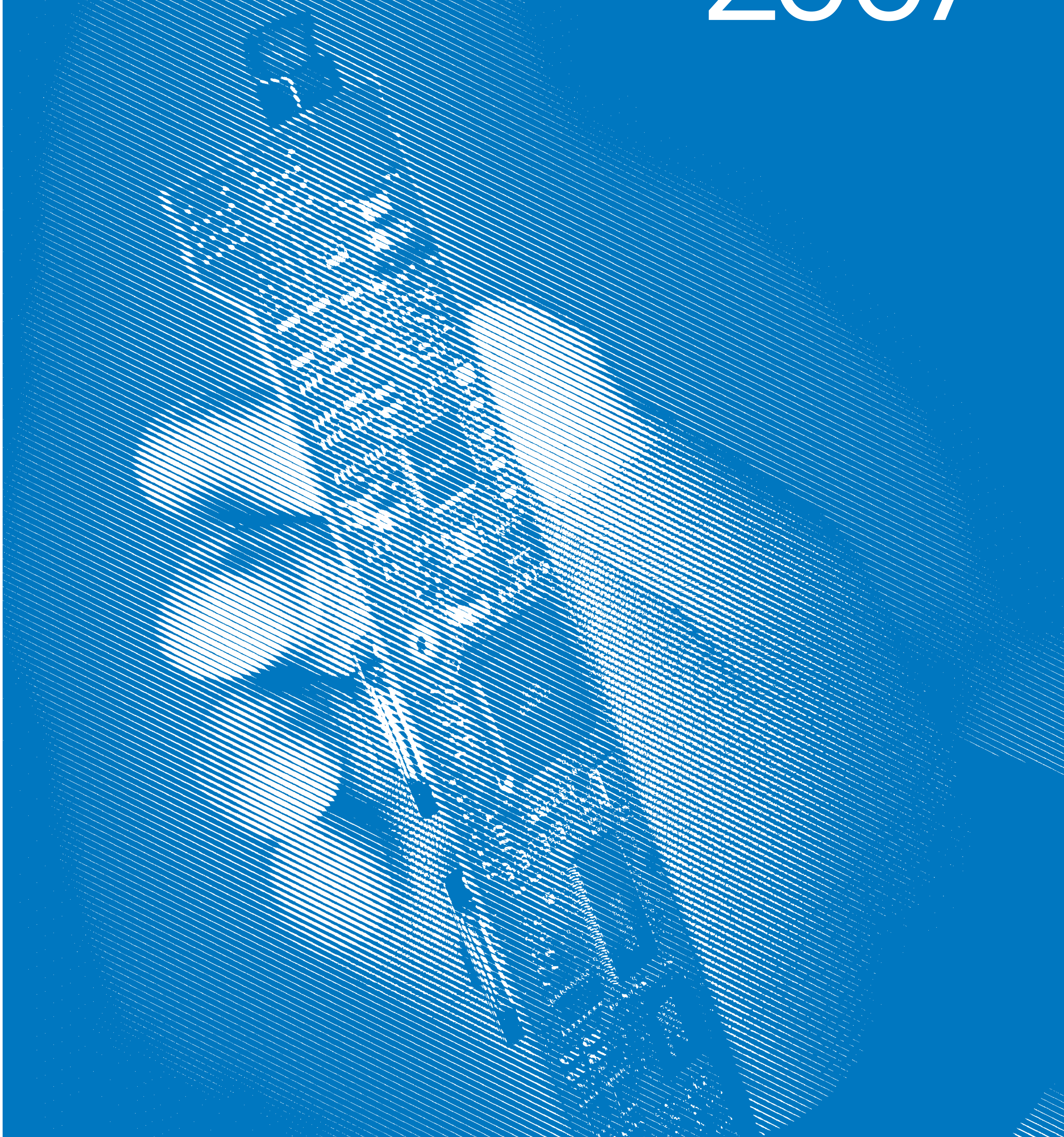
SCANFIL

FINANCIAL STATEMENTS 2007



Contents

Annual General Meeting

The Annual General Meeting of Scanfil Oyj will be held on Thursday 3 April 2008 at 2.00 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.
Eligibility to attend the meeting shall be enjoyed by shareholders who were entered by 20 March 2008 at the latest as shareholders in the register of Scanfil Oyj's shareholders kept by the Finnish Central Securities Depository. In order to be able to attend the Annual General Meeting, shareholders shall register with the company by 4 p.m. on 31 March 2008 at the latest, either in writing to the address Scanfil Oyj, Yritystie 6, 85410 Sievi, Finland, by telephone, on + 358 – 8 – 4882 111, to Mrs Anne-Maarit Kainulainen or by e-mail anne-maarit.kainulainen@scanfil.com.

When registering by post, the letter shall have arrived before the end of the registration period. Any powers of attorney should be sent in connection with prior registration.

Dividend distribution policy

The company's objective is to pay dividend regularly each year. 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 approx. a third of the Group's annual result to shareholders in the form of dividend.

Payment of dividend

The Board of Directors proposes to the meeting of shareholders that dividend of EUR 0.08 per share be paid based on the annual result of the financial year ending on 31 December 2007 according to the dividend policy, plus an additional dividend of EUR 0.04 per share, totalling EUR 7,045,898.52.
The record date for payment of dividend shall be 8 April 2008 and the date of payment of dividend 15 April 2008. Dividend shall be paid to shareholders who on the record date are entered in the register of the company's shareholders kept by the Finnish Central Securities Depository.

Financial information

In 2008, Scanfil Oyj will be publishing the following financial reviews

Financial statement bulletin
14 February 2008
Annual report week 13/2008
Interim Report for January–March
25 April 2008
Interim Report for January–June
5 August 2008
Interim Report for January–September
24 October 2008

The financial reviews will be appearing in Finnish and English, and be published on the company's web site at www.scanfil.com. The publications can also be ordered from the address Scanfil Oyj, 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 Finnish Central Securities Depository, which, as the account operator chosen by each shareholder, administers the shareholder's book-entry securities account.

General

In the industrial electronics products market, both the volume of production and the sales continued to grow steadily throughout the year. Scanfil's customers have been successful in the market. Building and modernisation of infrastructure in developing regions, higher energy prices, increasing environmental awareness and concern over the warming of climate are global factors that have had a positive effect on the markets where Scanfil's industrial electronics customers operate.

In 2007, the telecommunications network products market was characterised by corporate restructurings implemented by large players in the field. These affected the operations of contract manufacturers of network products. The lower-cost product and supply structures of new products have cut the value and volume of the material flow through contract manufacturers. The network suppliers' increasing engagement in service business activities has contributed to slower growth in the equipment market. For Scanfil plc's operations, the main effects of this development included downsizing of operations in Finland, relocation of production to lower-cost plants in Europe and Asia and a drop in turnover compared with the year before.

Telecommunications customers accounted for about 69 (72)% and industrial electronics customers for about 31 (28)% of the turnover.

The reorganisation of operations in Finland was completed during the year, and the operations in Finland were concentrated in Sievi and Vantaa. The reorganisation of production was completed successfully and did not cause any significant extra costs. All the resources assigned to the reorganisation of operations in Finland were released and engaged in business development again by the end of the year.

The Chinese subsidiaries' sales accounted for 39% of the Group's sales during the review period (32% in 2006), including deliveries to the Group's other plants. Of the Group's personnel, 54 (46)% worked in China at the end of 2007, and a total of 75 (70)% worked in the international subsidiaries on 31 December 2007.

Scanfil plc's Belgian subsidiary Scanfil N.V. sold its plant site in Belgium on 20 March 2007. In Finland, Scanfil plc sold its Äänekoski plant site on 8 October 2007. In addition, the Company has initiated the process to sell the Oulu plant site. The plant site deals were concluded at prices that were higher than their balance sheet values. In addition, on 17 September 2007 the Company announced that it is investigating the option to sell its plant sites in Vantaa, Estonia and Hungary. If these deals are concluded, the Company will continue its operations at the sites as a tenant.

The Company's new President Harri Takanen, MSc(Eng), took up his duties on 15 May 2007.

Near the end of the review period, the Company initiated negotiations with Helkama Forste Oy to start co-operation in manufacturing in Hungary. The planned co-operation would involve manufacturing of sheet metal components and lease of production facilities from Scanfil's Hungarian subsidiary Kft. The negotiations continue.

Scanfil Group's financial performance

The Group's turnover in 2007 was EUR 224.6 (241.4) million, showing a decrease of 7.0% over the previous year. Distribution of turnover based on the location of customers was as follows: Finland 43 (43)%, rest of Europe 25 (29)%, Asia 30 (25)%, USA 1 (1)% and the others 1 (2)%.

Operating profit for the review period totalled EUR 18.6 (11.4) million, representing 8.3 (4.7)% of turnover. Net profit amounted to EUR 14.1 (8.2) million or 6.3 (3.4)% of turnover. Earnings per share amounted to EUR 0.24 (0.14) and return on investment was 14.1 (9.0)%.

A total of EUR 1.4 million of non-recurring income items have been recorded for the year 2007, most of which are profits from the sale of fixed assets. Write-downs of the material and product stores of terminated products totalled EUR 1.5 million. Year of comparison 2006 result was burdened by a non-recurring expense item of EUR 7.6 million related to the termination of the Belgian subsidiary's production.

Income tax includes taxes corresponding to the result for the financial year. A deferred tax liability of EUR 1.2 million was entered for the total retained earnings of the Estonian subsidiary, as the retained earnings will be paid out as dividends in 2008.

In the parent company, an impairment of EUR 0.6 million was entered for the shares of the Belgian subsidiary Scanfil NV.

Owing to the structure of the company's operations, the effects of changes in exchange rates on the result were minimal. If the US dollar remains weak or continues to weaken, it will mainly have a declining impact on the turnover and expenses of the Asian operations. Changes in the US dollar exchange rate will not have a significant effect on the relative profitability of the Asian operations.

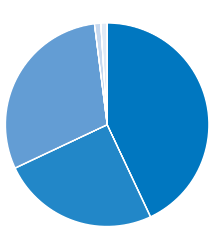
Financing and capital expenditure

The Group enjoys a strong financial position. Liabilities amounted to EUR 47.9 (46.2) million, EUR 40.4 (38.7) million of which were non-interest-bearing and EUR 7.5 (7.5) million interest-bearing.

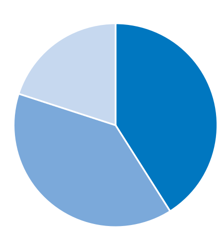
Liquid cash assets totalled EUR 50.0 (31.8) million. The equity ration was 73.6 (73.6)% and gearing –31.8 (-19.1)%.

Cash flow from operating activities in the review period was positive at EUR 20.2 (18.8) million. Cash flow from investments was EUR 4.9 (-5.0) million, and cash flow from funding stood

Turnover geographically 2007



Sales geographically 2007



at EUR –5.9 (-19.1) million. Change in working capital during the financial period was EUR 0.4 (2.9) million and dividends for previous financial period were paid to the amount of EUR 5.9 (6.0) million.

Gross investments in fixed assets totalled EUR 1.4 (8.5) million, which is 0.6 (3.5)% of turnover. Investments consists mainly machinery and equipment purchases. Depreciations were EUR 7.2 (8.3) million. During the financial period the company sold its industrial property in Äänekoski (Finland) and Hoboken (Belgium).

Board of Directors' authorisation
On 12 April 2007, the Annual General Meeting authorised the Board of Directors to decide on the repurchase of a maximum of 4,000,000 company shares, using non-restricted equity, and on the disposal of a maximum of 5,998,449 company shares.

