

SCANFIL GROUP'S INTERIM REPORT 1 JANUARY – 30 JUNE 2013

January – June

- Turnover totalled to EUR 92.8 million (1-6 2012: 91.9)
- Operating profit EUR 5.1 million (4.6), 5.5% (5.0%) of turnover
- Profit for the review period was EUR 3.3 million (3.7)
- Earnings per share were EUR 0.06 (0.06)

April – June

- Turnover totalled EUR 48.7 million (Q2 2012: 49.3)
- Operating profit EUR 3.1 million (3.2), 6.3% (6.4%) of turnover
- Profit was EUR 2.1 million (2.6)
- Earnings per share amounted EUR 0.04 (0.04)

Scanfil plc further specifies its assessed outlook for 2013 and now estimates that turnover will slightly increase from the level of 2012 and operating profit will exceed the level of 2012. Turnover in 2012 was EUR 180.9 million and operating profit EUR 8.1 million.

Scanfil plc changes its assessed outlook for 2013 and now estimates that its turnover and operating profit for 2013 will slightly increase from the year 2012. Turnover in 2012 was EUR 180.9 million and operating profit EUR 8.1 million.

Previously, Scanfil estimated that its turnover for 2013 will increase from the level of 2012 and that operating profit will be at the level of 2012.

Petteri Jokitalo, CEO of Scanfil plc:

"As expected, the challenging market situation continued during the first half of the year. Sales of professional electronics increased, whereas sales of telecommunication products decreased in comparison to the previous year. In the first half of the year, Scanfil's turnover increased by about 1% in comparison to the previous year.

In the period under review, Scanfil's reported operating profit increased by about 10% from the previous year, and stood at EUR 5.1 million. Excluding the impact of non-recurring items of 2012 and 2013, operating profit would have increased by about 30% from the comparison period. The positive trend was among other things caused by successful cost control and product structure changes. Scanfil's solid financial position allows us to develop the company according to the needs of our customers."

DEVELOPMENT OF OPERATIONS

The change in Scanfil's sales structure continued, and sales to professional electronics customers during the period under review increased by more than 11% in comparison to the corresponding period last year, accounting for 82% of turnover (72% in the corresponding period in 2012). Sales to telecommunication customers continued to decline, being 18% (28%) of turnover. Scanfil continued active sales efforts to get new professional electronics customers, and especially to expand the client base in Central Europe and China.

The company's new enterprise resource planning system was successfully adopted by the Finnish organization during the period under review. The Hungarian subsidiary will be the next organization to adopt the new system this year. The system will be in use throughout the Group by the end of 2014.

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During the period under review, Scanfil invested in mechanics production manufacturing capacity at the Estonian factory and electronics production manufacturing capacity at the Estonian and Suzhou factories.

Scanfil's turnover in second quarter was EUR 48.7 million (EUR 49.3 in the same period in 2012). Turnover decreased by about 1% compared to second quarter of last year, but increased by more than 10% compared to first quarter of this year. The development of turnover in second quarter was affected by the further decrease in demand for telecommunication products. However, the decrease is expected to slow down in the second half of the year.

FINANCIAL DEVELOPMENT

The Group's turnover for January - June was EUR 92.8 (91.9) million. Distribution of turnover based on the location of customers was as follows: Finland 45% (45%), rest of Europe 22% (17%), Asia 31% (37%), USA 1% (1%) and others 1% (0%).

Operating profit for the Group during the review period was EUR 5.1 (4.6) million, representing 5.5% (5.0%) of turnover. Operating profit includes a credit loss reserve of EUR 0.3 million in sales receivables from an associated company. The 2012 operating profit includes the following non-recurring items: Scanfil EMS Oy's share of the damages paid by Ojala-Yhtymä Oy, EUR 1.2 million, Scanfil plc's listing expenses, EUR 0.4 million, and the provision for expenses due to the restructuring of the Hangzhou subsidiary, EUR 0.4 million, for a total of EUR +0.5 million. Operating profit excluding non-recurring items was EUR 5.4 (4.1) million, representing 5.8% (4.5%) of turnover.

