



Annual Report 2014

Elecster Oyj

Managing Director's Review



During the past year, the most significant external factors having an effect on our operating environment were the Ukraine crises and drop in oil price, as well as their effects in the Russian Ruble exchange rate. In our other marketing areas, the situation remained calm and developed mostly positively.

We aim to be "Number One in Pouch", meaning globally the leading supplier in our branch.

During the past year, we succeeded in strengthening our position further in many individual countries, and gained markets also in some new countries. Our products are now in use in more than 80 countries in the world.

Thanks to the UHT technology developed by Elecster, even disadvantageous people have possibility to enjoy milk as foodstuff in safe and economic aseptic pouch package. Consumption of milk is growing particularly in those countries where its preservation is most problematic, and price might be limiting increase in consumption of milk. Elecster technology offers an affordable solution for this problem. We feel to be in a correct way, also in an ethical sense.

To improve our competitiveness, we last year planned and implemented a new Enterprise Resource Planning System (ERP). It was challenging project carried out ut alongside with our normal every day work, but we trust in future it will benefit and bring out effectiveness in our work.

In the ended financial year, we made investments in future in worth of approx. 4 Million EUR in total. The biggest object of investment was a new printing machine installed and taken

into operation at our Reisjärvi plastic factory. This new printing machine will raise the quality of our printing works to Full HD level and enable us to offer our customers really high-quality printings. Among the dairies, the quality of printing in the packages has risen to an essential factor in their competition for shelf space in stores.

Our project to conquer the world is in progress. During the recent years we have been determined to proceed to a correct direction. Our position in the market has firmed year after year, and good references facilitate winning new customers. A positive statement on Elecster operations from an existing customer has a great influence on the decision of a potential customer. Elecster is known as a company taking care of its customers even after the purchase decision, until the end of our products' life cycle.

We expect the positive development to continue during this year. Fall in euro rate gives us more grounds to believe in this. Russia is however clearly a risk for us. The development of oil price and, largely depending on it, also the development of Russian ruble exchange rate and Russian economy will affect this year's success.

I wish to thank Elecster personnel for the very good work done in the past year. Despite of the extra workload because of the new ERP-system, we were able to serve our customers as promised. I also thank our customers, shareholders and other partners for the cooperation during the past year.

In Akaa, 4.3.2014
Jarmo Halonen

Consolidated Financial Statements, IFRS

Consolidated income statement

| EUR 1.000 | 1.1.-31.12.2014 | 1.1.-31.12.2013 |
|--|------------------------|------------------------|
| Net sales | 45 833 | 45 349 |
| Change in inventories of finished goods and work in progress | -1 321 | -313 |
| Production for own use | 491 | 149 |
| Other operating income | 318 | 312 |
| Material and services | -21 927 | -22 403 |
| Employee benefit expenses | -10 345 | -10 369 |
| Depreciation | -2 029 | -1 880 |
| Other operating expenses | -6 753 | -7 314 |
| OPERATING PROFIT | 4 266 | 3 531 |
| Financial income | 1 236 | 1 013 |
| Financial expenses | -2 363 | -1 691 |
| PROFIT BEFORE TAXES | 3 139 | 2 853 |
| Income taxes | -742 | -558 |
| PROFIT FOR THE PERIOD | 2 397 | 2 295 |
| NET PROFIT/LOSS ATTRIBUTABLE TO | | |
| Equity holders of the parent | 2 425 | 2 245 |
| Minority interest | -27 | 50 |
| | 2 397 | 2 295 |
| Earnings per share calculated on profit attributable to equity holders of the parent | | |
| Earnings per share undiluted (EUR), continuing operations | 0,65 | 0,60 |
| Earnings per share diluted (EUR), continuing operations | 0,65 | 0,60 |

Statement of comprehensive income

| | 1.1.-31.12.2014 | 1.1.-31.12.2013 |
|---|------------------------|------------------------|
| PROFIT FOR THE PERIOD | 2 397 | 2 295 |
| OTHER COMPREHENSIVE INCOME: | | |
| Exchange difference on translating foreign operations | -2 511 | -792 |
| Cash flow hedges, net of tax | 15 | 26 |
| Other comprehensive income, net of tax | -2 496 | -766 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | -99 | 1 529 |
| Total comprehensive income attributable to | | |
| Equity holders of the parent | -69 | 1 479 |
| Minority interest | -30 | 49 |
| | -99 | 1 529 |

