



” S t r a t e g i c p a r t n e r s h i p ”



Annual report 2007

Elecster Oyj

Managing Director's Review



In 2007 we made a step forward, to the right direction, in the way we have selected. The targets set for the year were mostly reached and our position in the markets was strengthened. The turnover grew and the result increased both proportionally and absolutely. We must be reasonably satisfied with this result, especially in the present challenging market circumstances. Throughout the whole year, there was a small rise in the raw material prices for packaging materials. Transmitting this rise to the sales prices will however only succeed with a delay.

For Elecster, last year was a gap year in investments; we were bracing ourselves up for the next investment and paid off the current liabilities so our equity ratio improved by 3% being now 40%. This extends our possibility to realise a new, already started investment in the factory of our daughter company in Perm, Russia. Due to this investment, the production capacity of this factory will be doubled.

Another target for this year was to increase the sales of our aseptic packaging machines, in which we succeeded. We accessed several new marketing areas in different parts of the world, and have faith in that these reference deliveries will gain new potential markets for our new generation machines in the current and next coming years. Increasing our machine sales is still a challenge, especially for our mother company. The daughter companies did quite well in their own markets and met the aims set for them both in terms of turnover and result.

The main target of the entire group is to further develop our packaging machine/after sales/packaging material concept. This requires continuous technical development of the machines and packaging material receipts, and, on the other hand investments in order to secure a production capacity high enough. The investment planned in Russia for this year will strengthen and affirm our ability to serve our customers even better in all circumstances.

Since almost 90 % of Elecster group turnover comes from international markets, the development of the world economy is of course a central issue for us. The prospect of US economy drifting to a recession is shedding threats on the development of the whole world economy. Our production and operations are divided in and directed to many countries in different marketing areas. This way we try to diminish dependency on individual countries or marketing areas.

We ourselves trust to have good chances to keep up the positive development of last few years, and thus we expect moderate growth to continue both in terms of turnover and result, of course taking into consideration of the risks mentioned above.

I wish to express my best thanks to the whole personnel of the group for the good work and results in the circumstances of tightening competition. I also wish to thank our customers, shareholders and other partners for the good cooperation.

In Kylmäkoski, March 5th 2008

Jarmo Halonen

Consolidated Financial Statements, IFRS

Consolidated income statement

| | 1.1.-31.12.2007 | 1.1.-31.12.2006 |
|--|-----------------|-----------------|
| NET SALES | 42 154 | 40 273 |
| Change in finished goods and work in progress | 820 | -164 |
| Production for own use | 431 | 1 762 |
| Other operating income | 387 | 284 |
| Material and services | -24 428 | -24 829 |
| Employee benefits expense | -9 117 | -8 215 |
| Depreciation | -1 290 | -1 152 |
| Other operating expenses | -5 268 | -4 596 |
| OPERATING PROFIT | 3 689 | 3 363 |
| Financing income | 500 | 477 |
| Financing expenses | -1 299 | -1 322 |
| Share of profit/loss in association | 0 | -90 |
| PROFIT/LOSS BEFORE TAXES | 2 889 | 2 428 |
| Tax on income from operations | -678 | -393 |
| PROFIT/LOSS FOR THE PERIOD | 2 211 | 2 035 |
| NET PROFIT/LOSS ATTRIBUTABLE | | |
| To equity holders of the parent | 1 970 | 1 882 |
| To minority interest | 241 | 153 |
| | 2 211 | 2 035 |
| Earnings per share calculated on profit attributable to equity holders of the parent | | |
| Earnings per share undiluted (EUR), continuing operations | 0,53 | 0,50 |
| Earnings per share diluted (EUR), continuing operations | 0,53 | 0,50 |

