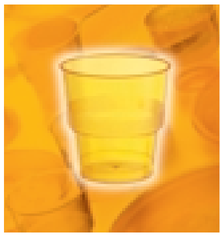
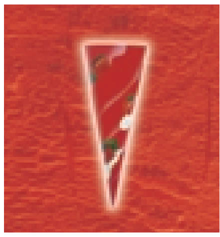
*"Creating
a World Class
Packaging
Company"*

Annual Report 1999





HUHTAMAKI VAN LEER ANNUAL REPORT 1999

HUHTAMAKI VAN LEER
PACKAGING WORLDWIDE

A PACKAGING LEADER IS BORN

Created in 1999 by combining the operations of Huhtamäki Oyj (Finland - 1920) and Royal Packaging Industries Van Leer N.V. (The Netherlands - 1919), Huhtamaki Van Leer starts off as one of the world's largest packaging companies. It has operations in 54 countries, almost 24,000 employees and annualised net sales of € 3 billion.

Our Mission – A World Class Packaging Company

- Global leader in core segments
- Preferred multinational partner
- Recognised innovator
- Preferred employer for top industry talent
- Attractive as investment

Our Values – What We Believe In

- Global thinking, local excellence
- Action and results
- Continuous development of people and business
- The extra mile in customer service
- High ethical standards

Our Financial Objectives – Best In Class

- Industry's top sales and profit growth
- Return on net operating assets target 15%
- Long-term gearing ratio around 100%
- Attractive dividend policy, average payout ratio 40%

Huhtamaki Van Leer derives some 70% of its sales from categories where it is the world leader:

- Rigid paper and plastic packaging for food, food service and other fast-moving consumer goods
- Moulded fibre packaging
- Steel drums and closure systems

Continuing its dynamic role in industry consolidation, the company intends to further strengthen its core segments and selected high growth, high value added areas of speciality packaging.

With the industry's most extensive global network, experienced personnel and a full spectrum of technologies, Huhtamaki Van Leer is ideally positioned to serve its multinational customers as their preferred packaging partner. The merger will unleash significant synergies.

The parent company, Huhtamäki Van Leer Oyj, has its headquarters and legal seat in Espoo, Finland, and is quoted on the stock exchanges of Helsinki (HEX) and Amsterdam (AEX).

ANNUAL GENERAL MEETING

The Annual General Shareholders' meeting of Huhtamäki Van Leer Oyj will be held on Wednesday, April 12, 2000 at 3:00 PM in the Marina Congress Centre, Katajanokanlaituri 6, Helsinki.

Shareholders wishing to exercise their rights at the AGM must have their shares registered in their own name with the Finnish Central Securities Depository Ltd. no later than April 7. Participation should be notified to the company no later than 11:00 am on Tuesday, April 11, either by telephone (Huhtamäki Van Leer Oyj, +358-9-6868 81) or in writing (Huhtamäki Van Leer Oyj, AGM, Länsituulentie 7, 02100 Espoo, Finland) or via e-mail (pirjo.tuuli@hvlgroup. com). A registered shareholder may, by April 11, authorise another person to physically attend the meeting and vote by proxy.

Copies of all documents under review at the AGM will be available for public viewing from Wednesday, March 22, at Group Headquarters, Länsituulentie 7, 02100 Espoo, Finland. For further information contact Investor Relations, +358-9-6868 8361.

DIVIDEND

The Board of Directors proposes a dividend of €1.05 (FIM 6.24) per share for 1999. The dividend will be paid on April 26 to shareholders as registered on April 17.

FINANCIAL CALENDAR

Huhtamaki Van Leer will release the following financial information for 2000 in Finnish and English:

2000:

May 10	– 1st Quarter Interim Report
August 8	– 2nd Quarter Interim Report
November 7	– 3rd Quarter Interim Report

2001:

February	- Full-year Results
Week 10	- Annual Report

As a rule, results will be released at or about 15:00 Finnish time. All financial releases may be retrieved instantly from the company's Internet website, **www.hvlgroup.com.**

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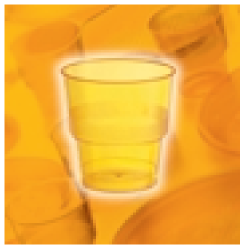
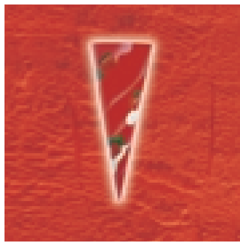




FINANCIAL HIGHLIGHTS FOR 1999

Key Figures – Pro Forma

€ million	1999	1998	Change %
Net sales	2,952	2,820	+ 5
EBITDA	367	333	+ 10
EBIT	191	165	+ 16
Profit before exceptional items, minority interest and taxes	129	103	+ 25
Net income	80	62	+ 29
EPS €	2.54	2.10	+ 21
Personnel at year-end	23,876	21,694	+ 10

Key Figures – Actual

€ million			
Net sales	1,412	1,226	+ 15
EBIT	114	84	+ 36
Profit before exceptional items, minority interest and taxes	94	80	+ 18
Net income	102	61	+ 67
EPS €	2.39	2.29	+ 4
Dividend per share €	1.05*)	1.01	+ 4
ROI %	10.4	10.6	-2
Personnel at year-end	23,876	11,024	+ 117

*) Board's proposal

Strategic milestones

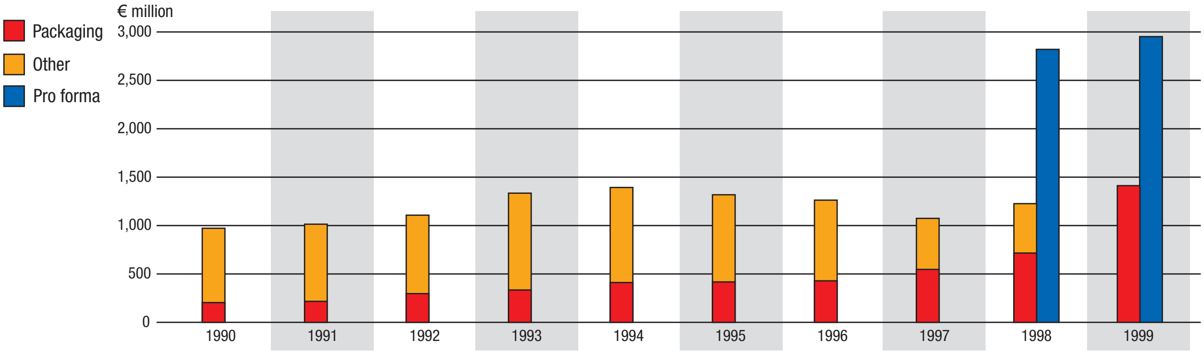
- Successful public offer to create a world class packaging company
- Important fill-in acquisitions in Asia, Oceania, South America and Africa
- Integration well underway
- Synergies in 2000-2002 higher than originally expected
- Clear improvement in pro forma earnings per share

Business plusses and minuses

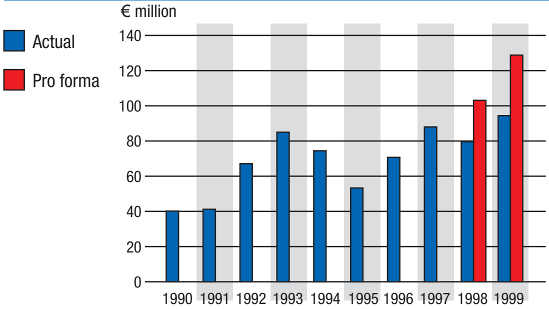
+ Overall acceleration of growth during the second half
+ Food packaging strong in North America
+ 6% volume growth in large steel drums
+ Progress in technical films and coatings

- Slow start of the year
- Rapid rise of key raw materials prices from August
- Weak volumes and heavy competition in UK and Central European dairy packaging

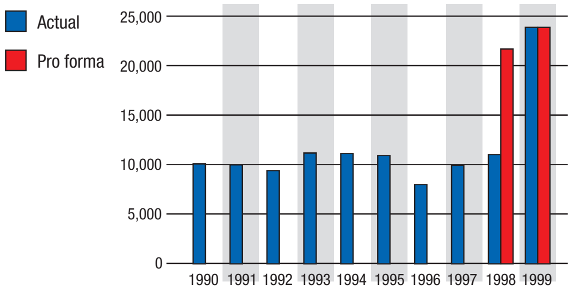
Net sales



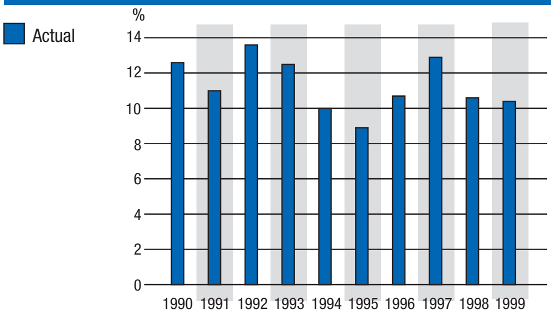
Profit before exceptional items



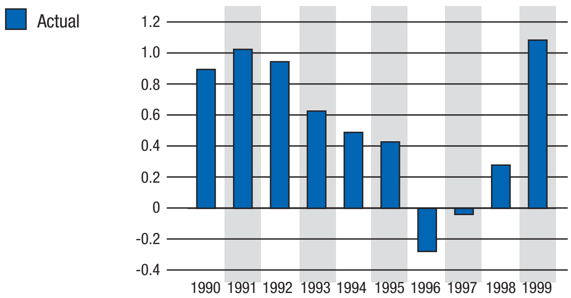
Personnel



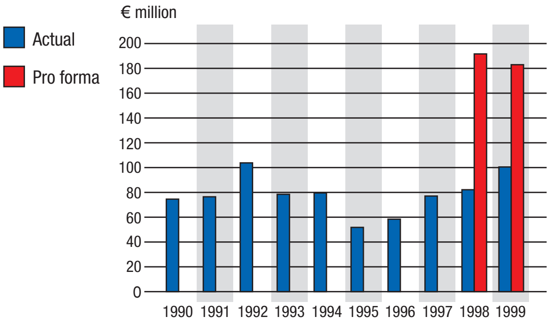
Return on investment (ROI)



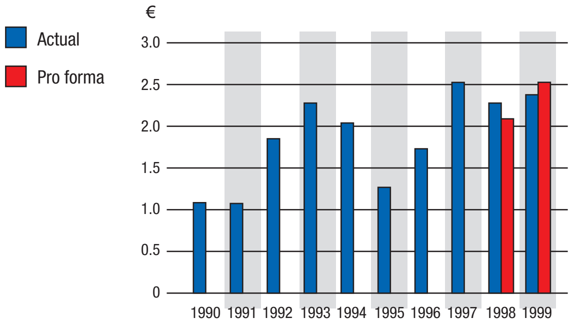
Net debt to equity



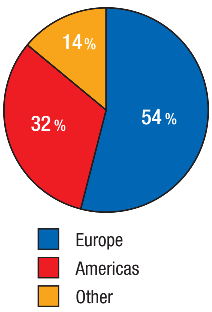
Capital expenditure



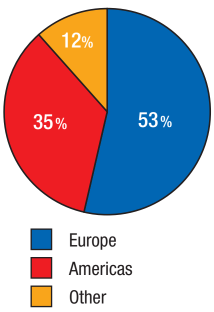
Earnings per share



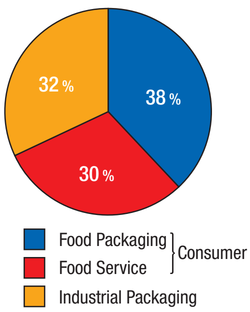
Net sales by region



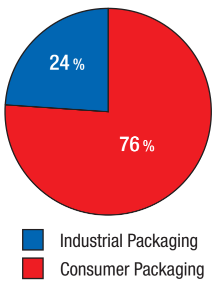
EBIT by region



Net sales by division



EBIT from operations



A MESSAGE FROM THE CEO

”...we intend to prove ourselves in no uncertain terms. After all, the two companies did not unite because of necessity, but because of opportunity.”

Fin de siècle – the fabled period at the end of the 19th century – found its modern match in the accelerating pulse of the 1990s, culminating in the magnificent Millennium celebrations all over the world. It was easy to share the upbeat sentiment, not only because our food service products came to good use in the global party, but because the Millennium marked the start of a new era for our newly merged, global packaging company, Huhtamaki Van Leer.

Let me summarise our progress in 1999 from several angles:

- From the perspective of Huhtamaki, it marked the end station of a long strategic journey. In its final stage, we divested the company's original confectionery business, Leaf, in order to concentrate entirely on packaging.
- For Van Leer, the other constituent company, it brought the desired expansion within consumer packaging business, while ending of a period of uncertainty and depressed stock prices.
- For the packaging industry and its customers, Huhtamaki Van Leer means the creation of a world class entity – the leader in its core product categories.
- For the financial community, we bring a new investment opportunity in a consolidating industry with substantial upward potential.
- Finally, for the company and its employees, 1999 was the perfect time to take the ultimate strategic step amidst an improving demand for our products.

When Huhtamaki and Van Leer first found each other almost two years ago, our basic discovery was the complementary nature of our businesses, not the prospect of cost-saving or achieving new dominant market shares. That has been amply borne out by the early track record of the combined company. On top of that, synergies will clearly exceed the original projections.

The negotiation process between the two companies and its principal shareholders was long and, at times, quite complicated. In the end, it led to a positive outcome for everyone involved. Huhtamaki's public offer met the overwhelming acceptance of Van Leer's shareholders.

The new company is called Huhtamaki Van Leer in honour of the two founder-philanthropists, Heikki Huhtamäki and Bernard Van Leer. Their legacy lives on in the activities of the company's two largest shareholders, the Finnish Cultural Foundation and the Van Leer Group Foundation.

The two foundations' continuing active role in the company's governance is gratifying. However, apart from an assured representation in the Board of Directors, they enjoy no further privileges as shareholders. Over 70% of the shares in Huhtamaki Van Leer represent free float on the stock market, enhancing the company's attractiveness as an investment.

When announcing the transaction, we stated that it would be immediately earnings enhancing. This is borne out by a 21% improvement in pro forma earnings per share. The first three months of combined operations exceeded expectations. The synergies identified for the current year and beyond, in aggregate € 150 million by the end of 2002, will accelerate the profit improvement. So will any gradual reduction of debt and financing costs, supported by the company's strong free cash flow and the divestment of certain non-core operations.

With 70% of its sales derived from world leaderships in consumer and industrial packaging, Huhtamaki Van Leer is in an excellent strategic position to meet future challenges. Nevertheless, a strategic review is on the agenda of the Board of Directors during the current year. There are two key challenges to be addressed: ensuring that our resources and attention are focused on high growth, high value added segments, and maintaining a leading role in future industry consolidation without overextending the balance sheet.

Even without any new corporate activity, 2000 will be an extremely busy year for Huhtamaki Van Leer. Our integration plans will move into implementation, and a second wave of integration projects will be launched. We will leverage the enlarged company network to expand our consumer packaging business into new territories, and to widen the sales programme of existing units. We will pursue new business development with our multinational customers. We will accelerate new products development in high growth areas such as food service and protective packaging. We will trim the organisation for maximum efficiency.

In short, we intend to prove ourselves in no uncertain terms. After all, the two companies did not unite because of necessity, but because of opportunity.

Allow me to conclude by thanking everyone in the former Huhtamaki and Van Leer organisations for their constructive spirit, resolution and hard work during a summer of uncertainty and the subsequent, very fruitful merger phase. With more similarity than divergence in the two corporate cultures, I trust that professionalism and a passion for results will persist in the future as well.

I would also like to thank our former colleagues at Leaf Group and wish them the best of success as part of CSM's growing confectionery business.

Further, we all owe our gratitude to our customers, who have expressed their satisfaction and full support towards the new company.

Finally, I thank the financial community – shareholders, investors and lenders – for making the transaction possible, and making it happen in a very professional way. It is a personal mission of mine to ensure that Huhtamaki Van Leer lives up to the expectations that are justified when two world leaders unite.

Timo Peltola

STRATEGY AND MARKET POSITIONS

Huhtamaki Van Leer ranks among the top ten packaging manufacturers in the world. The company's overall strategic objective is global or regional leadership in selected high growth, high value added packaging categories. Today, it derives 70% of its sales from world leadership positions. Huhtamaki Van Leer does not compete with the even larger companies present in the broad metal, glass and corrugated carton packaging categories.

The company has decided to divest certain non-core activities, including metallized products and fibre cores. These areas represent less than 10% of the total sales.

Two-thirds of Huhtamaki Van Leer's operations consist of consumer packaging and one-third of industrial packaging. The company's new organisation reflects its principal customer categories.

Division	Customers
Consumer Packaging	
Food Packaging	Food and fast moving consumer goods industries
Food Service	Food service operators
Fresh Foods	Fresh food packers and distributors
Industrial Packaging	Chemical, lubricant and food industries

Market positions

	Consumer				Industrial			
	Flexible	Rigid plastic & paper	Moulded fibre	Foam	Steel drums & closures	Plastic Drums	IBCs	Water bottles
Europe	••	•••	•••	•••	•••	••	••	••
North America	•	••	••		••	•	•	
South America		•••	••		•••	••		••
Asia	••	•••	•	•	••	•		
Oceania	••	•••	•••	•••	•••	••	••	
Africa	•	•	•••		•••	••		
Global	••	•••	•••	••	•••	••	••	••

••• Strong (no 1–2) •• Average (no 3–5) or strong in subsegment • Present

Food Packaging

The Food Packaging Division serves primarily the food industry but also, increasingly, manufacturers of different fast moving consumer goods. Huhtamaki Van Leer is the world leader in rigid, thin-walled cups, tubs, containers and lids made from plastic and paper. Additionally, it has significant positions in high-end flexible packaging in Europe, Africa, Asia and Oceania.

The overall market growth for rigid food packaging is moderate, with sophisticated flexible packaging displaying significantly higher rates. Huhtamaki Van Leer is well positioned to exceed the average rates, as its multinational customers are concentrating their packaging purchases to global suppliers. New business development has found interesting opportunities outside the traditional customer base. Also, the company is clearly ahead of competition in the emerging markets and will benefit from any economic recovery in East Europe, Asia and Latin America. Targeted, complementary acquisitions are pursued in both rigid and flexible consumer packaging.

Manufacturing:

48 units on five continents

Main product segments:

Rigid	**Flexible**
Dairy	Dairy
Edible fats	Edible fats
Ice cream	Coffee, soups, sauces
Dry foods	Frozen food
Non-food	Detergents

Food Service

The Food Service customers include all leading international fast food and beverage operators, as well as their local counterparts. Food service products are also sold to institutional caterers as well as fresh food packers and retailers. Branded consumer disposables are another important product category. Huhtamaki Van Leer is the world leader in plastic and paper cups and plates, as well as in moulded fibre products used in both food service and fresh food trade.

Food Service and fresh food trade offer significant growth potential. Eating out during travel and leisure, institutional catering and convenience food are constantly taking share from traditional homemade meals. Moulded fibre is an ideal material for traditional fresh produce packaging as well as for protective packaging of complex shapes.

The company also pursues environmentally superior forms of food service products, such as EarthShell Packaging®. The evolution of electronic commerce presents new opportunities for both new product development and trading via Internet.

Manufacturing:

58 units on all continents

Main product segments:

Quick Service Restaurants and Beverage
Catering
Vending
Consumer
Fresh Foods
- Industrial packers
- Retail

Protective packaging

Industrial Packaging

Van Leer's strong industrial packaging heritage lives on in this Division. With a 24% global market share in steel drums and even higher in steel drum closures, Huhtamaki Van Leer is the world leader and only global supplier in these stable segments. This has enabled the company to gain further market share, for example via exclusive supply contracts with major multinational customers. Other major product segments include intermediate bulk containers (IBCs), fibre drums, plastic drums and polycarbonate water bottles.

