

## Interim Report January 1 – March 31, 2005



### FIRST QUARTER IN LINE WITH PROJECTIONS

- + **Strong growth continued in the Americas**
- + **European rigid packaging responding to previous and ongoing cost reduction**
- + **Good overall performance in films, flexibles and molded fiber**
- + **Oceania solid, Asian flexibles sales accelerating**
- **Margin squeeze from high raw materials prices not yet fully recovered**
- **Inefficiencies and growth pains in North American plastics operations**

Worldwide consumer packaging specialist Huhtamaki reports a 3% increase in net sales, to EUR 513 million in the first quarter of 2005. Strong growth continued in the Americas. Sales in Asia-Oceania-Africa accelerated towards the end of the period, while price and mix developments kept European sales at previous year's level despite volume transfers to the Americas.

The underlying business performance was steady or improving in most units. As anticipated, this could not fully offset the margin impact of continuing high raw material input costs. At EUR 33 million, EBIT was down by 11%, and profit before taxes declined by 15%. At 20 cents, earnings per share were down by 17%.

#### Key figures

<b>EUR million</b>	<b>Q1 2005</b>	<b>Change %</b>
Net sales	513	3
EBIT	33	-11
% of net sales	6.5	-
Profit before taxes	25	-15
Profit for the period	20	-14
EPS, EUR	0.20	-17
ROE, % (12 m rolling)	6.3	
ROI, % (12 m rolling)	6.5	

#### Outlook

The year has started in line with projections, with no material change in the full-year outlook. In Europe, the market for films, high-performance flexibles and molded fiber is improving. A positive momentum is expected to continue in the Americas, and flexible packaging is set to recover in Asia-Oceania-Africa. For the full year, the underlying business results are expected to show a moderate improvement on 2004. The company's strategy review and restructuring program are on track, with further measures to be decided mid-year. As previously communicated, the associated charge will largely determine the financial outcome of the year.

Espoo, Finland, April 20, 2005  
Huhtamäki Oyj  
Board of Directors



### Business review

In **Europe**, reported net sales remained unchanged at EUR 282 million in the first quarter. Sales volume declined by 4%, mainly reflecting the transfer of films and flexibles production to the Americas. Price, mix and currency developments had a 3% positive effect on the sales figure. The films business again had a strong quarter, and the East European rigid packaging operations also stood out for their rapid growth. Sales accelerated across the board towards the end of the quarter.

The region's EBIT amounted to EUR 17 million, slightly down from previous year. Cost reduction initiated in 2004 largely offset the continuing impact of high raw materials prices. The EBIT margin declined from 6.4% to 6.1%. RONA (excluding restructuring) was 8.6%, the same as at year-end 2004.

In the **Americas**, net sales increased by 10% to EUR 147 million. The growth in local currencies was 15%, coming equally from higher volumes and price increases. All divisions made progress in North America, with Retail and Foodservice showing highest growth. South American sales were up by 30%, reflecting both volume transfer from Europe and brisk organic growth in rigid packaging.

The region's EBIT declined by 31%, to EUR 4 million or 2.8% (4.4% in Q1 2004) of net sales. The development

reflects a time lag in recovering high raw materials costs, as well as inefficiencies and growth pains in the plastics operations. The execution of a corrective action program was started during the quarter. RONA (excluding restructuring) declined to 4.8% from 5.1% at year-end.

### Asia, Oceania and Africa

posted net sales of EUR 84 million, up by 4%. In Oceania, most businesses were solid, with good progress in rigid packaging compensating for temporary operations issues in molded fiber. Flexibles sales in Asia recovered towards the end of the period. Good progress continued in South Africa. The region's sales volumes were up by one per cent, price and mix changes augmented the sales figure by nearly 5% and currency translations reduced it by almost 2%.

The region's EBIT declined by 6% to EUR 6 million or 7.0% of net sales (7.8%). RONA (excluding restructuring) was 8.3% against 8.4% at year-end.

### Progress in restructuring

The company announced the first step of a two-year restructuring program in December 2004 and took a corresponding charge of EUR 46 million. Negotiations have been completed for the closure of the Leeds facility in the U.K. later this year. Significant workforce reductions have been agreed

in Göttingen (Germany) and Auneau (France). Smaller cuts have been accomplished in several units. The projected reduction of 300 positions will materialize by the end of 2005, with the main part falling on the second and third quarters. At the end of March, the actual decline was 120 positions. The corresponding annualized savings are estimated at EUR 10 million from 2006 onwards.

The planning of further restructuring measures is advancing on schedule and will be completed mid-year. The total cost of these measures, with implications on operations worldwide, will be higher than that of the first step.

