

## SCANFIL GROUP'S INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2013

### January – September

- Turnover totalled to EUR 143.1 million (1-9 2012 140.1), up 2.2%
- Operating profit EUR 9.3 (7.4), million 6.5% (5.3%) of turnover, up 26.3%
- Profit for the review period was EUR 6.3 (5.4) million, 15.9%
- Earnings per share were EUR 0.11 (0.09)

### July – September

- Turnover totalled EUR 50.4 million (Q3 2012: 48.2), up 4.5%
- Operating profit EUR 4.2 (2.8) million, 8.4% (5.7%) of turnover, up 53.2%
- Profit was EUR 3.0 (1.7) million, up 77.8%
- Earnings per share amounted EUR 0.05 (0.03)

Scanfil plc changed on 12 September 2013 its assessed outlook for 2013 and estimated that its turnover will increase slightly and operating profit will grow clearly compared to 2012. Turnover in 2012 was EUR 180.9 million and operating profit EUR 8.1 million.

Previously, Scanfil plc estimated that its turnover and operating profit will increase slightly compared to 2012.

In the report, the figures in brackets refer to the corresponding period in 2012, unless otherwise specified.

### **Petteri Jokitalo, CEO of Scanfil plc:**

"Business operations developed favourably during the third quarter. Turnover increased by approximately four per cent and operating profit multiplied by 1.5 times compared to the previous year. I am satisfied with the development of profitability, but we are aiming for faster growth in turnover."

## DEVELOPMENT OF OPERATIONS

Climate and environmental change and managing them, energy efficiency, utilisation of renewable energy, increasing automation and intelligent applications as well as urbanisation and strong economic growth in Asia are phenomena with strong impacts on the success of most Scanfil customers and are therefore also underlying the favourable development of Scanfil's business operations.

Scanfil's turnover in the third quarter was EUR 50.4 million (48.2). Operating profit amounted to EUR 4.2 million (2.8), up approximately 53%. The positive development of turnover was mainly influenced by successful cost control and an increasing share of products with higher profit margins.

Scanfil continued its active sales efforts to expand the professional electronics customer base, particularly in Central Europe and China.

The transformation of the structure of Scanfil's sales and customer base continued. Sales to professional electronics customers increased by more than 15% in January-September compared to the corresponding period the previous year and accounted for 82% of turnover (73%). Sales to telecommunication customers continued to decline and accounted for 18% (27%) of turnover.

## FINANCIAL DEVELOPMENT

The Group's turnover for January - September was EUR 143.1 (140.1) million. Distribution of turnover based on the location of customers was as follows: Finland 43% (43%), rest of Europe 22% (18%), Asia 33% (37%), USA 1% (1%) and the others 1% (1%).

Operating profit for the Group during the review period was EUR 9.3 (7.4) million, representing 6.5% (5.3%) of turnover. The operating profit includes EUR 0.3 million of impairment of sales receivables. Last year, operating profit included a total of EUR +0.5 million of non-recurring items. Operating profit excluding non-recurring items was EUR 9.6 million (6.9), representing 6.7% (4.9%) of turnover.

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Earnings for the review period amounted to EUR 6.3 (5.4) million, or 4.4% (3.9%) of turnover. Earnings per share were EUR 0.11 (0.09) and return on investment was 11.3% (9.8%). The profit includes a write-down of a total of EUR -1.2 million related to the loans granted to the associated company Greenpoint Oy, sales receivables from it and goodwill, recognised in the previous quarter. Excluding the non-recurring items, net profit amounted to EUR 7.5 (5.0) million, 5.2% (3.5%).

Turnover amounted to EUR 50.4 (48.2) million in July-September and operating profit for the third quarter was EUR 4.2 (2.8) million, or 8.4% (5.7%) of turnover. Profit for the quarter was EUR 3.0 (1.7) million.

## FINANCING AND CAPITAL EXPENDITURE

The Group enjoys a strong financial position.

The consolidated balance sheet totalled EUR 132.6 (138.2) million. Liabilities amounted to EUR 53.7 (62.9) million, EUR 30.2 (29.3) million of which were non-interest-bearing and EUR 23.5 (33.7) million interest-bearing. The equity ratio was 59.5% (54.5%) and gearing -1.3% (1.5%). The equity per share was EUR 1.37 (1.30).

