

## SCANFIL GROUP'S INTERIM REPORT 1 JANUARY – 31 MARCH 2015

### January – March

- Turnover totaled to EUR 45.9 million (Q1 2014: 47.6) down 3.5%
- Operating profit EUR 2.7 million (Q1 2014: 2.5),  
5.8% of turnover (Q1 2014: 5.3%)
- Profit for the review period was EUR 2.7 million (Q1 2014: 1.7)
- Earnings per share were EUR 0.05 (Q1 2014: 0.03)

Scanfil expects its turnover to increase by 2–8% in 2015. More turnover is generated in the second half than in the first half of the year. The company is expecting its turnover to decrease slightly in the first half of the year, and particularly in the second quarter, compared to 2014. Its operating profit before non-recurring items for 2015 is expected to be EUR 13–17 million.

### Petteri Jokitalo, CEO of Scanfil plc:

“I am satisfied with how Scanfil's profitability developed during the first quarter. Despite the slight decrease in sales, operating profit also improved relatively from the year before. The decrease in sales was mainly expected, and turnover will focus on the second half of the year due to the allocation of orders of a significant customer.”

### BUSINESS TRENDS

Scanfil's turnover decreased as expected during the first quarter from the year before and stood at EUR 45.9 million, showing a decrease of 3.5%.

Turnover increased particularly in the **Medtech, Life Science and Environmental Measurement** customer group, mainly because of the acquisition of Schaltex GmbH on 1 April 2014. Within the **Energy and Automation** group, demand developed positively in general.

In the **Networks** group, customer demand fell from last year. The decrease in sales of the **Urban Applications** group was mainly caused by the allocation of orders of a significant customer to the second half of the year. Previously, the specific customer has allocated its orders to the first half. However, the version control of a high-volume product will heavily shift volume production to the second half of the year.

Turnover was divided between different customer groups as follows:

EUR million	Q1/2015	Q1/2014	change	percentage of turnover
Medtech, Life Science, Environmental Measurement	5.3	1.2	342%	12%
Networks	7.6	10.9	-30%	17%
Energy and Automation	15.5	11,8	31%	34%
Urban Applications	15.3	22.7	-33%	33%
Others	2.2	1,1	100%	5%
Total	45.9	47.6	-3%	

Scanfil's activity and investments in obtaining new customers have expanded and diversified the company's customer base. Thanks to the plant in Germany, the company has good potential to expand its operations in important German markets.

Our profitability improved slightly from last year's corresponding period, with operating profit comprising 5.8% (5.3%) of turnover. The review period was the seventh in succession when profitability was better than during the reference period. Scanfil's continuous investments in the development of its operational processes have improved efficiency and the ability to respond more competitively to customer needs.

## **FINANCIAL DEVELOPMENT**

The Group's turnover for January - March was EUR 45.9 (47.6) million. The breakdown of turnover by regional segment was as follows: Europe 63% (61%) and Asia 37% (39%).

Operating profit for the Group during the review period was EUR 2.7 (2.5) million, representing 5.8% (5.3%) of turnover. The breakdown of operating profit by regional segment was as follows: Europe 62% (51%) and Asia 38% (49%).

Earnings for the review period amounted to EUR 2.7 (1.7) million. Earnings per share were EUR 0.05 (0.03) and return on investment was 12.0% (10.6%). During the period under review, the clear improvement in the result (63%) from the previous year was largely caused by exchange rate gains from financial items.

## **FINANCING AND CAPITAL EXPENDITURE**

The Group enjoys a strong financial position. The consolidated balance sheet totalled EUR 145.5 (130.5) million. Liabilities amounted to EUR 41.9 (49.4) million, EUR 32.4 (31.3) million of which were non-interest-bearing and EUR 9.5 (18.2) million interest-bearing. The equity ratio was 71.2% (62.1%) and gearing -12.8% (-4.8%). The equity per share was EUR 1.79 (1.40). Liquid cash assets totalled EUR 22.8 (22.0) million.

Cash flows from operating activities in the review period of January - March came to EUR 3.3 (0.5) million. The change in working capital during the period amounted to EUR -0.2 (-2.6) million. Cash flow from investment activities was EUR -1.7 (-6.2).

Gross investments in fixed assets totalled EUR 2.2 (6.4) million, which is 4.8% (13.4 %) of turnover. Investments mainly consisted of the acquisition of machinery and equipment. In the reference year of 2014, investments included an acquisition cost of EUR 5.8 million related to the shares of Schaltex Systems GmbH. Depreciation totalled EUR 1.3 (1.0) million.

## **DECISIONS BY THE ANNUAL GENERAL MEETING AND BOARD OF DIRECTORS' AUTHORISATION**

Scanfil plc's Annual General Meeting was held at company's main office in Sievi on 8 April 2015.