Consolidated Financial Statements, IFRS

Consolidated balance sheet

| EUR 1.000 | 31.12.2014 | 31.12.2013 |
|---|---------------|---------------|
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Intangible assets | 640 | 152 |
| Tangible assets | 12 436 | 12 102 |
| Investments available for sale | 420 | 420 |
| Long-term receivables | 1 383 | 583 |
| Deferred tax assets | 209 | 185 |
| TOTAL NON-CURRENT ASSETS | 15 088 | 13 441 |
| CURRENT ASSETS | | |
| Inventories | 13 521 | 14 728 |
| Trade receivables and other receivables | 10 836 | 9 373 |
| Tax receivable, income tax | 245 | 298 |
| Cash and bank | 4 790 | 5 411 |
| TOTAL CURRENT ASSETS | 29 393 | 29 809 |
| TOTAL ASSETS | 44 480 | 43 251 |
| EQUITY AND LIABILITIES | | |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 3 152 | 3 152 |
| Share premium account | 4 239 | 4 239 |
| Fair value reserve | -21 | -36 |
| Other reserves | 98 | 92 |
| Translation differences | 316 | 217 |
| Retained earnings | 11 294 | 12 456 |
| Minority interest | 19 076 | 20 120 |
| | 998 | 1 063 |
| SHAREHOLDERS' EQUITY | 20 074 | 21 183 |
| NON-CURRENT LIABILITIES | | |
| Deferred tax liability | 612 | 450 |
| Long-term liabilities, interest-bearing | 10 239 | 8 148 |
| TOTAL NON-CURRENT LIABILITIES | 10 851 | 8 598 |
| CURRENT LIABILITIES | | |
| Short-term interest-bearing liabilities | 8 406 | 8 177 |
| Trade payables and other liabilities | 5 032 | 5 274 |
| Tax liability, income tax | 118 | 20 |
| TOTAL CURRENT LIABILITIES | 13 555 | 13 470 |
| TOTAL EQUITY AND LIABILITIES | 44 480 | 43 251 |

Key indicators

Financial indicators

| 1000 EUR | IFRS 2014 | IFRS 2013 | IFRS 2012 | IFRS 2011 | IFRS 2010 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Net sales | 45 833 | 45 349 | 43 856 | 45 407 | 39 398 |
| Net sales change, % | 1,1 % | 3,4 % | -3,4 % | 15,3 % | 10,9 % |
| Operating profit | 4 266 | 3 531 | 3 401 | 3 403 | 2 573 |
| % of net sales | 9,3 % | 7,8 % | 7,8 % | 7,5 % | 6,5 % |
| Profit before extra-ordinary items and taxes | 3 139 | 2 853 | 2 953 | 2 836 | 2 082 |
| % of net sales | 6,8 % | 6,3 % | 6,7 % | 6,2 % | 5,3 % |
| Return on equity, % | 11,6 % | 11,0 % | 11,3 % | 11,9 % | 8,7 % |
| Return on investment, % | 12,4 % | 10,6 % | 11,4 % | 11,3 % | 9,6 % |
| Balance sheet total | 44 480 | 43 251 | 44 044 | 43 474 | 44 215 |
| Equity ratio, % | 45,7 % | 49,7 % | 47,6 % | 44,8 % | 40,9 % |
| Gearing, % | 69,0 % | 51,5 % | 63,1 % | 75,2 % | 88,8 % |
| Gross investments | 3 985 | 2 261 | 1 176 | 928 | 850 |
| % of net sales | 8,7 % | 5,0 % | 2,7 % | 2,0 % | 2,2 % |
| Research and development | 1 033 | 1 054 | 1 061 | 942 | 933 |
| % of net sales | 2,3 % | 2,3 % | 2,4 % | 2,1 % | 2,4 % |
| Average number of personnel during year about which abroad | 333 180 | 343 184 | 338 180 | 335 174 | 326 164 |

