

SCANFIL GROUP'S INTERIM REPORT 1 JANUARY – 31 MARCH 2014

January – March

- Turnover totaled to EUR 47.6 million (Q1 2013: 44.0) up 8.0%
- Operating profit EUR 2.5 million (Q1 2013: 2.0), 5.3% of turnover (Q1 2013: 4.6%)
- Profit for the review period was EUR 1.7 million (Q1 2013: 1.1)
- Earnings per share were EUR 0.03 (Q1 2013: 0.02)
- The turnover includes EUR 0.2 million of non-recurring expenses related to the purchase of Schaltex GmbH.

Scanfil EMS Oy, a subsidiary of Scanfil Plc, has purchased the entire share capital of the German contract manufacturer Schaltex Systems GmbH on 31 March 2014 and authority was transferred to Scanfil EMS Oy at the same time. The subsidiary acquired has not been consolidated to Group's balance sheet in the review period. The consolidation would not have had any effect to the Group's result. The effect of consolidation would, according to the preliminary information, increase the Group's assets and liabilities EUR 2.3 million, and the estimated goodwill would be EUR 3.7 million.

On 1 April 2014, Scanfil announced that the deal is expected to have a positive impact on the sales and turnover of the Scanfil Group starting from that date. Scanfil estimated that its turnover will increase by 11–18% and that its operating profit for 2014 will be EUR 11.0–15.0 million.

Scanfil earlier estimated that its turnover for 2014 will increase by 4–10% and that the operating profit for the year will reach EUR 10.0-14.0 million.

Petteri Jokitalo, CEO of Scanfil plc:

"The year started on a positive note. We were able to continue our profitable growth. Turnover was up by 8% and operating profit by 26% from the previous year. We have been particularly happy to see that sales to telecommunication customers increased during the first quarter after a long declining trend.

The German contract manufacturer Schaltex, acquired at the end of March, will further accelerate our growth strategy by strengthening our market position in Germany and bringing us new major customers. We believe that Scanfil's processes and purchase operations are able to create added value for Schaltex's customer base. The customers will also benefit from having the manufacturing capacity of our Estonian, Finnish, Hungarian and Chinese factories at their disposal."

BUSINESS TRENDS

In the first quarter of the year, Scanfil's turnover amounted to EUR 47.6 million (2013: EUR 44.0 million). Operating profit amounted to EUR 2.5 million (2.0), up approximately 26%. The positive development of the operating profit was mainly due to the increased sales volume and successful cost control.

Sales to professional electronics customers increased by approximately 7% in January–March, and were approximately 80% of the turnover (81%). Sales to telecommunication customers increased. In the first quarter of the year, there was an increase of 14% compared to the same period in the previous year. Telecommunication customers amounted to approximately 20% (19%).

Scanfil EMS Oy, a subsidiary of Scanfil Plc, has purchased the entire share capital of the German contract manufacturer Schaltex Systems GmbH on 31 March 2014. The purchase price was approximately EUR 6.6 million, which includes in addition to the shares a subsidiary loan of EUR 0.8 million. Scanfil EMS Oy financed the deal from its liquid assets. The deal entered into force immediately, and the operations of Schaltex Systems GmbH will be included in Scanfil's consolidated financial statements starting from 1 April 2014.

The purchase will strengthen Scanfil's position in the German market and widen the Group's customer base. Schaltex Systems GmbH, established in 1976 and based in Germany, is an electronics contract manufacturer specialised in high mix, low volume production. Schaltex Systems GmbH has approximately 80 employees. Its manufacturing facilities are located in Schenefeld, near Hamburg. Schaltex focuses on the

assembly and testing of complex equipment. It mainly serves customers of the life science and analyser markets. Turnover for the accounting period that ended in 2013 was EUR 20.8 million.

FINANCIAL DEVELOPMENT

The Group's turnover for January - March was EUR 47.6 (44.0) million. The breakdown of turnover by regional segment was as follows: Europe 61% (65%) and Asia 39% (35%).

