



Annual Report 2006
Elecster Oyj



Managing Director's Review



Year 2006 was a jubilee year for us: 40 years of full action behind, equipment delivered and functioning in over 70 countries. It is a great achievement for an entrepreneurship started in a garage in spring 1966. Since the beginning, exports form a vital part of our action. Last year, the total share of exports, including our daughter companies established later in Estonia, China and Russia, amounted as high as to 88,6 % of the Group turnover.

The jubilee year came off greatly as expected, the set targets were reached. It was evidently a step forward, and at large, a year of positive development. We managed to further strengthen our position as a system supplier in our main market areas. Thanks to the increased production capacity, we improved our credibility as a locally acting company especially in China, and are now able to meet the packaging material needs of our customers even better than before. The investment made by the parent company to increase the production capacity of our Reisjärvi film factory was completed at the end of the year and currently, the lines are at the starting phase. Through the new lines, we will be able to meet the increased needs in Russia, but also to serve our wide clientele in other countries in Europe, Africa and Latin America.

The oil world market price fluctuated a great deal last year. Towards the end of the year, the prices decreased which however did not affect the plastic raw material prices correspondingly. This speaks for market domination by big raw material manufacturers. We strived for compensation of the decreased margins by greater

volumes, in which we succeeded quite well. The degree of use was high at our packaging material factories, and at the end of the year, they run almost at full capacity.

Our packaging machine sales increased as a whole, however the share of aseptic packaging machines fell behind our set targets.

The daughter companies developed positively and reached the set targets, both in turnover and result.

Year 2007

The daughter companies and their succeeding has become a more and more important element for the whole group's success. They are acting locally thus they offer security for the customers. It is a great asset for our packaging material factories to produce locally available high-quality packaging material. Also in future we are to increase their production capacity in step with the packaging machine sales.

Present year, the key challenge will be a good use of the new production capacity at our Reisjärvi film factory. The next investment in equipment will most probably take place during the next year, the place is still under consideration.

Our target for this year is to improve the efficiency in the use of invested capital, and thus to prepare ourselves for the investment needs in coming years. We aim still to enlarge the profit by increasing the volumes, intensifying the production and saving in costs.

The sales of aseptic packaging machines did not yet last year develop as expected. We however trust in our possibilities to improve this sector present year.

As a whole, we expect moderate growth in each sector. Preconditions for positive development in profit exist, however there is also a danger of eventual rise in raw material prices.

I wish to express my best thanks to our personnel for the excellent work done in all our units. I also wish to extend my thanks to our clients, shareholders and other interest groups for the good cooperation.

In Kylmäkoski 7.3.2007

Jarmo Halonen

Consolidated Financial Statements, IFRS

Consolidated income statement

	1.1.-31.12.2006	1.1.-31.12.2005
NET SALES	40 273	34 531
Change in finished goods and work in progress	-164	89
Production for own use	1 762	1 747
Other operating income	284	725
Material and services	-24 829	-19 771
Employee benefits expense	-8 215	-7 819
Depreciation	-1 152	-1 054
Other operating expenses	-4 596	-5 392
OPERATING PROFIT	3 363	3 056
Financing income	477	494
Financing expenses	-1 322	-1 154
Share of profit/loss in association	-90	-128
PROFIT/LOSS BEFORE TAXES	2 428	2 268
Tax on income from operations	-393	-784
PROFIT/LOSS FOR THE PERIOD	2 035	1 483
NET PROFIT/LOSS ATTRIBUTABLE		
To equity holders of the parent	1 882	1 261
To minority interest	153	222
	2 035	1 483
Earnings per share calculated on profit attributable to equity holders of the parent		
Earnings per share undiluted (EUR), continuing operations	0,50	0,34
Earnings per share diluted (EUR), continuing operations	0,50	0,34

