

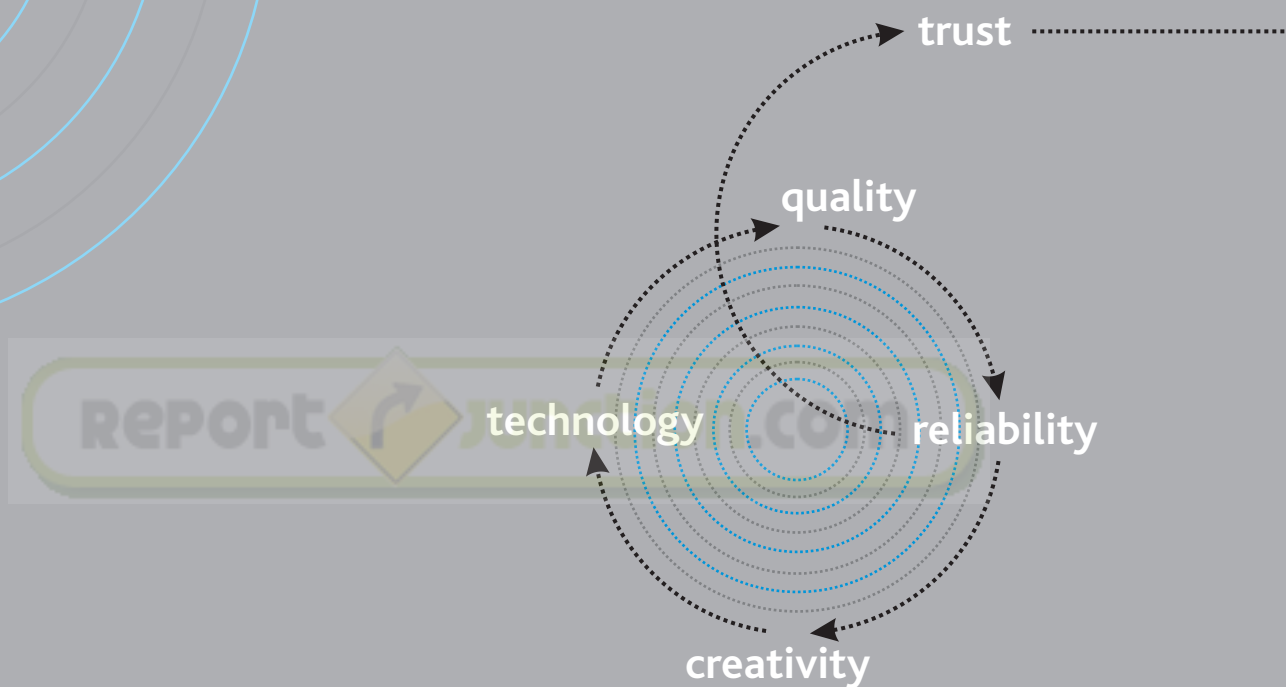
The Paper Products Ltd.

PPL - THE POWER OF FLEXIBLE PACKAGING



HUHTAMAKI-PPL

59TH ANNUAL REPORT 2008



MISSION STATEMENT

PPL IS COMMITTED TO DEVELOPING AND PRODUCING PACKAGING THAT IS TRUE TO THE BRAND AND TO THE CONSUMER AND WORKS HARDER FOR BOTH.

[cre.a.tiv.i.ty]

the ability to transcend traditional ideas, rules, patterns, or the like, and to create meaningful new ones.

[tech.nol.o.gy]

the creation and use of technical means and their interrelation with life, society, and the environment.

[qual.i.ty]

general excellence of standard (their work has quality); of high quality (a quality product).

CREATIVITY

Our efforts in conceiving out-of-the-box packaging solutions enable us to continually etch industry benchmarks. Product differentiation is one of the core challenges facing FMCG companies today. Our expertise in the field spanning in excess of seven decades is of paramount significance in helping our customers define their brand amidst an abundance of me-toos. In creating new formats, trends and combinations, we aim to add pertinence and value to our customer's brands.

TECHNOLOGY

By exploiting the latest know-how and infrastructural competencies, our processes provide for an immensely diverse product portfolio. By introducing world-class technology to India, we attempt to truly elevate the eminence of its retail offerings. With regular plant and equipment up-gradation, we have made efforts to evolve in tandem with varying market needs. Consequently, we have also set up shop in locations that position us in close proximity to our clientele.

