



Annual report 2008
Elecster Oyj

Number One in Pouch!

ELECO

Managing Director's Review



Year 2008 will be remembered as a turning point in the world economy, when the exceptionally long lasted growth broke off. The liquidity crisis started with the US sub-prime loans quickly spread outside the country, impacting the banking business globally. The financial market turmoil resulted in a panic break reaction in other business segments, and the crisis turned into a downturn trend, or even an economic recession.

During the last quarter of the financial period, the business environment changed into extremely challenging also for Elecster. The milk powder scandal broken in China was reflected to our China factory as a sustainable decrease in the packaging material sales, and it evidently weakened our result in the fourth quarter of the year.

It became considerably more difficult and expensive for our potential customers to get financial support, and this started to show as postponements of deliveries and also as delays in making investment decisions while they remained waiting for the situation to clear up. Due to the delays in delivering the ordered packaging machines, our actual turnover dropped below the targeted level, which for its part noticeably weakened our result, because of the gross margin included was not realised.

In December, the considerable devaluation of the Russian ruble caused us a loss of 0,5 mill Euros in exchange rates, showing especially in the result of December, and pressing our already weaker result of the last quarter down to unprofitable.

Towards the end of the year, our problem was not a decrease in demand but slowdown in getting financing for our customers. In respect of packaging materials, the year was difficult. The continuous rise in raw material costs nibbled the sales margins away. Raising of the film prices lead to decrease in volumes and losses in the market shares. The sharp decline in raw material prices towards the end of the year threw the markets into disorder and now the market shares and price levels are under redistribution.

Due to the global economy crisis, it is very challenging to forecast the future and set up targets for the year 2009. The banks' ability to take care of investment financing will be decisive in order for us to survive the crisis. In our business area, food sector, consumer demand obviously exists. In this situation, availability and price of financing will thus be a

decisive factor. Our market area is very wide, almost all the world using milk as food. Financing is however a common problem everywhere. Some banks and special financing companies, like Finnvera are planning measures to assist companies in arranging the financing. These measures are very important in order for business not to fail because lack of financing.

We will further strongly invest in marketing. In March we are going to exhibit our new products at Anuga FoodTec 2009 in Cologne, Germany, as well as at Dairy Industry 2009 in Moscow, Russia, and in June at Fispal 2009 in Sao Paulo, Brasilia. In addition to these major events, Elecster will this year participate into some other exhibitions in different parts of the world.

Our volume of orders in hand for the current year is quite good, however opening of documentary credits by the customers, and delays in effecting the crucial payments for deliveries also form a threat in the current financial situation. At the end of the last year, the packaging film raw material prices sank steeply, which was immediately reflected to the selling prices. The market situation is a bit in disorder, without knowledge on the stability of the price level.

Prospects for the present year are two-fold: there is a clear demand for investments in the markets, on the other hand the availability and price for the financing required by the investments create a threat for us. We however remain optimistic regarding the prospects for 2009. Under these more complicated circumstances we strive for the same level as last year both in turnover and result. The threat factors are of course the economy crisis becoming critical, leading to great fluctuations in exchange rates, and our customers being hampered in getting investment financing.

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

In Kylmäkoski, March 4th 2009

Jarmo Halonen

Consolidated Financial Statements, IFRS

Consolidated income statement

	1.1.-31.12.2008	1.1.-31.12.2007
NET SALES	36 908	42 154
Change in finished goods and work in progress	1 419	820
Production for own use	2 064	431
Other operating income	236	387
Material and services	-21 628	-24 428
Employee benefits expense	-9 751	-9 117
Depreciation	-1 403	-1 290
Other operating expenses	-5 490	-5 268
OPERATING PROFIT	2 355	3 689
Financing income	1 004	500
Financing expenses	-1 995	-1 299
PROFIT/LOSS BEFORE TAXES	1 364	2 889
Tax on income from operations	-255	-678
PROFIT/LOSS FOR THE PERIOD	1 108	2 211
NET PROFIT/LOSS ATTRIBUTABLE		
To equity holders of the parent	949	1 970
To minority interest	159	241
	1 108	2 211
Earnings per share calculated on profit attributable to equity holders of the parent		
Earnings per share undiluted (EUR), continuing operations	0,25	0,53
Earnings per share diluted (EUR), continuing operations	0,25	0,53

