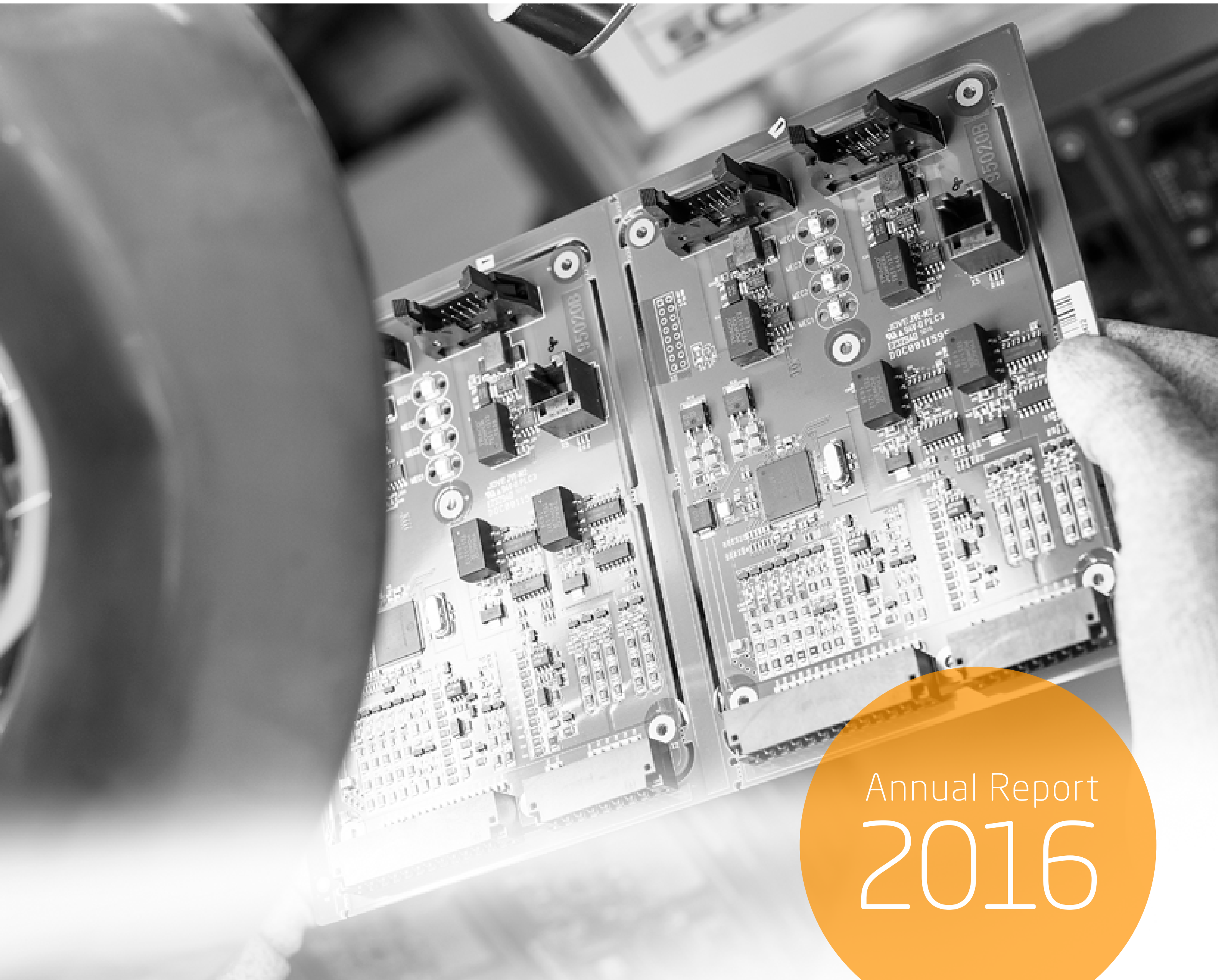
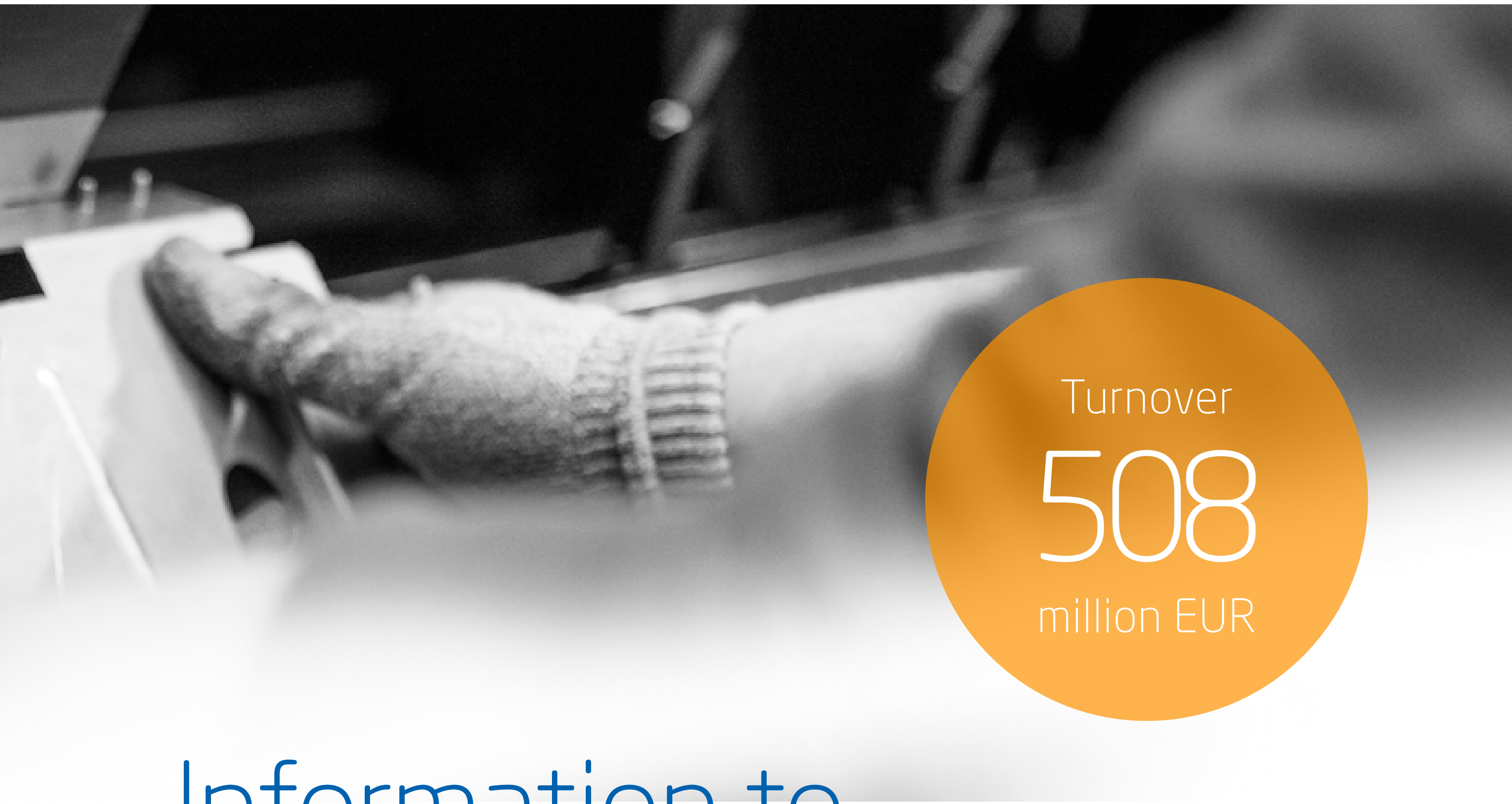


Annual Report
2016

# Index




# Information to shareholders

**Shareholder's meetings**

Scanfil plc's Annual General Meeting (AGM) will be held on Wednesday 26 April 2017 in the Company's main office at Yritystie 6, Sievi. The AGM will discuss the matters listed in the notice of the meeting, in accordance with the company's Articles of Association. In addition, the meeting agenda will be published in a stock exchange release concerning the AGM and on the company's website at www.scanfil.com.

Those shareholders who are registered in Scanfil plc's Register of Shareholders, maintained by Euroclear Finland Ltd, on 12 April 2017 at the latest are entitled to attend the Annual General Meeting. To attend the Meeting, a shareholder must register in advance by 4.00 pm (EET) on 20 April 2017, either by mail to Scanfil Oyj, Yritystie 6, FI-85410 Sievi, Finland, by telephone through +358 8 4882 111, or by email to agm@scanfil.com.

When registering by post, the letter must reach the company before the end of the registration period. Any powers of attorney are to be delivered as original copies before the end of the registration period.

**Distribution of profits**

The parent company's distributable funds are EUR 34,338,367.26 including retained earnings EUR 6,276,350.64. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share be paid for a total of EUR 5,730,339.51 for the financial year ending on 31 December 2016 .

The dividend matching day is 28 April 2017 and the dividend payment date 8 May 2017. The dividend will be paid to shareholders who are registered in the Register of Shareholders maintained by Euroclear Finland Ltd on the matching date.

**Financial information**

In 2017, Scanfil plc will publish the following financial reviews:

Financial statements 24 Feb. 2017
Annual report week 12/2017
Interim report for January–March 24/04/2017
Interim report for January–June 08/08/2017
Interim report for January–September 27/10/2017

The financial reviews will be released in Finnish and English. They will be published on the company's website at www.scanfil.com. The publications may also be ordered from Scanfil plc, Yritystie 6, FI-85410 Sievi, Finland or by calling +358 8 4882 111.

**Register of Shareholders**

Each shareholder is requested to notify the bank, brokerage firm or Euroclear Finland Ltd, which manages the shareholder's book-entry account, as the account operator selected by the shareholder of any changes in its name or address.

# Scanfil in brief

Scanfil plc is an international listed (NASDAQ Helsinki, SCL1V) contract manufacturer and system supplier for the electronics industry with over 40 years of experience in demanding contract manufacturing. Scanfil is a full-service company – its services range from product design and production planning to prototype and pre-serial production, the volume manufacturing of products and after-sales services, such as maintenance and spare parts services. Scanfil's turnover in 2016 was EUR 508.0 million and at the end of the year, it employed approximately 3,300 people. Scanfil's network of factories at the end of the year consists of 12 production units in eight different countries on three different continents.

The core of our customer offering is a vertically integrated service and production. Our plants manufacture sheet metal mechanic components, electronics, wire harnesses, and assembled and tested modules and products. As part of our overall service offering, Scanfil takes care of supply chain during the whole life-cycle of customer's product. These provide a solid foundation for Scanfil's competitive advantages: speed, flexibility and reliability. The company's customers include international operators in the automation, energy, data transmission and health technology sectors, maritime, as well as defence technology industries, and companies operating in fields related to urbanisation.

Typical products manufactured by the company include video surveillance systems and equipment, communications network device, audio communications products, health technology devices and systems, electricity and automation system modules, renewable energy production converters and inverters, frequency converters, lift control systems, analysers, various slot and vending machines, defence industry devices and meteorological instruments.


## MISSION

Scanfil enables customers to succeed by providing effective and innovative solutions that bring products to life and to market.

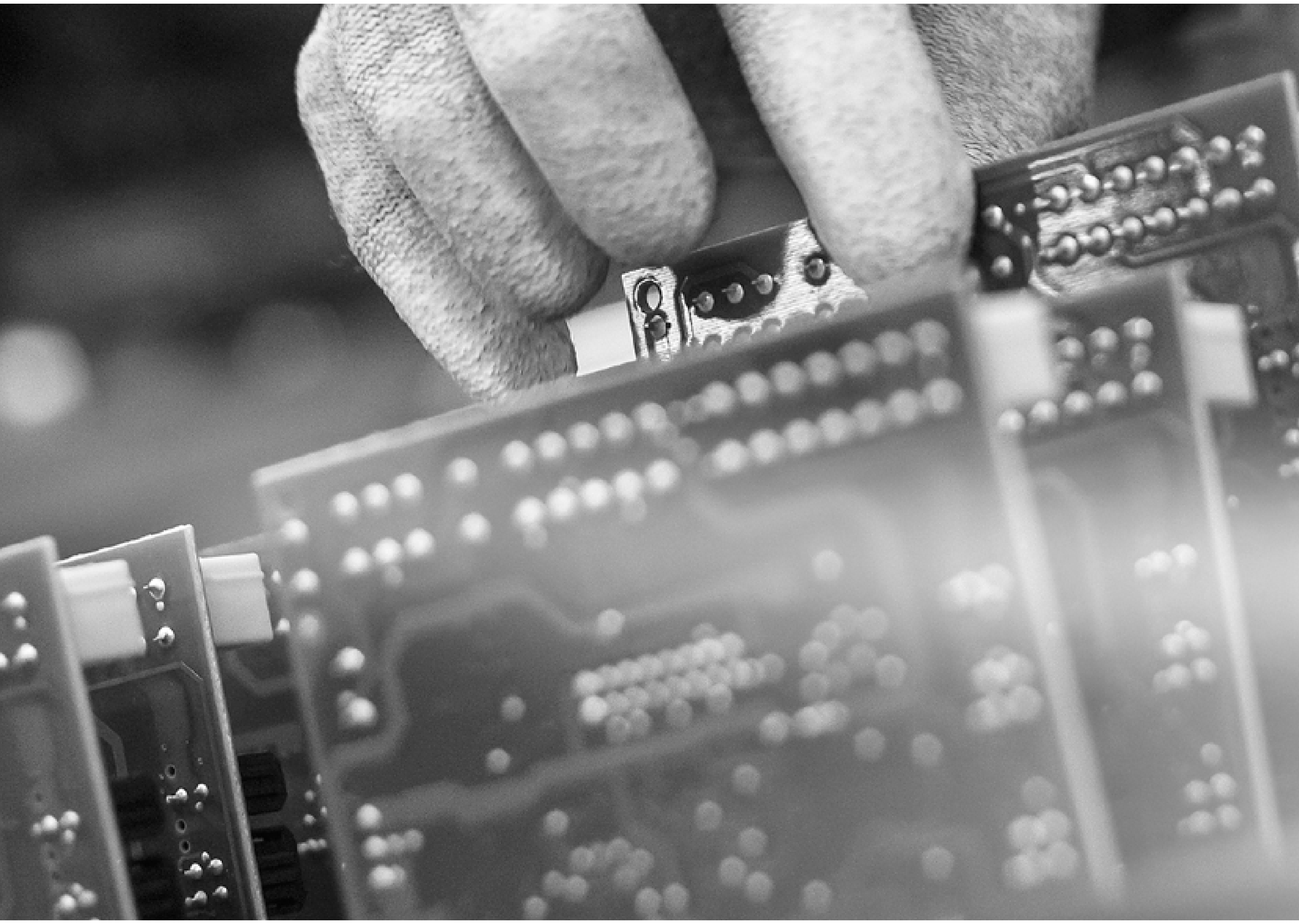
*We provide global manufacturing and supply chain solutions along with a comprehensive range of related services from design to aftermarket services.*

## VISION

- We are a trusted partner for our customers
- We differentiate with our best in class performance

## VALUES

- Customer focused
- Achieving together
- Proactive
- Engaged to perform



# A year of development

In 2016, we went through a significant transformation. The year was marked by the integration of PartnerTech, a company that was acquired in 2015. We combined and streamlined organizations, and harmonized operating processes and IT systems. We improved the transparency of our functions and the agility of our operating models. We eliminated overlapping functions and closed down unprofitable plants. As a result, our cost structure is significantly lighter than before. We will continue our operations at ten factories each of which has a distinct role, an extensive customer base, and a sufficient sales volume. Our plant network is in good shape, and all of our plants are well placed for profitable and competitive operations.

We have also kept our foot on the gas. We kicked off an investment program; good examples of this are doubling production space in Sieradz and Myslowice factories, investing in electronics assembly lines both in Sieradz and Suzhou and investments into punching machines in Myslowice. In addition to this, machines from closed factories have been transferred to continuing factories. With


these transfers, we have increased manufacturing capacity e.g. in Myslowice and added new manufacturing technology e.g. electronics assembly line to Hamburg, Germany. We also made a decision to double our production space in Atlanta, USA. We are ready to increase our production capability according to our customer needs.

In 2016, our turnover increased to approximately EUR 508 million (EUR 377 million in 2015), and our operating profit – before restructuring costs – increased to approximately EUR 22 million (approximately EUR 20 million in 2015). We have an extensive customer base, and the distribution of sales among our customers is balanced. Our largest customer accounted for 11% of our turnover, while the ten largest made up 55%. Our turnover is distributed between different customer segments as follows: Energy & Automation (16%), MedTech (14%), Networks & Communication (19%), Other Industries (12%), Urban Application (36%) and Defence, Oil&Gas and Maritime (3%).