### Financial review

**EBIT before corporate items** amounted to EUR 27 million (- 9%) in the first quarter. Group income and unallocated expense showed a net income of EUR 6 million against EUR 7 million in 2004. Hence, the **Group EBIT** declined by 11% to EUR 33 million, 6.5% of net sales (7.5%).

### Net financial items

increased slightly, to EUR 9 million. Hence, the **profit before taxes** declined by 15% to EUR 25 million.

**Taxes** declined by 17% to EUR 5 million resulting in a **profit for the period** of EUR 20 million (- 14%). Of this,



EUR 0.4 million is attributable to minority interest.

The average number of shares increased from 96.2 million to 98.3 million due to share conversions under stock option programs.

**Earnings per share** declined by 17% to EUR 0.20 (EUR 0.24).

On a rolling 12-month basis, return on investment (**ROI**) was 6.5%, slightly below the corresponding figure at year-end 2004 and 2.1 percentage points down from the first quarter of 2004. Return on equity (**ROE**) declined to 6.3% from 10.4% a year ago and from 6.7% at year-end 2004.

### Financial Position

At EUR 19 million **cash flows from operating activities** remained clearly below the previous year's figure of EUR 52 million in the first quarter. The difference largely stems from an increase in working capital, reflecting sales growth and forward buying of raw materials. Similarly, **free cash flow** amounted to EUR 10 against EUR 39 million in 2004.

At EUR 706 million, **net debt** was 6% below the corresponding figure in 2004 but slightly up from the year-end figure of EUR 699 million. **Gearing** was 89% against 88% at year-end and 98% a year ago.

**Capital expenditure** for the first quarter amounted to EUR 14 million. The full-year capital expenditure is projected at EUR 120 million.

### Share Developments

#### Share prices

January 3	EUR 11.98
January 31	EUR 11.38 <i>low</i>
March 15	EUR 12.71 <i>high</i>
March 31	EUR 12.27

The strength of the Huhtamäki share evident in late 2004 continued through the first quarter. A high of EUR 12.71 was reached in mid-March. At EUR 4.4 million, the average daily turnover on Helsinki Exchanges showed a marked increase over 2004 even allowing for the roughly 20% higher share price level. Market capitalization at the end of the quarter was EUR 1,267 million, up by 8.6% from year-end 2004. Foreign shareholding declined from 24.5% at year-end to 22.2% at the end of March, with corresponding increases evident in the holdings of Finnish pensions and insurance institutions. The total number of shares in issue on March 31 was 98,335,683, which excludes 5,061,089 shares held by Huhtamäki Oyj.

### Annual General Meeting

The Annual General Shareholders' Meeting (AGM) of Huhtamäki Oyj was held in Helsinki on March 30. The meeting approved the company's and consolidated accounts for 2004 and

discharged the company's Board of Directors and the CEO of liability. Dividend for 2004 was set at EUR 0.38 per share, as proposed by the Board and unchanged from the previous year's dividend. The AGM granted the Board an authorization to decide on the conveyance of the company's own shares within one year from the Annual General Meeting.

The following persons were elected to the Board for a one-year term lasting until the next AGM: Ms. Eija Ailasmaa, Mr. George V. Bayly, Mr. Robert van Gestel, Mr. Paavo Hohti, Mr. Mikael Lilius (new member), Mr. Anthony J.B. Simon and Mr. Jukka Suominen (new member). The Board subsequently elected Mr. Lilius as its Chairman and Mr. Hohti as Vice Chairman.

### Management

Mr. Sakari Ahdekivi was appointed Chief Financial Officer and Executive Committee member with effect from March 15, 2005. Mr. Klaus Ruling was appointed Group VP Global Sourcing, starting on April 1, 2005.

### Personnel

Huhtamäki had 15,439 employees at the end of March, 185 less than a year earlier. The decline relates primarily to restructuring undertaken in Europe.



### **Changes to accounting principles**

The Group has adopted the following IFRS standards and interpretations considered applicable to Huhtamaki, with effect from January 1, 2005:

- IFRS 2 Share-based Payment
- IFRS 4 Insurance Contracts
- IFRS 5 Non-Current Asset Held for Sale and Discontinued Operations

- Revised IAS 19 Employee Benefits

Furthermore, the following IFRIC interpretations have been adopted:

- IFRIC 1 Changes in existing commissions, restructuring and similar liabilities
- IFRIC 3 Emission rights
- IFRIC 4 Determining whether an arrangement contains a lease

The effect of these newly adopted standards has not had a material impact on the reported results. The 2004 Income Statement and Equity full year comparative figures have been restated by EUR 0.8 million reflecting the adoption of IFRS 2 Share-based Payment.

