

## SCANFIL GROUP'S INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2014

### July – September

- Turnover totalled EUR 56.7 million (Q3 2013: 50.4), up to 12.6%
- Operating profit EUR 5.2 million (4.2), 9.2% (8.4%) of turnover, up to 22.4%
- Profit was EUR 3.8 million (3.0), up to 25.9%
- Earnings per share amounted EUR 0.07 (0.05)

### January – September

- Turnover totalled to EUR 164.9 million (1-9 2013: 143.1), up to 15.2%
- Operating profit EUR 12.9 million (9.3), 7.8% (6.5%) of turnover, up to 38.9%
- Profit for the review period was EUR 9.8 million (6.3), up to 55.2%
- Earnings per share were EUR 0.17 (0.11)

Due to better-than-expected profitability development in the third quarter, Scanfil plc revised its operating profit guidance for 2014 on 15 September 2014. The company estimates that its operating profit will be EUR 14.5–16.0 million. Turnover is expected to increase by 11–18%, in line with the previous guidance.

Scanfil previously estimated that its turnover would increase by 11–18% and its operating profit would be EUR 13.0–15.0 million in 2014.

*Petteri Jokitalo, CEO of Scanfil plc:*

"I'm pleased with Scanfil's performance in the third quarter. Its profitability developed strongly overall, and its operating profit grew by approximately 22%. In addition to increased turnover, development measures launched to improve operational performance had a positive effect on the operating profit. Many of the results of our development efforts are already visible. For this, we owe thanks to our employees."

## BUSINESS TRENDS

Scanfil's turnover for January–September 2014 was EUR 164.9 million, which represents an increase of approximately 15% year-on-year. The breakdown of turnover by regional segment was as follows: Europe 60% (60%), Asia 40% (40%).

In January–September, professional electronics customers represented 81% (82%) of total sales, and telecommunications customers accounted for 19% (18%) of total sales.

The demand for telecommunications products remained strong throughout the review period. In January–September, telecommunications sales increased by approximately 21% year-on-year. Professional electronics sales increased by approximately 14%, of which the acquisition of Scanfil GmbH represented approximately 50%. Scanfil GmbH's business operations were consolidated into Scanfil's consolidated financial statements as of 1 April 2014.

The implementation of the new ERP system has progressed as planned. The system is currently in use in Finland, Hungary and China, and will be rolled out in Estonia next.

## FINANCIAL DEVELOPMENT

The Group's turnover for January - September was EUR 164.9 (143.1) million.

Operating profit for the Group during the review period was EUR 12.9 (9.3) million, representing 7.8% (6.5%) of turnover. The turnover includes EUR 0.2 (0.3) million of non-recurring expenses.

Earnings for the review period amounted to EUR 9.8 (6.3) million. Earnings per share were EUR 0.17 (0.11) and return on investment was 17.3% (11.3%).

Turnover amounted to EUR 56.7 (50.4) million in July-September and operating profit for the third quarter was EUR 5.2 (4.2) million, or 9.2% (8.4%) of turnover. Profit for the quarter was EUR 3.8 (3.0) million.

## FINANCING AND CAPITAL EXPENDITURE

The Group enjoys a strong financial position.

The consolidated balance sheet totalled EUR 139.5 (132.6) million. Liabilities amounted to EUR 48.6 (53.7) million, EUR 33.5 (30.2) million of which were non-interest-bearing and EUR 15.1 (23.5) million interest-bearing. The equity ratio was 65.2% (59.5%) and gearing -5.8% (-1.3%). The equity per share was EUR 1.57 (1.37).

Liquid cash assets totalled EUR 20.4 (24.5) million. Cash and cash equivalents of the comparison period included EUR 9.7 million of time deposits with maturity exceeding three months.

Net cash flow from operating activities for the review period January-September was EUR 6.2 (4.5) million. The change in net working capital during the period amounted to EUR -6.3 (-6.8) million. More capital has been tied up in working capital due to higher turnover compared to the turn of the year. This year, the investment cash flow of EUR -7.4 million (EUR -3.4 million) consists mainly of the acquisition of the subsidiary. Cash flow from financing was EUR -7.5 (-6.8) million, including dividends, loan instalments and use of the bank's credit limit.

Gross investments in fixed assets in January-September totalled EUR 7.5 (3.8) million, which is 4.6% (2.6%) of turnover. Investments include EUR 5.8 million acquisition cost of shares of Schaltex Systems GmbH. Other investments are mainly investments in machines and equipment. Depreciations were EUR 3.3 (3.3) million.

