Huhtamaki 2012
Annual Accounts and Directors' Report

HUHTAMAKI

2012

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Huhtamaki 2012 in Brief

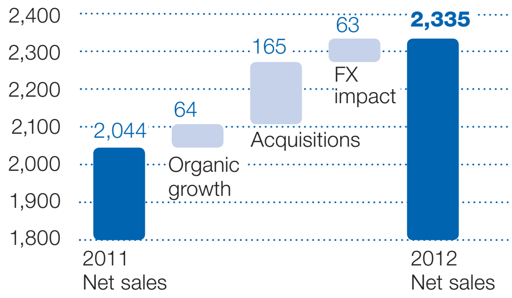
Huhtamaki Group

Huhtamaki Group is a global manufacturer of consumer and specialty packaging. The Group's core business areas are foodservice disposables, flexible and molded fiber packaging as well as films.

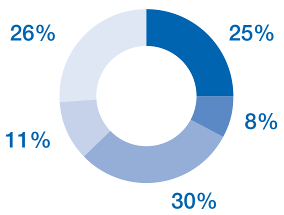
Additional information is available at www.huhtamaki.com.

Net sales growth

EUR million

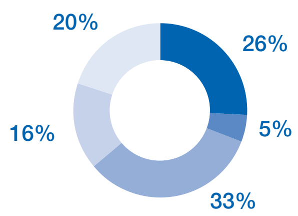


Net sales



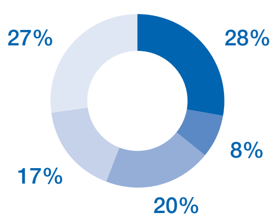
- **Flexible Packaging**, 587.1 EUR million
- **Films**, 191.5 EUR million
- **North America**, 704.3 EUR million
- **Molded Fiber**, 263.5 EUR million
- **Foodservice E-A-O**, 601.1 EUR million

EBIT



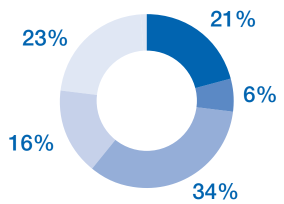
- **Flexible Packaging**, 44.2 EUR million
- **Films**, 8.7 EUR million
- **North America**, 55.5 EUR million
- **Molded Fiber**, 26.9 EUR million
- **Foodservice E-A-O**, 34.6 EUR million

Operating cash flow

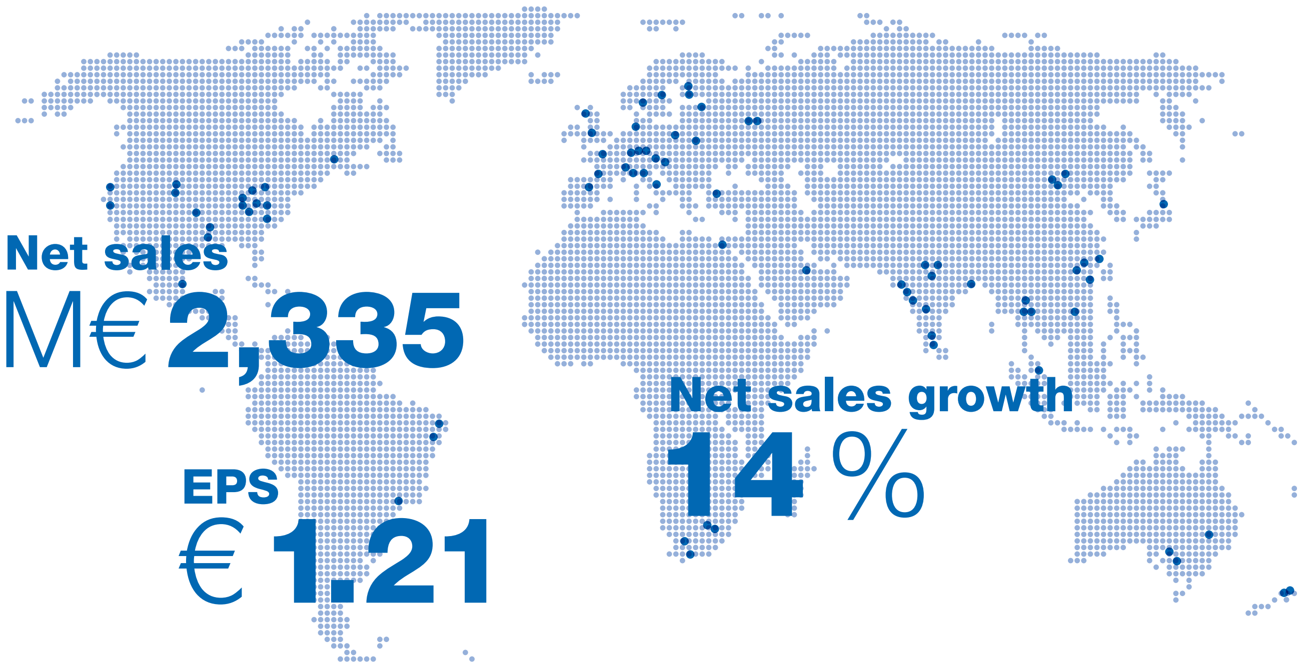


- **Flexible Packaging**, 41.4 EUR million
- **Films**, 11.7 EUR million
- **North America**, 28.7 EUR million
- **Molded Fiber**, 25.6 EUR million
- **Foodservice E-A-O**, 39.7 EUR million

Capital expenditure



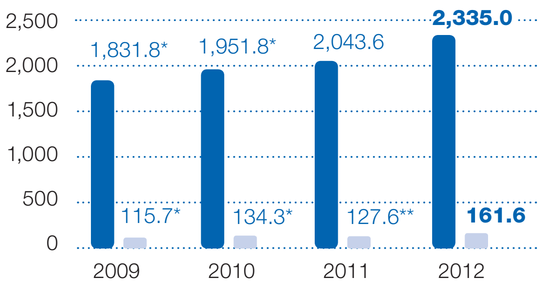
- **Flexible Packaging**, 19.8 EUR million
- **Films**, 5.5 EUR million
- **North America**, 31.5 EUR million
- **Molded Fiber**, 14.8 EUR million
- **Foodservice E-A-O**, 21.1 EUR million



Net sales and EBIT

EUR million

Net sales
EBIT

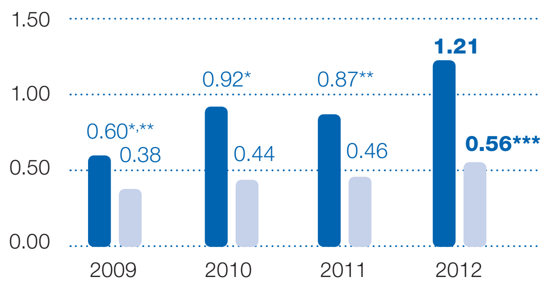


* Continuing business ** Excluding non-recurring items

Earnings per share and dividend per share

Earnings per share
Dividend per share

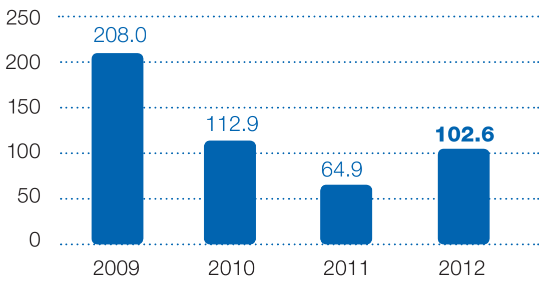
EUR



* Continuing business ** Excluding non-recurring items *** Board's proposal

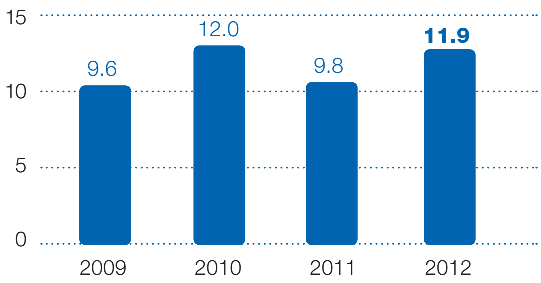
Free cash flow

EUR million



Return on investment

%



CEO's Review 2012

2012 was a good year for Huhtamaki. Although the modest macroeconomic expectations for the year turned out to be true and growth was weak in most markets the Huhtamaki team succeeded well in serving its customers and helping them sell more. This in turn contributed positively to our own sales line. For this achievement I want to both thank and congratulate the whole Huhtamaki team.

On the negative note Huhtamäki Oyj received in September 2012 the European Commission's statement of objections concerning alleged anticompetitive behavior in certain of the Group's former operations during the years 2000–2008. It goes without saying that illegal activities are not tolerated within the Group and these serious allegations are currently being thoroughly investigated.

One of the key goals for 2012 was to get back on track to improving the Group's profitability. This pursuit was successful and we can report record earnings per share (EUR 1.21) combined with the highest ever dividend proposal (EUR 0.56/share) by the Board. The result improvement was due to good sales growth as well as successful operations and cost management.

Progress was made in achieving growth targets and organic sales growth was 3%. Western Europe showed practically no growth while North America reported good positive numbers. Of the fast growing emerging markets Russia developed particularly well but also the other emerging markets contributed to organic sales growth. We are proud of our strong position in these growth markets and we will continue to invest organically so that our historically strong positions will play to our favor also in the future.

Acquisitions contributed to net sales and earnings growth. Six transactions have been completed since the implementation of the Group's strategy focused on quality growth began in 2011. The aggregate annualized net sales of the acquired units, as announced at the time of the acquisitions, are approximately EUR 230 million and approximately EUR 150 million was spent on acquiring them. Our acquisition firepower – money available for attractive acquisitions – remains good as we have spent funds carefully and improved our profitability. Therefore we will pursue additional acquisitions to complement organic growth and to reinforce positions. We will be actively screening acquisition targets both in the developed as well as fast growing markets.

The financial performance in 2012 was strong. Net sales grew by 14% to EUR 2.3 billion and ROI grew from 9.8% in 2011 to 11.9% in 2012. ROE was good at 15.0%. Year 2012 set a new EPS record at EUR 1.21/share. The financial position is solid and net debt/EBITDA at 1.6 gives approximately EUR 300 million available for acquisitions.

However, year 2012 is simply one milestone on the way to our target to be a EUR 3 billion company in 2015 with healthy EBITDA margins and attractive net asset velocity. Achieving these targets will further improve our ROI and ROE and grow earnings per share and dividends accordingly. We are confident that we will achieve our target by working closely with our key customers to identify new sales and innovation opportunities that will be followed up with disciplined investments and acquisitions. Huhtamaki is today a strong company in its key product categories and at many fast growing markets; this competitive advantage will win us new business and benefit our current and new customers.

Our 2015 ambition is a challenge that ensures we stay focused on managing performance in addition to growth. We continue to implement business excellence through the Lean Six Sigma methodology and we work specifically on cost out, value in and resource optimization events and projects in all our units. We are gradually identifying and implementing a Huhtamaki operational excellence model which defines how to operate our units in order to achieve best results. We will seek to execute this model rigorously to further improve our results. While we invest significantly on operational excellence and prefer continuous improvement in driving performance, we will not hesitate taking corrective actions on weak performing units if needed.

Achieving quality growth is exciting and rewarding for employees. As a successful global company we are able to offer interesting career opportunities for our current talent as well as attract new talent that is needed as we expand. At the same time we will manage performance in a disciplined manner that shares best practices, improves operations and fulfills customer expectations. The combination of growth and performance brings value to shareholders and will be evidenced as a good return on equity and a competitive and predictable dividend. This direction is strongly endorsed by our customers who value a competent and strong partner.

We had a good year in 2012. The record EPS achieved in 2012 challenges us to target new records in 2013 and beyond. In that pursuit an organization needs all the support of its key stakeholders and I would like to thank our customers, suppliers, investors, and other stakeholders for their continued support to the Huhtamaki team.

Jukka Moisio
CEO
February 2013

Directors' Report

Overview

The Group's trading conditions remained relatively stable throughout 2012 despite general economic uncertainty. Demand for consumer packaging was healthy during the first half of the year, but weakened during the second half of the year. Customer cautiousness was evident throughout the year, with increased focus on keeping order sizes small and stocks low. Raw material price levels stabilized compared to 2011.

The Group's net sales grew by a healthy 14% in 2012 compared to the previous year, led by the impact of acquisitions completed in 2011 and 2012. Full year net sales were EUR 2,335 million (EUR 2,044 million). Reported net sales growth of the Group for the year was EUR 291 million, of which the units acquired accounted for EUR 165 million. The Group's organic growth was 3% measured in constant exchange rates. Organic growth was strongest in the North America and Molded Fiber business segments. Foreign currency movements had a favorable impact on the Group's net sales development.

The Group's earnings before interest and taxes (EBIT) also grew significantly in 2012. EBIT for the year was EUR 162 million whereas in 2011 EBIT was EUR 121 million (including a net non-recurring charge of EUR 7 million). Earnings development was strongest in the Foodservice Europe-Asia-Oceania business segment, mainly resulting from successful restructuring activities and contribution of the acquired units.

The Group's free cash flow development was solid during the year and free cash flow for the full year was EUR 103 million (EUR 65 million). Return on investment (ROI) was 11.9% (9.8%) and return on equity (ROE) was 15.0% (11.0%).

The implementation of the Group's strategic direction focused on quality growth was continued during the year and three new strategic and growth enhancing acquisitions were completed. A major foodservice packaging supplier was acquired in Asia, a paper tableware manufacturer in the United States and a manufacturer of high-end labels in India. The Group continued the integration of the businesses acquired in 2011.

The closure of a Flexible Packaging manufacturing unit in New Zealand was finalized at the end of July.

Business review by segment

The net sales distribution by business segment in 2012 was the following: Flexible Packaging 25% (28%), Films 8% (8%), North America 30% (26%), Molded Fiber 11% (12%) and Foodservice Europe-Asia-Oceania 26% (26%).

Flexible Packaging

Demand for flexible packaging remained relatively stable during 2012. Market uncertainty increased towards the end of the year as a result of the economic situation in Europe, leading to smaller orders and shorter lead times. In Europe the growth of the flexible packaging market was modest compared to the previous year, whereas double digit growth continued in the Asian markets, driven by the growth of gross domestic product, increased disposable income and development of modern retailing. On the other hand, high inflation in emerging markets led to reduced consumer spending on discretionary items such as coffee, confectionery and snacks. Raw material prices were stable during 2012.

The Group maintained its strong position in selected markets in Europe and Asia. Retort laminates for pet food packaging developed particularly well and also applications for the beverage sector grew in all markets. Demand for tube laminates was stable. In Asia the demand for label solutions grew. Competition continued strong and market shares were defended vigorously. General consolidation development continued within the global flexible packaging markets. In the fast growing emerging markets also new flexible packaging suppliers entered the markets.

The Flexible Packaging business segment continued to strengthen the global coordination of key functions and good progress was made in operational excellence, sourcing as well as new product and technology development.

During the fourth quarter Huhtamäki Oyj's subsidiary in India acquired 51% of the shares in Webtech Labels Private Limited, a specialist in high-end pressure sensitive labels. The acquisition complemented the segment's existing product portfolio and improved its offering to the pharmaceutical industry.

The segment's net sales growth was modest during the year. Full year net sales were EUR 587 million (EUR 578 million). The growth was achieved during the first half of the year as the continued net sales growth in Asia was not sufficient to offset the negative development in Europe during the second half of the year. The closure of the manufacturing unit in New Zealand affected the segment's net sales development negatively, especially during the second half of the year.

The segment's full year EBIT grew by 15% and was EUR 44 million (EUR 38 million excluding non-recurring charges of EUR 7.8 million in 2011). Earnings grew solidly during the first half of the year and the third quarter as a result of volume growth. Earnings were positively affected by elimination of losses from the New Zealand business. The closure of the manufacturing unit in New Zealand was finalized at the end of July. The reported return on net assets (RONA) was 14% (9%) and operating cash flow was EUR 41 million (EUR 40 million).

Films

The Films business segment's operating environment was relatively stable during 2012 but volatility increased towards the end of the year. Demand for films products for the building and construction markets was strong during the first half of the year, especially in the United States, but decreased during the second half of the year. Hygienic films are mainly used in consumer products and the demand was more stable throughout the year. The continued growth of personal care products in emerging markets and added value solutions such as single wrap napkins in all markets contributed positively to the demand for hygienic films.

The Group's positions in hygienic films improved as a result of the investments made in Brazil and Thailand in 2011. The strong position in films for the building and construction markets was further improved, particularly in the United States. In Europe the strong position in pressure sensitive films was maintained.

The segment's reported net sales growth during the year was attributable to the good progress in North America as well as the net sales of the Brazilian unit acquired in 2011. Full year net sales were EUR 192 million (EUR 177 million).

The segment's full year earnings increased slightly compared to the previous year. The full year EBIT was EUR 9 million (EUR 8 million). The segment's RONA was stable at 6% (6%) while the operating cash flow improved and was EUR 12 million (EUR -4 million).

North America

Trading conditions improved in the North America business segment in 2012. Raw material costs stabilized while overall market conditions improved slightly along with the economy. The retail take home ice cream market recovered after a period of softness. In 2012 the retail disposable tableware market grew approximately 3% compared to the previous year. Restaurant visits were also up and the foodservice industry revenue for packaging grew about 2%. Consolidation within the North American disposable tableware market continued.

Chinet® branded products held their overall market position with product line extensions such as the Comfort Cup® and Cut Crystal® performing particularly well. However, Chinet molded fiber plates were negatively impacted by market trends. The Group continued to strengthen its position as a supplier of retail private label disposable products with improved positions in cups and cutlery, and with the addition of pressed plates to the product portfolio. The private label position leverages and complements the Chinet brand and takes advantage of market trends.

The assets and business of a paper tableware manufacturer Winterfield, LLC, were acquired during the third quarter. The acquisition further strengthened the Group's positions in the North American retail and foodservice packaging markets. The business was consolidated into the North America segment as of September 1, 2012.

The purchase of a manufacturing facility in Batavia, Ohio, in order to set up a new state of the art manufacturing and distribution unit was completed on January 31, 2013. The purchase continued the Group's series of investments in expanding and strengthening its disposable product offering and capability in the United States, and allows the Group to begin to fully leverage its global foodservice position also in the United States.

The segment's net sales grew strongly throughout 2012 and the full year net sales were EUR 704 million (EUR 532 million). The businesses acquired during 2011 contributed positively to the segment's net sales growth, particularly within the foodservice business. Successful product line extensions as well as the new business acquired during the third quarter had a positive effect on the retail business. Currency translations had a positive impact of EUR 42 million on the segment's full year net sales.

The segment's EBIT developed positively during the year and was EUR 56 million (EUR 44 million). Earnings growth was driven by positive volume development and the contribution from units acquired in 2011. The segment's RONA was 12% (11%) and operating cash flow was EUR 29 million (EUR 44 million).

Molded Fiber

The Molded Fiber business segment's operating environment was stable during 2012 and demand for molded fiber packaging remained solid both in developed and in emerging markets. In Europe the market for eggs grew approximately 2% compared to the previous year. Demand for high-end egg packaging continued to grow as a result of increased sales of eggs through the retail channel that values branding possibilities. Increased automation in packaging of eggs also contributed to the growing demand of high-end egg packaging for which the Group offers a good range of products.

There were no significant changes in market positions. Competitive situation in Europe remained tight and aggressive pricing activities were experienced in several markets. The segment's long-term investments in customer satisfaction projects contributed to improved operational efficiency for example via joint demand planning.

Steady growth continued within the segment throughout the year and the full year net sales were EUR 264 million (EUR 244 million). Healthy demand leading to volume growth, as well as favorable product mix, contributed to the positive net sales development. Investments in increased capacity in emerging markets also boosted the net sales growth, particularly in Russia and Brazil.

The segment's earnings growth was solid during 2012 and full year EBIT was EUR 27 million (EUR 21 million). Favorable product mix development and continued excellent operational performance, especially in Europe, contributed to the positive earnings development. The segment's RONA was 16% (12%) and operating cash flow was EUR 26 million (EUR 19 million).

Foodservice Europe-Asia-Oceania

Demand for paper cups remained relatively strong in all key markets of the Foodservice Europe-Asia-Oceania business segment. The continued growth of specialty coffee and coffee-to-go trends contributed positively to the demand for hot cups and insulated hot cups, which was particularly strong. Demand for paper packaging for frozen desserts was also healthy. The volumes of the plastic product range declined slightly, with the exception of plastic lids.

The segment's competitive landscape remained largely unchanged. Competitive pressure from Asian imports particularly in Western Europe and Australia continued. The increased hot cup manufacturing capacity in Asia, resulting from the acquisition of Josco (Holdings) Limited, improved the Group's position within the foodservice packaging markets in Europe, Asia and Oceania as a whole.

Josco (Holdings) Limited, a major foodservice packaging supplier in Asia, was acquired in the beginning of the second quarter. The company's manufacturing units are strategically located in China, its product range is complementary to the segment's existing range and it has a strong network of suppliers. It also has significant exports to Europe, the United States and Australia. The acquired business was consolidated into the Foodservice Europe-Asia-Oceania segment as of April 1, 2012. The net sales of the acquired units in 2012, as of the date of consolidation, were approximately EUR 54 million.

The segment's net sales developed favorably during 2012 and full year net sales were EUR 601 million (EUR 524 million). Net sales growth was mainly attributable to the business acquired in Asia in the beginning of the second quarter. In addition, net sales developed positively also in Russia and in the UK.

The segment's EBIT increased significantly compared to the previous year and was EUR 35 million (EUR 20 million excluding non-recurring items of EUR 0.8 million in 2011). The positive earnings development was due to good cost containment, successful restructuring in the segment's plastics unit in Germany and favorable product mix development. The acquired units in Asia also contributed positively to the segment's earnings development. The segment's RONA was 11% (8%) and operating cash flow was EUR 40 million (EUR 11 million).

Financial review

The full year Group EBIT was EUR 162 million (EUR 128 million excluding non-recurring charges of EUR 7 million in 2011), corresponding to an EBIT margin of 6.9% (6.2%). Net financial items for the year were EUR -21 million (EUR -16 million). Financial expenses increased compared to the previous year mainly due to increase in net debt during the year as well as slightly higher average interest rates due to changes in debt structure and the redemption of the hybrid bond in the fourth quarter in 2011. Tax expense for the year was EUR 15 million (EUR 14 million). The corresponding tax rate for the full year was 11% (13%).

Profit for the period was EUR 126 million (EUR 92 million) and the earnings per share (EPS) were EUR 1.21 (EUR 0.87 excluding non-recurring items in 2011). In 2011, the EPS including non-recurring items was EUR 0.80.

Foreign currency translation impact was positive. For the full year the impact on net sales was EUR 63 million and on EBIT EUR 5 million compared to the 2011 exchange rates. The translation impact was mainly due to the strengthened U.S. dollar against euro.

The average number of outstanding shares used in EPS calculations was 101,710,693 (101,418,398), excluding 4,594,089 (4,591,089) of the Company's own shares. Based on share subscriptions with Huhtamäki Oyj's option rights 2006 B and 2006 C under the Company's Option Rights 2006 Plan, a total of 1,142,666 new shares of Huhtamäki Oyj were issued in 2012. The corresponding increase in the Company's share capital was EUR 3,885,064.40. At the end of the year, the number of outstanding shares excluding the Company's own shares was 102,611,897 (101,472,231).

Statement of financial position and cash flow

Free cash flow for 2012 was EUR 103 million (EUR 65 million). Cash flow generation improved due to increased earnings and efficient working capital management.

Full year capital expenditure was EUR 94 million (EUR 82 million). Majority of the capital expenditure was related to business expansion. Approximately one third of the capital expenditure was allocated to emerging markets.