QUALITY

New shapes, continuously enhancing benchmarks, improved graphics and amplified customer delight are at the focal-point of all our practices. Offering complete peace-of-mind to our customers, we apply food-grade packaging standards in all our systems. Good manufacturing practices and certifications such as ISO 9001:2000, HACCP and BRC-IoP, emphasise our internal quality requisites in providing the immaculate and distinct PPL advantage.

CONTENTS

| | |
|----|--|
| 02 | Message from the Managing Director & CEO |
| 04 | Corporate Information |
| 05 | Dependable Collaborations |
| 06 | The PPL Advantage: Delivering Ingenuity |
| 08 | World-class Facilities |

| | |
|----|--------------------------------------|
| 10 | Huhtamaki - Taking Packaging Further |
| 12 | Financial Performance Indicators |
| 14 | Board of Directors |
| 16 | Admiration to Felicitation |
| 17 | Financial Section |



WITH YOU EVERY STEP OF THE WAY

[re·li'ā·bil'i·ty]

that may be relied on; of sound and consistent character and quality.

[trŭst]

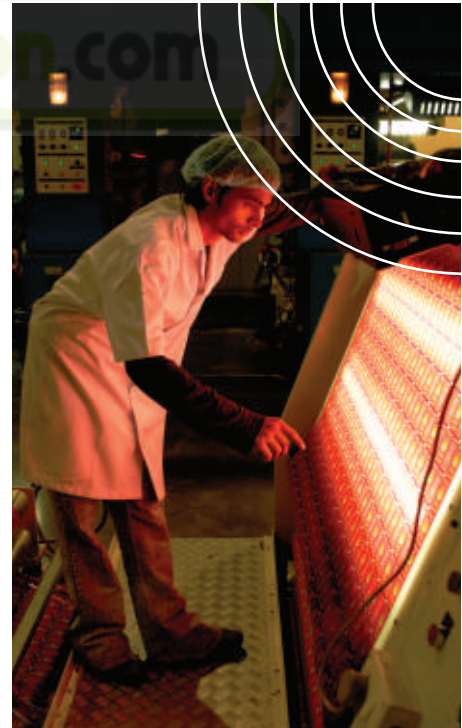
confidence in the integrity, strength, ability, surety - of a person or thing.

RELIABILITY

At PPL, our endeavour is to safeguard the faith bestowed in us by delivering world-class products and services to our customers. A reliable collaborator, we are dedicated to uphold a proficient delivery of demands put on us. Undeterred by the challenges thrown at us by turbulent times and in perfect awareness of the vast responsibilities entrusted to us, we are committed to embark upon a course that promises greater satisfaction.

TRUST

Consistently meeting the ever growing requirements of value addition across the delivery chain, our strong fundamentals allow for results and relationships that last. Package protection, brand projection and customer partnership are the bedrock of our operations. Backed by a strong knowledge and financial base, and charged with the desire to build an invigorated 'esprit de corps,' PPL will persistently garner stakeholder trust.



MESSAGE FROM THE MANAGING DIRECTOR & CEO

The global financial crisis, and, the consequent credit crunch and sharp slow down in India's economic growth is well known. Our own business experienced a series of completely unexpected events through 2008 making our environment unusually turbulent and uncertain at the time. How did we perform and how did these events impact?



2008 Net External Sales revenues grew 15% to Rs.6121 mn, Cash flow at Rs.650 mn was good, and debt equity ratio strengthened to an even more solid 0.2:1 from 0.27:1 at end 2007. However, PBT dropped by 12% to Rs.298 mn and EPS dropped to Rs.3.4 from Rs.4.53 the previous year. So, in adverse circumstances where cash became very scarce in the economy, we acted to make our finances even stronger, and, achieved reasonable sales growth. However, bottom line was still impacted. Why? We look at three unexpected events

1. Foreign exchange loss in 2008 of Rs.132 mn. We had hedged a substantial portion of forecasted 2008 foreign currency inflows from export sales. This decision was taken after steep appreciation in the Rupee in 2007 hit margins on export sales, and after recognizing a consensus amongst experts on further appreciation in the Rupee. Completely unexpectedly, the Rupee actually depreciated by over 25%. However, to be competitive our export sales prices had to be adjusted partially in line with the Rupee depreciation. The consequent forex loss of Rs.132 mn included a book loss of Rs.40 mn from mark to market valuation. We have learned from these experiences and have a new forex strategy going forward.