Liquid cash assets totalled EUR 24.5 (32.5) million.

Cash flow from operating activities in the review period of January – September came to EUR 4.5 (7.0) million positive. Change of working capital in the review period was EUR -6.8 (-3.8) million. The increase in working capital is mainly due to an increase in sales receivables. Cash flow from investment activities was EUR -3.4 (-5.4) million and cash flow from financing activities was EUR -6.8 (-4.4) million. The funding cash flow includes dividend payments and loan instalments.

Gross investments in January – September in fixed assets totalled EUR 3.8 (5.5) million, which is 2.6% (3.9%) of turnover. Investments are machine and equipment investments and the procurement of a new ERP system for the Finnish operations. Depreciations were EUR 3.3 (3.4) million.

## BOARD OF DIRECTORS' AUTHORISATION

The Annual General Meeting authorised the Board of Directors on 18 April 2013 to decide on the acquisition of the Company's own shares with distributable assets and on the disposal of own shares in accordance with the Board of Directors' proposal.

The Board of Directors' proposals to the Annual General Meeting are available on the company website at [www.scanfil.com](http://www.scanfil.com).

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

## OPTION SCHEME

Based on the authorisation given by the General Meeting on 18 April 2013, the Board of Directors decided on 18 September 2013 to grant the CEO of Scanfil Plc and four key persons at the company's subsidiary Scanfil EMS Oy option rights in all for 225,000 shares. The option rights shall be marked "2013A". Each option right entitles its holder to subscribe for one (1) of the company's new shares or shares in its possession. The subscription period for option right 2013A is 1 May 2016 – 31 April 2018. The subscription period for the option rights included in the option plan will not begin, unless the production and financial goals and conditions, set separately by the Board of Directors for exercising the option rights, are met. The option rights whose goals are not met will expire as determined by the Board. The subscription price of option right 2013A is EUR 0,87, which is the trading-volume weighted average share price in the NASDAQ OMX Helsinki of the period 1 - 31 March 2013.

The complete terms and conditions of the options plan 2013 (A) - (C) are presented on Scanfil Plc's website.

## SHARE TRADING AND SHARE PERFORMANCE

The highest trading price during the review period was EUR 1.47 and the lowest EUR 0.82, the closing price for the period standing at EUR 1.23. A total of 1,902,989 shares were traded during the period,

corresponding to 3.3% of the total number of shares. The market value of the shares on 30 September 2013 was EUR 71,0 million.

## **NOTIFICATIONS OF CHANGES IN SHAREHOLDING**

On 17 September 2013, Scanfil plc received a notification pursuant to Chapter 9, Section 5 of the Securities Market Act that Jorma J. Takanen's holding of the total number of shares and votes in Scanfil plc fell below the 15% threshold on 17 September 2013.

Jorma J. Takanen owns 5,832,305 Scanfil plc shares directly and 1,900,000 shares indirectly (holding of Foundation of Riitta and Jorma J. Takanen). This equals 13.4% of the total of 57,730,439 shares and votes in Scanfil plc.

On 17 September 2013, Scanfil plc received a notification pursuant to Chapter 9, Section 5 of the Securities Market Act that Harri Takanen's holding of the total number of shares and votes in Scanfil plc exceeded the 15% threshold on 17 September 2013.

Harri Takanen holds 9,776,664 shares in Scanfil plc. This equals 16.9% of the total of 57,730,439 shares and votes in Scanfil plc.

On 17 September 2013, Scanfil plc received a notification pursuant to Chapter 9, Section 5 of the Securities Market Act that Jarkko Takanen's holding of the total number of shares and votes in Scanfil plc exceeded the 10% threshold on 17 September 2013.

Jarkko Takanen holds 8,251,169 shares in Scanfil plc. This equals 14.3% of the total of 57,730,439 shares and votes in Scanfil plc.