Net debt was EUR 406 million (EUR 393 million) at the end of the year. This corresponds to a gearing ratio of 0.46 (0.49). As a result of strong cash flow generation the increase in net debt was modest despite the investments in quality growth and dividends paid. With net debt to EBITDA ratio decreasing to 1.6 (1.9 excluding non-recurring items in 2011) at the end of the reporting period the Group's ability to invest in further growth opportunities remains good. The average maturity of external committed credit facilities and loans at the end of the year was 3.5 (4.3) years.

The Group's liquidity position was solid. At the end of the year cash and cash equivalents were EUR 81 million (EUR 69 million) and the Group had EUR 307 million (EUR 294 million) of unused committed credit facilities available.

Total assets on the statement of financial position were EUR 2,029 million (EUR 1,910 million).

Strategic review

The implementation of the Group's strategic direction focused on quality growth was continued during the year. Three new strategic and growth enhancing acquisitions were completed and the integration of the businesses acquired in 2011 was continued. A major foodservice packaging supplier was acquired in Asia, a paper tableware manufacturer in the United States and a label manufacturer in India. A total of six transactions have been completed since the implementation of the Group's strategy focused on quality growth began in 2011. The aggregate annualized net sales of the acquired units, as announced at the time of the acquisitions, are approximately EUR 230 million. Approximately EUR 150 million, including assumed debt, was spent on acquiring them.

As a result of the acquisitions in the United States and in Asia, and the recently announced capacity increasing investment in the United States, the Group has significantly improved its position as a strong global foodservice packaging supplier. In Asia the Group has created a superior service platform for foodservice customers and is able to support their growth with its strategically located units, increased capacity and expanded product range. In the United States the Group has enhanced its product assortment and is increasing its capacity as well as improving its service ability with a renewed logistics setup. These actions allow the Group to leverage its global position and address the needs of its key global foodservice customers in Europe, Asia and the United States.

Organic growth continued strongest in the fast-growing emerging markets. The Group's total organic growth was 3% compared to the previous year and in emerging markets it was 7%. Growth in emerging markets was supported with approximately one third of the Group's capital expenditure, mainly allocated to business expansion projects.

During 2012 the Board of Directors continued to pay special attention to the Group's quality growth driven acquisitions and other initiatives having specific strategic importance. In 2012 the Board of Directors visited certain of the Group's manufacturing units in Thailand and the United States, focusing on the Flexible Packaging, the Films and the North America business segments.

The closure of the loss-making Flexible Packaging unit in New Zealand was finalized during the year.

Personnel review

The Group had a total of 14,228 (12,739) employees at the end of 2012. The number of employees increased mainly due to the acquisitions completed during the year. The number of employees by segment was the following: Flexible Packaging 4,092 (3,824), Films 916 (964), North America 3,250 (3,026), Molded Fiber 1,682 (1,661), Foodservice Europe-Asia-Oceania 4,226 (2,982) and Other activities 62 (64). The average number of employees was 13,342 (12,086).

At the end of 2012 the Group had employees in 31 countries, with 35% (40%) of employees in Europe, 39% (33%) in Asia-Oceania-Africa, 23% (24%) in North America and 3% (3%) in South America. The countries with the largest number of employees were the United States 22% (23%), Germany 13% (16%), India 12% (12%) and China 12% (4%). The Group had 59% (55%) of its total personnel in the aforementioned countries. Excluding acquisitions, the number of employees increased the most in Thailand and Mexico.

Huhtamäki Oyj employed 53 (51) people at the end of 2012. The annual average was 51 (50).

During the year, the Group's occupational health and safety performance weakened. The number of workplace incidents increased to 85 (72). The increased number of accidents did not affect the lost time incident frequency, however, which remained at 3.6 (3.6) at the end of the year. The lost time incident severity, however, increased compared to the year end of 2011 and was 1,095 (843).

Systematic work to identify and eliminate hazards that could lead to injuries continued. Specific projects for identifying potential hazards were run in all manufacturing units. Corrective actions were created and continued to receive high priority for prompt completion. The aim is to re-gain the positive trend in lost time incident frequency and severity.

Risk review

Within the Group's risk management methodology risks are categorized as 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 in each business unit 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.

During 2012 the risk mitigation actions that had been defined in 2011 were implemented. The focus of the risk management processes was on ensuring quality growth, increasing the effectiveness of management of profit margins, and ensuring profitability of operations in volatile business environment.

In 2012 the Group achieved healthy sales growth of 14% compared to the previous year partly through targeted acquisitions in North America and emerging markets, and partly through organic growth. Three percentage points of the growth was organic measured in constant exchange rates.

The efforts to increase profit and profit margins were successful. Special attention was paid to tight cost control, prioritization of investment initiatives and efficient working capital management. In order to manage the volatile business environment and raw material price movements, focus was also put on product mix development and price management. Results achieved in 2012 were good. In addition, the liquidity position and the maturity structure of the Group's loan portfolio were improved through securing long-term financing.

At the end of 2012 the Group conducted its annual risk assessment. Macroeconomic instability continued to be one of the key strategic risks going into 2013. Political risks were also identified as key risks due to the Group's continuing organic and acquisition driven growth in emerging markets where potential uncertainties in political and economic environment call for special attention.

The main operational risks identified in 2012 relate to operational efficiencies as well as shifts in technologies and materials. Changes in consumer behavior may lead to the need to make shifts in technologies and materials used, which may in turn lead to the need for new investments and innovations.

The main financial risks continue to be related to raw material price fluctuations.

Appropriate mitigation actions for the Group's main risks identified at the end of 2012 have been defined and will be implemented in 2013.

More information on financial risks can be found in Note 28 in the Annual Accounts 2012.

Environmental review

The Code of Conduct of the Group and the Group Environmental Policy define globally consistent operating principles for the environmental management of the Group. In addition, the Group is a signatory to the International Chamber of Commerce (ICC) Business Charter for Sustainable Development. In 2012 regular internal and external audits were performed to improve environmental performance. A total of 371 audits by authorities, customers and suppliers were conducted at manufacturing units during the year. The key environmental performance indicators against targets set for each business segment were reported quarterly to the Board of Directors.

The most significant direct environmental aspects of the Group's operations are energy use, emissions into the air and solid waste. Environmental management systems have been created to monitor and facilitate the progress of the Group's operational and product related environmental performance. At the end of 2012, 30 (26) manufacturing units, representing 46% (44%) of all manufacturing units in the Group, including the 10 (8) largest units by net sales, followed 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. During the year the manufacturing units in Alf, Germany and Franeker, the Netherlands successfully passed the external audits of the International Organization for Standardization's (ISO) energy management system ISO 50001. Two additional units are starting the implementation of ISO 50001. The Group's environmental operating costs totaled EUR 7.0 million (EUR 6.9 million).

Data on the Group's consolidated performance on the defined significant direct environmental aspects as well as on the business segments' performance is presented on the Group's website.

Resolutions of Huhtamäki Oyj's Annual General Meeting

Huhtamäki Oyj's Annual General Meeting of Shareholders was held in Helsinki on April 24, 2012. The meeting adopted the Company's Annual Accounts and the Consolidated Annual Accounts for 2011 and discharged the members of the Company's Board of Directors and the CEO from liability. Dividend for 2011 was set at EUR 0.46 (EUR 0.44) 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 following the election. To the Board of Directors were re-elected Ms. Eija Ailasmaa, Mr. William R. Barker, Mr. Rolf Börjesson, Mr. Mikael Lilius, Mr. Jukka Suominen and Ms. Sandra Turner. Mr. Pekka Ala-Pietilä and Ms. Maria Mercedes Corrales were elected as new members of the Board of Directors.

The Board of Directors subsequently elected Mr. Mikael Lilius as Chairman of the Board and Mr. Jukka Suominen as Vice-Chairman of the Board. In addition the Board of Directors resolved upon members of its committees for a term which lasts until the end of the Annual General Meeting of Shareholders following the election.

The Annual General Meeting confirmed the following annual remuneration for the members of the Board of Directors: for the Chairman EUR 100,000 (unchanged), for the Vice-Chairman EUR 60,000 (unchanged) and for the other members EUR 50,000 (unchanged). In addition, a meeting fee of EUR 600 (unchanged) per meeting was resolved to be paid to all members for the Board and Board Committee meetings they attend except that a meeting fee of EUR 2,000 (EUR 600) per meeting would be paid to the Chairman of the Audit Committee of the Board of Directors and a meeting fee of EUR 1,000 (EUR 600) per meeting to other members of the Audit Committee for the Audit Committee meetings they attend.

The Authorized Public Accountant firm Ernst & Young Oy was elected as Auditor of the Company for the financial year January 1 – December 31, 2012. Mr. Harri Pärssinen, APA, is the Auditor with principal responsibility.

The Annual General Meeting resolved to amend the Articles of Association enabling the Company to publish a notice of the General Meeting of Shareholders either in a national daily newspaper or on the Company's website.

The Annual General Meeting resolved to authorize the Board of Directors to decide on conveyance of the Company's own shares. The authorization is valid until April 30, 2015.

Information provided pursuant to the Securities Market Act, Chapter 7, Section 6

Information required under the Securities Market Act, Chapter 7, Section 6 is presented in Note 22 in the Annual Accounts 2012.

Share capital and shareholders

At the end of 2012, the Company's registered share capital was EUR 364,500,352.40 (360,615,288.00) corresponding to a total number of shares of 107,205,986 (106,063,320) including 4,594,089 (4,591,089) Company's own shares. The accountable par value of the Company's own shares was EUR 3.40 per share, totaling EUR 15,619,902.60 (EUR 15,609,702.60) which represents 4.3% (unchanged) of the total number of shares and voting rights. The amount of outstanding shares excluding the Company's own shares was 102,611,897 (101,472,231).

During 2012, a total of 1,142,666 shares were subscribed for based on Huhtamäki Oyj's Option Rights 2006 Plan. 749,665 shares were subscribed for based on the option rights 2006 B and 393,001 shares based on the option rights 2006 C. Thus a total of 1,142,666 new shares were issued and the share capital increased by EUR 3,885,064.40. This corresponds to approximately 1.1% of the total share capital of the Company on December 31, 2012. The period of subscription for option rights 2006 B ceased on October 31, 2012 and will cease for option rights 2006 C on April 30, 2014. If exercised in full, the option rights 2006 C will entitle to the subscription for a total of 706,999 shares in 2013–2014 whereby the share capital would be increased by a maximum amount of EUR 2,403,796.60 representing approximately 0.7% of the total share capital as well as the total number of shares and voting rights at the end of 2012. The Option Rights 2006 Plan had 91 participants at the end of the year.

There were 24,290 (26,604) registered shareholders at the end of 2012. Foreign ownership including nominee registered shares accounted for 34% (26%).

Company's own shares

The Annual General Meeting held on April 3, 2009 had authorized the Board of Directors to resolve upon conveyance of the Company's own shares and the authorization was valid until April 30, 2012. The Annual General Meeting held on April 24, 2012 authorized the Board of Directors to decide on conveyance of the Company's own shares. The authorization is valid until April 30, 2015 and it replaced the authorization granted in 2009. During 2012 none of the Company's own shares were conveyed whereas during 2011 a total of 232,000 of the Company's own shares were conveyed in accordance with the performance share incentive and commitment program for the key personnel of the Company and its subsidiaries. On December 31, 2012 the Company owned a total of 4,594,089 (4,591,089) own shares.

Share developments

During 2012 the Company´s share was quoted on NASDAQ OMX Helsinki Ltd on the Nordic Mid Cap list under the Industrials sector. As of January 1, 2013 the Company's share is quoted on the Nordic Large Cap list. As of February 1, 2013 the Company's share is a component of the OMX Helsinki 25 Index.

At the end of 2012 the Company's market capitalization was EUR 1,315 million (EUR 972 million) and EUR 1,259 million (EUR 929 million) excluding the Company's own shares. With a closing price of EUR 12.27 (EUR 9.16) the share price increased by 34% (decreased 11%) from the beginning of the year, while the OMX Helsinki Cap PI Index increased by 10% (decreased 28%) and the OMX Helsinki Industrials PI Index increased by 26% (decreased 24%). In 2012 the volume weighted average price for the Company's share was EUR 11.30 (EUR 9.04). The highest price paid was EUR 13.19 on October 25, 2012 and the lowest price paid was EUR 8.88 on January 9, 2012.

Share trading

During 2012 the cumulative value of the Company's share turnover on NASDAQ OMX Helsinki Ltd was EUR 498 million (EUR 465 million). The trading volume of 44 million (51 million) shares equaled an average daily turnover of EUR 2.0 million (EUR 1.8 million) or, correspondingly 177,014 (202,774) shares.

In addition to NASDAQ OMX Helsinki Ltd, the Company's shares can also be traded on alternative trading venues, such as BATS Chi-X, Burgundy and Turquoise. During 2012 alternative trading venues increased their share of trading in the Company's share, and 39% (36%) of all trading took place outside NASDAQ OMX Helsinki Ltd. The cumulative value of the Company's share turnover on NASDAQ OMX Helsinki Ltd and alternative trading venues was EUR 822 million (EUR 721 million) in 2012. (Source: Fidessa Fragmentation Index, www.fragmentation.fidessa.com)

The total turnover of the Company's 2006 B and C option rights was EUR 4,108,625.17 corresponding to a trading volume of 1,768,919 option rights. In 2011 the turnover of the Company's 2006 A, B and C option rights was EUR 1,341,655.79 corresponding to a trading volume of 974,421 option rights.

European Commission's statement of objections

Huhtamäki Oyj received on September 28, 2012 the European Commission's statement of objections concerning alleged anti-competitive behavior in the markets of plastic trays used for retail packaging of fresh food, such as meat and poultry, in South-West Europe, North-West Europe and France. The alleged infringements of EU competition regulations relate to the Group's operations during years 2000–2008. The operations referred to in the statement of objections were part of the Group's rigid plastic consumer goods business in Europe. Based on the statement of objections, the annual net sales of the affected business, as alleged by the European Commission, were EUR 40–50 million and the duration of the alleged infringements was on average 4–5 years depending on the market. Most of the operations concerned by the statement of objections have been closed down or divested in years 2006 and 2010, and the part of the concerned operations that currently remains in the Group is reported within the Foodservice Europe-Asia-Oceania segment and its annual net sales are approximately EUR 2 million. The Group's other business segments, Flexible Packaging, Films, North America and Molded Fiber, are not concerned by the statement of objections. The statement of objections is addressed to Huhtamäki Oyj and certain of its subsidiaries.

A statement of objections is a formal step in the European Commission's investigations into suspected violations of EU competition regulations. Huhtamäki Oyj will examine the documents received from the European Commission, respond to the statement of objections as requested by the European Commission and exercise its rights of defense in the process. The statement of objections does not prejudge the final outcome of the European Commission's investigation. Thus, no provisions have been made in the Group statement of financial position. It is expected that the European Commission's investigations will take several months.

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.

Significant events after the reporting period

On January 31, 2013 Huhtamäki Oyj's subsidiary Huhtamaki, Inc. purchased a manufacturing facility in Batavia, Ohio, in the United States to set up a new state of the art manufacturing and distribution unit. With the purchase Huhtamaki continued its series of investments in expanding and strengthening its disposable product offering and capability in the United States. The total investment including the site purchase, improvements in infrastructure and machinery investments to set up capacity will be approximately USD 60 million (EUR 45 million). Majority of the investment will take place in 2013.

Outlook for 2013

The Group's trading conditions are expected to remain relatively stable during 2013. The good financial position and ability to generate a positive cash flow will enable the Group to further address profitable growth opportunities. Capital expenditure is expected to be above EUR 100 million. A significant part of the investments is due to the increases in foodservice disposables capabilities within the North America segment.

Dividend proposal

On December 31, 2012 Huhtamäki Oyj's non-restricted equity was EUR 830 million. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.56 (EUR 0.46) per share, in total EUR 57 million, be paid.

Annual General Meeting 2013

The Annual General Meeting of Shareholders will be held on Thursday, April 25, 2013 at 2 pm (Finnish time), at Kulttuuritalo (Helsinki Hall of Culture), Sturenkatu 4, in Helsinki, Finland.

Corporate Governance Statement

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

Consolidated Annual Accounts 2012

Group income statement (IFRS)

EUR million	Note	2012	%	2011	%
Net sales	**1**	**2,335.0**	**100.0**	**2,043.6**	**100.0**
Cost of goods sold	3	-1,963.7		-1,735.1	
Gross profit		**371.3**	**15.9**	**308.5**	**15.1**
Other operating income	4	21.9		19.6	
Sales and marketing	3	-73.7		-67.5	
Research and development		-15.6		-16.2	
Administration costs		-129.7		-108.9	
Other operating expenses	5	-12.6		-14.9	
		-209.7		**-187.9**	
Earnings before interest and taxes	**6, 7**	**161.6**	**6.9**	**120.6**	**5.9**
Financial income	8	4.7		5.7	
Financial expenses	8	-25.9		-21.8	
Income from associated companies		0.9		0.7	
Profit before taxes		**141.3**	**6.1**	**105.2**	**5.1**
Income tax expense	9	-14.9		-13.5	
Profit for the period		**126.4**	**5.4**	**91.7**	**4.5**
Attributable to:					
Equity holders of the parent company		123.6		88.2	
Non-controlling interest		2.8		3.5	
EUR					
EPS profit for the period	10	1.21		0.87	
EPS attributable to hybrid bond investors		-		0.07	
EPS attributable to equity holders of the parent company		1.21		0.80	
Diluted:					
EPS profit for the period		1.21		0.87	
EPS attributable to hybrid bond investors		-		0.07	
EPS attributable to equity holders of the parent company		1.21		0.80	

GROUP STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR million	Note	2012	2011
Profit for the period		**126.4**	**91.7**
Other comprehensive income:			
Translation differences		-15.6	5.9
Equity hedges		2.8	-6.5
Fair value and other reserves	23	2.0	-3.1
Income tax related to components of other comprehensive income		-0.3	0.5
Other comprehensive income, net of tax		**-11.1**	**-3.2**
Total comprehensive income		**115.3**	**88.5**
Attributable to:			
Equity holders of the parent company		112.5	85.0
Non-controlling interest		2.8	3.5

Group statement of financial position (IFRS)

ASSETS

EUR million	Note	2012	%	2011	%
Non-current assets					
Goodwill	11	452.0		423.7	
Other intangible assets	11	29.2		26.2	
Tangible assets	12	671.7		645.5	
Investments in associated companies	13	4.2		3.6	
Available-for-sale investments	15	1.3		1.3	
Interest-bearing receivables	16	16.9		14.4	
Deferred tax assets	17	18.8		15.7	
Employee benefit assets	18	62.0		63.0	
Other non-current assets		4.6		4.8	
		1,260.7	**62.1**	**1,198.2**	**62.7**
Current assets					
Inventory	19	320.3		289.0	
Interest-bearing receivables	16	9.9		8.9	
Current tax assets		2.3		2.3	
Trade and other current receivables	20	354.5		342.2	
Cash and cash equivalents	21	81.0		69.0	
		768.0	**37.9**	**711.4**	**37.3**
Total assets		**2,028.7**	**100.0**	**1,909.6**	**100.0**

EQUITY AND LIABILITIES

EUR million	Note	2012	%	2011	%
Share capital	22	364.5		360.6	
Premium fund		114.1		106.8	
Treasury shares	23	-42.2		-42.2	
Translation differences	23	-110.6		-97.8	
Fair value and other reserves	23	-3.7		-5.4	
Retained earnings		542.7		460.1	
Total equity attributable to equity holders of the parent company		**864.8**	**42.6**	**782.1**	**41.0**
Non-controlling interest		26.5		22.9	
Total equity		**891.3**	**43.9**	**805.0**	**42.2**
Non-current liabilities					
Interest-bearing liabilities	24	427.4		260.8	
Deferred tax liabilities	17	70.9		61.5	
Employee benefit liabilities	18	95.6		97.0	
Provisions	25	38.5		46.7	
Other non-current liabilities		4.9		4.1	
		637.3	**31.4**	**470.1**	**24.6**
Current liabilities					
Interest-bearing liabilities					
Current portion of long-term loans	24	12.4		82.5	
Short-term loans	24	73.6		142.4	
Provisions	25	4.1		13.2	
Current tax liabilities		11.5		6.8	
Trade and other current liabilities	26	398.5		389.6	
		500.1	**24.7**	**634.5**	**33.1**
Total liabilities		**1,137.4**	**56.1**	**1,104.6**	**57.8**
Total equity and liabilities		**2,028.7**	**100.0**	**1,909.6**	**100.0**

Group cash flow statement (IFRS)

EUR million	2012	2011
Profit for the period	**126.4**	**91.7**
Adjustments	114.5	115.6
Depreciation and amortization	90.5	76.3
Gain on equity of associated companies	-0.9	-0.7
Gain/loss from disposal of assets	-0.6	-0.1
Financial expense/-income	21.2	16.4
Income tax expense	14.9	13.5
Other adjustments, operational	-10.6	10.2
Change in inventories	-17.4	-8.3
Change in non-interest bearing receivables	7.3	-41.7
Change in non-interest bearing payables	-5.3	14.4
Dividends received	1.3	0.9
Interest received	2.5	2.6
Interest paid	-22.3	-18.1
Other financial expenses and income	-2.8	-1.5
Taxes paid	-14.0	-9.4
Net cash flow from operating activities	**190.2**	**146.2**
Capital expenditure	-93.5	-82.2
Proceeds from selling tangible assets	5.9	0.9
Acquired subsidiaries	-57.5	-51.4
Proceeds from long-term deposits	1.0	0.4
Payment of long-term deposits	-3.6	-2.8
Proceeds from short-term deposits	25.5	34.5
Payment of short-term deposits	-26.9	-9.1
Net cash flow from investing	**-149.1**	**-109.7**
Proceeds from long-term borrowings	231.3	215.5
Repayment of long-term borrowings	-81.7	-235.0
Proceeds from short-term borrowings	1,136.6	1,337.9
Repayment of short-term borrowings	-1,279.0	-1,277.5
Dividends paid	-46.7	-44.6
Hybrid equity	-	-75.0
Hybrid equity interest	-	-7.9
Proceeds from stock option exercises	11.2	-
Net cash flow from financing	**-28.3**	**-86.6**
Change in liquid assets	**12.0**	**-49.7**
Cash flow based	12.8	-50.1
Translation difference	-0.8	0.4
Liquid assets on January 1	69.0	118.7
Liquid assets on December 31	81.0	69.0

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 on Jan 1, 2011	**360.6**	**106.8**	**-44.4**	**-97.2**	**-2.9**	**426.0**	**748.9**	**24.8**	**75.0**	**848.7**
Dividends paid						-44.6	-44.6			-44.6
Share-based payments			2.2			-0.2	2.0			2.0
Redemption of hybrid bond									-75.0	-75.0
Interest on hybrid bond						-7.9	-7.9			-7.9
Total comprehensive income for the year				-0.6	-2.5	88.1	85.0	3.5		88.5
Other changes						-1.3	-1.3	-5.4		-6.7
Balance on Dec 31, 2011	**360.6**	**106.8**	**-42.2**	**-97.8**	**-5.4**	**460.1**	**782.1**	**22.9**	**-**	**805.0**
Dividends paid						-46.7	-46.7			-46.7
Share-based payments						3.5	3.5			3.5
Stock option exercised	3.9	7.3					11.2			11.2
Total comprehensive income for the year				-12.8	1.7	123.6	112.5	2.8		115.3
Other changes						2.2	2.2	0.8		3.0
Balance on Dec 31, 2012	**364.5**	**114.1**	**-42.2**	**-110.6**	**-3.7**	**542.7**	**864.8**	**26.5**	**-**	**891.3**

Significant accounting policies

Main activities

Huhtamaki Group is a leading manufacturer of consumer and specialty packaging with operations in 31 countries. The Group's focus and expertise are in flexible, paper and molded fiber packaging as well as specialty films. Huhtamaki offers standardized products, customized designs as well as total packaging systems and solutions. Main customers are food and beverage companies, manufacturers of other fast-moving consumer products (non-food), foodservice operators, fresh produce packers and retailers.

