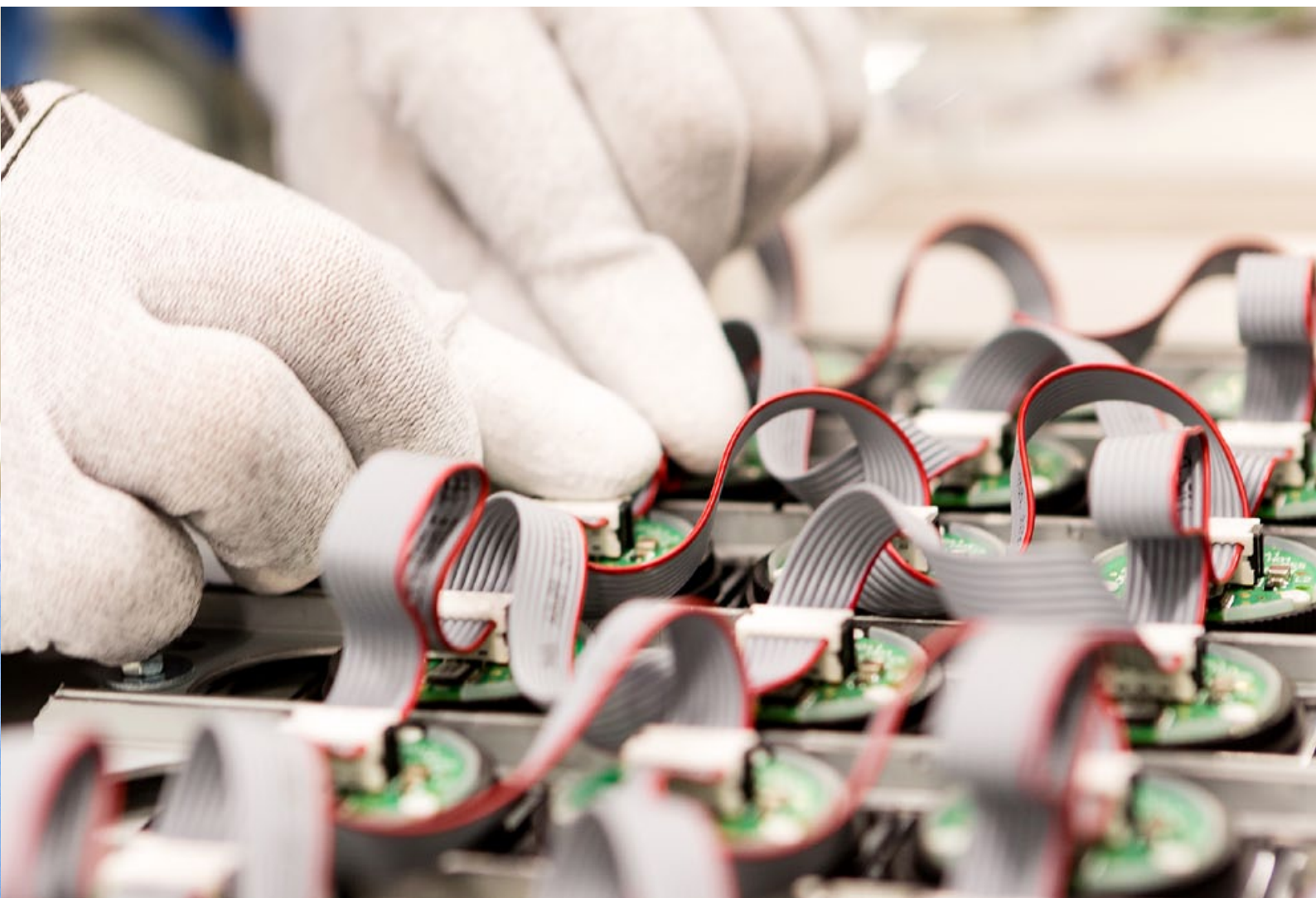


**SCANFIL** ANNUAL REPORT 2014







**GENERAL**

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### **Annual General Meeting**

The Annual General Meeting of Scanfil plc will be held on Wednesday 8 April 2015 at 1.00 p.m. in company's main office, at the address Yritystie 6, Sievi, Finland. The shareholders' meeting will examine the matters referred to in the summons to the meeting published in accordance with the Articles of Association, which are also presented in a stock market announcement and on the company's web site [www.scanfil.com](http://www.scanfil.com).

Eligibility to attend the meeting shall be enjoyed by shareholders who were entered by 25 March 2015 at the latest as shareholders in the register of Scanfil plc's shareholders kept by Euroclear Finland Ltd. In order to be able to attend the Annual General Meeting, shareholders shall register with the company by 4 p.m. 31 March 2015 at the latest, either in writing to the address Scanfil plc, Yritystie 6, 85410 Sievi, Finland, by telephone, on + 358 – 8 – 4882 111 or by e-mail [agm@scanfil.com](mailto:agm@scanfil.com)

When registering by post, the letter shall have arrived before the end of the registration period. Possible proxy docu-

ments should be delivered in originals before the last date for registration.

### **Payment of dividend**

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.07 be paid from the unrestricted shareholders' equity per share, for a total of EUR 4,041,130.73

The record date for payment of dividend shall be 10 April 2015 and the date of payment of dividend 17 April 2015. Dividend shall be paid to shareholders who on the record date are entered in the register of the company's shareholders kept by the Euroclear Finland Ltd.

### **Financial information**

In 2015, Scanfil plc will be publishing the following financial reviews:

- Financial statement bulletin  
24 February 2015
- Annual report week 11/2015
- Interim Report for  
January–March 29 April 2015
- Interim Report for  
January–June 10 August 2015

- Interim Report for January–  
September 28 October 2015

The financial reviews will be appearing in Finnish and English, and be published on the company's website at [www.scanfil.com](http://www.scanfil.com). The publications can also be ordered from the address Scanfil plc, Yritystie 6, 85410 Sievi, Finland and by telephone on + 358 – 8 – 4882 111.

### **Register of shareholders**

Shareholders are requested to give notice of changes of name and address to the bank, bankers or Euroclear Finland Oy, which, as the account operator chosen by each shareholder, administers the shareholder's book-entry securities account.



## Scanfil plc, an international contract manufacturing partner

Scanfil plc is a listed (NASDAQ OMX Helsinki, SCLIV) international contract manufacturer and system supplier. The company has nearly 40 years of experience in demanding contract manufacturing. It is headquartered in Sievi, Finland. Scanfil has production operations in Finland, China, Germany, Hungary and Esto-

nia. Scanfil's turnover in 2014 was EUR 214.5 million. At the end of the year, it employed a total of 1,782 people, of which around 87% were based outside Finland.

The key elements of Scanfil's operations include a vertically integrated production system and the provision of services and supply chain management

to customers over the entire life cycle of the product. Its customers include international operators in the automation, energy, data transmission and health technology sectors, among other industries, and companies operating in fields related to urbanisation.

Typical products manufactured by Scanfil include equipment systems for mobile and telecommunication networks, automation system modules, frequency converters, lift control systems, analysers, game machines, self-service equipments and meteorological instruments.

### MISSION

Scanfil helps its customers find success by providing a reliable and effective manufacturing service and supply chain implementation.

### VISION

We are the preferred manufacturing partner for our customers.

### STRATEGIC STRENGTHS

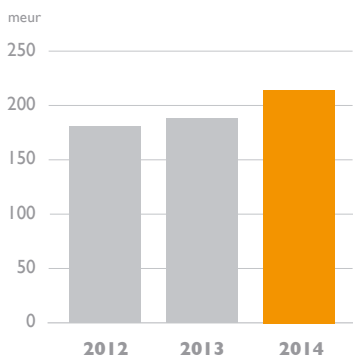
- We operate close to our customers
- Speed, flexibility and reliability through comprehensive supply chain management and vertically integrated manufacturing
- Good financial standing

# KEY FIGURES

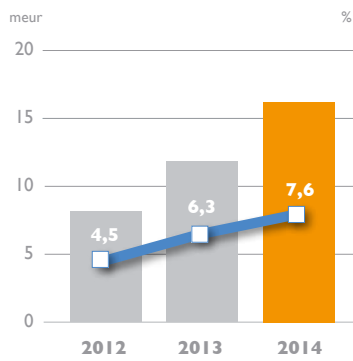


## Group

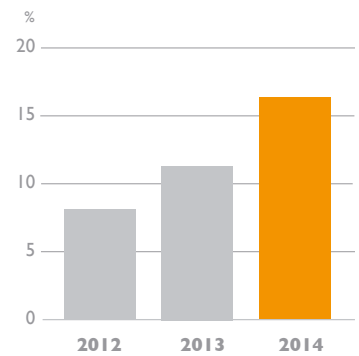
### Turnover



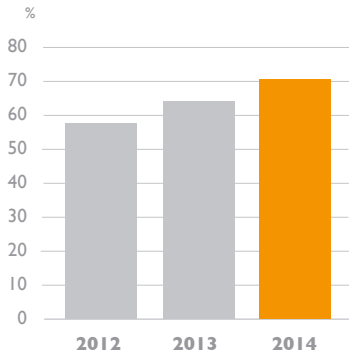
### Operating profit & operating profit %



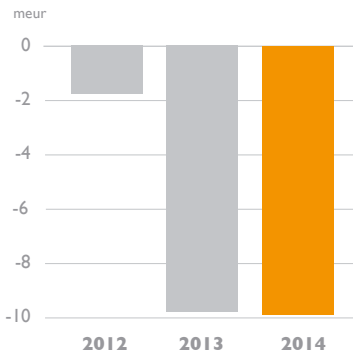
### Return on investment



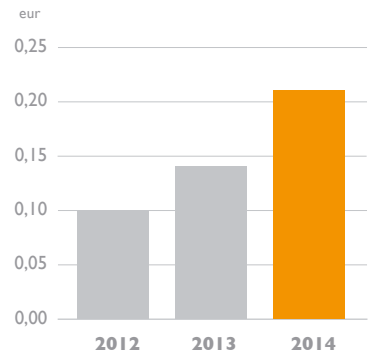
### Solvency



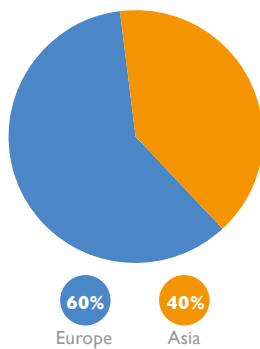
### Net debt



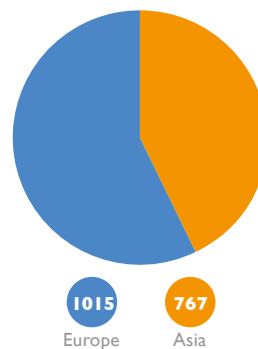
### Earnings per share



### Turnover by regional segment



### Personnel by region





## Profitable growth

Scanfil plc developed strongly in 2014. Its turnover was EUR 214.5 million (188.5 million in 2013), with an operating profit of EUR 16.2 million (11.8). Its turnover grew organically, even among data transmission customers, for the first time in several years. In addition to organic growth, sales increased as a result of the acquisition of the Schaltex Systems at the beginning of April. Our operating profit increased clearly, which was due not only to our higher turnover, but also the development measures we carried out during the year as well as successful cost control. We grew profitably, which was our goal.

The acquisition of the Schaltex enabled us to expand our customer base and gain a strong foothold in the strategically important German market. Business operations at the Hamburg unit developed in line with expectations, and its integration into Scanfil progressed as planned.

### **Development guided by customers' needs**

Our development efforts are guided by our customers' needs and expectations. We must be able to meet customers' targets in terms of schedules, flexibility and quality. In addition, we are often expected to reduce their production costs in the process. Our service concept and factory network also enable us to help customers launch new products more rapidly or enter interesting new markets, to name just two examples. In addition, we are able to increase our customers' production capacity without tying up their resources. In other words, as a

manufacturing partner, we enable our customers focus on their core processes, such as sales, marketing, product development and market entries. Our vision is to be our customers' preferred contract manufacturing partner.

We have systematically expanded our customer base to cover new industries. Currently, many of our customers operate in the following sectors: energy and automation, health technology, life science and environmental measurement solutions, communication systems and mobile networks as well as products and solutions related to urbanisation, such as lifts, escalators and self-service equipment. A diverse customer base in interesting sectors offers us a large number of growth opportunities.

### **Personnel is the key**

Scanfil employs nearly 1,800 people in Finland, Estonia, Germany, Hungary and China. Employee satisfaction is studied and any necessary development measures are determined annually. I believe that satisfied, motivated and highly competent employees play a key role in creating good customer experiences. Our experiences from last year support this view: our employee satisfaction, our ability to produce high quality and our customer satisfaction improved.

### **Continuous development**

We aim for profitable growth in turnover also this year. In customer acquisition, we will be focusing on Central Europe and China in particular. We have determined development measures for 2015 based on feedback from customers and

employees. We will continue our efforts to improve our processes and efficiency. Our goal is to make Scanfil an even more attractive partner for customers and an even better workplace for employees.

I would like to take this opportunity to thank our employees, customers, suppliers, partners and shareholders for their trust and cooperation in 2014.



**Petteri Jokitalo**  
CEO  
Scanfil plc  
and Scanfil EMS Oy



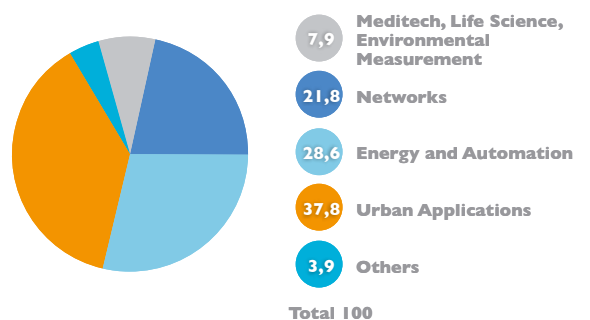
## A diverse customer base

Scanfil's manufacturing services are suitable for most product companies in various industries. Regardless of their field, most companies increasingly want to focus on their customers and product development and at the same time outsource production and supply chain management to partners specialising in contract manufacturing.

Our customer groups are:

- Energy and Automation
- Networks
- Meditech, Life Science and Environmental Measurements
- Urban Applications

Turnover by customer group, %





## CUSTOMERS



### Energy and Automation

- Key market trends: energy efficiency and renewable energy production in addition to urbanisation in emerging markets in particular, and a general increase in industrial automation to improve profitability
- Examples of customers: Vacon (Danfoss), ABB, The Switch (Yaskawa), Metso
- Examples of products: power production and electricity transmission systems, systems related to energy efficiency and process control systems, such as frequency converters, inverters, switches and automation systems
- Sales to operators in this group in 2014: EUR 61,3 million (2013: 57,5)



### Networks

- Key market trends: digitisation and the increasing significance of telecommunications in society as well as wireless solutions and the Industrial Internet
- Examples of customers: Nokia, Ericsson, Alcatel-Lucent, Airbus, Teletec
- Examples of products: broadband, communication and mobile network equipment and systems, such as base stations, exchanges and amplifiers
- Sales to operators in this group in 2014: EUR 61,3 million (2013: 38,4)



### Medtech, Life Science and Environmental Measurements

- Key market trends: population ageing, health-care needs in emerging markets and the need to predict weather phenomena as well as the monitoring of food, water and air quality
- Examples of customers: Thermo Fischer Scientific, Planmeca, Vaisala
- Examples of products: equipment related to health-care technology and climate and environmental monitoring, such as dental chairs, analysers, mass spectrometers and meteorological instruments
- Sales to operators in this group in 2014: EUR 17,0 million in 2014 (2013: 4,4)



### Urban Applications

- Key market trends: urbanisation, particularly in developing economies, and the increasing number of people with average income, particularly in Asia, as well as population ageing
- Examples of customers: Kone, RAY, Photo-Me (KIS)
- Examples of products: products and solutions related to urbanisation, such as lifts, escalators, game machines and self-service equipment
- Sales to operators in this group in 2014: EUR 81,0 million (2013: 81,7)



## Competitive, high-quality service packages

**Scanfil has a broad service concept: we offer the entire supply chain for customers' products, from supporting product design and manufacturing prototypes to procuring materials and components, producing and testing products and providing logistics solutions.**

Vertically integrated production is at the core of our manufacturing operations. This means that most of the added value work in the product manufacturing chain is carried out in-house and is often centralised in one manufacturing location. The same plant can provide supply chain management, design and prototyping related to productisation, sheet metal mechanic components and electronics, such as assembled circuit and system boards, cable products and busbars, as well as the final assembly and testing of the product. We believe that this enables us to provide our customers with the best possible package

based on competitive pricing, fast deliveries, flexibility and reliable operations.

### **Added capacity through investments**

Over the past year, Scanfil strengthened its position in Germany by acquiring Schaltex Systems GmbH in Hamburg. The company – now called Scanfil GmbH – is an electronics contract manufacturer specialising in high-mix, low-volume production. It serves customers in the life sciences and analyser markets, among other fields. The arrangement also enhances Scanfil's growth strategy and its goal of expand-

ing its customer base in Central Europe. In 2014, Scanfil invested in production by increasing its electronics manufacturing capacity using the latest technology in China, expanding its use of press technology in Hungary and deploying new coating technology for aluminium busbar products in Estonia. In Finland, the company invested in energy efficiency by renewing the air-conditioning and heating system at the Sievi plant and replacing some of the lighting with LED lights.

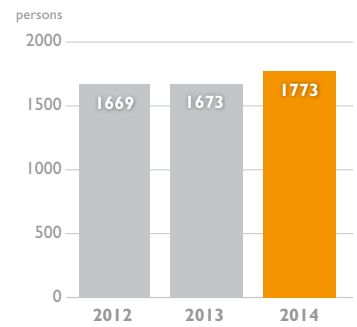
### **Training and development**

During 2014, Scanfil strongly invested in Lean Six Sigma training. Lean Six Sigma is a development method for operational processes that combines the best qualities of Lean production technology and Six Sigma. Scanfil implements targeted process development and quality improvement projects to streamline its operations, create more value and reduce waste. Lean Six Sigma

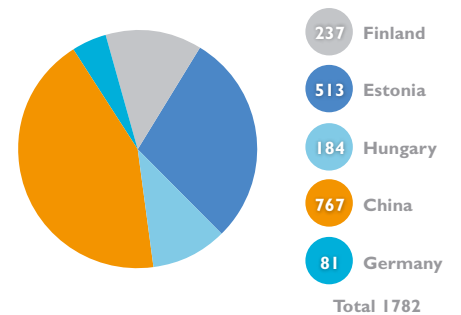
# BUSINESS OPERATIONS



Personnel on average 2012-2014



Personnel on 31.12.2014



projects resulted in significant improvements in productivity in 2014. The development programme continues in 2015. At the end of 2014, Scanfil Group em-

ployed 1,782 people (1,667 in 2013), of whom 1,545 (1,426) worked in units located outside Finland. Employees outside Finland represented 87% of all employees

at the end of the year. The share of employees working in China was 43%. The average number of employees at Scanfil Group was 1,773 (1,673) in 2014.

