SCANFIL ANNUAL REPORT 2013

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FOR SHAREHOLDERS

Annual General Meeting

The Annual General Meeting of Scanfil plc will be held on Tuesday 8 April 2014 at 10.30 a.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 27 March 2014 at the latest as shareholders in the register of Scanfil plc's shareholders kept by Euroclear Finland Ltd. In order to be able to attend the Annual General Meeting, shareholders shall register with the company by 4 p.m. 3 April 2014 at the latest, either in writing to the address Scanfil plc, Yritystie 6, 85410 Sievi, Finland, by telephone, on + 358 – 8 – 4882 111 or by e-mail agm@scanfil.com

When registering by post, the letter shall have arrived before the end of the registration period. Possible proxy documents should be delivered in originals before the last date for registration.

Payment of dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.05 be paid from the unrestricted shareholders' equity per share, for a total of EUR 2,886,521.95

The record date for payment of dividend shall be 11 April 2014 and the date of payment of dividend 23 April 2014. Dividend shall be paid to shareholders who on the record date are entered in the register of the company's shareholders kept by the Euroclear Finland Ltd.

Financial information

In 2014, Scanfil plc will be publishing the following financial reviews:

- Financial statement bulletin 25.02.2014
- Annual report week 12/2014
- Interim Report for January–March 30.4.2013
- Interim Report for January–June 5.8.2014
- Interim Report for January–September 29.10.2014

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

Register of shareholders

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

Scanfil plc is an international contract manufacturer of professional electronics and telecommunications systems

Scanfil plc is a listed (NASDAQ OMX, Helsinki, SCL1V) international contract manufacturer and system supplier for the telecommunications and electronics industry. The company has nearly 40 years of experience in demanding contract manufacturing. Its customers include internationally operating professional electronics and telecommunications systems manufacturers.

The most important telecommunications products of the company include equipment systems for mobile and telecommunications networks, their integration and the assembly and testing of modules related to them.

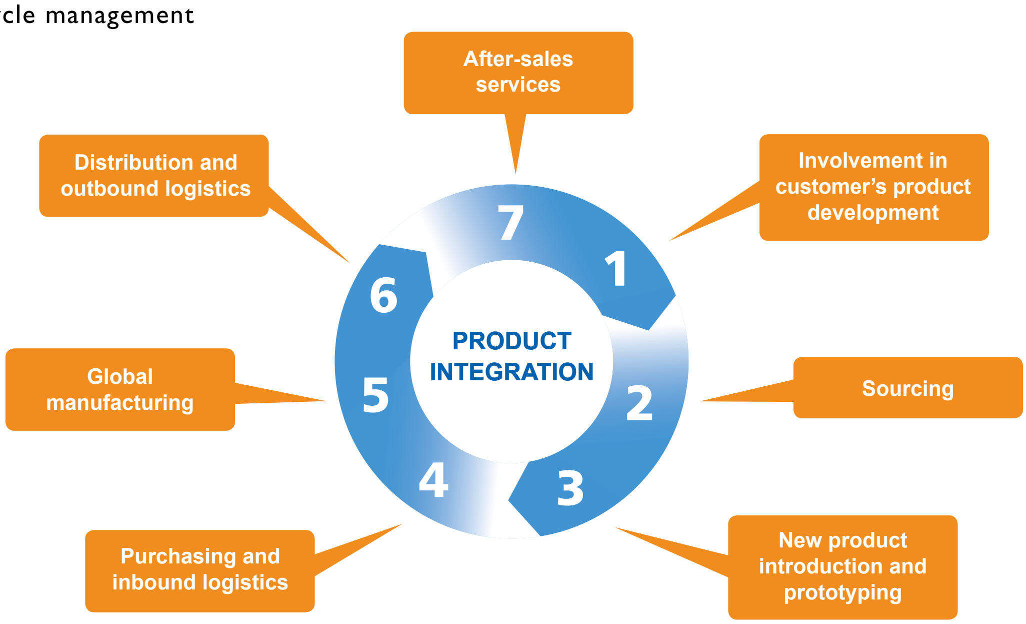
Professional electronics products include fully assembled and tested devices, electronic modules, backplanes and assembled circuit boards, as well as cable products. Typical final products for professional electronics include modules for automation systems, frequency converters, lift control systems, analysers, slot machines, passport photo machines, automatic laundry machines and different meteorological instruments.

In addition to actual product manufacturing, Scanfil offers its customers a complete service package and supply chain management for the product's entire lifecycle.

Global manufacturing

The head office of Scanfil plc is located in Sievi, Finland. The company has production operations in Finland, China, Hungary and Estonia. In 2013, Scanfil's turnover was EUR 188.5 million, and at the end of 2013, it employed 1,667 people in total, of which approximately 85% outside Finland.

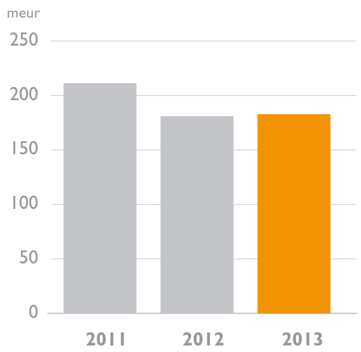
Total lifecycle management



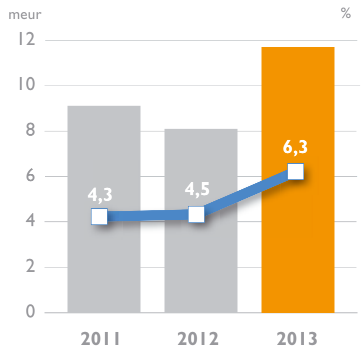
KEY FIGURES

The Group

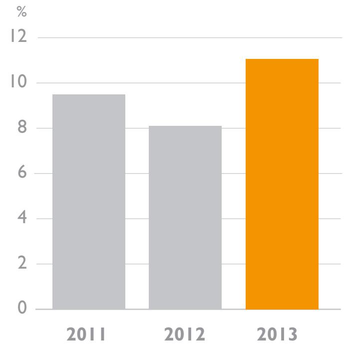
Turnover



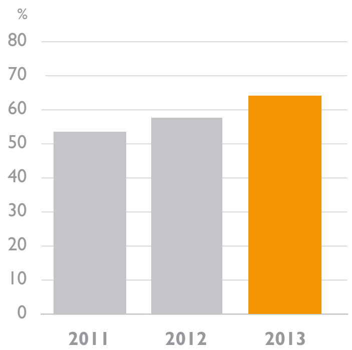
Operating profit & operating profit %



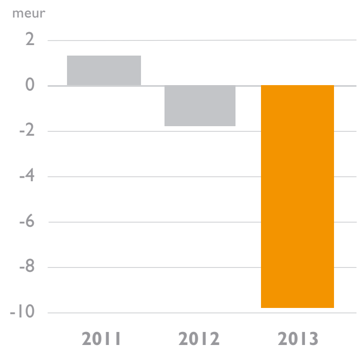
Return on investment



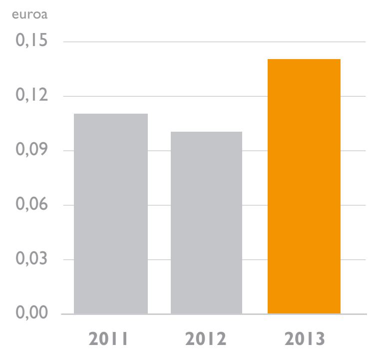
Solvency



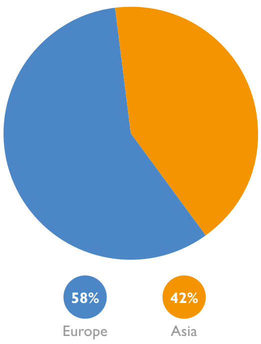
Net debt



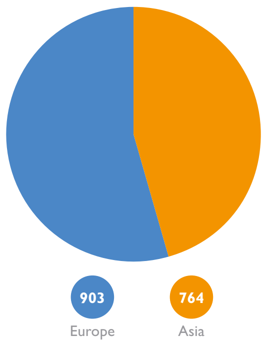
Earnings per share



Turnover by regional segment



Personnel by region



The importance of the personnel is emphasised

The year 2013 was good for Scanfil, even though overall demand remained challenging in many market areas. Global megatrends spurred the success of many of our professional electronics customers and, consequently, we saw positive development in Scanfil's business. These megatrends include climate and environmental changes and their control, energy efficiency, the utilisation of renewable energy, the increasing use of automation and smart applications, as well as urbanisation and strong economic growth in Asia.

Both Scanfil's turnover and profitability improved in 2013. The company's turnover was EUR 188,5 million (EUR 180.9 million in 2012) and operating profit EUR 11,8 million (EUR 8.1 million). This means that we were able to grow while maintaining profitability, which provides us with a good foundation for developing our operations and responding to the needs of our stakeholders.

Approximately 58% of our turnover was generated in Europe and 42% in China. The demand for professional electronics products has grown since 2012, and their share of Scanfil's turnover was approximately 82%. Conversely, the demand for telecommunications products has decreased since 2012.

Skilled people play a key role

In contract manufacturing, production equipment and lines are usually standardised to a large extent. Processes and people are original, even unique, for each contract manufacturer. Motivated employees thus have a very important role to play when it comes to distinguishing positively the company from the competition.

In 2013, we renewed our personnel survey and, as a result, we now have even better possibilities for personnel development, eliminating obstacles and hindrances to efficient work and improving job satisfaction. Satisfied, highly skilled employees play a key part in the development of customer satisfaction and long-term customer relationships.

In total, Scanfil employs approximately 1,700 people. Nearly half of them work in China, approximately 30% in Estonia, 10% in Hungary and 14% in Finland.

A good basis for the future

Our vision is to become our customers' preferred contract manufacturing partner. We help our customers find success by reliably and continuously offering them suitable, efficient ways for supply chain management and product manufacture.

Our ability to offer manufacturing services requiring a range of competences and the high rate of vertical integration of our production are increasingly visible to our customers not only in competitive pricing, but also in speed and flexibility.

We seek profitable growth. Our current long-term customer relationships and our actions in new customer acquisition provide us with a good basis for this. We have strengthened our sales and customer service and we are searching for new customers particularly in Central Europe and China.

I would like to thank all Scanfil employees, customers, suppliers and other partners, as well as the owners, for their confidence and good cooperation in 2013.

Petteri Jokitalo
CEO
Scanfil plc and Scanfil EMS Oy

STRATEGY

MISSION

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

VISION

We are the preferred manufacturing partner for our customers.

STRATEGIC STRENGTHS

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

Scanfil has an extensive service concept: we can implement the entire supply chain for the customer's product. Our services cover support for the customer's product design, prototype manufacturing, the procurement of materials and purchased parts, manufacturing the product, testing, and logistics solutions.

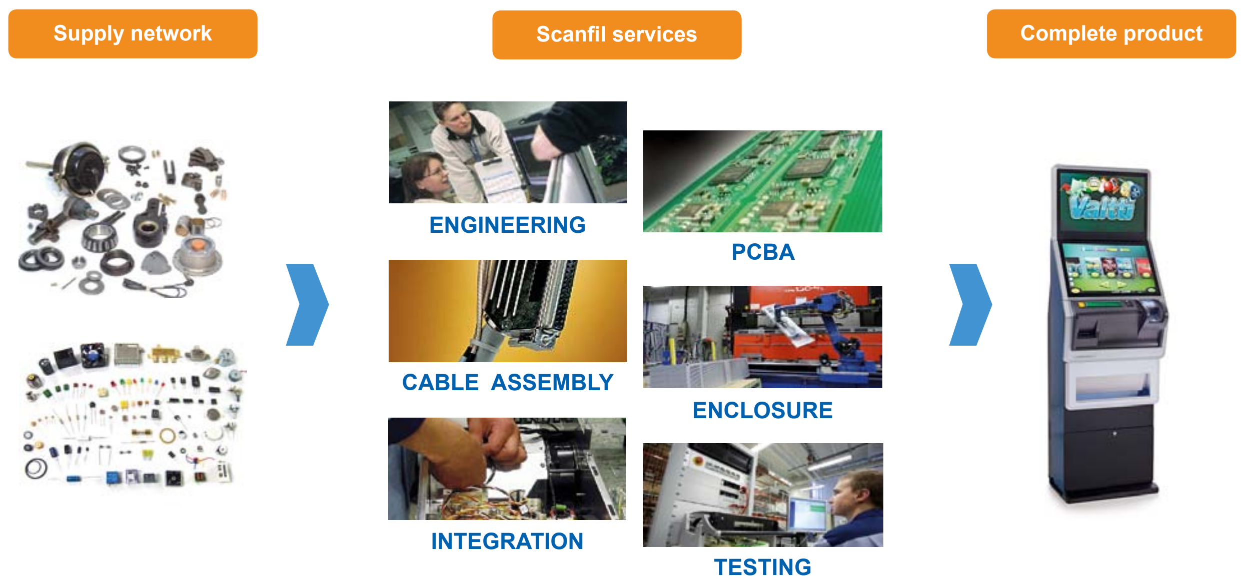
At the core of our manufacturing operations lies vertically integrated production. This means that the added value work in the product manufacturing chain is largely centralised in one manufacturing location. For instance, our plant in Estonia can produce integrated products for which we manufacture sheet metal mechanic parts, electronics (such as assembled circuit boards and backplanes), different cable products and busbars in Estonia.

This way, we can offer our customers the best in all respects: competitive pricing, fast deliveries, and flexible and reliable service.

