# Annual Accounts and Directors' Report 2009

# Contents

## Annual Accounts 2009

# Directors' Report

## Overview

The year was characterized by customer cautiousness and uncertainty. Demand remained sluggish throughout the year. At EUR 2,038 million (EUR 2,260 million in 2008), the Group net sales declined due to lower volumes, divestments and discontinued operations. In addition, currency translations had a minor adverse effect on the euro-denominated value of net sales.

Profitability improved markedly. At EUR 133 million (EUR 91 million), the full year Group earnings before interest and taxes (EBIT) excluding non-recurring charges were higher than the previous year. In the first half of the year North America and Rigid Consumer Goods Plastics ("Consumer Goods") segments improved earnings strongly, while towards the year end Flexibles Global ("Flexibles") and Rough Molded Fiber Global ("Molded Fiber") segments showed progress compared to the previous year. Foodservice Europe-Asia-Oceania ("Foodservice") segment also improved earnings but Films Global ("Films") segment suffered from low demand and reported reduced earnings compared to the previous year. Most of the business segments were able to maintain sound margins, and successful cost reductions added to earnings growth. These positive factors more than compensated for the decrease of volumes which was experienced in most business segments.

Cash flow generation was strong throughout 2009, supported by improved working capital efficiency and low capital expenditure. All segments achieved good results in cash generation. This contributed to a considerable reduction of net debt, which advanced the accomplishment of the Group's key financial targets. The Group's return on investment (ROI) was 9.6%.

Implementation of the strategic direction laid out in late 2008 was continued. The segregation of Consumer Goods and Foodservice businesses in Europe was completed and the execution of the Consumer Goods strategic review progressed: four units in Australia and four in South America were divested during the year. Consumer Goods segment now has operations in Europe only, and the strategic review of these operations is ongoing.

During the year a rigid plastics site in Phoenix, USA, was closed and flexibles manufacturing in Malvern, USA, was discontinued. Furthermore, a rigid plastic production unit (reported under the Molded Fiber segment) in Roodekop, South Africa, was divested. A small Foodservice production unit in Malaysia was closed and its manufacturing relocated to China. The release paper business of Films segment was divested and the Forchheim site was restructured to lower cost and more focused operation. The restructuring of the Forchheim site resulted to a non-recurring charge of EUR 4 million.

The divestments of the Consumer Goods units in Australia and South America resulted to a book loss, and the segregation and ongoing strategic review of Consumer Goods operations in Europe resulted to a non-recurring charge that altogether totaled EUR 10 million.

The Group's 2009 EBIT, including a total of EUR 14 million non-recurring charges, was EUR 119 million (EUR -75 million, including a total of EUR 166 million non-recurring charges).

## Business review by segment

The sales distribution in 2009 was following: Flexibles Global 22% (21%), Films Global 7% (9%), North America 25% (23%), Rough Molded Fiber Global 10% (9%), Foodservice Europe-Asia-Oceania 22% (21%) and Rigid Consumer Goods Plastics 14% (17%).

### Flexibles Global

The segment's net sales were at EUR 464 million (EUR 498 million). While sales volumes were stable in comparison to prior year, price reductions applied as a result of lower raw material costs had a negative impact on the net sales. The discontinued operations in Malvern, USA, also had a decreasing effect on net sales.

Despite lower net sales, the segment's earnings growth accelerated towards year end. EBIT at EUR 28 million (EUR -1 million, including EUR 18 million non-recurring charges) reflects successful cost containment, better operational control and the elimination of Malvern losses. Operating cash flow of the segment was EUR 82 million (EUR 21 million).

The discontinuation of the loss-making flexible packaging operations in Malvern was finalized in the second quarter of 2009. During the year, a production unit in Thane, India was reconstructed and a new enterprise resource planning (ERP) system was implemented at all four sites in India.

### Films Global

Films segment suffered from low customer demand, particularly in industrial applications. The segment's net sales were EUR 154 million (EUR 201 million). Volume shortfall was obvious throughout the year and also some price reductions were made. There was, however, some recovery of orders towards the end of the year.

The segment's negative volume development was reflected in its earnings decline. EBIT of EUR -3 million (EUR 8 million) includes a EUR 4 million non-recurring charge related to the divestment of the release paper business and the resulting restructuring of operations in Forchheim, Germany. Operating cash flow of the segment was EUR 24 million (EUR 25 million).

All manufacturing of the divested release paper business in Forchheim is scheduled to be finalized and transferred to the buyer, B. Laufenberg GmbH, by the end of the first quarter of 2010.

### North America

The segment's net sales were EUR 529 million (EUR 536 million). Sales growth was strong in the first half of the year but, together with volumes, slowed down towards the end of the year. The slowdown in sales was attributable to soft market conditions, as well as the refocus and downscaling of the plastics operations with the closure of the site in Phoenix, USA. While the full year currency translation impact was positive, the impact turned unfavorable towards the year end. Retail sales grew due to new products and strong marketing efforts while foodservice sales suffered from soft market conditions and the restructuring of the plastics operations. In Frozen desserts business, market positions were strengthened and sales grew slightly.

North America segment's EBIT at EUR 56 million (EUR 33 million, including EUR 5 million non-recurring charges) was supported by the strong market positions in North America. The growth in EBIT was attained by careful cost containment, successful margin management and improved product mix. Unfavorable currency translation, volume softness and high marketing expenditure related to Chinet® brand re-launch slowed down earnings generation in the fourth quarter of the year. The segment's operating cash flow was EUR 56 million (EUR 42 million).

Closure of the site in Phoenix was completed in the third quarter.

### Rough Molded Fiber Global

The segment's net sales at EUR 208 million (EUR 214 million) decreased from previous year due to low sales in the machine and waste paper trading operations as well as an adverse impact from currency translations. Molded fiber packaging sales were up in all geographic regions and growth accelerated towards the year end. In particular, egg packaging demand was robust and the Group strengthened its market positions.

Molded Fiber segment's earnings growth reflects good cost containment and efficient operations. EBIT was EUR 18 million (EUR 8 million, including EUR 4 million non-recurring charges). Towards the year end, positive volumes contributed to improved profitability. Operating cash flow of the segment was EUR 18 million (EUR 17 million).

During the year, the rigid plastic production unit in Roodekop, South Africa, was divested. All South African units are reported under the Molded Fiber segment.

### Foodservice Europe-Asia-Oceania

Foodservice segment's volumes decreased. Net sales at EUR 450 million (EUR 490 million) reflect market softness and an adverse impact from currency translations. Most of the European markets were soft. Sales in Oceania, instead, showed moderate but steady growth.

EBIT at EUR 16 million (EUR -2 million, including EUR 15 million non-recurring charges) was supported by growth in Oceania, improved operational control in Asia as well as good overall cost containment. Operating cash flow of the segment was EUR 33 million (EUR 27 million).

In Europe and in Australia legal and operational segregation of Consumer Goods business was completed successfully, with no impact on customer service level throughout the process. Furthermore, the closure of a small rigid production unit in Malaysia was completed in the third quarter of the year.

### Rigid Consumer Goods Plastics

The segment's net sales were EUR 282 million (EUR 390 million), reduced due to divestments, adverse currency translations and lower volumes. While sales increased in Eastern Europe and in Australia, sales in other markets declined.

EBIT of EUR 10 million (EUR -123 million) includes EUR 10 million of non-recurring charges (EUR 124 million of non-recurring charges) related to execution of the strategic review of the segment. In detail, the sale of the Consumer Goods units in Australia and South America resulted to a book loss of EUR 7 million. The segregation and ongoing strategic review of Consumer Goods operations in Europe resulted in a non-recurring charge of EUR 3 million. Improvement in earnings is due to significant cost reduction and efficient operational control. Operating cash flow of the segment was EUR 24 million (EUR 36 million).

During the second quarter of the year the Consumer Goods business in South America was sold to subsidiaries of Bemis Company, Inc. With three manufacturing units in Brazil and one in Argentina and some 640 employees, the annual net sales of the divested businesses were approximately EUR 60 million. The agreed value for the transaction was EUR 30 million. Furthermore, the EPS (Expanded Polystyrene) packaging business in Australia was sold to Pact Group Pty Ltd. The annual net sales of the divested unit were approximately EUR 7 million and it employed some 40 people. The agreed value for the transaction was EUR 5 million. The divestment of the remaining Consumer Goods business in Australia was finalized in the fourth quarter of the year. The business was sold to Alto Manufacturing Pty Ltd, a subsidiary of Pact Group Pty Ltd. With three manufacturing units in Bankstown, Mulgrave and Wacol and some 330 employees, the annual net sales of the divested business were approximately EUR 50 million. The agreed value for the transaction was EUR 33 million. Following the divestments, the segment now has operations in Europe only. The strategic review of the European operations is ongoing.

### Financial review

The Group EBIT in 2009 was EUR 119 million (EUR -75 million), corresponding to an EBIT-margin of 5.8% (-3.3%). The full year Group EBIT includes non-recurring charges related to the divestment of the Films segment's release paper business and related restructuring of operations in Forchheim, Germany, as well as the strategic review of the Consumer Goods operations. Altogether, non-recurring charges in 2009 amounted to EUR 14 million (EUR 166 million). The Group EBIT in 2009 excluding non-recurring charges amounts to EUR 133 million (EUR 91 million), corresponding to an EBIT-margin of 6.5% (4.0%).

The net financial items were EUR -26 million (EUR -46 million). Tax expense amounts to EUR 20 million (tax income of EUR 10 million).

The 2009 Group result for the period was EUR 74 million (EUR -110 million) and the earnings per share (EPS) were EUR 0.63 (EUR -1.12). The average number of outstanding shares used in the EPS calculation was 100,539,283 (100,426,461) excluding 5,061,089 (unchanged) of the Company's own shares.

On a rolling 12-month basis, the return on investment (ROI) was 9.6% (-4.8%) and return on equity (ROE) was 10.1% (-14.8%).

### Statement of financial position and cash flow

Free cash flow in 2009 amounted to EUR 208 million (EUR 104 million). The strong improvement was due to efficient working capital management and a low level of capital expenditure. Capital expenditure in 2009 was EUR 53 million (EUR 74 million).

Net debt at the end of December 2009 was EUR 368 million (EUR 587 million). This corresponds to a gearing ratio of 0.50 (0.84). Debt reduction was achieved through strong cash flow and proceeds from divestments.

Total assets on the statement of financial position were EUR 1,759 million (EUR 1,952 million).

### Strategic direction

In 2009, the Group continued to develop its strongholds and review the Consumer Goods operations. The commitment to deliver a strong positive cash flow materialized and the Group's financial position was strengthened. Industrial performance was upgraded through continuous improvement projects.

The Group's focus remained on its five business segments with the most favorable preconditions to further improve the results and market shares. North America and Molded Fiber business segments were supported by investments in growth and operational excellence. Films business segment divested the release paper production and focused solely on release films. Flexibles and Foodservice business segments continued to develop a solid base for growth. Consumer Goods business was segregated from Foodservice in order to facilitate the strategic review.

The review of different strategic alternatives for the Consumer Goods operations proceeded. During 2009, units were divested in South America, Australia and South Africa. The review of the remaining operations in Europe continues.

The Group's key financial targets, return on investment (ROI) at 15% and dividend payout ratio of 40%, remain unchanged. Maintaining a solid financial base and further developing all five strongholds continue to be a priority.

### Personnel

The Group had 12,900 (14,644) employees at the end of December 2009. The number of employees by segment was the following: Flexibles 3,643 (3,603), Films 775 (926), North America 2,643 (2,731), Molded Fiber 1,581 (1,613), Foodservice 2,849 (3,663), Consumer Goods 1,355 (2,051), and other 54 (57). The average number of employees was 13,735 (15,044).

Huhtamäki Oyj employed 48 (52) people at year-end. The annual average was 49 (723). The decrease in the annual average is due to the segregation of the Foodservice and Consumer Goods businesses from the parent company into its wholly owned subsidiaries in 2008.

### Risk review

Risks are categorized to strategic, operational, financial and information risks. During the year, risk assessments were conducted at Group, segment and business unit levels. Risk mitigation action plans were prepared at each business entity and acceptable risk levels were defined by the line management. The acceptable risk level for the Group was reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors.

The main strategic risks are related to the ability to grow and macro economic instability. The main operational risks are related to sales and production planning as well as the steering and coordination of purchasing operations. The main financial risks are related to price management as well as raw material and energy price fluctuations.

During 2009, the risk mitigation actions defined at the end of 2008 were implemented. Price management projects to manage the fluctuation of raw material prices were continued successfully. Project management was aiming to mitigate the risks related to major change programs, such as implementation of major business restructuring or change programs. Actions defined to mitigate these risks helped to improve margins and manage change projects successfully during 2009.

Appropriate mitigation actions for main risks have been defined for year 2010.

More information on financial risks can be found in Note 28 to the Annual Accounts 2009.

### Environmental review

The Group's Environmental Policy is to ensure globally consistent operating principles. This is complemented by more detailed corporate policies 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 systems have been created to support and monitor the progress of the Group's operational and product environmental performance.

Environmental management activities are carried out primarily on the site level. All manufacturing units regularly inform on their environmental performance through environmental key performance indicators. From a total of 54 reporting manufacturing sites, 26, including the ten largest sites by 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.

In 2009, the Group continued to focus on improving the environmental performance of its manufacturing units. During 2009 the operational environmental targets for year end 2011 were redefined for each segment in order to better support and strengthen the relevance of the targets and related performance indicators for the segment's operations. Environmental performance will be reported accordingly in the future.

The environmental impact of human activity continued to be a frequent area of debate at both regional and international levels, but is not expected to present the Group with any significant new operative requirements. More information can be found in the sustainability report published by the Company.

### Resolutions of Huhtamäki Oyj's Annual General Meeting

Huhtamäki Oyj's Annual General Meeting of Shareholders was held in Helsinki on April 3, 2009. The meeting adopted the Company's Annual Accounts and the Consolidated Annual Accounts for 2008 and discharged the members of the Company's Board of Directors and the CEO from liability. The dividend for 2008 was set at EUR 0.34 (EUR 0.42) per share, as proposed by the Board of Directors.

Eight 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. Rolf Börjesson, Mr. Robertus van Gestel, Mr. Mikael Lilius, Mr. Anthony J.B. Simon and Mr. Jukka Suominen were re-elected to the Board of Directors. Ms. Siaou-Sze Lien 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.

The meeting granted the Board of Directors an authorization to resolve upon conveyance of the Company's own shares. The authorization is valid until April 30, 2012.

### 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 22 to the Annual Accounts 2009.

### Share capital and shareholders

At the end of the year, the Company's registered share capital was EUR 360,615,288.00 (EUR 358,657,670.00) corresponding to a total number of outstanding shares of 106,063,320 (105,487,550) 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 (unchanged), representing close to 4.8% of the total number of shares and voting rights. The amount of outstanding shares net of Company's own shares was 101,002,231 (100,426,461).

In 2009, a total of 575,770 new shares of Huhtamäki Oyj were issued based on share subscriptions under Huhtamäki Oyj's 2003 option rights plan. 504,130 new shares were issued based on the option rights 2003 A and 71,640 based on the option rights 2003 B. The corresponding aggregate increase in the Company's share capital, EUR 1,957,618.00, was entered in the Finnish Trade Register on October 27, 2009, and November 16, 2009. The new shares became publicly tradable as of October 28, 2009, and November 17, 2009, respectively. In terms of shareholder rights, the new shares are identical to the shares of the Company already traded on NASDAQ OMX Helsinki Ltd.

The 2003 A, 2003 B and 2003 C option rights under the Huhtamäki Oyj's 2003 option rights plan entitled to the subscription of a total of 2,250,000 new shares. The annual subscription period was May 2 – October 31. The last subscription date for shares of all option rights under the 2003 option rights plan was October 21, 2009.

The Company's 2006 B option rights were listed on the NASDAQ OMX Helsinki Ltd on October 1, 2009.

There were 22,935 (22,089) registered shareholders at the end of December 2009. Foreign ownership including nominee registered shares accounted for 29% (24%).

### 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 1,029 million (EUR 464 million) and EUR 980 million (EUR 442 million) excluding Company's own shares. With a closing price of EUR 9.70 (EUR 4.40) the share price increased by 120% (-46%) from the beginning of the year, while the OMX Helsinki Cap PI Index increased by 36% (-50%) and the OMX Helsinki Materials PI Index increased by 19% (-50%). In 2009, the volume weighted average price for the Company's share was EUR 7.25 (EUR 6.29). The highest price paid was EUR 9.90 on December 30, 2009 and the lowest price paid was EUR 4.46 on January 2, 2009.

