



ELECSTER



ANNUAL REPORT 2019



CEO's Review



The word uncertainty has been one of the most used expressions in the financial reporting of recent years. In 2019, this word was used if possible even more often. Risk management theories have several definitions for the word uncertainty. Generally speaking, risk is present when a decision might result in something undesirable, but with measurable probability, while uncertainty is present

when the likelihood of desirable or undesirable result is indefinite or incalculable.

The level of uncertainty has continued to rise in the whole world for some time. Major globally discussed themes like climate change and sustainable development need to be taken into consideration in all decision-making, though on the grounds of rather inadequate information. Political and economic decision-makers as well as consumers are all wondering, how the decisions they need to make affect the future of earth, however fact-based information are insufficient or contradictory. In such a situation, it is quite tempting to postpone the decision-making to a later time – should the state of things be clearer in future.

Most Elecster main markets are developing economies, where the constructions of society are just building up. Such economies are very sensitive to any disturbances, so uncertainty about the future reflects on the decision-making even stronger than in advanced economies.

For Elecster, year 2019 was economically disappointing; especially the figures of the last quarter fell short of our expectations and goals. Turnover of both our dairy machinery and plastic films dropped, along with our profitability. The decrease of our profitability was furthermore affected by strengthening of the Russian ruble throughout the whole year, increasing our non-realised financial costs.

Selling dairy machinery means selling investment goods. Decisions on investments are difficult to make when the world economy is suffering from general uncertainty. Decisions on investments usually involve substantive external financing; however in these times of uncertainty, the financiers are very cautious to make financing decisions, especially when there is except a business risk but also a currency risk. Our trade contracts are usually based on Euro currency, for which reason our customers need to consider possible value changes of their local currency. Such value changes could be significant – and often in a negative way from the point of view of our customers. It

is then understandable that the final investment decisions and obtaining financing may take a long time. For Elecster operations, it is however positive that the number of offers released in 2019 and related negotiations was higher than in the previous year, even though economically year 2018 was a better one. In 2020, we expect to conclude at least in a part of the prolonged commercial negotiations started in 2019.

The climate change and sustainable development have caused debate on the use of plastic. Plastic is accused of pollution of nature and oceans, etc. By the same token, one could accuse the cars involved in a collision, instead of the driver causing the accident. Plastic is not to blame for the problems but the mankind needs to take responsibility for their actions, and take care of the correct post-processing and recycling of this superior material. Plastic is indispensable for packing food. Thanks to plastic, the shelf-life of food is much longer. In addition, compared to most of the alternative packaging materials, plastic is notably cheaper. If plastic were not used for packing food, the world CO2 emissions would be remarkably higher due to wasted food. In case of packing milk products, plastic pouch is a much better option than a so-called carton package, which is manufactured of multiple materials and thus more difficult to recycle.

In spite of year 2019 economic disappointment for Elecster, the year entailed many good things that in future will benefit Elecster company, shareholders and personnel. In 2019 we made our first delivery to a new market area, which we trust will be an important reference. Our production development took huge steps ahead. A modular sterilizer construction will speed up our production and facilitate our production planning. The close cooperation with our packaging machine customers contributed to develop new properties that clearly benefit our customers, both in their production and control. Elecster packaging materials passed, with excellent results, a challenge test in which it was determined how Elecster packaging machine manages if the product or packaging material is contaminated in the middle of the packaging process.

I wish to thank the personnel of the whole Elecster group for this laborious year. Financially, the year was not the best but considering the disturbance factors in our operational environment, as well as the progress made, the personnel is to be thanked for the good work done. Thanks also you for the shareholders and all partners for the good cooperation.

Arto Kinnunen
CEO

Consolidated Financial Statements, IFRS

Consolidated income statement

Elecster has started using new IFRS 16 -standard at the beginning of 2019. The figures of the comparison year 2018 have not been adjusted retrospectively.