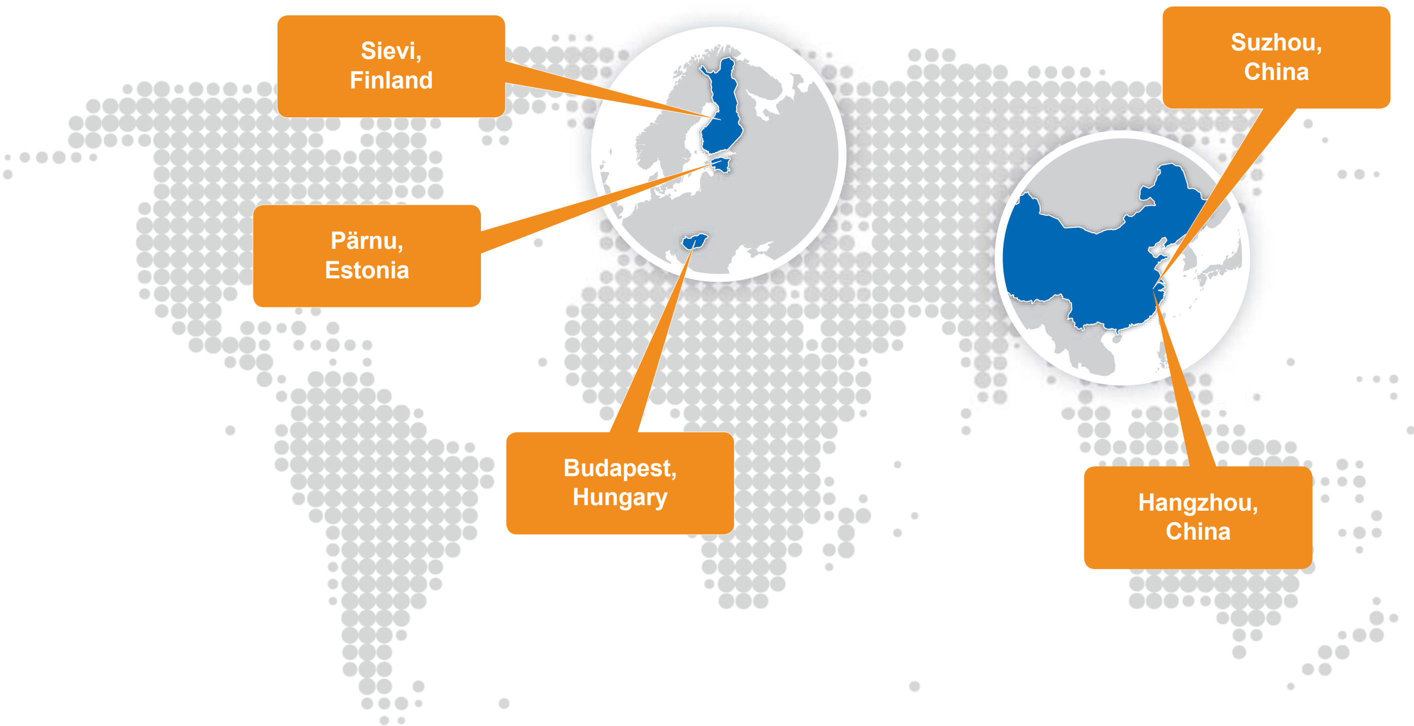
Scanfil's customer base consists of international manufacturers of professional electronics and telecommunications technology, many of whom are key players in their field. Our customers include ABB, Alcatel-Lucent, Cassidian, Ericsson, Kone, Metso, NSN, RAY, Teleste, The Switch, Vacon and Vaisala. Scanfil's business is characterised by long-term, close cooperation with its large-scale key customers. At the moment, the business is primarily focused on professional electronics, which accounts for approximately 82% of the Group's turnover.

As a contract manufacturer, Scanfil's operations are developed according to changes in customer needs. The company strives to expand its customer base, in particular, in Central Europe and China. Last year, demand grew most at the plant in Estonia, where investments were made both in mechanical and electronics productions. The number of personnel at the Estonia plant grew by nearly 15% during the year.

Scanfil's vertically integrated production system



OPERATIONS



Sievi, Finland
- sheet metal mechanics
- integration
- personnel 200
- floor area 26,000 m^2

Pärnu, Estonia
- sheet metal mechanics
- electronics
- cable products
- copper/aluminium busbars, tinning
- integration
- personnel 490
- floor area 16,000 m^2

Budapest, Hungary
- sheet metal mechanics
- integration
- personnel 170
- floor area 16,000 m^2

Suzhou, China
- electronics
- cable products
- integration
- personnel 410
- floor area 21,000 m^2

Hangzhou, China
- sheet metal mechanics
- integration
- personnel 350
- floor area 36,500 m^2

Motivated and skilled personnel is the key

In contract manufacturing, being able to respond to customers' needs requires a lot from the personnel. Standard performance is often not enough: customers expect their manufacturing partner to constantly improve operations, have a proactive approach and the willingness to "turn every stone".

Whether a contract manufacturer is successful in fulfilling – or exceeding – customers' expectations depends largely on the skills and motivation of the personnel. Consequently, it is natural that a lot is demanded from Scanfil's human resource administration and that the development of the personnel and their job satisfaction has top priority.

Scanfil employs nearly 1,700 professionals in various fields on two continents and in four countries. More than 85 per cent of the personnel are located outside Finland.

The personnel is strongly involved in development

In the autumn of 2013, Scanfil organised a work community survey for the entire personnel of the Group. The objective of the survey was to obtain the personnel's views on which aspects are fine in the company, in which parts improvements can be made and what the potential obstacles to efficient work are. Every Scanfil employee in every unit had the chance to express their opinion and comment on, for instance, the ease of working, the management of the company, development, openness and cooperation.

The personnel actively participated in the survey: the response rate was as high as 83 per cent. The results of the survey were presented and discussed with the entire personnel, for instance, in plant- and function-specific teams. Based on the team discussions, actions were defined for the development areas observed. The impact of the actions will be evaluated through a new survey to be organised in the autumn of 2014.

Training supports the objectives

The development of the personnel and their skills supports the achievement of the company's strategic and operative objectives on the one hand, and personal development and job satisfaction on the other. For the implementation of annual unit- and plant-specific training plans, both the company's internal experts and external partners are used.

Internally organised training is typically related to the development of production processes, for instance, through the Lean and Six Sigma principles. External trainers are used, for example, for supervisor and management training. In China, the company is actively using a multimedia-based online learning platform that includes courses for orientation, the improvement of productivity (5S), ESD protection and other subjects.

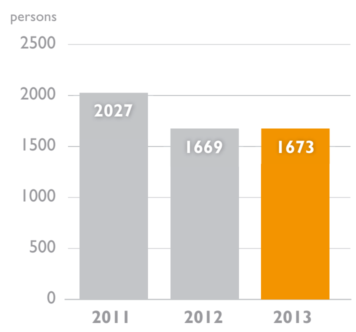
In addition to the development of professional skills, the company has developed motivating remuneration and performance bonus systems that are used to facilitate the fulfilment of annual development targets and defined strategic objectives.

The personnel in figures

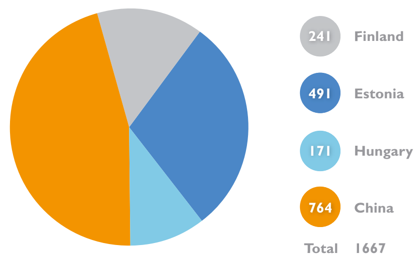
At the end of 2013, the Group had 1,667 employees (1,653 in 2012), of whom 1,426 (1,415) worked in units outside Finland. The proportion of employees working outside Finland was 86% (86%) at the end of the year. The proportion of employees working in China was 46%. The average number of Group employees during 2013 was 1,673 (1,669) people.

The number of personnel employed by the Scanfil Group in each country was as follows: Finland 241, Estonia 491, Hungary 171 and China 764.

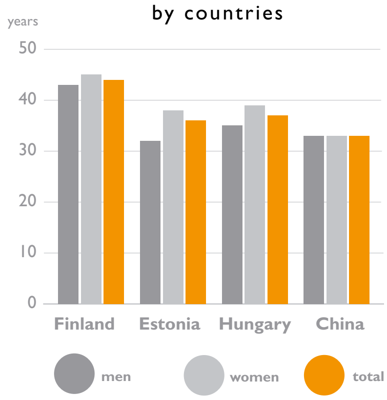
Personnel on average 2011-2013



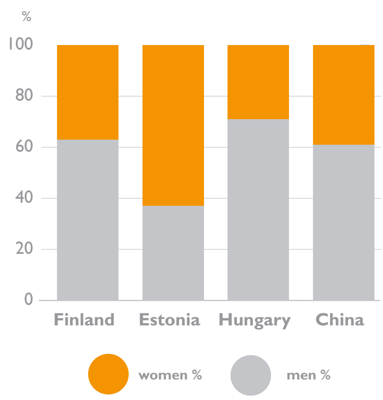
Personnel on 31.12.2013



Average age of employees by countries



Employees by gender



Scanfil plc

Board of Directors

Harri Takanen
Chairman of the Board of Directors
M.Sc. (Eng)
born1968
- Member of the Board of Directors since 2013
- CEO of Sievi Capital plc since 1 April 2013
- CEO of Sievi Capital plc 2007–2011 and CEO of Scanfil plc and Scanfil EMS Oy 1 January 2012–31 March 2013.
- Chairman of the Board of Directors: Jussi Capital Oyj
- Holds 9 776 664 Scanfil plc shares (31 December 2013)

Jorma J. Takanen
B.Sc. (Chemistry)
born 1946
- Member of the company's Board of Directors since 2012
- Founder of Sievi Capital plc and CEO during 1976 – 2005 and 2012-2013, Group CEO of Sievi Capital Group 2006 - 2011.
- Chairman of the Board of Directors: Foundation of Riitta and Jorma J. Takanen
- Member of the Board of Directors: iLoq Ltd, IonPhasE Oy, Apetit Oyj
- Member of the Supervisory Board: Varma Mutual Pension Insurance Company
- Holds 5,879,305 Scanfil plc shares (31 December 2013).

Riitta Kotilainen,
B.Sc. (Electrical power technology)
born 1958
- Member of the company's Board of Directors since 2013,
- Managing Director of E. Kotilainen Oy and Varikot Oy
- Member of the municipal government: Sievi municipality
- Member of the Supervisory Board: POP Sievin Osuuspankki
- Holds 11 000 Scanfil Scanfil plc shares (31 December 2013)

Tuomo Lähdesmäki
MSc (Eng.), MBA (INSEAD).
born 1957
- Member of the company's Board of Directors since 2012, Founding Partner and Senior Partner of Boardman Oy since 2002, President and CEO of Elcoteq Network Corporation 1997–2001, Managing Director of Leiras Oy 1991–1997.
- Chairman of the Board of Directors: Aspocomp Group Oyj, Terästorni Oy, Turun yliopistosäätiö, West Welding Oy, Viafin Oy, Reneva Oy, Liedon Vanhalinna –foundation, Tuomo Lähdesmäki Oy, Ovenia Oy, Nesco Invest Oy
- Member of the Board of Directors: Meconet Oy, Metsä Tissue Oyj, Yliopiston Apteekki, Vaaka Partners Oyj.
- Holds 10,000 Scanfil plc shares (31 December 2013).

Jarkko Takanen
B.Sc. (Industrial Management) and a Commercial College Diploma in Management Accountancy
born 1967
- Member of the company's Board of Directors since 2012
- Managing Director of Jussi Capital Oy, worked in Sievi Capital Group in different managerial duties 1995–2004, Managing Director of the Belgian subsidiary Scanfil N.V. 1 April 2003 – 30 June 2004.
- Member of the Board of Directors: Sievi Capital Oyj, Efore Oyj
- deputy Member of the Board of Directors: Jussi Real Estate Oy
- Holds 8,251,169 Scanfil plc shares (31 December 2013).

Scanfil EMS Oy

Management Team

Petteri Jokitalo
CEO
Scanfil plc and Scanfil EMS Oy
M.Sc. (Eng.)
born 1963

- Joined the company at 10 January 2012, Managing Director of Meka Pro Oy during 2007 – 2011, in Scanfil plc in management tasks of sales and business development during 2003 – 2007 and in international tasks in Nokia Networks during (1998 – 2003).
- Holds 6,000 Scanfil plc shares (31 December 2013).

Markku Kosunen
Director, Operations
technology undergraduate
born 1967

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

Marjo Nurkkala
Director, Finance
M.Sc. (Econ.)
born 1959

- The company's CFO since 2000, financial manager since 1997. Financial manager of Oy M-Filter Ab 1993–1997, office manager of Osuuskauppa Jokiseutu 1986–1992.
- Holds 3,593 Scanfil plc shares (31 December 2013).

Reijo Pöllä,
Director, Investment Project
B.Sc. (Information Technology)
born 1951

- Joined the company in 1977, Director, Investment Projects since 1 May 2006. Before that, he has held the position of Vice President, Internal Operations in 2001 – 2006 and Plant Manager of the Sievi electronics plant and the Äänekoski plant.
- Holds 3,128,745 Scanfil plc shares (31 December 2013).

