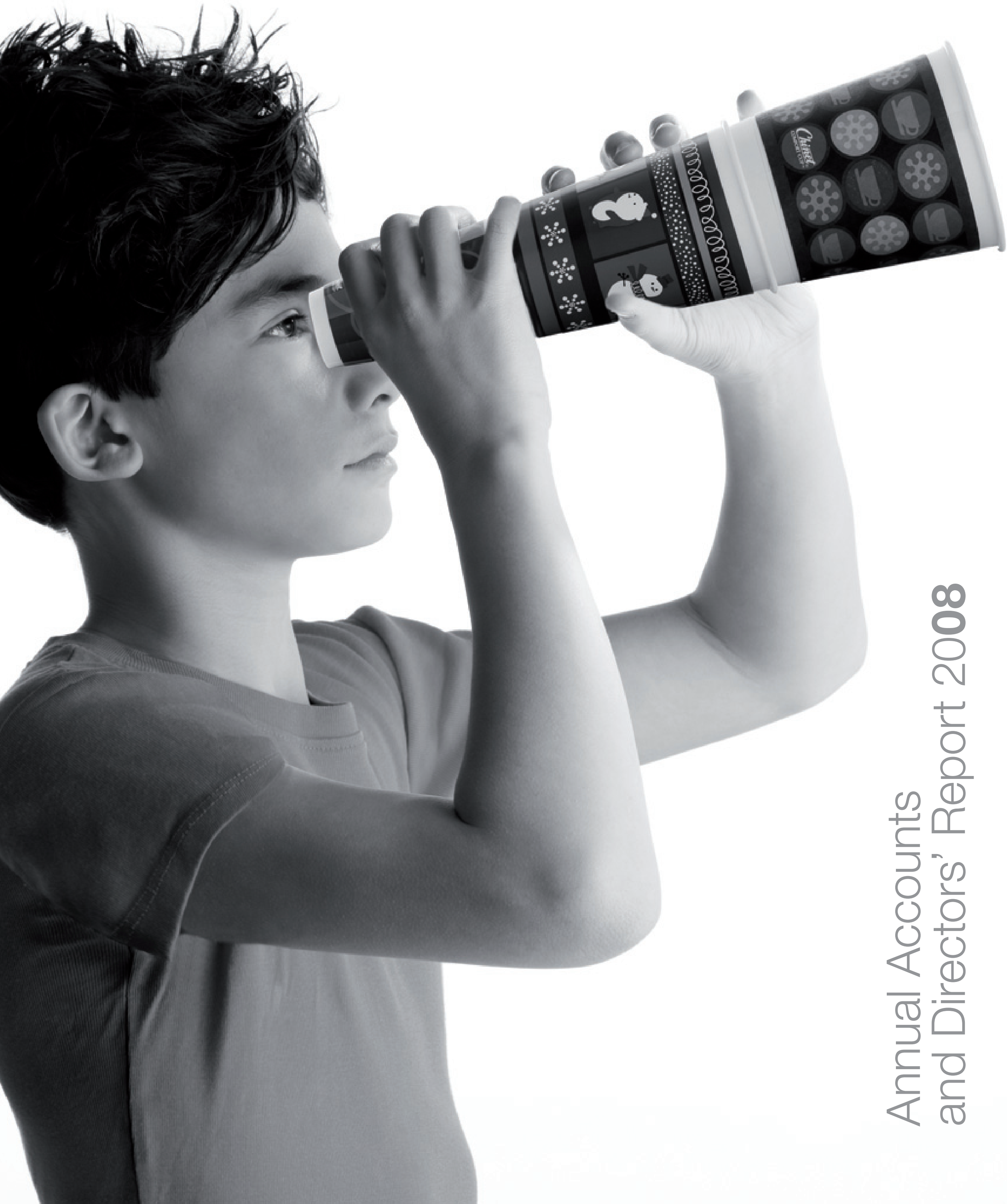
HUHTAMAKI



Annual Accounts and Directors' Report 2008

Contents

Directors' Report

Overview

The demand for consumer packaging remained stable in 2008 despite general economic uncertainty experienced in the majority of the markets towards year-end. At EUR 2,260 million (EUR 2,311 million in 2007), the Group's reported net sales declined due to adverse currency translation impact. In constant currencies sales growth was achieved during the year.

At EUR 91 million (EUR 136 million), the full year Group earnings before interest and taxes (EBIT) excluding non-recurring charges were below the previous year. This development reflects weak performance especially in Flexibles and Films Global. Profitability excluding non-recurring charges was on a good level in Rigid and Molded Fiber Americas as well as in Molded Fiber Europe. Margin pressure was experienced during most of the year as raw material costs in 2008 remained on a high level compared to 2007.

Cash flow generation was good due to clearly improved working capital management as well as lower capital expenditure. The inventory reduction achieved at year-end resulted in strong cash flow but depressed earnings due to unabsorbed manufacturing costs. Net debt reduced strongly by year-end.

The Group's strategic direction was decided to be updated in September 2008. Focus will be put on businesses with a strong market position and good growth potential. The smooth and rough molded fiber products, release films, flexible packaging, foodservice paper cups and other products based on paper forming technology were identified as stronghold areas. Rigid plastic Consumer Goods operations were resolved to be reorganized as a separate business under strategic review. As a continuum to the strategy update, a revised organizational layout and a new reporting structure for 2009, a number of changes took place in the Group Executive Team during the year.

Following the annual impairment testing that was conducted based on the updated strategic direction and the new reporting segments, significant non-recurring charges were recorded in the fourth quarter. The Group's 2008 EBIT was EUR -75 million (EUR 28 million) including restructuring, goodwill impairment and tangible asset impairment charges, total amount EUR 166 million (EUR 108 million).

Mr. Jukka Moisio was appointed as Huhtamäki Oyj's Chief Executive Officer on February 28, 2008 and effective from April 1, 2008.

Business review by segment

The sales distribution in 2008 was the following: Flexibles and Films Global 30% (31%), Rigid Europe 28% (27%), Molded Fiber Europe 6% (6%), Rigid and Molded Fiber Americas 27% (26%) as well as Rigid and Molded Fiber Asia-Oceania-Africa 9% (10%).

Flexibles and Films Global

At EUR 692 million (EUR 709 million) net sales within the segment declined during the year. In Flexibles, sales development was weak in Europe and North America all year mainly due to softness in the pet food market; robust growth was seen in Asia-Oceania but in the fourth quarter demand declined rapidly due to intensified economic slowdown. In Films, sales were lower compared to the previous year's level; after a weak start to the year sales recovered in the second quarter but declined again due to market softness at the end of the year.

EBIT was EUR 7 million (EUR 39 million) including restructuring, goodwill impairment and tangible asset impairment charges, total amount EUR 18 million (EUR 8 million). Profitability excluding non-recurring charges reflects margin pressure due to higher raw material costs, adverse currency translation impact, operational inefficiency and unabsorbed manufacturing costs due to inventory reduction.

The flexible packaging operations in Malvern, USA, were decided to be discontinued to address underutilized capacity and unsatisfactory profitability and the site will be dedicated to the Films business. The restructuring process at the Malvern facility will impact approximately 80 employees. A one-time charge of approximately EUR 18 million was booked in the fourth quarter 2008. The discontinuation of the loss-making Malvern Flexibles operation is expected by the end of the first quarter 2009.

Production at the new flexible packaging facility in Bangkok, Thailand, commenced in July 2008. The reconstructed flexible packaging facility in Thane, India, was partially operational at year-end 2008.

Rigid Europe

The segment's reported net sales were EUR 626 million (EUR 634 million) in 2008. In constant currencies sales were unchanged from the previous year's level. However, the growth seen in the first half of the year turned into a decline in the second half. The development in sales mainly reflects Consumer Goods where market softness continued in Germany and the discontinued operations in the UK had a negative impact. While Foodservice showed growth driven by strong performance in Eastern Europe for the full year, it was not immune to the general economic uncertainty and experienced market softness towards year-end.

EBIT was EUR -99 million (EUR -67 million) including restructuring, goodwill impairment and tangible asset impairment charges, total amount EUR 108 million (EUR 79 million). Profitability excluding non-recurring charges reflects the benefits from earlier pricing efforts visible in the second quarter. This was offset by operational inefficiency as well as adverse currency translation impact, unabsorbed manufacturing costs due to inventory reduction and an inventory revaluation in the fourth quarter.

In the UK, it was decided to discontinue the Consumer Goods rigid plastic production in Portadown and in Gosport due to volume decline as well as continued increases in manufacturing and energy costs. The Consumer Goods business unit was loss-making with annual net sales of around EUR 30 million. The closure was completed by year-end 2008 and impacted 140 employees. Also, the rigid packaging site in Karlholmsbruk, Sweden, was closed by year-end and impacted approximately 40 employees. The annual net sales of the site were around EUR 4 million.

At year-end the rigid packaging business organization was aligned with the earlier announced strategic direction. Foodservice business in Europe, Asia and Oceania was merged into one segment. Rigid plastic Consumer Goods operations were reorganized as a separate business under strategic review. In Europe and Oceania, this reorganization will lead to a reduction of approximately 170 employees, of which 160 in Europe, during the first half of 2009. The measures will improve the competitiveness of the business and reduce the cost base by EUR 8 million on an annual basis. A one-time restructuring charge of EUR 8 million was recorded for these measures in the fourth quarter of 2008.

Molded Fiber Europe

Within the segment both net sales, at EUR 138 million (EUR 139 million), and earnings, at EUR 10 million (EUR 11 million) were stable, despite a weaker fourth quarter. At year-end the continued favorable development in Eastern Europe was not enough to offset an adverse currency translation impact and a decline in the machine and waste paper trade businesses.

Rigid and Molded Fiber Americas

The segment's reported net sales were EUR 608 million (EUR 609 million). In constant currencies sales growth was solid throughout the year and accelerated towards year-end. In Retail, the positive volume development was accelerated in the second half of the year through promotional activity. The good sales momentum continued in South America. In Consumer Goods, the sales recovery that started at the end of the second quarter continued until year-end. In Foodservice, the demand was soft all year.

EBIT was EUR 40 million (EUR 44 million) including restructuring and tangible asset impairment charges, total amount EUR 5 million. In the previous year EBIT included EUR 17 million in goodwill impairment charges. Profitability excluding non-recurring charges reflects higher raw material, energy and distribution costs as well as adverse currency translation impact partially offset by the price increases implemented during the year. Furthermore, while the trend in raw material prices and currency reversed in the fourth quarter the benefit from these was eroded by inventory revaluation and unabsorbed manufacturing costs due to inventory reduction.

At the end of the year it was decided to optimize the rigid plastic operations in North America and to close down the production unit in Phoenix, Arizona. The manufacturing equipment and operations will be consolidated into the Group's other plastics operations in Coleman, Michigan and New Vienna, Ohio. The restructuring process at the Phoenix facility will impact approximately 70 employees. A one-time charge of approximately EUR 5 million was booked in the fourth quarter 2008. The closure of the site is expected by the end of the first half of 2009.

Rigid and Molded Fiber Asia-Oceania-Africa

The segment's reported net sales were EUR 210 million (EUR 233 million). Also in constant currencies the sales development was unfavorable, despite small growth being recorded in the fourth quarter. The sales decline in Oceania and in South Africa reflects general market softness. In Asia, sales performance was disappointing as a result of the slower than planned generation of new business.

EBIT was EUR -35 million (EUR 7 million) including restructuring, goodwill impairment and tangible asset impairment charges, total amount EUR 35 million. In the previous year EBIT included EUR 4 million in restructuring and goodwill impairment charges. Profitability excluding non-recurring charges reflects low sales, operational inefficiency as well as adverse currency translation impact.

The relocation from the site in Hong Kong to the new rigid packaging facility in Guangzhou, China, was completed in May 2008. Production in Hong Kong ceased at the end of the second quarter.

Financial review

The Group EBIT in 2008 was EUR -75 million (EUR 28 million), corresponding to an EBIT margin of -3.3% (1.2%).

The full year Group EBIT includes tangible asset impairment charges EUR 77 million (EUR 58 million), goodwill impairment charges EUR 72 million (EUR 47 million) and restructuring charges EUR 16 million (EUR 4 million), total amount EUR 166 million (EUR 108 million). Of the total amount, EUR 149 million were non-cash impairment charges. These were mainly related to rigid plastics Consumer Goods businesses in Europe and Oceania following the adjustment of book values to lower future cash flow expectations as annual impairment testing was conducted in accordance with the updated strategic direction and the new reporting segments. Additionally, the non-cash impairment charges were related to the processes to discontinue operations in Phoenix and Malvern.

The distribution of the non-recurring charges by segment was the following:

Flexibles and Films segment EBIT includes tangible asset impairment charges EUR 9 million, goodwill impairment charges EUR 7 million (EUR 8 million) and restructuring charges EUR 2 million, total amount EUR 18 million (EUR 8 million).

Rigid Europe segment EBIT includes tangible asset impairment charges EUR 62 million (EUR 46 million), goodwill impairment charges EUR 35 million (EUR 32 million) and restructuring charges EUR 11 million (EUR 1 million), total amount EUR 108 million (EUR 79 million).

Rigid and Molded Fiber Americas segment EBIT includes tangible asset impairment charges EUR 3 million (EUR 12 million) and restructuring charges EUR 2 million, additionally Q4 2007 included goodwill impairment charges EUR 5 million, total amount EUR 5 million (EUR 17 million).

Rigid and Molded Fiber Asia-Oceania-Africa EBIT includes tangible asset impairment charges EUR 3 million, goodwill impairment charges EUR 30 million (EUR 2 million) and restructuring charges EUR 1 million (EUR 2 million), total amount EUR 35 million (EUR 4 million).

The full year Group EBIT excluding non-recurring charges was EUR 91 million (EUR 136 million), corresponding to an EBIT margin of 4.0% (5.9%).

The net financial items were EUR -46 million (EUR -43 million). Tax income was EUR 10 million (EUR -6 million).

The 2008 result was EUR -110 million (EUR -20 million) and the earnings per share (EPS) were EUR -1.12 (EUR -0.22). The average number of outstanding shares used in the EPS calculations was 100,426,461 (unchanged) excluding 5,061,089 (unchanged) of the Company's own shares.

On a rolling 12-month basis, the return on investment (ROI) was -5% (2%) and return on equity (ROE) was -15% (-2%).

Balance sheet and cash flow

Free cash flow in 2008 amounted to EUR 104 million (EUR -28 million). The strong improvement was due to emphasis on more efficient working capital management especially on the inventory side, as well as lower capital expenditure with focus on earlier made investments in new flexible and foodservice packaging production in Asia. Capital expenditure in 2008 was EUR 74 million (EUR 148 million).

A EUR 75 million hybrid bond was issued in November 2008 in order to strengthen the Group's capital structure. The bond has no maturity but the Company may call the bond after three years. The bond is treated as equity in the Group's IFRS financial statements. The cash amount received from the transaction was used to pay down debt.

