



Annual Report 2004
Shortened version

Elecster Oyj

Managing Director's Review



For Elecster Oyj, year 2004 was a challenging, however at the same time a clearly disappointing year. The greatest problems during the year were caused through staunching of our machinery sales in China, because of the prohibition set by the authorities for the banks on credit extension. This prohibition was due to too rapid growth of big dairies, 30–40% per year, and consequent disturbance in the market. Locking up of our machinery sales remarkably decreased our turnover and deteriorated our result. On the other hand, this development however strengthened our comprehension that it is necessary to extend our services and to turn into a system supplier instead of being a pure machine supplier. We have to shift the priority of our strategy from the packaging machines to the packaging materials. It is our principal aim to secure the continuance of our customer contacts, and in this process, packaging materials form a very relevant partition, which we have partly missed before.

Our ability to serve our customers in accordance with this strategy in future was considerably improved through the starting-up of our new packaging material factories in China and Russia towards the end of year 2004. The simultaneous launching of these two new factories has been a great challenge both in relation to our financial as well as to our mental resources. Now both factories are in operation and ready to play their important role in our new concept.

Raw material prices continued to rise throughout the whole year 2004. Unfortunately, we did not manage to compensate the cost increase by raising the sales prices accordingly. The cost-effectiveness of the whole line of business was deteriorated because of this development, and we also suffered.

We did not manage to turn the unprofitable operations of MKT-Finland Oy into profitable, thus we were forced to disband it. The costs due to this disbanding

amounted to approx. 1.0 Mill. € which caused sinking of the overall result at a loss. Absence of MKT-Finland figures from the consolidated figures also decreases the turnover, on the other hand, its burdening effect on the result has now been cut off.

PROSPECTS

With the new packaging material factories, our aim to establish a "strategic partnership" with our key customers has now become realistic. In our new concept, packaging materials play a central role, in addition to the machines and after sales services.

As far as the year 2005 is concerned, we trust that it will be better than the last year. It seems that the prospects are getting brighter. We have the newly introduced factories in operation and also the profitability would seem to improve. Raw material prices have stopped to rise and, at the moment, they have even started decreasing slowly. With the production of our new factories started-up last year, our volumes are increased, and the increase in margins enables us to improve the results towards the end of this year. In China we are already moving into the next phase: the production capacity has to be expanded to meet the growing demand. A new investment is under consideration and we try to launch it still during this year, in which case the production capacity of the factory would be doubled.

We have worked hard to open new markets for our packaging machines and also succeeded in this. Last year we exported to new countries in South America, Africa and Far East, outside China. Our products have now been exported to more than 70 countries in the world. We expect the growth in this sector to be continued.

At the moment, when writing this report, the situation in China dairy machinery market is still unclear. The disturbance in the market can prolong for another successive year. In a long term, we however trust China to be a very significant potential target for us, also relating to our machinery sales. The milk drinking culture is still in infancy so the intense growth of the Chinese dairy sector will go on further. We want to be ready and go along with rebooting of the growth.

I wish to thank our personnel for their struggling along in these hard circumstances. I also wish to extend my thanks all our clients, shareholders and other interest groups for the good cooperation.

In Kylmäkoski, 5.4.2005

Jarmo Halonen

Company profil

Elecster is the biggest company in Finland, and one of the leading companies in Scandinavia for the supply of technology and equipment for integrated foodstuffs industry. Elecster is an I-listed (Investor's list) company in Helsinki stock exchange market. The company group is specializing in four sectors:

- Complete UHT plants, aseptic and pasteurized filling machines
- Packaging material extrusion lines and printing machines
- High barrier packaging materials - up to 5 layers

Elecster markets above mentioned lines all over the world, both as single machines and lines or as complete food processing plants. The name "Elecster" is well known in more than 60 countries all over the world, both as a product and an esteemed company, whose exports amount to 80-95 % of the turnover. Elecster has a firm economic foundation with motivated and competent personnel. The parent company employs approx. 157 persons, and the group approx. 286 persons. 41 % of the personnel are working with designing and product development. The turnover of the company during the last financial period was approx. 28,7 Mill Euro.