Adjusted share-related indicators

| | IFRS 2014 | IFRS 2013 | IFRS 2012 | IFRS 2011 | IFRS 2010 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Earnings per share, eur | 0,65 | 0,60 | 0,59 | 0,54 | 0,40 |
| Earnings per share (diluted), eur | 0,65 | 0,60 | 0,59 | 0,54 | 0,40 |
| Dividend per share (A-share), eur | 0,28 *) | 0,26 | 0,25 | 0,22 | 0,17 |
| Dividend per share (K-share), eur | 0,28 *) | 0,26 | 0,25 | 0,22 | 0,17 |
| Dividend per earnings, % | 43,1 % | 43,3 % | 42,3 % | 40,7 % | 42,5 % |
| Effective dividend yield, % | 4,8 % | 4,3 % | 5,3 % | 5,3 % | 3,9 % |
| Equity per share, eur | 5,09 | 5,37 | 5,22 | 4,82 | 4,40 |
| Price per earnings ratio (P/E-ratio) | 9 | 10 | 8 | 8 | 11 |
| Trading volume (A-share), 1000 pcs | 228 | 204 | 223 | 240 | 361 |
| % average number of shares | 12,5 % | 11,2 % | 12,3 % | 13,2 % | 19,9 % |
| Average number of shares | 3 748 116 | 3 748 116 | 3 748 116 | 3 748 116 | 3 748 116 |
| Number of shares at the end of period | | | | | |
| A-share | 1 820 116 | 1 820 116 | 1 820 116 | 1 820 116 | 1 820 116 |
| K-share | 1 928 000 | 1 928 000 | 1 928 000 | 1 928 000 | 1 928 000 |
| Adjusted share (A-share) | | | | | |
| lowest share price, eur | 5,56 | 4,60 | 4,00 | 3,40 | 4,05 |
| highest share price, eur | 6,5 | 6,30 | 4,88 | 4,83 | 4,75 |
| share price at December 31, eur | 5,85 | 6,05 | 4,75 | 4,16 | 4,33 |
| Market capitalization of shares December 31, euros millions | 21,9 | 22,7 | 17,8 | 15,6 | 16,2 |