During the year the cumulative value of the Company's share turnover was EUR 523 million (EUR 707 million). The trading volume of 73 million (112 million) shares equaled an average daily turnover of EUR 2.1 million (EUR 2.8 million) or, correspondingly 289,818 (441,220) shares.

In total, turnover of the Company's 2003 A, B and C as well as 2006 A and B option rights was EUR 1,351,735 corresponding to a trading volume of 1,810,814 shares.

### Short-term risks and uncertainties

Volatile raw material and energy prices as well as movements in currency rates are considered to be relevant short-term business risks and uncertainties in the Group's operations. General economic and financial market conditions can also have an adverse effect on the implementation of the Group's strategy and on its business performance and earnings.

### Outlook for 2010

General economic and market conditions in 2010 remain uncertain. The Group is in a good financial position to address growth opportunities in stronghold segments when they arise. Capital expenditure is expected to be higher than in 2009 but below EUR 100 million.

### Dividend proposal

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.38 (EUR 0.34) per share be paid.

### Annual General Meeting 2010

The Annual General Meeting of Shareholders will be held on Wednesday, March 24, 2010 at 2 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.

# Key exchange rates in Euros

| | | 2009 Income statement | 2009 Statement of financial position | 2008 Income statement | 2008 Statement of financial position |
|---|---|---|---|---|---|
| Australia | AUD | 0.5633 | 0.6247 | 0.5754 | 0.4932 |
| Brazil | BRL | 0.3609 | 0.3982 | 0.3720 | 0.3082 |
| UK | GBP | 1.1220 | 1.1260 | 1.2577 | 1.0498 |
| India | INR | 0.0149 | 0.0150 | 0.0158 | 0.0148 |
| Poland | PLN | 0.2309 | 0.2436 | 0.2834 | 0.2407 |
| United States | USD | 0.7176 | 0.6942 | 0.6786 | 0.7185 |

# Consolidated annual accounts 2009

## Group income statement (IFRS)

| EUR million | Note | 2009 | % | 2008 | % |
|---|---|---|---|---|---|
| **Net sales** | **2** | **2,037.7** | **100.0** | **2,260.0** | **100.0** |
| Cost of goods sold | 1 | -1,699.1 | | -2,043.2 | |
| **Gross profit** | | **338.6** | **16.6** | **216.8** | **9.6** |
| Other operating income | 4 | 19.0 | | 21.6 | |
| Sales and marketing | 1 | -75.7 | | -84.8 | |
| Research and development | 1 | -16.5 | | -16.2 | |
| Administration costs | 1 | -120.8 | | -117.2 | |
| Other operating expenses | 1, 5 | -25.5 | | -94.7 | |
| | | **-219.5** | | **-291.3** | |
| **Earnings before interest and taxes** | **6, 7** | **119.1** | **5.8** | **-74.5** | **-3.3** |
| Financial income | 8 | 24.1 | | 10.0 | |
| Financial expenses | 8 | -49.9 | | -55.7 | |
| Income from associated companies | | 0.6 | | 0.5 | |
| **Result before taxes** | | **93.9** | **4.6** | **-119.7** | **-5.3** |
| Income taxes | 9 | -20.4 | | 9.5 | |
| **Result for the period** | | **73.5** | **3.6** | **-110.2** | **-4.9** |
| Attributable to: | | | | | |
| Equity holders of the parent company | | 71.1 | | -111.9 | |
| Non-controlling interest | | 2.4 | | 1.7 | |
| EPS (EUR) from result for the period | 10 | 0.71 | | -1.11 | |
| EPS (EUR) attributable to hybrid bond investors | | 0.08 | | 0.01 | |
| EPS (EUR) attributable to equity holders of the parent company | | 0.63 | | -1.12 | |
| Diluted: | | | | | |
| EPS (EUR) from result for the period | 10 | 0.71 | | -1.11 | |
| EPS (EUR) attributable to hybrid bond investors | | 0.08 | | 0.01 | |
| EPS (EUR) attributable to equity holders of the parent company | | 0.63 | | -1.12 | |

### Group statement of comprehensive income (IFRS)

| EUR million | 2009 | 2008 |
|---|---|---|
| **Result for the period** | **73.5** | **-110.2** |
| **Other comprehensive income:** | | |
| Translation differences | 0.7 | -9.4 |
| Fair value and other reserves | 1.2 | -9.1 |
| Income tax related to components of other comprehensive income | -0.5 | 2.7 |
| **Other comprehensive income, net of tax** | **1.4** | **-15.8** |
| **Total comprehensive income** | **74.9** | **-126.0** |
| Attributable to: | | |
| Equity holders of the parent company | 72.3 | -127.7 |
| Non-controlling interest | 2.6 | 1.7 |

# Group statement of financial position (IFRS)

**ASSETS**

| EUR million | Note | 2009 | % | 2008 | % |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Goodwill | 11 | 394.8 | | 402.4 | |
| Other intangible assets | 11 | 32.7 | | 34.5 | |
| Tangible assets | 12 | 604.2 | | 676.3 | |
| Investments in associated companies | 13 | 2.5 | | 1.9 | |
| Available for sale investments | 15 | 1.9 | | 1.9 | |
| Interest bearing receivables | 16 | 11.0 | | 0.1 | |
| Deferred tax assets | 17 | 16.5 | | 15.1 | |
| Employee benefit assets | 18 | 57.9 | | 62.5 | |
| Other non-current assets | | 3.0 | | 3.7 | |
| | | **1,124.5** | **63.9** | **1,198.4** | **61.4** |
| **Current assets** | | | | | |
| Inventory | 19 | 236.1 | | 296.7 | |
| Interest bearing receivables | 16 | 19.4 | | 2.1 | |
| Current tax assets | | 9.1 | | 9.4 | |
| Trade and other current receivables | 20 | 305.5 | | 377.9 | |
| Cash and cash equivalents | 21 | 64.0 | | 67.8 | |
| | | **634.1** | **36.1** | **753.9** | **38.6** |
| **Total assets** | | **1,758.6** | **100.0** | **1,952.3** | **100.0** |

**EQUITY AND LIABILITIES**

| EUR million | Note | 2009 | % | 2008 | % |
|---|---|---|---|---|---|
| Share capital | 22 | 360.6 | | 358.7 | |
| Premium fund | | 106.8 | | 104.7 | |
| Treasury shares | 23 | -46.5 | | -46.5 | |
| Translation differences | 23 | -130.0 | | -130.5 | |
| Fair value and other reserves | 23 | -4.3 | | -5.0 | |
| Retained earnings | | 354.8 | | 327.5 | |
| **Total equity attributable to equity holders of the parent company** | | **641.4** | **36.5** | **608.9** | **31.2** |
| Non-controlling interest | | 20.2 | | 18.4 | |
| Hybrid bond | 23 | 75.0 | | 75.0 | |
| **Total equity** | | **736.6** | **41.9** | **702.3** | **36.0** |
| **Non-current liabilities** | | | | | |
| Interest bearing liabilities | 24 | 294.3 | | 474.7 | |
| Deferred tax liabilities | 17 | 42.5 | | 29.8 | |
| Employee benefit liabilities | 18 | 102.8 | | 103.8 | |
| Provisions | 25 | 55.9 | | 58.4 | |
| Other non-current liabilities | | 5.4 | | 6.5 | |
| | | **500.9** | **28.5** | **673.2** | **34.5** |
| **Current liabilities** | | | | | |
| Interest bearing liabilities | | | | | |
| Current portion of long term loans | 24 | 67.3 | | 25.2 | |
| Short term loans | 24 | 101.1 | | 157.3 | |
| Provisions | 25 | 6.0 | | 10.1 | |
| Current tax liabilities | | 10.9 | | 9.8 | |
| Trade and other current liabilities | 26 | 335.8 | | 374.4 | |
| | | **521.1** | **29.6** | **576.8** | **29.5** |
| **Total liabilities** | | **1,022.0** | **58.1** | **1,250.0** | **64.0** |
| **Total equity and liabilities** | | **1,758.6** | **100.0** | **1,952.3** | **100.0** |

# Group cash flow statement (IFRS)

| EUR million | 2009 | 2008 |
|---|---|---|
| **Result for the period** | **73.5** | **-110.2** |
| Adjustments | 134.2 | 280.0 |
| Depreciation, amortization and impairment | 88.6 | 245.9 |
| Gain on equity of minorities | -0.6 | -0.5 |
| Gain/loss from disposal of assets | 5.7 | -4.3 |
| Financial expense/-income | 25.8 | 45.7 |
| Income taxes | 20.4 | -9.5 |
| Other adjustments, operational | -5.7 | 2.7 |
| Change in inventory | 58.3 | 38.2 |
| Change in non-interest bearing receivables | 50.4 | 8.2 |
| Change in non-interest bearing payables | -28.3 | 2.8 |
| Dividends received | 0.5 | 0.5 |
| Interest received | 2.2 | 1.7 |
| Interest paid | -21.0 | -43.2 |
| Other financial expenses and income | -2.3 | -2.1 |
| Taxes paid | -12.5 | -5.0 |
| **Net cash flows from operating activities** | **255.0** | **170.9** |
| | | |
| Capital expenditure | -52.9 | -74.3 |
| Proceeds from selling fixed assets | 5.9 | 7.1 |
| Divested subsidiaries | 69.0 | - |
| Proceeds from long-term deposits | 1.3 | 3.3 |
| Payment of long-term deposits | -11.4 | -2.5 |
| Proceeds from short-term deposits | 13.7 | 33.4 |
| Payment of short-term deposits | -29.2 | -31.4 |
| **Net cash flows from investing** | **-3.6** | **-64.4** |
| | | |
| Proceeds from long-term borrowings | 599.3 | 489.3 |
| Repayment of long-term borrowings | -785.2 | -415.9 |
| Proceeds from short-term borrowings | 333.8 | 2,446.3 |
| Repayment of short-term borrowings | -363.3 | -2,620.5 |
| Dividends paid | -34.1 | -42.2 |
| Hybrid bond | - | 75.0 |
| Hybrid bond interest | -7.9 | - |
| Proceeds from stock option excercises | 4.1 | - |
| **Net cash flows from financing** | **-253.3** | **-68.0** |
| | | |
| **Change in liquid assets** | **-3.8** | **37.0** |
| Cash flow based | -1.9 | 38.5 |
| Translation difference | -1.9 | -1.5 |
| | | |
| Liquid assets on January 1 | 67.8 | 30.8 |
| Liquid assets on December 31 | 64.0 | 67.8 |

# Statement of changes in shareholders' equity

| EUR million | Share Capital | Share issue premium | Treasury Shares | Translation differences | Fair value and other reserves | Retained earnings | Total | Non-controlling interest | Hybrid bond | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the parent company | | | | | | | | | |
| **Balance at Dec 31, 2007** | **358.7** | **104.7** | **-46.5** | **-121.1** | **1.4** | **475.7** | **772.9** | **20.5** | **-** | **793.4** |
| Dividend | | | | | | -42.2 | -42.2 | | | -42.2 |
| Share-based payments | | | | | | 1.2 | 1.2 | | | 1.2 |
| Hybrid bond | | | | | | | | | 75.0 | 75.0 |
| Total comprehensive income for the year | | | | -9.4 | -6.4 | -111.9 | -127.7 | 1.7 | | -126.0 |
| Other changes | | | | | | 4.7 | 4.7 | -3.8 | | 0.9 |
| **Balance at Dec 31, 2008** | **358.7** | **104.7** | **-46.5** | **-130.5** | **-5.0** | **327.5** | **608.9** | **18.4** | **75.0** | **702.3** |
| Dividend | | | | | | -34.1 | -34.1 | | | -34.1 |
| Share-based payments | | | | | | 2.5 | 2.5 | | | 2.5 |
| Stock options excercised | 1.9 | 2.1 | | | | | 4.0 | | | 4.0 |
| Interest on hybrid bond | | | | | | -7.9 | -7.9 | | | -7.9 |
| Total comprehensive income for the year | | | | 0.5 | 0.7 | 71.1 | 72.3 | 2.6 | | 74.9 |
| Other changes | | | | | | -4.3 | -4.3 | -0.8 | | -5.1 |
| **Balance at Dec 31, 2009** | **360.6** | **106.8** | **-46.5** | **-130.0** | **-4.3** | **354.8** | **641.4** | **20.2** | **75.0** | **736.6** |

# Accounting principles for consolidated accounts

## Main activities

Huhtamaki Group is a truly global consumer and specialty packaging company with operations in 33 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 Huhtamäki 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 11, 2010.

## 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, 2009. 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, 2009

- Revised IAS 1 Presentation of Financial Statements: The changes affected presentation of comprehensive income and statement of changes in equity.
- Amendments to IFRS 7 Financial Instrument: Disclosures – Improving Disclosures about Financial Instruments. With the amendment the three level fair value hierarchy has been adopted in presenting the financial instruments. The amendment added the amount of disclosures in annual accounts.
- IAS 23 Borrowing costs. 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 assets. The amendment did not have any impact on the consolidated financial statements.
- IFRIC 13 Customer Loyalty Programmes. The Group does not have customer loyalty programs, so the interpretations have not affected the consolidated financial statements.
- Annual improvements to IFRS. The improvements cover several standards. The changes did not have significant impact to the consolidated financial statements.
- Amendments to IFRS 2 Share-based Payments – Vesting Conditions and Cancellations. The amendment did not have any impact to the consolidated financial statements.
- Amendments to IFRIC 9 Reassessment of Embedded Derivatives and to IAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives. The amendment did not have any impact to the consolidated financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 32 Financial Instruments: Presentation – Puttable Financial Instruments and Obligation Arising on Liquidation. The amendment did not have any impact to consolidated financial statements.
- IFRIC 15 Agreements for the Construction of Real Estate. The interpretations did not have any impact on consolidated financial statements, as the Group is not operating in construction business.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. The interpretation did not have significant impact on consolidated financial statements.

The Group has adopted IFRS 8 Operating Segments standard already in accounting period ended December 31, 2008 as early adoption.

## 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 and loss for the period attributable to equity holders of the parent company and non-controlling interest is presented in separate income statement. Comprehensive income attributable to equity holders of the parent company and non-controlling interest is presented in comprehensive income statement. Non-controlling interest is also disclosed as a separate item within equity. The share of carrying amount of losses relating to non-controlling interest is recorded in consolidated financial statements not more than value of investment portion.

**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 reporting 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 comprehensive income.

On consolidation the income statements of foreign entities are translated into Euros at the average exchange rate for the accounting period. The statements of financial positions 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 part of translation differences in comprehensive income.

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 as translation difference in comprehensive income. 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 in comperensive income and are presented 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 comprehensive income, 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 comprehensive income if hedge accounting criteria are met. If the hedged entity is disposed of, the cumulative changes in fair value of the hedging instrument that has been recorded in equity are included in the income statement at the time of disposal.

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

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

### Goodwill and other intangible assets

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

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

Bought emission rights will be initially valued at cost. Received emission rights are reported in statement of financial position 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 statement of financial position 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 reporting 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 or comprehensive income, is recognized to equity or comprehensive income.

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

As net sales is presented the sales income adjusted with sales discounts, indirect sales taxes and exchange rate differences relating to foreign currency sales. Revenue is recognized after the risks and rewards of ownership of the goods have been transferred to the buyer. Principal rule in revenue recognition takes place at the date of delivery according to delivery terms.

## 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 tests 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 11.

## New IAS/IFRS standards and interpretations

New standards, amendments and interpretations have been published and are not mandatory for the Group's accounting periods beginning on 1. January 2009 and which the Group has not adopted:

- Revised IFRS 3 Business Combination (effective from accounting periods beginning of July 1, 2009 or after).The change will have impact of goodwill recognized and reported business results
- Amended IAS 27 Consolidated and Separate Financial Statements (effective from accounting periods beginning of July 1, 2009 or after). The change relates the recognitions of changes in the ownership of subsidiaries.
- Amended IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective from accounting periods beginning July 1, 2009 or after) The change relates to hedge accounting. The change is not expected to have any impact on consolidated financial statements.
- IFRIC 17 Distribution of Non-cash Assets to Owners (effective from accounting periods beginning of July 1, 2009 or after). The interpretation is not expected to have impact on consolidated financial statements
- IFRIC 18 Transfers of Assets from Customers (effective from accounting periods beginning of July 1, 2009 or after). The interpretation is not expected to have impact on consolidated financial statements.
- Improvements to IFRSs (April 2009) (effective from accounting periods beginning January 1, 2010 or after). The changes differ by standard, but are not significant considering the financial statements.
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions (effective from accounting periods beginning from January 1, 2010 or after). The change will have no impact on consolidated financial statements.
- Amendment IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (effective from accounting periods beginning from January 1, 2010 or after). The amendment relates to accounting of emission of shares, options and subscription right in other than functional currency of the issuer. The change will not have impact on consolidated financial statement.