1000 EUR	1.1.-31.12.2019	1.1.-31.12.2018
NET SALES	39 385	42 180
Change in inventories of finished goods and work in progress	-170	-1 070
Production for own use	85	29
Other operating income	504	442
Material and services	-19 252	-19 774
Employee benefit expenses	-9 462	-8 981
Depreciation	-1 960	-2 005
Other operating expenses	-6 915	-7 254
OPERATING PROFIT	2 215	3 567
Financial income	667	1 107
Financial expenses	-1 403	-1 302
PROFIT BEFORE TAXES	1 479	3 372
Income taxes	-507	-798
PROFIT FOR THE PERIOD	972	2 574
NET PROFIT/LOSS ATTRIBUTABLE TO		
Equity holders of the parent	985	2 510
Minority interest	-13	64
	972	2 574
Earnings per share calculated on profit attributable to equity holders of the parent		
Earnings per share undiluted (EUR), continuing operations	0,26	0,67
Earnings per share diluted (EUR), continuing operations	0,26	0,67

Statement of comprehensive income

	1.1.-31.12.2019	1.1.-31.12.2018
PROFIT FOR THE PERIOD	972	2 574
OTHER COMPREHENSIVE INCOME:		
Exchange difference on translating foreign operations	1 579	-1 630
Cash flow hedges, net of tax	2	4
Other comprehensive income, net of tax	1 581	-1 626
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2 553	947
Total comprehensive income attributable to		
Equity holders of the parent	2 564	884
Minority interest	-12	63
	2 553	947

Condolidated balance sheet

1000 EUR	31.12.2019	31.12.2018
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	166	211
Tangible assets	15 158	13 508
Investments available for sale	420	420
Long-term receivables	1 941	1 582
Deferred tax assets	409	399
TOTAL NON-CURRENT ASSETS	18 094	16 120
CURRENT ASSETS		
Inventories	16 637	16 438
Trade receivables and other receivables	9 047	10 782
Tax receivable, income tax	55	176
Cash and bank	6 279	7 140
TOTAL CURRENT ASSETS	32 018	34 537
TOTAL ASSETS	50 112	50 657
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	3 152	3 152
Share premium account	4 239	4 239
Fair value reserve	0	-2
Other reserves	95	93
Translation differences	169	49
Retained earnings	17 792	16 587
	25 446	24 118
Minority interest	1 022	1 084
SHAREHOLDERS' EQUITY	26 468	25 202
NON-CURRENT LIABILITIES		
Deferred tax liability	381	442
Long-term liabilities, interest-bearing	12 029	11 590
TOTAL NON-CURRENT LIABILITIES	12 410	12 032
CURRENT LIABILITIES		
Short-term interest-bearing liabilities	6 813	7 963
Trade payables and other liabilities	4 377	5 432
Tax liability, income tax	45	27
TOTAL CURRENT LIABILITIES	11 234	13 423
TOTAL EQUITY AND LIABILITIES	50 112	50 657

Key indicators

Financial indicators

Elecster has started using new IFRS 16 -standard at the beginning of 2019. The financial indicators for 2015 - 2018 have not been restated so they are not completely comparable.

1000 EUR	IFRS 2019	IFRS 2018	IFRS 2017	IFRS 2016	IFRS 2015
Net sales	39 385	42 180	39 431	44 133	46 108
Net sales change, %	-6,6 %	7,0 %	-10,7 %	-4,3 %	0,6 %
Operating profit	2 215	3 567	3 577	4 525	4 316
% of net sales	5,6 %	8,5 %	9,1 %	10,3 %	9,4 %
Profit before extra-ordinary items and taxes	1 479	3 372	3 285	4 023	3 932
% of net sales	3,8 %	8,0 %	8,3 %	9,1 %	8,5 %
Return on equity, %	3,8 %	10,1 %	10,4 %	13,5 %	15,1 %
Return on investment, %	5,0 %	8,3 %	8,6 %	11,6 %	12,7 %
Balance sheet total	50 112	50 657	49 284	50 328	47 208
Equity ratio, %	53,3 %	50,3 %	52,2 %	51,0 %	45,7 %
Gearing, %	47,5 %	49,3 %	44,7 %	45,6 %	59,7 %
Gross investments	2 904	2 213	2 475	2 511	2 276
% of net sales	7,4 %	5,2 %	6,3 %	5,7 %	4,9 %
Research and development	1 253	1 168	1 112	1 128	1 081
% of net sales	3,2 %	2,8 %	2,8 %	2,6 %	2,3 %
Average number of personnel during year about which abroad	302 171	300 170	307 168	310 166	325 175