**Focus on customers and plants**

We serve our customers in Europe, Asia and North America. In Finland, Sweden and Germany, our plants are close to the R&D processes of our customers. At best, these plants are involved in customer projects starting from the product design and production phases. Our plants in China, Eastern Europe and the USA offer our customers a highly competitive opportunity to have their products manufactured close to their main market areas. The role of Group functions is to secure the optimal use of Scanfil's resources, and to support plants and customer processes.

Our current customer base offers a good opportunity for increased sales. We aim to find new customers, especially in the Nordic countries and Central Europe. We will develop our operations in cooperation with our customers, based on their needs. Our aim is to stand out from our competitors by offering excellent performance and by being our customers' trusted partner for manufacturing services. We can already now offer concrete benefits to our customers as a result of our increased size. As a result, our customers gave us positive feedback on our stronger strategic position and increased the potential to produce added value.

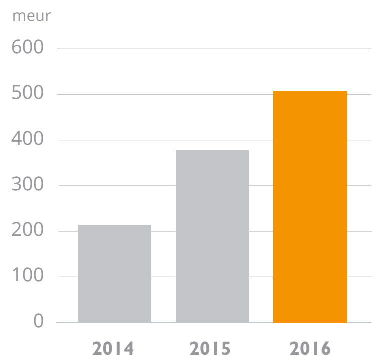
I would like to extend my thanks to Scanfil personnel for a job well done in 2016. I also would like to thank our customers, suppliers and other partners, as well as our owners, for their confidence and good cooperation.

**Petteri Jokitalo**
CEO

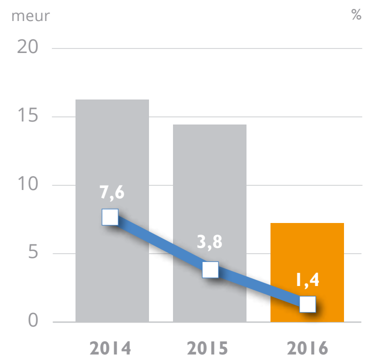
# Key figures

## Group

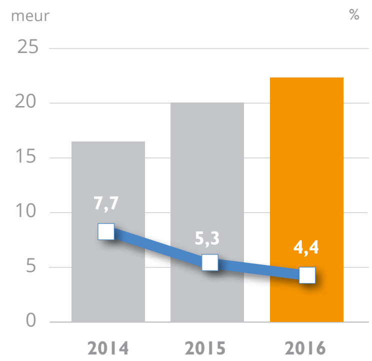
### Turnover



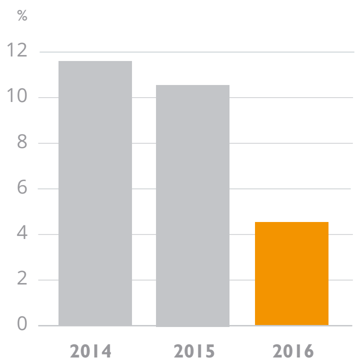

### Operating profit & operating profit %



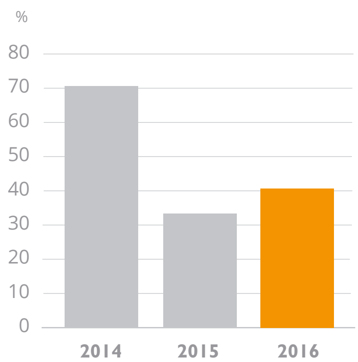

### Operating profit & operating profit % before adjustment



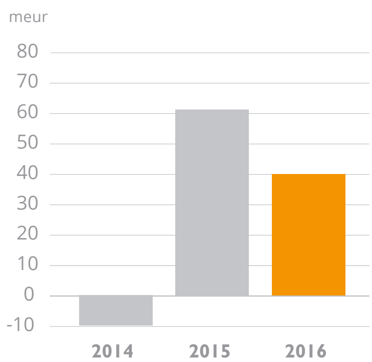

### Return on investment




### Equity ratio

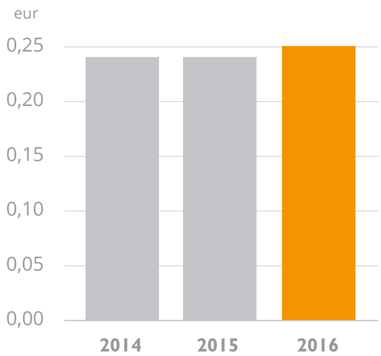



### Net debt

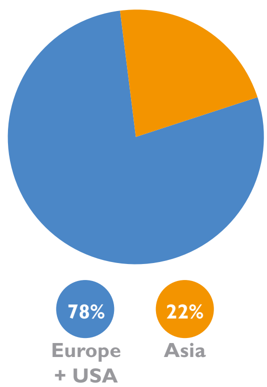


2015-2016
turnover grew by
34,6
%

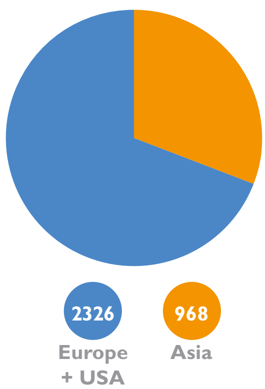
Earnings per share
before adjustment items




Turnover by regional segment




Personnel by region



# Scanfil: a strategic partner to customers

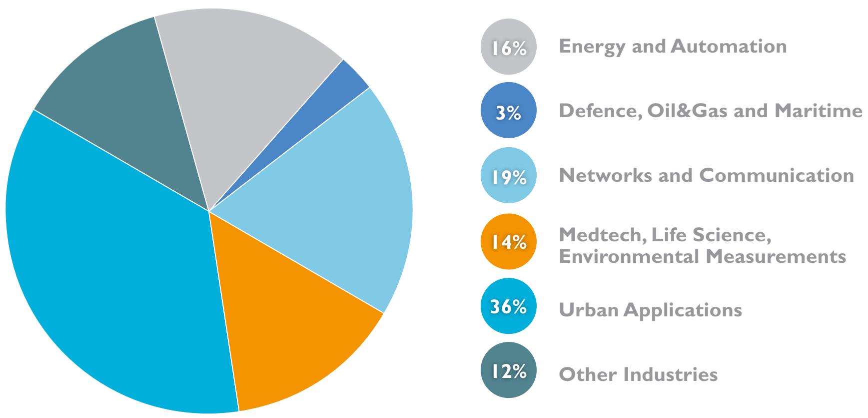
**Scanfil invests in the continuous improvement of customer satisfaction. The company monitors the development of customer satisfaction by conducting regular surveys and by using customer-specific indicators. Development activities are defined on the basis of short-term procedures and annual projects. Long-term development has paid off and, currently, most of Scanfil's customers consider the company to be their strategic partner.**

Through the merger of Scanfil and PartnerTech AB, a company acquired in summer 2015, the customer base is more balanced, representing several different industrial fields and global megatrends, such as urbanization, the aging population, food, water and air quality monitoring, the production of renewable energy, digitalization and data transfer, including wireless networks and the Industrial Internet. The largest customer accounts for approximately 11% of turnover, and the ten largest customers make up approximately 56%. Due to the expanded customer base and an increasingly even distribution of sales, customer-specific risks have decreased significantly.

In autumn 2016, Scanfil changed its customer segment division to better correspond to its current customer base. Once the Metal Precision business was ended, customers were transferred from the Defence, Oil&Gas and Maritime group to the Networks and Communication and the Other Industries groups.


The distribution of customer segments and sales by segment are as follows:

- Energy and Automation
- Defence, Oil&Gas and Maritime
- Networks and Communication
- Medtech, Life Science, Environmental Measurements
- Urban Applications
- Other Industries




SCANFIL
78%
of our turnover
came from
Europe and USA

## Energy and Automation

- Key market trends include energy efficiency, the production of renewable energy, urbanization, particularly in emerging markets, and the general increase in industrial automation to improve productivity.
- Electricity production and distribution systems, process control systems, energy efficiency systems, such as frequency converters, inverters, switches and automation systems.
- Examples of customers: Danfoss, ABB, The Switch (Yaskawa), Metso, Valmet

## Networks and Communication

- Key market trends include digitalization, the increasing significance and use of information in society, 5G, wireless networks and the Industrial Internet.
- Broadband, communications and mobile network equipment and systems, such as base stations, exchanges and amplifiers, as well as difference defense applications.
- Examples of customers: Nokia, Ericsson, Airbus, Teleste, Axis and Invisio Communications

## Medtech, Life Science, Environmental Measurements

- Key market trends include the aging population, the increasing needs for healthcare and technology in emerging markets, food, water and air quality monitoring, and the need to forecast weather phenomena.
- Equipment associated with medical technology, research and climate and environmental monitoring, such as dental chairs, analyzers, mass spectrometers and cloud height indicators.
- Examples of customers: Thermo Fisher Scientific, Planmeca, Vaisala, Getinge

## Urban Applications

- Key market trends include urbanization, particularly in developing countries, an increase in the size of the middle class, particularly in Asia, and the aging population.
- Products and solutions related to urbanization, such as lifts, escalators, and slot and vending machines.
- Examples of customers: Kone, RAY, Photo-Me (KIS), Tomra, Philips and Nolato

## Other Industries

- Examples of customers of the Other Industries segment: Toyota and Raymond


# Vertically integrated manufacturing

Scanfil is an international contract manufacturer and systems supplier for the electronics industry. We are a full-service company – our services range from product design and production planning to prototype and pre-serial production, the volume manufacturing of products and after-sales services, such as maintenance and spare parts services. We also offer extensive services for supply chain management and logistics. The core of our customer offering is a vertically integrated service and production. We operate close to our customers and their markets in Europe, Asia and the USA. Customer benefits are visible as reliability, speed, flexibility and a competitive price level.

Scanfil's operating model **increases customers competitiveness.**

The majority of products that Scanfil offers to its customers are high-mix/low-medium volume products and demanding products for which Scanfil offers integration and product development services. Our plants manufacture sheet metal mechanics, electronics, wire harnesses, and assembled and tested modules and products. Our customers can get the best benefits by ordering a product that is as completed as possible. In addition to manufacturing, we utilize our large supplier network, our expertise in product and testing design, our supply chain management and our global sourcing activities.

Many of our customers are operating in markets with very high quality requirements. This means that product ramp-ups must be quick and changes in demand must be addressed at the right time.

Scanfil improves the efficiency of its customers' production and shortens the production through-put time, starting from product ideas, R&D and design, all the way to product launches. Our global sourcing allows us to reduce product costs; therefore, increasing the competitiveness of our customers.

Unlike many of our competitors, our services are vertically integrated, including development services. This Scanfil model significantly shortens delivery times, increases flexibility and shortens time-to-market.


# Scanfil Manufacturing Excellence

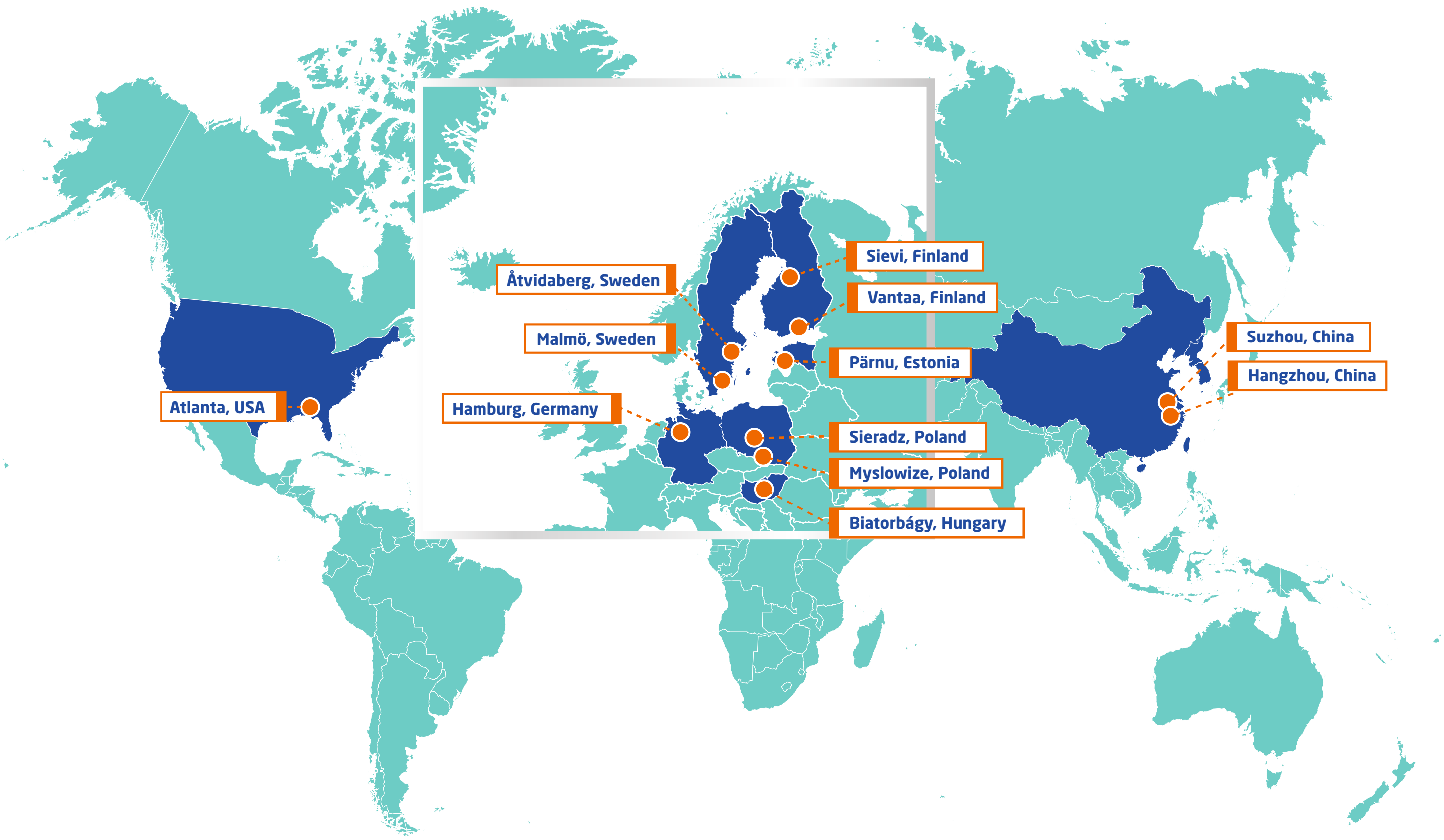
**Contract manufacturing is a fast-paced business, where staying at a pace of competition requires continuous development. To our customers, it is vital that their contract manufacturer is flexible and keeps its promises. The product quality must meet up with expectations. Products must also be manufactured at competitive costs. In order to exceed the expectations of our customers, we develop world-class standardized operating models, processes and performance wherever we operate and in everything we do.**

To meet our customers' needs, we have developed the Scanfil Manufacturing Excellence (SMaX) program. SMaX is based on continuous improvement by using the Lean Six Sigma methodology and tools. Through continuous improvement, we can streamline our production, reduce the level of loss and increase value-add. We focus on more effective production by using flexible automation and modern technology. We continuously invest in trainings, and the Group currently has over 100 trained Lean Six Sigma experts in our plants worldwide.

Scanfil has a global technical organization, which ensures that all of our units operate along the same principals. Our company has a global quality management system certified in accordance with the ISO 9001 standard and an environmental system certified in accordance with the ISO 14001 standard. In addition, selected plants have a quality system certified according to the ISO 13485 standard, which is a requirement in the medical industry.

**Strong plants**

At the end of 2016, Scanfil had 12 plants in eight countries on three continents. Our Group employed a total of 3,300 people. The location of our plants supports and benefits our customers – our plants in Finland, Sweden and Germany are located close to the R&D activities of our customers. Our volume plants in China, Poland, Estonia and the USA are also located close to our customer markets.


Sievi, Finland
Åtvidaberg, Sweden
Vantaa, Finland
Malmö, Sweden
Pärnu, Estonia
Suzhou, China
Hangzhou, China
Atlanta, USA
Hamburg, Germany
Sieradz, Poland
Myslowize, Poland
Biatorbágy, Hungary

The number of employees at the end of 2016 was approximately 3 300. 71 % the employees are located in Europe and in the US and 29 % in China. The average age of Scanfilian is 42 years. And the gender ratio is 41 % women and 59 % men.