# Notes to the consolidated financial statements

## 1. RESTRUCTURING COSTS

The restructuring costs are related to the divestment of the release paper business and the resulting restructuring of the operations in Forchheim, Germany. 2008 restructuring costs were related to the unit closures in UK, Sweden and US.

Restructuring costs represent the costs of reduction in number of employees together with the writing down of manufacturing assets. The costs of the restructuring program have been included within reported Earnings before interest and taxes under the appropriate expense classifications within the consolidated income statement and are as follows:

| EUR million | 2009 | 2008 |
|---|---|---|
| Cost of goods sold | 3.1 | 25.2 |
| Sales and marketing | 0.7 | 2.8 |
| Administration costs | - | 2.1 |
| Other operating expenses | - | 6.7 |
| **Total** | **3.8** | **36.8** |

## 2. SEGMENT INFORMATION

According to 2008 updated strategy the Group has focused on packaging operations where it has a competitive advantage, good market positions and which create value for Group and its customers. Therefore, the reporting segments have been revised as of January 1, 2009 to reflect the newly organised segment structure. The Group has following six reportable segments:

**Flexibles Global:** Flexibles business is organized as a global segment. Flexibles are used for food and pet food packaging as well as non-food consumer packaging.

**Films Global:** Films business is organized as a global segment. 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.

**North America:** The segment includes the Rigid and Molded Fiber business in North America and Mexico. 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.

**Rough Molded Fiber Global:** The segment includes the Rough Molded Fiber business in Europe, Oceania, Africa and South America. Rough molded fiber is used to make fresh product packaging, such as egg and fruit packaging.

**Foodservice Europe-Asia-Oceania:** Foodservice paper and plastic disposable tableware is supplied to foodservice operators and fast food restaurants.

**Rigid Consumer Goods Plastics:** The segment includes the Rigid Consumer Goods Plastics business in Europe, Australia and South America. Rigid plastic packaging serves the consumer goods markets with fresh food, dairy, ice-cream and edible fats packaging. During 2009, businesses in Australia and South America have been divested and the segment has now operations only in Europe.

In the Group assessment of performance and decisions about allocation of resources is based on segment's potential to generate 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 Chief Executive Officer is the highest decision maker.

Segment information is based on internal management reporting and the valuation principles are according to IFRS standards. 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 for 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 and investments in associated companies.

**Segments 2009**

| EUR million | Flexibles Global | Films Global | North America | Rough Molded Fiber Global | Foodservice Europe-Asia-Oceania | Rigid Consumer Goods Plastics | Segments total |
|---|---|---|---|---|---|---|---|
| Net sales | 461.4 | 150.8 | 525.0 | 207.5 | 429.9 | 263.1 | 2,037.7** |
| Intersegment net sales | 2.9 | 3.6 | 3.7 | 0.1 | 19.7 | 19.1 | 49.1 |
| EBIT* | 28.4 | -2.7 | 55.5 | 17.6 | 16.3 | 9.6 | 124.7 |
| Net Assets | 305.5 | 111.0 | 364.8 | 166.0 | 225.7 | 72.6 | 1,245.6 |
| Capital Expenditure | 10.9 | 1.1 | 16.8 | 6.8 | 11.5 | 5.5 | 52.6 |
| Depreciation and amortisation | 18.9 | 6.1 | 21.8 | 12.0 | 20.5 | 8.5 | 87.8 |
| RONA, % (12m roll.) | 8.8% | -2.2% | 14.8% | 10.5% | 6.9% | 9.2% | - |
| Operating Cash Flow | 81.8 | 23.5 | 55.9 | 18.4 | 32.9 | 24.4 | - |
| | | | | | | | |
| * includes restructuring cost of | - | 3.8 | - | - | - | - | 3.8 |
| * includes non-recurring charges relating to execution of strategic review | - | - | - | - | - | 10.1 | 10.1 |

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

**Segments 2008**

| EUR million | Flexibles Global | Films Global | North America | Rough Molded Fiber Global | Foodservice Europe-Asia-Oceania | Rigid Consumer Goods Plastics | Segments total |
|---|---|---|---|---|---|---|---|
| Net sales | 494.3 | 193.8 | 531.8 | 213.4 | 456.7 | 370.0 | 2,260.0** |
| Intersegment net sales | 3.3 | 6.9 | 4.2 | 0.6 | 32.8 | 19.8 | 67.6 |
| EBIT* | -1.0 | 7.9 | 33.4 | 8.4 | -1.6 | -123.4 | -76.3 |
| Net Assets | 359.7 | 133.1 | 379.2 | 164.1 | 244.2 | 129.7 | 1,410.0 |
| Capital Expenditure | 21.2 | 4.4 | 13.8 | 9.7 | 16.9 | 7.5 | 73.5 |
| Depreciation and amortisation | 19.3 | 5.8 | 18.1 | 11.4 | 23.5 | 17.2 | 95.3 |
| RONA, % (12m roll.) | -0.3% | 5.6% | 8.9% | 4.8% | -0.6% | -52.8% | - |
| Operating Cash Flow | 20.8 | 24.6 | 42.4 | 17.4 | 27.0 | 35.8 | - |
| | | | | | | | |
| * includes restructuring cost of | 1.7 | - | 2.0 | - | 3.3 | 9.2 | 16.2 |
| * includes goodwill impairment of | 7.4 | - | - | 3.7 | 7.1 | 54.1 | 72.3 |
| * includes asset impairments of | 8.8 | - | 3.2 | - | 4.1 | 60.9 | 77.0 |

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

**Reconciliation calculations**
**Result**

| EUR million | 2009 | 2008 |
|---|---|---|
| Total EBIT for reportable segments | 124.7 | -76.3 |
| EBIT for other activities | -5.6 | 1.8 |
| Net financial items | -25.8 | -45.7 |
| Income of associated companies | 0.6 | 0.5 |
| **Groups result before taxes** | **93.9** | **-119.7** |

**Assets**

| EUR million | 2009 | 2008 |
|---|---|---|
| Total assets for reportable segments | 1,561.0 | 1,757.9 |
| Assets in other activities | 11.0 | 29.0 |
| Unallocated assets | 186.6 | 165.4 |
| **Groups total assets** | **1,758.6** | **1,952.3** |

**Liabilities**

| EUR million | 2009 | 2008 |
|---|---|---|
| Total liabilities for reportable segments | 315.4 | 347.9 |
| Liabilities in other activities | 16.0 | 20.4 |
| Unallocated liabilities | 690.6 | 881.7 |
| **Groups total liabilities** | **1,022.0** | **1,250.0** |

## 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.

**2009**

| EUR million | Net Sales from external customers | Non-current assets |
|---|---|---|
| United States | 547.1 | 329.2 |
| Germany | 491.2 | 235.9 |
| Australia | 116.5 | 29.4 |
| India | 84.9 | 51.9 |
| Great Britain | 81.0 | 33.0 |
| Finland | 74.8 | 46.5 |
| France | 67.8 | 31.6 |
| Poland | 66.8 | 19.3 |
| Italy | 57.8 | 20.1 |
| Netherlands | 53.4 | 36.9 |
| Other countries | 396.4 | 200.4 |
| **Total** | **2,037.7** | **1,034.2** |

**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** |

## 3. DIVESTED BUSINESSES

Relating to execution of the strategic review of the Rigid Consumer Goods Plastics segment, during the second quarter of the year the Consumer Goods business in South America was sold to subsidiaries of Bemis Company, Inc. Furthermore, the Expanded Polystyrene (EPS) packaging business in Australia was sold to Pact Group Pty Ltd. The remaining Consumer Goods business in Australia was sold to Alto Manufacturing Pty Ltd, a subsidiary of Pact Group Pty Ltd, in the fourth quarter of the year. The profit of the sale has been reported under Other Operating Income and the losses under Other Operating expenses.

| EUR million | 2009 |
|---|---|
| Sale of Consumer Goods business in South America | 1.4 |
| Sale of EPS business in Australia | -2.2 |
| Sale of Consumer Goods business in Australia | -5.9 |
| **Total** | **-6.7** |

## 4. OTHER OPERATING INCOME

| EUR million | 2009 | 2008 |
|---|---|---|
| Royalties | 7.2 | 6.2 |
| Gain on Disposal of fixed assets | 3.3 | 4.8 |
| Workers' compensation premium | 2.5 | 2.2 |
| Other | 6.0 | 8.4 |
| **Total** | **19.0** | **21.6** |

## 5. OTHER OPERATING EXPENSES

| EUR million | 2009 | 2008 |
|---|---|---|
| Amortization other intangible assets | 5.7 | 7.4 |
| Impairment of goodwill | - | 72.2 |
| Impairment of other intangible assets | - | 7.3 |
| Losses on Disposal of businesses | 8.1 | - |
| Workers’ compensation expense | 3.4 | - |
| Other | 8.3 | 7.8 |
| **Total** | **25.5** | **94.7** |

## 6. PERSONNEL EXPENSES

| EUR million | 2009 | 2008 |
|---|---|---|
| Wages and Salaries | 370.5 | 398.6 |
| Compulsory social security contributions | 44.8 | 46.0 |
| Pensions | | |
| Defined benefit plans | 9.2 | 5.6 |
| Defined contribution plans | 9.7 | 10.6 |
| Other post employment benefits | 2.7 | 6.5 |
| Share based payments | 3.2 | 1.2 |
| Other personnel costs | 27.2 | 29.1 |
| **Total** | **467.3** | **497.6** |

Remuneration paid by the parent company to the members of the Board of Directors as well as the CEO of Huhtamäki Oyj (9 people) amounted to 1.1 MEUR. The CEO of Huhtamäki Oyj is entitled to retirement at the age of 60. (See note 29)

| Average number of personnel | 2009 | 2008 |
|---|---|---|
| Group | 13,735 | 15,044 |
| Huhtamäki Oyj | 49 | 723 |

The decrease in the Huhtamäki Oyj average number of personnel is due to the separation of the Foodservice and Consumer Goods businesses from the parent company into its wholly owned subsidiaries.

## 7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

| EUR million | 2009 | 2008 |
|---|---|---|
| Depreciation and amortization by function: | | |
| Production | 76.2 | 82.8 |
| Sales and marketing | 0.2 | 0.2 |
| Research and development | 0.2 | 0.4 |
| Administration | 1.4 | 1.7 |
| Other | 10.6 | 11.4 |
| **Total** | **88.6** | **96.6** |
| | | |
| Depreciation and amortization by asset type: | | |
| Buildings | 10.3 | 11.2 |
| Machinery and equipment | 67.8 | 72.7 |
| Other tangible assets | 4.8 | 5.4 |
| Other intangible assets | 5.7 | 7.4 |
| **Total** | **88.6** | **96.6** |
| | | |
| Impairments by asset type: | | |
| Buildings | - | 1.5 |
| Machinery and equipment | - | 68.3 |
| Goodwill | - | 72.2 |
| Other intangible assets | - | 7.3 |
| **Total impairments** | **-** | **149.3** |

## 8. NET FINANCIAL ITEMS

Gains and losses on fair value hedges are reported net of the gain or loss on the hedged item. Only forex exchange revaluation gains and losses arising from purely financial exposures such as loans denominated in foreign currencies are reported in other financial items.

| EUR million | 2009 | 2008 |
|---|---|---|
| Interest income on bank deposits | 1.8 | 1.5 |
| Dividend income on available for sales asset | 0.4 | 0.5 |
| | | |
| Gain on fair value hedges | 0.2 | 0.9 |
| FX revaluation gains on interest bearing assets and liabilities | 21.7 | 7.1 |
| **Other financial income** | **21.9** | **8.0** |
| | | |
| Interest expense on liabilities | -27.0 | -45.9 |
| | | |
| Loss on fair value hedges | -0.3 | -0.5 |
| FX revaluation losses on interest bearing assets and liabilities | -21.6 | -7.8 |
| Bank fees, taxes and stock exhange expenses | -1.0 | -1.5 |
| **Other financial expense** | **-22.9** | **-9.8** |
| | | |
| **Total** | **-25.8** | **-45.7** |

## 9. TAXES IN INCOME STATEMENT

| EUR million | 2009 | 2008 |
|---|---|---|
| Current Period taxes | 10.9 | 3.9 |
| Previous period taxes | -3.6 | -5.6 |
| Deferred tax expense | 13.1 | -7.8 |
| **Total tax expense** | **20.4** | **-9.5** |
| | | |
| Result before taxes | 93.9 | -119.7 |
| | | |
| Tax calculated at domestic rate | 24.4 | -31.1 |
| | | |
| Effect of different tax rates in foreign subsidiaries | -1.5 | -3.4 |
| Income not subject to tax | -8.7 | -3.9 |
| Expenses not deductible for tax purposes | 8.1 | 26.4 |
| Utilisation of previously unrecognised tax losses | -2.9 | -0.4 |
| Previous period taxes | -3.6 | -5.6 |
| Other items | 4.6 | 8.5 |
| **Total tax charge** | **20.4** | **-9.5** |

### Tax effects relating to components of other comprehensive income

| EUR million | 2009 Before tax amount | Tax expense/ benefit | Net of tax amount | 2008 Before tax amount | Tax expense/ benefit | Net of tax amount |
|---|---|---|---|---|---|---|
| Fair value and other reserves | 1.2 | -0.5 | 0.7 | -9.1 | 2.7 | -6.4 |

## 10. EARNINGS PER SHARE

| EUR million | 2009 | 2008 |
|---|---|---|
| Net income attributable to equity holders of the parent company (basic/diluted) | 71.1 | -111.9 |
| Interest of Hybrid bond | -7.9 | -0.7 |

| Thousands of shares | 2009 | 2008 |
|---|---|---|
| Weighted average number of shares outstanding | 100,539 | 100,426 |
| Effect of issued share options | 44 | 0 |
| Diluted weighted average number of shares outstanding | 100,583 | 100,426 |

| | 2009 | 2008 |
|---|---|---|
| Basic earnings per share (EUR) from result of the period | 0.71 | -1.11 |
| Basic earnings per share (EUR) attributable to hybrid bond investors | 0.08 | 0.01 |
| Basic earnings per share (EUR) attributable to equity holders of the parent company | 0.63 | -1.12 |
| | | |
| Diluted earnings per share (EUR) from result of the period | 0.71 | -1.11 |
| Diluted earnings per share (EUR) attributable to hybrid bond investors | 0.08 | 0.01 |
| Diluted earnings per share (EUR) attributable to equity holders of the parent company | 0.63 | -1.12 |

## 11. INTANGIBLE ASSETS

| EUR million | Goodwill | Intangible rights | Other intangibles (including software) | Total 2009 |
|---|---|---|---|---|
| Acquisition cost at 1 January 2009 | 546.5 | 3.3 | 76.9 | **626.6** |
| Additions | - | 1.1 | 0.2 | **1.3** |
| Disposals | -5.6 | -1.6 | -2.7 | **-9.9** |
| Intra-balance sheet transfer | - | 0.1 | 4.2 | **4.3** |
| Changes in exchange rates | 4.8 | 0.3 | 1.0 | **6.2** |
| Acquisition cost at 31 December 2009 | 545.7 | 3.2 | 79.6 | **628.5** |
| | | | | |
| Accumulated amortisation and impairment at 1 January 2009 | 144.1 | 0.1 | 45.6 | **189.7** |
| Accumulated amortisation and impairment on disposals and transfers | - | 0.1 | -2.8 | **-2.7** |
| Amortisation during the financial year | - | 0.0 | 5.7 | **5.7** |
| Impairments | - | - | - | **-** |
| Changes in exchange rates | 6.8 | 0.2 | 1.2 | **8.2** |
| Accumulated amortisation and impairment at 31 December 2009 | 150.9 | 0.4 | 49.7 | **201.0** |
| | | | | |
| **Book value at 31 December 2009** | **394.8** | **2.8** | **29.9** | **427.5** |

| 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** |

For impairment of goodwill, see Note 7.