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

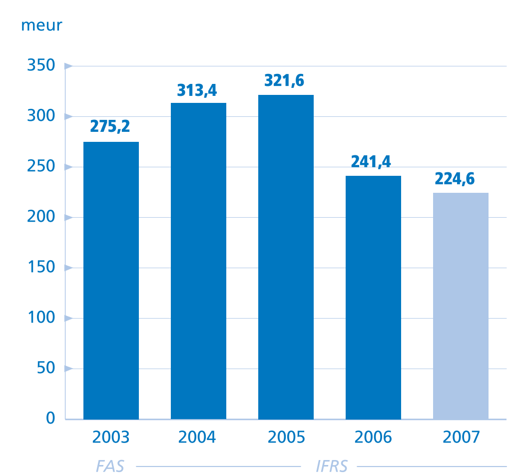
Personnel
At the end of the review period the Group employed 2,061 (2,073) people, of whom 1,548 (1,444) worked abroad. The Group employed an average 2,105 (2,213) people during the year. Personnell by country: Finland 513, Estonia 291, Hungary 151, China 1,106. On 31 December 2007, 75 per cent of the company's personnel worked in foreign subsidiaries and 54 per cent in China. The proportion of people working in Finland of the entire personnel contracted during the year, due to the reorganisation of production implemented in Finland.

The average age of personnel is the lowest in China, 30 years. In Hungary and Estonia, the average age is almost the same: 34 and 35 years, respectively. The average age of the Finnish personnel is 38 years. There are a bit more men working in the Group than women, men accounting for 60% and women for 40% of the personnel.

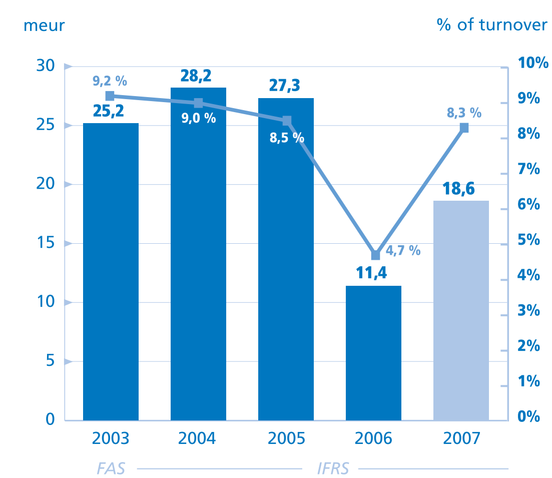
Group structure
On 31 December 2007, the Scanfil Group consisted of parent company Scanfil plc (Sievi), Scanfil (Suzhou) Co., Ltd. and Scanfil (Hangzhou) Co., Ltd. in China, Scanfil Kft. (Biatorbagy) in Hungary and Scanfil Oü (Pärnu) in Estonia. Scanfil's Belgian subsidiary Scanfil N.V. (Hoboken) has not been engaged in any production activities after the year 2006. The Group holds the entire share capital in all of its subsidiaries.

CPS Elektroniikka Oy, a subsidiary of the Scanfil Group, was dissolved on 15 June 2007 in accordance with the decision of the Annual General Meeting. The company has not engaged

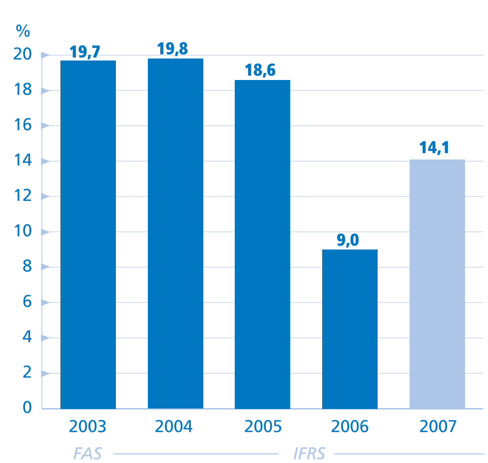
Turnover annually



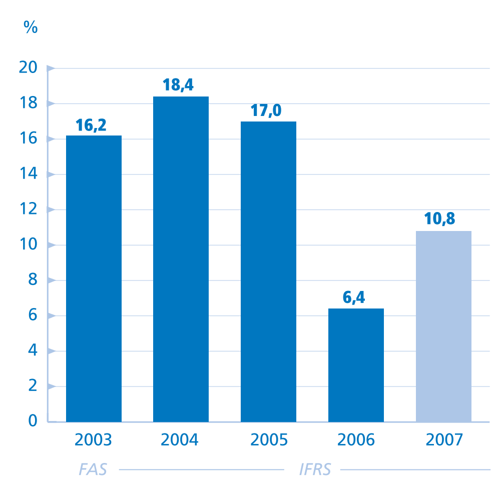
Operating profit annually



Return on investment



Return on equity



in any production activities since 30 April 2005.

Share trading and share performance

The highest trading price during the review period was EUR 2.49 and the lowest EUR 1.92, the closing price for the period standing at EUR 1.95. A total of 8,947,228 shares were traded during the period, corresponding to 14.7% of the total number of shares. The market value of the shares on 31 December 2007 was EUR 118,4 million.

Board of Directors and President

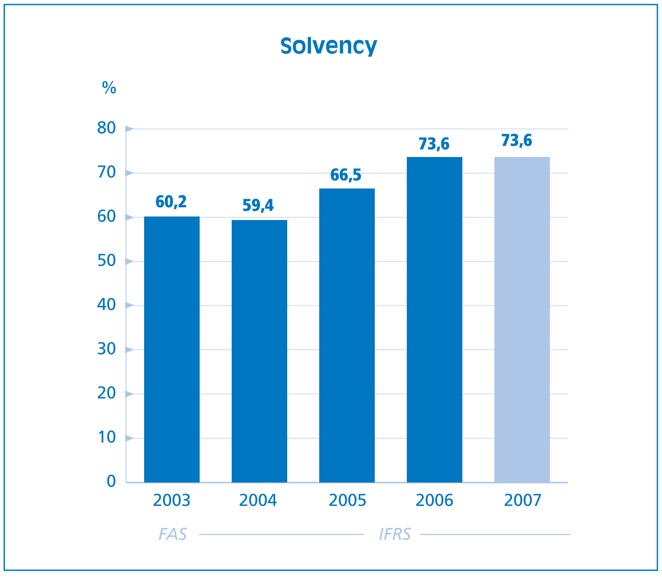
The annual general meeting held on 12 April 2007 Asa-Matti Lyytinen, Jorma J. Takanen and Reijo Põllä, Jarkko Takanen and Tuomo Lähdesmäki were re-elected as members of the Board of Directors. At its organizing meeting held on 12 April 2007 the new board of directors elected Jorma J. Takanen as the Chairman of the Board of Directors.

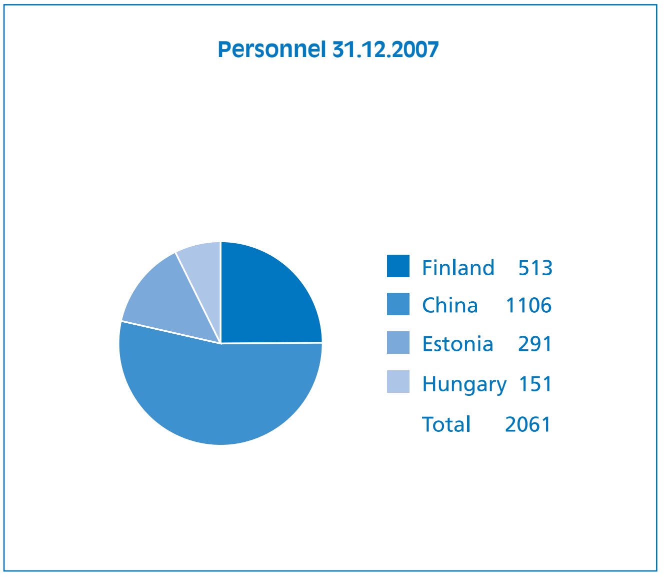
The company's President during 1 January – 14 May 2007 has been Veli Torvinen and since 15 May 2007 Harri Takanen

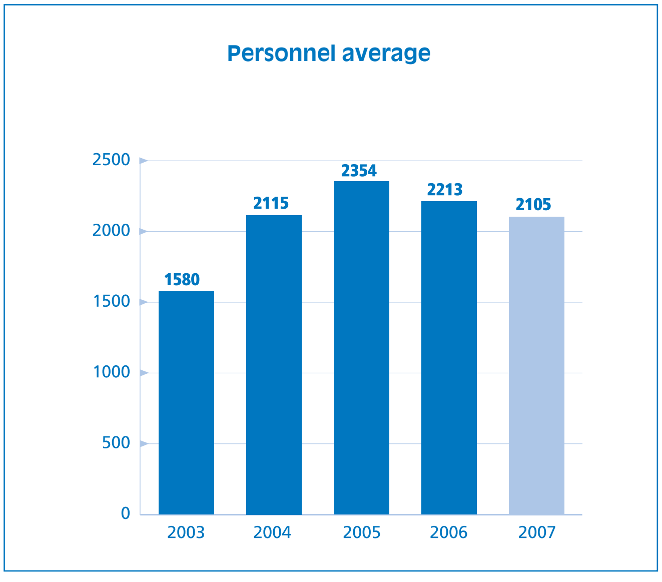
Risk management

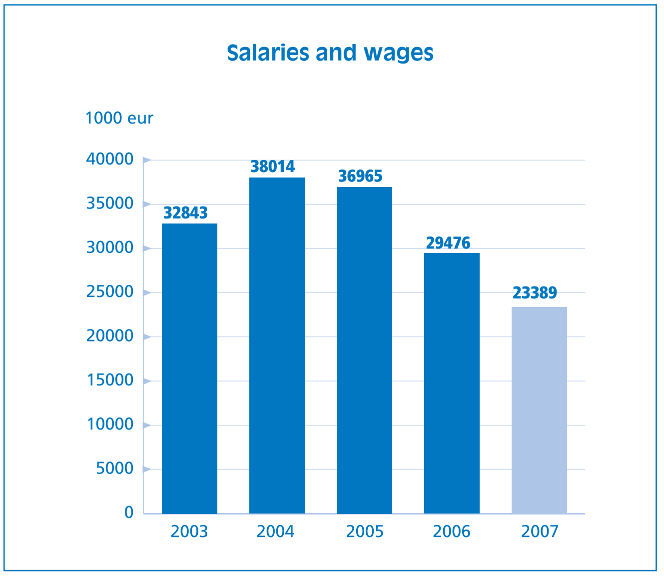
The goal of Scanfil plc's risk management activities is to identify and analyse factors that may have a negative impact on achieving the company's objectives in the short and long run, as well as to initiate measures to minimise or eliminate these risks.

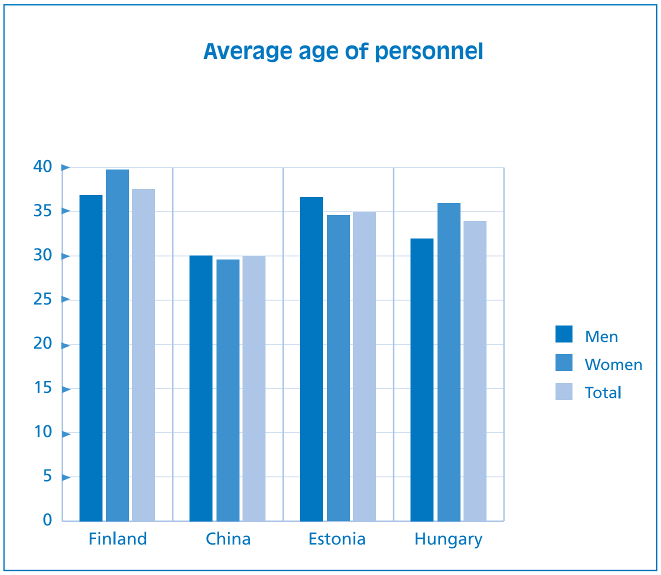
Operational risk management is the responsibility of operational management: the President and the Management Team. Operational risk management is an integral part of the management and development of various operational processes as well as the Group's management, monitoring and reporting systems. The most significant operational risk is customer risk. Other operative risks include short visibility with regard to market development and extremely poor predictability, intensive price competition, availability of materials and rapid and significant fluctuations in demand. Management aims to reduce customer risk by developing operational processes in a way which ensures that product and service packages delivered to customers are competitive both in terms of product characteristics and price. The company is also actively seeking new customers and opportunities to reduce customer-specific risk. The industrial electronics sector is more stable than the telecommunications sector as its uncertainties and risks are mostly related to the development of the glo-

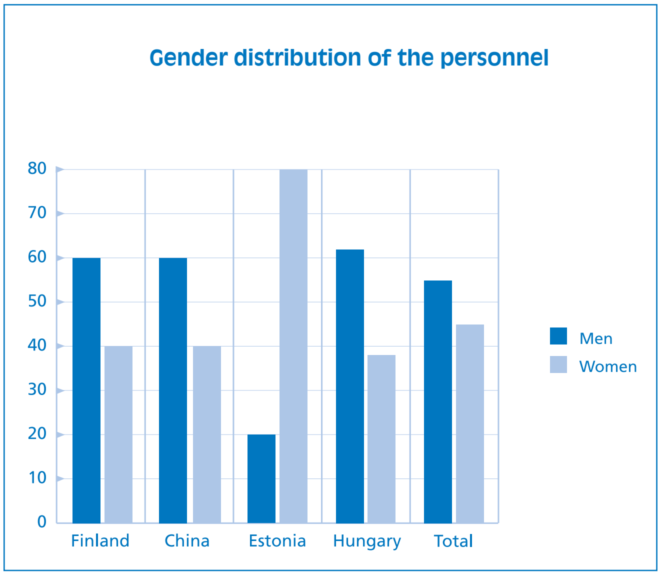












bal economy and the related demand fluctuations.