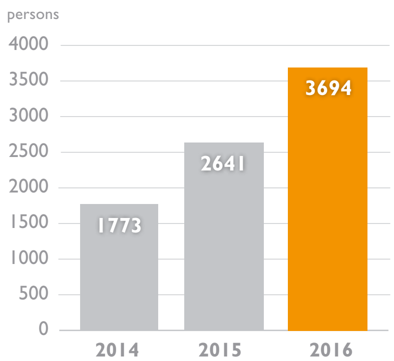
# Engaged and Motivated Employees

In autumn 2016 Scanfil conducted a global employee engagement study, that will be conducted on a yearly basis. The answer rate was high, 86 %. A general finding from the study is that the company has highly motivated and engaged employees. Scanfil considers results of this study highly important as our employees are the key for our success. All our employees are expected to take part in workshops to continue developing a successful company, which will gain both the people working here our customers and our stakeholders. Improvement actions are embedded into every manager's plans. Based on the result the units and functions have carried out several improvement projects, and the work still continues.

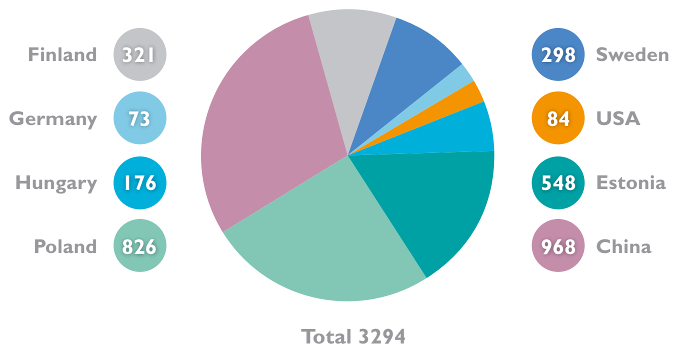
Scanfil sees the importance of competent and motivated employees. Engaged employees are a key to the company's success. The group therefore puts a lot of effort also on training. A Global Leadership Development Program with middle management as a target group has during 2016 been started by Scanfil Global Training. During 2016 15 employees took part in the training. We have also offered trainings in cultural awareness, Lean Six Sigma and Quality. Our focus is to ensure that we have all the needed skills and competencies, not only today but also in the future. We will continue to develop and offer more global training in 2017.

The integration process continued according to plan. All basic HR processes are now aligned and implemented, but we will continue to develop them. Alignment and harmonization have high priority, and Scanfil regards it as being a good base for the future.


Personnel on average 2014-2016




Personnel per country 31.12.2016




## Scanfil plc
## Board of Directors

**Harri Takanen**
**Chairman of the Board of Directors**
Harri Takanen (born 1968), Member of Board since 2013, Professional Board Member. Harri Takanen has worked for Sievi Capital plc as CEO 2007 - 2011. He was CEO of Scanfil plc and Scanfil EMS ltd. during 1.1.2012-31.3.2013. He has served Scanfil Group since 1994, for example as Director of operations in China, Scanfil (Hangzhou) Co., ltd's Managing Director, Technology Director, Director of Customer Relations, Customer Service Manager and Plant Manager of Sievi mechanics. Harri Takanen holds Master's degree in Engineering. Not independent of the company and major shareholders.
- Holds 9,776,664 shares in Scanfil plc. (31 Dec. 2016)
- Member of Board of Directors: Finelcomp Oy, iLOQ Oy, Jussi Capital Oy, Visualligent Oy
- Deputy Member of Board of Directors: Ionphase Oy

**Jarkko Takanen**
Jarkko Takanen (1967) a member of Board of Directors since 2012, Managing Director of Jussi Capital Oyj. He has worked for Sievi Capital Group during 1995 – 2004 among others as Customer Service Manager, Plant Manager, Quality Manager, IT Manager and Director of Sourcing and Logistics. As Managing Director of Belgian subsidiary Scanfil N.V. he acted between 1 April 2003 and 30 June 2004. Jarkko Takanen holds a Bachelor's Degree in Production Engineer and a Commercial College Diploma in Management Accountancy. Independent of the company, not independent of major shareholders.
- Holds 8,451,169 shares in Scanfil plc. (31 Dec. 2016)
- Member of Board of Directors: Efore Oyj, Sievi Capital Oy

**Bengt Engström**
Bengt Engström (born 1953), Member of the Board since 2015. Bengt Engström has held a number of executive positions at several companies, both in Sweden and globally, for example at Whirlpool, Bofors AB, Duni AB and Fujitsu. Bengt Engtströn holds a Mechanical Engineer's degree. Independent of the company and major shareholders.
- Holds 9,000 shares in Scanfil plc. (31 Dec. 2016)
- Chairman of Board of Directors: Food Village Stockholm Ab. Member of Board of Directors: Chamber Group Sweden Ab, Bure Equity AB, ScandiNova AB, Prevas AB, Advania AB and Avaj International Holding AB.

**Christer Härkönen**
Christer Härkönen (born 1957), Member of Board since 2014. Härkönen acted as Director of Sandvik Mining and Construction in Sweden and Holland during years 2010-2013. Between 2005 – 2010 he led the RFID business of UPM Oyj. Between 1996 – 2005 he worked in executive positions in Elcoteq Oyj to where he transferred from Fujitsu ICL. Härkönen started his career at Nokia in 1984 and moved in 1991 with the sale of business operations to Fujitsu ICL . Christer Härkönen holds a Master's degree in Engineering. Not independent of the company and major shareholders.
- Does not hold Scanfil plc shares.
- Member of Board of Directors: Fibox Oy Ab, Voyantic Ltd

**Christina Lindstedt**
Christina Lindstedt (born 1968), Member of the Board since 2016. Managing Director at XploreBiz AB and as a Partner of Stockholm Business Angels. Christina Lindstedt has held a number of executive positions at AB Electrolux, Sony Ericsson and Sony, both in Sweden and globally. Primarily she has served as a Business/Product area head for businesses such as eg; smartphones, washing machines, automatic lawn mowing and New Business Areas. In addition, she has been responsible for establishing global sourcing operations in China. Christina Lindstedt holds a Master's Degree of Business Administration and Commercial law. Independent of the company and major shareholders.
- Does not hold Scanfil plc shares.
- Member of Board of Directors: Qlean Air Scandinavia AB and Minalyze AB


# Scanfil plc Management Team

**Petteri Jokitalo**
**CEO**
Petteri Jokitalo (1963), company's CEO since 1 April 2013. Earlier Petteri Jokitalo has worked in Scanfil EMS Oy as Director of Sales and Marketing 2012-2013, in Meka Pro Oy as Managing Director during 2007-2011, in Scanfil Oyj in management tasks of sales and business development during 2003-2007 and in international tasks in Nokia Networks during 1998-2003. Petteri Jokitalo holds Master's Degree in Engineering.

**Timo Sonninen**
**Vice President, Sales**
Timo Sonninen (1966) is responsible for the company's global customers and business development. Previously he has worked in Efore Oyj as Vice President, Operations, in Suzhou, China 2006-2013. Prior to that he has worked at Incap Oyj during 1991-2006 among others as Director of Operations, Business Director of Electronics Production and Plant Director of Vuokatti Plant. Timo Sonninen holds a Bachelor's Degree in Engineering.

**Kristoffer Asklöv**
**Vice President, Operations**
Kristoffer Asklöv (1977) is responsible for operations in Åtvidaberg, Vellinge , Myslowice, Atlanta and Hamburg factories. Previously he has worked as Managing Director of PartnerTech's factory in Åtvidaberg as well as Operations Manager, Program Manager and Production Manager within PartnerTech. Prior to this he worked for Toyota Material Handling. Kristoffer Asklöv holds a MSc degree in Mechanical Engineering.

**Keijo Anttila**
**Vice President, Operations**
Keijo Anttila (1966) is responsible for the company's operations in China. Previously he has worked in Scanfil as Director of Sales and Marketing 2012-2008. Before that he has worked as CEO of Mecanova Oy 2008-2001 and Design and Marketing Director of Elektronet Oy 2001-1999. Keijo Anttila holds a Master's degree in Engineering.

**Tomi Takanen**
**Vice President, Operations**
Tomi Takanen (1972) is responsible for operations in Sievi, Vantaa, Pärnu, Sieradz and Budapest factories. Previously he has worked in Scanfil as Director of Materials and Logistic 2011-2015, in similar tasks in Sievi Capital Group during 2009-2011 and prior to that among others as a Managing Director of Scanfil (Hangzhou) Co., Ltd 2007-2009, a Key Account Manager 2004-2007, a production manager and plant manager of Sievi Electronics plant 2000-2004 and different project tasks in Sievi Mechanics plant. Tomi Takanen holds a Bachelor's Degree in Industrial Management.

**Markku Kosunen**
**CTO**
Markku Kosunen (1967) is responsible for the company's processes, quality, technology, IT and services. Previously he has worked in Scanfil as Director of Operations and in similar tasks in Sievi Capital Group during 2010-2011. Before that he has worked in Mecanova Oy as Vice President of Business Development 2005-2007, Director of Operations during 2008-2010 and in different management positions in mechanics plants of Flextronics and Ojala-yhtymä in Finland during 1993-2005. Markku Kosunen is a technology undergraduate.

**Mats Lundin**
**Vice President, Supply Chain**
Mats Lundin (1959) is the company's Vice President of Supply Chain. Previously he has worked in Partnertech AB as Vice President Supply Chain 2007-2015 and before that in various managerial positions in purchasing and supply chain at Ericsson and Volvo in both Sweden and the United States. Mats Lundin holds Master's degree in Industrial Economics and Engineering.

**Kai Valo**
**CFO**
Mr. Kai Valo (1965) is the Group CFO since 14 October 2016. During 2015 – 2016 Kai was the CFO for Norpe Group. Prior to that he was in Lite-On Mobile Group Director of Finance and Control in Beijing, China 2009 – 2015. Before that (during 1999 – 2008) he had several finance related management positions in Perlos. Kai holds a Master's Degree in Economics.

# Report of Board of Directors 2016

Scanfil plc is an international listed (NASDAQ Helsinki, SCL1V) contract manufacturer and system supplier for the electronics industry with over 40 years of experience in demanding contract manufacturing. Scanfil is a full-service company – its services range from product design and production planning to prototype and pre-serial production, the volume manufacturing of products and after-sales services, such as maintenance and spare parts services. Scanfil employed approximately 3,300 people at the end of 2016 . Scanfil's network of factories at the end of the year consists of 12 production units in eight different countries on three different continents.

The key elements of Scanfil's operations include a vertically integrated production system and the provision of services and supply chain management to customers over the entire life cycle of the product. These provide a solid foundation for Scanfil's competitive advantages: speed, flexibility and reliability. The company's customers include international operators in the automation, energy, data transmission and health technology sectors and companies operating in fields related to urbanisation.

## Year 2016

The integration of operations from 2015 purchased PartnerTech and Scanfil, mitigating overlappings and closing down unprofitable units proceeded according to plans. Factories in Norway, UK and Dongguan, China were closed down. The entire share capital of PartnerTech Aerodyn AB and PartnerTech Karlskoga, both located in Karlskoga, Sweden, were sold. Operations both on Scanfil Vantaa Oy, Finland and Scanfil Kft, Hungary will end during the first half of 2017.

The shutdown of the Vantaa and Hungarian plant completes the restructuring related to the integration of the PartnerTech AB's plant network.

The sales of the different customer segments remained relatively stable. However, the development of sales to individual customers varied notably within the customer groups. The largest customer's share of the turnover was approximately 11%, and that of the ten largest customers was 56%. Scanfil's customer segmets are: Energy & Automation, Medtec, Life Science, Environmental Measurements, Networks &Communication, Urban Applications and Other Industries.

For the benefit of our existing customers, we broadened our service portfolio and utilized our extended plant network. The acquisition of new customers focused mainly on the Nordic countries and Central Europe. We acquired several new customers for whom we supply mainly integrated products and electronics. We started to ramp-up new customers in 2016, and volume production for them starts in 2017.

The sales of design services developed favorably. We were able to join several customer projects in the early development phase, which plays a fundamental role in our operating model in the Nordic countries and, in the future, also in Central Europe.

## Financial development

The Group's turnover for January - December was EUR 508.0 (377.3) million. The breakdown of turnover by regional segment was as follows: Europe and USA 78% (74%), Asia 22% (26%).

The Group's operating profit for January – December was EUR 7.2 (14.4) million, representing 1.4% (3.8%) of turnover. Adjusted operating profit was EUR 22.3 (20.0) million, representing 4.4% (5.3%) of turnover. The operating profit for the period under review includes adjustments of EUR 15.1 million, consisting of the restructuring and reorganisation costs of the plant network related to the divestment and the closure of subsidiaries with low profitability. The adjustments for the previous year consisted of costs related to the acquisition of PartnerTech AB, the fair value measurement of the subsidiary PartnerTech Aerodyn AB and an impairment related to the Hungarian operations, totaling EUR 5.6 million.


The result for the period was EUR 0.1 million (8.4 million), and the result before adjustment items was EUR 15.7 (13.9) million.

Earnings per share were EUR 0.00 (0.15) for the period under review, and earnings per share before adjustments were EUR 0.25 (0.24). The return on investment was 4.5% (10.6%).

## Financing and capital expenditure

The Group's financial position improved as a result of a directed share issue carried out during the first quarter.

On 14 March 2016, Scanfil offered a total of 5,715,000 new shares in the company to institutional and other selected investors. The share issue was carried out through an accelerated book-building procedure arranged by Nordea Bank Finland Plc.

Scanfil's Board of Directors approved the subscriptions on 14 March 2016. The shares were offered to institutional and other selected investors in deviation from the shareholders' pre-emptive rights. A total of 5,715,000 shares were subscribed for in the share issue, representing around 9.99% of all shares and votes before the issue. After the share issue, the company's total number of issued and outstanding shares is 63,445,439. The share issue generated EUR 17.1 million in assets for the company before fees and expenses. The total subscription price for the shares will be recognised in full in the company's reserve for invested unrestricted equity.

The consolidated balance sheet total stood at EUR 266.8 million (301.8 million) at the end of the review period. Cash assets totalled EUR 20.2 million (22.3 million). Liabilities amounted to EUR 158.5 million (201.6 million), of which non-interest-bearing liabilities totalled EUR 98.3 million (113.8 million) and interest-bearing liabilities totalled EUR 60.1 million (87.8 million). The equity ratio was 40.7% (33.4%), and net gearing was 36.9% (65.4%). Equity per share was EUR 1.70 (1.74).

Group's financial arrangement includes dismissal covenants related to equity ratio and interest bearing net debt/EBITDA ratio. The terms of the covenants are reviewed quarterly. The terms of covenants have complied in all the review points.

Net cash flow from operating activities for the review period January-December was EUR 16.5 (13.0) million. The change in net working capital during the period amounted to EUR -6.1 (-7.7) million. The change in working capital in accounting period 2016 comprised of the following items: sales receivables decreased by EUR 8.6 million, inventories increased by EUR 2.5 million and short-term non-interest-bearing liabilities decreased by EUR 12.2 million. Net cash flow from investments was EUR -3.5 million (-51.0). The previous year, cash flow from investments mainly consisted of the acquisition of PartnerTech AB. Cash flow from financing was EUR -14.4 (40.4) million. The share issue generated funds of EUR 16.8 million, dividends were paid to EUR 5.1 million and repayment of long-term loan was EUR 5.3 million. In the previous year, cash flow from financing includes PartnerTech AB's acquisition financing.

Gross investment in January–December 2016 totalled EUR 5.5 million (54.3), or 1.1% (14.4%) of the turnover. The investments were mainly acquisitions of machinery and equipment. Investments for the previous year excluding the acquisition of PartnerTech AB EUR 47.6 million. Depreciation totalled EUR 11.0 million (11.1 million).

## Board of Directors' authorisation

The Annual General Meeting authorized 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 Annual General Meeting decided to authorize the Board of Directors to decide on granting option rights to specific key people of Scanfil Group.

The decisions of the Annual General Meeting have been published in a stock exchange release which is available on company's internet pages at www.scanfil.com.

## Option shemes

A total of 225,000 new shares in the company were subscribed for with Scanfil plc's stock options 2013A. The entire subscription price of EUR 195,750 for subscriptions made with the stock options was entered in the Company's reserve for invested unrestricted equity.

The shares subscribed for under the stock options were registered in the Trade Register on 9 June 2016, as of which date the new shares will establish shareholder rights. Following the registration of the new shares, the number of Scanfil shares is 63,670,439 in total. The new shares have been traded on the main list of NASDAQ Helsinki Ltd as of 10 June 2016.

Based on the authorization granted at the Annual General Meeting on 8 December 2016, Scanfil Oyj's Board of Directors decided to grant 250,000 option rights to the CEO and the members of the management team..

## Own shares

The company does not own its own shares.

## Personnel

At the end of the period under review, the Group employed 3,294 (3,879) people, of whom 2,973 (3,554) worked outside Finland and 321 (325) in Finland. The geographical breakdown of personnel at the end of the period under review was as follows: Europe and USA 71% (68%) and Asia 29% (32%). The average number of Group employees during the review period was 3,694 (2,641) people.