DESCRIPTION OF PRODUCTION LINES

Elecster is a manufacturer of a complete UHT dairy plant: milk processing, sterilizing and aseptic packaging machines. The shelf-life of the packed milk, flavored milk drinks or juices can be selected from two weeks up to one year without the use of refrigeration. Elecster has its own packaging material production lines in Finland. The company has developed the packaging machines, packaging films and film extrusion lines side by side. Elecster is a manufacturer of a complete 2, 3 or 5 layer co-extrusion lines for barrier films to serve the needs of foodstuffs and agroindustry. The lines are equipped with Stack or CI Flexo printing machines upto 12 colors.



FUTURE PROSPECTS

In coming years the world's food processing industry will face new challenges. Food is required to be produced more competitively, however considering environmental aspects. With the prevailing tendency towards urbanization, the food production and consuming areas will be differentiated. Due to this tendency, foodstuffs will ever more be processed and packed to protect them during transportation. Elecster has more than 30-years experience on processing and packaging of foodstuffs like meat and milk, and on manufacturing machines and equipment for plastics processing industry - like extruders and printing machines. The work is going on and new challenges are waiting for us. We hope to be able to serve You in the future or continue our good co-operation.





Consolidated profit and loss account

1.000 EURO	01.01.–31.12.2004	01.01.–31.12.2003
TURNOVER	28 677	38 760
Change in stocks of finished and unfinished products	-365	3 986
Production for own use	1 493	1 164
Other operating income	111	414
Material and services	-15 580	-22 440
Staff expenses	-7 986	-9 799
Depreciation and reduction in value	-899	-940
Other operating expenses	-4 405	-6 206
OPERATING PROFIT	1 044	4 938
Financial income and expenses	-585	-422
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS	460	4 516
Extraordinary items		
Incidental incomes	0	0
Incidental expenses	-965	-400
PROFIT (LOSS) BEFORE TAX RESERVES AND TAXES	-505	4 116
Tax reserves		
Change in accelerated depreciation	0	0
Income taxes	-232	-1 375
PROFIT (LOSS) BEFORE MINORITY ITEMS	-737	2 741
The share of minority items in the financial year	-160	-161
PROFIT (LOSS) FOR THE FINANCIAL YEAR	-897	2 581



Consolidated balance sheet

1.000 EURO	01.01.–31.12.2004	01.01.–31.12.2003
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	277	321
Tangible assets	9 476	8 948
Investments	811	992
CURRENT ASSETS		
Inventories	9 066	14 916
Receivables		
Long-term	1 047	1 059
Short-term	9 460	10 762
Cash in hand and at bank	3 522	3 068
TOTAL ASSETS	33 658	40 066
LIABILITIES		
CAPITAL AND RESERVES		
Subscribed capital	3 152	3 152
Share premium account	4 239	4 239
Revaluation reserve	0	0
Retained earnings	3 012	1 967
Profit for the financial year	-897	2 581
MINORITY INTEREST	735	687
GROUP RESERVE	0	12
TAX RESERVES		
Accumulated depreciation difference	0	0
Untaxed reserves	0	400
CREDITORS		
Long-term	11 043	9 276
Short-term	12 374	17 754
LIABILITIES, TOTAL	33 658	40 066



Share information

PRINCIPAL SHAREHOLDERS ON DECEMBER 31ST 2004

	A-shares	K-shares	% of shares	% of votes
1. Finha Capital Oy	428 595	900 000	35,45 %	44,69 %
2. Okuli Oy	70 000	1 005 920	28,71 %	48,01 %
3. FIM Fenno sijoitusrahasto	143 800		3,84 %	0,68 %
4. Vakuutusosakeyhtiö Henki-Sampo	117 000		3,12 %	0,55 %
5. Etra-Invest Oy	80 000		2,13 %	0,38 %
6. Functional Foods Finland Oy	75 045		2,00 %	0,36 %
7. Granberg Karl-Olof	50 000		1,33 %	0,24 %
8. Fondita equity spice placeringsfond	31 200		0,83 %	0,15 %
9. Försäkringsaktiebolaget Pensions-Ålandia	27 000		0,72 %	0,13 %
10. Pöyhönen Eija Anneli	26 000		0,71 %	0,13 %
Administratively registered shares	7 400		0,20 %	0,04 %

