

Interim Report January 1 - September 30, 2002

Against the backdrop of a deteriorating world economy, consumer packaging specialist Huhtamaki reports steady sales volume and continued profit improvement in January-September 2002. In the third quarter, volume growth resumed in Europe and continued in Asia-Oceania-Africa. However, weak demand in North America, company disposals during 2001 and currency translations led to a 7% decline in the reported sales figure for the quarter.

Group EBITA margin improved by 0.7 percentage points to 9.9% during the quarter and by 0.9 percentage points to 10.1% in January-September. Helped by a lower number of shares in issue, earnings per share (before amortization) for the quarter increased by 18%, while the corresponding nine-month figure improved by 30%, to EUR 1.04.

Key figures

EUR million	Q3	Change %	Q1-Q3	Change %
Net sales	547	- 7	1,712	- 5
EBITA	54	-	172	+ 4
EBITA margin, %	9.9	-	10.1	-
Profit before taxes	32	+ 1	106	+ 10
Net income	21	- 3	72	+ 10
EPS*, EUR	0.32	+ 18	1.04	+ 30
ROI*, %	-	-	13.2	+ 23

* Before amortization of goodwill and other intangible assets

A challenging short-term outlook in North America is likely to dampen profit generation in the final quarter, whereby an improvement in the full-year earnings per share will remain less pronounced than during the first part of the year. Having largely achieved its immediate structural and financial targets, Huhtamaki now focuses on accelerating sales growth as a top priority for 2003.

Espoo, Finland, October 24, 2002
Huhtamäki Oyj
Board of Directors



Volume growth resumes in Europe, continues in Asia-Oceania-Africa

The third quarter of 2002 marked the continuation of sluggish overall demand for consumer packaging. Volume growth nevertheless resumed in Europe and solid progress continued in emerging markets. The North American market softened, with most of Huhtamaki's key U.S. customers scaling down their packaging purchases, abstaining from seasonal promotions or postponing new product introductions.

Net sales for the quarter amounted to EUR 547 million, 7% below the previous year's figure. The strengthening of the Euro against the U.S. dollar and other key currencies accounted for 6% and company divestments for 1% of the decline, while sales volume and prices were unchanged on the aggregate.

The nine-month net sales declined by 5% to EUR 1,712 million, with roughly half of the change coming from currency translations. Europe accounted for 54% of the total, Americas for 32%, and Asia, Oceania and Africa 14%. Finland's share of total production was constant at 4%.

European sales increased in volume terms. Reported sales nevertheless showed a marginal decline during the third quarter, whereby the region's nine-month sales amounted to EUR 918 million, down by 3%. Flexible packaging and release films were in good demand, and new, value added rigid packaging products took off well. The molded fiber units performed reliably. Most Central European and Scandinavian operations were on a solid footing and South Europe showed further improvement. The U.K. operations struggled amidst reorganization. The Russian and Polish operations were in transition to normal conditions after factory reconstructions.

Profit improvement continued across Europe. The region's EBITA improved by 7% in the third quarter and by 11% in January-September, to EUR 81 million or 8.8% of net sales. RONA (return on net assets) improved to 15.4% from 12.7% a year ago.

A weaker U.S. dollar depressed the sales and earnings figures for the Americas. The third-quarter sales expressed in Euros were down by 16%. At EUR 553 million, the

January-September sales declined by 11%. In U.S. dollars, the corresponding decline was 8%. The drop is largely attributable to the food service segment, which suffered from a weak market but also reflects company repositioning and two recent plant closures. By contrast, Latin American sales again exceeded expectations.

Currency translations contributed strongly to the 21% decline in the region's third-quarter EBITA. The quarter's EBITA margin weakened somewhat, to 9.0%. At EUR 52 million, the January-September EBITA figure was down by 7%, but the corresponding EBITA margin still up, from 8.9% in 2001 to 9.2%. RONA was up by a percentage point at 15.9%.

Volume growth continued in Asia, Oceania and Africa. Reported sales declined by 4% in the third quarter, however, reflecting mainly adverse currency translations. The region's EBITA generation also slowed down for the same reason, but the EBITA margin strengthened further, by 0.7 percentage points to 9.7% for the quarter and by 1.8 percentage points to also 9.7% for January-September. At EUR 24 million, the region's January-September EBITA was up by 25%. RONA advanced from 12.8% to 15.5%.

The third quarter underlined the divergent development of the Consumer Goods and Food Service categories. The former showed a modest sales decline of 1%, while the latter experienced a 13% drop. Both figures are affected by adverse currency movements. In January-September, the Consumer Goods category had virtually flat sales of EUR 981 million, 57% of the total, while Food Service reported a decline of 10% to EUR 732 million. Year-on-year comparison is hampered by product reclassification in North America, but the trend is clear. Within Food Service, the Retail and Fresh Foods segments have fared relatively better than the important Catering and Quick Service Restaurants segments.