**Income statement**

	Q1	Q1	Change	
EUR million	2005	2004	%	2004
Net sales	513.1	496.3	3.4%	2,092.3
EBITDA	57.9	63.5	-8.8%	236.0
EBIT	33.4	37.3	-10.5%	101.3
-% of Net Sales	6.5%	7.5%	-	4.8%
Net financial items	-8.5	-8.1	-4.9%	-36.6
Income of associated companies	0.1	0.1	-	0.8
Profit before taxes	25.0	29.3	-14.7%	65.5
Taxes	-5.0	-6.0	16.7%	-13.1
Profit for the period	20.0	23.3	-14.2%	52.4
Attributable to:				
Equity holders of the parent	19.6	22.8	-14.0%	50.4
Minority interest	0.4	0.5	-20.0%	2.0
	20.0	23.3	-14.2%	52.4
Earnings per share (EUR)	0.20	0.24	-16.7%	0.52
Earning per share (EUR) - Diluted	0.20	0.24	-16.7%	0.52

**Regions****Net Sales**

	Q1	Q1	Change	
EUR million	2005	2004	%	2004
Europe	281.9	281.7	0.1%	1,151.5
Americas	147.0	133.5	10.1%	608.7
Asia, Oceania, Africa	84.2	81.1	3.8%	332.1
Total	513.1	496.3	3.4%	2,092.3

Interregional sales are not significant.

**EBIT**

	Q1	Q1	Change	
EUR million	2005	2004	%	2004
Europe	17.3	17.9	-3.4%	40.1
% of net sales	6.1%	6.4%	-	3.5%
Americas	4.1	5.9	-30.5%	16.2
% of net sales	2.8%	4.4%	-	2.7%
Asia, Oceania, Africa	5.9	6.3	-6.3%	19.6
% of net sales	7.0%	7.8%	-	5.9%
Operating profit before corporate items	27.3	30.1	-9.3%	75.9
% of net sales	5.3%	6.1%	-	3.6%
Corporate net	6.1	7.2	-15.3%	25.4
Total	33.4	37.3	-10.5%	101.3
% of net sales	6.5%	7.5%	-	4.8%

**Net Assets and RONA % (12 m. roll.)**

<b>EUR million</b>	<b>Mar 31 2005</b>	<b>Mar 31 2004</b>	<b>Change %</b>	<b>Dec 31 2004</b>
Europe	782.2	791.5	-1.2%	787.7
RONA-% underlying	8.6%	-	-	8.6%
RONA-% reported	5.0%	9.3%	-	5.0%
Americas	576.9	591.3	-2.4%	538.8
RONA-% underlying	4.8%	-	-	5.1%
RONA-% reported	2.5%	3.5%	-	2.8%
Asia, Oceania, Africa	290.0	284.0	2.1%	278.2
RONA-% underlying	8.3%	-	-	8.4%
RONA-% reported	6.9%	7.4%	-	7.0%

**Business Segments****Net Sales**

<b>EUR million</b>	<b>Q1 2005</b>	<b>Q1 2004</b>	<b>Change %</b>	<b>2004</b>
Consumer Goods	354.8	345.1	2.8%	1,387.9
Foodservice	158.3	151.2	4.7%	704.4
Total	513.1	496.3	3.4%	2,092.3

Intersegment sales are not significant.

**EBIT**

<b>EUR million</b>	<b>Q1 2005</b>	<b>Q1 2004</b>	<b>Change %</b>	<b>2004</b>
Consumer Goods	23.6	21.1	11.8%	50.7
% of net sales	6.7%	6.1%	-	3.7%
Foodservice	3.7	9.0	-58.9%	25.2
% of net sales	2.3%	6.0%	-	3.6%
Operating profit before corporate items	27.3	30.1	-9.3%	75.9
% of net sales	5.3%	6.1%	-	3.6%
Corporate net	6.1	7.2	-15.3%	25.4
Total	33.4	37.3	-10.5%	101.3
% of net sales	6.5%	7.5%	-	4.8%