For a description of financial risk management, please refer to note 27 to the consolidated financial statements.

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 programme was not a significant part of the company's cost structure.

Quality and environment

Each Scanfil unit has a certified, ISO 9001-compliant quality management system and ISO 14001-compliant environmental management system. Several units have arranged scheduled audits of the quality management system during 2007.

The aim of the system, which is based on process management, is to ensure that the entire supply chain meets the demands of customers and other stakeholders. Business processes have been described and their effectiveness is measured and improved continuously. Measurement of processes has and will be improved so that Scanfil can adopt uniform metrics for all units. Efficient and measurable global processes are used to establish consistent practices in all plants.

By evaluating and developing the core processes, Scanfil can improve its operational efficiency. Risk management has also been evaluated during internal audits. Operating according to the PDCA principle (Plan – Do – Check – Act) ensures the continuous improvement of Scanfil processes.

The aim of the system is the economical use of raw materials and energy and the minimisation of emissions. The indicators used include energy consumption, recovery of raw materials and the recyclability of waste. Both local and Group management monitors the development of these indicators and the achievement of the targets set through regular reviews. At Group level, attention is also paid to compliance with permit conditions and environmental improvements.

Significant environmental improvements have been achieved by discontinuing the operation of the Non-RoHS surface treatment plant at the mechanical unit in Sievi. Recyclability of waste has been improved. The units in Asia have increased the environmental awareness of their personnel.

Events after the review period

In its decision issued on 21 January 2008, the District Court of Helsinki dismissed all charges against the Chairman of Scanfil plc's Board of Directors and Scanfil plc's former President in legal proceedings that concerned a delayed profit warning at the turn of 2005–2006.

The District Court of Helsinki also dismissed the prosecutor's call to sentence Scanfil plc to a fine imposed on a corporation of EUR 25,000.

Prosecutor has given notice of appeal against the decision given by the District Court

Future prospects

Demand in the industrial electronics sector is expected to continue growing in 2008. In addition, negotiations are in progress with potential new customers in the industrial electronics sector.

The growth of the telecommunications equipment market is generally estimated to remain very low in 2008. Turnover from telecommunications equipment supplied by Scanfil is expected to remain unchanged from year-end 2007.

Scanfil expects its turnover in 2008 to be about the same as in 2007. Profitability for the full year is estimated to be at a satisfactory level. However, market predictability is still poor.

The Company's good financial position provides an opportunity to actively seek various means and arrangements that will put Scanfil's operations back on a growth track.

GROUP

EUR 1,000	Note	1.1.-31.12.2007	1.1.-31.12.2006
TURNOVER	1	224 617	241 448
Changes in inventories of finished goods and work in progress		-612	-412
Production for own use			32
Other operating income	2	2 120	2 140
Use of materials and supplies	3	-155 002	-162 244
Employee benefit expenses	4	-29 527	-37 591
Depreciation and amortisation expense	5	-7 163	-8 332
Other operating expenses	6	-15 806	-23 681
OPERATING PROFIT		**18 626**	**11 360**
Financial income	7	1 468	1 720
Financial expenses	8	-1 101	-1 008
PROFIT BEFORE TAXES		**18 993**	**12 073**
Income taxes	9	-4 858	-3 848
NET PROFIT FOR THE PERIOD		**14 134**	**8 225**
Earnings per share for profit attributable to equity holders of the parent:	10	0,24	0,14

GROUP

EUR 1,000	Note	31.12.2007	31.12.2006
ASSETS			
Non-current assets			
Property, plant and equipment	11	36 500	43 122
Goodwill	12	2 510	2 527
Other intangible assets	13	1 107	1 011
Available-for-sale investments	14	35	277
Receivables	15	211	211
Deferred tax assets	16	394	217
		40 757	47 366
Current assets			
Inventories	17	33 623	41 357
Trade and other receivables	18	52 334	43 029
Advance payments		108	42
Financial assets at fair value through profit or loss	19		8 902
Cash and cash equivalents	20	50 034	22 900
		136 100	116 230
Non-current assets held for sale	21	4 611	9 976
		140 711	126 206
TOTAL ASSETS		**181 468**	**173 572**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	22		
Share capital		15 179	15 179
Share premium account		16 089	16 089
Own shares		-6 884	-6 890
Translation differences		-2 645	-671
Other reserves		2 571	1 889
Fair value reserve			125
Retained earnings		109 258	101 677
		133 567	127 399
Total shareholders' equity		**133 567**	**127 399**
Long-term liabilities			
Deferred tax liabilities	16	2 263	1 395
Provisions	23	7 021	8 456
Interest-bearing liabilities	24		7 500
		9 284	17 351
Short-term liabilities			
Trade and other payables		30 397	28 182
Current tax liabilities		719	639
Interest-bearing liabilities	24	7 500	
	25	38 616	28 822
Total liabilities		**47 901**	**46 173**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**181 468**	**173 572**

GROUP

EUR 1,000	Note	2007	2006
Cash flow from operating activities			
Profit for the period		14 134	8 225
Adjustments	26	8 662	13 605
Changes in working capital	26	400	2 910
Interest paid and other financial expenses		-400	-657
Interest received		1 312	840
Taxes paid		-3 951	-6 096
Net cash flow from operating activities		**20 158**	**18 826**
Cash flow from investing activities			
Investments in tangible and intangible assets		-1 687	-7 816
Sale of tangible and intangible assets		6 313	2 831
Repayment of loans receivable			11
Proceeds from sale of investments		240	0
Dividend received		1	0
Net cash flow from investing activities		**4 867**	**-4 975**
Cash flow from financing activities			
Acquisition of own shares			-2 781
Repayment of loans			-10 372
Dividends paid		-5 872	-5 971
Net cash flow from financing activities		**-5 872**	**-19 125**
Change in cash and cash equivalents		**19 153**	**-5 273**
Cash and cash equivalents at 1 Jan.		31 802	37 840
Changes in exchange rates		-571	-873
Changes in fair value of investments		-350	108
Cash and cash equivalents at 31 Dec.	20	**50 034**	**31 802**

EUR 1,000	Equity attributable to equity holders of the parent company								Total share-holdres' equity
	Share capital	Share premium-account	Own shares	Translation differences	Other reserves	Fair value reserve-	Retained earnings	Total	
Shareholders' equity 31.12.2005	**15 179**	**16 089**	**-4 110**	**2 466**	**1 321**	**125**	**99 993**	**131 063**	**131 063**
Translation differences				-3 137				-3 137	-3 137
Net income recognised directly in equity				**-3 137**				**-3 137**	**-3 137**
Net profit for the period							8 225	8 225	8 225
Total recognised income and expense for the period				**-3 137**			**8 225**	**5 088**	**5 088**
Dividends paid							-5 971	-5 971	-5 971
Transfer to reserves					569		-569		
Acquisition of own shares			-2 781					-2 781	-2 781
Shareholders' equity 31.12.2006	**15 179**	**16 089**	**-6 890**	**-671**	**1 889**	**125**	**101 677**	**127 399**	**127 399**
Available-for-sale investments: Reversal of remeasurement to fair value						-125		-125	-125
Translation differences				-1 975				-1 975	-1 975
Net income recognised directly in equity				**-1 975**		**-125**		**-2 100**	**-2 100**
Net profit for the period							14 134	14 134	14 134
Total recognised income and expense for the period				**-1 975**			**14 134**	**12 034**	**12 034**
Dividends paid							-5 872	-5 872	-5 872
Transfer to reserves					682		-682		
Distribution of own shares			6					6	6
Shareholders' equity 31.12.2007	**15 179**	**16 089**	**-6 884**	**-2 645**	**2 571**		**109 258**	**133 567**	**133 567**

ACCOUNTING PRINCIPLES FOR CONSOLIDATED FINANCIAL STATEMENTS

Scanfil plc is a Finland-based public limited company domiciled in Sievi. It is an international contract manufacturer and systems supplier for the telecommunications and electronics industries. The products manufactured by the company for the telecommunications – mainly wireless communications – and industrial electronics sectors can be broken down into five main product groups: integrated enclosure systems, equipment racks, electronic modules, backplanes and cable assemblies.

Scanfil's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applying the IAS and IFRS effective on 31 December 2005 as well as the SIC and IFRIC interpretations. The "IFRS" refer 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. Scanfil adopted the IFRS on 1 January 2004, until which date statements were prepared under Finnish Accounting Standards (FAS). The company has applied the First-Time Adoption of IFRS, which permits certain exemptions from the retrospective application of individual standards at the transition stage. The most significant exemption is the use of book values of FAS financial statements as the book values of the consolidated goodwill in the opening balance sheet of the date of transition to IFRS.

The Group has applied the following new and revised standards and interpretations since 1 January 2007:

- IFRS 7 Financial Instruments: Disclosures. IFRS 7 requires the disclosure of notes regarding the significance of financial instruments for the entity's financial position and performance and on the nature and extent of risks arising from financial instruments.

The standard has increased the number of notes to the consolidated financial statements. New notes are mostly related to sensitivity analyses.

- Revised IAS 1 Presentation of Financial Statements – Capital Disclosures. Revised IAS 1 requires disclosures about the entity's capital level and management of capital during the financial period. These requirements have increased the number of notes to the consolidated financial statements.

- IFRIC 8 Scope of IFRS 2. IFRIC 8 applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. The Group has made no such arrangements for the financial period that ended 31 December 2007 or during any previous financial periods.

- IFRIC 9 Reassessment of Embedded Derivatives. According to IFRIC 9, reassessment of whether any embedded derivatives contained in the contract are required to be separated from the host contract is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows.

Adoption of this interpretation has not effected the consolidated financial statements.

- IFRIC 10 Interim Financial Reporting and Impairment. The interpretation prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument classified as available-for-sale or a financial asset carried at cost.

Principles of consolidation

In addition to Scanfil plc, the consolidated financial statements include all those companies in which the parent company has, directly or indirectly, more than 50 per cent of the votes or which the company controls in another way.

Intra-group shareholdings have been eliminated using the acquisition cost method, where only profit generated by subsidiaries after the acquisition date is included in Group equity. Business acquisitions made prior to the date of transition have not been restated, as the company has applied the relief permitted under IFRS 1 to handle business acquisitions in accordance with Finnish Accounting Standards. As of 1 January 2004, the amortisation of goodwill arising from such acquisitions has been replaced with annual impairment tests determining the value of goodwill.

Intra-group transactions, receivables and liabilities as well as internal margins related to inventories and internal sales of fixed assets have been eliminated.

Net profit for the financial period is divided into a share belonging to the equity holders of the parent company and a share belonging to the minority. Minority interest is reported as a separate component of equity.

Transactions in foreign currencies

Transactions in foreign currencies are recorded using the exchange rates ruling on the transaction dates. 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.

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 the differences attributable to the use of the acquisition cost method have been recorded in Group equity.

Revenue recognition

Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer and the amount of revenue can be measured reliably. 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 sold goods are included in other operating expenses.