## BOARD OF DIRECTORS' AUTHORISATION

The Annual General Meeting authorised the Board of Directors on 8 April 2014 to decide on the acquisition of the Company's own shares with distributable assets and on the disposal of own shares in accordance with the Board of Directors' proposal.

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

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

## OPTION SCHEME

Based on the authorisation given by the General Meeting on 18 April 2013, the Board of Directors decided on 25 September to grant the CEO and Director of Finance of Scanfil plc and three key persons at the company's subsidiary Scanfil EMS Oy option rights in all for 225,000 shares. The option rights shall be marked "2013B". Each option right entitles its holder to subscribe for one (1) of the company's new shares or shares in its possession. The subscription period for option right 2013B is 1 May 2017 – 31 April 2019. The subscription period for the option rights included in the option plan will not begin, unless the production and financial goals and conditions, set separately by the Board of Directors for exercising the option rights, are met. The option rights whose goals are not met will expire as determined by the Board. The subscription price of option right 2013B is EUR 1,41, which is the trading-volume weighted average share price in the NASDAQ OMX Helsinki of the period 1 - 31 March 2014.

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

## SHARE TRADING AND SHARE PERFORMANCE

The highest trading price during the review period was EUR 2.74 and the lowest EUR 1.30, the closing price for the period standing at EUR 2.68. A total of 3,878,592 shares were traded during the period, corresponding to 6.7% of the total number of shares. The market value of the shares on 30 September 2014 was EUR 154.7 million.

## PERSONNEL

Scanfil Group's personnel averaged 1,763 (1,674) employees during the review period. At the end of the period, the Group employed 1,781 (1,685) people, of whom 237 (240) worked in the company's Finnish units and 1,544 (1,445) in the company's units outside Finland. In all, 87% (86%) of the Group's personnel were employed by subsidiaries outside Finland on 30 September 2014.

## EVENTS AFTER THE REVIEW PERIOD

Partially decreased demand by a significant customer, and demand postponed until the second half of 2015 by the same customer, has created a need to adjust production at the Sievi plant of Scanfil EMS Oy, a subsidiary of Scanfil plc.

On 22 October 2014, Scanfil EMS launched statutory employee negotiations concerning all employees at the Sievi plant. According to initial estimates made by the company, the statutory employee negotiations may lead to temporary lay-offs of no more than 90 days between 1 December 2014 and 30 April 2015. A total of 25–45 employees at a time are projected to be affected. The Sievi plant has approximately 200 employees.

## FUTURE PROSPECTS

Due to better-than-expected profitability development in the third quarter, Scanfil plc revised its operating profit guidance for 2014 on 15 September 2014. The company estimates that its operating profit will be EUR 14.5–16.0 million. Turnover is expected to increase by 11–18%, in line with the previous guidance.

Scanfil previously estimated that its turnover would increase by 11–18% and its operating profit would be EUR 13.0–15.0 million in 2014.

## OPERATIONAL RISKS AND UNCERTAINTIES

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

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

## ACCOUNTING PRINCIPLES

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

All figures in the financial report have been rounded and consequently the sum of the individual figures can deviate from the sum figure. The figures are unaudited.

# SCANFIL

## CONSOLIDATED INCOME STATEMENT

EUR million

	7 - 9 2014	7 - 9 2013	1 - 9 2014	1 - 9 2013	1 - 12 2013
<b>Turnover</b>	<b>56.7</b>	<b>50.4</b>	<b>164.9</b>	<b>143.1</b>	<b>188.5</b>
Other operating income	0.1	0.1	0.2	0.2	0.3
Changes in inventories of finished goods and work in progress	-0.7	0.3	0.8	1.0	1.2
Manufacturing for own use				0.0	0.0
Expenses	-49.7	-45.4	-149.7	-131.7	-173.8
Depreciation	-1.1	-1.1	-3.3	-3.3	-4.4
<b>Operating profit</b>	<b>5.2</b>	<b>4.2</b>	<b>12.9</b>	<b>9.3</b>	<b>11.8</b>
Financial income and expenses	0.0	-0.3	-0.3	-0.7	-0.6
Share in the associated company's profit				-0.6	-0.6
<b>Profit before taxes</b>	<b>5.2</b>	<b>4.0</b>	<b>12.7</b>	<b>8.0</b>	<b>10.6</b>
Income taxes	-1.4	-0.9	-2.9	-1.7	-2.4
<b>Net profit for the period</b>	<b>3.8</b>	<b>3.0</b>	<b>9.8</b>	<b>6.3</b>	<b>8.2</b>
Attributable to:					
Equity holders of the parent	3.8	3.0	9.8	6.3	8.2
Earnings per share for profit attributable to shareholders of the parent: undiluted and diluted earnings per share ( EUR)	0.07	0.05	0.17	0.11	0.14