Moderate growth prospects for industrial packaging mean that capital expenditure is directed at efficiency improvements and maintenance, with capacity expansions envisaged mainly for the growing IBC category. Hence, the Division is a solid provider of cash flow. Complementary acquisitions, partnerships or strategic alliances are not excluded.

Manufacturing:

Steel drums - 69 units on all continents
Other – 46 units on all continents

Main product segments:

Drums:
Steel: tight & open head, conical and "knock-down"
Plastic: blow-moulded & Valerex®
Fibre
Steel & plastic pails
IBCs
Steel & plastic closures
Polycarbonate water bottles

THE HUHTAMAKI VAN LEER SHARE

Shares and share capital

The shares of Huhtamäki Oyj were subject to important changes in 1999. In March, the Annual General Shareholders' Meeting amended the company's Articles of Association to the effect that the company's maximum and minimum share capital is expressed in euros and the nominal value of the shares, FIM 20, was abolished. Shareholders were also given the opportunity to convert their holdings of the less liquid K shares into the more traded I shares. The two classes differed only in that K shares entitled to twenty votes and I shares to one vote.

Relatively few shareholders made use of this facility, which was made redundant by the combination of the two share classes as Huhtamaki Van Leer shares on October 8, 1999. The Huhtamaki Van Leer share is, in fact, the Huhtamaki Series I share renamed.

Following a directed share issue of 1,598,217 shares to the Van Leer Group Foundation and minor share subscriptions from management's stock option schemes, the share capital of Huhtamäki Van Leer Oyj amounted to € 106.0 million at year-end. The 3 million shares repurchased in 1996 were sold to the Van Leer Group Foundation, whereby the number of shares outstanding was 31,475,963 at the end of 1999.

Registration

The Huhtamaki Van Leer shares are registered in the Finnish electronic Book Entry system. Shareholding will be registered immediately when a transaction is effected. Non-Finnish shareholders may register their holdings through a nominee, such as a commercial bank. Shareholders wishing to exercise their rights at the General Shareholders' Meetings must register their shares under their own name.

Quotations

Huhtamäki Van Leer shares are quoted on the main list of HEX (Helsinki Exchanges) and, as of October 8, 1999, on the AEX (Amsterdam Exchanges). The quotations are made in euros.

The shares of Royal Packaging Industries Van Leer N.V. were de-listed from the AEX on October 29, as virtually all such shares had come to Huhtamaki's possession following a public offer to Van Leer's shareholders.

Authorisations

In 1999, the Executive Board had no general authorisation to increase the company's share capital. The directed share issue to the Van Leer Group Foundation was based on the resolution of an Extraordinary Shareholders' Meeting convened on September 14.

Pursuant to management's stock option schemes adopted in 1993 and 1997, a maximum of 546,150 new shares may be issued in 2000-2004, corresponding to an increase in share capital of up to € 1.84 million and representing 1.7% of share capital and voting power.

Shareholders

At the end of 1999, Huhtamäki Van Leer Oyj had 15,966 registered shareholders, slightly less than a year earlier. Including the Van Leer Group Foundation, non-Finnish shareholders owned 34% of the equity. Shareholder structure changed significantly due to the Van Leer transaction.

The largest shareholders, each with a share of 14.6% of the equity, are the Finnish Cultural Foundation (together with the Association of the Finnish Cultural Foundation) and the Van Leer Group Foundation. The foundations have mutually agreed not to raise their shareholding above 15%. If either of the two allows its share to decline below 5%, the agreement ceases to apply, and the foundations are no longer entitled to nominate representatives (one or two depending whether their shareholding is below or above 10%) to the company's Board of Directors.

Insider provisions and shareholding

The company is in full compliance with the guidelines for Insider registration and trading restrictions issued by Helsinki Exchanges to listed companies as of March 1, 2000.

Members of the Board of Directors and the CEO owned a total of 26,100 shares at year-end, corresponding to 0.08% of shares and voting rights. The CEO has stock options entitling to the subscription of a total of 55,000 shares in 2000-2004, corresponding to 0.17% of equity and votes. Members of the Board of Directors had no stock options.

Trading developments

The year under review was characterised by a strong concentration of investor demand for shares representing communications and information technology. In Helsinki, this sector was responsible for the doubling of the HEX index during the year, while the share prices of companies in more traditional sectors remained broadly stable. The

Huhtamaki Van Leer share, until October 8 Huhtamaki Series I, reacted to corporate announcements in an unpredictable manner. The stock traded at € 34.00 on January 4 and December 30, but displayed erratic short-term fluctuations through the year. The highest quote was € 37.40 on June 28. A subsequent downdraught bottomed out at € 27.60 on December 12, after which the share climbed back to the € 34–35 range, remaining stable into early 2000.

Traded volumes in Helsinki, in total 27% of the shares outstanding, were lower than in previous years. Volumes in Amsterdam remained modest.

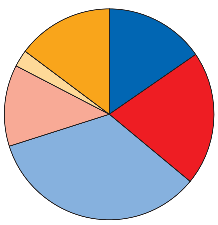
	Major owners Dec 31, 1999 [1]	Shares and votes %
1.	Stichting Van Leer Group Foundation	14.6
2.	The Finnish Cultural Foundation[2]	14.6
3.	Ilmarinen Mutual Pension Insurance Company	5.6
4.	Varma-Sampo Mutual Pension Insurance Company	2.3
5.	The Local Government Pension Institutions	1.6
6.	Suomi Mutual Life Assurance Company	1.6
7.	Pohjola Non-Life Insurance Company Ltd.	1.6
8.	Pohjola Life Assurance Company Ltd.	1.5
9.	Industrial Insurance Company Ltd.	1.4
10.	Society of Swedish Literature in Finland	1.3
11.	Tapiola Mutual Pension Insurance Company	1.1
12.	Tapiola Mutual Insurance Company	1.0
13.	Tapiola Mutual Life Assurance Company	0.7
14.	Merita Bank Plc	0.6
15.	Sampo Enterprise Insurance Company Ltd.	0.6
16.	Turku University Foundation	0.5
17.	Merita Life Assurance	0.5
18.	Pension Fund Ltd Polaris	0.5
19.	LEL Employee Pension Fund	0.5
20.	Sampo Insurance Company Plc	0.4

[1] Nominee registered shares 19% of shares and votes.

[2] Including The Association for the Finnish Cultural Foundation.

Shareholding in Huhtamaki Van Leer

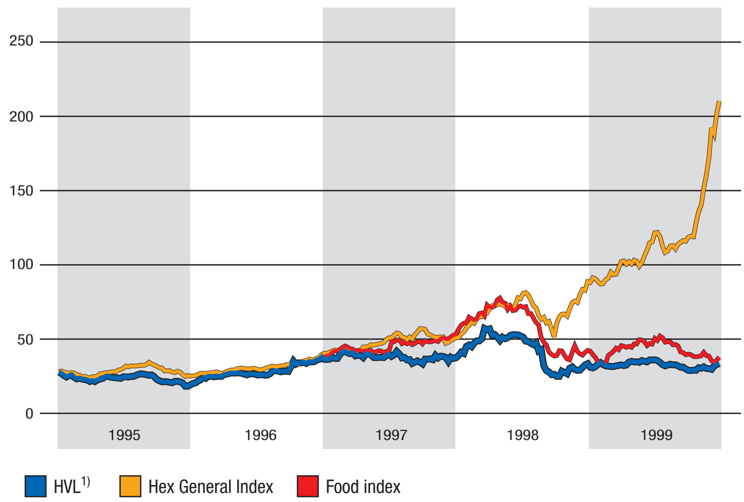
Dec 31, 1999



- Registered foreign shareholders 15.4% [1]
- Non-profit organisations 20.6%
- Financial institutions 34.1% [1]
- Individuals 12.5%
- Corporations 2.6%
- Non-corporate public sector 14.8%

[1] Total non-Finnish shareholding including nominee registrations within financial institutions approx. 34%

Share price development



Hex General index January 1, 1995 = 28, adjusted for share issues   Food Index January 1, 1997 = 36

[1] Huhtamaki Series K and I combined on October 8, 1999.

Symbols

HEX:	HVL1V
AEX:	HVL
Reuters:	HVL1V.HE
Bloomberg:	HUHKK.FH

Stock analysis

As a pure packaging company, Huhtamaki Van Leer is gradually building new following among specialised equity analysts. The following list was accurate at the time of going to print, but is constantly updated on the company's Website, www.hvlgroup.com.

ABN Amro, London
Alfred Berg, Helsinki
Aros-Flemings Securities, Helsinki
Carnegie International, Helsinki
Cheuvreux Nordic, Helsinki
Conventum Securities, Helsinki
Den Danske Bank, Copenhagen
Enskilda Securities, Helsinki
Evli Securities, Helsinki
FIM Securities, Helsinki
Handelsbanken Markets, Helsinki
Leonia Bank, Helsinki
Mandatum Stockbrokers, Helsinki
MeritaNordbanken, Helsinki
Merril Lynch, London
Morgan Stanley Dean Witter, London
Opstock Securities, Helsinki
Salomon Smith Barney, London
West LB Panmure, London

Investor relations contact

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Fax +358-9-6868 8220
E-mail: markku.pietinen@hvlgroup.com

Share price quotations (EUR) and turnover (units) at Helsinki Exchanges

		Huhtamaki Van Leer/Series I			Series K		
		low	high	turnover	low	high	turnover
1999	I quarter	29.00	36.50	2,897,688	29.00	36.00	171,007
	II quarter	32.00	37.40	2,011,727	31.01	37.00	196,624
	III quarter	29.00	36.75	1,252,541	29.06	37.00	335,300
	IV quarter	27.60	34.45	1,796,551	28.80	30.00	20,330
1998	I quarter	36.66	51.30	1,796,067	36.16	49.62	311,421
	II quarter	48.77	58.87	2,317,490	47.93	56.51	567,069
	III quarter	26.41	52.81	2,102,919	26.07	51.47	107,288
	IV quarter	24.64	32.63	3,739,409	24.39	32.63	255,167
1997	I quarter	35.66	42.43	3,128,218	35.49	41.71	1,202,205
	II quarter	37.00	41.21	1,837,360	36.18	40.03	384,394
	III quarter	33.13	41.88	1,869,069	32.80	40.53	147,735
	IV quarter	32.12	39.19	1,534,220	31.96	37.51	272,089
1996		17.96	36.66	10,770,509	18.00	35.49	1,559,711
1995		17.66	28.59	7,529,733	17.32	28.76	948,165

GROUP INCOME STATEMENT PRO FORMA

EUR million	1999	%	1998	%	Change %
Net sales	**2,951.9**	**100.0**	2,819.9	100.0	4.7
Operational costs	**2,585.0**		2,486.8		4.0
Earnings before interest, taxes, depreciation and amortisation	**366.9**	**12.4**	333.1	11.8	10.1
Depreciation and amortisation	**176.4**		168.4		4.8
Earnings before interest and taxes	**190.5**	**6.5**	164.7	5.8	15.7
Net financial income/expense	**-62.3**		-62.3		-
Gain/loss on equity of associated companies	**+0.6**		+0.7		-14.3
Profit before exceptional item, minority interest and taxes	**128.8**	**4.4**	103.1	3.7	24.9
Exceptional income/expense	**-**		-4.0		..
Profit before minority interest and taxes	**128.8**	**4.4**	99.1	3.5	30.0
Minority interest	**6.7**		4.9		36.7
Tax on ordinary profits	**42.3**		32.2		31.4
Net income	**79.8**	**2.7**	62.0	2.2	28.7

SUPPLEMENTARY PRO FORMA INFORMATION

Net sales by division

EUR million	1999	1998	Change %
Consumer	**2,022.0**	1,890.9	6.9
Food packaging	**1,117.9**	1,033.2	8.2
Food Service	**904.1**	857.7	5.4
Industrial	**929.9**	929.0	0.1
TOTAL	**2,951.9**	2,819.9	4.7

EBIT by division

EUR million	1999	1998	Change %
Consumer	**169.1**	134.3	25.9
% of net sales	**8.4**	7.1	
Industrial	**53.2**	51.8	2.7
% of net sales	**5.7**	5.6	
Corporate, net	**-31.8**	-21.4	48.6
TOTAL	**190.5**	164.7	15.7
% of net sales	**6.5**	5.8	

Net sales by region

EUR million	1999	1998	Change %
Europe	**1,619.7**	1,682.2	-0.5
Americas	**927.2**	857.2	8.2
Other	**405.0**	334.5	21.1
TOTAL	**2,951.9**	2,819.9	4.7

EBIT by region

EUR million	1999	1998	Change %
Europe	**118.3**	106.8	10.8
% of net sales	**7.3**	6.6	
Americas	**77.4**	63.4	22.1
% of net sales	**8.3**	7.4	
Other	**26.6**	15.9	67.3
% of net sales	**6.6**	4.8	
TOTAL	**222.3**	186.1	19.5

Other key figures	1999	1998	Change %
Earnings per share (EUR)	**2.54**	2.10	21.0
Capital expenditure (EUR million)	**183.3**	192.0	-4.7
Personnel at year-end	**23,876**	21,694	10.1

NOTES TO THE 1999 AND 1998 PRO FORMA COMBINED INCOME STATEMENT OF HUHTAMAKI VAN LEER

The purpose of the pro forma combined income statement is to present the 1999 and 1998 Huhtamaki Van Leer combined income statement as if 100 % of the Van Leer shares had been held by Huhtamaki Van Leer as from January 1, 1998. The assumption is that the acquisition of the Van Leer preference shares and the directed share issuance and share sale had been completed prior to January 1,1998. The 1999 and 1998 pro forma combined income statement has been derived from the financial statements of Huhtamaki Van Leer and the financial statements of Van Leer.

Huhtamaki Van Leer financial statements have been prepared based on Finnish Accounting Standards and Van Leer financial statements are based on Dutch Generally Accepted Accounting Principles. In general, the accounting principles of Huhtamaki Van Leer and Van Leer are comparable, with the exception of the historical method in Van Leer (pre-acquisition) for accounting for goodwill as outlined below.

The financial information of both companies was translated into euro. The following exchange rates have been used for Huhtamaki Van Leer 1 EUR = 5.94573 FIM and for Van Leer 1 EUR = 2.20371 NLG.

Huhtamaki Van Leer and Van Leer have adjusted their historical financial statements as follows:

I Adjustments to the Huhtamaki Van Leer (pre-acquisition) financial statements:

Huhtamaki Van Leer's sales of Leaf to CSM and Gubor to Stollwerck are presumed to have been consummated by December 31, 1997. Also the intercompany indebtedness of Leaf is presumed to have been paid to Huhtamaki Van Leer on January 1, 1998. Wuxi Leaf has been eliminated from the adjusted Huhtamaki Van Leer financial statements together with all other remaining Leaf financials from January 1, 1998. Net proceeds from Leaf divestment are invested for the year with a fixed return.

Acquisitions during 1998 (Sealright, Tetra Cup and Huntsman) are consolidated in the adjusted Huhtamaki Van Leer financial statements from January 1, 1998. The goodwill amortisation and related financial costs have been included as per the same date.

II Adjustments to the Van Leer financial statements:

Dividends on Van Leer ordinary shares and Van Leer preference shares paid in 1998 and dividends charged to equity in 1998 and paid in 1999 are eliminated from the 1998 Van Leer financial statements, as those are deemed to be held by Huhtamaki Van Leer at the time of the dividend payments.

III Adjustments to arrive at pro forma combined financial statements of Huhtamaki Van Leer:

Dividends on the 1,598,217 shares issued to the Van Leer Group Foundation (VLGF) as well as dividends paid on the 3,000,000 shares purchased by the VLGF are included in the pro forma combined financial statements as these shares are deemed to be held by the VLGF at the time of the dividend payment.

The acquisition of Van Leer is deemed to have been financed via the use of cash resulting from the sale of Leaf and the directed share issuance and share sale. The remaining amount is financed by new debt. Financial expenses included in the 1999 and 1998 pro forma combined financial statements are based on a mixture of short term and long term debt. The tax rate used is 28%, which was the rate prevailing during 1999 and 1998.

Total cost of the acquisition includes the consideration paid for Van Leer ordinary shares and Van Leer preference shares, the redemption of options on Van Leer ordinary shares held by Van Leer employees, as well as transaction costs.

According to the accounting principles adopted by Van Leer, goodwill arising from acquisitions has been charged against equity. In the pro forma combined financial statements goodwill and goodwill amortisation is held at the ultimate parent level. Van Leer's balance sheet related to goodwill prior to the acquisition is not restated according to Huhtamaki Van Leer's accounting policy for pro forma purposes. The reason for this is that had Van Leer's accounting for goodwill been restated according to Huhtamaki Van Leer's accounting principles, the shareholders' equity and goodwill acquired by Huhtamaki Van Leer would have been adjusted accordingly.

Goodwill arising from the acquisition of Van Leer has been amortised as of January 1, 1998.

No restructuring charge or synergy impact is included in the pro forma combined financial statements.

DIRECTORS' REPORT

Dividend Proposal

The Board proposes a dividend of EUR 1.05 per share. The figure is slightly higher than for 1998 and represents a payout ratio of 44%.

Overview

Major developments in corporate structure and governance occupy a dominant role in this report. Huhtamäki Oyj's ("Huhtamaki") successful public offer for the shares of Royal Packaging Industries Van Leer N.V. ("Van Leer") created one of the world's leading packaging companies. With a total value of approx. EUR 1.4 billion including Van Leer's assumed debt, the transaction was financed through the divestment of Huhtamaki's confectionery business, the sale of existing and new shares to Van Leer's principal shareholder, and substantial new borrowing. The process has been amply documented in previous communications by the two publicly listed companies involved, and is presented only summarily.

Although the year under review was marked by discontinuity, the business operations of the two constituent companies progressed in a quite satisfactory manner. The statutory annual accounts treat the Leaf confectionery business as a discontinued operation and include Van Leer from October 1. The Board's commentary is largely based on a pro forma examination, which assumes a similar corporate structure in 1998 and 1999. In such calculations, Leaf has been eliminated, Van Leer has been included for both full years, and the group's balance sheet, financial costs, goodwill depreciation and other pertinent items have been adjusted to conform to the post-transaction situation.

The pro forma calculations indicate a clear profit improvement for the group from 1998 to 1999. Actual figures for the final quarter of 1999 provided further confirmation for the earnings enhancing nature of the transaction. Overall, the Board wishes to express its gratitude towards its predecessors at Huhtamaki and Van Leer, and for the successful work of the two companies' management during the negotiations phase and the post-merger integration process.

Strategy

Leaf Group divested

The strategic process ultimately leading to the divestment of Huhtamaki's original line of business, confectionery, gained momentum in 1997-98 as the performance and prospects of Leaf Group continued to weaken despite the fundamental measures already taken. Through the 1990s, Huhtamaki's packaging operations had consistently posted a stronger growth and earnings record. An investment bank was appointed to further evaluate Leaf's future alternatives. The conclusion was to divest the confectionery business and reinvest the capital into strengthening the packaging operations.

Following a customary auction process involving several serious bidders, Leaf Group was sold to the Dutch food products and ingredients company CSM N.V. for a total price of EUR 390 million. This resulted in a non-recurring income of EUR 128 million, consisting of capital gain net of tax and operating loss. The agreement was announced on April 26; the transaction was closed on June 30 for the main part and August 31 for the remaining elements. The income figure may change slightly, pending final adjustments with CSM.

Gubor Schokoladen, the loss-making German manufacturer of chocolate pralines, was not included in the transaction, having been sold separately to the German company Stollwerck in April. Wuxi Leaf, the small Chinese confectionery unit also subject to separate divestment, remained in Huhtamaki Van Leer's possession at year-end, with its operations restructured. Efforts to sell the unit continue.