Tomi Takanen
Director, Materials and Logistics
B.Sc. (Production Economics)
born 1972

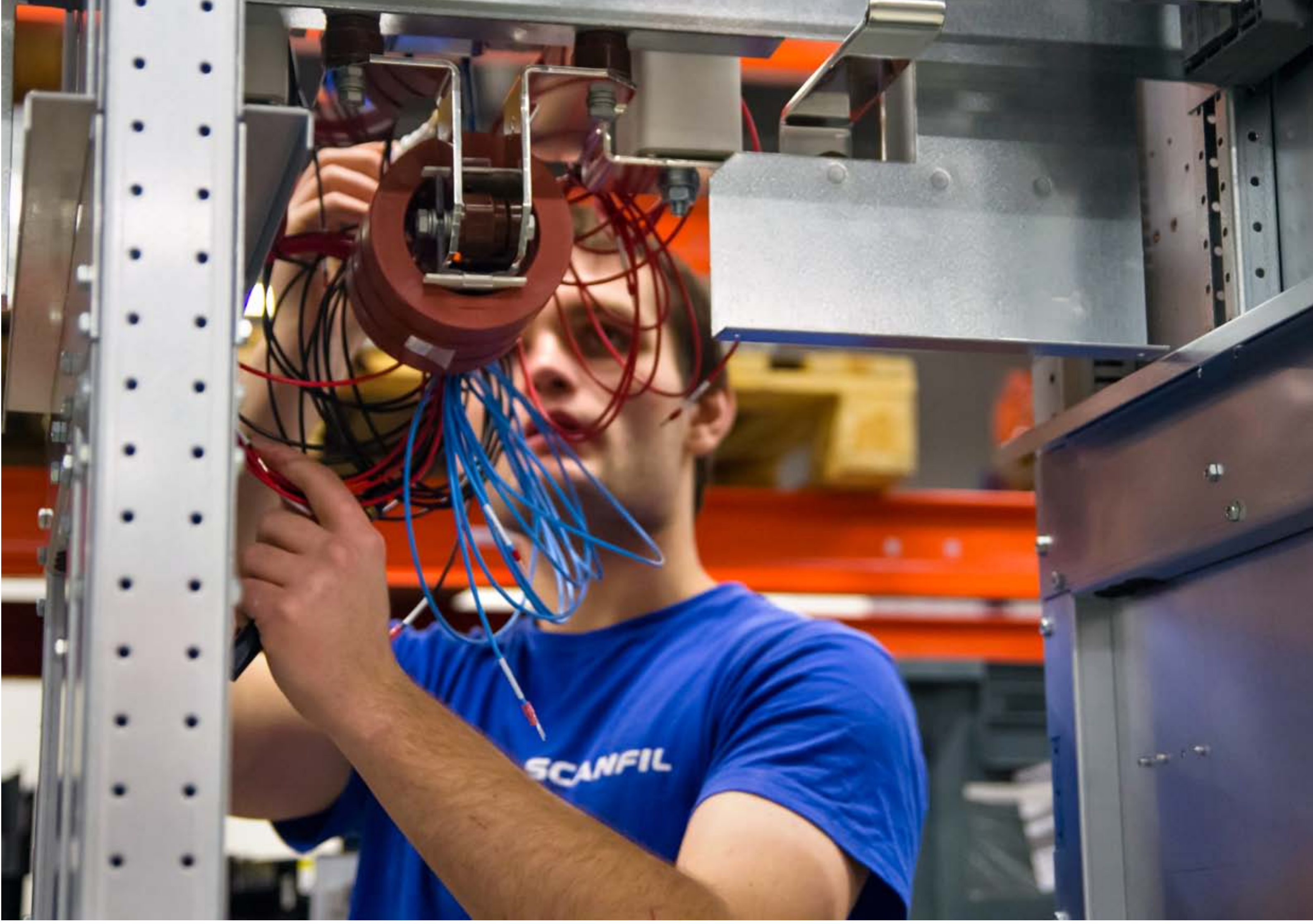
- Joined the Company in 1997, has held the current position since 1 March 2009, Managing Director of the Hangzhou subsidiary 2007–2009, Key Customer Account Manager 2004–2007, Production Manager and Plant Manager at the Sievi electronics plant 2000–2004, project tasks at the Sievi mechanics 1997–2000.
- Holds 113 Scanfil plc shares (31 December 2013).

Timo Sonninen
Director, Global Customers
B.Sc. (Machine Automation)
born 1966

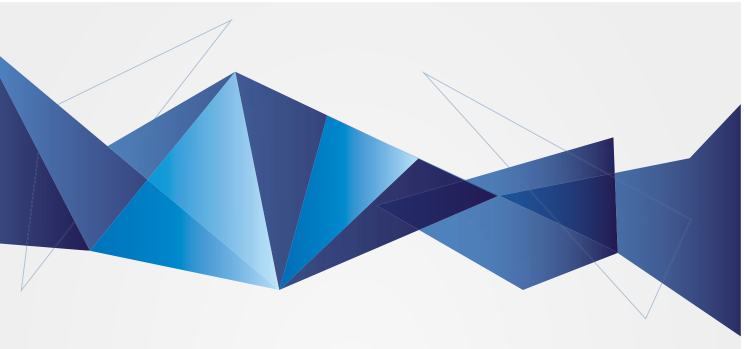
- Joined the Company in 2013., Previous he has worked in Efore Oyj as Vice President, Operations, in Suzhou, China 2006 – 2013. Prior to that he has worked at Incap Oyj among others as Director of Operations, Business Director of Electronics Production and Plant Director of Vuokatti Plant.
- Holds 8,000 Scanfil plc shares (31 December 2013).

STOCK EXCHANGE RELEASES 2013

19.12.2013	Scanfil plc's financial information and annual general meeting in 2014
29.10.2013	Scanfil group's interim report 1 January – 30 September 2013
18.09.2013	Decision of Scanfil plc's Board of Directors on stock option plan
17.09.2013	Announcement pursuant to chapter 9, section 10 of the securities markets act
12.09.2013	Scanfil plc's changes the outlook for the year 2013
01.08.2013	Scanfil group's interim report 1 January – 30 June 2013
25.04.2013	Scanfil group's interim report 1 January – 31 March 2013
18.04.2013	Scanfil plc's annual general meeting, 18 April 2013
22.03.2013	Scanfil plc's annual report, financial statements and corporate governance statement have been published
18.03.2013	Notice to the annual general meeting, 18 March 2013
25.02.2013	Petteri jokitalo is the new ceo of Scanfil plc
25.02.2013	Financial statemets release 1 January – 31 December 2012


SCANFIL


SIEMENS
DEK



Scanfil Group is engaged in contract manufacturing for international telecommunications technology and professional electronics manufacturers. Scanfil has over 36 years of experience in demanding contract manufacturing. Scanfil is a systems supplier that offers its products and services to international telecommunications systems manufacturers and professional electronics customers. Typical products are equipment systems for mobile and public switched telephone networks, automation systems, frequency converters, lift control systems, equipment and systems for electricity production and transmission, analysers, slot machines and different meteorological instruments. The company has production facilities in China, Estonia, Hungary and Finland.

Group structure

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

Year 2013

Scanfil's business operations developed positively during 2013. In September, the Group revised upwards its estimate of the operating profit for the year. According to the estimate, there was a substantial improvement in the Group's operating profit, to EUR 11.8 (8.1) million, while turnover increased slightly, to EUR 188.5 (180.9) million, compared with 2012.

Many of Scanfil's professional electronics customers were able to increase their turnover in 2013, which also boosted demand for Scanfil's products. Cooperation with a number of key customers was extended to cover more highly integrated products. During the year, Scanfil also started cooperation with a number of promising new customers. The company continued sales efforts to expand its professional electronics customer base, particularly in China and Central Europe.

Sales to professional electronics customers increased by about 15% in 2013 compared with the previous year and accounted for 82% of turnover (74%). Sales to telecommunication customers continued to decline and accounted for 18% (26%) of the turnover.

Financial development

The Group's turnover for January - December was EUR 188.5 (180.9) million. The breakdown of turnover by regional segment was as follows: Europe 58% (59%) and Asia 42% (41%).

Operating profit for the Group during the review period was EUR 11.8 (8.1) million, representing 6.3% (4.5%) of turnover. The operating profit contains a write-down of EUR 0.3 million for accounts receivable from associated company.
The 2012 operating profit included a total of EUR +0.5 million in non-recurring items. Operating profit excluding non-recurring items was EUR 12.2 (7.6) million, representing 6.5% (4.2%) of turnover.

The operations of Greenpoint Oy, an associated company of Scanfil EMS Oy, have not developed as planned, and Scanfil's evaluation is that the Greenpoint's existing possibilities to deal with its obligations are poor. For this reason, Scanfil has recorded the write-down for all asset items connected with the associated company. Their effect on earnings before taxes is EUR -1.2 million. Scanfil EMS Oy owns 40% of Greenpoint Oy.

Earnings for the review period amounted to EUR 8.2 (5.7) million. Earnings per share were EUR 0.14 (0.10) and return on investment was 11.4% (8.1%).

Financing and capital expenditure

The Group enjoys a strong financial position.

The consolidated balance sheet totalled EUR 125.6 (130.0) million. Liabilities amounted to EUR 45.1 (55.0) million, EUR 26.8 (26.6) million of which were non-interest-bearing and EUR 18.3 (28.4) million interest-bearing. The equity ratio was 64.1% (57.7%) and gearing -12.2% (-2.4%). The equity per share was EUR 1.39 (1.30).

Liquid cash assets totalled EUR 28.2 (20.5) million.

Cash flow from operating activities in the accounting period came to EUR 13.2 (11.2) million positive. The change in net working capital during the year in review amounted to EUR 0.6 (0.4) million. A total of EUR 35.6 million was tied to net working capital on 31 December 2013. Cash flow from investment activities was EUR +5.8 (-16.9) million and cash flow from financing activities was EUR -11.2 (-8.9) million. The investment cash flow includes the expiry of a deposit of EUR 9.8 million, which has a maturity of over three months and is classified as an investment. The financing cash flow contains the dividends payments and loan instalments.

Changes in exchange rates have not had a significant effect on the result of operational activity due to the business structure.

Gross investments in January – December in fixed assets totalled EUR 4.0 (7.2) million, which is 2.1% (4.0%) of turnover. Acquisition of machines and equipment accounts for most of the investments. The company made investments in electronics manufacturing in Estonia and Suzhou and in mechanics manufacturing in Hungary. The investments in the new enterprise resource planning system totalled EUR 0.4 (0.6) million. The new enterprise resource planning system was put into use in Finland and Hungary during the year. The aim is to have the new system in place in the Group by the end of 2014. Depreciations were EUR 4.4 (4.5) million.

Board of Directors' authorisation

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

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

Option schemes

On 18 April 2013, the General Meeting of shareholders of Scanfil plc authorised the Board of Directors to decide on granting options rights to certain key personnel of the Company and its subsidiaries. The maximum total number of option rights is 750,000 and they entitle the key personnel to subscribe for a maximum total of 750,000 of the Company's new shares or shares in its possession.

Based on the authorisation by the General Meeting, the Board of Directors of Scanfil plc decided on 18 September 2013 to grant the CEO of Scanfil plc and four key persons at the Company's subsidiary Scanfil EMS Oy option rights for 225,000 shares.

Own shares

The company does not own its own shares.

Personnel

At the end of the financial year, the Group employed 1,667 (1,653) people, of whom 1,426 (1,415) in the company's units outside Finland. The proportion of employees working in China was 46% (47%) at the end of the year. In all, 86% (86%) of the Group's personnel were employed by subsidiaries outside Finland on 31 December 2013. Scanfil Group's personnel averaged 1,673 (1,669) employees during the review period. Personnel by country on 31 December 2013:
Finland 241, Estonia 491, Hungary 171, China 764.

Share trading and share performance

The highest trading price during the year was EUR 1.47 and the lowest EUR 0.82, the closing price for the period standing at EUR 1.35. A total of 2,863,667 shares were traded during the period, corresponding to 5.0% of the total number of shares. The market value of the shares on 31 December 2013 was EUR 77.9 million

The Board of Directors and CEO

Scanfil plc's Annual General Meeting held on 18 April 2013 elected the following Board members:
Jorma J. Takanen, Riitta Kotilainen, Jarkko Takanen, Tuomo Lähdesmäki ja Harri Takanen.
At its organizing meeting held on 18 April 2013 the new Board of Directors elected Harri Takanen as the Chairman of the Board of Directors

M.Sc.(Eng) Harri Takanen has acted as the company's CEO during 1 Jaunary – 31 March 2013 and since 1 April 2013 M.Sc.(Eng) Petteri Jokitalo

Risk management

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

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

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

For a description of financial risk management in the Scanfil Group, please refer to note 31 to the consolidated financial statements.

Risks and risk management are described in greater detail on the company's website under Corporate Governance and the Corporate Governance Statement at www.scanfil.com.

Research and development

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

Quality and environment

All Group units observe a certified quality management system that is in accordance with ISO 9001 standard and a certified environmental system that is in accordance with ISO 14001 standard.

As a manufacturer, Scanfil aims to be involved in the design of the product in the earliest phase possible. This helps to ensure cost-effective manufacturing and optimum product quality throughout the product life cycle.

The company is continuously working to make its manufacturing processes and the use of raw materials more efficient. The aim is to find the most energy-efficient solutions, be they related to the lighting or energy solutions of the production facilities or major machine and infrastructure acquisitions.

Scanfil regularly assesses environmental issues, surveying potential areas for improvement at the same time. The company takes its customers' environmental requirements into account and shoulders its responsibility, acknowledging the environmental effects of all of its operations.

Notifications of changes in shareholding

On 17 September 2013, Scanfil plc received the following notifications pursuant to Chapter 9, Section 5 of the Securities Market Act:

Jorma J. Takanen's ownership in Scanfil plc has fallen below 15 per cent of Scanfil plc´s shares and voting rights. The share of ownership was changed due to a donation associated with a change of generation on 17 September 2013.

