish time), at Finlandia Hall, Mannerheimintie 13 e, Helsinki.

Dividend proposal

The Board of Directors will propose to the AGM that a dividend of EUR 0.42 (unchanged) per share be paid.

Consolidated annual accounts 2007

Group income statement (IFRS)

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

Key exchange rates in Euros

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

Group balance sheet (IFRS)

ASSETS

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

EQUITY AND LIABILITIES

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

Group cash flow statement (IFRS)

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

Statement of changes in shareholders' equity

EUR million	Share capital	Share issue premium	Treasury shares	Translation difference	Fair value and other reserves	Retained earnings	Total equity	Minority interest	Total
	Attributable to equity holders of the parent company								
Balance at Dec 31, 2005	353.0	96.8	-46.5	-76.3	-0.2	475.2	802.0	18.4	820.4
Cash flow hedges									
Hedge result deferred to equity					1.7		1.7		1.7
Hedge result recognized in income statement*					2.2		2.2		2.2
Translation differences				-30.4			-30.4	-2.4	-32.8
Deferred tax in equity					-1.7		-1.7		-1.7
Other changes						-3.6	-3.6		-3.6
Income and expense recognized directly in equity				**-30.4**	**2.2**	**-3.6**	**-31.8**	**-2.4**	**-34.2**
Result for the period						93.3	93.3	3.3	96.6
Total recognized income and expense for the period				**-30.4**	**2.2**	**89.7**	**61.6**	**0.9**	**62.4**
Dividend						-37.5	-37.5		-37.5
Share-based payments						1.4	1.4		1.4
Stock options exercised	5.7	7.9					13.6		13.6
Balance at Dec 31, 2006	358.7	104.7	-46.5	-106.7	2.1	528.8	841.1	19.3	860.4
Cash flow hedges									
Hedge result deferred to equity					0.5		0.5		0.5
Hedge result recognized in income statement*					-3.7		-3.7		-3.7
Hedge result transferred to carrying amount of hedged items					1.7		1.7		1.7
Translation differences				-14.4			-14.4	-1.1	-15.5
Deferred tax in equity					0.8		0.8		0.8
Other changes						10.0	10.0		10.0
Income and expense recognized directly in equity				**-14.4**	**-0.7**	**10.0**	**-5.1**	**-1.1**	**-6.2**
Result for the period						-22.5	-22.5	2.3	-20.2
Total recognized income and expense for the period				**-14.4**	**-0.7**	**-12.5**	**-27.6**	**1.2**	**-26.4**
Dividend						-42.2	-42.2		-42.2
Share-based payments						1.6	1.6		1.6
Stock options exercised									
Balance at Dec 31, 2007	**358.7**	**104.7**	**-46.5**	**-121.1**	**1.4**	**475.7**	**772.9**	**20.5**	**793.4**

*For qualifying cash flow hedges, the portion of any change in fair value that is effective is included in equity.
Additional information is presented in note 21 for share capital and in note 22 for fair value and other reserves.

Accounting principles for consolidated accounts

Main activities

Huhtamaki Group is a truly global consumer and specialty packaging company with operations in 36 countries. Focus and expertise is in paper, plastic, films and molded fiber. Huhtamaki offers standardized products, customized designs as well as total packaging systems and solutions. Principal customers for the consumer packaging industry are food and beverage companies, manufacturers of other fast-moving consumer products (non-food), foodservice operators, fresh food packers and retailers.

The parent company Huhtamaki Oyj, is a limited liability company domiciled in Espoo and listed on the Helsinki Stock Exchange. The address of its registered office is Keilaranta 10, 02150 Espoo, Finland.

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

Bases of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in preparation have been followed IAS and IFRS standards and SIC- and IFRIC interpretations which were valid on December 31, 2007. IFRSs, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulations (EC) No 1606/2002 of the EU.

The consolidated financial statements have been prepared under the historical cost convention except for available-for-sale financial assets, financial instruments at fair value through income statement, derivative instruments and liabilities for cash-settled share-based payment arrangements are measured at fair value. The consolidated financial statements are presented in millions of Euros.

The Group has adopted following standards and interpretations as from January 1, 2007

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

Principles of consolidation

The consolidated financial statements include the parent company Huhtamäki Oyj and all its subsidiaries where over 50% of the subsidiary's voting rights are controlled directly or indirectly by the parent company, or the parent company is otherwise in control of the company.

Associated companies, where the Group holds voting rights of between 20% and 50% and in which the Group has significant influence, but not control, over the financial and operating policies, are included in consolidated profit and loss accounts using the equity method. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associates.

Proportional consolidation is applied for companies over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include Huhtamaki's proportionate share (usually 50%) of the entity's assets, liabilities, income and expenses, from the date that joint control commences until the date that joint control ceases.

Acquired companies are accounted for using the purchase method according to which the identifiable assets and liabilities of the acquired company are measured at their fair value at the date of acquisition and the remaining balance of purchase price less acquired equity is recognized as goodwill. In accordance with the exception included in the IFRS 1 acquisitions prior to the IFRS transition date January 1, 2002 have not been restated but the previous values are taken as the deemed cost. Goodwill on the consolidated balance sheet is recognized as an asset in the currency of the acquiring entity until December 31, 2003 and after that goodwill arising from new acquisitions is recognized in the functional currency of foreign operations.

Subsidiaries acquired during the financial year are included in the consolidated financial statements from the date of their acquisition and divested subsidiaries are included up to their date of sale.

All intercompany transactions, receivables, liabilities and unrealized profits, as well as distribution of profits within the

Group, are eliminated. Profit for the period is attributable to equity holders of the parent company and minority interest. Minority interest is also disclosed as a separate item within equity.

Foreign currency translation

Foreign currency transactions are translated into functional currency, at the rates of exchange prevailing at the date of the transaction. For practical reasons, an approximate exchange rate is often used for transactions taking place during the month. Monetary assets and liabilities are translated at the rates of exchange at the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement. Foreign exchange gains and losses relating operating activities are recognized in same account as underlying transaction above Earnings before interest and taxes. Foreign exchange differences relating to financial liability are recognized in financial income or expense except currency differences relating to loans designated as a hedge of the net investment in foreign operations. Those currency differences are recognized as translation differences in equity.

On consolidation the income statements of foreign entities are translated into Euros at the average exchange rate for the accounting period. The balance sheets of foreign entities are translated at the year-end exchange rate.

Differences resulting from the translation of income statement items at the average rate and balance sheet items at the closing rate are recognized as a separate item in equity.

In accordance with the exception included in the IFRS 1 the cumulative translation differences until the transition date have been reclassified to retained earnings. From the transition date onwards exchange differences arising on the translation of the net investment in foreign subsidiaries and associated companies are recorded in translation difference, which is a separate component of equity. A similar treatment is applied to intragroup permanent loans, which in substance are equity. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as part of the gain or loss on sale.

Financial instruments

Financial instruments are classified based on IAS 39 to the following groups: financial assets at fair value through profit or loss, available for sale assets and loans and other receivables.

Cash balances and call deposits with banks and other liquid investments, such as cash and cash equivalents and derivative instruments, which not fulfill IAS 39 hedge accounting requirements, are classified as financial assets at fair value through profit and loss.

Publicly traded and unlisted shares are classified as available-for-sale assets. Publicly traded shares are recognized at fair value, which is based on quoted market bid prices at the balance sheet date. Gains or losses arising from changes in fair value are recognized directly in equity in fair value reserves. Fair value changes are transferred from equity to income statement, when the investment is sold or its value has been impaired so that related impairment loss should be recognized. Unlisted shares are carried at cost, as their fair value cannot be measured reliably.

Non-derivative assets with fixed or determinable payments that are not quoted in an active market are classified as loans and other receivables. Trade and other receivables are included in this class. Trade and other receivables are initially measured at cost. A provision for impairment of trade receivables is established, when there is objective evidence that the group will not be able to collect all amounts due according to original terms of receivables. When the trade receivable is uncollectible, it is written of against provision.

Interest bearing borrowings are classified as other liabilities. Interest bearing borrowings are originated loans and bank loans and are carried at amortized cost by using the effective interest rate method.