## Balance sheet

EUR million	Mar 31		Mar 31		Dec 31	
	2005	%	2004	%	2004	%
<b>ASSETS</b>						
<b>Non-current assets</b>						
Intangible assets	582.2	25.7%	592.7	24.3%	575.4	25.8%
Tangible assets	821.3	36.2%	877.1	35.9%	816.7	36.6%
Investments	3.5	0.2%	3.5	0.1%	3.3	0.1%
Interest bearing receivables	20.1	0.9%	24.7	1.0%	20.0	0.9%
Deferred tax assets	19.3	0.9%	87.5	3.6%	21.8	1.0%
Other non-current assets	72.4	3.2%	78.5	3.2%	74.7	3.3%
	1,518.8	67.0%	1,664.0	68.1%	1,511.9	67.8%
<b>Current assets</b>						
Inventory	319.1	14.1%	297.5	12.2%	289.8	13.0%
Interest bearing receivables	5.3	0.2%	6.4	0.3%	15.5	0.7%
Income tax receivables	13.8	0.6%	30.3	1.2%	24.2	1.1%
Trade and other current receivables	371.9	16.4%	375.8	15.4%	361.4	16.2%
Cash and Cash equivalents	37.3	1.6%	69.6	2.8%	28.6	1.3%
	747.4	33.0%	779.6	31.9%	719.5	32.2%
<b>Total Assets</b>	<b>2,266.2</b>	<b>100.0%</b>	<b>2,443.6</b>	<b>100.0%</b>	<b>2,231.5</b>	<b>100.0%</b>
<b>EQUITY AND LIABILITIES</b>						
Shareholders' equity	776.4	34.2%	751.5	30.7%	781.8	35.0%
Minority interest	15.8	0.7%	16.5	0.7%	14.7	0.7%
	792.2	35.0%	768.0	31.4%	796.5	35.7%
<b>Non-current liabilities</b>						
Interest bearing liabilities	379.6	16.8%	417.8	17.1%	370.7	16.6%
Deferred tax liabilities	39.9	1.8%	112.6	4.6%	42.2	1.9%
Provisions	84.6	3.7%	90.6	3.7%	84.7	3.8%
Other non-current liabilities	134.1	5.9%	146.3	6.0%	131.4	5.9%
	638.2	28.2%	767.3	31.4%	629.0	28.2%
<b>Current Liabilities</b>						
Interest bearing liabilities	389.2	17.2%	432.2	17.7%	392.6	17.6%
Provisions	18.4	0.5%	12.1	0.5%	24.0	1.1%
Income tax liabilities	26.6	1.2%	47.4	1.9%	35.2	1.6%
Other current liabilities	401.7	17.8%	416.6	17.1%	354.2	15.9%
	835.8	36.9%	908.3	37.2%	806.0	36.1%
<b>Total Equity and Liabilities</b>	<b>2,266.2</b>	<b>100%</b>	<b>2,443.6</b>	<b>100%</b>	<b>2,231.5</b>	<b>100%</b>
	<b>Mar 31</b>	<b>Change</b>	<b>Mar 31</b>		<b>Dec 31</b>	<b>Change</b>
	<b>2005</b>	<b>%</b>	<b>2004</b>		<b>2004</b>	<b>%</b>
Net debt	706.1	-5.8%	749.3		699.1	1.0%
Net debt to equity (Gearing)	0.89	-	0.98		0.88	-

## Cash Flow Statement

EUR million	Q1 2005	Q1 2004	2004
<b>Profit for the period*</b>	<b>20.0</b>	<b>23.3</b>	<b>52.4</b>
Adjustments*	30.6	38.5	184.9
Change in inventory*	-22.1	-22.5	-28.4
Change in non-interest bear. receivables*	10.2	-0.9	-8.8
Change in non-interest bearing payables*	-5.1	27.6	24.3
Dividends received*	-	0.1	0.9
Interest received*	0.9	1.0	4.6
Interest paid*	-11.1	-11.4	-40.7
Other financial expense and income*	-0.1	-	-2.2
Paid taxes*	-3.9	-3.1	-20.4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>19.4</b>	<b>52.4</b>	<b>166.6</b>
Capital expenditure*	-14.6	-14.1	-94.0
Proceeds from selling other investments*	-	-	0.1
Proceeds from selling tangible assets*	5.3	0.4	4.0
Change in long-term deposits	-0.1	-0.1	4.5
Change in short-term deposits	10.4	0.1	-9.4
<b>CASH FLOWS FROM INVESTING</b>	<b>1.0</b>	<b>-13.8</b>	<b>-94.7</b>
Proceeds from long-term borrowings	219.4	108.0	239.4
Repayment of long-term borrowings	-212.6	-28.6	-204.4
Proceeds from short-term borrowings	602.8	371.7	1,684.8
Repayment of short-term borrowings	-621.4	-444.9	-1,767.9
Dividends paid	-	-	-36.5
Proceeds from share issues	-	-	17.4
<b>CASH FLOWS FROM FINANCING</b>	<b>-11.8</b>	<b>6.1</b>	<b>-67.3</b>
<b>CHANGE IN LIQUID ASSETS</b>	<b>8.7</b>	<b>44.9</b>	<b>3.9</b>
Cash flow based	8.6	44.8	4.6
Translation difference	0.1	0.1	-0.7
Liquid assets period start	28.6	24.7	24.7
Liquid assets period end	37.3	69.6	28.6
Free cash flow (including figures marked with *)	10.1	38.7	76.7