Consolidated Financial Statements, IFRS

Consolidated balance sheet

| | 31.12.2007 | 31.12.2006 |
|---|---------------|---------------|
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Intangible assets | 116 | 140 |
| Tangible assets | 11 624 | 12 136 |
| Investments available for sale | 418 | 418 |
| Long-term receivables | 1 516 | 1 467 |
| Deferred tax assets | 52 | 110 |
| TOTAL NON-CURRENT ASSETS | 13 726 | 14 272 |
| CURRENT ASSETS | | |
| Inventories | 10 925 | 9 529 |
| Trade receivables and other receivables | 9 145 | 9 655 |
| Tax receivable, income tax | 445 | 148 |
| Cash and bank | 3 585 | 3 704 |
| TOTAL CURRENT ASSETS | 24 100 | 23 036 |
| TOTAL ASSETS | 37 826 | 37 307 |
| EQUITY AND LIABILITIES | | |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 3 152 | 3 152 |
| Share premium account | 4 239 | 4 239 |
| Other reserves | 41 | 42 |
| Translation differences | -418 | -315 |
| Retained earnings | 6 816 | 5 611 |
| Equity attributable to equity holders of the parent | 13 830 | 12 729 |
| Minority interest | 1 011 | 882 |
| SHAREHOLDERS' EQUITY | 14 841 | 13 611 |
| NON-CURRENT LIABILITIES | | |
| Deferred tax liability | 345 | 282 |
| Long-term liabilities, interest-bearing | 9 837 | 11 591 |
| TOTAL NON-CURRENT LIABILITIES | 10 182 | 11 873 |
| CURRENT LIABILITIES | | |
| Short-term interest-bearing liabilities | 6 437 | 5 505 |
| Trade payables and other liabilities | 6 321 | 6 181 |
| Tax liability, income tax | 45 | 137 |
| TOTAL CURRENT LIABILITIES | 12 803 | 11 823 |
| TOTAL EQUITY AND LIABILITIES | 37 826 | 37 307 |

Key indicators

Financial indicators

| 1000 EUR | IFRS 2007 | IFRS 2006 | IFRS 2005 | IFRS 2004 | FAS 2003 |
|--|----------------------|----------------------|----------------------|----------------------|---------------------|
| Net sales | 42 154 | 40 273 | 34 531 | 28 677 | 38 760 |
| Net sales change, % | 4,7 % | 16,6 % | 20,4 % | -26,0 % | 3,2 % |
| Operating profit/loss | 3 689 | 3 363 | 3 056 | 42 | 4 938 |
| % of net sales | 8,8 % | 8,4 % | 8,8 % | 0,1 % | 12,7 % |
| Profit before extra-ordinary items and taxes | 2 889 | 2 428 | 2 268 | -542 | 4 516 |
| % of net sales | 6,9 % | 6,0 % | 6,6 % | -1,9 % | 11,7 % |
| Profit after extra-ordinary items | 2 889 | 2 428 | 2 268 | -542 | 4 116 |
| % of net sales | 6,9 % | 6,0 % | 6,6 % | -1,9 % | 10,6 % |
| Return on equity, % | 15,5 % | 15,6 % | 12,9 % | 2,0 % | 26,4 % |
| Return on investment, % | 12,6 % | 11,9 % | 11,7 % | 4,8 % | 22,4 % |
| Balance sheet total | 37 826 | 37 307 | 36 079 | 34 279 | 40 066 |
| Equity ratio, % | 40,0 % | 37,0 % | 35,0 % | 31,0 % | 36,4 % |
| Gearing, % | 85,5 % | 98,4 % | 105,9 % | 135,0 % | 94,0 % |
| Gross investments | 1 035 | 2 556 | 2 376 | 2 233 | 4 525 |
| % of net sales | 2,5 % | 6,3 % | 6,9 % | 7,8 % | 11,7 % |
| Research and development | 851 | 637 | 615 | 696 | 890 |
| % of net sales | 2,0 % | 1,6 % | 1,8 % | 2,4 % | 2,3 % |
| Average number of personnel during year | 318 | 307 | 302 | 286 | 320 |
| about which abroad | 162 | 157 | 136 | 118 | 97 |