All derivative financial instruments are carried at fair value. The Group applies cash flow hedge accounting for certain interest rate swaps and foreign exchange forwards that meet hedge accounting criteria as defined in IAS 39. The hedged item must be highly probable to occur and must ultimately affect the income statement. The hedges must be highly effective both prospectively and retrospectively. For qualifying cash flow hedges, the portion of any change in fair value that is effective is included in equity, and any remaining ineffective portion is reported in the income statement. The cumulative changes of fair value of the hedging instrument that have been recorded in equity are included in the income statement when the forecasted transaction affects net income. When the hedged transaction is a firm commitment, the cumulative change of fair value of the hedging instrument that has been recorded in equity is included in the initial carrying value of the asset or liability at the time it is recognized.

Changes in fair values of derivative financial instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

The Group uses foreign exchange forwards and foreign currency loans to hedge net investments in foreign entities. Hedges of net investment in foreign entities must meet the same hedge accounting criteria as cash flow hedges as

detailed in IAS 39. All changes in fair value arising from the hedges are recognized as a translation difference in shareholder's equity if hedge accounting criteria are met. If the hedged entity is disposed of, the cumulative changes in fair value of the hedging instrument that has been recorded in equity are included in the income statement at the time of disposal.

Fair values of foreign exchange forwards are calculated using market rates on the balance sheet date. Fair values of foreign exchange options are calculated with the Garman-Kohlhagen model. Fair values of interest rate swaps, futures and forwards are based on net present values of estimated future cash flows. Cash, short-term loans and overdrafts have fair values that approximate to their carrying amounts because of their short-term nature.

The recoverable amount for financial investments such as available-for-sale investments or receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate. Short-term receivables are not discounted. An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

Goodwill and other intangible assets

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is allocated to cash generating units and is no longer amortized but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associates.

Other intangible assets include patents, copyrights, land use rights, emission rights and software licenses. These are stated at cost and amortized on a straight-line basis over expected useful lives, which may vary from 3 to 20 years. Land use rights are depreciated over the agreement period.

Bought emission rights will be initially valued at cost. Received emission rights are reported in balance sheet initially at their fair value. After that emission rights are valued at cost. Emission rights, which will be sold on market, are not depreciated, as carrying value of those emission rights are considered to account for initial value. Emission rights will be derecognized at transaction date, when actual emissions are defined.

Periods of amortization used:

Intangible rights	up to 20 (years)
Software	3–8 (years)

Subsequent expenditure on capitalized other intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Research and development

Research and development costs are charged to the income statement in the year in which they have incurred.

Expenditure on development activities related to new products and processes has not been capitalized because the assured availability of future economic benefits is evident only once the products are in the market place. Currently the Group balance sheet carries no capitalized development expenditure.

Tangible assets

Tangible assets comprised mainly of land, buildings, machinery, tooling and equipment are valued at cost less accumulated depreciation and impairment losses. The cost of self constructed assets includes the cost of material, direct labor and an appropriated proportion of production overheads. When an asset includes major components that have different useful lives, they are accounted for as separate items.

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

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

The estimated useful lives are:

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

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

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

Impairment

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

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

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

In respect of tangible assets and other intangible assets excluding goodwill, impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is never reversed.

Leases

In accordance with the criteria for finance leases in IAS 17 Leases, lease contracts in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. In finance leases the assets and accumulated depreciation are included in fixed assets and the associated obligations are included in interest bearing liabilities. When a group company is the lessor, the discounted future lease payments are booked as interest bearing receivables and the property that has been leased out is removed from tangible assets. Lease payments under finance leases are divided into interest expense or interest income and installment payment of liability or receivable. Rental payments and rental income under operating leases are charged to the income statement.

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

The Group has made purchase agreements, which include leasing component. These leasing components are booked according to IAS 17. Other parts of the agreement are booked according to relating IFRS-standard.

Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost is determined on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Cost for produced finished goods and work in process represents the purchase price of materials, direct labor, other direct costs and related production overheads excluding selling and financial costs.

Employee benefits

The Group companies have various pension plans in accordance with local conditions and practices throughout the world. The plans are classified as either defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which Group pays fixed contribution into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the entity is not able to pay the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan which is not a defined contribution plan. The contributions to defined contribution plans are charged to the income statement in the year to which they relate.

The present value of the obligation of defined benefit plans is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined using interest rates of high-quality corporate bonds that have maturity terms approximating to the terms of the related pension liability. The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less fair value of plan asset together with adjustment for unrecognized actuarial gains and losses and past service costs.

In calculating the Group's obligation with respect to a plan, the extent to which the cumulative unrecognized actuarial gain or loss exceeds the greater of the present value of the defined benefit obligation and the fair value of plan assets by more than 10% is identified. That excess portion is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

Past-service costs are recognized immediately in income statement, unless the changes to the pension plan are conditional on the employees remaining service for specific period of time. In this case, the past-service costs are amortized in straight-line basis over the vesting period.

Share-based payment transactions

The Group has incentive plans which include equity-settled or cash-settled share-based payment transactions. The fair value of equity-settled share-based payments granted is recognized as an employee expense with corresponding increase in equity. The fair value of cash-settled share based payments is valued at each balance sheet date and the changes in fair value of liability are recognized as expense when incurred. The fair value is measured at grant date and spread over the vesting period during which the employees become unconditionally entitled to the options. The fair value of options granted is measured using the

Black-Scholes model, taking into account the market terms and conditions of agreement when pricing the options. The amount recognized as an expense is adjusted to reflect the actual number of share options that will be vested. Non-market vesting conditions (for example, EBIT growth target) are not included in value of share-based instruments but in number of instruments that are expected to vest. At each balance sheet date the estimates about the number of options that are expected to vest are revised and the impact is recognized in income statement. The proceeds received when options are exercised, are credited to share capital (book value equivalent) and share premium.

Provisions

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions arise from restructuring plans, onerous contracts and from environmental litigation or tax risks. Obligations arising from restructuring plans are recognized when the detailed and formal plans have been established and when there is a valid expectation that such plan will be carried out (plan has been announced). Provision from emissions is recognized according to actual emissions.

Taxes

The Group income statement includes current taxes of Group companies based on taxable profit for the financial period according to local tax regulations as well as adjustments to prior year taxes and changes in deferred taxes. Tax effect relating to items recognized directly to equity, is recognized to equity.

Deferred tax assets and liabilities are recognized using the liability method for all temporary differences arising from the difference between the tax basis of assets and liabilities and their carrying values for IFRS reporting purposes. Deferred tax is not recognized for non-deductible goodwill and differences in investments in subsidiaries to the extend that they probably will not reverse in the foreseeable future. Deferred tax is not recognized in the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. In the determination of deferred income tax the enacted tax rate is used.

Principal temporary differences arise from tangible fixed assets, untaxed reserves, tax losses carried forward, financial instruments and defined benefit pension plans. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized.

Equity, dividends and own shares

Dividends proposed by the Board of Directors are not recorded in the financial statements until the shareholders at the Annual General Meeting have approved them.

When Huhtamäki Oyj's own shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction in equity.

Revenue recognition

Revenue is recognized after the risks and rewards of ownership of the goods have been transferred to the buyer. Normally revenue recognition takes place at the date of delivery according to delivery terms. Net sales are calculated after deduction of sales discounts and indirect sales taxes.

Grants

Government or other grants are recognized in the income statement on a systematic basis in the same periods in which the expenses are incurred. Investment grants presented in balance sheet as deferred income and recognized as income on a systematic basis over the useful life of the asset. These grants are included in other operating income. Government grants relating to emissions are accrued based on actual emissions.

Other operating income and expense

Other operating income includes gains from disposal of assets and regular income, such as royalty and rental income, which have not been derived from primary activities.

Other operating expenses include losses from disposal of assets and other costs not directly related to production or sale of products such as amortization of software and goodwill impairment losses.

Earnings before interest and taxes

Earnings before interest and taxes is net sales less costs of goods sold, sales and marketing expenses, research and development costs, administration costs, other operating expenses plus other operating income. Foreign exchange gains and losses and changes of fair value of the derivative financial instruments relating to business are included in earnings before interest and taxes.