Consolidated Financial Statements, IFRS

Consolidated balance sheet

	31.12.2006	31.12.2005
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	140	169
Tangible assets	12 136	11 153
Investments in associates	0	98
Investments available for sale	418	418
Long-term receivables	1 467	1 399
Deferred tax assets	110	0
TOTAL NON-CURRENT ASSETS	14 272	13 237
CURRENT ASSETS		
Inventories	9 529	10 133
Trade receivables and other receivables	9 655	9 309
Tax receivable, income tax	148	125
Cash and bank	3 704	3 275
TOTAL CURRENT ASSETS	23 036	22 842
TOTAL ASSETS	37 307	36 079
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	3 152	3 152
Share premium account	4 239	4 239
Other reserves	42	0
Translation differences	-315	9
Retained earnings	5 611	4 195
	12 729	11 595
Equity attributable to equity holders of the parent	882	853
Minority interest	882	853
SHAREHOLDERS' EQUITY	13 611	12 449
NON-CURRENT LIABILITIES		
Deferred tax liability	282	300
Long-term liabilities, interest-bearing	11 591	10 138
TOTAL NON-CURRENT LIABILITIES	11 873	10 437
CURRENT LIABILITIES		
Short-term interest-bearing liabilities	5 505	6 317
Trade payables and other liabilities	6 181	6 337
Tax liability, income tax	137	539
TOTAL CURRENT LIABILITIES	11 823	13 193
TOTAL EQUITY AND LIABILITIES	37 307	36 079

Key indicators

Financial indicators

1000 EUR	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002
Net Sales	40 273	34 531	28 677	38 760	37 556
Net sales change, %	16,6 %	20,4 %	-26,0 %	3,2 %	28,2 %
Operating profit/loss	3 363	3 056	42	4 938	4 535
% of net sales	8,4 %	8,8 %	0,1 %	12,7 %	12,1 %
Profit before extra-ordinary items and taxes	2 428	2 268	-542	4 516	3 239
% of net sales	6,0 %	6,6 %	-1,9 %	11,7 %	8,6 %
Profit after extra-ordinary items	2 428	2 268	-542	4 116	3 239
% of net sales	6,0 %	6,6 %	-1,9 %	10,6 %	8,6 %
Return on equity, %	15,6 %	12,9 %	2,0 %	26,4 %	23,1 %
Return on investment, %	11,9 %	11,7 %	4,8 %	22,4 %	23,6 %
Balance sheet total	37 307	36 079	34 279	40 066	29 295
Equity ratio, %	37,0 %	35,0 %	31,0 %	36,4 %	42,5 %
Gearing, %	98,4 %	105,9 %	135,0 %	94,0 %	53,9 %
Gross investments	2 556	2 376	2 233	4 525	2 251
% of net sales	6,3 %	6,9 %	7,8 %	11,7 %	6,0 %
Research and development	637	615	696	890	840
% of net sales	1,6 %	1,8 %	2,4 %	2,3 %	2,2 %
Average number of personnel during year	307	302	286	320	291
about which abroad	157	136	118	97	80