Personnel by country on 31 December 2016:
Finland 321, China 968, Poland 826, Sweden 298, Germany 73, Hungary 176, USA 84 and Estonia 548.

## Share trading and share performance

The highest trading price during the review period was EUR 3.80 and the lowest EUR 2.86, the closing price for the period standing at EUR 3.49. A total of 9,424,254 shares were traded during the period, corresponding to 14.8% of the total number of shares. The market value of the shares on 31 December 2016 was EUR 222.2 million..

## The Board of Directors and CEO

Scanfil plc's Annual General Meeting held on 12 April 2016 re-elected Harri Takanen, Jarkko Takanen, Christer Härkönen and Bengt Engström as members of the Board of Directors and Christina Lindstedt as a new Board Member. At its organizing meeting held on 12 April 2016 the new Board of Directors elected Harri Takanen as the Chairman of the Board of Directors.

M.Sc. (Eng) Petteri Jokitalo (1963) has acted as the company's CEO during 1 January – 31 December 2016.

## 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.

The goal of Group's risk management is to recognize and analyze the factors that have a negative effect on achieving the company's goals in the short and long term, and to start procedures to minimize risks and to postpone or to remove them completely. Risk-management is part of business processes and management systems that are controlled by the board's inspection committee.

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.

For a description of financial risk management in the Scanfil Group, please refer to note 30 to the consolidated financial statements.


The company's risks and risk management are described on the company's website under Corporate Governance and in the notes to the consolidated financial statements.

## Group structure

On 31 December 2016, Scanfil Group comprised the parent company, Scanfil Oyj, and two wholly-owned sub-groups, Scanfil EMS Oy (Finland) and Scanfil Sweden AB (Sweden). The Scanfil EMS sub-group comprises the parent company, Scanfil EMS Oy, and six wholly-owned subsidiaries operating in four different countries. The Scanfil Sweden AB sub-group comprises the parent company, Scanfil Sweden Ab, seven wholly-owned subsidiaries operating in five different countries and five inactive subsidiaries that were not engaged in any production activities at the end of 2016.

## 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

Each Scanfil facility has a certified ISO 9001-compliant quality management system. Additionally, selected plants have more detailed certified quality management systems aimed at meeting the needs to specific industries. For example, plants that serve medical customer accounts have a certified ISO 13485-compliant quality management system.

At all of our plants, Scanfil uses the internationally recognised Lean Six Sigma process development method, which helps us to optimise our production resources and manufacture products of a consistent quality standard.

All of Scanfil's plants have a certified ISO 14001-compliant. Our plants operate globally following the requirements and values of a common environmental certificate. We fulfil local requirements set in the legislation of each operating country.

The goal of Scanfil's environmental policy is to reduce environmental impact and use of non-renewable resources. Through the environmental program management the reduction of energy use, use of water in production and utilisation of metals among others are followed.

## Board of Director's proposals to the Annual General Meeting

Scanfil plc's Annual General Meeting will be held on 26 April 2017 at the company's head office in Sievi, Finland.

Dividend for 2016

The parent company's distributable funds are EUR 34,338,367.26 including retained earnings EUR 6,276,350,64. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share be paid for a total of EUR 5.730.339,51 for the financial year ending on 31 December 2016 .The dividend matching day is 28 April 2017. 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 8 May 2017.

The proposal of Scanfil plc's nomination committee to the General Meeting for the composition of Scanfil plc's Board of Directors will be published in connection with the invitation to the General Meeting.

The company publishes a notice of the Annual General Meeting later separately.

## Future prospects

Scanfil estimates that its turnover for 2017 will be EUR 480–520 million and the operating profit will amount to EUR 26–31 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.-31.12.2016* | *1.1.-31.12.2015* |
|---|---|---|---|
| Turnover | 1 | 507 970 | 377 299 |
| Other operating income | 2 | 975 | 638 |
| Changes in inventories of finished goods and work in progress | | -1 832 | 4 736 |
| Use of materials and supplies | 3 | -340 918 | -252 159 |
| Employee benefit expenses | 4 | -86 132 | -63 313 |
| Depreciation and amortization | | -10 956 | -11 094 |
| Other operating expenses | 6 | -61 871 | -41 683 |
| **Operating profit** | | **7 237** | **14 425** |
| Financial income | 7 | 11 310 | 5 263 |
| Financial expense | 8 | -12 470 | -5 878 |
| Profit before tax | | 6 077 | 13 810 |
| Income tax | 9 | -5 985 | -5 438 |
| **Net profit for the period** | | **92** | **8 372** |
| Attributable to: | | | |
| Shareholders of the parent company | | | |
| undiluted and diluted earnings per share | 10 | 0,00 | 0,15 |
| Consolidated Statement of Comprehensive Income | | | |
| **Net profit for the period** | | **92** | **8 372** |
| **Other comprehensive income, net of tax** | | | |
| Items that may later be recognized in profit or loss | | | |
| Translation differences | | -4 015 | 2 756 |
| Cash flow hedges | | -34 | -400 |
| Other comprehensive income, net of tax | | -4 050 | 2 356 |
| **Total comprehensive income** | | **-3 958** | **10 727** |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

| *1000 EUR* | *Note* | *31.12.2016* | *31.12.2015* |
|---|---|---|---|
| ASSETS | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 40 617 | 48 057 |
| Goodwill | 12 | 10 587 | 10 859 |
| Other intangible assets | 13 | 16 439 | 18 457 |
| Available-for-sale investments | 15 | 39 | 35 |
| Deferred tax assets | 16 | 1 867 | 2 690 |
| | | 69 549 | 80 097 |
| **Current assets** | | | |
| Inventories | 17 | 85 319 | 90 784 |
| Trade and other receivables | 18 | 87 953 | 104 986 |
| Advance payments | | 2 372 | 2 234 |
| Current tax | | 1 382 | |
| Cash and cash equivalents | 19 | 20 194 | 22 255 |
| | | 197 219 | 220 259 |
| **Assets classified as held for sale** | 20 | | 1 455 |
| **Total assets** | | **266 768** | **301 812** |
| SHAREHOLDER'S EQUITY AND LIABILITIES | | | |
| **Equity** | | | |
| Share capital | | 2 000 | 2 000 |
| Translation differences | | 11 591 | 15 606 |
| Other reserves | | 6 036 | 5 862 |
| Reserve for invested unrestricted equity fund | | 27 719 | 10 721 |
| Retained earnings | | 60 963 | 65 999 |
| | | 108 308 | 100 189 |
| **Total equity** | 21 | **108 308** | **100 189** |
| **Non-current liabilities** | | | |
| Provisions | 23 | 148 | 1 492 |
| Interest bearing liabilities | 24 | 38 235 | 49 692 |
| Deferred tax liabilities | 16 | 3 001 | 3 440 |
| | | 41 383 | 54 624 |
| **Current liabilities** | | | |
| Trade and other liabilities | 25 | 88 266 | 105 044 |
| Current tax | | 1 472 | 3 000 |
| Provisions | 23 | 5 423 | 153 |
| Interest bearing liabilities | 24 | 21 915 | 38 131 |
| | | 117 076 | 146 328 |
| **Liabilities of Assets classified for sale** | 20 | | 670 |
| **Total liabilities** | | **158 459** | **201 622** |
| **Total shareholder's equity and liabilities** | | **266 768** | **301 812** |

## CONSOLIDATED CASH FLOW STATEMENT, IFRS

| *1000 EUR* | *Note* | *1.1.-31.12.2016* | *1.1.-31.12.2015* |
|---|---|---|---|
| Cash flow from operating activities | | | |
| **Net profit** | | **92** | **8 372** |
| Adjustments for the net profit | | | |
| Transactions without payment | 26 | 11 613 | 828 |
| Depreciation | | 10 956 | 11 094 |
| Financial income | | -11 310 | -5 263 |
| Financial expenses | | 12 470 | 5 878 |
| Taxes | | 5 881 | 5 438 |
| Change in net working capital | 26 | -6 082 | -7 683 |
| Paid interests and other financial expenses | | -2 002 | -1 927 |
| Interest received | | 181 | 158 |
| Taxes paid | | -5 344 | -3 846 |
| **Net cash from operating activities** | | **16 453** | **13 04** |
| Cash flow from investing activities | | | |
| The acquisition of a subsidiary less cash | | | |
| and cash equivalents at the time of acquisition | 34 | | -45 288 |
| The sale of a subsidiary less cash | | | |
| and cash equivalents at the time of sale | | 901 | |
| Investments in tangible and intangible assets | | -5 161 | -6 297 |
| Sale of tangible and intangible assets | | 719 | 483 |
| Proceeds from other investments | | | 90 |
| **Net cash from investing activities** | | **-3 541** | **-51 011** |
| Cash flow from financing activities | | | |
| Share issue | | 16 802 | |
| Related party investments to company shares | 22 | 196 | |
| Repayment of long-term loans | | -5 250 | -8 889 |
| Proceeds from long-term loans | | | 50 173 |
| Proceeds from short-term loans | | | 34 360 |
| Repayment of short-term loans | | -21 063 | -31 159 |
| Paid dividends | | -5 069 | -4 041 |
| **Net cash from financing activities** | | **-14 385** | **40 444** |
| **Net increase/decrease in cash and cash equivalents** | | **-1 472** | **2 481** |
| Cash and cash equivalents at beginning of period | | 22 256 | 19 211 |
| Changes in exchange rates | | -589 | 564 |
| **Cash and cash equivalents at end of period** | 19 | **20 194** | **22 256** |

**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 1.1.2016** | **2 000** | **10 721** | **5 862** | **15 606** | **65 999** | **100 189** |
| **Comprehensive income** | | | | | | |
| Net profit for the period | | | | | 92 | 92 |
| Other comprehensive income, net of tax | | | | | | |
| Translation differences | | | | -4 015 | | -4 015 |
| Cash flow hedges | | | -34 | | | -34 |
| **Total comprehensive income** | | | **-34** | **-4 015** | **92** | **-3 958** |
| Fund transfer | | | 208 | | -208 | 0 |
| Option scheme | | | | | 149 | 149 |
| Paid dividends | | | | | -5 069 | -5 069 |
| Issue of share | | 16 998 | | | | 16 998 |
| **Equity 31.12.2016** | **2 000** | **27 719** | **6 036** | **11 591** | **60 963** | **108 308** |

| *1000 EUR* | Note | *Share capital* | *Share premium account* | *Other reserves* | *Translation differences* | *Retained earnings* | *Equity total* |
|---|---|---|---|---|---|---|---|
| **Equity 1.1.2015** | | **2 000** | **10 721** | **6 031** | **12 850** | **62 988** | **94 591** |
| Error Correction | 14 | | | | | -1 225 | -1 225 |
| **Comprehensive income** | | | | | | | |
| Net profit for the period | | | | | | 8 372 | 8 372 |
| Other comprehensive income, net of tax | | | | | | | |
| Translation differences | | | | | 2 756 | | 2 756 |
| Cash flow hedges | | | | -400 | | | -400 |
| **Total comprehensive income** | | | | **-400** | **2 756** | **8 372** | **10 727** |
| Fund transfer | | | | 232 | | -232 | 0 |
| Option scheme | | | | | | 107 | 107 |
| Paid dividends | | | | | | -4 011 | -4 011 |
| **Equity 31.12.2015** | | **2 000** | **10 721** | **5 862** | **15 606** | **65 999** | **100 189** |

**Basic information of the Group**

Scanfil plc is a Finland-based public limited company domiciled in Sievi. The parent company Scanfil plc and subgroups Scanfil EMS Oy and Scanfil Sweden AB (former PartnerTech AB) 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 Helsinki since 2 January 2012.

Scanfil is an international contract manufacturer and system supplier for the electronics industry with 40 years of experience in demanding contract manufacturing. Typical Scanfil products include mobile and communications network devices, automation system modules, frequency converters, lift control systems, analysers, various slot and vending machines, and devices related to medical technology and meteorology.

Scanfil's network of factories consists of 12 production units in Europe, Asia and North America. The total number of employees is 3,500.

Scanfil's group structure changed on 2 July 2015, when the company acquired 98.6% of the shares in the Swedish contract manufacturing group PartnerTech AB. The remaining shares will be acquired through the compulsory acquisition process.

**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 2016 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 Group has controlling interest in an entity when it has the right and ability to control significant operations in the entity and when it is exposed to or has the right to variable returns from the entity through its power over the entity. 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.

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. 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.

**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 products 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. As a rule, this takes place when the products are delivered in accordance with the terms and conditions of agreement. Revenue from services is recognised for the accounting period in which the services are delivered to the customer. 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 recognized using the effective interest rate method 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.

**Employee benefits**

Post-employment benefits

Pension arrangements related to post-employment benefits are classified as defined benefit or defined contribution plans. The Group does not have significant defined benefit pension plans. Most of Scanfil's obligations towards its employees are comprised of various defined contribution pension plans. Pension contributions for defined contribution pension plans are recognised as expenses for the year during which they are accrued.

There is a multi-employer supplementary defined benefit pension plan for employees in industry and commerce secured by Alecta in Sweden. Because Alecta is unable to furnish Scanfil with information that would enable the plan to be reported as a defined benefit plan in accordance with IAS 19 Employee Benefits, it is reported as a defined contribution plan. Financial statements of 2015 include also some defined benefit plans of lower value.

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.

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 | 10–25 |
| Machines and equipment | 3–10 |
| Other tangible assets | 5–10 |

**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. 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.

### Long-term customer relationships

In connection with the allocation of the purchase price related to the acquisition of PartnerTech, the Group has allocated part of the purchase price to long-term customer relationships. Following the initial recognition, customer relationships are measured at cost less accrued depreciation and impairment. The useful life of customer relationships is ten years, during which capitalised expenses are recorded as expenses using straight-line depreciation.

### 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's and the land use right of the subsidiaries in China. The depreciation period for intangible assets is 3–10 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 are classified as held for sale or to be discontinued are presented separately on the balance sheet. .The net operating result for discontinued 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 expenses 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 records derivatives not eligible for hedge accounting at fair value through profit or loss.

***Investments held to maturity*** are financial assets not included in derivative 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 2016.

***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. If the impairment of a share is determined, the change included in the fair value reserve will be transferred to be recognised through profit or loss. 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.

***Regarding the Group's financial liabilities,*** the derivative liabilities are recognized at fair value and the Group's financial liabilities are recognized at amortized cost.

The financial assets and liabilities are recognized on the value date, apart from derivative contracts which are recognized on the transaction date.

**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 swap used to hedge the variable-rate loan. 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.

In addition, the Group has currency derivatives entered into for hedging purposes, but they are not subjected to hedge accounting; instead, the changes in fair value are recognized through profit or loss.

**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. The provisions mainly consist of the costs of reorganizing the unprofitable factory network and of the costs of shutting down the operations, as well as of provisions for customer complaints and guarantees.

**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.

**Business segments**

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

**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 22, "Provisions", presents the provisions made within the Group.

Estimates by the management are also included in the assessment of possible credit loss risks included in the accounts receivable.

Furthermore, the management also uses its discretion when recognizing and measuring deferred tax assets.

**New and amended standards applied during the financial year**

Scanfil Group has observed the following new and amended standards from the beginning of 2016:

• *Annual Improvements to IFRSs* (2012-2014 cycle) (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The cycle contains amendments to four standards. Their impacts vary standard by standard but are not significant.

• *Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments clarify the guidance in IAS 1 in relation to applying the materiality concept, disaggregating line items in the balance sheet and in the statement of profit or loss, presenting subtotals and to the structure and accounting policies in the financial statement. The amendments have had a minor impact on presentation in Scanfil plc's consolidated financial statements.

• *Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for financial years beginning on or after 1 January 2016): The amendments state that revenue-based methods of depreciation cannot be used for property, plant and equipment and may only be used in limited circumstances to amortise intangible assets if revenue and the consumption of the economic benefits of the intangible assets are highly correlated. Revenue-based methods of depreciation cannot be used for tangible assets. The amendments have had no impact on Scanfil plc's consolidated financial statements.

• *Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements* (effective for financial years beginning on or after 1 January 2016): The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments have had no impact on Scanfil plc's consolidated financial statements.

• *Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (effective for financial years beginning on or after 1 January 2016): The amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements for preparing consolidated financial statements when there are investment entities within the group. The amendments also provide relief for non-investment entities for equity accounting of investment entities. The amendments have had no impact on Scanfil plc's consolidated financial statements.

• *Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016): The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments have had no impact on Scanfil plc's consolidated financial statements.

**Adoption of new and amended standards and interpretations applicable in future financial years**

Scanfil plc has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.
* not yet endorsed for use by the European Union as of 31 December 2016.