Adjusted share-related indicators

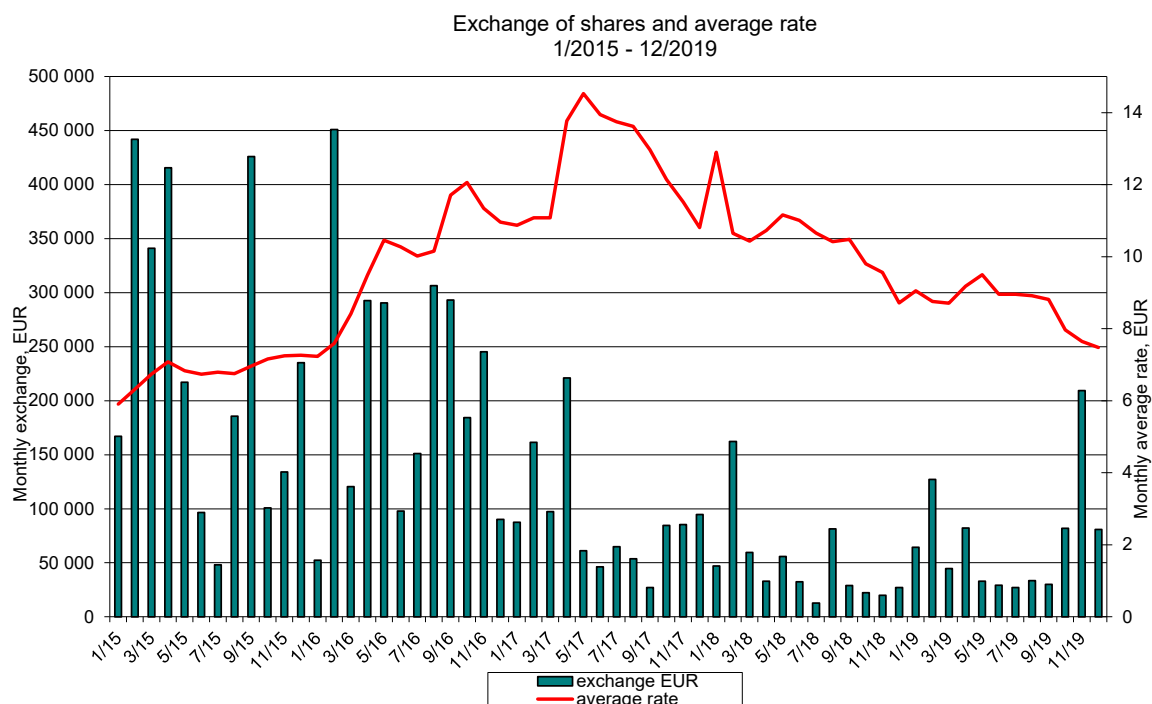
1000 EUR	IFRS 2019	IFRS 2018	IFRS 2017	IFRS 2016	IFRS 2015
Earnings per share, eur	0,26	0,67	0,66	0,84	0,82
Earnings per share (diluted), eur	0,26	0,67	0,66	0,84	0,82
Dividend per share (A-share), eur	0,23 *)	0,33	0,32	0,31	0,30
Dividend per share (K-share), eur	0,23 *)	0,33	0,32	0,31	0,30
Dividend per earnings, %	88,5 %	49,3 %	48,5 %	36,9 %	36,6 %
Effective dividend yield, %	3,1 %	3,7 %	2,9 %	2,8 %	4,1 %
Equity per share, eur	7,06	6,72	6,52	6,48	5,43
Price per earnings ratio (P/E-ratio)	29	13	17	13	9
Trading volume (A-share), 1000 pcs	101	55	89	264	415
% average number of shares	5,6 %	3,0 %	4,9 %	14,5 %	22,8 %
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	7,00	8,30	10,45	6,88	5,75
highest share price, eur	10,10	13,40	15,71	12,55	7,50
share price at December 31, eur	7,45	8,80	11,07	10,99	7,26
Market capitalization of shares December 31, euros millions	27,9	33,00	41,5	41,2	27,2