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million

	7 - 9 2014	7 - 9 2013	1 - 9 2014	1 - 9 2013	1 - 12 2013
<b>Net profit for the period</b>	<b>3.8</b>	<b>3.0</b>	<b>9.8</b>	<b>6.3</b>	<b>8.2</b>
Items that may later be recognized in profit or loss					
Translation differences	4.0	-1.3	3.4	-0.3	-0.7
Derivative Financial Instrument	0.0	0.0	0.1	0.2	0.3
Other comprehensive income, net of tax	4.0	-1.2	3.5	-0.1	-0.4
<b>Total Comprehensive Income</b>	<b>7.9</b>	<b>1.8</b>	<b>13.3</b>	<b>6.2</b>	<b>7.8</b>
Attributable to:					
Equity holders of the parent	7.9	1.8	13.3	6.2	7.8

# SCANFIL

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

<b>Assets</b>	<b>30.9.2014</b>	<b>30.9.2013</b>	<b>31.12.2013</b>
<b>Non-current assets</b>			
Property, plant and equipment	27.8	29.5	28.5
Goodwill	5.9	2.2	2.2
Other intangible assets	4.9	3.9	4.1
Available-for-sale investments	0.0	0.0	0.0
Receivables	0.2		
Deferred tax assets	0.4	0.6	0.3
<b>Total non-current assets</b>	<b>39.1</b>	<b>36.3</b>	<b>35.1</b>
<b>Current assets</b>			
Inventories	35.4	31.4	28.7
Trade and other receivables	44.4	40.2	33.5
Advance payments	0.2	0.2	0.1
Other financial assets		9.7	
Cash and cash equivalents	20.4	14.8	28.2
<b>Total current assets</b>	<b>100.3</b>	<b>96.3</b>	<b>90.5</b>
<b>Total assets</b>	<b>139.5</b>	<b>132.6</b>	<b>125.6</b>
<b>Shareholder's equity and liabilities</b>	<b>30.9.2014</b>	<b>30.9.2013</b>	<b>31.12.2013</b>
<b>Equity</b>			
Share capital	2.0	2.0	2.0
Translation differences	11.6	8.6	8.2
Other reserves	6.0	5.7	5.7
Reserve for invested unrestricted equity fund	10.7	10.7	10.7
Retained earnings	60.5	51.9	53.8
<b>Total equity</b>	<b>90.9</b>	<b>78.9</b>	<b>80.5</b>
<b>Non-current liabilities</b>			
Provisions	0.4	0.5	0.4
Interest bearing liabilities	4.6	14.1	9.2
<b>Total non-current liabilities</b>	<b>5.0</b>	<b>14.6</b>	<b>9.5</b>
<b>Current liabilities</b>			
Trade and other liabilities	31.9	28.7	26.0
Current tax	1.2	1.0	0.4
Interest bearing liabilities	10.5	9.4	9.2
<b>Total current liabilities</b>	<b>43.6</b>	<b>39.1</b>	<b>35.6</b>
<b>Total liabilities</b>	<b>48.6</b>	<b>53.7</b>	<b>45.1</b>
<b>Total shareholder's equity and liabilities</b>	<b>139.5</b>	<b>132.6</b>	<b>125.6</b>

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## CONSOLIDATED CASH FLOW STATEMENT