• *IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2018): The new standard replaces current IAS 18 and IAS 11 -standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard introduces also extensive new disclosure requirements. The Group has analyzed the potential impacts of IFRS 15 on the consolidated financial statements of Scanfil plc. The key concepts of the IFRS have been analyzed from the point of different revenue flows. The Group's turnover is mainly generated from customer agreements, where the sales of goods are the only performance obligation in the contract. The Group fulfils the performance obligation on a certain point in time when control of the asset is transferred to the customer. Typically, control is transferred when the goods are delivered in compliance with the terms of delivery. In the sales of services, the performance obligations are fulfilled over time, and the Group recognizes the sales revenues at the pace that the performance obligation is fulfilled. Introduction of the standard is not expected to have a material effect on the consolidated financial statements.

- *Amendments to IFRS 15 - Clarifications to IFRS 15 Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2018). The amendments include clarifications and further examples on how to apply certain aspects of the five-step recognition model. The impact assessment of the clarifications has been included in the IFRS 15 impact assessment described above.
- *IFRS 9 Financial Instruments** (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group estimates that the adoption of the standard will not have any significant impact on the consolidated financial statements.
- *IFRS 16 Leases** (effective for financial years beginning on or after 1 January 2019): The new standard replaces the current IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. The Group has started the preliminary assessment of the effects of the standard. According to it, the amendment of the standard will affect the consolidated financial statements of Scanfil plc, because the Group has subsidiaries operating in leased premises.
- *Amendments to IAS 7 Statement of Cash Flows- Disclosure Initiative** (effective for financial years beginning on or after 1 January 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments have an impact on the disclosures in Scanfil plc's consolidated financial statements.
- *Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses* *(effective for financial years beginning on or after 1 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments have no impact on Scanfil plc's consolidated financial statements.
- *Amendments to IFRS 2 Sharebased payments - Clarification and Measurement of Sharebased Payment Transactions* * (effective for financial years beginning on or after 1 January 2018). The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments; classification of share-based payments settled net of tax withholdings; and accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments have no impact on Scanfil plc's consolidated financial statements.
- *Amendments to IFRS 4 Insurance Contracts - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts** (effective for financial years beginning on or after 1 January 2018). The amendments respond to industry concerns about the impact of differing effective dates by allowing two optional solutions to alleviate temporary accounting mismatches and volatility. The amendments have no impact on Scanfil plc's consolidated financial statements.
- *Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Join Venture* * (the effective date has been postponed indefinitely). The amendments address to clarify the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments have no impact on Scanfil plc's consolidated financial statements.
- *IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration** (effective for financial years beginning on or after 1 January 2018). When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation has no impact on Scanfil plc's consolidated financial statements.
- *Amendments to IAS 40 Investment Property - Transfers of Investment Property** (effective for financial years beginning on or after 1 January 2018). When making transfers of an investment property, the amendments clarify that a change in management's intentions, in isolation, provides no evidence of a change in use. The examples of evidences of a change in use are also amended so that they refer to property under construction or development as well as to completed property. The amendments have no impact on Scanfil plc's consolidated financial statements.
- *Annual Improvements to IFRSs* (2014-2016 cycle)* (effective for financial years beginning on or after 1 January 2017 for IFRS 12 and on or after 1 January 2018 for IFRS 1 and IAS 28). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The cycle contains amendments to three standards. Their impacts vary standard by standard but are not significant.

### 1. SEGMENT INFORMATION

The Group reports geographically operating segments: Asia and Europe&USA. The segment information is based on internal reporting by the management, prepared according to the principles of IFRS standards. CEO is the highest operational decision maker.

The Group has manufacturing units in Finland, Sweden, Poland, Germany, Hungary, Estonia, USA, China and trading company in Hong Kong.

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 and intangible assets. An operating segment's liabilities include all liabilities related to operations, ing taxes and accrued liabilities.

Scanfil Plc has  acquired the share capital of Swedish contract manufacturing group PartnerTech AB through a public offer. The acquisition date was 2 July 2015. PartnerTech AB has been consolidated to Scanfil Group since 1st July 2015. For this reason, the previous year's figures are not comparable.

**Scanfil underwent a significant restructuring program during the 2016 financial period, relating to the integration of the Scanfil and PartnerTech Groups, the elimination of overlapping functions and the restructuring of loss-producing plants.**

Negotiations to adjust the operations of Scanfil Sweden Ab's Norwegian subsidiary Partnertech AS ended on January 11, 2016. Based on the results of the negotiations, the Board of Directors of PartnerTech AS decided to start shutting down the plant. The plant was shut down by the end of June. The shutdown of the operations had a negative effect of EUR 4.7 million on the results. Corresponding impairment and cost provisions were recognized in the first quarter.

The Board of Directors of Scanfil Sweden AB decided to sell the entire share capital of its subsidiary PartnerTech Aerodyn AB, located in Karlskoga, Sweden, for a cash purchase price of EUR 350,000. The contract of sale was signed on February 19, 2016. The transaction was completed on April 11, 2016. The transaction resulted in a non-recurring loss of around EUR 1.2 million for Scanfil Group. The loss was recognized in the Group's results for the 2015 financial period.

The statutory labor negotiations of Scanfil Sweden AB's English subsidiary Scanfil Limited ended on April 25, 2016. Based on the results of the negotiations, Scanfil Limited's Board of Directors decided to start shutting down the plant. The shutdown of the plant resulted in costs of approximately EUR 1.3 million. The measures were completed during July 2016, and the effect on the results mainly affected the second quarter of 2016. Some of the customer accounts of discontinued Scanfil Limited will continue at other Scanfil plants in Europe.

The Board of Directors of Scanfil Sweden AB decided, on May 10, 2016, to sell the entire share capital of its subsidiary PartnerTech Karlskoga AB, located in Karlskoga, Sweden, at a nominal purchase price. The sale caused a loss of approximately EUR 5 million to Scanfil group, and it decreased the net debt of the Group by approximately EUR 2 million, which were recognized in the second quarter of 2016.

Scanfil Sweden AB's Chinese subsidiary Partnertech Electronics Co., Ltd decided, on June 27, 2016, to discontinue production at the Dongguan plant in China. Production at the plant closed down during the third quarter. The discontinuation of operations resulted in costs of approximately EUR 2.4 million, of which around EUR 1 million had a cash effect. Some of Dongguan's customer accounts will continue at Scanfil's plants in Hangzhou and Suzhou.

The statutory labor negotiations of Scanfil Sweden AB's Finnish subsidiary, Scanfil Vantaa Oy, ended on November 1, 2016. Based on the results of the negotiations, Scanfil Vantaa Oy's Board of Directors decided to start shutting down the production of the plant. The shutdown of the production is expected to result in a non-recurring expense of approximately EUR 0.4 million. The measures are expected to be completed by June 30, 2017, and the effect on profit and loss will primarily affect the fourth quarter of 2016.

Scanfil EMS Oy's Hungarian subsidiary, Scanfl Kft, decided, on November 10, 2016, to shut down the plant located in Biatorbágy, Hungary. The shutdown of the plant is expected to result in a non-recurring expense of approximately EUR 1.1 million, and it will mainly affect the fourth quarter of 2016. Most of the measures are scheduled to be completed by the end of the second quarter of 2017. The shutdown of the Hungarian plant completes the restructuring related to the integration of the PartnerTech AB's plant network.

#### SUMMARY OF THE RESTRUCTURED COMPANIES, THEIR TURNOVER AND OPERATING PROFIT IN 2015 AND 2016, AND THE NEGATIVE EFFECT ON OPERATING PROFIT DUE TO THE RESTRUCTURING:

| *milj. EUR* | *Turnover 2015* | *Turnover 2016* | *Operating profit 2015* | *Operating profit 2016 ** | *Sales losses and closing down expenses* |
|---|---|---|---|---|---|
| PartnerTech AS (Norway) | 7,0 | 2,5 | -4,2 | -6,0 | -4,7 |
| PartnerTech Aerodyn AB (Sweden) | 2,6 | 1,3 | -0,6 | 0,0 | -1,2** |
| PartnerTech Kalskoga AB (Sweden) | 15,4 | 6,3 | -1,3 | -0,4 | -5,0*** |
| Scanfil Limited (Great Britain) | 6,1 | 4,1 | -1,1 | -2,1 | -1,3 |
| Partnertech Electronics Co., Ltd (China) | 19,5 | 11,8 | -1,1 | -3,0 | -2,4 |
| Scanfil Vantaa Oy (Finland) | 16,4 | 18,7 | -0,1 | -0,5 | -0,4 |
| Scanfil Kft (Hungary) | 13,6 | 15,7 | -1,2 | -1,6 | -1,1 |
| **Total** | **80,6** | **60,4** | **-9,6** | **-13,6** | **-16,1** |

** operating results include closing-down expenses excluding PartnerTech Aerodyn and Karlskoga AB*

*** recognized in the Group's results in the 2015 financial period*

**** recognized in the Group's results in the 2016 financial period*

| *Operating segments, 1000 EUR* | *2016* | *Europe & USA* | *Asia* | *Group* |
|---|---|---|---|---|
| Segment turnover | | 401 415 | 128 983 | **530 397** |
| Intersegment turnover | | -3 934 | -18 493 | **-22 427** |
| **Total turnover** | | 397 480 | 110 489 | **507 970** |
| **Operating profit** | | -1 097 | 8 334 | **7 237** |
| Restructuring expenses contained in the segment's operating profit | | 12 530 | 2 407 | **14 936** |
| **Financial income** | | 10 964 | 346 | **11 310** |
| **Financial expense** | | -12 251 | -219 | **-12 470** |
| **Profit before taxes** | | | | **6 077** |
| Segment assets | | 167 064 | 77 646 | **244 710** |
| Goodwill | | 10 587 | | **10 587** |
| Long-term customer relationships | | 11 470 | | **11 470** |
| **Total assets** | | | | **266 768** |
| Segment liabilities | | 124 212 | 28 677 | **152 889** |
| Segment provisions | | 5 571 | | **5 571** |
| **Total liabilities** | | | | **158 459** |
| Investments | | 5 011 | 522 | **5 534** |
| Depreciation | | 6 904 | 2 530 | **9 435** |
| Decreases in value | | 712 | 809 | **1 521** |

| *Operating segments, 1000 EUR* | *2015* | *Europe & USA* | *Asia* | *Group* |
|---|---|---|---|---|
| Segment turnover | | 282 208 | 113 179 | **395 387** |
| Intersegment turnover | | -4 483 | -13 605 | **-18 088** |
| **Total turnover** | | 277 725 | 99 574 | **377 299** |
| **Operating profit** | | 4 430 | 9 556 | **13 987** |
| **Financial income** | | 4 887 | 376 | **5 263** |
| **Financial expense** | | -5 857 | -20 | **-5 878** |
| **Profit before taxes** | | | | **13 371** |
| Segment assets | | 191 277 | 86 350 | **277 627** |
| Goodwill | | 10 859 | | **10 859** |
| Long-term customer relationships | | 13 326 | | **13 326** |
| **Total assets** | | | | **301 812** |
| Segment liabilities | | 173 055 | 28 567 | **201 622** |
| **Total liabilities** | | | | **201 622** |
| Capital expenditure | | 51 935 | 2 356 | **54 291** |
| Depreciation | | 8 198 | 2 896 | **11 094** |

| *Turnover by location of customers, 1000 EUR* | *2016* | *2015* |
|---|---|---|
| Finland | 89 973 | 73 286 |
| Sweden | 153 324 | 83 063 |
| Poland | 8 469 | 4 809 |
| Rest of Europe | 152 215 | 119 194 |
| Asia | 85 229 | 82 720 |
| USA | 17 592 | 12 852 |
| Asia | 1 168 | 1 375 |
| **Total** | **507 970** | **377 299** |

The turnover includes EUR 30.1 (10.5) million of service sales. Service sales include productisation, component, warehousing and logistics services as well as after-sales services, which include product repair, update and spare part services.
Service sales in Scanfil Group have increased since the acquisition of PartnerTech Group.

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

Sales to the largest customer amounted to EUR 56 (58) million, 11 % (15 %) and is included mainly to Asia&Usa-segment.
Sales to the second largest customer were EUR 52 (35) million, 10 % (9 %) and is related to Europe-segment.

| *Segment assets by location, 1000 EUR* | *2016* | *2015* |
|---|---|---|
| Domicile | | |
| Finland | 22 318 | 24 809 |
| Sweden | 37 731 | 62 985 |
| Poland | 72 853 | 68 281 |
| China | 77 646 | 81 756 |
| Other | 56 220 | 63 982 |
| **Total** | **266 768** | **301 812** |

## 2. OTHER OPERATING INCOME, 1000 EUR

| | *2016* | *2015* |
|---|---|---|
| Proceeds from sale of property, plant and equipment | 208 | 163 |
| Rental income | 170 | 64 |
| Allowances and compensations | 233 | |
| Insurance claims | 112 | |
| Other | 252 | 411 |
| **Total** | **975** | **638** |

## 3. USE OF MATERIALS AND SUPPLIES, 1000 EUR

| | *2016* | *2015* |
|---|---|---|
| Materials, supplies and goods | | |
| Purchases during the period | 343 999 | 256 579 |
| Change in inventories | -3 082 | -4 420 |
| **Total** | **340 918** | **252 159** |

## 4. PERSONNEL EXPENSES, 1000 EUR

| | *2016* | *2015* |
|---|---|---|
| Salaries, wages and fees | 68 378 | 51 187 |
| Options implemented and paid in shares | 530 | |
| Pension costs – defined-contribution schemes | 6 381 | 5 279 |
| Other indirect employee expenses | 10 842 | 6 846 |
| **Total** | **86 132** | **63 313** |

Information on outstanding stock options is presented in Note 22, "Share-based Payment".
Management's employee benefits are reported in Note 35, Related party transactions.

| Average number of Group employees during the period | 2016 | 2015 |
|---|---|---|
| Clerical employees | | |
| Europe & USA | 745 | 443 |
| Asia | 243 | 222 |
| | **988** | **665** |
| Employees | | |
| Europe & USA | 1 680 | 1 251 |
| Asia | 815 | 725 |
| | **2 495** | **1 976** |
| Total | **3 483** | **2 641** |

### 5. DEPRECIATION AND AMORTIZATION, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| **Depreciation by asset class** | | |
| **Intangible assets** | | |
| Intangible rights | 460 | 663 |
| Other long-term expenses | 298 | 201 |
| Long-term customer relationships | 1 364 | 690 |
| **Total** | **2 122** | **1 555** |
| **Property, plant and equipment** | | |
| Buildings | 2 173 | 1 857 |
| Machinery and equipment | 5 075 | 4 817 |
| Other tangible assets | 65 | 120 |
| **Total** | **7 313** | **6 794** |
| **Total depreciation** | **9 435** | **8 349** |
| **Amortization by assets** | | |
| **Tangible assets** | | |
| Machinery and equipment | 1 521 | 318 |
| **Total** | **1 521** | **318** |
| **Intangible assets** | | |
| Goodwill | | 2 138 |
| **Total** | | **2 138** |
| **Total amortization** | **1 521** | **2 456** |

The impairment of machinery and equipment is related to the shutdown and/or sale of unprofitable plants.
In 2015, an impairment of goodwill related to operations in Hungary was recognized on the basis of impairment testing. (Note 12 Goodwill)

### 6. OTHER OPERATING EXPENSES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| **Other operating expenses include the following significant expense items:** | | |
| External services | 13 429 | 9 794 |
| Sales freight | 3 901 | 4 004 |
| Other variable expenses | 8 921 | 7 629 |
| Rent and maintenance expenses | 14 162 | 6 793 |
| Travel, marketing and vehicle expenses | 3 814 | 2 597 |
| Other employee expenses | 3 072 | 2 329 |
| Other operating expenses | 14 572 | 8 537 |
| **Total** | **61 871** | **41 683** |

Rent and maintenance costs include EUR 4.8 million and other operating expenses include EUR 5.2 million in costs associated with business restructuring. Other operating expenses has increased mainly due to acquisition of Scanfil Sweden AB (former PartnerTech) on 2 July 2015.

In 2016, Scanfil plc's General Meeting elected Authorised Public Accountants KPMG Oy Ab as the auditor of the Group.

| | 2016 | 2016 | 2015 | 2015 |
|---|---|---|---|---|
| **Auditor's remuneration, 1000 EUR** | Fees to KPMG | Fees to other auditors | Fees to KPMG | Fees to other auditors |
| Audit fees | 298 | 19 | 74 | 255 |
| Tax consulting | 1 | | | 19 |
| Other services | 32 | 1 | 181 | 87 |
| **Total** | **331** | **20** | **255** | **361** |

## 7. FINANCING INCOME, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| Dividend income | 0 | |
| Interest income from investments held to maturity | 88 | 29 |
| Exchange rate gains | 11 150 | 5 005 |
| Capital gain of the associated company | | 90 |
| Other financial income | 71 | 140 |
| **Total** | **11 310** | **5 263** |

Exchange rate gains and losses have arisen from the translation of transactions and monetary items in foreign currency into euros.