The uncertain times need us even more to satisfy our customers through competitiveness, reliable service and innovation.



2. Sudden surge in raw material prices, more than anticipated. In line with the global surge in crude oil, petrochemicals and general commodities, by mid-year some key raw materials jumped 40% in price while the average for raw material inflation was near 20%. Consequently, in Q3 our value added margins reduced by 2.5% compared with the first half of the year, impacting PBT in Q3 by an estimated Rs.41 mn, and with some carry over impact into Q4 also.
3. Sales drop in Q4 as the credit crisis caused major inventory reductions at all points in the supply chain from consumer goods manufacturer to retailer. Till Q3, i.e. for the first 9 months of the year our sales grew in line with our internal expectations of over 20% growth. However, Q4 sales were flat compared to previous year but were sequentially 13% lower than Q3 of 2008.

There was much more to the picture in 2008. We faced steep inflation in operating costs driven by cost hikes in power, fuel, services, and salaries & wages due to general high inflation. The overall turbulence described earlier created anxieties and pressures amongst business partners e.g. customers became much more demanding on price and service. Through this period, we increased focus on cost efficiency and business excellence programs mentioned last year including the Six Sigma initiative. As a resultant, in 2008 we reduced our total operating expenses in the P&L by 1.1% of sales. We pushed on innovation and our NASP (New Applications, Structures, Products and Processes) program, and 29% of 2008 sales were from NASP products. Cash Flow was a priority with reductions in Inventory and Debtors by 8-9% achieved compared to previous year.

The circumstances demanded a tight control on capital expenditure to essentials. Still, with an eye to the future we kept work going on the Thana Plant reconstruction, with start-up beginning in phases from end 2008; and, on the company wide ERP project planned to go live in Q3 2009.

The company has a sound tradition of upholding in its actions the highest standards of Corporate Governance. Still, we believe there is always room for improvement, hence work continued in 2008 towards strengthening Governance processes.

We go forward into 2009 with care and confidence. On the one hand, the economic environment is clearly uncertain and we have poor visibility. However, there are positives. The Indian economy will grow, albeit at a slower pace in the short to mid term. And, the Indian consumer's aspirations will not be denied. There is enough anecdotal evidence that demand for the products we package is growing, and, we are increasing the product range steadily. The inventory correction leading to the drop in sales momentum in Q4 of 2008 has carried over to the start of 2009, but this is inevitably short term and should play itself out within the first quarter of the year. And, looking at opportunities outside of India, our exports grew 18% in US\$ terms in 2008 and we can look forward to building on this in 2009. Actions being taken within the Flexibles Global business of Huhtamaki group to obtain increased global synergies will support the company's export efforts, and also, innovation efforts in products and processes.

The uncertain times need us even more to satisfy our customers through competitiveness, reliable service and innovation. We need to continue expanding our product applications and customer base, improving our cost efficiency and conserving cash. 2009 will see us working under an overall guideline formula of focus on 3Cs + 2Cs:-

"Customer, Cost, Cash, backed by, Creativity and Cohesiveness".

A key objective is for the people of PPL to become a thoroughly competent, lean and cohesive team, which is positive, human, creative and fast moving capable of overcoming any adversities with efficiency and effectiveness. And, for the company to be fully "mission ready" to exploit growth opportunities as they will inevitably present themselves. We look forward to meeting the challenges and the opportunities.

I take this opportunity to warmly thank our People, our Shareholders, Customers, Suppliers, Business Associates, our Board of Directors, and our Huhtamaki group colleagues for their efforts, kind support and encouragement.

