



# HUHTAMAKI VAN LEER

PACKAGING WORLDWIDE

**H**uhtamäki Van Leer, the worldwide packaging Group based in Finland, posted a clear increase in sales in 2000. Growth and early synergy benefits compensated for the profit erosion caused by the virtual doubling of key raw materials prices, whereby earnings per share improved by 8%. The final quarter gave indications of a margin recovery in Consumer packaging, the Group's future core business.

## Key figures (against 1999 actual)

- Net sales EUR 3,308 million (+ 134%)
- Earnings before interest and tax (EBIT) EUR 182 million (+ 60%)
- Profit before taxes and minority interest EUR 121 million (+ 28%)
- Earnings per share (EPS) EUR 2.58 (+ 8%)
- EPS before amortisation EUR 3.98 (+ 26%)
- Dividend proposal EUR 1.10 (+ 5%)

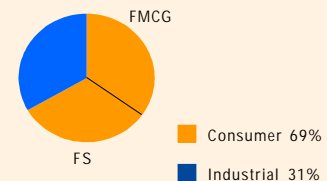
The company achieved its structural goals during the year. Positions in the North American Consumer packaging markets were strengthened, and several non-core businesses were divested. The sale of the Van Leer Industrial packaging division is scheduled to be completed on February 28, 2001.

In 2001, the company expects continued volume growth and improving margins from Consumer packaging. New

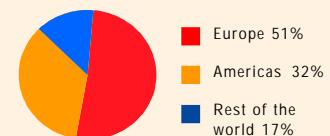
units will begin to contribute to earnings, while further synergies and a decline in both financial expenses and goodwill amortisation will more than offset the earnings from the divested operations. The positive profit development will be more pronounced during the second half of the year. For the full year, an improvement in earnings per share is expected.

**Espoo, February 13, 2001**  
**Huhtamäki Van Leer Oyj**  
**Board of Directors**

Net sales by division



Net sales by region



The Annual General Shareholders' Meeting (AGM) of Huhtamäki Van Leer Oyj will be held on Tuesday, April 3, 2001 at 3:00 PM in Finlandia Hall, Karamzininkatu 4, Helsinki. The proceedings will be conducted in Finnish. Simultaneous translation into English will be provided.

Shareholders registered by the Finnish Central Securities Depository Ltd. as of March 23, 2001, may exercise their rights at the AGM. Beneficiary holders of nominee shares are welcome to attend and vote, provided they have obtained a temporary registration by March 23. In each case, participation should be notified to the company at the earliest March 1 and no later than March 30 by 16.00 Finnish time, by telephone (+358-800-90026, "Huhtamäki Van Leer AGM Services"), in writing (Huhtamäki Van Leer Oyj, Länsituulentie 7, 02100 Espoo, Finland) or by email: [pirjo.tuuli@hvlgroup.com](mailto:pirjo.tuuli@hvlgroup.com)

Note: This report has been compiled in accordance with Finnish Accounting Standards (FAS).

## Board's proposals to AGM

- For 2000, a dividend of EUR 1.10 per share, 5% more than for 1999 and representing a payout ratio of 43%.
  - An authorisation to the Board of Directors to repurchase and decide on the conveyance of a maximum of 5% of the company's own shares during one year following the AGM
  - The parent company's name to be changed back to Huhtamäki Oyj
  - An amendment to the company's Option Rights Arrangement 2000 insofar as the determination of the subscription prices for shares issued under option rights B and C is concerned

## Strategic development

The transaction combining the activities of Huhtamäki Oyj and Royal Packaging Industries Van Leer N.V. in late 1999 largely dictated the Group's direction in 2000. Integrating the two companies' operations remained a top priority.

Following a strategy review in early 2000, the Board and management concluded that the Group's future is in Consumer packaging, which offers opportunities for higher organic growth and profit margins than Industrial packaging. Consequently, efforts to divest the Van Leer Industrial division were launched in the spring. At the same time, several opportunities to strengthen the Consumer operations were evaluated, ultimately leading to three acquisitions and a significantly stronger position in USA.

## Sales

The Group's consolidated net sales in 2000 amounted to EUR 3,307.7 million, 12% above the corresponding pro forma figure in 1999. Volume growth (+ 3%), prices (+ 5%) and currency conversions (+ 6%) all contributed to a strong comparable growth, while, on balance, acquisitions and divestments reduced sales by 2%.