Net debt was EUR 587 million (EUR 749 million) at the end of December 2008. This corresponds to a gearing ratio of 0.84 (0.94).

Total assets on the balance sheet were EUR 1,952 million (EUR 2,191 million).

Strategic direction

During the second half of 2008 it was decided that the Group will focus on packaging operations in which it has a competitive advantage, a good market position and which create value for the Group and its customers. The smooth and rough molded fiber products, release films, flexible packaging, foodservice paper cups and other products based on paper forming technology were identified as stronghold areas.

Different strategic alternatives will be reviewed for the Rigid plastic consumer goods operations as it, for the most part, does not meet the criteria for financial performance and its profitability has been below the Group average. This operation has annual sales of approximately EUR 400 million.

The main financial targets, return on investment (ROI) at 15% and dividend payout ratio of 40%, remained unchanged. The commitment to deliver good positive cash flow continues to be a priority.

During 2008, actions to reduce costs were implemented and loss-making units in Europe and North America were addressed. The Group's organizational structure was revised and is now strongly based on product and service offerings instead of a traditional regional emphasis.

The current reporting segments adopted from the beginning of 2008 were decided to be modified further to reflect the new stronghold areas. As of January 1, 2009 the new reporting segments are: Flexibles Global, Films Global, North America, Rough Molded Fiber Global, Foodservice Europe-Asia-Oceania and Rigid Consumer Goods Plastics.

Group structure

The Group structure was clarified by separating the Foodservice and Consumer Goods businesses in the production unit in Hämeenlinna, Finland and transferring the businesses into wholly owned subsidiaries of Huhtamäki Oyj. As of December 31, 2008 the Foodservice business in Finland will be conducted by Huhtamäki Foodservice Finland Oy and Consumer Goods business by Huhtamäki Consumer Goods Finland Oy.

Personnel

The Group had 14,644 (15,092) employees at the end of December 2008. The number of employees by segment was the following: Flexibles and Films Global 4,515 (4,502), Rigid Europe 3,604 (3,822), Molded Fiber Europe 922 (unchanged), Rigid and Molded Fiber Americas 3,512 (3,608), Rigid and Molded Fiber Asia-Oceania-Africa 2,034 (2,174) and other 57 (64). The average number of employees was 15,044 (14,986).

Huhtamäki Oyj employed 52 (794) people at year-end. The decrease in the figure is due to the aforementioned separation of the Foodservice and Consumer Goods businesses from the parent company into its wholly owned subsidiaries. The annual average was 723 (825).

Changes in Group Executive Team

Mr. Jukka Moisio was appointed as Huhtamäki Oyj's Chief Executive Officer on February 28, 2008 and effective from April 1, 2008. Mr. Eric Le Lay was appointed Executive Vice President, Europe Rigid, effective from March 12, 2008, following the retirement of Mr. Walter Günter. During the year Eric Le Lay's responsibilities were aligned with the updated strategy. Following the resignation of Mr. Maurice Petitjean, Executive Vice President, Flexibles and Films Global, as from May 22, 2008, the segment was headed by Jukka Moisio for an interim period. Mr. Suresh Gupta was appointed as Executive Vice President, Flexibles Global and Mr. Peter Wahsner, as Executive Vice President, Films

Global; both starting on January 1, 2009. Mr. George Lai, Executive Vice President, Rigid and Molded Fiber Asia-Oceania-Africa, resigned as of December 31, 2008. Ms. Pii Kotilainen, Senior Vice President, Human Resources resigned as from March 31, 2008. Mr. Juha Salonen was appointed as Senior Vice President, Administration and General Counsel starting on April 22, 2008.

As a continuum to the strategy update and the revised organizational layout, the members of the Group Executive Team are: Jukka Moisio (Chairman), Chief Executive Officer; Timo Salonen, Chief Financial Officer; Juha Salonen, Senior Vice President, Administration and General Counsel; Clay Dunn, Executive Vice President, Americas and Rough Molded Fiber Global; Suresh Gupta, Executive Vice President, Flexibles Global; Eric Le Lay, Executive Vice President, Foodservice Europe-Asia-Oceania; and Peter Wahsner, Executive Vice President, Films Global.

Risk review

Key risks are categorized to strategic, operational, financial and information risks. During the year, risk assessments were conducted at Group, segment and business unit levels. Risks were consolidated from business unit level to segment level and, respectively, from segment level to Group level. Risk mitigation plans with necessary actions were prepared at each business unit and acceptable risk levels were considered by the line management. Acceptable risk levels were reviewed by the Audit Committee of the Board of Directors and discussed by the Board of Directors.

At the Group level, key strategic risks are related to price management, execution of major change programs, management and leadership of businesses, demand and competition as well as shifts in consumer behavior. Key operational risks are related to sales operations, human resources, purchasing and operations management. Key financial risk is related to raw material and energy price fluctuations.

Highest risks at the Group level were assessed to be price management risk, major change programs risk and raw material and energy price fluctuations risk. During 2008, price management projects to manage contractually fluctuation of raw material prices were continued. Project management was aiming to mitigate the risks related to major change programs, such as implementation of major business restructuring or development programs. Lean Six Sigma and cost cutting programs were continued to improve process efficiency and wastage.

At the segment level, key consolidated strategic risks assessed are among others reliance on large customers, macro economical instability, discontinuance of operations in crisis situations, demand and competition risk as well as price management risk. Key operational risks at segment level are assessed to be destruction of facilities and disruption in energy or raw material supply. Key financial risk is related to raw material and energy price fluctuations.

More information on financial risks can be found in Note 27 to the Annual Accounts 2008.

Environmental review

The Group Environmental Policy is to ensure globally consistent operating principles in the environmental management of the Group. 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, 48% (47%) in terms of net sales 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 US Environmental Care Program. The significant direct environmental aspects of operations are energy use, emissions into the air as well as solid waste.

The Group pursues continuous improvement in each of the economical, social and environmental dimensions of sustainability. The new environmental objectives, set in 2007, are to be reached by year-end 2011. The objectives include energy consumption, CO^2 emissions, waste treatment and waste amount.

The environmental impacts of human activity continued to be a topic of debate at both regional and international levels, but are not expected to present the Group with any significant new milestones or operative requirements.

More information on sustainability can be found in the sustainability report published by the Company.

Resolution of Huhtamäki Oyj's Annual General Meeting

Huhtamäki Oyj's Annual General Meeting of Shareholders was held in Helsinki on March 31, 2008. The meeting adopted the Company's Financial Statements and the Consolidated Financial Statements for 2007 and discharged the Company's Board of Directors and the CEO from liability. The dividend for 2007 was set at EUR 0.42 per share, unchanged from the previous year.

Seven members of the Board of Directors were elected for a term which lasts until the end of the Annual General Meeting of Shareholders following the election. Ms. Eija Ailasmaa, Mr. George V. Bayly, Mr. Robertus van Gestel, Mr. Mikael Lilius, Mr. Anthony J.B. Simon and Mr. Jukka Suominen were re-elected to the Board of Directors. Mr. Rolf Börjesson was elected as a new member. The Board of Directors subsequently elected Mikael Lilius as Chairman of the Board and Jukka Suominen as Vice-Chairman of the Board.

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 2008.

Share capital and share holders

At the end of the year, 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 had the total accountable par value of EUR 17,207,702.60, representing close to 5% of the total number of shares and voting rights. The amount of outstanding shares net of Company's own shares was 100,426,461 (unchanged).

In 2008, no new shares were issued following share subscriptions based on option rights 2003 A, B and C as well as 2006 A. The Company's 2006 A option rights were listed on the NASDAQ OMX Helsinki Ltd on October 1, 2008.

There were 22,089 (21,424) registered shareholders at the end of December 2008. Foreign ownership including nominee registered shares accounted for 24% (26%).

Share developments

The Company's share is quoted on the NASDAQ OMX Helsinki Ltd on the Nordic Mid Cap list under the Materials sector. At year-end, the Company's market capitalization was EUR 464 million (EUR 857 million) and EUR 442 million (EUR 816 million) excluding Company's own shares. With a closing price of EUR 4.40 (EUR 8.12) the share price decreased by 46% (-45%) from the beginning of the year, while the OMX Helsinki Cap PI Index decreased by 50% (+4%) and also the OMX Helsinki Materials PI Index decreased by 50% (-20%). In 2008, the volume weighted average price for the Company's share was EUR 6.29 (EUR 11.33). The highest price paid was EUR 8.36 on January 2, 2008 and the lowest price paid was EUR 4.16 on October 10, 2008.

During the year the cumulative value of the Company's share turnover was EUR 707 million (EUR 1,483 million). The trading volume of 112 million (131 million) shares equaled an average daily turnover of EUR 3 million (EUR 6 million) or, correspondingly 441,220 (524,202) shares.

In total, turnover of the Company's 2003 A, B and C as well as 2006 A option rights was EUR 497,634 corresponding to a trading volume of 607,919.

Short term risks and uncertainties

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. Material changes in general economic conditions or in the financial markets could have an adverse effect on the implementation of the Group's strategy and on its business performance and earnings.

Outlook for 2009

The year has started with uncertainty about the severity of the economic downturn, as well as the timing and scope of a potential recovery in the global economy. However, as the majority of the Group's segments are considered to be of a defensive nature, with food and personal care related packaging products, relatively stable market development is expected in 2009. At the beginning of the year, the costs for polymer based raw materials are expected to be lower than the average in 2008.

In the short-term, pricing and supply chain initiatives, control over costs and capital spending, positive cash flow generation and net debt reduction continue as key focus areas within the Group. Capital expenditure in 2009 is expected to be below EUR 100 million.

Divident proposal

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.34 (EUR 0.42) per share be paid.

Annual General Meeting 2009

The Annual General Meeting of Shareholders will be held on Friday, April 3, 2009, at 3.00 pm (Finnish time), at Finlandia Hall, Mannerheimintie 13 e, in Helsinki, Finland.

Corporate Governance Statement

A separate Corporate Governance Statement has been issued and published in connection with the Board of Directors' Report.

Consolidated annual accounts 2008

Group income statement (IFRS)

EUR million	Note	2008	%	2007	%
Net sales	**2**	**2,260.0**	**100.0**	**2,311.0**	**100.0**
Cost of goods sold	1	-2,043.2		-2,028.0	
Gross profit		**216.8**	**9.6**	**283.0**	**12.2**
Other operating income	3	21.6		31.9	
Sales and marketing	1	-84.8		-83.6	
Research and development	1	-16.2		-17.8	
Administration costs	1	-117.2		-122.6	
Other operating expenses	1,4	-94.7		-62.8	
		-291.3		-254.9	
Earnings before interest and taxes	**5,6**	**-74.5**	**-3.3**	**28.1**	**1.2**
Financial income	7	10.0		9.2	
Financial expenses	7	-55.7		-51.7	
Income from associated companies		0.5		0.4	
Result before taxes		**-119.7**	**-5.3**	**-14.0**	**-0.6**
Income taxes	8	9.5		-6.2	
Result for the period		**-110.2**	**-4.9**	**-20.2**	**-0.9**
Attributable to:					
Equity holders of the parent company		-111.9		-22.5	
Minority interest		1.7		2.3	
Basic earnings per share (EUR) for the shareholders of the parent company		-1.12		-0.22	
Diluted earnings per share (EUR) for the shareholders of the parent company		-1.12		-0.22	

Key exchange rates in Euros

		2008		2007	
		Income statement	**Balance sheet**	**Income statement**	**Balance sheet**
Australia	AUD	0.5754	0.4932	0.6115	0.5968
Brazil	BRL	0.3720	0.3082	0.3755	0.3851
UK	GBP	1.2577	1.0498	1.4610	1.3636
India	INR	0.0158	0.0148	0.0177	0.0173
Poland	PLN	0.2834	0.2407	0.2643	0.2783
United States	USD	0.6786	0.7185	0.7294	0.6793

Group balance sheet (IFRS)

ASSETS

EUR million	Note	2008	%	2007	%
Non-current assets					
Goodwill	10	402.4		471.9	
Other intangible assets	10	34.5		41.4	
Tangible assets	11	676.3		799.3	
Investments in associated companies	12	1.9		1.5	
Available for sale investments	14	1.9		1.9	
Interest bearing receivables	15	0.1		0.9	
Deferred tax assets	16	15.1		13.7	
Employee benefit assets	17	62.5		59.2	
Other non-current assets		3.7		4.8	
		1,198.4	**61.4**	**1,394.6**	**63.6**
Current assets					
Inventory	18	296.7		348.5	
Interest bearing receivables	15	2.1		4.6	
Current tax assets		9.4		17.9	
Trade and other current receivables	19	377.9		394.8	
Cash and cash equivalents	20	67.8		30.8	
		753.9	**38.6**	**796.6**	**36.4**
Total assets		**1,952.3**	**100.0**	**2,191.2**	**100.0**

EQUITY AND LIABILITIES

EUR million	Note	2008	%	2007	%
Share capital	21	358.7		358.7	
Premium fund		104.7		104.7	
Treasury shares	22	-46.5		-46.5	
Translation differencies	22	-130.5		-121.1	
Fair value and other reserves	22	-5.0		1.4	
Retained earnings		327.5		475.7	
Total equity attributable to equity holders of the parent company		**608.9**	**31.2**	**772.9**	**35.3**
Minority interest		18.4		20.5	
Hybrid bond	22	75.0		-	
Total equity		**702.3**	**36.0**	**793.4**	**36.2**
Non-current liabilities					
Interest bearing liabilities	23	474.7		401.1	
Deferred tax liabilities	16	29.8		38.8	
Employee benefit liabilities	17	103.8		108.8	
Provisions	24	58.4		60.3	
Other non-current liabilities		6.5		4.3	
		673.2	**34.5**	**613.3**	**28.0**
Current liabilities					
Interest bearing liabilities					
Current portion of long term loans	23	25.2		17.9	
Short term loans	23	157.3		365.7	
Provisions	24	10.1		8.0	
Current tax liabilities		9.8		21.1	
Trade and other current liabilities	25	374.4		371.8	
		576.8	**29.5**	**784.5**	**35.8**
Total liabilities		**1,250.0**	**64.0**	**1,397.8**	**63.8**
Total equity and liabilities		**1,952.3**	**100.0**	**2,191.2**	**100.0**

Group cash flow statement (IFRS)