Jorma J. Takanen's direct ownership in Scanfil plc is 5,832,305 and indirect ownership 1 900 00 (share of ownership of Riitta and Jorma J. Takanen foundation) shares corresponding 13.39% of the total number (57,730,439) of the shares and voting rights in Scanfil plc.

Jarkko Takanen's ownership in Scanfil plc has risen above 10 per cent of Scanfil plc´s shares and voting rights. The share of ownership was changed due to a donation associated with a change of generation made by Jorma J. Takanen on 17 September 2013.

Jarkko Takanen's ownership in Scanfil plc is 8,251,169 shares corresponding 14.29% of the total number (57,730,439) of the shares and voting rights in Scanfil plc.

Harri Takanen's ownership in Scanfil plc has risen above 15 per cent of Scanfil plc´s shares and voting rights. The share of ownership was changed due to a donation associated with a change of generation made by Jorma J. Takanen on 17 September 2013.

Harri Takanen's ownership in Scanfil plc is 9,776,664 shares corresponding 16,94% of the total number (57,730,439) of the shares and voting rights in Scanfil plc.

Board of director's proposals to the Annual General Meeting

Scanfi plc's Annual General Meeting will be held on 8 April 2014 at the company's head office in Sievi, Finland.

Dividend for 2013

The company aims to pay dividends amounting to approximately 1/3 of its annual result on a regular basis.

The parent company's distributable funds are EUR 13,967,426.34. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.05 be paid from the unrestricted shareholders' equity per share, for a total of EUR 2,886,521.95. The dividend matching day is 11 April 2014. The dividend will be paid to those shareholders who, on the matching day, are entered in the Company's Register of Shareholders, kept by Euroclear Finland Ltd. The dividend payment day is 23 April 2014.

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

Future prospects

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

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

Corporate Governance Statement

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

CONSOLIDATED INCOME STATEMENT, IFRS

1000 EUR	*Note*	*1.1.-31.12.2013*	*1.1.-31.12.2012*
Turnover	1	**188 514**	**180 915**
Other operating income	2	294	1 341
Changes in inventories of finished goods and work in progress		1 248	-106
Manufacturing for own use		4	30
Use of materials and supplies	3	-130 950	-126 193
Employee benefit expenses	4	-26 969	-26 063
Depreciation and amortization	5	-4 418	-4 532
Other operating expenses	6	-15 886	-17 280
Operating profit		**11 838**	**8 113**
Financial income	7	583	1 042
Financial expense	8	-1 230	-1 144
Share of profit or loss of associates		-577	-405
Profit before tax		**10 614**	**7 606**
Income tax	9	-2 379	-1 901
Net profit for the period		**8 235**	**5 706**
Attributable to:			
Shareholders of the parent company undiluted and diluted earnings per share	10	0,14	0,10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net profit for the period	**8 235**	**5 706**
Other comprehensive income, net of tax		
Items that may later be recognized in profit or loss		
Translation differences	-722	-275
Derivative Financial Instrument	273	190
Other comprehensive income, net of tax	-449	-85
Total comprehensive income	**7 786**	**5 620**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

1000 EUR	*Note*	*31.12.2013*	*31.12.2012*
ASSETS			
Non-current assets			
Property, plant and equipment	11	28 458	30 473
Goodwill	12	2 249	2 249
Other intangible assets	13	4 084	3 148
Investments in associated companies	14		632
Available-for-sale investments	15	17	16
Receivables	16		210
Deferred tax assets	17	294	645
		35 103	37 373
Current assets			
Inventories	18	28 732	29 925
Loan receivables from associated companies	16		124
Trade and other receivables	19	33 467	31 975
Advance payments		131	417
Other financial assets	20		9 732
Current tax			28
Cash and cash equivalents	21	28 150	20 472
		90 480	92 672
Total assets		**125 583**	**130 045**
SHAREHOLDER'S EQUITY AND LIABILITIES			
Equity			
Share capital		2 000	2 000
Translation differences		8 222	8 944
Other reserves		5 721	5 342
Reserve for invested unrestricted equity fund		10 721	10 721
Retained earnings		53 812	47 999
		80 477	75 007
Total equity	22	**80 477**	**75 007**
Non-current liabilities			
Deferred tax liabilities	23		23
Provisions	24	373	391
Interest bearing liabilities	25	9 171	18 934
		9 543	19 347
Current liabilities			
Trade and other liabilities	26	26 009	25 417
Current tax		383	807
Interest bearing liabilities	25	9 171	9 467
		35 563	35 691
Total liabilities		**45 106**	**55 039**
Total shareholder's equity and liabilities		**125 583**	**130 045**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

1000 EUR	*Note*	*1.1.-31.12.2013*	*1.1.-31.12.2012*
Cash flow from operating activities			
Net profit		8 235	5 706
Adjustments for the net profit	27	8 160	7 359
Change in net working capital	27	-560	-396
Paid interests and other financial expenses		-601	-835
Interest received		492	394
Taxes paid		-2 504	-1 052
Net cash from operating activities		**13 222**	**11 176**
Cash flow from investing activities			
Investments in tangible and intangible assets		-4 216	-7 251
Sale of tangible and intangible assets		177	67
Purchase of investments		-1	-9 684
Proceeds from other investments		9 790	
Capital transfer tax refund		54	
Repayment of granted loans		34	
Granted loans		0	-34
Net cash from investing activities		**5 838**	**-16 901**
Cash flow from financing activities			
Repayment of long-term loans		-8 889	-8 889
Paid dividends		-2 309	
Net cash from financing activities		**-11 198**	**-8 889**
Net increase/decrease in cash and cash equivalents		**7 862**	**-14 614**
Cash and cash equivalents at beginning of period		20 472	35 190
Demerger		0	100
Changes in exchange rates		-184	-204
Cash and cash equivalents at end of period	21	**28 150**	**20 472**

STATEMENT OF CHANGES IN EQUITY, IFRS

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

1000 EUR	*Share capital*	*Share premium account*	*Other reserves*	*Translation differences*	*Retained earnings*	*Equity total*
Equity 1.1.2013	**2 000**	**10 721**	**5 342**	**8 944**	**47 999**	**75 007**
Comprehensive income						
Net profit for the period					8 235	8 235
Other comprehensive income, net of tax						
Translation differences				-722		-722
Derivative Financial Instrument			273			273
Total comprehensive income			**273**	**-722**	**8 235**	**7 786**
Fund transfer			106		-106	0
Option scheme					-6	-6
Paid dividends					-2 309	-2 309
Equity 31.12.2013	**2 000**	**10 721**	**5 721**	**8 222**	**53 812**	**80 477**
Equity 1.1.2012	**2 000**	**10 621**	**4 883**	**9 220**	**42 563**	**69 287**
Items received in partial demerger		**100**				**100**
Comprehensive income						
Net profit for the period					5 706	5 706
Other comprehensive income, net of tax						
Translation differences				-275		-275
Derivative Financial Instrument			190			190
Total comprehensive income			**190**	**-275**	**5 706**	**5 620**
Fund transfer			269		-269	0
Equity 31.12.2012	**2 000**	**10 721**	**5 342**	**8 944**	**47 999**	**75 007**

Basic information of the Group

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

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

General

Scanfil's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applying the IAS and IFRS standards effective on 31 December 2013 as well as the SIC and IFRIC interpretations. "IFRS" refers to the standards and their interpretations in the Finnish Accounting Act and the provisions issued thereunder in accordance with the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards within the Community. The notes to the consolidated financial statements are also in compliance with Finnish accounting and corporate legislation.

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

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

Principles of consolidation

Subsidiaries

Subsidiaries are companies controlled by the Group. Control emerges when the Group holds more than one half of the votes or otherwise has control. The existence of potential voting rights is also taken into account when estimating the criteria for control when the instruments entitling to potential voting rights can be realized at the time of the assessment. Control refers to the right to decide on the principles of the company's finances and operations in order to gain benefits from its operations.

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

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

Associated companies

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

Transactions in foreign currencies

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

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

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

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

Revenue recognition

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

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

Government grants

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

Business segments

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

Employee benefits

Post-employment benefits

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

The pension cover of the Group's employees is provided through external pension insurance companies. Pension expenses are recognised as expenses for the year during which they are accrued. The Group does not have defined-benefit schemes in use.

Share-based payments

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

Leases

A lease is classified as a finance lease if it substantially transfers the risks and rewards incidental to ownership to the Group. Assets acquired through finance leases are recorded in the consolidated balance sheet under assets and liabilities. Their depreciation is performed in the same way as for owned assets. Finance lease payments are recorded as financial expenses and reduction in liability. The Group has no finance leases. Leases where the risks and rewards incidental to ownership remain with the lessor are processed as other leases, and the leases are recognised in the income statement as expenses over the lease period.

Property, plant and equipment

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

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

An item of property, plant and equipment will no longer be depreciated when such an item is considered as being held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The depreciation periods are:

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

* The depreciation period for buildings is 10–25 years, except for the building in Hungary, for which it is 50 years.

Goodwill and other intangible assets

Goodwill

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

Research and development costs

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

Other intangible assets

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

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

Impairment of tangible and intangible assets

The Group's operations have been divided into cash-generating units (CGU) which are smaller than segments. The need for impairment is assessed regularly at the CGU level. The impairment test is conducted for the lowest CGU that is largely independent of other units and whose cash flows can be separated from other cash flows.

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

Non-current assets held for sale and discontinued operations

The assets and liabilities of major operations that have been sold or are classified as held for sale or to be discontinued are presented separately in the balance sheet. The net operating result for 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 cost of finished goods and work in progress includes raw materials, direct labour costs and other direct costs and proportion of fixed costs. The net realisable value is the estimated selling price less sale-related costs.

Financial assets and liabilities

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

Financial assets at fair value through profit or loss include financial assets acquired to be held for trading or classified as items recognised at fair value during initial recognition. The Group did not have any financial assets at fair value through profit or loss during the financial period 2013.

Investments held to maturity are financial assets not included in derivative assets for which the payments are fixed or can be determined, which mature at a certain date and which the Group has a firm intention and ability to hold until the maturity date. They are valued at amortised cost using the effective interest method. The Group did not have any investments held to maturity during the financial period 2013.

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

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

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

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

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

Derivative financial instruments and hedge accounting

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

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

The Group does not have any derivative financial instruments for other purposes than hedging.

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.

Income taxes and deferred taxes

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

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

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

Operating profit

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

Dividend

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

Use of estimates

The preparation of financial statements in accordance with international accounting standards requires the company's

management to make estimates and assumptions that affect the contents of the financial statements. The estimates and assumptions made are based on previous experience and assumptions, which in turn are based on the circumstances prevailing at the time the financial statements are prepared and future prospects. Even though the estimates are based on the most recent information available and the management's best judgment, the actual outcome may differ from the estimates.
The following lists the most significant items that require the management's assessment.

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

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

Estimates are also required when assessing the amount of provisions associated with business operations. Note 24, "Provisions", presents the provisions made within the Group.

New and amended standards applied during the financial year

Scanfil Group has observed the following new and amended standards from the beginning of 2013:

- Changes to IAS 1 Presentation of Financial Statements: The central change is the requirement for grouping other comprehensive income according to whether the items may later be recognised in profit or loss if certain criteria are met. The changes have had an effect on the way other comprehensive income is presented for Scanfil Group.

- IFRS 13 Fair Value Measurement: IFRS 13 contains requirements concerning the determination of fair value and the presentation of information concerning it in the financial statements; in addition, the new standard includes the definition of fair value. The use of fair value is not extended, but the standard provides guidelines for determining it in cases where its use is allowed or required by another standard. IFRS 13 has expanded the notes to consolidated financial statements to some extent.

New and amended standards and interpretations to be applied in future financial periods

Scanfil has not yet applied new or revised standards and interpretation already published by the IASB. The Group will adopt them as of the effective date of each standard and interpretation, or if the effective date is not the first day of the financial period, as of the beginning of the first financial period after the effective date. According to the current estimate, new and amended standards do not have any significant impact on the consolidated financial statements.

1. SEGMENT INFORMATION

The Group reports geographically operating segments: Asia and Europe.

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

All of the Group's business operations are managed from Finland. The Group has manufacturing units in the EU in Finland, Hungary and Estonia. In Asia, the Group has two subsidiaries in China. The Asian production is primarily sold to the Asian market and other Group companies.

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

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

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

Operating segments, 1000 EUR	*2012*	*Europe*	*Asia*	*Group*
Segment turnover		108 138	75 764	**183 903**
Intersegment turnover		-2 003	-985	**-2 988**
Total turnover		106 135	74 779	**180 915**
Operating profit		5 225	2 888	**8 113**
Financial income		588	454	**1 042**
Financial expense		-1 048	-96	**-1 144**
Share of profit or loss of associates				**-405**
Profit before taxes				**7 606**
Segment assets		64 227	62 938	**127 165**
Goodwill		2 249		**2 249**
Investment assets		632		**632**
Total assets				**130 045**
Segment liabilities and provisions		43 013	12 025	**55 039**
Total liabilities				**55 039**
Capital expenditure		6 807	387	**7 194**
Depreciation		2 444	2 089	**4 532**

Turnover by location of customers, 1000 EUR	*2013*	*2012*
Finland	79 844	76 886
Rest of Europe	35 217	34 674
Asia	69 897	66 093
USA	2 480	1 885
Other	1 077	1 375
Total	**188 514**	**180 915**

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

Sales to the largest customer amounted to EUR 47 (49) million, 25 % (27 %), to the second largest EUR 28 (25) million, 15% (14 %) and to the third largest EUR 17 (22) million, 9 % (12 %).