The parent company, Huhtamäki Oyj, is a limited liability company domiciled in Espoo, Finland and listed on NASDAQ OMX Helsinki Ltd. The address of its registered office is Miestentie 9, 02150 Espoo, Finland.

These Group consolidated financial statements were authorized for issue by the Board of Directors on February 12, 2013.

Bases of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the IAS and IFRS standards as well as SIC- and IFRIC-interpretations which were valid on December 31, 2012, have been followed in the preparation. IFRS, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of said 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 that are measured at fair value. The consolidated financial statements are presented in millions of euros.

The Group has not adopted any new or revised standards or interpretations as of January 1, 2012 with material impact on the Group.

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.

Subsidiaries are accounted for using the acquisition method according to which the consideration transferred and 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 consideration less acquired net asset is recognized as goodwill. The costs relating to the acquisition are accounted as expense. Any possible contingent consideration is recognized at fair value at the acquisition date and it is classified as a liability or equity. Contingent consideration classified as a liability is remeasured at every balance sheet date and the related profit or loss is recognized in the comprehensive income statement. Contingent consideration classified as equity is not remeasured. The acquisitions before January 1, 2010 are accounted according to the current regulations in force. 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 to non-controlling interest is presented in a separate income statement. Comprehensive income attributable to equity holders of the parent company and to non-controlling interest is presented in the comprehensive income statement. Comprehensive income is attributed to the owners of the parent company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Non-controlling interest is also disclosed as a separate item within equity.

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 consolidated 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. The Group's share of associated companies' result for the period is presented as a separate item below Earnings before interest and taxes. Correspondingly the Group's share of changes in comprehensive income statement is recognized in the Group's comprehensive income statement.

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.

Foreign currency translation

Foreign currency transactions are translated into functional currency at the rates of exchange prevailing at the date of the transaction. For practical reasons an approximate exchange rate is often used for transactions taking place during the month. Monetary assets and liabilities are translated at the rates of exchange at the balance sheet date. Foreign exchange differences arising from translation are recognized in the income statement. Foreign exchange gains and losses relating to operating activities are recognized in the same account as the underlying transaction above Earnings before interest and taxes. Foreign exchange differences relating to financial liability are recognized in financial income or expense except for those currency differences that relate 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 position 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 January 1, 2002 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 differences 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, and other liabilities.

Cash balances and call deposits with banks and other liquid investments, such as cash and cash equivalents and derivative instruments which do 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 prices at the balance sheet date. Gains or losses arising from changes in fair value are recognized in other comprehensive income and are presented in equity in fair value reserves. Fair value changes are transferred from equity to income statement, when the investment is sold or its value has been impaired so that related impairment loss should be recognized. Unlisted shares are carried at cost, as their fair value cannot be measured reliably.

Non-derivative assets with fixed or determinable payments that are not quoted in an active market are classified as loans and other receivables. Trade and other receivables are included in this class. Trade and other receivables are initially measured at cost. An impairment loss on trade receivables is recognized, when there is objective evidence that the Group will not be able to collect all amounts due according to original terms of receivables. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed.

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 other 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 other 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 have 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 from an acquisition represents the excess of the consideration transferred over the fair value of the net identifiable assets acquired. Goodwill is allocated to cash generating units and is not 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. Goodwill is valued at cost less impairment losses.

Other intangible assets include customer relations, 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 the statement of financial position initially at their fair value. After that emission rights are valued at cost. Emission rights, which are traded on active markets, are not depreciated, as the carrying value of those emission rights is considered to account for initial value. Emission rights will be derecognized at transaction date, when actual emissions have been defined.

Periods of amortization used:

Intangible rights	up to 20 (years)
Software	3–8 (years)
Customer relations	7 (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 costs are recognized in the income statement as incurred. Expenditure on development activities related to new products and processes are capitalized in the statement of financial position from the moment future economic benefits are expected to be available from the product and the Group has intention and resources to finalize the development. Previously expensed development expenditure is not capitalized later.

Tangible assets

Tangible assets comprising 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 costs 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. The borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the acquisition cost. 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 assets are included in Earnings before interest and taxes.

Impairment

The carrying amounts of assets are assessed at each statement of financial position 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

Lease contracts in 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 tangible 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 assets that have been leased out are 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 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 leasing components included in purchase agreements are recognized according to same principles. Other parts of the agreement are recognized according to the related IFRS-standards.

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.

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

Employee benefits

The Group companies have various pension and other post-employment benefit 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 plan under which the 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 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 defined benefit obligation. The liability recognized in the statement of financial position 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.

Past-service costs are recognized immediately in income statement, unless the changes to the plan are conditional on the employees remaining at service for a specific period of time. In this case, the past-service costs are amortized on a 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 a corresponding increase in equity. The fair value of cash-settled share-based payments is valued at each statement of financial position 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 the value of share-based instruments but in the 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 from the exercise of options are credited to share capital (book value equivalent) and share premium fund.

Provisions

Provisions are recognized in the statement of financial position 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 such obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions arise from restructuring plans, onerous contracts, legal proceedings 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 other comprehensive income is recognized to equity or other 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 for differences in investments in subsidiaries to the extent 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 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 such assets can be utilized.

Equity, dividends and own shares

Financial instruments are included in the Group's equity unless they contain a contractual obligation for the 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. 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.

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

Revenue recognition

The sales income adjusted with sales discounts, indirect sales taxes and exchange rate differences relating to foreign currency sales is presented as net sales. Revenue is recognized after the risks and rewards of ownership of the goods have been transferred to the buyer. Revenue recognition takes place as a main rule 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 the statement of financial position 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.

Non-recurring items

Material restructuring costs, material impairment losses and reversals, material gains and losses relating to business combinations and disposals and material gains and losses relating to sale of intangible and tangible assets are presented as non-recurring items.

Earnings before interest and taxes

Earnings before interest and taxes consists of 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 relate 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 found in note 11.

New IAS/IFRS standards and interpretations

New standards and amendments to existing standards that have been published and are not mandatory, and which the Group has not adopted are described in the following.

The Group expects 2013 to adopt the following standards and amendments applicable for the Group:

- Revised IAS 19 Employee Benefits. According to the amendments, the corridor approach will be removed and all actuarial gains and losses, including the fair value changes of employee benefit assets, are recognized in other comprehensive income when incurred. As a result, a decrease in Group employee benefit assets as well as an increase in Group employee benefit liabilities is expected. The change is reflected as a decrease in Group equity. The volatility of other comprehensive income and employee benefit assets and liabilities is expected to increase. Another change is the definition of net defined benefit liability (asset) according to which the interest cost and expected return on plan assets are replaced with a net interest amount, calculated by applying the discount rate to the net defined benefit liability or asset. The Group will report the net interest in financial items. The change will impact Group earnings before interest and taxes and financial items, but the effect on Group profit for the period is not expected to be material. In addition, the disclosure requirements for employee benefits are amended and the Group will modify its disclosures accordingly.
- Amended IAS 1 Presentation of Items of Other Comprehensive Income. According to the amendment items that would be reclassified to the income statement at a future point of time will be presented separately in the statement of comprehensive income. The Group will modify its statement of comprehensive income accordingly.
- IFRS 10 Consolidated Financial Statements. The standard determines control as bases when defining whether an entity is consolidated. The new standard is not expected to have impact on the currently held investments of the Group.
- IFRS 11 Joint Arrangements. According to the standard joint arrangements shall be classified to a joint operation or a joint venture based more on rights and obligations than legal form. The Group currently has an interest in a joint arrangement, which will be classified as a joint venture and will be consolidated using equity method instead of currently used proportional consolidation. The change will cause a decrease in net sales and expenses as well as in several assets and liabilities line items but no impact on profit for the period or equity. The impact on Group earnings before interest and taxes is not material, since the Group will report its' share of result of equity-accounted investments above earnings before interest and taxes.
- IFRS 12 Disclosure of Interests in Other Entities. The standard includes disclosure requirements relating to entity's interest in other entities. The Group will modify its disclosures accordingly.
- IFRS 13 Fair Value Measurement. The standard includes the exact definition for fair value and required notes. It describes how to measure fair value where fair value is required or permitted by IFRS. The standard is not expected to have material impact on the consolidated financial statements.
- Revised IAS 28 Investments in Associates and Joint Ventures. The revised standards include requirements of accounting associates and joint ventures using equity method. The amendment is not expected to have any impact on consolidated financial statements.
- Annual improvements (May 2012, effective for January 1, 2013 or after). The changes differ by standard but are not expected to have material impact on the consolidated financial statements. The changes have not yet been endorsed in the EU.

The Group expects to adopt later than 2013 the following new standards and amendments to existing standards:

- Revised IAS 32 Financial Instruments: Presentation – Offsetting Financial assets and Financial Liabilities (effective for January 1, 2014 or after). The amendments clarify the instructions on the right to offset financial assets and liabilities.
- IFRS 9 Financial Instruments: Classification and Measurement (effective for January 1, 2015 or after). IFRS 9 is the first phase of the replacement of IAS 39. The first phase will have effect on the classification of financial assets. The Group will assess the effect of phase one with other phases. The standard is not yet endorsed in the EU.

Notes to the consolidated financial statements

1. SEGMENT INFORMATION

The Group's reportable segments are strategic business units which produce different products and which are managed as separate units. The Group's segment information is based on internal management reporting. The Group has the following five reporting segments:

Flexible Packaging: Flexible packaging is used for a wide range of consumer products including food, pet food, hygiene and health care products. The segment serves global markets from production units in Europe, Asia and South America.

Films: 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. The segment serves global markets from production units in Europe, Asia, North America and South America.

North America: The segment includes rigid paper and plastic and molded fiber businesses in the United States and Mexico. Local markets are served with Chinet® disposable tableware products, ice cream containers as well as other consumer goods and foodservice products.

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

Foodservice Europe-Asia-Oceania: Foodservice paper and plastic disposable tableware is supplied to foodservice operators, fast food restaurants and coffee shops. The segment has production in Europe, Middle-East, Asia and Oceania.

In the Group the performance assessment of segments and decisions on allocation of resources to segments are based on a segment's potential to generate earnings before interest and taxes (EBIT), operating cash flow and return on net assets. In management's opinion these are the most suitable key indicators for analyzing the segments' performance. The Chief Executive Officer is the highest decision maker regarding the above mentioned assessments and resource allocation.

Segment's net assets include items directly attributable to a segment and items which can be allocated on a 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 and intangible assets which will be used during 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 assets and liabilities relate to post-employment benefits, taxes, financial items and investments in associated companies.

Segments 2012

EUR million	Flexible Packaging	Films	North America	Molded Fiber	Foodservice Europe-Asia-Oceania	Segments total
Net sales	586.4	187.2	700.9	261.3	599.2	2,335.0
Intersegment net sales	0.7	4.3	3.4	2.2	1.9	12.5
EBIT	44.2	8.7	55.5	26.9	34.6	169.9
Net assets	326.1	149.4	453.2	167.6	340.4	1,436.7
Capital expenditure	19.8	5.5	31.5	14.8	21.1	92.7
Depreciation and amortization	17.9	8.0	25.2	12.3	25.9	89.3
RONA, % (12m roll.)	13.8%	5.6%	12.2%	15.6%	10.9%	-
Operating cash flow	41.4	11.7	28.7	25.6	39.7	-

Segments 2011

EUR million	Flexible Packaging	Films	North America	Molded Fiber	Foodservice Europe-Asia-Oceania	Segments total
Net sales	577.4	173.0	529.2	241.9	522.1	2,043.6
Intersegment net sales	0.9	4.0	3.1	2.1	2.0	12.1
EBIT*	30.5	8.4	43.5	20.9	20.8	124.1
Net assets	313.7	155.3	425.1	174.5	275.2	1,343.8
Capital expenditure	18.6	7.1	24.0	11.2	20.9	81.8
Depreciation and amortization	21.2	6.5	20.2	12.2	15.2	75.3
RONA, % (12m roll.)	9.3%	6.2%	11.2%	12.0%	7.8%	-
Operating cash flow	39.7	-4.3	43.5	18.5	10.7	-
* includes restructuring cost of	-7.8	-	-	-	-5.7	-13.5
* includes impairment reversal of	-	-	-	-	6.5	6.5

See notes 3, 7 and 12.

Reconciliation calculations

Net Sales

EUR million	2012	2011
Net sales for reportable segments	2,335.0	2,043.6
Intersegment net sales for reportable segments	12.5	12.1
Elimination of intercompany net sales	-12.5	-12.1
Group net sales	**2,335.0**	**2,043.6**

Result

EUR million	2012	2011
Total EBIT for reportable segments	169.9	124.1
EBIT for other activities	-8.3	-3.5
Net financial items	-21.2	-16.1
Income of associated companies	0.9	0.7
Profit before taxes	**141.3**	**105.2**

Assets

EUR million	2012	2011
Total assets for reportable segments	1,805.0	1,707.2
Assets in other activities	27.5	24.6
Unallocated assets	196.2	177.8
Group's total assets	**2,028.7**	**1,909.6**

Liabilities

EUR million	2012	2011
Total liabilities for reportable segments	368.3	363.4
Liabilities in other activities	24.8	22.5
Unallocated liabilities	744.3	718.7
Group's total liabilities	**1,137.4**	**1,104.6**

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.

2012

EUR million	External Net Sales	Non-current assets
The United States	733.3	401.0
Germany	529.9	220.1
India	128.7	56.4
Great Britain	106.2	41.4
China	88.3	73.7
Australia	81.5	33.4
Thailand	81.1	44.5
Russia	69.1	31.1
The Netherlands	65.9	38.2
Brazil	55.4	30.3
Other countries	395.6	187.0
Total	**2,335.0**	**1,157.1**

2011

EUR million	External Net Sales	Non-current assets
The United States	553.1	391.8
Germany	537.6	223.5
India	121.0	50.3
Great Britain	90.0	40.7
China	32.0	28.4
Australia	83.4	34.0
Thailand	71.0	42.2
Russia	56.3	23.3
The Netherlands	60.7	37.4
Brazil	43.6	32.8
Other countries	394.9	194.6
Total	**2,043.6**	**1,099.0**

2. BUSINESS COMBINATIONS

Acquisitions in 2012

On April 2, 2012 Huhtamäki Oyj's subsidiary entered into an agreement to acquire all the shares of Josco (Holdings) Limited ("Josco"), a manufacturer and distributor of paper and plastic disposable packaging products headquartered in Hong Kong and with manufacturing in China. With the acquisition the Group continued to implement its strategy of quality growth and significantly strengthened its position as a global provider of high quality foodservice packaging products. The acquired business has been consolidated into Foodservice Europe-Asia-Oceania segment as of April 1, 2012. In the purchase price allocation, the allocation of intangible assets includes the fair valuation of customer relations. The acquired goodwill is primarily based on high growth potential, operational capabilities and expected synergy benefits. The goodwill is expected to be non-deductible for income tax purposes.

Total consideration was EUR 46.0 million, of which 85% has been paid in cash and the remaining part will be paid in second quarter of 2014. The Group has recognized EUR 1.6 million cost relating to transaction advice and services for acquisition. EUR 1.1 million costs are included in Other operating expenses in Group Income statement of reporting period and EUR 0.5 million of reporting period ended December 31, 2011.

The values of acquired assets and liabilities at time of acquisition were as follows:

EUR million	Note	2012 Recognized values
Customer relations	11	7.9
Tangible assets	12	12.7
Inventories	19	11.2
Trade and other receivables		16.4
Cash and cash equivalents		1.3
Total assets		**49.5**
Deferred taxes	17	-1.4
Interest bearing loans	16	-15.6
Trade and other liabilities	25, 26	-8.6
Total liabilities		**-25.6**
Net assets total		**23.9**
Non-controlling interest		-1.1
Goodwill	11	23.2
Consideration		46.0

On August 30, 2012 Huhtamäki Oyj's US based subsidiary, Huhtamaki, Inc. acquired the assets and business of privately held Winterfield, LLC, a manufacturer of paper tableware in the United States. With the acquisition Huhtamaki further strenghtened its position in the North American retail and foodservice packaging markets. The acquired business has been consolidated into North America segment as of September 1, 2012. The goodwill is expected to be deductible for income tax purposes.

On November 9, 2012 Huhtamäki Oyj's subsidiary in India, The Paper Products Limited, acquired 51% of the shares in privately held Webtech Labels Private Limited, manufacturer of high-end pressure sensitive labels, especially to pharmaceutical customers. The acquisition complements the Flexible Packaging segment's existing product portfolio. The acquired business has been consolidated into Flexible Packaging segment as of November 1, 2012. The goodwill is expected to be non-deductible for income tax purposes.

The following table summarizes the combined consideration paid and the amounts of the assets and liabilities recognized at the acquisition date:

EUR million	Note	2012 Recognized values
Customer relations	11	0.8
Tangible assets	12	12.4
Inventories	19	3.1
Trade and other receivables		4.3
Total assets		**20.6**
Deferred taxes	17	-0.3
Interest bearing loans	16	-3.7
Trade and other liabilities	25, 26	-3.8
Total liabilities		**-7.8**
Net assets total		**12.8**
Non-controlling interest		-1.4
Goodwill	11	5.4
Consideration		16.8

The analysis of cash flows on 2012 acquisitions

EUR million	2012
Purchase considerations, paid in cash	-62.8
Cash and cash equivalents in acquired companies	1.3
Transaction costs of the acquisitions	-1.6
Net cash flow on acquisitions	-63.1

The net sales of the acquired businesses are included in the Group income statement since acquisition date and was EUR 62.1 million. Profit for the period for the acquired businesses since acquisition date was EUR 1.5 million. If the acquired businesses had been consolidated from January 1, 2012, the Group net sales would have been EUR 2,376.9 million and profit for the period EUR 130.6 million.

Acquisitions in 2011

During 2011 the following acquisitions were made and completed:

- On August 2011, acquisition of all the quotas of a Brazilian hygienic films manufacturer Prisma Pack Indústria de Filmes Técnicos e Embalagens Ltda,
- On September 1 2011, the assets and business of Paris Packaging, Inc., a converter of specialty folding cartons in the United States and
- On December 1 2011 , the assets and business of Ample Industries, Inc., a converter of folding cartons in the United States.

The following table summarizes the combined consideration paid and the amounts of the assets and liabilities recognized at the acquisition date for 2011 acquisitions:

EUR million	Note	2011 Recognized values
Customer relations	11	3.9
Tangible assets	12	22.7
Inventories	19	14.0
Trade and other receivables		15.2
Cash and cash equivalents		0.2
Total assets		**56.0**
Deferred taxes	18	-0.1
Interest bearing loans	17	-10.0
Trade and other liabilities	26, 27	-14.7
Total liabilities		**-24.8**
Net assets total		**31.2**
Goodwill	12	20.2
Consideration		51.4

Analysis of cash flows on 2011 acquisitions

EUR million	2011
Purchase considerations, paid in cash	-51.4
Cash and cash equivalents in acquired companies	0.2
Transaction costs of the acquisitions	-2.1
Net cash flow on acquisitions	-53.3

3. RESTRUCTURING COSTS

In 2012 the Group did not decide on any new restructuring programs. The restructuring costs for 2011 related to the closing down of a manufacturing unit in New Lynn, New Zealand and restoring the profitability in a Foodservice plastics unit in Alf, Germany. The restructuring programs were finalized during 2012.

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

EUR million	2012	2011
Cost of goods sold	-	11.3
Sales and marketing	-	1.1
Administration costs	-	1.1
Total	**-**	**13.5**

See note 1.

4. OTHER OPERATING INCOME

EUR million	2012	2011
Royalty income	9.2	7.4
Gain on disposal of tangible assets	1.5	0.4
Rental income	1.9	2.4
Other	9.3	9.4
Total	**21.9**	**19.6**

5. OTHER OPERATING EXPENSES

EUR million	2012	2011
Amortization of other intangible assets	7.7	5.6
Strategic project expenses	1.2	5.0
Other	3.7	4.3
Total	**12.6**	**14.9**

6. PERSONNEL EXPENSES

EUR million	2012	2011
Wages and salaries	391.2	356.8
Compulsory social security contributions	44.0	40.0
Pensions		
Defined benefit plans	7.7	8.6
Defined contribution plans	11.2	10.0
Other post-employment benefits	2.5	-2.6
Share-based payments	8.6	4.4
Other personnel costs	31.7	23.7
Total	**496.9**	**440.9**

Remuneration paid by the parent company to the members of the Board of Directors (9 people) as well as the Chief Executive Officer (CEO) of Huhtamäki Oyj amounted to EUR 1.1 million (2011: EUR 2.1 million).

See note 29 and Corporate Governance Statement.

Average number of personnel	2012	2011
Group	13,342	12,086
Huhtamäki Oyj	51	50

7. DEPRECIATION AND AMORTIZATION

EUR million	2012	2011
Depreciation and amortization by function:		
Production	77.5	71.5
Sales and marketing	0.1	0.1
Research and development	0.2	0.2
Administration	1.6	1.5
Other	11.1	9.5
Total	**90.5**	**82.8**
Depreciation and amortization by asset type:		
Buildings	10.4	9.3
Machinery and equipment	68.2	63.8
Other tangible assets	4.2	4.1
Other intangible assets	7.7	5.6
Total	**90.5**	**82.8**
Impairments reversal by asset type:		
Buildings	-	-1.2
Machinery and equipment	-	-5.2
Other intangible assets	-	-0.1
Total impairments	**-**	**-6.5**

See notes 1 and 12.