## **PERSONNEL**

Scanfil Group's personnel averaged 1,674 (1,679) employees during the review period. At the end of the period, the Group employed 1,685 (1,635) people, of whom 240 (282) worked in the company's Finnish units and 1,445 (1,353) in the company's units outside Finland. In all, 85.8% of the Group's personnel were employed by subsidiaries outside Finland on 30 September 2013.

## **FUTURE PROSPECTS**

Due to the uncertain situation in the global economy, the predictability of the contract manufacturing market is poor.

Scanfil plc changed on 12 September 2013 its assessed outlook for 2013 and estimated that its turnover will increase slightly and operating profit will grow clearly compared to 2012. Turnover in 2012 was EUR 180.9 million and operating profit EUR 8.1 million.

Previously, Scanfil plc estimated that its turnover and operating profit will increase slightly compared to 2012.

## **OPERATIONAL RISKS AND UNCERTAINTIES**

A 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.

## **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 2012.

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

	7 - 9 2013	7 - 9 2012	1 - 9 2013	1 - 9 2012	1 - 12 2012
<b>Turnover</b>	<b>50.4</b>	<b>48.2</b>	<b>143.1</b>	<b>140.1</b>	<b>180.9</b>
Other operating income	0.1	0.0	0.2	1.3	1.3
Changes in inventories of finished goods and work in progress	0.3	-0.7	1.0	0.0	-0.1
Manufacturing for own use			0.0	0.0	0.0
Expenses	-45.4	-43.6	-131.7	-130.7	-169.5
Depreciation	-1.1	-1.2	-3.3	-3.4	-4.5
<b>Operating profit</b>	<b>4.2</b>	<b>2.8</b>	<b>9.3</b>	<b>7.4</b>	<b>8.1</b>
Financial income and expenses	-0.3	-0.3	-0.7	0.0	-0.1
Share in the associated company's profit		-0.1	-0.6	-0.3	-0.4
<b>Profit before taxes</b>	<b>4.0</b>	<b>2.4</b>	<b>8.0</b>	<b>7.0</b>	<b>7.6</b>
Income taxes	-0.9	-0.7	-1.7	-1.6	-1.9
<b>Net profit for the period</b>	<b>3.0</b>	<b>1.7</b>	<b>6.3</b>	<b>5.4</b>	<b>5.7</b>
Attributable to:					
Equity holders of the parent	3.0	1.7	6.3	5.4	5.7
Earnings per share for profit attributable to shareholders of the parent:					
basic earnings per share ( EUR)	0.05	0.03	0.11	0.09	0.10

The company does not have items that might dilute the earnings per share.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million

	7 - 9 2013	7 - 9 2012	1 - 9 2013	1 - 9 2012	1 - 12 2012
<b>Net profit for the period</b>	<b>3.0</b>	<b>1.7</b>	<b>6.3</b>	<b>5.4</b>	<b>5.7</b>
Other comprehensive income:					
Translation differences	-1.3	-0.8	-0.3	0.3	-0.3
Derivative financial instrument	0.0	0.0	0.2	0.1	0.2
Other comprehensive income, net of tax	-1.2	-0.8	-0.1	0.4	-0.1
<b>Total Comprehensive Income</b>	<b>1.8</b>	<b>1.0</b>	<b>6.2</b>	<b>5.9</b>	<b>5.6</b>
Attributable to:					
Equity holders of the parent	1.8	1.0	6.2	5.9	5.6