Use of estimates

Preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, income and expenses, as well as the disclosure of contingent assets and liabilities. The estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, which form the basis of making the judgments about carrying values. These estimates and assumptions are reviewed on an ongoing basis. Possible effect of the changes in estimates and assumptions are recognized in the period, they are changed. The estimates and assumptions that have a significant risk of causing adjustment to the carrying value of assets within next financial year relates to impairment testing, the measurement of pension liabilities, litigation and tax risks, restructuring plans, provision for inventory obsolescence and the probability of deferred tax assets being recovered against future taxable profits.

The Group in testing annually whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. More information about the sensitivity of recoverable amount relating to used assumptions can be find in note 10.

New IAS/IFRS standards and interpretations

New standards, amendments and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1. January 2008 but which the Group has not adopted:

- IFRS 8 Operating segments (effective from January 1, 2009). IFRS 8 assumes that segment reporting reflects the Group's management and internal reporting structure. The change will affect Group's segment reporting as currently geographical segments are primary segments. The Group will apply this standard beginning January 1, 2008.
- IAS 23 Borrowing costs (effective from January 1, 2009).The amendment requires capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of asset. Group's estimate is that the amendment will not have substantial impact to Group result. Group will apply the amendment for periods beginning after January 1, 2009.
- IAS 1 Presentation of Financial Statements -amendment (effective from January 1, 2009). Amended standard will change the presentation of Financial Statements. Group's estimate is that the amendment will change the presentation of income statement and statement of changes in shareholders' equity. Group will apply the amendment for periods beginning after January 1, 2009.
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions (effective from March 1, 2007). New interpretation clarifies how share based transactions should be presented in stand alone accounts of subsidiaries. This interpretation does not have an impact on the Group's consolidated financial statements.
- IFRIC 12 Service Concession Arrangements (effective from January 1, 2008). The Group does not have applicable contract with public sector, so the interpretation does not affect Group's financial statements.
- IFRIC 13 Customer Loyalty Programmes (effective from July 1, 2008). The interpretation addresses the accounting by entities that operate customer loyalty programmes with their customers. The interpretation is not expected to have any impact to consolidated financial statements. Group will apply this interpretation in accounting period starting January 1, 2009.
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding requirements and their Interaction (effective from January 1, 2008). The interpretation provides guidance on assessing the amount of the surplus that can be recognized as defined benefit asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. Group has not yet assessed the possible effect of the interpretation. Group will apply the interpretation from January 1, 2008.

Notes to the consolidated financial statements

1. RESTRUCTURING COSTS

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

Restructuring costs represent the costs of site closures together with the writing down of manufacturing assets for technical or economic reasons. The costs of the restructuring program have been included within reported Earnings before interest and taxes under the appropriate expense classifications within the consolidated income statement and are as follows:

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

2. SEGMENT INFORMATION

In segment reporting geographical segment is defined as the primary segment and business segment as secondary. Segment reporting reflects the Group's management and internal reporting structure.

Geographical segments:
- Europe
- Americas
- Asia, Oceania, Africa

Segment revenue and segment asset and liabilities are based on geographical location of assets. Intercompany sales between regions is insignificant.

Business segments:
Consumer Goods: Segment primarily serves the food processing industry and packers of food products but also other consumer products packers including pet food, personal care and detergents.
Foodservice: Segment serves all leading international quick service and beverage companies, coffee and casual dining restaurant chains, institutional caterers and vending operators. Segment also includes tableware sales for the retail channels.

Business segments are managed through the three geographical regions presented in primary segments.

Segment income statement is presented down to EBIT (earnings before interest and taxes).

Segment assets and liabilities include items directly attributable to a segment and items which can be allocated on reasonable basis. Assets comprise intangible assets (including goodwill), tangible assets, inventories, trade and other receivables, accrued income and prepayments, cash (and cash equivalents). Segment liabilities include pension liabilities, provisions, trade payables, other payables and accrued expenses.

Unallocated items
Unallocated income statement items include unallocated corporate costs and royalty income. Unallocated assets mainly represent assets relating to corporate function, tax assets and financial assets. Liabilities not allocated to segments are items related to corporate functions, financial and tax liabilities. Investments in associated companies and income from associated companies are presented in unallocated items.

Geographical Segment 2007

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

Geographical Segment 2006

EUR million	Europe	Americas	AOA	Unallocated	Consolidated
Net sales	1,188.7	711.5	375.4	–	2,275.6
EBIT *	40.3	61.3	24.4	19.5	145.5
Assets	1,117.5	652.4	394.2	104.5	2,268.6
Liabilities	313.9	125.2	78.5	890.7	1,408.3
Capital expenditure	78.0	28.3	46.9	0.8	154.0
Depreciation	49.4	27.6	17.9	0.4	95.3
* includes restructuring cost of	11.8	–	0.3	–	12.1

Business Segments 2007

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

Business Segments 2006

EUR million	Consumer Goods	Food Service	Unallocated	Consolidated
Net sales	1,495.3	780.3	–	2,275.6
EBIT *	74.7	51.3	19.5	145.5
Assets	1,471.4	692.7	104.5	2,268.6
Capital expenditure	98.4	54.8	0.8	154.0
* includes restructuring cost of	9.4	2.7	–	12.1

3. OTHER OPERATING INCOME

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

4. OTHER OPERATING EXPENSES

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

5. EMPLOYEE BENEFIT EXPENSE

EUR million	2007	2006
Wages and Salaries	408.4	407.8
Compulsory social security contributions	46.4	47.5
Pensions		
Defined benefit plans	12.5	7.4
Defined contribution plans	15.4	15.5
Other post employment benefits	6.8	7.6
Share based payments	1.6	1.4
Other personnel costs	19.4	33.7
TOTAL	**510.5**	**520.9**
Remuneration paid by the parent company to the members of the Board of Directors as well as the CEO of Huhtamaki Oyj (8 people).	**1.2**	**1.3**

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

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

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

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

7. FINANCIAL INCOME AND EXPENSES

Gains and losses on fair value hedges are reported net of the gain or loss on the hedged item. Taxes reported in other financial expenses are taxes payable in some jurisdictions on financial transactions. Only FX revaluation gains and losses arising from purely financial exposures such as loans denominated in foreign currencies are reported in other financial items.

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

8. INCOME TAXES

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

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the result for the period attributable to ordinary shareholders by weighted average number of shares outstanding i.e. excluding treasury shares. In calculations of diluted earnings per share, the weighted average of shares is adjusted by the dilutive effect of stock options outstanding during the period (See note 21).

EUR million	2007	2006
Result attributable to equity holders of the parent company (basic/diluted)	-22.5	93.3

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

10. INTANGIBLE ASSETS

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

EUR million	Goodwill	Intangible rights	Other intangibles (including software)	Total 2006
Acquisition cost at January 1, 2006	578.7	4.0	35.8	**618.6**
Additions	-	1.2	1.5	**2.7**
Disposals	-0.4	-0.9	-2.6	**-3.9**
Intra-balance sheet transfer	1.9	-	25.7	**27.6**
Changes in exchange rates	-22.3	-0.2	0.2	**-22.3**
Acquisition cost at December 31, 2006	557.9	4.1	60.7	**622.7**
Accumulated amortisation at January 1, 2006	32.7	1.4	30.5	**64.6**
Accumulated amortisation and impairment on disposals and transfers	-	-0.4	-4.0	**-4.4**
Amortisation during the financial year	-	0.1	2.6	**2.7**
Impairments	-	-	-	**-**
Changes in exchange rates	-	-	-0.5	**-0.5**
Accumulated amortisation and impairment at December 31, 2006	32.7	1.1	28.6	**62.4**
Book value at December 31, 2006	525.2	3.0	32.1	**560.3**