Geographically, the sales broke down as follows: Europe 51%, America 32% and other areas (Asia, Oceania and Africa) 17%. Finland's share of the total was approx. 2%. The corresponding breakdown for

Consumer was Europe 54%, America 30% and other 16%.

Sales from Consumer operations amounted to EUR 2,278.0 million (+ 13%), 69% of Group total. Certain segments, such as pet food, ice cream and quick service restaurants, showed continued volume growth around the world, boosting the Group's rigid and flexible packaging sales alike. In Western Europe, quick service products were in strong demand, while the dairy and edible fats segments remained stagnant. In Eastern Europe, healthy volume growth continued. Rigid packaging volumes were stable in North America and Oceania but growing in South America and parts of Asia. Flexible packaging sales expanded in Asia.

Industrial sales amounted to EUR 1,029.7 million (+ 11%), 31% of the total. Steel drum volumes were up in most markets, but pricing lagged behind the sharp increase in steel prices. Other product categories showed a mixed performance.

## Profitability

The Group's profit performance reflected a healthy situation in most major Consumer units and early integration benefits, but also three shortcomings: an excessive time lag between raw materials price developments and own price adjustments in Consumer, disappointing results from Industrial, and certain problem units requiring urgent restructuring. These negative factors are expected to largely disappear during 2001.

After a solid first half of the year, the Group's profit performance slowed down during the third quarter. Consumer earnings began to recover during the final quarter, albeit slower than predicted. Industrial earnings remained disappointing through year-end. The full-year earnings before interest and tax (EBIT) amounted to EUR 182.1 million (- 4% against 1999 pro forma).

EBIT from Consumer amounted to EUR 159.1 million (- 6%). Industrial's EBIT was EUR 41.8 million (- 21%). The corporate EBIT contribution improved by 41% to a net expense of EUR 18.8 million. Goodwill amortisation amounted to EUR 42.8 million and depreciation of tangible assets to EUR 149.1 million.

Net financial expenses amounted to EUR 61.9 million, close to 1999 pro forma

and EUR 42 million above the actual figure. Thus, the profit before exceptional items, minority interest and taxes amounted to EUR 121.1 million, 28% above the corresponding actual figure in 1999. Taxes amounted to EUR 33.6 million (+ 32%). Hence, net income amounted to EUR 81.1 million and earnings per share to EUR 2.58, 8% above the actual figure of EUR 2.39 in 1999.

## Capital expenditure

The Group's total capital expenditure amounted to EUR 172.7 million (- 6% against pro forma). Consumer accounted for EUR 127.2 million (+ 4%). Substantial capacity additions were realised in the German, Indian and Thai flexible packaging operations. New sophisticated printing lines were taken into use in USA.

## Financial position

The Group's financial position remained stable for most of the year. However, the year-end balance sheet contains both the assets and debt associated with Industrial, as well as temporary financing related to new acquisitions. Net interest-bearing debt at year-end amounted to EUR 1,362.8 million (+ 19%), and the corresponding net debt to equity (gearing) ratio stood at 1.22. The annual average for gearing was 1.08, and the completion of the sale of Industrial will lead to a substantially stronger balance sheet during the first quarter of 2001.

## Annual General Meeting

The Annual General Meeting of Huhtamäki Van Leer Oyj convened on April 12, 2000, approving the company's accounts and the Board's dividend proposal, EUR 1.05 per share. The meeting also adopted a technical increase in the company's share capital and approved a new stock option scheme for management, entitling to the issuance of a total of 900,000 stock option rights in 2002-2006.

## Share Capital and Ownership

The company's share capital amounted to EUR 106 million at the start of the year and was raised to EUR 107 million through a technical bonus issue, in which no new shares were issued.

There were no sharp changes in the company's ownership structure, but some shift among Finnish institutional owners

was evident, and international institutions continued to reduce their holdings. At year-end, shareholders other than Finnish (including the Van Leer Group Foundation) owned a total of 30% of the company. The corresponding figure a year earlier was 34%. At year-end, the company had 15,765 registered shareholders.

### Share developments

For much of the year, the company's share price was remarkably stable and held well around EUR 33 until a revised earnings outlook was communicated at the beginning of October. The new level for the rest of the year was EUR 28, again quite stable against vigorous daily swings in the technology shares driven Helsinki market. Overall, the Huhtamaki Van Leer share prices were closely in line with those of other major listed packaging companies. The average daily volume on HEX was almost 24,000 shares, while on EuroNext Amsterdam (formerly AEX) transactions were rare and low in value. Therefore, the company initiated a de-listing process in Amsterdam.