EUR million

	1.1.-30.9.2014	1.1.- 30.9.2013	1.1.- 31.12.2013
<b>Cash flow from operating activities</b>			
Net profit	9.8	6.3	8.2
Adjustments for the net profit	5.3	6.7	8.2
Change in net working capital	-6.3	-6.8	-0.6
Paid interests and other financial expenses	-0.3	-0.4	-0.6
Interest received	0.1	0.2	0.5
Taxes paid	-2.5	-1.5	-2.5
<b>Net cash from operating activities</b>	<b>6.2</b>	<b>4.5</b>	<b>13.2</b>
<b>Cash flow from investing activities</b>			
Investments in tangible and intangible assets	-1.7	-3.6	-4.2
Sale of tangible and intangible assets	0.1	0.1	0.2
Acquisition of Group company	-5.8		
Purchase of investments		-0.0	-0.0
Receiving from other investments			9.8
Capital transfer tax refund		0.1	0.1
Repayment of loans receivable		0.0	0.0
<b>Net cash from investing activities</b>	<b>-7.4</b>	<b>-3.4</b>	<b>5.8</b>
<b>Cash flow from financing activities</b>			
Repayment of long-term loans	-5.2	-4.4	-8.9
Proceeds from long term borrowings	0.7		
Dividends paid	-2.9	-2.3	-2.3
<b>Net cash from financing activities</b>	<b>-7.5</b>	<b>-6.8</b>	<b>-11.2</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-8.7</b>	<b>-5.6</b>	<b>7.9</b>
Cash and cash equivalents at beginning of period	28.2	20.5	20.5
Changes in exchange rates	1.0	-0.1	-0.2
<b>Cash and cash equivalents at end of period</b>	<b>20.4</b>	<b>14.8</b>	<b>28.2</b>

# SCANFIL

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR million

### Equity attributable to equity holders of the parent company

Equity	Share capital	Translation differences	Other reserves	Reserve for invested unrestricted equity fund	Retained earnings	Equity total
1.1.2014	2.0	8.2	5.7	10.7	53.8	80.5
Transfer to funds			0.2		-0.2	0
Dividends paid					-2.9	-2.9
Total comprehensive income		3.4	0.1		9.8	13.3
<b>Equity</b>						
30.9.2014	2.0	11.6	6.0	10.7	60.5	90.9

### Equity attributable to equity holders of the parent company

Equity	Share capital	Translation differences	Other reserves	Reserve for invested unrestricted equity fund	Retained earnings	Equity total
1.1.2013	2.0	8.9	5.3	10.7	48.0	75.0
Transfer to funds			0.1		-0.1	0
Dividends paid					-2.3	-2.3
Total comprehensive income		-0.3	0.2		6.3	6.2
<b>Equity</b>						
30.9.2013	2.0	8.6	5.7	10.7	51.9	78.9

# SCANFIL

## KEY INDICATORS

	1 - 9 2014	1 - 9 2013	1 - 12 2013
Return on equity, %	15.2	10.9	10.6
Return on investment, %	17.3	11.3	11.4
Interest-bearing liabilities, EUR million	15.1	23.5	18.3
Gearing, %	-5.8	-1.3	-12.2
Equity ratio, %	65.2	59.5	64.1
Gross investments in fixed assets, EUR million	7.5	3.8	4.0
% of net turnover	4.6	2.6	2.1
Personnel, average	1 763	1 674	1 673
Earnings per share, EUR	0.17	0.11	0.14
Shareholders' equity per share, EUR	1.57	1.37	1.39
Number of shares at the end of period, 000's			
- not counting own shares	57 730	57 730	57 730
- weighted average	57 730	57 730	57 730

The company has a EUR 13.3 million loan in connection with which the company has entered into interest and currency swap agreements to convert the SEK-denominated principal and cash flows of instalments and interest payments into euros. The interest and currency swap agreement fully hedges the instalments and interest payments against fluctuations in exchange and interest rates.

The company operates in a sector where order books typically span a short period of time. For this reason, future sales development cannot be reliably estimated.

## SEGMENT INFORMATION

EUR million

	1 - 9 2014	1 - 9 2013	1 - 12 2013
<b>Turnover</b>			
Europe	101.5	87.6	112.2
Asia	66.5	58.2	79.6
Turnover between segments	-3.2	-2.7	-3.3
<b>Total</b>	<b>164.9</b>	<b>143.1</b>	<b>188.5</b>
<b>Operating profit</b>			
Europe	6.1	5.0	5.2
Asia	6.8	4.4	6.6
<b>Total</b>	<b>12.9</b>	<b>9.3</b>	<b>11.8</b>
<b>Assets</b>			
Europe	70.0	64.4	67.8
Asia	63.7	66.0	55.5
Goodwill	5.9	2.2	2.2
Shares in associated companies	<b>139.5</b>	<b>132.6</b>	<b>125.6</b>
<b>Total</b>			