Emission rights are included in other intangible assets and are valued at fair value at 2. January 2009. The value of emission rights included in balance sheet closing data was 1.1 million euros. The Group has not sold any emission rights by book closing 2009. 363,190 emission rights has been allocated to the Group for the commitment period 2008-2012. In 2009 the emission allowance surplus was 6,526 allowances.

### 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. Goodwill has been allocated to following groups of cash-generating units:

| EUR million | 2009 | 2008 |
|---|---|---|
| Flexibles Europe | 81.1 | 81.1 |
| Films Europe and North America | 41.5 | 41.5 |
| Molded Fiber Europe | 47.3 | 47.3 |
| North America | 179.8 | 182.4 |
| | **349.7** | **352.3** |
| Multiple units with smaller goodwill amount | 45.1 | 50.1 |
| | **394.8** | **402.4** |

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

Goodwill has been tested for impairment and as the recoverable value of the groups of the cash generating units has been higher than the carrying value, no impairment charges has been recognized.

In 2008 EUR 72.3 million impairment charges relating to goodwill and EUR 77.0 million relating to tangible assets have been recognized based on impairment testing. No reversal relating to asset impairment was recognized in 2009.

Goodwill is tested 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 per cent growth rate. Management view this growth rate as being appropriate for the business, given the long time horizon of the testing period. This growth rate has been applied consistently to all cash generating units. The pre-tax discount rate used in calculations reflects the weighted average cost of capital and risks to the asset under review. The pre-tax discount rates used in discounting the projected cash flows are as follows: Flexibles Europe 8.9 (2008: 8.9) percent, Films Europe and North America 8.5 (2008: 8.6) percent, Molded Fiber Europe 9.1 (2008: 8.7) percent and North America 8.2 (2008: 8.0) percent. The pre-tax discount rates used in the smaller scale units with smaller goodwill range from 9.9 to 20.5 (2008: 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 (EBIT and discount rates) would not cause carrying amount of cash generating unit to exceed its recoverable amount, as the future cash flows are substantially higher than the carrying amount.

## 12. TANGIBLE ASSETS

| EUR million | Land | Buildings and con-structions | Machinery and equipment | Construction in progress and advance payments | Other tangible assets | Total 2009 |
|---|---|---|---|---|---|---|
| Acquisition cost at 1 January 2009 | 25.3 | 298.5 | 1120.2 | 39.0 | 44.6 | **1527.6** |
| Additions | - | 2.0 | 8.1 | 39.7 | 0.6 | **50.4** |
| Disposals | -2.6 | -24.5 | -133.8 | -2.4 | -4.5 | **-167.8** |
| Intra-balance sheet transfer | - | 5.3 | 43.8 | -53.1 | -0.3 | **-4.3** |
| Changes in exchange rates | 0.9 | 4.0 | 18.1 | 4.0 | 1.2 | **28.3** |
| Acquisition cost at 31 December 2009 | 23.6 | 285.3 | 1056.4 | 27.2 | 41.6 | **1434.2** |
| | | | | | | |
| Accumulated depreciation at 1 January 2009 | 1.2 | 117.9 | 705.9 | - | 26.4 | **851.3** |
| Accumulated depreciation on decreases and transfers | 0.0 | -7.3 | -106.9 | - | -4.7 | **-118.9** |
| Depreciation during the financial year | - | 10.3 | 67.8 | - | 4.8 | **82.9** |
| Impairments | - | -0.2 | - | - | - | **-0.2** |
| Changes in exchange rates | 0.0 | 2.7 | 10.9 | - | 1.1 | **14.8** |
| Accumulated depreciation at 31 December 2009 | 1.2 | 123.4 | 677.7 | - | 27.6 | **830.0** |
| | | | | | | |
| **Book value at 31 December 2009** | **22.4** | **161.9** | **378.7** | **27.2** | **14.0** | **604.2** |
| | | | | | | |
| **Value of Financial leased items included in book value 2009** | **-** | **-** | **-** | **-** | **0.3** | **0.3** |

| EUR million | Land | Buildings and con-structions | Machinery and equipment | Construction in progress and advance payments | Other tangible assets | Total 2008 |
|---|---|---|---|---|---|---|
| Acquisition cost at 1 January 2008 | 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 2008 | 25.3 | 298.5 | 1,120.2 | 39.0 | 44.6 | **1,527.6** |
| | | | | | | |
| Accumulated depreciation at 1 January 2008 | 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 at 31 December 2008 | 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** |

## 13. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has investments in the following associates:

| Company | Country | Ownership 2009 | Ownership 2008 |
|---|---|---|---|
| Arabian Paper Products Co. | Saudi-Arabia | 40.0% | 40.0% |
| Hiatus B.V. | Netherlands | 50.0% | 50.0% |

| EUR million | 2009 | 2008 |
|---|---|---|
| Book value at January 1 | 1.9 | 1.5 |
| Share of results | 0.6 | 0.5 |
| Translation differences | - | -0.1 |
| **Book value at December 31** | **2.5** | **1.9** |

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

**2009**

| EUR million | Assets | Liabilities | Equity | Net Sales | Profit for the period |
|---|---|---|---|---|---|
| Arabian Paper Products Co., Saudi-Arabia | 9.8 | 4.7 | 5.1 | 11.6 | 1.6 |
| Hiatus B.V., Netherlands | 2.2 | 1.2 | 1.0 | 2.4 | 0.5 |

**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 |

## 14. JOINT VENTURES

The Group has investments in the following joint ventures:

| Name | Ownership 2009 | Ownership 2008 |
|---|---|---|
| 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 | 2009 | 2008 |
|---|---|---|
| Non-current assets | 4.8 | 4.0 |
| Current assets | 6.1 | 4.7 |
| Non-current liabilities | -0.2 | -1.9 |
| Current liabilities | -4.2 | -2.7 |
| **Net assets/ (liabilities)** | **6.5** | **4.1** |
| | | |
| Income | 14.3 | 15.5 |
| Expenses | -13.2 | -14.3 |
| **Profit for the period** | **1.1** | **1.2** |

## 15. 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 | 2009 | 2008 |
|---|---|---|
| Book value at January 1 | 1.9 | 1.9 |
| Change in fair value | - | - |
| **Book value at December 31** | **1.9** | **1.9** |

## 16. INTEREST BEARING RECEIVABLES

| EUR million | 2009 Carrying amount | 2009 Fair value | 2008 Carrying amount | 2008 Fair value |
|---|---|---|---|---|
| Current | | | | |
| Loan receivables | 18.9 | 18.9 | 0.9 | 0.9 |
| Finance lease receivables | 0.5 | 0.4 | 1.2 | 1.0 |
| **Current interest bearing receivables** | **19.4** | **19.3** | **2.1** | **1.9** |
| | | | | |
| Non-Current | | | | |
| Loan receivables | 10.2 | 9.6 | - | - |
| Finance lease receivables | 0.8 | 0.8 | 0.1 | 0.1 |
| **Non-Current interest bearing receivables** | **11.0** | **10.4** | **0.1** | **0.1** |

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 | 2009 | 2008 |
|---|---|---|
| Finance lease receivable is payable as follows: | | |
| In less than one year | 0.5 | 1.2 |
| Between one and five years | 0.8 | 0.1 |
| **Total minimum lease payments** | **1.3** | **1.3** |
| | | |
| **Present value of minimum lease payments** | | |
| In less than one year | 0.4 | 1.1 |
| Between one and five years | 0.8 | 0.1 |
| **Total present value of minimum lease payments** | **1.2** | **1.2** |
| | | |
| **Unearned future financial income** | 0.1 | 0.1 |

Finance lease receivables relates to packaging machines leased to customers.

## 17. DEFERRED TAXES

| EUR million | 2009 | 2008 |
|---|---|---|
| Deferred Tax assets by types of temporary differences | | |
| Tangible assets | 5.0 | 6.4 |
| Employee benefit | 12.7 | 15.8 |
| Provisions | 3.8 | 2.1 |
| Unused tax losses | 14.8 | 21.5 |
| Other temporary differences | 19.5 | 22.4 |
| **Total** | **55.8** | **68.2** |
| | | |
| Deferred tax liabilities | | |
| Tangible assets | 44.3 | 39.7 |
| Employee benefit | 22.2 | 25.8 |
| Other temporary differences | 15.3 | 17.4 |
| **Total** | **81.8** | **82.9** |
| | | |
| Net deferred tax liabilities | 26.0 | 14.7 |
| | | |
| Reflected in statement of financial position as follows: | | |
| Deferred tax assets | 16.5 | 15.1 |
| Deferred tax liabilities | 42.5 | 29.8 |
| **Total** | **26.0** | **14.7** |

December 31, 2009 the Group had EUR 176 million (2008: EUR 157 million) worth of deductable temporary differences, for which no deferred tax asset was recognised. EUR 119 million of these temporary differences have unlimited expiry, EUR 50 million expire later than in five years and EUR 7 million expire in five years.

Deferred taxes recognized directly in other comprehensive income are presented in note 23.

## 18. 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** | **2009** | **2008** |
|---|---|---|
| **The amounts recognized in the statement of financial position:** | | |
| Present value of funded obligations | 372.7 | 334.0 |
| Fair value of plan assets | -317.7 | -295.8 |
| Present value of unfunded obligations | 49.5 | 50.6 |
| Unrecognized actuarial gains(-) and losses (+) | -59.6 | -47.5 |
| **Net asset(-) or liability(+)** | **44.9** | **41.3** |
| | | |
| **Reflected to statement of financial position as follows:** | | |
| Pension assets | 57.9 | 62.5 |
| Pension liabilities | 102.8 | 103.8 |
| | | |
| **Expenses recognised in the income statement:** | | |
| Current service cost | 6.1 | 7.4 |
| Interest cost | 19.3 | 21.8 |
| Expected return on plan assets | -17.2 | -20.8 |
| Actuarial gains (-) and losses (+) | 2.3 | 0.6 |
| Recognized past service costs | - | 0.1 |
| Effect of any curtailments or settlements | 0.2 | -0.2 |
| **Total defined benefit expenses** | **10.7** | **8.9** |
| | | |
| **Actual return of pension assets** | **2.7** | **-24.6** |
| | | |
| **The expenses of defined benefit plans are allocated by function as follows:** | | |
| Cost of goods sold | 5.6 | 5.0 |
| Sales and marketing | 1.0 | 1.1 |
| Administration costs | 4.1 | 2.8 |
| **Functional split of expense** | **10.7** | **8.9** |
| | | |
| **Movements in the present value of the defined benefit obligation:** | | |
| Defined benefit obligation at January 1 | 384.6 | 411.7 |
| Translation difference | 1.2 | -16.0 |
| Service cost | 8.3 | 9.1 |
| Interest cost | 21.9 | 21.4 |
| Actuarial losses (+) gains (-) | 35.2 | -19.0 |
| Losses (+) gains (-) on curtailments or settlements | -0.3 | -0.3 |
| Liabilities extinguished on settlements | -4.9 | -0.2 |
| Benefits paid | -23.8 | -22.1 |
| **Defined benefit obligation at December 31** | **422.2** | **384.6** |

| Movement in the fair value of the plan assets are as follows: | 2009 | 2008 |
|---|---|---|
| Fair value of plan assets at January 1 | -295.8 | -350.5 |
| Translation difference | -1.1 | 12.7 |
| Expected return on plan assets | -19.2 | -20.6 |
| Actuarial losses (+) gains (-) | -16.7 | 52.8 |
| Assets distributed on settlements | 4.9 | -0.3 |
| Contribution by employer | -4.2 | -3.1 |
| Contribution by employee | -1.1 | -1.3 |
| Benefits paid | 15.5 | 14.5 |
| **Fair value of plan assets at December 31** | **-317.7** | **-295.8** |

Expected contribution to defined contribution plans during 2010 are 12.2 million euros.

| The major categories of plan assets as percentage of total plan assets: | 2009 | 2008 |
|---|---|---|
| European equities % | 14.7 | 14.9 |
| North American equities % | 10.7 | 9.2 |
| European bonds % | 10.6 | 10.2 |
| North American bonds % | 22.8 | 25.5 |
| Property % | 1.3 | 0.4 |
| Other % | 39.9 | 39.8 |
| | **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: | 2009 | 2008 |
|---|---|---|
| Discount rate (%) | | |
| Europe | 4.0–5.8 | 5.8 –10.0 |
| Americas | 5.7–5.8 | 6.3 |
| Asia,Oceania,Africa | 8.3–9.3 | 6.5 –9.8 |
| Expected return on plan asset (%) | | |
| Europe | 5.3–7.0 | 5.4 –7.0 |
| Americas | 7.2 | 7.2 |
| Asia,Oceania,Africa | - | 7.5 |
| Future salary increases (%) | | |
| Europe | 2.0–4.2 | 2.0 –3.0 |
| Americas | 4.3 | 4.3 |
| Asia,Oceania,Africa | 7.3 | 5.0 –6.8 |
| Future pension increases (%) | | |
| Europe | 1.5–3.7 | 1.9–4.0 |
| Employees opting for early retirement (%) | | |
| Europe | 1.4–5.9 | 6.3 |
| Annual increase in healthcare costs (%) | | |
| Americas | 8.5 | 9.0 |
| Asia,Oceania,Africa | 7.2 | 8.2–8.3 |
| Future change in max. state healthcare benefit (%) | | |
| Americas | 8.5 | 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: | 2009 | 2008 |
|---|---|---|
| 1% p. increase of healthcare | 2.8 | 2.8 |
| 1% p. decrease of healthcare | -2.4 | -2.4 |

| **Amounts for the current and previous periods are as follows:** | **2009** | **2008** | **2007** | **2006** | **2005** |
|---|---|---|---|---|---|
| Defined benefit obligation | 379.5 | 337.9 | 360.3 | 408.4 | 414.9 |
| Fair value of plan assets | -317.7 | -295.8 | -350.5 | -362.5 | -375.0 |
| Surplus/(deficit) | 61.8 | -42.1 | -9.8 | -45.9 | -39.9 |
| Experience adj.on pension plan liabilities | 2.9 | -0.1 | -1.2 | 0.6 | 0.1 |
| Experience adj.on pension plan assets | 9.8 | 2.5 | 1.8 | 4.2 | 3.7 |
| | | | | | |
| **Post-employment medical benefits and other defined benefits** | | | | | |
| Defined benefit obligation | 42.7 | 46.7 | 51.2 | 61.1 | 65.6 |
| Experience adj. on other plan liabilities | -1.9 | 0.1 | -3.9 | 2.0 | -1.6 |

## 19. INVENTORIES

| **EUR million** | **2009** | **2008** |
|---|---|---|
| Raw and packaging material | 75.1 | 92.9 |
| Work-In-Process | 32.1 | 42.0 |
| Finished goods | 126.2 | 158.9 |
| Advance payments | 2.7 | 2.9 |
| **Inventories total** | **236.1** | **296.7** |

The value at cost for finished goods amounts to EUR 137.3 million (2008: EUR 170.8 million). An allowance of EUR 13.8 million (2008: EUR 14.9 million) has been established for obsolete items. The total inventories include EUR 2.4 million resulting from reversals of previously written down values (2008: EUR 2.2 million).