Suresh Gupta
Managing Director & CEO
The Paper Products Ltd., India.
March 2009

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. K. C. Narang - Chairman
 Mr. Suresh Gupta - Managing Director & CEO
 Mr. Jukka Moisio
 Mr. Arunkumar R. Gandhi
 Mr. Henricus Beek
 Mr. P. V. Narayanan
 Mr. Ramesh K. Dhir
 Mr. C. N. Murthy - Executive Director & COO
 Mr. Vibhu Talwar
 Mr. Timo Salonen - (Alternate to Mr. Jukka Moisio)
 Mr. Juha Salonen - (Alternate to Mr. Henricus Beek)

COMPANY SECRETARY

Mr. Sushil Kumar Agarwal

BANKERS

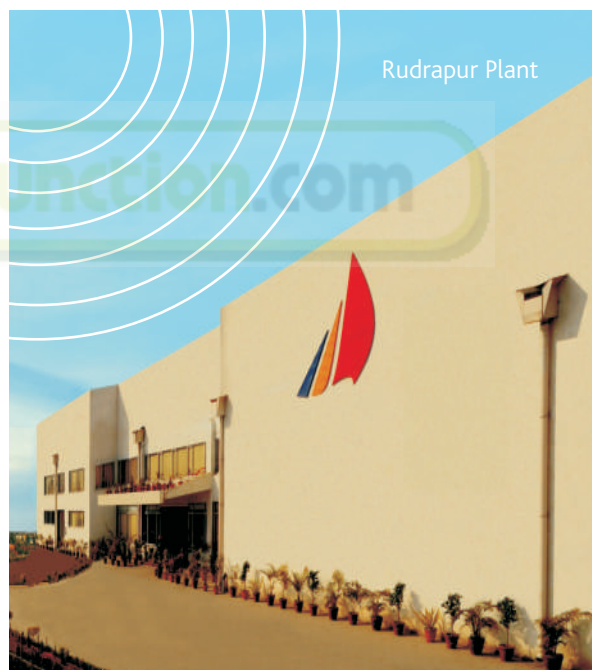
BNP Paribas
 Punjab & Sind Bank
 Standard Chartered Bank
 The Hongkong & Shanghai Banking Corporation Ltd
 Union Bank of India

AUDITORS

B S R & Associates - Chartered Accountants

REGISTERED OFFICE

Regent Chambers, 13th Floor
 Nariman Point, Mumbai - 400 021
 Maharashtra, India.
 Tel No: +91 22 2282 0969
 Fax No: +91 22 2283 2860
 Website : www.pplpack.com



Rudrapur Plant

CORPORATE OFFICE

L. B. S. Marg, Majiwade
 Thane (W) 400 601
 Maharashtra, India.
 Tel No: +91 22 2542 7051 / 2534 3691
 Fax No: +91 22 2534 0599 / 2542 7050
 Email: investor.communication@pplpack.com

DEPENDABLE COLLABORATIONS FROM OUR CUSTOMERS TO YOURS

LOOKING BACK AT OUR PRESENCE IN THE CONSUMER PACKAGING SPACE, PPL IS ENGULFED BY THE MANY EXPERIENCES IT HAS HAD OVER ITS SEVEN-DECADE-LONG EXISTENCE.

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In this time, we have witnessed the rise and fall of many popular brands and seen how they quietly touch the lives of a surging Indian populace. En route, we have perfected our processes and pioneered landmark break-throughs in packaging innovation, thus obscuring the distinction between domestic and international offerings.
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Refining our services in Package Protection and Decoration Technologies, Specialised Pouches, as well as Specialised Cartons and Packaging Machinery Solutions, we have upheld our commitment to injecting world class precision into our clients' promising consumer brands.

The keystone of our operations has been our 'ahead of the curve' packaging technologies that promise protection from distribution channel rigours. It is our persistent effort to ensure that products retain their original form from the time they reach the shelves, to the time they are consumed by the shopper. Our innovative combinations of processes further the distinct brand identities of the products we package. Not surprisingly, PPL has rightly earned its position as a preferred packaging partner and a trusted ally in the delivery process. We aspire to continue connecting our customers with their own, and consequently, propel their businesses. It is in the fulfillment of this role that PPL continues to add value to its stakeholders.



THE PPL ADVANTAGE: DELIVERING INGENUITY

RELEVANCE

If the journey is as important as the destination, PPL believes in supporting a clients' product all the way from the package design to the store shelf. We believe in bringing a pristine product to the end-user, infusing only optimum value from our end.

PPL has been the chosen partner with customers from across borders, on account of its sheer ability to infuse value and quality into every delivery. Each link in the end-to-end processes we offer meets the demands of world class packaging bench-marks.



MORE THAN YOUR FIRST POINT OF CONTACT

In a bid to provide packaging solutions that offer functionality, product protection and shelf-appeal, PPL has sharpened its ability to optimise its experience in the industry. As a result, we have devised a service, unique and customised for each and every customer need. Churning out a plethora of interest winning, value-added products from our assorted service portfolio, we ensure dynamism in every offering.