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

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

Impairment charge

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

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

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

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

Impairment test for cash-generating units containing goodwill

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

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

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

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

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

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

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

11. TANGIBLE ASSETS

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

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2006
Acquisition cost at January 1, 2006	28.1	289.3	1,090.6	77.9	55.7	**1,541.5**
Additions	0.6	2.2	19.5	125.5	3.6	**151.4**
Disposals	-0.9	-8.4	-36.3	-0.7	-2.6	**-48.9**
Intra-balance sheet transfer	-	7.1	61.1	-97.4	-0.3	**-29.5**
Changes in exchange rates	-0.9	-9.3	-59.1	5.6	-1.5	**-65.1**
Acquisition cost at December 31, 2006	26.9	280.9	1,075.8	110.9	54.9	**1,549.4**
Accumulated depreciation and impairment losses at January 1, 2006	1.0	96.4	559.5	-	35.4	**692.3**
Accumulated depreciation on disposals and transfers	-	-6.0	-30.4	-	-4.1	**-40.5**
Depreciation during the financial year	0.1	10.4	77.1	-	5.1	**92.7**
Impairments	-	-	-	-	-	**-**
Changes in exchange rates	-0.1	-2.7	-31.3	-	-1.2	**-35.2**
Accumulated depreciation and impairment losses at December 31, 2006	1.0	98.0	574.9	-	35.4	**709.3**
Book value at December 31,2006	25.9	182.8	500.9	110.9	19.5	**840.1**
Value of Financial leased items included in book value 2006	–	0.7	2.4	–	0.5	**3.6**

12. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has investments in the following associates:

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

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

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

2007

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

2006

EUR million	Assets	Liabilities	Equity	Net Sales	Profit for the period
Arabian Paper Products Co., Saudi-Arabia	6.0	3.4	2.5	8.4	1.1
Hiatus B.V., Netherlands	2.4	1.3	1.1	2.4	0.2

13. JOINT VENTURES

The Group has investments in the following joint ventures:

Company	Ownership 2007	Ownership 2006
Huhtamaki EarthShell A.p.S., Denmark (liquidated 2007)	-	50.0%
Laminor S.A., Brazil	50.0%	50.0%

Included in the consolidated financial statements are the following items that represent the Group`s interest in the assets and liabilities, revenues and expenses of the joint venture.

EUR million	2007	2006
Non-current assets	5.4	5.4
Current assets	4.8	6.1
Non-current liabilities	-0.3	-1.7
Current liabilities	-5.8	-7.1
Net assets/ (liabilities)	4.1	2.7
Income	17.5	19.6
Expenses	-16.4	-18.8
Profit for the period	1.1	0.8

14. AVAILABLE-FOR-SALE INVESTMENTS

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

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

15. INTEREST BEARING RECEIVABLES

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

Fair values have been calculated by discounting future cashflows of each major receivable at the appropriate market interest rate prevailing at closing date. Receivables payable on demand have a fair value equal to their carrying amount, which would be recovered if the receivables were disposed of at closing date.

Finance lease receivables

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

Finance lease receivables relates to packaging machines leased to customers.

16. DEFERRED TAXES

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

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

Deferred taxes recognized directly in equity are presented in note 22.

17. EMPLOYEE BENEFITS

The Group has established a number of defined pension schemes for its personnel throughout the world. US, UK and Germany are the major countries having defined benefit plans comprising approximately 90% of the Group consolidated defined benefit obligation for pensions and other post-retirement benefits.

The defined benefit plans are organised through a pension fund or insurance company. The assets of these plans are segregated from the assets of the Group. Subsidiaries' funding of the plans meet local authority requirements. In these defined benefit plans the pensions payable are based on salary level before retirement and number of service years. Some schemes can include early retirement. The computations for defined benefit obligations and assessment of the fair value of assets at closing date have been made by qualified actuaries.

The Group has also post-employment medical benefit schemes, principally in US. The method of accounting, assumptions and the frequency of valuations are similar to those used for the defined benefit pension schemes.

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

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

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

The major categories of plan assets as percentage of total plan assets:		
European equities %	21.8	21.9
North American equities %	10.1	19.5
European bonds %	9.5	9.4
North American bonds %	22.5	14.0
Property %	0.3	0.3
Other %	35.8	34.9
	100.0	**100.0**

The expected return on plan assets was determined by considering the expected returns returns available on the assets. Expected returns on equity and property investment reflect long-term real rates of return experienced in the respective markets. The returns on fixed interest investments are based on terms of agreements.

Principal actuarial assumptions:	2007	2006
Discount rate (%)		
Europe	5.0–5.7	4.2–5.0
Americas	6.4	5.8
Asia,Oceania,Africa	6.0–9.0	2.8–10.0
Expected return on plan asset (%)		
Europe	4.5–7.0	4.5–7.0
Americas	7.2	8.5
Asia,Oceania,Africa	7.5–8.0	2.0–10.0
Future salary increases (%)		
Europe	4.5	4.5
Americas	4.3	4.3
Asia,Oceania,Africa	5.0–7.5	2.8–8.0
Future pension increases (%)		
Europe	1.5–3.2	0.5–3.0
Americas	4.3	1.0
Employees opting for early retirement (%)		
Europe	7.3	7.5
Annual increase in healthcare costs (%)		
Americas	9.0	10.0
Asia,Oceania,Africa	7.0	7.0
Future change in max. state healtcare benefit (%)		
Americas	9.0	10.0

Assumptions regarding future mortality are based on published statistics and mortality tables.

One percentage point change in assumed healthcare cost trend would have the following effects on defined benefit obligation:	2007	2006
1% p. increase of healthcare	3.5	5.6
1% p. decrease of healthcare	-2.9	-3.0

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

Post-employment medical benefits and other defined benefits				
Defined benefit obligation	51.2	61.1	65.6	58.3
Experience adj. on other plan liabilities	-3.9	2.0	-1.6	1.3

18. INVENTORIES

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

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

19. TRADE AND OTHER CURRENT RECEIVABLES

EUR million	2007	2006
Trade receivables	343.4	350.6
Other receivables	25.4	29.4
Accrued interest and other financial items	7.6	5.5
Other accrued income and prepaid expenses	18.4	15.2
Total	**394.8**	**400.7**

Other accrued income and prepaid expenses include prepayments for goods, accrued royalty income, rebates and other miscellaneous accruals.

Aging and impairment losses of trade receivables at the closing date

EUR million	Gross 2007	Impairment 2007	Gross 2006	Impairment 2006
Not past due	275.2	0.9	285.1	1.7
Past due 0–30 days	52.2	0.1	49.8	0.3
Past due 31–120 days	13.1	1.0	15.1	1.3
Past due more than 120 days	12.1	7.2	10.8	6.9
Total	**352.6**	**9.2**	**360.8**	**10.2**

The maximum exposure to credit risk related to trade and other current receivables is equal to the book value of these items.

20. CASH AND CASH EQUIVALENTS

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

21. SHARE CAPITAL OF THE PARENT COMPANY

Share capital	Number of shares	Share capital EUR	Share premium EUR	Treasury shares EUR	Total EUR
January 1, 2006	103,839,372	353,053,864.80	96,797,293.06	-46,509,623.20	403,341,534.66
Subscription through option rights June 14, 2006	368,414	1,252,607.60	1,622,167.68	-	2,874,775.28
Subscription through option rights July 31, 2006	24,200	82,280.00	94,564.00	-	176,844.00
Subscription through option rights August 21, 2006	21,000	71,400.00	93,928.00	-	165,328.00
Subscription through option rights September 20, 2006	70,800	240,720.00	336,662.00	-	577,382.00
Subscription through option rights October 25, 2006	130,200	442,680.00	533,558.00	-	976,238.00
Subscription through option rights November 16, 2006	1,033,564	3,514,117.60	5,188,598.68	-	8,702,716.28
December 31, 2006	105,487,550	358,657,670.00	104,666,771.42	-46,509,623.20	416,814,818.22
December 31, 2007	105,487,550	358,657,670.00	104,666,771.42	-46,509,623.20	416,814,818.22

All shares issued are fully paid.

Based on an authorization given at the Annual General Meeting of Shareholders on March 25, 2002 the Company has repurchased in total 5,061,089 own shares during 2002 and 2003. After 2003 no own shares have been repurchased or conveyed and on December 31, 2007 the Board of Directors had no authorization to repurchase own shares. The Annual General Meeting of Shareholders on April 12, 2007 gave the Board of Directors an authorization to resolve upon conveyance of the Company's own shares by December 31, 2009. This authorization was not exercised during 2007.