## 20. TRADE AND OTHER CURRENT RECEIVABLES

| **EUR million** | **2009** | **2008** |
|---|---|---|
| Trade receivables | 259.6 | 313.9 |
| Other receivables | 26.2 | 25.2 |
| Accrued interest and other financial items | 3.1 | 20.6 |
| Other accrued income and prepaid expenses | 16.6 | 18.2 |
| **Total** | **305.5** | **377.9** |

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 2009** | **Impairment 2009** | **Gross 2008** | **Impairment 2008** |
|---|---|---|---|---|
| Not past due | 221.7 | 1.8 | 254.6 | 2.6 |
| Past due 0–30 days | 33.2 | 0.2 | 44.5 | 0.2 |
| Past due 31–120 days | 7.4 | 1.1 | 16.2 | 1.3 |
| Past due more than 120 days | 8.2 | 7.8 | 8.6 | 5.9 |
| **Total** | **270.5** | **10.9** | **323.9** | **10.0** |

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

## 21. CASH AND CASH EQUIVALENTS

| EUR million | 2009 | 2008 |
|---|---|---|
| Cash and bank | 55.3 | 46.6 |
| Marketable securities | 8.7 | 21.2 |
| **Total** | **64.0** | **67.8** |

## 22. SHARE CAPITAL OF THE PARENT COMPANY

| Share capital | Number of shares | Share capital EUR | Share premium EUR | Treasury shares EUR | Total EUR |
|---|---|---|---|---|---|
| January 1, 2008 | 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 |
| Subscription through option rights October 27, 2009 | 14,300 | 48,620.00 | 48,334.00 | - | 96,954.00 |
| Subscription through option rights November 16, 2009 | 561,470 | 1,908,998.00 | 2,059,675.00 | - | 3,968,673.00 |
| December 31, 2009 | 106,063,320 | 360,615,288.00 | 106,774,780.42 | -46,509,623.20 | 420,880,445.22 |

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, 2009 the Board of Directors had no authorization to repurchase own shares. The Annual General Meeting of Shareholders on April 3, 2009 gave the Board of Directors an authorization to resolve upon conveyance of the Company's own shares by April 30, 2012. This authorization was not exercised during 2009.

Members of the Board of Directors and the CEO of Huhtamäki Oyj owned on December 31, 2009 a total of 82,148 shares (December 2008: 81,148 shares). These shares represent 0.08% (December 2008: 0.08%) 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 one option rights plan in force (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 CEO is stipulated in Sections 4, 5 and 8 of the Articles of Association.

At the Annual General Meeting of Shareholders held on April 3, 2009, the Board of Directors was granted authorization to resolve upon conveyance of 5,061,089 Company's own shares. The authorization is valid until April 30, 2012.

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 31.12.2009**

| Number of shares | Number of shareholders | % of shareholders | Number of shares | % of shares |
|---|---|---|---|---|
| 1–100 | 3,878 | 16.9 | 246,621 | 0.2 |
| 101–1,000 | 13,610 | 59.3 | 6,059,204 | 5.7 |
| 1,001–10,000 | 5,018 | 21.9 | 13,275,783 | 12.5 |
| 10,001–100,000 | 364 | 1.6 | 9,312,151 | 8.8 |
| 100,001–1,000,000 | 53 | 0.2 | 14,159,832 | 13.4 |
| Over 1,000,000 | 12 | 0.1 | 62,937,101 | 59.3 |
| Total | 22,935 | 100.0 | 105,990,692 | 99.9 |
| In the joint book-entry account | | | 72,628 | 0.1 |
| **Number of shares issued** | | | **106,063,320** | **100.0** |

| Distribution by sector | % of shares |
|---|---|
| Non-profit organizations | 26.6 |
| Nominee-registered shares | 24.4 |
| Households | 19.0 |
| Private companies | 9.9 |
| Financial and insurance companies | 9.4 |
| Public-sector organizations | 6.4 |
| Foreigners | 4.2 |
| In the joint book-entry account | 0.1 |
| **Number of shares issued** | **100.0** |

**Largest registered shareholders 31.12.2009***

| Name | Number of shares/votes | % |
|---|---|---|
| The Finnish Cultural Foundation | 16,114,304 | 15.2 |
| Society of Swedish Literature in Finland | 3,558,000 | 3.4 |
| Ilmarinen Mutual Pension Insurance Company | 3,231,800 | 3.1 |
| OP-Delta Fund | 3,222,215 | 3.0 |
| The Association for the Finnish Cultural Foundation | 2,150,000 | 2.0 |
| Odin Norden | 1,847,350 | 1.7 |
| The State Pension Fund | 1,075,000 | 1.0 |
| Odin Finland | 1,002,152 | 1.0 |
| OP-Finland Value Fund | 1,000,000 | 0.9 |
| Odin Europa Smb | 878,139 | 0.8 |
| | **34,078,960** | **32.1** |

*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 were marked as follows: 750,000 with 2003 A, 750,000 with 2003 B and 750,000 with 2003 C. The share subscription period for all the option rights under the Option Rights 2003 Plan ended on October 31, 2009 and the last possible subscription date for shares was October 21, 2009. During the year 2009 a total of 575,770 option rights under the Option Rights 2003 Plan were exercised and correspondingly 575,770 new shares were issued and the share capital was increased with EUR 1,957,618. During the validity of the Option Rights 2003 Plan altogether 646,520 new shares were issued and the share capital was increased with EUR 2,198,168. If had been exercised in full, the option rights under the Option Rights 2003 Plan would have entitled to the subscription for a total of 2,250,000 shares whereby the share capital would have been 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 were 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. Trading of the option rights under the Option Rights 2003 Plan on NASDAQ OMX Helsinki Ltd ended according to the Rules of the Stock Exchange on the fifth trading day immediately preceding the last possible share subscription date for shares, i.e. on Wednesday October 14, 2009. 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 under the Option Rights 2006 Plan 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 and the option rights 2006 B as of October 1, 2009. Huhtamäki Oyj will apply for the listing of the option rights 2006 C on NASDAQ OMX Helsinki Ltd as of April 1, 2011. At the end of the year 2009, the Option Rights 2006 Plan had 127 participants. During the year 2009 no option rights under the Option Rights 2006 Plan 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 6.78 | 2.5.2005–31.10.2009 [2] |
| 2003 B | 1:1 | EUR 9.04 | 2.5.2006–31.10.2009 [2] |
| 2003 C | 1:1 | EUR 11.17 | 2.5.2007–31.10.2009 [2] |
| 2006 A | 1:1 | EUR 16.38 | 1.10.2008–31.10.2011 [3] |
| 2006 B | 1:1 | EUR 13.20 | 1.10.2009–31.10.2012 [3] |
| 2006 C | 1:1 | EUR 6.94 | 1.4.2011–30.4.2014 [3] |

[1] Subscription price before the deduction of the year 2009 dividend.
[2] The period of subscription was annually between May 2 and October 31 on such days as defined by the Board of Directors of the Company.
[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 Option Rights 2003 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 Option Rights 2003 Plan became effective as of the registration of the increase of share capital. The shares subscribed under the Option Rights 2006 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 Option Rights 2006 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 3,300,00 new shares may be subscribed for in 2010–2014 representing approximately 3.1 per cent of the total number of votes on December 31, 2009.

**Information relating to the amount of option rights outstanding 2009 and 2008**

| | Weighted average exercise price/share EUR 2009 | Option rights (pcs) 2009 | Shares based on option rights (pcs) 2009 | Weighted average exercise price/share EUR 2008 | Option rights (pcs) 2008 | Shares based on option rights (pcs) 2008 |
|---|---|---|---|---|---|---|
| At the beginning of the financial year | 10.61 | 4,074,466 | 4,074,466 | 12.32 | 3,594,966 | 3,594,966 |
| Granted | 10.38 | 473,400 | 473,400 | 7.80 | 969,000 | 969,000 |
| Exercised | 7.06 | -575,770 | -575,770 | - | - | - |
| Forfeited and expired | 10.12 | -1,265,796 | -1,265,796 | 14.83 | -489,500 | -489,500 |
| At the end of the financial year | 11.55 | 2,706,300 | 2,706,300 | 10.95 | 4,074,466 | 4,074,466 |
| Exercisable at the end of the period | 14.42 | 1,667,500 | 1,667,500 | 11.39 | 2,362,966 | 2,362,966 |

The fair value of options granted is measured using the Black-Scholes model taking into account the 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 | 2006 A | 2006 B | 2006 C |
|---|---|---|---|
| Fair value at grant date | 1.30 | 2.97 | 1.77 |
| Grant date | August 31, 2006 | May 31, 2007 | May 31, 2008 |
| Number of outstanding options at December 31, 2009 | 640,500 | 1,027,000 | 1,038,800 |
| Exercise price at grant date | 17.56 | 13.96 | 7.28 |
| Share price at grant date | 13.71 | 13.30 | 6.87 |
| Expected volatility (%) | 18.0 | 21.0 | 23.7 |
| Option life as weighted average at grant date (years) | 3.7 | 3.9 | 4.3 |
| Risk-free interest rate (%) | 3.8 | 4.6 | 4.7 |

## PERFORMANCE SHARE INCENTIVE PLAN 2008–2010

On February 13, 2008 the Board of Directors of the Company decided on establishing a 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 was directed to a total of 30 persons in 2009. 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 was paid under the plan in 2009. No expense was recorded relating to performance share incentive plan in the reporting period ending on December 31, 2008.

The targets set forth in the performance share incentive plan for the earnings period of calendar year 2009 were reached. According to the terms and conditions of the performance share incentive plan a total of 235,000 shares will be paid as a reward under the plan in 2010. An expense totaling EUR 1,051,337 has been recorded relating to performance share incentive plan in the reporting period ending on December 31, 2009.

## 23. FAIR VALUE AND OTHER RESERVES

| EUR million | Hedge reserve |
|---|---|
| **December 31, 2007** | **1.4** |
| | |
| Cash flow hedge result recognised in other comprehensive income | -5.5 |
| Cash flow hedge result recognised in profit or loss | -2.9 |
| Cash flow hedge result recognised in statement of financial position | -0.7 |
| Deferred taxes | 2.7 |
| | |
| **December 31, 2008** | **-5.0** |
| | |
| Cash flow hedge result recognised in other comprehensive income | 1.6 |
| Cash flow hedge result recognised in profit or loss | -0.4 |
| Cash flow hedge result recognised in statement of financial position | 0.0 |
| Deferred taxes | -0.5 |
| | |
| **December 31, 2009** | **-4.3** |

**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 dates for interest payments are at the sole discretion of the company. 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.

**Translation differences**

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

**Treasury shares**

Treasury shares include Huhtamäki Oyj shares purchased by group companies. There are no additions in treasury shares in financial year 2009.

## 24. INTEREST BEARING LIABILITIES

| EUR million | 2009 Carrying amount | Fair value | 2008 Carrying amount | Fair value |
|---|---|---|---|---|
| **Current** | | | | |
| Loans from financial institutions | | | | |
| fixed rate | 11.5 | 11.4 | 11.5 | 10.3 |
| floating rate | 114.2 | 114.2 | 48.0 | 48.0 |
| Other current loans | 42.3 | 42.3 | 122.3 | 122.3 |
| Finance lease liabilities | 0.4 | 0.4 | 0.7 | 0.6 |
| **Total** | **168.4** | **168.3** | **182.5** | **181.2** |
| | | | | |
| **Non-current** | | | | |
| Loans from financial institutions | | | | |
| fixed rate | 34.4 | 33.2 | 45.9 | 38.1 |
| floating rate | 186.4 | 186.4 | 313.1 | 313.1 |
| Other long-term loans | 73.4 | 73.4 | 115.4 | 115.4 |
| Finance lease liabilities | 0.1 | 0.0 | 0.3 | 0.3 |
| **Total** | **294.3** | **293.0** | **474.7** | **466.9** |

All interest bearing liabilities are other liabilities than available for sale liabilities or derivative financial instruments defined in IAS 39 and as such are carried at amortized cost. Fair values have been calculated by discounting future cash flows at the appropriate market interest rate prevailing at closing rate. Effective interest rate for measuring fair values of interest bearing liabilities was 0.8% - 1.3%.

| Repayment | Loans from financial institutions | Finance lease liabilities | Other loans | Total |
|---|---|---|---|---|
| 2010 | 125.7 | 0.4 | 42.3 | 168.4 |
| 2011 | 62.1 | 0.1 | 0.1 | 62.3 |
| 2012 | 146.4 | - | 70.1 | 216.5 |
| 2013 | 5.9 | - | 0.1 | 6.0 |
| 2014 | 5.9 | - | 0.2 | 6.1 |
| 2015- | 0.5 | - | 2.9 | 3.4 |

**Finance lease liabilities**

| EUR million | 2009 | 2008 |
|---|---|---|
| Finance lease liabilities are payable as follows: | | |
| In less than one year | 0.4 | 0.7 |
| Between one and five years | 0.1 | 0.3 |
| Total minimum lease payments | 0.5 | 1.0 |
| | | |
| Present value of minimum lease payments | | |
| In less than one year | 0.4 | 0.6 |
| Between one and five years | - | 0.3 |
| Total present value of minimum lease payments | 0.4 | 0.9 |
| | | |
| **Future finance charges** | **0.1** | **0.1** |

## 25. 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 2009 | Total 2008 |
|---|---|---|---|---|---|
| Provision at 1 January 2009 | 10.5 | 45.0 | 13.0 | 68.5 | 68.3 |
| - Translation difference | 0.0 | -0.6 | 0.6 | 0.0 | 0.9 |
| - Provisions made during the year | 7.2 | - | 7.8 | 15.0 | 16.2 |
| - Provisions used during the year | -10.9 | - | -3.5 | -14.4 | -10.6 |
| - Unused provisions reversed during the year | -0.3 | -5.0 | -1.9 | -7.2 | -6.3 |
| Provision at 31 December 2009 | 6.5 | 39.4 | 16.0 | 61.9 | 68.5 |
| | | | | | |
| Current | 3.9 | - | 2.1 | 6.0 | 10.1 |
| Non-current | 2.6 | 39.4 | 13.9 | 55.9 | 58.4 |

## 26. TRADE AND OTHER CURRENT LIABILITIES

| EUR million | 2009 | 2008 |
|---|---|---|
| Trade Payables | 196.4 | 228.7 |
| Other Payables | 27.6 | 30.3 |
| Accrued interest expense and other financial items | 6.3 | 13.5 |
| Personnel, social security and pensions | 57.2 | 52.9 |
| Other accrued expenses | 48.3 | 49.0 |
| **Total** | **335.8** | **374.4** |

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

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

| EUR million | 2009 | 2008 |
|---|---|---|
| Financial assets at fair value through profit or loss | | |
| Cash and cash equivalents | 64.0 | 67.8 |
| Derivatives | 3.5 | 0.5 |
| Loans and receivables | | |
| Non-current interest bearing receivables | 11.0 | 0.1 |
| Other non-current assets | 3.0 | 3.7 |
| Current interest bearing receivables | 19.4 | 2.1 |
| Trade and other current receivables | 302.0 | 377.4 |
| Available-for-sale investments | 1.9 | 1.9 |
| **Financial assets total** | **404.8** | **453.5** |
| | | |
| Financial liabilities at fair value through profit or loss | | |
| Derivatives | 9.9 | 6.0 |
| Financial liabilities measured at amortised cost | | |
| Non-current interest bearing liabilities | 294.3 | 470.1 |
| Other non-current liabilities | 5.4 | 6.5 |
| Current portion of long term loans | 67.3 | 25.2 |
| Short term loans | 101.1 | 157.3 |
| Trade and other current liabilities | 325.9 | 373.1 |
| **Financial liabilities total** | **803.9** | **1,038.2** |

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.

| Financial instruments measured at fair value | Quoted prices in active markets | Valuation techniques based on observable market data | Total |
|---|---|---|---|
| Assets | | | |
| Fair value through profit and loss | | | |
| Currency forwards | - | 3.4 | 3.4 |
| Electricity forward contracts | 0.1 | - | 0.1 |
| Available-for-sale investments | 1.9 | - | 1.9 |
| | 2.0 | 3.4 | 5.4 |
| Liabilities | | | |
| Fair value through profit and loss | | | |
| Currency forwards | - | 2.5 | 2.5 |
| Interest rate swaps | - | 7.4 | 7.4 |
| | - | 9.9 | 9.9 |

## 28. 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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 31.12.09 | 31.12.08 | 31.12.09 | 31.12.08 | 31.12.09 | 31.12.08 | 31.12.09 | 31.12.08 | 31.12.09 | 31.12.08 |
| Trade receivables | 0.7 | 1.6 | 1.7 | 5.9 | 0.0 | 0.0 | 3.1 | 0.5 | 0.8 | 0.6 |
| Trade payables | -1.1 | -3.4 | 0.0 | -0.6 | -0.8 | -3.0 | -0.1 | -0.5 | -0.8 | -3.0 |
| Net balance sheet exposure | -0.4 | -1.8 | 1.7 | 5.2 | -0.8 | -3.0 | 3.0 | 0.0 | 0.0 | -2.4 |
| Forecasted sales (12 months) | 15.5 | 21.7 | 14.3 | 18.9 | 0.0 | 0.0 | 15.5 | 15.5 | 3.9 | 3.9 |
| Forecasted purchases (12 months) | -29.3 | -42.6 | -1.0 | -1.9 | -8.2 | -11.2 | -0.5 | -3.2 | -14.2 | -15.9 |
| Net forecasted exposure | -13.8 | -20.9 | 13.3 | 17.0 | -8.2 | -11.2 | 15.0 | 12.3 | -10.3 | -12.0 |
| Hedges | | | | | | | | | | |
| Currency forwards (12 months) | 1.3 | 3.8 | -5.1 | -19.0 | 1.0 | 5.6 | -6.3 | -4.5 | 0.4 | 3.2 |
| Currency options (12 months) | 2.0 | | | | | | | | 0.4 | |
| **Total net exposure** | **-10.9** | **-18.9** | **9.9** | **3.2** | **-8.0** | **-8.6** | **11.7** | **7.8** | **-9.5** | **-11.2** |

**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 13.0 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 190 million in the form of currency loans and USD 33 million in the form of derivatives) and of GBP 30 million (thereof GBP 25 million in the form of currency loans and GBP 5 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 5.0 million (EUR 2.4 million in 2008) and the Group consolidated equity by EUR 38.4 million (EUR 23.0 million in 2008).