## Scanfil's vertically integrated production system

### Supply network



### Scanfil services



### Complete product





## Scanfil operates globally. Factories in five countries optimized

### Sievi, Finland

- sheet metal mechanics
- integration
- personnel 200
- floor area 26 000 m<sup>2</sup>



### Budapest, Hungary

- sheet metal mechanics
- integration
- personnel 180
- floor area 16 000 m<sup>2</sup>



### Pärnu, Estonia

- sheet metal mechanics
- electronics
- cable assemblies
- copper/aluminium busbars, tinning
- integration
- personnel 510
- floor area 16 000 m<sup>2</sup>



### Suzhou, China

- electronics
- cable assemblies
- integration
- personnel 400
- floor area 21 000 m<sup>2</sup>



### Hamburg, Germany

- integration
- development of test procedures
- personnel 80
- floor area 3 200 m<sup>2</sup>



### Hangzhou, China

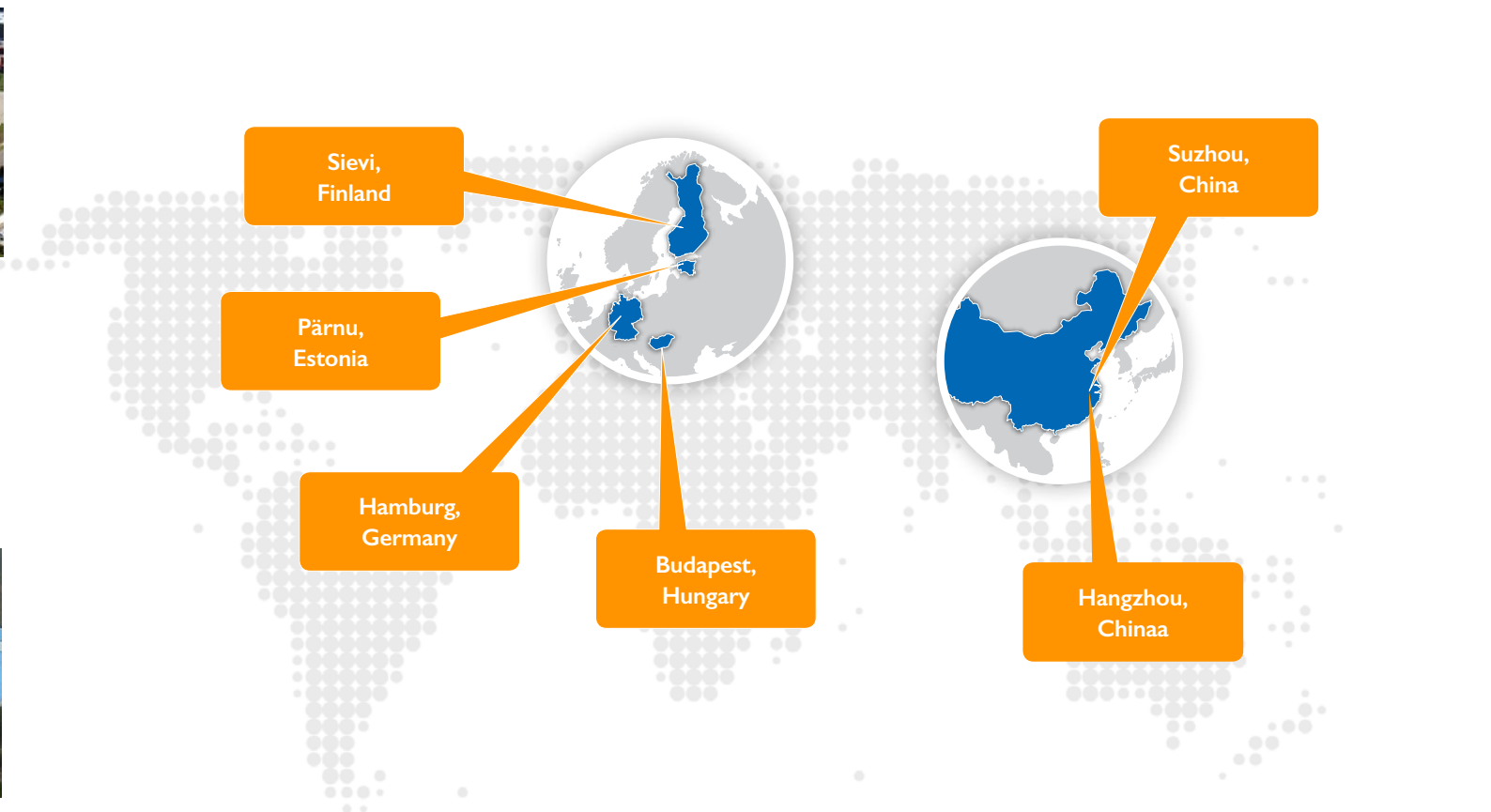
- sheet metal mechanics
- integration
- personnel 370
- floor area 36 500 m<sup>2</sup>



## PLANTS



...e the quality and speed of production.



## BOARD OF DIRECTORS



### Scanfil plc

#### Board of Directors

##### Harri Takanen

Chairman of the Board of Directors

M.Sc. (Eng)

born 1968

- Member of the Board of Directors since 2013
- CEO of Sievi Capital plc since 1 April 2013
- CEO of Sievi Capital plc 2007–2011 and CEO of Scanfil plc and Scanfil EMS Oy 1 January 2012–31 March 2013
- Chairman of the Board of Directors: Finelcomp Oy
- Members of the Board of Directors: Jussi Capital Oy, Ionphase Oy, iLoq Oy
- Holds 9 776 664 Scanfil plc shares (31 December 2014)

##### Jorma J. Takanen

B.Sc. (Chemistry)

born 1946

- Member of the company's Board of Directors since 2012
- Founder of Sievi Capital plc and CEO during 1976 – 2005 and 2012–2013, Group CEO of Sievi Capital Group 2006 - 2011
- Chairman of the Board of Directors: Foundation of Riitta and Jorma J. Takanen
- Member of the Board of Directors: iLoq Ltd, Hapella Oy
- Deputy member of the Board of Directors: Sievi Capital Oyj
- Member of the Supervisory Board: Varma Mutual Pension Insurance Company
- Holds 5,879,305 Scanfil plc shares (31 December 2013)

##### Riitta Kotilainen

B.Sc. (Eng)

born 1958

- Member of the company's Board of Directors since 2013
- Managing Director of E. Kotilainen Oy and Varikot Oy
- Chairman of the Board of Directors: Varikot Oy
- Member of the Supervisory Board: POP Sievin Osuuspankki
- Holds 11 000 Scanfil Scanfil plc shares (31 December 2014)

##### Christer Härkönen

MSc (Eng.)

born 1957

- Member of Board since 2014. A full time Member of the Board and facilitator of Fibox Oy Ab. Director of Sandvik Mining and Construction in Sweden and Holland 2010–2013, RFID business Director of UPM Oyj 2005 – 2010, Executive positions in Elcoteq Oyj 1996 – 2005
- Chairman of Board of Directors: Voyantic Ltd
- Member of Board of Directors: Fibox Oy Ab, Beddit Oy

##### Jarkko Takanen

B.Sc. (Industrial Management) and

a Commercial College Diploma in Management Accountancy

born 1967

- Member of the company's Board of Directors since 2012
- Managing Director of Jussi Capital Oy, worked in Sievi Capital Group in different managerial duties 1995–2004, Managing Director of the Belgian subsidiary Scanfil N.V. 2003 – 2004
- Member of the Board of Directors: Efore Oyj
- deputy Member of the Board of Directors: Jussi Real Estate Oy, Pilot Business Park Oy
- Holds 8,251,169 Scanfil plc shares (31 December 2014)

## MANAGEMENT TEAM



### Scanfil EMS Oy

#### Management Team

##### Petteri Jokitalo

CEO

Scanfil plc and Scanfil EMS Oy

M.Sc. (Eng.)

born 1963

- Joined the company at 10 January 2012
- Managing Director of Meka Pro Oy during 2007 – 2011
- In Scanfil plc in management tasks of sales and business development during 2003 – 2007
- In international tasks in Nokia Networks during (1998 – 2003)
- Holds 12,000 Scanfil plc shares (31 December 2014)

##### Markku Kosunen

Director, Operations

technology undergraduate

born 1967

- Joined the company on 1 October 2010
- Production and Development Director at Mecanova Oy 2005–2010
- Managerial positions at the mechanics plants of Flextronics and Ojala-yhtymä in Finland 1993–2005

##### Marjo Nurkkala

Director, Finance

M.Sc. (Econ.)

born 1959

- The company's CFO since 2000
- Financial manager since 1997–2000.
- Financial manager of Oy M-Filter Ab 1993–1997
- Office manager of Osuuskauppa Jokiseutu 1986–1992
- Holds 3,953 Scanfil plc shares (31 December 2014)

##### Reijo Pöllä

B.Sc. (Information Technology)

born 1951

- Joined the company in 1977
- Director, Investment Projects since 1 May 2006
- Vice President, Internal Operations in 2001 – 2006 and Plant Manager of the Sievi electronics plant and the Äänekoski plant
- Holds 3,128,745 Scanfil plc shares (31 December 2014)

##### Tomi Takanen

Director, Materials and Logistics

B.Sc. (Production Economics)

born 1972

- Joined the Company in 1997
- Has held the current position since 1 March 2009
- Managing Director of the Hangzhou subsidiary 2007–2009
- Key Customer Account Manager 2004–2007
- Production Manager and Plant Manager at the Sievi electronics plant 2000–2004, project tasks at the Sievi mechanics 1997–2000
- Holds 113 Scanfil plc shares (31 December 2014)

##### Timo Sonninen

Director, Global Customers

B.Sc. (Machine Automation)

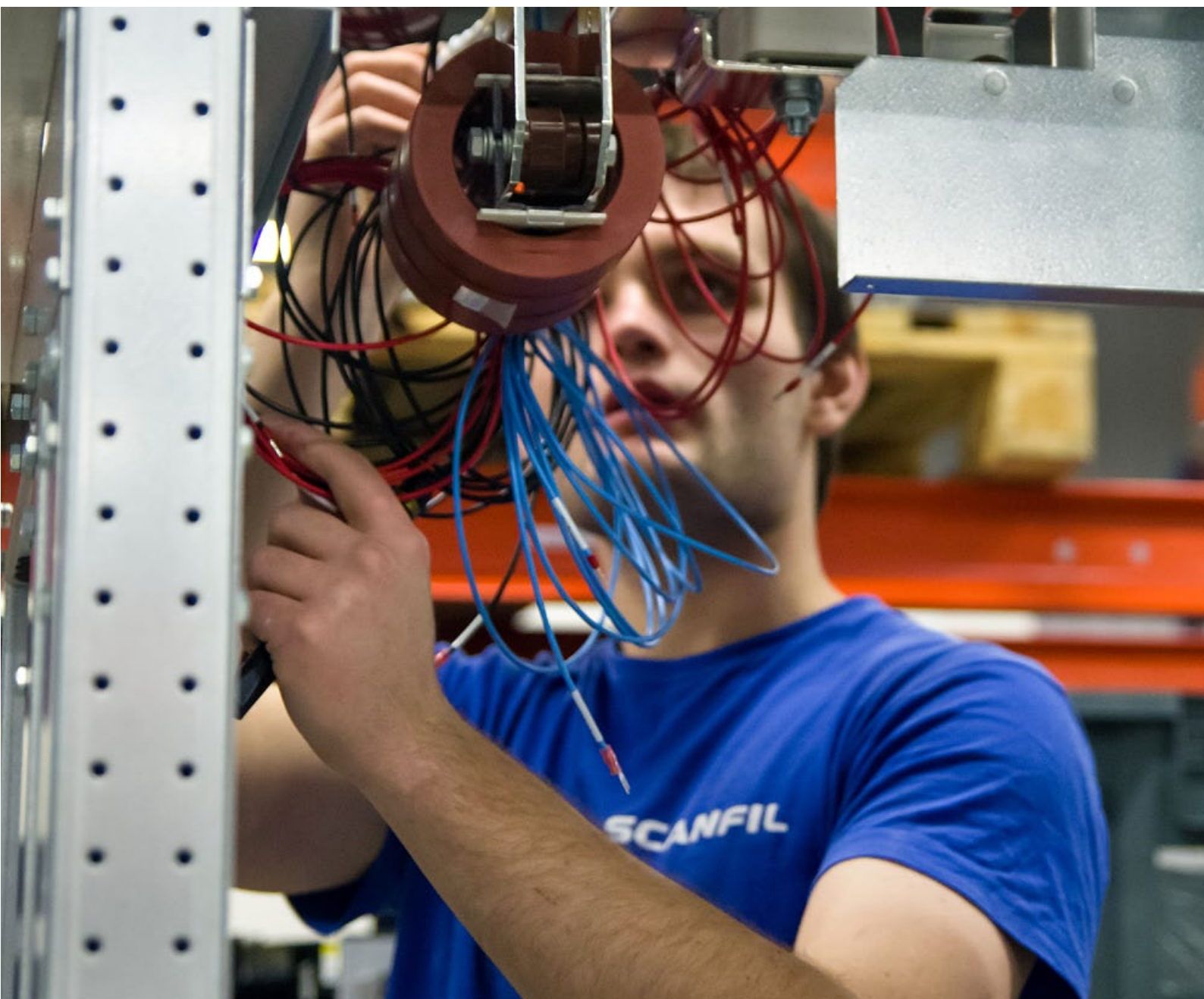
born 1966

- Joined the Company in 2013
- Efore Oyj as Vice President, Operations, in Suzhou, China 2006 – 2013
- At Incap Oyj among others as Director of Operations, Business Director of Electronics Production and Plant Director of Vuokatti Plant
- Holds 14,000 Scanfil plc shares (31 December 2014)

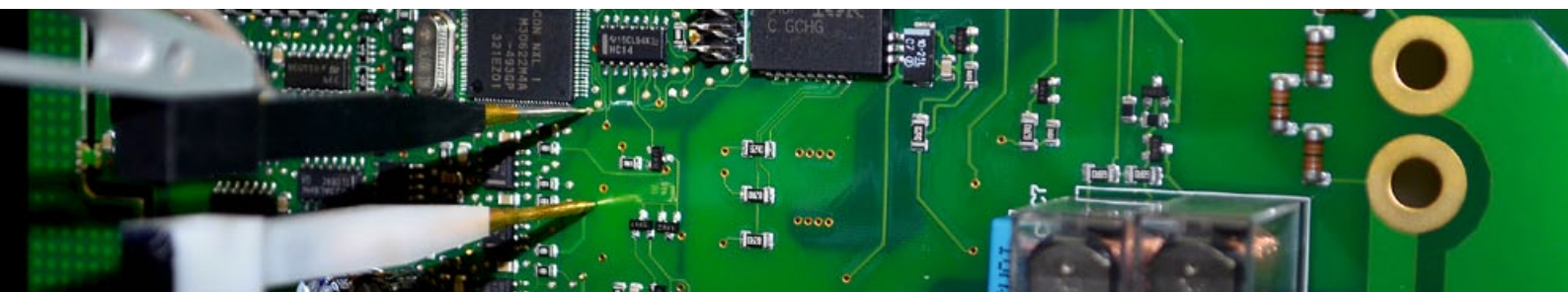


- 18.12.2014 [Scanfil plc's financial information and Annual General Meeting in 2015](#)
- 05.11.2014 [Closure of statutory negotiations at Sievi plant of Scanfil plc's subsidiary Scanfil EMS Oy](#)
- 29.10.2014 [Scanfil Group's interim report | January – 30 September 2014](#)
- 22.10.2014 [Scanfil to adjust production at its Sievi plant to demand](#)
- 25.09.2014 [Decision of Scanfil plc's board of directors on stock option plan](#)
- 15.09.2014 [Scanfil plc's changes the outlook for the year 2014](#)
- 05.08.2014 [Scanfil Group's interim report | January – 30 June 2014](#)
- 30.04.2014 [Scanfil Group's interim report | January – 31 March 2014](#)





- 08.04.2014 Scanfil plc's annual general meeting, 8 April 2014
- 01.04.2014 Scanfil EMS Oy acquires schaltex systems GmbH
- 21.03.2014 Scanfil plc's annual report, financial statements and corporate governance statement have been published
- 11.03.2014 Notice to the Annual General Meeting 11.03.2014
- 10.03.2014 Correction: Scanfil Group's financial statements for financial period 1 January - 31 December 2013
- 25.02.2014 Scanfil Group's financial statements for 1 January – 31 December 2013
- 24.02.2014 Tuomo Lähdesmäki resigns from the Board of Directors of Scanfil plc



Scanfil plc is a listed (NASDAQ OMX Helsinki, SCLIV) international contract manufacturer and system supplier. The company has nearly 40 years of experience in demanding contract manufacturing. It is headquartered in Sievi, Finland. Scanfil has production operations in Finland, China, Germany, Hungary and Estonia.

The key elements of Scanfil's operations include a vertically integrated production system and the provision of services and supply chain management to customers over the entire life cycle of the product. Its customers include international operators in the automation, energy, data transmission and health technology sectors, among other industries, and companies operating in fields related to urbanisation.

### Group structure

Scanfil Group is comprised of the parent company Scanfil plc and a subgroup called Scanfil EMS Oy, which is engaged in contract manufacturing. Scanfil EMS Oy's subsidiaries are the Chinese subsidiaries Scanfil (Suzhou) Co., Ltd. and Scanfil (Hangzhou) Co., Ltd., the Hungarian subsidiaries Scanfil Kft. (Budapest) and Rozália Invest Kft. (Budapest), German subsidiary Scanfil GmbH (Hamburg) as well as the Estonia-based Scanfil Oü (Pärnu). The Group's share of ownership in all of its subsidiaries is 100%. Scanfil EMS Group also includes the associated company Greenpoint Oy (holding 40%).

### Year 2014

Its full-year turnover increased by nearly 14% to EUR 214.5 million, and its full-year operating profit was EUR 16.2 million, or 7.6% of turnover. In addition to organic growth, its turnover increased as a result of the acquisition of the German contract manufacturer Schaltex Systems GmbH (now Scanfil GmbH) in early April. The growth of Scanfil's operating profit was driven by increased turnover and successful productivity improvement and cost control as well as other development measures, such as the deployment of a new ERP system.

Scanfil has actively expanded its customer base to cover various industries, which serves to reduce cyclical fluctuations.