EUR million	2008	2007
Result for the period	**-110.2**	**-20.2**
Adjustments	280.0	243.2
Depreciation, amortization and impairment	245.9	203.3
Gain on equity of minorities	-0.5	-0.4
Gain/loss from disposal of assets	-4.3	-8.1
Financial expense/-income	45.7	42.5
Income taxes	-9.5	6.2
Other adjustments, operational	2.7	-0.3
Change in inventory	38.2	-14.8
Change in non-interest bearing receivables	8.2	-3.7
Change in non-interest bearing payables	2.8	-38.5
Dividends received	0.5	0.9
Interest received	1.7	1.3
Interest paid	-43.2	-42.7
Other financial expenses and income	-2.1	-1.1
Taxes paid	-5.0	-18.6
Net cash flows from operating activities	**170.9**	**105.8**
Capital expenditure	-74.3	-147.9
Proceeds from selling fixed assets	7.1	14.3
Proceeds from long-term deposits	3.3	7.2
Payment of long-term deposits	-2.5	-6.1
Proceeds from short-term deposits	33.4	11.5
Payment of short-term deposits	-31.4	-11.0
Net cash flows from investing	**-64.4**	**-132.0**
Proceeds from long-term borrowings	489.3	520.2
Repayment of long-term borrowings	-415.9	-434.4
Proceeds from short-term borrowings	2,446.3	2,987.4
Repayment of short-term borrowings	-2,620.5	-2,995.0
Dividends paid	-42.2	-42.2
Hybrid bond	75.0	-
Net cash flows from financing	**-68.0**	**36.0**
Change in liquid assets	**37.0**	**8.5**
Cash flow based	38.5	9.8
Translation difference	-1.5	-1.3
Liquid assets on January 1	30.8	22.3
Liquid assets on December 31	67.8	30.8

Statement of changes in shareholders' equity

	Attributable to equity holders of the parent company									
EUR Million	Share Capital	Share issue premium	Treasury Shares	Translation Differences	Fair Value and other reserves	Retained earnings	Total equity	Minority Interest	Hybrid bond	Total
Total equity at 31.12.2006	358.7	104.7	-46.5	-106.7	2.1	528.8	841.1	19.3	-	860.4
Cashflow 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 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**
Net Income 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
Balance at 31.12.2007	358.7	104.7	-46.5	-121.1	1.4	475.7	772.9	20.5	-	793.4
Cashflow Hedges										
Hedge result deferred to equity					-5.5		-5.5			-5.5
Hedge result recognized in income statement					-2.9		-2.9			-2.9
Hedge result to carrying amount of hedged items					-0.7		-0.7			-0.7
Translation differencies				-9.4			-9.4	-3.8		-13.2
Deferred tax in equity					2.7		2.7			2.7
Other changes						4.7	4.7			4.7
Income and expense recognized directly in equity				**-9.4**	**-6.4**	**4.7**	**-11.1**	**-3.8**		**-14.9**
Net Income for the period						-111.9	-111.9	1.7		-110.2
Total recognized income and expense for the period				**-9.4**	**-6.4**	**-107.2**	**-123.0**	**-2.1**		**-125.1**
Dividend						-42.2	-42.2			-42.2
Share based payments						1.2	1.2			1.2
Hybrid bond									75.0	75.0
Balance at 31.12.2008	**358.7**	**104.7**	**-46.5**	**-130.5**	**-5.0**	**327.5**	**608.9**	**18.4**	**75.0**	**702.3**

* 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 35 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 NASDAQ OMX Helsinki Ltd. 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 9, 2009.

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, 2008. 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, 2008

- IFRS 8 Operating segments. The Group has redefined the reportable segments to be in line with internal management structure. That has affected to definition of cash generating units in impairment testing for goodwill and affected to impairment loss recognitions.
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions. New interpretation clarifies how share based transactions should be presented in stand alone accounts of subsidiaries. This interpretation did not have an impact on the Group's consolidated financial statements.
- IFRIC 12 Service Concession Arrangements. The Group does not have applicable contract with public sector, so the interpretation did not affect Group's financial statements.
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding requirements and their Interaction. 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. The interpretations did not affect 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 to operating activities are recognized in the 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 groups of 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.

Financial instruments are included in Group’s equity if it does not contain a contractual obligation for issuer to deliver cash or other financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions which are unfavorable to the issuer.

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 are 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 during 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 2009 but which the Group has not adopted:

- 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.
- 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 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.

Notes to the consolidated financial statements

1. RESTRUCTURING COSTS

The restructuring costs are related to restructuring programs decided during the year. The closure of consumer goods rigid plastics production in Portadown and in Gosport, UK, and rigid packaging site in Karlsholmsbruk in Sweden were completed by year-end. The discontinuation processes in Malvern Flexibles operations in US and in rigid plastics operations in Phoenix, US are expected to be closed during first half in 2009. The reorganization program relating to Rigid Plastic Consumer Goods operations in Europe and in Oceania is expected to be finalized during the first half of 2009.

Restructuring costs represent the costs of site closures and reduction in number of emplyees together with the writing down of manufacturing assets and goodwill. The costs of the restructuring programs 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	2008	2007
Cost of goods sold	25.2	3.7
Sales and marketing	2.8	-
Administration costs	2.1	-
Other operating expenses	6.7	-
Total	**36.8**	**3.7**

2. SEGMENT INFORMATION

The Group adopted IFRS 8 in the beginning of 2008 and revised its reportable segments to be in line with internal management structure. The valuation principles of assets and liabilities are according to IFRS standards. 2007 segment information has been adjusted to be according to IFRS 8. The Group has following five reportable segments:

Flexibles and Films Global: Flexibles and Films businesses are organized as a global segment. Flexibles are used for food and pet food packaging as well as non-food consumer packaging. Films are mainly used for technical applications in the label, adhesive tape, hygiene and health care industries, as well as building and construction, automotive, packaging and graphic arts industries.

Rigid Europe: Rigid paper and plastic packaging serve the foodservice and consumer goods markets in Europe with fresh food, dairy, ice cream, beverage and personal care packaging as well as disposable tableware. Rigid packaging is supplied to foodservice operators, fast food restaurants and food manufacturers.

Molded Fiber Europe: Molded Fiber in Europe is a distinct business. Molded fiber is used to make fresh product packaging, such as egg and fruit packaging.

Rigid and Molded Fiber Americas: Strong supply channels are a common nominator for Americas Rigid and Molded Fiber businesses. Rigid paper and plastic packaging, which serves ice-cream and other consumer goods as well as foodservice markets, is completed with Molded Fiber Chinet® disposable tableware products.

Rigid and Molded Fiber Asia-Oceania-Africa: Rigid paper and plastic packaging serves foodservice and consumer goods markets. The segment also includes the smaller Molded Fiber business which makes fresh product packaging.

In the Group assessment of performance and decisions about allocation of resources is based on segment's earnings before interest and taxes (EBIT), operating cash flow and return on net assets. Management's opinion is that these are most suitable key indicators to analyze the segments performance. In above mentioned assessments to allocate resources Group Executive Team is the highest decision maker.

Segment net assets include items directly attributable to a segment and items which can be allocated on reasonable basis. Net assets comprise intangible assets (including goodwill), tangible assets, inventories, trade and other receivables, accrued income and prepayments, trade payables, other payables and accrued expense. Capital expenditure includes acquisition of tangible assets and intangible assets which will be used more than one reporting period. Intersegment pricing is based on fair market value.

Other activities include unallocated corporate costs and royalty income and related net assets. Unallocated items include employee benefits, taxes, financial items, investments in associated companies.

Segments 2008

EUR million	Flexibles and Films Global	Rigid Europe	Molded Fiber Europe	Rigid and Molded Fiber Americas	Rigid and Molded Fiber AOA	Segments total
Net sales	688.1	621.0	137.7	603.6	209.6	2,260.0**
Intersegment net sales	3.4	5.0	0.5	4.4	0.2	13.5
EBIT*	6.9	-98.6	10.3	40.1	-35.0	-76.3
Net Assets	492.9	251.7	115.1	415.1	135.2	1,410.0
Capital Expenditure	25.5	17.1	7.0	15.5	8.4	73.5
Depreciation and amortisation	25.2	27.4	7.5	20.8	14.4	95.3
RONA, % (12m roll.)	1.3%	-27.9%	8.6%	9.6%	-20.2%	-
Operating Cash Flow	45.4	46.4	10.6	53.3	12.3	-
* includes restructuring cost of	1.7	11.3	-	2.0	1.2	16.2
* includes goodwill impairment of	7.4	34.5	-	-	30.4	72.3
* includes asset impairments of	8.8	61.8	-	3.2	3.2	77.0

** Segments' net sales total forms Group's external net sales.

Segments 2007

EUR million	Flexibles and Films Global	Rigid Europe	Molded Fiber Europe	Rigid and Molded Fiber Americas	Rigid and Molded Fiber AOA	Segments total
Net sales	705.0	628.5	138.5	605.8	233.2	2,311.0**
Intersegment net sales	4.2	5.4	0.9	3.2	0.1	13.8
EBIT*	38.5	-67.3	10.7	43.5	6.5	31.9
Net Assets	651.9	513.1	147.0	488.9	238.1	1,688.0
Capital Expenditure	51.6	35.8	9.7	26.9	22.3	146.3
Depreciation and amortisation	23.0	32.2	7.5	23.3	12.0	98.0
RONA, % (12m roll.)	7.2%	-14.2%	9.0%	9.5%	3.2%	-
Operating Cash Flow	-6.1	18.0	11.8	54.0	-9.2	-
* includes restructuring cost of	-	1.4	-	-	2.3	3.7
* includes goodwill impairment of	8.3	31.6	-	5.1	1.6	46.6
* includes tangible asset impairments of	-	46.0	-	11.7	-	57.7

** Segments' net sales total forms Group's external net sales.

Reconciliation calculations

Result

EUR million	2008	2007
EBIT for reportable segments	-76.3	31.9
EBIT for other activities	1.8	-3.8
Net financial items	-45.7	-42.5
Income of associated companies	0.5	0.4
Groups result before taxes	**-119.7**	**14.0**

Assets

EUR million	2008	2007
Total assets for reportable segments	1,757.9	2,039.0
Assets in other activities	29.0	21.5
Unallocated assets	165.4	130.7
Groups total assets	**1,952.3**	**2,191.2**

Liabilities

EUR million	2008	2007
Total liabilities for reportable segments	347.9	351.2
Liabilities in other activities	20.4	14.7
Unallocated liabilities	1,584.0	1,825.3
Groups total liabilities	**1,952.3**	**2,191.2**

Geographical information

In presenting information on geographical basis revenues are reported based on the selling entity's location. Assets are reported based on geographical location of the assets. Non-current assets are presented excluding financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

2008

EUR million	Net sales from external customers	Non-current assets
United States	569.2	347.0
Germany	554.6	247.3
Australia	118.2	54.5
Great Britain	101.0	31.5
India	94.8	51.4
Brazil	80.4	28.2
Finland	79.6	49.1
Poland	76.2	20.2
France	72.2	31.7
Italy	67.2	20.0
Other countries	446.6	234.2
Total	**2,260.0**	**1,115.1**

2007

EUR million	Net sales from external customers	Non-current assets
United States	578.3	358.1
Germany	570.0	274.6
Australia	132.2	98.4
Great Britain	119.8	38.4
India	94.0	57.6
Brazil	81.7	35.1
Finland	77.0	64.7
Poland	69.0	63.5
France	74.4	39.6
Italy	69.4	21.1
Other countries	445.2	263.0
Total	**2 311.0**	**1 314.1**

3. OTHER OPERATING INCOME

EUR million	2008	2007
Royalties	6.2	6.9
Grants	0.2	0.8
Gain on Disposal of fixed assets	4.8	8.7
Workers' compensation premium	2.2	-
Other	8.2	15.5
TOTAL	**21.6**	**31.9**

4. OTHER OPERATING EXPENSES

EUR million	2008	2007
Amortization other intangible assets	7.4	6.0
Impairment of goodwill	72.2	46.6
Impairment of other intangible assets	7.3	-
Other	7.8	10.2
TOTAL	**94.7**	**62.8**

5. PERSONNEL EXPENSES

EUR million	2008	2007
Wages and Salaries	398.6	408.4
Compulsory social security contributions	46.0	46.4
Pensions		
Defined benefit plans	5.6	6.9
Defined contribution plans	10.6	10.8
Other post employment benefits	6.5	6.8
Share based payments	1.2	1.6
Other personnel costs	29.1	29.6
TOTAL	**497.6**	**510.5**

Remuneration paid by the parent company to the members of the Board of Directors as well as the Managing Director of Huhtamaki Oyj (8 people) amounted to EUR 0.9 million. The Managing Director of Huhtamäki Oyj is entitled to retirement at the age of 60. (See note 28)

Average number of personnel	2008	2007
Group	15,044	14,986
Huhtamäki Oyj	723	825

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

EUR million	2008	2007
Depreciation and amortization by function:		
Production	82.8	86.3
Sales and marketing	0.2	0.2
Research and development	0.4	0.5
Administration	1.7	1.7
Other	11.4	10.2
Total	**96.6**	**98.9**
Depreciation and amortization by asset type:		
Buildings	11.2	10.3
Machinery and equipment	72.7	77.6
Other tangible assets	5.4	5.0
Other intangible assets	7.4	6.0
Total	**96.6**	**98.9**
Impairments by asset type:		
Buildings	1.5	6.7
Machinery and equipment	68.3	51.0
Goodwill	72.2	46.6
Other intangible assets	7.3	-
Total impairments	**149.3**	**104.3**

7. NET FINANCIAL ITEMS

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	**2008**	**2007**
Interest income on bank deposits	1.5	1.2
Dividend income on available for sales asset	0.5	0.5
Gain on fair value hedges	0.9	0.2
FX revaluation gains on interest bearing assets and liabilities	7.1	7.3
Other financial income	8.0	7.5
Interest expense on liabilities	-45.9	-44.7
Loss on fair value hedges	-0.5	-0.7
FX revaluation losses on interest bearing assets and liabilities	-7.8	-5.6
Bank fees, taxes and stock exhange expenses	-1.5	-0.7
Other financial expense	-9.8	-7.0
Total	**-45.7**	**-42.5**

8. TAXES IN INCOME STATEMENT

EUR million	**2008**	**2007**
Current Period taxes	3.9	23.1
Previous period taxes	-5.6	1.4
Deferred tax expense	-7.8	-18.3
Total tax expense	**-9.5**	**6.2**
Profit before taxes	-119.7	-14.0
Tax calculated at domestic rates	-31.1	-3.7
Effect of different tax rates	-3.4	2.6
Income not subject to tax	-3.9	-8.7
Expenses not deductible	26.4	9.2
Utilisation of previously unrecognised tax losses	-0.4	-0.6
Previous period taxes	-5.6	4.5
Other items	8.5	2.9
Total tax charge	**-9.5**	**6.2**

9. EARNINGS PER SHARE

EUR million	**2008**	**2007**
Net income attributable to equity holders of the parent company (basic/diluted)	-111.9	-22.5
Interest of Hybrid bond	-0.7	-

Thousands of shares	**2008**	**2007**
Weighted average number of shares outstanding	100,426	100,426
Effect of issued share options	0	261
Diluted weighted average number of shares outstanding	100,426	100,687
Basic earnings per share (EUR)	-1.12	-0.22
Diluted earnings per share (EUR)	-1.12	-0.22

10. INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangibles (including software)	Total 2008
Acquisition cost at 1 January 2008	545.5	3.1	72.8	**621.4**
Additions	-	1.6	5.8	**7.4**
Disposals	-	-1.5	-0.9	**-2.4**
Intra-balance sheet transfer	-	-	1.2	**1.2**
Changes in exchange rates	1.0	0.1	-2.0	**-1.0**
Acquisition cost at 31 December 2008	546.5	3.3	76.9	**626.6**
Accumulated amortisation and impairment at 1 January 2008	73.6	1.0	33.5	**108.1**
Accumulated amortisation and impairment on disposals and transfers	-	-0.8	-0.9	**-1.7**
Amortisation during the financial year	-	-	7.4	**7.4**
Impairments	72.2	-	7.3	**79.5**
Changes in exchange rates	-1.7	-0.1	-1.7	**-3.6**
Accumulated amortisation and impairment at 31 December 2008	144.1	0.1	45.6	**189.7**
Book value at 31 December 2008	402.4	3.2	31.3	**436.9**

EUR million	Goodwill	Intangible rights	Other intangibles (including software)	Total 2007
Acquisition cost at 1 January 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 31 December 2007	545.5	3.1	72.8	**621.4**
Accumulated amortisation and impairment at 1 January 2007	32.7	1.1	28.6	**62.4**
Accumulated amortisation and impairment 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 31 December 2007	73.6	1.0	33.5	**108.1**
Book value at 31 December 2007	471.9	2.1	39.3	**513.3**

For 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 2008. The value of emission rights included in balance sheet closing data was 1.6 million euros. The Group has not sold any emission rights by book closing 2008. 363,190 emission rights has been allocated to the Group for the commitment period 2008–2012. In 2008 the emission allowance surplus was 4,405 allowances.