## CHANGES IN TANGIBLE NON-CURRENT ASSETS

EUR million

	<b>1 - 9 2014</b>	<b>1 - 9 2013</b>	<b>1 - 12 2013</b>
Book value at the beginning of the period	28.5	29.9	30.5
Additions	1.4	3.3	2.9
Consolidation of business operations	0.2		
Deductions	-0.0	-0.5	-0.5
Depreciations	-3.0	-3.1	-4.2
Exchange rate differences	0.7	-0.1	-0.2
<b>Book value at the end of the period</b>	<b>27.8</b>	<b>29.5</b>	<b>28.5</b>

## FINANCIAL ASSETS AND LIABILITIES, CARRYING AMOUNT AND FAIR VALUE

EUR million

	<b>30.9.2014</b> Book values of balance sheet values	<b>30.9.2014</b> Fair values of balance sheet values
<b>Non-current assets</b>		
Available for sale investments	0.0	0.0
Non-current assets total	0.0	0.0
<b>Current assets</b>		
Trade and other receivables	42.7	42.7
Cash and cash equivalents	20.4	20.4
Current assets total	63.1	63.1
<b>Total financial assets</b>	<b>63.1</b>	<b>63.1</b>
<b>Non-current financial liabilities</b>		
Interest bearing liabilities from financial institutions	4.4	4.4
Derivative	0.0	0.0
Financial leasing	0.1	0.1
Non-current financial liabilities total	4.6	4.6
<b>Current financial liabilities</b>		
Interest bearing liabilities from financial institutions	10.4	10.4
Derivative	0.1	0.1
Financial leasing	0.2	0.2
Trade and other payables	26.6	26.6
Current financial liabilities total	37.2	37.2
<b>Total financial liabilities</b>	<b>41.8</b>	<b>41.8</b>

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

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

## CONTINGENT LIABILITIES

EUR million

	<b>1 - 9</b>	<b>1 - 9</b>	<b>1 - 12</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
Given business mortgages	26.0	40.0	40.0
Pledged guarantees	0.8	1.2	1.2
Leasing liabilities and other lease liabilities	3.1	0.0	0.0

In addition, Scanfil EMS Oy has provided a guarantee of any obligations arising from the subsidiary's delivery contracts with its customers. The guarantee is limited to a maximum of EUR 7.5 million and seven years after the expiry of the last product agreement.

Scanfil plc has granted Nordea Bank Finland Plc an absolute guarantee for the payment of Scanfil EMS Oy's loan of originally EUR 40 million and resulting obligations to pay. The principal of the loan on Scanfil EMS Oy's balance sheet (FAS) on 30 June 2014 is EUR 13.3 million.

Scanfil plc has a credit limit associated with the Group account for EUR 5.0 million, for which Scanfil plc has granted an absolute guarantee. Scanfil EMS Oy may use this credit limit, for which it has also provided security.

Scanfil plc has provided Nordea Bank Finland plc with an absolute guarantee for the EUR 1.0 million credit limit of Scanfil Kft and EUR 2.0 million credit limit of Scanfil GmbH, and Siemens Finance and Leasing GmbH for Scanfil GmbH's lease liabilities of EUR 0.4 million. A total of EUR 1.5 million of the credit limits were in use on 30 September 2014.

## TRANSACTIONS WITH RELATED PARTIES

EUR million

	<b>1 - 9</b>	<b>1 - 9</b>	<b>1 - 12</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
Related party transactions:			
<b>Associated companies</b>			
Sales income	0.0	0.0	0.1
Trade receivables		0.3	
Interest income		0.0	0.0
Loan receivables		0.3	
Interest receivables		0.0	

Scanfil EMS Oy has rented an office space from Kiinteistö Oy Pilot 1, which is owned by a company whose head owners are Jorma Takanen, Harri Takanen, Jarkko Takanen and Reijo Pöllä. Rental costs were EUR 14 thousand by 30 September 2014 (EUR 10 thousand in 2013).

Administrative service income from Sievi Capital plc were EUR 33 thousand by 30 September 2014 (EUR 30 thousand in 2013)

## KEY INDICATORS QUATERLY

	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12
Turnover, MEUR	56.7	60.6	47.6	45.4	50.4	48.7	44.0	40.8
Operating profit, MEUR	5.2	5.2	2.5	2.5	4.2	3.1	2.0	0.7
Operating profit, %	9.2	8.6	5.3	5.6	8.4	6.3	4.6	1.8
Net income, MEUR	3.8	4.3	1.7	1.9	3.0	2.1	1.1	0.3

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