Sales revenue from long-term projects is entered as income and expenses in accordance with the degree of completion of a project on the closing date when the outcome of the project can be determined reliably.

Grants

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 operates in one business sector only. The primary reporting format is geographical segments.

Pensions

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 Group's pension schemes are defined-contribution schemes. Only the disability pension under the Finnish TEL system was a defined-benefit scheme until the end of 2005.

Contributions related to defined-contribution pension schemes are recorded as expenses for the financial period in which they were paid.

Research and development costs

Research and development costs are recorded as expenses for the financial period in which they were incurred. Development costs as per IAS 38 (Intangible Assets) are capitalised and amortised over their useful lives. The Group has no capitalised research and development costs.

Leases
According to IAS 17, a lease is classified as a finance lease if it transfers substantially 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 will be recorded as financial expenses and reduction in liability. The Group has no finance leases.

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 cost less accumulated depreciation and any impairment losses. Depreciation is calculated 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 being held for sale in accordance with IFRS 5 Non-current assets Held for Sale and Discontinued Operations.

The planned depreciation periods are as follows:

Buildings and structures	10–50*
Machinery and equipment	3–10
Other tangible assets	5–10
Intangible assets	5–50**

* The depreciation period for buildings is 10–25 years, except for the building in Hungary, for which it is 50 years.
** 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
The Group's operations have been divided into cash-generating units (CGU) which are smaller than segments. The need for impairment is assessed regularly on 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 recognised when the carrying amount of an asset exceeds its recoverable amount. 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 in respect of goodwill is not reversed.

Investment property
Property that is not occupied, even partially, by the Group for its own activities, is classified as investment property. The Group had no investment properties during the period.

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 such 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 costs of inventories include purchase and conversion costs.

Financial assets
Based on IAS 39, the Group's financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and other receivables and available-for-sale investments. The classification is based on the intended use of the financial assets.

Financial assets at fair value through profit or loss are financial assets kept with an intention to sell.

Loans and other receivables are non-quoted contracts excluding derivative contracts with a fixed or definable payment date. Trade and other receivables are included in this class. Trade receivables are measured at cost less any impairment losses. The amount of uncertain receivables is estimated case-specifically. Credit losses are charged to the income statement.

Available-for-sales investments include public and non-quoted shares. Public shares are measured at fair value, which is the market price in force on the date of the financial statements. Changes in fair value are recorded in the revaluation reserve under equity until the investment is sold or otherwise transferred; changes in fair value are recorded in the income statement. Investments in non-quoted shares are stated at the lower of cost and probable realisable value if their fair values cannot be determined reliably.

On each date of the financial statements, impairment of the financial assets is evaluated.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and short-term bank deposits. Cash and cash equivalents are stated in the balance sheet at cost.

Financial liabilities
The Group's financial liabilities are stated at historical cost.

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. Provisions include, among others, restructuring costs. A restructuring provision is recorded when a detailed and appropriate plan has been drawn up and when there is a valid expectation that the restructuring will be carried out.

Taxation
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 book value and tax bases, based on tax rates for the following year that have been enacted by the balance sheet date.

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. In the consolidated financial statements, the parent company's accumulated depreciation difference is divided between shareholders' equity and deferred tax liability.

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 and generally accepted accounting principles requires 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.

When performing impairments tests, the Group's management has made assumptions and estimates in defining the value in use of cash-generating units. The sector in which the company operates is characterised by intense competition and thin profit margins.

The measurement of inventories and obsolescence risk assessment also involve estimates made by management. Inventories are mainly purchased based on forecasts provided by the company's customers, and sudden changes in demand may affect the saleability of inventories.

Even though the estimates are based on the most recent information available and management's best judgment, the actual outcome may differ from the estimates.

Amounts stated in thousands of euros
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.

Applying amended IFRS
The Group estimates that the currently known new interpretations or standards will not have a material impact on the Group's future financial statements; they will mainly affect the notes to the consolidated financial statements.
Scanfil will implement the following new or revised standards and new interpretations issued by IASB and affecting the consolidated financial statements in 2008 or later.

IASB has published the following new or revised standards and interpretations that have not come into force yet and that the Group has not applied. The Group will apply them as of the effective date of each standard or interpretation or, when the effective date is not the first date of the financial period, from the beginning of the next financial period.
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective date 1 March 2007). The new interpretation clarifies the accounting treatment of payments based on the entity's own equity instruments and requires the reassessment of such transactions in the subsidiary. The new interpretation will not have an effect on future consolidated financial statements.
- IFRIC 12 Service Concession Arrangements (effective date 1 January 2008). The Group does not have the kind of government contracts defined in the interpretation and the interpretation will not have an effect on future consolidated financial statements.
- IFRIC 13 Customer Loyalty Programmes (effective date 1 July 2008). The Group does not have the kind of customer loyalty programmes defined in the interpretation and the interpretation will not have an effect on future consolidated financial statements.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset (effective date 1 January 2008). The interpretation applies to post-employment employee benefits and other long-term employee benefits as defined in IAS-19 when a minimum funding requirement applies. The interpretation will not have an effect on future consolidated financial statements.
- IFRS 8 Operating Segments (effective date 1 January 2009). Under the new standard, segment reporting is based on the internal reporting of the entity's management and the accounting principles of such reporting. IFRS 8 requires disclosing information about the Group's products, services, geographical areas and major customers. The Group estimates that applying IFRS 8 mainly affects the way that segment information is given in the notes to the consolidated financial statements.
- Revised IAS 23 Borrowing Costs (effective date 1 January 2009). The standard requires that the acquisition cost of a qualifying asset includes the liability costs.
- Revised IAS 1 Presentation of Financial Statements (effective date 1 January 2009). The revised standard changes the presentation of financial statements. The revision affects mostly the presentation of the Group's income statement and the statement of changes in shareholders' equity.

Basic information about the company's operations

Segment

Segment reporting is based on the Group's organisational structure and reporting system. The Group's risks and profitability are primarily affected by the geographical location of operations and the location of markets. The geographical market areas differ from one another in terms of price level, competitive situation and the company's own resource investments. Geographical segments are based on the location of production plants' assets.

For management purposes, the Group has been divided globally into two functional geographical areas: Europe and Asia. The primary segment information reported is based on the geographical division. In Europe, the company is a contract manufacturer and systems supplier for the telecommunications and electronics industries. In addition, the company's operations are managed from Finland. Within the European Union, the company has production units in Finland, Hungary and Estonia. The Belgian operations were discontinued in 2006. In Asia, the operations are largely similar in nature, consisting of contract manufacturing. Nearly the entire production is sold in the Asian markets and the Group's other segments.

The assets of a segment include all assets used in the operations of that segment, consisting mainly of cash and cash equivalents, receivables, inventories, and property, plant and equipment, less provisions and deductions resulting from impairment. A majority of the assets can immediately be allocated to individual segments, but the carrying amount of certain assets used jointly by two or more segments has been allocated to segments on a reasonable basis. The liabilities of a segment include all liabilities related to operations, consisting mainly of trade payables, outstanding salaries and taxes as well as accrued liabilities.

Intersegment transactions: segment revenue, expenses and result include transactions between geographical segments. Such transactions have mainly been defined on the basis of competitive prices charged from external customers for similar products. The transactions are eliminated in consolidation.

EUR 1,000
1. Segment information

Geographical segments	**2007**	**Europe**	**Asia**	**Group**
Segment turnover		150 187	92 420	**242 607**
Intersegment turnover		-5 382	-12 609	**-17 991**
Total turnover				**224 617**
Operating profit		7 531	11 095	**18 626**
Segment assets		127 528	51 562	**179 090**
Goodwill		2 378		**2 378**
Total assets				**181 468**
Segment liabilities and provisions		26 634	13 767	**40 401**
Unallocated liabilities				**7 500**
Total liabilities				**47 901**
Capital expenditure		805	591	**1 396**
Depreciation and amortisation		4 713	2 450	**7 163**

	2006	**Europe**	**Asia**	**Group**
Segment turnover		188 061	72 480	**260 541**
Intersegment turnover		-6 307	-12 787	**-19 094**
Total turnover				**241 448**
Operating profit		4 895	6 465	**11 360**
Segment assets		116 675	45 598	**162 273**
Goodwill		2 396		**2 396**
Unallocated assets				**8 902**
Total assets				**173 572**
Segment liabilities and provisions		30 814	7 859	**38 673**
Unallocated liabilities				**7 500**
Total liabilities				**46 173**
Capital expenditure		6 453	2 047	**8 500**
Depreciation and amortisation		6 027	2 305	**8 332**

EUR 1,000	2007	2006
Turnover by location of customers		
Finland	96 160	104 465
Rest of Europe	56 161	68 597
Asia	66 681	60 383
USA	2 345	2 369
Other	3 270	5 634
Total	**224 617**	**241 448**

2. Other operating income

Proceeds from sale of property, plant and equipment	1 173	817
Repayment to fund		585
Rental income	136	104
Grants	37	64
Other	774	569
Total	**2 120**	**2 140**

3. Use of materials and supplies

Materials, supplies and goods		
Purchases during the period	148 084	163 905
Change in inventories	6 918	-1 661
Total	**155 002**	**162 244**

4. Employee benefit expenses

Salaries, wages and fees	23 389	29 476
Pension costs – defined-contribution schemes	4 017	6 048
Other indirect employee expenses	2 122	2 067
Total	**29 527**	**37 591**

Pension costs and other indirect employee expenses are not necessarily comparable from country to country.
The company does not have outstanding stock options.

Average number of Group employees during the period

Salaried employees		
Europe	192	221
Aasia	134	137
	326	**358**
Workers		
Eurooppa	840	1065
Asia	939	790
	1 779	**1 855**
Total	**2 105**	**2 213**

Management's employee benefits are reported in note 32, Related party transactions.

5. Depreciation, amortisation and impairment

Depreciation and amortisation by asset class		
Intangible assets		
Intangible rights	153	92
Other long-term expenses	157	154
Total	**310**	**246**
Property, plant and equipment		
Buildings	1 022	1 433
Machinery and equipment	5 775	6 584
Other tangible assets	56	69
Total	**6 853**	**8 086**

EUR 1,000	2007	2006

6. Other operating expenses

Other operating expenses include the following significant expense items:

Sales freight	3 028	3 290
Other variable expenses	3 227	3 793
External services	4 198	3 568
Rent and maintenance expenses	1 645	2 185
Travel, marketing and vehicle expenses	718	841
Other employee expenses	657	557
Belgium, non-recurring expense item due to discontinuation of production		7 600
Other operating expenses	2 334	1 848
Total	**15 806**	**23 681**

7. Financial income

Interest income from investments held to maturity	464	312
Dividend income from available-for-sale investments	1	0
Capital gains from available-for-sale investments, net	167	0
Exchange rate gains	224	787
Capital gains from financial assets at fair value through profit or loss	536	280
Change in fair value of financial assets at fair value through profit or loss	-350	108
Other financial income	426	233
Total	**1 468**	**1 720**

8. Financial expenses

Interest expenses for financial liabilities at fair value through profit or loss	334	550
Exchange rate losses	702	334
Other financial expenses	65	124
Total	**1 101**	**1 008**

9. Income taxes

Current tax	3 820	4 018
Deferred taxes	1 038	-170
Total	**4 858**	**3 848**

Reconciliation of tax expense in the income statement and taxes calculated at the tax rate applicable in Finland (26%):

Earnings before taxes	18 993	12 073
Taxes calculated at Finnish tax rate	4 938	3 139
Different tax rates of foreign subsidiaries	-1 637	-1 207
Non-deductible expenses	17	41
Non-deductible loss of subsidiary		2 009
Tax payable based on dividends to be paid at Estonian subsidiary	1 121	
Other items	420	-134
Taxes in income statement	**4 858**	**3 848**

10. Earnings per share

Net profit for the period attributable to equity holders of the parent company	14 134	8 225
Number of shares at end of the period (1,000)	58 716	58 714
Weighted average number of shares during the period (1,000)	58 716	59 557
Earnings per share (EPS) EUR	**0,24**	**0,14**