Operating profit for the Group during the review period was EUR 2.5 (2.0) million, representing 5.3% (4.6%) of turnover. The turnover includes EUR 0.2 million of non-recurring expenses related to the purchase of Schaltex GmbH. Earnings for the review period amounted to EUR 1.7 (1.1) million. Earnings per share were EUR 0.03 (0.02) and return on investment was 10.6% (6.3%).

FINANCING AND CAPITAL EXPENDITURE

The Group enjoys a strong financial position.

The consolidated balance sheet totalled EUR 130.5 (135.6) million. Liabilities amounted to EUR 49.4 (57.7) million, EUR 31.3 (28.5) million of which were non-interest-bearing and EUR 18.2 (29.2) million interest-bearing. The equity ratio was 62.1% (57.5%) and gearing -4.8% (3.0%). The equity per share was EUR 1.40 (1.35).

Liquid cash assets totalled EUR 22.0 (26.8) million. Cash and cash equivalents of the comparison period included EUR 10.1 million of time deposits with maturity exceeding three months.

Cash flows from operating activities in the review period of January - March came to EUR 0.5 (-2.1) million. The change in working capital during the period amounted to EUR -2.6 (-5.1) million. Cash flow from investment activities was EUR -6.2 (-1.9).

Gross investments in fixed assets totalled EUR 6.4 (2.4) million, which is 13.4% (5.4 %) of turnover. Investments include EUR 5.8 million acquisition cost of shares of Schaltex Systems GmbH. Other investments are mainly investments in machines and equipment. Depreciations were EUR 1.0 (1.1) million.

DECISIONS BY THE ANNUAL GENERAL MEETING AND BOARD OF DIRECTORS' AUTHORISATION

Scanfil plc's Annual General Meeting was held at company's main office in Sievi on 8 April 2014.

According to Board of Directors' proposal The Annual General Meeting decided to distribute a dividend total of EUR 0.05 per share. The record date for the payment of dividend was 11 April 2014 and the date of payment of the dividend was 23 April 2014.

The Meeting decided that the Board of Directors shall consist of five members.

Harri Takanen, Jorma J. Takanen, Jarkko Takanen and Riitta Kotilainen were re-elected as members of the Board of Directors and Christer Härkönen was elected as new member of Board of Directors. The meeting decided that the remuneration of Chairman of the Board of Directors is EUR 2,000/month and remuneration of a member of the Board of Directors is EUR 1,500/month.

In its meeting, held after the General Meeting, the Board of Directors elected Harri Takanen as the Chairman of the Board of Directors.

The Meeting decided according to the Board of Directors' proposal to authorize the Board of Directors to decide on the acquisition of the Company's own shares with distributable assets.

The Board of Directors' proposals to the Annual General Meeting are available on the company website at www.scanfil.com.

The minutes of the Annual General Meeting have been available on the company's website, www.scanfil.com, as of 22 April 2014.

SHARE TRADING AND SHARE PERFORMANCE

The highest trading price during the review period was EUR 1.53 and the lowest EUR 1.30, the closing price for the period standing at EUR 1.48. A total of 1,054,735 shares were traded during the period, corresponding to 1.8% of the total number of shares. The market value of the shares on 31 March 2014 was EUR 85.4 million.

PERSONNEL

Scanfil Group's personnel averaged 1,717 (1,685) employees during the review period. At the end of the period, the Group employed 1,725 (1,675) people, of whom 247 (266) worked in the company's Finnish units and 1,478 (1,409) in the company's units outside Finland. In all, 86% (84%) of the Group's personnel were employed by subsidiaries outside Finland on 31 March 2014.

FUTURE PROSPECTS

On 1 April 2014, Scanfil adjusted its estimate for the turnover and operating profit for 2014 upwards. Scanfil estimated that in 2014, its turnover will increase by 11–18% and its operating profit will be EUR 11.0–15.0 million.

Scanfil earlier estimated that its turnover for 2014 will increase by 4–10% and that the operating profit for the year will reach EUR 10.0-14.0 million.