According to Board of Directors' proposal The Annual General Meeting decided to distribute a dividend total of EUR 0.07 per share. The record date for the payment of dividend was 10 April 2015 and the date of payment of the dividend was 17 April 2015.

The Meeting decided that the Board of Directors shall consist of five members. Harri Takanen, Jorma J. Takanen, Jarkko Takanen, Riitta Kotilainen and Christer Härkönen were re-elected as members of the Board of Directors. The meeting decided that the remuneration of Chairman of the Board of Directors is EUR 2,200/month and remuneration of a member of the Board of Directors is EUR 1,700/month.

In its meeting, held after the General Meeting, the Board of Directors elected Harri Takanen as the Chairman of the Board of Directors.

The Meeting decided according to the Board of Directors' proposals to authorize the Board of Directors to decide on the acquisition of the company's own shares with distributable assets and to decide on share issues through one or more issues and the issue of other special rights entitling their holders to shares.

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

The minutes of the Annual General Meeting have been available on the company's website, [www.scanfil.com](http://www.scanfil.com), as of 22 April 2015.

## **SHARE TRADING AND SHARE PERFORMANCE**

The highest trading price during the review period was EUR 3.38 and the lowest EUR 2.42, the closing price for the period standing at EUR 2.79. A total of 1,891,701 shares were traded during the period, corresponding to 3.3% of the total number of shares. The market value of the shares on 31 March 2015 was EUR 161.1 million.

## **PERSONNEL**

Scanfil Group's personnel averaged 1,781 (1,717) employees during the review period. At the end of the period, the Group employed 1,780 (1,725) people, of whom 220 (247) worked in the company's Finnish units and 1,560 (1,478) in the company's units outside Finland. In all, 88% (86%) of the Group's personnel were employed by subsidiaries outside Finland on 31 March 2015.

## **FUTURE PROSPECTS**

Scanfil expects its turnover to increase by 2–8% in 2015. More turnover is generated in the second half than in the first half of the year. The company is expecting its turnover to decrease slightly in the first half of the year, and particularly in the second quarter, compared to 2014. Its operating profit before non-recurring items for 2015 is expected to be EUR 13–17 million.

Turnover for 2014 was EUR 214.5 million and operating profit EUR 16.2 million.

## **OPERATIONAL RISKS AND UNCERTAINTIES**

A weakening of the global economy and a decrease in the international demand for capital goods could have a negative effect on the development of the business operations of Scanfil's customers and could subsequently reduce demand in the contract manufacturing market. In addition, Scanfil is exposed to risks resulting from exchange rate fluctuations in its business operations.

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 2014.

Individual figures and grand totals of tables have been rounded to the nearest million euros, so they will not always add up. The figures are unaudited.

## CONSOLIDATED INCOME STATEMENT

EUR million

	1 - 3 2015	1 - 3 2014	1 - 12 2014
<b>Turnover</b>	<b>45,9</b>	<b>47,6</b>	<b>214,5</b>
Other operating income	0.3	0.0	0.3
Changes in inventories of finished goods and work in progress	2.3	0.4	-0.2
Expenses	-44.6	-44.4	-193.8
Depreciation	-1.3	-1.0	-4.6
<b>Operating profit</b>	<b>2.7</b>	<b>2.5</b>	<b>16.2</b>
Financial income and expenses	0.6	-0.3	-0.3
<b>Profit before taxes</b>	<b>3.3</b>	<b>2.2</b>	<b>15.9</b>
Income taxes	-0.6	-0.6	-3.6
<b>Net profit for the period</b>	<b>2.7</b>	<b>1.7</b>	<b>12.3</b>
Attributable to:			
Equity holders of the parent	2.7	1.7	12.3
Earnings per share for profit attributable to shareholders of the parent:			
undiluted and diluted earnings per share ( EUR)	0.05	0.03	0.21

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million

	1 - 3 2015	1 - 3 2014	1 - 12 2014
<b>Net profit for the period</b>	<b>2.7</b>	<b>1.7</b>	<b>12.3</b>
Items that may later be recognized in profit or loss			
Translation differences	6.2	-1.1	4.6
Derivative Financial Instrument	0.0	0.0	0.1
Other comprehensive income, net of tax	6.2	-1.1	4.7
<b>Total Comprehensive Income</b>	<b>9.0</b>	<b>0.6</b>	<b>17.0</b>
Attributable to:			
Equity holders of the parent	9.0	0.6	17.0