FLEXIBLE PACKAGING

Our Flexible Packaging solutions offer a delightful range of film, foil and paper based laminate structures, printed in up to 10 colour high quality processes, for primary product packaging. Our procedures are customised to accommodate the specifications of the product in question, be it in solid, powder or liquid form. Our expert packaging services provide for high climate barriers, suitability in long-distance conveyance, high-speeds on filling lines, holograms as well as registered hot melt and cold seal coatings. Stand-up and re-closeable pre-formed pouches are also part of PPL's novel packaging options.



PACKAGE PROTECTION & DECORATION TECHNOLOGIES

In our endeavour to help clients create packaging solutions that define its brand individuality and distinguish it from a flock, we offer a bouquet of benefits to help our patrons' brands gain optimum levels of market visibility. By harnessing the latest in our labeling processes, we bring international quality to domestic markets. Decoration



technology such as, Shrink Sleeves, Heat Transfer Labels, Pressure Sensitive Labels, Metallised Paper Labels and Wrap Around Labels, are some of our many services that attempt to inject character into our customers' yields.

SPECIALISED CARTONS

PPL offers lined cartons and primary packaging systems for liquids, powders as well as solids in a variety of consumer pack sizes. Named 'Cekaline,' the product may be flexibly used to pack a range of consumer products. A unique, cost-effective method, 'Expresso,' provides product protection and security. Our diversified product basket also presents many value added products developed in-house from a mishmash of flexible technologies and carton conversion processes to offer a variety of speciality cartons.

SPECIALISED POUCHES

Following the implementation of rigorous levels of operating and quality systems, our Specialised Pouches Division devises tailored, handy and highly appealing pouches such as those that are Shaped, Stand-up, Zipped, Spouted, Block-bottomed, Reverse-printed, Retort, Large Side gusset pouches and bags, Laminated HDPE fabric bags and Speciality bulk bags.

HOLOGRAPHIC OPTIONS

Holograms are increasingly popular options across our portfolio of flexible, labels and specialised cartons. In addition to being visually appealing and product visibility enhancers, they are also regarded as an effective deterrent

Churning out a plethora of interest winning, value-added products from our assorted service portfolio, we ensure dynamism in every offering. Each link in the end-to-end processes we offer meets the demands of world class packaging bench-marks.

against brand duplication. PPL is one of the few companies worldwide to offer the entire known gamut of Holographic Packaging and Labelling solutions.

PACKAGING MACHINES

A crucial link in the end-to-end packaging chain, our initiative in modifying packaging machinery truly sets us apart. The focus on developing machines that may optimally harness our customised materials had enabled us to offer a complete packaging experience to our clientele. The key here is the provision of a solution that helps optimise infrastructure cost and make the best possible use of logistics, while effectively reducing 'concept-to-consumption' lead time.

OTHER PRODUCTS

Conclusively, PPL also offers products that can act as inputs to finished packaging materials and may also be offered as stand-alone products. These include Gravure Cylinders, PE Films, High-barrier Metallised Films, Co-extruded Blown Films, Laminated Webs and Coated Materials.



WORLD-CLASS FACILITIES ADDING VALUE TO TECHNOLOGY

Our cutting-edge packaging solutions have been developed at our state-of-the-art facilities with due consideration to the ever-changing face of Indian retail dynamics.

Our diverse product profile serves our customer's need for higher exposure in an increasingly competitive consumption arena. By employing an array of processes in modern packaging and with our manufacturing units spread across the nation's breadth, PPL is poised to take on the elemental needs of our potential, ever-increasing and all-demanding client base, with growing ability and élan.



THANE PLANT

Our Thane plant has been refurbished to not only eliminate flood-risk, but to upgrade our facilities by means of technological enhancement. With the necessary infrastructure in place, we aim to significantly augment our export volumes. With the attitude to learn, and the fervour of commitment, transparency and appreciation woven into the very fabric of our culture, we are right en route to our greater organisational goals.

R&D - THANE

To sculpt our innovation process in line with varying market trends, our personnel work in close association with customers and business partners, right from the inception to product placement stage. Our NASP Programme helps us retain our leadership position in the industry. Our R&D centre, equipped with the latest technological equipments and highly-qualified specialists, is recognised by the