Impairment charge

During 2008 the Group's strategy has been updated and modified segment organization has been decided and announced. Due to new segment organization the impairment testing has been done on a lower level compared to previous years. Rigid Europe that previously was considered as an own group of cash generating units was divided into two separate groups of cash generating units; Foodservice Europe and Rigid Consumer Goods Europe. The division of the earlier Rigid Europe cash generating unit combined with insufficient future cash flow estimates compared to carrying value of net assets resulted in a EUR 34.5 million impairment loss allocated to goodwill and a EUR 54.5 million impairment loss allocated to tangible asset.

Due to modified segment organization previous Australia cash generating unit has been divided to smaller cash generating units and that resulted to an impairment loss of EUR 19.6 million in Consumer Goods Australia cash generating unit relating to goodwill. After recognizing the impairment loss there is no allocated goodwill to Consumer Goods Australia. In Consumer Goods Australia also EUR 1.9 million impairment losses relating to some idle assets have been recognized.

In Foodservice Asia group of cash generating unit EUR 6.8 million impairment loss has been recognized relating to goodwill. Recognition is based on low future cash flow estimates due to general market softness in Asia and slower than planned cash flow generation in a facility in China. After recognizing the impairment loss there is no allocated goodwill to Foodservice Asia.

Additionally, EUR 4.1 million impairment loss relating to goodwill has been recognized in two units with smaller goodwill amounts due to lower future cash flow estimates. After recognizing these impairment losses, there is no allocated goodwill in cash generating units in question.

As different strategic alternatives will be reviewed for rigid consumer goods business, it has been decided that European wide enterprise resource planning (ERP) platform will not be implemented in related units. Therefore respective part of platforms asset value allocated to those units has become idle and EUR 7.3 million impairment loss has been recognized.

Impairment losses relating to tangible assets are included in income statement in line Cost of goods sold and impairment losses relating to goodwill and ERP platform in line Other operating expenses.

In 2007 EUR 46.6 million impairment charges relating to goodwill and EUR 57.7 million relating to tangible assets have been recognized based on impairment testing. No reversal relating to asset impairment was recognized in 2008.

Impairment test for cash-generating units containing goodwill

Goodwill acquired through business combinations has been allocated to the level of groups of cash-generating unit that is expected to benefit from the synergies of the acquisition, which represent the lowest level at which the goodwill is monitored for internal management purposes. The groups of cash generating units have been modified to be in line with new segments. Goodwill has been allocated to following groups of cash-generating units:

EUR million	2008	2007
Flexibles Europe	81.1	81.1
Films Europe and North America	41.5	41.5
Molded Fiber Europe	47.3	47.3
North America	182.4	178.2
Rigid Consumer Goods Europe	-	34.5
	352.3	382.6
Multiple units with smaller goodwill amount	50.1	89.3
	402.4	**471.9**

The multiple units with smaller goodwill represent smaller scale units in different segments.

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 group of cash generating units has been compared to with the recoverable amount of the group of cash generating units. The recoverable amount is based on value in use, which is estimated using a discounted cash flow model. The cash flows are determined using five year cash flow forecasts, 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 percent 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: Flexibles Europe 8.9 percent, Films Europe and North America 8.6 percent, Molded Fiber Europe 8.7 percent, North America 8.0 percent and Rigid Consumer Goods Europe 14.7 percent. The pre-tax discount rates used in the smaller scale units with smaller goodwill range from 8.4 percent to 24.3 percent.

Sensitivity analysis around the base assumptions have been performed and management believes that any reasonably possible change in the 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 2008
Acquisition cost at 1 January	26.6	296.3	1,132.9	92.2	47.8	**1,595.8**
Additions	0.3	8.8	21.2	37.4	2.6	**70.3**
Disposals	0.0	-4.2	-43.0	-0.2	-4.7	**-52.1**
Intra-balance sheet transfer	0.0	8.7	81.1	-92.4	1.7	**-0.9**
Changes in exchange rates	-1.6	-11.1	-72.0	2.0	-2.8	**-85.5**
Acquisition cost at 31 December	25.3	298.5	1,120.2	39.0	44.6	**1,527.6**
Accumulated depreciation and impairment at 1 January	1.0	112.7	654.8	-	28.0	**796.5**
Accumulated depreciation on decreases and transfers	-	-2.4	-40.6	-	-4.8	**-47.8**
Depreciation during the financial year	0.1	11.2	72.7	-	5.3	**89.3**
Impairments	-	1.5	67.0	-	-	**68.5**
Changes in exchange rates	-	-5.1	-48.0	-	-2.1	**-55.2**
Accumulated depreciation and impairment at 31 December	1.2	117.9	705.9	-	26.4	**851.3**
Book value at 31 December 2008	24.1	180.6	414.3	39.0	18.2	**676.3**
Value of financial leased items included in book value 2008	-	-	0.4	-	0.5	**0.9**

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2007
Acquisition cost at 1 January	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 31 December	26.6	296.3	1,132.9	92.2	47.8	**1,595.8**
Accumulated depreciation and impairment at 1 January	1.0	98.0	574.9	-	35.4	**709.3**
Accumulated depreciation on decreases 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 at 31 December	1.0	112.7	654.8	-	28.0	**796.5**
Book value at 31 December 2007	25.6	183.6	478.1	92.2	19.8	**799.3**
Value of Financial leased items included in book value 2007	-	0.6	0.4	-	-	**1.0**

12. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has investments in the following associates:

Company	Country	Ownership 2008	Ownership 2007
Arabian Paper Products Co.	Saudi-Arabia	40.0%	40.0%
Hiatus B.V.	Netherlands	50.0%	50.0%

EUR million	2008	2007
Book value at January 1	1.5	1.5
Share of results	0.5	0.4
Dividends	0.0	-0.4
Translation differences	-0.1	-
Book value at December 31	1.9	1.5

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

2008

EUR million	Assets	Liabilities	Equity	Net Sales	Profit for the period
Arabian Paper Products Co., Saudi-Arabia	9.1	5.7	3.4	10.0	1.3
Hiatus B.V., Netherlands	1.9	1.0	1.0	2.3	0.5

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

13. JOINT VENTURES

The Group has investments in the following joint ventures:

Company	Ownership 2008	Ownership 2007
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	2008	2007
Non-current assets	4.0	5.4
Current assets	4.7	4.8
Non-current liabilities	-1.9	-0.3
Current liabilities	-2.7	-5.8
Net assets/ (liabilities)	4.1	4.1
Income	15.5	17.5
Expenses	-14.3	-16.4
Profit for the period	1.2	1.1

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 is carried at cost.

EUR million	2008	2007
Book value at January 1	1.9	1.8
Change in fair value	-	0.1
Book value at December 31	1.9	1.9

15. INTEREST BEARING RECEIVABLES

	2008		2007	
EUR million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Current				
Loan receivables	0.9	0.9	4.2	4.2
Finance lease receivables	1.2	1.0	0.4	0.4
Current interest bearing receivables	2.1	1.9	4.6	4.6
Non-Current				
Loan receivables	-	-	0.1	0.1
Finance lease receivables	0.1	0.1	0.8	0.8
Non-Current interest bearing receivables	0.1	0.1	0.9	0.9

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	2008	2007
Finance lease receivable is payable as follows:		
In less than one year	1.2	0.5
Between one and five years	0.1	0.9
Total minimum lease payments	**1.3**	**1.4**
Present value of minimum lease payments		
In less than one year	1.1	0.4
Between one and five years	0.1	0.8
Total present value of minimum lease payments	**1.2**	**1.2**
Unearned future financial income.	0.1	0.2

Finance lease receivables relates to packaging machines leased to customers.

16. DEFERRED TAXES

EUR million	2008	2007
Deferred Tax assets by types of temporary differences		
Tangible assets	6.4	2.9
Employee benefit	15.8	19.4
Provisions	2.1	2.4
Unused tax losses	21.5	20.4
Other temporary differences	22.4	19.1
Total	**68.2**	**64.2**
Deferred tax liabilities		
Tangible assets	39.7	51.9
Employee benefit	25.8	21.7
Other temporary differences	17.4	15.7
Total	**82.9**	**89.3**
Net deferred tax liabilities	14.7	25.1
Reflected in balance sheet as follows:		
Deferred tax assets	15.1	13.7
Deferred tax liabilities	29.8	38.8
Total	**14.7**	**25.1**

December 31, 2008 the Group had EUR 157 million (2007: EUR 115 million) worth of deductable temporary differences, for which no deferred tax asset was recognised. EUR 99 million of these temporary differences have unlimited expiry and EUR 52 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	2008	2007
The amounts recognized in the Balance sheet:		
Present value of funded obligations	334.0	355.0
Fair value of plan assets	-295.8	-350.5
Present value of unfunded obligations	50.6	56.5
Unrecognized actuarial gains(-) and losses (+)	-47.5	-11.7
Unrecognized assets	0.0	0.2
Net asset(-) or liability(+)	**41.3**	**49.6**
Reflected to Balance Sheet as follows:		
Pension assets	62.5	59.2
Pension liabilities	103.8	108.8
Expenses recognized in the income statement:		
Current service cost	7.4	10.0
Interest cost	21.8	21.5
Expected return on plan assets	-20.8	-20.6
Actuarial gains (-) and losses (+)	0.6	1.6
Recognized past service costs	0.1	0.1
Effect of any curtailments or settlements	-0.2	-0.1
Total defined benefit expenses	**8.9**	**12.5**
Actual return of pension assets	-24.6	21.9
The expenses of defined benefit plans are allocated by function as follows:		
Cost of goods sold	5.0	7.5
Sales and marketing	1.1	1.2
Administration costs	2.8	3.8
Functional split of expense	**8.9**	**12.5**
Movements in the present value of the defined benefit obligation:		
Defined benefit obligation at January 1	411.7	469.5
Translation difference	-16.0	-22.5
Service cost	9.1	10.5
Interest cost	21.4	21.1
Actuarial losses (+) gains (-)	-19.0	-43.6
Losses (+) gains (-) on curtailments or settlements	-0.3	-0.1
Liabilities extinguished on settlements	-0.2	-0.1
Benefits paid	-22.1	-23.2
Defined benefit obligation at December 31	**384.6**	**411.7**

Movement in the fair value of the plan assets are as follows:	2008	2007
Fair value of plan assets at January 1	-350.5	-362.5
Translation difference	12.7	21.5
Expected return on plan assets	-20.6	-20.8
Actuarial losses (+) gains (-)	52.8	1.0
Assets distributed on settlements	-0.3	0.2
Contribution by employer	-3.1	-3.1
Contribution by employee	-1.3	-1.4
Benefits paid	14.5	14.7
Fair value of plan assets at December 31	**-295.8**	**-350.5**

Expected contribution to defined benefit plans during 2009 are 12.0 million euros.

The major categories of plan assets as percentage of total plan assets:		
European equities %	14.9	21.8
North American equities %	9.2	10.1
European bonds %	10.2	9.5
North American bonds %	25.5	22.5
Property %	0.4	0.3
Other %	39.8	35.8
	100.0	**100.0**

The expected return on plan assets was determined by considering the expected 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:	2008	2007
Discount rate (%)		
Europe	5.8–10.0	5.0–5.7
Americas	6.3	6.4
Asia,Oceania,Africa	6.5–9.8	6.0–9.0
Expected return on plan asset (%)		
Europe	5.4–7.0	4.5–7.0
Americas	7.2	7.2
Asia,Oceania,Africa	7.5	7.5–8.0
Expected salary increases (%)		
Europe	2.0–3.0	4.5
Americas	4.3	4.3
Asia,Oceania,Africa	5.0–6.8	5.0–7.5
Future pension increases (%)		
Europe	1.9–4.0	1.5–3.2
Employees opting for early retirement (%)		
Europe	6.3	7.3
Annual increase in healthcare costs (%)		
Americas	9.0	9.0
Asia,Oceania,Africa	8.2–8.3	7.0
Future change in max. state healthcare benefit (%)		
Americas	9.0	9.0

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:	2008	2007
1% p. increase of healthcare	2.8	3.5
1% p. decrease of healthcare	-2.4	-2.9

Amounts for the current and previous periods are as follows:	**2008**	2007	2006	2005	2004
Defined benefit obligation	337.9	360.3	408.4	414.9	353.1
Fair value of plan assets	-295.8	-350.5	-362.5	-375.0	-323.2
Surplus/(deficit)	-42.1	-9.8	-45.9	-39.9	-30.0
Experience adj.on pension plan liabilities	-0.1	-1.2	0.6	0.1	-0.7
Experience adj.on pension plan assets	2.5	1.8	4.2	3.7	-3.0

Post-employment medical benefits and other defined benefits					
Defined benefit obligation	46.7	51.2	61.1	65.6	58.3
Experience adj. on other plan liabilities	0.1	-3.9	2.0	-1.6	1.3

18. INVENTORIES

EUR million	**2008**	2007
Raw and packaging material	92.9	102.9
Work-In-Process	42.0	55.7
Finished goods	158.9	186.5
Advance payments	2.9	3.4
Inventories total	**296.7**	**348.5**

The value at cost for finished goods amounts to EUR 170.8 million (2007: EUR 198.3 million). An allowance of EUR 14.9 million (2007: EUR 15.3 million) has been established for obsolete items. The total inventories include EUR 2.2 million resulting from reversals of previously written down values (2007: EUR 0.4 million).