Turnover for 2013 was EUR 188.5 million and operating profit EUR 11.8 million.

OPERATIONAL RISKS AND UNCERTAINTIES

Weakening of the global economy and the decrease in international demand for investment commodities might have a negative impact on the development of the business of Scanfil's customers and impair the demand in the contract manufacturing market. This would have a negative impact on the development of Scanfil's sales and profitability.

In other respects, the risks facing Scanfil's business have remained essentially the same. The company's risks and risk management are described in greater detail on the company's website under Corporate Governance and in the notes to the consolidated financial statements.

ACCOUNTING PRINCIPLES

The interim report has been prepared in accordance with the IAS 34 Interim Financial Reporting standard, applying the following accounting policies with the financial statements for 2013.

Individual figures and grand totals of tables have been rounded to the nearest million euros, so they will not always add up. The figures are unaudited.

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CONSOLIDATED INCOME STATEMENT

EUR million

	1 - 3 2014	1 - 3 2013	1 - 12 2013
Turnover	47.6	44.0	188.5
Other operating income	0.0	0.1	0.3
Changes in inventories of finished goods and work in progress	0.4	0.6	1.2
Manufacturing for own use		0.0	0.0
Expenses	-44.4	-41.6	-173.8
Depreciation	-1.0	-1.1	-4.4
Operating profit	2.5	2.0	11.8
Financial income and expenses	-0.3	-0.5	-0.6
Share in the associated company's profit		-0.2	-0.6
Profit before taxes	2.2	1.3	10.6
Income taxes	-0.6	-0.2	-2.4
Net profit for the period	1.7	1.1	8.2
Attributable to:			
Equity holders of the parent	1.7	1.1	8.2
Earnings per share for profit attributable to shareholders of the parent:			
undiluted and diluted earnings per share (EUR)	0.03	0.02	0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million

	1 - 3 2014	1 - 3 2013	1 - 12 2013
Net profit for the period	1.7	1.1	8.2
Items that may later be recognized in profit or loss			
Translation differences	-1.1	1.7	-0.7
Derivative Financial Instrument	0.0	0.1	0.3
Other comprehensive income, net of tax	-1.1	1.8	-0.4
Total Comprehensive Income	0.6	2.9	7.8
Attributable to:			
Equity holders of the parent	0.6	2.9	7.8

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

Assets	31.3.2014	31.3.2013	31.12.2013
Non-current assets			
Property, plant and equipment	27.4	31,6	28.5
Goodwill	2.2	2.2	2.2
Other intangible assets	4.1	3.6	4.1
Shares in Group companies	5.8		
Shares in associated companies		0.5	
Available-for-sale investments	0.0	0.0	0.0
Receivables		0.2	
Deferred tax assets	0.3	0.6	0.3
Total non-current assets	39.9	38.7	35.1
Current assets			
Inventories	29.5	31.4	28.7
Loan receivables from associated companies		0.1	
Trade and other receivables	39.0	38.2	33.5
Advance payments	0.1	0.2	0.1
Other financial assets		10.1	
Current tax		0.2	
Cash and cash equivalents	22.0	16.8	28.2
Total current assets	90.6	96.9	90.5
Total assets	130.5	135.6	125.6
Shareholder's equity and liabilities	31.3.2014	31.3.2013	31.12.2013
Equity			
Share capital	2.0	2.0	2.0
Translation differences	7.1	10.7	8.2
Other reserves	5.8	5.4	5.7
Reserve for invested unrestricted equity fund	10.7	10.7	10.7
Retained earnings	55.5	49.1	53.8
Total equity	81.1	77.9	80.5
Non-current liabilities			
Deferred tax liabilities		0.0	
Provisions	0.5	0.4	0.4
Interest bearing liabilities	9.1	19.4	9.2
Total non-current liabilities	9.6	19.8	9.5
Current liabilities			
Trade and other liabilities	30.3	27.1	26.0
Current tax	0.5	1.0	0.4
Interest bearing liabilities	9.1	9.7	9.2
Total current liabilities	39.8	37.9	35.6
Total liabilities	49.4	57.7	45.1
Total shareholder's equity and liabilities	130.5	135.6	125.6

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The subsidiary acquired on 31 March 2014 has not been consolidated to Group balance sheet. The effect of consolidation would, according to the preliminary information, increase the Group's assets and liabilities EUR 2.3 million, the estimated goodwill would be EUR 3.7 million.