Overall, EBITA from operations declined by 4% in the third quarter but increased by 6% in January-September, to EUR 156 million or 9.1% of net sales.

Nine-month profits up

Huhtamaki remains on track with respect to its 10% EBITA margin

target for 2003. The company's three-year program to streamline manufacturing is virtually completed, with full benefits soon visible. Working capital levels have come down significantly, and the company has gained economies of scale through e.g. centralized sourcing of key raw materials.

Raw materials prices were stable during the third quarter. Low interest rates and the strengthening of the Euro reduced financial expenses.

During the third quarter, Group royalty income and unallocated expenses showed a net income of EUR 8 million, which includes the release of certain provisions related to divested operations. Total EBITA was virtually flat at EUR 54 million or 9.9% of net sales. The operating profit after amortization of goodwill and other intangible assets (EBIT) amounted to EUR 43 million, unchanged from 2001. The corresponding nine-month EBITA was EUR 172 million, up by 4% and 10.1% of net sales. The nine-month EBIT increased by 4% to EUR 140 million.

Net financial expenses amounted to EUR 11 million for the quarter, whereby the period's profit before minority interest and taxes amounted to EUR 32 million, unchanged from 2001. The corresponding nine-month profit improved by 10% to EUR 106 million. The rolling 12-month pre-tax profit figure improved by 21% to EUR 139 million, EUR 9 million ahead of the result in fiscal 2001. Taxes were EUR 9 million for the third quarter and EUR 28 million in January - September. After minority interest, net income declined by 3% to EUR 21 million for the quarter but increased by 10% to EUR 72 million in January-September.

For the calculation of earnings per share, the average number of shares in issue was 122,476,578 in January-September 2001 and 101,198,054 for the same period in 2002. Hence, earnings per share before amortization of goodwill and other intangible assets improved by 18% to EUR 0.32 during the third quarter, and by 30% to EUR 1.04 in January-September. The corresponding EPS figures after amortization were EUR 0.21 (+ 10%) in the third quarter and EUR 0.71 (+ 33%) in January-September.

On a rolling 12-month basis, return on equity (ROE) improved to



15.5% from 11.4% and return on investment (ROI) to 13.2% from 10.7% a year ago. The figures are before amortization.

Steady Balance Sheet

During the third quarter, Huhtamäki's consolidated balance sheet did not display significant movements. Free cash flow amounted to EUR 30 million, bringing the January-September figure to EUR 68 million. An increase in the share capital through a bonus issue, from EUR 86.04 million to EUR 344.15 million, became effective on August 29 through the transfer of the corresponding amount from premium fund to share capital, whereby shareholders' equity remained unchanged. Share repurchases in September absorbed EUR 5.5 million, yet net debt declined by a further EUR 23 million to EUR 808 million during the quarter, EUR 93 million below the opening balance sheet for the year. Gearing (net debt to equity) declined to 86%, from 90% at the end of June and 94% at the start of the year. At the end of September, interest-bearing liabilities amounted to EUR 841 million.

Capital Expenditure

Capital expenditure for the third quarter amounted to EUR 26 million, bringing the nine-month total to EUR 67 million. No major new projects were commenced during the quarter. The pilot line for manufacturing environmentally superior EarthShell packaging in Göttingen, Germany, began its first production trials in September. The full-year estimate for capital expenditure remains at EUR 120 million.

Extraordinary Shareholders' Meeting approves Bonus Issue

An Extraordinary Shareholders' Meeting of Huhtamäki Oyj was convened on August 26 to approve the Board's proposal for an increase in the company's share capital through a bonus issue, in which each existing Huhtamäki share entitled to three new shares free of charge. The meeting also approved the consequent amendments to the company's Articles of Association. The purpose of the bonus issue was to increase the number of shares in issue (share split), make it more accessible to private investors through a lower unit price and hence support liquidity.

Share Developments

Share prices

(pre-split prices in brackets)

January 2 EUR 8.88 (35.80) *opening/low*
April 18 EUR 12.38 (49.50) *high*
October 23 EUR 9.40 *latest*

The third quarter was characterized by nervousness on the world stock markets, with steep declines evident in July and again in September. The Huhtamäki share was not immune to market trends, and experienced rapid swings between EUR 9.50 and EUR 12.00 during the quarter. After a strong August, the share declined by approx. 20% in September. Yet, by early October, it was approx. 90% ahead of the HEX general index in relative performance and had gained approx. 55% against international peer companies.

The average daily turnover of the Huhtamäki share on the Helsinki Exchanges (HEX) was EUR 2.7 million in January - September. By the end of September, the cumulative turnover was approx. 50% of the company's market capitalization. Approx. 90,000 stock options were traded during the quarter.