Earnings for the review period amounted to EUR 3.3 (3.7) million. Earnings per share were EUR 0.06 (0.06) and return on investment was 8.6% (9.5%).

Turnover amounted to EUR 48.7 (49.3) million in April-June and operating profit for the second quarter was EUR 3.1 (3.2) million, or 6.3% (6.4%) of turnover. Profit for the quarter was EUR 2.1 (2.6) million.

The operations of Greenpoint Oy, an associated company of Scanfil EMS Oy, have not developed as planned, and Scanfil's evaluation is that the Greenpoint's existing possibilities to deal with its obligations are poor. Scanfil finds that resolving Greenpoint's situation in a favourable way requires a funding solution in which more capital is injected into the company and the amount of debt is reduced. So far, new financiers have not been found. Therefore, Scanfil has entered a credit loss reserve for the EUR 0.3 million in loans granted to Greenpoint and EUR 0.3 million in sales receivables from Greenpoint, and written down the remaining business value, EUR 0.6 million, a total negative impact on profit before tax EUR 1.2 million in January-June, of which a business value depreciation of EUR 0.2 million was entered in the first quarter. Scanfil EMS Oy owns 40% of Greenpoint Oy.

FINANCING AND CAPITAL EXPENDITURE

The Group enjoys a strong financial position.

The consolidated balance sheet totalled EUR 131.6 (138.9) million. Liabilities amounted to EUR 54.2 (64.5) million, EUR 30.8 (32.2) million of which were non-interest-bearing and EUR 23.4 (32.4) million interest-bearing. The equity ratio was 58.8% (53.5%) and gearing -0.8% (0.2%). The equity per share was EUR 1.34 (1.29).

Liquid cash assets totalled EUR 24.0 (32.3) million.

Cash flow from operating activities in the review period of January - June came to EUR 2.1 (5.9) million. The change in working capital during the period amounted to EUR -4.6 (-1.4) million. The

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amount of capital bound to working capital is larger due to the higher turnover compared to the turn of the year. Cash flow from investment activities was EUR -2.3 (-5.0) and cash flow from financing activities was EUR -6.5 (-4.4) million. The funding cash flow includes dividend payments and loan instalments.

Gross investments in January – June in fixed assets totalled EUR 2.5 (5.1) million, which is 2.7% (5.6%) of turnover. Investments are machine and equipment investments and the procurement of a new ERP system for the Finnish operations. Depreciations were EUR 2.2 (2.2) million.

Scanfil EMS Oy has strengthened the capital structure of its Estonian subsidiary Scanfil Oü by converting EUR 7.0 million from the EUR 13.6 million of Group loans to the reserve for invested non-restricted equity.

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.

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

SHARE TRADING AND SHARE PERFORMANCE

The highest trading price during the review period was EUR 0.96 and the lowest EUR 0.82, the closing price for the period standing at EUR 0.87. A total of 951,487 shares were traded during the period, corresponding to 1.6% of the total number of shares. The market value of the shares on 30 June 2013 was EUR 50.2 million.

PERSONNEL

Scanfil Group's personnel averaged 1,669 (1,701) employees during the review period. At the end of the period, the Group employed 1,647 (1,625) people, of whom 259 (285) worked in the company's Finnish units and 1,388 (1,340) in the company's units outside Finland. In all, 84% (82%) of the Group's personnel were employed by subsidiaries outside Finland on 30 June 2013.

FUTURE PROSPECTS

Due to the uncertainty in the global economy, it is very difficult to predict developments in the contract manufacturing market.

Scanfil plc changes its assessed outlook for 2013 and now estimates that its turnover and operating profit for 2013 will slightly increase from the year 2012. Turnover in 2012 was EUR 180.9 million and operating profit EUR 8.1 million.

Previously, Scanfil estimated that its turnover for 2013 will increase from the level of 2012 and that operating profit will be at the level of 2012.