19. TRADE AND OTHER CURRENT RECEIVABLES

EUR million	**2008**	2007
Trade receivables	313.9	343.4
Other receivables	25.2	25.4
Accrued interest and other financial items	20.6	7.6
Other accrued income and prepaid expenses	18.2	18.4
Total	**377.9**	**394.8**

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 2008**	**Impairment 2008**	Gross 2007	Impairment 2007
Not past due	254.6	2.6	275.2	0.9
Past due 0–30 days	44.5	0.2	52.2	0.1
Past due 31–120 days	16.2	1.3	13.1	1.0
Past due more than 120 days	8.6	5.9	12.1	7.2
Total	**323.9**	**10.0**	**352.6**	**9.2**

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	2008	2007
Cash and bank	46.6	28.4
Marketable securities	21.2	2.4
Total	**67.8**	**30.8**

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, 2007	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
December 31, 2008	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, 2008 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 2008.

Members of the Board of Directors and the CEO of Huhtamäki Oyj owned on December 31, 2008 a total of 81,148 shares (December 2007: 53,748 shares). These shares represent 0.08% (December 2007: 0.05%) 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 31.12.2008

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	3,617	16.4	230,230	0.2
101–1,000	13,048	59.1	5,859,819	5.5
1,001–10,000	4,976	22.5	13,421,878	12.7
10,001–100,000	381	1.7	10,442,082	9.9
100,001–1,000,000	56	0.2	19,268,574	18.3
Over 1,000,000	11	0.1	56,192,287	53.3
Total	22,089	100.0	105,414,870	99.9
In the joint book-entry account			72,680	0.1
Number of shares issued			105,487,550	100.0

Distribution by sector	% of shares
Non-profit organizations	27.6
Nominee-registered shares	19.6
Households	19.4
Private companies	10.5
Financial and insurance companies	10.2
Public-sector organizations	8.3
Foreigners	4.3
In the joint book-entry account	0.1
Number of shares issued	100.0

Largest registered shareholders 31.12.2008*

Name	Number of shares/votes	%
The Finnish Cultural Foundation	16,114,304	15.3
Society of Swedish Literature in Finland	4,728,000	4.5
Varma Mutual Pension Insurance Company	2,356,369	2.2
The Association for the Finnish Cultural Foundation	2,150,000	2.1
OP-Delta Fund	2,091,880	2.0
Odin Norden	1,878,550	1.8
The State Pension Fund	1,075,000	1.0
Odin Förvaltning As	1,026,550	1.0
Ilmarinen Mutual Pension Insurance Company	882,793	0.8
Odin Forvaltning As/Odin Europa Smb	878,139	0.8
	33,181,585	31.5

* 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 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 NASDAQ OMX Helsinki Ltd 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 2008 the Option Rights 2003 Plan had 103 participants. During the year 2008 no option rights were exercised and therefore the share capital has not been increased and no new shares issued. 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. The option rights 2006 A are listed on NASDAQ OMX Helsinki Ltd as of October 1, 2008. Huhtamäki Oyj will apply for the listing of the option rights 2006 B on NASDAQ OMX Helsinki Ltd as of October 1, 2009. At the end of year the 2008, the Option Rights 2006 Plan had 114 participants. During the year 2008 no option rights were exercised and therefore the share capital has not been increased and no new shares issued. 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 [1]	Subscription Period
2003 A	1:1	EUR 7.12	2.5.2005 – 31.10.2009 [2]
2003 B	1:1	EUR 9.38	2.5.2006 – 31.10.2009 [2]
2003 C	1:1	EUR 11.51	2.5.2007 – 31.10.2009 [2]
2006 A	1:1	EUR 16.72	1.10.2008 – 31.10.2011 [3]
2006 B	1:1	EUR 13.54	1.10.2009 – 31.10.2012 [3]
2006 C	1:1	EUR 7.28	1.4.2011 – 30.4.2014 [3]

1) Subscription price before the deduction of the year 2008 dividend.

2) 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.

3) 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.

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. The shares subscribed under the 2003 option right plan shall entitle to the distribution of dividends of the Company for the accounting period during which the shares were subscribed and paid for. The right to vote and other shareholders' rights attached to the shares subscribed under the 2003 option right plan shall become effective as of the registration of the increase of share capital. The shares subscribed under the 2006 option right plan shall entitle to the distribution of dividends of the Company as of the registration of the corresponding increase of the share capital. The right to vote and other shareholders' rights attached to the shares subscribed under the 2006 option right plan 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 2009–2014 representing approximately 5.2 percent of the total number of votes on December 31, 2008.

Information relating to the amount of option rights outstanding 2008 and 2007

	Weighted average exercise price/share EUR 2008	Option rights (pcs) 2008	Shares based on option rights (pcs) 2008	Weighted average exercise price/share EUR 2007	Options (pcs) 2007	Number of options 2007
At the beginning of the financial year	12.32	3,594,966	3,594,966	12.38	2,692,439	2,692,439
Granted	7.80	969,000	969,000	13.96	1,074,000	1,074,000
Forfeited and expired	14.83	-489,500	-489,500	14.61	-171,473	-171,473
At the end of the financial year	10.95	4,074,466	4,074,466	12.74	3,594,966	3,594,966
Exercisable at the end of the period	11.39	2,362,966	2,362,966	9.82	1,722,466	1,722,466

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 the 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	2006 C
Fair value at grant date	1.89	2.13	2.30	1.30	2.97	1.77
Grant date	Septemper 30, 2003	Septemper 30, 2004	Septemper 30, 2005	August 31, 2006	May 31, 2007	May 31, 2008
Number of outstanding options at December 31, 2008	545,939	578,000	598,527	640,500	836,500	875,000
Exercise price at grant date	9.10	10.98	13.49	17.56	13.96	7.28
Share price at grant date	9.00	10.80	13.50	13.71	13.30	6.87
Expected volatility (%)	21.5	21.1	20.0	18.0	21.0	23.7
Option life as weighted average at grant date (years)	3.8	3.3	2.8	3.7	3.9	4.3
Risk-free interest rate (%)	3.0	3.6	3.0	3.8	4.6	4.7

PERFORMANCE SHARE INCENTIVE PLANS

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 of Directors and having had a possibility to earn Company's shares as remuneration for reaching targets set forth for a determined earnings 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 the determined earnings period were not reached and no remuneration was paid under the plan. No expense has been recorded relating to performance share incentive plan in reporting period.

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 18 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.

The targets set forth in the performance share incentive plan for the earnings period of calendar year 2008 were not reached and no remuneration will be paid under the plan in 2009. 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, 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 recognized in BS	1.7	1.7
Deferred taxes	0.8	0.8
December 31, 2007	**1.4**	**1.4**
Cash flow hedge result deferred to equity	-5.5	-5.5
Cash flow hedge result recognized in P&L	-2.9	-2.9
Cash flow hedge result recognized in BS	-0.7	-0.7
Deferred taxes	2.7	2.7
December 31, 2008	**-5.0**	**-5.0**

Treasury shares
Treasury shares include Huhtamäki Oyj shares purchased by group companies. There are no additions in treasury shares in financial year 2008.

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.

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.

Hybrid bond
Huhtamäki Oyj issued in November 2008 a EUR 75 million hybrid bond to Finnish institutional investors. The coupon rate of the bond is 10.5% per annum. The bond has no maturity but the company may call the bond after three years. The bond is treated as equity in the Group's IFRS financial statements. The issuance of the bond does not dilute holdings of Company's shareholders.

23. INTEREST BEARING LIABILITIES

	2008		2007	
EUR Million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Current				
Current portion				
Loans from financial institutions				
- fixed rate interest	11.5	10.3	10.0	10.2
- floating rate interest	48.0	48.0	7.9	7.9
Other loans	122.3	122.3	365.0	365.0
Finance lease liabilities	0.7	0.6	0.8	0.8
Total	**182.5**	**181.2**	**383.6**	**383.8**
Long-term				
Loans from financial institutions				
- fixed rate interest	45.9	38.1	66.0	66.8
- floating rate interest	313.1	313.1	240.5	240.5
Other long-term loans	115.4	115.4	93.6	93.9
Finance lease liabilities	0.3	0.3	1.0	1.0
Total	**474.7**	**466.9**	**401.1**	**402.2**

All interest bearing liabilities are other liabilities as defined in IAS 39 and as such are carried at amortised cost. Fair values have been calculated by discounting future cash flows at the appropriate market interest rate prevailing at closing rate. Effective interest rates for measuring fair values of interest bearing liabilities were 4.3%–4.6%.

Repayment	Loans from financial institutions	Finance lease liabilities	Other loans	Total
2009	59.5	0.7	122.3	182.5
2010	24.0	0.3	41.9	66.2
2011	81.1	-	-	81.1
2012	241.6	-	70.1	311.7
2013	5.9	-	0.1	6.0
2014–	6.4	-	3.3	9.7

Finance lease liabilities

EUR million	2008	2007
Finance lease liabilities are payable as follows:		
In less than one year	0.7	0.8
Between one and five years	0.3	1.0
Total minimum lease payments	1.0	1.8
Present value of minimum lease payments		
In less than one year	0.6	0.7
Between one and five years	0.3	1.0
Total present value of minimum lease payments	0.9	1.7
Future finance charges	**0.1**	**0.1**

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 2008	Total 2007
Provision at 1 January 2008	9.9	45.9	12.5	68.3	58.7
- Translation difference	-0.4	1.5	-0.2	0.9	-1.3
- Provisions made during the year	11.7	0.1	4.4	16.2	27.3
- Provisions used during the year	-7.1	-1.7	-1.8	-10.6	-10.8
- Unused provisions reversed during the year	-3.6	-0.8	-1.9	-6.3	-5.6
Provision at 31 December 2008	**10.5**	**45.0**	**13.0**	**68.5**	**68.3**
Current	7.5	0.2	2.4	10.1	8.0
Non-current	3.0	44.8	10.6	58.4	60.3

25. TRADE AND OTHER CURRENT LIABILITIES

EUR million	2008	2007
Trade Payables	228.7	227.6
Other Payables	30.3	23.7
Accrued interest expense and other financial items	13.5	9.6
Personnel, social security and pensions	52.9	59.6
Other accrued expenses	49.0	51.3
Total	**374.4**	**371.8**

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	2008	2007
Financial assets at fair value through profit or loss		
Cash and cash equivalents	67.8	30.8
Derivatives	0.5	1.7
Loans and receivables		
Non-current interest bearing receivables	0.1	0.9
Other non-current assets	3.7	4.0
Current interest bearing receivables	2.1	4.6
Trade and other current receivables	377.4	393.9
Available-for-sale investments	1.9	1.9
Financial assets total	**453.5**	**437.8**
Financial liabilities at fair value through profit or loss		
Derivatives	6.0	1.3
Financial liabilities measured at amortised cost		
Non-current interest bearing liabilities	470.1	401.1
Other non-current liabilities	6.5	3.1
Current portion of long term loans	25.2	17.9
Short term loans	157.3	365.7
Trade and other current liabilities	373.1	371.7
Financial liabilities total	**1,038.2**	**1,160.8**

In the balance sheet derivatives are included in the following groups: Non-current interest bearing liabilities, other non-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 CFO. The Finance Committee reviews risk reports on the Group's interest bearing balance sheet items, commercial flows, derivatives and foreign exchange exposures 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		EUR exposure in companies reporting in SEK	
	31.12.08	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07
Trade receivables	1.6	1.3	5.9	3.3	0.0	2.7	0.5	1.2	0.6	1.6
Trade payables	-3.4	-2.4	-0.6	0.0	-3.0	-4.4	-0.5	-0.5	-3.0	-2.9
Net balance sheet exposure	-1.8	-1.1	5.2	3.3	-3.0	-1.7	0.0	0.7	-2.4	-1.3
Forecasted sales (12 months)	21.7	15.7	18.9	24.6	0.0	10.0	15.5	21.5	3.9	10.1
Forecasted purchases (12 months)	-42.6	-33.7	-1.9	-4.2	-11.2	-19.6	-3.2	-4.7	-15.9	-18.9
Net forecasted exposure	-20.9	-18.0	17.0	20.4	-11.2	-9.6	12.3	17.0	-12.0	-8.8
Hedges										
Currency forwards (12 months)	3.8	7.1	-19.0	-18.3	5.6	4.5	-4.5	-12.8	3.2	0.7
Total net exposure	-18.9	-12.1	3.2	5.4	-8.6	-6.8	7.8	4.7	-11.2	-9.5

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 13.8 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 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 223 million (thereof USD 198 million in the form of currency loans and USD 25 million in the form of derivatives) and of GBP 40 million (thereof GBP 25 million in the form of currency loans and GBP 15 million in the form of derivatives). A 10% appreciation of the EUR versus the USD and GBP would as of the balance sheet date decrease the result before taxes by EUR 2.4 million (EUR 4.1 million in 2007) and the Group consolidated equity by EUR 23.0 million (EUR 11.2 million in 2007).

Interest rate risk

The interest bearing debt exposes the Group to interest rate risk, namely repricing 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, 2008									December 31, 2007		
					Debt repricing in period, incl. derivatives							
Currency	Amount mEUR	Avg. duration	Avg. rate	Rate sensitivity [1] mEUR	2009	2010	2011	2012	Later	Amount mEUR	Avg. dura-tion	Avg. rate
EUR	274	1.4y	5.2%	1.1	55	41	31	6	6	282	1.4y	5.0%
USD	134	1.3y	4.3%	0.6	29	22	15		1	192	1.3y	5.0%
AUD	45	0.2y	5.3%	0.3						70	0.3y	6.7%
GBP	29	1.8y	5.0%	0.1	5		10			66	1.8y	6.1%
Other	106	0.6y	8.4%	0.7	1	1	1		5	139	0.5y	7.2%
Total	**587**	**1.2y**	**5.6%**	**2.8**	**90**	**64**	**58**	**6**	**13**	**749**	**1.1y**	**5.7%**

[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 refinancing 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.

To mitigate the refinancing risk, the Group diversifies funding sources as well as the maturity structure of loans and debt facilities. The Group utilizes a EUR 400 million Finnish commercial paper program and uncommitted credit facilities with relationship banks for short-term financing purposes. At year-end 2008, the Group had committed revolving credit facilities totaling EUR 488 million of which EUR 203 million remained undrawn. Undrawn committed long term debt facilities are sufficient to ensure adequate financing resources in all foreseeable circumstances.