EUR 1,000	2007	2006

11. Property, plant and equipment

Land		
Cost at 1 Jan.	1 525	2 505
Additions		2
Transfer to non-current assets classified as held for sale		-925
Disposals		-60
Exchange rate differences	-6	3
Cost at 31 Dec.	**1 519**	**1 525**
Carrying amount at 31 Dec.	**1 519**	**1 525**
The value of land includes connection fees	119	119
Buildings		
Cost at 1 Jan.	22 700	35 576
Additions	2 799	2 460
Transfer to non-current assets classified as held for sale		-13 730
Disposals		-1 476
Exchange rate differences	-104	-130
Cost at 31 Dec.	**25 394**	**22 700**
Accumulated depreciation at 1 Jan.	-5 065	-9 040
Depreciation	-1 022	-1 432
Transfer to non-current assets classified as held for sale		4 717
Disposals		687
Exchange rate differences	10	4
Accumulated depreciation at 31 Dec.	**-6 076**	**-5 065**
Carrying amount at 31 Dec.	**19 318**	**17 635**
Machinery and equipment		
Cost at 1 Jan.	60 511	63 966
Additions	1 318	3 593
Disposals	-3 428	-5 992
Exchange rate differences	-996	-1 055
Cost at 31 Dec.	**57 405**	**60 511**
Accumulated depreciation at 1 Jan.	-39 992	-37 642
Depreciation	-5 775	-6 584
Disposals	3 231	3 974
Exchange rate differences	614	261
Accumulated depreciation at 31 Dec.	**-41 921**	**-39 992**
Carrying amount at 31 Dec.	**15 484**	**20 519**
Undepreciated cost of production machinery and equipment	15 385	18 947
Other tangible assets		
Cost at 1 Jan.	739	957
Additions	23	20
Transfer to non-current assets classified as held for sale		-182
Disposals		-51
Exchange rate differences	-8	-6
Cost at 31 Dec.	**754**	**739**
Accumulated depreciation at 1 Jan.	-561	-692
Depreciation	-56	-69
Transfer to non-current assets classified as held for sale		144
Disposals		48
Exchange rate differences	9	7
Accumulated depreciation at 31 Dec.	**-608**	**-561**
Carrying amount at 31 Dec.	**145**	**177**

EUR 1,000	2007	2006
Advance payments and construction in progress		
Cost at 1 Jan.	3 265	858
Additions	648	5 823
Disposals	-3 859	-3 416
Exchange rate differences	-21	0
Cost at 31 Dec.	**34**	**3 265**
Carrying amount at 31 Dec.	**34**	**3 265**
Total property, plant and equipment at 31 Dec.	**36 500**	**43 122**

12. Goodwill

	2007	2006
Goodwill		
Cost at 1 Jan.	2 527	2 517
Exchange rate differences	-18	10
Cost at 31 Dec.	**2 510**	**2 527**
Carrying amount at 31 Dec.	**2 510**	**2 527**
Allocation of goodwill and goodwill on consolidation to cash-generating units		
Scanfil Kft, Hungary	2 267	2 285
Other	243	243
Total	**2 510**	**2 527**

Annual impairment tests

Goodwill and goodwill on consolidation have been tested by comparing their carrying amounts and their estimated recoverable amounts. With respect to Hungary, the tested goodwill was EUR 2.3 million, fixed assets EUR 9.6 million and net working capital EUR 6.2 million. The time period used for cash flow projections is five years. Cash flows beyond that period are extrapolated using an estimated growth rate of 1%. The interest rate used is 8.4%.
The tests showed that there was no need for impairment.

The testing requires forecasts and assumptions regarding the growth of markets, prices, development of volumes and the general interest rate level. The most sensitive areas are the anticipated level of turnover and profitability.
A more than ten per cent decrease in the level of profitability may mean that goodwill has been impaired.

13. Other intangible assets

	2007	2006
Intangible rights		
Cost at 1 Jan.	2 185	2 160
Additions	425	73
Disposals	-7	
Exchange rate differences	93	-47
Cost at 31 Dec.	**2 697**	**2 185**
Accumulated amortisation at 1 Jan.	-1 600	-1 516
Amortisation	-153	-92
Disposals	7	
Exchange rate differences	-113	8
Accumulated amortisation at 31 Dec.	**-1 859**	**-1 600**
Carrying amount at 31 Dec.	**838**	**586**
Other long-term expenses		
Cost at 1 Jan.	848	778
Additions	8	99
Exchange rate differences	-18	-29
Cost at 31 Dec.	**838**	**848**
Accumulated amortisation at 1 Jan.	-423	-281
Amortisation	-157	-154
Exchange rate differences	11	12
Accumulated amortisation at 31 Dec.	**-569**	**-423**
Carrying amount at 31 Dec.	**269**	**425**
Total other intangible assets at 31 Dec.	**1 107**	**1 011**

EUR 1,000	2007	2006

14. Available-for-sale investments,

Cost at 1 Jan.	108	104
Additions		4
Disposals	-73	
Cost at 31 Dec.	**35**	**108**
Accumulated impairment at 1 Jan.	0	0
Accumulated changes in fair value at 1 Jan.	169	169
Change in fair value	-169	
Carrying amount at 31 Dec.	**35**	**277**

Available-for-sale investments consist of non-quoted shares and are stated at cost.
Shares in Pitäjänmäen Pienteollisuustalo Oy were sold in 2007. Capital gains of 167,000 euros have been included in the net profit or loss.

15. Receivables

Cost at 1 Jan.	211	261
Impairment		-50
Carrying amount at 31 Dec.	**211**	**211**

The subordinated loan included in loans and other receivables was granted in 2001 and it will mature on 30 June 2008.
The loan has a fixed interest rate of 10%. Interest was paid until 31 March 2002. Any interest accrued after that has not been recorded.
The company to which the loan was granted has reported three profitable periods in a row. A new payment schedule has been calculated for the loan, and the resulting cash flow has been discounted at an interest rate of 5%.
An impairment of EUR 50,000 was recorded in 2006.

16. Deferred tax assets and liabilities

Deferred tax assets		
Related to inventories	214	58
Provisions	82	105
Other	99	54
Total	**394**	**217**
Deferred tax liabilities:		
Accumulated depreciation difference	-985	-1 181
Fair value of investments		-91
Reversal of amortisation of assets classified as available-for-sale	-79	
Tax payable based on dividends to be paid at Estonian subsidiary	-1 197	
Other	-2	-123
Total	**-2 263**	**-1 395**

17. Inventories

Materials and supplies	22 952	29 869
Work in progress	6 059	6 046
Finished goods	4 612	5 443
Total	**33 623**	**41 357**

During the 2007 accounting period, EUR 2.1 million (EUR 1.8 million in 2006) was charged to expense to write down inventories to their net realisable value.

18. Trade and other receivables	**Fair value**		**Book value**	
	2007	**2006**	**2007**	**2006**
Trade receivables	50 398	39 883	50 398	39 883
Accrued income	675	579	675	579
Other	1 262	2 568	1 262	2 568
Total	**52 334**	**43 029**	**52 334**	**43 029**

Accrued receivables include receivables related to social insurance payments, advance payments and interests. Other receivables consist mainly of VAT receivables.

EUR 1,000		2007	2006
Age distribution of trade receivables			
Unmatured		42 327	31 394
Matured			
	1 - 30 days	5 666	6 821
	31 - 90 days	1 604	1 445
	91 - 180 days	237	128
	181 - 365 days	496	76
	over 1 year	68	19
Total		**50 398**	**39 883**

There is no significant risk of credit loss related to trade receivables. The balance sheet value is the maximum credit loss. The Group has recorded a credit loss of EUR 27,000 during the financial period (EUR 0 in 2006).

19. Financial assets at fair value through profit or loss

	2007	2006
Held for trading		8 553
Change in fair value		350
Total		**8 902**

20. Cash and cash equivalents

	2007	2006
Cash and bank balances	50 034	22 900
Total	**50 034**	**22 900**

Cash and cash equivalents included in the cash flow statement consist of the following:

	2007	2006
Cash and bank balances	50 034	22 900
Held for trading		8 902
Total	**50 034**	**31 802**

21. Non-current assets held for sale and discontinued operations

	2007	2006
Scanfil NV's plant property		3 481
Scanfil plc's Äänekoski plant property		1 883
Scanfil plc's Oulu plant property	4 611	4 611
Total	**4 611**	**9 976**

Scanfil NV's plant property and Scanfil Oyj's Äänekoski plant property were sold during the financial period. Capital gains from the sale of the properties were a total of EUR 0.8 million. The company is in the process of selling Scanfil Oyj's Oulu facilities.

22. Shareholders' equity

The following is a reconciliation of the number of shares:

	Number of shares 1000	Share capital	Share premium account	Treasury shares	Total
31.12.2005	59 714	15 179	16 089	-4 110	27 158
Acquisition of own shares	-1 000			-2 781	-2 781
31.12.2006	58 714	15 179	16 089	-6 890	24 377
Disposal of own shares	2			6	6
31.12.2007	**58 716**	**15 179**	**16 089**	**-6 884**	**24 383**

Shares and share capital
Scanfil plc has a total of 60,714,270 shares. The company's registered share capital is EUR 15,178,567.50, and the counter-book value of the shares is EUR 0.25. The shares have no nominal value. According to the Articles of Association, there shall be a minimum of 60,000,000 and a maximum of 240,000,000 shares.
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 right to receive dividends.

EUR 1,000	2007	2006

Scanfil plc's shares are quoted on the Main List of the Helsinki Stock Exchange. The shares have been publicly traded since 24 May 2000. The trading code of the shares is SCF1V. The shares are included in the book-entry system maintained by the Finnish Central Securities Depository Ltd.

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

Other reserves
Other reserves include transfers from retained earnings in accordance with the Articles of Association of foreign companies.

Fair value reserve
The fair value reserve includes changes in the fair value of available-for-sale investments.

Own shares and authorisations of the Board of Directors
On 31 December 2007, the company owned a total of 1,998,449 of its own shares with the total counter-book value of EUR 449,612 representing 3.3% of the company's share capital and of all voting shares.

On 12 April 2007, the Annual General Meeting authorised the Board of Directors to decide on repurchase of a maximum of 4,000,000 company shares using non-restricted equity and on the disposal of a maximum of 5,998,449 company shares.

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

Dividend
After the closing of the accounts, the Board of Directors has proposed a dividend of EUR 0.08/share and an additional dividend of EUR 0.04/share be paid.

23. Provisions

	2007	2006
Provisions at 1.1 Dec.	8 456	5 358
Additions to provisions		
Provision for restructuring in Belgium		7 600
Provisions for warranty costs and liability for materials	126	387
Provision for unemployment pensions	95	161
Used provisions	-1 635	-4 820
Reversal of unused provisions	-21	-230
Provisions at 31 Dec.	**7 021**	**8 456**

A provision of EUR 7.6 million was recognised in 2006 for the restructuring costs of the Belgian subsidiary Scanfil NV. During the 2007 financial period, a provision of EUR 0.1 million was recorded for warranties and EUR 0.1 million for the potential unemployment pension deductibles of persons made redundant as a result of employer/employee negotiations. Provisions were mainly used to pay the restructuring costs of Scanfil NV.

24. Interest-bearing liabilities	**Fair value**		**Book value**	
	2007	**2006**	**2007**	**2006**
Financial liabilities at fair value through profit or loss				
Bank loan	7 472	7 484	7 500	7 500
Total	**7 472**	**7 484**	**7 500**	**7 500**

The group has one fixed rate bank loan that falls due on 8 Jan 2008. The interest rate is 3.92 %. The weighted average interest rate of bank loans in 2006 was 3.49 %. The weighted average interest rate of other loans in 2006 was 1.00 %. The loan is in euros.