During the review period, Scanfil strengthened its position in Germany by acquiring Schaltex Systems GmbH in Hamburg. The company is an electronics contract manufacturer

specialising in high-mix, low-volume production. It serves customers in the life sciences and analyser markets, among other fields. The arrangement enhances Scanfil's growth strategy and goal of expanding its customer base in Central Europe.

Statutory employee negotiations were launched at the Sievi plant of Scanfil EMS Oy, a subsidiary of Scanfil Oy, in the fourth quarter of 2014. During the negotiations, decisions were made on temporary lay-offs in January–April 2015.

### Financial development

The Group's turnover for January–December was EUR 214.5 million (188.5), representing an increase of 13.8% from the previous year. The breakdown of turnover by regional segment was as follows: Europe 60% (58%) and Asia 40% (42%).

Operating profit for the Group during the review period was EUR 16.2 (11.8) million, representing 7.6% (6.3%) of turnover. Earnings for the review period amounted to EUR 12.3 (8.2) million. Earnings per share were EUR 0.21 (0.14) and return on investment was 16.5% (11.4%).

### Financing and capital expenditure

The Group's financial position continued to improve during 2014 and remains strong. The consolidated balance sheet totalled EUR 134.0 (125.6) million. Liabilities amounted to EUR 39.4 (45.1) million, EUR 30.1 (26.8) million of which were non-interest-bearing and EUR 9.3 (18.3) million interest-bearing. The equity ratio was 70.6% (64.1%) and gearing -10.5% (-12.2%). The equity per share was EUR 1.64 (1.39).

Liquid cash assets totalled EUR 19.2 (28.2) million.

Its cash flow from operating activities for the review period was EUR 11.0 million (13.2) positive. The change in working capital during the review period was EUR -5.2 million (-0.6). A total of EUR 47.1 million (35.6) was tied up in net working capital at the end of the year. Net working capital increased as a result of business growth and the acquisition of a subsidiary. Cash flow from investing activities was EUR -8.0 million (+5.8), of which EUR 5.8 million is related to the acquisition of a subsidiary in 2014. In 2013, EUR 9.8 million of the investments were related to the maturing of a deposit with a maturity of more than three months, which was classified as an investment. Cash flow from financing activities was EUR



-13.0 million (-11.2). This includes the payment of dividends, loan repayments and the use of a bank credit facility.

Gross investments in January – December in fixed assets totalled EUR 8.2 (4.0) million, which is 3.8% (2.1%) of turnover. Investments include an acquisition cost of EUR 5.8 million related to the shares of Schaltex Systems GmbH. Other investments were mainly related to the acquisition of machinery and equipment. Depreciation totalled EUR 4.6 million (4.4).

### Board of Directors' authorisation

The Extraordinary General Meeting on 19 April 2012 authorised the Board of Directors to decide on the transfer of treasury shares in accordance with the Board's proposals. The authorisation is valid for three years.

The Annual General Meeting on 18 April 2013 authorised the Board of Directors to decide on the issuance of option rights to certain key employees of the company and its subsidiaries. The maximum total number of option rights is 750,000, and they entitle the key employees to subscribe for a maximum of 750,000 of the company's new shares or shares in its possession.

The Annual General Meeting on 8 April 2014 authorised the Board of Directors to decide on the acquisition of treasury shares with distributable funds. The authorisation is valid for 18 months.

The Board of Directors has no existing share issue authorisations or authorisations to issue convertible bonds with warrants.

### Option schemes

Based on the authorisation by the General Meeting, the Board of Directors of Scanfil plc decided on 25 September 2014 to grant the CEO and the CFO of Scanfil plc and three key persons at the Company's subsidiary Scanfil EMS Oy option rights for 225,000 shares.

### Own shares

The company does not own its own shares.

### Personnel

At the end of the financial year, the Group employed 1,782 (1,667) people, of whom 1,545 (1,426) in the company's units outside Finland. The proportion of employees working in China was 43% (46%) at the end of the year. In all, 87% (86%) of the Group's personnel were employed by subsidiaries outside Finland on 31 December 2014. Scanfil Group's personnel averaged 1,773 (1,673) employees during the review period.

Personnel by country on 31 December 2014:

Finland 237, Estonia 513, Hungary 184, China 767 and Germany 81.

### Share trading and share performance

The highest trading price during the year was EUR 2.74 and the lowest EUR 1.30, the closing price for the period standing at EUR 2.46. A total of 5,131,328 shares were traded during the period, corresponding to 8.9% of the total number of shares. The market value of the shares on 31 December 2014 was EUR 142,0 million.

### The Board of Directors and CEO

Scanfil plc's Annual General Meeting held on 8 April 2014 elected the following Board members:

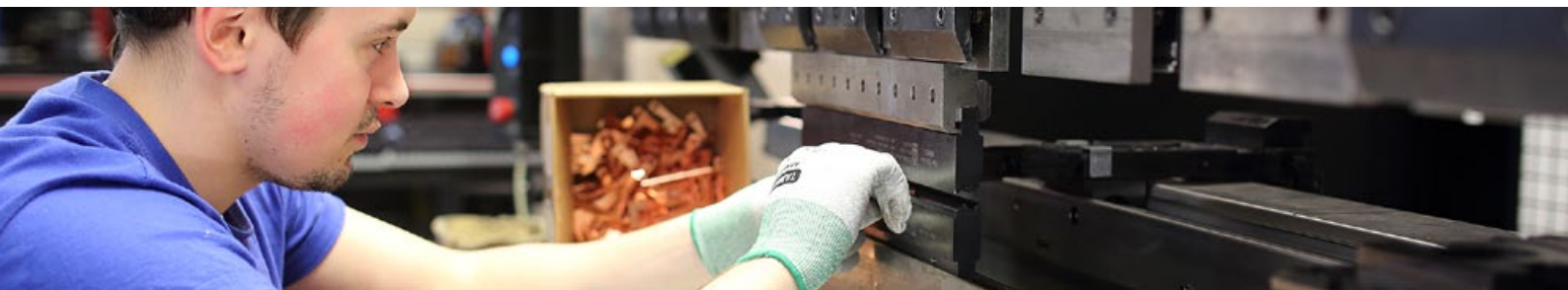
Jorma J. Takanen, Riitta Kotilainen, Jarkko Takanen, Christer Härkönen ja Harri Takanen.

At its organizing meeting held on 8 April 2014 the new Board of Directors elected Harri Takanen as the Chairman of the Board of Directors

M.Sc. (Eng) Petteri Jokitalo has acted as the company's CEO during 1 January – 31 December 2014.

### Risk management

The Board of Directors of Scanfil plc is responsible for ensuring the appropriate organisation of the Group's risk management and internal control and audit.



Risk management is based on a risk management policy approved by the Board, aiming to manage risks in a comprehensive and proactive manner. The assessment of risks is part of the strategy and business planning process. There is no separate risk management organisation; risk management is incorporated into the business processes and the management system. Risk management aims to observe and analyse factors that might have a negative impact on the achievement of the company's goals and to take measures to mitigate or completely eliminate the risks. The operative units report on business risks in accordance with the management and reporting system.

A weakening of the global economy and a decrease in the international demand for capital goods could have a negative effect on the development of the business operations of Scanfil's customers and could subsequently reduce demand in the contract manufacturing market. In addition, Scanfil is exposed to risks resulting from exchange rate fluctuations in its business operations.

For a description of financial risk management in the Scanfil Group, please refer to note 29 to the consolidated financial statements.

Risks and risk management are described in greater detail on the company's website under Corporate Governance and the Corporate Governance Statement at [www.scanfil.com](http://www.scanfil.com).

## Research and development

Owing to the nature of the company's business, product development was mainly in cooperation with customers and Scanfil's in-house product development program was not a significant part of the company's cost structure.

## Quality and environment

Year 2014 Scanfil (Suzhou) received Occupational health and safety OHSAS 18001 management system certificate. New certified system fulfills existing ISO 9001 and ISO 14001 management system family. OHSAS 18001 system helps Scanfil improve health and safety performance. OHSAS 18001 system development will continue at Asia at coming year.

Scanfil advanced manufacturing technologies, new ways of operating and early involvement at customer design phase

ensure high quality, cost effective and environmentally-friendly way of manufacturing throughout the product life cycle.

Scanfil drives responsible management of environmental issues by evaluating environmental aspects and creating environment program yearly basis in order to reduce the amount environmental impact and usage of non-renewable resources.

## Board of director's proposals to the Annual General Meeting

Scanfil plc's Annual General Meeting will be held on 8 April 2015 at the company's head office in Sievi, Finland.

### Dividend for 2014

The parent company's distributable funds are 14,873,027.32 EUR. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.07 be paid from the unrestricted shareholders' equity per share, for a total of EUR 4,041,130.73. The dividend matching day is 10 April 2015. The dividend will be paid to those shareholders who, on the matching day, are entered in the Company's Register of Shareholders, kept by Euroclear Finland Ltd. The dividend payment day is 17 April 2015.

No significant changes have taken place in the company's financial position since the end of the financial year. In the view of the Board of Directors, the proposed dividend pay-out will not put the company's liquidity at risk.

## Future prospects

Scanfil expects its turnover to increase by 2–8% in 2015. This growth in turnover will come in the second half of the year. The company is expecting its turnover to decrease slightly in the first half of the year, and particularly in the second quarter, compared to 2014. Its operating profit before non-recurring items for 2015 is expected to be EUR 12–17 million.

## Corporate Governance Statement

The Corporate Governance Statement is provided as a separate report and published in conjunction with the financial statements.

# CONSOLIDATED INCOME STATEMENT, IFRS

## CONSOLIDATED INCOME STATEMENT, IFRS

1000 EUR	Note	1.1.-31.12.2014	1.1.-31.12.2013
<b>Turnover</b>	1	<b>214 507</b>	<b>188 514</b>
Other operating income	2	298	294
Changes in inventories of finished goods and work in progress		-194	1 248
Manufacturing for own use			4
Use of materials and supplies	3	-144 062	-130 950
Employee benefit expenses	4	-32 081	-26 969
Depreciation and amortization	5	-4 636	-4 418
Other operating expenses	6	-17 627	-15 886
<b>Operating profit</b>		<b>16 205</b>	<b>11 838</b>
Financial income	7	549	583
Financial expense	8	-849	-1 230
Share of profit or loss of associates			-577
<b>Profit before tax</b>		<b>15 905</b>	<b>10 614</b>
Income tax	9	-3 607	-2 379
<b>Net profit for the period</b>		<b>12 298</b>	<b>8 235</b>
Attributable to:			
Shareholders of the parent company			
undiluted and diluted earnings per share	10	0,21	0,14

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>Net profit for the period</b>	<b>12 298</b>	<b>8 235</b>
<b>Other comprehensive income, net of tax</b>		
Items that may later be recognized in profit or loss		
Translation differences	4 628	-722
Derivative Financial Instrument	117	273
Other comprehensive income, net of tax	4 745	-449
<b>Total comprehensive income</b>	<b>17 043</b>	<b>7 786</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

1 000 EUR	Note	31.12.2014	31.12.2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	27 130	28 458
Goodwill	12	5 851	2 249
Other intangible assets	13	5 049	4 084
Available-for-sale investments	15	17	17
Deferred tax assets	16	312	294
		<u>38 358</u>	<u>35 103</u>
<b>Current assets</b>			
Inventories	17	35 534	28 732
Trade and other receivables	18	40 858	33 467
Advance payments		49	131
Cash and cash equivalents	19	19 211	28 150
		<u>95 651</u>	<u>90 480</u>
<b>Total assets</b>		<b>134 010</b>	<b>125 583</b>
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		2 000	2 000
Translation differences		12 850	8 222
Other reserves		6 031	5 721
Reserve for invested unrestricted equity fund		10 721	10 721
Retained earnings		62 988	53 812
		<u>94 591</u>	<u>80 477</u>
<b>Total equity</b>	20	<b>94 591</b>	<b>80 477</b>
<b>Non-current liabilities</b>			
Provisions	22	464	373
Interest bearing liabilities	23	501	9 171
Deferred tax liabilities	16	9	
		<u>975</u>	<u>9 543</u>
<b>Current liabilities</b>			
Trade and other liabilities	24	28 763	26 009
Current tax		894	383
Interest bearing liabilities	23	8 787	9 171
		<u>38 444</u>	<u>35 563</u>
<b>Total liabilities</b>		<b>39 419</b>	<b>45 106</b>
<b>Total shareholder's equity and liabilities</b>		<b>134 010</b>	<b>125 583</b>

# CONSOLIDATED CASH FLOW STATEMENT, IFRS

## CONSOLIDATED CASH FLOW STATEMENT, IFRS

1 000 EUR	Note	1.1.-31.12.2014	1.1.-31.12.2013
<b>Cash flow from operating activities</b>			
Net profit		12 298	8 235
Adjustments for the net profit	25	7 456	8 160
Change in net working capital	25	-5 225	-560
Paid interests and other financial expenses		-405	-601
Interest received		161	492
Taxes paid		-3 332	-2 504
<b>Net cash from operating activities</b>		<b>10 953</b>	<b>13 222</b>
<b>Cash flow from investing activities</b>			
The acquisition of a subsidiary less cash and cash equivalents at the time of acquisition	33	-5 756	
Investments in tangible and intangible assets		-2 335	-4 216
Sale of tangible and intangible assets		71	177
Purchase of investments			-1
Proceeds from other investments			9 790
Capital transfer tax refund			54
Repayment of granted loans			34
<b>Net cash from investing activities</b>		<b>-8 021</b>	<b>5 838</b>
<b>Cash flow from financing activities</b>			
Repayment of long-term loans		-10 530	-8 889
Proceeds from long-term loans		407	
Paid dividends		-2 887	-2 309
<b>Net cash from financing activities</b>		<b>-13 010</b>	<b>-11 198</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>-10 078</b>	<b>7 862</b>
Cash and cash equivalents at beginning of period		28 150	20 472
Changes in exchange rates		1 138	-184
<b>Cash and cash equivalents at end of period</b>	19	<b>19 211</b>	<b>28 150</b>

# STATEMENT OF CHANGES IN EQUITY, IFRS

## EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

<i>1000 EUR</i>	<i>Share capital</i>	<i>Share premium account</i>	<i>Other reserves</i>	<i>Translation differences</i>	<i>Retained earnings</i>	<i>Equity total</i>
<b>Equity 1.1.2014</b>	<b>2 000</b>	<b>10 721</b>	<b>5 721</b>	<b>8 222</b>	<b>53 812</b>	<b>80 477</b>
<b>Comprehensive income</b>						
Net profit for the period					12 298	12 298
Other comprehensive income, net of tax						
Translation differences				4 628		4 628
Derivative Financial Instrument			117			117
<b>Total comprehensive income</b>			<b>117</b>	<b>4 628</b>	<b>12 298</b>	<b>17 043</b>
Fund transfer			194		-194	0
Option scheme					-42	-42
Paid dividends					-2 887	-2 887
<b>Equity 31.12.2014</b>	<b>2 000</b>	<b>10 721</b>	<b>6 031</b>	<b>12 850</b>	<b>62 988</b>	<b>94 591</b>
<b>Equity 1.1.2013</b>	<b>2 000</b>	<b>10 721</b>	<b>5 342</b>	<b>8 944</b>	<b>47 999</b>	<b>75 007</b>
<b>Comprehensive income</b>						
Net profit for the period					8 235	8 235
Other comprehensive income, net of tax						
Translation differences				-722		-722
Derivative Financial Instrument			273			273
<b>Total comprehensive income</b>			<b>273</b>	<b>-722</b>	<b>8 235</b>	<b>7 786</b>
Fund transfer			106		-106	0
Option scheme					-6	-6
Paid dividends					-2 309	-2 309
<b>Equity 31.12.2013</b>	<b>2 000</b>	<b>10 721</b>	<b>5 721</b>	<b>8 222</b>	<b>53 812</b>	<b>80 477</b>



## Basic information of the Group

Scanfil plc is a Finland-based public limited company domiciled in Sievi. The parent company Scanfil plc and the subgroup Scanfil EMS Oy make up the Scanfil Group (hereinafter 'Scanfil' or 'the Group'). The shares of the parent company Scanfil plc have been quoted on the Main List of the NASDAQ OMX Helsinki since 2 January 2012.

Scanfil Group is an international contract manufacturer for the telecommunications and professional electronics industries, with more than 35 years of experience in demanding contract manufacturing operations. The company is a systems supplier that offers its products and services to international telecommunications systems and professional electronics manufacturers. Typical products include equipment systems for mobile and telecommunications networks, automation systems, frequency transformers, lift control systems, equipment and systems for electricity production and transmission, analysers, slot machines and different meteorological instruments. The company has production facilities in China, Estonia, Hungary, German and Finland.

## General

Scanfil's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applying the IAS and IFRS standards effective on 31 December 2014 as well as the SIC and IFRIC interpretations. "IFRS" refers to the standards and their interpretations in the Finnish Accounting Act and the provisions issued thereunder in accordance with the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards within the Community. The notes to the consolidated financial statements are also in compliance with Finnish accounting and corporate legislation.

The financial statements are presented in thousands of euros, and the information is based on historical costs unless otherwise stated in the accounting principles.

Individual figures and totals shown in the financial statements have been rounded to the nearest thousand euros, which is why individual figures do not always add up to the totals.

## Principles of consolidation

### Subsidiaries

Subsidiaries are companies controlled by the Group. Control emerges when the Group holds more than one half of the votes or otherwise has control. The Group has controlling interest in an entity when it has the right and ability to control significant operations in the entity and when it is exposed to or has the right to variable returns from the entity through its power over the entity. The existence of potential voting rights is also taken into account when estimating the criteria for control when the instruments entitling to potential voting rights can be realized at the time of the assessment.

Intra-group shareholdings have been eliminated using the acquisition cost method. Consideration transferred and the identifiable assets and assumed liabilities of the acquired company are measured at fair value at the time of the acquisition. Acquisition-related expenses, apart from expenses related to the issue of debt or equity securities, have been recorded as expenses. Consideration transferred does not include business operations handled separately from the acquisition. Their impact has been taken into account in connection with the acquisition through profit or loss. Any conditional additional purchase price is measured at fair value at the time of the acquisition and classified as either debt or equity. Additional purchase price classified as debt is measured at fair value at the balance sheet date of each reporting period, and the resulting profit or loss is recognised through profit or loss. Additional purchase price classified as equity is not re-valued.

Acquired subsidiaries are consolidated from the moment the Group has gained control, and divested subsidiaries until control ceases to exist. All intra-group transactions, receivables, liabilities and unrealised gains and internal profit distribution are eliminated upon preparing the consolidated financial statements. Unrealised losses are not eliminated when the loss is due to impairment. Shareholders' equity attributable to non-controlling interest is presented as a separate item under shareholders' equity in the balance sheet. Currently there are no non-controlling shareholders in the Group. Should the Group lose control of a subsidiary, the remaining holding is measured at fair value on the date of losing control, and the resulting difference is recognised through profit or loss. Acquisitions made prior to 1 January 2010 are handled in accordance with the regulations effective at the time.