2. OTHER OPERATING INCOME, 1000 EUR

	2013	*2012*
Compensation from rescission of company reorganization		1 201
Proceeds from sale of property, plant and equipment	70	71
Rental income	8	2
Invoiced administrational services from Sievi Capital plc	83	32
Varma Mutual Pension Insurance Company's grant for the development of well-being at work	16	
Other	117	36
Total	**294**	**1 341**

3. USE OF MATERIALS AND SUPPLIES, 1000 EUR

	2013	*2012*
Materials, supplies and goods		
Purchases during the period	128 858	125 353
Change in inventories	2 092	840
Total	**130 950**	**126 193**

4. PERSONNEL EXPENSES, 1000 EUR

	2013	*2012*
Salaries, wages and fees	21 751	20 934
Pension costs – defined-contribution schemes	3 277	3 376
Other indirect employee expenses	1 940	1 753
Total	**26 969**	**26 063**

Information on outstanding stock options is presented in Note 23, "Share-based Payment".
Management's employee benefits are reported in note 35, Related party transactions.

Average number of Group employees during the period

Clerical employees		
Europe	184	181
Asia	176	180
	360	**361**
Employees		
Europe	728	693
Asia	585	615
	1 313	**1 308**
Total	**1 673**	**1 669**

5. DEPRECIATION AND AMORTIZATION, 1000 EUR

	2013	*2012*
Depreciation by asset class		
Intangible assets		
Intangible rights	164	143
Other long-term expenses	69	27
Total	**233**	**169**
Property, plant and equipment		
Buildings	1 244	1 110
Machinery and equipment	2 916	3 226
Other tangible assets	25	27
Total	**4 185**	**4 363**
Total depreciation and amortization	**4 418**	**4 532**

6. OTHER OPERATING EXPENSES, 1000 EUR

	2013	*2012*
Other operating expenses include the following significant expense items:		
External services	1 760	2 740
Sales freight	2 588	3 010
Other variable expenses	5 286	4 663
Rent and maintenance expenses	1 292	1 379
Travel, marketing and vehicle expenses	1 006	990
Other employee expenses	1 134	1 111
Other operating expenses	2 821	3 386
Total	**15 886**	**17 280**

Other operating expenses have decreased due to the decreased use of leased labour and the listing expenses included in the year of comparison. Other operating expenses include EUR 0.3 million decreases of value of associated company Greenpoint Oy's account receivables.

Auditor's remuneration		
Audit fees	71	64
Other services	9	
Total	**80**	**64**

7. FINANCING INCOME, 1000 EUR

	2013	*2012*
Interest income from investments held to maturity	436	380
Exchange rate gains	63	559
Other financial income	85	104
Total	**583**	**1 042**

Exchange rate gains and losses have arisen from the translation of transactions and monetary items in foreign currency into euros. In addition, the operating profit includes exchange rate gains of EUR 29,000 net in total.

8. FINANCING EXPENSES, 1000 EUR

	2013	2012
Interest expenses from financial liabilities	602	845
Exchange rate losses	324	291
Exchange rate-hedging effect of the currency swap		7
Impairment of loan recaivables	300	
Other financial expenses	5	1
Total	**1 230**	**1 144**

More information on the impairment of loan assets is provided in Note 14, "Shares in associated companies".

9. INCOME TAXES, 1000 EUR

	2013	2012
Current tax	2 142	2 118
Deferred taxes	238	-217
Total	**2 379**	**1 901**

Reconciliation of tax expense in the income statement and taxes calculated at the tax rate applicable in Finland (24.5%):

Earnings before taxes	10 614	7 606
Taxes calculated at Finnish tax rate	2 600	1 864
Different tax rates of foreign subsidiaries	-355	-392
Tax at source on dividends paid in China	146	210
Share of associated companies profit and loss	141	99
Other items	-154	120
Taxes in income statement	**2 379**	**1 901**

10. EARNINGS PER SHARE, 1000 EUR

	2013	2012
Net profit for the period attributable to equity holders of the parent company	8 235	5 706
Earnings per share, undiluted, EUR	0,14	0,10
Earnings per share, diluted, EUR	0,14	0,10
Number of shares, undiluted (1,000 pcs)	57 730	57 730
Number of shares, diluted (1,000 pcs)	57 955	57 730

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

11. PROPERTY, PLANT AND EQUIPMENT, 1000 EUR

	Land	*Buildings and constructions*	*Machinery and equipment*	*Other tangible assets*	*Advance payments and constructions in progress*	*Tangible assets total*
Acquisition cost at 1 Jan. 2013	834	24 995	48 487	467	1 023	75 805
Additions		317	3 572	76	983	4 948
Deductions			-2 896		-2 004	-4 900
Exchange rate differences	-7	-250	-288	-2	-1	-548
Acquisition cost at 31 Dec. 2013	**827**	**25 062**	**48 875**	**541**	**1**	**75 305**
Accumulated depreciations at 1 Jan. 2013		-6 259	-38 638	-435		-45 332
Depreciations		-1 244	-2 916	-25		-4 185
Deductions			2 370			2 370
Exchange rate differences		70	229	2		300
Accumulated depreciations at 31 Dec. 2013		**-7 433**	**-38 956**	**-458**		**-46 847**
Carrying amount at 1 Jan. 2013	834	18 736	9 849	31	1 023	30 473
Carrying amount at 31 Dec. 2013	**827**	**17 629**	**9 919**	**82**	**1**	**28 458**

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

	Land	*Buildings and constructions*	*Machinery and equipment*	*Other tangible assets*	*Advance payments and constructions in progress*	*Tangible assets total*
Acquisition cost at 1 Jan. 2012	447	20 620	54 795	448	372	76 682
Additions	356	4 049	1 906	21	1 580	7 912
Deductions			-8 078	-1	-929	-9 008
Exchange rate differences	30	327	-136	-1	0	219
Acquisition cost at 31 Dec. 2012	**834**	**24 995**	**48 487**	**467**	**1 023**	**75 805**
Accumulated depreciations at 1 Jan. 2012		-5 095	-43 526	-410		-49 030
Depreciations		-1 110	-3 226	-27		-4 363
Deductions			8 016			8 016
Exchange rate differences		-54	98	2		45
Accumulated depreciations at 31 Dec. 2012		**-6 259**	**-38 638**	**-435**		**-45 332**
Carrying amount at 1 Jan. 2012	447	15 525	11 269	38	372	27 652
Carrying amount at 31 Dec. 2012	**834**	**18 736**	**9 849**	**31**	**1 023**	**30 473**

Undepreciated acquisition cost of production machinery and equipments is EUR 9,606 thousand.

12. GOODWILL, 1000 EUR

	2013	*2012*
Cost at 1 Jan.	2 249	2 249
Cost at 31 Dec.	**2 249**	**2 249**
Carrying amount at 31 Dec.	**2 249**	**2 249**
Allocation of goodwill and goodwill on consolidation to cash-generating units		
Scanfil Kft, Hungary	2 138	2 138
Scanfil Oü, Estonia	111	111
Total	**2 249**	**2 249**

Impairment testing

A test concerning the impairment of goodwill and other assets was carried out at Scanfil Group on 31 December 2013. On each reporting date, the Group evaluates whether there are indications that the value of any of the assets might be impaired. If such indications exist, the recoverable amount for the asset in question is estimated. In addition, the recoverable amount for goodwill is estimated annually regardless of whether there are indications of impairment. Goodwill is tested every year, and indications of potential impairment of other assets are regularly evaluated within the Group.

Goodwill impairment testing

The recoverable amounts for cash-generating units have been determined based on value in use. Goodwill has been tested by measuring the Group's recoverable amount. Recoverable amount is based on the value in use of a cash-generating unit, which is the present value of the future cash flows expected to be derived from the cash-generating unit. The determination of value in use is based on the conditions and expectations in force at the time of testing. Future cash flows have been determined for a five-year forecast period, and for the period following that, a growth rate of 1% has been assumed for cash flows for the sake of prudence. The amount of goodwill at the Group level is EUR 2.2 million. Of the goodwill, EUR 2.1 million concerns the business in Hungary.

For Hungary, the balance sheet value to be tested within the Group is EUR 14.3 million, consisting of goodwill of EUR 2.1 million, fixed assets of EUR 6.4 million and net working capital of EUR 5.7 million.

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

As present value factor for cash flows, the weighted average cost of the Group's equity and liabilities has been used. The present value factor considers, in addition to risk-free interest, special risks affecting the Group, capital structures, investors' yield requirements for comparable investments, and risk factors associated with company size. The discount rate determined before taxes was 9.54% in the impairment test carried out on 31 December 2013 (9.71% in the test in 2012).

Based on the impairment test on 31 December 2013, the value in use of the cash-generating unit exceeds the unit's book value of EUR 2.9 million (EUR 3.0 million in the test in 2012), which is 20.1% (19.9% in the test in 2012) above the unit's book value. Based on the impairment tests performed, there was no need for impairment of goodwill.

Sensitivity analysis for impairment testing

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

A change in the discount rate of +1.52 percentage points (+1.39 percentage points in 2012) would lead to the recoverable amount of the cash-generating unit being equal to its book value.

A change in the EBITDA rate of -1.1 percentage points (-1.0 percentage points in 2012) during all periods included in the forecast and the terminal period would lead to the recoverable amount of the cash-generating unit being
equal to its book value.

A change in the terminal growth rate of -2.3 percentage points (-2.1 percentage points in 2012) would lead to the recoverable amount of the cash-generating unit being equal to its book value. .

13. OTHER INTANGIBLE ASSETS, 1000 EUR

	Intangible rights	*Other long-term expenses*	*Advance payments*	*Intangible assets total*
Acquisition cost at 1 Jan. 2013	5 345	585		5 930
Additions	328	332	553	1 213
Exchange rate differences	-53	-2		-55
Acquisition cost at 31 Dec. 2013	**5 620**	**915**	**553**	**7 088**
Accumulated depreciations at 1 Jan. 2013	-2 249	-534		-2 782
Depreciations	-164	-69		-233
Exchange rate differences	9	2		11
Accumulated depreciations at 31 Dec. 2013	**-2 403**	**-601**		**-3 004**
Carrying amount at 1 Jan. 2013	3 096	52		3 148
Carrying amount at 31 Dec. 2013	**3 217**	**314**	**553**	**4 084**

		Other	*Intangible*

	Intangible rights	*long-term expenses*	*assets total*
Acquisition cost at 1 Jan. 2012	5 302	587	5 889
Additions	103	44	147
Deductions	-33	-45	-78
Exchange rate differences	-26	-1	-27
Acquisition cost at 31 Dec. 2012	**5 345**	**585**	**5 930**
Accumulated depreciations at 1 Jan. 2012	-2 143	-553	-2 696
Depreciations	-143	-27	-169
Deductions	33	45	78
Exchange rate differences	4	1	4
Accumulated depreciations at 31 Dec. 2012	**-2 249**	**-534**	**-2 782**
Carrying amount at 1 Jan. 2012	3 159	34	3 193
Carrying amount at 31 Dec. 2012	**3 096**	**52**	**3 148**

14. INVESTMENTS IN ASSOCIATED COMPANIES, 1000 EUR

	2013	*2012*
Total at beginning of period	632	1 093
Share of associated companies result after tax		-461
Capital transfer tax refund	-54	
Impairment	-577	
Total at end of period	**0**	**632**

The business operations of Scanfil EMS Oy's associated company Greenpoint Oy have not developed as planned, and Scanfil has estimated that the possibilities of the associated company to fulfil its obligations are poor. According to Scanfil's view, solving Greenpoint Oy's situation in a positive manner requires a financing solution where additional funds are obtained for the company and the amount of debt is decreased. So far, finding new financiers has been unsuccessful. As a result, Scanfil EMS Oy has recorded a write-down for the associated company's shares, loan and account receivables, effect on the result total EUR -1.2 million.

Information of Group's associated companies

2013	*Domicile*	*Group owner-ship (%)*	*Assets*	*Liabilities*	*Turnover*	*Loss*
Greenpoint Oy	Pori	40,00	498	1 074	1 406	-374

unaudited financial statements from the period of 1 Feb. 2012 until 30 Jun. 2013

2012						
Greenpoint Oy	Pori	40,00	555	757	1 229	-70

15. AVAILABLE-FOR-SALE INVESTMENTS, 1000 EUR

	2013	*2012*
Cost at 1 Jan.	16	0
Additions	1	16
Cost at 31 Dec. 2012	**17**	**16**
Carrying amount at 31 Dec. 2012	**17**	**16**

Available for sale investments are golf shares.

16. RECEIVABLES, 1000 EUR

	2013	*2012*
Receivables from associated companies		
Long-term		
Acquisition 1.1.	210	300
Changes in loan terms		-90
Impairment	-210	
Book value 31.12.	**0**	**210**
Short-term		
Acquisition 1.1.	124	0
Changes in loan terms		90
Additions		34
Decreases in value	-124	
Book value 31.12.	**0**	**124**

A write-down has been recorded for loans granted to Scanfil EMS Oy's associated company Greenpoint Oy. The situation of the associated company is described in Note 14 "Shares in associated companies".