8. NET FINANCIAL ITEMS

Gains and losses on fair value hedges are reported net of the gain or loss on the hedged item. Taxes reported in other financial expenses are taxes payable in some jurisdictions on financial transactions. Only foreign 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	2012	2011
Interest income on bank deposits and other receivables	2.9	3.5
Dividend income on available-for-sale assets	1.3	1.0
FX revaluation gains on interest-bearing assets and liabilities	0.5	1.2
Financial income	**4.7**	**5.7**
Interest expense on liabilities	-23.4	-18.4
FX revaluation losses on interest-bearing assets and liabilities	-0.4	-1.8
Bank fees, taxes and stock exhange expenses	-2.1	-1.6
Financial expense	**-25.9**	**-21.8**
Net financial items	**-21.2**	**-16.1**

9. TAXES IN INCOME STATEMENT

EUR million	2012	2011
Current period taxes	20.8	13.1
Previous period taxes	-11.4	-6.0
Deferred tax expense	5.5	6.4
Total tax expense	**14.9**	**13.5**
Profit before taxes	141.3	105.2
Tax calculated at domestic rate	34.6	27.4
Effect of different tax rates in foreign subsidiaries	2.5	-5.7
Income not subject to tax	-11.9	-6.1
Expenses not deductible for tax purposes	6.4	2.2
Utilization of previously unrecognised tax losses	-7.3	-2.2
Previous period taxes	-11.4	-6.0
Other items	2.0	3.9
Total tax expense	**14.9**	**13.5**

Tax effects relating to components of other comprehensive income

EUR million	2012 Before tax amount	Tax expense/ benefit	Net of tax amount	2011 Before tax amount	Tax expense/ benefit	Net of tax amount
Fair value and other reserves	2.3	-0.3	2.0	-2.0	0.5	-1.5

10. EARNINGS PER SHARE

EUR million	2012	2011
Net income attributable to equity holders of the parent company (basic/diluted)	123.6	88.2
Interest of hybrid bond	-	-7.2

Thousands of shares	2012	2011
Weighted average number of shares outstanding	101,711	101,418
Effect of share-based payments	760	311
Diluted weighted average number of shares outstanding	102,471	101,729

Basic earnings per share, EUR:	2012	2011
From profit for the period	1.21	0.87
Attributable to hybrid bond investors	-	0.07
Attributable to equity holders of the parent company	1.21	0.80

Diluted earnings per share, EUR:	2012	2011
From profit for the period	1.21	0.87
Attributable to hybrid bond investors	-	0.07
Attributable to equity holders of the parent company	1.21	0.80

11. INTANGIBLE ASSETS

EUR million	Goodwill	Customer relations	Software	Other intangibles (including intangible rights)	Total 2012
Acquisition cost on January 1, 2012	577.2	3.9	72.5	11.8	**665.4**
Additions	0.5	-	0.4	0.5	**1.4**
Disposals	-	-	-1.4	-1.3	**-2.7**
Intra-balance sheet transfer	-	-	1.5	-	**1.5**
Business combinations	31.0	9.0	-	0.8	**40.8**
Changes in exchange rates	-5.9	-0.4	-0.2	0.7	**-5.8**
Acquisition cost on December 31, 2012	602.8	12.5	72.8	12.5	**700.6**
Accumulated amortization on January 1, 2012	153.5	0.1	54.1	7.8	**215.5**
Accumulated amortization on disposals and transfers	-	-	-1.4	-0.2	**-1.6**
Amortization during the financial year	-	1.5	6.0	0.2	**7.7**
Changes in exchange rates	-2.7	-0.1	-0.1	0.7	**-2.2**
Accumulated amortization and impairment on December 31, 2012	150.8	1.5	58.6	8.5	**219.4**
Book value on December 31, 2012	**452.0**	**11.0**	**14.2**	**4.0**	**481.2**

EUR million	Goodwill	Customer relations	Software	Other intangibles (including intangible rights)	Total 2011
Acquisition cost on January 1, 2011	553.4	-	73.1	10.8	**637.3**
Additions	-	-	0.4	1.0	**1.4**
Disposals	-	-	-2.2	-1.0	**-3.2**
Intra-balance sheet transfer	-	-	1.2	0.2	**1.4**
Business combinations	20.2	3.9	-	-	**24.1**
Changes in exchange rates	3.6	0.0	0.0	0.8	**4.4**
Acquisition cost on December 31, 2011	577.2	3.9	72.5	11.8	**665.4**
Accumulated amortization on January 1, 2011	152.6	-	50.1	7.1	**209.8**
Accumulated amortization on disposals and transfers	-	-	-1.4	0.0	**-1.4**
Amortization during the financial year	-	0.1	5.3	0.2	**5.6**
Changes in exchange rates	0.9	-	0.1	0.5	**1.5**
Accumulated amortization and impairment on December 31, 2011	153.5	0.1	54.1	7.8	**215.5**
Book value on December 31, 2011	**423.7**	**3.8**	**18.4**	**4.0**	**449.9**

Emission rights are included in other intangible rights and are valued at fair value on January 2, 2012. The value of emission rights at balance sheet date was EUR 0.5 million (2011: EUR 1.0 million). The Group has not sold any emission rights by book closing 2012. 368,210 emission rights have been allocated to the Group for the commitment period 2008–2012. In 2012 the emission allowance surplus was 6,048 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 units that are expected to benefit from the synergies of the acquisitions, which represent the lowest level at which the goodwill is monitored for internal management purposes. Goodwill has been allocated to the following groups of cash-generating units:

EUR million	2012	2011
Flexible Packaging Europe	81.1	81.1
Films Europe and North America	46.8	47.4
Molded Fiber Europe	47.3	47.3
North America	203.1	202.5
	378.3	**378.3**
Multiple units with smaller goodwill amount	73.7	45.4
	452.0	**423.7**

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

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

Goodwill is tested annually or more frequently if there are indications of impairment. In assessing whether goodwill has been impaired, the carrying value of the group of cash-generating units has been compared to the recoverable amount of the group of cash-generating units. The recoverable amount is based on value in use, which is estimated using a discounted cash flow model. The cash flows are determined using five year cash flow forecasts, which are based on business plans. The plans are based on past experience as well as future expected market trend. The plans are approved by Management and are valid when impairment test is performed. Cash flows for future periods are extrapolated using a one percent growth rate in developed countries, two percent growth rate in developing countries and three percent growth rate in high growth countries. The management views these growth rates as being appropriate for the business, given the long time horizon of the testing period. The pre-tax discount rate used in calculation 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: Flexible Packaging Europe 7.4 (2011: 6.6) percent, Films Europe and North America 7.8 (2011: 7.2) percent, Molded Fiber Europe 7.8 (2011: 8.0) percent and North America 7.3 (2011: 6.4) percent. The pre-tax discount rates used in the smaller scale units with smaller goodwill range from 8.2 to 13.9 (2011: 8.0 percent to 16.6) percent.

Sensitivity analysis around the key 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.

12. TANGIBLE ASSETS

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2012
Acquisition cost on January 1, 2012	23.1	287.9	1,056.7	39.2	44.3	**1,451.2**
Additions	-	1.1	6.2	86.0	0.8	**94.1**
Disposals	-0.5	-6.6	-27.4	0.0	-1.7	**-36.2**
Intra-balance sheet transfer	-	4.4	63.6	-72.5	3.0	**-1.5**
Business combinations	-	2.6	21.9	0.2	0.9	**25.6**
Changes in exchange rates	0.0	-0.7	-5.2	-0.1	-0.6	**-6.6**
Acquisition cost on December 31, 2012	22.6	288.7	1,115.8	52.8	46.7	**1,526.6**
Accumulated depreciation on January 1, 2012	-	125.1	648.3	-	32.3	**805.7**
Accumulated depreciation on decreases and transfers	-	-3.2	-21.9	-	-1.7	**-26.8**
Depreciation during the financial year	-	10.4	68.2	-	4.2	**82.8**
Changes in exchange rates	-	-0.2	-6.3	-	-0.3	**-6.8**
Accumulated depreciation on December 31, 2012	-	132.1	688.3	-	34.5	**854.9**
Book value on December 31, 2012	**22.6**	**156.6**	**427.5**	**52.8**	**12.2**	**671.7**
Value of financial leased items included in book value 2012	**-**	**2.7**	**0.5**	**-**	**0.2**	**3.4**

EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2011
Acquisition cost on January 1, 2011	23.9	274.7	984.8	42.6	42.7	**1,368.8**
Additions	-	1.0	18.1	62.4	0.8	**82.3**
Disposals	-	-0.2	-16.4	-0.1	-1.7	**-18.4**
Intra-balance sheet transfer	-1.6	3.9	59.5	-66.4	3.2	**-1.4**
Business combinations	0.8	7.3	13.5	1.4	0.2	**23.2**
Changes in exchange rates	-0.1	1.2	-2.8	-0.7	-0.9	**-3.3**
Acquisition cost on December 31, 2011	23.1	287.9	1,056.7	39.2	44.3	**1,451.2**
Accumulated depreciation on January 1, 2011	0.9	116.1	606.9	-	30.0	**754.0**
Accumulated depreciation on decreases and transfers	-0.9	-0.1	-15.9	-	-1.2	**-18.1**
Depreciation during the financial year	-	9.3	63.8	-	4.1	**77.2**
Reversal of impairments	-	-1.2	-5.2	-	-0.1	**-6.5**
Changes in exchange rates	-	1.0	-1.3	-	-0.6	**-0.9**
Accumulated depreciation on December 31, 2011	-	125.1	648.3	-	32.3	**805.7**
Book value on December 31, 2011	**23.1**	**162.8**	**408.4**	**39.2**	**12.0**	**645.5**
Value of financial leased items included in book value 2011	**-**	**3.4**	**0.4**	**-**	**0.3**	**4.1**

Reversal of impairment charges in 2011

In 2007, as part of the restructuring of rigid plastic consumer goods operations in Europe, significant impairment losses related to plastics consumer goods tangible assets were booked. A certain part of these tangible assets is currently used by a Foodservice business unit in the UK. As the unit's business performance improved and positive cash flow estimates increased substantially, a reversal of impairment losses of EUR 6.5 million related to those earlier impaired plastics tangible assets was recognized in 2011. The reversal of impairment losses is included in income statement in line Cost of goods sold.

13. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has investments in the following associates:

Company	Country	Ownership 2012	Ownership 2011
Arabian Paper Products Co.	Saudi-Arabia	40.0%	40.0%
Hiatus B.V.	The Netherlands	50.0%	50.0%

EUR million	2012	2011
Book value on January 1	3.6	3.1
Share of results	0.9	0.7
Dividends	-0.3	-0.2
Book value on December 31	**4.2**	**3.6**

Financial information summary on associates (100%) is as follows:

2012

EUR million	Holding %	Assets	Liabilities	Equity	Net sales	Profit for the period
Arabian Paper Products Co., Saudi-Arabia	40.0	11.1	3.6	7.5	16.0	2.2
Hiatus B.V., The Netherlands	50.0	2.0	0.7	1.3	2.3	0.3

2011

EUR million	Holding %	Assets	Liabilities	Equity	Net sales	Profit for the period
Arabian Paper Products Co., Saudi-Arabia	40.0	13.1	5.7	7.4	13.2	1.7
Hiatus B.V., The Netherlands	50.0	2.1	0.9	1.2	2.4	0.3

14. JOINT VENTURES

The Group has investments in the following joint ventures:

Name	Holding 2012	Holding 2011
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	2012	2011
Non-current assets	3.5	4.3
Current assets	5.7	6.5
Non-current liabilities	-0.5	-0.3
Current liabilities	-2.5	-1.9
Net assets / (liabilities)	**6.2**	**8.6**
Income	13.8	13.3
Expenses	-11.6	-10.8
Profit for the period	**2.2**	**2.5**

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, as a result of which the investment is carried at cost.

EUR million	2012	2011
Book value on January 1	1.3	1.2
Additions	-	0.1
Book value on December 31	**1.3**	**1.3**

16. INTEREST-BEARING RECEIVABLES

EUR million	2012 Carrying amount	2012 Fair value	2011 Carrying amount	2011 Fair value
Current				
Loan receivables	9.0	9.0	8.5	8.5
Finance lease receivables	0.9	0.9	0.4	0.4
Current interest-bearing receivables	**9.9**	**9.9**	**8.9**	**8.9**
Non-current				
Loan receivables	14.3	14.3	13.1	13.1
Finance lease receivables	2.6	2.6	1.3	1.3
Non-current interest-bearing receivables	**16.9**	**16.9**	**14.4**	**14.4**

Fair values have been calculated by discounting future cash flows 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	2012	2011
Finance lease receivable is payable as follows:		
In less than one year	1.1	0.5
Between one and five years	2.8	1.2
Total minimum lease payments	**3.9**	**1.7**
Present value of minimum lease payments		
In less than one year	0.9	0.4
Between one and five years	2.6	1.3
Total present value of minimum lease payments	**3.5**	**1.7**
Unearned future financial income	**0.4**	**0.0**

Finance lease receivables relate to packaging machines leased to customers.

17. DEFERRED TAXES

EUR million	2012	2011
Deferred tax assets by types of temporary differences		
Tangible assets	1.4	1.0
Employee benefit	12.6	12.7
Provisions	3.1	3.1
Unused tax losses	16.2	14.3
Other temporary differences	16.4	19.2
Total	**49.7**	**50.3**
Deferred tax liabilities		
Tangible assets	54.1	47.5
Employee benefit	27.5	26.8
Other temporary differences	20.2	21.8
Total	**101.8**	**96.1**
Net deferred tax liabilities	52.1	45.8
Reflected in statement of financial position as follows:		
Deferred tax assets	18.8	15.7
Deferred tax liabilities	70.9	61.5
Total	**52.1**	**45.8**

On December 31, 2012 the Group had EUR 158 million (2011: EUR 163 million) worth of deductable temporary differences, for which no deferred tax asset was recognised. EUR 120 million of these temporary differences have unlimited expiry, EUR 26 million expire later than in five years and EUR 12 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 benefit schemes for its personnel throughout the world. The United States, the UK and Germany are the major countries having defined benefit plans comprising approximately 90% of the Group's consolidated defined benefit obligation for pensions and other post-retirement benefits.

The defined benefit plans are organized through a pension fund or insurance company. The assets of these plans are segregated from the assets of the Group.

The subsidiaries' funding of the plans meets 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 the United States. The method of accounting, assumptions and the frequency of valuations are similar to those used for the defined benefit pension schemes.

EUR million	2012	2011
The amounts recognized in the statement of financial position:		
Present value of funded obligations	483.9	417.3
Fair value of plan assets	-377.6	-359.0
Present value of unfunded obligations	45.4	41.7
Unrecognized actuarial gains (+) or losses (-)	-118.1	-66.6
Unrecognized assets	-	0.6
Net asset (-) or liability (+)	**33.6**	**34.0**
Reflected to statement of financial position:		
Employee benefit assets	62.0	63.0
Employee benefit liabilities	95.6	97.0
Expenses recognized in the income statement:		
Current service cost	7.8	6.7
Interest cost	21.3	21.8
Expected return on plan assets	-21.7	-20.7
Actuarial gains (-) or losses (+)	2.2	2.1
Effect of any curtailments or settlements	0.2	-4.5
Total defined benefit expenses	**9.8**	**5.4**
Actual return of defined benefit plan assets	**29.2**	**23.4**
The expenses of defined benefit plans are allocated by function:		
Cost of goods sold	5.7	1.8
Sales and marketing	1.1	1.3
Administration costs	3.0	2.3
Functional split of expense	**9.8**	**5.4**
Movements in the present value of the defined benefit obligation:		
Defined benefit obligation on January 1	459.0	451.8
Translation difference	0.1	7.0
Service cost	8.5	8.2
Interest cost	21.1	22.5
Actuarial gains (-) or losses (+)	65.2	-2.3
Losses (+) gains (-) on curtailments or settlements	-	-4.9
Benefits paid	-24.6	-23.3
Defined benefit obligation on December 31	**529.3**	**459.0**
Movements in the fair value of the plan assets:		
Fair value of plan assets on January 1	-359.0	-345.5
Translation difference	1.1	-6.9
Expected return on plan assets	-22.3	-21.5
Actuarial gains (-) or losses (+)	-9.8	3.4
Contribution by employer	-2.9	-2.8
Contribution by employee	-1.1	-1.1
Benefits paid	16.4	15.4
Fair value of plan assets on December 31	**-377.6**	**-359.0**

Expected contribution to defined benefit plans during 2013 is EUR 5.3 million.

The major categories of plan assets as percentage of total plan assets:	2012	2011
European equities %	13.6	15.8
North American equities %	7.0	11.5
European bonds %	10.6	9.6
North American bonds %	26.2	25.0
Property %	2.9	1.5
Other %	39.7	36.6
	100.0	**100.0**

Principal actuarial assumptions:	2012	2011
Discount rate (%)		
Europe	2.7–4.7	3.9–5.0
Americas	3.4–7.0	4.4–8.4
Asia, Oceania, Africa	3.0–8.3	5.3–8.5
Expected return on plan asset (%)		
Europe	3.9–6.3	4.0–6.4
Americas	7.0	7.2–8.0
Asia, Oceania, Africa	8.0	7.5
Future salary increases (%)		
Europe	2.5–3.5	2.5–4.0
Americas	4.1	4.3
Asia, Oceania, Africa	3.0–7.3	4.0–7.3
Future pension increases (%)		
Europe	2.0–3.0	0.7–3.1
Americas	5.0	5.0
Employees opting for early retirement (%)		
Europe	2.7–8.0	2.9– 8.0
Annual increase in healthcare costs (%)		
Americas	8.0	8.2
Asia, Oceania, Africa	7.3	7.3
Future change in max. state healthcare benefit (%)		
Americas	8.0	8.2

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 obligations:	2012	2011
1% p. increase of healthcare	2.7	2.3
1% p. decrease of healthcare	-2.3	-2.0

Amounts for the current and previous periods are as follows:	2012	2011	2010	2009	2008
Defined benefit obligation	488.6	419.9	410.0	379.5	337.9
Fair value of plan assets	-377.6	-359.0	-345.5	-317.7	-295.8
Surplus/(deficit)	-111.0	-60.9	-64.5	-61.8	-42.1
Experience adj.on pension plan liabilities	-0.8	0.7	-0.6	2.9	-0.1
Experience adj.on pension plan assets	7.2	5.5	6.2	9.8	2.5
Post-employment medical benefits and other defined benefits					
Defined benefit obligation	40.7	39.0	41.8	42.7	46.7
Experience adj. on other plan liabilities	0.2	-1.1	-3.5	-1.9	0.1

19. INVENTORIES

EUR million	2012	2011
Raw and packaging material	96.6	90.3
Work-In-Process	49.2	47.8
Finished goods	170.9	148.7
Advance payments	3.6	2.2
Inventories total	**320.3**	**289.0**

The value at cost for finished goods amounts to EUR 179.6 million (2011: EUR 159.4 million). An allowance of EUR 12.2 million (2011: EUR 12.9 million) has been established for obsolete items. Total inventories include EUR 2.9 million resulting from reversals of previously written down values (2011: EUR 2.0 million).

20. TRADE AND OTHER CURRENT RECEIVABLES

EUR million	2012	2011
Trade receivables	300.3	296.9
Other receivables	23.3	19.7
Accrued interest and other financial items	8.3	6.2
Other accrued income and prepaid expenses	22.6	19.4
Total	**354.5**	**342.2**

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 2012	Impairment 2012	Gross 2011	Impairment 2011
Not past due	257.5	1.9	257.3	0.6
Past due 0–30 days	37.9	0.9	31.3	0.4
Past due 31–120 days	7.9	1.7	9.9	1.3
Past due more than 120 days	7.0	5.5	6.9	6.2
Total	**310.3**	**10.0**	**305.4**	**8.5**

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

21. CASH AND CASH EQUIVALENTS

EUR million	2012	2011
Cash and bank	71.0	59.1
Marketable securities	10.0	9.9
Total	**81.0**	**69.0**

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, 2011	106,063,320	360,615,288.00	106,774,780.42	-44,350,056.06	423,040,012.36
Own shares conveyance	-	-	-	2,159,567.13	2,159,567.13
December 31, 2011	106,063,320	360,615,288.00	106,774,780.42	-42,190,488.93	425,199,579.49
Subscription through option rights March 14, 2012	12,300	41,820.00	33,456.00	-	75,276.00
Subscription through option rights May 23, 2012	169,379	575,888.60	382,796.54	-	958,685.14
Subscription through option rights August 29, 2012	40,700	138,380.00	91,982.00	-	230,362.00
Own shares redeemed through performance share incentive plan September 12, 2012	-	-	-	-36,540.00	-36,540.00
Subscription through option rights September 26, 2012	32,206	109,500.40	72,785.56	-	182,285.96
Subscription through option rights October 31, 2012	871,081	2,961,675.40	6,661,545.96	-	9,623,221.36
Subscription through option rights November 15, 2012	17,000	57,800.00	38,420.00	-	96,220.00
December 31, 2012	107,205,986	364,500,352.40	114,055,766.48	-42,227,028.93	436,329,089.95

All shares issued are fully paid.

Based on the authorization given by the Annual General Meeting of Shareholders on March 25, 2002, the Company repurchased in total 5,061,089 own shares during 2002 and 2003. After 2003 no own shares have been repurchased and on December 31, 2012 the Board of Directors had no authorization to repurchase own shares. The Annual General Meeting of Shareholders on April 3, 2009 authorized the Board of Directors to resolve upon the conveyance of the Company's own shares by April 30, 2012. This authorization was not used during 2012 but during earlier financial years a total of 467,000 shares have been conveyed based on the authorization. The Annual General Meeting of Shareholders on April 24, 2012 gave the Board of Directors a new authorization valid until April 30, 2015 and superseding the earlier authorization to resolve upon the conveyance of the Company's own shares. This authorization was not used during 2012. On December 31, 2012 the Company owned a total of 4,594,089 own shares (December 31, 2011: 4,591,089).

Members of the Board of Directors and the CEO of the Company owned on December 31, 2012 a total of 143,900 shares (December 31, 2011: 144,900 shares). These shares represented 0.13% (December 31, 2011: 0.14%) of the total number of shares and voting rights in the Company on December 31, 2012.

Information according to the Securities Market Act, Chapter 7, Section 6

Pursuant to the Securities Market Act (746/2012) Chapter 7, Section 6 and the Degree on the Regular Duty of Disclosure of an Issuer of a Security (VMa 1020/2012) Chapter 2, Section 8, the Company shall present in the Directors' Report 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 gives the following information:

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

Article 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 Chief Executive Officer is stipulated in Articles 4, 5 and 8 of the Articles of Association.

The Annual General Meeting of Shareholders on April 24, 2012 authorized the Board of Directors to resolve upon the conveyance of the Company's own shares. The authorization is valid until April 30, 2015 and it supersedes the corresponding authorization granted by the Annual General Meeting of Shareholders held on April 3, 2009.

Certain agreements relating to the 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 of ownership by number of shares on December 31, 2012

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	4,643	19.12	294,981	0.27
101–1,000	14,481	59.62	6,316,636	5.89
1,001–10,000	4,737	19.50	12,293,044	11.47
10,001–100,000	370	1.52	10,225,478	9.54
100,001–1,000,000	50	0.21	16,645,262	15.52
More than 1,000,000	9	0.03	61,358,165	57.23
Total	**24,290**	**100.00**	**107,133,566**	**99.93**
In the joint book-entry account			72,420	0.07
Number of shares issued			**107,205,986**	**100.00**

Distribution of ownership by sector on December 31, 2012

Sector	Number of shares	%
Nominee-registered shares	31,458,602	29.34
Non-profit organizations	25,639,065	23.92
Households	19,669,118	18.35
Financial and insurance companies	9,839,944	9.18
Private companies	9,795,167	9.14
Public-sector organizations	6,223,200	5.80
Foreigners	4,508,470	4.20
In the joint book-entry account	72,420	0.07
Number of shares issued	**107,205,986**	**100.00**

Largest registered shareholders on December 31, 2012*

Name	Number of shares and votes	%
The Finnish Cultural Foundation	18,286,065	17.06
Ilmarinen Mutual Pension Insurance Company	2,838,832	2.65
Odin Norden	2,151,777	2.01
The State Pension Fund	1,480,000	1.38
Society of Swedish Literature in Finland	1,008,500	0.94
Odin Finland	967,539	0.90
OP-Delta Fund	950,000	0.89
Danske Finnish Institutional Equity Fund	862,064	0.80
OP-Focus Fund	776,198	0.72
Odin Europa Smb	742,906	0.69
	30,063,881	**28.04**

* Excluding own shares held by Huhtamäki Oyj totaling 4,594,089 and representing 4.3% of the total number of shares.

Option rights

Option Rights 2006 Plan

The Annual General Meeting of Shareholders held on March 27, 2006 approved the issue of 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. Each option right entitles to the subscription of one share and thus, if exercised in full, the option rights under the Option Rights 2006 Plan 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% of the share capital of Huhtamäki Oyj on December 31, 2012. At the end of the year 2012, the Option Rights 2006 Plan had 91 participants. The period of subscription for shares ceased with the option rights 2006 A on October 31, 2011 and with the option rights 2006 B on October 31, 2012. No shares were subscribed for based on the option rights 2006 A. A total of 749,665 new shares were subscribed for based on the option rights 2006 B. The option rights 2006 C have been listed on NASDAQ OMX Helsinki Ltd as of April 1, 2011. By December 31, 2012 a total of 393,001 shares have been subscribed for based on the option rights 2006 C. The table below depicts the share subscription periods and the subscription prices for the option rights.