### Associated companies

Associated companies are companies over which the Group exercises considerable influence. As a rule, considerable influence emerges when the Group holds more than 20% of votes in the company or the Group otherwise has considerable influence, but not control. Associated companies are consolidated in the consolidated financial statements using the equity method. If the Group's share of the losses of an associated company exceeds the carrying amount of the investment, the investment is recorded on the balance sheet at zero value and losses exceeding the carrying amount are not consolidated unless the Group has committed to fulfilling the associated companies' obligations. An investment in an associated company includes the goodwill resulting from its acquisition. The proportion of the associated companies' results for the period based on the Group's holding is presented as a separate item after operating profit. Correspondingly, the Group's proportion of changes recognised under the associated company's other comprehensive income is recognised under the Group's other comprehensive income. The Group's associated company did not have such items.

## Transactions in foreign currencies

The figures concerning the result and financial position of Group units are measured in the currency that is the currency of each unit's main operating environment (the operating currency). The consolidated financial statements are presented in euros, which is the operating and reporting currency of the Group's parent company.

Foreign currency-denominated transactions are recorded in the operating currency using the foreign exchange rates on the transaction date. In practice, a rate that is sufficiently close to the rate of the transaction date is often used. The resulting exchange rate differences have been included in the net profit or loss. Foreign exchange gains and losses are handled as adjustments on sales and purchases. Rate differences in financing are presented as net amounts under financial income and expenses.

In the consolidated financial statements, the income statements of foreign Group companies are translated into euros using the average annual rates published by the European Central Bank, calculated on the basis of end-of-month rates. The companies' balance sheets are translated into euros using the rates in force on the date of the financial statements.

Translation differences owing to the different exchange rates used in the income statement and balance sheet as well as translation differences attributable to the use of the acquisition cost method and equity balances accrued after the acquisition have been recorded in Group equity, and the change in translation difference is presented in the statement of comprehensive income.

## Revenue recognition

Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership, right of possession and actual control of the products sold have been transferred to the buyer. Exchange rate gains and losses related to the sales as well as any cash discounts have been entered as adjustment items on sales. The delivery costs of goods sold are included in other operating expenses.

Interest income is recognised on an accrual basis and dividend income when the right to a dividend has emerged.

## Government grants

Government grants related to tangible and intangible assets are deducted from an asset's acquisition cost, and the net acquisition cost is capitalised on the balance sheet. Other economic assistance is recognised as income within other operating income.

## Business segments

The Group's reporting is based on the business segments Asia and Europe.

## Employee benefits

### Post-employment benefits

The Group has different kinds of pension arrangements according to local practices. The statutory pension cover of the Group's Finnish employees is provided through insurance policies. Foreign subsidiaries have arranged the pension cover of their employees in accordance with local legislation.

The pension cover of the Group's employees is provided through external pension insurance companies. Pension expenses are recognised as expenses for the year during which they are accrued.

The Group does not have defined-benefit schemes in use.

### Share-based payments

The Group has an option scheme in use. Option rights are valued at their fair value at the time they were granted and recognised as an expense in the income statement under employee benefits in equal portions during the vesting period. The expense defined at the time the options were granted is based on the Group's estimate of the amount of options assumed to be vested at the end of the vesting period. The fair value of options has been defined based on the Black-Scholes pricing model. Assumptions concerning the final amount of options are updated on each reporting date. Changes in the estimates are recognised in profit or loss. When option rights are exercised, proceeds from share subscriptions, adjusted with potential transaction costs, are entered under equity.

## Leases

A lease is classified as a finance lease if it substantially transfers the risks and rewards incidental to ownership to the Group. Assets acquired through finance leases are recorded in the consolidated balance sheet under assets and liabilities. Their depreciation is performed in the same way as for owned assets. Finance lease payments are recorded as financial expenses and reduction in liability.

Leases where the risks and rewards incidental to ownership remain with the lessor are processed as other leases, and the leases are recognised in the income statement as expenses over the lease period.

## Property, plant and equipment

The main items included in this category are buildings, machinery, equipment, fixtures and fittings. They are stated in the balance sheet at historical cost less depreciation and any impairment losses. Depreciation is calculated from historical cost on a straight-line basis over the expected useful lives of the assets.

The assets' residual values and useful lives are reviewed annually and adjusted, if appropriate, to indicate changes in expected economic benefits.

An item of property, plant and equipment will no longer be depreciated when such an item is considered as be-

ing held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The depreciation periods are:

Buildings and structures	10 – 25
Machines and equipment	3 – 10
Other tangible assets	5 – 10

## Goodwill and other intangible assets

### Goodwill

Goodwill arising in the consolidation of business operations is measured at the amount by which the consideration transferred, non-controlling interest in the target of acquisition and previous holding combined exceed the Group's proportion of the fair value of the acquired net assets. Acquisitions that have taken place between 1 January 2004 and 31 December 2009 have been recognised in accordance with the previous IFRS standards (IFRS 3 (2004)). Goodwill arising from the consolidation of business operations prior to 2004 corresponds to the carrying amount pursuant to the previous standards on financial statements, used as the deemed cost pursuant to IFRS. The acquisition completed in 2014 is recognised in accordance with IFRS 3 (2009) as it stands. No depreciation is recorded for goodwill and other intangible assets with unlimited financial useful lives, but they are tested annually for impairment. For this purpose, goodwill is allocated to cash-generating units, or in the case of associated companies, goodwill is included in the acquisition cost of the associated company in question. Goodwill is measured at historical cost less impairment.

### Research and development costs

Research and development costs are recognised as expenses through profit or loss. Development costs as per IAS 38 Intangible Assets are capitalised and amortised over their useful lives. The Group has no capitalised development costs.

### Other intangible assets

Intangible assets are recorded at historical cost on the balance sheet if the cost can be reliably determined and it is likely that the financial benefit from the asset is beneficial to the Group. Intangible assets are recorded using straight-line depreciation on the income statement within their estimated useful life.

Other intangible assets include software's and the land use right of the subsidiaries in China. The depreciation period for intangible assets is 5–10 years, except for the land use right in China, for which it is 50 years.

### Impairment of tangible and intangible assets

The Group's operations have been divided into cash-generating units (CGU) which are smaller than segments. The

need for impairment is assessed regularly at the CGU level. The impairment test is conducted for the lowest CGU that is largely independent of other units and whose cash flows can be separated from other cash flows.

To determine the need for impairment of assets, the capital employed by the unit is compared against the discounted future cash flows expected to be derived from the unit or against the net selling price, whichever is higher. An impairment loss is recorded when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. If the impairment loss is related to a cash-generating unit, it is first allocated to reduce the goodwill allocated to the cash-generating unit and thereafter to reduce the other asset items of the unit pro rata. An impairment loss related to property, plant and equipment and other intangible assets, excluding goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. An impairment loss for goodwill is not reversed.

### Non-current assets held for sale and discontinued operations

The assets and liabilities of major operations that have been sold or are classified as held for sale or to be discontinued are presented separately in the balance sheet. The net operating result for discontinued operations and the net result arising from their sale or discontinuation are shown in the income statement separately from the profit or loss for continued operations. Non-current assets classified as held for sale or groups of assets to be disposed of are measured at the lower of carrying amount and fair value less costs to sell.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted-average basis. The cost of finished goods and work in progress includes raw materials, direct labour costs and other direct expenses and proportion of fixed costs. The net realisable value is the estimated selling price less sale-related costs.

### Financial assets and liabilities

The Group's financial assets are classified according to IAS 39 into the following classes: financial assets at fair value through profit or loss, investments held to maturity, loans and other receivables, and available-for-sale financial assets. The classification is made in connection with the initial acquisition according to the purpose of use of the financial assets.

Financial assets at fair value through profit or loss include financial assets acquired to be held for trading or classified as items recognised at fair value during initial recogni-

tion. The Group did not have any financial assets at fair value through profit or loss during the financial period 2014.

**Investments held to maturity** are financial assets not included in derivative assets for which the payments are fixed or can be determined, which mature at a certain date and which the Group has a firm intention and ability to hold until the maturity date. They are valued at amortised cost using the effective interest method. The Group did not have any investments held to maturity during the financial period 2014.

**Loans and other receivables** are assets not included in derivative assets for which the payments are fixed or can be determined and which are not quoted in an active market. This entry includes sales and other receivables. Accounts receivable are measured at cost less any impairment losses. The amount of uncertain receivables is evaluated on a case-by-case basis. Impairment losses are recorded as expenses in the income statement. Loans and other receivables also include time deposits with maturity exceeding three months. Time deposits are valued at amortised cost using the effective interest method.

**Available-for-sale financial assets** are assets not included in derivative assets specifically classified in this group, or not classified in any other group. Available-for-sale financial assets consist of shares. Quoted shares are measured at fair value, which is the market price of the date of the financial statement. Changes in fair value are recognised under other comprehensive income and presented in the fair value reserve included in "Other reserves" under equity with tax consequence considered until the investment is traded or otherwise transferred, at which point the changes in fair value are recorded in the income statement. If the impairment of a share is determined, the change included in the fair value reserve will be transferred to be recognised through profit or loss. Investments in non-quoted shares are stated at the lower of historical cost and probable realisable value because their fair values cannot be determined reliably.

On the date of the financial statements, the Group's financial assets are evaluated to see if there are indications that the value of any of the assets might be impaired.

**Cash** and cash equivalents include cash at bank and in hand as well as short-term bank deposits, which can easily be exchanged for an amount known in advance and for which there is little risk of changes in value. Items classified as cash and cash equivalents have a maximum maturity of three months from the time of acquisition. Cash and cash equivalents are classified in the group "Loans and other receivables", and they are presented at amortised cost on the balance sheet.

**The Group's financial liabilities** are recognised at amortised cost.

## **Derivative financial instruments and hedge accounting**

Derivative financial instruments are initially recognised in accounting with the fair value on the date when the Group

becomes a party to the related contract and later further valued at fair value. For derivative financial instruments for which hedge accounting is not applied, changes in value are immediately recognised in profit or loss. For derivative financial instruments for which hedge accounting is applied and which are considered effective hedging instruments, the impact on the result of changes in value is presented according to the hedge accounting model employed.

The Group applies cash flow hedge accounting for the interest rate and currency swap used to hedge the variable-rate loan in SEK. When initiating hedge accounting, the Group documents the relationship between the hedged item and the hedging instruments, together with the Group's risk management objectives and hedging strategy. When initiating hedging and at least every time when preparing financial statements and interim financial statements, the Group documents and evaluates the effectiveness of the hedging relationships by examining the ability of the hedging instrument to negate changes in the fair value or cash flows of the hedged item. Any change in the fair value of the effective portion of derivative financial instruments fulfilling the conditions of a cash flow hedge is recognised under other comprehensive income and presented in equity hedging reserve with tax consequence considered (included in "Other reserves"). Profits and losses accumulated from the hedging instrument to equity are recognised in profit or loss when the hedged item affects profit or loss.

In addition, the Group has forward exchange contracts for purposes other than hedging. Changes in the fair values of these contracts are recognised through profit or loss.

## **Provisions**

A provision is recognised when a past event has created an obligation that will probably be realised and when the amount of the obligation can be estimated reliably.

## **Income taxes and deferred taxes**

The taxes of the consolidated income statement include taxes based on the results of the Group companies and calculated in accordance with local tax laws and tax rates. The taxes in the income statement also include the change in deferred tax assets and liabilities.

Deferred tax assets or liabilities are calculated on temporary differences between taxation and financial statements and differences due to Group eliminations based on tax rates for the following year confirmed by the reporting date. Temporary differences arise from intercompany profits on inventories, depreciation differences and provisions, among others.

Deferred tax liabilities are recognised in full. Deferred tax assets are recognised only when it is probable that the assets can be utilised against the taxable profit of future financial periods.

## Operating profit

IAS 1 *Presentation of Financial Statements* does not specify the concept of operating profit. The Group has defined it as follows: operating profit is the net sum of turnover plus other operating income less acquisition costs adjusted for the change in inventories of finished goods and work in progress as well as costs arising from production for own use, less employee benefit expenses, depreciation and any impairment losses and other operating expenses. All of the items in the income statement apart from those specified above are presented under operating profit. Exchange rate differences are included in the operating profit if they arise from operations-related items; otherwise, they are recognised in financial items.

## Dividend

The dividend proposed to the Annual General Meeting by the Board of Directors has not been deducted from distributable equity prior to the AGM's approval.

## Use of estimates

The preparation of financial statements in accordance with international accounting standards requires the company's management to make estimates and assumptions that affect the contents of the financial statements. The estimates and assumptions made are based on previous experience and assumptions, which in turn are based on the circumstances prevailing at the time the financial statements are prepared and future prospects. Even though the estimates are based on the most recent information available and the management's best judgment, the actual outcome may differ from the estimates.

The following lists the most significant items that require the management's assessment.

The Group annually performs testing for impairment of goodwill and other intangible rights. The recoverable amounts for cash-generating units have been determined with calculations based on value in use. These calculations require the use of estimates from the management. More information on impairment testing of goodwill is available in Note 12, "Goodwill".

Potential obsolescence included in the value of inventories is regularly examined and, if necessary, the value of inventories is depreciated to match their net realisable value. These examinations require estimates on the future demand for products.

Estimates are also required when assessing the amount of provisions associated with business operations. Note 22, "Provisions", presents the provisions made within the Group.

## New and amended standards applied during the financial year

Scanfil Group has observed the following new and amended standards from the beginning of 2014:

- IFRS 10 *Consolidated Financial Statements* and its amendments
- IFRS 11 *Joint Arrangements* and its amendments

The new standards and their amendments did not have an effect on Scanfil Group's consolidated financial statements.

## New and amended standards and interpretations to be applied

Scanfil Group has taken account of the new standards issued by the IASB at an earlier date. However, these standards – such as IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* as well as amendments to IAS 28 *Investments in Associates and Joint Ventures*, IAS 38 *Intangible Assets* and IFRIC 21 *Levies* – have not been applied to the financial statements for 2014. The Group will adopt them as of the effective date of each standard and interpretation, or if the effective date is not the first day of the financial period, as of the beginning of the first financial period after the effective date. According to the current estimate, new and amended standards do not have any significant impact on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

## I. SEGMENT INFORMATION

The Group reports geographically operating segments: Asia and Europe.

The segment information is based on internal reporting by the management, prepared according to the principles of IFRS standards.

All of the Group's business operations are managed from Finland. The Group has manufacturing units in the EU in Finland, Germany, Hungary and Estonia. In Asia, the Group has two subsidiaries in China. The Asian production

is primarily sold to the Asian market and other Group companies.

An operating segment's assets include all assets used in the segment's business operations, primarily consisting of cash and cash equivalents, receivables, inventories and property, plant and equipment.

An operating segment's liabilities include all liabilities related to operations, consisting mainly of financing loans, accounts payable, outstanding taxes and accrued liabilities.

<i>Operating segments, 1000 EUR</i>	<i>2014</i>	<i>Europe</i>	<i>Asia</i>	<i>Group</i>
Segment turnover		131 936	86 780	<b>218 716</b>
Intersegment turnover		-2 923	-1 286	<b>-4 209</b>
<b>Total turnover</b>		<b>129 013</b>	<b>85 494</b>	<b>214 507</b>
<b>Operating profit</b>		<b>7 885</b>	<b>8 320</b>	<b>16 205</b>
<b>Financial income</b>		<b>412</b>	<b>137</b>	<b>549</b>
<b>Financial expense</b>		<b>-719</b>	<b>-130</b>	<b>-849</b>
<b>Profit before taxes</b>				<b>15 905</b>
Segment assets		64 913	63 245	<b>128 158</b>
Goodwill		5 851		<b>5 851</b>
<b>Total assets</b>				<b>134 010</b>
Segment liabilities and provisions		24 440	14 978	<b>39 419</b>
<b>Total liabilities</b>				<b>39 419</b>
Capital expenditure		7 274	962	<b>8 235</b>
Depreciation		2 432	2 205	<b>4 636</b>

<i>Operating segments, 1000 EUR</i>	<i>2013</i>	<i>Europe</i>	<i>Asia</i>	<i>Group</i>
Segment turnover		112 177	79 630	<b>191 808</b>
Intersegment turnover		-2 323	-971	<b>-3 294</b>
<b>Total turnover</b>		<b>109 855</b>	<b>78 659</b>	<b>188 514</b>
<b>Operating profit</b>		<b>5 238</b>	<b>6 600</b>	<b>11 838</b>
<b>Financial income</b>		<b>37</b>	<b>546</b>	<b>583</b>
<b>Financial expense</b>		<b>-1 114</b>	<b>-117</b>	<b>-1 230</b>
<b>Share of profit or loss of associates</b>				<b>-577</b>
<b>Profit before taxes</b>				<b>10 614</b>
Segment assets		67 786	55 548	<b>123 334</b>
Goodwill		2 249		<b>2 249</b>
Investment assets		0		<b>0</b>
<b>Total assets</b>				<b>125 583</b>
Segment liabilities and provisions		31 601	13 505	<b>45 106</b>
<b>Total liabilities</b>				<b>45 106</b>
Capital expenditure		2 311	1 727	<b>4 038</b>
Depreciation		2 421	1 996	<b>4 417</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

<i>Turnover by location of customers, 1000 EUR</i>	2014	2013
Finland	76 422	79 844
Rest of Europe	58 939	35 217
Asia	72 327	69 897
USA	5 419	2 480
Other	1 400	1 077
<b>Total</b>	<b>214 507</b>	<b>188 514</b>

## Largest customers that account for more than 10% of the Group's income

Sales to the largest customer amounted to EUR 52 (47) million, 24 % (25 %), to the second largest EUR 23 (28) million, 11% (15 %) and to the third largest EUR 22 (17) million, 10 % (9 %).

## 2. OTHER OPERATING INCOME, 1000 EUR

	2014	2013
Proceeds from sale of property, plant and equipment	22	70
Invoiced administrative services from Sievi Capital plc	46	83
Varma Mutual Pension Insurance Company's grant for the development of well-being at work	9	16
Valuation of forward exchange contracts	43	
Other	178	125
<b>Total</b>	<b>298</b>	<b>294</b>

## 3. USE OF MATERIALS AND SUPPLIES, 1000 EUR

	2014	2013
Materials, supplies and goods		
Purchases during the period	146 042	128 858
Change in inventories	-1 980	2 092
<b>Total</b>	<b>144 062</b>	<b>130 950</b>

## 4. PERSONNEL EXPENSES, 1000 EUR

	2014	2013
Salaries, wages and fees	26 472	21 751
Pension costs – defined-contribution schemes	3 414	3 277
Other indirect employee expenses	2 195	1 940
<b>Total</b>	<b>32 081</b>	<b>26 969</b>

Information on outstanding stock options is presented in Note 21, "Share-based Payment". Management's employee benefits are reported in Note 34, "Related party transactions".