## 8. FINANCING EXPENSES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| Interest expenses from financial liabilities | 995 | 1 221 |
| Exchange rate losses | 10 417 | 3 876 |
| Other financial expenses | 1 057 | 780 |
| **Total** | **12 470** | **5 878** |

The operating profit includes exchange rate losses of EUR 0.7 million (1.0) net in total.

## 9. INCOME TAXES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| Current tax | 5 176 | 4 855 |
| Tax expense of previous years | 96 | 98 |
| Deferred taxes | 713 | 496 |
| **Total** | **5 985** | **5 449** |

Reconciliation of tax expense in the income statement and taxes calculated at the domestic tax rate of 20 % (year 2015 20%):

| | 2016 | 2015 |
|---|---|---|
| Earnings before taxes | 6 077 | 13 821 |
| Taxes calculated at domestic tax rate | 1 215 | 2 764 |
| Different tax rates of foreign subsidiaries | -979 | 336 |
| Tax at source on dividends paid in China | 323 | 352 |
| Depreciation difference | -103 | -73 |
| Impairment of goodwill | | 428 |
| Unrecorded deferred tax assets from tax losses | 4 837 | 789 |
| Cancellation of deferred tax assets related to previous losses | 408 | 382 |
| Use of deferred tax assets related to previous losses | 182 | |
| Use of unrecognized losses in previous years | -583 | |
| Other | 589 | 373 |
| Taxes from previous years | 96 | 98 |
| **Taxes in income statement** | **5 985** | **5 449** |

### 10. EARNINGS PER SHARE, 1000 EUR

| | *2016* | *2015* |
|---|---|---|
| Net profit for the period attributable to equity holders of the parent company | 92 | 8 372 |
| Earnings per share, undiluted, EUR | 0,00 | 0,15 |
| Earnings per share, diluted, EUR | 0,00 | 0,14 |
| Number of shares, undiluted (1,000 pcs) | 63 670 | 57 730 |
| Number of shares, diluted (1,000 pcs) | 62 433 | 58 243 |

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 equipments* | *Other tangible assets* | *Advance payments and constructions in progress* | *Tangible assets total* |
|---|---|---|---|---|---|---|
| Acquisition cost at 1 Jan. 2016 | 963 | 36 172 | 69 413 | 802 | 1 716 | 109 066 |
| Additions | 248 | 1 693 | 2 816 | 16 | 868 | 5 641 |
| Deductions | | -83 | -3 525 | -480 | -905 | -4 993 |
| Exchange rate differences | 3 | -645 | -1 096 | -10 | -25 | -1 774 |
| **Acquisition cost at 31 Dec. 2016** | **1 214** | **37 138** | **67 608** | **327** | **1 653** | **107 941** |
| Accumulated depreciations at 1 Jan. 2016 | | -12 882 | -47 466 | -662 | | -61 009 |
| Depreciations | | -2 173 | -5 075 | -65 | | -7 313 |
| Deductions | | 47 | 1 028 | 451 | | 1 525 |
| Impairments | | -178 | -1 343 | | | -1 521 |
| Exchange rate differences | | 158 | 830 | 6 | | 994 |
| **Accumulated depreciations at 31 Dec. 2016** | | **-15 028** | **-52 026** | **-270** | | **-67 324** |
| Carrying amount at 1 Jan. 2016 | 963 | 23 291 | 21 947 | 140 | 1 716 | 48 057 |
| **Carrying amount at 31 Dec. 2016** | **1 214** | **22 110** | **15 581** | **57** | **1 653** | **40 617** |

The lease agreement on the property in Myslowice, Poland, was reclassified as a financial leasing agreement starting from January 1, 2015. As a result, the opening balance of tangible fixed assets on January 1, 2015 increased by EUR 3.2 million. The impact on depreciation during the 2015 financial period was EUR 0.3 million. Correspondingly, the opening balance on January 1, 2016 increased by EUR 2.9 million, and the impact on depreciation during the 2016 financial period was EUR 0.3 million.

Undepreciated acquisition cost of production machinery and equipment is EUR 14,820 thousand.

| | *Land* | *Buildings and constructions* | *Machinery and equipments* | *Other tangible assets* | *Advance payments and constructions in progress* | *Tangible assets total* |
|---|---|---|---|---|---|---|
| Acquisition cost at 1 Jan. 2015 | 802 | 26 317 | 51 250 | 655 | 5 | 79 030 |
| Error correction | | 4 548 | | | | 4 548 |
| Additions | | 180 | 4 543 | 194 | 1 685 | 6 602 |
| Business combinations | 162 | 4 301 | 13 509 | 145 | 163 | 18 281 |
| Transfer to long-term assets | | | | | | 0 |
| classified as held for sale | | | -257 | -65 | | -321 |
| Deductions | | | -859 | -15 | -311 | -1 185 |
| Exchange rate differences | -1 | 826 | 1 226 | -113 | 173 | 2 112 |
| **Acquisition cost at 31 Dec. 2015** | **963** | **36 172** | **69 413** | **802** | **1 716** | **109 066** |
| | | | | | | |
| Accumulated depreciations at 1 Jan. 2015 | | -9 136 | -42 216 | -548 | | -51 900 |
| Error correction | | -1 350 | | | | -1 350 |
| Depreciations | | -2 147 | -4 817 | -120 | | -7 083 |
| Deductions | | | 826 | 15 | | 841 |
| Impairments | | | -318 | | | -318 |
| Exchange rate differences | | -249 | -941 | -9 | | -1 198 |
| **Accumulated depreciations at 31 Dec. 2015** | | **-12 882** | **-47 466** | **-662** | | **-61 009** |
| | | | | | | |
| Carrying amount at 1 Jan. 2015 | 802 | 17 180 | 9 034 | 107 | 5 | 27 130 |
| **Carrying amount at 31 Dec. 2015** | **963** | **23 291** | **21 947** | **140** | **1 716** | **48 057** |

Undepreciated acquisition cost of production machinery and equipment is EUR 20,826 thousand.

### 12. GOODWILL, 1000 EUR

| | *2016* | *2015* |
|---|---|---|
| Cost at 1 Jan. | 10 859 | 5 851 |
| Additions | | 7 145 |
| Goodwill writedown, Hungary | | -2 138 |
| Exchange rate differences | -272 | |
| **Carrying amount at 31 Dec.** | **10 587** | **10 859** |

Allocation of goodwill and goodwill on consolidation to cash-generating units

| | | |
|---|---|---|
| Scanfil Oü, Estonia | 111 | 111 |
| Scanfil GmbH, Germany | 3 602 | 3 602 |
| Scanfil Vellinge AB | 1 375 | 1 429 |
| Scanfil Åtvidaberg AB | 1 856 | 1 929 |
| Scanfil SP. Z.O.O | 3 643 | 3 787 |
| **Total** | **10 587** | **10 859** |

## IMPAIRMENT TESTING

A test concerning the impairment of goodwill and other assets was carried out at Scanfil Group on 31 December 2016. 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 is EUR 10.6 million. Recorded goodwill from acquisition of Scanfil Sweden Ab (former PartnerTech) was EUR 6.9 million, which is allocated as follows: Poland EUR 3.6 million, Åtvidaberg EUR 1.9 million and Vellinge EUR 1.4 million. Of the goodwill, EUR 3.6 million is allocated to the business operations acquired in Germany in 2014.

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.

The weighted average cost of capital (WACC) for the cash-generating unit has been used as the discount rate for cash flows.
In impairment testing carried out on 31 December 2016, the discount rates before taxes were as follows:

| | *2016* | *2015* |
|---|---|---|
| *Germany* | *13,20 %* | *13,10 %* |
| *Poland* | *13,50 %* | *12,70 %* |
| *Vellinge* | *12,80 %* | *13,00 %* |
| *Åtvidaberg* | *12,90 %* | *13,00 %* |

Based on the impairment testing carried out on 31 December 2016, the Germany unit's value in use exceeds its book value by EUR 2,6 (12.4) million, or 33% (138%). The Poland unit's value in use exceeds its book value by EUR 44.6 (74.2) million, or 138% (253%). The Åtvidaberg unit's value in use exceeds its book value by EUR 29.1 (24.9) million, or 296% (298%).

The Vellinge unit's value in use exceeds its book value by EUR 8.7 (10.3) million, or 94 % (108%). No need for impairment of goodwill was detected based on the impermanent testing.

### 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 of +3.7% in the discount rate for Germany (+16.4% in 2015) and a change of +13.7% +(23.8%) for Poland, +29 % (+32.0%) for Åtvidaberg and +11.1% (+12.1%) for Vellinge would cause the recoverable amount of the unit to be equal to its book value.

A change of -19 (-59) in EBITDA (%) for Germany and a change of -42 (-63) % for Poland, -67 (-78) % for Åtvidaberg and -43 (-50) % for Vellinge for all quarters included in the forecast period and in the terminal period would cause the recoverable amount of the unit to be equal to its book value.

What comes to Poland, Vellinge and Atvidaberg, the recoverable amount of money from first five years of the forecast period would already be sufficient to cover the carrying value of the test.

A change of -7 (-100) % in terminal growth for Germany would cause the recoverable amount of the unit to be equal to its book value.

### 13. OTHER INTANGIBLE ASSETS, 1000 EUR

| | Intangible rights | Other long-term expenses | Customer relation-ships | Advance payments | Intangible assets total |
|---|---|---|---|---|---|
| Acquisition cost at 1 Jan. 2016 | 6 864 | 1 913 | 14 027 | 157 | 22 960 |
| Additions | 283 | 51 | | 464 | 798 |
| Deductions | -510 | -8 | | | -518 |
| Exchange rate differences | -146 | -25 | -533 | -10 | -715 |
| **Acquisition cost at 31 Dec. 2016** | **6 491** | **1 930** | **13 494** | **610** | **22 525** |
| Accumulated depreciations at 1 Jan. 2016 | -2 861 | -941 | -701 | | -4 503 |
| Depreciations | -460 | -298 | -1 364 | | -2 122 |
| Deductions | 453 | 7 | | | 460 |
| Exchange rate differences | 28 | 9 | 41 | | 78 |
| **Accumulated depreciations at 31 Dec. 2016** | **-2 841** | **-1 222** | **-2 024** | | **-6 087** |
| Carrying amount at 1 Jan. 2016 | 4 003 | 972 | 13 326 | 157 | 18 457 |
| **Carrying amount at 31 Dec. 2016** | **3 650** | **708** | **11 470** | **610** | **16 439** |

| | Intangible rights | Other long-term expenses | Customer relation-ships | Advance payments | Intangible assets total |
|---|---|---|---|---|---|
| Acquisition cost at 1 Jan. 2015 | 6 395 | 1 393 | | 150 | 7 937 |
| Additions | 142 | 302 | | | 444 |
| Business combinations | 53 | 273 | 14 027 | 91 | 14 445 |
| Transfer to long-term assets classified as held for sale | | -3 | | | -3 |
| Deductions | | -28 | | -89 | -118 |
| Exchange rate differences | 274 | -24 | | 5 | 255 |
| **Acquisition cost at 31 Dec. 2015** | **6 864** | **1 913** | **14 027** | **157** | **22 960** |
| Accumulated depreciations at 1 Jan. 2015 | -2 158 | -730 | | | -2 888 |
| Depreciations | -663 | -201 | -690 | | -1 555 |
| Deductions | | 1 | | | 1 |
| Exchange rate differences | -40 | -10 | -11 | | -61 |
| **Accumulated depreciations at 31 Dec. 2015** | **-2 861** | **-941** | **-701** | | **-4 503** |
| Carrying amount at 1 Jan. 2015 | 4 237 | 663 | | 150 | 5 049 |
| **Carrying amount at 31 Dec. 2015** | **4 003** | **972** | **13 326** | **157** | **18 457** |

### 14. FINANCE LEASES, 1000 EUR

Property, plant and equipment and Intangible assets include assets acquired through finance leases as follows:

| | *Buildings* | *Machinery and equipments* | *Intangible rights* | *total* |
|---|---|---|---|---|
| Acquisition cost at 1 Jan. 2016 | 4 548 | 4 982 | 316 | 9 846 |
| Deductions | | -4 540 | | -4 540 |
| Depreciations | -1 919 | -309 | 316 | -2 544 |
| Exchange rate differences | -87 | | | -87 |
| **Carrying amount at 31 Dec. 2016** | **2 542** | **133** | **0** | **2 675** |

| | *Buildings* | *Machinery and equipments* | *Intangible rights* | *total* |
|---|---|---|---|---|
| Acquisition cost at 1 Jan. 2015 | | | 316 | 316 |
| Error correction | 4 548 | | | 4 548 |
| Business combinations 1 July | | 4 982 | | 4 982 |
| Depreciations | -1 635 | -595 | -237 | -2 467 |
| **Carrying amount at 31 Dec. 2015** | **2 914** | **4 386** | **79** | **7 379** |

The correction is caused by the reclassification of the lease agreement on the property in Myslowice, Poland as a financial leasing agreement starting from January 1, 2015. As a result, non-current financial leasing liabilities increased by EUR 4.2 million, and current financial leasing liabilities increased by EUR 3.0 million on December 31, 2015. Correspondingly, non-current financial leasing liabilities increased by EUR 3.9 million, and current financial leasing liabilities increased by EUR 0.3 million on December 31, 2016.

### 15. AVAILABLE-FOR-SALE INVESTMENTS, 1000 EUR

| | *2016* | *2015* |
|---|---|---|
| Cost at 1 Jan. | 35 | 17 |
| Business combinations 1 July | | 17 |
| Additions | 5 | |
| Exchange rate differences | -1 | |
| **Cost at 31 Dec.** | **39** | **35** |
| **Carrying amount at 31 Dec.** | **39** | **35** |

Available for sale investments are golf shares and shares of a recruitment agency.

### 16. DEFERRED TAX ASSETS AND RECEIVABLES, 1000 EUR

Changes of deferred taxes during year 2016

| | 1.1.2016 | Recognised through profit and loss | Recognised under other comprehensive income | Translation differences | Divested businesses | 31.12.2016 |
|---|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | | |
| Confirmed losses | 664 | -135 | | -52 | | 477 |
| Related to inventories | 160 | 39 | | -4 | | 195 |
| Pension provisions | 20 | -20 | | | | 0 |
| Provisions | 694 | -237 | | -5 | | 452 |
| Other | 1 152 | -453 | 9 | 34 | | 742 |
| Total | **2 690** | **-805** | **9** | **-27** | | **1 867** |
| **Deferred tax liabilities:** | | | | | | |
| Long-term customer relationships | -2 936 | 301 | | 109 | | -2 527 |
| Accumulated depreciation | -277 | -227 | | 7 | 104 | -393 |
| Leasing | -161 | 14 | | 6 | 121 | -20 |
| Other | -66 | 5 | | 0 | | 61 |
| Total | **-3 440** | **92** | | **122** | **225** | **-3 001** |

On 31 December 2016, the Group had EUR 24,6 million of confirmed losses for which no deferred tax assets have been entered because the Group is unlikely to record taxable profit before the expiration of the loss in question against which the losses could be take into account. The losses in question will expire in 2019–2026.

Changes of deferred taxes during year 2015

| | 1.1.2015 | Recognised through profit and loss | Recognised under other comprehensive income | Translation differences | Divested businesses | 31.12.2015 |
|---|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | | |
| Confirmed losses | | -1 056 | | | 1 720 | 664 |
| Related to inventories | 225 | -87 | | | 22 | 160 |
| Pension provisions | | -235 | | | 255 | 20 |
| Provisions | | 30 | | 1 | 663 | 694 |
| Other | 403 | 116 | 100 | -28 | 561 | 1 152 |
| Total | **628** | **-1 232** | **100** | **-27** | **3 221** | **2 690** |
| **Deferred tax liabilities:** | | | | | | |
| Long-term customer relationships | | 155 | | 0 | -3 090 | -2 936 |
| Accumulated depreciation | | -277 | | | | -277 |
| Leasing | | 30 | | | -191 | -161 |
| Other | -9 | 76 | | 0 | -133 | -66 |
| Total | **-9** | **-17** | **0** | **0** | **-3 414** | **-3 440** |

On 31 December 2015, the Group had EUR 14,1 million of confirmed losses for which no deferred tax assets have been entered because the Group is unlikely to record taxable profit before the expiration of the loss in question against which the losses could be take into account. The losses in question will expire in 2017–2023.

### 17. INVENTORIES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| Materials and supplies | 66 133 | 64 849 |
| Work in progress | 6 329 | 9 921 |
| Finished goods | 12 856 | 16 014 |
| **Total** | **85 319** | **90 784** |

The writing down of inventories in relation to discontinued units was entered to the amount of EUR 1.1 million during the accounting period.