Consolidated Financial Statements, IFRS

Consolidated balance sheet

	31.12.2008	31.12.2007
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	93	116
Tangible assets	13 975	11 624
Investments available for sale	419	418
Long-term receivables	1 777	1 516
Deferred tax assets	218	52
TOTAL NON-CURRENT ASSETS	16 482	13 726
CURRENT ASSETS		
Inventories	12 191	10 925
Trade receivables and other receivables	8 508	9 145
Tax receivable, income tax	200	445
Cash and bank	3 290	3 585
TOTAL CURRENT ASSETS	24 188	24 100
TOTAL ASSETS	40 670	37 826
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	3 152	3 152
Share premium account	4 239	4 239
Other reserves	72	41
Translation differences	-210	-418
Retained earnings	7 063	6 816
Equity attributable to equity holders of the parent	14 316	13 830
Minority interest	1 058	1 011
SHAREHOLDERS' EQUITY	15 374	14 841
NON-CURRENT LIABILITIES		
Deferred tax liability	443	345
Long-term liabilities, interest-bearing	10 292	9 837
TOTAL NON-CURRENT LIABILITIES	10 735	10 182
CURRENT LIABILITIES		
Short-term interest-bearing liabilities	9 449	6 437
Trade payables and other liabilities	5 088	6 321
Tax liability, income tax	23	45
TOTAL CURRENT LIABILITIES	14 560	12 803
TOTAL EQUITY AND LIABILITIES	40 670	37 826

Key indicators

Financial indicators

1000 EUR	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
Net sales	36 908	42 154	40 273	34 531	28 677
Net sales change, %	-12,4 %	4,7 %	16,6 %	20,4 %	-26,0 %
Operating profit/loss	2 354	3 689	3 363	3 056	42
% of net sales	6,4 %	8,8 %	8,4 %	8,8 %	0,1 %
Profit before extra-ordinary items and taxes	1 364	2 889	2 428	2 268	-542
% of net sales	3,7 %	6,9 %	6,0 %	6,6 %	-1,9 %
Profit after extra-ordinary items	1 364	2 889	2 428	2 268	-542
% of net sales	3,7 %	6,9 %	6,0 %	6,6 %	-1,9 %
Return on equity, %	7,3 %	15,5 %	15,6 %	12,9 %	2,0 %
Return on investment, %	8,9 %	12,6 %	11,9 %	11,7 %	4,8 %
Balance sheet total	40 670	37 826	37 307	36 079	34 279
Equity ratio, %	38,5 %	40,0 %	37,0 %	35,0 %	31,0 %
Gearing, %	107,0 %	85,5 %	98,4 %	105,9 %	135,0 %
Gross investments	3 414	1 035	2 556	2 376	2 233
% of net sales	9,3 %	2,5 %	6,3 %	6,9 %	7,8 %
Research and development	905	851	637	615	696
% of net sales	2,5 %	2,0 %	1,6 %	1,8 %	2,4 %
Average number of personnel during year	325	318	307	302	286
about which abroad	165	162	157	136	118

Adjusted share-related indicators

	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
Earnings per share, eur	0,25	0,53	0,50	0,34	0,02
Earnings per share (diluted), eur	0,25	0,53	0,50	0,34	0,02
Dividend per share (A-share), eur	0,10*)	0,18	0,17	0,12	0,00
Dividend per share (K-share), eur	0,10*)	0,18	0,17	0,12	0,00
Dividend per earnings, %	40,0 %	34,0 %	34,0 %	35,3 %	0,0 %
Effective dividend yield, %	2,8 %	3,0 %	3,3 %	1,8 %	0%
Equity per share, eur	3,82	3,69	3,40	3,09	2,62
Price per earnings ratio (P/E-ratio)	14	11	10	19	291
Trading volume (A-share), 1000 pcs	273	718	578	300	468
% average number of shares	15,0 %	39,5 %	31,8 %	16,5 %	25,7 %
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	3,02	4,53	5,04	5,01	4,70
highest share price, eur	6,10	6,70	8,20	6,80	8,90
share price December 31, eur	3,60	5,98	5,20	6,50	5,25
Market capitalization of shares December 31, euros millions	13,5	22,4	19,5	24,4	19,7