## Average number of Group employees during the period

Clerical employees		
Europe	204	184
Asia	177	176
	<b>381</b>	<b>360</b>
Employees		
Europe	807	728
Asia	585	585
	<b>1 392</b>	<b>1 313</b>
<b>Total</b>	<b>1 773</b>	<b>1 673</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

## 5. DEPRECIATION AND AMORTIZATION, 1000 EUR

	2014	2013
<b>Depreciation by asset class</b>		
<b>Intangible assets</b>		
Intangible rights	321	164
Other long-term expenses	113	69
<b>Total</b>	<b>434</b>	<b>233</b>
<b>Property, plant and equipment</b>		
Buildings	1 402	1 244
Machinery and equipment	2 735	2 916
Other tangible assets	65	25
<b>Total</b>	<b>4 202</b>	<b>4 185</b>
<b>Total depreciation and amortization</b>	<b>4 636</b>	<b>4 418</b>

## 6. OTHER OPERATING EXPENSES, 1000 EUR

	2014	2013
<b>Other operating expenses include the following significant expense items:</b>		
External services	2 771	1 760
Sales freight	2 321	2 588
Other variable expenses	4 844	5 286
Rent and maintenance expenses	1 618	1 292
Travel, marketing and vehicle expenses	1 254	1 006
Other employee expenses	1 278	1 134
Other operating expenses	3 540	2 821
<b>Total</b>	<b>17 627</b>	<b>15 886</b>

The increase in other operating expenses is mainly due to costs related to the German subsidiary, which was acquired on 31 March 2014. Other operating expenses include EUR 0.3 million decreases of value of associated company Greenpoint Oy's account receivables in the corresponding year.

### Auditor's remuneration

Audit fees	134	71
Tax consulting	8	
Other services	207	9
<b>Total</b>	<b>348</b>	<b>80</b>

## 7. FINANCING INCOME, 1000 EUR

	2014	2013
Interest income from investments held to maturity	64	436
Exchange rate gains	403	63
Other financial income	82	85
<b>Total</b>	<b>549</b>	<b>583</b>

Exchange rate gains and losses have arisen from the translation of transactions and monetary items in foreign currency into euros.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

## 8. FINANCING EXPENSES, 1 000 EUR

	2014	2013
Interest expenses from financial liabilities	383	602
Exchange rate losses	430	324
Impairment of loan receivables		300
Other financial expenses	36	5
<b>Total</b>	<b>849</b>	<b>1 230</b>

In addition, the operating profit includes exchange rate losses of EUR 624 thousand net in total. More information on the impairment of loan assets is provided in Note 14, "Shares in associated companies".

## 9. INCOME TAXES, 1 000 EUR

	2014	2013
Current tax	3 504	2 142
Tax expense of previous years	132	
Deferred taxes	-29	238
<b>Total</b>	<b>3 607</b>	<b>2 379</b>

### Reconciliation of tax expense in the income statement and taxes calculated at the domestic tax rate of 20 % (year 2013 24.5%):

Earnings before taxes	15 905	10 614
Taxes calculated at domestic tax rate	3 181	2 600
Different tax rates of foreign subsidiaries	-68	-355
Tax at source on dividends paid in China	258	146
Share of associated companies profit and loss		141
Other items	104	-154
Taxes from previous years	132	
<b>Taxes in income statement</b>	<b>3 607</b>	<b>2 379</b>

## 10. EARNINGS PER SHARE, 1 000 EUR

	2014	2013
Net profit for the period attributable to equity holders of the parent company	12 298	8 235
Earnings per share, undiluted, EUR	0,21	0,14
Earnings per share, diluted, EUR	0,21	0,14
Number of shares, undiluted (1,000 pcs)	57 730	57 730
Number of shares, diluted (1,000 pcs)	58 180	57 955

When calculating the diluted earnings per share, the parent company's average number of shares during the period has been adjusted with the dilutive effect of additional shares from the assumed exercise of options. The exercise of options is not considered when calculating earnings per share if the option exercise price of the share exceeds the average market value of the shares during the period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

## 11. PROPERTY, PLANT AND EQUIPMENT, 1000 EUR

	Land	Buildings and constructions	Machinery and equipments	Other tangible assets	Advance payments and constructions in progress	Tangible assets total
Acquisition cost at 1 Jan.	827	25 062	48 875	541	1	75 305
Additions		483	1 221	59	1 163	2 926
Business combinations			221	45		265
Deductions			-920	-1	-1 158	-2 079
Exchange rate differences	-25	772	1 853	12		2 612
<b>Acquisition cost at 31 Dec.</b>	<b>802</b>	<b>26 317</b>	<b>51 250</b>	<b>655</b>	<b>5</b>	<b>79 030</b>
Accumulated depreciations at 1 Jan.		-7 433	-38 956	-458		-46 847
Depreciations		-1 402	-2 735	-65		-4 202
Deductions			880			880
Exchange rate differences		-301	-1 404	-25		-1 730
<b>Accumulated depreciations at 31 Dec.</b>		<b>-9 136</b>	<b>-42 216</b>	<b>-548</b>		<b>-51 900</b>
Carrying amount at 1 Jan.	827	17 629	9 919	82	1	28 458
<b>Carrying amount at 31 Dec.</b>	<b>802</b>	<b>17 180</b>	<b>9 034</b>	<b>107</b>	<b>5</b>	<b>27 130</b>

Undepreciated acquisition cost of production machinery and equipment is EUR 8,681 thousand.

	Land	Buildings and constructions	Machinery and equipments	Other tangible assets	Advance payments and constructions in progress	Tangible assets total
Acquisition cost at 1 Jan.	834	24 995	48 487	467	1 023	75 805
Additions		317	3 572	76	983	4 948
Deductions			-2 896		-2 004	-4 900
Exchange rate differences	-7	-250	-288	-2	-1	-548
<b>Acquisition cost at 31 Dec.</b>	<b>827</b>	<b>25 062</b>	<b>48 875</b>	<b>541</b>	<b>1</b>	<b>75 305</b>
Accumulated depreciations at 1 Jan.		-6 259	-38 638	-435		-45 332
Depreciations		-1 244	-2 916	-25		-4 185
Deductions			2 370			2 370
Exchange rate differences		70	229	2		300
<b>Accumulated depreciations at 31 Dec.</b>		<b>-7 433</b>	<b>-38 956</b>	<b>-458</b>		<b>-46 847</b>
Carrying amount at 1 Jan.	834	18 736	9 849	31	1 023	30 473
<b>Carrying amount at 31 Dec.</b>	<b>827</b>	<b>17 629</b>	<b>9 919</b>	<b>82</b>	<b>1</b>	<b>28 458</b>

Undepreciated acquisition cost of production machinery and equipment is EUR 9,712 thousand.

## 12. GOODWILL, 1000 EUR

	2014	2013
Cost at 1 Jan.	2 249	2 249
Additions	3 602	
<b>Cost at 31 Dec.</b>	<b>5 851</b>	<b>2 249</b>
<b>Carrying amount at 31 Dec.</b>	<b>5 851</b>	<b>2 249</b>
<b>Allocation of goodwill and goodwill on consolidation to cash-generating units</b>		
Scanfil Kft, Hungary	2 138	2 138
Scanfil Oü, Estonia	111	111
Scanfil GmbH, Germany	3 602	
<b>Total</b>	<b>5 851</b>	<b>2 249</b>

### Impairment testing

A test concerning the impairment of goodwill and other assets was carried out at Scanfil Group on 31 December 2014. On each reporting date, the Group evaluates whether there are indications that the value of any of the assets might be impaired. If such indications exist, the recoverable amount for the asset in question is estimated. In addition, the recoverable amount for goodwill is estimated annually regardless of whether there are indications of impairment. Goodwill is tested every year, and indications of potential impairment of other assets are regularly evaluated within the Group.

#### Goodwill impairment testing

The recoverable amounts for cash-generating units have been determined based on value in use. Goodwill has been tested by measuring the Group's recoverable amount. Recoverable amount is based on the value in use of a cash-generating unit, which is the present value of the future cash flows expected to be derived from the cash-generating unit. The determination of value in use is based on the conditions and expectations in force at the time of testing. Future cash flows have been determined for a five-year forecast period, and for the period following that, a growth rate of 1% has been assumed for cash flows for the sake of prudence. The amount of goodwill at the Group level is EUR 5.9 million. Of the goodwill, EUR 3.6 million is subject to the acquired business operations in Germany in 2014 and EUR 2.1 million concerns the business in Hungary. For Germany, the balance sheet value to be tested within the Group is EUR 7.9 million and for Hungary, the balance sheet value to be tested is EUR 13.1 million.

Preparing impairment testing calculations requires estimates of future cash flows. The assumptions used for the impairment tests are based on the management's view of development in the coming years on the reporting date. Forecasts and assumptions are regularly reviewed and may be changed.

The weighted average cost of capital (WACC) for the cash-generating unit has been used as the discount rate for cash flows. In impairment testing carried out on 31 December 2014, the discount rate before taxes was 6.5% for Germany and 11.2% for Hungary (9.5% for Hungary in 2013).

Based on the impairment testing carried out on 31 December 2014, the Hungarian unit's value in use exceeds its book value by EUR 1.7 million (EUR 2.9 million in 2013), or 12.8% (20.1%). The Germany unit's value in use exceeds its book value by EUR 20.5 million, or 260%. No need for impairment of goodwill was detected based on the permanent testing.

#### Sensitivity analysis for impairment testing

Sensitivity analysis for impairment testing shows for the key variables of the impairment test the amount by which the value used for a key assumption needs to change to make the recoverable amount of the cash-generating unit equal to its book value.

A change of +1.2% in the discount rate for Hungary (+1.5% in 2013) and a change of +12.7% for Germany would cause the recoverable amount of the unit to be equal to its book value. A change of -0.7% in EBITDA (%) for Hungary (-1.1% in 2013) and a change of -4.7% for Germany for all quarters included in the forecast period and in the terminal period would cause the recoverable amount of the unit to be equal to its book value. A change of -1.9% in terminal growth for Hungary (2.3% in 2013) and a change of -32.0% for Germany would cause the recoverable amount of the unit to be equal to its book value.

### 13. OTHER INTANGIBLE ASSETS, 1000 EUR

	<i>Intangible rights</i>	<i>Other long-term expenses</i>	<i>Advance payments</i>	<i>Intangible assets total</i>
Acquisition cost at 1 Jan.	5 620	915	553	7 088
Additions	605	458	49	1 112
Business combinations	433			433
Deductions	-634		-453	-1 087
Exchange rate differences	371	20		391
<b>Acquisition cost at 31 Dec.</b>	<b>6 395</b>	<b>1 393</b>	<b>150</b>	<b>7 937</b>
Accumulated depreciations at 1 Jan.	-2 403	-601		-3 004
Depreciations	-321	-113		-434
Deductions	634			634
Exchange rate differences	-68	-16		-84
<b>Accumulated depreciations at 31 Dec.</b>	<b>-2 158</b>	<b>-730</b>		<b>-2 888</b>
Carrying amount at 1 Jan.	3 217	314	553	4 084
<b>Carrying amount at 31 Dec.</b>	<b>4 237</b>	<b>663</b>	<b>150</b>	<b>5 049</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

	<i>Intangible rights</i>	<i>Other long-term expenses</i>	<i>Advance payments</i>	<i>Intangible assets total</i>
Acquisition cost at 1 Jan.	5 345	585		5 930
Additions	328	332	553	1 213
Exchange rate differences	-53	-2		-55
<b>Acquisition cost at 31 Dec.</b>	<b>5 620</b>	<b>915</b>	<b>553</b>	<b>7 088</b>
Accumulated depreciations at 1 Jan.	-2 249	-534		-2 782
Depreciations	-164	-69		-233
Exchange rate differences	9	2		11
<b>Accumulated depreciations at 31 Dec.</b>	<b>-2 403</b>	<b>-601</b>		<b>-3 004</b>
Carrying amount at 1 Jan.	3 096	52		3 148
<b>Carrying amount at 31 Dec.</b>	<b>3 217</b>	<b>314</b>	<b>553</b>	<b>4 084</b>

## FINANCE LEASES, EUR

Intangible assets include assets acquired through finance leases as follows:

	<i>Intangible rights</i>	<i>total</i>
Business combinations I.4	405	405
Depreciations	-89	-89
<b>Carrying amount at 31 Dec.</b>	<b>316</b>	<b>316</b>

## 14. INVESTMENTS IN ASSOCIATED COMPANIES, 1000 EUR

	2014	2013
Total at beginning of period		632
Capital transfer tax refund		-54
Impairment		-577
<b>Total at end of period</b>		<b>0</b>

The business operations of Scanfil EMS Oy's associated company Greenpoint Oy have not developed as planned, and Scanfil has estimated that the possibilities of the associated company to fulfil its obligations are poor. In its financial statements for 2013, Scanfil EMS Oy recognised an impairment of its shares in the associated company and loan and trade receivables.

Information of Group's associated companies

2014	<i>Domicile</i>	<i>Group ownership (%)</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Turnover</i>	<i>Loss</i>
Greenpoint Oy	Pori	40,00				
<i>Financial Statement from period 1.7.2013 - 30.6.2014 is not available.</i>						

2013	<i>Domicile</i>	<i>Group ownership (%)</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Turnover</i>	<i>Loss</i>
Greenpoint Oy	Pori	40,00	498	1 074	1 406	-374
<i>Financial Statement 1.2.2012 - 30.6.2013</i>						

## 15. AVAILABLE-FOR-SALE INVESTMENTS, 1000 EUR

	2014	2013
Cost at 1 Jan.	17	16
Additions		1
<b>Cost at 31 Dec.</b>	<b>17</b>	<b>17</b>
<b>Carrying amount at 31 Dec.</b>	<b>17</b>	<b>17</b>

Available for sale investments are golf shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

## 16. DEFERRED TAX ASSETS AND RECEIVABLES, 1000 EUR

Changes of deferred taxes during year 2014

	<i>1.1.2014</i>	<i>Recognised through profit and loss</i>	<i>Recognised under other comprehensive income</i>	<i>31.12.2014</i>
<b>Deferred tax assets:</b>				
Related to inventories	108	117		225
Related to derivative financial instrument	61		-43	18
Other	125	-56		69
<b>Total</b>	<b>294</b>	<b>61</b>	<b>-43</b>	<b>312</b>
<b>Deferred tax liabilities:</b>				
Other	0	-9		-9
<b>Total</b>	<b>0</b>	<b>-9</b>		<b>-9</b>

Changes of deferred taxes during year 2013

	<i>1.1.2013</i>	<i>Recognised through profit and loss</i>	<i>Recognised under other comprehensive income</i>	<i>31.12.2013</i>
<b>Deferred tax assets:</b>				
Related to inventories	219	-111		108
Related to derivative financial instrument	150		-89	61
Taxation loss	187	-187		0
Other	90	34		125
<b>Total</b>	<b>645</b>	<b>-263</b>	<b>-89</b>	<b>294</b>
<b>Deferred tax liabilities:</b>				
Accumulated depreciation difference	-23	23		0
<b>Total</b>	<b>-23</b>	<b>23</b>		<b>0</b>

## 17. INVENTORIES, 1000 EUR

	<i>2014</i>	<i>2013</i>
Materials and supplies	26 233	21 156
Work in progress	3 658	3 039
Finished goods	5 643	4 538
<b>Total</b>	<b>35 534</b>	<b>28 732</b>

No significant write-downs were required for the value of inventories during the financial periods 2013 and 2014.

## 18. TRADE AND OTHER RECEIVABLES, 1000 EUR

	<i>2014</i>	<i>2013</i>
Trade receivables	38 703	31 385
Accrued income	530	556
Other	1 624	1 526
<b>Total</b>	<b>40 858</b>	<b>33 467</b>

Other receivables are mainly value-added tax receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

## 19. CASH AND CASH EQUIVALENTS, 1000 EUR

	2014	2013
Deposits	3 317	9 875
Cash and cash equivalents	15 893	18 276
<b>Total</b>	<b>19 211</b>	<b>28 150</b>

Deposits are fixed term deposits with maturities in a maximum of three months.

## 20. EQUITY, 1000 EUR

### Shares and share capital

Scanfil plc has a total of 57,730,439 shares. The company's registered share capital is EUR 2,000,000.00. The company has one series of shares, and all shares belong to the same class. Each share entitles the holder to one vote and the equal right to receive dividends. The share has no nominal value. Scanfil plc's shares are quoted on NASDAQ OMX Helsinki Oy. The trading code of the shares is SCLIV. The shares are entered in the book-entry securities system administered by Euroclear Finland Ltd.

### Translation differences

Translation differences include differences arising from the conversion of the financial statements of foreign companies.

### Other reserves

Other reserves includes a reserve comprising of transfers from retained earnings in accordance with the Articles of Association of foreign companies and the fair value reserve comprising of accumulated changes in the value of exchange rate-hedging of the currency swap.

	2014	2013
Reserves according to the Articles of Association	6 103	5 909
Fair value reserve	-71	-188
<b>Total</b>	<b>6 031</b>	<b>5 721</b>

### Reserve for invested unrestricted equity fund

The fund of invested, available equity includes other equity investments and the stock issue price when it is not entered in the stock capital according to an express decision.

### Dividend

In year 2014 distributed a dividend of EUR 0.05/share, total of EUR 2,886,521.95. After the reporting date, the Board of Directors has proposed a dividend of EUR 0.07 per share to be distributed, totalling EUR 4,041,130.73.

## 21. SHARE BASED PAYMENTS

### Option scheme for 2013

The Annual General Meeting accepted on 18 April 2013 Scanfil plc's option scheme for 2013 (A) – (C). A maximum of 750,000 option rights can be granted, and they entitle the holders to subscribe for a maximum total of 750,000 of the company's new shares or shares in its possession.

Based on the authorisation granted by the Annual General Meeting, the Board of Directors decided on 18 September 2013 and 25 September 2014 to grant 450,000 option rights in total to the CEO and the CFO of Scanfil Oyj and three key employees of Scanfil EMS Oy, a subsidiary of Scanfil Oyj. The option rights will be marked 2013A and 2013B. Each option right enables its holder to subscribe for one new share issued by Scanfil Oyj or one share held by Scanfil Oyj. The subscription period for the 2013A option rights will be from 1 May 2016 to 30 April 2018, and the subscription period for the 2013B option rights will be from 1 May 2017 to 30 April 2019. will not be implemented if the production and financial goals and conditions specifically determined by the Board for using the option rights are not met. If the goals are not met, option rights will expire as determined by the Board. The share subscription price for the 2013A option rights is EUR 0.87, which is the volume-weighted average price of the share at NASDAQ OMX Helsinki Oy between 1 March and 31 March 2013. The share subscription price for the 2013B option rights is EUR 1.41, which is the volume-weighted average price of the share between 1 March and 31 March 2014. The expense recognition of the option scheme was EUR 42 thousand (2013 EUR 6 thousand).