CONSOLIDATED CASH FLOW STATEMENT

EUR million

	1.1.- 31.3.2014	1.1.-31.3.2013	1.1.- 31.12.2013
Cash flow from operating activities			
Net profit	1.7	1.1	8.2
Adjustments for the net profit	1.9	2.0	8.2
Change in net working capital	-2.6	-5.1	-0.6
Paid interests and other financial expenses	0.0	0.0	-0.6
Interest received	0.0	0.0	0.5
Taxes paid	-0.5	-0.1	-2.5
Net cash from operating activities	0.5	-2.1	13.2
Cash flow from investing activities			
Investments in tangible and intangible assets	-0.4	-1.9	-4.2
Sale of tangible and intangible assets	0.0	0.0	0.2
Acquisition of Group company	-5.8		
Purchase of investments			0.0
Receivings from other investments			9.8
Capital transfer tax refund			0.1
Repayment of loans receivable			0.0
Net cash from investing activities	-6.2	-1.9	5.8
Cash flow from financing activities			
Repayment of long-term loans			-8.9
Dividends paid			-2.3
Net cash from financing activities	0.0	0.0	-11.2
Net increase/decrease in cash and cash equivalents	-5.7	-4.0	7.9
Cash and cash equivalents at beginning of period	28.2	20.5	20.5
Changes in exchange rates	-0.4	0.4	-0.2
Cash and cash equivalents at end of period	22.0	16.8	28.2

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STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR million

Equity	Share capital	Translation differences	Other reserves	Reserve for invested unrestricted equity fund	Retained earnings	Equity total
1.1.2014	2.0	8.2	5.7	10.7	53.8	80.5
Total comprehensive income		-1.1	0.0		1.7	0.6
Equity						
31.3.2014	2.0	7.1	5.8	10.7	55.5	81.1

Equity attributable to equity holders of the parent company

Equity	Share capital	Translation differences	Other reserves	Reserve for invested unrestricted equity fund	Retained earnings	Equity total
1.1.2013	2.0	8.9	5.3	10.7	48.0	75.0
Total comprehensive income		1.7	0.1		1.1	2.9
Equity						
31.3.2013	2.0	10.7	5.4	10.7	49.1	77.9

KEY INDICATORS

	1 - 3 2014	1 - 3 2013	1 - 12 2013
Return on equity, %	8.3	5.9	10.6
Return on investment, %	10.6	6.3	11.4
Interest-bearing liabilities, EUR million	18.2	29.2	18.3
Gearing, %	-4.8	3.0	-12.2
Equity ratio, %	62.1	57.5	64.1
Gross investments in fixed assets, EUR million	6.4	2.4	4.0
% of net turnover	13.4	5.4	2.1
Personnel, average	1 717	1 685	1 672
Earnings per share, EUR	0.03	0.02	0.14
Shareholders' equity per share, EUR	1.40	1.35	1.39
Number of shares at the end of period, 000's			
- not counting own shares	57 730	57 730	57 730
- weighted average	57 730	57 730	57 730

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The company has a EUR 18.2 million loan in connection with which the company has entered into interest and currency swap agreements to convert the SEK-denominated principal and cash flows of instalments and interest payments into euros. The interest and currency swap agreement fully hedges the instalments and interest payments against fluctuations in exchange and interest rates.

Owing to the nature of the sector, the company's order book covers only a short period of time and does not give an accurate picture of future development.