The company's ownership structure was stable during the quarter. At the end of September, foreign ownership amounted to 32.8% of the equity.

Based on an authorization from the Annual General Shareholders' Meeting, the Board launched a share buyback program on September 12. The authorization enables the company to repurchase up to 5,061,089 own shares or 5% of the shares in issue. By the end of September, 500,000 shares, corresponding to 0.49% of the equity, had come to the company's possession for a total sum of EUR 5.5 million, corresponding to an average price of EUR 11.01 per share.

On September 23, the Huhtamäki share was included into the 2003 DJSI STOXX index, which monitors the development of European listed companies deemed to be the leaders in sustainability in their respective industries.

Personnel

Huhtamäki had 16,273 employees at the end of September, 1,320 less than a year earlier. The decline results mainly from the streamlining of manufacturing operations.

Executive Committee

Mr. Matti Tikkakoski, an Executive Committee member and Chief Technology Officer, resigned on August 31.

Outlook

A challenging short-term outlook in North America is likely to dampen profit generation in the final quarter, whereby an improvement in the full-year earnings per share will remain less pronounced than during the first part of the year. Having largely achieved its immediate structural and financial targets, Huhtamäki now focuses on accelerating sales growth as a top priority for 2003.



Income Statement

EUR million	Q1-Q3	Q1-Q3	Change		Q3	Q3	Change
	2002	2001	%	2001	2002	2001	%
Net sales	1,712.4	1,804.7	-5.1	2,382.4	547.1	585.2	-6.5
EBITDA	255.0	252.7	0.9	334.4	81.0	81.8	-0.9
Operating profit (EBITA)	172.4	166.5	3.6	221.7	54.1	53.9	0.4
EBIT	139.6	134.1	4.1	178.3	43.3	43.5	-0.3
% of net sales	8.15	7.43	-	7.48	7.92	7.43	-
Net financial +income/-expense	-34.2	-37.9	9.9	-49.2	-11.4	-11.7	1.9
+Gain/-loss on equity of associated companies	0.8	0.8	-	1.1	0.5	0.5	-
Profit before minority interest and taxes	106.3	97.0	9.6	130.3	32.3	32.2	0.6
Taxes	28.5	27.0	5.4	36.6	9.3	8.9	4.3
Minority interest	5.6	4.3	31.8	6.6	2.0	1.5	30.5
Net income	72.2	65.7	10.0	87.1	21.1	21.6	-2.7

Regions

Net Sales

EUR million	Q1-Q3	Q1-Q3	Change		Q3	Q3	Change
	2002	2001	%	2001	2002	2001	%
Europe	918.0	942.4	-2.6	1,233.2	302.7	304.8	-0.7
Americas	553.3	624.4	-11.4	825.7	164.9	197.3	-16.4
Asia, Oceania, Africa	241.1	237.9	1.3	323.5	79.4	83.1	-4.5
Total	1,712.4	1,804.7	-5.1	2,382.4	547.0	585.2	-6.5

EBITA and RONA

EUR million	Q1-Q3	Q1-Q3	Change		Q3	Q3	Change
	2002	2001	%	2001	2002	2001	%
Europe	80.9	72.9	11.0	96.3	23.9	22.3	7.2
% of net sales	8.8	7.7	-	7.8	7.9	7.3	-
RONA % (12 m roll.)	15.4	12.7	-	14.7	-	-	-
Americas	51.9	55.8	-7.0	74.6	14.9	18.9	-21.2
% of net sales	9.4	8.9	-	9.0	9.0	9.6	-
RONA % (12 m roll.)	15.9	14.9	-	15.8	-	-	-
Asia, Oceania, Africa	23.5	18.8	25.0	27.6	7.7	7.5	2.7
% of net sales	9.7	7.9	-	8.5	9.7	9.0	-
RONA % (12 m roll.)	15.5	12.8	-	12.6	-	-	-



Categories

Net Sales

EUR million	Q1-Q3	Q1-Q3	Change	2001	Q3	Q3	Change
	2002	2001	%		2002	2001	%
Consumer Goods	980.6	987.1	-0.7	1,295.7	315.0	319.0	-1.3
Food Service	731.8	817.6	-10.5	1,086.7	232.1	266.2	-12.8
Total	1,712.4	1,804.7	-	2,382.4	547.1	585.2	-