Debt structure

EUR million	**December 31, 2008**									**December 31, 2007**		
				Maturity of facility/loan								
Debt type	Amount drawn	Amount available of committed	Total	2009	2010	2011	2012	2013	Later	Amount drawn	Amount available of committed	Total
Committed revolving facilities	285	203	488		13	75	400			239	282	521
Loans from financial institutions	133		133	59	12	38	12	6	6	164		164
Finance lease liabilities	1		1	1						2		2
Other loans	115		115		42		70		3	90		90
Commercial paper program	123		123	123						289		289
Total	**657**	**203**	**860**	**183**	**67**	**113**	**482**	**6**	**9**	**785**	**282**	**1,067**

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, 2008**	**December 31, 2007**
Interest bearing debt	657.2	784.7
Interest bearing receivables, cash and cash equivalents	70.0	36.3
Net debt	587.2	748.5
Total equity	702.3	793.4
Net debt to equity (Gearing ratio)	0.84	0.94
Net debt to EBITDA	3.19	3.24

Nominal values of derivative financial instruments

EUR million	December 31, 2008								December 31, 2007	
	Nominal Value		Maturity Structure						Nominal Value	
Instrument	**Gross**	**Net**	**2009**	**2010**	**2011**	**2012**	**2013**	**Later**	**Gross**	**Net**
Currency forwards										
for transaction risk										
Outflow	-49		-46	-3					-45	
Inflow	49		46	3					48	
for translation risk										
Outflow	-34		-34						-101	
Inflow	34		34						105	
for financing purposes										
Outflow	-105		-105						-143	
Inflow	117		117						140	
Currency options										
for transaction risk										
Outflow	0								-1	
Inflow	0								1	
Interest rate swaps										
EUR	60			10	30	20			50	50
USD	79		14	29	22	14			75	75
GBP	21		5	5		11			27	27
other									12	12
Interest rate options										
USD	7		7							
Electricity forward contracts	6		3	1	1	1			1	

Fair values of derivative financial instruments

EUR million	December 31, 2008			December 31, 2007		
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]	3.2	-3.7	-0.5	3.1	-0.4	2.7
for translation risk [2]	2.1	-1.9	0.2	3.4	0.0	3.4
for financing purposes	14.6	-2.1	12.5	0.8	-3.1	-2.3
Currency options						
for transaction risk	0.0					
Interest rate swaps [3]						
EUR		-1.4		1.3	-0.2	1.1
USD		-3.3		0.6	-0.8	-0.2
GBP		-0.9		0.2	-0.4	-0.2
other				0.0	0.0	0.0
Interest rate options						
USD		-0.5				
Electricity forward contracts		-1.7		0.3		

[1] Out of the currency forwards, fair value EUR -1.4 million was designated for cash flow hedges as at December 31, 2008 (EUR 1.3 million as at December 31, 2007) and reported in fair value and other reserves.

[2] Out of the currency forwards, fair value of EUR 0.2 million was designated for hedges of net investment in foreign subsidiaries as at December 31, 2008 (EUR 3.4 million as at December 31, 2007) 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 -5.6 million was designated for cash flow hedges as of December 31, 2008 (EUR 0.8 million as at December 31, 2007) out of which EUR 5.7 million was reported in equity in fair value and other reserves and EUR 0.1 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	2008	2007
Salaries and other short-term employee benefits	2.1	2.9
Share based payments	0.4	0.3

Salaries of CEO and members of the Board of Directors

(thousands euros)	2008	2007
CEO Jukka Moisio (1.4. - 31.12.2008)	398	-
CEO Heikki Takanen (1.1.-14.11.2007)	-	778
Board members		
Mikael Lilius	104	96
Jukka Suominen	70	62
Eija Ailasmaa	59	54
George V. Bayly	57	50
Robertus van Gestel	56	52
Anthony J.B. Simon	54	52
Rolf Börjesson	37	-
Paavo Hohti	16	57
Total	**851**	**1,201**

According to the CEO agreement Heikki Takanen was paid monthly salary until May 14, 2008, after which the Company paid 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 121,148 shares at the end of the year 2008 (2007: 78,748 shares). The members of the Group Executive Team owned a total of 737,350 option rights at the end of the year 2008 (2007: 495,350 option rights). The option rights entitle to a subscription of 737,350 shares in total representing 0.70% of total shares and voting rights (2007: 495,350 shares representing 0.47% 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 the option rights holders.

Transactions with associate companies

Transactions with associate companies are carried out at fair market prices as listed below:

EUR million	2008	2007
Purchase of goods	2.1	2.1
Sales of goods	0.0	0.0
Payables	0.0	0.3

Transactions with joint ventures are presented in note 13.

29. OPERATING LEASES

EUR million	2008	2007
Operating lease payments:		
Not later than 1 year	12.4	13.3
Later than 1 year and not later than 5 years	16.8	19.2
Later than 5 years	20.6	23.1
Total	**49.8**	**55.6**

30. CONTINGENCIES

Capital expenditure commitments

EUR million	2008	2007
Under 1 year	7.3	19.4
Total	7.3	19.4

	2008	2007
Mortgages:		
For own debt	14.5	14.5
Guarantee obligations:		
For joint ventures & associated companies	2.9	2.8

Huhtamaki 2004–2008

EUR million	2004	2005	2006	2007	2008
Net sales	2,092.3	2,226.6	2,275.6	2,311.0	2,260.0
Increase in net sales (%)	-0.8	7.2	2.2	1.6	-2.2
Net sales outside Finland	1,986.7	2,119.2	2,168.2	2,204.2	2,152.6
Earnings before interest, taxes, depreciation, amortization and impairment	235.2	190.2	240.5	231.4	171.5
Earnings before interest, taxes, depreciation and amortization/net sales (%)	11.2	8.5	10.6	10.0	7.6
Earnings before interest and taxes	101.3	57.7	145.5	28.1	-74.5
Earnings before interest and taxes/net sales (%)	4.8	2.6	6.4	1.2	-3.3
Result before taxes	65.5	21.4	109.2	-14.0	-119.7
Result before taxes/net sales (%)	3.1	1.0	4.8	-0.6	-5.3
Result for the period	52.4	9.4	96.6	-20.2	-110.2
Total equity	796.5	820.4	860.4	793.4	702.3
Return on investment (%)	6.7	4.0	9.4	1.8	-4.8
Return on shareholders' equity (%)	6.7	1.3	11.7	-2.4	-14.8
Solidity (%)	35.7	35.6	37.9	36.2	36.0
Net debt to equity	0.88	0.87	0.83	0.94	0.84
Current ratio	0.89	0.96	0.89	1.02	1.31
Times interest earned	6.79	5.43	6.72	5.32	3.85
Capital expenditure	94.0	113.4	154.0	147.9	74.3
Capital expenditure/net sales (%)	4.5	5.1	6.8	6.4	3.3
Research & development	17.9	18.7	19.3	17.8	16.2
Research & development/net sales (%)	0.9	0.8	0.8	0.8	0.7
Number of shareholders (December 31)	18,303	20,268	21,582	21,424	22,089
Personnel (December 31)	15,531	14,935	14,792	15,092	14,644

Per share data

		2004	2005	2006	2007	2008
Earnings per share	EUR	0.52	0.07	0.94	-0.22	-1.12
Earnings per share (diluted)	EUR	0.52	0.07	0.93	-0.22	-1.12
Dividend, nominal	EUR	0.38	0.38	0.42	0.42	0.34 (1
Dividend/earnings per share	%	73.1	542.9	44.7	-190.9	-30.4 (1
Dividend yield	%	3.2	2.7	2.8	5.2	7.7 (1
Shareholders' equity per share	EUR	7.95	8.12	8.37	7.70	6.06
Average number of shares adjusted for share issue at year end		96,734,981	98,501,625	99,169,003	100,426,461	100,426,461 (2
Number of shares adjusted for share issue at year end		98,335,683	98,778,283	100,426,461	100,426,461	100,426,461 (2
P/E ratio		22.8	198.7	15.8	-36.9	-3.9
Market capitalization at December 31	EUR million	1,167.2	1,374.0	1,494.3	815.5	441.9
Trading Volume	units	70,919,815	84,417,331	75,644,012	131,050,556	111,628,643
In relation to average number of shares	%	73.3	85.7	76.3	130.5	111.2
Development of share price						
Lowest trading price	EUR	9.40	11.37	12.21	7.65	4.16
Highest trading price	EUR	12.30	14.88	16.73	15.89	8.36
Trading price at Dec 31	EUR	11.87	13.91	14.88	8.12	4.40

1) 2008: Board's proposal
2) Excluding treasury shares

Definitions for key indicators

Earnings per share =

$$\frac{\text{Result before taxes} - \text{minority interest} - \text{taxes} - \text{interest of hybrid bond}}{\text{Average number of shares outstanding}}$$

Earnings per share = (diluted)

$$\frac{\text{Diluted profit before taxes} - \text{minority interest} - \text{taxes} - \text{interest of hybrid bond}}{\text{Average fully diluted number of shares outstanding}}$$

Dividend yield =

$$\frac{100 \text{ x issue-adjusted dividend}}{\text{Issue-adjusted share price at December 31}}$$

Shareholders' equity per share =

$$\frac{\text{Total equity attributable to equity holders of the parent company}}{\text{Issue-adjusted number of shares at December 31}}$$

P/E ratio =

$$\frac{\text{Issue-adjusted share price at December 31}}{\text{Earnings per share}}$$

Market capitalization =

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

Return on investment =

$$\frac{100 \text{ x (Result before taxes} + \text{interest expenses} + \text{net other financial expenses)}}{\text{Balance sheet total} - \text{Interest-free liabilities (average)}}$$

Return on equity =

$$\frac{100 \text{ x (Result for the period)}}{\text{Equity} + \text{minority interest} + \text{hybrid bond (average)}}$$

Net debt to equity =

$$\frac{\text{Interest bearing net debt}}{\text{Equity} + \text{minority interest} + \text{hybrid bond}}$$

Solidity =

$$\frac{100 \text{ x (Equity} + \text{minority interest} + \text{hybrid bond)}}{\text{Balance sheet total} - \text{advances received}}$$

Current ratio =

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Times interest earned =

$$\frac{\text{Earnings before interest and taxes, depreciation, amortization and impairment}}{\text{Net interest expenses}}$$

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	8	EUR	1,399,107	100.0
Huhtamaki Finance B.V.	4,900,713	75.0	EUR	490,071	EUR	905,131	100.0
Huhtamäki Consumer Goods Finland Oy	25,025	100.0	EUR	2,503	EUR	5,038	100.0
Huhtamäki Foodservice Finland Oy	25,025	100.0	EUR	2,503	EUR	13,172	100.0
Huhtamäki Securities Oy	15	100.0	EUR	3	EUR	3	100.0
Partner Polarcup Oy	78,695	100.0	EUR	13,236	EUR	13,236	100.0
Huhtamaki Argentina S.A.	6,257,805	91.2	ARS	6,258	EUR	2,500	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 SARL	46,698,626	100.0	EUR	46,699	EUR	1,051,664	100.0
Huhtamaki Finance BV	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	109,973	100.0
Subsidiary shares owned by Huhtamaki Vierte Beteiligungs GmbH:							
Huhtamaki Deutschland GmbH & Co. KG	19,391	75.1	EUR	1,939	EUR	327,897	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	25,836	100.0
Huhtamaki Holdings Pty Ltd	43,052,750	100.0	AUD	86,106	EUR	11,987	100.0
Huhtamaki (NZ) Holdings Ltd	13,920,000	100.0	NZD	12,250	EUR	2,637	100.0
Huhtamaki Holdings France SNC	2,523,290	100.0	EUR	38,480	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 Company 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	167,662	100.0	ZAR	335	EUR	9,427	100.0
Huhtamaki S.p.A	10,410,400	100.0	EUR	10,410	EUR	40,836	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.	31,315,800	100.0	MYR	31,316	EUR	2,993	100.0
Huhtamaki (Vietnam) Ltd	-	100.0	USD	25,097	EUR	19,797	100.0

Name	Number of Shares	Size of holding, %		Nominal value		Book value	Group Holding, %
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
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	37,421	100.0
Subsidiary shares owned by Huhtamaki Participations France SNC:							
Huhtamaki France S.A.S.	72,001	100.0	EUR	1,080	EUR	42,908	100.0
Huhtamaki La Rochelle S.A.S.	2,500	100.0	EUR	3,825	EUR	33,243	100.0
Subsidiary shares owned by Huhtamaki Finance B.V.Y. Cia, Sociedada Collectiva:							
Huhtamaki Spain S.L.	774,247	100.0	EUR	23,266	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	63,769,695	100.0	GBP	63,770	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	30,000	HKD	233,198	100.0
Subsidiary shares owned by Huhtamaki Finance Company 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 Groenlo B.V.	5,718	100.0	EUR	572	EUR	-	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	36,934,100	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	1	USD	140,173	100.0
Huhtamaki Flexibles, Inc.	100	100.0	USD	0	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	26,927	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 2008

Parent company income statement (FAS)

EUR million	Note	2008	%	2007	%
Net sales	1	107.4	100.0	106.8	100.0
Costs of goods sold		-105.8		-94.6	
Gross profit		**1.6**	**1.5**	**12.2**	**11.4**
Sales and marketing		-5.8		-6.9	
Research and development		-3.0		-2.0	
Administration costs		-32.2		-26.8	
Other operating expenses	3	-8.3		-10.1	
Other operating income	2	45.0		44.2	
		-4,3		-1.6	
Earnings before interest and taxes	4, 5	**-2.7**	**-2.5**	**10.5**	**9.9**
Net financial income/expense	6	-47.8		-36.5	
Result before exceptional items, appropriations and taxes		**-50.5**	**-47.0**	**-26.0**	**-24.3**
Depreciation difference, (-) increase, (+) decrease		19.6		3.8	
Taxes	7	-0.5		-0.6	
Result for the period		**-31.4**	**-29.3**	**-22.8**	**-21.3**

Parent company balance sheet (FAS)

ASSETS EUR million	Note	2008	%	2007	%
Fixed assets					
Intangible assets	8				
Intangible rights		0.5		0.5	
Other capitalized expenditure		20.9		33.4	
		21.4	**0.9**	**33.9**	**1.3**
Tangible assets	9				
Land		0.3		0.3	
Buildings and constructions		18.2		19.0	
Machinery and equipment		0.0		30.3	
Other tangible assets		1.0		4.3	
Construction in progress and advance payments		0.6		5.5	
		20.1	**0.8**	**59.4**	**2.3**
Other fixed assets					
Investment in subsidiaries		2,339.3		2,330.0	
Investment in associated companies		0.5		0.5	
Other shares and holdings		0.3		0.3	
Loan receivables	10	21.5		3.3	
		2,361.6	**93.9**	**2,334.1**	**91.1**
Current assets					
Inventories					
Raw and packaging material		-		4.0	
Work-in-process		-		2.0	
Finished goods		-		10.0	
		-	**0.0**	**16.0**	**0.6**
Short-term					
Trade receivables	10	2.8		25.1	
Loans receivable	10	53.9		48.5	
Accrued income	11	49.8		38.1	
Other receivables	10	2.3		0.7	
		108.8	**4.3**	**112.4**	**4.4**
Cash and bank		2.7	0.1	6.6	0.3
Total assets		**2,514.6**	**100.0**	**2,562.4**	**100.0**