OPERATIONAL RISKS AND UNCERTAINTIES

The weakening outlook for growth in the global economy, the slight downturn in the eurozone and the EU, and a decline in international demand for investment commodities may have a negative

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impact on the business development of Scanfil's customers and may weaken demand in the contract manufacturing market. This may slow down the sales and profitability development of Scanfil.

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.

CONSOLIDATED INCOME STATEMENT

EUR million

	4 - 6 2013	4 - 6 2012	1 - 6 2013	1 - 6 2012	1 - 12 2012
Turnover	48.7	49.3	92.8	91.9	180.9
Other operating income	0.1	0.1	0.1	1.3	1.3
Changes in inventories of finished goods and work in progress	0.1	0.7	0.7	0.7	-0.1
Manufacturing for own use		0.0	0.0	0.0	0.0
Expenses	-44.7	-45.7	-86.3	-87.1	-169.5
Depreciation	-1.1	-1.1	-2.2	-2.2	-4.5
Operating profit	3.1	3.2	5.1	4.6	8.1
Financial income and expenses	0.1	0.2	-0.5	0.2	-0.1
Share in the associated company's profit	-0.4	-0.1	-0.6	-0.2	-0.4
Profit before taxes	2.7	3.2	4.0	4.6	7.6
Income taxes	-0.6	-0.6	-0.8	-0.9	-1.9
Net profit for the period	2.1	2.6	3.3	3.7	5.7
Attributable to:					
Equity holders of the parent	2.1	2.6	3.3	3.7	5.7
Earnings per share for profit attributable to shareholders of the parent:					
basic earnings per share (EUR)	0.04	0.04	0.06	0.06	0.10

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million

	4 - 6 2013	4 - 6 2012	1 - 6 2013	1 - 6 2012	1 - 12 2012
Net profit for the period	2.1	2.6	3.3	3.7	5.7
Other comprehensive income:					
Translation differences	-2.8	2.6	-1.0	1.1	-0.3
Derivative financial instrument	0.1	-0.2	0.2	0.1	0.2
Other comprehensive income, net of tax	-2.7	2.5	-0.8	1.2	-0.1
Total Comprehensive Income	-0.5	5.0	2.4	4.9	5.6
Attributable to:					
Equity holders of the parent	-0.5	5.0	2.4	4.9	5.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

Assets	30.6.2013	30.6.2012	31.12.2012
Non-current assets			
Property, plant and equipment	30.1	30.8	29.9
Goodwill	2.2	2.2	2.2
Other intangible assets	4.1	3.8	3.7
Shares in associated companies		0.9	0.6
Available-for-sale investments	0.0	0.0	0.0
Receivables	0.2	0.2	0.2
Deferred tax assets	0.7	0.5	0.6
Total non-current assets	37.4	38.4	37.4
Current assets			
Inventories	32.2	30.6	29.9
Loan receivables from associated companies	0.1		0.1
Trade and other receivables	37.7	37.3	32.0
Advance payments	0.2	0.1	0.4
Current tax	0.1	0.1	0.0
Available-for-sale investments, liquid assets	10.0		9.7
Available-for-sale investments, cash equivalents	4.7	19.7	5.5
Cash and cash equivalents	9.3	12.6	15.0
Total current assets	94.2	100.5	92.7
Total assets	131.6	138.9	130.0
Shareholder's equity and liabilities	30.6.2013	30.6.2012	31.12.2012
Equity			
Share capital	2.0	2.0	2.0
Translation differences	7.9	10.3	9.0
Other reserves	5.6	5.2	5.3
Reserve for invested unrestricted equity fund	10.7	10.7	10.7
Retained earnings	51.2	46.0	48.0
Total equity	77.4	74.3	75.0

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Non-current liabilities

Deferred tax liabilities		0.0	0.0
Provisions	1.1	0.7	0.4
Interest bearing liabilities	18.5	23.2	18.9
Other liabilities		0.1	
Total non-current liabilities	19.6	23.9	19.3

Current liabilities

Trade and other liabilities	28.8	30.5	25.4
Current tax	0.9	0.8	0.8
Interest bearing liabilities	4.9	9.3	9.5
Total current liabilities	34.6	40.6	35.7