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

<b>Assets</b>	<b>31.3.2015</b>	<b>31.3.2014</b>	<b>31.12.2014</b>
<b>Non-current assets</b>			
Property, plant and equipment	30.0	27.4	27.1
Goodwill	5.9	2.2	5.9
Other intangible assets	5.3	4.1	5.0
Shares in group companies		5.8	
Available-for-sale investments	0.0	0.0	0.0
Deferred tax assets	0.3	0.3	0.3
<b>Total non-current assets</b>	<b>41.5</b>	<b>39.9</b>	<b>38.4</b>
<b>Current assets</b>			
Inventories	39.9	29.5	35.5
Trade and other receivables	41.1	39.0	40.9
Advance payments	0.1	0.1	0.0
Cash and cash equivalents	22.8	22.0	19.2
<b>Total current assets</b>	<b>104.0</b>	<b>90.6</b>	<b>95.7</b>
<b>Total assets</b>	<b>145.5</b>	<b>130.5</b>	<b>134.0</b>
<b>Shareholder's equity and liabilities</b>			
<b>Equity</b>			
Share capital	2.0	2.0	2.0
Translation differences	19.1	7.1	12.9
Other reserves	6.1	5.8	6.0
Reserve for invested unrestricted equity fund	10.7	10.7	10.7
Retained earnings	65.7	55.5	63.0
<b>Total equity</b>	<b>103.6</b>	<b>81.1</b>	<b>94.6</b>
<b>Non-current liabilities</b>			
Provisions	0.6	0.5	0.5
Interest bearing liabilities	0.7	9.1	0.5
Deferred tax liabilities	0.1		0.0
<b>Total non-current liabilities</b>	<b>1.3</b>	<b>9.6</b>	<b>1.0</b>
<b>Current liabilities</b>			
Trade and other liabilities	31.1	30.3	28.8
Current tax	0.7	0.5	0.9
Interest bearing liabilities	8.9	9.1	8.8
<b>Total current liabilities</b>	<b>40.7</b>	<b>39.8</b>	<b>38.4</b>
<b>Total liabilities</b>	<b>41.9</b>	<b>49.4</b>	<b>39.4</b>
<b>Total shareholder's equity and liabilities</b>	<b>145.5</b>	<b>130.5</b>	<b>134.0</b>

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## CONSOLIDATED CASH FLOW STATEMENT

EUR million

	1.1.- 31.3.2015	1.1.-31.3.2014	1.1.- 31.12.2014
<b>Cash flow from operating activities</b>			
Net profit	2.7	1.7	12.3
Adjustments for the net profit	1.4	1.9	7.5
Change in net working capital	-0.2	-2.6	-5.2
Paid interests and other financial expenses	-0.0	0.0	-0.4
Interest received	0.0	0.0	0.2
Taxes paid	-0.7	-0.5	-3.3
<b>Net cash from operating activities</b>	<b>3.3</b>	<b>0.5</b>	<b>11.0</b>
<b>Cash flow from investing activities</b>			
The acquisition of a subsidiary less cash and cash equivalents at the time of acquisition		-5.8	-5.8
Investments in tangible and intangible assets	-1.7	-0.4	-2.3
Sale of tangible and intangible assets		0.0	0.1
<b>Net cash from investing activities</b>	<b>-1.7</b>	<b>-6.2</b>	<b>-8.0</b>
<b>Cash flow from financing activities</b>			
Repayment of long-term loans	-0.4		-10.5
Proceeds from long term borrowings	0.6		0.4
Dividends paid			-2.9
<b>Net cash from financing activities</b>	<b>0.2</b>	<b>0.0</b>	<b>-13.0</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>1.8</b>	<b>-5.7</b>	<b>-10.1</b>
Cash and cash equivalents at beginning of period	19.2	28.2	28.2
Changes in exchange rates	1.8	-0.4	1.1
<b>Cash and cash equivalents at end of period</b>	<b>22.8</b>	<b>22.0</b>	<b>19.2</b>

## 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
1.1.2015		2.0	12.9	6.0	10.7	63.0	94.6
<b>Total comprehensive income</b>			6.2	0.0		2.7	9.0
<b>Equity</b>							
31.3.2015		2.0	19.1	6.1	10.7	65.7	103.6

## 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
<b>Total comprehensive income</b>			-1.1	0.0		1.7	0.6
<b>Equity</b>							
31.3.2014		2.0	7.1	5.8	10.7	55.5	81.1

## KEY INDICATORS

	1 - 3 2015	1 - 3 2014	1 - 12 2014
Return on equity, %	11.0	8.3	14.0
Return on investment, %	12.0	10.6	16.5
Interest-bearing liabilities, EUR million	9.5	18.2	9.3
Gearing, %	-12.8	-4.8	-10.5
Equity ratio, %	71.2	62.1	70.6
Gross investments in fixed assets, EUR million	2.2	6.4	8.2
% of net turnover	4.8	13.4	3.8
Personnel, average	1 781	1 717	1 764
Earnings per share, EUR	0.05	0.03	0.21
Shareholders' equity per share, EUR	1.79	1.40	1.64
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 8.9 million loan in connection with which the company has entered into interest and currency swap agreements to convert the SEK-denominated principal and cash flows of instalments and interest payments into euros. The interest and currency swap agreement fully hedges the instalments and interest payments against fluctuations in exchange and interest rates.

