



POUCH IS THE FUTURE

ELECSTER OYJ

Annual Report 2016

Managing Director's Review



Year 2016 remains the last one in my almost 29-year long career as Elecster Oyj's Managing Director, which has been a very interesting and eventful period of time. At an early stage of my career, the collapse of the Soviet Union brought an enormous challenge to our company. Upon ceasing of East Germany, we lost a very big contract of sale, and also the democratization process in Kenya entailed pain in financing of the deals. These incidents that all took place in the beginning of 1990's required a lot of adaptation. Projects like a baby food and packaging material factory in Russia and a slaughtering house factory in Mongolia carried us over the difficult times.

In 1999, Elecster started its first UHT milk processing and packaging line deliveries to China, followed by several others at the beginning of 2000's. This new concept can be considered as change of direction in our operations. The crucial significance of the packaging materials as part of our concept increased when we started producing packaging materials in China and Russia. The packaging material production formed a framework that has contributed to a positive and steadier development in the later years.



I feel privileged to start as Managing Director of such a well-directed company with a strong basis. On my part I wish to thank Mr. Jarmo Halonen for his excellent work. During the last half a year, I have been working in close cooperation with Mr. Halonen and seen that we share the same values and management habits. On this ground I know that reliability

At the moment Elecster is "Number One in Pouch" worldwide. Our products are known as the best and most reliably working machines. Our concept is serving the customers comprehensively: our customers want to purchase the best possible safety at a reasonable price. On the basis of the customer feedback our message has been understood and it is valued.

In this long chain, the target set for the financial result in 2016 was reached, thanks to the positive development in the packaging material sector, even though our machine sales were a little bit delayed in some areas. We have a strong belief that in 2017 also the machine sales will start growing again.

Upon my retirement I wish to express great thanks. First, to our clients for the trust in us and for the good cooperation throughout the years. Secondly, to our partners for their support that has contributed us to develop ourselves and our operations further. Our shareholders I thank for the patience you showed in the first years of our listing, and during the last years, when the dividends and stock prices have been more beneficial to the shareholders. Finally, I want to express huge thanks to our own personnel, both to those already retired as well as to current employees, for the good cooperation and support shown to my work throughout my working years.

To my successor, Mr. Arto Kinnunen, I wish the best luck as the third Managing Director of the 50-year old Elecster company. I am most confident in his ability to succeed in this task.

Akaa, Finland, Feb. 28th 2017
Jarmo Halonen

and customer oriented approach - not to forget profitability - will also in future remain to be the cornerstones of Elecster operations.

Akaa, Finland, Feb. 28th 2017
Arto Kinnunen

Consolidated Financial Statements, IFRS

Consolidated income statement

EUR 1.000	1.1.-31.12.2016	1.1.-31.12.2015
Net sales	44 133	46 108
Change in inventories of finished goods and work in progress	1 316	-1 735
Production for own use	-14	149
Other operating income	410	325
Material and services	-22 424	-20 504
Employee benefit expenses	-9 756	-10 124
Depreciation	-1 980	-2 121
Other operating expenses	-7 160	-7 782
OPERATING PROFIT	4 525	4 316
Financial income	890	1 570
Financial expenses	-1 392	-1 954
PROFIT BEFORE TAXES	4 023	3 932
Income taxes	-866	-796
PROFIT FOR THE PERIOD	3 157	3 136
NET PROFIT/LOSS ATTRIBUTABLE TO		
Equity holders of the parent	3 155	3 084
Minority interest	2	52
	3 157	3 136
Earnings per share calculated on profit attributable to equity holders of the parent		
Earnings per share undiluted (EUR), continuing operations	0,84	0,82
Earnings per share diluted (EUR), continuing operations	0,84	0,82

Statement of comprehensive income

	1.1.-31.12.2016	1.1.-31.12.2015
PROFIT FOR THE PERIOD	3 157	3 136
OTHER COMPREHENSIVE INCOME:		
Exchange difference on translating foreign operations	1 925	-778
Cash flow hedges, net of tax	8	0
Other comprehensive income, net of tax	1 934	-777
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5 091	2 359
Total comprehensive income attributable to		
Equity holders of the parent	5 088	2 307
Minority interest	3	52
	5 091	2 359