### Corporate structure and organisation

During the year, several non-core units were divested. These included the metallized paper and fibre cores businesses, as well as two technical films and coatings units. An agreement to sell the Van Leer Industrial operations to the U.S. company Greif Bros. was signed at the end of October. The final price is USD 555 million, and the transaction is expected to be closed at the end of February 2001.

The acquisitions during the year included a South African and two U.S. Consumer packaging operations, as well as the outstanding shares of a Turkish joint-venture, where the Group already held 50 %.

The annualised sales of the divested operations amount to approx. EUR 1,218 million, while the acquired businesses' sales contribution will be approx. EUR 233 million. Excluding Van Leer Industrial, the total proceeds from divestments amounted to EUR 185 million, and a

total price of EUR 252 million was paid for acquisitions.

During the year, a series of rationalisation measures was implemented. In Consumer, the total reduction of workforce amounted to approx. 500 people. Negotiations for the transfer of paper cup production from Groenlo (The Netherlands) to Göttingen (Germany) started. In New Zealand, flexible packaging manufacturing will be concentrated from three locations to one. In 2001, over 40 production lines will be transferred in order to arrive at a more streamlined manufacturing structure and to relocate capacity to high-growth regions.

### Personnel

At year-end, Huhtamaki Van Leer had 23,098 employees, 778 less than at the end of 1999. Of these, 16,759 were employed in Consumer units and Group functions; 6,339 served Industrial operations. The average number of employees was 23,472, compared to 11,460 in 1999. The company had operations in 54 countries at year-end, with Consumer Packaging present in 33 countries through 76 factories and additional sales units.

The parent company employed 750 people at year-end, comprising the personnel at the Espoo Head Office (64) and in the Finnish packaging operations (686). The respective annual average was 752 (753 in 1999).

### The outlook for 2001

In 2001, the company will concentrate on developing its core businesses, streamlining its manufacturing processes and fostering organic growth and innovation as a top priorities. The company does not plan to make strategic acquisitions. The budgeted capital expenditure amounts to EUR 160 million.

Despite uncertainty about the course of the U.S. and European economies, the outlook for Consumer packaging remains solid. In 2001, the company expects continued volume growth and improving margins from Consumer packaging. New units will begin to contribute to earnings, while further synergies and a decline in both financial expenses and goodwill amortisation will more than offset the earnings from the divested operations. The positive profit development will be more pronounced during the second half of the year. For the full year, an improvement in earnings per share is expected.

### Income Statement

EUR million	2000	1999	Change		2000	Change		
			%	Proforma 1999		%	Q4 2000	Q4 1999
Net sales	3,307.7	1,412.1	134.2	2,951.9	12.1	820.6	786.1	4.4
EBITDA	376.8	202.1	86.4	366.9	2.7	89.9	92.4	-2.7
EBIT	182.1	113.9	59.9	190.5	-4.4	35.1	46.8	-25.0
% of net sales	5.5	8.1		6.5		4.3	6.0	
Net financial +income/-expense	-61.9	-20.1	208.0	-62.3	0.6	-16.6	-16.8	-1.2
+Gain/-loss on equity of associated companies	0.9	0.6	50.0	0.6	50.0	0.3	0.2	50.0
Profit before minority interest and taxes	121.1	94.4	28.3	128.8	-6.0	18.8	30.1	-37.5
Taxes	33.6	25.5	31.8	42.3	-20.6	2.9	10.2	-71.6
Minority interest	6.4	1.9	236.8	6.7	-4.5	1.5	1.9	-21.1
Integration expenses		92.9						
Discontinued operations		127.7						
Net income	81.1	101.8	-20.3	79.8	1.6	14.4	18.0	-20.0

### Divisions - Net Sales

EUR million	2000	Proforma 1999	Change		2000	Change	
			%			%	Q4 2000
Consumer	2,278.0	2,022.0	12.7		566.0	539.4	4.9
Industrial	1,029.7	929.9	10.7		254.6	246.7	3.2
Total	3,307.7	2,951.9	12.1		820.6	786.1	4.4

### Divisions - EBIT

EUR million	2000	Proforma 1999	Change		2000	Change	
			%			%	Q4 2000
Consumer	159.1	169.1	-5.9		35.8	42.9	-16.6
% of net sales	7.0	8.4			6.3	8.0	
Industrial	41.8	53.2	-21.4		3.0	11.8	-74.6
% of net sales	4.1	5.7			1.2	4.8	
Corporate	-18.8	-31.8	40.9		-3.7	-7.9	53.2
Total	182.1	190.5	-4.4		35.1	46.8	-25.0
% of net sales	5.5	6.5			4.3	6.0	