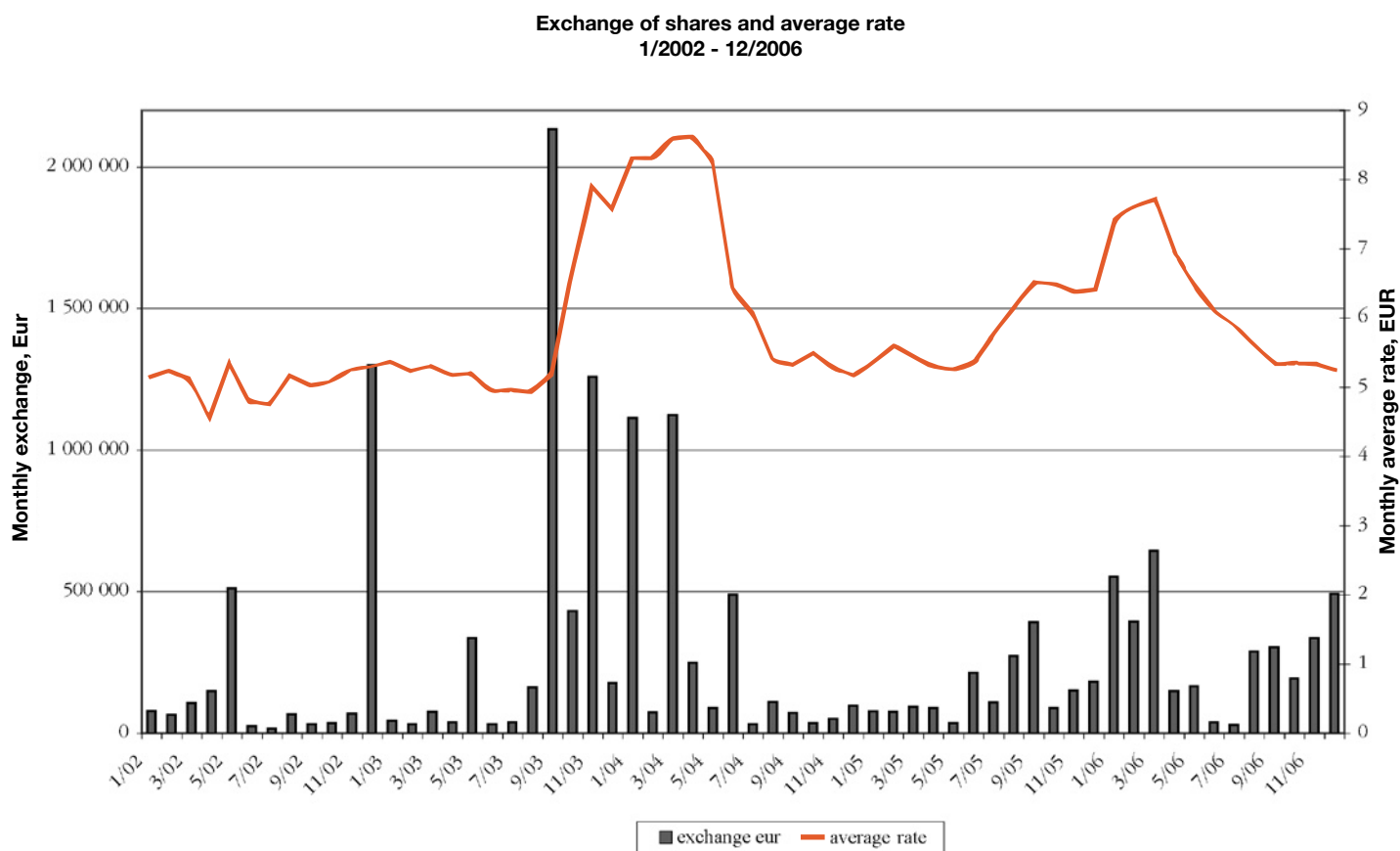
Adjusted share-related indicators

	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002
Earnings per share, eur	0,50	0,34	0,02	0,80	0,57
Earnings per share (diluted), eur	0,50	0,34	0,02	0,80	0,57
Dividend per share (A-share), euroa	0,17*)	0,12	0,00	0,30	0,25
Dividend per share (K-share), euroa	0,17*)	0,12	0,00	0,30	0,25
Dividend per earnings, %	34,0 %	35,3 %	0,0 %	43,6 %	45,3 %
Effective dividend yield, %	3,3 %	1,8 %	0 %	4,1 %	4,8 %
Equity per share, eur	3,40	3,09	2,62	3,37	2,95
Price per earnings ratio (P/E-ratio)	10	19	291	9	9
Trading volume (A-share) , 1000 kpl	578	300	468	815	475
% average number of shares	31,8 %	16,5 %	25,7 %	44,8 %	26,1 %
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	5,04	5,01	4,70	4,62	4,11
highest share price, eur	8,20	6,80	8,90	8,50	5,69
share price December 31, eur	5,20	6,50	5,25	7,30	5,25
Market capitalization of shares December 31, euros millions	19,5	24,4	19,7	27,4	19,7

*) 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, %	$\frac{\text{Profit before extra-ordinary items and taxes + interest expences and other financial expences}}{\text{Total assets - non-interest-bearing liabilities (average)}} * 100$
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	$\frac{\text{Equity attributable to shareholders of parent company}}{\text{Adjusted number of shares at 31 December}}$
Price/earnings ratio (P/E)	$\frac{\text{Adjusted share price at 31 December}}{\text{Earnings/share}}$
Effective dividend yield, %	$\frac{\text{Dividend per share}}{\text{Adjusted share price at 31 December}} * 100$



Share information

Principal shareholders on December 31st 2006

	A-share	K-share	%-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. Vakuutusosakeyhtiö Henki-Sampo	117 000		3,12 %	0,55 %
4. Fondita Nordic Micro Cap Placeringsfond	85 000		2,27 %	0,40 %
5. Etra Invest Oy	80 000		2,13 %	0,38 %
6. FIM Fenno sijoitusrahasto	80 000		2,13 %	0,38 %
7. Functional Foods Finland Oy	71 045		1,90 %	0,34 %
8. Soimimäki Seppo Sakari	26 200		0,70 %	0,12 %
9. Försäkringsaktiebolaget pensions-Alandia	26 000		0,69 %	0,12 %
10. Pöyhänen Eija Anneli	25 800		0,69 %	0,12 %

At the end of 2006, the members of Elecster's Board of Directors and Managing Director hold a total 13 315 shares.