Option arrangement	2013B	2013A
Grant date	25.9.2014	18.9.2013
Amount of granted instruments (pcs)	225 000	225 000
Subscription price (EUR)	1,41	0,87
Fair value (EUR)	1,17	0,66
Share price at time of granting (EUR)	2,31	1,34
Term of validity (years)	4,5	4,5

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

## 22. PROVISIONS, 1000 EUR

	<i>Reclamation provisions</i>	<i>Unemployment pension deductibles</i>	<i>Other</i>	<b>Total</b>
<b>1.1.2014</b>	188	185		373
Additions	261		81	342
Used provisions	-138	-85		-223
Cancellation of unused provisions		-28		-28
<b>31.12.2014</b>	<b>311</b>	<b>72</b>	<b>81</b>	<b>464</b>

The complaint and warranty provision includes the estimated cost of repairing defective products that is related to customer complaints. The unemployment security provision includes any excesses for employment security for employees laid off as a result of statutory employee negotiations. Other provisions consist of any supplier and customer bonuses.

## 23. FINANCIAL LIABILITIES, 1000 EUR

	2014	2013
<b>Long term liabilities recognised at amortised cost</b>		
Financial Institutions	407	9 171
Finance Lease	94	
<b>Total</b>	<b>501</b>	<b>9 171</b>
<b>Short term liabilities recognised at amortised cost</b>		
Financial Institutions	8 649	9 171
Finance Lease	138	
<b>Total</b>	<b>8 787</b>	<b>9 171</b>

The Group has one interest-bearing financing loan, taken out by Scanfil EMS Oy in 2010 in SEK, originally equivalent to EUR 40.0 million. Term of the loan is five years, and the last instalment will be paid on 8 December 2015. Interest of the loan may vary between 2.21% and 2.56% due to the fulfilment of interest covenant terms. The interest rate of the loan was 2.21% in 2014. The loan is associated with termination covenants, which are not in danger of being broken.

The company has an interest rate and currency swap related to the hedging of credit in foreign currency. The purpose of the hedge is to protect against the impact of changes in cash flows related to credit in foreign currency (credit and foreign exchange risks). The hedge is used to swap the capital and cash flows of instalments and interest payments for a variable-rate loan in SEK into EUR and fixed interest. The objective of the hedge follows the Group's risk management principles.

Effectiveness of the hedge can be reliably measured, and the hedge is expected to remain fully effective throughout the term of the hedging relationship. Effectiveness is evaluated every quarter year.

The nominal amount of the interest rate and currency swap was SEK 81.2 million on 31 December 2014 (SEK 162.5 million on 31 December 2013) and it will mature on 8 December 2015. The fair value of the derivative was EUR - 328,723 (EUR 314,440 on 31 December 2013). The cash flows of the derivative will be realised at the same time as the cash flows of the loan so that cash flows in SEK obtained from the derivative fully cover the cash flows payable for the loan. The end result is that the company will pay instalments and interest flows in euros according to the schedule in Note 29.

Items recorded in the fair value reserve and in profit or loss for the derivative were as follows (in thousands of euros):

	2014	2013
Fair value reserve	117	273
Transferred to profit or loss	4	-6

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

## Finance lease maturities

	2014	2013
<b>Gross financial debt</b>		
<b>- Minimum rents by time of maturity</b>		
Within one year	142	
In one to five years	96	
<b>Total</b>	<b>238</b>	
Future financing expenses accrued	-6	
<b>Current value of financing lease debt</b>	<b>232</b>	
<b>The current value of financing lease debt will mature as follows:</b>		
Within one year	138	
In one to five years	94	
<b>Total</b>	<b>232</b>	

## 24. NON-CURRENT LIABILITIES, 1000 EUR

	2014	2013
<b>Trade and other payables</b>		
Trade payables	20 973	19 657
Accrued liabilities	6 603	5 121
Advance payments received		38
Other creditors	1 186	1 192
<b>Total</b>	<b>28 763</b>	<b>26 009</b>
<b>The most significant items included in accrued liabilities:</b>		
Employee expenses	5 346	4 536
Interests	13	24
Other accrued liabilities	1 244	561
<b>Total</b>	<b>6 603</b>	<b>5 121</b>

Other accrued liabilities include a valuation item of EUR 0.3 million of a derivative receivable related to a foreign currency loan.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

## 25. CASH FLOW STATEMENT ADJUSTMENTS, 1000 EUR

	2014	2013
<b>Non-cash transactions</b>		
Depreciation according to plan	4 636	4 418
Financial income and expenses	300	1 224
Taxes	3 607	2 379
Changes in provisions	-362	19
Other adjustments	-725	121
<b>Total</b>	<b>7 456</b>	<b>8 160</b>
<b>Changes in working capital</b>		
Inc(-)/dec(+) in short-term non-interest bearing receivables	-4 754	-2 405
Inc(-)/dec(+) in inventories	-1 644	1 031
Inc(+)/dec(-) in short-term non-interest-bearing liabilities	1 173	814
<b>Total change in working capital</b>	<b>-5 225</b>	<b>-560</b>

## 26. FINANCIAL ASSETS AND LIABILITIES, CARRYING AMOUNT AND FAIR VALUE, 1000 EUR

2014	<i>Financial assets and liabilities at fair value through profit or loss</i>	<i>Loans and other receivables</i>	<i>At fair value through profit or loss</i>	<i>Available for sales investment</i>	<i>Financial liabilities recognised at amortised cost</i>	<i>Book values of balance sheet items</i>	<i>Fair values of balance sheet items</i>
<b>Non-current assets</b>							
Available for sale investments				17		17	17
<b>Non-current assets total</b>				<b>17</b>		<b>17</b>	<b>17</b>
<b>Current assets</b>							
Trade and other receivables		39 445				39 445	39 445
Cash and cash equivalents		19 211				19 211	19 211
Forward exchange contracts			43			43	43
<b>Current assets total</b>		<b>58 656</b>	<b>43</b>			<b>58 699</b>	<b>58 699</b>
<b>Total financial assets</b>		<b>58 656</b>	<b>43</b>	<b>17</b>		<b>58 716</b>	<b>58 716</b>
<b>Non-current financial liabilities</b>							
Interest-bearing liabilities from financial institutions					407	407	407
Finance Lease					94	94	94
<b>Non-current financial liabilities total</b>					<b>501</b>	<b>501</b>	<b>501</b>
<b>Current financial liabilities</b>							
Interest-bearing liabilities from financial institutions					8 649	8 649	8 649
Finance Lease					138	138	138
Derivative	329					329	329
Trade and other payables					22 602	22 602	22 602
<b>Current financial liabilities total</b>	<b>329</b>				<b>31 389</b>	<b>31 718</b>	<b>31 718</b>
<b>Total financial liabilities</b>	<b>329</b>				<b>31 891</b>	<b>32 219</b>	<b>32 219</b>

Financial assets and liabilities have not been netted in the balance sheet.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

2013	<i>Financial assets and liabilities at fair value through profit or loss</i>	<i>Loans and other receivables</i>	<i>At fair value through profit or loss</i>	<i>Available for sales investment</i>	<i>Financial liabilities recognised at amortised cost</i>	<i>Book values of balance sheet items</i>	<i>Fair values of balance sheet items</i>
<b>Non-current assets</b>							
Available for sale investments				17		17	17
Non-current assets total				17		17	17
<b>Current assets</b>							
Trade and other receivables		32 085				32 085	32 085
Cash and cash equivalents		28 150				28 150	28 150
Current assets total		60 235				60 235	60 235
<b>Total financial assets</b>		<b>60 235</b>		<b>17</b>		<b>60 253</b>	<b>60 253</b>
<b>Non-current financial liabilities</b>							
Interest-bearing liabilities from financial institutions					9 171	9 171	9 171
Derivative	157					157	157
Non-current financial liabilities total	<b>157</b>				<b>9 171</b>	<b>9 328</b>	<b>9 328</b>
<b>Current financial liabilities</b>							
Interest-bearing liabilities from financial institutions					9 171	9 171	9 171
Derivative	157					157	157
Trade and other payables					20 217	20 217	20 217
Current financial liabilities total	<b>157</b>				<b>29 388</b>	<b>29 545</b>	<b>29 545</b>
<b>Total financial liabilities</b>	<b>314</b>				<b>38 559</b>	<b>38 873</b>	<b>38 873</b>

Financial assets and liabilities have not been netted in the balance sheet.

### 27. FAIR VALUE HIERARCHY

2014	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>Assets measured at fair value</b>			
Derivative		329	
Available-for-sale investments			
Equity investments			17
Trading derivatives			
Forward exchange		43	
<b>Liabilities measured at fair value</b>			
Liabilities recognised at amortised cost			
Financing loan		9 057	
Finance Lease		232	
<b>2013</b>			
<b>Assets measured at fair value</b>			
Available-for-sale investments			
Equity investments			17
<b>Liabilities measured at fair value</b>			
Derivative		314	
<b>Liabilities recognised at amortised cost</b>			
Financing loan		18 341	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

The fair values of **level 2** instruments are to a significant extent based on data that can be observed either directly (i.e. as price) or indirectly (derived from the prices) for the asset or liability in question. In determining the fair value of these instruments, the Group utilises generally accepted measurement models whose input data, however, is significantly based on verifiable market data.

The fair values of **level 3** instruments are based on input data concerning the asset or liability that is not based on observable market data but to a significant extent on estimates of the management and their use in generally accepted measurement models.

Level 3 items are unlisted shares

## 28. DERIVATIVE INSTRUMENTS

Derivative instruments used by the Group are discussed in Note 25: "Interest-bearing Liabilities". The Group has forward exchange contracts for purposes other than hedging. Changes in the fair values of these contracts have been recognised through profit or loss and the valuation is included in accrued income.

## 29. FINANCIAL RISK MANAGEMENT

The Group's treasury operations and financial risks are managed centrally in the parent company based on the principles approved by the Board. Subsidiaries are financed through intercompany loans or local bank loans. The goal is cost-efficient risk management and optimisation of cash flows.

### Currency risk

The Group's currency risks consist of

- transaction risks related to trade receivables and payables
- translation risks related to foreign subsidiaries
- financial risks related to exchange rate changes

Currency risks are mainly the result of changes in the EUR/USD exchange rates. Currency risks can be hedged with forward exchange contracts or interest rate and currency swaps. The parent company of the Group is responsible for all hedging actions. The financial statements of 31 December 2014 include an interest rate and currency swap for hedging a foreign currency loan and a EUR/USD forward exchange contract for a purpose other than hedging.

Below, the net positions associated with cash and cash equivalents, accounts receivable and accounts payable are shown in euros for the main currencies of the Group.

<i>Transaction risk, 1000 EUR</i>					<b>2014</b>
Foreign currency	USD	USD	EUR	HUF	
Reporting currency:	EUR	RMB	RMB	EUR	
Cash and cash equivalents	3 372	402	1 171	12	
Trade receivables	28	5 121	3 241	25	
Trade payables	-804	-1 319	-925	-43	
Hedges	-390				
Balance sheet net risk	2 206	4 204	3 487	-6	
<i>Transaction risk, 1000 EUR</i>					<b>2013</b>
Foreign currency	USD	USD	EUR	HUF	
Reporting currency:	EUR	RMB	RMB	EUR	
Cash and cash equivalents	3 670	420	645	68	
Trade receivables	4	2 288	3 435	31	
Trade payables	-881	-1 028	-1 323	-38	
Balance sheet net risk	2 793	1 680	2 757	61	

Below, the impact of a change of 10% in the exchange rate of a foreign currency relative to EUR is shown from the point of view of net foreign exchange position for the Group's result and equity. Tax consequence has not been considered.

Foreign currency	change in	USD	USD	EUR	HUF
Reporting currency:	currency, %	EUR	RMB	RMB	EUR
Year 2014	+/- 10	+/- 220	+/- 420	+/- 349	+/- 1
Year 2013	+/- 10	+/- 279	+/- 168	+/- 276	+/- 6

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

## Translation risk

A weakening of 10% of the Chinese yuan would decrease the Group's shareholders' equity by approximately EUR 4 million. The Chinese currency is strongly linked to the US dollar. The exposure is not fixed; it varies with the result and dividends paid. In Hungary, the property company Rozália Invest Kft has a euro-denominated loan of EUR 4.4 million from the parent company. This loan includes a currency risk if the local currency (HUF) weakens. The accounting currency of other subsidiaries is EUR. Investments in foreign subsidiaries have not been hedged.

## Financial risk

The changes in exchange rates should not have a significant effect on the long term competitiveness of the company. With most customers pricing is adjusted either monthly or quarterly cycles. Some fixed prices are agreed, but no longer than for a one year period.

## Interest rate risk

The yield of the financial investments and interest-bearing liabilities carry an interest rate risk. The Group has considerable cash assets, and changes in interest rates may have an effect on the Group's result, but their impact is not significant on the whole. The Group invests its cash funds in bank deposits, and only accepts banks with a high credit rating as counterparties. The interest rate risk of loans can be controlled with the proportion between variable rate and fixed-interest loans. The Group only has one interest-bearing loan whose interest rate has been fixed through an interest swap agreement for a loan period of five years. The interest covenant term range is 2.21% - 2.56%. The interest rate in 2014 was 2.21%. Interest expenses were EUR 53 thousands higher if the interest rate would have been 2.56% throughout the year.

## Credit risk

The credit risks of accounts receivable are the responsibility of operative business units. The monitoring of accounts receivable is a continuous activity according to the Group guidelines. According to the view of the Group's management, the company does not have any significant concentration of credit risk. The sales of the three largest customers is 45 % of the Group's turnover. The largest customers have good credit ratings.

Age distribution of trade receivables, 1000 EUR	2014	2013
Unmatured	33 038	29 399
Matured		
1 - 30 days	3 233	1 395
31 - 90 days	2 019	476
91 - 180 days	305	29
181 - 365 days	85	51
more than 1 year	23	35
<b>Total</b>	<b>38 703</b>	<b>31 385</b>

During the financial year, the Group has recorded a total of EUR 4 thousand (EUR 327 thousand in 2013) of credit losses for accounts receivable. The credit losses of the previous year are due to accounts receivable of the associated company Greenpoint Oy. The matter is presented in Notes 14.

## Liquidity risk

Considering the Group's balance sheet structure, the liquidity risk is small. The Group's liquid assets on 31 December 2014 were EUR 19.2 million (EUR 28.2 million in 2013). In addition, the Group has a credit limit for EUR 8.0 million. The Group's bank loans include regular loan covenant terms. During the financial year 2014, the Group fulfilled the covenant terms associated with the loans and they are not at risk of rupture.

## Maturity analysis based on debt agreements

The figures are undiscounted, including both interest payments and capital repayments.

31.12.2014	balance sheet value	cash flow	0-6 months	6 months - 1 year	1-2 years	2-5 years	more than 5 years
Loans from financial institutions	8 649	9 038	4 544	4 494			
Finance lease	232	238	83	60	93	3	
Overdraft facility	407	407					407
Trade payables and other liabilities	28 763	28 763	28 763				
<b>Total</b>	<b>38 052</b>	<b>38 039</b>	<b>33 390</b>	<b>4 554</b>	<b>93</b>	<b>3</b>	<b>407</b>
31.12.2013							
Loans from financial institutions	18 341	18 275	4 643	4 593	9 038		
Trade payables and other liabilities	26 009	26 009	26 009				
<b>Total</b>	<b>44 350</b>	<b>44 283</b>	<b>30 652</b>	<b>4 593</b>	<b>9 038</b>		

"Loans from financial institutions" consist of a loan in Swedish kronor, which has been converted into euros through an interest rate and currency swap. Instalments and interest flows obtained from the derivative in Swedish kronor fully cover the instalments and interest flows payable for the loan. The end result is that the company will pay instalments and interest flows in euros as described above. Payment basis instalments defer from the loans book value, as the book value also includes the value of the derivative.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

## 30. MANAGEMENT OF CAPITAL STRUCTURE, 1 000 EUR

The objective of the Group's capital management is to ensure normal prerequisites for business operations. Development of the Group's capital structure is monitored through net gearing. The capital structure is regularly reviewed. The shareholders' equity on the consolidated balance sheet is managed as capital. No external capital requirements are applied to the Group.

The capital structure can be affected e.g. through the distribution of dividends.

	2014	2013
Interest-bearing liabilities	9 288	18 341
Cash assets	-19 211	-28 150
Net liabilities	-9 922	-9 809
Equity total	94 591	80 477
Gearing, %	-10,5	-12,2

## 31. COMMITMENTS AND CONTINGENCIES, 1 000 EUR

	2014	2013
<b>Mortgages to secure own debt</b>		
Business mortgages	26 000	40 000
<b>Total</b>	<b>26 000</b>	<b>40 000</b>
<b>Liabilities secured with mortgages</b>		
Interest-bearing liabilities from financial institutions	9 057	18 341
<b>Guarantees given</b>		
On behalf of own company	20	10
On behalf of Group company	600	1 150
<b>Total</b>	<b>620</b>	<b>1 160</b>

In addition, Scanfil EMS Oy has issued a guarantee on meeting the obligations of a subsidiary's delivery contract. This guarantee is limited to EUR 7.5 million and a period of seven years from the end of the last product contract.

## 32. LEASING LIABILITIES AND OTHER LEASE LIABILITIES, 1 000 EUR

	2014	2013
<b>Group as lessee</b>		
Minimum rents payable based on other non-cancellable leases:		
Within one year	312	
In one to five years	1 248	
More than five years	896	
<b>Total</b>	<b>2 456</b>	

The Group owns the facilities it uses, excluding those of its German subsidiary and some office facilities. The lease on the facilities in Germany is valid until 2021.

<b>Leasing liabilities</b>		
Within one year	69	19
In one to five years	57	5
<b>Total</b>	<b>126</b>	<b>23</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

## 33. ACQUIRED BUSINESSES

Scanfil EMS Oy, a subsidiary of Scanfil Plc, purchased the entire share capital of the German contract manufacturer Schaltex Systems GmbH on 31 March 2014. The purchase will strengthen Scanfil's position in the German market and widen the Group's customer base.

The purchase price of the shares was EUR 5.8 million. In addition, a loan of EUR 0.8 million granted to a subsidiary was purchased.

Scanfil EMS Oy financed the deal from its liquid assets. The cost of EUR 0.2 million related to the acquisition mainly consists of due diligence expenses and statutory fees.