### Regions - Net Sales

EUR million	2000	Proforma 1999	Change		2000	Change	
			%			%	Q4 2000
Europe	1,688.9	1,619.7	4.3		362.9	438.1	-17.2
Americas	1,071.9	927.2	15.6		273.2	233.3	17.1
Rest of the World	546.9	405.0	35.0		184.5	114.7	60.9
Total	3,307.7	2,951.9	12.1		820.6	786.1	4.4

### Regions - EBIT from operations

EUR million	2000	Proforma 1999	Change		2000	Change	
			%			%	Q4 2000
Europe	106.6	118.3	-9.9		18.4	27.1	-32.1
% of net sales	6.3	7.3			5.1	6.2	
Americas	69.6	77.4	-10.1		14.9	19.6	-24.0
% of net sales	6.5	8.3			5.5	8.4	
Rest of the World	24.7	26.6	-7.1		5.5	8.0	-31.3
% of net sales	4.5	6.6			3.0	7.0	
Total	200.9	222.3	-9.6		38.8	54.7	-29.1

## Other key information

EUR million	2000	1999	Change %
Earnings per share (EUR)	2.58	2.39	7.9
Earnings per share (EUR) <i>Proforma</i>	2.58	2.54	1.6
Earnings per share before amortisation (EUR)	3.98	3.15	26.3
Earnings per share before amortisation (EUR) <i>Proforma</i>	3.98	3.93	1.3
Return on investment, % (12m roll.)	8.7	10.4	-16.3
Equity per share (EUR)	32.80	30.44	7.8
Capital expenditure	172.7	100.7	71.5
Depreciation	149.1	67.6	120.6
Amortisation	45.6	20.6	121.4
Personnel	23,098	23,876	-3.3

## Balance sheet

EUR million	Dec 31 2000	%	Dec 31 1999	%
<b>Assets</b>				
Intangible assets	775.3	21.4	808.5	24.0
Tangible assets	1,277.0	35.2	1,323.8	39.3
Investments	189.3	5.2	9.7	0.3
Inventory	461.4	12.7	398.6	11.8
Interest bearing receivables	44.1	1.2	23.3	0.7
Other receivables	846.1	23.3	763.2	22.7
Cash and marketable securities	34.4	1.0	41.2	1.2
	<b>3,627.6</b>	<b>100.0</b>	<b>3,368.3</b>	<b>100.0</b>
<b>Liabilities and equity</b>				
Shareholders' equity	1,032.5	28.5	958.1	28.4
Minority interest	85.9	2.4	87.8	2.6
Interest bearing liabilities	1,441.3	39.7	1,205.7	35.8
Other current liabilities	1,067.9	29.4	1,116.7	33.2
	<b>3,627.6</b>	<b>100.0</b>	<b>3,368.3</b>	<b>100.0</b>

The following EUR rates have been applied to GBP, SEK, AUD and USD conversions:

### Income statement:

Average 2000	GBP 1=1.641 SEK 1=0.118 AUD 1=0.629 USD 1=1.082
1999	GBP 1=1.517 SEK 1=0.114 AUD 1=0.605 USD 1=0.938

### Balance sheet:

Year end 2000	GBP 1=1.602 SEK 1=0.113 AUD 1=0.596 USD 1=1.075
1999	GBP 1=1.608 SEK 1=0.117 AUD 1=0.648 USD 1=0.995

### Contingent liabilities

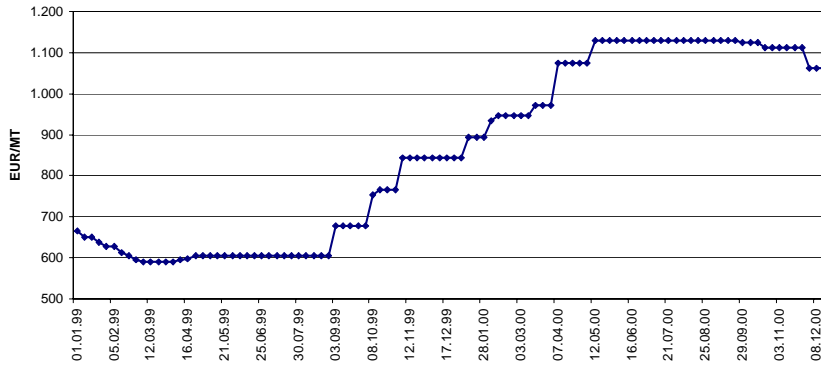
EUR million	Dec 31 2000		Dec 31 1999	
	Group	Parent	Group	Parent
Mortgages	11.3	0.9	22.6	1.8
Guarantee obligations				
For subsidiaries	-	1,360.5	-	897.0
For associated companies	-	0.6	-	-
For others	-	-	-	-
Lease payments	58.2	1.6	51.0	0.4