Liabilities fall due as follows:

	2007	2006
Financial liabilities at fair value through profit or loss		
Year 2007		150
Year 2008	7 798	7 798
Trade payables		
Year 2007		19 860
Year 2008	24 289	
Total	**32 086**	**27 809**

EUR 1,000	2007	2006

25. Short-term liabilities

	Fair value		Book value	
	2007	2006	2007	2006
Short-term liabilities				
Trade payables	24 289	19 860	24 289	19 860
Accrued liabilities	5 749	6 084	5 749	6 084
Advance payments received	72	452	72	452
Interest-bearing liabilities	7 472		7 500	
Other creditors	1 006	2 425	1 006	2 425
Total	**38 588**	**28 822**	**38 616**	**28 822**

	2007	2006
The most significant items included in accrued liabilities:		
Employee expenses	4 142	5 030
Direct taxes	719	639
Interests	144	144
Other accrued liabilities	745	271
Total	**5 749**	**6 084**

26. Cash flow statement adjustments

	2007	2006
Non-cash transactions		
Depreciation according to plan	7 163	8 332
Financial income and expenses	-367	-713
Taxes	4 858	3 848
Changes in provisions	-1 435	3 098
Other adjustments	-1 557	-961
Total	**8 662**	**13 605**
Changes in working capital		
Inc(-)/dec(+) in short-term non-interest bearing receivables	-10 524	13 774
Inc(-)/dec(+) in inventories	7 344	-1 233
Inc(+)/dec(-) in short-term non-interest-bearing liabilities	3 580	-9 630
Total change in working capital	**400**	**2 910**

27. 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. 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 caused by the changes in the USD/EUR exchange rates. Currency risks can be hedged with forward exchange contracts. The parent company is responsible for all hedging measures.
The financial statements at 31 December 2007 do not contain open forward exchange contracts.

Transaction risk

1000	USD risk for companies reporting in EUR 12.2007	12.2006	USD risk for companies reporting in RMB 12.2007	12.2006	EUR risk for companies reporting in RMB 12.2007	12.2006	EUR risk for companies reporting in EEK 12.2007	12.2006	EUR risk for companies reporting in HUF 12.2007	12.2006
Trade receivables	1	11	2645	1691	989	31	4547	3702	5050	4482
Trade payables	-727	- 829	-2355	- 914	-2580	- 1129	-1572	- 1336	-2367	- 1127
Balance sheet net risk	-725	- 818	290	776	-1861	- 1098	2975	2366	2683	3355

There is no significant transaction risk related to USD. A simultaneous weakening of RMB, EEK and HUF by 10% would cause a negative effect of approximately EUR 0.4 million.

Translation risk

As of 31 December 2007, some 2/3 of the Group equity is in EUR, a quarter in RMB and the remaining 10% in HUF and EEK. A weakening of 10% in the foreign currencies would have a negative effect of some EUR 5 million on the equity.
This position is not constant, but changes according to the company result and dividends paid.
In addition, the parent company has granted loans to subsidiaries in euros. The currency risk of these loans is related to the

EUR 1,000	2007	2006

In addition, the parent company has granted loans to subsidiaries in euros. The currency risk of these loans is related to the weakening of the local currency (EEK, HUF).
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. Pricing is adjusted continuously with most customers and the amount of long-term fixed pricing is not significant.

Interest rate risk
Interest-bearing liabilities and return on financial investments carry an interest rate risk.
The Group has significant financial assets and the changes in interest rate will affect the Group's result.
The interest rate risk related to loans is controlled by using a mix of floating and fixed rate loans. As of 31 December 2007, the Group's interest-bearing liabilities are only EUR 7.5 million.

Credit risk
The credit risks of trade receivables are the responsibility of business units. The company has no significant risk of credit loss. The five biggest customers represent 3/4 of the sales.
Investments can only be made in liquid, risk-free securities where the counterparty has a good credit rating.

Liquidity risk
Considering the Group's balance sheet structure, the liquidity risk is small. The Group's liquid cash reserve was EUR 50.0 million on 31 December 2007 (EUR 31.8 million in 2006). The parent company's treasury operations are responsible for the Group's liquidity. Effective cash management contributes to the management of liquidity.

28. Management of capital structure

The company is reviewing various options to make the management of capital structure more effective.
As of 31 December 2007, the Group's interest-bearing liabilities were EUR 7.5 million and equity ratio 73.6%.

29. Commitments and contingencies

	2007	2006
Mortgages to secure own debt		
Mortgages on property		6 208
Business mortgages	16 358	16 358
Total	**16 358**	**22 566**
Liabilities secured with mortgages		
Loans from financial institutions	7 500	7 500
Total	**7 500**	**7 500**
Guarantees given		
On behalf of parent company	84	84
On behalf of Group companies	600	600
Total	**684**	**684**

The parent company has given a EUR 7.8 million bank guarantee to secure the payment of contributions related to Scanfil NV's restructuring. Scanfil NV's balance sheet includes a corresponding provision.
With respect to trade receivables, the parent company has given a negative pledge to the creditor.

30. VAT repayment

	2007	2006
VAT- repayment		**762**

VAT deductions on the acquisition costs of buildings in 2002, which may involve a repayment obligation if the buildings are disposed of or they begin to be used for non-taxable purposes.

31. Other leases

Group as lessee
Minimum rents payable based on other non-cancellable leases:

	2007	2006
Within one year	289	287
In one to five years	402	200
Total	**691**	**486**

EUR 1,000	2007	2006

The Group owns nearly all of its production and office premises. Only Scanfil (Suzhou) Co., Ltd is operating in rented premises.
Most of its leases are valid until 28 February 2011. There is also a rented space of 2,287 sqm in Hungary until 11 June 2009.

32. Related party transactions

Group companies	Domicile	Group's ownership	Share of votes	Parent company's ownership
Scanfil plc, parent	Finland			
Scanfil (Suzhou) Co., Ltd	China	100 %	100 %	100 %
Scanfil Kft	Hungary	100 %	100 %	100 %
Scanfil Oü	Estonia	100 %	100 %	100 %
Scanfil NV	Belgium	100 %	100 %	99,99 %
Scanfil (Hangzhou) Co., Ltd.	China	100 %	100 %	100 %

Management's employee benefits
Salaries and other short-term employee benefits

	2007	2006
President of the parent company	160	215
Board of Directors and Presidents of subsidiaries	448	589
Total	**608**	**804**

Salaries paid to the President and Board members in 2007

Jorma J. Takanen	Chairman of the Board	82
Veli Torvinen	President untill 14 May 2007	86
Harri Takanen	President from 15 May 2007	74
Asa-Matti Lyytinen	Board member	18
Tuomo Lähdesmäki	Board member	18
Reijo Pöllä	Board member	18
Jarkko Takanen	Board member	18
Total		**315**

The company has not had any related party transactions.

Employee incentive schemes
In 2006, Scanfil plc's Board of Directors decided to reward the Group's management and key employees through a profit-sharing scheme.
The members of the Group's Management Team are covered by a share-based scheme, in which the targets to be met are set on an annual basis. The structure of the plan is also approved annually. Half of the bonuses are paid in the form of the company's shares, while the other half is transferred to the person's bonus bank. Shares obtained through the plan must be held for a minimum of one year. Any new bonuses received in the subsequent years are added to the bonus bank and half of the total amount is paid as shares. When the person's employment ends, the amount contained in the bonus bank is annulled.
The number of shares granted is calculated using the share's closing rate on the day the financial statements are released. The shares are issued from treasury shares held by the company.

Other key employees of the Group are included in a cash-based scheme, in which bonuses are based on individual performance targets.
In 2007, profit-related bonuses amounted to approximately EUR 0.1 million.

Key financial indicators	2007	2006	2005	2004	2003
	---------------- IFRS		----------------		FAS
Turnover, EUR m	224,6	241,4	321,6	313,4	275,2
Turnover, growth from previous year, %	-7,0	-24,9	2,6	13,9	16,1
Operating profit, EUR m	18,6	11,4	27,3	28,2	25,2
Operating profit, % of turnover	8,3	4,7	8,5	9,0	9,2
Earnings before extraordinary items and taxes, EUR m	19,0	12,1	26,8	28,1	24,8
Earnings before extraordinary items and taxes, % of turnover	8,5	5,0	8,3	9,0	9,0
Earnings before taxes, EUR m	19,0	12,1	26,8	28,1	24,8
Earnings before taxes, % of turnover	8,5	5,0	8,3	9,0	9,0
Profit/loss for the period, EUR m	14,1	8,2	21,5	21,8	17,8
Non-current assets, EUR m	40,8	47,4	60,8	60,8	67,3
Inventories, EUR m	33,6	41,4	40,8	41,4	36,2
Receivables, EUR m	52,3	43,1	58,2	70,1	69,0
Liquid cash assets, EUR m	50	31,8	37,8	34,5	20,1
Non-current assets held for sale	4,6	10,0			
Share capital, EUR m	15,2	15,2	15,2	15,2	15,2
Other equity, EUR m	118,4	112,2	115,9	104,3	98,9
Minority interest, EUR m				3,4	1,9
Provisions, EUR m	6,9	8,5	5,3	5,8	0,4
Long-term liabilities, EUR m	2,3	8,9	19,6	20,0	23,2
Short-term liabilities, EUR m	38,7	28,8	41,7	58,3	53,0
Balance sheet total, EUR m	181,5	173,6	197,7	206,9	192,7
Return on equity, %	10,8	6,4	17,0	18,4	16,2
Return on investment, %	14,1	9,0	18,6	19,8	19,7
Interest-bearing liabilities, EUR m	7,5	7,5	17,9	25,4	26,9
Gearing, %	-31,8	-19,1	-15,2	-7,5	5,8
Equity ratio, %	73,6	73,6	66,5	59,4	60,2
Gross investments in fixed assets, EUR m	1,4	8,5	9,2	6,7	23,7
Gross investments in fixed assets, % of turnover	0,6	3,5	2,9	2,1	8,6
Average number of employees for the period	2 105	2 213	2 354	2 115	1 580
Key indicators per share					
Earnings per share, EUR	0,24	0,14	0,36	0,35	0,29
Shareholders' equity per share, EUR	2,27	2,17	2,19	1,97	1,88
Dividend per share, EUR	0,12	0,10	0,10	0,18	0,21
Dividend per earnings, %	49,8	72,4	28,1	50,7	71,6
Effective dividend yield, %	6,15	4,22	2,28	3,93	3,78
Price-to-earnings ratio (P/E)	8,1	17,2	12,3	12,9	19,0
Share trading					
No. of shares traded, thousands	8 947	20 401	14 184	17 410	3 453
Percentage of total shares, %	14,7	33,6	23,4	28,7	5,7
Share performance					
Lowest price for year, EUR	1,92	2,30	3,40	4,41	2,50
Highest price for year, EUR	2,49	4,67	4,89	6,44	6,40
Average price for year, EUR	2,19	3,47	4,19	5,28	4,21
Price at the end of year, EUR	1,95	2,37	4,38	4,58	5,56
Market value of share capital at 31 Dec. 2006, EUR m	118,4	143,9	265,9	281,1	337,6
Share-issue adjusted number of shares					
At the end of the period, thousands	58 716	58 714	59 714	60 714	60 714
On average during the period, thousands	58 716	59 557	60 441	60 714	60 714

CALCULATION OF KEY INDICATORS

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

PARENT COMPANY

EUR 1,000	Note	1.1.-31.12.2007	1.1.-31.12.2006
TURNOVER	1	108 745	139 337
Changes in inventories of finished goods and work in progress		-316	-1 284
Production for own use			32
Other operating income	2	2 020	1 590
Use of materials and supplies	3	-74 465	-94 085
Employee benefit expenses	4	-20 845	-26 453
Depreciation and amortisation expense	5	-3 410	-3 985
Other operating expenses	6	-4 539	-4 924
OPERATING PROFIT		**7 190**	**10 228**
Financial income	7	12 243	6 045
Financial expenses	7	-1 498	-3 299
PROFIT BEFORE EXTRAORDINARY ITEMS, APPROPRIATIONS AND TAXES		**17 936**	**12 974**
Appropriations	5	734	1 268
Income taxes	8	-2 258	-3 078
NET PROFIT FOR THE PERIOD		**16 412**	**11 164**