Owing to the nature of the sector, the company's order book covers only a short period of time and does not give an accurate picture of future development.

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## SEGMENT INFORMATION

EUR million	1 - 3 2015	1 - 3 2014	1 - 12 2014
<b>Turnover</b>			
Europe	29.3	29.8	131.9
Asia	17.5	18.8	86.8
Turnover between segments	-0.9	-1.0	-4.2
<b>Total</b>	<b>45.9</b>	<b>47.6</b>	<b>214.5</b>
<b>Operating profit</b>			
Europe	1.7	1.3	7.9
Asia	1.0	1.2	8.3
<b>Total</b>	<b>2.7</b>	<b>2.5</b>	<b>16.2</b>
<b>Assets</b>			
Europe	69.3	71.8	64.9
Asia	70.4	56.5	63.2
Goodwill	5.9	2.2	5.9
<b>Total</b>	<b>145.5</b>	<b>130.5</b>	<b>134.0</b>

## CHANGES IN TANGIBLE NON-CURRENT ASSETS

EUR million	1 - 3 2015	1 - 3 2014	1 - 12 2014
Book value at the beginning of the period	27.1	28.5	28.5
Additions	2.2	0.4	1.7
Consolidation of business operations			0.3
Deductions		0.0	-0.0
Depreciations	-1.1	-1.0	-4.2
Exchange rate differences	1.8	-0.5	0.9
<b>Book value at the end of the period</b>	<b>30.0</b>	<b>27.4</b>	<b>27.1</b>

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

EUR million	31.3.2015 Book values of balance sheet values	31.3.2015 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	39.5	39.5
Cash and cash equivalents	22.8	22.8
Forward exchange contracts	0.3	0.3
Current assets total	62.6	62.6
<b>Total financial assets</b>	<b>62.6</b>	<b>62.6</b>



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## Non-current financial liabilities

Financial leasing	0.1	0.1
Non-current financial liabilities total	0.1	0.1

## Current financial liabilities

Interest bearing liabilities from financial institutions	9.3	9.3
Derivative	0.1	0.1
Financial leasing	0.2	0.2
Trade and other payables	25.9	25.9
Current financial liabilities total	35.5	35.5

<b>Total financial liabilities</b>	<b>35.6</b>	<b>35.6</b>
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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

	1 - 3 2015	1 - 3 2014	1 - 12 2014
Given business mortgages	26.0	26.0	26.0
Pledged guarantees	0.6	0.9	0.6
Leasing liabilities and other lease liabilities	2.5	0.0	2.6

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 31 March 2015 is EUR 8.9 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 0.6 million of the credit limits were in use on 31 March 2015.

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## TRANSACTIONS WITH RELATED PARTIES

EUR million	1 - 3 2015	1 - 3 2014	1 - 12 2014
Related party transactions:			
<b>Associated companies</b>			
Sales income	0.0	0.0	0.0
Accounts Receivables	0.0		

Scanfil EMS Oy has rented an office space from Kiinteistö Oy Pilot 1, which is owned by a company Jussi Real Estate Oy whose head owners are among others Jussi Capital Oy and Rela Invest Oy. Head owners of Jussi Capital are Jorma Takanen, Harri Takanen, Jarkko Takanen and Jonna Tolonen. Owners of Rela Invest Oy include among others Reijo Pöllä.

Rental costs January - March 2015 were EUR 5 thousand (EUR 5 thousand in January - March 2014).

Administrative service income from Sievi Capital plc were EUR 10 thousand from January - March 2015 (EUR 5 thousand in January - March 2014).

## KEY INDICATORS QUARTERLY

	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13
Turnover, MEUR	45.9	49.6	56.7	60.6	47.6	45.4	50.4	48.7
Operating profit, MEUR	2.7	3.3	5.2	5.2	2.5	2.5	4.2	3.1
Operating profit, %	5.8	6.6	9.2	8.6	5.3	5.6	8.4	6.3
Net income, MEUR	2.7	2.5	3.8	4.3	1.7	1.9	3.0	2.1

## SCANFIL PLC

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Scanfil Group is an international contract manufacturer and system supplier. The company has nearly 40 years of experience in demanding contract manufacturing. The key elements of Scanfil's operations include a vertically integrated production system and the provision of services and supply chain management to

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customers over the entire life cycle of the product. Its customers include international operators in the automation, energy, data transmission and health technology sectors, among other industries, and companies operating in fields related to urbanization. Scanfil has production operations in Finland, China, Germany, Hungary and Estonia.

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