Consolidated Financial Statements, IFRS

Consolidated balance sheet

EUR 1.000	31.12.2016	31.12.2015
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	674	731
Tangible assets	13 413	12 376
Investments available for sale	420	420
Long-term receivables	250	769
Deferred tax assets	343	350
TOTAL NON-CURRENT ASSETS	15 100	14 645
CURRENT ASSETS		
Inventories	17 126	15 345
Trade receivables and other receivables	11 435	11 153
Tax receivable, income tax	150	164
Cash and bank	6 517	5 900
TOTAL CURRENT ASSETS	35 228	32 563
TOTAL ASSETS	50 328	47 208
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	3 152	3 152
Share premium account	4 239	4 239
Fair value reserve	-13	-21
Other reserves	101	103
Translation differences	521	562
Retained earnings	16 297	12 300
	24 297	20 334
Minority interest	999	1 049
SHAREHOLDERS' EQUITY	25 297	21 383
NON-CURRENT LIABILITIES		
Deferred tax liability	608	586
Long-term liabilities, interest-bearing	13 182	11 723
TOTAL NON-CURRENT LIABILITIES	13 790	12 310
CURRENT LIABILITIES		
Short-term interest-bearing liabilities	4 863	6 948
Trade payables and other liabilities	6 318	6 411
Tax liability, income tax	60	157
TOTAL CURRENT LIABILITIES	11 242	13 515
TOTAL EQUITY AND LIABILITIES	50 328	47 208

Key indicators

Financial indicators

1000 EUR	IFRS 2016	IFRS 2015	IFRS 2014	IFRS 2013	IFRS 2012
Net sales	44 133	46 108	45 833	45 349	43 856
Net sales change, %	-4,3 %	0,6 %	1,1 %	3,4 %	-3,4 %
Operating profit	4 525	4 316	4 266	3 531	3 401
% of net sales	10,3 %	9,4 %	9,3 %	7,8 %	7,8 %
Profit before extra-ordinary items and taxes	4 023	3 932	3 139	2 853	2 953
% of net sales	9,1 %	8,5 %	6,8 %	6,3 %	6,7 %
Return on equity, %	13,5 %	15,1 %	11,6 %	11,0 %	11,3 %
Return on investment, %	11,6 %	12,7 %	12,4 %	10,6 %	11,4 %
Balance sheet total	50 328	47 208	44 480	43 251	44 044
Equity ratio, %	51,0 %	45,7 %	45,7 %	49,7 %	47,6 %
Gearing, %	45,6 %	59,7	69,0 %	51,5 %	63,1 %
Gross investments	2 511	2 276	3 985	2 261	1 176
% of net sales	5,7 %	4,9 %	8,7 %	5,0 %	2,7 %
Research and development	1 128	1 081	1 033	1 054	1 061
% of net sales	2,6 %	2,3 %	2,3 %	2,3 %	2,4 %
Average number of personnel during year	310	325	333	343	338
about which abroad	166	175	180	184	180

Adjusted share-related indicators

	IFRS 2016	IFRS 2015	IFRS 2014	IFRS 2013	IFRS 2012
Earnings per share, eur	0,84	0,82	0,65	0,60	0,59
Earnings per share (diluted), eur	0,84	0,82	0,65	0,60	0,59
Dividend per share (A-share), eur	0,31 *)	0,30	0,28	0,26	0,25
Dividend per share (K-share), eur	0,31 *)	0,30	0,28	0,26	0,25
Dividend per earnings, %	36,9 %	36,6 %	43,1 %	43,3 %	42,3 %
Effective dividend yield, %	2,8 %	4,1 %	4,8 %	4,3 %	5,3 %
Equity per share, eur	6,48	5,43	5,09	5,37	5,22
Price per earnings ratio (P/E-ratio)	13	9	9	10	8
Trading volume (A-share), 1000 pcs	264	415	228	204	223
% average number of shares	14,5 %	22,8 %	12,5 %	11,2 %	12,3 %
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	6,88	5,75	5,56	4,60	4,00
highest share price, eur	12,55	7,50	6,50	6,30	4,88
share price at December 31, eur	10,99	7,26	5,85	6,05	4,75
Market capitalization of shares December 31, euros millions	41,2	27,2	21,9	22,7	17,8