PARENT COMPANY

EUR 1,000	Note	31.12.2007	31.12.2006
ASSETS			
FIXED ASSETS			
Intangible assets	10		
Intangible rights		386	107
Other long-term expenses		135	206
		521	313
Tangible assets	9		
Land		1 041	1 195
Buildings and structures		11 937	14 521
Machinery and equipment		3 903	5 861
Other tangible assets		95	130
Advance payments and construction in progress		4	527
		16 979	22 234
Investments			
Holdings in Group companies	11	39 801	40 762
Other shares and holdings	12	35	108
Other receivables	13	261	261
		40 097	41 131
TOTAL FIXED ASSETS		**57 597**	**63 678**
CURRENT ASSETS			
Inventories	15	16 350	18 019
Long-term receivables			
Deferred tax assets	14	67	42
Receivables from Group companies	16	6 700	11 200
		6 767	11 242
Short-term receivables			
Trade receivables		23 291	21 469
Receivables from Group companies	16	12 327	8 735
Other receivables		3	4
Accrued income		362	56
		35 984	30 265
Marketable securities	17		8 902
Cash and cash equivalents	18	32 087	3 366
TOTAL CURRENT ASSETS		**91 188**	**71 794**
TOTAL ASSETS		**148 785**	**135 471**

EUR 1,000	Note	31.12.2007	31.12.2006
LIABILITIES			
SHAREHOLDERS' EQUITY	19		
Share capital		15 179	15 179
Share premium account		16 089	16 089
Retained earnings		66 683	61 388
Profit for the period		16 412	11 164
TOTAL SHAREHOLDERS' EQUITY		**114 363**	**103 819**
ACCRUED APPROPRIATIONS			
Depreciation difference	20	3 788	4 523
MANDATORY RESERVES	21	256	161
LIABILITIES			
Long-term			
Deferred tax liabilities	14		91
Loans from financial institutions	22		7 500
			7 591
Short-term			
Loans from financial institutions		7 500	
Advances received		1	
Trade payables		8 222	9 448
Liabilities to Group companies	23	9 958	3 538
Other creditors		622	1 327
Accrued liabilities	23	4 075	5 065
		30 377	19 378
TOTAL LIABILITIES		**30 377**	**26 969**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**148 785**	**135 471**

PARENT COMPANY

EUR 1,000	Note	2007	2006
Cash flow from operating activities			
Profit for the period		16 412	11 164
Adjustments	24	-6 504	2 716
Change in working capital	24	-1 013	2 428
Interest paid		-679	-625
Interest received		1 369	742
Taxes paid		-2 363	-4 429
Net cash flow from operating activities		**7 224**	**11 995**
Cash flow from investing activities			
Investments in tangible and intangible assets		-346	-689
Proceeds from sale of tangible and intangible assets		2 476	1 378
Loans granted			-7 000
Other investments			-4
Repayment of loans receivable			11
Proceeds from sale of other investments		240	0
Acquired subsidiaries		-358	-312
Dissolved subsidiaries		2 451	
Dividend received from investments		8 864	4 995
Net cash flow from investing activities		**13 327**	**-1 621**
Cash flow from financing activities			
Acquisition of own shares			-2 781
Short-term loans raised		8 000	600
Repayment of short-term loans		-2 510	
Repayment of long-term loans			-10 372
Dividends paid		-5 872	-5 971
Net cash flow from financing activities		**-382**	**-18 525**
Change in cash and cash equivalents		**20 169**	**-8 150**
Cash and cash equivalents at 1 Jan.		12 268	20 311
Change in fair value of marketable securities		-350	108
Cash and cash equivalents at 31 Dec.	18	**32 087**	**12 268**

PARENT COMPANY ACCOUNTING POLICIES

Scanfil plc is a Finland-based public limited company domiciled in Sievi. 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.
The most significant differences between the parent company's and the Group's accounting policies concern the following:

Parent company goodwill
The parent company's goodwill is amortised according to plan. The amortisation period is five years. The goodwill was fully amortised in 2005.

Property, plant and equipment
Non-current assets classified as held for sale are included in fixed assets, and their depreciation will continue normally.

Securities and other investments
Investments are valued at the lower of cost and probable realisable value.

EUR 1,000	2007	2006

1. Turnover by location of customers

Finland	80 634	100 551
Rest of Europe	18 513	25 313
Asia	8 762	11 351
USA	630	1 996
Other	206	126
Total	**108 745**	**139 337**

2. Other operating income

Proceeds from sale of property, plant and equipment	614	191
Rental income	84	28
Expenses invoiced from Group companies	1 194	1 139
Grants	37	64
Other	92	167
Total	**2 020**	**1 590**

3. Materials and services

Materials and supplies		
Purchases during the period	69 966	90 319
Change in inventories	1 353	1 264
	71 319	**91 584**
External services	3 146	2 502
Total	**74 465**	**94 085**

4. Employee expenses

Salaries, wages and fees	16 701	20 862
Indirect employee expenses		
Pension costs	2 818	3 601
Other indirect employee expenses	1 326	1 990
Total	**20 845**	**26 453**

The pension costs are based on defined-contribution schemes. The company does not have outstanding stock options.

Average number of employees during the period

Salaried employees	120	145
Workers	450	607
Total	**570**	**752**

Management's employee benefits are reported in note 27.

EUR 1,000	2007	2006

5. Depreciation, amortisation and impairment

Depreciation and amortisation by asset class		
Intangible assets		
Intangible rights	119	61
Other long-term expenses	71	71
Total	**190**	**132**
Property, plant and equipment		
Buildings	1 015	1 120
Machinery and equipment	2 173	2 698
Other tangible assets	33	35
Total	**3 221**	**3 853**
Change in depreciation difference		
Intangible rights	2	3
Buildings and structures	3	363
Machinery and equipment	733	901
Other tangible assets	-3	2
Total	**734**	**1 268**

6. Other operating expenses

Other operating expenses include the following significant expense items:

Sales freight	703	865
Other variable expenses	1 322	1 550
Rent and maintenance expenses	812	976
Travel, marketing and vehicle expenses	455	539
Other employee expenses	236	292
Other operating expenses	1 011	703
Total	**4 539**	**4 924**

7. Financial income and expenses

Dividend income		
From Group companies	8 863	4 995
Other	1	0
Total	**8 864**	**4 995**
Proceeds from long-term investments		
From Group companies	**1 732**	
Capital gains and losses from available-for-sale investments		
Capital gains	**167**	**0**
Interest income		
From Group companies	596	290
Other	619	269
Total	**1 215**	**559**
Capital gains and losses from financial assets at fair value through profit or loss	**536**	**280**
Change in fair value of financial assets at fair value through profit or loss	**-350**	**108**
Impairment of investments in fixed assets		
Investments in Group companies	**-600**	**-2 550**

EUR 1,000	2007	2006
Interest expense		
To Group companies	-266	-64
Other	-299	-550
Total	**-564**	**-614**
Other financial expenses		
Other	**-38**	**-3**
Exchange rate gains and losses		
Exchange rate gains	79	103
Exchange rate losses	-296	-132
Total	**-217**	**-29**
Total financial income and expenses	**10 746**	**2 746**

8. Income taxes

Current tax	2 374	3 022
Change in deferred tax liabilities	-116	56
Total	**2 258**	**3 078**

9. Property, plant and equipment

Land		
Cost at 1 Jan.	1 195	1 253
Additions		2
Disposals	-154	-60
Cost at 31 Dec.	**1 041**	**1 195**
Carrying amount at 31 Dec.	**1 041**	**1 195**
The value of land includes connection fees	176	203
Buildings		
Cost at 1 Jan.	22 531	23 916
Additions		81
Disposals	-3 328	-1 466
Cost at 31 Dec.	**19 203**	**22 531**
Accumulated planned depreciation	-8 010	-7 573
Planned depreciation for the period	-1 015	-1 120
Accumulated planned depreciation of disposals	1 758	683
Carrying amount at 31 Dec.	**11 937**	**14 521**
Machinery and equipment		
Cost at 1 Jan.	33 371	34 150
Additions	310	323
Disposals	-1 853	-1 102
Cost at 31 Dec.	**31 828**	**33 371**
Accumulated planned depreciation	-27 510	-25 781
Planned depreciation for the period	-2 173	-2 698
Accumulated planned depreciation of disposals	1 758	969
Carrying amount at 31 Dec.	**3 903**	**5 861**
Undepreciated cost of production machinery and equipment	3 571	5 282
Other tangible assets		
Cost at 1 Jan.	555	585
Disposals	-27	-30
Cost at 31 Dec.	**528**	**555**
Accumulated planned depreciation	-425	-420
Planned depreciation for the period	-33	-35
Accumulated planned depreciation of disposals	24	30
Carrying amount at 31 Dec.	**95**	**130**

EUR 1,000	2007	2006
Advance payments and construction in progress		
Cost at 1 Jan.	527	122
Additions	81	413
Disposals.	-604	-7
Cost at 31 Dec.	**4**	**527**
Carrying amount at 31 Dec.	**4**	**527**

10. Intangible assets

Intangible rights		
Cost at 1 Jan.	1 248	1 182
Additions	398	66
Disposals	-1	
Cost at 31 Dec.	**1 644**	**1 248**
Accumulated planned amortisation	-1 141	-1 080
Planned amortisation for the period	-119	-61
Accumulated amortisation of disposals	1	
Carrying amount at 31 Dec.	**386**	**107**
Other long-term expenses		
Cost at 1 Jan.	432	394
Additions		39
Cost at 31 Dec.	**432**	**432**
Accumulated planned amortisation	-226	-155
Planned amortisation for the period	-71	-71
Carrying amount at 31 Dec.	**135**	**206**

11. Investments

Shares in Group companies		
Cost at 1 Jan.	40 762	43 000
Additions	358	312
Disposals	-719	
Impairment	-600	-2 550
Cost at 31 Dec.	**39 801**	**40 762**
Carrying amount at 31 Dec.	**39 801**	**40 762**

Group companies	**Group share** %	**Parent company share** %	**Parent company carrying amount**
Scanfil (Suzhou) Co., Ltd, China	100	100	3 591
Scanfil KFT, Hungary	100	100	8 105
Scanfil Oü, Estonia	100	100	2 828
Scanfil NV, Belgium	100	99,99	1 850
Scanfil (Hangzhou) Co., Ltd, China	100	100	23 427
			39 801

12. Other shares and holdings

Cost at 1 Jan.	108	104
Additions		4
Disposals.	-73	
Cost at 31 Dec.	**35**	**108**
Carrying amount at 31 Dec.	**35**	**108**

Available-for-sale investments consist of telephone and golf shares. Shares in Pitäjänmäen Pienteollisuustalo Oy were sold in 2007.

EUR 1,000	2007	2006

13. Other receivables

Cost at 1 Jan.	261	261
Carrying amount at 31 Dec.	**261**	**261**

The subordinated loan was granted in 2001, and it will mature on 30 June 2008.
The loan has a fixed interest rate of 10%. Interest was paid until 31 March 2002. Any interest accrued after that has not been recorded.
The company to which the loan was granted has reported three profitable periods in a row. A new payment schedule has been calculated for the loan.

14. Deferred tax assets and liabilities

Deferred tax assets:		
Provisions	67	42
Deferred tax liabilities:		
Fair value of investments		-91

15. Inventories

Materials and supplies	10 536	11 889
Work in progress	4 097	3 570
Finished goods	1 717	2 560
Total	**16 350**	**18 019**

16. Receivables from Group companies

Long-term receivables		
Loans receivable	**6 700**	**11 200**
Short-term receivables		
Trade receivables	3 873	5 068
Accrued income	448	163
Loans receivable	8 000	3 500
Other	6	5
Total	**12 327**	**8 735**

17. Marketable securities

Bond funds		
Fair value		8 902
Change in fair value recorded in income statement	-350	108

18. Cash and cash equivalents

Cash and bank balances	32 087	3 366
Total	**32 087**	**3 366**

Cash and cash equivalents included in the cash flow statement consist of the following:

Cash and bank balances	32 087	3 366
Bond funds		8 902
Total	**32 087**	**12 268**

19. Shareholders' equity

Share capital		
Share capital at 1 Jan.	15 179	15 179
Share capital at 31 Dec.	**15 179**	**15 179**
Share premium account		
Share premium account at 1 Jan.	16 089	16 089

EUR 1,000	2007	2006
Share premium account at 31 Dec.	**16 089**	**16 089**
Retained earnings		
Retained earnings/loss at 1 Jan.	72 551	70 140
Dividends	-5 874	-5 971
Acquistion/distribution of company's own shares	6	-2 781
Retained earnings at 31 Dec.	**66 683**	**61 388**
Profit for the period	**16 412**	**11 164**
Unrestricted shareholders' equity at 31 Dec.	**83 096**	**72 551**
Shareholders' equity at 31 Dec.	**114 363**	**103 819**
Calculation of distributable funds at 31 Dec.		
Retained earnings	66 683	61 388
Profit for the period	16 412	11 164
Total	**83 096**	**72 551**

Shares and share capital

Scanfil plc has a total of 60,714,270 shares. The company's registered share capital is EUR 15,178,567.50, and the counter-book value of the shares is EUR 0.25. The shares have no nominal value. According to the Articles of Association, there shall be a minimum of 60,000,000 and a maximum of 240,000,000 shares.