### 18. TRADE AND OTHER RECEIVABLES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| Trade receivables | 83 820 | 98 957 |
| Accrued income | 971 | 1 202 |
| Other | 3 161 | 4 827 |
| **Total** | **87 953** | **104 986** |

Other receivables are mainly value-added tax receivables. Age distribution of trade receivables is presented in Note 30 "Finance risk management".

### 19. CASH AND CASH EQUIVALENTS, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| Deposits | 4 098 | 3 895 |
| Cash and cash equivalents | 16 096 | 18 361 |
| **Total** | **20 194** | **22 255** |

Deposits are fixed term deposits with maturities in a maximum of three months.

### 20. LONG TERM ASSETS CLASSIFIED AS HELD FOR SALE, 1000 EUR

2015

PartnerTech AB Aerodyn is classified as held for sale. During the classification balance sheet items have been valued in accordance with the IFRS 5 standard and the following impairment losses have been recorded:

| | |
|---|---|
| Machinery and equipment | 289 |
| Inventories | 687 |
| Trade receivables | 193 |
| | **1 170** |

The assets and liabilities of Partner Tech Aerodyn AB are as follows:

**Assets**

| | |
|---|---|
| Intangible assets | 3 |
| Tangible assets | 321 |
| Inventories | 362 |
| Trade and other receivables | 768 |
| Cash and cash equivalents | 0 |
| **Total** | **1 455** |

**Liabilities**

| | |
|---|---|
| Non-current interest bearing liabilities | 90 |
| Trade and other liabilities | 581 |
| **Total** | **670** |

## 21. EQUITY, 1000 EUR

### Shares and share capital

Scanfil plc has a total of 63,670,439 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 trading code of the shares is SCL1V. The shares are entered in the book-entry securities system administered by Euroclear Finland Ltd.

### Share Issue

On March 14, 2016, Scanfil offered a total of 5,715,000 new shares in the company to institutional and other selected investors. The share issue was carried out through an accelerated book-building procedure arranged by Nordea Bank Finland plc. Scanfil's Board of Directors approved the subscriptions on March 14, 2016. The shares were offered to institutional and other selected investors in deviation from the shareholders' pre-emptive rights. A total of 5,715,000 shares were subscribed in the share issue, representing around 9.99% of all Scanfil shares and votes before the issue. After the share issue, the company's total number of issued and outstanding shares is 63,445,439. The share issue generated EUR 17.1 million in assets for the company before fees and expenses. The total share subscription price was recognized in full in the company's reserve for invested unrestricted equity.

### Translation differences

Translation differences include differences arising from the conversion of the financial statements of foreign companies. The translation differences on 31 December 2016 were EUR 11.6 million (EUR 15.6 million in 2015) of which EUR 14.1 million were caused by exchange rate changes in renminbi. Change in translation difference in the financial year, EUR 4.0 million is mainly composed of China EUR 1.7 million, Sweden EUR 1.9 million and Poland EUR 0.7 million fluctuations in the euro.

### 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 cash flow.

| | *2016* | *2015* |
|---|---|---|
| Reserves according to the Articles of Association | 6 542 | 6 334 |
| Fair value reserve | -506 | -472 |
| **Total** | **6 036** | **5 862** |

### 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.

### Dividend

In year 2016 distributed a dividend of EUR 0.08/share, total of EUR 5,069,290.58. After the reporting date, the Board of Directors has proposed a dividend of EUR 0.09 per share to be distributed, totalling EUR 5,730,339,51

## 22. SHARE BASED PAYMENTS

### 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.

Based on the authorisation granted by the Annual General Meeting, the Board of Directors decided to grant 700,000 option rights in total to the CEO and the board members. The option rights will be marked 2013A, 2013B and 2013C. Each option right enables its holder to subscribe for one share held by Scanfil Oyj. The subscription period for the 2013A option rights will be from 1 May 2016 to 30 April 2018, the subscription period for the 2013B option rights will be from 1 May 2017 to 30 April 2019, and the subscription period for the 2013C option rights will be from 1 May 2018 to 30 April 2020. The subscription period will not be implemented if the production and financial goals and conditions specifically determined by the Board for using the option rights are not met. The share subscription price for the 2013A option rights is EUR 0.87, which is the volume-weighted average price of the share at NASDAQ OMX Helsinki Oy between 1 March and 31 March 2013, the share subscription price for the 2013B option rights is EUR 1.41, which is the volume-weighted average price of the share between 1 March and 31 March 2014, and the share subscription price for the 2013C option rights is EUR 2.91, which is the volume-weighted average price of the share between 1 March and 31 March 2015. The expense recognition of the option scheme was EUR 146 thousand (2015 EUR 107 thousand).

A total of 225,000 new shares were subscribed under option rights 2013A. The subscription price of EUR 195,750 of subscriptions made under the option rights has been recognized in the invested unrestricted equity fund, and the shares subscribed under the option rights were entered in the trade register on June 9, 2016.

| Option arrangement | 2013C | 2013B | 2013A |
|---|---|---|---|
| Grant date | 28.10.2015 | 25.9.2014 | 18.9.2013 |
| Amount of granted instruments (pcs) | 250 000 | 225 000 | 225 000 |
| Subscription price (EUR) | 2,91 | 1,41 | 0,87 |
| Fair value (EUR) | 1,57 | 1,17 | 0,66 |
| Share price at time of granting (EUR) | 3,08 | 2,31 | 1,34 |
| Term of validity (years) | 4,5 | 4,5 | 4,5 |

### Option scheme for 2016

On April 12, 2016, the Annual General Meeting accepted Scanfil plc's option scheme for 2016 (A) – (C). At most 900,000 option rights can be issued, and they entitle their holders to subscribe to a combined total of 900,000 of the company's new shares or shares in its possession.

The option rights are subscribed under codes 2016A, 2016B and 2016C. Each option right enables its holder to subscribe to one share in Scanfil plc. The subscription period for option right 2016A is from May 1, 2019 to April 31, 20121, that for option right 2016B is from May 1, 2010 to April 30, 2022, and that for option right 2016C is from May 1, 2012 to April 30, 2023. The start of the subscription period requires that the Group's production and financial goals and conditions specifically determined by the Board for exercising the option rights are met.

On the basis of the authorization granted by the Annual General Meeting, the Board of Directors has decided on providing 250,000 option rights to the Group's President and to the members of the Management Team. These option rights will be marked 2016A. The subscription price of option right 2016A is EUR 3.38, which is the trading volume-weighted average share price in Nasdaq Helsinki between March 1 and March 31, 2016. The cost effect of the option scheme in 2016 is EUR 2,653.

| Option arrangement | 2016A |
|---|---|
| Grant date | 8.12.2016 |
| Amount of granted instruments (pcs) | 250 000 |
| Subscription price (EUR) | 3,38 |
| Fair value (EUR) | 0,74 |
| Share price at time of granting (EUR) | 3,36 |
| Term of validity (years) | 4,4 |

### 23. PROVISIONS, 1000 EUR

| | *Reclamation and guarantee* | *Pension provision* | *Restructuring provisions* | *Other Provisions* | *Total* |
|---|---|---|---|---|---|
| **1.1.2016** | 249 | 1 010 | | 386 | 1 644 |
| Exchange rate differences | -19 | -1 | | 2 | -19 |
| Divested businesses | | -140 | | | -140 |
| Additions | 733 | 3 | 4 940 | 32 | 5 708 |
| Used provisions | -439 | -179 | | -5 | -623 |
| Cancellation of unused provisions | -41 | -654 | | -306 | -1 001 |
| **31.12.2016** | **483** | **38** | **4 940** | **110** | **5 571** |

| | *2016* | *2015* |
|---|---|---|
| Non-current provisions | 148 | 1 492 |
| Current provisions | 5 423 | 153 |
| **Total** | **5 571** | **1 644** |

Reclamation and a warranty provision include the estimated repair cost of defective products related to customer complaints. Restructuring provisions consist of the costs coming from closing down unprofitable businesses, which are primarily personnel and rental expenses. Restructuring and reclamation provision expected to be realized mainly during the first half of 2017.

### 24. FINANCIAL LIABILITIES, 1000 EUR

| | *2016* | *2015* |
|---|---|---|
| Long term liabilities recognised at amortised cost | | |
| Financial Institutions | 34 325 | 44 950 |
| Finance Lease | 3 909 | 4 742 |
| **Total** | **38 235** | **49 692** |
| | | |
| Short term liabilities recognised at amortised cost | | |
| Financial Institutions | 10 550 | 5 830 |
| Drawdowns from credit facilities | 11 062 | 31 108 |
| Finance Lease | 303 | 1 194 |
| **Total** | **21 915** | **38 131** |

Scanfil has entered into a financing agreement with Nordea Bank Finland Plc relating to the acquisition of PartnerTech AB´s shares. Scanfil has raised a long-term loan of EUR 50 million to pay for the shares and raised the available credit facility with EUR 35 million to refinance PartnerTech AB and to meet the needs in working capital. The loan agreement is related to usual dismissal covenants, which are reviewed for the first time on the basis of the financial statement for the year 2015. There is no danger that these covenants will be breached. The credit is paid off semi-annually, the first instalment of EUR 5.3 million is paid on 25th November 2016 and the last 25th November 2019; the remainder of EUR 13.3 million due on the date of expiry of the contract, 25th May 2020. Scanfil EMS Oy raised financial loan of EUR 40.0 million in 2010, that was paid by the end of year 2015.

The company has an interest rate swap related to the hedging of credit. The purpose of the hedge is to protect against the impact of changes in cash flows related to floating rate loan. The hedge is used to swap the variable rate EUR denominated loan interest payments into a fixed payments. Scanfil pays a fixed rate of 0.41% on a quarterly basis in addition to the loan margin. 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.

On December 31, 2016, the rated amount of the interest swap agreement was EUR 44.8 million, and it will expire on May 25, 2020. The fair value of the derivative was EUR -664 thousand, including accumulated interest.
The interest flows of the derivative will materialize at the same time as the interest flows of the loan.

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

| | 2016 | 2015 |
|---|---|---|
| **1.1.** | **-472** | **-71** |
| Fair value reserve | -34 | -400 |
| **31.12.** | **-506** | **-472** |
| Transferred to profit or loss | 6 | 25 |

**Finance lease maturities**

| **Gross financial debt** | 2016 | 2015 |
|---|---|---|
| - Minimum rents by time of maturity | | |
| Within one year | 737 | 1 690 |
| In one to five years | 2 854 | 3 448 |
| More than five years | 3 032 | 3 746 |
| **Total** | **6 623** | **8 884** |
| Future financing expenses accrued | -2 410 | -2 949 |
| **Current value of financing lease debt** | **4 213** | **5 935** |
| | | |
| **The current value of financing lease debt** | | |
| Within one year | 303 | 1 194 |
| In one to five years | 1 470 | 1 889 |
| More than five years | 2 439 | 2 853 |
| **Total** | **4 213** | **5 935** |

## 25. NON-CURRENT LIABILITIES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| **Trade and other payables** | | |
| Trade payables | 67 510 | 82 175 |
| Accrued liabilities | 14 173 | 15 153 |
| Advance payments received | 746 | 2 140 |
| Other creditors | 5 837 | 5 576 |
| **Total** | **88 266** | **105 044** |
| | | |
| The most significant items included in accrued liabilities: | | |
| Employee expenses | 10 630 | 11 487 |
| Interests | 91 | 87 |
| Other accrued liabilities | 3 452 | 3 579 |
| **Total** | **14 173** | **15 153** |

In corresponding year 2015 other liabilities include EUR 667 thousand acquisition cost of redeemed shares from PartnerTech AB.

## 26. CASH FLOW STATEMENT ADJUSTMENTS, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| **Non-cash transactions** | | |
| Changes in provisions | 4 037 | -692 |
| Closing down expenses | 6 443 | |
| Exchange rate differences | 993 | 1 610 |
| Other adjustments | 36 | -90 |
| **Total** | **11 509** | **828** |
| | | |
| **Changes in working capital** | | |
| Inc(-)/dec(+) in short-term non-interest bearing receivables | 8 560 | -6 372 |
| Inc(-)/dec(+) in inventories | -2 456 | -11 402 |
| Inc(+)/dec(-) in short-term non-interest-bearing liabilities | -12 186 | 10 090 |
| **Total change in working capital** | **-6 082** | **-7 683** |

### 27. FINANCIAL ASSETS AND LIABILITIES, CARRYING AMOUNT AND FAIR VALUE, 1000 EUR

| *2016* | *Financial assets and liabilities at fair value through profit or loss* | *Loans and other receivables* | *At fair value through profit or loss* | *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 | | | | 39 | | 39 | 39 |
| Non-current assets total | | | | 39 | | 39 | 39 |
| **Current assets** | | | | | | | |
| Trade receivables | | 83 820 | | | | 83 820 | 83 820 |
| Cash and cash equivalents | | 20 194 | | | | 20 194 | 20 194 |
| Current assets total | | 104 014 | | | | 104 014 | 104 014 |
| **Total financial assets** | | **104 014** | | **39** | | **104 054** | **104 054** |
| **Non-current financial liabilities** | | | | | | | |
| Interest-bearing liabilities from financial institutions | | | | | 34 325 | 34 325 | 34 325 |
| Finance Lease | | | | | 3 909 | 3 909 | 3 909 |
| **Non-current financial liabilities total** | | | | | **38 235** | **38 235** | **38 235** |
| **Current financial liabilities** | | | | | | | |
| Interest-bearing liabilities from financial institutions | | | | | 10 550 | 10 550 | 10 550 |
| Drawdowns from credit facilities | | | | | 11 062 | 11 062 | 11 062 |
| Finance Lease | | | | | 303 | 303 | 303 |
| Derivatives, hedging | 664 | | | | | 664 | 664 |
| Derivatives, non-hedging | | | 102 | | | 102 | 102 |
| Trade payables | | | | | 67 510 | 67 510 | 67 510 |
| Current financial liabilities total | 664 | | 102 | | 89 425 | 90 191 | 90 191 |
| **Total financial liabilities** | **664** | | **102** | | **127 660** | **128 426** | **128 426** |

Financial assets and liabilities have not been netted in the balance sheet.

The lease agreement on the property in Myslowice, Poland, was reclassified as a financial leasing agreement starting from January 1, 2015 and, therefore, leasing liabilities arising from the specific property have not been presented in leasing liabilities on December 31, 2015 or December 31, 2016. Leasing liabilities have mainly decreased as a result of the discontinued units.

| *2015* | *Financial assets and liabilities at fair value through profit or loss* | *Loans and other receivables* | *At fair value through profit or loss* | *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 | | | | 35 | | 35 | 35 |
| Non-current assets total | | | | 35 | | 35 | 35 |
| **Current assets** | | | | | | | |
| Trade receivables | | 99 217 | | | | 99 217 | 99 217 |
| Cash and cash equivalents | | 22 255 | | | | 22 255 | 22 255 |
| Current assets total | | 121 472 | | | | 121 472 | 121 472 |
| **Total financial assets** | | **121 472** | | **35** | | **121 507** | **121 507** |
| **Non-current financial liabilities** | | | | | | | |
| Interest-bearing liabilities from financial institutions | | | | | 44 950 | 44 950 | 44 950 |
| Finance Lease | | | | | 4 742 | 4 742 | 4 742 |
| **Non-current financial liabilities total** | | | | | **49 692** | **49 692** | **49 692** |
| **Current financial liabilities** | | | | | | | |
| Interest-bearing liabilities from financial institutions | | | | | 5 830 | 5 830 | 5 830 |
| Drawdowns from credit facilities | | | | | 31 108 | 31 108 | 31 108 |
| Finance Lease | | | | | 1 194 | 1 194 | 1 194 |
| Derivatives, hedging | 615 | | | | | 615 | 615 |
| Derivatives, non-hedging | | | 112 | | | 112 | 112 |
| Trade payables | | | | | 82 175 | 82 175 | 82 175 |
| Current financial liabilities total | 615 | | 112 | | 120 306 | 121 033 | 121 033 |
| **Total financial liabilities** | **615** | | **112** | | **169 998** | **170 725** | **170 725** |

Financial assets and liabilities have not been netted in the balance sheet.

