



Number One In Pouch



ELECSTER OYJ

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## CEO's Review



In the global economy, year 2018 experienced an upturn, despite of the notable slowdown in growth, incoherency and increased uncertainty. The global total growth was weakened by decrease in economic policy investments in the developed countries, as well as reciprocal import taxes between the USA and China. Economic uncertainty was accelerated by several factors. Except

the trade war, such topics as Brexit, conflict in Ukraine, US-Mexico border, as well as the situation in the Middle East and in the Persian Gulf region dominated the daily headlines. As a result of the decelerated economic growth and increased economic uncertainty, both the desire and ability of taking financial risks decreased in the emerging markets important to Elecster, with the consequence that the financing conditions were clearly tightening.

Taking into account the above mentioned facts, year 2018 can yet be considered successful for Elecster. We were able to reach our target of moderate growth in both turnover and result per share. Especially the dairy sector advanced quite favourably. And positively, the turnover accrued evenly from all our main market areas.

Besides world economy and geopolitics, other major themes for year 2018 were the climate report published by IPCC as well as sustainable development and responsibility in general.

Sustainability is a phrase we nowadays hear quite often. The phrase can be summarised to mean development satisfying the needs of the present society without making any concessions to the detriment of future generations. In other words, the goal of sustainability is to guarantee proper life chances for the present as well as for future generations.

The United Nations Agenda2030 for sustainability was adopted by world leaders at a UN summit in New York in 2015. The timeline of this action plan is 2016–2030. It is a political act applied to all countries of the world.

The 17 goals of the Agenda2030 are extensive and ambitious – no poverty – zero hunger – good health and well-being – quality education – gender equality – clean water and sanitation – affordable and clean energy – decent work and economic growth – industry, innovations and infrastructure – reduced inequality – sustainable cities and communities – responsible production and consumption – climate action – life below water – life on land – peace and justice and strong institutions –partnership for the goals.

In this connection it is not possible to list all the 169 concrete actions taken from the 17 goals even though they are most critical for the future of humankind. For the future development is it also crucial to understand that nice words and idioms are not enough but concrete actions are required to achieve the goals.

I have been delighted to notice in customer discussions that the criteria for decision making more and more often include issues related to sustainability. The cheapest price is not any more the main criteria but customers try to pay attention to their investment's lifecycle expenditures and

effects on the environment.

In Elecster actions, the goals of sustainability are reflected many ways. Our product development always aimed to develop strong and safe, low energy and water consuming, reliable in function and easy to operate milk packaging and processing machines. Among several options, Elecster packaging materials distinguish as the least burdening for the environment and at the same time the most economic ones.

Most Elecster customers are located in the emerging markets, where the consumers' purchasing power is far below to that of the consumers in the industrialized countries. It is important that in the developing countries, people are able to purchase healthy and clean food with affordable prices. The more expensive packing the less actual food they can acquire.

As long-time player in the developing countries we have seen the positive effect of our actions on the local people's life and standard of living. The representatives of our company often meet people who come to shake hands and thank our company for that a local dairy has given their families regular income enabling them to educate their children – also their daughters - along with the opportunity for a better standard of living. We at Elecster can be proud for doing our part in achieving many of Agenda2030 goals.

The state of Finland is committed to the goals of Agenda2030. In practice this shows as a long-term target to raise the sum used for development aid up to 0.7% of Finland's GDP, which means doubling the current level by approx. 1 billion euros. I would like to encourage the incoming policymakers negotiating on the government programme to have a dialogue with companies active in the emerging markets. In the countries with low capital accumulation e.g. the investment financing arrangements are challenging. The dialogue between the decision-makers and companies like Elecster could contribute to understanding the problems the developing countries face in the practical level, and to find price effective solutions for them.

I wish to thank the whole personnel of Elecster Group for the great work done in reaching the targets set for 2018 - especially the end of the year was excellent. Among the goals of the sustainable development, I would bring up "co-operation and partnership" as a special topic for year 2019 - both with our personnel as well as with our customers, shareholders and other interest groups. Good co-operation and work culture where each party is appreciated is one of the key factors for achieving good results.

Despite of decelerated growth and increased economy uncertainty, prospects for year 2019 are positive. The number of ongoing negotiations with potential customers in all of our main markets is at a good level. I am confident that with good co-operation and by merging our interests we have excellent chances to reach our financial targets and at the same time do our part in attaining the Agenda 2030 goals.