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 right to receive dividends.

Scanfil plc's shares are quoted on the Main List of the Helsinki Stock Exchange. The shares have been publicly traded since 24 May 2000. The trading code of the shares is SCF1V. The shares are included in the book-entry system maintained by the Finnish Central Securities Depository Ltd.

Own shares and authorisations of the Board of Directors

On 31 December 2007, the company owned a total of 1,998,449 of its own shares with the total counter-book value of EUR 449,612 representing 3.3% of the company's share capital and of all voting shares.

On 12 April 2007, the Annual General Meeting authorised the Board of Directors to decide on repurchase of a maximum of 4,000,000 company shares using non-restricted equity and on the disposal of a maximum of 5,998,449 company shares.

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

Dividend

After the closing of the accounts, the Board of Directors has proposed a dividend of EUR 0.08/share and an additional dividend of EUR 0.04/share be paid.

20. Depreciation difference by balance sheet item at the end of the period

Accumulated depreciation difference, intangible rights		2
Accumulated depreciation difference, buildings	3 570	3 573
Accumulated depreciation difference, machinery and equipment	199	932
Accumulated depreciation difference, other tangible assets	19	16
Total	**3 788**	**4 523**

21. Provisions

Provisions at 1 Jan.	161	270
Additions to provisions	95	161
Used provisions		-40
Reversal of unused provisions		-230
Provisions at 31 Dec.	**256**	**161**

In 2007, a provision of EUR 95,000.00 was recorded relating to the potential unemployment pension deductibles of persons made redundant as a result of employer/employee negotiations. In 2006, the provision was EUR 161,000.00.

In 2005, the parent company recorded a provision of EUR 270,000.00 related to potential liability for materials. During the period, EUR 230,000.00 of this provision was recognised as income because it had not been used.

EUR 1,000	2007	2006

22. Interest-bearing liabilities

Long-term		
Loans from financial institutions		**7 500**
Short-term		
Loans from financial institutions	7 500	
Liabilities to Group companies	8 000	2 510
Total	**15 500**	**2 510**

Long-term liabilities fall due as follows:

Year 2008	15 500	7 500
Total	**15 500**	**7 500**

The loans are in euros.

The weighted average interest rates of interest-bearing long-term liabilities were as follows:

Bank loans including interest rate swaps	3,92%	3,49%
Other		1,00 %
Liabilities to Group companies	4,00%	

23. Short-term liabilities

Liabilities to Group companies		
Loans	8 000	2 510
Trade payables	1 863	897
Accrued liabilities and other short-term liabilities	95	130
Total	**9 958**	**3 538**
The most significant items included in accrued liabilities		
Employee expenses	3 381	4 494
Direct taxes	294	283
Interests	144	144
Other accrued liabilities	256	144
Total	**4 075**	**5 065**

24. Cash flow statement adjustments

Non-cash transactions		
Depreciation according to plan	3 410	3 985
Financial income and expenses	-10 746	-2 746
Taxes	2 258	3 078
Changes in provisions	-639	-1 377
Other adjustments	-787	-224
Total	**-6 504**	**2 716**
Changes in working capital		
Inc(-)/dec(+) in short-term non-interest-bearing receivables	-919	8 600
Inc(-)/dec(+) in inventories	1 669	2 549
Inc(+)/dec(-) in short-term non-interest-bearing liabilities	-1 763	-8 721
Total change in working capital	**-1 013**	**2 428**

25. Commitments and contingencies

Mortgages to secure own debt		
Mortgages on property		6 208
Business mortgages	16 358	16 358
Total	**16 358**	**22 566**

EUR 1,000	2007	2006
Liabilities secured with mortgages		
Loans from financial institutions	**7 500**	**7 500**
Guarantees given		
On behalf of parent company	84	84
On behalf of Group companies	8 379	8 834
Total	**8 463**	**8 918**

The parent company has given a EUR 7.8 million bank guarantee to secure the payment of contributions related to Scanfil NV's restructuring. Scanfil NV's balance sheet includes a corresponding provision.
With respect to trade receivables, the parent company has given a negative pledge to the creditor.

26. VAT repayment

VAT- repayment		**762**

VAT deductions on the acquisition costs of buildings in 2002, which may involve a repayment obligation if the buildings are disposed of or they begin to be used for non-taxable purposes.

27. Management's employee benefits

Salaries and other short-term employee benefits		
President of the parent company	160	215
Board of Directors and Presidents of subsidiaries	448	589
Total	**608**	**804**

Salaries paid to the President and Board members in 2007

Jorma J. Takanen	Chairman of the Board	82
Veli Torvinen	President untill 14 May 2007	86
Harri Takanen	President since 15 May 2007	74
Asa-Matti Lyytinen	Board member	18
Tuomo Lähdesmäki	Board member	18
Reijo Pöllä	Board member	18
Jarkko Takanen	Board member	18
Total		**315**

The company has not had any related party transactions

28. Information on shares and shareholders

On 31 December 2007, Scanfil plc had a total of 3,587 shareholders, 39.6 % of whom owned a maximum of 200 shares in the company. The ten major shareholders owned 74.9 % of the shares. Nominee-registered shares accounted for 4.7 %.

Breakdown of share ownership

Breakdown of share ownership by number of shares held at 31 Dec. 2007

Number of shares	Number of shareholders pcs	Percentage of shares %	Total number of shares and votes pcs	Percentage of shares and votes %
1 - 200	1 420	39,59	249 127	0,41
201 - 1000	1 163	32,42	703 598	1,16
1001 - 2000	381	10,62	613 088	1,01
2001 - 10000	467	13,02	2 149 398	3,54
10001 - 100000	125	3,49	3 190 073	5,25
100001 - 99999999	31	0,86	53 808 986	88,63
Total	**3 587**	**100**	**60 714 270**	**100**

Breakdown of share ownership by owner category at 31 Dec. 2007

	Number of shareholders	share %	Number of shares	share %
Corporations	232	6,47	3 802 687	6,26
Financial and insurance institutions	23	0,64	3 873 291	6,38
Public entities	6	0,17	1 201 000	1,98
Non-profit-making organisations	11	0,31	2 024 451	3,33
Households	3 304	92,11	49 505 156	81,54
Non-Finnish owners	11	0,31	307 685	0,51
Total	**3 587**	**100**	**60 714 270**	**100**
of which nominee-registered	6		2 861 615	4,71

Information on shareholders

Major shareholders at 31 Dec. 2007

	pcs	Percentage of shares and votes
1. Takanen Jorma	17 596 305	28,98
2. Kotilainen Eero	7 273 109	11,98
3. Takanen Harri	3 880 276	6,39
4. Takanen Jonna	3 251 950	5,36
5. Pöllä Reijo	3 125 455	5,15
6. Takanen Jarkko	2 577 169	4,24
7. Scanfil Oyj	1 998 449	3,29
8. Takanen Martti	1 954 218	3,22
9. Nordea Pankki Suomi Oyj	1 919 356	3,16
10. Riitta ja Jorma J. Takasen säätiö	1 900 000	3,13

Shares held by management

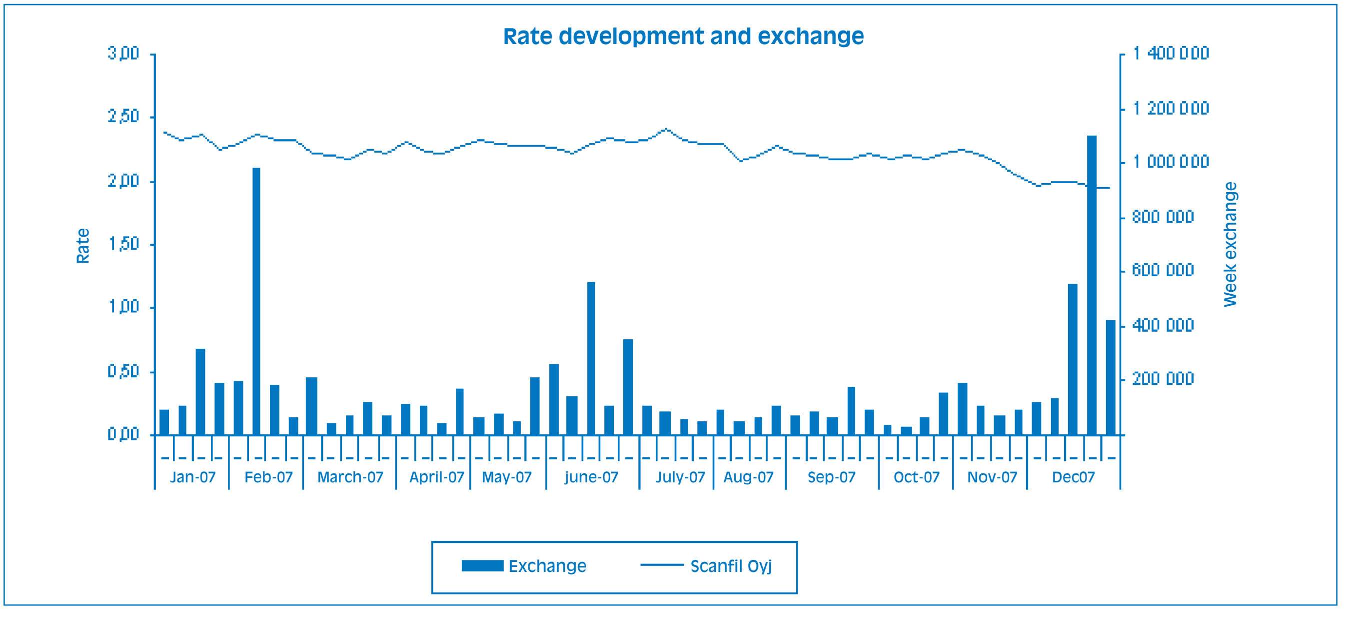
On 31 December 2007, the members of the Board of Directors and the President of Scanfil plc owned a total of 27,193,205 shares, which accounts for 44.8 % of the company's shares and votes.

29. Dividend distribution policy

The company aims to pay dividend annually. The amount of dividends paid and the date of payment are affected by, among other things, the Group's performance, financial position, need for capital and other potential factors. The aim is to distribute approximately one-third of the Group's annual profit as dividend to shareholders.

30. Share price development, trading and market value

In 2007, the number of Scanfil plc shares traded in the Helsinki Stock Exchange was 8,947,228, which accounts for 14.7 % of all shares. The value of shares traded was EUR 19,6 million and the average price EUR 2.19. At the end of 2007, the market value of the shares was EUR 118,4 million. The highest trading price was EUR 2.49 and the lowest EUR 1.92.
The closing price was EUR 1.95.



BOARD OF DIRECTORS PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The parent company's distributable funds total EUR 83,095,584.95.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.12 per share be paid for the financial period ended 31 December 2007, i.e. a total of EUR 7,045,898.52.

SIGNATURES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS

Sievi, 14 February 2008

Jorma J. Takanen
Chairman of the Board

Asa-Matti Lyytinen

Reijo Pöllä

Jarkko Takanen

Tuomo Lähdesmäki

Harri Takanen
President

AUDITORS´ REPORT

To the shareholders of Scanfil Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Scanfil Oyj for the period 2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Limited Liability Companies Act.

Consolidated financial statements
In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration
In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Limited Liability Companies Act.

Helsinki 20.2.2008

KPMG OY AB

Ari Ahti
Authorized Public Accountant