The Van Leer transaction

With packaging playing the leading role in Huhtamaki's future under any scenario, management had established a contact with the Dutch-based international packaging company Van Leer already in early 1998. Early discussions revealed the complementary nature of the two companies and led to successive talks. With the divestment of Leaf secured, Huhtamaki announced on May 4 its intention to make a public offer to Van Leer's shareholders.

Combining operations with Van Leer represented a unique strategic opportunity to create a leading packaging company through one transaction. Therefore, Huhtamaki was prepared to pay a significant premium on Van Leer's recent, depressed, stock prices.

The subsequent negotiation process took another three months, involving the two companies' principal shareholders, the Finnish Cultural Foundation ("FCF", including the Association of the Cultural Foundation, a separate entity) and the Van Leer Group Foundation ("VLGF"). An agreement to go ahead with the transaction was announced on July 22. The main features of the agreement were summarised as follows:

- Huhtamaki will pay EUR 29.04 (NLG 64) for each outstanding Van Leer ordinary share; 71% more than the stock quoted on May 4, 1999
- Huhtamaki will also purchase the preference shares held by VLGF;
- VLGF will purchase 3 million existing Huhtamaki shares from Huhtamäki (Deutschland) GmbH and subscribe 1,598,217 new shares in a directed equity issue. The price for the Huhtamaki shares has been set at EUR 34.13;
- Following the transaction, as well as the combination of Huhtamaki's two share classes, K and I, VLGF and FCF will each hold 14.6% of the shares and votes;
- The parent company will be renamed Huhtamäki Van Leer Oyj and will be domiciled in Espoo, Finland. The Group ("Huhtamaki Van Leer") will have executive offices in Espoo and Amstelveen, The Netherlands;
- The Group will be organised into three divisions: Industrial Packaging, Food Packaging and Food Service;
- The shares of the parent company will be listed on the HEX (Helsinki) and AEX (Amsterdam) exchanges.

Chronology of main events

April 26	Huhtamaki to sell confectionery division Leaf to CSM N.V.
May 4	Huhtamaki considering making a public offer for Van Leer
	Executive Board of Van Leer agreed to enter discussions with Huhtamaki
July 22	Huhtamaki and Van Leer to combine activities
August 26	Start of offer period
September 14	Huhtamaki EGM moves to advance Van Leer bid
September 24	EU Commission clears transaction

September 28	Over 98% of Van Leer shares offered to Huhtamaki
October 1	Huhtamaki's offer declared unconditional
October 6	Payment for shares
October 7	Directed equity issue to VLGF
October 8	Transaction closed
	Amended Articles of Association registered
	Parent company name changes to Huhtamaki Van Leer Oyj
	Trading of parent company shares commences on AEX
October 18	EUR 650 million syndicated loan facility signed
October 29	Van Leer de-listed from AEX

Integration and synergies

The planning of the integration of the two companies was launched in August. A new, joint organisation was communicated in early September. The formal launch of integration took place in mid-October at the first joint Group Council meeting involving some 30 senior executives. Over 20 integration Task Forces, both functional and regional, were established, with a mission to identify synergies and produce concrete action plans during the first 100 days of common existence. This work progressed smoothly. On December 14, the Board discussed the company's revised synergy projection, a total of EUR 150 million in 2000-2002, and decided on an integration charge of EUR 93 million to cover any expenses associated with a restructuring programme to be conducted in 2000-2002.

General Shareholders' Meetings

The Annual General Shareholders' Meeting of Huhtamäki Oyj convened on March 18, approving the company's accounts and the Board's dividend proposal, FIM 6.00 (EUR 1.01) per share. The meeting also adopted amendments in the company's Articles of Association, notably:

- A new governance system abolishing the Supervisory Board in favour of a Board of Directors elected for one year at a time;
- A possibility for shareholders to convert Series K shares in Series I shares;
- Abolition of the nominal value of the share and expression of the company's share capital in euros;
- Relocation of the company's legal domicile in Finland from Turku to Espoo.

Former Supervisory Board members, Mr. Paavo Hohti, Mr. Iiro Viinanen, Mr. Urpo Kangas, Mr. Mikael Lilius, Mr. Heikki Marttinen and Mr. Pertti Voutilainen were elected as Directors. Additionally, Huhtamaki's CEO, Mr. Timo Peltola was elected to the Board of Directors.

An Extraordinary Shareholders' Meeting of Huhtamäki Oyj convened on September 14 to take a number of decisions necessary for the completion of the Van Leer transaction. All decisions were conditional on Huhtamaki's public offer becoming binding. The main amendments to the company's Articles of Association were as follows:

- The company's name shall be Huhtamäki Van Leer Oyj and it will be engaged in the packaging industry;
- The company's two share classes, K and I, shall be combined, whereby all shares will entitle to equal rights;
- There shall be a minimum of 20,000,000 and a maximum of 80,000,000 shares in issue;
- The company's Board of Directors shall consist of nine members. VLGF and FCF may each nominate two members if they hold 10% or more of the company's shares, and one member if their shareholding is 5% or more but less than 10%;
- The company's Executive Committee shall consist of the Chief Executive Officer as Chairman and five other executives as appointed by the Board;
- A shareholder whose shareholding in the company reaches or exceeds 30% or 50% is required to make a public offer to all other shareholders;
- Amendments to paragraphs 2, 4 and 12 of the Articles of Association require a minimum of 3/4 of the votes cast and shares represented at a Shareholders' Meeting.

Further, the meeting approved a directed equity issue to VLGF as follows:

- The company's share capital will be augmented by € 5,381,082.61 through a directed issue of 1,598,217 new shares for subscription by VLGF in deviation of shareholders' pre-emptive rights;
- The subscription price will be EUR 34.13 per share, equal to the average of trade-weighted daily average Series I share prices on Helsinki Exchanges for the period of July 1-July 21 and July 23-August 12, 1999;
- The new shares will be entitled to a full dividend for 1999.

Finally, a new Board of Directors consisting of the following nine members was elected:

- Mr. Paavo Hohti, Ph.D., Secretary-General of Finnish Cultural Foundation
- Mr. Urpo Kangas, Professor of Law, Helsinki University
- Mr. Harry Leliveld, Executive Director, Van Leer Group Foundation, The Netherlands
- Mr. Mikael Lilius, CEO, Gambro AB, Sweden
- Mr. Heikki Marttinen, President of Fortum Oyj, Finland
- Mr. Ivar Samrén, Chairman, Van Leer Group Foundation, The Netherlands
- Mr. Anthony J.B. Simon, Corporate Vice President, Bestfoods Inc., USA
- Mr. Veli Sundbäck, Executive Vice President, Corporate Relations and Trade Policy, Nokia Oyj, Finland
- Mr. Jukka Viinanen, M.Sc., former Chief Executive of Neste Oyj, Finland

The term of the new Board of Directors commenced on October 8, and it elected Mr. Sundbäck as its Chairman and Messrs. Hohti and Samrén as Vice Chairmen.

Share Capital and Ownership

The Van Leer transaction increased the share capital of the parent company by EUR 5.4 million, following the issue of 1,598,217 new shares to VLGF. Additionally, 3,000 new shares were issued at a striking price of FIM 191 (EUR 32.12) pursuant to the 1993 Management Stock Option scheme. The Board of Directors had no general authorisation to increase the company's share capital during the year. At year-end, the company's share capital amounted to EUR 106.0 million.

Relatively few Huhtamaki Series K shares were voluntarily converted into Series I shares before the combination of the two share classes. The average number of shares outstanding amounted to 27,964,032 and the year-end figure was 31,475,963.

DIRECTORS' REPORT

The company's ownership structure changed significantly, as VLGF took a 14.6% share of the equity and FCF allowed its share to decline to the same figure. The two foundations have a mutual shareholders' agreement, under which their ownership may not exceed 15% or fall below 5%. During the year, major Finnish insurance groups started to report their investment portfolios per legal entity, resulting in a more fragmented shareholder structure. The banking sector further reduced its equity portfolio, while mutual funds increased their holdings. A cause of concern was the continuous decline in shareholding by international institutional investors, no doubt associated with the company's reclassification from food to packaging industry. At year-end, the company had 15,996 registered shareholders. Shareholding outside Finland accounted for 34%, with VLGF representing a major part of this.

Business and Financial Developments

Market developments

In early 1999, the economic problems of emerging markets – Russia, Asia and Latin America – continued to affect the overall demand for consumer and industrial packaging. The situation was not uniform, however, as high growth rates were experienced for example in North American ice cream containers and in food service packaging across Europe and Oceania.

The second half of the year brought along a general recovery of volumes. Sales figures also reflected the rapid rise in key raw materials prices, which nevertheless squeezed profit margins to an extent, as increases can be passed on to customers only after a delay.

Sales

Huhtamaki Van Leer's actual net sales in 1999 amounted to EUR 1,412.1 million. A direct comparison to the previous year's figure, EUR 1,226.1 million, is of low analytical value. The sales figure for discontinued operations, EUR 193.5 million, is not included in the total. The pro forma sales, including a full-year contribution from Van Leer and excluding confectionery sales, amounted to EUR 2,951.9 million, 5% ahead of the corresponding figure for 1998. The main contributors to growth were volume growth (+ 3%), prices (- 2%) and acquisitions (other than Van Leer) and divestments during 1999 (+ 3%). Following the raw materials prices with a delay, the prices of finished products declined for most of the year and started to firm only towards year-end. Currency effects were insignificant.

The geographical division of pro forma sales was as follows: Europe and Africa 57%, The Americas 32%, and Asia and Oceania 11%. Finland's share of the total was less than 2%.

The net sales of the parent company amounted to EUR 143.8 million, comprising the continuing packaging business and the divested Leaf Finland business until June 30.

Pro forma, consumer packaging sales amounted to ˛ 2,022.0 million or 68% of Group total. The Food Packaging division contributed by EUR 1,117.9 million, 38% of the total and up by 8%. In rigid packaging, volume growth was strong in North America and Southern Europe, whereas the dairy and margarine containers business in UK, Germany and Benelux suffered from low volumes and severe price competition. Against satisfactory progress in Scandinavia, North East Europe was affected by low packaged foods exports to Russia, while domestic sales by Russian-based units exceeded expectations. Oceania was again a healthy market, Asia started to recover and Latin America appeared to have bottomed out.

Flexible packaging benefited from a substitution trend from traditional packaging forms into flexibles. Competition in regular flexible packaging was fierce in Europe, but Huhtamaki Van Leer found good growth with its new, sophisticated products. Fresh acquisitions established the company as market leader in India, Thailand and New Zealand.

In Food Service, pro forma sales increased by 5% to EUR 904.1 million, 31% of the total. Brisk volume growth was evident across Europe, fuelled by such growing segments as take-home food and Coffee to Go. In North America, the Chinet® moulded fibre retail products increased their market share amidst intense competition. Oceania posted good sales results, while Asia still trailed behind previous year's figures.

In Industrial Packaging, pro forma sales remained flat at ˛ 929.9 million or 32% of the total. The dominant large steel drums business displayed a strong volume growth of 6%. Only a moderate increase was realised in Europe, however, largely due to a hesitant UK market. North America was a strong growth area, and Asian sales increased by 25%, in part due to the launch of the new Japanese steel drums plant. Moderate growth was evident in Oceania and Africa, while the depressed Brazilian economy led to a tangible sales decline in Latin America. The closures sales responded to a volume increase in steel drums, whereas plastic and fibre drums remained at previous years' level. The sales of intermediate bulk containers made progress.

Profitability

During 1999, Huhtamaki and Van Leer both reported an improving profit trend for their continuing operations. The Van Leer transaction created a significant amount of new debt and goodwill in the consolidated balance sheet; even so, the pro forma calculations reveal a clear profit improvement from 1998. Synergies will become visible in 2000, accelerating earnings growth over the next three years.

The Group's actual earnings before interest and tax (EBIT) amounted to EUR 113.9 million, 35% more than in 1998. The pro forma EBIT figure was EUR 190.5 million, up by 16%. Of this, consumer packaging accounted for EUR 169.0 million and Industrial Packaging for EUR 53.2 million, while the net corporate contribution was negative by EUR 31.7 million, consisting of EUR 27.4 million of income from divested operations, EUR 18.7 million of unallocated corporate stewardship costs and a goodwill amortisation of EUR 40.4 million.

Actual depreciation of tangible assets amounted to EUR 67.6 million; the corresponding pro forma figure was EUR 133.4 million.

Actual net financial expenditure increased fourfold to EUR 20.1 million. Thus, the actual profit before exceptional items, minority interest and taxes improved by 19% to EUR 94.4 million. Taxes in statutory accounts increased by 40% to EUR 25.5 million. Actual earnings per share amounted to EUR 2.39, compared to EUR 2.29 for 1998.

The corresponding pro forma figures were EUR 62.3 million (unchanged) for net financial expenditure, EUR 128.8 million (+ 25%) for profit before exceptional items, EUR 42.3 million (+ 31%) for taxes, EUR 6.7 million for minority interest and EUR 2.54 (+ 21%) for earnings per share.

The divestment of confectionery assets created a one-time profit after tax of EUR 127.7 million. On the other hand, an integration expense of EUR 92.9 million was booked to cover future restructuring costs. Actual net income for the year thus amounted to EUR 101.8 million.

Capital expenditure

Actual capital expenditure amounted to EUR 100.7 million. The full-year pro forma capital expenditure amounted to EUR 183.3 million, 5% less than in 1998. Consumer packaging accounted for 67% of the total and industrial packaging for the rest.

Major capital expenditure projects included significant additions to printing capacity in US food packaging units, UK investments in injection moulding/in-mould labelling and APET, CPET and MAP tray forming, moulded fibre capacity for egg cartons in France and Northern Ireland, coating capacity in Germany, polypropylene injection moulding in New Zealand, a new consumer packaging unit in Malaysia and the Houston "Factory of the Future" for steel drums in USA.

Pro forma expenditure on research and development amounted to EUR 14.3 million. The figure understates the true extent of development activity, as much of it is evolutionary in nature and takes place in close cooperation with customers and suppliers.

Financial position

The divestment of Leaf Group and the subsequent Van Leer transaction resulted in major swings in the company's balance sheet during the year. The purchase of Van Leer's shares from VLGF and other shareholders was financed from three basic sources: cash from the sales of Leaf, the sales of Huhtamaki Van Leer shares (both new and previously repurchased) to VLGF as well as the use of existing and new credit lines from lending institutions. A major EUR 650 million loan facility was concluded on October 18 with an international syndicate consisting of 17 banks. At year-end, the consolidated balance sheet showed a net debt to equity ratio of 1.09. Net interest-bearing debt amounted to EUR 1,141 million.

Share developments

The evolution of the company's share price reflected market trends and investors' response to corporate development. Strong demand for communications and information technology shares drove up stock indices, but most traditional sectors stood still. The company's reclassification from food to packaging industry caused sales pressure, as many institutional investors had to reduce their industry-bound holdings. Such flow-back during 1998-99 amounted to over 10% of the equity. The general share price level for the packaging sector continued to decline during the year.

The Huhtamaki Series I shares, later Huhtamaki Van Leer, started the year at EUR 34.00, rose to a high of EUR 37.40 in June and then declined to a low of EUR 27.60 in early December. The day-to-day price fluctuations were quite severe until mid-December, when the company's announcement of higher than expected synergies helped the share price stabilise around EUR 34. The final quote for the year was EUR 33.60. The annual turnover remained lower than in previous years. The share traded in modest volumes on the AEX since its introduction on October 8.

Corporate Structure

This section is a summary of developments not previously mentioned in conjunction with the divestment of Leaf Group or the Van Leer transaction.

On May 24, Huhtamaki and the US technology company EarthShell Corporation signed a definitive agreement for the establishment of a joint venture, Polarcup EarthShell, to manufacture and sell biodegradable food service packaging in Europe, Asia and Oceania. Huhtamaki's capital investment in the company will not commence until the development of its manufacturing processes has been completed.

The acquisition of Brasholanda S.A., a closely held Brazilian manufacturer of plastic food containers, was completed on August 9. Brasholanda is South America's second largest manufacturer of plastic cups and tubs.

During the first half of the year, Van Leer acquired Rexam PLC's consumer flexibles units in New Zealand.

In July, Van Leer acquired 51% of the shares of Paper Products Ltd., the leading manufacturer of consumer flexibles in India, and 60% of Omafu, a steel and plastic drums manufacturer in Morocco.

Towards the end of the year, 51% of the shares of Vista, a Turkish manufacturer of plastic food packaging, were acquired.

During the year, several restructuring projects were undertaken:

- Singapore plant closed; paper and plastic manufacturing in Asean region concentrated to new plant in Malaysia;
- Polarcup Adelaide (injection moulding) was closed; Sealright Australia's flexibles business was sold and paper containers unit closed;
- Small Foshan paper cup plant closed in China;
- Substantial workforce reduction at a plastic packaging unit in Portadown, Northern Ireland;
- Divestment of fibre core business in France;
- Closure of plastic blow-moulding plant in Valence, France;
- Reorganisation of the UK industrial containers business and closure of the Renfrew and Dublin plants;
- Closure of steel drum plants in Medellin, Colombia, and Managua, Nicaragua;
- Closure and relocation of a paper packaging unit from Pleasant Prairie (Wisconsin) to De Soto (Kansas);
- Workforce reduction at a plastic packaging plant in Skelmersdale and closure of a small paper and plastics unit in Leicester, UK.

Information Technology and Year 2000

Huhtamaki and Van Leer had both reached full Year 2000 compliance of their information systems prior to merging the two companies' operations. No "Millennium" problems were encountered.

The integration of the two companies' information systems is well underway, as the companies had adopted largely similar hardware and software applications in key office automation, reporting, treasury, business control and business resources planning areas. By year-end, the company's electronic mail systems were fully compatible and its new Internet website open for public.

Environmental Developments

Both Huhtamaki and Van Leer have pursued an active environmental policy. The year under review contained positive environmental progress in many areas. The due diligence process related to the Van Leer transaction revealed that Van Leer's environmental matters are in good order. The company will review and report its environmental progress separately.

Executive Developments and Organisation

The Van Leer transaction led to a major reorganisation within the combined company. Its day-to-day management is the responsibility of the Executive Committee consisting of six members:

- Mr. Timo Peltola, Chairman and Chief Executive Officer
- Mr. Francisco de Miguel, Vice Chairman and Division President, Industrial Packaging
- Mr. Alexander Schuit, Division President, Food Packaging
- Mr. Matti Tikkakoski, Division President, Food Service
- Mr. Timo Salonen, Chief Financial Officer
- Mr. Christian Betbeder, Director, Merger Integration

The company's new matrix organisation was internally announced in early September. It is based on three Divisions, Food Service, Food Packaging and Industrial Packaging, and 16 Business Groups, some of them regional and others product-specific. The Executive Committee and Group Vice Presidents, 30 executives in total, constitute the Group Council, a consultative body.

Mr. Willem de Vlugt, Van Leer's Chairman and Chief Executive Officer, resigned on May 21.

Mr. Kalle Tanhuanpää, President of Leaf Group and member of Huhtamaki's Management Board, resigned on June 30 in conjunction with the divestment of Leaf Group.

Mr. Eero Aho, Huhtamaki's Executive Vice President, retired on October 1 after serving the company for 30 years.

Personnel

At year-end, Huhtamaki Van Leer had 23,876 employees, 2,182 more than the corresponding pro forma figure at the end of 1998. Of these, 3,867 were employed in the United States, 2,782 in Germany, 2,252 in the UK, 1,347 in Brazil, 1,343 in India, 1,258 in The Netherlands, 1,252 in France and 1,178 in Australia. The actual average number of employees was 11,460, compared to 10,967 in 1998. The company had operations in 54 countries at year-end.

The parent company employed 704 people at year-end, comprising the personnel at the Espoo Head Office (47) and in the Finnish packaging operations (657). The corresponding figure for 1998 was 1,767, including Leaf Finland's personnel. The respective annual averages were 753 (1999) and 1,843 (1998).