These shares represent 0,36 percent of total share capital and 0,06 percent of voting rights.

Structure of share capital on December 31st 2006

Series of shares	Number of shares	% of shares	% of votes	Share of capital Eur
K-share	1 928 000	51 %	91,37 %	1 621 331,61
A-share	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 2006

Breakdown of shareholding

	Number of shares	Number of shareholders	% of shareholders	Shares	% of shares
1-100		232	27,68 %	14 955	0,40 %
101-1 000		453	54,06 %	196 045	5,23 %
1 001-5 000		110	13,13 %	241 762	6,45 %
5 001-10 000		18	2,15 %	129 830	3,46 %
10 001-100 000		22	2,63 %	637 844	17,02 %
100 001-		3	0,36 %	2 521 515	67,27 %
Total		838	100,00 %	3 741 951	99,84 %
Number of shares not entered in the book entry system				6 165	0,16 %
Number issued				3 748 116	100,0 %

According to shareholders

	Number of shareholders	% of shares
Companies	81	72,03 %
Credit and insurance institutions *)	7	7,87 %
General government	2	0,81 %
Non-profit institutions	5	2,67 %
Households	742	16,06 %
Foreign owners	1	0,40 %
Number of shares not entered in the book entry system		0,16 %
Total	838	100,00 %

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

Elecster Oyj

Sontulantie 382
PL 39
37801 Toijala
Tel. 020 154 1211
Fax 020 154 1400
E-mail: sales@elecster.fi
www.elecster.fi

Elecster Oyj

Halosentie 1
85900 Reisjärvi
Tel. 020 154 1500
Fax (08) 776 054

Sandudd Oy

Kurvolantie 5 C
PL 30
37801 Toijala
Tel. 020 154 1444
Fax (03) 542 4324
www.sandudd.fi

A/S Eesti Elecster

Laki 16
EE 10621 Tallinn, Estonia
Tel. +372 6 129 900
Fax +372 6 129 999
www.elecster.ee

Elecster Baltic Oü

Laki 16
EE 10621 Tallinn, Estonia
Tel. +372 6 129 900
Fax +372 6 129 999

Elecster Co. Representative Office

Landmark Building, unit 1205
8 North Dongsanhuan Road
100004 Beijing
P.R. China
Tel. +86 10 6590 0958
Fax +86 10 6590 0959
E-mail: sales@elecster.com.cn
www.elecster.com.cn

Elecster (Tianjin) Dairy Machinery Ltd.

No.7, Dongting Third Street
TEDA Tianjin 300457
P.R. China
Tel. +86 22 2532 0566
Fax +86 22 6629 7926
E-mail: aftersales@elecster.com.cn
www.elecster.com.cn

Elecster (Tianjin) Aseptic Packaging Co. Ltd.

No.7, Dongting Third Street
TEDA Tianjin 300457
P.R. China
Tel. +86 22 2529 3276
Fax +86 22 6629 3277
E-mail: filmsales@elecster.com.cn
www.elecster.com.cn

OOO Finnpack

Russia
195196 Saint Petersburg
Tallin st. 6B, office 212
Tel. +7 812 326 7817
Fax +7 812 326 7815
E-mail: info@finnpack.ru
www.finnpack.ru

OOO Finnpack Upakovka

Russia
614031 Perm
Doukuchaeva 50 A
Tel. +7 3422 139 355
Fax +7 3422 139 355
E-mail: upakovka@permonline.ru

Xian Elecster New Foodstuffs & Packaging Ltd.

Jianzhang Road
Sangjiao, XIAN 710086
P.R.China
Tel. +86 29 451 5893
Fax +86 29 451 5892

Elecster Kenya

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

www.elecster.fi