Option right	Number of shares one option right entitles to subscribe for	Subscription price for one share	Subscription period
2006 A	1:1	EUR 15.56	October 1, 2008 – October 31, 2011
2006 B	1:1	EUR 11.92	October 1, 2009 – October 31, 2012
2006 C	1:1	EUR 5.66 [1]	April 1, 2011 – April 30, 2014 [2]

[1] Subscription price before the deduction of the year 2012 dividend.
[2] 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.

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 2006 Plan shall entitle to the distribution of dividends 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 shall become effective as of the registration of the increase of the share capital.

During the year 2012 a total of 1,142,666 option rights under the Option Rights 2006 Plan were exercised. 749,665 new shares were subscribed for based on the option rights 2006 B and 393,001 based on the option rights 2006 C. Correspondingly 1,142,666 new shares were issued and the share capital was increased with EUR 3,885,064.40 representing approximately 1.1% of the share capital on December 31, 2012. Pursuant to the Company's Option Rights 2006 Plan, an aggregate maximum number of 706,999 new shares may be subscribed for in 2013–2014 representing approximately 0.66% of the total number of votes on December 31, 2012.

Information relating to the amount of option rights outstanding in 2012 and 2011

	Weighted average exercise price/share EUR 2012	Option rights (pcs) 2012	Shares based on option rights (pcs) 2012	Weighted average exercise price/share EUR 2011	Option rights (pcs) 2011	Shares based on option rights (pcs) 2011
At the beginning of the financial year	8.89	1,988,600	1,988,600	10.79	2,669,700	2,669,700
Exercised	9.77	-1,142,666	-1,142,666	-	-	-
Forfeited and expired	11.92	-277,335	-277,335	15.00	-681,100	-681,100
At the end of the financial year	5.66	568,599	568,599	9.35	1,988,600	1,988,600
Exercisable at the end of the period	5.66	568,599	568,599	9.35	1,988,600	1,988,600

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.

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 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.

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 B	2006 C
Fair value at grant date	2.97	1.77
Grant date	May 31, 2007	May 31, 2008
Number of outstanding options at December 31, 2012	-	568,599
Exercise price at grant date	13.96	7.28
Share price at grant date	13.30	6.87
Expected volatility (%)	21.0	23.7
Option life as weighted average at grant date (years)	3.9	4.3
Risk-free interest rate (%)	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 retention program for the key personnel of the Company and its subsidiaries. The plan offered a possibility to earn the Company shares as remuneration for achieving established targets. The plan included three earnings periods which were calendar years 2008, 2009 and 2010. A possible remuneration was paid during the calendar year following each earnings period. The incentive plan was directed to a total of 31 persons in 2010. The aggregate maximum of 720,000 shares and a cash payment equivalent to taxes arising from the reward to the key personnel might have been granted under the plan. As the cash proportion of the reward, however, an amount equivalent to the transfer date value of the distributable shares in the maximum was paid. 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 target, Group's earnings per share (EPS) in 2009, set forth in the Performance Share Incentive Plan for the earnings period of calendar year 2009, was reached. According to the terms and conditions of the Performance Share Incentive Plan a total of 235,000 shares were paid as a reward under the plan in 2010. Fair value of the paid shares on the grant date was EUR 8.71 per share. Pursuant to the IFRS standards, an expense relating to the Performance Share Incentive Plan was recorded for the financial years 2009–2011. Relating to the Performance Share Incentive Plan an expense totaling EUR 1,051,337 was recorded in the reporting period ending on December 31, 2009, an expense totaling EUR 1,172,384 in the reporting period ending on December 31, 2010 and an expense totaling EUR 1,172,384 in the reporting period ending on December 31, 2011.

The target, Group's earnings per share (EPS) in 2010, set forth in the Performance Share Incentive Plan for the earnings period of calendar year 2010, was reached. According to the terms and conditions of the Performance Share Incentive Plan a total of 232,000 shares were paid as a reward under the plan in 2011. Fair value of the paid shares on the grant date was EUR 9.87 per share. Pursuant to the IFRS standards, an expense relating to the Performance Share Incentive Plan was recorded for the financial years 2010–2012. Relating to the Performance Share Incentive Plan an expense totaling EUR 1,385,692 was recorded in the reporting period ending on December 31, 2010, an expense totaling EUR 1,587,927 in the reporting period ending on December 31, 2011 and an expense totaling EUR 1,294,200 in the reporting period ending on December 31, 2012.

Performance Share Arrangement 2010

On March 12, 2010 the Board of Directors of the Company decided on establishing a Performance Share Arrangement to form a part of the long-term incentive and retention program for the key personnel of the Company and its subsidiaries.

The Performance Share Arrangement offers a possibility to earn the Company shares as remuneration for achieving established targets. The arrangement includes annually commencing three-year performance share plans. A possible reward shall be paid during the calendar year following each three-year plan. Commencement of each three-year plan will be separately decided by the Board of Directors.

The aggregate maximum of 400,000 shares and a cash payment equivalent to taxes arising to the key personnel from the reward may be granted under each three-year plan. Participants to the plan belonging to the GET shall hold at least 50% of the shares received until he/she holds shares received from the Performance Share Plans corresponding in aggregate to the value of his/her annual base salary. Other participants to the plan shall hold at least 50% of the shares received until he/she holds shares received from the Performance Share Plans corresponding in aggregate to the value of his/her 6 months base salary. The aforementioned ownership requirements apply until termination of employment or service.

Performance Share Plan 2010–2012

The first three-year performance share plan (Performance Share Plan 2010–2012) commenced in 2010. The reward is based on the Group's earnings per share (EPS) in 2012 and is paid in 2013. The Performance Share Plan 2010–2012 was directed to 58 persons at the end of 2012.

The target, Group's earnings per share (EPS) in 2012, set forth in the Performance Share Arrangement 2010 for the earnings period 2010–2012, was reached. According to the terms and conditions of the Performance Share Arrangement 2010 a total of 371,500 shares will be paid as a reward under the plan in 2013. Pursuant to the IFRS standards, an expense relating to the Performance Share Plan 2010–2012 totaling EUR 7,441,085 was recorded for the reporting periods 2010–2012. This amount includes an expense totaling EUR 5,365,585 which was recorded in the reporting period ending on December 31, 2012.

Performance Share Plan 2011–2013

The second three-year performance share plan (Performance Share Plan 2011–2013) commenced in 2011 and the possible reward will be based on the Group's earnings per share (EPS) in 2013. The reward, if any, will be paid during 2014. The Performance Share Plan 2011–2013 was directed to 61 persons at the end of 2012.

Performance Share Plan 2012–2014

The third three-year performance share plan (Performance Share Plan 2012–2014) commenced in 2012 and the possible reward will be based on the Group's earnings per share (EPS) in 2014. The reward, if any, will be paid during 2015. The Performance Share Plan 2012–2014 was directed to 69 persons at the end of 2012.

23. FAIR VALUE AND OTHER RESERVES

EUR million	Hedge reserve
December 31, 2010	**-2.9**
Cash flow hedge result recognized in other comprehensive income	-1.0
Cash flow hedge result recognized in profit or loss	-0.7
Cash flow hedge result recognized in statement of financial position	-1.3
Deferred taxes	0.5
December 31, 2011	**-5.4**
Cash flow hedge result recognized in other comprehensive income	0.6
Cash flow hedge result recognized in profit or loss	0.9
Cash flow hedge result recognized in statement of financial position	0.5
Deferred taxes	-0.3
December 31, 2012	**-3.7**

Fair value and other reserves

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

Hybrid bond

In 2008 Huhtamäki Oyj issued a EUR 75 million hybrid bond to Finnish institutional investors. The coupon rate of the bond was 10.5% per annum. The bond had no maturity but the company redeemed the bond on November 28, 2011. The bond was treated as equity in the Group's IFRS financial statements.

Translation differences

Translation differences contain the differences resulting 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 the purchase price of Huhtamäki Oyj's shares held by Group companies. In 2011 own shares were transferred according to the terms and conditions of the Performance Share Incentive Plan. The purchase price of transferred own shares was EUR 2.1 million.

24. INTEREST-BEARING LIABILITIES

EUR million	2012 Carrying amount	Fair value	2011 Carrying amount	Fair value
Current				
Loans from financial institutions				
Fixed rate	10.8	10.8	11.5	11.4
Floating rate	55.0	55.0	37.2	37.2
Other current loans	20.0	20.0	176.0	176.0
Finance lease liabilities	0.2	0.2	0.2	0.2
Total	**86.0**	**86.0**	**224.9**	**224.8**
Non-current				
Loans from financial institutions				
Fixed rate	28.3	27.5	11.5	11.1
Floating rate	218.4	218.4	195.6	195.6
Other long-term loans	177.4	171.7	50.5	50.5
Finance lease liabilities	3.3	3.3	3.2	3.2
Total	**427.4**	**420.9**	**260.8**	**260.4**

All interest bearing liabilities are other liabilities than available for sale liabilities or derivate financial instruments defined in IAS 39 and as such are carried at amortized cost. Fair value 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 0.25–1.25%.

Repayment	Loans from financial institutions	Finance lease liabilities	Other loans	Total
2013	65.8	0.2	20.0	86.0
2014	30.1	0.2	-	30.3
2015	25.0	0.2	52.4	77.6
2016	154.1	0.1	-	154.2
2017	5.0	0.1	125.0	130.1
2018-	32.5	2.7	-	35.2

Finance lease liabilities

EUR million	2012	2011
Finance lease liabilities are payable as follows:		
In less than one year	0.5	0.4
Between one and five years	1.6	1.7
More than five years	5.1	5.4
Total minimum lease payments	7.2	7.5
Present value of minimum lease payments		
In less than one year	0.2	0.2
Between one and five years	0.6	0.5
More than five years	2.7	2.7
Total present value of minimum lease payments	3.5	3.4
Future finance charges	**3.7**	**4.1**

25. PROVISIONS

Restructuring provisions

Restructuring provisions include costs for various ongoing projects to streamline operations. Provisions relate to employee termination benefits.

Other provisions

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

Tax provisions

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

EUR million	Restructuring reserve	Taxes	Other	Total 2012	Total 2011
Provision on January 1, 2012	13.8	33.6	12.5	59.9	50.0
Translation difference	0.1	-0.4	-0.5	-0.8	0.4
Provisions made during the year	0.8	1.0	8.0	9.8	20.1
Provisions used during the year	-10.5	-	-3.5	-14.0	-4.9
Unused provisions reversed during the year	-0.2	-9.1	-3.0	-12.3	-5.7
Provision on December 31, 2012	**4.0**	**25.1**	**13.5**	**42.6**	**59.9**
Current	2.1	-	2.0	4.1	13.2
Non-current	1.9	25.1	11.5	38.5	46.7

26. TRADE AND OTHER CURRENT LIABILITIES

EUR million	2012	2011
Trade payables	241.5	248.7
Other payables	35.7	27.8
Accrued interest expense and other financial items	6.6	14.1
Personnel and social security accruals	60.1	50.1
Other accrued expenses	54.6	48.9
Total	**398.5**	**389.6**

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

27. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR million	2012	2011
Financial assets at fair value through profit or loss		
Cash and cash equivalents	81.0	69.0
Derivatives	6.6	5.9
Loans and receivables		
Non-current interest-bearing receivables	16.9	14.4
Other non-current assets	4.6	4.8
Current interest-bearing receivables	9.9	8.9
Trade and other current receivables	347.9	336.3
Available-for-sale investments	1.3	1.3
Financial assets total	**468.2**	**440.6**
Financial liabilities at fair value through profit or loss		
Derivatives	5.6	14.5
Financial liabilities measured at amortized cost		
Non-current interest-bearing liabilities	427.4	260.8
Other non-current liabilities	2.5	2.4
Current portion of long term loans	12.4	82.5
Short-term loans	73.6	142.4
Trade and other current liabilities	395.3	376.8
Financial liabilities total	**916.8**	**879.4**

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 2012
Assets			
Fair value through profit and loss			
Currency forwards	-	4.2	4.2
Interest rate swaps	-	2.4	2.4
Available-for-sale investments	1.3	-	1.3
	1.3	6.6	7.9
Liabilities			
Fair value through profit and loss			
Currency forwards	-	1.9	1.9
Interest rate swaps	-	3.7	3.7
Electricity forward contracts	-0.1	-	-0.1
	-0.1	5.6	5.5

Financial instruments measured at fair value	Quoted prices in active markets	Valuation techniques based on observable market data	Total 2011
Assets			
Fair value through profit and loss			
Currency forwards	-	5.9	5.9
Electricity forward contracts	-0.1	-	-0.1
Available-for-sale investments	1.3	-	1.3
	1.2	5.9	7.1
Liabilities			
Fair value through profit and loss			
Currency forwards	-	10.9	10.9
Interest rate swaps	-	3.6	3.6
	-	14.5	14.5

28. MANAGEMENT OF FINANCIAL RISKS

The objective of 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 for the Group's funding and risk management and serves the business units in daily financing, foreign exchange transactions and cash management coordination.

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 include currency forwards and in authorized subsidiaries also currency options. The business units' counterparty in hedging transactions is mainly Huhtamäki Oyj.

Foreign exchange transaction exposure

EUR million	EUR exposure in companies reporting in GBP		EUR exposure in companies reporting in RUB		USD exposure in companies reporting in EUR		USD exposure in companies reporting in GBP		USD exposure in companies reporting in THB	
	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11
Trade receivables	0.5	0.4	0.6	1.3	2.3	3.4	0.0	0.0	1.6	0.1
Trade payables	-1.6	-2.0	-1.1	-2.8	0.0	-0.2	-0.5	-1.2	-0.8	-1.9
Net balance sheet exposure	-1.1	-1.6	-0.6	-1.5	2.2	3.2	-0.5	-1.2	0.9	-1.8
Forecasted sales (12 months)	8.7	13.5	11.4	16.4	13.9	18.8	0.0	0.0	8.8	0.5
Forecasted purchases (12 months)	-34.4	-26.2	-33.6	-42.9	-2.3	-4.6	-8.5	-7.4	-4.0	-9.1
Net forecasted exposure	-25.7	-12.7	-22.2	-26.5	11.6	14.2	-8.5	-7.4	4.8	-8.7
Hedges										
Currency forwards (12 months)	17.5	10.2	7.2	5.2	-4.7	-12.0	7.8	4.6	-0.1	2.1
Total net exposure	**-9.3**	**-4.1**	**-15.5**	**-22.8**	**9.1**	**5.5**	**-1.2**	**-4.1**	**5.6**	**-8.3**

Translation risk:

As a main rule individual subsidiaries do not carry translation risk as they are financed in local currencies. As an exception, the Finance Committee has approved the use of foreign currency borrowing in countries with high local interest rates, totaling EUR 2.5 million (2011: EUR 3.9 million) on balance sheet date.

The main translation exposures derive from equities and permanent loans, which in substance form a part of the net investment in the US, China and UK based 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. On balance sheet date the Group had outstanding translation risk hedges of USD 223 million of which USD 130 million in the form of currency loans and USD 93 million in the form of derivatives and of GBP 20 million of which GBP 20 million in the form of derivatives (2011: USD 223 million, of which USD 130 million in the form of currency loans and USD 93 million in the form of derivatives and GBP 20 million, of which GBP 10 million in the form of currency loans and GBP 10 million in the form of derivatives). A 10% appreciation of the EUR versus the USD, CNY and GBP would as of the balance sheet date decrease the result before taxes by EUR 5.5 million (2011: EUR 4.4 million) and the Group consolidated equity by EUR 27.2 million (2011: EUR 22.7 million).

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, 2012										December 31, 2011		
				Rate sensitivity [1]	Debt repricing in period, incl. derivatives								
Currency	Amount EUR million	Avg. duration	Avg. rate	EUR million	2013	2014	2015	2016	2017	Later	Amount EUR million	Avg. duration	Avg. rate
EUR	136.1	5.1 y	4.1%	-0.3	-74.6	10.8	42.4	5.0	150.0	2.5	216.4	0.8 y	3.4%
USD	142.2	1.6 y	2.1%	0.7	74.0	22.7	7.6	7.6	30.3		98.1	1.6 y	3.4%
GBP	30.5	0.1 y	0.8%	0.3	30.5						-2.4	0.0 y	1.7%
AUD	20.5	0.1 y	4.2%	0.2	20.5						20.0	0.2 y	5.0%
PLN	20.2	0.3 y	5.2%	0.2	17.3					2.9	20.7	0.3 y	4.6%
Other	56.1	0.1 y	5.2%	0.1	56.1						40.6	0.1 y	4.2%
Total	**405.6**	**2.3 y**	**3.4%**	**1.1**	**123.8**	**33.5**	**50.0**	**12.6**	**180.3**	**5.4**	**393.4**	**0.9 y**	**3.6%**

[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 4.1 million due to mark-to-market revaluations of interest rate derivatives.
All other variables, such as FX rates have been assumed constant.

Liquidity and refinancing risk

The Group maintains sufficient liquidity reserves at all times by efficient cash management structures such as cash pools, concentration accounts and overdraft financing facilities. To mitigate the refinancing risk, the Group diversifies funding sources as well as the maturity structure of loans and debt facilities. The Group utilizes a EUR 400 million Finnish commercial paper program and uncommitted credit facilities with relationship banks for short-term financing purposes. At year-end 2012, the Group had committed credit facilities totaling EUR 418 million (2011: EUR 418 million) of which EUR 307 million (2011: EUR 294 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, 2012									December 31, 2011		
				Maturity of facility/loan								
Debt type	Amount drawn	Amount available of committed	Total	2013	2014	2015	2016	2017	Later	Amount drawn	Amount available of committed	Total
Committed revolving facilities	110.3	307.2	417.5		17.5		400.0			123.8	293.7	417.5
Bonds and other loans	317.0		317.0	10.8	10.8	77.4	55.5	130.0	32.5	215.3		215.3
Commercial paper program	20.0		20.0	20.0						106.0		106.0
Uncommitted loans from financial institutions	62.6		62.6	55.0	7.6					37.2		37.2
Finance lease liabilities	3.5		3.5	0.2	0.2	0.2	0.1	0.1	2.7	3.4		3.4
Total	**513.4**	**307.2**	**820.6**	**86.0**	**36.1**	**77.6**	**455.6**	**130.1**	**35.2**	**485.7**	**293.7**	**779.4**

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 sets out certain minimum requirements as to credit quality, sales terms and collection. The commercial credit risk for the Group as a whole is considered low 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, the Group aims to maintain in the long term the net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio in a range between 2–3. 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 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, 2012	December 31, 2011
Interest-bearing debt	513.4	485.7
Interest-bearing receivables, cash and cash equivalents	107.8	92.3
Net debt	405.6	393.4
Total equity	891.3	805.0
Net debt to equity (Gearing ratio)	0.46	0.49
Net debt to EBITDA (excluding non-recurring items)	1.61	1.89

Nominal values of derivative financial instruments

EUR million	December 31, 2012							December 31, 2011
	Nominal Value	Maturity Structure						Nominal Value
Instrument		2013	2014	2015	2016	2017	Later	
Currency forwards								
for transaction risk								
Outflow	-73.5	-68.3	-5.2					-49.8
Inflow	73.5	68.3	5.2					48.3
for translation risk								
Outflow	-94.9	-94.9						-83.8
Inflow	96.1	96.1						78.4
for financing purposes								
Outflow	-101.1	-101.1						-95.6
Inflow	97.0	97.0						103.2
Currency options								
for transaction risk								
Outflow	-4.8	-4.8						-
Inflow	4.7	4.7						-
Interest rate swaps								
EUR	20.0					20.0		20.0
USD	83.4	15.2	22.7	7.6	7.6	30.3		77.3
GBP	-							12.0
Cross currency swaps								
SEK	-52.4			-52.4				-50.5
EUR	48.0			48.0				48.0
Electricity forward contracts	-0.1	-0.1	0.0	0.0				-0.1

Fair values of derivative financial instruments

EUR million	December 31, 2012			December 31, 2011		
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]	1.7	-0.5	1.2	0.5	-2.4	-1.9
for translation risk [2]	1.4	-0.2	1.2	0.0	-5.6	-5.6
for financing purposes	1.1	-1.1	0.0	3.0	-2.9	0.1
Currency options						
for transaction risk	0.0	0.0	0.0	-	-	-
Interest rate swaps [3]						
EUR		-0.9	-0.9		-0.5	-0.5
USD		-2.8	-2.8		-2.9	-2.9
GBP		-			-0.5	-0.5
Cross currency swaps [4]						
EURSEK	2.4		2.4	0.5		0.5
Electricity forward contracts [5]	0.0	-0.1	-0.1		-0.1	-0.1

1 Out of the currency forwards, fair value EUR 0.5 million was designated for cash flow hedges (2011: EUR 1.6 million) and reported in fair value and other reserves.

2 Out of the currency forwards, fair value of EUR 1.2 million was designated for hedges of net investment in foreign subsidiaries (2011: EUR -5.6 million) 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 -3.7 million was designated for cash flow hedges (2011: EUR -3.9 million) out of which EUR -3.3 million was reported in equity in fair value and other reserves and EUR -0.4 million in profit and loss statement as interest expense.

4 Out of the cross currency swaps, the foreign exchange revaluation result of EUR 4.4 million (2011: EUR 0.5 million) was designated for fair value hedges and was reported in net financial items. The interest rate revaluation result of EUR -2.0 million (2011: EUR -2.0 million) was designated for cash flow hedges and was reported in equity in fair value and other reserves. The fair value includes accrued interest of EUR 0.0 million (2011: EUR 0.0 million) which was reported in interest expense.

5 Out of the electricity forward contracts, EUR -0.1 million (2011: EUR -0.1 million) was designated for cash flow hedges and was reported in equity in fair value and other reserves.

29. RELATED PARTY TRANSACTIONS

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

Employee benefits of CEO and other members of the Group Executive Team

EUR million	2012	2011
Salaries and other short-term employee benefits	3.1	3.9
Share-based payments	4.0	2.5

Remuneration of CEO and members of the Board of Directors

In thousands of euros	2012	2011
CEO Moisio Jukka	596	1,593
Board members		
Lilius Mikael	111	109
Suominen Jukka	74	72
Ailasmaa Eija	62	60
Ala-Pietilä Pekka	44	-
Barker William R.	60	57
Bayly George V.	-	43
Börjesson Rolf	61	60
Corrales Maria Mercedes	43	-
Lien Siaou-Sze	17	58
Simon Anthony J.B.	-	13
Turner Sandra	60	43
Total	**1,128**	**2,108**

Members of the Board of Directors and the Group Executive Team owned a total of 423,400 shares at the end of the year 2012 (2011: 387,400 shares). The members of the Group Executive Team owned a total of 160,000 option rights at the end of the year 2012 (2011: 578,703 option rights). The option rights entitle to a subscription of 160,000 shares in total representing 0.15% of all shares and voting rights on December 31, 2012 (2011: 578,703 shares representing 0.55% of all shares and voting rights on December 31, 2011). The same terms and conditions apply to the option rights owned by the Group Executive Team members and to those owned by the other holders of option rights.

Transactions with associated companies

EUR million	2012	2011
Purchase of goods from associated companies	1.3	1.8

Transactions with associated companies are carried out at fair market prices. Transactions with joint ventures are presented in note 14.

30. OPERATING LEASE COMMITMENTS

EUR million	2012	2011
Operating lease payments		
Not later than 1 year	13.2	12.1
Later than 1 year and not later than 5 years	24.0	21.2
Later than 5 years	20.7	22.0
Total	**57.9**	**55.3**

31. CONTINGENCIES

Capital expenditure commitments

EUR million	2012	2011
Under 1 year	29.0	28.3
Total	**29.0**	**28.3**

Mortgages:		
For own debt	-	14.5
Guarantee obligations:		
For associated companies	0.4	0.4

Litigations

Huhtamäki Oyj received on September 28, 2012 the European Commission's statement of objections concerning alleged anti-competitive behavior in the markets of plastic trays used for retail packaging of fresh food, such as meat and poultry, in South-West Europe, North-West Europe and France.