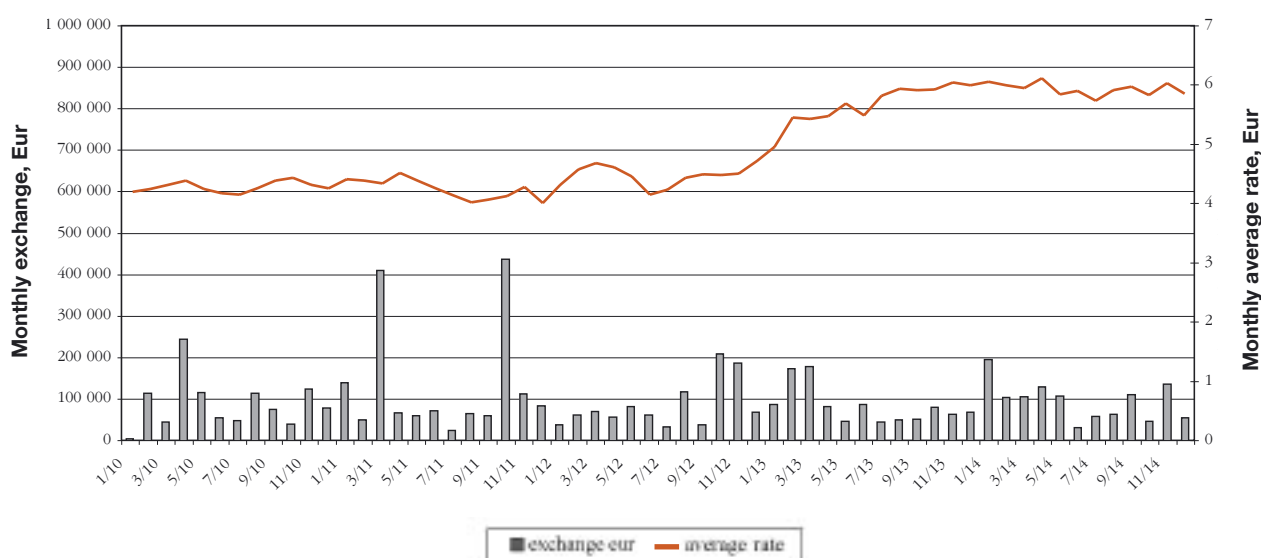
*) proposal by the Board of Directors

Calculation of key figures

| | |
|-----------------------------|---|
| Return on equity, % | $\frac{\text{Profit before extra-ordinary items and taxes - direct taxes}}{\text{Total equity (average)}} * 100$ |
| Return on investments, % | $\frac{\text{Profit before extra-ordinary items and taxes + interest expences and other financial expenses}}{\text{Total assets - non-interest-bearing liabilities (average)}} * 100$ |
| Equity ratio, % | $\frac{\text{Total equity}}{\text{Total assets - advance payments received}} * 100$ |
| Gearing, % | $\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Total equity}} * 100$ |
| Earnings/share | $\frac{\text{Profit before extra-ordinary items - taxes - +/- minority interest}}{\text{Adjusted number of shares (average)}}$ |
| Shareholders' equity/share | $\frac{\text{Equity attributable to shareholders of parent company}}{\text{Adjusted numbers of shares at 31 December}}$ |
| Price/earnings ratio (P/E) | $\frac{\text{Adjusted share price at 31 December}}{\text{Earnings/share}}$ |
| Effective dividend yield, % | $\frac{\text{Dividend per share}}{\text{Adjusted share price at 31 December}} * 100$ |

Exchange of shares and turnover

Exchange of shares and average rate
1/2010 - 12/2014



| Share | Share price 31 Dec 2014 | Lowest price | Highest price | Trading volume | %-of A-share |
|---------|-------------------------|--------------|---------------|----------------|--------------|
| A-share | 5,85 | 5,56 | 6,50 | 227.730 | 12,5 |

Share information

Principal shareholders on December 31st, 2014

| | A-share | K-share | %-of shares | %-of votes |
|-------------------------------------|---------|---------|-------------|------------|
| 1. Okuli Oy | 70 000 | 957 920 | 27,42% | 45,73% |
| 2. Finha Capital Oy | 503 375 | 520 000 | 27,30% | 27,03% |
| 3. Halonen Irma | 2 700 | 388 760 | 10,44% | 18,44% |
| 4. Mandatum Henkivakuutusosakeyhtiö | 117 000 | | 3,12% | 0,55% |
| 5. Mandatum Life Unit-Linked | 100 000 | | 2,67% | 0,47% |
| 6. Määttä Mikko | 80 000 | | 2,13% | 0,38% |
| 7. Nordea Henkivakuutus Suomi Oy | 50 000 | | 1,33% | 0,24% |
| 8. Onninen Sijoitus Oy | 44 447 | | 1,19% | 0,21% |
| 9. Halonen Jukka | 11 950 | 26 280 | 1,02% | 1,30% |
| 10. Tilander Tapio | 35 456 | | 0,95% | 0,17% |

At the end of 2014, the members of Elecster's Board of Directors, Managing Director and the corporations in their authority hold a total 48.760 shares.

These shares represent 1,30 percent of the total share capital and 1,35 percent of voting rights.

Structure of share capital on December 31st, 2014

| Series of shares | Number of shares | % of shares | % of votes | Share capital Eur |
|------------------|------------------|-------------|------------|-------------------|
| 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% | 100,00% | 3 151 939,29 |

Distribution of shareholding on December 31st, 2014

Breakdown of shareholding

| | Number of shares | Number of shareholders | % of shareholders | Shares | % of shares |
|--|------------------|------------------------|-------------------|-----------|-------------|
| | 313 | 30,66% | 17 861 | 0,48% | |
| | 546 | 53,48% | 220 195 | 5,87% | |
| | 122 | 11,95% | 247 232 | 6,60% | |
| | 19 | 1,86% | 139 124 | 3,71% | |
| | 17 | 1,67% | 558 314 | 14,90% | |
| | 4 | 0,39% | 2 559 755 | 68,29% | |
| Total | | 1 021 | 100,00% | 3 742 481 | 99,85% |
| Number of shares not entered in the book entry systems | | | | 5 635 | 0,15% |
| Number issued | | | | 3 748 116 | 100,0 % |

According to shareholders

| | Number of shareholders | % of shares |
|--|------------------------|-------------|
| Companies | 63 | 60,33% |
| Credit and insurance institutions *) | 8 | 6,63% |
| General Government | 1 | 1,11% |
| Non-profit institutions | 4 | 0,10% |
| Households | 941 | 31,59% |
| Foreign owners | 4 | 0,09% |
| Number of shares not entered in the book entry systems | | 0,15% |
| Total | 1 021 | 100,00% |

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

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