NUMBER ONE IN POUCH

ELECSTER

ANNUAL REPORT 2020

CEO's Review

Year 2020 will be remembered from the world-wide pandemic that caused huge confusion. Some rights which we citizens held to be self-evident, like free movement and freedom of assembly, were substantially limited by societies. In certain lines of business, activities were strongly restricted. Remote work and study increased exponentially. In Finland, this uncommon situation resulted in a new law of readiness, but all things considered here the restrictions remained relatively reasonable compared to some other countries in which Elecster is operating.

Under these exceptional circumstances, Elecster succeeded quite well. The targeted result was reached, while the growth in turnover remained slightly below the target. Our turnover was at the same level as in the previous year. When taking into account the radical restriction measures related to the pandemic taken in some of our target markets, our economic performance can be considered as satisfactory.

Elecster staff is normally travelling quite a lot around the world. Sales persons visit our existing and potential customers, and each year Elecster is participating in several exhibitions in different part of the world. Our installation engineers almost always attend the commissioning of the machines delivered by Elecster. In addition, after-sales services require our staff to make frequent journeys.

During the pandemic situation, travelling has fallen off to a fraction of the normal amount. It is to our credit that we had built a net of skilled and reliable partners, whose role was most important for our success under these exceptional circumstances.

As travelling turned most challenging, we managed to communicate with our customers utilizing the possibilities offered by digitalisation, such as on-line virtual Open House events we organized to present our machines and their operation to potential new clients via video link. On-line video was also used in some machine delivery projects for carrying out the Factory Acceptance Tests related to the customers' acceptance protocol.

In future, we will continue finding ways to utilize the possibilities offered by digital channels for customer acquisition as well as for installation and service activities. However, it is nonetheless important to be able to meet our existing and potential new customers and business partners in person. Even though digitalization is offering excellent means to increase and develop our business, it is quite difficult if not impossible to build trust digitally. Our products are not the most inexpensive in the market, so in order to convince potential customer in that, despite of the little bit higher purchase price, on long-term basis Elecster products are the most competitive alternative. Building such trust is a long-term job requiring deep understanding of customer needs, and entails getting thoroughly acquainted with potential customers' production conditions, need for training of personnel and preconditions set by the financial factors for finalizing of sales. Such profound identification of customer needs and building trust in our company via video link or by emails only is impracticable. When meeting in person we have a considerably enhanced capability to convince potential customers of our know-how, and to create the confidence without exception required for finalizing the sales.

I deeply hope that we will, as early as possible in the course of year 2021, overcome the pandemic and again be able to travel normally, to create and earn the confidence required for successful business with our customers and partners. We wish that the decision makers would in the vaccination order by the Finnish Institute for Health and Welfare take account of the needs of export industries to travel abroad, which would be important for the nation to recover from the economic shock due to pandemic. As soon as vaccination is on the stage "other adults" , those persons who need to travel for work as well as those who are not able to do their job remotely should be given priority in the vaccination order.

I wish to express my sincere thanks to all of our customers, partners and shareholders for the year 2020. Our skilled personnel in all offices deserve special thanks for the excellent work done under the exceptional circumstances.

Stay healthy!

Arto Kinnunen
CEO

Consolidated Financial Statements, IFRS

Consolidated income statement

1000 EUR	1.1.-31.12.2020	1.1.-31.12.2019
NET SALES	**39 401**	**39 385**
Change in inventories of finished goods and work in progress	-872	-170
Production for own use	65	85
Other operating income	417	504
Material and services	-18 266	-19 252
Employee benefit expenses	-8 978	-9 462
Depreciation	-1 833	-1 960
Impairments	-305	
Other operating expenses	-5 710	-6 915
OPERATING PROFIT	**3 920**	**2 215**
Financial income	1 185	667
Financial expenses	-1 305	-1 403
PROFIT BEFORE TAXES	**3 801**	**1 479**
Income taxes	-1 050	-507
PROFIT FOR THE PERIOD	**2 750**	**972**
NET PROFIT/LOSS ATTRIBUTABLE TO		
Equity holders of the parent	2 748	985
Minority interest	3	-13
	2 750	972
Earnings per share calculated on profit attributable to equity holders of the parent		
Earnings per share undiluted (EUR), continuing operations	0,73	0,26
Earnings per share diluted (EUR), continuing operations	0,73	0,26