The European Consultative Forum (ECF), Huhtamaki's information and discussion platform for elected employee representatives from the EU area, met once during the year, taking note of the Group's major structural changes. The Van Leer transaction will prompt changes in ECF's constitution during 2000.

The Outlook for 2000

Huhtamaki Van Leer faces three main challenges during its first full year of operation. First and foremost, the extensive integration plans must be carried out expeditiously, maximising growth from cross-selling and geographical expansion while minimising disruption to business operations. Synergies around EUR 25 million are anticipated from integration and planned streamlining measures. The restructuring costs have been fully provisioned for.

Second, the company must succeed in the marketplace, directing its capacity to growing segments and adjusting its pricing to the rapid movements of raw materials prices without loss of market share. A substantial part of contracts with key customers contain an "open books" clause providing for an automatic, if delayed, price adjustment.

Third, the company must be ready to respond to new strategic opportunities and continue its leading role in industry consolidation. The current business portfolio contains non-core operations, which will be divested. Two metallized products units were sold in early 2000. The units subject to divestment represent less than 10% of the total sales.

The balance sheet does not permit major acquisitions immediately, and present integration projects have top priority. However, smaller complementary transactions are not out of question. The company is also prepared to consider partnerships, joint ventures and other forms of strategic cooperation.

Tight reins will be kept on capital expenditure, which will address areas of high growth and earnings potential. The budgeted capital expenditure is EUR 147 million. Research and development activities will be reorganised during the year.

A clear profit improvement is expected in 2000, boosted by restructuring, cost savings and other synergy effects. Assuming a continued positive volume development overall and some degree of recovery in emerging markets, improved capacity utilisation will offset the impact from higher raw materials prices. The margin pressure will be tangible during the first quarter of 2000; on the other hand, the comparison period in 1999 was quite sluggish. The main macro-level risk is accelerated inflation, which may prompt further interest rate increases and a generally more restrictive economic policy stance across industrialised countries.

Net sales by business sector

EUR million	1995	%	1996	%	1997	%	1998	%	1999	%
Packaging	417.8	31.7	429.1	34.0	546.9	50.9	716.0	58.4	**1,412.1**	**100.0**
Other[1]	900.1	68.3	833.2	66.0	527.4	49.1	510.1	41.6	**-**	**-**
Total	1,317.9	100.0	1,262.3	100.0	1,074.3	100.0	1,226.1	100.0	**1,412.1**	**100.0**

Operating earnings by business sector

EUR million	1995	%	1996	%	1997	%	1998	%	1999	%
Packaging	27.1	6.5	36.0	8.4	43.0	7.9	54.1	7.5	**116.2**	**8.2**
Other[1]	52.0	5.8	53.7	6.4	44.3	8.4	30.0	5.9	**-2.3**	**-**
Total	79.1	6.0	89.7	7.1	87.3	8.1	84.1	6.9	**113.9**	**8.1**

[1] Unallocated costs and income; revenue from divested units. In 1999 Packaging goodwill amortisation is included in Other.

GROUP INCOME STATEMENT

EUR million	1999	%	1998	%
Net sales	1,412.1	100.0	1,226.1	100.0
Cost of goods sold	1,045.0		848.5	
Gross profit	367.1	26.0	377.6	30.8
Sales and marketing	65.2		145.9	
Administration costs	78.4		79.8	
Other operating expenses	157.0		103.0	
Other operating income	-47.4		-35.2	
	253.2		293.5	
Earnings before interest and taxes (1,2)	113.9	8.1	84.1	6.9
Net financial income/expense (3)	-20.1		-5.2	
Gain/loss on equity of associated companies	+0.6		+0.7	
Profit before exceptional items, minority interest and taxes	94.4	6.7	79.6	6.5
Taxes (5)	25.5		18.2	
Minority interest	1.9		-	
Profit from continuing operations before exceptional items	67.0	4.7	61.4	5.0
Integration expenses (4)	92.9		-	
Discontinued operations (4)	+127.7		-	
Net income	101.8	7.2	61.4	5.0

GROUP BALANCE SHEET

EUR million	1999	%	1998	%
ASSETS				
FIXED ASSETS				
Intangible assets (6)				
Intangible rights	0.5		24.0	
Goodwill	801.5		210.3	
Other capitalised expenditure	6.5		12.7	
	808.5	24.0	247.0	19.0
Tangible assets (6)				
Land	62.6		27.9	
Buildings and constructions	309.3		161.3	
Machinery and equipment	824.8		312.5	
Other tangible assets	10.8		15.1	
Construction in progress and advance payments	116.3		25.6	
	1,323.8	39.3	542.4	41.6
Other fixed assets				
Shares and holdings (7, 8)	9.7		5.1	
Loans receivable	15.4		3.2	
	25.1	0.8	8.3	0.6
CURRENT ASSETS				
Inventories				
Raw and packaging material	176.0		56.5	
Work-in-process	42.0		19.2	
Finished goods	180.3		93.0	
Advance payments	0.3		0.2	
	398.6	11.8	168.9	13.0
Receivables (9)				
Long-term				
Deferred tax asset (17)	76.0		23.5	
Other long-term receivables	19.8		15.2	
	95.8	2.9	38.7	3.0
Short-term				
Trade receivables	519.3		224.6	
Loans receivable	7.9		8.6	
Accrued income (18)	147.8		35.5	
Other short-term receivables	0.3		0.4	
	675.3	20.0	269.1	20.6
Marketable securities	0.2		3.4	0.3
Cash and bank	41.0	1.2	24.5	1.9
	3,368.3	100.0	1,302.3	100.0

GROUP BALANCE SHEET

EUR million	1999	%	1998	%
LIABILITIES AND EQUITY				
Shareholders' equity (13, 14)				
Share capital	106.0		100.6	
Premium fund	340.5		188.8	
Consolidation difference	44.7		-22.8	
Retained earnings - transferred from untaxed reserves	44.5		36.4	
Retained earnings available for distribution	320.6		316.1	
Net income for the period	101.8		61.4	
	958.1	28.4	680.5	52.3
Minority interest	87.7	2.6	3.2	0.2
Liabilities				
Long-term				
Loans from financial institutions (10)	757.6		71.7	
Pension loans (10)	1.8		5.8	
Deferred tax liability (17)	151.8		66.7	
Other long-term liabilities (11)	222.5		46.8	
	1,133.7	33.7	191.0	14.7
Short-term				
Loans from financial institutions (10)	446.3		153.1	
Trade payables (12)	272.5		110.4	
Accrued expenses (12, 19)	269.7		164.1	
Other short-term liabilities (12)	200.3		-	
	1,188.8	35.3	427.6	32.8
	3,368.3	100.0	1,302.3	100.0

GROUP CASH FLOW STATEMENT

EUR million	1999	1998
Operations		
Net income	101.8	61.4
Depreciation and amortisation	88.2	67.3
Provisions	91.1	1.5
Deferred tax	-5.1	-6.3
Gain/loss on equity of associated companies	-0.6	-0.7
Dividends from associated companies	0.5	0.6
Gain/loss on sales of long-term assets	-0.3	-0.2
Other, net	-127.7	-2.4
	147.9	121.2
Net change in working capital	-11.8	-11.2
Total from operations	136.1	110.0
Investing		
Purchase of tangible assets	-100.7	-81.7
Disposal of long-term assets	21.8	9.1
Divestiture of net assets in subsidiaries	303.4	2.2
Acquisition of net assets in subsidiaries	-911.5	-145.2
Other, net	-23.1	-0.3
Total investing	-710.1	-215.9
Financing		
Net increase/decrease of long-term loans/receivables	373.0	-34.5
Net increase/decrease of short-term loans/receivables	199.6	80.6
Dividends paid	-27.1	-27.0
Proceeds from share issues	54.6	3.2
Other, net	-12.8	3.1
Total financing	587.3	25.4
Cash and marketable securities at the beginning of the year	27.9	108.4
Cash and marketable securities at the end of the year	41.2	27.9
Net change	13.3	-80.5

PARENT COMPANY INCOME STATEMENT

EUR million	1999	%	1998	%
Net sales	143.8		212.6	100.0
Cost of goods sold	96.8		142.2	
Gross profit	47.0	32.7	70.4	33.1
Sales and marketing	19.0		34.3	
Administration costs	12.6		21.0	
Other operating expenses	13.7		11.2	
Other operating income	-28.1		-28.2	
	17.2		38.3	
Earnings before interest and taxes (1,2)	29.8	20.7	32.1	15.1
Net financial income/expense (3)	-12.0		-3.9	
Profit before exceptional items	17.8	12.4	28.2	13.2
Exceptional income (4)	55.1		14.7	
Exceptional expense (4)	-41.4		-8.3	
Profit before appropriations and taxes	31.5	21.9	34.6	16.3
Depreciation difference, (-) increase, (+) decrease	+4.8		-1.6	
Change in voluntary reserves, (-) increase, (+) decrease	-16.0		-	
Taxes (5)	+2.0		-8.7	
Net income	22.3	15.5	24.3	11.4

PARENT COMPANY BALANCE SHEET

EUR million	1999	%	1998	%
ASSETS				
FIXED ASSETS				
Intangible assets (6)				
Intangible rights	0.3		2.6	
Other capitalised expenditure	22.5		25.3	
	22.8	1.3	27.9	3.2
Tangible assets (6)				
Land	0.9		2.1	
Buildings and constructions	33.4		47.9	
Machinery and equipment	29.3		51.3	
Other tangible assets	0.4		1.3	
Construction in progress and advance payments	2.1		2.4	
	66.1	3.7	105.0	11.9
Other fixed assets				
Shares and holdings (7, 8)	1,624.7		667.4	
Loans receivable	7.8		1.6	
	1,632.5	91.5	669.0	75.9
CURRENT ASSETS				
Inventories				
Raw and packaging material	2.3		7.2	
Work-in-process	0.5		2.0	
Finished goods	7.1		15.7	
	9.9	0.6	24.9	2.8
Receivables (9)				
Long-term				
Loans receivable	3.7		3.3	
Deferred tax asset	-		0.1	
Other long-term receivables	0.1		0.1	
	3.8	0.2	3.5	0.4
Short-term				
Trade receivables	9.5		29.5	
Loans receivable	18.8		2.5	
Accrued income (18)	18.6		15.3	
Other short-term receivables	-		0.1	
	46.9	2.6	47.4	5.4
Cash and bank	2.1	0.1	3.0	0.4
	1,784.1	100.0	880.7	100.0

PARENT COMPANY BALANCE SHEET

EUR million	1999	%	1998	%
LIABILITIES AND EQUITY				
Shareholders' equity (13, 14)				
Share capital	106.0		100.6	
Premium fund	323.6		274.3	
Retained earnings available for distribution	230.8		243.2	
Net income for the period	22.3		24.3	
	682.7	38.3	642.4	72.9
Untaxed reserves	61.8	3.5	50.7	5.8
Liabilities				
Long-term				
Pension loans (10)	1.8		5.8	
Other long-term liabilities (11)	0.1		0.2	
	1.9	0.1	6.0	0.7
Short-term				
Trade payables (12)	17.0		14.6	
Accrued expenses (12, 19)	19.5		17.3	
Other short-term liabilities (12)	1,001.2		149.7	
	1,037.7	58.1	181.6	20.6
	1,784.1	100.0	880.7	100.0

Total retained earnings available for distribution 253.1

PARENT COMPANY CASH FLOW STATEMENT

EUR million	1999	1998
Operations		
Net income	22.3	24.3
Depreciation and amortisation	10.0	12.1
Provisions	12.6	1.6
Deferred tax	0.2	-0.1
Gain/loss on sales of long-term assets	0.3	-
Other, net	-13.1	-2.5
	32.3	35.4
Net change in working capital	20.5	-6.6
Total from operations	52.8	28.8
Investing		
Purchase of tangible assets	-7.8	-11.4
Disposal of long-term assets	0.4	0.4
Divestiture of net assets in subsidiaries	119.5	2.2
Acquisition of net assets in subsidiaries	-1,018.2	-125.7
Other, net	-0.2	1.5
Total investing	-906.3	-133.0
Financing		
Net increase/decrease of long-term loans/receivables	-10.1	-89.2
Net increase/decrease of short-term loans/receivables	838.1	222.2
Dividends paid	-30.1	-30.0
Proceeds from share issues	54.6	3.1
Total financing	852.5	106.1
Cash and marketable securities at the beginning of the year	3.1	1.2
Cash and marketable securities at the end of the year	2.1	3.1
Net change	-1.0	1.9

ACCOUNTING PRINCIPLES

Accounting principles

The financial statements of Huhtamäki Van Leer Oyj and its subsidiaries have been prepared according to Finnish Accounting Standards (FAS). In the consolidated financial statements FAS enables the compliance with accounting principles that are fundamentally in accordance with International Accounting Standards (IAS). The financial statements have been prepared on the basis of historical costs and do not take into account increases in the market value of assets, unless otherwise stated.

Consolidation principles

The Group's investments in subsidiaries have been eliminated on the basis of the acquisition cost method according to which the shareholders' equity of a subsidiary is deducted from the purchase price of that subsidiary's shares, including untaxed reserves net of tax. The excess of purchase price over the fair value of assets and liabilities in companies acquired is, as a general rule, accounted as goodwill. The consolidated financial statements include all subsidiaries where at least 50% of a subsidiary's voting power is controlled directly or indirectly by the parent company, or the parent company is otherwise in control of the company.

The financial statements of subsidiaries located in hyperinflationary economies have been locally adjusted for the effects of inflation. These adjustments are included in the consolidation.

Minority interests are separated from the net income and equity. They are shown as a separate item.

Foreign currency

Foreign currency trade receivables and payables are valued at the rate of exchange on the balance sheet date except when the amount is fixed by a forward contract in which case this rate is used. Exchange differences on foreign currency receivables and payables are recorded in the income statement.

In the consolidated financial statements, in regard to the shareholders' equity, translation differences due to exchange rate fluctuations have been recorded as a separate component of equity. A similar treatment is applied to certain intra-group long term loans which due to their conditions have the character of equity.

The income statements of all foreign subsidiaries have been translated into euros at the average annual exchange rate and the balance sheets at the year-end exchange rate.

Derivative instruments

Derivative instruments such as forward contracts and currency options are used for hedging the Group's currency position. Foreign exchange differences deriving from the forward contracts and options used are recorded in the income statement as an adjustment of sales or purchases.

Interest income or expense deriving from derivative instruments used for managing interest rate risk are activated during the contract period and used for amending interest on hedged amount. Profit or loss, valued at market price on the balance sheet date, deriving from other derivative instruments than from those used for hedging purposes are recorded in the income statement.

Goodwill and other intangible assets

Goodwill and other intangible assets are amortised on a systematic basis over their estimated useful life. The period of amortisation does not exceed 20 years.

Tangible assets

Items of property, plant and equipment are stated at historical cost and are depreciated using the straight line method over their estimated useful lives. Freehold land is not depreciated. Land use rights are depreciated over the agreement period.

The periods of depreciation used (years):

• buildings and other structures	20 - 40
• machinery and equipment	5 - 15
• other tangible assets	3 - 12

Leases of plant and equipment under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Investments

Investments classified as current assets are carried at market value. Any increases or decreases in carrying values are credited or charged to financial income.

Investments classified as long-term assets are carried at cost, less amounts written off to recognize permanent declines in the value of the investment. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to income.

Investments in subsidiaries are carried at cost in the balance sheet of the parent company in accordance with the valuation policy applied to long-term investments. A listing of the Group's significant subsidiaries is set out in note 7.

Investments in associated companies are carried in parent company's balance sheet in accordance with the valuation policy applied to long-term investments noted above and in Group's balance sheet under equity method. Jointly owned companies are accounted for according to the share of ownership. An associated company is one in which Huhtamaki Van Leer holds, directly or indirectly, between 20% and 50% of the voting power of the company. A listing of the Group's associates is set out in note 8.

Inventories

Inventories are stated at the lower of cost, replacement cost or net realizable value. Cost for purchased inventories represent historic purchase price determined on the "first in first out" (FIFO) basis.

Cost for produced finished goods and work in process represent the historic purchase price of materials, determined on a first in first out basis, plus direct labour and overheads and an appropriate portion of indirect overheads excluding selling and financial costs.

Taxation

The provision for taxes is calculated in accordance with the rules for determining taxable income established by taxation rules in each country. Deferred tax arising from timing differences between the commercial and fiscal valuation of net income is calculated applying the standard tax rate applicable at the balance sheet date or the tax rate at when the tax is going to be paid. Deferred tax debits are only carried forward if there is a reasonable expectation of realization.

In the consolidated balance sheet untaxed reserves have been divided into equity and deferred tax as well as deferred tax arising from movements on untaxed reserves during the financial year have been taken into account in net income.

Research and development

Research and development costs are charged as an expense in the income statement in the period in which they are incurred without exception.

Pensions and other post retirement benefits

The Group companies have various pension plans in accordance with local conditions and practices. Contributions are based on periodic actuarial valuations and are charged against profits. The plans are covered according to local conditions and practices.

Some US based Group companies provide for certain post retirement health care and life insurance benefits.

Unfunded part of the plans is recorded in the balance sheet as a liability.

Other operating income and expenses

Other operating income includes gains from disposal of assets and other regular income, such as royalty and rental income, which have not been derived from ordinary activities.

Other operating expense includes losses from disposal of assets and other costs not directly linked to the end product such as R&D.

Cash flow statement

Cash flow statement illustrates cash in- and outflows arising from operations, investments and financing. In the investments, acquisitions and divestments are valued at the purchase price of the shares. Assets and liabilities of the acquired/divested company are neither included in the change in working capital, net investments nor financing in the cash flow statement.

In the notes section, the notes regarding income statement of the group reflect only continuing business. Discontinued operations have been shown separately. 1998 figures have not been restated. Corresponding figures of the parent company include discontinued operations.

1. Personnel costs

	GROUP		PARENT COMPANY	
EUR million	**1999**	1998	**1999**	1998
Wages and salaries	**268.2**	224.7	**33.5**	35.7
Pension costs	**11.5**	14.2	**4.5**	5.6
Other personnel costs	**67.1**	74.4	**3.4**	15.4
Total	**346.8**	313.3	**41.4**	56.7

The above amounts are on an accrual basis. The parent company figures include the discontinued operations. Remuneration paid by the parent company to the members of the Supervisory Board and Board of Directors as well as the Managing Director of Huhtamäki Van Leer Oyj (15 people) amounted to EUR 0.6 million. The corresponding amount of remuneration paid by the Group as a whole was EUR 0.9 million. The Managing Director of Huhtamäki Van Leer Oyj is entitled to retirement at the age of 60.

Personnel costs of discontinued operations	**54.4**

2. Depreciation and amortisation

	GROUP		PARENT COMPANY	
EUR million	**1999**	1998	**1999**	1998
Depreciation by function:				
Production	**60.1**	48.4	**4.8**	6,5
Sales and marketing	**0.6**	0.9	**0.3**	0.3
Administration	**4.5**	3.8	**1.1**	1.0
Other	**23.0**	14.2	**3.4**	4.3
Total depreciation	**88.2**	67.3	**9.6**	12.1
Depreciation by asset type:				
Land, Buildings	**7.8**	6.6	**1.1**	1.2
Machinery and equipment	**59.8**	47.5	**5.1**	7.1
Goodwill	**19.2**	9.9	**-**	-
Other intangible assets	**1.4**	3.3	**3.4**	3.8
Total depreciation	**88.2**	67.3	**9.6**	12.1

Depreciation costs of discontinued operations	**8.4**

3. Financial income/expense

	GROUP		PARENT COMPANY	
EUR million	**1999**	1998	**1999**	1998
Interest income	**5.1**	5.4	**0.5**	-
Intercompany interest income	**-**	-	**0.6**	2.4
Dividend income	**1.0**	0.2	**-**	-
Dividend income from associated companies	**-**	-	**0.6**	0.6
Other financial income	**3.7**	5.6	**0.2**	0.8
Interest expense	**-29.0**	-15.8	**-0.3**	-0.6
Intercompany interest expense	**-**	-	**-13.4**	-7.0
Other financial expense	**-0.9**	-0.5	**-0.1**	-0.2
Total	**-20.1**	-5.1	**-11.9**	-4.0

Financial expense of discontinued operations	**-0.5**

4. Exceptional items

	GROUP		PARENT COMPANY	
EUR million	**1999**	1998	**1999**	1998
Exceptional income	**127.7**	-	**50.8**	8.7
Exceptional expense	**-92.9**	-	**-41.4**	-8.3
Group contributions, net	**-**	-	**4.3**	6.0
Total	**34.8**	-	**13.7**	6.4

Huhtamäki Van Leer Oyj's exceptional income (net of corresponding tax) includes gain from the sale of Confectionery business to N.V. CSM whereas exceptional expense mainly arises from changes in corporate structure, which are eliminated on the Group level.