The statement of objections does not prejudge the final outcome of the European Commission's investigation, thus no provision has been made in Group statement of financial position.

Per share data

		2012	2011	2010	2009	2008
Earnings per share	EUR	1.21	0.80	1.02	0.63	-1.12
Earnings per share (diluted)	EUR	1.21	0.80	1.02	0.63	-1.12
Dividend, nominal	EUR	0.56[1]	0.46	0.44	0.38	0.34
Dividend/earnings per share	%	46.3[1]	57.5	43.1	60.3	-30.4
Dividend yield	%	4.6[1]	5.0	4.3	3.9	7.7
Shareholders' equity per share	EUR	8.43	7.71	7.40	6.35	6.06
Average number of shares adjusted for share issue at year end		101,710,693[2]	101,418,398	101,185,001	100,539,283	100,426,461
Number of shares adjusted for share issue at year end		102,611,897[2]	101,472,231	101,237,231	101,002,231	100,426,461
P/E ratio		10.1	11.5	10.1	15.4	-3.9
Market capitalization on December 31	EUR million	1,259.0[2]	929.5	1,047.8	979.7	441.9
Trading volume in NASDAQ OMX Helsinki Ltd.	units	44,253,448[3]	51,301,751	86,717,677	72,744,282	111,628,643
Trading volume in alternative trading venues	units	28,367,244[4]	28,396,040	31,713,869	13,493,308	10,655,839
Trading volume, total	units	72,620,692	79,697,791	118,431,546	86,237,590	122,284,482
In relation to average number of shares	%	71.4[2]	78.6	117.0	85.8	121.8
Development of share price						
Lowest trading price	EUR	8.88	7.09	7.30	4.46	4.16
Highest trading price	EUR	13.19	10.75	10.48	9.90	8.36
Trading price on December 31	EUR	12.27	9.16	10.35	9.70	4.40

[1] 2012: Board's proposal

[2] Excluding treasury shares

[3] Source: NASDAQ OMX Helsinki Ltd.

[4] Source: Fidessa Fragmentation Index, www.fragmentation.fidessa.com

Huhtamaki 2008–2012

EUR million	2012	2011	2010	2009	2008
Net sales	2,335.0	2,043.6	1,951.8[1]	1,831.8[1]	2,260.0
Increase in net sales	14.3	4.7	6.6[1]	-18.9[1]	-2.2
Net sales outside Finland	2,281.5	1,988.8	1,898.5[1]	1,775.4[1]	2,152.6
Earnings before interest, taxes, depreciation, amortization and impairment	252.1	196.9	213.6[1]	193.0[1]	171.5
Earnings before interest, taxes, depreciation and amortization/net sales (%)	10.8	9.6	10.9[1]	10.5[1]	7.6
Earnings before interest and taxes	161.6	120.6	134.3[1]	111.9[1]	-74.5
Earnings before interest and taxes/net sales (%)	6.9	5.9	6.9[1]	6.1[1]	-3.3
Profit before taxes	141.3	105.2	120.7[1]	86.7[1]	-119.7
Profit before taxes/net sales (%)	6.1	5.1	6.2[1]	4.7[1]	-5.3
Profit for the period	126.4	91.7	104.5[1]	67.3[1]	-110.2
Total equity	891.3	805.0	848.7	736.6	702.3
Return on investment (%)	11.9	9.8	12.0	9.6	-4.8
Return on shareholders' equity (%)	15.0	11.0	14.5	10.1	-14.8
Solidity (%)	44.1	42.2	45.5	41.9	36.0
Net debt to equity	0.46	0.49	0.32	0.50	0.84
Current ratio	1.54	1.12	1.38	1.22	1.31
Times interest earned	11.84	12.69	16.62	8.25	3.85
Capital expenditure	93.5	82.2	85.8	52.9	74.3
Capital expenditure/net sales (%)	4.0	4.0	4.1	2.6	3.3
Research & development	15.6	16.2	16.3[1]	14.7[1]	16.2
Research & development/net sales (%)	0.7	0.8	0.8[1]	0.8[1]	0.7
Number of shareholders (December 31)	24,290	26,604	26,858	22,935	22,089
Personnel (December 31)	14,228	12,739	11,687	12,900	14,644

[1] Continuing business

Key exchange rates in euros

		2012 Income statement	2012 Statement of financial position	2011 Income statement	2011 Statement of financial position
Australia	AUD	0.8056	0.7867	0.7416	0.7860
Great Britain	GBP	1.2329	1.2253	1.1524	1.1972
India	INR	0.0146	0.0138	0.0154	0.0146
Russia	RUB	0.0251	0.0248	0.0245	0.0239
Thailand	THB	0.0250	0.0248	0.0236	0.0244
The United States	USD	0.7778	0.7579	0.7185	0.7729

Definitions for key indicators

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

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 the 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	752,907	100.0
Huhtamaki Finance B.V.	4,900,713	75.0	EUR	490,071	EUR	844,855	100.0
Huhtamäki Foodservice Finland Oy	25,025	100.0	EUR	2,503	EUR	13,172	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
Huhtamäki Holding Oy's shareholding in subsidiaries:							
Huhtalux Supra S.à r.l.	46,698,627	100.0	EUR	46,699	EUR	508,848	100.0
Huhtalux Supra S.à r.l.'s shareholding in subsidiaries:							
Huhtamaki German Holdings B.V.	180	100.0	EUR	18	EUR	86,000	100.0
Huhtamaki Germany GmbH	2	100.0	EUR	30	EUR	25	100.0
Huhtamaki German Holdings B.V.'s shareholding in subsidiaries:							
Huhtamaki Foodservice Germany Holding GmbH	25,000	100.0	EUR	25	EUR	25	100.0
Huhtamaki Foodservice Germany Holding GmbH's shareholding in subsidiaries:							
Huhtamaki Foodservice Germany GmbH & Co. KG	999,000	99,9	EUR	999	EUR	3,999	100.0
Huhtamaki Germany GmbH's shareholding in subsidiaries:							
Huhtamaki Films Germany Holding GmbH	30,000	100,0	EUR	30	EUR	50,254	100.0
Huhtamaki Flexible Packaging Germany GmbH & Co. KG	19,391	75,1	EUR	1,939	EUR	327,898	100.0
Huhtamaki Films Germany Holding GmbH's shareholding in subsidiaries:							
Huhtamaki Films Germany GmbH & Co. KG	999,000	99,9	EUR	999	EUR	50,254	100.0
Huhtamaki Finance B.V.'s shareholding in subsidiaries:							
Huhtamaki Turkey Gıda Servisi Ambalajı A.S.	6,999,984	100.0	TRY	7,000	EUR	3,127	100.0
Huhtamaki Holdings Pty Limited	63,052,750	100.0	AUD	86,202	EUR	11,987	100.0
Huhtamaki (NZ) Holdings Limited	13,920,000	100.0	NZD	12,223	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	1,000	100.0	GBP	-	EUR	225,416	100.0
Huhtamaki Finance Limited	10,000	100.0	GBP	10	EUR	12	100.0
Huhtamaki Hong Kong Limited	13,831,402	100.0	HKD	13,831	EUR	21,336	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	1,500	EUR	2,401	100.0
Huhtamaki Finance Company I B.V.	200	100.0	EUR	20	EUR	309,982	100.0
Huhtamaki Brazil Investments II B.V.	180	100.0	EUR	18	EUR	19	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	8,211	100.0
Huhtamaki S.p.A	10,410,400	100.0	EUR	10,410	EUR	47,836	100.0
Huhtamaki Flexibles Italy S.r.l.	1	100.0	EUR	1,000	EUR	2,010	100.0
Huhtamaki Singapore Pte. Ltd	28,000,000	100.0	SGD	28,000	EUR	11,977	100.0
Huhtamaki (Vietnam) Limited	-	100.0	USD	25,097	EUR	19,797	100.0
Huhtamaki Holdings Pty Limited's shareholding in subsidiaries:							
Huhtamaki Australia Pty Limited	9,241,702	100.0	AUD	9,242	AUD	9,242	100.0
Huhtamaki (NZ) Holdings Limited's shareholding in subsidiaries:							
Huhtamaki Henderson Limited	195,211	99.8	NZD	390	NZD	28,493	100.0
Huhtamaki Holdings France SNC's shareholding in subsidiaries:							
Huhtamaki Participations France SNC	70,612,842	100.0	EUR	70,613	EUR	70,613	100.0
Huhtamaki Participations France SNC's shareholding in subsidiaries:							
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

Name	Number of shares	Size of holding, %		Nominal value		Book value	Group holding, %
Huhtamaki Finance B.V.Y. Cia, Sociedada Collectiva's shareholding in subsidiaries:							
Huhtamaki Spain S.L.	774,247	100.0	EUR	23,267	EUR	24,000	100.0
Huhtamaki Anglo Holding's shareholding in subsidiaries:							
Huhtamaki Limited	145,460,909	100.0	GBP	145,461	GBP	180,533	100.0
Huhtamaki Limited's shareholding in subsidiaries:							
Huhtamaki (UK) Limited	63,769,695	100.0	GBP	63,770	GBP	25,513	100.0
Huhtamaki (Lurgan) Limited	3,103,999	100.0	GBP	1,568	GBP	4,937	100.0
Huhtamaki (Lurgan) Limited's shareholding in subsidiaries:							
Huhtamaki (Lisburn) Limited	105,000	100.0	GBP	105	GBP	133	100.0
Huhtamaki Finance Limited's shareholding in subsidiaries:							
Josco (Holdings) Limited	30,000,000	100.0	HKD	30,000	GBP	38,721	100.0
Josco (Holdings) Limited's shareholding in subsidiaries:							
Joseph Wong & Company (H.K.) Limited	60,000	100.0	HKD	60,000	HKD	30,000	100.0
Josco Inflight Limited	10,000	100.0	HKD	10	HKD	10	100.0
GreenGood Eco-Tech Co. Limited	23,500,000	100.0	HKD	23,500	HKD	20,030	100.0
Dixie Cup (Hong Kong) Limited	2,160,000	54.0	HKD	2,160	HKD	2,160	54.0
Guangdong Josco Disposable Product Limited	-	100.0	USD	26,600	HKD	212,553	100.0
GreenGood Eco-Tech Limited's shareholding in subsidiaries:							
Shandong GreenGood Eco-Tech Co. Limited	-	86,8	CNY	26,399	HKD	30,045	86,8
Huhtamaki Hong Kong Limited's shareholding in subsidiaries:							
Huhtamaki (Tianjin) Limited	-	100.0	CNY	128,124	HKD	127,952	100.0
Huhtamaki (Guangzhou) Limited	-	100.0	USD	30,000	HKD	233,198	100.0
Huhtamaki (Norway) Holdings A/S's shareholding in subsidiaries:							
Huhtamaki Norway A/S	950	100.0	NOK	950	NOK	106,412	100.0
Huhtamaki Finance Company I B.V.'s shareholding in subsidiaries:							
Huhtamaki Foodservice Poland Sp. z o.o.	6,153	100.0	EUR	3,077	EUR	796	100.0
Huhtamaki Consorcio Mexicana S.A. de C.V.	45,902,970	92.0	MXN	45,903	EUR	3,911	100.0
Huhtamaki Ceská republika, a.s.	3	100.0	CZK	111,215	EUR	5,389	100.0
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	62,737,306	100.0	NZD	33,737	EUR	37,675	100.0
Huhtamaki (Thailand) Limited	999,998	100.0	THB	100,000	EUR	7,885	100.0
Huhtamaki Films (Thailand) Limited	1,199,998	100.0	THB	120,000	EUR	2,915	100.0
Huhtamaki Paper Recycling B.V.'s shareholding in subsidiaries:							
LeoCzech spol s.r.o	-	90.0	CZK	270	EUR	306	100.0
Huhtamaki Brazil Investments II B.V.'s shareholding in subsidiaries:							
Huhtamaki Brasil Filmes Servicos de Consultoria Ltda	9,999,999	100.0	BRL	10,000	EUR	4,214	100.0
Huhtamaki Brasil Filmes Servicos de Consultoria Ltda's shareholding in subsidiaries:							
Huhtamaki Filmes Brasil Ltda	24,599,999	100.0	BRL	24,600	BRL	25,459	100.0
Huhtamaki Consorcio Mexicana S.A. de C.V.'s shareholding in subsidiaries:							
Huhtamaki Mexicana S.A. de C.V.	45,630,316	100.0	MXN	45,630	MXN	45,630	100.0
Huhtavefa B.V.'s shareholding in subsidiaries:							
The Paper Products Limited	38,095,166	60.8	INR	76,190	EUR	27,189	60.8

Name	Number of shares	Size of holding, %		Nominal value		Book value	Group holding, %
The Paper Products Limited's shareholding in subsidiaries:							
Webtech Labels Private Limited	10,404	51.0	INR	1,040	INR	376,738	31.0
Huhtamaki Beheer V B.V.'s shareholding in subsidiaries:							
Huhtamaki Americas, Inc.	100	100.0	USD	-	EUR	263,828	100.0
Huhtamaki Americas, Inc.'s shareholding in subsidiaries:							
Huhtamaki, Inc.	1,000	100.0	USD	1	USD	684,073	100.0
Huhtamaki Films, Inc.	100	100.0	USD	-	USD	79,875	100.0
Huhtamaki Beheer XI B.V.'s shareholding in subsidiaries:							
Huhtamaki Brazil Investments B.V.	200	100.0	EUR	20	EUR	58,610	100.0
Huhtamaki Brazil Investments B.V.'s shareholding in subsidiaries:							
Huhtamaki do Brasil Ltda	7,635,699	100.0	BRL	7,636	EUR	2	100.0
Partner Polarcup Oy's shareholding in subsidiaries:							
OOO Huhtamaki S.N.G.	162,410,860	95.0	RUB	162,411	EUR	16,563	100.0

The following German subsidiaries are exempt from the duty of corporations to audit and disclose financial statements pursuant to German legislation (Sec. 264b HGB):
Huhtamaki Films Germany GmbH & Co. KG
Huhtamaki Flexible Packaging Germany GmbH & Co. KG
Huhtamaki Foodservice Germany GmbH & Co. KG
Huhtamaki Real Estate Holding B.V. & Co. KG

Parent Company Annual Accounts 2012

Parent company income statement (FAS)

EUR million	Note	2012	2011
Other operating income	1	65.5	46.2
Sales and marketing		-2.2	-1.2
Administration costs		-26.6	-22.1
Other operating expenses	2	-2.7	-2.6
Earnings before interest and taxes	**3, 4**	**34.0**	**20.3**
Net financial income/expense	5	-12.1	-18.3
Exceptional income/expense	6	-	0.1
Profit before taxes		**21.9**	**2.1**
Income tax expense	7	-0.2	0.1
Profit for the period		**21.7**	**2.2**

Parent company balance sheet (FAS)

ASSETS

EUR million	Note	2012	%	2011	%
Fixed assets					
Intangible assets	8				
Intangible rights		0.4		0.4	
Other capitalized expenditure		7.1		10.3	
		7.5	**0.4**	**10.7**	**0.6**
Tangible assets	9				
Land		0.3		0.3	
Buildings and constructions		16.2		16.9	
Other tangible assets		0.9		1.0	
Construction in progress and advance payments		0.4		0.3	
		17.8	**1.0**	**18.5**	**1.0**
Other fixed assets					
Investment in subsidiaries		1,624.8		1,706.0	
Investment in associated companies		0.5		0.5	
Other shares and holdings		0.5		0.4	
Loan receivables	10	3.3		3.3	
		1,629.1	**88.2**	**1,710.2**	**91.3**
Short-term					
Loan receivables	10	138.6		90.0	
Accrued income	11	34.2		37.3	
Other receivables	10	18.6		6.7	
		191.4	**10.4**	**134.0**	**7.2**
Cash and bank		1.5	0.0	0.3	0.0
Total assets		**1,847.3**	**100.0**	**1,873.7**	**100.0**

LIABILITIES AND EQUITY

EUR million	Note	2012	%	2011	%
Shareholders' equity	12				
Share capital		364.5		360.6	
Premium fund		114.1		106.8	
Retained earnings available for distribution		808.6		853.2	
Profit for the period		21.7		2.2	
		1,308.9	**70.8**	**1,322.7**	**70.6**
Non-current liabilities					
Loans from financial institutions	13	305.7		139.5	
Other non-current lialibilities		0.2		0.1	
		305.9	**16.6**	**139.6**	**7.5**
Current liabilities					
Loans from financial institutions	13	130.6		200.0	
Other loans	13	80.2		185.2	
Trade payables	14	0.8		1.0	
Accrued expenses	15	19.5		23.6	
Other current liabilities		1.4		1.6	
		232.5	**12.6**	**411.4**	**22.0**
Total equity and liabilities		**1,847.3**	**100.0**	**1,873.7**	**100.0**
Total retained earnings available for distribution		**830.3**		**855.3**	

Parent company cash flow statement (FAS)

EUR million	2012	2011
EBIT	34.0	20.3
Adjustments		
Depreciation and amortization	4.7	4.7
Other adjustments	-2.0	-0.8
Change in non-interest-bearing receivables	-15.4	-0.9
Change in non-interest-bearing payables	3.7	81.7
Dividends received	0.6	0.5
Net financial income and expense	-14.4	-21.1
Taxes paid	-0.2	0.1
Cash flow from operating activities	**11.0**	**84.5**
Capital expenditure	-0.9	-0.5
Proceeds from subsidiary investments	83.2	244.3
Change in short-term deposits	-48.6	-1.9
Cash flow from investing activities	**33.7**	**241.9**
Change in long-term loans	166.4	-98.1
Change in short-term loans	-174.5	-189.5
Dividends paid	-46.7	-44.6
Corporate subsidies	0.1	0.3
Proceeds from stock option exercises	11.2	-
Cash flow from financing activities	**-43.5**	**-332.0**
Change in liquid assets	1.2	-5.6
Liquid assets on January 1	0.3	5.9
Liquid assets on December 31	1.5	0.3

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 on the basis of historical costs and do not take into account increases in the fair value of assets, unless otherwise stated.

Foreign currency

Foreign currency transactions are recorded according to the exchange rates prevailing on the transaction date. Receivables and payables are revalued at the rate of exchange on the balance sheet date. Exchange rate differences arising from translation of receivables are recognized under other operating income, and exchange rate differences on payables under costs and expenses. Exchange rate differences on translation of financial items, such as loans and deposits, are recognized 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 recorded to the income statement. Foreign exchange forward contracts used for hedging financial items, such as loans and deposits, are marked-to-market and recorded to other financial income and expense. The company manages its interest rate risks using interest rate derivatives. 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. 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 fair value. Any changes in fair values are recognized as income or expense in financial income/expense. 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 recognized as income or expense.

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.

Other operating income and revenue recognition

The company's operations comprise investment to subsidiaries and offering services to subsidiaries. The revenue relating to sale of services is reported under Other Operating Income. Revenue is recognized at the date of delivery. In addition, gains from disposal of assets, royalty and rental income are included in other operating income.

Other operating expenses

Other operating expenses include e.g. losses from disposal of assets.

Exceptional income and expenses

Exceptional income and expenses include items which fall outside the ordinary activities of the company, such as group contribution or divestment related items.

Notes to the parent company financial statements

1. OTHER OPERATING INCOME

EUR million	2012	2011
Royalty income	30.3	16.0
Group cost income	19.0	16.0
Rental income	3.3	3.2
IT recharge	2.4	2.9
Other	10.5	8.1
Total	**65.5**	**46.2**

2. OTHER OPERATING EXPENSES

EUR million	2012	2011
Expenses relating to divestment of Consumer Goods Europe units	-	0.3
Other	2.7	2.3
Total	**2.7**	**2.6**

3. PERSONNEL EXPENSES

EUR million	2012	2011
Wages and salaries	8.6	6.6
Pension costs	1.7	1.1
Other personnel costs	2.4	0.2
Total	**12.7**	**7.9**

The above amounts are on accrual basis. Remuneration paid by the parent company to the members of the board (9 people) as well as the CEO of Huhtamäki Oyj amounted to EUR 1.1 million (2011: EUR 2.1 million).

See note 29 and Corporate Governance Statement.

Average number of personnel	2012	2011
Huhtamäki Oyj	51	50

4. DEPRECIATION AND AMORTIZATION

EUR million	2012	2011
Depreciation by function:		
Administration	4.0	4.0
Other	0.7	0.7
Total depreciation	**4.7**	**4.7**
Depreciation by asset type:		
Buildings	0.7	0.7
Other tangible assets	0.5	0.4
Other capitalized expenditure	3.5	3.6
Total depreciation	**4.7**	**4.7**

5. FINANCIAL INCOME AND EXPENSE

EUR million	2012	2011
Dividend income	**0.6**	**0.5**
Interest and other financial income		
Intercompany interest income	7.2	6.8
Other interest income	0.1	0.3
Total interest income	**7.3**	**7.1**
Other financial income	146.7	191.1
Total interest and other financial income	**154.0**	**198.2**
Interest and other financial expenses		
Intercompany interest expenses	-2.6	-4.6
Other interest expenses	-15.9	-20.9
Total interest expenses	**-18.5**	**-25.5**
Other financial expenses	-148.2	-191.5
Total interest and other financial expenses	**-166.7**	**-217.0**

6. EXCEPTIONAL INCOME

EUR million	2012	2011
Corporate subsidy	-	0.1
Total	**-**	**0.1**

7. TAXES

EUR million	2012	2011
Ordinary taxes	0.2	0.1
Total	**0.2**	**0.1**

Deferred taxes are not included in income statement or balance sheet. Unrecognised deferred tax assets from timing differences are EUR 0.01 million (2011: EUR 0.3 million).

8. INTANGIBLE ASSETS

EUR million	Intangible rights	Other capitalized expenditure	2012 Total	2011 Total
Acquisition cost on January 1	0.7	66.2	66.9	66.9
Additions	0.0	0.1	0.1	0.0
Disposals	0.0	-	0.0	-
Intra-balance sheet transfer	0.0	0.2	0.2	-
Acquisition cost on December 31	0.7	66.5	67.2	66.9
Accumulated amortization on January 1	0.3	55.9	56.2	52.5
Accumulated amortization on disposals and transfers	0.0	-	0.0	-
Amortization during the financial year	0.0	3.5	3.5	3.7
Accumulated amortization on December 31	0.3	59.4	59.7	56.2
Book value on December 31, 2012	**0.4**	**7.1**	**7.5**	**-**
Book value on December 31, 2011	**0.4**	**10.3**	**-**	**10.7**

9. TANGIBLE ASSETS

EUR million	Land	Buildings and constructions	Construction in progress and advance payments	Other tangible assets	2012 Total	2011 Total
Acquisition cost on January 1	0.3	30.6	0.3	3.0	34.2	34.0
Additions	-	-	0.5	0.1	0.6	0.2
Disposals	-	-	-	0.0	0.0	-
Intra-balance sheet transfer	-	-	-0.4	0.2	-0.2	-
Acquisition cost on December 31	0.3	30.6	0.4	3.3	34.6	34.2
Accumulated depreciation on January 1	-	13.7	-	2.0	15.7	14.6
Accumulated depreciation on decreases and transfers	-	-	-	-0.1	-0.1	-
Depreciation during the financial year	-	0.7	-	0.5	1.2	1.1
Accumulated depreciation on December 31	-	14.4	-	2.4	16.8	15.7
Book value on December 31, 2012	**0.3**	**16.2**	**0.4**	**0.9**	**17.8**	**-**
Book value on December 31, 2011	**0.3**	**16.9**	**0.3**	**1.0**	**-**	**18.5**

Revaluations of buildings and constructions in 2012 are EUR 2.4 million (2011: EUR 2.4 million).