### Outstanding off-balance sheet instruments

EUR million	Dec 31	
	2000	1999
	Group	Group
Currency forwards, transaction risk hedges	498	78
Currency swaps, financing hedges	481	396
Currency options	-	4
Forward rate agreements, gross	320	197
Forward rate agreements, net	200	-
Interest rate swaps	243	452
Interest rate options	-	-

## Key raw material prices

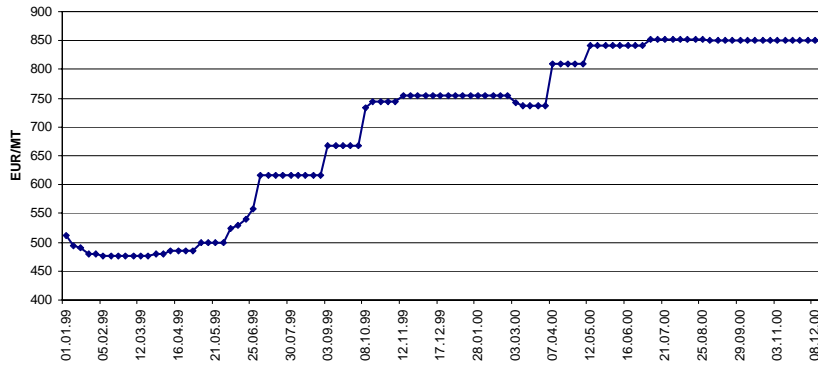
### Polystyrene



Increase 91 %

Polystyrene Consumption  
HVL Global Volume  
150.000 tonnes

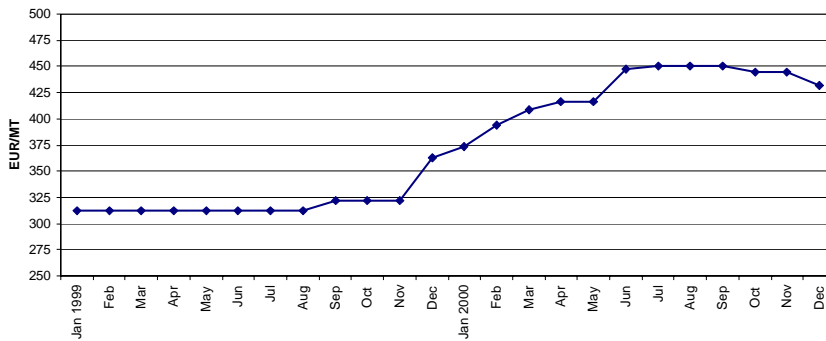
### Polypropylene



Increase 79 %

Polypropylene Consumption  
HVL Global Volume  
60.000 tonnes

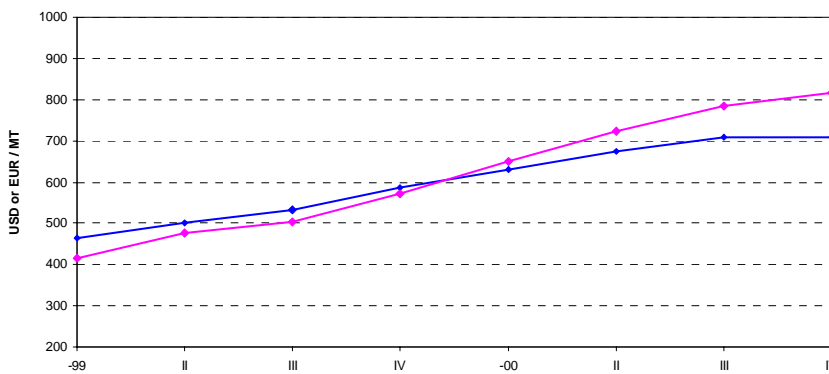
### Steel



Increase 44 %

Steel Consumption  
HVL Global Volume  
725.000 tonnes

### Pulp



Increase 53 % (USD)  
Increase 96% (EUR)

Paper Consumption  
HVL Global Volume  
130.000 tonnes

— USD  
— EUR