*) proposal by the Board of Directors

Calculation of key figures

Return on equity, %	$\frac{\text{Profit before extra-ordinary items and taxes - direct taxes}}{\text{Total equity (average)}} \times 100$
Return on investments, %	$\frac{\text{Profit before extra-ordinary items and taxes + interest expenses and other financial expenses}}{\text{Total assets - non-interest-bearing liabilities (average)}} \times 100$
Equity ratio, %	$\frac{\text{Total equity}}{\text{Total assets - advance payments received}} \times 100$
Gearing, %	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Total equity}} \times 100$
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, %	$\frac{\text{Dividend per share}}{\text{Adjusted share price at 31 December}} \times 100$

Exchange of shares and average rate



Share	Share price 31 Dec 2019	Lowest price	Highest price	Trading volume	%-of A-share
A-share	7,45	7,00	10,10	101.067	5,6

Share Information

Principal shareholders on December 31st, 2019

	A-share	K-share	%-of shares	%-of votes
1. Finha Capital Oy	509 179	520 000	27,46 %	27,06 %
2. Okuli Oy	70 000	957 920	27,42 %	45,73 %
3. Halonen Irma	3 700	388 760	10,47 %	18,44 %
4. Mandatum Henkivakuutusosakeyhtiö	217 000		5,79 %	1,03 %
5. Tam-Kraft Oy	126 674		3,38 %	0,60 %
6. Määttä Mikko	80 000		2,13 %	0,38 %
7. Nordea Henkivakuutus Suomi Oy	50 000		1,33 %	0,24 %
8. Korte Kauko	41 998		1,12 %	0,20 %
9. Halonen Jukka	11 950	26 280	1,02 %	1,30 %
10. Tilander Tapio	28 515		0,76 %	0,14 %

At the end of 2019, the members of Elecster's Board of Directors, Managing Director and the corporations in their authority hold a total 48.924 shares. These shares represent 1,31 percent of the total share capital and 1,35 percent of voting rights.

Structure of share capital on December 31st, 2019

Series of shares	Number of shares	% of shares	% of votes	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 %	100,00 %	3 151 939,29

Distribution of shareholding on December 31st, 2019

Breakdown of shareholding

	Number of shares	Number of shareholders	% of shareholders	Shares	% of shares
1-100		437	40,35 %	21 181	0,57 %
101-1 000		508	46,91 %	195 864	5,23 %
1 001-5 000		103	9,51 %	215 200	5,74 %
5 001-10 000		16	1,48 %	111 030	2,96 %
10 001-100 000		14	1,29 %	406 903	10,86 %
100 001-		5	0,46 %	2 793 233	74,52 %
Total		1 083	100,00 %	3 743 411	99,87 %
Number of shares not entered in the book of entry systems				4 705	0,13 %
Number issued				3 748 116	100,00 %

According to shareholders

	Number of shareholders	% of shares
Companies	60	60,50 %
Credit and insurance institutions *)	7	7,41 %
Non-profit institutions	3	0,04 %
Households	1 006	31,86 %
Foreign owners	7	0,05 %
Number of shares not entered in the book entry system		0,13 %
Total	1 083	100,00 %

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

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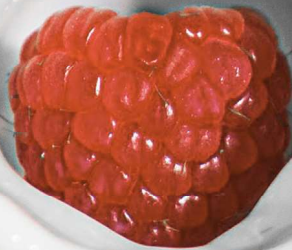
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