LIABILITIES AND EQUITY

EUR million	Note	2008	%	2007	%
Shareholders' equity	12				
Share capital		358.7		358.7	
Premium fund		104.7		104.7	
Retained earnings available for distribution		1,012.2		1,077.3	
Net income for the period		-31.4		-22.8	
		1,444.2	**57.4**	**1,517.8**	**59.2**
Untaxed reserves		5.0	0.2	27.3	1.1
Liabilities					
Long-term					
Loans from financial institutions	13	429.2		281.9	
Other long-term liabilities		-		0.0	
		429.2	**17.1**	**281.9**	**11.0**
Short-term					
Loans from financial institutions	13	126.2		297.3	
Other loans	13	414.6		361.9	
Trade payables	14	1.9		13.8	
Accrued expenses	15	52.0		37.3	
Other short-term liabilities	14	41.5		25.1	
		636.2	**25.3**	**735.4**	**28.7**
Total equity and liabilities		**2,514.6**	**100.0**	**2,562.4**	**100.0**
Total retained earnings available for distribution		**980.8**		**1,054.5**	

Parent company cash flow statement

EUR million	2008	2007
EBIT	-2.7	10.5
Adjustments	27.5	14.8
Write-down of subsidiary shares	-6.1	-
Change in inventory	1.7	-1.6
Change in non-interest bearing receivables	8.0	-7.2
Change in non-interest bearing payables	3.4	4.3
Net financial income/expense	-44.5	-38.6
Taxes	3.5	-2.8
Cash flows from operating activities	**-9.2**	**-20.6**
Capital expenditure	-4.7	-12.4
Proceeds from selling fixed assets	1.6	1.0
Proceeds from selling of subsidiary shares	14.9	78.2
Change in short-term deposits	-5.3	-22.6
Cash flows from investing activities	**6.5**	**44.2**
Change in long-term loans	147.3	-2.8
Change in short-term loans	-102.3	19.9
Dividends	0.0	0.3
Dividends paid	-42.2	-42.1
Cash flow from financing activities	**2.8**	**-24.7**
Change in liquid assets	0.1	-1.0
Liquid assets on January 1	6.6	7.6
Liquid assets on December 31	6.7*	6.6

*Liquid assets before separation of the Foodservice and Consumer Goods businesses from the parent company

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	2008	2007
Net sales by categories:		
Consumer Goods	46.9	48.4
Food Service	60.5	58.4
Total	**107.4**	**106.8**

2. OTHER OPERATING INCOME

EUR million	2008	2007
Royalty income	11.3	17.1
Group cost income	24.0	23.8
Gain from disposal of fixed assets	0.7	0.5
Other	9.0	2.8
Total	**45.0**	**44.2**

3. OTHER OPERATING EXPENSES

EUR million	2008	2007
Amortization of other intangible assets	-	1.9
Group cost expense	3.3	3.4
Other	5.0	4.8
Total	**8.3**	**10.1**

4. PERSONNEL COSTS

EUR million	2008	2007
Wages and salaries	28.8	31.4
Pension costs	5.9	4.8
Other personnel costs	2.8	2.8
Total	**37.5**	**39.0**

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 0.9 million. (2007: EUR 1.2 million).

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

Average number of personnel	2008	2007
	723	825

5. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

EUR million	2008	2007
Depreciation by function:		
Production	14.8	7.0
Administration	12.6	4.1
Other	0.2	2.1
Total depreciation	**27.6**	**13.2**
Depreciation by asset type:		
Land, buildings	0.7	0.8
Machinery and equipment	5.0	4.8
Other capitalized expenditure	4.9	5.8
Total depreciation	**10.6**	**11.4**
Impairments by asset type:		
Land, buildings	-	-
Machinery and equipment	9.7	1.8
Other capitalized expenditure	7.3	-
Total impairments	**17.0**	**1.8**

6. FINANCIAL INCOME/EXPENSE

EUR million	2008	2007
Interest income	0.2	0.2
Intercompany interest income	8.0	8.3
Dividend income from associated companies	0.0	0.4
Other financial income	269.4	240.9
Interest expense	-34.1	-31.9
Intercompany interest expense	-20.5	-12.8
Other financial expense	-270.8	-241.6
Total	**-47.8**	**-36.5**

7. TAXES

EUR million	2008	2007
Taxes	-0.5	-0.6
Total	**-0.5**	**-0.6**

Deferred taxes are not included in income statement or balance sheet. Unrecognised deferred tax liability from timing differences is EUR 1.3 million (2007: EUR 7.1 million).

8. INTANGIBLE ASSETS

EUR million	Intangible rights	Other capitalized expenditure	2008 total	2007 total
Acquisition cost at January 1	0.7	67.4	68.1	57.7
Additions	-	0.8	0.8	1.1
Disposals	0.0	-0.4	-0.4	-
Intra-balance sheet transfer	-	0.0	0.0	9.3
Transfer of business	-	-1.7	-1.7	-
Acquisition cost at December 31	0.7	66.1	66.8	68.1
Accumulated amortization at January 1	0.2	34.0	34.2	28.4
Accum. Depreciation on decreases and transfers	0.0	-0.4	-0.4	-
Amortization during the financial year	0.0	4.9	4.9	5.8
Impairments	-	7.3	7.3	-
Transfer of business	-	-0.6	-0.6	-
Accumulated amortization at December 31	0.2	45.2	45.4	34.2
Book value at December 31, 2008	0.5	20.9	**21.4**	**-**
Book value at December 31, 2007	0.5	33.4	**-**	**33.9**

9. TANGIBLE ASSETS

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	2008 total	2007 total
Acquisition cost at January 1	0.3	29.9	92.6	5.5	10.1	138.4	138.8
Additions	-	-	0.0	3.2	0.7	3.9	11.3
Disposals	-	-1.0	-4.8	-	-3.0	-8.8	-2.3
Intra-balance sheet transfer	-	0.9	4.9	-5.9	-	-0.1	-9.4
Transfer of business	-	-	-92.6	-2.2	-5.9	-100.7	-
Acquisition cost at December 31	0.3	29.8	0.1	0.6	1.9	32.7	138.4
Accumulated depreciation at January 1	-	10.9	62.3	-	5.8	79.0	72.9
Accum. Depreciation on decreases and transfers	-	-	-4.4	-	-2.7	-7.1	-1.3
Depreciation during the financial year	-	0.7	4.1	-	0.9	5.7	5.6
Impairments	-	-	9.7	-	-	9.7	1.8
Transfer of business	-	-	-71.6	-	-3.1	-74.7	-
Accumulated depreciation at December 31	-	11.6	0.1	-	0.9	12.6	79.0
Book value at December 31, 2008	0.3	18.2	0.0	0.6	1.0	**20.1**	**-**
Book value at December 31, 2007	0.3	19.0	30.3	5.5	4.3	-	**59.4**

Revaluations of buildings and constructions in 2008 is EUR 2.4 million (2007: EUR 2.4 million).

10. RECEIVABLES

EUR million	2008	2007
Current		
Trade receivables	-	5.2
Intercompany trade receivables	2.8	19.9
Loan receivables	9.8	3.9
Loan receivables from subsidiaries	44.1	44.6
Accrued income	22.5	14.5
Accrued corporate income	27.3	23.6
Other receivables	2.3	0.7
Total	**108.8**	**112.4**
Long-term		
Intercompany loan receivables	21.5	3.3
Total receivables	**130.3**	**115.7**

11. ACCRUED INCOME

EUR million	2008	2007
Accrued interest and other financial items	0.4	0.5
Accruals for profit on exchange	19.7	7.1
Personnel, social security and pensions	0.1	0.8
Rebates	-	0.1
Accruals for income and other taxes	-	3.9
Miscellaneous accrued income	1.3	1.5
Accrued corporate income and prepaid expense	27.3	23.6
Other	1.0	0.6
Total accrued income	**49.8**	**38.1**

12. CHANGES IN EQUITY

EUR million	2008	2007
Share capital January 1	358.7	358.7
Share capital December 31	358.7	358.7
Premium fund January 1	104.7	104.7
Premium fund December 31	104.7	104.7
Retained earnings January 1	1,054.5	1,119.4
Dividends	-42.2	-42.2
Net income for the period	-31.4	-22.8
Retained earnings December 31	980.8	1,054.5
Total equity	**1,444.2**	**1,517.8**

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

13. LOANS

EUR million	2008	2007
Non-current		
Hybrid bond	75.0	-
Long-term loans from financial institutions	354.2	281.9
Total	429.2	281.9
Current		
Current Portion of loans from financial institutions	11.5	5.7
Short term loans from financial institutions and other current loans	114.7	291.6
Short-term loans from subsidiaries	414.6	361.9
Total	540.8	659.2

Changes in long-term loans	2008	2007
Loans from financial institutions		
January 1	281.9	284.7
Additions	481.6	421.3
Decreases	-391.7	-413.2
FX movement	-17.6	-10.9
Total	354.2	281.9

Repayments	Loans from financial institutions and other loans
2009	126.2
2010	83.8
2011	11.5
2012	247.4
2013	5.8
2014 -	5.8

14. PAYABLES

EUR million	2008	2007
Trade payables	1.3	8.6
Intercompany trade payables	0.6	5.2
Total	**1.9**	**13.8**
Other short-term payables	41.5	25.1
Total	**41.5**	**25.1**

15. ACCRUED EXPENSES

EUR million	2008	2007
Accrued interest expense	18.8	7.6
Accrued interest expense to subsidiaries	26.2	15.6
Personnel, social security and pensions	5.1	10,0
Miscellaneous accrued expense	1.0	2.1
Other accrued corporate expense	0.8	2.0
Other	0.1	-
Total	**52.0**	**37.3**

16. COMMITMENTS AND CONTINGENCIES

EUR million	2008	2007
Operating lease payments		
Under one year	0.2	0.2
Later than one year	0.1	0.2
Total	**0.3**	**0.4**
Capital expenditure commitments:		
Under one year	0.5	0.4
Total	**0.5**	**0.4**
Mortgages:		
For own debt	14.5	14.5
Guarantee obligations		
For subsidiaries	72.9	105.7
For joint ventures and associated companies	2.9	2.8

Proposal of the Board of Directors

On December 31, 2008, Huhtamäki Oyj's non-restricted equity was	EUR	980,849,825.43
of which the result for the financial period was	EUR	-31,448,576.10

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

– to the shareholders at EUR 0.34 a share	34,144,996.74
– to be left in non-restricted equity	946,704,828.69
	980,849,825.43

The Board of Directors proposes that the payment of dividends will be made on April 17, 2009. The dividends will be paid to shareholders who on the record date April 8, 2009 are registered as shareholders in the register of shareholders.

Espoo, February 9, 2009

Mikael Lilius
Eija Ailasmaa
George V. Bayly

Rolf Börjesson
Robertus van Gestel
Anthony J.B. Simon

Jukka Suominen

Jukka Moisio
CEO

Corporate Governance Statement

Huhtamäki Oyj (Huhtamaki or the Company) complies with the Finnish Corporate Governance Code adopted by the Securities Market Association. The Code entered in force on January 1, 2009 and is available in Internet at www.cgfinland.fi.

Huhtamaki's corporate governance comprises the General Meeting of Shareholders, the Board of Directors (Board) and committees founded by it, the Chief Executive Officer (CEO) and the Group Executive Team (GET), laws and regulations applicable in the Group's operations as well as the Group's internal policies, guidelines and practices.

General Meeting of Shareholders

The General Meeting of Shareholders is the Company's highest decision-making body. Its tasks and procedures are defined in the Finnish Companies Act and the Company's Articles of Association. The Annual General Meeting of Shareholders (AGM) shall be held annually in Espoo or Helsinki before the end of June on a date set by the Board of Directors. In 2008, the AGM was held on March 31, 2008 at Finlandia Hall, Helsinki.

The AGM resolves i.a. upon adoption of financial statements including the consolidated financial statements, distribution of profits, granting the members of the Board and the CEO discharge from liability as well as election of the members of the Board and Auditors. The AGM decides also on Board members' and Auditors' remuneration. A General Meeting of Shareholders may also resolve, for example, amendments to the Company's Articles of Association, issuing of new shares and option rights and repurchasing of the Company's own shares. The General Meeting of Shareholders may authorize the Board to decide, for example, on issuances of new shares or share repurchases.

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

Shareholder Rights

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

A shareholder who has been entered as a shareholder in the shareholder register of the Company 10 days before a General Meeting of Shareholders has the right to participate in the meeting. The holder of a share registered under the name of a nominee may be temporarily entered in the shareholder register for the purpose of participating in a General Meeting of Shareholders.

A shareholder may participate in a General Meeting of Shareholders either in person or by proxy. A shareholder may also employ the services of an assistant in a General Meeting of Shareholders.

Board of Directors

The Board of Directors is responsible for the management and the proper arrangement of the operations of Huhtamaki. The Board has a general authority regarding matters not specifically designated by law or Articles of Association to any other governing body of the Company. In addition to the powers vested in the Board by the Companies Act and the Articles of Association, the essential duties and working principles of the Board are defined in the Code of Governance for the Board of Directors. The Board decides on long-term strategic and financial targets as well as on dividend policy. The Board approves the strategic plans, annual plans and budget as well as monitors their implementation. The Board resolves upon corporate transactions, investment framework and individual capital expenditures exceeding EUR 6 million. In order to discharge its duties, the Board requires information on the structure, business operations and markets of the Company. Each member of the Board is provided with a monthly report on the financial situation and markets of the Group. The Board elects the CEO, approves the GET members' appointments, decides on executive compensation and annually reviews the management performance. The Board also conducts an annual evaluation of its own performance and working methods. The evaluation may be conducted as an internal self-evaluation or by using an external evaluator. In 2008, the evaluation was done as an internal self-evaluation without an external evaluator.

Most of the meetings of the Board are held at the Company's headquarters in Espoo. The Board is annually visiting other Group locations and holds meetings there. The Board may also hold its meetings by telephone. The Board shall hold at least six regular meetings each year, with one session entirely dedicated to Group strategy. In 2008, the Board held 13 meetings, six of which were telephone meetings. The average attendance of the members at the Board meetings was 98%. The CEO and the Chief Financial Officer of the Company are usually attending the Board meetings. When necessary, e.g. in connection with deliberation of strategy or annual plans, the meetings are attended also by other members of the Group Executive Team. The auditor is participating in the meeting deliberating the annual accounts. The Senior Vice President, Administration and General Counsel of the Company acts as the secretary to the Board.