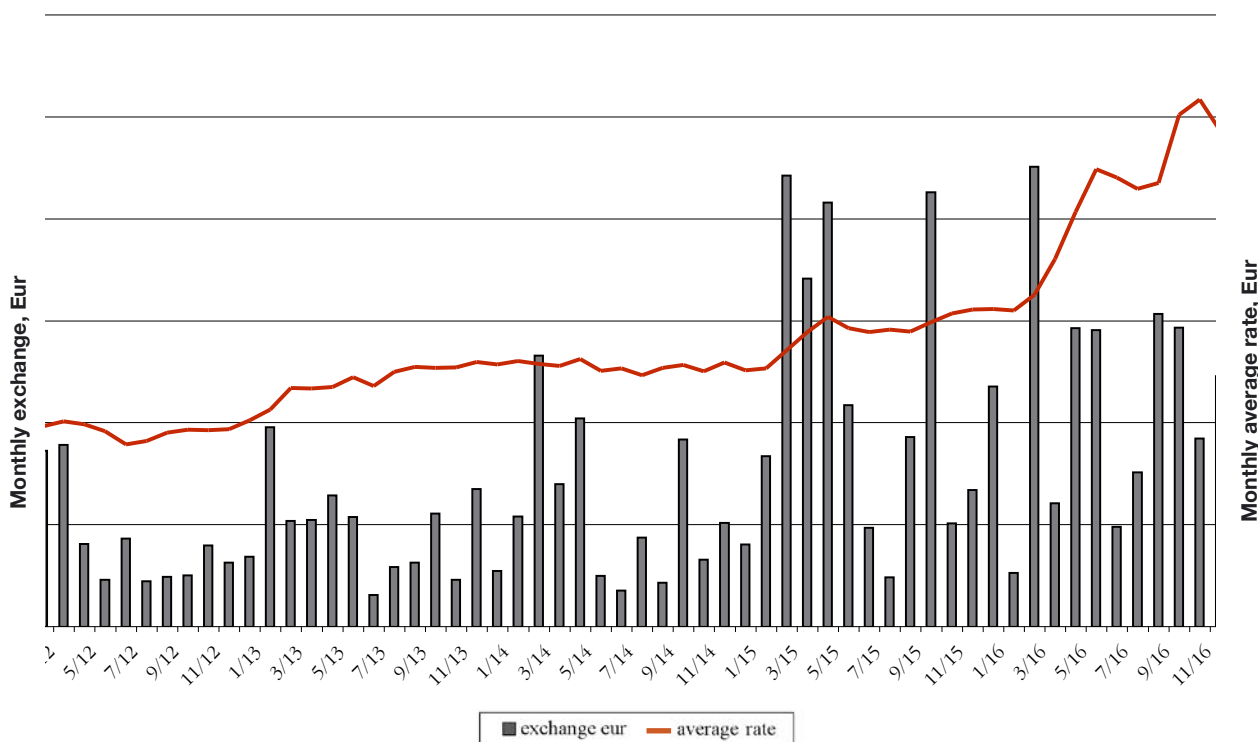
*) proposal by the Board of Directors

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
1/2012 - 12/2016



Share
A-share

Share price 31 Dec 2016
10,99

Lowest price
6,88

Highest price
12,55

Trading volume
264.622

%-of A-share
14,5

Share information

Principal shareholders on December 31st, 2016

	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	120 466		3,21 %	0,57 %
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	39 715		1,06 %	0,19 %
10. Halonen Jukka	11 950	26 280	1,02 %	1,30 %

At the end of 2016, the members of Elecster's Board of Directors, Managing Director and the corporations in their authority hold 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, 2016

Series of shares	Number of shares	% of shares	% of votes	Share capital Eur
	1 928 000	51 %	91,37 %	1 621 331,61
	1 820 116	49 %	8,63 %	1 530 607,68
	3 748 116	100 %	100,00 %	3 151 939,29

Distribution of shareholding on December 31st, 2016

Breakdown of shareholding

	Number of shares	Number of shareholders	% of shareholders	Shares	% of shares
	1-100	398	36,68 %	21 763	0,58 %
	101-1 000	547	50,41 %	216 994	5,79 %
	1 001-5 000	103	9,49 %	205 548	5,48 %
	5 001-10 000	18	1,66 %	123 399	3,29 %
	10 001-100 000	14	1,29 %	487 872	13,02 %
	100 001-	5	0,46 %	2 687 025	71,69 %
Total		1 085	100,00 %	3 742 601	99,85 %
Number of shares not entered in the book entry systems				5 515	0,15 %
Number issued				3 748 116	100,0 %

According to shareholders

	Number of shareholders	% of shares
Companies	62	60,46 %
Credit and insurance institutions *)	9	7,47 %
Non-profit institutions	3	0,04 %
Households	1 008	31,85 %
Foreign owners	3	0,03 %
Number of shares not entered in the book entry system		0,15 %
Total	1 085	100,00 %

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

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