The assets and liabilities arising from the acquisition are as follows:

	<i>Note</i>	<i>Recorded values</i>
Intangible assets	13	433
Tangible assets	11	265
Inventories		3 948
Receivables		937
Cash and cash equivalents		52
Other receivables		28
<b>Assets total</b>		<b>5 664</b>
Interest bearings liabilities		1 991
Non-interest bearing liabilities		1 468
<b>Liabilities total</b>		<b>3 458</b>
Goodwill arising on acquisition:		
<b>Acquisition cost</b>		<b>5 808</b>
<b>Goodwill</b>	12	<b>-3 602</b>
Purchase price paid in cash		5 808
Cash and cash equivalents of the acquired company		52
<b>Cash flow</b>		<b>5 756</b>

The goodwill consists of market area expansion.

Schaltex Systems GmbH was consolidated as a subsidiary as of 1 April 2014. The subsidiary's turnover for April–December 2014 was EUR 14.4 million and its profit amounted to EUR 1.0 million. The Group's turnover for 2014 would have been EUR 219.7 million and profit EUR 12.7 million had the subsidiary been consolidated at the beginning of the financial period.

## 34. RELATED PARTY TRANSACTIONS

The Group's related parties include, in addition to Group companies and the associated company, members of the parent company's Board of Directors and members of the Management Team, together with their close family members and companies where these persons exercise control or significant influence.

<i>Group companies</i>	<i>Domicile</i>	<i>Group's ownership</i>	<i>Share of votes</i>	<i>Parent company's ownership</i>
Scanfil EMS Oy, parent company	Finland			
Scanfil GmbH	Germany	100 %	100 %	100 %
Scanfil Kft	Hungary	100 %	100 %	100 %
Scanfil Oü	Estonia	100 %	100 %	100 %
Scanfil (Suzhou) Co., Ltd.	China	100 %	100 %	100 %
Scanfil (Hangzhou) Co., Ltd.	China	100 %	100 %	100 %
Rozália Invest Kft	Hungary	100 %	100 %	100 %

Information of associated companies is presented in Note 14 "Investments in associated companies".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

## Related party transactions, 1000 EUR

	Sales	Interest income
<b>31.12.2014</b>		
Greenpoint Oy	4	
<b>31.12.2013</b>		
Greenpoint Oy	126	2

Scanfil plc's subsidiary Scanfil EMS Oy has rented an office space from Kiinteistö Oy Pilot 1, which head owners are Jorma Takanen, Harri Takanen, Jarkko Takanen and Reijo Pöllä. Rental costs in 2014 were EUR 19 thousand (2013 EUR 15 thousand).

## Business transactions and open balances with Sievi Capital plc

After a partial division at the beginning of year 2012, Scanfil Oyj and Sievi Capital Oyj have the same main owners. Scanfil plc and the subsidiary Scanfil EMS Oy have offered administrative services to Sievi Capital plc.

	Sales	Receivables	Ostot
<b>31.12.2014</b>			
Administrative service fees	46	20	
<b>31.12.2013</b>			
Administrative service fees	83	23	

## Employee benefits for members of the management, EUR

	2014	2013
Salaries and other short-term employee benefits	923	692
Post-employment benefits	2	2
Option scheme	42	6
<b>Total</b>	<b>967</b>	<b>700</b>

The management includes the parent company's Board of Directors, CEO and Management Team members.

	2014	2013
<b>Salaries paid to the President</b>		
Petteri Jokitalo since 1 April 2013	255	93
Harri Takanen up to 31 March 2013	0	62

## Statutory pension expenditure, TYEL

Harri Takanen		11
Petteri Jokitalo	47	17

Harri Takanen has a voluntary pension insurance policy with a projected pension of some EUR 1 thousand per month. The pension period is 1 September 2026 – 31 August 2033.

## Salaries paid to the Board members

Jorma J. Takanen		18	17
Jarkko Takanen		18	17
Harri Takanen since 18 April 2013		24	15
Riitta-Liisa Kotilainen since 18 April 2013		18	11
Tuomo Lähdesmäki up to 24 February 2014		3	17
Christer Härkönen since 8 April 2014		12	
Päivi Marttila up to 18 April 2013			6
<b>Total salaries of the Board Members</b>		<b>92</b>	<b>83</b>

The salary information is payment-based.

## KEY FINANCIAL INDICATORS

<i>Key financial indicators</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
Turnover, EUR m	214.5	188.5	180.9	210.8	219.3
Turnover, growth from previous year, %	13.8	4.2	-14.2	-3.9	11.1
Operating profit, EUR m	16.2	11.8	8.1	9.1	11.0
Operating profit, % of turnover	7.6	6.3	4.5	4.3	5.0
Profit/loss for the period, EUR m	12.3	8.2	5.7	6.3	6.8
Profit/loss for the period, % of turnover	5.7	4.4	3.2	3.0	3.1
Return on equity, %	14.0	10.6	7.9	9.7	12.6
Return on investment, %	16.5	11.4	8.1	9.5	11.4
Interest-bearing liabilities, EUR m	9.3	18.3	28.4	36.5	42.8
Gearing, %	-10.5	-12.2	-2.4	1.9	43.1
Equity ratio, %	70.6	64.1	57.7	53.6	41.6
Gross investments in fixed assets, EUR m	8.2	4.0	7.2	3.8	10.1
Gross investments in fixed assets, % of turnover	3.8	2.1	4.0	1.8	4.6
Average number of employees for the period	1 773	1 673	1 669	2 024	1 989
<b>Key indicators per share</b>					
Earnings per share, EUR	0.21	0.14	0.10	0.11 (*)	0.12 (*)
Shareholders' equity per share, EUR	1.64	1.39	1.30	1.20 (*)	1.03 (*)
Dividend per share, EUR	0.07	0.05	0.04		
Dividend per earnings, %	32.9	35.1	40.5		
Effective dividend yield, %	2.85	3.70	4.88		
Price-to-earnings ratio (P/E)	11.5	9.5	8.3		
<b>Share trading</b>					
No. of shares traded, thousands	5 131	2 864	8 982		
Percentage of total shares, %	8.88	4.96	15.6		
<b>Share performance</b>					
Lowest price for year, EUR	1.30	0.82	0.60		
Highest price for year, EUR	2.74	1.47	1.10		
Average price for year, EUR	1.95	1.11	0.76		
Price at the end of year, EUR	2.46	1.35	0.82		
Market value of share capital at the end of the year/period, EUR m	142.0	77.9	47.3		
<b>Share-issue adjusted number of shares</b>					
At the end of the period, thousands	57 730	57 730	57 730	57 730	57 730
On average during the period, thousands	57 730	57 730	57 730	57 730	57 730

(\* The number of shares is based on the number of shares held by Scanfil plc)



## KEY RATIOS

Return on equity, %	$\frac{\text{Net profit for the period} \times 100}{\text{Shareholders' equity (average)}}$
Return on investment, %	$\frac{(\text{Profit before taxes} + \text{interest and other financial expenses}) \times 100}{\text{Balance sheet total} - \text{non-interest-bearing liabilities (average)}}$
Gearing (%)	$\frac{(\text{Interest-bearing liabilities} - \text{cash and other liquid financial assets}) \times 100}{\text{Shareholders' equity}}$
Equity ratio (%)	$\frac{\text{Shareholders' equity} \times 100}{\text{Balance sheet total} - \text{advance payments received}}$
Earnings per share	$\frac{\text{Net profit for the period}}{\text{Average adjusted number of shares during the year}}$
Shareholders' equity per share	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the financial period}}$
Dividend per share	$\frac{\text{Dividend to be distributed for the period (Board's proposal)}}{\text{Number of shares at the end of year}}$
Dividend per earnings (%)	$\frac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$
Effective dividend yield (%)	$\frac{\text{Dividend per share} \times 100}{\text{Share price at the end of year}}$
Price-to-earnings ratio (P/E)	$\frac{\text{Share price at the end of year}}{\text{Earnings per share}}$
Average share price	$\frac{\text{Total share turnover}}{\text{Number of shares traded}}$
Market capitalisation	Number of shares × last trading price of the financial period

## INCOME STATEMENT, FAS

<i>1 000 EUR</i>	<i>Note</i>	<i>1.1.-31.12.2014</i>	<i>1.1.-31.12.2013</i>
Other operating income		807	405
Personnel expenses	1	-1 008	-564
Other operating expenses	2	-207	-207
<b>Operating profit</b>		<b>-409</b>	<b>-366</b>
Financial income	3	3 822	2 216
Financial expenses	3	-21	-15
<b>Profit before extra ordinary items</b>		<b>3 392</b>	<b>1 835</b>
Extra-ordinary items	4	400	1 200
<b>Profit before appropriations and taxes</b>		<b>3 792</b>	<b>3 035</b>
Income taxes	5		-18
<b>Net profit for the period</b>		<b>3 792</b>	<b>3 017</b>

# BALANCE SHEET, FAS

1000 EUR	Note	31.12.2014	31.12.2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Investments</b>			
Holdings in Group companies	6	12 621	12 621
		<u>12 621</u>	<u>12 621</u>
<b>Total non-current assets</b>		<b>12 621</b>	<b>12 621</b>
<b>Current assets</b>			
<b>Short-term receivables</b>			
Account receivables		15	15
Receivables from Group companies	7	4 285	3 459
Accrued income			2
		<u>4 300</u>	<u>3 476</u>
<b>Cash and cash equivalents</b>	8	1 789	2 095
<b>Total current assets</b>		6 089	5 572
<b>Total assets</b>		<b>18 710</b>	<b>18 193</b>
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		2 000	2 000
Reserve for invested unrestricted equity fund		10 721	10 721
Retained earnings		360	229
Profit for the period		3 792	3 017
<b>Total Equity</b>	9	<b>16 873</b>	<b>15 967</b>
<b>Short-term liabilities</b>			
Trade payables		13	13
Liabilities to Group companies	10	1 393	1 845
Other creditors		54	67
Accrued liabilities	11	379	300
		<u>1 837</u>	<u>2 225</u>
<b>Total liabilities</b>		<b>1 837</b>	<b>2 225</b>
<b>Total equity and liabilities</b>		<b>18 710</b>	<b>18 193</b>

## CASH FLOW STATEMENT, FAS

<i>1000 EUR</i>	<i>Note</i>	<i>1.1. - 31.12.2014</i>	<i>1.1. - 31.12.2013</i>
<b>Cash flow from operating activities</b>			
Profit for the period		3 792	3 017
Adjustments	12	-4 201	-3 383
Change in working capital	12	54	199
Interest paid		-21	-16
Interest received		22	11
Taxes paid		-18	
<b>Net cash flow from operating activities</b>		<b>-371</b>	<b>-171</b>
<b>Cash flow from investing activities</b>			
Dividend received from investments		2 200	1 550
<b>Net cash flow from investing activities</b>		<b>2 200</b>	<b>1 550</b>
<b>Cash flow from financing activities</b>			
Received group contributions		1 200	
Short-term loans raised		1 392	1 840
Repayment of short-term loans		-1 840	-3 447
Dividends paid		-2 887	-2 309
<b>Net cash flow from financing activities</b>		<b>-2 135</b>	<b>-3 916</b>
<b>Change in cash and cash equivalents</b>		<b>-306</b>	<b>-2 537</b>
Cash and cash equivalents at 1 Jan.		2 095	4 633
<b>Cash and cash equivalents at 31 Dec.</b>	<b>8</b>	<b>1 789</b>	<b>2 095</b>

# NOTES TO THE FINANCIAL STATEMENTS, FAS

## Company's accounting policies

Scanfil plc is a Finland-based public limited company domiciled in Sievi. Scanfil plc was established in the demerger of Sievi Capital plc on 1 January 2012. Scanfil plc's shares are quoted on NASDAQ OMX Helsinki Oy.

The financial statements of Scanfil plc have been prepared in accordance with the Finnish Accounting Act and other regulations in force in Finland (FAS). The consolidated financial statements have been prepared under the IFRS. The parent company's financial statements comply with IFRS principles wherever possible. With regard to Scanfil plc, the mainly Finnish accounting practice and IFRS-compliant accounting policies are congruent with each other, so the key accounting policies can be read from the accounting policies for consolidated financial statements.

### 1. PERSONNEL EXPENSES, 1 000 EUR

	2014	2013
Salaries, wages and fees	831	482
Pension costs	149	70
Other indirect employee expenses	28	12
<b>Total</b>	<b>1 008</b>	<b>564</b>

The pension costs are based on defined-contribution schemes. Management's employee benefits presented in Note 14.

#### Average number of employees during the period

Clerical employees	9	4
<b>Total</b>	<b>9</b>	<b>4</b>

### 2. OTHER OPERATING EXPENSES, 1 000 EUR

	2014	2013
Other operating expenses include the following significant expense items:		
Other operating expenses	207	207
<b>Total</b>	<b>207</b>	<b>207</b>
<b>Auditor's remuneration</b>		
Auditor's remunerations of the Chartered Accountants	17	21
Other services	1	4
<b>Total</b>	<b>19</b>	<b>25</b>

### 3. FINANCING INCOME AND EXPENSES, 1 000 EUR

	2014	2013
Income from shares from Group companies	3 800	2 200
<b>Other interest and financial income</b>		
To group companies	21	16
Other	1	0
<b>Total</b>	<b>22</b>	<b>16</b>
<b>Interest expenses and other financial expenses</b>		
To group companies		
Other	-21	-15
<b>Total</b>	<b>-21</b>	<b>-15</b>
<b>Total financial income and expenses</b>	<b>3 801</b>	<b>2 201</b>
Items other interest and financial income and interest expenses and other financial expenses includes exchange rate gains and losses (net)	0	0

# NOTES TO THE FINANCIAL STATEMENTS, FAS

## 4. EXTRAORDINARY ITEMS, 1000 EUR

	2014	2013
Group contributions from Scanfil EMS Oy	400	1 200
<b>Total</b>	<b>400</b>	<b>1 200</b>

## 5. INCOME TAXES, 1000 EUR

	2014	2013
Income taxes from extra ordinary items	80	294
Income taxes from actual operations	-80	-276
<b>Total</b>	<b>0</b>	<b>18</b>

## 6. HOLDINGS IN GROUP COMPANIES, 1000 EUR

	2014	2013
Total at beginning of period	12 621	12 621
<b>Total at end of period</b>	<b>12 621</b>	<b>12 621</b>
Carrying amount at 31 Dec.	12 621	12 621

<i>Group companies</i>	<i>Domicile</i>	<i>Group share %</i>	<i>Parent company share %</i>	<i>Parent company book value</i>
Scanfil EMS Oy	Finland	100	100	12 621
				<b>12 621</b>

## 7. RECEIVABLES FROM GROUP COMPANIES, 1000 EUR

	2014	2013
<b>Short-term receivables</b>		
Dividend receivable from Scanfil EMS Oy	3 800	2 200
Contribution receivable from Scanfil EMS Oy	400	1 200
Other receivables from Scanfil EMS Oy	85	59
<b>Total</b>	<b>4 285</b>	<b>3 459</b>

## 8. CASH AND CASH EQUIVALENT, 1000 EUR

	2014	2013
Cash and bank balances	1 789	2 095
<b>Total</b>	<b>1 789</b>	<b>2 095</b>

## 9. EQUITY, 1000 EUR

	2014	2013
<b>Share capital</b>		
Share capital at 1 Jan.	2 000	2 000
<b>Share capital at 31 Dec.</b>	<b>2 000</b>	<b>2 000</b>
<b>Total restricted shareholder's equity</b>	<b>2 000</b>	<b>2 000</b>
<b>Reserve for invested unrestricted equity fund</b>		
Reserve for invested unrestricted equity fund at 1 Jan.	10 721	10 721
<b>Reserve for invested unrestricted equity fund at 31 Dec.</b>	<b>10 721</b>	<b>10 721</b>

## NOTES TO THE FINANCIAL STATEMENTS, FAS

	2014	2013
<b>Retained earnings</b>		
Retained earning at 1 Jan.	3 246	2 539
Paid dividends	-2 887	-2 309
<b>Retained earnings at 31 Dec.</b>	<b>360</b>	<b>229</b>
<b>Profit for the period</b>	<b>3 792</b>	<b>3 017</b>
<b>Total unrestricted equity</b>	<b>14 873</b>	<b>13 967</b>
<b>Total equity</b>	<b>16 873</b>	<b>15 967</b>
<b>Calculation of distributable funds at 31 Dec.</b>		
Reserve for invested unrestricted equity fund	10 721	10 721
Retained earnings	360	229
Profit for the period	3 792	3 017
<b>Total</b>	<b>14 873</b>	<b>13 967</b>

### 10. LIABILITIES TO GROUP COMPANIES, 1000 EUR

	2014	2013
<b>Short-term liabilities to Group companies</b>		
Trade payables to Group	1	5
Liquid assets of the Group account	1 392	1 840
<b>Total</b>	<b>1 393</b>	<b>1 845</b>

### 11. ACCRUED LIABILITIES, 1000 EUR

	2014	2013
<b>The most significant items included in accrued liabilities</b>		
Employee expenses	368	272
Other accrued liabilities	11	28
<b>Total</b>	<b>379</b>	<b>300</b>

### 12. CASH FLOW STATEMENT ADJUSTMENTS, 1000 EUR

	2014	2013
<b>Adjustments</b>		
Financial income and expenses	-3 801	-2 201
Other adjustments	-400	-1 182
<b>Total</b>	<b>-4 201</b>	<b>-3 383</b>
<b>Changes in working capital</b>		
Inc(-)/dec(+) in short-term non-interest-bearing receivables	-24	-64
Inc(+)/dec(-) in short-term non-interest-bearing liabilities	79	263
<b>Total change in working capital</b>	<b>54</b>	<b>199</b>

### 13. COMMITMENTS AND CONTINGENCIES, EUR

Scanfil Plc has a credit limit associated with the Group account for EUR 5.0 million, which Scanfil EMS Oy can use and for which it has provided security. Scanfil plc has granted Nordea Bank Finland Plc an absolute guarantee for the payment of Scanfil EMS Oy's loan of originally EUR 40 million and the resulting obligations to pay. Capital of the loan on Scanfil EMS Oy' balance sheet (FAS) on 31 December 2014 is EUR 8.9 million.

Scanfil Plc has granted Nordea Bank Finland Plc an absolute guarantee for the payment of Group companies Scanfil Kft's 1.0 million and Scanfil GmbH's 2.0 million credit limits. Scanfil Plc has also granted Siemens Finance GmbH 0.4 million for Scanfil GmbH's leasing liabilities.