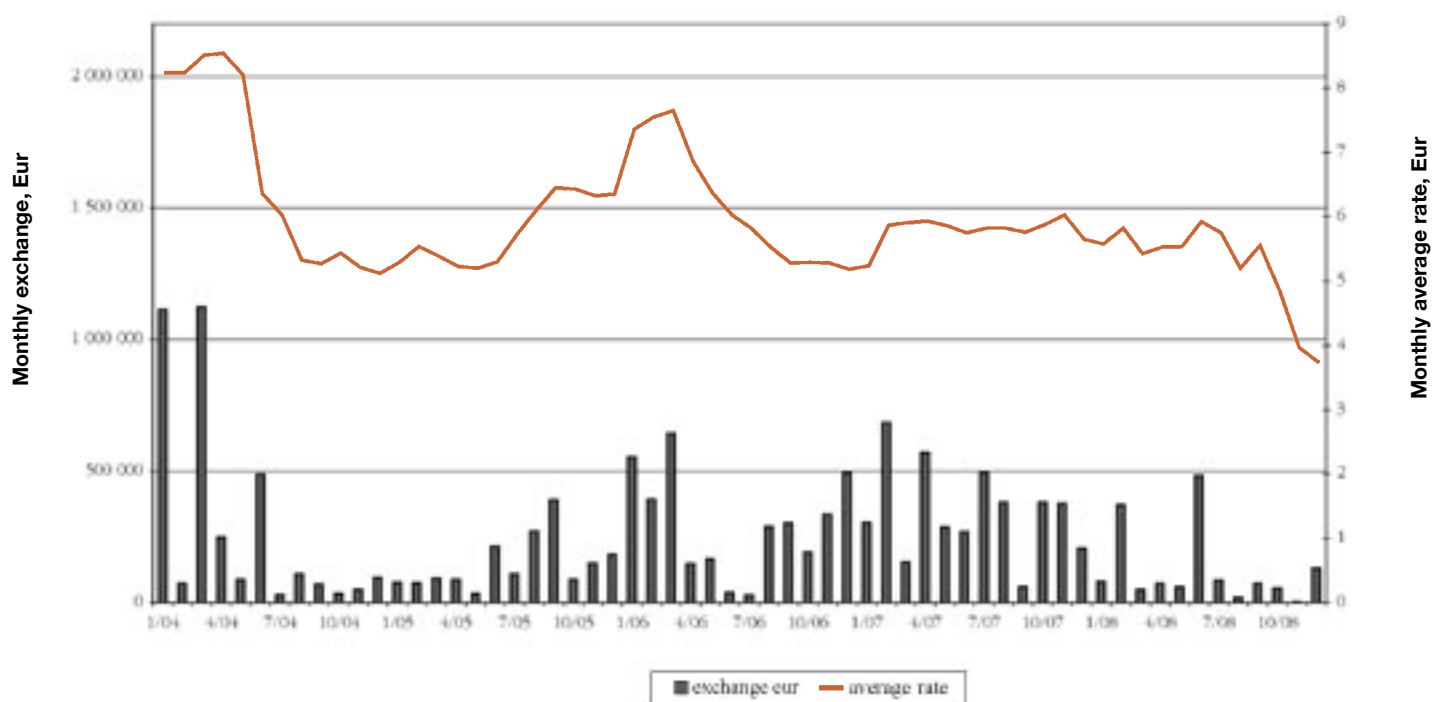
*) proposal by the Board of Directors

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, %	$\frac{\text{Profit before extra-ordinary items and taxes + interest expenses and other financial expenses}}{\text{Total assets - non-interest-bearing liabilities (average)}} * 100$
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
1/2004 - 12/2008



Share information

Principal shareholders on December 31st 2008

	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	27,43%	45,73%
3. Mandatum Henkivakuutusosakeyhtiö	117 000		3,12%	0,55%
4. Etra-Invest Oy Ab	80 000		2,13%	0,38%
5. Onninen-Sijoitus Oy	75 000		2,00%	0,36%
6. Functional Foods Finland Oy	71 045		1,90%	0,34%
7. FIM Fenno sijoitusrahasto	56 362		1,50%	0,27%
8. Turun kaupungin vahinkorahasto	53 433		1,43%	0,25%
9. Himahamsterit Oy	34 837		0,93%	0,17%
10. Määttä Mikko	27 000		0,72%	0,13%

At the end of 2008, the members of Elecster's Board of Directors, Managing Director and the corporations in their authority hold a total 55.261 shares.

These shares represent 1,47 percent of total share capital and 1,76 percent of voting rights.

Structure of share capital on December 31st 2008

Series of shares	Number of shares	% of shares	% of votes	Share 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 2008

Breakdown of shareholding

	Number of shares	Number of shareholders	% of shareholders	Shares	% of shares
1-100		227	29,14%	14 198	0,38%
101-1 000		395	50,71%	167 456	4,47%
1 001-5 000		113	14,51%	247 049	6,59%
5 001-10 000		17	2,18%	128 030	3,42%
10 001-100 000		24	3,08%	711 863	18,99%
100 001-		3	0,39%	2 473 515	65,99%
Total		779	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	73	73,85%
Credit and insurance institutions *)	7	4,85%
General government	2	2,12%
Non-profit institutions	4	1,59%
Households	692	17,40%
Foreign owners	1	0,03%
Number of shares not entered in the book entry system		0,16%
Total	779	100,00%

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

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