Group's exceptional income represents gain from the sale of Confectionery business to CSM N.V. The amount is net of taxes and six-month operating loss of EUR 2.3 million. Group's exceptional expense includes an integration charge (net of deferred tax) for the restructuring programme.

5. Taxes

	GROUP		PARENT COMPANY	
EUR million	**1999**	1998	**1999**	1998
Ordinary taxes	**-18.7**	-17.6	**-2.0**	-8.8
Tax on exceptional items	**-19.1**	-	**-13.7**	-
Of which shown as part of exceptional items in the income statement	**19.1**	-	**17.8**	-
Deferred taxes	**-6.8**	-0.6	**-0.1**	0.1
Total	**-25.5**	-18.2	**2.0**	-8.7
Taxes of discontinued operations	**+4.1**			

6. Fixed assets

	GROUP		PARENT COMPANY	
EUR million	**1999**	1998	**1999**	1998
Intangible rights				
Acquisition cost at beginning	**29.5**	30.7	**4.8**	1.0
Additions	**0.4**	0.8	**0.1**	3.8
Disposals	**-29.7**	-0.4	**-4.5**	-
Changes in exchange rates	**0.9**	-1.6	**-**	-
Acquisition cost at end	**1.1**	29.5	**0.4**	4.8
Accumulated amortisation	**-0.6**	-5.5	**-0.1**	-2.2
Intangible rights, net	**0.5**	24.0	**0.3**	2.6
Goodwill				
Acquisition cost at beginning	**247.4**	135.7	**-**	-
Additions	**616.1**	129.7	**-**	-
Disposals	**-43.7**	-6.9	**-**	-
Changes in exchange rates	**27.2**	-11.1	**-**	-
Acquisition cost at end	**847.0**	247.4	**-**	-
Accumulated amortisation	**-45.5**	-37.1	**-**	-
Goodwill, net	**801.5**	210.3	**-**	-
Other capitalised expenditure				
Acquisition cost at beginning	**17.3**	18.3	**29.5**	35.4
Additions	**0.6**	0.5	**0.5**	0.7
Disposals	**-5.9**	-0.1	**-**	-6.6
Changes in exchange rates	**1.5**	-1.4	**-**	-
Acquisition cost at end	**13.5**	17.3	**30.0**	29.5
Accumulated amortisation	**-7.0**	-4.6	**-7.5**	-4.2
Other capitalised expenditure, net	**6.5**	12.7	**22.5**	25.3
Land and land use rights				
Acquisition cost at beginning	**28.2**	25.8	**2.1**	2.5
Additions	**38.6**	5.2	**-**	-
Disposals	**-6.2**	-1.4	**-1.2**	-0.4
Changes in exchange rates	**2.6**	-1.4	**-**	-
Acquisition cost at end	**63.2**	28.2	**0.9**	2.1
Accumulated amortisation	**-0.6**	-0.3	**-**	-
Land and land use rights, net	**62.6**	27.9	**0.9**	2.1
Buildings and constructions				
Acquisition cost at beginning	**230.0**	211.4	**79.3**	88.4
Additions	**194.1**	31.1	**0.1**	0.9
Disposals	**-63.5**	-3.8	**-16.5**	-10.0
Changes in exchange rates	**10.5**	-8.7	**-**	-
Acquisition cost at end	**371.1**	230.0	**62.8**	79.3
Accumulated depreciation	**-61.8**	-68.7	**-29.5**	-31.4
Buildings and constructions, net	**309.3**	161.3	**33.4**	47.9
Revaluation of buildings and constructions (included in the above figures)	**6.7**	12.9	**6.7**	12.9

Machinery and equipment				
Acquisition cost at beginning	**623.6**	535.3	**108.2**	112.0
Additions	**649.8**	137.2	**6.6**	8.3
Disposals	**-211.3**	-23.3	**-48.2**	-12.1
Changes in exchange rates	**38.8**	-25.6	**-**	-
Acquisition cost at end	**1,100.9**	623.6	**66.6**	108.2
Accumulated depreciation	**-276.1**	-311.1	**-37.3**	-56.9
Machinery and equipment, net	**824.8**	312.5	**29.3**	51.3
Other tangible assets				
Acquisition cost at beginning	**36.2**	31.0	**2.6**	0.7
Additions	**5.2**	7.7	**-**	1.9
Disposals	**-15.9**	-1.6	**-1.6**	-
Changes in exchange rates	**1.4**	-0.9	**-**	-
Acquisition cost at end	**26.9**	36.2	**1.0**	2.6
Accumulated depreciation	**-16.1**	-21.1	**-0.6**	-1.3
Other tangible assets, net	**10.8**	15.1	**0.4**	1.3
Construction in progress and advance payments				
Acquisition cost at beginning	**25.6**	22.0	**2.3**	0.6
Additions	**204.2**	53.7	**5.9**	3.6
Disposals	**-115.9**	-45.3	**-6.1**	-1.8
Changes in exchange rates	**2.4**	-4.8	**-**	-
Acquisition cost at end	**116.3**	25.6	**2.1**	2.4

7. Investments in subsidiaries

The list contains operative companies, holding companies and other subsidiaries with sufficient assets. A complete statutory list is enclosed in the official statutory accounts, which may be obtained from the company on request. Foreign subsidiaries' nominal values are expressed in local currency (1,000). Subsidiaries' book values are expressed in holding company's currency (1,000).

Huhtamäki Van Leer Oyj's shareholding in subsidiaries:

Name	Number of shares	Size of holding %		Nominal value		Book value	Group holding %
Huhtamaki Finance B.V.	1,079,972	100.0	NLG	1,079,972	EUR	455,655	100.0
Huhtamäki Finance Oy	50	100.0	EUR	8,409	EUR	8,409	100.0
Royal Packaging Industries Van Leer N.V.	32,782,500	98.2	NLG	213,913	EUR	1,015,451	98.2
Sealright Co., Inc.	1,000	100.0	USD	1	EUR	114,961	100.0
Subsidiary shares owned by Huhtamaki Finance B.V.:							
Huhtamaki (Australia) Pty. Ltd	43,052,750	100.0	AUD	43,053	NLG	107,162	100.0
Huhtamaki (New Zealand) Ltd	3,923,400	100.0	NZD	13,920	NLG	11,934	100.0
Huhtamaki Holdings France S.A.R.L	283,220	100.0	FRF	28,322	NLG	17,026	100.0
Huhtamaki Ltd	41,928	100.0	GBP	41,928	NLG	171,846	100.0
Huhtamaki Sweden AB	171,000	100.0	SEK	17,100	NLG	9,668	100.0
Monoservizio Bibo S.p.A	15,000,000	100.0	ITL	15,000,000	NLG	46,021	100.0
Polarcup Benelux B.V.	1,260	100.0	NLG	1,260	NLG	36,473	100.0
Polarcup Poland Sp. Z.o.o.	52,731	100.0	PLN	14,488	NLG	43,768	100.0
Polarcup S.A.	230,000	100.0	ESP	1,150,000	NLG	40,772	100.0
Subsidiary shares owned by Huhtamaki (Australia) Pty. Ltd:							
Polarcup (Australia) Ltd	9,241,702	100.0	AUD	9,241	AUD	16,320	100.0
Subsidiary shares owned by Huhtamaki (New Zealand) Ltd:							
Polarcup (NZ) Ltd	195,700	97.5	NZD	1,030	NZD	28,493	100.0
Subsidiary shares owned by Huhtamaki Holdings France S.A.R.L:							
Polarcup France S.A.	72,000	100.0	FRF	7,200	FRF	4,992	100.0
Procédés Modernes d´Impression S.A.	2,632	94.0	FRF	263	FRF	31,548	100.0
Subsidiary shares owned by Procédés Modernes d´Impression S.A.:							
Tulipia S.A.	58,500	100.0	FRF	13,455	FRF	12,687	100.0

Name	Number of shares	Size of holding %		Nominal value		Book value	Group holding %
Subsidiary shares owned by Huhtamaki Ltd:							
Polarcup Ltd	11,000,003	100.0	GBP	11,000	GBP	25,513	100.0
Subsidiary shares owned by Huhtamaki Sweden AB:							
Polarcup AB	1,500	100.0	SEK	1,500	SEK	16,995	100.0
Subsidiary shares owned by Royal Packaging Industries Van Leer N.V.:							
4P Rube Polska Sp. Z.o.o.	108,503	98.5	PLN	11,016	EUR	3,868	100.0
American Flange & Manufacturing Co., Inc.	650,8	100.0	USD	-	EUR	469	100.0
Chuo-Sangyo Limited	799	99.9	JPY	40,000	EUR	1,457	99.9
Compañía Mexicana Tri-Sure, S.A. de C.V.	5,099,484	100.0	MXP	5,100	EUR	1,152	100.0
Consordio Industrial Packsa S.A. de C.V.	-	96.9	MXP	10	EUR	-	100.0
Embalagens de Portugal Van Leer, Lda.	-	66.7	PTE	19,200	EUR	2,020	100.0
Huhtamaki Van Leer Jipack	11,215,000	100.0	CZK	111,215	EUR	5,389	100.0
Impack Industries B.V.	40	100.0	NLG	40	EUR	1,397	100.0
Keyes Italiana S.p.A.	3,500,000	100.0	ITL	3,500,000	EUR	8,595	100.0
Lametal del Norte S.A.	435,000	100.0	ARS	435	EUR	832	100.0
PT Van Leer ASABA	11,250	50.0	IDR	5,357,250	EUR	1,086	100.0
Tri-Sure Japan, Ltd.	310,000	100.0	JPY	155,000	EUR	1,471	100.0
Van Leer Aqua Pack Sp. Z.o.o.	22,831	99.8	PLN	2,287	EUR	619	100.0
Van Leer Argentina S.A.	168,700	80.0	ARS	211	EUR	11,346	97.4
Van Leer Beheer II B.V.	40	100.0	NLG	40	EUR	-	100.0
Van Leer Beheer V B.V.	40	100.0	NLG	40	EUR	44	100.0
Van Leer Belize, Ltd	1,000,050	66.7	BZD	1,500	EUR	326	66.7
Van Leer Chile S.A.	999	99.9	CLP	316,000	EUR	558	100.0
Van Leer Containers (Nigeria) Plc	21,746,400	51.0	NGN	21,320	EUR	4,323	51.0
Van Leer Cylinders Sdn Bhd	1,999,998	100.0	MYR	2,000	EUR	2,958	100.0
Van Leer Danmark A/S	50	100.0	DKK	500	EUR	2,150	100.0
Van Leer Dunadob Kft.	5,249	75.0	HUF	700	EUR	2,825	75.0
Van Leer East Africa Ltd.	1,249,999	100.0	KES	25,000	EUR	1,128	100.0
Van Leer Elpack AEBE	396,000	99.0	GBD	492,400	EUR	2,062	100.0
Van Leer Embalagens Industriais do Brasil Ltda	11,229,998	100.0	BRL	11,230	EUR	42,784	100.0
Van Leer Envases de Colombia S.A.	736,862	94.0	COB	78,390	EUR	1,161	100.0
Van Leer Envases de Costa Rica, S.A.	868	100.0	COC	86,800	EUR	480	100.0
Van Leer Envases de Guatemala S.A.	3,260	99.0	GUQ	3,293	EUR	232	100.0
Van Leer France Investment Holding B.V.	42	100.0	NLG	42	EUR	13,403	100.0
Van Leer Iberica, S.A.	96,717	99.4	ESP	930,000	EUR	8,780	100.0
Van Leer Industries B.V.	47,050	100.0	NLG	47,050	EUR	40,409	100.0
Van Leer Ireland Limited	374,999	100.0	IEP	375	EUR	598	100.0
Van Leer Italia S.P.A.	95,338	95.3	ITL	10,000,000	EUR	28,258	100.0
Van Leer Jamaica Limited	500,000	100.0	JMD	1,000	EUR	969	100.0
Van Leer Malaysia Sdn Bhd	6,499,998	100.0	MYR	6,500	EUR	3,074	100.0
Van Leer Mimaysan Ambalaj Sanayi A.S.	259,000	74.0	TRL	350,000,000	EUR	3,267	75.0
Van Leer Moulded Fibres India Limited	5,100	51.0	INR	100	EUR	975	51.0
Van Leer New Zealand Limited	7,737,306	100.0	NZD	7,737	EUR	9,706	100.0
Van Leer Ningbo Packaging Ltd	-	100.0	USD	3,138	EUR	4,452	100.0
Van Leer Obaly A.S.	117,096	97.1	CZK	120,611	EUR	6,195	97.1
Van Leer Omafu S.A.	150,000	60.0	MAD	25,000	EUR	2,139	100.0
Van Leer Packaging (Thailand) Co., Ltd	999,993	100.0	THB	100,000	EUR	7,882	100.0
Van Leer Packaging Sdn. Bhd. (Johor)	1,500,000	100.0	MYR	1,500	EUR	453	100.0
Van Leer SA (Pty) Ltd	2,451,000	100.0	ZAR	4,902	EUR	64,583	100.0
Van Leer Saf Plastik Sanayi ve Ticaret A.S.	2,499,999,984	100.0	TRL	10,000,000,000	EUR	33,136	100.0
Van Leer Services B.V.	3,000	100.0	NLG	3,000	EUR	1,361	100.0
Van Leer Silesia Sp. Z.o.o.	71,342	99.1	PLN	7,202	EUR	3,276	100.0
Van Leer Singapore Pte Ltd	5,000,000	100.0	SGD	5,000	EUR	1,250	100.0
Van Leer Supak Ambalaj Sanayi ve Ticaret Limited Sirketi	6,360	95.0	TRL	167,375	EUR	969	100.0
Van Leer Sweden Packaging AB	10,000	100.0	SEK	100	EUR	-	100.0
Van Leer UK Holdings Limited	67	97.1	GBP	-	EUR	26,233	100.0
Van Leer Uruguay S.A.	1	100.0	UYU	4,500	EUR	1,148	100.0
Van Leer Venezuela	15,240	100.0	VEB	15,240	EUR	6,000	100.0
Van Leer Zimbabve Private Ltd	499,999	100.0	ZWD	500	EUR	2,530	100.0
Van Leer-Muno N.V.	180,000	37.5	BEF	480,000	EUR	304,763	100.0
ZAO Van Leer Upackovka	5,660	100.0	RUR	5,660	EUR	5	100.0
ZAO Van Leer Ural	9	90.0	RUR	115	EUR	3,456	90.0
Subsidiary shares owned by 4P Verpackungsgruppe B.V. & Co. Holding KG:							
Van Leer Verpackungen GmbH	-	97.0	DEM	40,400	DEM	234,857	100.0
Subsidiary shares owned by Concorcio Industrial Packsa S.A. de C.V.:							
The Chinet Company, S.A. de C.V.	9,996	100.0	MXP	10	MXP	19,131	100.0
Van Leer Mexicana, S.A. de C.V.	85,467	100.0	MXP	85	MXP	85	100.0
Subsidiary shares owned by Group of Companies:							
Van Leer Corporation USA, Inc.	100	100.0	USD	-	EUR	-	100.0

Name	Number of shares	Size of holding %		Nominal value		Book value	Group holding %
Subsidiary shares owned by Huhtamäki (Deutschland) GmbH:							
Polarcup GmbH	-	100.0	DEM	17,100	DEM	100,668	100.0
Subsidiary shares owned by The Chinet Company:							
Consordio Industrial Packsa S.A. de C.V.	-	96.9	MXP	10	USD	-	100.0
The Chinet Company AS	59,013	100.0	NOK	59,013	USD	18,986	100.0
Subsidiary shares owned by Valevefa B.V.:							
The Paper Products Limited	6,394,093	60.0	INR	125,374	EUR	23,065	51.0
Subsidiary shares owned by Van Leer Beheer II B.V.:							
Van Leer Egypt L.L.C.	6,000	75.0	EGP	8,000	EUR	1,398	75.0
Subsidiary shares owned by Van Leer Beheer V B.V.:							
Van Leer Group of Companies	1,000	100.0	USD	1	NLG	1	100.0
Subsidiary shares owned by Van Leer Chile S.A.:							
Van Leer Cogas S.A.	21,420	51.0	CLP	420,000	CLP	214,200	100.0
Subsidiary shares owned by Van Leer Corporation USA, Inc.:							
Van Leer Holding, Inc.	100	100.0	USD	-	USD	115,190	100.0
Subsidiary shares owned by Van Leer Embalagens Industriais do Brasil Ltda:							
Brasholanda S.A. Equipamentos Industriais	1,571,525,604	100.0	BRL	-	BRL	-	100.0
Van Leer Amazonas Ltda	-	100.0	BRL	750	BRL	-	100.0
Van Leer Embalagens Moldadas Ltda	-	100.0	BRL	5,248	BRL	-	100.0
Subsidiary shares owned by Van Leer France Holding SNC:							
Société des Emballages Keyes SNC	2,499,834	100.0	FRF	25,000	FRF	33,006	100.0
Van Leer Fibre et Plastique France SNC	4,444	100.0	FRF	8,223	FRF	49,774	100.0
Van Leer France SNC	2,999,999	100.0	FRF	300,000	FRF	37,734	100.0
Subsidiary shares owned by Van Leer France Investments Holding B.V.:							
Van Leer et 4P Services France	299,999	100.0	FRF	30,000	NLG	4,525	100.0
Van Leer France Holding SNC	529,995	100.0	FRF	53,000	NLG	13,367	100.0
Subsidiary shares owned by Van Leer Holding Inc.:							
Nyman Manufacturing Co, Inc.	100	100.0	USD	-	USD	32,463	100.0
The Chinet Company	100	100.0	USD	-	USD	82,830	100.0
Van Leer Containers, Inc.	100	100.0	USD	-	USD	53,910	100.0
Subsidiary shares owned by Van Leer Industries B.V.:							
Leopack B.V.	10,000	100.0	NLG	10,000	EUR	14,006	100.0
LeoReitsma B.V.	135	100.0	NLG	135	EUR	1,492	100.0
Leotech B.V.	200	100.0	NLG	200	EUR	290	100.0
Van Leer Nederland B.V.	250	100.0	NLG	250	EUR	68,413	100.0
Van Leer Special Fibre Products B.V.	250	100.0	NLG	250	EUR	113	100.0
Subsidiary shares owned by Van Leer Packaging (Deutschland) Beteiligungs GmbH:							
Van Leer Packaging (Deutschland) GmbH & Co. KG	-	100.0	DEM	8,000	DEM	167,000	100.0
Subsidiary shares owned by Van Leer Southeast Asia Partnership Ltd.:							
Van Leer Australia Pty Limited	2,573,374	100.0	AUD	5,147	AUD	220,000	100.0
Van Leer Philippines, Inc.	27,338,575	89.0	PHP	30,718	AUD	1,222	100.0
Subsidiary shares owned by Van Leer SA (Pty) Ltd:							
Van Leer Mocambique Lda	40,000,000	80.0	MET	50,000	ZAR	-	80.0
Subsidiary shares owned by Van Leer Sweden Packaging AB:							
Van Leer Svenska AB	62,000	100.0	SEK	6,200	SEK	168,445	100.0
Subsidiary shares owned by Van Leer UK Holdings Limited:							
Van Leer (NI) Limited	3,103,999	100.0	GBP	1,568	GBP	4,937	100.0
Van Leer (UK) Limited	11,499,999	100.0	GBP	11,500	GBP	12,322	100.0
Van Leer Packaging (UK) Limited	4,774,099	100.0	GBP	4,774	GBP	12,488	100.0
Van Leer Packaging Systems Limited	5,600,111	100.0	GBP	5,600	GBP	8,475	100.0
Van Leer Plastone Limited	3,000,000	100.0	GBP	3,000	GBP	3,116	100.0
Subsidiary shares owned by Van Leer Verpackungen GmbH:							
Huhtamäki (Deutschland) GmbH	-	99.0	DEM	15,000	DEM	75,000	100.0
Van Leer Packaging (Deutschland) Beteiligungs GmbH	-	100.0	DEM	50	DEM	184,915	100.0
Van Leer Verpackungen GmbH & Co. KG	-	100.0	DEM	10,000	DEM	45,125	100.0
Subsidiary shares owned by Van Leer-Muno N.V.:							
Van Leer Coordination Center N.V.	1,228,881	100.0	BEF	12,288,820	BEF	13,954,540	100.0

8. Investments in associated and other companies

Foreign subsidiaries' nominal values are expressed in local currency (1,000), while book values are in holding company's currency (1,000).