**Interest rate risk**

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

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

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

**Currency split and repricing schedule of outstanding net debt including hedges**

| | December 31, 2009 | | | | | | | | | | December 31, 2008 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Debt repricing in period, incl. derivatives | | | | | | | | |
| Currency | Amount mEUR | Avg. duration | Avg. rate | Rate sensitivity [1] mEUR | 2010 | 2011 | 2012 | 2013 | 2014 | Later | Amount mEUR | Avg. duration | Avg. rate |
| EUR | 164 | 1.7y | 3.9% | 0.7 | 68 | 47 | 31 | 9 | 6 | 3 | 274 | 1.4y | 5.2% |
| USD | 105 | 1.7y | 4.0% | 0.1 | 43 | 21 | 20 | 0 | 21 | | 134 | 1.3y | 4.3% |
| PLN | 35 | 0.1y | 3.8% | 0.3 | 35 | | | | | | 35 | 0.1y | 6.8% |
| NZD | 27 | 0.4y | 4.4% | 0.1 | 27 | | | | | | 33 | 0.2y | 9.1% |
| AUD | 21 | 0.0y | 3.9% | 0.3 | 21 | | | | | | 45 | 0.2y | 5.3% |
| Other | 16 | 1.1y | 6.4% | 0.0 | -2 | 1 | 12 | 1 | 0 | 4 | 67 | 1.3y | 8.6% |
| **Total** | **368** | **1.3y** | **4.0%** | **1.5** | **192** | **69** | **63** | **10** | **27** | **7** | **587** | **1.2y** | **5.6%** |

[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 1.8 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 re-financing 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 2009, the Group had committed credit facilities totaling EUR 488 million of which EUR 316 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, 2009 | | | | | | | | | December 31, 2008 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Maturity of facility/loan | | | | | | | | |
| Debt type | Amount drawn | Amount available of committed | Total | 2010 | 2011 | 2012 | 2013 | 2014 | Later | Amount drawn | Amount available of committed | Total |
| Committed revolving facilities | 172 | 316 | 488 | 13 | 75 | 400 | | | | 285 | 203 | 488 |
| Loans from financial institutions | 100 | | 100 | 39 | 37 | 12 | 6 | 6 | | 133 | | 133 |
| Finance lease liabilities | 0 | | 0 | 0 | 0 | 0 | 0 | 0 | | 1 | | 1 |
| Other loans | 116 | | 116 | 42 | 0 | 70 | 0 | 0 | 3 | 115 | | 115 |
| Commercial paper program | 75 | | 75 | 75 | | | | | | 123 | | 123 |
| **Total** | **463** | **316** | **779** | **169** | **112** | **482** | **6** | **6** | **3** | **657** | **203** | **860** |

**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 20).

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, 2009 | December 31, 2008 |
|---|---|---|
| Interest bearing debt | 462.7 | 657.2 |
| Interest bearing receivables, cash and cash equivalents | 94.4 | 70.0 |
| Net debt | 368.3 | 587.2 |
| Total equity | 736.6 | 702.3 |
| | | |
| Net debt to equity (Gearing ratio) | 0.50 | 0.84 |
| Net debt to EBITDA (excluding non-recurring items) | 1.66 | 3.19 |

**Nominal values of derivative financial instruments**

| EUR million | December 31, 2009 | | | | | | | | December 31, 2008 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Nominal Value | | Maturity Structure | | | | | | Nominal Value | |
| **Instrument** | **Gross** | **Net** | **2010** | **2011** | **2012** | **2013** | **2014** | **Later** | **Gross** | **Net** |
| Currency forwards | | | | | | | | | | |
| for transaction risk | | | | | | | | | | |
| Outflow | -25 | | -24 | -1 | | | | | -49 | |
| Inflow | 26 | | 26 | 0 | | | | | 49 | |
| for translation risk | | | | | | | | | | |
| Outflow | -29 | | -29 | | | | | | -34 | |
| Inflow | 30 | | 30 | | | | | | 34 | |
| for financing purposes | | | | | | | | | | |
| Outflow | -123 | | -123 | | | | | | -105 | |
| Inflow | 122 | | 122 | | | | | | 117 | |
| Currency options | | | | | | | | | | |
| for transaction risk | | | | | | | | | | |
| Outflow | -3 | | -3 | | | | | | 0 | |
| Inflow | 3 | | 3 | | | | | | 0 | |
| Interest rate swaps | | | | | | | | | | |
| EUR | 60 | | 10 | 30 | 20 | | | | 60 | |
| USD | 90 | | 28 | 21 | 21 | | 21 | | 79 | |
| GBP | 17 | | 6 | | 11 | | | | 21 | |
| Interest rate options | | | | | | | | | | |
| USD | | | | | | | | | 7 | |
| Electricity forward contracts | 1 | | 0 | 0 | 0 | 0 | | | 6 | |

**Fair values of derivative financial instruments**

| EUR million | December 31, 2009 | | | December 31, 2008 | | |
|---|---|---|---|---|---|---|
| **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] | 0.8 | -0.7 | 0.1 | 3.2 | -3.7 | -0.5 |
| for translation risk [2] | 1.4 | -0.2 | 1.2 | 2.1 | -1.9 | 0.2 |
| for financing purposes | 1.2 | -1.6 | -0.4 | 14.6 | -2.1 | 12.5 |
| Currency options | | | | | | |
| for transaction risk | 0.0 | | | 0.0 | | |
| Interest rate swaps [3] | | | | | | |
| EUR | | -2.9 | | | -1.4 | |
| USD | | -3.3 | | | -3.3 | |
| GBP | | -1.2 | | | -0.9 | |
| Interest rate options | | | | | | |
| USD | | | | | -0.5 | |
| Electricity forward contracts | 0.1 | | | | -1.7 | |

[1] Out of the currency forwards, fair value EUR 1.7 million was designated for cash flow hedges as at December 31, 2009 (EUR -1.4 million as at December 31, 2008) and reported in fair value and other reserves.

[2] Out of the currency forwards, fair value of EUR 1.1 million was designated for hedges of net investment in foreign subsidiaries as at December 31, 2009 (EUR 0.2 million as at December 31, 2008) 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 -7.4 million was designated for cash flow hedges as of December 31, 2009 (EUR -5.6 million as at December 31, 2008) out of which EUR -5.8 million was reported in equity in fair value and other reserves and EUR 1.6 million in profit and loss statement as interest expense.

## 29. 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 | 2009 | 2008 |
|---|---|---|
| Salaries and other short-term employee benefits | 3.1 | 2.1 |
| Share based payments | 1.5 | 0.4 |

**Salaries of CEO and members of the Board of Directors**

| thousands euros | 2009 | 2008 |
|---|---|---|
| CEO Jukka Moisio | 613 | 398* |
| *Jukka Moisio started in CEO position on April 1st, 2008 | | |
| | | |
| Board members | | |
| Mikael Lilius | 100 | 104 |
| Jukka Suominen | 66 | 70 |
| Eija Ailasmaa | 54 | 59 |
| George V. Bayly | 52 | 57 |
| Rolf Börjesson | 52 | 37 |
| Robertus van Gestel | 55 | 56 |
| Siaou-Sze Lien | 38 | - |
| Anthony J.B. Simon | 54 | 54 |
| Paavo Hohti | - | 16 |
| **Total** | **1,084** | **851** |

Members of the Board of Directors and the Group Executive Team owned a total of 123,648 shares at the end of the year 2009 (2008: 121,148 shares). The members of the Group Executive Team owned a total of 678,000 option rights at the end of the year 2009 (2008: 737,350 option rights). The option rights entitle to a subscription of 678,000 shares in total representing 0.64 % of total shares and voting rights (2008: 737,350 shares representing 0.70 % 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 other option rights holders.

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

| EUR million | 2009 | 2008 |
|---|---|---|
| Purchase of goods | 2.1 | 2.1 |
| Sales of goods | - | 0.0 |

Transactions with joint ventures are presented in note 14.

## 30. OPERATING LEASES

| EUR million | 2009 | 2008 |
|---|---|---|
| Operating lease payments | | |
| Not later than 1 year | 12.1 | 12.4 |
| Later than 1 year and not later than 5 years | 21.7 | 16.8 |
| Later than 5 years | 20.2 | 20.6 |
| **Total** | **54.0** | **49.8** |

## 31. CONTINGENCIES

**Capital expenditure commitments**

| EUR million | 2009 | 2008 |
|---|---|---|
| Under 1 year | 10.2 | 7.3 |
| **Total** | **10.2** | **7.3** |

| | | |
|---|---|---|
| Mortgages: | | |
| For own debt | 14.5 | 14.5 |
| Guarantee obligations: | | |
| For joint ventures & associated companies | 2.5 | 2.9 |

# Huhtamaki 2005–2009

| EUR million | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Net sales | 2,226.6 | 2,275.6 | 2,311.0 | 2,260.0 | 2,037.7 |
| Increase in net sales (%) | 7.2 | 2.2 | 1.6 | -2.2 | -9.8 |
| Net sales outside Finland | 2,119.2 | 2,168.2 | 2,204.2 | 2,152.6 | 1,941.5 |
| Earnings before interest, taxes, depreciation, amortization and impairment | 190.2 | 240.5 | 231.4 | 171.5 | 207.7 |
| Earnings before interest, taxes, depreciation and amortization/net sales (%) | 8.5 | 10.6 | 10.0 | 7.6 | 10.2 |
| Earnings before interest and taxes | 57.7 | 145.5 | 28.1 | -74.5 | 119.1 |
| Earnings before interest and taxes/net sales (%) | 2.6 | 6.4 | 1.2 | -3.3 | 5.8 |
| Result before taxes | 21.4 | 109.2 | -14.0 | -119.7 | 93.9 |
| Result before taxes/net sales (%) | 1.0 | 4.8 | -0.6 | -5.3 | 4.6 |
| Result for the period | 9.4 | 96.6 | -20.2 | -110.2 | 73.5 |
| Total equity | 820.4 | 860.4 | 793.4 | 702.3 | 736.6 |
| Return on investment (%) | 4.0 | 9.4 | 1.8 | -4.8 | 9.6 |
| Return on shareholders' equity (%) | 1.3 | 11.7 | -2.4 | -14.8 | 10.1 |
| Solidity (%) | 35.6 | 37.9 | 36.2 | 36.0 | 41.9 |
| Net debt to equity | 0.87 | 0.83 | 0.94 | 0.84 | 0.50 |
| Current ratio | 0.96 | 0.89 | 1.02 | 1.31 | 1.22 |
| Times interest earned | 5.43 | 6.72 | 5.32 | 3.85 | 8.25 |
| Capital expenditure | 113.4 | 154.0 | 147.9 | 74.3 | 52.9 |
| Capital expenditure/net sales (%) | 5.1 | 6.8 | 6.4 | 3.3 | 2.6 |
| Research & development | 18.7 | 19.3 | 17.8 | 16.2 | 16.5 |
| Research & development/net sales (%) | 0.8 | 0.8 | 0.8 | 0.7 | 0.8 |
| Number of shareholders (December 31) | 20,268 | 21,582 | 21,424 | 22,089 | 22,935 |
| Personnel (December 31) | 14,935 | 14,792 | 15,092 | 14,644 | 12,900 |

# Per share data

| | | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|
| Earnings per share | EUR | 0.07 | 0.94 | -0.22 | -1.12 | 0.63 |
| Earnings per share (diluted) | EUR | 0.07 | 0.93 | -0.22 | -1.12 | 0.63 |
| Dividend, nominal | EUR | 0.38 | 0.42 | 0.42 | 0.34 | 0.38[1] |
| Dividend/earnings per share | % | 542.9 | 44.7 | -190.9 | -30.4 | 60.3[1] |
| Dividend yield | % | 2.7 | 2.8 | 5.2 | 7.7 | 3.9[1] |
| Shareholders' equity per share | EUR | 8.12 | 8.37 | 7.70 | 6.06 | 6.35 |
| Average number of shares adjusted for share issue at year end | | 98,501,625 | 99,169,003 | 100,426,461 | 100,426,461 | 100,539,283[2] |
| Number of shares adjusted for share issue at year end | | 98,778,283 | 100,426,461 | 100,426,461 | 100,426,461 | 101,002,231[2] |
| P/E ratio | | 198.7 | 15.8 | -36.9 | -3.9 | 15.4 |
| Market capitalization at December 31 | EUR million | 1,374.0 | 1,494.3 | 815.5 | 441.9 | 979.7 |
| Trading Volume | units | 84,417,331 | 75,644,012 | 131,050,556 | 111,628,643 | 72,744,282 |
| In relation to average number of shares | % | 85.7 | 76.3 | 130.5 | 111.2 | 72.4 |
| Development of share price | | | | | | |
| Lowest trading price | EUR | 11.37 | 12.21 | 7.65 | 4.16 | 4.46 |
| Highest trading price | EUR | 14.88 | 16.73 | 15.89 | 8.36 | 9.90 |
| Trading price at Dec 31 | EUR | 13.91 | 14.88 | 8.12 | 4.40 | 9.70 |

[1] 2009: Board's proposal
[2] Excluding treasury shares

# Definitions for key indicators

| | |
|---|---|
| **Earnings per share from result for the period =** | $\dfrac{\text{Result for the period – non-controlling interest}}{\text{Average number of shares outstanding}}$ |
| **Earnings per share from result for the period (diluted) =** | $\dfrac{\text{Diluted result for the period – non-controlling interest}}{\text{Average fully diluted number of shares outstanding}}$ |
| **Earnings per share attributable to hybrid bond investors =** | $\dfrac{\text{Hybrid bond interest}}{\text{Average number of shares outstanding}}$ |
| **Earnings per share attributable to hybrid bond investors (diluted) =** | $\dfrac{\text{Hybrid bond interest}}{\text{Average fully diluted number of shares outstanding}}$ |
| **Earnings per share attributable to equity holders of the parent company =** | $\dfrac{\text{Result for the period – non-controlling interest – hybrid bond interest of the parent company}}{\text{Average number of shares outstanding}}$ |
| **Earnings per share attributable to equity holders of the parent company (diluted) =** | $\dfrac{\text{Diluted result for the period – non-controlling interest – hybrid bond interest}}{\text{Average fully diluted number of shares outstanding}}$ |
| **Dividend yield =** | $\dfrac{\text{100 x issue-adjusted dividend}}{\text{Issue-adjusted share price at December 31}}$ |
| **Shareholders' equity per share =** | $\dfrac{\text{Total equity attributable to equity holders of the parent company}}{\text{Issue-adjusted number of shares at December 31}}$ |
| **P/E ratio =** | $\dfrac{\text{Issue-adjusted share price at December 31}}{\text{Earnings per share}}$ |
| **Market capitalization =** | Number of shares outstanding multiplied by the corresponding share prices on the stock exchange at December 31 |
| **Return on investment =** | $\dfrac{\text{100 x (Result before taxes + interest expenses + net other financial expenses)}}{\text{Statement of financial position total – Interest-free liabilities (average)}}$ |
| **Return on equity =** | $\dfrac{\text{100 x (Result for the period)}}{\text{Equity + non-controlling interest + hybrid bond (average)}}$ |
| **Net debt to equity =** | $\dfrac{\text{Interest bearing net debt}}{\text{Equity + non-controlling interest + hybrid bond}}$ |
| **Solidity =** | $\dfrac{\text{100 x (Equity + non-controlling interest + hybrid bond)}}{\text{Statement of financial position total – advances received}}$ |
| **Current ratio =** | $\dfrac{\text{Current assets}}{\text{Current liabilities}}$ |
| **Times interest earned =** | $\dfrac{\text{Earnings before interest and taxes + depreciation, amortization and impairment}}{\text{Net interest expenses}}$ |
| **RONA, % =** | $\dfrac{\text{100 x Earnings before interest and taxes (12 m roll.)}}{\text{Net assets (12 m roll.)}}$ |
| **Operating cash flow =** | Ebit + depreciation and amortization (including impairment) – capital expenditures + disposals +/– change in inventories, trade receivables and trade payables |