10. RECEIVABLES

EUR million	2012	2011
Current		
Loan receivables from subsidiaries	138.6	90.0
Accrued income	17.8	14.2
Accrued corporate income	16.4	23.1
Other receivables	0.7	0.4
Other receivables from subsidiaries	17.9	6.3
Total	**191.4**	**134.0**
Long-term		
Intercompany loan receivables	3.3	3.3
Total receivables	**194.7**	**137.3**

11. ACCRUED INCOME

EUR million	2012	2011
Accrued interest and other financial items	2.4	2.6
Accruals for profit on exchange	8.2	5.8
Miscellaneous accrued income	6.3	5.3
Accrued corporate income and prepaid expense	16.4	23.1
Other	0.9	0.5
Total accrued income	**34.2**	**37.3**

12. CHANGES IN EQUITY

EUR million	2012	2011
Restricted equity		
Share capital January 1	360.6	360.6
Subscription through option rights	3.9	-
Share capital December 31	364.5	360.6
Premium fund January 1	106.8	106.8
Subscription through option rights	7.3	-
Premium fund December 31	114.1	106.8
Restricted equity total	**478.6**	**467.4**
Non-restricted equity		
Retained earnings January 1	855.3	897.8
Dividends paid	-46.7	-44.6
Net income for the period	21.7	2.2
Retained earnings December 31	830.3	855.3
Non-restricted equity total	**830.3**	**855.3**
Total equity	**1,308.9**	**1,322.7**

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

13. LOANS

EUR million	2012	2011
Non-current		
Long-term loans from financial institutions and other loans	305.9	139.6
Total	**305.9**	**139.6**
Current		
Current portion of loans from financial institutions	10.7	81.5
Short-term loans from financial institutions and other current loans	119.9	118.5
Loans from financial institutions	**130.6**	**200.0**
Short-term loans from subsidiaries	80.2	185.2
Other loans	**80.2**	**185.2**

Changes in long-term loans	2012	2011
Loans from financial institutions and other loans		
January 1	139.5	162.7
Additions	229.1	203.7
Decreases	-65.5	-227.1
FX movement	2.8	0.2
Total	**305.9**	**139.5**

Repayments	Loans from financial institutions and other loans
2013	130.6
2014	10.8
2015	77.4
2016	55.5
2017	130.0
2018–	32.2

14. SHORT-TERM LIABILITIES

EUR million	2012	2011
Trade payables	0.5	0.6
Intercompany trade payables	0.3	0.4
Total	**0.8**	**1.0**

15. ACCRUED EXPENSES

EUR million	2012	2011
Accrued interest expense	5.5	13.0
Accrued interest expense to subsidiaries	4.9	5.6
Salaries and social security	7.1	3.5
Miscellaneous accrued expense	2.0	1.5
Total	**19.5**	**23.6**

16. COMMITMENTS AND CONTINGENCIES

EUR million	2012	2011
Operating lease payments		
Under one year	0.8	0.9
Later than one year	2.2	2.6
Total	**3.0**	**3.5**
Mortgages:		
For own debt	-	14.5
Guarantee obligations:		
For subsidiaries	81.9	72.3
For associated companies	0.4	0.4

Proposal of the Board of Directors to Distribute Retained Earnings

On December 31, 2012 Huhtamäki Oyj's non-restricted equity was	EUR 830,353,306.08
of which the result for the financial period was	EUR 21,733,759.54

The Board of Directors proposes that dividend will be distributed at EUR 0.56 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 57,462,662.32

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 12, 2013

Mikael Lilius	Jukka Suominen	Eija Ailasmaa	Pekka Ala-Pietilä
William R. Barker	Rolf Börjesson	Maria Mercedes Corrales	Sandra Turner

Jukka Moisio
CEO

Corporate Governance Statement

Huhtamäki Oyj (Huhtamaki or the Company) complies without deviations with the Finnish Corporate Governance Code (Code) adopted by the Securities Market Association and effective from October 1, 2010. The Code is available in its entirety on the internet at www.cgfinland.fi. Huhtamäki Oyj has joined the Securities Market Association as a support member in early 2013.

This separate Corporate Governance Statement has been issued and published in connection with the Directors' Report. This statement has been prepared in accordance with Recommendation 54 of the Code. In addition to the information required by the Code, this statement also provides other important information on the governance of the Company for the investors. The Audit Committee of the Board of Directors of the Company has reviewed this statement and this statement has been approved by the Board of Directors. The Auditor of the Company has reviewed that this statement has been issued and that the description of the main principles of the internal control and risk management systems of the financial reporting process fully complies with the annual accounts of the Company.

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.

Updated information on the governance and remuneration of the Company is available on the Company's website in section "Corporate Governance" (www.huhtamaki.com > Investors > Corporate Governance).

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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 2012, the AGM was held on April 24, 2012 at Finlandia Hall, Helsinki. The AGM 2013 has been planned to be held on April 25, 2013 in 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 the Auditor. The AGM decides also on the Board members' and the Auditor's remuneration. A General Meeting of Shareholders may also resolve upon, for example, amendments to the Company's Articles of Association, issuance of new shares and option rights and repurchase 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.

The AGM 2012 decided in accordance with the proposal by the Board of Directors to set the dividend for 2011 at EUR 0.46 per share. The AGM re-elected Ms. Eija Ailasmaa, Mr. William R. Barker, Mr. Rolf Börjesson, Mr. Mikael Lilius, Mr. Jukka Suominen and Ms. Sandra Turner as members of the Board of Directors. Mr. Pekka Ala-Pietilä and Ms. Maria Mercedes Corrales were elected as new members of the Board of Directors. The resolution on remuneration for the Board of Directors made by the AGM has been described later in section "Remuneration – Board of Directors – Financial benefits" and the resolution on election of the Auditor in section "Audit" of this statement. The AGM also resolved to amend the article regarding notice of the General Meeting of Shareholders of the Articles of Association and to authorize the Board of Directors to decide on conveyance of the Company's own shares. The authorization is valid until April 30, 2015.

At the AGM decisions are primarily made by a simple majority of votes. However, some decisions such as amendment of the Articles of Association, deviation from the shareholder's pre-emption right in connection with a share issue and decisions on merger, demerger or dissolution require a 2/3 qualified majority of the votes cast and the shares represented at the AGM.

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 the 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.

In order to be entitled to attend the General Meeting of Shareholders, a shareholder shall have to notify the Company of the intention to attend the meeting by the date specified in the notice to the meeting, which date may not be earlier than ten days prior to the meeting. A right to participate and vote in the meeting requires also that a shareholder has been entered in the shareholders' register of the Company eight business days before the General Meeting of Shareholders (record date of the meeting). The holder of a share registered under the name of a nominee may be temporarily entered in the shareholders' register for the purpose of participating in a General Meeting of Shareholders. A registration for temporary entry into the shareholders' register of the Company must be made by the date specified in the notice to the meeting, which date is after the record date of the meeting. This registration constitutes due registration for the General Meeting of Shareholders.

A shareholder may participate and vote 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. Each share entitles its holder to one vote at the meeting.

In addition to attending and voting at a General Meeting of Shareholders, important rights of shareholders include for example shareholder's pre-emption right in connection with share issues, unless this right is deviated by a qualified majority of votes at a General Meeting of Shareholders, as well as right to receive dividends. All shares have equal rights to receive dividends.

BOARD OF DIRECTORS

The Board of Directors is responsible for the management and the proper arrangement of the operations of Huhtamaki. The duty of the Board is to promote the interests of the Company and of all the shareholders.

Duties of the Board

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 also resolves upon acquisitions and divestments as well as other significant corporate transactions, annual investment plan and individual capital expenditures exceeding EUR 6 million. The Board elects the CEO, approves the proposals by the CEO for GET members' appointments, decides on executive compensation and annually reviews the performance of the CEO and other management. 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 2012, the evaluation was done as an internal self-evaluation without an external evaluator.

In order to discharge its duties, the Board requires information on the structure, business operations and markets of the Group. Each member of the Board is provided with a monthly report on the financial situation and markets of the Group. In addition, if necessary, the Board is informed of all material events in the Group.

Composition and election 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 Group operations and the development stage of the Group. Both genders shall be represented in the Board. According to the Articles of Association of the Company the Board shall consist of a minimum of six and a 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 the maximum age of a Board member. The Company strives to ensure strong expertise in the business lines and geographical market areas that are important for the Group when electing the Board members. The Board members of the Company represent various business lines and they have broad management experience in several important market areas for the Group, including the emerging markets.

The Nomination Committee of the Board of Directors prepares a proposal for the election of the Board members to the AGM which elects the Board members for the term of office expiring at the close of the AGM following the election. The Articles of Association of the Company do not contain any provisions on a special order of appointment of the Board members but the AGM elects the Board members based on the proposal of the Nomination Committee of the Board of Directors. The Board shall elect from among its members the Chairman and the Vice-Chairman. If the CEO of the Company was elected to the Board, the CEO could however not be elected as the Chairman of the Board. The AGM 2012 elected the following eight individuals to the Board:

Mikael Lilius

Jukka Suominen

Eija Ailasmaa

Pekka Ala-Pietilä

Mr. Mikael Lilius
Chairman, born 1949, Finnish citizen
Independent of the Company and significant shareholders
Date of election: March 30, 2005
Board Committees: Chairman of the Nomination Committee and Human Resources Committee
Main occupation: Miscellaneous positions of trust
Education: B.Sc. (Econ)
Primary working experience: Fortum Oyj, CEO (2000–2009); Gambro AB, CEO (1998–2000); Incentive AB, CEO (1991–1998); KF Industri AB, CEO (1989–1991); Huhtamäki Oyj, President of the Packaging Division (1986–1989)
Key positions of trust: Wärtsilä Oyj Abp, Chairman of the Board (2011–) and Board member (2010–2011); Evli Pankki Oyj, Board member (2010–); Aker Solutions ASA, Deputy Chairman of the Board (2009–); Ambea AB, Board member (2013–) and Chairman of the Board (2011–2013); Mehiläinen Oy, Chairman of the Board (2013–); East Office of Finnish Industries, Deputy member of the Board (2012–) and Chairman of the Board (2009–2012); Ab Kelonia Oy, Supervisory Board member (2010–); Hafslund ASA, Board member (2003–2010); Sanitec Oy, Chairman of the Board (2005–2008) and Vice Chairman of the Board (2008–2009)

Mr. Jukka Suominen
Vice-Chairman, born 1947, Finnish citizen
Independent of the Company, based on an overall evaluation dependent of a significant shareholder
Date of election: March 30, 2005
Board Committees: Chairman of the Audit Committee
Main occupation: Miscellaneous positions of trust
Education: M.Sc. (Eng), B.Sc. (Econ)
Primary working experience: Silja Group, executive roles (1975–2000), Group CEO, Silja Oyj Abp (1995–2000), CEO, Silja Line (1991–1995) and VP, Effoa / Finland Steamship Company Ltd (1975–1994)
Key positions of trust: Fiskars Oyj Abp, Board member (2008–); Rederiaktiebolaget Eckerö, Chairman of the Board (2006–); Lamor Corporation Ab, Chairman of the Board (2010–)

Ms. Eija Ailasmaa
Born 1950, Finnish citizen
Independent of the Company and significant shareholders
Date of election: March 22, 2004
Board Committees: Member of the Audit Committee
Main occupation: Miscellaneous positions of trust
Education: M.Pol.Sc.
Primary working experience: Sanoma Media B.V., President and CEO (2003–2011); Sanoma Group, executive roles in magazine publishing subsidiaries, including Helsinki Media and Sanoma Magazines Finland, President (1989–2003); Kodin Kuvalehti magazine, Editor-in-chief (1985–1989)
Key positions of trust: Outotec Oyj, Board member (2010–); Solidium Oy, Vice-Chairman of the Board (2008–)

Mr. Pekka Ala-Pietilä
Born 1957, Finnish citizen
Independent of the Company and significant shareholders
Date of election: April 24, 2012
Board Committees: Member of the Nomination Committee and Human Resources Committee
Main occupation: Miscellaneous positions of trust
Education: M.Sc. (Econ); D.Sc. (Econ) h.c. and D.Sc. (Tech) h.c.
Primary working experience: Blyk Services Ltd., Co-founder and CEO (2006–2011); Nokia Corporation, several different positions (1984–2005), latest positions as President (1999–2005), Member of the Group Executive Board (1992–2005) and Nokia Mobile Phones, President (1992–1998)
Key positions of trust: Solidium Oy, Chairman of the Board (2011–); SAP AG, Supervisory Board member (2002–); Pöyry PLC, Board member (2006–); Blyk International Ltd., Chairman of the Board (2009–); TUT Foundation, Member of the Board (2009–2011); FACC, Member of the Board (2002–2008)

Mr. William R. Barker
Born 1949, U.S. citizen
Independent of the Company and significant shareholders
Date of election: March 24, 2010
Board Committees: Member of the Human Resources Committee
Main occupation: Mold-Masters (2007) Limited, Board member, President & CEO
Education: MBA and B.Sc. (Chemical Engineering)
Primary working experience: The Whitehawk Group LLC,

William R. Barker

Rolf Börjesson

Maria Mercedes Corrales

Sandra Turner

CEO (2009–2010); Rexam PLC, Board member and Rexam Beverage Can, Group Executive Director (2005–2009); Rexam Beverage Can Americas, President & CEO (2001–2004); Textron, Inc., President, Textron Fastening Systems - Commercial Solutions (2000–2001); OEA Inc., President, OEA Automotive Safety Products (1998–2000); Bosal International N.V., President, Bosal North America (1995–1998); Gates Rubber Company, Vice President, Gates Power Drive Products, Managing Director, Asia Pacific Operations and other positions (1972–1995)
Key positions of trust: Leeds School of Business, University of Colorado, Board member (2008–)

Mr. Rolf Börjesson
Born 1942, Swedish citizen
Independent of the Company and significant shareholders
Date of election: March 31, 2008
Board Committees: Member of the Nomination Committee and Human Resources Committee
Main occupation: Miscellaneous positions of trust
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: Biolight AB, Chairman of the Board (2011–); Svenska Cellulosa Aktiebolaget SCA (publ), Board member (2003–); Avery Dennison Corporation, Board member (2005–); Ahlsell AB, Chairman of the Board (2006–2012)

Ms. Maria Mercedes Corrales
Born 1949, Philippine citizen
Independent of the Company and significant shareholders
Date of election: April 24, 2012
Board Committees: -
Main occupation: Miscellaneous positions of trust
Education: MBA and B.Sc. (Business Management)
Primary working experience: Starbucks Corporation, Corporate Senior Vice President & President, Asia Pacific Division (2009–2010) and Representative Director, CEO/COO, Starbucks Japan (2006–2009); Levi Strauss & Co., several executive positions in Asia and Latin America (1973–2005), latest positions as President and Representative Director & Regional Vice President, North Asia (Japan, Greater China and South Korea) (2001–2005) and Regional Vice President, South America (1996–2000)
Key positions of trust: D.E Master Blenders 1753, Board member (2012–); Fraser and Neave, Limited, Board member (2010–)

Ms. Sandra Turner
Born 1952, U.K. citizen
Independent of the Company and significant shareholders
Date of election: April 20, 2011
Board Committees: Member of the Audit Committee
Main occupation: Miscellaneous positions of trust
Education: BA (Marketing) Honours
Primary working experience: Tesco PLC, several different roles in United Kingdom and Ireland (1987–2009), last position Commercial Director, Tesco Ireland Limited (2003–2009)
Key positions of trust: Carpetright PLC, Board member (2010–); McBride PLC, Board member (2011–); Berkhamsted School, School Governor (2011–); Northern Foods PLC, Board member (2010–2011)

In addition to the Board members elected at the AGM 2012, also Ms. Siaou-Sze Lien has acted as a Board member in the beginning of 2012. Her membership ended at the AGM 2012.

Ms. Siaou-Sze Lien
Board member April 3, 2009 – April 24, 2012
Born 1950, Singaporean citizen
Independent of the Company and significant shareholders
Board Committees: Member of the Audit Committee until April 24, 2012
Main occupation (April 24, 2012): Mobley Group Pacific Ltd., Senior Executive Coach
Education: M.Sc. (Computer Science)
Primary working experience: Mobley Group Pacific Ltd., Senior Executive Coach (2006–); Hewlett-Packard, several different roles, latest position as Senior Vice President, Hewlett-Packard Services Asia-Pacific
Key positions of trust (April 24, 2012): Nanyang Technological University Singapore, Board of Trustees (2006–); Republic Polytechnic Singapore, Board of Governors (2002–); Luvata Ltd., Board member (2005–)

Board meetings

Most of the meetings of the Board are held at the Company's headquarters in Espoo. The Board is annually visiting other Group locations and holds meetings there. The Board may also hold its meetings by telephone and make decisions without convening a meeting. According to the Code of Governance for the Board it shall hold at least six regular meetings each year, with one session entirely dedicated to Group strategy. In 2012, the Board held 11 meetings (2011: 11 meetings), three (2011: four) of which were telephone meetings and two (2011: none) were held without convening a meeting. The average attendance of the members at the Board meetings was 99% (2011: 95%). 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 General Counsel of the Company acts as the secretary of the Board.

In 2012 the Board continued to pay attention, in addition to its regular duties, to the Group's quality growth driven acquisitions and other initiatives having specific strategic importance. In 2012 the Board visited certain of the Group's manufacturing units in Thailand and the United States thus focusing on Flexible Packaging, Films and North America business segments.

Board members' attendance at the Board meetings

	2012		2011	
	Attendance (%)	Number of meetings attended	Attendance (%)	Number of meetings attended
Mikael Lilius	91	10/11	100	11/11
Jukka Suominen	100	11/11	100	11/11
Eija Ailasmaa	100	11/11	91	10/11
Pekka Ala-Pietilä *	100	8/8	-	-
William R. Barker	100	11/11	100	11/11
Rolf Börjesson	100	11/11	100	11/11
Maria Mercedes Corrales *	100	8/8	-	-
Sandra Turner **	100	11/11	100	8/8

* Member of the Board since April 24, 2012
** Member of the Board since April 20, 2011

Terminated Board memberships

George V. Bayly *	-	-	100	7/7
Siaou-Sze Lien **	100	3/3	82	9/11
Anthony J.B. Simon ***	-	-	67	2/3

* George V. Bayly resigned from the Board of Directors on September 12, 2011
** Member of the Board until April 24, 2012
*** Member of the Board until April 20, 2011

Independence of the Board members

All members of the Board are non-executive. The Board considers all 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. According to his own notification and an overall evaluation by the Board, Jukka Suominen is dependent of the significant shareholder of the Company, The Finnish Cultural Foundation.

Board Committees

In order to focus on certain responsibilities, the Board may appoint 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 election of 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 have comprised the Nomination Committee since the AGM 2012: Mikael Lilius (Chairman), Pekka Ala-Pietilä and Rolf Börjesson. In 2012, the Nomination Committee held two meetings (2011: three meetings). The average attendance of the Nomination Committee members at the meetings was 100% (2011: 100%).

Members' attendance at the Nomination Committee meetings

	2012		2011	
	Attendance (%)	Number of meetings attended	Attendance (%)	Number of meetings attended
Mikael Lilius (Chairman)	100	2/2	100	3/3
Pekka Ala-Pietilä *	100	1/1	-	-
Rolf Börjesson	100	2/2	100	3/3
Jukka Suominen **	100	1/1	100	3/3

* Member of the Nomination Committee since April 24, 2012
** Member of the Nomination Committee until April 24, 2012

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 have comprised the Human Resources Committee since the AGM 2012: Mikael Lilius (Chairman), Pekka Ala-Pietilä, William R. Barker and Rolf Börjesson. In 2012, the Human Resources Committee held four meetings (2011: four meetings). The average attendance of the Human Resources Committee members at the meetings was 100% (2011: 92%).

Members' attendance at the Human Resources Committee meetings

	2012		2011	
	Attendance (%)	Number of meetings attended	Attendance (%)	Number of meetings attended
Mikael Lilius (Chairman)	100	4/4	100	4/4
Pekka Ala-Pietilä *	100	2/2	-	-
William R. Barker **	100	4/4	100	2/2
Rolf Börjesson	100	4/4	75	3/4
George V. Bayly ***	-	-	100	2/2

* Member of the Human Resources Committee since April 24, 2012
** Member of the Human Resources Committee since April 20, 2011
*** Member of the Human Resources Committee until April 20, 2011

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 with 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 the Auditor. It also evaluates the independence of the Auditor and provision of other consultancy services by the Auditor to the Company. In addition to the members of the Audit Committee, the Chief Financial Officer of the Company participates in the Committee's meetings. The Auditor participates in the meeting deliberating the financial statements and also other meetings, if considered necessary. The following individuals have comprised the Audit Committee since the AGM 2012: Jukka Suominen (Chairman), Eija Ailasmaa and Sandra Turner. In 2012, the Audit Committee held five meetings (2011: six meetings). The average attendance of the Audit Committee members at the meetings was 100% (2011: 94%).

Members' attendance at the Audit Committee meetings

	2012		2011	
	Attendance (%)	Number of meetings attended	Attendance (%)	Number of meetings attended
Jukka Suominen (Chairman)	100	5/5	100	6/6
Eija Ailasmaa	100	5/5	100	6/6
Sandra Turner *	100	3/3	-	-
Siaou-Sze Lien **	100	2/2	83	5/6

* Member of the Audit Committee since April 24, 2012
** Member of the Audit Committee until April 24, 2012

Shares owned by the Board members

The shares owned by the Board members on December 31, 2012 and December 31, 2011

	2012	2011
Mikael Lilius	50,000	50,000
Jukka Suominen	3,000	3,000
Eija Ailasmaa	1,000	1,000
Pekka Ala-Pietilä *	0	N/A
William R. Barker	0	0
Rolf Börjesson	3,000	3,000
Maria Mercedes Corrales *	0	N/A
Sandra Turner **	1,000	1,000
Board total	**58,000**	**58,000**

* Member of the Board since April 24, 2012
** Member of the Board since April 20, 2011

Terminated Board memberships		
George V. Bayly *	N/A	N/A
Siaou-Sze Lien **	N/A	1,000
Anthony J.B. Simon ***	N/A	N/A
In total	**58,000**	**59,000**

* George V. Bayly resigned from the Board of Directors on September 12, 2011
** Member of the Board until April 24, 2012
*** Member of the Board until April 20, 2011

None of the Board members owns any option rights of the Company.

Information on the remuneration of the Board members is available later in section “Remuneration – Board of Directors – Financial benefits”.

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 (born 1961) has acted as the Company’s CEO since 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.

Certain key conditions of the Service Agreement between the Company and the CEO, CEO’s remuneration and information on the supplementary pension arrangement of the CEO is available later in section “Remuneration – Chief Executive Officer and Group Executive Team – Financial benefits”.

GROUP EXECUTIVE TEAM

Duties of the Group Executive Team

The Group Executive Team (GET) assists the CEO. It addresses and follows the implementation of the Group strategy and overall financial performance as well as the fulfillment of significant projects and set targets. It has no formal status under company law. The GET consists of the CEO as the Chairman and the executives approved by the Board. The GET members report to the CEO. Each GET member has a clear operational responsibility within a Group function or a business segment. The GET convenes at least once a month. In 2012 the GET focused on strategic planning, budgeting and regular monitoring of result. In addition, the GET addressed matters relating to the professional development of personnel.