Name	Number of shares	Size of holding %		Nominal value		Book value	Group holding %
Owned by Huhtamäki Van Leer Oyj:							
Associated companies:							
Arabian Paper Products Co.	1,600	40.0	SAR	1,600	EUR	452	40.0
Other:							
Hex Oy	24,400	0.2	EUR	34	EUR	25	
Palace Hotel Oy	110	0.6	EUR	2	EUR	40	
Repligen Corporation	30,514	0.2	USD	-	EUR	271	
Suomen Osakekeskusrekisteri Osuuskunta	8	1.7	EUR	27	EUR	27	
Owned by the Group:							
Associated companies:							
Güven Plastik Sanayi A.S.	825,000	50.0	TRL	825,000,000	NLG	22,850	50.0
Other:							
Merita Oyj	300,000	0.0	EUR	505	EUR	968	
Pohjola-Yhtymä Vakuutus Oyj	117,664	0.3	EUR	99	EUR	1.461	

9. Receivables

	GROUP		PARENT COMPANY	
EUR million	**1999**	1998	**1999**	1998
Current				
Trade receivables	**519.3**	224.6	**6.6**	19.2
Intercompany trade receivables	**-**	-	**2.9**	10.3
Loan receivables	**7.9**	8.6	**-**	-
Intercompany loan receivables	**-**	-	**18.8**	2.5
Other receivables	**148.1**	35.9	**14.2**	9.2
Other intercompany receivables	**-**	-	**4.4**	6.1
	675.3	269.1	**46.9**	47.3
Long-term				
Intercompany loan receivables	**-**	-	**3.7**	3.3
Other long-term receivables	**19.8**	15.2	**0.1**	0.1
Deferred tax asset	**76.0**	23.5	**-**	0.1
	95.8	38.7	**3.8**	3.5
Total receivables	**771.1**	307.8	**50.7**	50.8

10. Loans

	GROUP		PARENT COMPANY	
EUR million	**1999**	1998	**1999**	1998
Current				
Bank loans - current portion	**128.8**	25.9	**-**	-
Other loans - current portion	**18.6**	0.2	**-**	-
Obligations under finance leases - current portion	**0.1**	0.4	**-**	-
Short-term loans	**298.8**	126.6	**-**	-
	446.3	153.1	**-**	-
Long-term				
Bank loans	**697.8**	70.9	-	-
Pension loans	**1.8**	5.8	**1.8**	5.8
Intercompany loans	**-**	-	**-**	-
Other long-term loans	**57.1**	0.4	**-**	0.2
Obligations under finance leases	**2.7**	0.4	**-**	-
	759.4	77.5	**1.8**	6.0

NOTES TO THE FINANCIAL ACCOUNTS

EUR million	GROUP 1999	1998	PARENT COMPANY 1999	1998
Changes in long-term loans and repayments				
Bank loans				
1 Jan. 1999	96.8			
Additions	760.5			
Decreases	40.1			
Changes in exchange rates	9.4			
	826.6			
Repayments 2000	128.8			
31 Dec. 1999	697.8			
Pension loans 31 Dec. 1999				
From pension foundation	1.8		1.8	
Other	-		-	
Repayments				
2000	147.5		-	
2001	48.4		-	
2002	23.0		-	
2003	200.2		-	
2004	416.4		-	
2005 -	71.4		1.8	

11. Other long-term liabilities

EUR million	GROUP 1999	1998	PARENT COMPANY 1999	1998
Pension liability	**62.2**	29.0	**-**	-
Other	**160.3**	17.8	**0.1**	0.2
	222.5	46.8	**0.1**	0.2

Other long term liabilities include reserves for restructuring, risks and post retirement benefits.

12. Payables

EUR million	GROUP 1999	1998	PARENT COMPANY 1999	1998
Trade payables	**272.5**	110.4	**6.1**	12.6
Intercompany trade payables	**-**	-	**10.9**	2.0
Taxes payable	**19.2**	21.3	**0.7**	-
Other payables and accrued expenses	**450.8**	142.8	**1,020.0**	167.0
	742.5	274.5	**1,037.7**	181.6

Other payables include reserves for restructuring and integration. Huhtamäki Van Leer Oyj's debt mainly comprises of debt to Huhtamäki Finance Oy.

13. Share capital of the parent company

	Number of shares	EUR
Jan. 1, 1999	29,874,746	100,586,138.29
Increase due to warrants	3,000	10,100.79
Share capital increase	1,598,217	5,381,082.61
Outstanding Dec. 31, 1999	31,475,963	105,977,321.69

The counter value of a share is EUR 3.37. The counter value is not an exact value.

The loan with warrants issued in 1993 will entitle to a maximum subscription of 96,150 shares in 2000. The loan with warrants issued in 1997 will entitle to a maximum subscription of 450,000 shares in the years 2000-2004. A total of 546,150 shares may be subscribed to based on the loans with warrants, representing a share capital increase of EUR 1,838,848.82.

Members of the Board of Directors and the Managing Director of Huhtamäki Van Leer Oyj owned on Dec. 31, 1999 a total of 26,100 shares in Huhtamäki Van Leer Oyj. These shares represent 0.08 % of the total number of shares and voting rights.

14. Changes in equity

	GROUP		PARENT COMPANY	
EUR million	1999	1998	1999	1998
Restricted equity:				
Share capital 1 Jan.	100.6	100.3	100.6	100.3
Increase	5.4	0.3	5.4	0.3
Share capital 31 Dec.	106.0	100.6	106.0	100.6
Premium fund 1 Jan.	188.8	186.4	274.3	271.5
Increase	151.7	2.8	49.3	2.8
Exchange difference of repurchased shares	-	-0.4	-	-
Premium fund 31 Dec.	340.5	188.8	323.6	274.3
Revaluation fund 1 Jan.	-	2.5	-	2.5
Reversal of revaluation	-	-2.5	-	-2.5
Revaluation fund 31 Dec	-	-	-	-
Consolidation difference 1 Jan.	-22.8	19.2	-	-
Change	67.5	-42.0	-	-
Consolidation difference 31 Dec.	44.7	-22.8	-	-
Total restricted equity	491.2	266.6	429.6	374.9
Non-restricted equity:				
Retained earnings 1 Jan.	377.5	342.6	267.4	277.7
Changes in exchange rates	-23.3	5.1	-	-
Reversal of revaluation	-6.5	-4.5	-6.5	-4.5
Dividends	-30.1	-30.1	-30.1	-30.1
Dividends on repurchased shares	3.0	3.0	-	-
Net income for the period	101.8	61.4	22.3	24.3
Retained earnings 31 Dec.	422.4	377.5	253.1	267.4
Transfers from untaxed reserves				
1 Jan.	36.4	35.3	-	-
Change	8.1	1.1	-	-
31 Dec.	44.5	36.4	-	-
Total non-restricted equity	466.9	413.9	253.1	267.4
Minority interest:				
Minority interest 1 Jan.	3.2	-	-	-
Increase	85.8	3.2	-	-
Minority interest for the year	1.9	-	-	-
Decrease	-3.2	-	-	-
Minority interest 31 Dec.	87.7	3.2	-	-

In 1999 third-party interest includes EUR 63.9 million of preference shares in the Group company.

15. Commitments and contingencies

EUR million	GROUP	PARENT COMPANY
Operating lease payments:		
2000	14.7	0.2
2001 and thereafter	36.3	0.2
Total	51.0	0.4
Capital expenditure commitments:		
2000	27.4	0.1
2001 and thereafter	8.1	-
Total	35.5	0.1
Mortgages:		
For own debt	22.6	1.8
Guarantee obligations:		
For subsidiaries	-	897.0
For associated companies	-	-
For external parties	-	-

16. Financial risk management and outstanding off-balance sheet instruments

MANAGEMENT OF FINANCIAL RISK

The significant changes in the company structure and higher indebtedness increased the financial risks of the company.

The objective of the financial risk management is to ensure that the company has access to sufficient funding and to minimize the impact on the company from adverse movements in the financial markets.

The management of financial risks is guided and controlled by a Finance Committee, led by the Managing Director. The financial risks are managed centrally by the treasury function at the Espoo headquarters.

Huhtamäki Finance Oy is the center point of the company's funding and risk management, serving the business units in daily financing, foreign exchange transactions and cash management co-ordination. The corporate finance function is in charge of bank relationships, long-term financing, financing in emerging markets and treasury projects.

Currency risk

Huhtamaki Van Leer has production units in over 50 countries. Intercompany cross border business as well as external exports and imports create exposures to currency movements. Business units are in charge of actively managing their currency exposure deriving from future commercial cash flows. The exposure is managed according to policies and limits defined by the business units and approved by the treasury in Espoo. Hedging is done with Huhtamäki Finance Oy.

The net commercial position is monitored on a 12-month rolling basis. Business units are obliged to report their net commercial positions to the treasury. Company's expected 12-month net commercial position, i.e. transaction exposure, was EUR 104 million, with approx. 50 % of the net amount hedged with forward contracts as of the balance sheet date. The biggest exposures derive from USD receivables vs. EUR and EUR payables vs. GBP, PLN and AUD.

Translation risk relates to changes in currency-denominated balance sheet values. Business units do not carry material exposures because they are financed in their local currency. The most significant exposure stems from the equities and especially from the current and future retained earnings of the business units. Equity hedging decisions are made by the Finance Committee.

Interest rate risk

Huhtamaki Van Leer's net interest bearing debt amounted to EUR 1,141 million at year-end. The main borrowing requirements are in EUR (60%), USD (15%) and AUD (10%). The average interest rates of the outstanding loans in these currencies were 4.5% (EUR), 6.3% (USD) and 6.7% (AUD). The average interest rate fixing period of the company's debt was 2.4 years.

The management of interest rate risk is centralised to the company's treasury. Forward rate agreements, interest rate swaps and options are used to manage interest rate exposures.

Liquidity and re-financing risk

The aim is to keep sufficient liquidity reserves and unused committed credit facilities to assure financing in all situations. The company had unused committed credit lines worth EUR 375 million available at year-end. In addition, the company can use uncommitted credit lines with its relationships banks.

The re-financing risk is reduced through a well balanced maturity structure on long term loans. At year-end the average maturity of committed credit facilities and loans was 3 years.

The most significant existing funding programmes are:

Syndicated Multicurrency Revolving Loan Agreement, EUR 650 million
Bilateral Multicurrency Revolving Credit Agreements, EUR 210 million
Domestic Commercial Paper Programmes, EUR 275 million

Counterpart risk

Huhtamäki Finance Oy can only place funds at banks with which it has credit facilities and may invest in government bonds, in treasury bills and in commercial papers of borrowers with a solid investment grade rating and selected Finnish corporate issuers. Finance Committee approves all counterpart limits.

Counterpart risk arising from derivatives is limited by concluding transactions with only financially strong banks.

NOTES TO THE FINANCIAL ACCOUNTS

OUTSTANDING OFF-BALANCE SHEET INSTRUMENTS:

EUR million	**1999**	1998
Currency forwards, transaction risk hedges	**78**	43
Currency swaps, financing hedges	**396**	178
Currency options	**4**	-
Forward rate agreements, gross	**197**	32
Forward rate agreements, net	**-**	11
Interest rate swaps	**452**	-
Interest rate options	**-**	21

All off-balance sheet instruments except for interest rate swaps and options are marked to market as per balance sheet date. Unrealised gains and losses are booked as accrual to the result for the period. For interest rate swaps and options the net interest amount to be paid or received at next fixing is accrued until balance sheet date

17. Deferred tax asset/liability

	GROUP		**PARENT COMPANY**	
EUR million	Deferred tax liability	Deferred tax asset	Deferred tax liability	Deferred tax asset
On untaxed reserves	17.3	-	-	-
Due to consolidation	-	2.3	-	-
Due to timing differences	134.5	73.7	-	-
Total	151.8	76.0	-	-

18. Accrued income

Accrued income includes items such as rebates of raw material purchases, accrued interest and other accrued operating income.

19. Accrued expenses

Accrued expenses include items such as accrued wages and salaries, VAT, discounts and accrued income taxes.

KEY EXCHANGE RATES IN EUROS

		1999		1998	
		Income statement	**Balance sheet**	Income statement	Balance sheet
Australia	AUD	**0.6050**	**0.6484**	0.5663	0.5264
Brazil	BRL	**0.5022**	**0.5506**	0.9000	0.7095
Great Britain	GBP	**1.5174**	**1.6085**	1.4883	1.4175
India	INR	**0.0218**	**0.0230**	0.0218	0.0202
South Africa	ZAR	**0.1537**	**0.1621**	0.1640	0.1456
United States	USD	**0.9377**	**0.9954**	0.8988	0.8571

HUHTAMAKI VAN LEER 1995-1999

EUR million		1995	1996	1997	1998	1999
Net sales		1,317.9	1,262.3	1,074.3	1,226.1	1,412.1
Increase in net sales	%	-5.4	-4.2	-14.9	14.1	15.2
Net sales outside Finland		1,120.8	1,079.9	950.1	1,099.8	1,364.5
Earnings before interest, taxes, depreciation and amortisation		154.2	165.7	150.0	151.4	202.1
Earnings before interest, taxes, depreciation and amortisation/net sales	%	11.7	13.1	14.0	12.3	14.4
Earnings before interest and taxes		79.1	89.7	87.3	84.1	113.9
Earnings before interest and taxes/net sales	%	6.0	7.1	8.1	6.9	8.1
Profit before exceptional items, minority interest & taxes		53.3	70.7	88.0	79.6	94.4
Profit before exceptional items, minority interest & taxes/net sales	%	4.0	5.6	8.2	6.5	6.7
Net income		32.1	93.0	69.3	61.4	101.8
Shareholders' equity		622.7	625.6	686.2	680.5	958.1
Return on investment	%	8.9	10.7	12.9	10.6	10.4
Return on shareholders' equity	%	6.2	8.0	10.4	8.8	9.4
Solidity	%	47.3	52.4	57.9	52.5	31.1
Net debt to equity		0.43	-0.28	-0.04	0.28	1.09
Current ratio		1.37	1.68	1.55	1.09	0.94
Times interest earned		6.81	12.06	..	14.47	8.47
Capital expenditure		51.9	58.5	77.2	81.7	100.7
Capital expenditure/net sales	%	3.9	4.6	7.2	6.7	7.1
Research and development		37.8	27.0	5.3	6.2	7.2
Research and development/net sales	%	2.9	2.1	0.5	0.5	0.5
Number of shareholders (December 31)		19,966	17,888	16,566	16,168	15,966
Personnel (December 31)		10,930	8,000	9,974	11,024	23,876

PER SHARE DATA

Per share data

		1995	1996	1997	1998	1999
Earnings per share	EUR	1.30	1.76	2.55	2.29	2.39[1]
Dividend, nominal	EUR	0.67	0.76	1.01	1.01	1.05[2]
Dividend/earnings per share	%	51.7	43.0	39.5	44.1	43.9[2]
Dividend yield						
Series K	%	3.8	2.1	2.8	3.2	-[3]
Series I	%	3.8	2.1	2.7	3.1	3.1[2]
Shareholders' equity per share	EUR	21.00	23.42	25.63	25.32	30.44
Share price adjusted for share issue at Dec 31						
Series K	EUR	17.49	35.49	36.83	31.96	-[3]
Series I	EUR	17.66	35.99	37.84	32.63	33.60
Average number of shares adjusted for share issue		29,539,212	28,711,451	26,748,354	26,835,736	27,964,032
Number of shares adjusted for share issue at year end		29,654,196	26,711,896	26,775,896	26,874,746	31,475,963
P/E ratio						
Series K		13.8	20.5	14.3	13.7	-[3]
Series I		13.9	20.8	14.9	14.1	14.0
Market capitalisation at Dec 31	EUR million	521.6	955.1	993.0	952.0	1,057.6

[1] The dilutive effect of the bonds with warrants of 1993 and 1997 included: EUR 2.35
[2] 1999: Board's proposal
[3] Series K and I combined on October 8, 1999

PROPOSAL OF THE BOARD OF DIRECTORS

On December 31, 1999, consolidated non-restricted equity amounted to EUR 422,390,892.40.

On December 31, 1999, Huhtamäki Van Leer Oyj's non-restricted equity was EUR 253,113,775.32 of which the net income for the financial period was EUR 22,265,229.24.

The Board of Directors proposes distribution of the earnings as follows:

- to the shareholders EUR 1.05 a share	33,049,761.15
- to be left in the non-restricted equity	220,064,014.17
	253,113,775.32

The Board of Directors proposes that the payment of dividends will be made on April 26, 2000. The dividends will be paid to shareholders who on the record date, April 17, 2000, are registered as shareholders in the register of shareholders.

Espoo, February 29, 2000

Veli Sundbäck | Paavo Hohti | Urpo Kangas

Harry Leliveld | Mikael Lilius | Heikki Marttinen

Ivar Samrén | Anthony J.B. Simon | Jukka Viinanen

Timo Peltola
Managing Director

AUDITORS' REPORT

To the shareholders of Huhtamäki Van Leer Oyj

We have audited the accounting, financial statements and corporate governance of Huhtamäki Van Leer Oyj for the period January 1, 1999 - December 31, 1999. The financial statements which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements, with the consolidated financial statements, can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding non-restricted equity is in compliance with the Companies' Act.

We have acquainted ourselves with the interim reports made public by the company during the year. It is our understanding that the interim financial statements have been prepared in accordance with the rules and regulations governing the preparation of such statements in Finland.