SEGMENT INFORMATION

EUR million

	1 - 3	1 - 3	1 - 12
	2014	2013	2013
Turnover			
Europe	29.8	29.3	112.2
Asia	18.8	15.6	79.6
Turnover between segments	-1.0	-0.9	-3.3
Total	47.6	44.0	188.5
Operating profit			
Europe	1.3	1.6	5.2
Asia	1.2	0.5	6.6
Total	2.5	2.0	11.8
Assets			
Europe	71.8	67.9	67.8
Asia	56.5	65.0	55.5
Goodwill	2.2	2.2	2.2
Shares in associated companies		0.5	
Total	130.5	135.6	125.6

CHANGES IN TANGIBLE NON-CURRENT ASSETS

EUR million

	1 - 3	1 - 3	1 - 12
	2014	2013	2013
Book value at the beginning of the period	28.5	30.5	30.5
Additions	0.4	2.0	2.9
Deductions	0.0	0.0	-0.5
Depreciations	-1.0	-1.1	-4.2
Exchange rate differences	-0.5	0.2	-0.2
Book value at the end of the period	27.4	31.6	28.5

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FINANCIAL ASSETS AND LIABILITIES, CARRYING AMOUNT AND FAIR VALUE

EUR million

	31.3.2014	31.3.2014
	Book values of balance sheet values	Fair values of balance sheet values
Non-current assets		
Available for sale investments	0.0	0.0
Non-current assets total	0.0	0.0
Current assets		
Trade and other receivables	37.7	37.7
Cash and cash equivalents	22.0	22.0
Current assets total	59.7	59.7
Total financial assets	59.7	59.7
Non-current financial liabilities		
Interest bearing liabilities from financial institutions	9.1	9.1
Derivative	0.1	0.1
Non-current financial liabilities total	9.2	9.2
Current financial liabilities		
Interest bearing liabilities from financial institutions	9.1	9.1
Derivative	0.1	0.1
Trade and other payables	25.0	25.0
Current financial liabilities total	34.2	34.2
Current financial liabilities total	43.3	43.3

The valuation of derivatives is based on market data (level 2).

The valuation of available for sale investments is based on the acquisition cost (level 3) as the fair value of the shares cannot be determined reliably.

CONTINGENT LIABILITIES

EUR million

	1 - 3	1 - 3	1 - 12
	2014	2013	2013
Given business mortgages	26.0	40.0	40.0
Pledged guarantees	5.9	1.0	6.4
Leasing liabilities and other lease liabilities	0.0	0.1	0.0

On 31 March 2014 acquired unconsolidated subsidiary has long term lease contracts that include liabilities at the acquisition time approximately EUR 3.0 million.

TRANSACTIONS WITH RELATED PARTIES

EUR million

	1 - 3 2014	1 - 3 2013	1 - 12 2013
Related party transactions:			
Associated companies			
Sales income	0.0	0.0	0.1
Trade receivables		0.1	
Interest income		0.0	0.0
Loan receivables		0.3	
Interest receivables		0.0	

Scanfil EMS Oy has rented an office space from Kiinteistö Oy Pilot 1, which is owned by a company whose head owners are Jorma Takanen, Harri Takanen, Jarkko Takanen and Reijo Pöllä.

Rental costs were EUR 5 thousand by 31 March 2014 (EUR 3 thousand in 2013).

KEY INDICATORS QUATERLY

	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12
Turnover, MEUR	47.6	45.4	50.4	48.7	44.0	40.8	48.2	49.3
Operating profit, MEUR	2.5	2.5	4.2	3.1	2.0	0.7	2.8	3.2
Operating profit, %	5.3	5.6	8.4	6.3	4.6	1.8	5.7	6.4
Net income, MEUR	1.7	1.9	3.0	2.1	1.1	0.3	1.7	2.6

SCANFIL PLC

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Scanfil Group is engaged in contract manufacturing for international telecommunications technology and professional electronics manufacturers.

Scanfil has almost 40 years of experience in demanding contract manufacturing. Scanfil is a systems supplier that offers its products and services to international telecommunications systems manufacturers and professional electronics customers. Typical products are equipment systems for mobile and public switched

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telephone networks, automation systems, frequency converters, 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 and Finland.

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