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

Securities Market Act, Chapter 2, Section 6 b

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

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

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

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

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

Distribution by number of shares

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

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

Largest registered shareholders December 31, 2007*

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

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

OPTION RIGHTS

Option Rights 2000 Plan

The Annual General Meeting of Shareholders held on April 12, 2000 approved the issue of up to 900,000 option rights to certain members of the management of Huhtamäki Oyj and its subsidiaries. The option rights were marked as follows: 300,000 with 2000 A, 300,000 with 2000 B and 300,000 with 2000 C. The Extraordinary General Meeting of Shareholders held on August 26, 2002 resolved to amend the terms of the option rights plan so that each option right entitled its holder to subscribe for four (4) shares. The share subscription period for all the option rights under the Option Rights 2000 Plan ended on October 31, 2006 and therefore it no longer was possible to subscribe for new shares in 2007. During the year 2006, the exercise of 394,357 option rights under the Option Rights 2000 Plan resulted in the issue of 1,577,428 new shares and the increase of the share capital with EUR 5,363,255.20. As the share subscription period ended on October 31, 2006, the option rights under the Option Rights 2000 Plan were delisted on the Helsinki Stock Exchange. The table below depicts the share subscription periods and the subscription prices for each option right.

Option Rights 2003 Plan

The Annual General Meeting of Shareholders held on March 28, 2003 approved the issue of up to 2,250,000 option rights to certain members of the management of Huhtamäki Oyj and its subsidiaries. The option rights are marked as follows: 750,000 with 2003 A, 750,000 with 2003 B and 750,000 with 2003 C. If exercised in full, the option rights will entitle to the subscription for a total of 2,250,000 shares whereby the share capital would be increased by a maximum amount of EUR 7,650,000 representing approximately 2.1 per cent of the outstanding share capital of Huhtamäki Oyj. The option rights 2003 A are listed on the Helsinki Stock Exchange as of May 2, 2005, the option rights 2003 B as of May 2, 2006 and the option rights 2003 C as of May 2, 2007. At the end of the year 2007 the Option Rights 2003 Plan had 103 participants. During the year 2007 no option rights were exercised and therefore the share capital has not been increased and no new shares issued. During the year 2006, the exercise of 70,750 option rights under the Option Rights 2003 Plan resulted in the issue of 70,750 new shares and the increase of the share capital with EUR 240,550. The table below depicts the share subscription periods and the subscription prices for each option right.

Option Rights 2006 Plan

The Annual General Meeting of Shareholders held on March 27, 2006 approved the issue of up to 3,300,000 option rights to certain members of the management of Huhtamäki Oyj and its subsidiaries. The option rights are marked as follows: 1,100,000 with 2006 A, 1,100,000 with 2006 B and 1,100,000 with 2006 C. If exercised in full, the option rights will entitle to the subscription for a total of 3,300,000 shares whereby the share capital would be increased by a maximum amount of EUR 11,220,000 representing approximately 3.1 per cent of the outstanding share capital of Huhtamäki Oyj. Huhtamäki Oyj will apply for the listing of the option rights 2006 A on the Helsinki Stock Exchange as of October 1, 2008. At the end of year the 2007, the Option Rights 2006 Plan had 113 participants. The table below depicts the share subscription periods and the subscription prices for each option right.

Option Right	Number of shares one option right entitles to subscribe for	Subscription Price for One Share	Subscription Period
2000 A	1:4	EUR 6.82 [1]	2.5.2002–31.10.2006 [3]
2000 B	1:4	EUR 5.28 [1]	2.5.2003–31.10.2006 [3]
2000 C	1:4	EUR 9.77 [1]	2.5.2004–31.10.2006 [3]
2003 A	1:1	EUR 7.54 [2]	2.5.2005–31.10.2009 [4]
2003 B	1:1	EUR 9.80 [2]	2.5.2006–31.10.2009 [4]
2003 C	1:1	EUR 11.93 [2]	2.5.2007–31.10.2009 [4]
2006 A	1:1	EUR 17.14 [2]	1.10.2008–31.10.2011 [5]
2006 B	1:1	EUR 13.96 [2]	1.10.2009–31.10.2012 [5]
2006 C	1:1	[6]	1.4.2011–30.4.2014 [5]

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

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

3) The period of subscription was annually between May 2 and October 31 on such days as defined by the Board of Directors of the Company.

4) The period of subscription shall be annually between May 2 and October 31 on such days as defined by the Board of Directors of the Company.

5) The period of subscription shall be annually between January 2 and November 15 on such days as defined by the Board of Directors of the Company.

6) The subscription price for the shares under the option rights marked with 2006 C shall be the market value of the Company share on the Helsinki Stock Exchange during the period of April 1, 2008–April 30, 2008 added with such an amount that equals to ten (10%) per cent of the market value. The market value shall mean the average price paid for the share of the Company during the above-mentioned period weighted by the volume of the trade. The aggregate amount of dividends per one share resolved by the Company's Annual General Meeting of Shareholders after April 30, 2008 but before the subscription for the shares shall be deducted from the subscription price of the shares under option rights marked with 2006 C at each dividend record date.

General

The option rights are granted under a service condition. In case the employee ceases to be employed by Huhtamäki Oyj or any of its subsidiaries before the share subscription period has commenced, the option rights will be forfeited. Shares subscribed for pursuant to option rights shall entitle to the distribution of dividend for the accounting period during which such shares were subscribed and paid for. Right to vote and other shareholders' rights attached to the shares subscribed for under the option rights shall become effective as of the registration of the increase of the share capital.

Pursuant to the Company's Option Rights Plans, an aggregate maximum number of 5,479,250 new shares may be subscribed for in 2008–2014 representing approximately 5.2 per cent of the total number of votes on December 31, 2007.

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

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

The fair value of options granted is measured using the Black-Scholes model taking into account the market terms and conditions of agreement when pricing the options. The expected volatility is based on the historic volatility of Huhtamäki Oyj share and adjusted for any expected changes to future volatility due to publicly available information. Paid dividends are deducted from the exercise price of the options. Therefore the impact of dividends on the fair value of the option at grant date is not taken into account when pricing the options. The fair value is spread over the period under which the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of options that will be vested.

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

PERFORMANCE SHARE INCENTIVE PLAN

A performance share incentive plan was established in Huhtamaki by a resolution passed by the Board of Directors on February 7, 2006 to form a part of the remuneration and commitment program for key personnel. The plan was presented in the Annual General Meeting of Shareholders held on March 27, 2006. The plan extended to approximately 15 key persons designated by the Board and having had a possibility to earn Company's shares as remuneration for reaching targets set forth for a determined earning period. The aggregate maximum number of shares possible to be granted under the plan was 150,000. The plan required a receiver to own the shares at least two years following the grant. A receiver had to also continue to own the shares, at least in an amount equivalent to his/her annual gross salary, for a period lasting until the end of employment or service.

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

22. FAIR VALUE AND OTHER RESERVES

EUR million	Hedge reserve	Total
December 31, 2005	**-0.2**	**-0.2**
Cash flow hedge result deferred to equity	1.7	1.7
Cash flow hedge result recognized in P&L	2.2	2.2
Cash flow hedge result recognised in BS	-	-
Deferred taxes	-1.7	-1.7
December 31, 2006	**2.1**	**2.1**
Cash flow hedge result deferred to equity	0.5	0.5
Cash flow hedge result recognized in P&L	-3.7	-3.7
Cash flow hedge result recognised in BS	1.7	1.7
Deferred taxes	0.8	0.8
December 31, 2007	**1.4**	**1.4**

Fair value and other reserves
Fair value and other reserves contain fair value changes of derivative instruments assigned as cash flow hedges. Also deferred tax in equity are reported in fair value and other reserves.

Translation differences
Translation differences contain the result arising from the translation of foreign entities' financial statements into euros. Also gains and losses from net investments in foreign entities are reported in translation differences. Hedges of those investments are reported in translation differences, if hedge accounting criteria is met.