## Changes in shareholders' equity

Attributable to equity holders of the parent

	Share Capital	Share issue premium	Treasury Shares	Translation Diff.	Fair Value and other reserves	Retained earnings	Total equity	Minority interest	Total
<b>EUR million</b>									
TOTAL EQUITY AT 31.12.2003	344.2	85.4	-46.5	-110.3	-7.7	490.1	755.2	14.8	770.0
<b>Cashflow hedges</b>									
Hedge result deferred to equity					-4.8		-4.8		-4.8
Hedge result recognized in income statement					3.5		3.5		3.5
<b>Translation differences</b>				10.4			10.4	1.2	11.6
<b>Deferred tax in equity</b>					0.6		0.6		0.6
<b>Other changes</b>						0.3	0.3		0.3
<b>NET INCOME RECOGNIZED DIRECTLY IN EQUITY</b>				10.4	-0.7	0.3	10.0	1.2	11.2
<b>Net income for the period</b>						22.8	22.8	0.5	23.3
<b>TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD</b>				10.4	-0.7	23.1	32.8	1.7	34.5
<b>Dividend</b>						-36.5	-36.5		-36.5
BALANCE AT 31.03.2004	344.2	85.4	-46.5	-99.9	-8.4	476.7	751.1	16.5	768.0

BALANCE AT 31.12.2004	351.5	95.4	-46.5	-119.7	-2.9	504.0	781.8	14.7	796.5
<b>Cashflow hedges</b>									
Hedge result recognized in income statement					2.1		2.1		2.1
<b>Translation differences</b>				10.5			10.5	0.7	11.2
<b>Deferred tax in equity</b>					-0.6		-0.6		-0.6
<b>Other changes</b>						0.3	0.3		0.3
<b>NET INCOME RECOGNIZED DIRECTLY IN EQUITY</b>				10.5	1.5	0.3	12.3	0.7	13.0
<b>Net income for the period</b>						19.6	19.6	0.4	20.0
<b>TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD</b>				10.5	1.5	19.9	31.9	1.1	33.0
<b>Dividend</b>						-37.4	-37.4		-37.4
BALANCE AT 31.03.2005	351.5	95.4	-46.5	-109.2	-1.4	486.5	776.4	15.8	792.0

## Other key information

	Q1 2005	Q1 2004	Change %	2004
<b>EUR million</b>				
Equity per share (EUR)	8.06	7.80	3.3%	7.95
ROE, %	6.3	10.4	-	6.7
ROI, %	6.5	8.6	-	6.7
Capital expenditure	14.6	14.1	3.5%	94.0
Personnel	15,439	15,624	-1.2%	15,531
Profit before minority interest and taxes (12m roll)	61.7	67.2	-8.2%	66.3
Depreciation	23.7	24.9	-4.8%	129.4
Amortization of other intangible assets	0.8	1.1	-27.3%	4.5

Contingent liabilities	Mar 31		Mar 31		Dec 31	
	2005		2004		2004	
EUR million	Group	Parent	Group	Parent	Group	Parent
Mortgages	15.3	14.7	17.5	16.7	15.5	14.9
Guarantee obligations						
For subsidiaries	-	107.8	-	121.2	-	111.3
For others	7.5	7.5	8.9	8.9	7.7	7.7
Lease payments	70.1	0.2	62.7	0.7	66.6	0.4

#### Nominal Values of Derivative Instruments

EUR million	Mar 31		Mar 31		Dec 31	
	2005		2004		2004	
EUR million	Group	Parent	Group	Parent	Group	Parent
Currency forwards, transaction risk hedges	40		31		36	
Currency forwards, translation risk hedges	52		55		50	
Currency swaps, financing hedges	137		110		124	
Currency options	-		-		6	
Interest rate swaps	211		356		299	
Electricity forwards	-		-		2	

The following EUR rates have been applied to GBP, INR, AUD and USD

Income statement, average:		Q1/05	Q1/04
	GBP 1 =	1.442	1.464
	INR 1 =	0.017	0.018
	AUD 1 =	0.593	0.609
	USD 1 =	0.763	0.807
Balance sheet, month end:		Q1/05	Q1/04
	GBP 1 =	1.452	1.502
	INR 1 =	0.018	0.019
	AUD 1 =	0.597	0.623
	USD 1 =	0.771	0.818



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