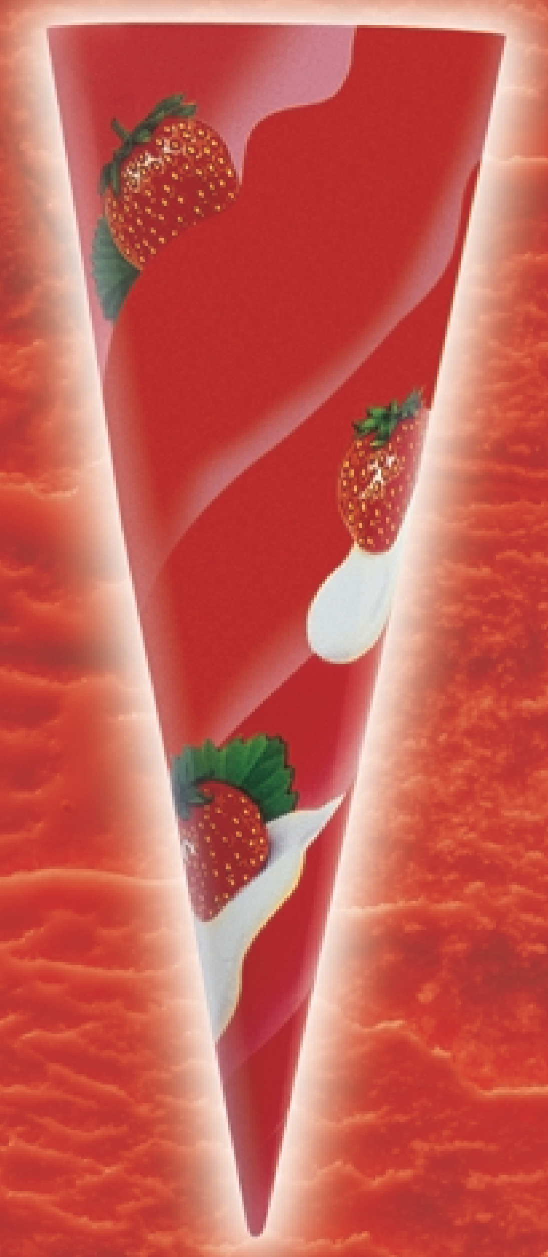
Espoo, February 29, 2000

Thor Nyroos
APA

Eero Suomela
APA

Earnings per share	=	Profit before exceptional items, minority interest and taxes - minority interest - taxes / Average issue-adjusted number of shares
Dividend yield	=	100 x issue-adjusted dividend / Issue-adjusted share price at Dec 31
Shareholders' equity per share	=	Equity + untaxed reserves - deferred tax and minority interest in untaxed reserves / Issue-adjusted number of shares at Dec 31
P/E ratio	=	Issue-adjusted share price at Dec 31 / Earnings per share
Market capitalisation	=	The number of shares issued in the different share series at Dec 31 multiplied by the corresponding share prices on the stock exchange
Return on investment	=	100 x (Profit before exceptional items, minority interest and taxes + interest expenses + other financial expenses) / Balance sheet total - interest-free liabilities (average)
Return on net assets	=	100 x earnings before interest and taxes / Net operating assets (average)
Return on shareholders'equity	=	100 x (Profit before exceptional items, minority interest and taxes - taxes) / Equity + minority interest + untaxed reserves - deferred tax in untaxed reserves (average)
Net debt to equity	=	Interest bearing net debt / Equity + minority interest + untaxed reserves - deferred tax in untaxed reserves
Solidity	=	100 x (equity + minority interest + untaxed reserves - deferred tax in untaxed reserves) / Balance sheet total - advances received
Current ratio	=	Current assets / Current liabilities
Times interest earned	=	Earnings before interest and taxes + depreciation and amortisation / Net interest expenses

Food Packaging



The Food Packaging Division comprises the Group's rigid and flexible food packaging activities as its core operations. In certain regions, manufacturing and other functions are shared with the Food Service Division.

Huhtamaki Van Leer commands the full spectrum of design, manufacturing and decoration technologies for rigid and flexible packaging. It is the world leader in packaging and packaging systems for frozen dairy desserts. Other well-established segments include dairy, edible fats, convenience, frozen and pet foods, as well as detergents and other non-food products. The customer base includes most multinational food processors, increasingly as regional or global accounts. Huhtamaki Van Leer's worldwide network is uniquely positioned to meet their needs.

Market Overview

The European markets for food packaging remained depressed through the first half of 1999, largely due to the continued low volumes of food exports to Russia and other emerging markets. Excess capacity, customer consolidation and historically low raw materials prices until mid-year led to fierce price competition in certain markets and segments, notably dairy packaging in Germany and the UK. The market recovery accelerated towards year-end, but steep increases in raw materials prices dampened profit improvement. Through the year, volume development was stronger in flexible packaging, which benefited from a substitution trend from metal, board and glass packaging.

In North America, the ice cream market grew moderately but provided the stability lacking in 1998. The market in Oceania was healthy, and South America and Asia showed signs of recovery. In Africa, the Group's consumer flexibles operations were still in the start-up phase.

Business Commentary

- In **Central Europe**, good progress in ice cream packaging and new product lines, such as Desto™ composite cups, were not sufficient to offset the declining volumes and prices of margarine tubs and yoghurt cups, especially in **Germany** and **Poland**.
- **Southern Europe** displayed a stronger volume development, with good progress in **France** and **Spain** through the year and **Italy** improving during the second half.
- A challenging year for **UK** operations, with growth in ice cream and new product areas not enough to offset the negative volume development and price erosion in dairy and margarine segments due to customer consolidation.
- In **North East Europe**, Scandinavian business was satisfactory but dairy packaging remained below expectations due to low volumes of food exports to **Russia**. New business opportunities were pursued for ice cream and non-food applications. The Russian units clearly exceeded sales expectations.
- Strong volume growth but tight pricing in European **Consumer Flexibles**, with higher raw materials prices partly offset by product downgauging. Excellent start for sterilisable stand-up pouches.
- A strong rebound of strength films, strategic repositioning of other technical films and improving earnings from the metallized products units (divested in early 2000) boosted the **Technical films and coatings** operations significantly.
- Excellent progress in **Turkey**, with rigid packaging volumes in strong growth and flexible packaging winning recognition for outstanding products. The devastating earthquakes saved the Group's facilities and employees but inevitably affected trading.
- The **North American** ice cream market grew only moderately, but stable market conditions and recovery of the Super Premium category contributed to sales growth, as did new food and non-food applications. New printing capacity came on stream and reduced costly outsourcing.
- The newly acquired Brasholanda unit in **Brazil** multiplied the Group's food packaging sales in **South America** and improved its performance clearly during the first few months under new management.
- A strong finish of the year in **Australia** and steady growth in **New Zealand**, with new injection moulding capacity and the mid-year acquisition of Rexam's flexible packaging units fuelling further expansion in 2000.
- Flexible packaging acquisitions in **India** and **Thailand** boosted sales in **Asia**, while rigid packaging volumes began to recover towards year-end.

Outlook for 2000

The strong sales in late 1999 indicate some "Millennium" effect and stockpiling ahead of inevitable price increases. However, even in the first quarter of 2000, total volume is expected to remain ahead of the depressed levels of early 1999. Raw materials prices continue to put pressure on margins, but economies of scale in purchasing should further enhance the Group's competitive advantage.

Volume growth is expected from several value-added areas, such as complex flexible packaging, premium ice cream packaging and new Sealright in-plant systems for oval containers. Major multinational customers, cross-selling of rigid and flexible and recovery in emerging markets present additional growth opportunities.

The integration and restructuring of the Group's rigid packaging operations in Central Europe and the UK during 2000-2001 presents a major opportunity to improve profitability in these core regions.

Food Service

Huhtamaki Van Leer is the only global supplier of food service packaging. Europe, Asia and Oceania constitute its strongest markets, while in North America, the world's largest foodservice market, the company has a strong position in branded moulded fibre plates and bowls. The division employs Polarcup® and Chinet® as product category brands, while Bibo®, Chinet® and Lily® are the principal consumer product brands in Europe, North America and Oceania, respectively.

The main food service customer segments are quick service restaurants and beverage (QSR & B), catering, consumer and fresh foods. A common denominator is convenience, hygiene and economy through the supply chain. These factors along with a dynamic response to new market trends will contribute to the consistently high growth rates. Coffee to Go, Home Meal Replacement (HMR) and fresh food trade are current examples of such growth drivers.

The company develops new product and service concepts in order to offer its customers a total packaging solution. A full spectrum of technologies shared with the Food Packaging division, plus a world leadership position in moulded fibre products and technology, is a major asset.

As a global player, Huhtamaki Van Leer is the ideal packaging partner for multinational food service operators as they expand to new regions or look for a supplier with strong resources and backup capacity. New business opportunities are under evaluation in South America, Africa and Asia.

Market Overview

A healthy overall demand for food service products prevailed in the established markets of Europe, North America and Oceania in 1999, while the depressed regions in Asia and Latin America started to recover towards year-end. Dynamic market trends were at play, presenting growth opportunities. Raw materials prices began to exert pressure on margins during autumn, but the pricing of finished products responded better than in certain food packaging segments. Strong sales in November and December imply some "Millennium" effect – a combination of precautionary inventory building and genuinely increased demand ahead of festivities.

Business Commentary

- In **Central Europe** – **Germany, Benelux, Poland and Hungary** – quick-service and catering products were in good demand. The integration of sales forces and administration got a flying start.
- All main food service segments fared well in **Southern Europe**, with excellent growth in **Spain**. A new open-cell meat tray, Top Tray Plus, was launched in **France**. The domestic consumer disposables business in **Italy** came under pressure but exports of the Bibo brand soared.
- In the **UK**, a new integrated organisation was put in place rapidly. Strong volume gains were evident for quick-service products, both traditional and trendy. New products included MAP foam trays and APET containers. Ongoing capital expenditure will further boost the fresh foods segment.
- In **North East Europe**, i.e. **Scandinavia, Finland, Russia** and the **Ukraine**, all food service sub-segments showed dynamic development. Quick service thrived and the Coffee to Go concept was well received in **Scandinavia**. New marketing concepts were developed for the consumer disposables business, resulting in a partnership with Fort James's Lotus tissue products in **Finland** as a concrete step.
- The **Fresh Foods** business was in a new phase, as trade has transferred large volumes of its packing and filling processes to industrial packers with more sophisticated packaging requirements. New applications such as MAP trays and HMR packaging were in good demand.
- **Moulded Fibre** operations in Europe had, on balance, a good sales year. The price for recycled paper, the main raw material, increased steadily from mid-year, affecting margins.
- The well-known Chinet brand of food service disposables became part of Huhtamaki Van Leer's European consumer disposables strategy.
- In **North America**, Chinet retail products advanced despite intense competition, which called for increased advertising and promotion expenditure. Rising costs of recycled fibres put further pressure on margins and necessitated a price increase in early 2000.
- In **South America**, moulded fibre products achieved good volumes, but profitability in **Brazil** suffered from the massive devaluation of the Real.
- **Asian** food service operators began to return to quality. Restructuring brought capacity and fixed cost in line with realities, whereby results improved in most units.
- Overall, a satisfactory year in **Oceania**, with several new contracts secured for 2000.
- Improving results for moulded fibre in **South Africa**. New quick service business will be developed during 2000.

Outlook for 2000

The Food Service Division expects to repeat a satisfactory sales performance in 2000. A key task is the creation of an integrated food service concept, with all opportunities to cross-sell the Chinet and Polarcup brands fully exploited. Other cornerstones are:

- The successful passing of increased costs to prices
- Following the growth segments, such as HMR, Coffee to Go and protective packaging
- Completion of organisation and technology to address the fresh foods segment
- Acceleration of new product development
- Addressing areas of unsatisfactory progress
- Developing business in new territories
- Launching the environmentally superior EarthShell Packaging® products

It is the vision of Huhtamaki Van Leer to become the undisputed global leader in food service packaging. To this end, complementary acquisitions will be actively pursued.

Industrial Packaging

The primary mission of the Industrial Packaging Division is to offer its customers in the chemical, lubricants and food industries a full selection of alternatives for the packaging of industrial liquids in the 20-1,000 litre range. While steel drums and their closure systems represent the dominant product categories, the Group has a strong position also in plastic and fibre drums, intermediate bulk containers (IBCs), polycarbonate water bottles, as well as advanced metal and plastic closures.

In steel drums, the Group is six times the size of its nearest competitor and the only supplier with a global presence. The Group has invested in high-speed "Factory of the Future" technology in strategic locations but will maintain a dense worldwide network of smaller-scale steel drum plants. Plastic drums will be enhanced through new blow-moulding capacity parallel to the proprietary Valerex technology. Capital expenditure will also address the growing demand for water bottles and, importantly, IBCs. The Division is open to partnerships, such as filling operations next to its drum plants.

Market Overview

The overall demand for industrial packaging grew progressively stronger during 1999. This, coupled with gains in market share, boosted the Group's sales of large steel drums, a key product category, by 6%. The development was uneven in different parts of the world, however. In Western Europe, the year started slowly, but sales accelerated towards year-end. The British market for steel and fibre drums remained stagnant for most of the year, as the strong Pound slowed down customers' exports. Central and Eastern Europe also displayed accelerating growth for steel drums. The water bottles market kept expanding. Strong demand prevailed in North America in all main categories on the heels of a long period of economic expansion in the USA. In Latin America, the market picture ranged from quite bright in Mexico to recession in Brazil. Asian operations reported a recovery, while Oceania displayed no clear trend. Conditions in Africa improved somewhat.

A major concern towards year-end was the rapid increase in steel prices, which led to hoarding by steel users and, potentially, to supply bottlenecks in early 2000.

Business Commentary

- Stable demand for standard steel drums in **Western Europe,** while conical drums benefited from a strong tomato season. Average performance for small plastic drums and fibre drums, but good sales of 200-litre Valerex plastic drums and growth for IBCs. Manufacturing of water bottles launched in **Benelux**.
- The decline of traditional products in **UK** was largely offset by strong volume gains in new product categories, such as IBCs, water bottles and small plastic drums. A major global supply contract was renegotiated. Output from the "Factory of the Future" improved but not to full capacity yet.
- General recovery of steel drums in **Central and Eastern Europe**, including **Russia**. Prices were stable for most of the year and tracked raw materials prices quite closely around year-end. The water bottles business expanded but new competition kept prices low.
- Volume and market share gains in **North American** steel drums business secured a healthy capacity utilisation for the new Houston "Factory of the Future", the major capital expenditure project fully operative in early 2000. Profitability remained an issue, although the Sirco "knock down" steel drums acquired in 1998 proved a valuable addition. Market share was gained in IBCs and plastic drums, while a healthy position was maintained in steel pails.
- The economic recession in **Latin America** depressed sales volumes in several countries, with **Brazil** the hardest hit market. **Argentina**, by contrast, reported improved results. Overall, steel drum volumes were down and prices under heavy pressure from local competition. The Group responded with streamlining measures. **Central America** and **Mexico** displayed good results.
- **In Asia**, steel drum volumes increased significantly, as the region's economic recovery gained momentum, good sales materialised in **China** and new capacity came on stream in **Japan**.
- Mixed success was evident in **Australia and Oceania**, where volume gains in large steel drums were offset by declines in tinplate small drums and flat sales of plastic containers.
- **In Africa**, steel drum volumes developed favourably. A new regional organisation was implemented.
- The **Closures** business reflected the satisfactory evolution of the steel drums volumes worldwide. Hence, the year started slowly and ended on a strong note. The steel closure units in **the Netherlands**, **the USA** and **Brazil** all met their objectives, whereas some reorganisation was called for at the Rouen plastic closures unit in **France**.

Outlook for 2000

In 2000, steady growth is expected to continue in industrial packaging. However, severe cost pressures are present. Several global supply contracts will be subject to renewal during the year, with pricing clauses a focal issue.

Strong growth is expected from North America, where new capacity is coming on stream in both steel drums and IBCs. In Europe, moderate volume growth is expected in most markets, with the strength of the Pound Sterling still depressing the UK volumes. Latin American, Asian and African volumes are expected to recover.

The transfer of existing manufacturing lines from stagnant to more dynamic markets is a cost-efficient way to respond to growth trends; several such transfers were in motion early in the year. Major capital expenditure projects include the completion of the Houston "Factory of the Future", as well as new IBC and water bottles capacity in several locations. The overall outlook for the division is favourable and more dynamic than for years.

Administration and Auditors

AUDITORS

Thor Nyroos, APA
Eero Suomela, APA

Deputies

Pertti Keskinen, APA
Esa Kailiala, APA

HUHTAMÄKI OYJ SUPERVISORY BOARD/ BOARD OF DIRECTORS

(until October 8, 1999)

Chairman

Paavo Hohti
Secretary General
Finnish Cultural
Foundation

Vice Chairman

Iiro Viinanen
President and CEO
Pohjola Group

Members

Urpo Kangas
Prof. Dr. in Private Law
Helsinki University

Mikael Lilius
President and CEO
Gambro AB

Heikki Marttinen
Chairman and CEO
Fortum Oyj

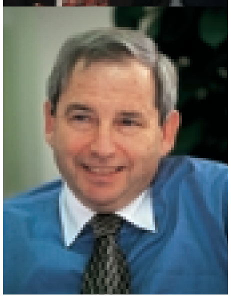
Pertti Voutilainen
President
Merita Pankki Plc

Timo Peltola
CEO
Huhtamäki Oyj









BOARD OF DIRECTORS (from October 8, 1999)

Chairman

VELI SUNDBÄCK (53)
Executive Vice President
Nokia Oyj
Shares: -

Members

URPO KANGAS (49)
Prof. Dr. in Private Law
Helsinki University
shares: -

HEIKKI MARTTINEN (53)
President and CEO
Fortum Oyj
shares: -

Vice Chairman

PAAVO HOHTI (55)
Secretary General
Finnish Cultural
Foundation
shares: -

HARRY LELIVELD (61)
Executive Director
Stichting Van Leer
Group Foundation
shares: -

ANTHONY J.B. SIMON (54)
Corporate Vice President
Bestfoods Inc,
shares: -

Vice Chairman

IVAR SAMREN (61)
Chairman
Stichting Van Leer
Group Foundation
shares: -

MIKAEL LILIUS (50)
President and CEO
Gambro AB
shares: 3,600

JUKKA VIINANEN (52)
M.Sc. (Chem. Eng.)
shares: -

EXECUTIVE COMMITTEE (from October 8, 1999)

Chairman

TIMO PELTOLA (53)

Dr. (Hc)
CEO since 1989
Joined the company in 1971
Positions of Trusts/Memberships:
Member of the Board of Directors, MeritaNordbanken Group
Supervisory Board Member, The Finnish Cultural Foundation
Vice Chairman of the Supervisory Board, Ilmarinen Pension Insurance Company
shares: 22,500
share options:
1993 15,000
1997 40,000

Vice Chairman

FRANCISCO DE MIGUEL (55)

Division President,
Industrial Packaging
Joined the company in 1968
shares: -
share options: -

MATTI TIKKAKOSKI (46)

Division President,
Food Service
Joined the company in 1980
shares: 3,000
share options:
1993 5,000
1997 20,000

TIMO SALONEN (41)

Chief Financial Officer
Joined the company in 1991
shares: 1,500
share options: 15,000

ALEXANDER SCHUIT (51)

Division President,
Food Packaging
Joined the company in 1977
shares: -
share options: -
(resigned March 15, 2000)

CHRISTIAN BETBEDER (58)

Director, Merger Integration
Joined the company in 1983
shares: -
share options: -

HUHTAMÄKI OYJ

EXECUTIVE BOARD

(until October 8, 1999)