# 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 Hungary Kft | 1 | 100.0 | HUF | 67,240 | EUR | 339 | 100.0 |
| UAB Huhtamaki Lietuva | 4,061 | 100.0 | LTL | 975 | EUR | 1,009 | 100.0 |
| **Subsidiary shares owned by Huhtamäki Holding Oy** | | | | | | | |
| Huhtalux Supra SARL | 46,698,626 | 100.0 | EUR | 46,699 | EUR | 692,664 | 100.0 |
| Huhtamaki Finance B.V. | 1,633,600 | 25.0 | EUR | 163,360 | EUR | 347,422 | 100.0 |
| **Subsidiary shares owned by Huhtalux Supra S.A.R.L.:** | | | | | | | |
| Huhtamaki German Holdings Supra B.V. | 180 | 100.0 | EUR | 18 | EUR | 86,000 | 100.0 |
| **Subsidiary shares owned by Huhtamaki German Holdings Supra B.V.:** | | | | | | | |
| Huhtamaki German Holdings B.V. | 180 | 100.0 | EUR | 18 | EUR | 39,148 | 100.0 |
| **Subsidiary shares owned by Huhtamaki German Holdings B.V.:** | | | | | | | |
| Huhtamaki Dritte Beteiligungs GmbH | 1 | 100.0 | EUR | 30 | EUR | 373,911 | 100.0 |
| **Subsidiary shares owned by Huhtamaki Dritte Beteiligungs GmbH:** | | | | | | | |
| Huhtamaki Vierte Beteiligungs GmbH | 1 | 100.0 | EUR | 30 | EUR | 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 |

| Name | Number of Shares | Size of holding, % | | Nominal value | | Book value | Group Holding, % |
|---|---|---|---|---|---|---|---|
| **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 Turkey Gıda Servisi Ambalajı A.S. | 6,999,984 | 100.0 | TRY | 7,000 | EUR | 3,127 | 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 AB | 1,500 | 100.0 | SEK | 150 | 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 | 8,725 | 100.0 |
| Huhtamaki S.p.A | 10,410,400 | 100.0 | EUR | 10,410 | EUR | 40,836 | 100.0 |
| Huhtamaki Flexibles Italy S.r.l. | 1 | 100.0 | EUR | 10 | EUR | 10 | 100.0 |
| Huhtamaki Singapore Pte. Ltd | 28,000,000 | 100.0 | SGD | 28,000 | EUR | 11,977 | 100.0 |
| Huhtamaki (Vietnam) Ltd | - | 100.0 | USD | 25,097 | EUR | 19,797 | 100.0 |
| **Subsidiary shares owned by Huhtamaki Holdings Pty. Ltd:** | | | | | | | |
| Huhtamaki Australia Pty Limited | 9,241,702 | 100.0 | AUD | 9,242 | AUD | 9,242 | 100.0 |
| **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 | 52,008 | 100.0 |
| Huhtamaki Foodservice France S.A.S | 25,869 | 100.0 | EUR | 962 | EUR | 2,607 | 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 | 1,568 | 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 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 |

| Name | Number of Shares | Size of holding, % | | Nominal value | | Book value | Group Holding, % |
|---|---|---|---|---|---|---|---|
| **Subsidiary shares owned by Huhtamaki Finance Co I B.V.:** | | | | | | | |
| Huhtamaki Polska Sp. z.o.o | 50,370 | 89.9 | 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 | 695 | 100.0 |
| Huhtamaki Ceská republika, a.s. | 3 | 100.0 | CZK | 111,215 | EUR | 5,389 | 100.0 |
| P.T. Huhtamaki ASABA Indonesia | 11,250 | 50.0 | IDR | 2,678,625 | EUR | 1,094 | 50.0 |
| Huhtavefa B.V. | 180 | 100.0 | EUR | 18 | EUR | 22,890 | 100.0 |
| Huhtamaki Beheer V B.V. | 182 | 100.0 | EUR | 18 | EUR | 264,512 | 100.0 |
| Huhtamaki Beheer XI B.V. | 182 | 100.0 | EUR | 18 | EUR | 23,759 | 100.0 |
| Huhtamaki Nederland B.V. | 10,000 | 100.0 | EUR | 4,530 | EUR | - | 100.0 |
| Huhtamaki Paper Recycling B.V. | 1,350 | 100.0 | EUR | 61 | EUR | - | 100.0 |
| Huhtamaki Molded Fiber Technology B.V. | 200 | 100.0 | EUR | 91 | EUR | - | 100.0 |
| Huhtamaki New Zealand Limited | 33,737,306 | 100.0 | NZD | 33,737 | EUR | 19,426 | 100.0 |
| Huhtamaki (Thailand) Limited | 999,993 | 100.0 | THB | 100,000 | EUR | 7,885 | 100.0 |
| **Subsidiary shares owned by Huhtamaki Polska Sp. z.o.o.:** | | | | | | | |
| Huhtamaki Foodservice Poland Sp. z.o.o. | 10 | 100.0 | EUR | 5 | EUR | 5 | 100.0 |
| **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 | - | USD | 33,148 | 100.0 |
| Huhtamaki Plastics, Inc. | 1,000 | 100.0 | USD | - | USD | 140,173 | 100.0 |
| Huhtamaki Films, Inc. | 100 | 100.0 | USD | - | 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 | 2 | 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 2009

## Parent company income statement (FAS)

| EUR million | Note | 2009 | % | 2008 | % |
|---|---|---|---|---|---|
| Net sales | 1 | - | | 107.4 | 100.0 |
| Costs of goods sold | | - | | -105.8 | |
| **Gross profit** | | **-** | **-** | **1.6** | **1.5** |
| Sales and marketing | | -1.7 | | -5.8 | |
| Research and development | | 0.0 | | -3.0 | |
| Administration costs | | -21.8 | | -32.2 | |
| Other operating expenses | 3 | -9.1 | | -8.3 | |
| Other operating income | 2 | 41.7 | | 45.0 | |
| **Earnings before interest and taxes** | 4, 5 | **9.1** | **-** | **-2.7** | **-2.5** |
| Net financial income/expense | 6 | -26.9 | | -47.8 | |
| Exceptional income/expense | | 0.6 | | - | |
| **Result before exceptional items, appropriations and taxes** | | **-17.2** | **-** | **-50.5** | **-47.0** |
| Depreciation difference, (-) increase, (+) decrease | | 5.0 | | 19.6 | |
| Taxes | 7 | 0.1 | | -0.5 | |
| **Result for the period** | | **-12.1** | **-** | **-31.4** | **-29.3** |

# Parent company balance sheet (FAS)

**ASSETS**

| EUR million | Note | 2009 | % | 2008 | % |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| **Intangible assets** | 8 | | | | |
| Intangible rights | | 0.5 | | 0.5 | |
| Other capitalized expenditure | | 17.3 | | 20.9 | |
| | | **17.8** | **0.7** | **21.4** | **0.9** |
| **Tangible assets** | 9 | | | | |
| Land | | 0.3 | | 0.3 | |
| Buildings and constructions | | 18.2 | | 18.2 | |
| Other tangible assets | | 0.8 | | 1.0 | |
| Construction in progress and advance payments | | 0.1 | | 0.6 | |
| | | **19.4** | **0.8** | **20.1** | **0.8** |
| **Other fixed assets** | | | | | |
| Investment in subsidiaries | | 2,337.3 | | 2,339.3 | |
| Investment in associated companies | | 0.5 | | 0.5 | |
| Other shares and holdings | | 0.3 | | 0.3 | |
| Loan receivable | 10 | 3.3 | | 21.5 | |
| | | **2,341.4** | **92.5** | **2,361.6** | **93.9** |
| **Short-term** | | | | | |
| Loans receivable | 10 | 124.6 | | 53.9 | |
| Accrued income | 11 | 17.9 | | 49.8 | |
| Other receivables | 10 | 6.9 | | 5.1 | |
| | | **149.4** | **5.9** | **108.8** | **4.3** |
| Cash and bank | | 2.1 | 0.1 | 2.7 | 0.1 |
| **Total assets** | | **2,530.1** | **100.0** | **2,514.6** | **100.0** |

## LIABILITIES AND EQUITY

| EUR million | Note | 2009 | % | 2008 | % |
|---|---|---|---|---|---|
| **Shareholders' equity** | 12 | | | | |
| Share capital | | 360.6 | | 358.7 | |
| Premium fund | | 106.8 | | 104.7 | |
| Retained earnings available for distribution | | 946.7 | | 1,012.2 | |
| Result for the period | | -12.1 | | -31.4 | |
| | | **1,402.0** | **55.4** | **1,444.2** | **57.4** |
| Untaxed reserves | | - | - | 5.0 | 0.2 |
| **Liabilities** | | | | | |
| **Long-term** | | | | | |
| Loans from financial institutions | 13 | 295.1 | | 429.2 | |
| | | **295.1** | **11.7** | **429.2** | **17.1** |
| **Short-term** | | | | | |
| Loans from financial institutions | 13 | 128.2 | | 126.2 | |
| Other loans | 13 | 613.1 | | 414.6 | |
| Trade payables | 14 | 1.1 | | 1.9 | |
| Accrued expenses | 15 | 16.8 | | 52.0 | |
| Other short-term liabilities | 14 | 73.8 | | 41.5 | |
| | | **833.0** | **32.9** | **636.2** | **25.3** |
| **Total equity and liabilities** | | **2,530.1** | **100.0** | **2,514.6** | **100.0** |
| **Total retained earnings available for distribution** | | **934.6** | | **980.8** | |

# Parent company cash flow statement

| EUR million | 2009 | 2008 |
|---|---|---|
| EBIT | 9.1 | -2.7 |
| Adjustments | 4.6 | 27.5 |
| Write-down of subsidiary shares | 1.5 | -6.1 |
| Change in inventory | - | 1.7 |
| Change in non-interest bearing receivables | -1.7 | 8.0 |
| Change in non-interest bearing payables | 32.5 | 3.4 |
| Net financial income/expense | -30.6 | -44.5 |
| Taxes | 0.1 | 3.5 |
| **Cash flows from operating activities** | **15.5** | **-9.2** |
| | | |
| Capital expenditure | -0.4 | -4.7 |
| Proceeds from selling fixed assets | 0.1 | 1.6 |
| Proceeds from selling of subsidiary shares | 0.5 | 14.9 |
| Change in long-term deposits | 18.2 | - |
| Change in short-term deposits | -70.8 | -5.3 |
| **Cash flows from investing activities** | **-52.4** | **6.5** |
| | | |
| Change in long-term loans | -134.2 | 147.3 |
| Change in short-term loans | 200.5 | -102.3 |
| Dividends | 0.0 | 0.0 |
| Dividends paid | -34.1 | -42.2 |
| Proceeds from stock option exercises | 4.1 | - |
| **Cash flow from financing activities** | **36.3** | **2.8** |
| | | |
| Change in liquid assets | -0.6 | 0.1 |
| | | |
| Liquid assets on January 1 | 2.7 | 6.6 |
| Liquid assets on December 31 | 2.1 | 6.7* |

*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)
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.

### 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

In December 2008 the operative business has been transferred to 100% owned subsidiaries. After the business transfer, Company's operations comprise investment to subsidiaries and offering services to subsidiaries. The revenue relating to sale of services is reported under Operating Income. Revenue is recognized at the date of delivery.

### 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 include 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 | 2009 | 2008 |
|---|---|---|
| Net sales by categories: | | |
| Consumer Goods | - | 46.9 |
| Foodservice | - | 60.5 |
| **Total** | **-** | **107.4** |

## 2. OTHER OPERATING INCOME

| EUR million | 2009 | 2008 |
|---|---|---|
| Royalty income | 17.1 | 11.3 |
| Group cost income | 15.4 | 24.0 |
| Gain from disposal of fixed assets | - | 0.7 |
| Rental income | 3.1 | - |
| IT recharge | 5.0 | - |
| Other | 1.1 | 9.0 |
| **Total** | **41.7** | **45.0** |

## 3. OTHER OPERATING EXPENSES

| EUR million | 2009 | 2008 |
|---|---|---|
| Expenses relating to ongoing strategy review of Consumer Goods Europe | 2.7 | - |
| Sale of Consumer Goods Argentina | 1.6 | - |
| Group cost expense | - | 3.3 |
| Other | 4.8 | 5.0 |
| **Total** | **9.1** | **8.3** |

## 4. PERSONNEL COSTS

| EUR million | 2009 | 2008 |
|---|---|---|
| Wages and salaries | 7.3 | 28.8 |
| Pension costs | 1.4 | 5.9 |
| Other personnel costs | 0.9 | 2.8 |
| **Total** | **9.6** | **37.5** |

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 (9 people) amounted to EUR 1.1 million (2008: EUR 0.9 million).

| Average number of personnel | 2009 | 2008 |
|---|---|---|
| | 49 | 723 |

## 5. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

| EUR million | 2009 | 2008 |
|---|---|---|
| **Depreciation by function:** | | |
| Production | - | 14.8 |
| Administration | 3.9 | 12.6 |
| Other | 0.7 | 0.2 |
| **Total depreciation** | **4.6** | **27.6** |
| | | |
| **Depreciation by asset type:** | | |
| Land, buildings | 0.7 | 0.7 |
| Other tangible assets | 0.3 | 5.0 |
| Other capitalized expenditure | 3.6 | 4.9 |
| **Total depreciation** | **4.6** | **10.6** |
| | | |
| **Impairments by asset type:** | | |
| Other tangible assets | - | 9.7 |
| Other capitalized expenditure | - | 7.3 |
| **Total impairments** | **-** | **17.0** |

## 6. FINANCIAL INCOME/EXPENSE

| EUR million | 2009 | 2008 |
|---|---|---|
| Interest and other financial income | | |
| Intercompany | 7.0 | 8.0 |
| Other | 219.7 | 269.6 |
| **Total interest income** | **7.4** | **8.2** |
| **Total interest and other financial income** | **226.7** | **277.6** |
| | | |
| Interest and other financial expenses | | |
| Intercompany | -5.7 | -20.5 |
| Other | -247.9 | -304.9 |
| **Total interest expenses** | **-33.6** | **-54.6** |
| **Total Interest and other financial expenses** | **-253.6** | **-325.4** |

## 7. TAXES

| EUR million | 2009 | 2008 |
|---|---|---|
| Taxes | 0.1 | -0.5 |
| **Total** | **0.1** | **-0.5** |

Deferred taxes are not included in income statement or balance sheet. Unrecognised deferred tax assets from timing differences is EUR 1.0 million (2008: EUR 1.3 million).