Statement of comprehensive income

	1.1.-31.12.2020	1.1.-31.12.2019
PROFIT FOR THE PERIOD	2 750	972
OTHER COMPREHENSIVE INCOME:		
Exchange difference on translating foreign operations	-3 311	1 579
Cash flow hedges, net of tax	0	2
Other comprehensive income, net of tax	-3 311	1 581
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-561	2 553
Total comprehensive income attributable to		
Equity holders of the parent	-561	2 564
Minority interest	0	-12
	-561	2 553

Condolidated balance sheet

1000 EUR	31.12.2020	31.12.2019
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	163	166
Tangible assets	13 117	15 158
Investments available for sale	420	420
Long-term receivables	1 866	1 941
Deferred tax assets	433	409
TOTAL NON-CURRENT ASSETS	**15 998**	**18 094**
CURRENT ASSETS		
Inventories	16 565	16 637
Trade receivables and other receivables	7 754	9 047
Tax receivable, income tax	151	55
Cash and bank	7 339	6 279
TOTAL CURRENT ASSETS	**31 809**	**32 018**
TOTAL ASSETS	**47 806**	**50 112**
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	3 152	3 152
Share premium account	4 239	4 239
Fair value reserve		0
Other reserves	90	95
Translation differences	-209	169
Retained earnings	16 749	17 792
	24 021	25 446
Minority interest	**1 023**	**1 022**
SHAREHOLDERS' EQUITY	**25 044**	**26 468**
NON-CURRENT LIABILITIES		
Deferred tax liability	372	381
Long-term liabilities, interest-bearing	11 671	12 029
TOTAL NON-CURRENT LIABILITIES	**12 044**	**12 410**
CURRENT LIABILITIES		
Short-term interest-bearing liabilities	6 161	6 813
Trade payables and other liabilities	4 309	4 377
Tax liability, income tax	249	45
TOTAL CURRENT LIABILITIES	**10 719**	**11 234**
TOTAL EQUITY AND LIABILITIES	**47 806**	**50 112**

Key indicators

Financial indicators

1000 EUR	IFRS 2020	IFRS 2019	IFRS 2018	IFRS 2017	IFRS 2016
Net sales	39 401	39 385	42 180	39 431	44 133
Net sales change, %	0,0 %	-6,6 %	7,0 %	-10,7 %	-4,3 %
Operating profit	3 920	2 215	3 567	3 577	4 525
% of net sales	9,9 %	5,6 %	8,5 %	9,1 %	10,3 %
Profit before extra-ordinary items and taxes	3 801	1 479	3 372	3 285	4 023
% of net sales	9,6 %	3,8 %	8,0 %	8,3 %	9,1 %
Return on equity, %	10,7 %	3,8 %	10,1 %	10,4 %	13,5 %
Return on investment, %	8,4 %	5,0 %	8,3 %	8,6 %	11,6 %
Balance sheet total	47 806	50 112	50 657	49 284	50 328
Equity ratio, %	52,8 %	53,3 %	50,3 %	52,2 %	51,0 %
Gearing, %	41,9 %	47,5 %	49,3 %	44,7 %	45,6 %
Gross investments	1 754	2 904	2 213	2 475	2 511
% of net sales	4,5 %	7,4 %	5,2 %	6,3 %	5,7 %
Research and development	1 175	1 253	1 168	1 112	1 128
% of net sales	3,0 %	3,2 %	2,8 %	2,8 %	2,6 %
Average number of personnel during year	292	302	300	307	310
about which abroad	162	171	170	168	166