EBITA

EUR million	Q1-Q3	Q1-Q3	Change	2001	Q3	Q3	Change
	2002	2001	%		2002	2001	%
Consumer Goods	82.8	70.8	16.9	93.0	25.5	23.5	8.5
% of net sales	8.4	7.2	-	7.2	8.1	7.4	-
Food Service	73.5	76.6	-4.0	105.5	21.0	25.1	-16.3
% of net sales	10.0	9.4	-	9.7	9.0	9.4	-
Total from operations	156.3	147.4	6.0	198.5	46.5	48.6	-4.3
% of net sales	9.1	8.2	-	8.3	8.5	8.3	-
Corporate net	16.1	19.1	-15.7	23.2	7.7	5.4	42.6
Total	172.4	166.5	3.6	221.7	54.1	53.9	0.4
% of net sales	10.1	9.2	9.1	9.3	9.9	9.2	-

Other key information

	Q1-Q3	Q1-Q3	Change	2001
	2002	2001	%	
Earnings per share (EUR)	0.71	0.54	33.1	0.74
Earnings per share before amortization (EUR)	1.04	0.80	29.6	1.11
Equity per share (EUR)	8.50	8.46	0.5	8.64
ROE, %	10.8	7.6	42.1	8.6
ROI, %	10.8	8.7	24.1	9.6
ROI before amortization, %	13.2	10.7	23.4	11.8
ROE before amortization, %	15.5	11.4	36.0	12.6
Capital expenditure	67.4	83.1	-18.9	144.0
Personnel	16,273	17,593	-7.5	16,417
Profit before minority interest and taxes EUR million (12 m roll.)	139.5	115.6	20.7	130.3
Depreciation	80.5	85.0	-5.3	110.8
Amortization	34.9	33.6	3.8	45.2

	Sep 30	Sep 30	Change	Dec 31
	2002	2001	%	2001
Net debt	807.7	737.8	9.5	901.1
Gearing	0.86	0.66	-	0.94

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

Income statement:

Average

Q1-Q3/02	GBP	1=1.597
	INR	1=0.022
	AUD	1=0.582
	USD	1=1.079

Q1-Q3/01	GBP	1=1.607
	INR	1=0.024
	AUD	1=0.579
	USD	1=1.117

2001	GBP	1=1.608
	INR	1=0.024
	AUD	1=0.577
	USD	1=1.117

Balance sheet:

Month end

Sep/02	GBP	1=1.589
	INR	1=0.021
	AUD	1=0.552
	USD	1=1.014

Sep/01	GBP	1=1.608
	INR	1=0.023
	AUD	1=0.543
	USD	1=1.095

Dec/01	GBP	1=1.643
	INR	1=0.024
	AUD	1=0.579
	USD	1=1.135

Note: All per share information has been adjusted for the quadrupling of the number of shares in issue on August 29, 2002.

Balance sheet

EUR million	Sep 30 2002	%	Sep 30 2001	%	Dec 31 2001	%
Assets						
Intangible assets	671.6	27.0	738.4	25.6	730.7	27.6
Tangible assets	923.5	37.1	993.1	34.5	1,010.3	38.1
Investments	6.3	0.3	8.2	0.3	7.7	0.3
Inventory	310.4	12.5	303.5	10.5	287.9	10.9
Interest bearing receivables	11.6	0.5	12.2	0.4	11.6	0.4
Other receivables	546.3	21.9	599.7	20.8	584.4	22.0
Cash and marketable securities	21.6	0.9	224.8	7.8	18.2	0.7
	2,491.3	100.0	2,880.0	100.0	2,650.8	100.0

Liabilities and equity

Shareholders' equity	856.0	34.4	1,036.0	36.0	874.6	33.0
Minority interest	80.3	3.2	78.6	2.7	80.4	3.0
Interest bearing liabilities	840.9	33.8	974.9	33.8	930.9	35.1
Other current liabilities	714.1	28.7	790.5	27.4	764.9	28.9
	2,491.3	100.0	2,880.0	100.0	2,650.8	100.0

Contingent liabilities

EUR million	Sep 30 2002		Sep 30 2001		Dec 31 2001	
	Group	Parent	Group	Parent	Group	Parent
Mortgages	3.3	0.3	8.8	0.5	7.0	0.2
Guarantee obligations						
For subsidiaries	-	875.9	-	944.3	-	938.4
For associated companies	-	-	-	-	-	0.4
For others	1.1	1.1	1.1	1.1	1.1	1.1
Lease payments	79.6	0.4	45.2	0.3	61.1	0.5

Outstanding off-balance sheet instruments

EUR million	Sep 30 2002	Sep 30 2001	Dec 31 2001
	Group	Group	Group
Currency forwards, transaction risk hedges	31	66	68
Currency forwards, translation risk hedges	43	0	0
Currency swaps, financing hedges	50	101	57
Currency options	5	0	0
Forward rate agreements, gross	42	0	50
Forward rate agreements, net	42	0	50
Interest rate swaps	454	210	240
Interest rate options	0	5	0



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