Composition of the Board of Directors

The number of the members of the Board and the composition of the Board shall make it possible for the Board to discharge its duties in an efficient manner. The composition shall take into account the needs of the Company operations and the development stage of the Company. Both genders shall be represented in the Board. The Board shall consist of a minimum of six and maximum of nine members. There are no limitations as to the number of terms a person may be elected as member of the Board or as to a maximum age of a Board member. The AGM elects the Board members for the term of office expiring at the close of the AGM following the election. The Board shall elect from among its members a Chairman and a Vice-Chairman. The AGM 2008 elected the following seven individuals to the Board:

Mikael Lilius, *Chairman* (1949)
Date of election: March 30, 2005
Main occupation: Fortum Oyj, CEO
Education: B.Sc. (Econ)
Primary working experience: Gambro AB, CEO; Incentive AB, CEO; KF Industri AB, CEO; Huhtamäki Oyj, President of the Packaging Division
Key positions of trust: Sanitec Oy, Vice-Chairman of the Board; Hafslund ASA, Board
Shares on December 31, 2008: 50,000

Jukka Suominen, *Vice-Chairman* (1947)
Date of election: March 30, 2005
Education: M.Sc. (Eng), B.Sc. (Econ)
Primary working experience: Silja Oyj Abp, Group CEO
Key positions of trust: Fiskars Oyj Abp, Board; Rederiaktiebolaget Eckerö, Chairman of the Board; Merivaara Oy, Chairman of the Board; Varustamoliikelaitos (Finstaship), Board; The Finnish Cultural Foundation, Supervisory Board
Shares on December 31, 2008: 3,000

Eija Ailasmaa (1950)
Date of election: March 22, 2004
Main occupation: Sanoma Magazines B.V., CEO
Education: M.Pol.Sc.
Primary working experience: Various SanomaWSOY Group executive roles, including President of Helsinki Media and Sanoma Magazines Finland magazine publishing subsidiaries; Editor-in-chief for the family magazine Kodin Kuvalehti in 1985–1989
Key positions of trust: Solidium Oy, Vice-Chairman of the Board; Rotterdam School of Management, Erasmus University, Advisory Board
Shares on December 31, 2008: 1,000

George V. Bayly (1942)
Date of election: March 28, 2003
Main occupation: Whitehall Investors, LLC, Consultant; Altivity Packaging, LLC, Chairman & CEO
Education: MBA
Primary working experience: U.S. Can Company, Co-Chairman; Ivex Packaging Corporation, Chairman, President & CEO; Olympic Packaging, Inc., Chairman, President & CEO; Packaging Corporation of America (PCA), Senior Vice President
Key positions of trust: Treehouse Foods, Inc., Board; Acco Brands Corporation, Inc., Board; John G. Shedd Aquarium, Board; Miami University, Board; United Way, Chicago, Board; Whitehall Investors, LLC, Board
Shares on December 31, 2008: -

Rolf Börjesson (1942)
Date of election: March 31, 2008
Education: M.Sc. (Chemical Engineering)
Primary working experience: Rexam PLC, Chairman of the Board (2004–2008) and the CEO and Board member (1996–2004)
Key positions of trust: Ahlsell AB, Chairman of the Board; Svenska Cellulosa Aktiebolaget SCA (publ), Board; Avery Dennison Corporation, Board
Shares on December 31, 2008: -

Robertus van Gestel (1946)
Date of election: March 22, 2004
Main occupation: Proudfoot Consulting Europe, Deputy President
Education: MBA, PhD
Primary working experience: Ford Motor Company; GTE; Mannesmann Tally; Anglo-Dutch Investments, Inc.
Key positions of trust: MCG PLC, Partner; Moore Hall Investments Ltd., Chairman of the Board
Shares on December 31, 2008: -

Anthony J.B. Simon (1945)
Date of election: October 7, 1999
Main occupation: Unilever N.V., President Marketing, retired
Education: MA, MBA
Primary working experience: Unilever, Bestfoods, Corporate Vice President; Bowater Paper Corporation, Packaging Division
Key positions of trust: -
Shares on December 31, 2008: 1,248

Paavo Hohti acted as a member of the Board of Directors until the Annual General Meeting of Shareholders held on March 31, 2008.

Remuneration of the Board members

The AGM is resolving upon remuneration for the Board of Directors. In 2008, the annual compensation for the

Chairman of the Board was EUR 90,000, for the Vice-Chairman EUR 55,000 and for the other members EUR 45,000. In addition, a meeting fee of EUR 500 per meeting was paid to all members for the Board and Board Committee meetings they attended. Traveling expenses were paid in accordance with the Company policy. None of the Board members receives any other remuneration from the Company than that based on Board membership. The Company's option rights plans do not extend to the Board members. There is no pension scheme for the Board members.

Independence of the Board members

All the members of the Board are non-executive. The Board considers all the members of the Board independent of the Company. The Board also considers all members except Jukka Suominen independent of the significant shareholders of the Company.

Board Committees

In order to focus on certain responsibilities, the Board has appointed permanent Committees consisting of three to five Board members each. The Committees assist the Board by preparing matters belonging to the competence of the Board. Each Committee regularly reports on its work to the Board. The Committees have no autonomous decision-making power and, thus, the Board passes its resolutions collectively. The entire Board remains responsible for the duties assigned to the Committees.

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

The Nomination Committee prepares proposals to the AGM concerning Board members and their remuneration. It may also conduct succession planning of the Board members. The Committee meets once a year as a minimum, prior to the AGM. The following individuals comprised the Nomination Committee during 2008: Mikael Lilius (Chairman) (whole year), Eija Ailasmaa (until March 31, 2008), Rolf Börjesson (as from March 31, 2008) and Jukka Suominen (whole year). In 2008, the Nomination Committee held two meetings. The average attendance of the Nomination Committee members at the meetings was 92%.

The Human Resources Committee prepares and discusses organizational and human resource issues, as well as principles of remuneration of senior executives and their compensation. The following individuals comprised the Human Resources Committee during 2008: Mikael Lilius (Chairman), George V. Bayly and Anthony J.B. Simon. In 2008, the Human Resources Committee held three meetings. The average attendance of the Human Resources Committee members at the meetings was 89%.

The Audit Committee assists the Board in its responsibility to supervise that the book-keeping and financial administration of the Company is appropriately arranged as well as to monitor the financial status of the Company and compliance of the Group policies. It monitors and supervises matters relating to financial statements and consolidated financial statements, interim reports, accounting principles and policies as well as internal reporting systems. Additionally, the Audit Committee monitors the efficiency of the Company's internal control, internal audit as well as risk assessment and risk management mechanisms. It reviews the description of the main principles of the Company's internal control and risk management systems pertaining to the financial reporting process which is included in the Company's Corporate Governance Statement. The Audit Committee prepares to the AGM the resolution concerning appointment of external auditors. It also evaluates the independence of the external auditor and provision of other consultancy services by the external auditor to the Company. In addition to the members of the Audit Committee, the Chief Financial Officer participates in the Committee's meetings. The external auditors participate in the meeting deliberating the financial statements and also other meetings, if considered necessary. The following persons comprised the Audit Committee during 2008: Jukka Suominen (Chairman) (whole year), Eija Ailasmaa (whole year), Robertus van Gestel (whole year) and Paavo Hohti (until March 31, 2008). In 2008, the Audit Committee held seven meetings. The average attendance of the Audit Committee members at the meetings was 97%.

Chief Executive Officer

The CEO is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board. The CEO is responsible for the achievement of the goals, plans and objectives set by the Board. The CEO is responsible for ensuring that the book-keeping of the Company complies with the law and that the financial administration is arranged in a reliable manner. The CEO is the Chairman of the Group Executive Team.

The Board of Directors elected on February 27, 2008 M.Sc. (Econ), MBA Jukka Moisio as the Company's CEO. He started in his position on April 1, 2008. Before joining the Company, Jukka Moisio acted during 1991–2008 in several different roles in Ahlstrom Corporation, latest position being the CEO.

Jukka Moisio's salary and benefits in the year 2008 amounted to EUR 397,674. He received 80,000 option rights marked as 2006 B and 80,000 option rights marked as 2006 C during the year 2008.

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

18 months' salary. The retirement and resignation age of the CEO is 60 years, unless otherwise agreed upon. In addition to statutory employment pension contribution, the Company will contribute to a pension plan designated by the CEO and approved by the Company a maximum amount of CEO's monthly salary, subject to that the CEO contributes the same amount to the pension plan.

Internal control, internal audit and risk management systems

Successful business requires continuous monitoring of the Group's operations. Internal control is an essential part of corporate governance and management of the Company. The purpose of internal control is mainly to ensure the effective, profitable and reliable operations of the Group and that applicable laws and regulations are complied with. The internal control systems of the Group are to verify that the financial reports disclosed by the Company provide fair view on the Group's financial situation. Group-wide principles for key areas of business operations have been established to form basis for the internal control system.

The Board of Directors and the CEO are responsible for organizing the internal control function. Each member of the Board is provided with a monthly report on the financial situation and markets of the Group. The Audit Committee of the Board of Directors is monitoring the efficiency of the internal control systems and the correctness of the financial reporting. The responsibility for arranging the internal control belongs to the whole organization of the Group. All employees in the Group are accountable for the internal control of his/her area of responsibility to his/her immediate superior. The Group's finance function and the network of controllers are supporting and coordinating the financial management and control of operations in the Group. The Group's financial reporting guidelines and standards are applicable throughout the financial reporting process of the Group. The interpretation and application of accounting standards are centralized in the Group finance function which maintains the financial reporting guidelines and standards and takes care of communicating such throughout the Group. The Group's finance function also supervises the compliance of such guidelines and standards. Supervision of reporting and budgeting processes is based on the Group's reporting standards which are determined and updated by the Group's finance function. The reporting standards are uniformly applied in the whole Group and a unified Group reporting system is used.

Internal audit

Internal audit is to improve the effective fulfillment of supervising obligation designated to the Board as well as to ascertain that the Group's operations are efficient and successful, information adequate and reliable and that set policies and procedures are properly followed.

The Group has an internal audit function and internal audits have been managed in the year 2008 in coordination with Ernst & Young Oy and its international network. Internal audits have been conducted on a monthly basis in predefined units in various business divisions of the Group during the year 2008.

Internal audit function of the Group evaluates independently and systematically Group's management and governance systems as well as functionality, efficiency and appropriateness of the Group's business processes and risk management. The internal audit function provides in the internal audit reports development recommendations for the aforementioned systems and processes. Purpose of these activities is to assure achievement of strategic objectives of the Group.

The Audit Committee of the Board approves the annual internal audit plan. Audit engagements are included in the plan in accordance with the Group's strategic objectives, assessed risks and focus areas defined by the Board and the CEO. Audit engagements are also selected according to a rotation principle. The internal audit function reports to the Audit Committee. Additionally, the CEO, the CFO and management of the business unit where the audit has been conducted are informed of the results of the audit.

Risk management

Risk management is an essential part of the internal control system of the Group. The purpose of risk management is to ensure that the risks related to business objectives and operations are identified, managed and monitored. The principles of risk management are defined in the Group risk management policy. The risk management procedures are set forth in the risk management process description and instructions. The risk management process of the Group is based on Enterprise Risk Management (ERM) framework of Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Group's risk management focuses on risks relating to business opportunities and risks endangering achievement of Group objectives in the changing business environment. Business risks are categorized as strategic, operational, financial and information risks.

The Huhtamaki Group Enterprise Risk Management (ERM) Policy defines the risk management guidelines for the Group. The risk management policy sets forth also the risk management process and responsibilities as well as the risk categories that are used to categorize identified risks. Compliance with the risk management policy assures timely identification and recording of risks and the application of relevant risk management measures to address these risks.

The Board of Directors is monitoring the implementation of risk management activities. The Audit Committee evaluates adequacy and appropriateness of risk management process and activities. The Audit Committee reports regularly to the Board of Directors, which is responsible for reviewing the Group's strategic, operational, financial and information risks. The Board of Directors decides on acceptable risk levels and the extent to which these risks have been properly identified, addressed and followed up.

The Group Executive Team, consisting of the CEO as the Chairman and the executives appointed by the Board of Directors at the proposal of the CEO, is responsible for the adoption and deployment of the Group's internal control principles and procedures relating to risk management. The GET regularly carries out risk assessment and approves segment level risk levels based on consolidated segment level risk data. The GET also defines risk mitigation actions needed at Group level and monitors implementation of those. The purpose is to verify that risk mitigation actions support achievement of Group's strategic objectives.

The Group risk management function is organizing, instructing, supporting, supervising and monitoring risk management activities as well as consolidating segment and Group level risk data. The function also analyzes changes in impact, likelihood and level of control for each identified business risk. It reports annually results of the risk management process to the Audit Committee. The Group risk management function also prepares reports for the CEO, the GET and external auditors.

Business unit, segment and Group level risk management process and activities are engaged with Group's annual planning cycle. Risk management process may be commenced any time in the course of the financial year should a certain business area encounter essential strategic changes requiring initiation of the risk management process.

Each business segment management team identifies and assesses risks of the segment and defines segment's risk mitigation actions needed in order to reach an acceptable risk level. A segment management team utilizes also business units' risk analyses and risk data consolidated from these.

Business units in each segment identify and assess business units' risks and define required risk mitigation measures. Risks of a business unit are presented to a segment management team for approval.

Upper level line management always approves lower level risk mitigation measures and the risk level reached after achievement of such measures.

The risk management process includes systematic identification and assessment of risks in each business segment and their business units as well as at Group level. Each of these defines risk mitigation measures that are needed to reach acceptable risk level. Risks are consolidated from the business unit level to the segment level and from the segment level to the Group level. At each level risk mitigation measures are defined in order to reach acceptable risk levels. Execution and supervision of these risk mitigation actions is a task of line management. Internal audit function monitors and reports achievement of these measures.

Audit

The Company shall have one auditor, which is an accounting firm approved by the Finnish Central Chamber of Commerce (APA). The AGM elects the Company's auditor. The AGM 2008 elected the Authorized Public Accounting firm KPMG Oy Ab as the auditor of the Company. Solveig Törnroos-Huhtamäki, APA, has acted as the auditor with principal responsibility. Each subsidiary is subject to local auditing under the local regulations, which is conducted by representatives of the KPMG network in each country.

In 2008, total auditing costs of the Group amounted to EUR 1,463,000. The KPMG network has also provided other consultancy worth EUR 687,000.

Auditors' Report

To the Annual General Meeting of Huhtamäki Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Huhtamäki Oyj for the year ended on December 31, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditors' responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with professional ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director of the parent company have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit has been performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Opinion on the discharge from liability and disposal of distributable funds

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 Limited Liability Companies Act.

Helsinki, February 9, 2009
KPMG OY AB

Solveig Törnroos-Huhtamäki
Authorized Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

HUHTAMAKI

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