Akaa 4.3.2019  
Arto Kinnunen

# Consolidated Financial Statements, IFRS

## Consolidated income statement

<b>1000 EUR</b>	<b>1.1.-31.12.2018</b>	<b>1.1.-31.12.2017</b>
<b>NET SALES</b>	<b>42 180</b>	<b>39 431</b>
Change in inventories of finished goods and work in progress	-1 070	861
Production for own use	29	253
Other operating income	442	643
Material and services	-19 774	-20 908
Employee benefit expenses	-8 981	-9 250
Depreciation	-2 005	-1 980
Other operating expenses	-7 254	-5 475
<b>OPERATING PROFIT</b>	<b>3 567</b>	<b>3 577</b>
Financial income	1 107	1 020
Financial expenses	-1 302	-1 313
<b>PROFIT BEFORE TAXES</b>	<b>3 372</b>	<b>3 285</b>
Income taxes	-798	-649
<b>PROFIT FOR THE PERIOD</b>	<b>2 574</b>	<b>2 636</b>
<b>NET PROFIT/LOSS ATTRIBUTABLE TO</b>		
Equity holders of the parent	2 510	2 463
Minority interest	64	173
	2 574	2 636
Earnings per share calculated on profit attributable to equity holders of the parent		
Earnings per share undiluted (EUR), continuing operations	0,67	0,66
Earnings per share diluted (EUR), continuing operations	0,67	0,66

## Statement of comprehensive income

	<b>1.1.-31.12.2018</b>	<b>1.1.-31.12.2017</b>
PROFIT FOR THE PERIOD	2 574	2 636
OTHER COMPREHENSIVE INCOME:		
Exchange difference on translating foreign operations	-1 630	-1 153
Cash flow hedges, net of tax	4	7
Other comprehensive income, net of tax	-1 626	-1 146
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>947</b>	<b>1 490</b>
Total comprehensive income attributable to		
Equity holders of the parent	884	1 318
Minority interest	63	172
	947	1 490

## Condolidated balance sheet

1000 EUR	31.12.2018	31.12.2017
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets	211	471
Tangible assets	13 508	13 564
Investments available for sale	420	420
Long-term receivables	1 582	630
Deferred tax assets	399	472
<b>TOTAL NON-CURRENT ASSETS</b>	<b>16 120</b>	<b>15 555</b>
<b>CURRENT ASSETS</b>		
Inventories	16 438	16 961
Trade receivables and other receivables	10 782	8 940
Tax receivable, income tax	176	310
Cash and bank	7 140	7 518
<b>TOTAL CURRENT ASSETS</b>	<b>34 537</b>	<b>33 728</b>
<b>TOTAL ASSETS</b>	<b>50 657</b>	<b>49 284</b>
<b>EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	3 152	3 152
Share premium account	4 239	4 239
Fair value reserve	-2	-6
Other reserves	93	95
Translation differences	49	167
Retained earnings	16 587	16 807
Minority interest	24 118	24 454
<b>SHAREHOLDERS' EQUITY</b>	<b>25 202</b>	<b>25 575</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liability	442	551
Long-term liabilities, interest-bearing	11 590	12 215
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>12 032</b>	<b>12 765</b>
<b>CURRENT LIABILITIES</b>		
Short-term interest-bearing liabilities	7 963	6 728
Trade payables and other liabilities	5 432	4 215
Tax liability, income tax	27	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>13 423</b>	<b>10 943</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>50 657</b>	<b>49 284</b>

# Key indicators

## Financial indicators

Elecster has started using new IFRS 15 -standard at the beginning of 2018. The financial indicators for 2014 - 2017 have not been restated so they are not completely comparable.

<b>1000 EUR</b>	<b>IFRS 2018</b>	<b>IFRS 2017</b>	<b>IFRS 2016</b>	<b>IFRS 2015</b>	<b>IFRS 2014</b>
Net sales	42 180	39 431	44 133	46 108	45 833
Net sales change, %	7,0 %	-10,7 %	-4,3 %	0,6 %	1,1 %
Operating profit	3 567	3 577	4 525	4 316	4 266
% of net sales	8,5 %	9,1 %	10,3 %	9,4 %	9,3 %
Profit before extra-ordinary items and taxes	3 372	3 285	4 023	3 932	3 139
% of net sales	8,0 %	8,3 %	9,1 %	8,5 %	6,8 %
Return on equity, %	10,1 %	10,4 %	13,5 %	15,1 %	11,6 %
Return on investment, %	8,3 %	8,6 %	11,6 %	12,7 %	12,4 %
Balance sheet total	50 657	49 284	50 328	47 208	44 480
Equity ratio, %	50,3 %	52,2 %	51,0 %	45,7 %	45,7 %
Gearing, %	49,3 %	44,7 %	45,6 %	59,7 %	69,0 %
Gross investments	2 213	2 475	2 511	2 276	3 985
% of net sales	5,2 %	6,3 %	5,7 %	4,9 %	8,7 %
Research and development	1 168	1 112	1 128	1 081	1 033
% of net sales	2,8 %	2,8 %	2,6 %	2,3 %	2,3 %
Average number of personnel during year	300	307	310	325	333
about which abroad	170	168	166	175	180