# NOTES TO THE FINANCIAL STATEMENTS, FAS

## 14. MANAGEMENT'S EMPLOYMENT-RELATED BENEFITS

	2014	2013
<b>Salaries and other short-term employee benefits, 1000 EUR</b>		
<b>Salaries and bonuses of the President, 1000 EUR</b>		
Petteri Jokitalo	since 1 April 2013	255
Harri Takanen	up to 31 March 2013	93
		62
<b>Salaries and bonuses of the Board members, 1000 EUR</b>		
Jorma J. Takanen		18
Jarkko Takanen		17
Harri Takanen	since 18 April 2013	24
Riitta-Liisa Kotilainen	since 18 April 2013	15
Tuomo Lähdesmäki	since 18 April 2013	18
Christer Härkönen	up to 24 February 2014	3
Päivi Marttila	since 8 April 2014	12
	up to 18 April 2013	6
<b>Total salaries and bonuses of the Board members</b>		<b>92</b>
		<b>83</b>



# SHARES AND SHAREHOLDERS

## Shares and share capital

Scanfil plc has a total of 57,730,439 shares. The company's registered share capital is EUR 2,000,000. The company has one series of shares, and each share entitles the holder to one vote and an equal right to receive dividends.

Scanfil plc's shares are quoted on NASDAQ OMX Helsinki Ltd. The shares have been publicly traded since 1 January 2012. The trading code of the shares is SCLIV. The shares are included in the book-entry securities system maintained by Euroclear Finland Ltd.

## Board's authorisations in force

At the end of the financial period, the Board of Directors of Scanfil plc did not have any share issue authorisations or authorisations to issue convertible bonds or bonds with warrants.

The Extraordinary General Meeting on 19 April 2012 authorised the Board of Directors to decide on the transfer of treasury shares in accordance with the Board's proposals. The authorisation is valid for three years.

The Annual General Meeting on 18 April 2013 authorised the Board of Directors to decide on the issuance of option rights to certain key employees of the company and its subsidiaries. The maximum total number of option rights is 750,000, and they entitle the key employees to subscribe for a maximum of 750,000 of the company's new shares or shares in its possession.

The Annual General Meeting on 8 April 2014 authorised the Board of Directors to decide on the acquisition of treasury shares with distributable funds. The authorisation is valid for 18 months.

## Own shares

The company does not own its own shares.

## Dividend distribution policy

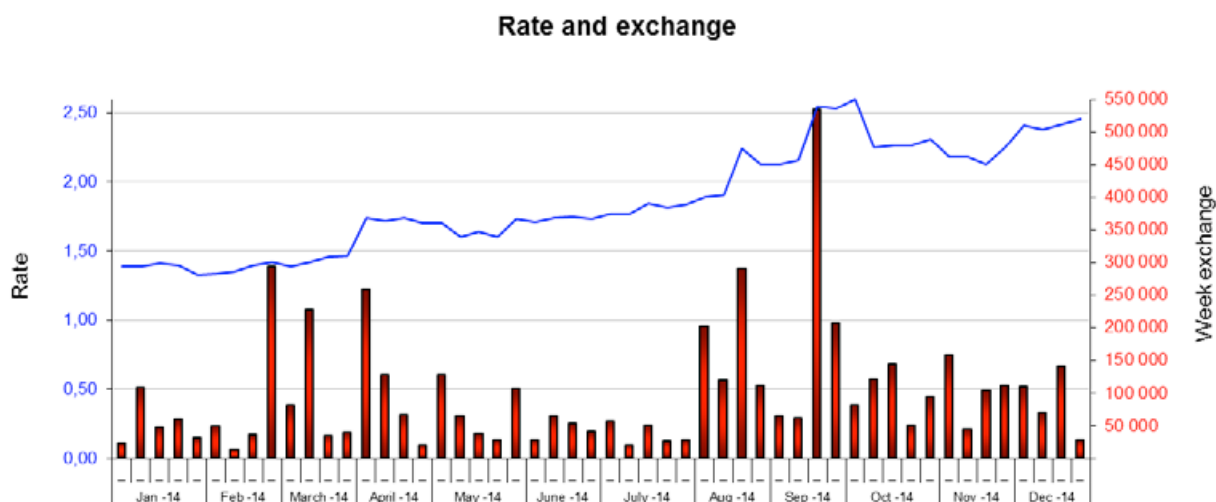
The company aims to pay a dividend annually. The level of dividends paid and the date of payment are affected, inter alia, by the Group's result, financial position, need for capital and other possible factors. The aim is to distribute approximately one-third of the Group's annual profit as dividend to shareholders.

## Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.07 be paid per share, for a total of EUR 4,041,130.73.

## Share price development, trading and market value

In 2014, the number of Scanfil plc shares traded on NASDAQ OMX Helsinki Ltd was 5,131,328, which accounts for 8.9% of all shares. The value of shares traded was EUR 10.0 million and the average price EUR 1.95. Market capitalisation was EUR 142,0 million at the end of 2014. The highest trading price was EUR 2.74 and the lowest EUR 1.30. The closing price was EUR 2.46.



## SHARES AND SHAREHOLDERS

### Information on shareholders

On 31 December 2014, Scanfil plc had a total of 4,676 shareholders, 75.0% of whom owned a maximum of 1,000 shares in the company. The ten major shareholders owned 77.9% of the shares. Nominee-registered shares accounted for 1.5% of the shares.

### Shares held by management

Members of the Board of Directors of Scanfil plc and the CEO held a total of 23,930,138 shares on 31 December 2014, which accounts for 41.5% of the company's shares and votes.

### BREAKDOWN OF SHARE OWNERSHIP

#### Breakdown of share ownership by number of shares held at 31 Dec. 2014

<i>Number of shares</i>	<i>Number of shares pcs</i>	<i>Percentage of shares %</i>	<i>Total number of shares and votes pcs</i>	<i>Percentage of shares and votes %</i>
1 - 200	1 681	35,95	250 169	0,43
201 - 1000	1 818	38,88	1 072 355	1,86
1001 - 2000	512	10,95	811 809	1,41
2001 - 10000	524	11,21	2 281 341	3,95
10001 - 100000	114	2,44	3 384 873	5,86
100001 - 99999999	27	0,58	49 929 892	86,49
<b>Total</b>	<b>4 676</b>	<b>100,00</b>	<b>57 730 439</b>	<b>100,00</b>

#### Breakdown of share ownership by owner category at 31 Dec. 2014

	<i>Number of shareholders</i>	<i>share %</i>	<i>Number of shares</i>	<i>share %</i>
Corporations	224	4,79	9 016 417	15,62
Financial and insurance institutions	11	0,24	907 512	1,57
Public entities	4	0,09	1 247 742	2,16
Non-profit-making organisations	14	0,30	2 269 884	3,93
Households	4 412	94,35	44 243 022	76,64
Non-Finnish owners	11	0,24	45 862	0,08
<b>Total</b>	<b>4 676</b>	<b>100,00</b>	<b>57 721 439</b>	<b>100,00</b>
of which nominee-registered	9		838 768	1,45

### Information on shareholders

#### Major shareholders at 31 Dec. 2014

	<i>pcs</i>	<i>Share % of shares and votes</i>
1. Takanen Harri	9 776 664	16,94
2. Takanen Jarkko	8 251 169	14,29
3. Varikot Oy	7 273 109	12,60
4. Takanen Jorma Jussi	5 879 305	10,18
5. Tolonen Jonna	3 251 950	5,63
6. Pöllä Reijo	3 128 745	5,42
7. Laakkonen Mikko	2 531 187	4,38
8. Takanen Martti	1 954 218	3,39
9. Foundation of Riitta ja Jorma J. Takanen	1 900 000	3,29
10. Takanen Riitta	1 003 341	1,74

## Board of Directors' Proposal for the Distribution of Profit

The parent company's distributable funds total EUR 14,873,027.32 euro.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.07 per share be paid for the financial period ended 31 December 2014, for a total of EUR 4,041,130.73.

## Board of Directors' Proposal for the Distribution of Profit

Sievi, 24 February 2015

**Harri Takanen**  
Chairman of the Board

**Jorma J. Takanen**

**Jarkko Takanen**

**Riitta-Liisa Kotilainen**

**Christer Härkönen**

**Petteri Jokitalo**  
CEO

# AUDITOR'S REPORT

## To the Annual General Meeting of Scanfil plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Scanfil plc for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### **Responsibility of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion on the consolidated financial statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### **Opinion on the company's financial statements and the report of the Board of Directors**

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Oulu, March 9, 2015

KPMG Oy Ab

**Antti Kääriäinen**

Authorised Public Accountant

Scanfil plc is a publicly listed company, managed in accordance with the company's Articles of Association, the Finnish Companies Act, and other legislation relating to the company. In addition, the company follows the Finnish Corporate Governance Code issued by the Securities Market Association on 15 June 2010, but issues exceptions to the following recommendations as a result of an evaluation of the independence of the members of the Board: Recommendation 14 (Number of independent members), Recommendation 26 (Independence of the members of the audit committee) and Recommendation 29 (Members of the nomination committee and their appointment).

This statement has been reviewed by Scanfil plc's Board of Directors. Scanfil plc's auditing firm has verified that the summary description of the internal control and risk management associated with the financial reporting process is consistent with the financial statements.

This Corporate Governance Statement is available on the company Website [www.scanfil.com](http://www.scanfil.com) under Investors, and it complies with recommendation 54 of the Finnish Corporate Governance Code. The Finnish Corporate Governance Code is available to the public at [www.cgfinland.fi](http://www.cgfinland.fi).

## BOARD OF DIRECTORS

Under the Companies Act, the Board of Directors is responsible for the management of the company and proper organisation of operations. The members of the Board of Directors are elected by the Annual General Meeting. According to the Articles of Association, Scanfil plc's Board of Directors shall include a minimum of three and a maximum of seven regular members. The Board of Directors elects a Chairman from among its members. The Board of Directors is responsible for deciding on the business strategy, significant matters related to investments, organisation and finance, as well as supervising the company's management and operations. The Board of Directors shall also ensure that supervision of the company's accounts and asset management is properly organised.

### Board composition

Scanfil plc's General Meeting held on 8 April 2014 elected the following Board members:

#### Harri Takanen

Chairman of the Board of Directors Born 1968, M.Sc. (Engineering). Member of the Board of Directors of Scanfil plc since 18 April 2013. CEO of Sievi Capital plc. Not independent of the company and significant shareholders.

#### Jorma J. Takanen

Member of the Board of Directors since 1 January 2012. Born 1946, B.Sc. (Chemistry). Professional Board Member. Not independent of the company and significant shareholders.

#### Riitta Kotilainen

Member of the Board of Directors since 18 April 2013. Riitta Kotilainen (born 1958), President and CEO of E.Kotilainen Oy

and Varikot Oy. Not independent of the company and major shareholders.

#### Jarkko Takanen

Member of the Board of Directors since 1 January 2012. Born 1967, B.Sc. (Production Economics), holds a Commercial College Diploma in Management Accountancy. Managing Director, Jussi Capital Oy. Independent of the company.

#### Christer Härkönen

Member of the Board since 8 April 2014 b. 1957, M.Sc. (Tech.) Member of the Board and Facilitator for the Future at Fibox Oy Ab. Independent of the company and major shareholders.

The term of office of the Board members expires at the close of the first Annual General Meeting following the one at which they were elected.

### Independence of Board members

Based on an evaluation of independence carried out by the Board, one of its members, Christer Härkönen, is independent of the company and its major shareholders, and one of its members, Jarkko Takanen, is independent of the company.

Harri Takanen, a Board member not independent of the company, is the company's largest shareholder. Jarkko Takanen is its second largest shareholder, and Jorma J. Takanen is its fourth largest shareholder. Riitta Kotilainen is President and CEO of Varikot Oy, which is Scanfil's third largest shareholder. In addition, she has a part-time employment contract with Scanfil EMS Oy.

Due to the entrepreneurship and financial risk related to ownership, it is justifiable that the members not independent of the company and major shareholders attend to the shareholders' interests in the Board and its committees. In addition, Jorma J. Takanen, Jarkko Takanen and Harri Takanen have extensive experience in the contract manufacturing business. Through their work in the Board and its committees, this experience can be used for the benefit of the company as a whole and for all of its shareholders.

### Activity of the Board

The Board of Directors had a total of 14 meetings in 2014, some of which were telephone meetings. The average attendance rate at Board meetings was 97%.

The duties and responsibilities of the Board of Directors of Scanfil plc are defined based on the Limited Liability Companies Act, other applicable legislation, the Articles of Association, good governance recommendations and the Board's charter. The Board carries out an annual review of its operations and regular reviews of the work of the CEO and the Management Team. The main duties of the Board of Directors of Scanfil plc include the following:

- Confirming the company's business strategy and monitoring its implementation

# CORPORATE GOVERNANCE STATEMENT 2014

- Confirming key business targets and monitoring Scanfil Group's performance annually
- Deciding on strategically significant investments in the Group
- Discussing and approving financial statements and interim reports
- Appointing and dismissing the CEO and determining his terms of employment and remuneration
- Deciding on incentive systems for managers and employees
- Monitoring the company's key operational risks and their management
- Confirming the company's values and operating principles

## Board committees

The Board of Directors has established two committees: a Nomination Committee and an Audit Committee.

The purpose of the Nomination Committee is to make preparations for the appointment and remuneration of the members of the Board of Directors and, when necessary, find suitable new members for it. The Committee consists of two members: Harri Takanen, who acts as the Chairman, and Jarkko Takanen.

The committee convened once in 2014. The attendance rate of its members was 100%.

The audit committee is responsible for monitoring the financial reporting process and the reporting of financial statements and interim reports and for monitoring the functionality of internal control and risk management in the company. It also evaluates the appropriateness of auditing and prepares the proposal for the appointment of an auditor. The committee has two members: Jarkko Takanen (Chairman) and Jorma J. Takanen. The committee convened four times in 2014. The attendance rate of its members was 100%.

## CEO

The Board of Directors decides on the appointment and dismissal of the CEO and the terms and conditions of his employment. The CEO is covered by the performance and profit bonus systems decided on separately by the Board of Directors at any given time. Petteri Jokitalo (b. 1963), M.Sc. (Tech.), served as the company's CEO between 1 January 2014 and 31 December 2014.

The CEO's duties are determined in accordance with the Companies Act. The CEO is in charge of the company's operative management in accordance with guidelines and orders given by the Board of Directors. The CEO shall ensure that the company's accounting practices comply with legislation and that asset management is organised in a reliable manner. The CEO is the Chairman of the company's Management Team.

The CEO has a separate service contract that is valid until further notice with a mutual notice period of six months. Should the company terminate the service contract made with the CEO, an amount equivalent to the monetary salary of 12 months will be paid to the CEO as a severance package in accordance with the terms and conditions of his service contract. The CEO's retirement age is the statutory retirement age. The CEO has a voluntary pension insurance policy with a projected pension of some EUR 1,000 per month.

## OUTLINES OF THE INTERNAL CONTROL AND AUDIT RELATED TO THE FINANCIAL REPORTING PROCESS AND RISK MANAGEMENT

### Risk management

The Board of Directors of Scanfil plc is responsible for ensuring the appropriate organisation of the Group's risk man-

## Description of internal control at Scanfil plc



agement and internal control and audit.

Risk management is based on a risk management policy approved by the Board, aiming to manage risks in a comprehensive and proactive manner. The assessment of risks is part of the annual strategy and business planning process. There is no separate risk management organisation; risk management is incorporated into the business processes and the management system. Risk management aims to observe and analyse factors that might have a negative impact on the achievement of the company's goals and to take measures to mitigate or completely eliminate the risks. The operative units report on business risks in accordance with the management and reporting system.

### Internal control

Scanfil's internal control is a continuous process to ensure profitable and uninterrupted operation. Control aims to minimise risks by ensuring the reliability of reporting and compliance with laws and regulations.

Internal control is based on the Group's shared values, ethical guidelines and industry legislation from which the operating principles and guidelines followed are derived. The guidelines cover procedures for core operations. Group and unit management hold the responsibility for the company's internal control system. Internal control forms an active part of the company's management and administration. The Group's operational management holds the responsibility for developing the harmonised business processes included in the control system.

The Group's financial administration supports and coordinates the financial management of the Group.

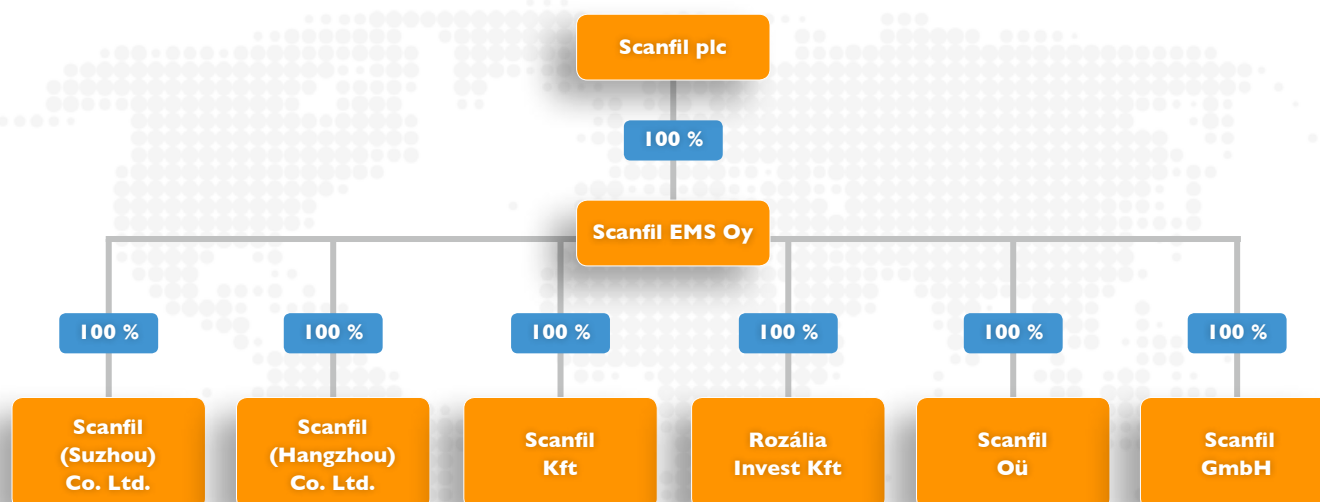
The controls contained in Scanfil's operating processes form the basis of the company's financial control. They enable the company to swiftly identify and react to any deviations from the norm. The management's monthly reporting is a fundamental part of financial control. It includes rolling forecasting, the result of business operations carried out, and an analysis of the differences between the forecast and actual result. The indicators monitored in monthly reporting have been set so as to support the achievement of shared Group-level and unit-specific targets and to identify issues that require control measures. An auditing firm supports the performance of financial control.

The interpretation and application of accounting standards is carried out centrally by the Group's financial administration. These standards form the basis for the Group's shared recognition principles and reporting and accounting standards. In order to ensure reliable financial reporting, core functions are conducted using a globally harmonised ERP system and shared reporting tools. The use of standardised tools enables continuous control and successful change management.

### Internal audit

Considering the Group's structure and extent, the company does not have a separate internal audit organisation. The company's controller function is responsible for the duties of internal audit, reporting regularly to the CEO and the Board of Directors.

## The group structure of Scanfil plc 2014



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