Treasury shares
Treasury shares include Huhtamäki Oyj shares purchased by group companies. There are no additions in treasury shares in financial year 2007.

23. INTEREST BEARING LIABILITIES

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

All interest bearing liabilities are other liabilities than available for sale liabilities or derivative financial instruments defined in IAS 39 and as such are carried at amortized cost. Fair values have been calculated by discounting future cash flows at the appropriate market interest rate prevailing at closing rate. Effective interest rate for measuring fair values of interest bearing liabilities were 4.6%–4.8% for EUR-loans and 3.9%–4.8% for USD-loans.

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

Finance lease liabilities

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

24. PROVISIONS

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

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

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

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

25. TRADE AND OTHER CURRENT LIABILITIES

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

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

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

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

In the balance sheet derivatives are included in the following groups: Non-current interest bearing liabilities, other no-current assets, trade and other current receivables, other non-current liabilities and trade and other current liabilities.

27. MANAGEMENT OF FINANCIAL RISKS

The objective of the financial risk management is to ensure that the Group has access to sufficient funding in the most cost efficient way and to minimize the impact on the Group from adverse movements in the financial markets.
As defined in the Group Treasury Policy, management of financial risks is guided and controlled by a Finance Committee, led by the CEO. The Finance Committee reviews risk reports on the Group's interest bearing balance sheet items, commercial flows and derivatives and approves required measures on a monthly basis.
The Group Treasury Department at the Espoo headquarters is responsible of the Group's funding and risk management and serves the business units in daily financing, foreign exchange transactions and cash management co-ordination.

Currency risk

The Group is exposed to exchange rate risk through cross-border trade within the Group, exports and imports, funding of foreign subsidiaries and currency denominated equities.
Transaction risk: The largest transaction exposures derive from capital flows, imports, exports and royalty receivables. The objective of currency transaction risk management is to protect the Group from negative exchange rate movements. Business units are responsible for actively managing their currency risks related to future commercial cash flows, in accordance with policies and limits defined by the business unit and approved by the Finance Committee. As a rule, commercial receivables and payables recorded on the balance sheet are always fully hedged, as well as 25% of probable flows over a minimum 12-month horizon. Eligible hedging instruments are currency forwards and in authorized subsidiaries also currency options. Business units' counterpart in hedging transactions is mainly Huhtamäki Oyj.

Foreign exchange transaction exposure

EUR million	EUR exposure in companies reporting in GBP		USD exposure in companies reporting in EUR		USD exposure in companies reporting in AUD		AUD exposure in companies reporting in NZD		USD exposure in companies reporting in GBP	
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
Trade receivables	1	5	3	7	3	3	1	1		0
Trade payables	-2	-4	0	-1	-4	-7	-1	-1	0	-1
Net balance sheet exposure	-1	2	3	6	-2	-5	1	1	0	-1
Forecasted sales (12 months)	16	8	25	38	10	16	22	16		0
Forecasted purchases (12 months)	-34	-48	-4	-8	-20	-24	-5	-5	-7	-6
Net forecasted exposure	-18	-40	20	30	-10	-8	17	11	-7	-6
Hedges										
Currency forwards (12 months)	7	7	-18	-25	5	11	-13	-2	7	3
Total net exposure	-12	-31	5	11	-5	-1	5	9	0	-3

Translation risk: As a main rule individual subsidiaries do not carry translation risk as they are financed in local currencies. As an exception, the Finance Committee has approved the use of foreign currency borrowing in countries with high local interest rates, totaling EUR 13.1 million at balance sheet date.
The main translation exposures derive from equities and permanent loans, which in substance form a part of the net investment in US, Australian and UK subsidiaries. The Group hedges its translation risks selectively by using foreign currency loans and derivatives. Equity hedging decisions are made by the Finance Committee, who in its decision-making considers the hedge's estimated impact on the consolidated income statement and balance sheet ratios, long-term cash flows and hedging cost. At balance sheet date the Group had outstanding translation risk hedges of USD 249 million (thereof USD 150 million in the form of currency loans and USD 99 million in the form of derivatives) and of GBP 50 million (thereof GBP 25 million in the form of currency loans and GBP 25 million in the form of derivatives).

Foreign exchange translation exposure

Effect in EUR million	10% appreciation of EUR				10% depreciation of EUR			
	31.12.2007		31.12.2006		31.12.2007		31.12.2006	
	Equity	Income Statement	Equity	Income Statement	Equity	Income Statement	Equity	Income Statement
USD	-11.1	-4.0	-14.1	-3.1	13.6	4.9	17.3	3.7
GBP	-0.1	-0.1	-7.9	0.8	0.1	0.1	9.7	-1.0
AUD	-1.5	0.0	-0.1	-0.1	1.8	0.1	0.1	0.1

Interest rate risk

The interest bearing debt exposes the Group to interest rate risk, namely re-pricing- and price risk caused by interest rate movements. Management of interest rate risk is centralized to the Group Treasury.

The Group's policy is to maintain in the main currency debt portfolios a duration that matches a benchmark duration range based on the Group's estimated cash flow, selected balance sheet ratios and also the shape of the yield curve. The objective of interest rate risk management is to reduce the fluctuation of the interest charge, enabling a more stable net income.

The Group manages interest rate risk by selection of debt interest periods and by using derivatives such as futures, forward rate agreements, interest rate swaps and options.

Currency split and repricing schedule of outstanding net debt including hedges

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

[1] Effect of one percentage point rise in market interest rates on Group's net interest expenses over the following 12 months. A similar rise in interest rates would increase Group equity with EUR 1.6 million due to mark-to-market revaluations of interest rate swaps. All other variables, such as FX rates have been assumed constant.

Liquidity and re-financing risk

The Group maintains sufficient liquidity reserves at all times by efficient cash management structures such as cash pools, concentration accounts and overdraft financing facilities.

The Group utilizes a EUR 400 million Finnish commercial paper program and uncommitted credit facilities with relationship banks for short-term financing purposes. To mitigate the re-financing risk, Huhtamaki maintains a diversified maturity structure of loans and debt facilities. Unused committed long term debt facilities are sufficient to ensure adequate financing resources in all foreseeable circumstances.

Debt structure

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

Credit risk

The Group is exposed to credit risk from its commercial receivables and receivables from financial institutions based on short-term investment of liquid funds as well as derivatives transactions.

The business units are responsible for the management of commercial credit risk in accordance with policies defined by the business units and approved by the Finance Committee. A Group policy currently in the process of being implemented sets out certain minimum requirements as to credit quality, sales terms and collection. The commercial credit risk is considered low for the group as a whole as the receivable portfolio is diversified and historical credit loss frequency is low (see note 19).

Liquid funds are from time to time invested in short-term bank deposits at relationship banks with a solid credit rating, in government bonds, treasury bills or in commercial papers issued by corporate borrowers with an investment grade rating. Credit risk stemming from receivables from financial institutions, including derivative transaction settlements, is considered small and is managed centrally by the Group Treasury Department and in accordance with limits set by the Finance Committee.

Capital management

The Group's objective is to maintain an efficient capital structure. Consequently a long term target of 1:1 has been set for the net debt to equity capital (gearing) ratio. This policy remained unchanged during the year. In this context Huhtamaki defines equity capital as total equity. Net debt is defined as interest bearing liabilities less interest bearing receivables, cash and cash equivalents.

The Group is subject to a restriction on its net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio through a clause in a key financing agreement. This restriction is not seen hindering the Group's ability to carry out its business or its strategy.

Changes in the capital structure are resulting from capital investments in the business and cash returns to shareholders, which are funded by the stable cash flow.