STRUCTURE OF SHARE CAPITAL ON DECEMBER 31ST 2004

Series of shares	Number of shares	% of shares	% of votes	Share of share capital €
K-shares	1 928 000	51 %	91,37 %	1 621 331,61
A-shares	1 820 116	49 %	8,63 %	1 530 607,68
Total	3 748 116	100 %	100 %	3 151 939,29

DISTRIBUTION OF SHAREHOLDING ON DECEMBER 31ST 2004

According to shareholders:

	Number of shareholders	% of shares
Companies	90	71,59 %
Credit and insurance institutions *)	7	5,79 %
General government	2	0,88 %
Non-profit institutions	5	4,59 %
Households	766	16,70 %
Foreign owners	2	0,23 %
Number of shares not entered in the book-entry system		0,23 %
Total	872	100,00 %

*) Also the administratively registered shares are included in this figure.



Key figures

KEY FIGURES OF THE CONCERN

		12/2004	12/2003	12/2002	12/2001	12/2000
Turnover	€1000	28.677	38.760	37.556	29.293	24.093
Balance sheet total	€1000	33.658	40.066	29.295	28.816	25.702
Equity ratio	%	30,6	36,4	42,5	36,5	34,8
Total investments on fixed assets	€1000	1548	4525	2251	572	282
% of the turnover	%	4,0	11,7	6,0	2,0	1,2
Research and development expenses	*) €1000	696	890	840	695	622
% of the turnover	*) %	1,8	2,3	2,2	2,4	3,6
Average staff during the period		286	320	291	247	235
of which abroad		118	97	80	61	63

*) Parent companys figures

KEY FIGURES / SHARE

		12/2004	12/2003	12/2002	12/2001	12/2000
Result per share	€	0,02	0,80	0,57	0,26	0,16
Dividend per A-share	€	0,00	0,30	0,25	0,12	0,08
Divident per K-share	€	0,00	0,30	0,25	0,12	0,08
Equity per share	€	2,73	3,37	2,95	2,51	2,19
P/E -ratio		291	9	9	20	30
Osakkeiden vaihto (A-osake)	1000 pcs	468	815	475	164	815
Share of average number of A-shares	%	25,7	44,8	26,1	9,0	44,8
Average number of shares	pcs	3.748.116	3.748.116	3.748.116	3.748.116	3.748.116
Number of shares at the end of the period						
A-share	pcs	1.820.116	1.820.116	1.820.116	1.820.116	1.820.116
K-share	pcs	1.928.000	1.928.000	1.928.000	1.928.000	1.928.000
Stock quotation of the date of financial statements	€	5,25	7,30	5,25	5,10	4,87

CALCULATION OF KEY FIGURES

Equity ratio %	$\frac{\text{Equity} + \text{minority share} + \text{group reserve and depreciation difference decreased with imputed taxliability (average)}}{\text{Balance sheet total} - \text{advances received} - \text{valuation (liabilities)}}$
Result per share	$\frac{\text{Profit before extraordinary items, provisions and income taxes} \pm \text{minority interest} - \text{income taxes}}{\text{Issue-adjusted number of shares (average)}}$
Equity per share	$\frac{\text{Equity} + \text{group reserve and depreciation difference decreased with imputed taxliability and minority interest}}{\text{Issue-adjusted number of shares on the date of financial statements}}$
P/E -ratio	$\frac{\text{Stock quotation on the date of financial statements}}{\text{Result per share}}$

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