Adjusted share-related indicators

| | IFRS 2007 | IFRS 2006 | IFRS 2005 | IFRS 2004 | FAS 2003 |
|---|----------------------|----------------------|----------------------|----------------------|---------------------|
| Earnings per share, eur | 0,53 | 0,50 | 0,34 | 0,02 | 0,80 |
| Earnings per share (diluted), eur | 0,53 | 0,50 | 0,34 | 0,02 | 0,80 |
| Dividend per share (A-share), eur | 0,18 *) | 0,17 | 0,12 | 0,00 | 0,30 |
| Dividend per share (K-share), eur | 0,18 *) | 0,17 | 0,12 | 0,00 | 0,30 |
| Dividend per earnings, % | 34,0 % | 34,0 % | 35,3 % | 0,0 % | 43,6 % |
| Effective dividend yield, % | 3,0 % | 3,3 % | 1,8 % | 0 % | 4,1 % |
| Equity per share, eur | 3,69 | 3,40 | 3,09 | 2,62 | 3,37 |
| Price per earnings ratio (P/E-ratio) | 11 | 10 | 19 | 291 | 9 |
| Trading volume (A-share), 1000 pcs | 718 | 578 | 300 | 468 | 815 |
| % average number of shares | 39,5 % | 31,8 % | 16,5 % | 25,7 % | 44,8 % |
| 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 | 4,53 | 5,04 | 5,01 | 4,70 | 4,62 |
| highest share price, eur | 6,70 | 8,20 | 6,80 | 8,90 | 8,50 |
| share price December 31, eur | 5,98 | 5,20 | 6,50 | 5,25 | 7,30 |
| Market capitalization of shares December 31, euros millions | 22,4 | 19,5 | 24,4 | 19,7 | 27,4 |