## 8. INTANGIBLE ASSETS

| EUR million | Intangible rights | Other capitalized expenditure | 2009 Total | 2008 Total |
|---|---|---|---|---|
| Acquisition cost at January 1 | 0.7 | 66.1 | 66.8 | 68.1 |
| Additions | - | 0.0 | 0.0 | 0.8 |
| Disposals | - | - | - | -0.4 |
| Transfer of business | - | - | - | -1.7 |
| Acquisition cost at December 31 | 0.7 | 66.1 | 66.8 | 66.8 |
| | | | | |
| Accumulated amortization at January 1 | 0.2 | 45.2 | 45.4 | 34.2 |
| Accum. Depreciation on decreases and transfers | 0.0 | 0.0 | 0.0 | -0.4 |
| Amortization during the financial year | 0.0 | 3.6 | 3.6 | 4.9 |
| Impairments | - | - | - | 7.3 |
| Transfer of business | - | - | - | -0.6 |
| Accumulated amortization at December 31 | 0.2 | 48.8 | 49.0 | 45.4 |
| **Book value at December 31, 2009** | **0.5** | **17.3** | **17.8** | **-** |
| **Book value at December 31, 2008** | **0.5** | **20.9** | **-** | **21.4** |

## 9. TANGIBLE ASSETS

| EUR million | Land | Buildings and con-structions | Machinery and equipment | Construction in progress and advance payments | Other tangible assets | 2009 Total | 2008 Total |
|---|---|---|---|---|---|---|---|
| Acquisition cost at January 1 | 0.3 | 29.8 | 0.1 | 0.6 | 1.9 | 32.7 | 138.4 |
| Additions | - | - | - | 0.1 | 0.1 | 0.2 | 3.9 |
| Disposals | - | - | - | - | 0.0 | 0.0 | -8.8 |
| Intra-balance sheet transfer | - | 0.6 | - | -0.6 | - | 0.0 | -0.1 |
| Transfer of business | - | - | - | - | - | - | -100.7 |
| Acquisition cost at December 31 | 0.3 | 30.4 | 0.1 | 0.1 | 2.0 | 32.9 | 32.7 |
| | | | | | | | |
| Accumulated depreciation at January 1 | - | 11.6 | 0.1 | - | 0.9 | 12.6 | 79.0 |
| Accum. Depreciation on decreases and transfers | - | - | - | - | - | - | -7.1 |
| Depreciation during the financial year | - | 0.6 | 0.0 | - | 0.3 | 0.9 | 5.7 |
| Impairments | - | - | - | - | - | - | 9.7 |
| Transfer of business | - | - | - | - | - | | -74.7 |
| Accumulated depreciation at December 31 | - | 12.2 | 0.1 | - | 1.2 | 13.5 | 12.6 |
| **Book value at December 31, 2009** | **0.3** | **18.2** | **0.0** | **0.1** | **0.8** | **19.4** | **-** |
| **Book value at December 31, 2008** | **0.3** | **18.2** | **0.0** | **0.6** | **1.0** | **-** | **20.1** |

Revaluations of buildings and constructions in 2009 is EUR 2.4 million (2008: EUR 2.4 million).

## 10. RECEIVABLES

| EUR million | 2009 | 2008 |
|---|---|---|
| Current | | |
| Loan receivables | 0.7 | 9.8 |
| Loan receivables from subsidiaries | 123.9 | 44.1 |
| Accrued income | 5.6 | 22.5 |
| Accrued corporate income | 12.3 | 27.3 |
| Other receivables | 0.2 | 2.3 |
| Other receivables from subsidiaries | 6.7 | 2.8 |
| **Total** | **149.4** | **108.8** |
| | | |
| Long-term | | |
| Intercompany loan receivables | 3.3 | 21.5 |
| **Total receivables** | **152.7** | **130.3** |

## 11. ACCRUED INCOME

| EUR million | 2009 | 2008 |
|---|---|---|
| Accrued interest and other financial items | 0.0 | 0.4 |
| Accruals for profit on exchange | 3.1 | 19.7 |
| Personnel, social security and pensions | 0.1 | 0.1 |
| Miscellaneous accrued income | 1.5 | 1.3 |
| Accrued corporate income and prepaid expense | 12.2 | 27.3 |
| Other | 1.0 | 1.0 |
| **Total accrued income** | **17.9** | **49.8** |

## 12. CHANGES IN EQUITY

| EUR million | 2009 | 2008 |
|---|---|---|
| **Restricted equity** | | |
| Share capital January 1 | 358.7 | 358.7 |
| Subscription through option rights | 1.9 | - |
| Share capital December 31 | 360.6 | 358.7 |
| | | |
| Premium fund January 1 | 104.7 | 104.7 |
| Subscription through option rights | 2.1 | - |
| Premium fund December 31 | 106.8 | 104.7 |
| **Restricted equity total** | **467.4** | **463.4** |
| | | |
| **Non-restricted equity** | | |
| Retained earnings January 1 | 980.8 | 1,054.5 |
| Dividends | -34.1 | -42.2 |
| Net income for the period | -12.1 | -31.4 |
| Retained earnings December 31 | 934.6 | 980.8 |
| **Non-restricted equity total** | **934.6** | **980.8** |
| | | |
| **Total equity** | **1,402.0** | **1,444.2** |

For details on share capital see note 22 of the notes to the consolidated financial statements.

## 13. LOANS

| EUR million | 2009 | 2008 |
|---|---|---|
| **Non-current** | | |
| Hybrid bond | 75.0 | 75.0 |
| Long-term loans from financial institutions | 220.1 | 354.2 |
| **Total** | **295.1** | **429.2** |
| | | |
| **Current** | | |
| Current Portion of loans from financial institutions | 53.5 | 11.5 |
| Short-term loans from financial institutions and other current loans | 74.7 | 114.7 |
| Short-term loans from subsidiaries | 613.1 | 414.6 |
| **Total** | **741.3** | **540.8** |
| | | |
| **Changes in long-term loans** | | |
| Loans from financial institutions | | |
| January 1 | 354.2 | 281.9 |
| Additions | 634.1 | 481.6 |
| Decreases | -773.4 | -391.7 |
| FX movement | 5.2 | -17.6 |
| **Total** | **220.1** | **354.2** |

| Repayments | Loans from financial institutions and other loans |
|---|---|
| 2010 | 128.2 |
| 2011 | 61.8 |
| 2012 | 146.7 |
| 2013 | 5.8 |
| 2014 | 5.8 |
| 2015– | |

## 14. PAYABLES

| EUR million | 2009 | 2008 |
|---|---|---|
| Trade payables | 0.5 | 1.3 |
| Intercompany trade payables | 0.6 | 0.6 |
| **Total** | **1.1** | **1.9** |
| | | |
| Other short-term payables | 73.8 | 41.5 |
| Accrued expenses | 16.8 | 52.0 |
| Short term loans | 128.2 | 126.2 |
| Intercompany short term loans | 613.1 | 414.6 |
| **Total** | **833.0** | **636.2** |

## 15. ACCRUED EXPENSES

| EUR million | 2009 | 2008 |
|---|---|---|
| Accrued interest expense | 6.4 | 18.8 |
| Accrued interest expense to subsidiaries | 2.3 | 26.2 |
| Personnel, social security and pensions | 6.5 | 5.1 |
| Miscellaneous accrued expense | 1.0 | 1.0 |
| Other accrued corporate expense | - | 0.8 |
| Other | 0.6 | 0.1 |
| **Total** | **16.8** | **52.0** |

## 16. COMMITMENTS AND CONTINGENCIES

| EUR million | 2009 | 2008 |
|---|---|---|
| Operating lease payments | | |
| Under one year | 0.1 | 0.2 |
| Later than one year | 0.2 | 0.1 |
| **Total** | **0.3** | **0.3** |
| | | |
| Capital expenditure commitments: | | |
| Under one year | - | 0.5 |
| **Total** | **-** | **0.5** |
| | | |
| Mortgages: | | |
| For own debt | 14.5 | 14.5 |
| | | |
| Guarantee obligations | | |
| For subsidiaries | 70.3 | 72.9 |
| For joint ventures and associated companies | 2.5 | 2.9 |

# Proposal of the Board of Directors to distribute retained earnings

| | |
|---|---|
| On December 31, 2009 Huhtamäki Oyj's non-restricted equity was | EUR 934,564,286.05 |
| of which the result for the financial period was | EUR -12,140,542.64 |

The Board of Directors proposes that

| | |
|---|---|
| – dividend will be distributed at EUR 0.38 per share. No dividend for the own shares held by the Company on the record date shall be distributed. The total amount of dividend on the date of this proposal would be | EUR 38,380,847.78 |
| – in connection with the Company's 90 years anniversary, the Board of Directors would be authorized to grant donations of no more than EUR 700,000 through the Finnish Cultural Foundation to a national youth project "Myrsky" and no more than EUR 500,000 to support activities of Finnish universities. The donations will be payable during year 2010 on dates determined by the Board of Directors. The total maximum amount of the donations will be | EUR 1,200,000.00 |

No significant changes have taken place in the Company's financial position since the end of the financial year. The Company's liquidity position is good and the proposed distribution does not, in the view of the Board of Directors, risk the Company's ability to fulfill its obligations

Espoo, February 11, 2010

Mikael Lilius

Jukka Suominen

Eija Ailasmaa

George V. Bayly

Rolf Börjesson

Robertus van Gestel

Siaou-Sze Lien

Anthony J.B. Simon

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 2009, the AGM was held on April 3, 2009 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 upon, 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 in the shareholder's register of the Company eight business 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's 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 2009, 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 head-quarters 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 2009, the Board held 10 meetings, three of which were telephone meetings. The average attendance of the members at the Board meetings was 96%. 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 2009 elected the following eight individuals to the Board:

**Mikael Lilius**, Chairman (1949)
Date of election: March 30, 2005
Main occupation: Fortum Oyj, CEO, retired
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: Hafslund ASA, Board; Aker Solutions ASA, Board; East Office of Finnish Industries, Chairman of the Board
Shares on December 31, 2009: 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; Arctia Shipping Oy, Board; Lamor Group Oy, Board; The Finnish Cultural Foundation, Supervisory Board
Shares on December 31, 2009: 3,000

**Eija Ailasmaa** (1950)
Date of election: March 22, 2004
Main occupation: Sanoma Magazines B.V., President and CEO
Education: M.Pol.Sc.
Primary working experience: Various Sanoma 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
Shares on December 31, 2009: 1,000

**George V. Bayly** (1942)
Date of election: March 28, 2003
Main occupation: Whitehall Investors, LLC, Consultant
Education: MBA
Primary working experience: Altivity Packaging, LLC, Chairman & CEO; U.S. Can Company, 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: ACCO Brands Corporation, Inc., Board; Graphic Packaging Corporation, Board; Ryt-Way Industries, LLC, Board; Treehouse Foods, Inc., Board; John G. Shedd Aquarium, Board; Miami University, Board; United Way Chicago, Board
Shares on December 31, 2009: -

**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, 2009: -

**Robertus van Gestel** (1946)
Date of election: March 22, 2004
Main occupation: Proudfoot Consulting Europe (1994–2009), Deputy President, retired; C.I. International (London) (2009–), President
Education: MBA, PhD
Primary working experience: Ford Motor Company; GTE; Mannesmann Tally; Anglo-Dutch Investments, Inc.
Key positions of trust: Moore Hall Investments Ltd., Chairman of the Board; C.I. International (Geneva), Chairman of the Advisory Board
Shares on December 31, 2009: -

**Siaou-Sze Lien** (1950)
Date of election: April 3, 2009
Main occupation: Mobley Group Pacific Ltd., Senior Executive Coach
Education: M.Sc. (Computer Science)
Primary working experience: Hewlett-Packard, several different roles, latest position as Senior Vice President, Hewlett-Packard Services Asia-Pacific
Key positions of trust: Nanyang Technological University Singapore, Board of Trustees; Republic Polytechnic Singapore, Board of Governors; Luvata Ltd., Board
Shares on December 31, 2009: 1,000

**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, 2009: 1,248

**Remuneration of the Board members**

The AGM is resolving upon remuneration for the Board of Directors. In 2009, 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 2009: Mikael Lilius (Chairman), Rolf Börjesson and Jukka Suominen. In 2009, the Nomination Committee held four meetings. The average attendance of the Nomination Committee members at the meetings was 100%.

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 2009: Mikael Lilius (Chairman), George V. Bayly and Anthony J.B. Simon. In 2009, the Human Resources Committee held five meetings. The average attendance of the Human Resources Committee members at the meetings was 100%.

The Audit Committee assists the Board in its responsibility to supervise that the book-keeping and financial administration of the Company are 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 individuals comprised the Audit Committee during 2009: Jukka Suominen (Chairman), Eija Ailasmaa and Robertus van Gestel. In 2009, the Audit Committee held seven meetings. The average attendance of the Audit Committee members at the meetings was 94%.

## 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.

M.Sc. (Econ), MBA Jukka Moisio has acted as the Company's CEO as from 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 2009 amounted to EUR 613,060, including EUR 61,875 of incentive related payment based on the year 2008. He did not receive option rights during the year 2009.

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

### Internal control

Successful business requires continuous monitoring of the Group's operations. Internal control is an essential part of the corporate governance and management of the Group. The Board of Directors and the CEO are responsible for adequate internal control. The Audit Committee of the Board of Directors is monitoring the efficiency of the internal control systems and the correctness of the financial reporting.

Internal control is a process aiming at providing reasonable assurance on achievement of Group's strategic and financial objectives. The responsibility for arranging the internal control process and function belongs to the executive management of the Group and is being carried out by the whole organization. The aim of the internal control is to ensure reliability of financial reporting, effectiveness and efficiency of operations as well as compliance with laws and regulations.

Control of financial reporting assures that financial statements are prepared in a reliable manner. The aim is also to ensure that all financial reports published and other financial information disclosed by the Company provide a fair view on the Group's financial situation.

Control of operations is aiming to ensure effectiveness and efficiency of operations and achievement of the Group's strategic and financial objectives.

Compliance with applicable laws and regulations related controls ensure that the Group complies with applicable laws and regulations.

Foundation of all Group's activities lies with common values and principles providing discipline and structure for the operations formalized in guidelines on integrity, ethical behavior and management of personnel. Allocation of authorities and responsibilities as well as segregation of duties allow efficient and proper decision-making procedures.

Group policies, standards and guidelines are deployed in all segments and units. Policies, standards and guidelines on financial, human resources, environmental, legal and compliance as well as risk management related matters have been issued in the Group.

#### *Reliability of financial reporting*

The Group's finance function and the network of segment and unit controllers are supporting and coordinating the financial management and financial 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.

#### *Effectiveness and efficiency of operations*

Group's strategic direction, objectives and related actions are deployed and communicated throughout the Group. Annual targets and key performance indicators are agreed, approved and communicated as part of the annual planning process. Achievements are followed monthly and quarterly in business review meetings that are held with line management in all business units and segments.

Key operational performance indicators are monitored continuously. Key process controls aim at identifying risks and controlling deficiencies. Corrective actions are implemented and monitored by segment and unit management. These activities need to be in compliance with Group policies and standards. Internal controls related to quality, safety and environmental processes and procedures are audited internally and by external service providers.

The Group is applying Lean Six Sigma process in all segments to identify and implement continuous improvement projects.

***Compliance with laws and regulations***

Group-wide policies on corporate governance for subsidiaries, competition compliance, contracts and agreements, management of claims, disputes and proceedings as well as insider matters have been issued. Compliance with the policies is facilitated through communication, trainings and internal auditing.

**Internal audit**

The objective of the internal audit is to improve the effectiveness of supervising obligation of the Board of Directors. Internal audit aims at ensuring that the Group's operations are efficient, information is adequate and reliable and that set policies and procedures are properly followed by the organization.

The Group has an internal audit function and internal audits have been managed in the year 2009 in coordination with Ernst & Young Oy and its international network. Internal audits have been conducted on a monthly basis according to approved annual internal audit plan in various Group and segment level processes as well as in business units.

Group internal audit function evaluates independently and systematically Group's management and governance systems as well as the effectiveness, 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. Main purpose of these activities is to assure achievement of strategic and financial 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 executive management of the Group. Audit engagements are selected according to a rotation principle. The internal audit function reports to the Audit Committee. Additionally, the CEO, the Chief Financial Officer and management of the segment and 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 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 potentially jeopardizing achievement of Group objectives in the changing business environment. 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 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 Audit Committee is monitoring the implementation of risk management activities, and it evaluates the adequacy and appropriateness of the 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 approves acceptable risk levels and the extent to which these risks have been properly identified, addressed and followed up.

The executive management of the Group is responsible for the adoption and deployment of the Group's internal control principles and procedures relating to risk management. 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. Upper level line management always approves lower level risk mitigation measures and the risk level rached after implementation of such measures. Internal audit function monitors and reports achievement of these measures. The purpose is to verify that risk mitigation actions support achievement of Group's strategic and financial objectives.

The Group risk management function is organizing, instructing, supporting, supervising and monitoring risk management activities. 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 to the executive management of the Group 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.

## 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 2009 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 2009, total auditing costs of the Group amounted to EUR 1.3 million. The KPMG network has also provided other consultancy worth EUR 1.2 million.

# 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 31 December, 2009. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement 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 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 of the parent company and the Managing Director 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 or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors 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 was 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 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.

Helsinki, February 11, 2010

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

www.huhtamaki.com

Business Identity Code: 0140879-6