17. DEFERRED TAX ASSETS AND RECEIVABLES, 1000 EUR

Changes of deferred taxes during year 2013

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

Changes of deferred taxes during year 2012

	1.1.2012	*Recognised through profit and loss*	*Recognised under other comprehensive income*	*31.12.2012*
Deferred tax assets:				
Related to inventories	221	-3		219
Related to derivative financial instrument	211		-62	150
Taxation loss		187		187
Other	81	9		90
Total	**514**	**193**	**-62**	**645**
Deferred tax liabilities:				
Accumulated depreciation difference	-60	38		-23
Total	**-60**	**38**		**-23**

18. INVENTORIES, 1000 EUR

	2013	*2012*
Materials and supplies	21 156	23 569
Work in progress	3 039	2 410
Finished goods	4 538	3 946
Total	**28 732**	**29 925**

No significant write-downs were required for the value of inventories during the financial periods 2012 and 2013.

19. TRADE AND OTHER RECEIVABLES, 1000 EUR

	2013	*2012*
Trade receivables	31 385	29 188
Accrued income	556	1 429
Other	1 526	1 358
Total	**33 467**	**31 975**

Adjusting entries for assets include an accrual item EUR 0,3 million (EUR 1,1 million) of a derivative receivable related to a foreign currency credit. Other receivables are mainly value-added tax receivables.

20. OTHER FINANCIAL ASSETS, 1000 EUR

	2013	*2012*
Time deposits		9 732
Total	**0**	**9 732**

Other financial assets include time deposits, which mature in over three months but less than one year.

21. CASH AND CASH EQUIVALENTS, 1000 EUR

	2013	*2012*
Deposits	9 875	5 501
Cash and cash equivalents	18 276	14 971
Total	**28 150**	**20 472**

Deposits mature in a maximum of three months.

22. EQUITY, 1000 EUR

Shares and share capital

Scanfil plc has a total of 57,730,439 shares. The company's registered share capital is EUR 2,000,000.00. The company has one series of shares, and all shares belong to the same class. Each share entitles the holder to one vote and the equal right to receive dividends. The share has no nominal value. Scanfil plc's shares are quoted on NASDAQ OMX Helsinki Oy. The shares have been publicly traded since 2 January 2012. The trading code of the shares is SCL1V. The shares are entered in the book-entry securities system administered by Euroclear Finland Ltd.

Translation differences

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

Other reserves

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

	2013	*2012*
Reserves according to the Articles of Association	5 909	5 803
Fair value reserve	-188	-461
Total	**5 721**	**5 342**

Reserve for invested unrestricted equity fund

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

Board of Directors' authorisation

The General Meeting of Scanfil plc authorised the Board of Directors on 18 April 2013 to decide on repurchasing a maximum of 5,000,000 own shares. The authorisation will remain in force for 18 months from the date it was issued. The authorisation issued by the General Meeting on 19 April 2012 on the transfer of a maximum of 5,000,000 treasury shares will remain in force for three years from the date it was issued. The authorization has not been exercised. On 18 April 2013, the General Meeting authorised the Board of Directors to decide on granting option rights.

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

Dividend

In year 2013 distributed a dividend of EUR 0.04/share, total of EUR 2,309,217.56.
After the reporting date, the Board of Directors has proposed a dividend of EUR 0.05 per share to be distributed, totalling EUR 2,886,521.95.

23. SHARE BASED PAYMENTS

Optio-ohjelma 2013

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

On 18 September 2013, the Board of Directors decided, based on the authorisation issued by the General meeting, to grant 225,000 option rights to Scanfil plc's CEO and four key employees of the subsidiary Scanfil EMS Oy. The option rights shall be marked with the symbol "2013A". Each option right entitles its holder to subscribe for one of Scanfil plc's new shares or shares in its possession. The subscription period for option right 2013A is 1 May 2016 – 30 April 2018. The subscription period for the option rights included in the option scheme will not begin unless the production-related and financial goals and conditions, set separately by the Board of Directors for exercising the option rights, are met. Option rights whose goals are not met will expire as determined by the Board. The subscription price of option right 2013A is EUR 0.87, which is the trading-volume weighted average share price in the NASDAQ OMX Helsinki of the period 1–31 March 2013. Oy:ssä 1.3. - 31.3.2013. The cost effect of the option scheme in 2013 is EUR 6 thousand.

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

24. PROVISIONS, 1000 EUR

	Reclamation provisions	*Unemployment pension deductibles*	***Total***
1.1.2013	150	241	391
Additions	68		68
Used provisions	-30	-36	-66
Cancellation of unused provisions		-20	-20
31.12.2013	**188**	**185**	**373**

The complaint provision includes the estimated cost of repairing faulty products related to customer complaints. The unemployment benefit provision includes the potential unemployment pension deductibles of employees made redundant as a result of employer/employee negotiations.

25. FINANCIAL LIABILITIES, 1000 EUR

	2013	2012
Financial institutions		
Long-term	9 171	18 934
Short-term	9 171	9 467
Total	**18 341**	**28 401**

Maturity of financing loans	Interest	Installment	Total
Year 2014	348	9 171	9 518
Year 2015	149	9 171	9 320
Total	**497**	**18 341**	**18 838**

The Group has one interest-bearing financing loan, taken out by Scanfil EMS Oy in 2010 in SEK, originally equivalent to EUR 40.0 million. Term of the loan is five years, and the last instalment will be paid on 8 December 2015. Interest of the loan may vary between 2.21% and 2.56% due to the fulfilment of interest covenant terms. On 31 December 2013, the interest rate of the loan was 2.21%. The loan is associated with termination covenants, which are not in danger of being broken.

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

Effectiveness of the hedge can be reliably measured, and the hedge is expected to remain fully effective throughout the term of the hedging relationship. Effectiveness is evaluated every quarter year. The nominal amount of the interest rate and currency swap was SEK 162.5 million on 31 December 2013 (SEK 243.7 million on 31 December 2012) and it will mature on 8 December 2015. The fair value of the derivative was EUR 314,440 (EUR 1,122,911 on 31 December 2012).

The cash flows of the derivative will be realised at the same time as the cash flows of the loan so that cash flows in SEK obtained from the derivative fully cover the cash flows payable for the loan. The end result is that the company will pay instalments and interest flows in euros according to the schedule presented above.

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

	2013	2012
Fair value reserve	273	190
Transferred to profit or loss	-6	21

26. NON-CURRENT LIABILITIES, 1000 EUR

	2013	2012
Trade and other payables		
Trade payables	19 657	19 848
Accrued liabilities	5 121	4 643
Advance payments received	38	25
Other creditors	1 192	902
Total	**26 009**	**25 417**
The most significant items included in accrued liabilities:		
Employee expenses	4 536	3 934
Interests	24	40
Other accrued liabilities	561	669
Total	**5 121**	**4 643**

27. CASH FLOW STATEMENT ADJUSTMENTS, 1000 EUR

	2013	*2012*
Non-cash transactions		
Depreciation according to plan	4 418	4 532
Financial income and expenses	1 224	507
Taxes	2 379	1 901
Changes in provisions	19	42
Other adjustments	121	378
Total	**8 160**	**7 359**
Changes in working capital		
Inc(-)/dec(+) in short-term non-interest bearing receivables	-2 405	-3 663
Inc(-)/dec(+) in inventories	1 031	1 154
Inc(+)/dec(-) in short-term non-interest-bearing liabilities	814	2 113
Total change in working capital	**-560**	**-396**

28. FINANCIAL ASSESTS AND LIABILITIES, CARRYING AMOUNT AND FAIR VALUE, 1000 EUR

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

2012	*Financial assets and liabilities at fair value through profit or loss*	*Loans and other receivables*	*Investments held to maturity*	*Available for sales investment*	*Financial liabilities recognised at amortised cost*	*Book values of balance sheet items*	*Fair values of balance sheet items*
Non-current assets							
Available for sale investments				16		16	16
Non-current assets total				16		16	16
Current assets							
Trade and other receivables		30 354				30 354	30 354
Available-for-sale investments, liquid assets		9 732				9 732	9 732
Cash and cash equivalents		20 472				20 472	20 472
Current assets total		60 557				60 557	60 557
Total financial assets		**60 557**		**16**		**60 574**	**60 574**
Non-current financial liabilities							
Interest-bearing liabilities from financial institutions					18 934	18 934	18 934
Derivative	749					749	749
Non-current financial liabilities total	749				18 934	19 682	19 682
Current financial liabilities							
Interest-bearing liabilities from financial institutions					9 467	9 467	9 467
Derivative	374					374	374
Trade and other payables					20 075	20 075	20 075
Current financial liabilities total	374				29 542	29 916	29 916
Total financial liabilities	**1 123**				**48 475**	**49 598**	**49 598**

29. FAIR VALUE HIERARCHY, 1000 EUR

2013	*Level 1*	*Level 2*	*Level 3*
Assets measured at fair value			
Available-for-sale investments			
Equity investments			17
Liabilities measured at fair value			
Derivative		314	
Liabilities recognised at amortised cost			
Financing loan		18 341	

2012	*Level 1*	*Level 2*	*Level 3*
Assets measured at fair value			
Available-for-sale investments			
Equity investments			16
Assets recognised at amortised cost			
Time deposits		9 732	
Liabilities measured at fair value			
Derivative		1 123	
Liabilities recognised at amortised cost			
Financing loan		28 401	

The fair values of **level 2** instruments are to a significant extent based on data that can be observed either directly (i.e. as price) or indirectly (derived from the prices) for the asset or liability in question. In determining the fair value of these instruments, the Group utilises generally accepted measurement models whose input data, however, is significantly based on verifiable market data.
The fair values of **level 3** instruments are based on input data concerning the asset or liability that is not based on observable market data but to a significant extent on estimates of the management and their use in generally accepted measurement models.

30. DERIVATIVE INSTRUMENTS

Derivative instruments used by the company are discussed in Note 25, "Interest-bearing liabilities". The company does not have any derivative instruments held for trading.

31. FINANCIAL RISK MANAGEMENT

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

Currency risk

The Group's currency risks consist of

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

Currency risks are mainly the result of changes in the USD/EUR exchange rates. Currency risks can be hedged with forward exchange contracts or interest rate and currency swaps. The parent company of the Group is responsible for all hedging actions. The financial statements of 31 December 2013 contain an interest rate and currency swap agreement related to the hedging of credit in foreign currency. There are no other open derivative agreements.
Below, the net positions associated with cash and cash equivalents, accounts receivable and accounts payable are shown in euros for the main currencies of the Group.

Transaction risk, 1000				***2013***
Foregn currency	USD	USD	EUR	HUF
Reporting currency:	EUR	RMB	RMB	EUR
Cash and cash equivalents	3 670	420	645	68
Trade receivables	4	2 288	3 435	31
Trade payables	-881	-1 028	-1 323	-38
Balance sheet net risk	2 793	1 680	2 757	61

Transaction risk, 1000				***2012***
Foreign currency	USD	USD	EUR	HUF
Reporting currency:	EUR	RMB	RMB	EUR
Cash and cash equivalents	1 918	748	380	75
Trade receivables	17	2 588	2 327	31
Trade payables	-1 281	-1 066	-1 321	-85
Balance sheet net risk	654	2 271	1 387	21

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

Foreign currency	change in	USD	USD	EUR	HUF
Raportointivaluutta	currency %	EUR	RMB	RMB	EUR
Year 2013	+/- 10	+/- 279	+/- 168	+/- 276	+/- 6
Year 2012	+/- 10	+/- 65	+/- 227	+/- 139	+/- 2

Translation risk

A weakening of 10% of the Chinese Yuan would decrease the Group's shareholders' equity by approximately EUR 4 million. The Chinese currency is strongly linked to the US dollar. The exposure is not fixed; it varies with the result and dividends paid.

The risk entailed in investments in subsidiaries in the Chinese currency has decreased compared to the previous yearafter Scanfil (Hangzhou) Co., Ltd. paid a return of capital of EUR 10.8 million to the parent company. In Hungary, the real estate company Rozália Invest Kft has a euro-denominated loan for EUR 4.8 million from the parent company that involves a currency risk if the local currency (HUF) should weaken. The accounting currency of other subsidiaries is EUR. Investments in foreign subsidiaries have not been hedged.

Financial risk

The changes in exchange rates should not have a significant effect on the long-term competitiveness of the company. Pricing is adjusted continuously with most customers. Some fixed prices are agreed, but not longer than for a one year period.

Interest rate risk

The yield of the financial investments and interest-bearing liabilities carry an interest rate risk. The Group has considerable cash assets, and changes in interest rates may have an effect on the Group's result, but their impact is not significant on the whole. The Group invests its cash funds in bank deposits, and only accepts banks with a high credit rating as counterparties. The interest rate risk of loans can be controlled with the proportion between variable rate and fixed-interest loans. The Group only has one interest-bearing loan whose interest rate has been fixed through an interest swap agreement for a loan period of five years. The interest rate grades due to the fulfilment of interest covenant terms are 2.21%, 2.36% and 2.56%. Interest fluctuation in 2013 could have been EUR 85,000 at the most.

Credit Risk

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

Age distribution of trade receivables, 1000 EUR	2013	2012
Unmatured	29 399	25 231
Matured		
1 - 30 days	1 395	2 486
31 - 90 days	476	979
91 - 180 days	29	210
181 - 365 days	51	239
more than 1 year	35	42
Total	**31 385**	**29 188**

During the financial year, the Group has recorded a total of EUR 327,000 (EUR 48,000 in 2012) of credit losses for accounts receivable. The credit losses are due to accounts receivable of the associated company Greenpoint Oy. The matter is presented in Notes 14 and 16.

Liquidity risk

Considering the Group's balance sheet structure, the liquidity risk is small. The Group's liquid assets on 31 December 2013 were EUR 28.2 million (EUR 20.5 million in 2012). In addition, the Group has a credit limit for EUR 5.0 million. The Group's bank loans include regular loan covenant terms. During the financial year 2013, the Group fulfilled the covenant terms associated with the loans.