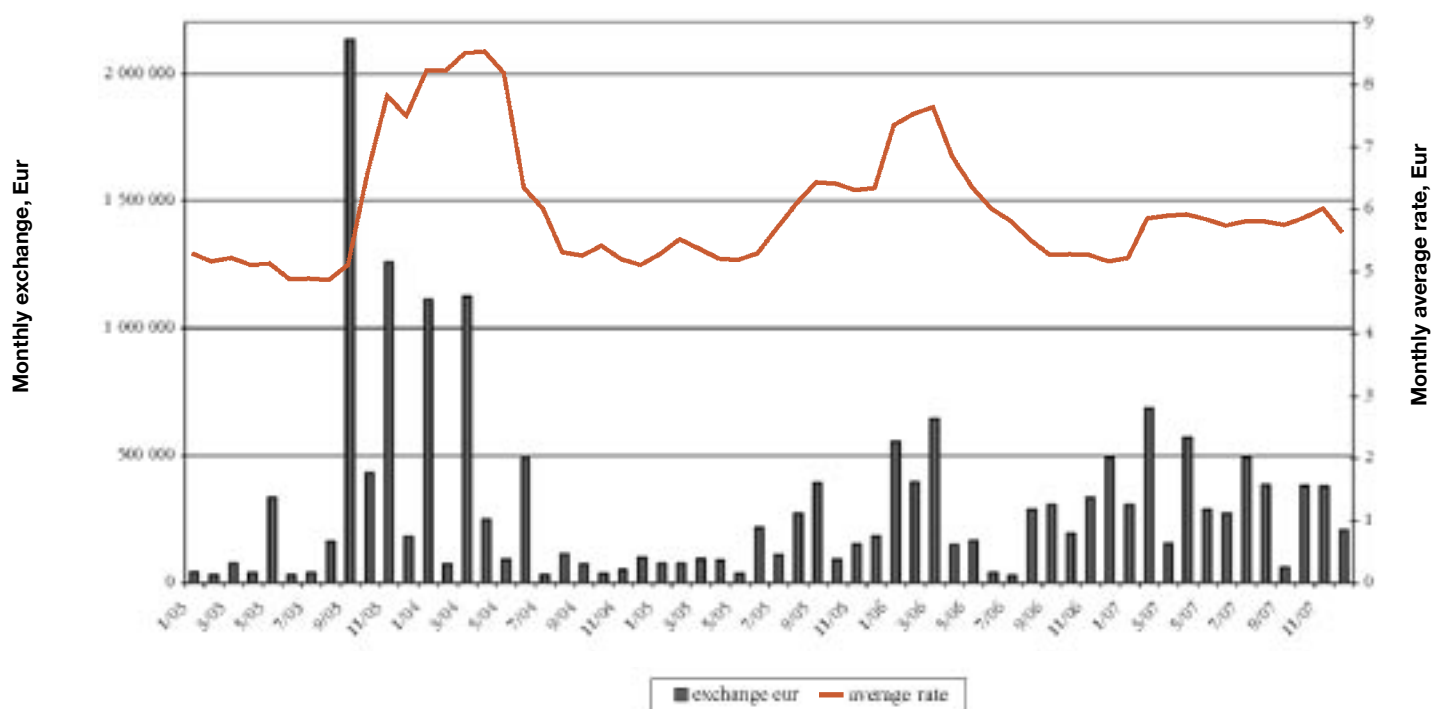
*) proposal by the Board of Directors

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
1/2002 - 12/2007



Share information

Principal shareholders on December 31st 2007

| | 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 | 957 920 | 27,42 % | 45,73 % |
| 3. Vakuutusosakeyhtiö Henki-Sampo | 117 000 | | 3,12 % | 0,55 % |
| 4. Etra-Invest Oy Ab | 80 000 | | 2,13 % | 0,38 % |
| 5. Functional Foods Finland Oy | 71 045 | | 1,90 % | 0,34 % |
| 6. FIM Fenno sijoitusrahasto | 64 782 | | 1,73 % | 0,31 % |
| 7. Onninen-Sijoitus Oy | 50 000 | | 1,33 % | 0,24 % |
| 8. Himahamsterit Oy | 36 100 | | 0,96 % | 0,17 % |
| 9. Määttä Mikko | 27 000 | | 0,72 % | 0,13 % |
| 10. Försäkringsaktiebolaget Pensions-Alandia | 26 000 | | 0,69 % | 0,12 % |

At the end of 2007, the members of Elecster's Board of Directors, Managing Director and the corporations in their authority hold a total 74 611 shares.

These shares represent 1,99 percent of total share capital and 2,60 percent of voting rights.

Structure of share capital on December 31st 2007

| Series of shares | Number of shares | % of shares | % of votes | Share of Share capital Eur |
|------------------|------------------|-------------|------------|----------------------------|
| K-share | 1 928 000 | 51 % | 91,37 % | 1 631 |
| A-share | 1 820 116 | 49 % | 8,63 % | 1 531 |
| Total | 3 748 116 | 100 % | 100,00 % | 3 162 |

Distribution of shareholding on December 31st 2007

Breakdown of shareholding

| | Number of shares | Number of shareholders | % of shareholders | Shares | % of shares |
|---|------------------|------------------------|-------------------|-----------|-------------|
| 1-100 | | 230 | 27,88 % | 14 724 | 0,39 % |
| 101-1 000 | | 431 | 52,24 % | 189 373 | 5,05 % |
| 1 001-5 000 | | 123 | 14,91 % | 272 684 | 7,28 % |
| 5 001-10 000 | | 15 | 1,82 % | 109 215 | 2,91 % |
| 10 001-100 000 | | 23 | 2,79 % | 682 600 | 18,21 % |
| 100 001- | | 3 | 0,36 % | 2 473 515 | 65,99 % |
| Total | | 825 | 100,00 % | 3 742 111 | 99,84 % |
| Number of shares not entered in the book entry system | | | | 6 005 | 0,16 % |
| Number issued | | | | 3 748 116 | 100,0 % |

According to shareholders

| | Number of shareholders | % of shares |
|---|------------------------|-------------|
| Companies | 79 | 73,70 % |
| Credit and insurance institutions *) | 7 | 4,88 % |
| General government | 2 | 0,81 % |
| Non-profit institutions | 4 | 1,81 % |
| Households | 732 | 18,51 % |
| Foreign owners | 2 | 0,13 % |
| Number of shares not entered in the book entry system | | 0,16 % |
| Total | 826 | 100,00 % |

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

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