Adjusted share-related indicators

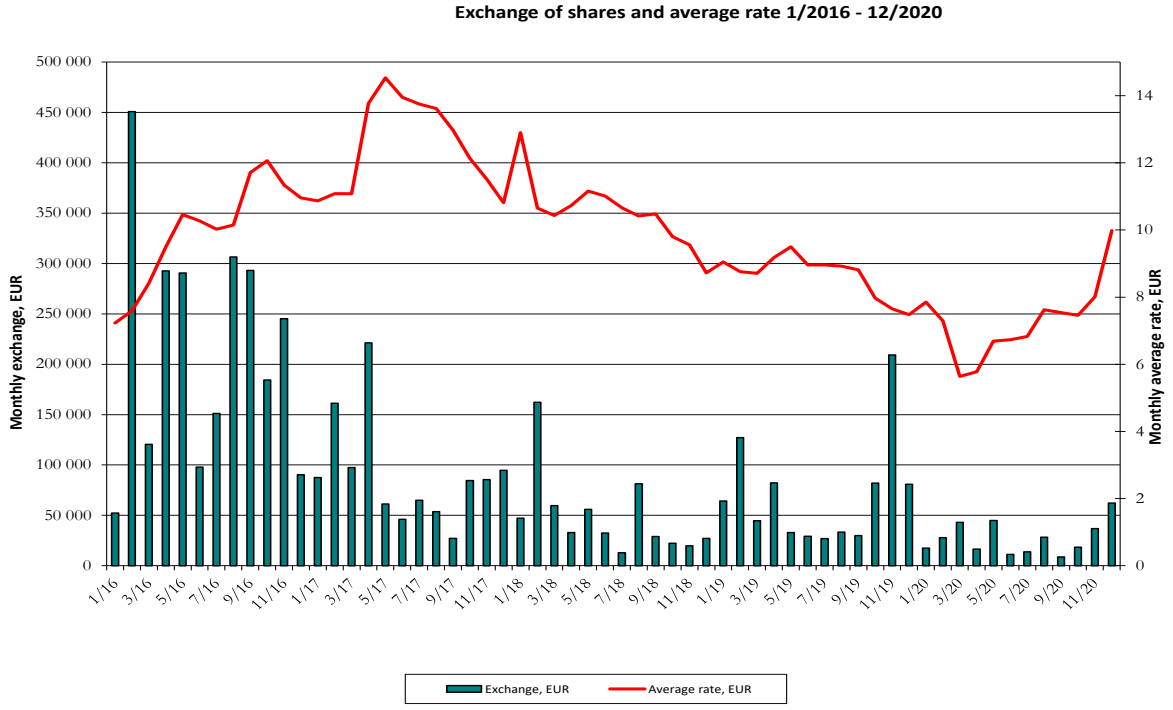
1000 EUR	IFRS 2020		IFRS 2019	IFRS 2018	IFRS 2017	IFRS 2016
Earnings per share, eur	0,73		0,26	0,67	0,66	0,84
Earnings per share (diluted), eur	0,73		0,26	0,67	0,66	0,84
Dividend per share (A-share), eur	0,28	*)	0,23	0,33	0,32	0,31
Dividend per share (K-share), eur	0,28	*)	0,23	0,33	0,32	0,31
Dividend per earnings, %	38,4 %		88,5 %	49,3 %	48,5 %	36,9 %
Effective dividend yield, %	2,5 %		3,1 %	3,7 %	2,9 %	2,8 %
Equity per share, eur	6,68		7,06	6,72	6,52	6,48
Price per earnings ratio (P/E-ratio)	15		29	13	17	13
Trading volume (A-share), 1000 pcs	329		101	55	89	264
% average number of shares	18,1 %		5,6 %	3,0 %	4,9 %	14,5 %
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	4,90		7,00	8,30	10,45	6,88
highest share price, eur	12,30		10,10	13,40	15,71	12,55
share price at December 31, eur	11,30		7,45	8,80	11,07	10,99
Market capitalization of shares December 31, euros millions	42,4		27,9	33,00	41,5	41,2