Maturity analysis based on debt agreements

	2014	2015	2016
Loans from financial institutions			
Installment	8 889	8 889	0
Interests	348	149	0
Total	**9 236**	**9 038**	**0**
Trade payables and other liabilities	26 009	0	0
Total	**35 245**	**9 038**	**0**

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

32. MANAGEMENT OF CAPITAL STRUCTURE, 1000 EUR

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

	2013	*2012*
Interest-bearing liabilities	18 341	28 401
Cash assets	-28 150	-30 204
Net liabilities	-9 809	-1 803
Equity total	80 477	75 007
Gearing, %	**-12,2**	**-2,4**

33. COMMITMENTS AND CONTINGENCIES, 1000 EUR

	2013	*2012*
Mortgages to secure own debt		
Business mortgages	40 000	40 000
Total	**40 000**	**40 000**
Liabilities secured with mortgages		
Interest-bearing liabilities from financial institutions	**18 341**	**28 401**
Guarantees given		
On behalf of own company	5 010	10
On behalf of Group company	1 350	1 250
Total	**6 360**	**1 260**

34. LEASING LIABILITIES AND OTHER LEASE LIABILITIES, 1000 EUR

	2013	*2012*
Group as lessee		
Minimum rents payable based on other non-cancellable leases:		
Within one year	19	39
In one to five years	5	23
Total	**23**	**62**

35. RELATED PARTY TRANSACTIONS

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

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

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

Related party transactions, 1000 EUR

	Sales	*Account receivables*	*Interest income*	*Loan receivable*	*Interest receivable*
31.12.2013					
Greenpoint Oy	126	0	2	0	0
31.12.2012					
Greenpoint Oy	162	255	4	334	2

Scanfil plc's subsidiary Scanfil EMS Oy has rented an office space from Kiinteistö Oy Pilot 1, which head owners are Jorma Takanen, Harri Takanen, Jarkko Takanen and Reijo Pöllä. Rental costs in 2013 were EUR 15 thousand (Jun. - Dec. 2012 EUR 7 thousand).
After a partial division at the begining of year 2012, Scanfil Oyj and Sievi Capital Oyj have the same main owners.

Business transactions and open balances with Sievi Capital plc
Scanfil plc and the subsidiary Scanfil EMS Oy have offered administrative services to Sievi Capital plc. In the previous year, Scanfil EMS Oy bought the property which it had rented earlier from Sievi Capital plc.

	Sales	*Receivables*	*Purchases*
31.12.2013			
Administrative service fees	83	23	
31.12.2012			
Administrative service fees	32	8	
Purchase price of real estate			4 208
Rental fee			164

Employee benefits for members of the management, EUR

	2013	*2012*
Salaries and other short-term employee benefits	692	522
Post-employment benefits	2	2
Option scheme	6	
Total	**700**	**524**

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

Salaries paid to the President			
Harri Takanen	up to 31 March 2013	62	146
Petteri Jokitalo	since 1 April 2013	93	
Statutory pension expenditure, TYEL			
Harri Takanen		11	25
Petteri Jokitalo		17	
Salaries paid to the Board members			
Jorma J. Takanen		17	15
Tuomo Lähdesmäki		17	16
Jarkko Takanen		17	16
Harri Takanen	since 18.4.201	15	
Riitta-Liisa Kotilainen	since 18.4.2013	11	
Asa-Matti Lyytinen	up to 19.4.2012		5
Reijo Pöllä	up to 19.4.2012		1
Päivi Marttila	since 19 April 2012 and up to 18 April 2013	6	11
Total salaries of the Board Members		**83**	**62**

The salary information is payment-based.

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

KEY RATIOS

Key financial indicators	*2013*	*2012*	*2011*	*2010*	*2009*
Turnover, EUR m	188.5	180.9	210.8	219.3	197.3
Turnover, growth from previous year, %	4.2	-14.2	-3.9	11.1	
Operating profit, EUR m	11.8	8.1	9.1	11.0	15.6
Operating profit, % of turnover	6.3	4.5	4.3	5.0	7.9
Profit/loss for the period, EUR m	8.2	5.7	6.3	6.8	9.9
Profit/loss for the period, % of turnover	4.4	3.2	3.0	3.1	5.0
Return on equity, %	10.6	7.9	9.7	12.6	13.0
Return on investment, %	11.4	8.1	9.5	11.4	15.8
Interest-bearing liabilities, EUR m	18.3	28.4	36.5	42.8	43.0
Gearing, %	-12.2	-2.4	1.9	43.1	40.4
Equity ratio, %	64.1	57.7	53.6	41.6	39.3
Gross investments in fixed assets, EUR m	4.0	7.2	3.8	10.1	3.1
Gross investments in fixed assets, % of turnover	2.1	4.0	1.8	4.6	1.6
Average number of employees for the period	1 672	1 669	2 024	1 989	1 921
Key indicators per share					
Earnings per share, EUR	0.14	0.10	0.11 (*	0.12 (*	0.17 (*
Shareholders' equity per share, EUR	1.39	1.30	1.20 (*	1.03 (*	0.83 (*
Dividend per share, EUR	0.05	0.04			
Dividend per earnings, %	35.1	40.5			
Effective dividend yield, %	3.70	4.88			
Price-to-earnings ratio (P/E)	9.5	8.3			
Share trading					
No. of shares traded, thousands	2 864	8 982			
Percentage of total shares, %	4.96	15.6			
Share performance					
Lowest price for year, EUR	0.82	0.60			
Highest price for year, EUR	1.47	1.10			
Average price for year, EUR	1.11	0.76			
Price at the end of year, EUR	1.35	0.82			
Market value of share capital at 31 Dec. 2013, EUR m	77.9	47.3			
Share-issue adjusted number of shares					
At the end of the period,thousands	57 730	57 730	57 730	57 730	57 730
On average during the period, thousands	57 730	57 730	57 730	57 730	57 730

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

KEY RATIOS

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

INCOME STATEMENT, FAS

1000 EUR	*Note*	*1.1.-31.12.2013*	*1.1.-31.12.2012*
Other operating income		405	1
Personnel expenses	1	-564	-254
Other operating expenses	2	-207	-558
Operating profit		**-366**	**-811**
Financial income	3	2 216	3 302
Financial expenses	3	-15	-1
Profit before extra ordinary items		**1 835**	**2 489**
Extra-ordinary items	4	1 200	50
Profit before appropriations and taxes		**3 035**	**2 539**
Income taxes	5	-18	
Net profit for the period		**3 017**	**2 539**

BALANCE SHEET, FAS

1000 EUR	*Note*	*31.12.2013*	*31.12.2012*
ASSETS			
Non-current assets			
Investments			
Holdings in Group companies	6	12 621	12 621
		12 621	12 621
Total non-current assets		**12 621**	**12 621**
Current assets			
Short-term receivables			
Account receivables		15	
Receivables from Group companies	7	3 459	1 550
Other receivables			7
Accrued income		2	
		3 476	1 557
Cash and cash equivalents	8	2 095	4 633
Total current assets		5 572	6 190
Total assets		**18 193**	**18 811**
SHAREHOLDER'S EQUITY AND LIABILITIES			
Equity			
Share capital		2 000	2 000
Reserve for invested unrestricted equity fund		10 721	10 721
Retained earnings		229	
Profit for the period		3 017	2 539
Total Equity	9	**15 967**	**15 260**
Short-term liabilities			
Trade payables		13	21
Liabilities to Group companies	10	1 845	3 447
Other creditors		67	9
Accrued liabilities	11	300	74
		2 225	**3 551**
Total liabilities		**2 225**	**3 551**
Total equity and liabilities		**18 193**	**18 811**

CASH FLOW STATEMENT, FAS

1000 EUR	*Note*	*1.1-31.12.2013*	*1.1-31.12.2012*
Cash flow from operating activities			
Profit for the period		3 017	2 539
Adjustments	12	-3 383	-3 350
Change in working capital	12	199	97
Interest paid		-16	-1
Interest received		11	2
Net cash flow from operating activities		**-171**	**-715**
Cash flow from investing activities			
Dividend received from investments		1 550	1 750
Net cash flow from investing activities		**1 550**	**1 750**
Cash flow from financing activities			
Received group contributions			50
Short-term loans raised		1 840	3 447
Repayment of short-term loans		-3 447	
Dividends paid		-2 309	
Net cash flow from financing activities		**-3 916**	**3 497**
Change in cash and cash equivalents		**-2 537**	**4 533**
Cash and cash equivalents at 1 Jan.		4 633	100
Cash and cash equivalents at 31 Dec.	8	**2 095**	**4 633**

Companys accounting policies

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

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

1. PERSONNEL EXPENSES, 1000 EUR

	2013	2012
Salaries, wages and fees	482	220
Pension costs	70	31
Other indirect employee expenses	12	3
Total	**564**	**254**

The pension costs are based on defined-contribution schemes. The company does not have outstanding stock options.
Management's employee benefits and related party transactions are presented in note 13.

Average number of employees during the period		
Clerical employees	4	1
Total	**4**	**1**

2. OTHER OPERATING EXPENSES, 1000 EUR

	2013	2012
Other operating expenses include the following significant expense items:		
Stock exchange admission expenses		367
Other operating expenses	207	191
Total	**207**	**558**
Auditor's remuneration		
Auditor's remunerations of the Chartered Accountants	15	10
Other services	4	
Total	**19**	**10**

3. FINANCING INCOME AND EXPENSES, 1000 EUR

	2013	2012
Income from shares from Group companies	**2 200**	**3 300**
Other interest and financial income		
To group companies	16	
Other	0	2
Total	**16**	**2**
Interest expenses and other financial expenses		
To group companies		-1
Other	-15	
Total	**-15**	**-1**
Total financial income and expenses	**2 201**	**3 300**
Items other interest and financial income and interest expenses and other financial expenses includes exchange rate gains and losses (net)	**0**	**0**

4. EXTRAORDIANRY ITEMS, 1000 EUR

	2013	2012
Group contributions from Scanfil EMS Oy	1 200	50
Total	**1 200**	**50**

5. INCOME TAXES, 1000 EUR

	2013	2012
Income taxes from extra ordinary items	294	
Income taxes from actual operations	-276	
Total	**18**	**0**

6. HOLDINGS IN GROUP COMPANIES, 1000 EUR

	2013	2012
Total at beginning of period	12 621	12 621
Total at end of period	**12 621**	**12 621**
Carrying amount at 31 Dec 2012	**12 621**	**12 621**

Group companies	*Domicile*	*Group share %*	*Parent company-share %*	*Parent company book value*
Scanfil EMS Oy	Finland	100	100	12 621
				12 621

7. RECEIVABLES FROM GROUP COMPANIES, 1000 EUR

	2013	2012
Short-term receivables		
Dividend receivable from Scanfil EMS Oy	2 200	1 550
Contribution receivable from Scanfil EMS Oy	1 200	
Other receivables from Scanfil EMS Oy	59	
Total	**3 459**	**1 550**

8. CASH AND CASH EQUIVALENT, 1000 EUR

	2013	2012
Cash and bank balances	2 095	4 633
Total	**2 095**	**4 633**

9. EQUITY, 1000 EUR

	2013	2012
Share capital		
Share capital at 1 Jan.	2 000	2 000
Share capital at 31 Dec.	**2 000**	**2 000**
Total restricted shareholder's equity	**2 000**	**2 000**
Reserve for invested unrestricted equity fund		
Reserve for invested unrestricted equity fund at 1 Jan.	10 721	10 721
Reserve for invested unrestricted equity fund at 31 Dec.	**10 721**	**10 721**

Retained earnings		
Retained earning at 1 Jan.	2 539	
Paid dividends	-2 309	
Retained earnings at 31 Dec.	**229**	
Profit for the period	**3 017**	**2 539**
Total unrestricted equity	**13 967**	**13 260**
Total equity	**15 967**	**15 260**
Calculation of distributable funds at 31 Dec.		
Reserve for invested unrestricted equity fund	10 721	10 721
Retained earnings	229	
Profit for the period	3 017	2 539
Total	**13 967**	**13 260**

10. LIABILITIES TO GROUP COMPANIES, 1000 EUR

	2013	*2012*
Short-term liabilities to Group companies		
Trade payables to Group	5	
Liquid assets of the Group account	1 840	3 447
Total	**1 845**	**3 447**

11. ACCRUED LIABILITIES, 1000 EUR

	2013	*2012*
The most significant items included in accrued liabilities		
Employee expenses	272	64
Other accrued liabilities	28	10
Total	**300**	**74**

12. CASH FLOW STATEMENT ADJUSTMENTS, 1000 EUR

	2013	*2012*
Adjustments		
Financial income and expenses	-1	-3 300
Other adjustments	-3 382	-50
Total	**-3 383**	**-3 350**
Changes in working capital		
Inc(-)/dec(+) in short-term non-interest-bearing receivables	-64	-7
Inc(+)/dec(-) in short-term non-interest-bearing liabilities	263	104
Total change in working capital	**199**	**97**

13.COMMITMENTS AND CONTINGENCIES, EUR

Scanfil plc has a credit limit associated with the Group account for EUR 5.0 million, which Scanfil EMS Oy can use and for which it has provided security.
Scanfil plc has granted Nordea Bank Finland Plc an absolute guarantee for the payment of Scanfil EMS Oy's loan of originally EUR 40 million and the resulting obligations to pay. Capital of the loan on Scanfil EMS Oy's balance sheet (FAS) on 31 December 2013 is EUR 17.8 million.