## Adjusted share-related indicators

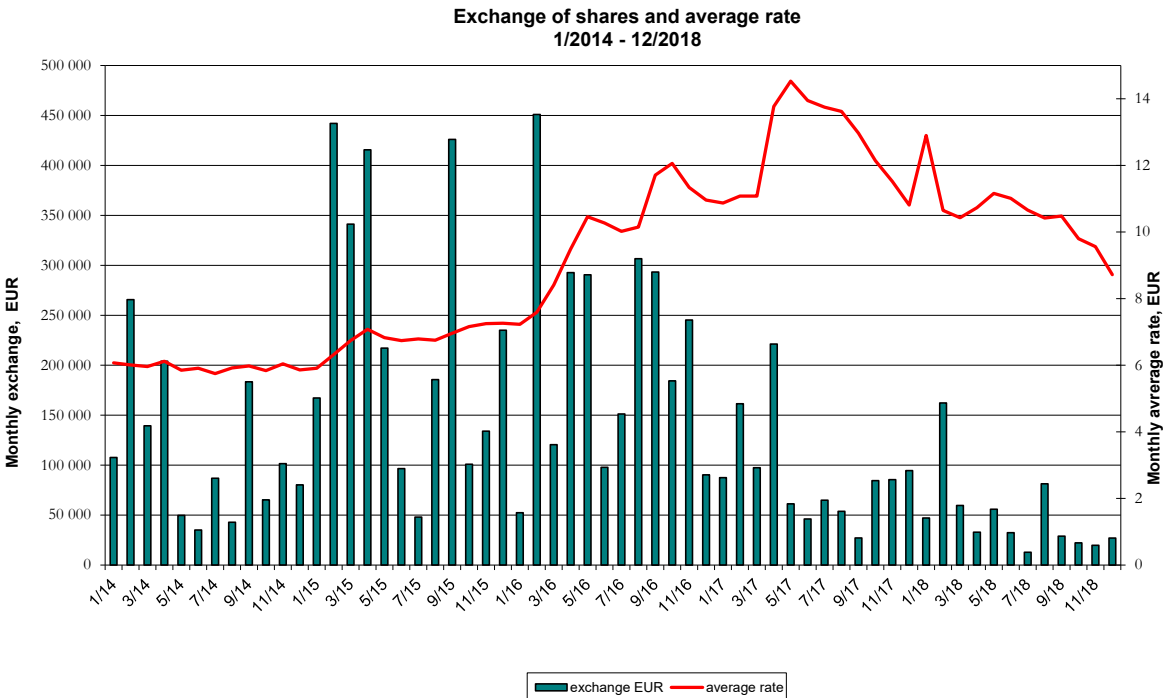
	<b>IFRS 2018</b>	<b>IFRS 2017</b>	<b>IFRS 2016</b>	<b>IFRS 2015</b>	<b>IFRS 2014</b>
Earnings per share, eur	0,67	0,66	0,84	0,82	0,65
Earnings per share (diluted), eur	0,67	0,66	0,84	0,82	0,65
Dividend per share (A-share), eur	0,33	*) 0,32	0,31	0,30	0,28
Dividend per share (K-share), eur	0,33	*) 0,32	0,31	0,30	0,28
Dividend per earnings, %	49,3 %	48,5 %	36,9 %	36,6 %	43,1 %
Effective dividend yield, %	3,7 %	2,9 %	2,8 %	4,1 %	4,8 %
Equity per share, eur	6,72	6,52	6,48	5,43	5,09
Price per earnings ratio (P/E-ratio)	13	17	13	9	9
Trading volume (A-share), 1000 pcs	55	89	264	415	228
% average number of shares	3,0 %	4,9 %	14,5 %	22,8 %	12,5 %
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	8,30	10,45	6,88	5,75	5,56
highest share price, eur	13,40	15,71	12,55	7,50	6,50
share price at December 31, eur	8,80	11,07	10,99	7,26	5,85
Market capitalization of shares December 31, euros millions	33,0	41,5	41,2	27,2	21,9

\*) 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 Information

## Principal shareholders on December 31st, 2018

	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. Tam-Kraft Oy	123 404		3,29 %	0,58 %
5. Mandatum Henkivakuutusosakeyhtiö	117 000		3,12 %	0,55 %
6. Mandatum Life Unit-Linked	100 000		2,67 %	0,47 %
7. Määttä Mikko	80 000		2,13 %	0,38 %
8. Nordea Henkivakuutus Suomi Oy	50 000		1,33 %	0,24 %
9. Korte Kauko	44 114		1,18 %	0,21 %
10. Halonen Jukka	11 950	26 280	1,02 %	1,30 %

At the end of 2018, the members of Elecster's Board of Directors, Managing Director and the corporations in their 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, 2018

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, 2018

### Breakdown of shareholding

	Number of shares	Number of shareholders	% of shareholders	Shares	% of shares
1-100		405	38,61 %	20 913	0,56 %
101-1 000		501	47,76 %	196 314	5,24 %
1 001-5 000		107	10,20 %	215 257	5,74 %
5 001-10 000		16	1,53 %	110 588	2,95 %
10 001-100 000		15	1,43 %	510 076	13,61 %
100 001-		5	0,48 %	2 689 963	71,77 %
Total		1 049	100,00 %	3 743 111	99,87 %
Number of shares not entered in the book of entry systems				5 005	0,13 %
Number issued				3 748 116	100,00 %

### According to shareholders

	Number of shareholders	% of shares
Companies	64	60,47 %
Credit and insurance institutions *)	9	7,45 %
Non-profit institutions	3	0,04 %
Households	968	31,90 %
Foreign owners	5	0,01 %
Number of shares not entered in the book entry system		0,13 %
Total	1 049	100,00 %

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

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