*) proposal by the Board of Directors

Calculation of key figures

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

Exchange of shares and average rate



Share	Share price 31 Dec 2020	Lowest price	Highest price	Trading volume	%-of A-share
A-share	11,30	4,90	12,30	329.493	17,2

Share Information

Principal shareholders on December 31st, 2020

		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	126 189		3,37 %	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	49 769		1,33 %	0,24 %
9.	Halonen Jukka	11 950	26 280	1,02 %	1,30 %
10.	Moisio Ari	25 500		0,68 %	0,12 %

At the end of 2020, 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, 2020

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, 2020

Breakdown of shareholding

Number of shares	Number of shareholders	% of shareholders	Shares	% of shares
1-100	569	44,73 %	21 181	0,57 %
101-1 000	566	44,50 %	195 864	5,23 %
1 001-5 000	104	8,18 %	215 200	5,74 %
5 001-10 000	17	1,34 %	111 030	2,96 %
10 001-100 000	11	0,86 %	406 903	10,86 %
100 001-	5	0,39 %	2 793 233	74,52 %
Total	1 272	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	71	60,50 %
Credit and insurance institutions *)	6	7,41 %
Non-profit institutions	2	0,04 %
Households	1 188	31,86 %
Foreign owners	5	0,05 %
Number of shares not entered in the book entry system		0,13 %
Total	1 272	100,00 %

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

Contact information 2020

Elecster Oyj
Sontulantie 382
PL 39
37801 Akaa
Tel. 020 154 1211
E-mail: sales@elecster.fi
www.elecster.fi

Elecster Oyj
Halosentie 1
85900 Reisjärvi
Puh. 020 154 1500

Sandudd Oy
Kurvolantie 5 C
PL 30
37801 Akaa
Tel 020 154 1444
www.sandudd.fi

A/S Eesti Elecster
Laki 16
EE 10621 Tallinn, Estonia
Tel +372 6 129 900
E-mail: elecster@elecster.ee
www.elecster.ee

Elecster Baltic Oü
Laki 16
EE 10621 Tallinn, Estonia
Tel +372 6 129 900

Elecster (Tianjin) Dairy Machinery Ltd.
No.7, Dongting Third Street
TEDA Tianjin 300457
P.R. China
Tel +86 22 2532 0566
E-mail: aftersales@elecster.com.cn

Elecster Kenya Ltd
P.O. Box 22624 - 00400
Nairobi
Kenya
Tel +254 20 272 6075
Mobile: +254 722 741 153
E-mail: kenya.sales@elecster.fi

Elecster (Tianjin) Aseptic Packaging Co. Ltd.
No.7, Dongting Third Street
TEDA Tianjin 300457
P.R. China
Tel +86 22 2529 3276
E-mail: filmsales@elecster.com.cn

OOO Finnpack
Russia
197198 Saint Petersburg
Zhdanovskaya str. 45 lit. A, office 23-N
Tel +7 812 240 06 75
E-mail: info@finnpack.ru
www.finnpack.ru

OOO Finnpack Systems
Russia
197198 Saint Petersburg
Zhdanovskaya str. 45 lit. A, office 23-N
Tel +7 812 240 06 75
E-mail: info@finnpack.ru
www.finnpack.ru

OOO Finnpack Upakovka
Russia
614031 Perm
Doukuchaeva 50 A
Tel +7 342 215 24 55
E-mail: fin.upakovka@permplanet.ru

Elecster Oyj
East and Central African regional Office
P.O. Box 22624 - 00400
Nairobi
Kenya
Tel +254 20 272 6075
Mobile: +254 722 741 153
E-mail: kenya.sales@elecster.fi

www.elecster.fi

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WWW.ELECSTER.FI