14. MANAGEMENT'S EMPLOYMENT-RELATED BENEFITS, 1000 EUR

		2013	*2012*
Salaries and other short-term employee benefits			
Salaries and bonuses of the President			
Harri Takanen	up to 31 March 2013	62	146
Petteri Jokitalo	since 1 April 2013	93	
Salaries and bonuses of the Board members			
Jorma J. Takanen		17	15
Tuomo Lähdesmäki		17	16
Jarkko Takanen		17	16
Harri Takanen	since 18 April 2013	15	
Riitta-Liisa Kotilainen	since 18 April 2013	11	
Asa-Matti Lyytinen	up to 19 April 2012		5
Reijo Pöllä	up to 19 April 2012		1
Päivi Marttila	since 19 April 2012 and up to 18 April 2013	6	11
Total salaries and bonuses of the Board members		**83**	**62**

Harri Takanen has a voluntary pension insurance policy with a projected pension of some EUR 1,000 per month.

Shares and share capital

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

Scanfil plc's shares are quoted on NASDAQ OMX Helsinki Ltd. The shares have been publicly traded since 1 January 2012. The trading code of the shares is SCL1V. The shares are included in the book-entry securities system maintained by Euroclear Finland Ltd.

Board's authorisations in force

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

The Extraordinary General Meeting of Scanfil plc on 19 April 2012 authorised the Board of Directors to decide on the transfer of a maximum of 5,000,000 treasury shares. The authorisation to the transfer of treasury shares is valid for three years after its granting. The Annual General Meeting of Scanfil plc on 18 April 2013 authorised the Board of Directors to decide on repurchase of a maximum of 5,000,000 treasury shares. The authorisation to repurchase treasury shares is valid for 18 months after its granting.

Own shares

The company does not own its own shares.

Dividend distribution policy

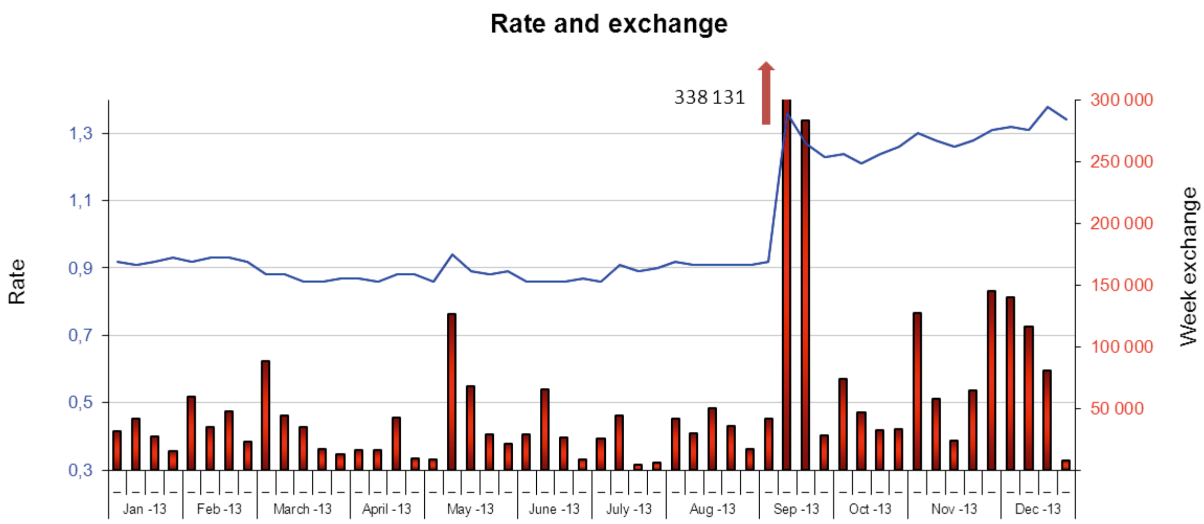
The company aims to pay a dividend annually. The level of dividends paid and the date of payment are affected, inter alia, by the Group's result, financial position, need for capital and other possible factors. The aim is to distribute approximately one-third of the Group's annual profit as dividend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

Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.05 be paid per share, for a total of EUR 2,886,521.95

Share price development, trading and market value

In 2013, the number of Scanfil plc shares traded on NASDAQ OMX Helsinki Ltd was 2,863,667, which accounts for 5,0% of all shares. The value of shares traded was EUR 3.2 million and the average price EUR 1.11. Market capitalisation was EUR 77.9 million at the end of 2013. The highest trading price was EUR 1.47 and the lowest EUR 0.82. The closing price was EUR 1.35.



Information on shareholders

On 31 December 2013, Scanfil plc had a total of 4,258 shareholders, 74.0% of whom owned a maximum of 1,000 shares in the company. The ten major shareholders owned 77.8% of the shares. Nominee-registered shares accounted for 1.1% of the shares.

Shares held by management

Members of the Board of Directors of Scanfil plc and the CEO held a total of 23,934,138 shares on 31 December 2013, which accounts for 41.5% of the company's shares and votes.

BREAKDOWN OF SHARE OWNERSHIP

Breakdown of share ownership by number of shares held at 31 Dec. 2013

Number of shares	*Number of shares pcs*	*Percentage of shares %*	*Total number of shares and votes pcs*	*Percentage of shares and votes %*
1 - 200	1 599	37,55	248 588	0,43
201 - 1000	1 556	36,54	929 872	1,61
1001 - 2000	469	11,02	758 044	1,31
2001 - 10000	488	11,46	2 131 601	3,69
10001 - 100000	119	2,80	3 564 291	6,17
100001 - 99999999	27	0,63	50 098 043	86,78
Total	**4 258**	**100,00**	**57 730 439**	**100,00**

Breakdown of share ownership by owner category at 31 Dec. 2013

	Number of shareholders	*Share %*	*Number of shares*	*Share %*
Corporations	229	5,38	9 102 625	15,77
Financial and insurance institutions	9	0,21	780 769	1,35
Public entities	4	0,09	1 247 742	2,16
Non-profit-making organisations	15	0,35	2 279 884	3,95
Households	3 991	93,72	44 315 799	76,76
Non-Finnish owners	10	0,25	3 620	0,01
Total	**4 258**	**100,00**	**57 730 439**	**100,00**
of which nominee-registered	8		638 215	1,11

Information on shareholders

Major shareholders at 31 Dec. 2013

	pcs	*Share % of shares and votes*
1. Takanen Harri	9 776 664	16,93
2. Takanen Jarkko	8 251 169	14,29
3. Varikot Oy	7 273 109	12,60
4. Takanen Jorma Jussi	5 879 305	10,18
5. Tolonen Jonna	3 251 950	5,63
6. Põllä Reijo	3 128 745	5,42
7. Laakkonen Mikko	2 531 187	4,38
8. Takanen Martti	1 954 218	3,39
9. Riitta ja Jorma J. Takasen säätiö	1 900 000	3,29
10. Takanen Riitta	1 003 341	1,74

Board of Directors' Proposal for the Distribution of Profit

The parent company's distributable funds total EUR 13,967.426.34 euro.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.05 per share be paid for the financial period ended 31 December 2013, for a total of EUR 2,886,521.95

Board of Directors' Proposal for the Distribution of Profit

Sievi, 25 February 2014

Harri Takanen
Chairman of the Board

Jorma J. Takanen

Jarkko Takanen

Riitta-Liisa Kotilainen

Petteri Jokitalo
CEO

This document is an English translation of Finnish auditor´s report. Only the Finnish version of the report is legally binding.

Auditors' report To the Annual General Meeting of Scanfil plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Scanfil plc for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

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

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

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

Oulu, March 11, 2014
KPMG Oy Ab

Antti Kääriäinen
Authorised Public Accountant

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

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

This Corporate Governance Statement is available on the company Website www.scanfil.com under Investors, and it complies with recommendation 51 of the Finnish Corporate Governance Code. The Finnish Corporate Governance Code is available to the public at www.cgfinland.fi.

BOARD OF DIRECTORS

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

Board composition

Scanfil plc's General Meeting held on 18 April 2013 elected the following Board members:

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

Jorma J. Takanen
Member of the Board of Directors since 1 January 2012. Born 1946, B.Sc. (Chemistry). Chairman of the Board of Directors of Sievi Capital plc. Not independent of the company and significant shareholders.

Riitta Kotilainen
Member of the Board of Directors since 18 April 2013. Born 1958, B.Sc. (Electrical power technology). President and CEO of E.Kotilainen Oy and Varikot Oy. Not independent of the company and major shareholders.

Tuomo Lähdesmäki
Member of the Board of Directors since 1 January 2012. Born 1957, M.Sc. (Eng), MBA (INSEAD). Senior Partner of Boardman Oy. Independent of the company and major shareholders.

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

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

Independence of Board members

In the evaluation of independence carried out by the Board, one Board member (Tuomo Lähdesmäki) is independent of the company and major shareholders and one Board member (Jarkko Takanen) independent of the company. Of the Board Members who are not independent of the company Harri Takanen is the largest and Jorma J. Takanen the fourth largest shareholder of the company. Riitta Kotilainen is the Managing Director of Varikot Oy, which is the third largest shareholder of the company. In addition she has a part-time employment contract with Scanfil EMS Oy. For the sake of entrepreneurship and financial risk related to the ownership it is justifiable that the not independent members of the Board supervise the benefit of the owners as a members of the board and committees. In addition, Jorma J. Takanen, Jarkko Takanen and Harri Takanen have very broad experience of the contract manufacturing business, which can be used by the entire company and for the shareholders through working on the Board and committees.

Activity of the Board

The Board of Directors had a total of 13 meetings in 2013, some of which were telephone meetings. The average attendance rate at Board meetings was 94%.

The matters regularly dealt with by the Board of Directors are specified in the Board's written charter. The charter is reviewed, ratified and, if necessary, updated on a yearly basis. In accordance with the charter, matters to be dealt with by the Board meetings include the company's business strategy, investing the Group's cash assets and allocation in the Group, internal audit and control systems, evaluation of risks, reward schemes, the Group's insurance policies and the auditor's audit report. The Board annually performs a self-evaluation of its work.

Board committees

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

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

The purpose of the Audit Committee is to supervise the financial reporting process and the reporting of the financial statements and interim reports and to monitor the functionality of the company's internal supervision and risk management. It also evaluates the appropriateness of auditing and prepares the proposal for the appointment of an auditor. The Committee consists of two members: Jarkko Takanen, who acts as the Chairman, and Jorma J. Takanen.

CEO

The Board of Directors decides on the appointment and dismissal of the CEO and the terms and conditions of his employment. The CEO is covered by the performance and profit bonus systems decided on separately by the Board of Directors at any given time. Harri Takanen, M.Sc. (Eng), born 1968, was the company's CEO 1 January – 31 March 2013 and since 1 April 2013 M.Sc. (Eng) Petteri Jokitalo, born 1963.

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

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

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

Risk management

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

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

Description of internal control at Scanfil plc

report on business risks in accordance with the management and reporting system.

Internal control

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

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

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

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

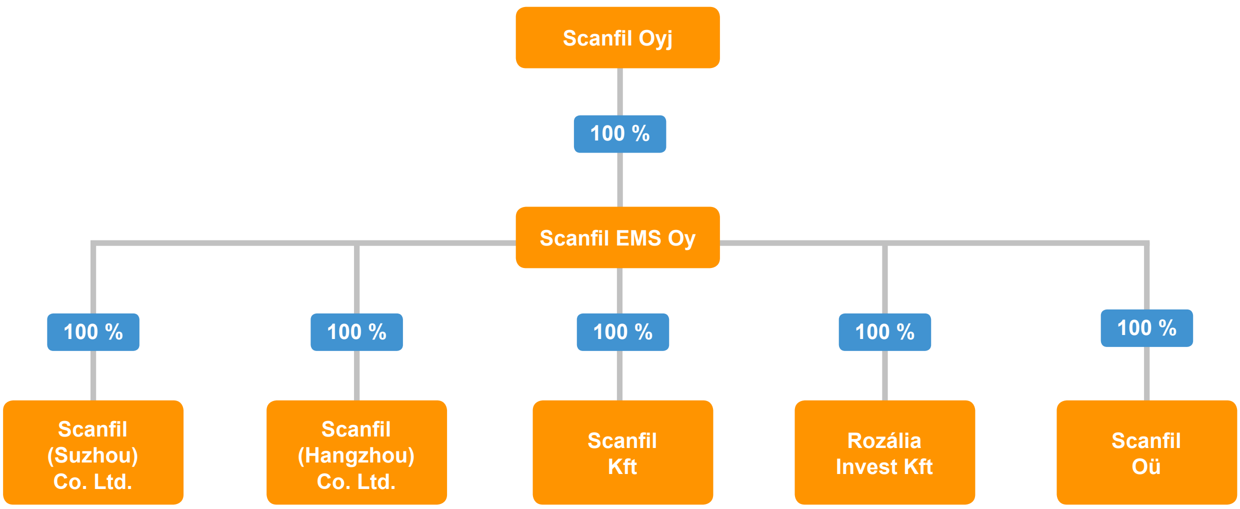
Internal audit

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

Development activities

The group has a development project, through which the company will replace its existing enterprise resource planning system with a new system. The aim is to develop a global, integrated system that covers all of the Group's business processes and strengthens Scanfil's competitiveness on the global contract manufacturing market. Process management will become more efficient when the necessary information is more precisely and quickly available for decision-making. The system was implemented in Finland and Hungary during 2013. The system will be in use throughout the Group in during year 2014.

The group structure of Scanfil plc 2013



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