Capital structure

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

Nominal values of derivative financial instruments

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

Fair values of derivative financial instruments

EUR million	December 31, 2007			December 31, 2006		
Instrument	Positive Fair values	Negative Fair values	Net Fair values	Positive Fair values	Negative Fair values	Net Fair values
Currency forwards						
for transaction risk [1]	3.1	-0.4	2.7	2.6	-1.0	1.5
for translation risk [2]	3.4	0	3.4	0.7	-0.4	0.4
for financing purposes	0.8	-3.1	-2.3	1.7	-2.6	-0.9
Currency options						
for transaction risk		0.0	0.0	0.0	0.0	0.0
Interest rate swaps [3]						
EUR	1.3	-0.2	1.1	0.7		0.7
USD	0.6	-0.8	-0.2	2.4		2.4
GBP	0.2	-0.4	-0.2	0.2	0.0	0.1
other	0.0	0.0	0.0	0.1		0.1
Electricity forward contracts	0.3			0.1	-0.2	-0.1

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

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

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

28. RELATED PARTY TRANSACTIONS

Huhtamaki Group has related party relationships with its joint ventures and associated companies, members of the Board of Directors and the Group Executive Team.

Employee benefits of CEO and members of the Group Executive Team

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

Salaries of CEO and members of the Board of Directors

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

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

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

Transactions with associate companies

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

Transactions with joint ventures are presented in note 13.

29. OPERATING LEASES

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

30. CONTINGENCIES

Capital expenditure commitments:

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

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

Huhtamaki 2003–2007

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

Per share data

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

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

Definitions for key indicators

Earnings per share = $\dfrac{\text{Profit before taxes – minority interest – taxes}}{\text{Average number of shares outstanding}}$

Earnings per share = (diluted) $\dfrac{\text{Diluted profit before taxes – minority interest – taxes}}{\text{Average fully diluted number of shares outstanding}}$

Dividend yield = $\dfrac{\text{100 x issue-adjusted dividend}}{\text{Issue-adjusted share price at December 31}}$

Shareholders' equity per share = $\dfrac{\text{Equity}}{\text{Issue-adjusted number of shares at December 31}}$

P/E ratio = $\dfrac{\text{Issue-adjusted share price at December 31}}{\text{Earnings per share}}$

Market capitalization = Number of shares outstanding multiplied by the corresponding share prices on the stock exchange at December 31

Return on investment = $\dfrac{\text{100 x (Profit before taxes + interest expenses + net other financial expenses)}}{\text{Balance sheet total – Interest-free liabilities (average)}}$

Return on equity = $\dfrac{\text{100 x (Profit for the period)}}{\text{Equity + minority interest (average)}}$

Net debt to equity = $\dfrac{\text{Interest bearing net debt}}{\text{Equity + minority interest (average)}}$

Solidity = $\dfrac{\text{100 x (Equity + minority interest)}}{\text{Balance sheet total – advances received}}$

Current ratio = $\dfrac{\text{Current assets}}{\text{Current liabilities}}$

Times interest earned = $\dfrac{\text{Earnings before interest and taxes + depreciation and amortization}}{\text{Net interest expenses}}$

List of Subsidiaries

The list contains operative companies, holding companies and other subsidiaries with sufficient assets. A complete list is enclosed in the official statutory accounts, which may be obtained from the company on request. Foreign subsidiaries' nominal values are expressed in local currency (1,000). Subsidiaries' book values are expressed in holding company's currency (1,000).

Name	Number of shares	Size of holding, %		Nominal value		Book value	Group holding, %
Huhtamäki Oyj's shareholding in subsidiaries:							
Huhtamäki Holding Oy	8	100.0	EUR	1,399,107	EUR	1,399,107	100.0
Huhtamaki Finance B.V.	4,900,713	75.0	EUR	490,071	EUR	905,131	100.0
Partner Polarcup Oy	78,695	100.0	EUR	13,236	EUR	13,236	100.0
Huhtamaki Argentina S.A.	1,276,277	91.2	ARS	1,276	EUR	1,803	100.0
Huhtamaki Hungary Kft	1	100.0	HUF	67,240	EUR	339	100.0
UAB Huhtamaki Lietuva	4,061	100.0	LTL	975	EUR	546	100.0
Subsidiary shares owned by Huhtamäki Holding Oy							
Huhtalux Supra S.A.R.L.	46,698,626	100.0	EUR	46,699	EUR	1,051,664	100.0
Huhtamaki Finance B.V.	1,633,600	25.0	EUR	163,360	EUR	347,422	100.0
Subsidiary shares owned by Huhtalux Supra S.A.R.L.:							
Huhtamaki German Holdings Supra B.V.	180	100.0	EUR	18	EUR	86,000	100.0
Subsidiary shares owned by Huhtamaki German Holdings Supra B.V.:							
Huhtamaki German Holdings B.V.	180	100.0	EUR	18	EUR	39,148	100.0
Subsidiary shares owned by Huhtamaki German Holdings B.V.:							
Huhtamaki Dritte Beteiligungs GmbH	1	100.0	EUR	30	EUR	373,911	100.0
Subsidiary shares owned by Huhtamaki Dritte Beteiligungs GmbH:							
Huhtamaki Vierte Beteiligungs GmbH	1	100.0	EUR	30	EUR	373,886	100.0
Subsidiary shares owned by Huhtamaki Vierte Beteiligungs GmbH:							
Huhtamaki Deutschland GmbH & Co. KG	19,391	75.1	EUR	1,939	EUR	373,861	100.0
Subsidiary shares owned by Huhtamaki Finance B.V.:							
Huhtamaki Istanbul Ambalaj Sanayi A.S.	6,599,984	100.0	TRY	6,600	EUR	25,404	100.0
Huhtamaki Holdings Pty Ltd	43,052,750	100.0	AUD	43,053	EUR	2	100.0
Huhtamaki (NZ) Holdings Ltd	13,920,000	100.0	NZD	12,250	EUR	2,637	100.0
Huhtamaki Holdings France SNC	2,699,049	100.0	EUR	41,161	EUR	38,739	100.0
Huhtamaki Anglo Holding	-	100.0	GBP	-	EUR	225,416	100.0
Huhtamaki Finance B.V.Y. Cia, Sociedada Collectiva	-	100.0	EUR	24,604	EUR	24,601	100.0
Huhtamaki (Norway) Holdings A/S	28,459	100.0	NOK	28,459	EUR	3,470	100.0
Huhtamaki Sweden Holding AB	1,000	100.0	SEK	100	EUR	2,401	100.0
Huhtamaki Hong Kong Limited	13,831,402	100.0	HKD	13,831	EUR	21,336	100.0
Huhtamaki Finance Co I B.V.	200	100.0	EUR	20	EUR	309,982	100.0
Huhtamaki Egypt L.L.C.	6,000	75.0	EGP	6,000	EUR	2,593	75.0
Huhtamaki South Africa (Pty) Ltd	168,661	100.0	ZAR	335	EUR	9,427	100.0
Huhtamaki S.p.A	20,020,000	100.0	EUR	10,410	EUR	30,836	100.0
Huhtamaki Henderson Ltd	489	0.2	NZD	1	EUR	456	100.0
Huhtamaki Singapore Pte. Ltd	28,000,000	100.0	SGD	28,000	EUR	11,977	100.0
Huhtamaki (Malaysia) Sdn. Bhd.	22,000,000	100.0	MYR	22,000	EUR	-	100.0
Huhtamaki (Vietnam) Ltd	-	100.0	USD	8,422	EUR	7,000	100.0
Subsidiary shares owned by Huhtamaki Holdings Pty. Ltd:							
Huhtamaki Australia Pty Limited	9,241,702	100.0	AUD	9,242	AUD	9,242	100.0