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

<b>Assets</b>	<b>30.9.2013</b>	<b>30.9.2012</b>	<b>31.12.2012</b>
<b>Non-current assets</b>			
Property, plant and equipment	29.5	29.8	29.9
Goodwill	2.2	2.2	2.2
Other intangible assets	3.9	3.7	3.7
Shares in associated companies		0.8	0.6
Available-for-sale investments	0.0	0.0	0.0
Receivables		0.2	0.2
Deferred tax assets	0.6	0.5	0.6
<b>Total non-current assets</b>	<b>36.3</b>	<b>37.2</b>	<b>37.4</b>
<b>Current assets</b>			
Inventories	31.4	29.9	29.9
Loan receivables from associated companies			0.1
Trade and other receivables	40.2	38.3	32.0
Advance payments	0.2		0.4
Current tax		0.2	0.0
Available-for-sale investments, liquid assets	9.7		9.7
Available-for-sale investments, cash equivalents	3.6	8.3	5.5
Cash and cash equivalents	11.2	24.2	15.0
<b>Total current assets</b>	<b>96.3</b>	<b>101.0</b>	<b>92.7</b>
<b>Total assets</b>	<b>132.6</b>	<b>138.2</b>	<b>130.0</b>
<b>Shareholder's equity and liabilities</b>	<b>30.9.2013</b>	<b>30.9.2012</b>	<b>31.12.2012</b>
<b>Equity</b>			
Share capital	2.0	2.0	2.0
Translation differences	8.6	9.5	8.9
Other reserves	5.7	5.3	5.3
Reserve for invested unrestricted equity fund	10.7	10.7	10.7
Retained earnings	51.9	47.7	48.0
<b>Total equity</b>	<b>78.9</b>	<b>75.3</b>	<b>75.0</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		0.0	0.0
Provisions	0.5	0.5	0.4
Interest bearing liabilities	14.1	24.0	18.9
Other liabilities		0.1	
<b>Total non-current liabilities</b>	<b>14.6</b>	<b>24.6</b>	<b>19.3</b>
<b>Current liabilities</b>			
Trade and other liabilities	28.7	27.6	25.4
Current tax	1.0	1.1	0.8
Interest bearing liabilities	9.4	9.6	9.5
<b>Total current liabilities</b>	<b>39.1</b>	<b>38.3</b>	<b>35.7</b>
<b>Total liabilities</b>	<b>53.7</b>	<b>62.9</b>	<b>55.0</b>
<b>Total shareholder's equity and liabilities</b>	<b>132.6</b>	<b>138.2</b>	<b>130.0</b>

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## CONSOLIDATED CASH FLOW STATEMENT

EUR million

	1.1- 30.9.2013	1.1-30.9.2012	1.1- 31.12.2012
<b>Cash flow from operating activities</b>			
Net profit	6.3	5.4	5.7
Adjustments for the net profit	6.7	5.9	7.4
Change in net working capital	-6.8	-3.8	-0.4
Paid interests and other financial expenses	-0.4	-0.5	-0.8
Interest received	0.2	0.3	0.4
Taxes paid	-1.5	-0.4	-1.1
<b>Net cash from operating activities</b>	<b>4.5</b>	<b>7.0</b>	<b>11.2</b>
<b>Cash flow from investing activities</b>			
Investments in tangible and intangible assets	-3.6	-5.5	-7.3
Sale of tangible and intangible assets	0.1	0.0	0.1
Purchase of investments	0.1	-0.0	-9.7
Repayment of loans receivable	0.0		
Granted loans			-0.0
<b>Net cash from investing activities</b>	<b>-3.4</b>	<b>-5.4</b>	<b>-16.9</b>
<b>Cash flow from financing activities</b>			
Repayment of long-term loans	-4.4	-4.4	-8.9
Dividends paid	-2.3		
<b>Net cash from financing activities</b>	<b>-6.8</b>	<b>-4.4</b>	<b>-8.9</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-5.6</b>	<b>-2.8</b>	<b>-14.6</b>
Cash and cash equivalents at beginning of period	20.5	35.2	35.2
Cash transferred at the demerger		0.1	0.1
Changes in exchange rates	-0.1	0.1	-0.1
Cash and cash equivalents at end of period	14.8	32.5	20.5

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## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR million

### 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
Transfer to funds			0.1		-0.1	0
Dividends paid					-2.3	-2.3
Total comprehensive income		-0.3	0.2		6.3	6.2

### Equity

30.9.2013	2.0	8.6	5.7	10.7	51.9	78.9
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### 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
1.1.2012	2.0	9.2	4.9	10.6	42.6	69.4
Items received in partial demerger				0.1		0.1
Transfer to funds			0.3		-0.3	0
Total comprehensive income		-0.3	0.2		5.7	5.6

### Equity

31.12.2012	2.0	8.9	5.3	10.7	48.0	75.0
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## KEY INDICATORS