Total liabilities **54.2** **64.5** **55.0**

Total shareholder's equity and liabilities **131.6** **138.8** **130.0**

CONSOLIDATED CASH FLOW STATEMENT

EUR million

	1.1- 30.6.2013	1.1- 30.6.2012	1.1- 31.12.2012
Cash flow from operating activities			
Net profit	3.3	3.7	5.7
Adjustments for the net profit	4.7	3.8	7.4
Change in net working capital	-4.6	-1.4	-0.4
Paid interests and other financial expenses	-0.3	-0.4	-0.8
Interest received	0.2	0.2	0.4
Taxes paid	-1.1	-0.0	-1.1
Net cash from operating activities	2.1	5.9	11.2
Cash flow from investing activities			
Investments in tangible and intangible assets	-2.4	-5.0	-7.3
Sale of tangible and intangible assets	0.0	0.0	0.1
Purchase of investments	0.1	-0.0	-9.7
Repayment of loans receivable	0.0		
Granted loans			-0.0
Net cash from investing activities	-2.3	-5.0	-16.9
Cash flow from financing activities			
Short-term loans raised	0.3		
Repayment of long-term loans	-4.4	-4.4	-8.9
Dividends paid	-2.3		
Net cash from financing activities	-6.5	-4.4	-8.9
Net increase/decrease in cash and cash equivalents	-6.7	-3.6	-14.6
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	0.3	0.6	-0.1
Cash and cash equivalents at end of period	14.1	32.3	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
Trasfer to funds			0.1		-0.1	0
Dividends paid					-2.0	-2.0
Total comprehensive income		1.0	0.2		3.3	4.5
Equity						
30.6.2013	2.0	9.9	5.6	10.7	49.2	77.4

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
Trasfer 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

KEY INDICATORS

	1 - 6 2013	1 - 6 2012	1 - 12 2012
Return on equity, %	8.6	10.4	7.9
Return on investment, %	8.6	9.5	8.1
Interest-bearing liabilities, EUR million	23.4	32.4	28.4
Gearing, %	-0.8	0.2	-2.4
Equity ratio, %	58.8	53.5	57.7
Gross investments in fixed assets, EUR million	2.5	5.1	7.2
% of net turnover	2.7	5.6	4.0

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Personnel, average	1 669	1 701	1 669
Earnings per share, EUR	0.06	0.06	0.10
Shareholders' equity per share, EUR	1.34	1.29	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 23.4 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 - 6 2013	1 - 6 2012	1 - 12 2012
Turnover			
Europe	59.4	57.1	108.1
Asia	35.4	36.4	75.8
Turnover between segments	-1.9	-1.6	-3.0
Total	92.8	91.9	180.9
Operating profit			
Europe	2.9	3.5	5.2
Asia	2.2	1.2	2.9
Total	5.1	4.6	8.1
Assets			
Europe	61.9	66.1	64.2
Asia	67.5	69.7	62.9
Goodwill	2.2	2.2	2.2
Shares in associated companies		0.9	0.6
Total	131.6	138.9	130.0

CHANGES IN TANGIBLE NON-CURRENT ASSETS

EUR million

	1 - 6	1 - 6	1 - 2
	2013	2012	2012
Book value at the beginning of the period	29.9	27.0	27.0
Additions	2.0	5.1	7.0
Deductions	0.0	0.0	-0.1
Depreciations	-2.1	-2.1	-4.3
Exchange rate differences	0.3	0.7	0.3
Book value at the end of the period	30.1	30.8	29.9

CONTINGENT LIABILITIES

EUR million

	1 - 6	1 - 6	1 - 12
	2013	2012	2012
Given business mortgages	40.0	40.0	40.0
Pledged guarantees	1.0	1.0	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 June 2013 is EUR 23.4 million.

TRANSACTIONS WITH RELATED PARTIES

EUR million

	1 - 6	1 - 6	1 - 2
	2013	2012	2012
Related party transactions:			
Associated companies			
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 booked as credit loss reserve. 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 6 thousand by 30 June 2013.

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KEY INDICATORS QUATERLY

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

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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

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