Name	Number of Shares	Size of holding, %		Nominal value		Book value	Group Holding, %
Subsidiary shares owned by Huhtamaki (NZ) Holdings Ltd.:							
Huhtamaki Henderson Ltd	195,211	99.8	NZD	390	NZD	28,493	100.0
Subsidiary shares owned by Huhtamaki Holdings France SNC:							
Huhtamaki Participations France SNC	70,612,842	100.0	EUR	70,613	EUR	70,613	100.0
Subsidiary shares owned by Huhtamaki Participations France SNC:							
Huhtamaki France S.A.	72,000	100.0	EUR	1,097	EUR	52,008	100.0
Huhtamaki La Rochelle SAS	2,500	100.0	EUR	3,811	EUR	33,243	100.0
Subsidiary shares owned by Huhtamaki Finance B.V.Y. Cia, Sociedada Collectiva:							
Huhtamaki Spain S.L.	1,048,992	100.0	EUR	31,522	EUR	24,000	100.0
Subsidiary shares owned by Huhtamaki Anglo Holding:							
Huhtamaki Ltd	145,460,909	100.0	GBP	145,461	GBP	180,533	100.0
Subsidiary shares owned by Huhtamaki Ltd:							
Huhtamaki (UK) Ltd	11,000,003	100.0	GBP	11,000	GBP	25,513	100.0
Huhtamaki (UK) Holdings Ltd	69	100.0	GBP	-	GBP	54.800	100.0
Subsidiary shares owned by Huhtamaki (UK) Holdings Limited:							
Huhtamaki (Lurgan) Limited	3,103,999	100.0	GBP	1,583	GBP	4,937	100.0
Subsidiary shares owned by Huhtamaki (Norway) Holdings A/S:							
Huhtamaki Norway A/S	950	100.0	NOK	950	NOK	106,412	100.0
Subsidiary shares owned by Huhtamaki Sweden Holding AB:							
Huhtamaki Sweden AB	1,500	100.0	SEK	150	SEK	18,039	100.0
Subsidiary shares owned by Huhtamaki Hong Kong Limited:							
Huhtamaki (Tianjin) Limited	1	100.0	CNY	128,124	HKD	127,952	100.0
Huhtamaki (Guangzhou) Limited	1	100.0	USD	20,888	HKD	162,206	100.0
Subsidiary shares owned by Huhtamaki Finance Co I B.V.:							
Huhtamaki Polska Sp. z o.o	50,370	99.3	PLN	25,185	EUR	19,742	100.0
Huhtamaki Consorcio Mexicana S.A. de C.V.	8,902,970	69.0	MXN	8,903	EUR	-	100.0
Huhtamaki Ceská republika,a.s.	3	100.0	CZK	111,215	EUR	5,389	100.0
P.T. Huhtamaki ASABA Indonesia	11,250	50.0	IDR	2,678,625	EUR	1,094	50.0
Huhtavefa B.V.	180	100.0	EUR	18	EUR	22,890	100.0
Huhtamaki Beheer V B.V.	182	100.0	EUR	18	EUR	264,512	100.0
Huhtamaki Beheer XI B.V.	182	100.0	EUR	18	EUR	23,759	100.0
Huhtamaki Nederland B.V.	10,000	100.0	EUR	4,530	EUR	-	100.0
Huhtamaki Paper Recycling B.V.	1,350	100.0	EUR	61	EUR	-	100.0
Huhtamaki Molded Fiber Technology B.V.	200	100.0	EUR	91	EUR	-	100.0
Huhtamaki Protective Packaging B.V.	250	100.0	EUR	113	EUR	-	100.0
Huhtamaki New Zealand Limited	7,737,306	100.0	NZD	7,737	EUR	4,800	100.0
Huhtamaki (Thailand) Limited	999,993	100.0	THB	100,000	EUR	7,885	100.0

Name	Number of Shares	Size of holding, %		Nominal value		Book value	Group Holding, %
Subsidiary shares owned by Huhtamaki Consorcio Mexicana, S.A. de C.V.:							
Huhtamaki Mexicana, S.A. de C.V.	19,130,916	100.0	MXN	19,131	MXN	19,131	100.0
Subsidiary shares owned by Huhtavefa B.V.:							
The Paper Products Limited	7,386,820	58.9	INR	73,868	EUR	25,718	58.9
Subsidiary shares owned by Huhtamaki Beheer V B.V.:							
Huhtamaki Americas, Inc.	100	100.0	USD	-	EUR	263,828	100.0
Subsidiary shares owned by Huhtamaki Americas, Inc.:							
Huhtamaki Consumer Packaging, Inc.	1,000	100.0	USD	1	USD	138,548	100.0
Huhtamaki – East Providence, Inc.	6,445	100.0	USD	15	USD	33,148	100.0
Huhtamaki Plastics, Inc.	1,000	100.0	USD	3	USD	140,173	100.0
Huhtamaki Flexibles, Inc.	100	100.0	USD	1	USD	26,875	100.0
Huhtamaki Company Manufacturing	1,145	100.0	USD	1	USD	119,954	100.0
Subsidiary shares owned by Huhtamaki Consumer Packaging, Inc:							
Huhtamaki Packaging, Inc.	1,000	100.0	USD	1	USD	23,164	100.0
Subsidiary shares owned by Huhtamaki Beheer XI B.V.:							
Huhtamaki Brazil Investments B.V.	200	100.0	EUR	20	EUR	58,610	100.0
Subsidiary shares owned by Huhtamaki Brazil Investments B.V.:							
Huhtamaki do Brasil Ltda	26,926,590	100.0	BRL	26,926	EUR	13,482	100.0
Subsidiary shares owned by Partner Polarcup Oy:							
OOO Huhtamaki S.N.G.	162,410,860	95.0	RUB	162,411	EUR	16,563	100.0

Parent company annual accounts 2007

Parent company income statement (FAS)

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

Parent company balance sheet (FAS)

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

LIABILITIES AND EQUITY

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

Parent company cash flow statement (FAS)

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

Parent company accounting principles

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

Foreign currency

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

Derivative instruments

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

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

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

Intangible assets

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

Tangible assets

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

Periods of depreciation used:

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

Leases of equipment are classified as operating leases.

Investments

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

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

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

Investments in associated companies are carried in the company's balance sheet in accordance with the valuation policy applied to long-term investments noted above. An associated company is one in which Huhtamäki Oyj holds, directly or indirectly, between 20% and 50% of the voting power of the company.

Inventories

Inventories are stated at the lower of cost, replacement cost or net realizable value. Cost for purchased inventories represents historic purchase price determined on a first in first out (FIFO) basis.

Cost for produced finished goods and work in process represents the historic purchase price of materials, determined on a first in first out basis, plus direct labor, other direct costs and related production overheads excluding selling and financial costs.

Income taxes

The income statement includes income taxes of the company based on taxable profit for the financial period according to local tax regulations as well as adjustments to prior year taxes.

Revenue recognition

Revenue is recognized at the date of delivery. Net sales is calculated after deduction of sales discounts, indirect sales taxes and exchange differences on sales in foreign currencies.

Research and development

Research and development costs are charged as an expense in the income statement in the period in which they are incurred, without exception.

Other operating income and expenses

Other operating income includes gains from disposal of assets and regular income, such as royalty and rental income, which has not been derived from primary activities. Other operating expenses include losses from disposal of assets and other costs not directly related to end products.

Exceptional income and expenses

Exceptional income and expenses includes items which fall outside the ordinary activities of the company, such as group contributions or divestments.

Notes to the parent company financial statements

1. NET SALES

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

2. OTHER OPERATING INCOME

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

3. OTHER OPERATING EXPENSES

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

4. PERSONNEL COSTS

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

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

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

Average number of personnel	2007	2006
	825	850

5. DEPRECIATION AND AMORTIZATION

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

6. FINANCIAL INCOME/EXPENSE

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

7. TAXES

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

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

8. INTANGIBLE ASSETS

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

9. TANGIBLE ASSETS

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

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

10. RECEIVABLES

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

11. ACCRUED INCOME

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

12. CHANGES IN EQUITY

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

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

13. LOANS

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

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

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

14. PAYABLES

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

15. ACCRUED EXPENSES

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

16. COMMITMENTS AND CONTINGENCIES

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

Proposal of the Board of Directors

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

The Board of Directors proposes distribution of the retained earnings as follows:

– to the shareholders at EUR 0.42 a share	42,179,113.62
– to be left in non-restricted equity	1,012,298,401.53
	1,054,477,515.15

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

Espoo, February 13, 2008

Mikael Lilius

Eija Ailasmaa

George V. Bayly

Robertus van Gestel

Paavo Hohti

Anthony J.B. Simon

Jukka Suominen

Timo Salonen
CEO (Interim)

Auditors' report

To the shareholders of Huhtamäki Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Huhtamäki Oyj for the period 1.1.–31.12.2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki 13 February 2008

KPMG Oy Ab

Solveig Törnroos-Huhtamäki
Authorized Public Accountant

HUHTAMAKI

www.huhtamaki.com

Business Identity Code: 0140879-6