	1 - 9 2013	1 - 9 2012	1 - 12 2012
Return on equity, %	10.9	10.0	7.9
Return on investment, %	11.3	9.8	8.1
Interest-bearing liabilities, EUR million	23.5	33.7	28.4
Gearing, %	-1.3	1.5	-2.4
Equity ratio, %	59.5	54.5	57.7
Gross investments in fixed assets, EUR million	3.8	5.5	7.2
% of net turnover	2.6	3.9	4.0
Personnel, average	1 674	1 679	1 669
Earnings per share, EUR	0.11	0.10	0.10
Shareholders' equity per share, EUR	1.37	1.30	1.27
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

The company has a EUR 23.5 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 - 9 2013	1 - 9 2012	1 - 12 2012
<b>Turnover</b>			
Europe	87.6	83.8	108.1
Asia	58.2	58.6	75.8
Turnover between segments	-2.7	-2.4	-3.0
<b>Total</b>	<b>143.1</b>	<b>140.1</b>	<b>180.9</b>
<b>Operating profit</b>			
Europe	5.0	4.6	5.2
Asia	4.4	2.7	2.9
<b>Total</b>	<b>9.3</b>	<b>7.4</b>	<b>8.1</b>
<b>Assets</b>			
Europe	64.4	68.4	64.2
Asia	66.0	66.8	62.9
Goodwill	2.2	2.2	2.2
Shares in associated companies		0.8	0.6
<b>Total</b>	<b>132.6</b>	<b>138.2</b>	<b>130.0</b>



## CHANGES IN TANGIBLE NON-CURRENT ASSETS

EUR million

	<b>1 - 9 2013</b>	<b>1 - 9 2012</b>	<b>1 - 2 2012</b>
Book value at the beginning of the period	29.9	27.0	27.0
Additions	3.3	5.4	7.0
Deductions	-0.5	0.0	-0.1
Depreciations	-3.1	-3.2	-4.3
Exchange rate differences	-0.1	0.5	0.3
<b>Book value at the end of the period</b>	<b>29.5</b>	<b>29.8</b>	<b>29.9</b>

## CONTINGENT LIABILITIES

EUR million

	<b>1 - 9 2013</b>	<b>1 - 9 2012</b>	<b>1 - 12 2012</b>
Given business mortgages	40.0	40.0	40.0
Pledged guarantees	1.2	1.3	1.3
Leasing liabilities and other lease liabilities	0.0	0.0	0.1

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 resulting obligations to pay. The capital of the loan on 30 September 2013 is EUR 23.5 million.

## TRANSACTIONS WITH RELATED PARTIES

EUR million

	<b>1 - 9 2013</b>	<b>1 - 9 2012</b>	<b>1 - 2 2012</b>
Related party transactions:			
<b>Associated companies</b>			
Sales income	0.0	0.1	0.2
Trade receivables	0.3	0.2	0.3
Interest income	0.0	0.0	0.0
Loan receivables	0.3	0.3	0.3
Interest receivables	0.0	0.0	0.0

Loans of EUR 0.3 million and trade receivables of EUR 0.3 million which have been granted to an associate company Greenpoint Oy have been written-off as impairment. Also remaining goodwill of EUR 0.6 million has been fully depreciated.

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 were EUR 10 thousand by 30 September 2013.



## KEY INDICATORS QUATERLY

	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12
Turnover, MEUR	50.4	48.7	44.0	40.8	48.2	49.3	42.6
Operating profit, MEUR	4.2	3.1	2.0	0.7	2.8	3.2	1.4
Operating profit, %	8.4	6.3	4.6	1.8	5.7	6.4	3.4
Net income, MEUR	3.0	2.1	2.6	0.3	1.7	2.6	1.2

### SCANFIL PLC

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

Scanfil has 35 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 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.

The associated company of Scanfil Group:

Greenpoint Oy (Scanfil EMS Oy's share of ownership 40%) focuses on development and supply of solutions and equipment, which improve placements, visibility and sales of customer products in the Point-Of-Sale. The Greenpoint product portfolio includes a large variety of refrigerated merchandisers, displays and integrated check-out zone concepts. The company serves both brand owners and retail chains internationally. Along with the European markets Greenpoint Oy has entered North and Latin American markets through partnerships. [www.greenpoint.fi](http://www.greenpoint.fi)

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