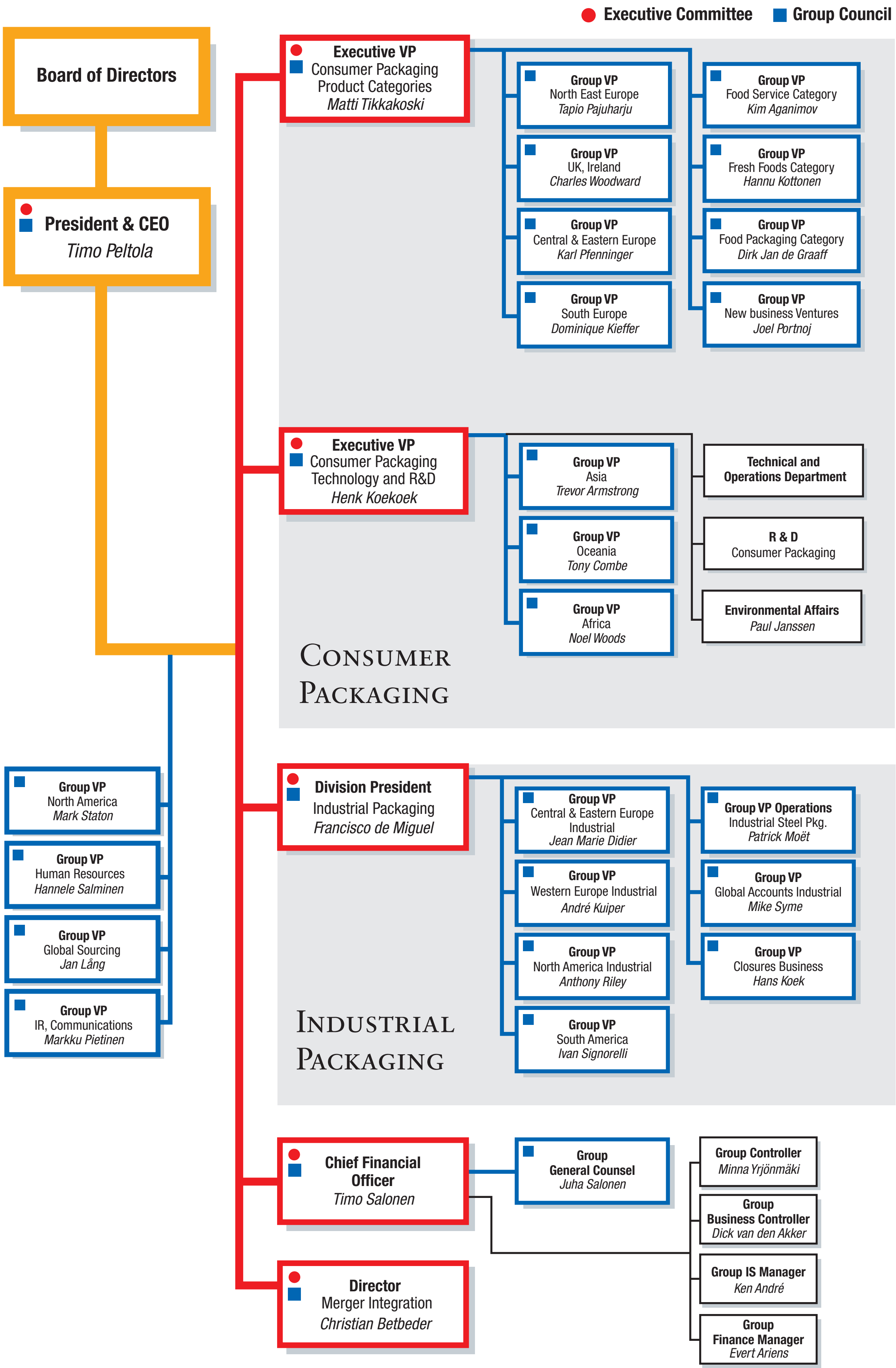
Timo Peltola
CEO

Matti Tikkakoski
Executive Vice President,
Chief Operating Officer

Eero Aho
Executive Vice President
(retired October 1, 1999)

Kalle Tanhuanpää
President of Leaf Group
(resigned June 30, 1999)

ORGANISATION April 1, 2000



CORPORATE GOVERNANCE

Huhtamaki Van Leer is governed by a Board of Directors consisting of nine members. The Annual General Shareholders' Meeting elects the Board for an annual term. All Board members are non-executive, i.e. not employed by the company.

The company's two largest shareholders, the Finnish Cultural Foundation and the Stichting Van Leer Group Foundation, are entitled to nominate two Board members each. The remaining five members, including Chairman, are independent of the two foundations.

The Board elects its Chairman and two Vice-Chairmen from among its members.

The Board is vested with the powers specified in Finnish Companies Act and the company's Articles of Association. It approves the company's financial and strategic objectives, main policies, strategic and business plans, significant acquisitions and divestments as well as major capital expenditure projects.

The Board appoints the Managing Director (CEO) to steer the company's day-to-day activities and five other members of the company's senior management to form the Executive Committee.

The Board convenes at least six times per year. The Executive Committee meets regularly once a month and will hold separate meetings on specific topics such as strategy, annual business plans and capital expenditure proposals.

The Board has established three committees. The Nominations Committee proposes new nominations to the Board and Executive Committee. The Remuneration Committee prepares Human Resources and executive compensation issues discussed by the Board. The Audit Committee monitors the Group's financial reporting and disclosure.

Remuneration

The Extraordinary Shareholders' Meeting of September 14 decided on the following compensation for the Board members: Chairman FIM 450,000 (€ 75,685), Vice-Chairmen FIM 260,000 (€ 43,729) and other members FIM 200,000 (€ 33,638) annually.

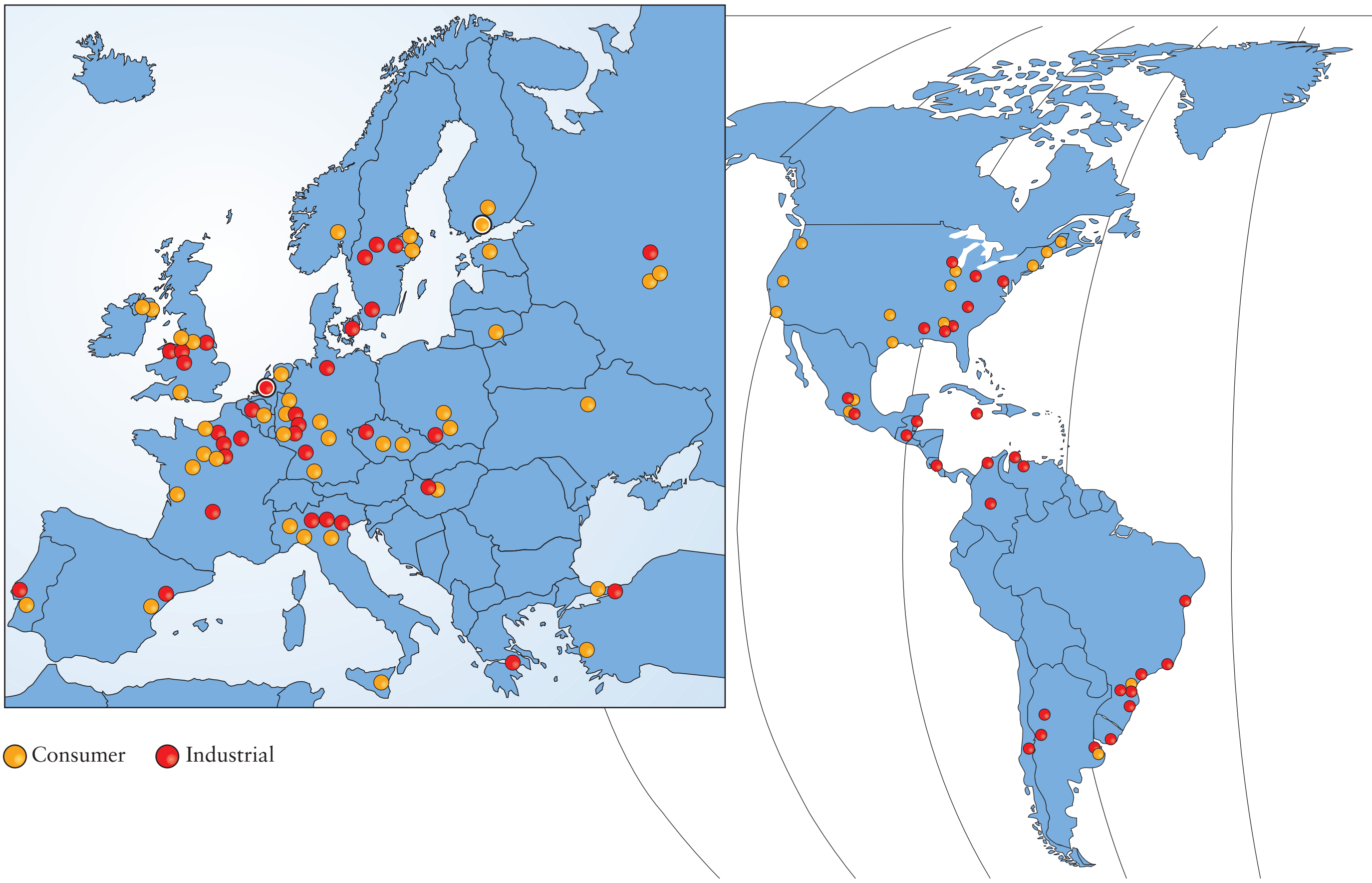
Executive remuneration consists of a base salary, a bonus linked to corporate performance and personal objectives (short-term incentive) and share options issued from time to time (long-term incentive).

The Executive Committee members have an aggregate of 95,000 stock options under schemes adopted in 1993 and 1997. These schemes extend to some 60 former Huhtamaki executives and managers across the company and its subsidiaries. The share options of Van Leer's management were redeemed in conjunction with the Van Leer transaction. A new share option plan will be brought on the agenda of the Annual General Meeting.

Huhtamaki and Van Leer have applied different remuneration, pensions, insurance and severance policies. These will be reconciled to the extent possible during 2000. The remuneration of all managerial staff is under review since late 1999, based on an international grading system.

Audit

Mr. Thor Nyroos APA and Mr. Eero Suomela APA have acted as the company's principal auditors in recent years. Their background is the KPMG Wideri auditing organisation. According to new Articles of Association, an audit corporation may be appointed as auditors. Following a tender, the auditing of all group companies will be concentrated to an international auditing organisation. The ultimate decision will be taken at the Annual General Meeting.



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Consumer Packaging
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KEY ADDRESSES

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South Europe,
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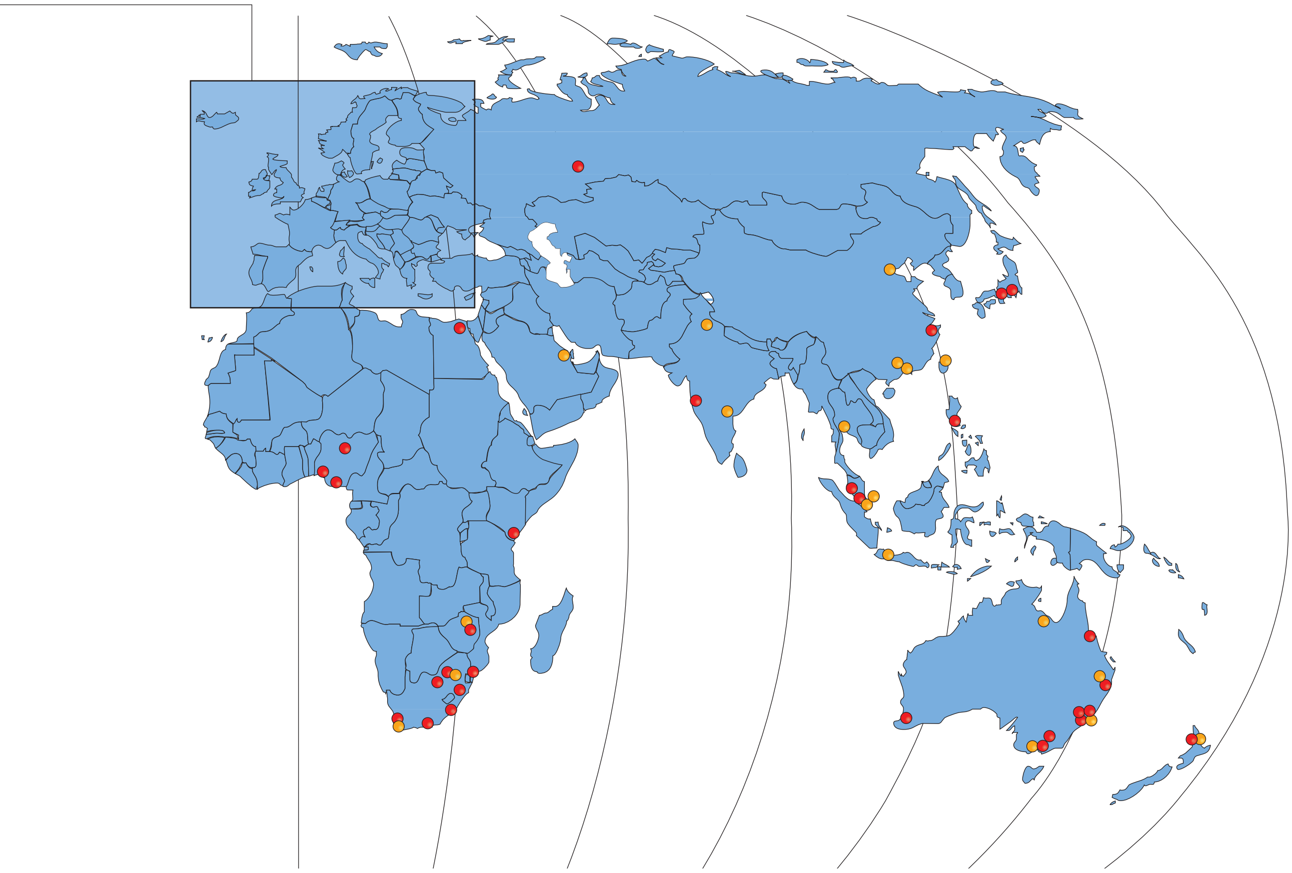
Fax +33 237 318 003



Industrial Packaging

Royal Packaging Industries Van Leer N.V.
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Fax +31 20 543 0700

Oceania
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406 Marion Street
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2200 BANKSTOWN
N.S.W.
Australia
Tel. +61 2 9708 7400
Fax +61 2 9791 0396

Food Packaging Category
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Industries Van Leer N.V.
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Food Service Category

Fresh Foods Category

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Netherlands
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Gebze Organize Sanayi Bölgesi
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4300 West 130Th Street
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Illinois, United States (USA)
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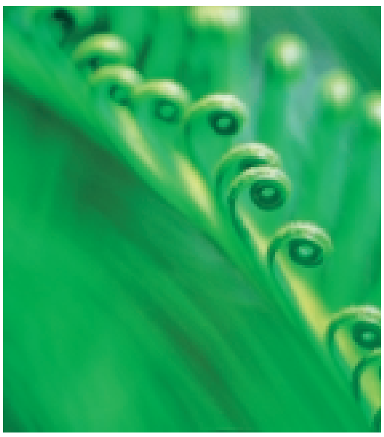
NEW ENVIRONMENTAL POLICY ON THE AGENDA

The combination of Huhtamaki and Van Leer has brought together two environmentally responsible packaging companies, each in compliance with existing regulations and with a track record of concrete environmental improvements in both manufacturing processes and products.

Environmental protection is part of modern corporate responsibility. Our packaging products exist, in the first place, to ensure a safe, hygienic and efficient delivery and storage of foods, other fast-moving consumer goods and industrial products within the supply chain.

Efficient and environmentally conscious manufacturing means, in turn, less raw materials, energy, discharges and waste to landfills.

With major structural changes in motion during most of 1999, it was impracticable to perform a comprehensive review of the new Group's environmental activities. By the findings of the due diligence phase preceding the closing of the Van Leer transaction, the company's environmental management appeared to be professionally handled and well focused on key issues.



What do we do for the environment?

Our environmental responsibility covers the entire lifespan of the packaging. Therefore we have established proprietary recycling/recovery schemes and participate in several industry-wide arrangements. Examples:

- Ecocontainer and Containernet – a comprehensive life cycle management system for industrial packaging in Europe and, respectively, the USA
- Euro Papier Recycling and LeoReitsma engaged in the large-scale recycling of waste paper and fibre packaging needed for our moulded fibre operations

We cooperate with our customers, authorities and peer companies to do our share and more in achieving the targets set in EU's Packaging and Packaging Waste Directive. Examples:

- Active participation in voluntary industry-wide cooperation and recovery systems in all EU countries
- Local initiatives and campaigns

We constantly improve our manufacturing processes to minimize energy use, production waste and discharges. Examples:

- A growing number of our production facilities have introduced ISO 14001 compatible Environmental Management Systems
- Programmes to reduce material and energy consumption, as well as emissions
- A widespread move from solvent based to water-based paints and printing inks
- Reduction in single-trip cartons, pallets and tertiary packaging in storage and transportation

We constantly improve our products and services from an environmental perspective and direct part of our R&D effort to entirely new, environmentally superior solutions. Examples:

- The introduction of environment-friendly food service items, such as wooden cutlery, moulded fibre products and fully biodegradable product ranges
- New applications for moulded fibre products outside food and food service packaging
- Joint-venture to launch the manufacture and sale of the revolutionary, fully biodegradable EarthShell Packaging® food service products across Europe, Asia and Oceania

The Group encourages major manufacturing units to obtain a certification for their environmental management systems. In 1999, the moulded fibre operation in Franeker, The Netherlands, successfully completed its ISO 14001 programme. A similar project in the Hämeenlinna paper and plastic conversion facility in Finland advanced well.

Environmental matters are coordinated by the Group Environmental Manager in Amstelveen, The Netherlands. He reports to an Executive Committee member.

In 2000, the Group's environmental commitment will be formulated into a new Environmental Policy document. A major task is to establish a Group-wide framework to facilitate the monitoring and reporting of environmental progress. The challenge is in the inherently different nature of the manufacturing processes in consumer and industrial packaging.

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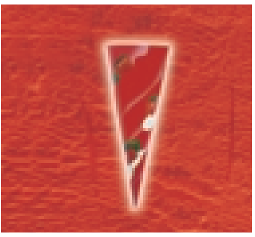
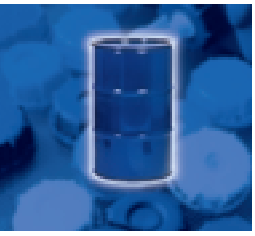
NEWS IN 1999

January		No announcements
February	5	Huhtamaki appoints investment bank to explore strategic alternatives for confectionery division
	10	Huhtamaki proposes Governance reform, other amendments to Company statutes
	10	Huhtamaki: Results 1998
	26	Van Leer signs European supply contract with Castrol
March	17	Van Leer: Results 1998
	18	Huhtamäki Oyj Annual General Meeting – Decisions
	24	Huhtamaki sells German praline manufacturer to Stollwerck
	26	Van Leer acquires flexible packaging producer in India
April	22	Van Leer acquires flexible packaging producer in New Zealand
	26	Huhtamaki to sell confectionery division Leaf to CSM
May	4	Huhtamaki considering making a public offer for Van Leer to create one of the world's largest packaging companies
	5	Huhtamaki completes sale of Gubor
	11	Executive Board of Van Leer has decided to sell all its Van Leer shares
	21	Mr. Willem de Vlugt, Chairman of the Executive Board, resigns from Van Leer with immediate effect
	25	Huhtamaki and EarthShell sign definitive agreement on joint venture
June	9	Huhtamaki's First Interim Report
	9	Huhtamaki to acquire Brasholanda S.A., major Brazilian food packaging company
	30	Sale of Huhtamaki's confectionery division completed
July	5	Huhtamaki and Van Leer: negotiations on track
	22	Huhtamaki and Van Leer to combine activities
August	9	Brasholanda acquisition completed
	9	Interim Results: Royal Packaging Industries Van Leer
	24	Huhtamaki's Board Proposes amendments to company's statutes directed equity issue: EGM to be held on September 14
	26	Start Offer Period: The public offer by Huhtamaki for all issued and outstanding ordinary shares in Van Leer opens on August 27
September	14	Huhtamaki's EGM moves to advance Van Leer bid
	24	EU Commission clears merger of Huhtamaki and Van Leer
	28	Over 98% of Van Leer shares offered in public bid by Huhtamaki
October	1	Huhtamaki's offer for Van Leer shares declared unconditional
	6	Huhtamaki's Second Interim Report: Strong profit improvement
	11	Van Leer Group Foundation's and Finnish Cultural Foundation's Shareholding
	19	Huhtamaki Van Leer signs EUR 650 million syndicated loan facility
November		No announcements
December	15	EUR 150 million synergies expected in 2000-2002
	30	Financial Communications in 2000





HUHTAMAKI VAN LEER
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