Composition of the Group Executive Team

The composition of the GET has remained unchanged during the whole year 2012 and the following persons belong to the GET at the date of this statement:

Mr. Jukka Moisio
Born 1961, Finnish citizen
Chairman, Chief Executive Officer (CEO)
GET member since: April 1, 2008
Joined the company: 2008
Education: M.Sc. (Econ), MBA
Primary working experience: Ahlstrom Corporation (1991–2008), several different roles, latest position as CEO
Key positions of trust: -

Mr. Timo Salonen
Born 1958, Finnish citizen
Chief Financial Officer (CFO)
GET member since: October 8, 1999
Joined the company: 1991
Education: M.Sc. (Econ), LL.M.
Primary working experience: Huhtamäki Oyj (1991–), several different roles, previous positions as Executive Vice President, Strategy and Development, Executive Vice President, Europe Rigid Packaging as well as CFO; Partek Corporation (1983–1991), several different roles, latest position as Division Controller, Partek Concrete International, Belgium
Key positions of trust: Garantia Insurance Company Plc, Board member (2012–)

Mr. Juha Salonen
Born 1949, Finnish citizen
Senior Vice President, Administration and Legal
GET member since: April 22, 2008
Joined the company: 1983
Education: LL.M., B.Sc. (Econ)
Primary working experience: Huhtamäki Oyj (1983–), several different roles, previous positions as Senior Vice President, Administration and General Counsel; Finnish Employers' Association (1979–1982), Legal Advisor; Attorney (1977–1979); several different positions in courts (1974–1977)
Key positions of trust: Member of the Committee of Legal Affairs of the Confederation of Finnish Industries (2005–); Member of the Takeover Panel of the Securities Market Association (2013–); Member of the Finnish Takeover Panel of Finland Chamber of Commerce (2006–2012)

Ms. Sari Lindholm
Born 1969, Finnish citizen
Senior Vice President, Human Resources
GET member since: September 22, 2011
Joined the company: 2003
Education: M.Pol.Sc
Primary working experience: Huhtamäki Oyj (2003–), several different roles, previous position as Group Vice President, Human Resources; Nokia Oyj (2000–2003), Senior Manager, Compensation & Benefits; Elcoteq Network Oyj (1995–2000), several different roles
Key positions of trust: -

Mr. Clay Dunn
Born 1957, U.S. citizen
Executive Vice President, North America
GET member since: June 1, 2005
Joined the company: 2005
Education: BBA (Marketing and Management)
Primary working experience: Dow Chemical Company (1979–2005), several different roles, latest position as Vice President, Global Sourcing
Key positions of trust: -

Mr. Suresh Gupta
Born 1952, Indian citizen
Executive Vice President, Flexible Packaging
GET member since: January 1, 2009
Joined the company: 1999
Education: M.M.S. (Management)
Primary working experience: Huhtamaki Group (1999–), previous position as Senior Vice President, Flexibles and Films Asia-Oceania; The Paper Products Ltd. (1987–), Deputy Managing Director, Chairman & Managing Director; Almana Group (1983–1987), Executive Director
Key positions of trust: Indian Flexible Packaging and Folding Carton Manufacturers Association IFCA (previously Paper, Film & Foil Convertors Association, India), President (1996–)

Mr. Olli Koponen
Born 1959, Finnish citizen
Executive Vice President, Molded Fiber
GET member since: January 1, 2011
Joined the company: 1990
Education: M.Sc. (Eng., Automation & Information Technology), B.Sc. (Eng., Automation Technology)
Primary working experience: Huhtamäki Oyj (1990–), several different roles, previous positions as Senior Vice President, Molded Fiber Europe, General Manager positions in Hämeenlinna, Finland, Turkey, Hong Kong and Russia; Systecon Oy (1984–1990), several different roles, latest position as Product Manager
Key positions of trust: -

Mr. Eric Le Lay
Born 1962, French citizen
Executive Vice President, Foodservice Europe-Asia-Oceania
GET member since: March 12, 2008
Joined the company: 2008
Education: MBA, M.Sc. (Eng.)
Primary working experience: Amcor Limited (1997–2008), several different roles, latest position as Managing Director, Chilled Foods, Amcor Flexible Europe; United Biscuits (1996–1997), Plant Manager; Johnson & Johnson International S.A. (1994–1996), Deputy Plant Manager; Kraft General Food France S.A. (1986–1994), various positions in operations and finance/controlling
Key positions of trust: -

Mr. Peter Wahsner
Born 1962, German citizen
Executive Vice President, Films
GET member since: January 1, 2009
Joined the company: 2008
Education: M.Sc. (Business Management)
Primary working experience: Huhtamaki Group (2008–), previous position as Senior Vice President, Films Global; Chesapeake (2006–2007), Director, Pharmaceuticals & Healthcare Division; Huhtamaki Group (2004–2005), Division President, Molded Fiber Europe; Rexam PLC (2001–2004), Managing Director, Healthcare Flexibles Division, Europe & Asia
Key positions of trust: -

Shares and option rights owned by the members of the Group Executive Team

Shares and option rights held by the members of the Group Executive Team on December 31, 2012 and December 31, 2011

	2012		2011		
	Shares	Option rights 2006 C	Shares	Option rights 2006 C	Option rights 2006 B *
Jukka Moisio	85,900	80,000	85,900	80,000	80,000
Timo Salonen	60,000	50,000	60,000	50,000	40,000
Juha Salonen	52,000	18,000	35,000	35,000	25,000
Sari Lindholm	6,000	12,000	6,000	12,000	10,000
Clay Dunn	35,000	0	35,000	50,000	41,703
Suresh Gupta	30,000	0	30,000	0	20,000
Olli Koponen	35,000	0	15,000	20,000	0
Eric Le Lay	30,000	0	30,000	40,000	30,000
Peter Wahsner	31,500	0	31,500	25,000	20,000
In total	**365,400**	**160,000**	**328,400**	**312,000**	**266,703**

* The subscription period for the option rights 2006 B ceased on October 31, 2012

Information on the remuneration of the GET members is available later in section “Remuneration – Chief Executive Officer and Group Executive Team – Financial benefits”.

INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS

Internal control

Successful business requires continuous development and monitoring of the Group’s operations, processes and procedures. 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 effectiveness and 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 controls belongs to the executive management of the Group and is being carried out by the whole organization. The aim of 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 ensures that the Group complies with applicable laws and regulations.

Foundation of all Group’s activities lies with Huhtamaki values and principles providing discipline and structure for the operations formalized in policies and 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. In addition to the Group policies, there may be more specific local policies in the segments and their business units.

Reliability of financial reporting

The Group’s finance function and the network of segment and business 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 with 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. Key performance indicators and annual targets 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 segments and business units.

Key operational performance indicators are monitored continuously. Key process controls aim at identifying risks as well as designing preventive and detective controls. Corrective actions are implemented and monitored by segment and business 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.

During 2012 special attention has been paid to improving internal controls’ coherency and transparency in the area of efficiency and effectiveness of operations. First step was to develop and deploy purchasing control objectives. The aim is to unify and deploy internal control objectives for core operational processes throughout the Group. These control objectives are developed from the best industry practices and recommendations given in various operational audits in the Group.

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 and trainings. The trainings arranged in different business units in 2012 have emphasized especially contract management as well as competition compliance and anti-corruption related matters. In addition, attention has been paid to the general highlighting of the importance of compliance with rules and regulations in all operations. Internal audit also covers the compliance with policies.

Insider administration

The Company follows the Guidelines for Insiders issued by the NASDAQ OMX Helsinki Ltd. as well as the regulations and guidelines issued by the Finnish Financial Supervisory Authority. In addition, there is an insider policy in the Group. The Company maintains a public insider register and a company-specific insider register on persons holding an insider position. Pursuant to the Securities Market Act, the Board members, the CEO and the Auditors are registered in the public insider register on the basis of their position. As GET members belong to the senior management and receive insider information on a regular basis, the Company has decided to register also them in the public insider register. Persons included in the public and company-specific insider registers cannot trade with the Company's shares or option rights during the period between December 31 and the publication of annual accounts of the Company, as well as during the period between the last trading day at NASDAQ OMX Helsinki Ltd. of the period for which an interim report of the Company shall be prepared and the publication of such interim report. Real-time holdings of the Company's shares and option rights by the persons belonging to the public insider register of the Company as well as further information on insider administration in the Company are available on the Company's website in section "Insider Administration" (www.huhtamaki.com > Investors > Corporate Governance > Insider Administration).

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 2012 in cooperation with an internal audit co-sourcing partner and its international network. The Code of Ethics and other standards and guidelines issued by the Institute of Internal Auditors are complied with in internal audit activities. 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, focus areas defined by the Board and the executive management of the Group as well as according to the rotation principle. The internal audit function reports to the Audit Committee. Additionally, the CEO, the Chief Financial Officer, the General Counsel and management of the segment and business unit where the audit has been conducted are informed of the results of the audit.

Audit pre-material, documentation and data are collected before audit field work. During the field work further findings are recorded at site. Internal audit reports include key findings, conclusions and recommendations for control improvements. Management of the audit target prepares an action plan to mitigate risks and develop controls to improve recommended audit issues. The implementation of the action plans is followed by the line management and the Group internal audit manager.

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 threats potentially jeopardizing achievement of the Group's strategic and financial 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 reached 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 the Auditor.

Business unit, segment and Group level risk management process and activities are engaged with the 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.

A description of the risks that are material to the Group as well as of the focus of the risk management processes in 2012 is available on the Company's website in section "Risk Review" (www.huhtamaki.com > Investors > Corporate Governance > Risk Review) and in the Annual Accounts and Directors' Report 2012 on page 5.

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 2012 elected the Authorized Public Accounting firm Ernst & Young Oy as the Auditor of the Company. Mr. Harri Pärssinen, 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 Ernst & Young network in each country. Ernst & Young Oy has acted as the Company's Auditor since the AGM 2010. Before the financial year 2010 the Company's Auditor for several years was the Authorized Public Accountant firm KPMG Oy Ab and auditors representing it.

In 2012, total auditing costs of the Group amounted to EUR 1.4 million (2011: EUR 1.2 million). The Ernst & Young network has also provided other consultancy not related to auditing worth EUR 0.7 million (2011: EUR 0.5 million).

REMUNERATION

The below description on remuneration outlines the Group's remuneration principles and the remuneration paid to the Board and GET members in 2012. The most recent Remuneration Statement as in force at each time prepared in accordance with Recommendation 47 of the Finnish Corporate Governance Code is available on the Company's website in section "Remuneration" (www.huhtamaki.com > Investors > Corporate Governance > Remuneration). The Remuneration Statement is updated always when there are substantial changes to the information concerning remuneration. The next update takes place at the latest after the Annual General Meeting of Shareholders (AGM) of 2013.

Board of Directors

Decision-making process and main principles of remuneration

The AGM is resolving on the remuneration payable to the members of the Board of Directors and its Committees as well as on related remuneration principles. The Nomination Committee of the Board of Directors prepares annually a proposal to the AGM on the remuneration and the principles for compensating the expenses of the Board members.

None of the Board members is employed by the Company and, thus, Board members are not eligible for any employment relationship related financial or other benefits not related to the Board work nor are they eligible for any pension scheme. Board members do not receive Company shares as remuneration and they are not participants in Company option rights plans or performance share plans.

Financial benefits

The AGM resolves on the remuneration payable to the Board members based on the Nomination Committee's proposal. In accordance with the resolution passed by the AGM held on April 24, 2012, as of the AGM 2012 the annual compensation for the Chairman of the Board is EUR 100,000 (2011: EUR 100,000), for the Vice-Chairman EUR 60,000 (2011: EUR 60,000) and for other members EUR 50,000 (2011: EUR 50,000). In addition, a meeting fee of EUR 600 (2011: EUR 600) per meeting is paid to all members for Board and Board Committee meetings they attend except that a meeting fee of EUR 2,000 (2011: EUR 600) per meeting shall be paid to the Chairman of the Audit Committee of the Board of Directors and a meeting fee of EUR 1,000 (2011: EUR 600) per meeting shall be paid to other members of the Audit Committee for the Audit Committee meetings they attend. Traveling expenses are compensated in accordance with the Company policy. In addition, the Chairman of the Board of Directors has a mobile phone benefit.

Remuneration paid to members of the Board of Directors in 2012 and 2011 (EUR)

	2012			2011		
	Annual compensation	Meeting fees	Total	Annual compensation	Meeting fees	Total
Mikael Lilius	100,240 *	10,800	111,040	97,680 *	11,600	109,280
Jukka Suominen	60,000	14,200	74,200	58,750	12,800	71,550
Eija Ailasmaa	50,000	11,600	61,600	48,750	11,200	59,950
Pekka Ala-Pietilä **	37,500	6,600	44,100	-	-	-
William R. Barker	50,000	10,200	60,200	48,750	8,500	57,250
Rolf Börjesson	50,000	11,400	61,400	48,750	11,100	59,850
Maria Mercedes Corrales **	37,500	5,400	42,900	-	-	-
Sandra Turner ***	50,000	10,400	60,400	37,500	5,400	42,900
Board total	**435,240**	**80,600**	**515,840**	**340,180**	**60,600**	**400,780**

* Annual compensation for Mikael Lilius includes a mobile phone benefit
** Member of the Board since April 24, 2012
*** Member of the Board since April 20, 2011

Terminated Board memberships

George V. Bayly *	-	-	-	36,250	7,000	43,250
Siaou-Sze Lien **	12,500	4,200	16,700	48,750	8,900	57,650
Anthony J.B. Simon ***	-	-	-	11,250	2,000	13,250
In total	**447,740**	**84,800**	**532,540**	**436,430**	**78,500**	**514,930**

* George V. Bayly resigned from the Board of Directors on September 12, 2011
** Member of the Board until April 24, 2012
*** Member of the Board until April 20, 2011

Chief Executive Officer and Group Executive Team

Decision-making process and main principles of remuneration

Remuneration and financial benefits payable to the Chief Executive Officer (CEO) and members of the Group Executive Team (GET) are determined by the Board of Directors normally on a yearly basis. Prior to the relevant Board meeting, the matter is deliberated by the Human Resources Committee of the Board of Directors. Remuneration is based on Group level remuneration principles, but local laws and market practices are taken into account when applying these principles. The remuneration of the CEO and other GET members consists of a non-variable annual base salary, benefits and an annually determined short-term incentive. In addition, the CEO and other GET members are participating in the long-term incentive plans consisting of the option rights plans and performance share plans.

The short-term incentives for the CEO and other GET members are based on financial performance of the Group and achievement of the personal objectives. The short-term incentives for those GET members having a business segment responsibility are also determined based on the financial performance of the business segment in question. The relevance of the financial performance is 85% for the CEO and 80% for other GET members and the relevance of the personal objectives is correspondingly 15% for the CEO and 20% for other GET members. The following indicators are applied when setting financial objectives: earnings per share (EPS), return on net assets (RONA), working capital ratios and value added. The above mentioned criteria are selected to promote the Group's financial targets and success on a short- and a long-term basis.

Objectives for the short-term incentives are set and the achievement is evaluated annually. Possible incentive payments are typically made in March following the calendar-year-long earnings period. The payment of the incentive is subject to the person being employed by the Group and not having resigned by the time of the payment. The maximum amount of the short-term incentive for the CEO is the amount corresponding to 75% of the non-variable annual base salary. The maximum amount of the short-term incentives for other GET members varies depending on the position between 40–60% of the non-variable annual base salary.

Option rights and performance share plans function as long-term incentives for the CEO and other GET members. During 2012 the CEO and other GET members were participants in the Option Rights 2006 Plan as well as the Performance Share Plans 2010–2012, 2011–2013 and 2012–2014. Further information on the option rights and performance share plans is available later in section "Share-based incentive plans".

Financial benefits

Chief Executive Officer

In 2012, CEO Jukka Moisio's non-variable annual base salary and benefits amounted to EUR 595,785 (2011: EUR 581,600). Short-term incentive based on the performance in 2011 was not paid in 2012 (2011: EUR 413,231 based on the performance in 2010). In 2012 the CEO did not receive any remuneration based on the Performance Share Plans since the year 2011 was not an earnings year in accordance with any Performance Share Plan of the Company. In 2011, based on the performance in 2010, the CEO received under the Performance Share Incentive Plan 2008–2010 a total of 30,000 shares with an aggregate value of EUR 296,700 at the time of the transfer and a cash payment of EUR 296,700 relating to the amount of income taxes arising based on the received shares i.e. the total value of the remuneration based on the Performance Share Incentive Plan 2008–2010 was EUR 593,400 which was paid in March 2011. No option rights were allocated to the CEO during 2012 (2011: 0) and he did not sell any option rights nor subscribe for any shares based on the option rights received earlier. Thus, in 2012 the CEO's total remuneration amounted to EUR 595,785 (2011: EUR 1,588,231).

According to the Service Agreement between the Company and the CEO, either party may terminate the Service Agreement with six months' prior notice. During the notice period, the CEO is entitled to normal salary payments. If the Company terminates the Service Agreement, the CEO is entitled to a termination compensation amounting to 18 months' base salary in addition to the six months' salary paid for the notice period. The retirement and resignation age of the CEO is 60 years, unless otherwise agreed upon. In addition to statutory employment pension contribution, the early retirement possibility is covered by an arrangement under which the Company contributes annually to a supplementary pension arrangement an amount which shall not exceed the CEO's monthly base salary. However, the contribution paid by the Company is subject to the CEO contributing the same amount to the supplementary pension arrangement. In case the Service Agreement is terminated prior to the retirement and resignation age, the CEO maintains the right to the funds in the supplementary pension arrangement. The amount of the supplementary pension is determined based on funds contributed to the arrangement by the Company and the CEO as well as returns on these funds.

In 2012, the cost of the CEO's supplementary pension arrangement for the Company amounted to EUR 46,968 (2011: EUR 45,861).

Group Executive Team

In 2012, the non-variable annual base salary and benefits of GET members, excluding the CEO, amounted to a total of EUR 2,196,190 (2011: EUR 2,008,190) and the short-term incentives, based on the performance in 2011, amounted to a total of EUR 298,645 (2011: EUR 926,124). In 2012 the GET members did not receive remuneration based on the Performance Share Plans since the year 2011 was not an earnings year in accordance with any Performance Share Plan of the Company. In 2011, based on the performance in 2010, GET members, excluding the CEO, received under the Performance Share Incentive Plan 2008–2010 a total of 97,500 shares with an aggregate value of EUR 964,275 at the time of the transfer and a cash payment of EUR 782,618 relating to the amount of income taxes arising based on the received shares, i.e. the total value of the remuneration based on the Performance Share Incentive Plan 2008–2010 was EUR 1,746,893 which was paid in March 2011. No option rights were allocated to the GET members during 2012 (2011: 0). During 2012 GET members either sold or used for share subscriptions in total 232,000 option rights that they had received earlier, and the corresponding taxable value was in total EUR 917,714. Thus, in 2012 the total remuneration of GET members, excluding the CEO, amounted to EUR 3,412,549 (2011: EUR 4,681,207).

All GET members belong to pension systems of their country of residence in force at each time. In addition to the CEO, five other GET members belong to the national employee pension system in Finland. The other GET members belong to corresponding pension systems in India, in Germany and in the United States. Subject to a specific resolution by the Board, GET members may additionally be entitled to pension arrangements following local practices, which may be considered partly comparable to supplementary pension plans. In 2012, the Company paid a total of EUR 15,998 (2011: EUR 21,564) to such pension arrangements of the GET members, excluding the CEO.

Remuneration paid to the CEO and other GET members (EUR)

	2012				2011			
	Non-variable annual base salary[1]	Short-term incentives[2]	Share-based incentives[3]	Total	Non-variable annual base salary[1]	Short-term incentives[2]	Share-based incentives[3]	Total
CEO	595,785	0	0	595,785	581,600	413,231	593,400	1,588,231
Other GET members	2,196,190	298,645	917,714	3,412,549	2,008,190	926,124	1,746,893	4,681,207
Total	**2,791,975**	**298,645**	**917,714**	**4,008,334**	**2,589,790**	**1,339,355**	**2,340,293**	**6,269,438**

1 Non-variable annual base salary includes benefits.

2 Short-term incentives are based on the performance in the year preceding the payment year. Paid short-term incentives have been entered in the table on the year when they have been paid.

3 Share-based incentives include the monetary value of the payments based on the Performance Share Plans at the time of granting the shares and including the value of taxes arising based on the received shares. For 2012, share-based incentives also include the taxable value that has arisen based on the sale of option rights or share subscriptions based on the option rights. The share-based incentives are based on the performance in the year preceding the payment year and they have been entered in the table on the year when they have been paid. As regards the option rights, entries have been recorded on the year of sale or share subscription.

Share-based incentive plans

Option Rights 2006 Plan

Huhtamäki Oyj has an option rights plan extending at the end of 2012 to 91 persons belonging to the management of the Company and its subsidiaries. The option rights plan was approved by the AGM held on March 27, 2006 and it was divided to option rights 2006 A, 2006 B and 2006 C. Each series entitled for the subscription of 1,100,000 shares. The period of subscription for shares ceased with the option rights 2006 A on October 31, 2011 and with the option rights 2006 B on October 31, 2012. No shares were subscribed for based on the option rights 2006 A but a total of 749,665 shares were subscribed for based on the option rights 2006 B. The period of subscription for shares with the option rights 2006 C will cease on April 30, 2014 and by the end of 2012 a total of 393,001 shares have been subscribed for based on the option rights 2006 C. Thus, the option rights 2006 C entitle during 2013–2014 for the subscription of 706,999 shares corresponding to approximately 0.66% of the Company's all shares on December 31, 2012.

Share-based remuneration

The Company's share-based incentive plans in which the earnings year is 2012 or later have been described below. The share-based incentives paid in 2011 are based on the previous Performance Share Incentive Plan 2008–2010 which is described in the notes to the consolidated annual accounts 2012 on page 35. The Company does not have any share-based incentive plan in which the earnings year would have been 2011.

Performance Share Arrangement 2010

On March 12, 2010 the Board of Directors of the Company decided on establishing a Performance Share Arrangement to form a part of the long-term incentive and retention program for the key personnel of the Company and its subsidiaries. The Performance Share Arrangement offers a possibility to earn the Company shares as remuneration for achieving established targets. The arrangement includes annually commencing three-year performance share plans. A possible reward shall be paid during the calendar year following each three-year plan. Commencement of each three-year plan will be separately decided by the Board of Directors.

The aggregate maximum of 400,000 shares and a cash payment equivalent to taxes arising to the key personnel from the reward may be granted under each three-year plan. Participants to the plan belonging to the GET shall hold at least 50% of the shares received until he/she holds shares received from the Performance Share Plans corresponding in aggregate to the value of his/her annual base salary. Other participants to the plan shall hold at least 50% of the shares received until he/she holds shares received from the Performance Share Plans corresponding in aggregate to the value of his/her 6 months base salary. The aforementioned ownership requirements apply until termination of employment or service.

Performance Share Plan 2010–2012

The first three-year performance share plan (Performance Share Plan 2010–2012) commenced in 2010. The reward is based on the Group's earnings per share (EPS) in 2012 and is paid in 2013. The Performance Share Plan 2010–2012 was directed to 58 persons at the end of 2012.

Performance Share Plan 2011–2013

The second three-year performance share plan (Performance Share Plan 2011–2013) commenced in 2011 and the possible reward will be based on the Group's earnings per share (EPS) in 2013. The reward, if any, will be paid during 2014. The Performance Share Plan 2011–2013 was directed to 61 persons at the end of 2012.

Performance Share Plan 2012–2014

The third three-year performance share plan (Performance Share Plan 2012–2014) commenced in 2012 and the possible reward will be based on the Group's earnings per share (EPS) in 2014. The reward, if any, will be paid during 2015. The Performance Share Plan 2012–2014 was directed to 69 persons at the end of 2012.

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 31 December, 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, 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.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about 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 are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

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.

Espoo, February 12, 2013

Ernst & Young Oy
Authorized Public Accounting Firm

Harri Pärssinen
Authorized Public Accountant

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