### 28. FAIR VALUE HIERARCHY, 1000 EUR

| *2016* | *Level 1* | *Level 2* | *Level 3* |
|---|---|---|---|
| **Assets measured at fair value** | | | |
| Available-for-sale investments | | | |
| Equity investments | | | 39 |
| **Liabilities measured at fair value** | | | |
| Derivatives, hedging | | 664 | |
| Derivatives, non-hedging | | 102 | |
| **Liabilities recognised at amortised cost** | | | |
| Financing loan | | 55 937 | |
| Finance Lease | | 4 213 | |

| *2015* | *Level 1* | *Level 2* | *Level 3* |
|---|---|---|---|
| **Assets measured at fair value** | | | |
| Available-for-sale investments | | | |
| Equity investments | | | 35 |
| **Liabilities measured at fair value** | | | |
| Derivatives, hedging | | 615 | |
| Derivatives, non-hedging | | 112 | |
| **Liabilities recognised at amortised cost** | | | |
| Financing loan | | 81 888 | |
| Finance Lease | | 5 935 | |

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. Level 3 items are unlisted shares. There were no transfers between tiers during the financial period.

### 29. DERIVATIVES, 1000 EUR

Derivative instruments used by the Group are discussed in Note 24: Interest-bearing Liabilities. The Group has also interest rate derivatives for purposes other than hedging. Changes in the fair values of these contracts have been recognised through profit or loss.

**Interest derivatives and currency derivatives**

| *2016* | *Negative* | *Net* | *Nominal value* |
|---|---|---|---|
| Interest swap agreements, hedging | 664 | 664 | 44 750 |
| Foreign exchange forwards, non-hedging | 102 | 102 | 16 012 |
| **Total** | | **766** | **60 762** |

| *2015* | *Negative* | *Net* | *Nominal value* |
|---|---|---|---|
| Interest swap agreements, hedging | 615 | 615 | 50 000 |
| Interest swap agreements, non-hedging | 112 | 112 | 24 230 |
| **Total** | | **727** | **74 230** |

### 30. FINANCIAL RISK MANAGEMENT

Scanfil Group is exposed to various financial risks in its business activities. The Group's treasury operations and financial risks are managed centrally in the parent company based on the principles approved by the Board. The financial function of Scanfil is part of the Group´s financial management and it offers and handles financial transactions centrally for all Group companies. 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 risk management objective is to reduce the uncertainty caused by fluctuations in currency exchange rates in respect of the Group's earnings, cash flows and balance sheet. 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.

Financial statements as of December 31, 2016 include outstanding EUR/PLN forward exchange contracts made for hedging purposes to which no hedge accounting is applied. Their rated value was EUR 16.0 million. Forward contracts have mainly been made on a monthly basis, and the final contract will expire on November 29, 2017. The forward contract hedges outgoing payments denominated in the Polish zloty, such as salaries and taxes, because there are no Polish sales gains in the local currency.

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 EUR* ***2016***

| Foreign currency | USD | USD | SEK | EUR | USD | EUR | EUR | USD |
|---|---|---|---|---|---|---|---|---|
| Reporting currency: | EUR | RMB | EUR | SEK | HKD | PLN | RMB | SEK |
| Cash and cash equivalents | 142 | 2 413 | 1 | 1 263 | 394 | 0 | 794 | 1 775 |
| Trade receivables | 160 | 5 397 | 0 | 10 097 | 1 263 | 9 948 | 2 955 | 488 |
| Trade payables | -1 680 | -3 460 | -19 | -2 184 | -3 358 | -6 882 | -1 163 | -1 628 |
| Global Cash Pool | -109 | 0 | -14 235 | -6 987 | 0 | 650 | 0 | -340 |
| Balance sheet net risk | -1 487 | 4 350 | -14 254 | 2 188 | -1 701 | 3 716 | 2 586 | 295 |

*Transaction risk, 1000 EUR* ***2015***

| Foreign currency | USD | USD | SEK | EUR | USD | EUR | EUR | USD |
|---|---|---|---|---|---|---|---|---|
| Reporting currency: | EUR | RMB | EUR | SEK | HKD | PLN | RMB | SEK |
| Cash and cash equivalents | 66 | 389 | 0 | 0 | 958 | 325 | 300 | 0 |
| Trade receivables | 43 | 4 649 | 0 | 7 315 | 3 249 | 11 224 | 1 436 | 2 032 |
| Trade payables | -1 361 | -1 930 | -22 | -2 687 | -6 539 | -9 154 | -1 526 | -1 816 |
| Global Cash Pool | 3 486 | | -30 490 | 1 589 | | | 0 | 175 |
| Balance sheet net risk | 2 233 | 3 107 | -30 512 | 6 217 | -2 332 | 2 395 | 210 | 391 |

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 the Group's result and equity. Tax consequence has not been considered.

| Foreign currency | change in | USD | USD | SEK | EUR | USD | EUR | EUR | USD |
|---|---|---|---|---|---|---|---|---|---|
| Reporting currency: | currency % | EUR | RMB | EUR | SEK | HKD | PLN | RMB | SEK |
| Year 2016 | +/- 10 | +/- 149 | +/- 435 | +/- 1425 | +/- 219 | +/- 170 | +/- 372 | +/- 259 | +/- 30 |
| | change in | USD | USD | SEK | EUR | USD | EUR | EUR | USD |
| | currency % | EUR | RMB | EUR | SEK | HKD | PLN | RMB | SEK |
| Year 2015 | +/- 10 | +/- 223 | +/- 311 | +/- 3 051 | +/- 622 | +/- 233 | +/- 240 | +/- 21 | +/- 39 |

*Translation risk*
The aim of the translation risk is not to protect shareholders' equity.

Translation risk position of the Group by currencies, net investment

| **1000 EUR** | **2016** | Sensitivity analysis +/- 10% |
|---|---|---|
| CNY | 45 802 | +/- 4 580 |
| HKD | 5 136 | +/- 514 |
| HUF | 395 | +/- 40 |
| NOK | -11 206 | -/+ 1 121 |
| PLN | 19 371 | +/- 1 937 |
| SEK | 49 418 | +/- 4 942 |
| USD | 1 664 | +/- 166 |
| **Total** | **110 579** | |

*Financial risk*
The changes in exchange rates should not have a significant effect on the long term competitiveness of the company. The aim is to reduce risk with primary operational means such as purchase and sales agreements on commercial terms and conditions. With most customers pricing is adjusted either monthly or quarterly cycles.

## Interest rate risk

The yield of the financial investments and interest-bearing liabilities carry an interest rate risk. The Group has cash assets, and changes in interest rates may affect on the Group's result. However, the impact is not significant. Changes in interest rates mainly affect the current market value of the liabilities with interest of the balance sheet, and the debt-related interest payments. Interest rate risks are managed using interest rate swaps. The Group has one EUR 50 million interest-bearing loan, which was taken out in 2015 and the interest rate of which has been fixed through an interest swap agreement for a fixed loan period of five years. Based on the interest rate swap agreement, Scanfil receives a 3-month Euribor variable interest rate and pays fixed five-year interest. Scanfil applies hedging to the interest swap agreement. The loan interest margin includes covenant conditions. Depending on how the interest-bearing liabilities of the fulfilment of interest covenant develop relative to the operating margin, during the 2017 accounting period the interest expenses of the loan may rise by at most EUR 63 thousand, and may fall by at most EUR 146 thousand.

## Credit risk

The credit risk of the Group is related to accounts receivables from customers. The aging of accounts receivables is monitored regularly every month at the Group level. 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. The creditworthiness of new customers is checked and customers are granted only the usual terms of payment. According to the view of the Group's management, the company does not have any significant concentration of credit risk. The largest customer share of Group turnover is approximately 11%, and the share of the ten largest customers is 56%. The risk regarding financing is controlled by accepting only banks with high credit ratings as counterparties.

| Age distribution of trade receivables, 1000 EUR | *2016* | *2015* |
|---|---|---|
| Unmatured | 71 796 | 85 876 |
| Matured | | |
| 1 - 30 days | 10 720 | 9 386 |
| 31 - 90 days | 821 | 2 534 |
| 91 - 180 days | 156 | 1 107 |
| 181 - 365 days | 265 | 22 |
| over 1 year | 62 | 26 |
| **Total** | **83 820** | **98 951** |

During the financial year, the Group has recorded credit losses on accounts receivable of EUR 359 thousand (EUR 235 thousand in 2015), of which EUR 318 thousand (EUR 195 thousand) were accounted for by credit losses of reorganised and sold companies, and by written-down uncertain sales receivables. The sales receivables contain EUR 143 thousand of uncertain receivables, for which a bad debt allowance has been entered.

## Liquidity risk

The aim of cash and liquidity management is to centralize the management of cash equivalents of the Group and thus ensure that funds are used efficiently. The Group is using Multicurrency Global Cash Pool, which ensures the efficient use of the Group´s cash and cash equivalents. The Group's liquid assets on 31 December 2016 were EUR 20.2 million (EUR 22.3 million in 2015). In addition, the Group has a credit limit for EUR 30.9 million. Considering the Group's balance sheet structure, the liquidity risk is small. The Group's bank loans include regular loan covenant terms. During the financial year 2016, the Group fulfilled the covenant terms associated with the loans and they are not at risk of rupture.

**Maturity analysis based on debt agreements, 1000 EUR**

The figures are undiscounted, including both interest payments and capital repayments.

| **31.12.2016** | balance sheet value | cash flow | 0-6 months | 2017 6 months - 1 year | 2018 1-2 years | 2019-2021 2-5 years | 2022- more than 5 years |
|---|---|---|---|---|---|---|---|
| Loans from financial institutions | 44 875 | 46 159 | 5 562 | 5 532 | 10 955 | 24 110 | |
| Finance lease | 4 213 | 131 797 | 374 | 363 | 713 | 2 140 | 3 032 |
| Overdraft facility | 11 062 | 11 062 | 11 062 | | | | |
| Derivatives, hedging | 664 | 404 | 90 | 81 | 127 | 106 | |
| Derivatives, non-hedging | 102 | | | | | | |
| Cash flow due | | 16 012 | 12 437 | 3 575 | | | |
| Available cash flow | | -15 972 | -12 444 | -3 527 | | | |
| Trade payables | 67 510 | 67 510 | 67 510 | | | | |
| **Total** | **128 426** | **131 797** | **84 590** | **6 024** | **11 795** | **26 356** | **3 032** |

| **31.12.2015** | balance sheet value | cash flow | 0-6 months | 2016 6 months - 1 year | 2017 1-2 years | 2018-2020 2-5 years | 2021- more than 5 years |
|---|---|---|---|---|---|---|---|
| Loans from financial institutions | 50 200 | 52 181 | 421 | 5 602 | 11 094 | 35 064 | |
| Finance lease | 5 935 | 8 884 | 849 | 842 | 869 | 2 578 | 3 746 |
| Overdraft facility | 31 108 | 31 108 | 31 108 | | | | |
| Redeemable shares | 667 | 667 | 667 | | | | |
| Derivatives, hedging | 615 | 631 | 124 | 103 | 171 | 233 | |
| Derivatives, non-hedging | 112 | | | | | | |
| Cash flow due | | 86 | 40 | 46 | | | |
| Available cash flow | | -21 | -21 | | | | |
| Trade payables | 82 175 | 0 | 82 175 | | | | |
| **Total** | **170 812** | **175 711** | **115 363** | **6 592** | **12 135** | **37 876** | **3 746** |

### 31. 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. Acquisition of PartnerTech AB has changed significantly the capital structure of the Group. In 2016, the situation improved significantly.

| | *2016* | *2015* |
|---|---|---|
| Interest-bearing liabilities | 60 150 | 87 823 |
| Cash assets | -20 194 | -22 255 |
| Net liabilities | 39 956 | 65 568 |
| Equity total | 108 308 | 100 189 |
| **Gearing, %** | **36,9** | **65,4** |

### 32. OTHER LEASES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| **Group as lessee** | | |
| Minimum rents payable based on other non-cancellable leases: | | |
| Within one year | 2 703 | 5 681 |
| In one to five years | 3 613 | 9 701 |
| More thatn five years | 665 | 2 528 |
| **Total** | **6 981** | **17 910** |

Renting expenses mainly comprise the rents of the production facilities. Rent liabilities do not include VAT. Group is operating in rented premises in Sweden, Germany, USA and in Vantaa Finland and in Myslowice Poland and also in Dongguang and Hongkong in China. The lease agreement on the property in Myslowice, Poland, was reclassified as a financial leasing agreement starting from January 1, 2015 and, therefore, leasing liabilities arising from the specific property have not been presented in leasing liabilities on December 31, 2015 or December 31, 2016.
Rent liabilities have decreased mainly due to discontinued operations.

### 33. COMMITMENTS AND CONTINGENCIES, 1000 EUR

| | *2016* | *2015* |
|---|---|---|
| **Mortgages to secure own debt** | | |
| Business mortgages | 110 000 | 110 000 |
| Chattel mortgages given | 0 | 21 850 |
| **Total** | **110 000** | **131 850** |
| **Liabilities secured with mortgages** | | |
| Interest-bearing liabilities from financial institutions | **55 960** | **83 398** |
| **Guarantees given** | | |
| On behalf of own company | 1 953 | 2 211 |
| On behalf of Group company | 581 | 808 |
| **Total** | **2 535** | **3 019** |

Scanfil Oyj has given absolute guarantees to Nordea Bank AB (publ) as security for payment of the liabilities which Scanfil Sweden AB has created from time to time towards Nordea Bank AB (publ) on the basis of derivative contracts concluded, as well as to Skandinaviska Enskilda Banken AB replacing the previous liabilities of Scanfil Sweden AB. The maximum liability is EUR 3.3 million. Furthermore, Scanfil Oyj has given an absolute guarantee to Siemens Finance GmbH of which 15 thousand EUR were outstanding on 31 December 2016.

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 will expire seven years after the end of the last product agreement.

Scanfil Sweden AB has given security to some subsidiary suppliers regarding obligations that may be created through the business relationship.

### 34. ACQUIRED BUSINESSES, 1000 EUR

Acquisitions of the financial year 2015

Scanfil Plc has acquired Swedish contract manufacturer Group, PartnerTech AB through public offer on 2 July 2015. The purchase price was EUR 47.6 million, of which EUR 0.7 million was liability in financial statement of 31 December 2015. The acquisition is financed by EUR 50 million loan from Nordea Bank Finland Plc. The cost of EUR 1.2 million related to the acquisition mainly consists of due diligence expenses and statutory fees.

The assets and liabilities arising from the acquisition are as follows:

| | Note | Recorded values |
|---|---|---|
| Tangible assets | 11 | 18 522 |
| Long-term customer relationships | | 13 900 |
| Other intangible assets | 13 | 394 |
| Deferred tax assets | | 2 918 |
| Inventories | | 43 416 |
| Trade and other receivables | | 58 353 |
| Current tax | | 1 341 |
| Cash and cash equivalents | | 1 692 |
| **Assets total** | | **140 535** |
| | | |
| Provisions | | 1 737 |
| Deferred tax liabilities | | 3 576 |
| Non-current interest-bearing liabilities | | 1 229 |
| Trade and other liabilities | | 60 921 |
| Current tax | | 1 117 |
| Current interest-bearing liabilities | | 31 366 |
| **Liabilities total** | | **99 946** |
| | | |
| Net assets | | 40 588 |
| | | |
| Goodwill arising on acquisition: | | |
| | | |
| **Acquisition cost** | | **47 646** |
| | | |
| **Goodwill** | 12 | **-7 057** |
| | | |
| Purchase price paid in cash | | 46 979 |
| Cash and cash equivalents of the acquired company | | 1 692 |
| | | |
| **Cash flow** | | **45 288** |

EUR 13.9 million of the purchase price was allocated to long-term customer relationships.
EUR 7.1 million from the acquisition was recorded as unallocated goodwill, which consists of volume and synergy benefits.

PartnerTech AB was consolidated as a subsidiary as of 1 July 2015. Scanfil's turnover for January–December 2015 would have been EUR 517.0 million and profit EUR 6.5 million had the subsidiary been consolidated at the beginning of the financial period. PartnerTech AB Group's turnover for July-December 2015 was EUR 161.2 million and its profit amounted to EUR 0.8 million.

### 35. RELATED PARTY TRANSACTIONS, 1000 EUR

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 Oyj, parent company; | | | | |
| Scanfil EMS Oy | Finland | 100 % | 100 % | 100 % |
| Scanfil GmbH | Germany | 100 % | 100 % | 100 % |
| 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 % |
| Scanfil Sweden AB | Sweden | 100 % | 100 % | 100 % |
| Partnertech Ljungby AB | Sweden | 100 % | 100 % | 100 % |
| Partnertech 1000 AB | Sweden | 100 % | 100 % | 100 % |
| Scanfil Vellinge AB | Sweden | 100 % | 100 % | 100 % |
| Scanfil Åtvidaberg AB | Sweden | 100 % | 100 % | 100 % |
| Scanfil Vantaa OY | Finland | 100 % | 100 % | 100 % |
| Partnertech AS | Norway | 100 % | 100 % | 100 % |
| Scanfil SP. Z.O.O | Poland | 100 % | 100 % | 100 % |
| Scanfil Ltd | Great-Britain | 100 % | 100 % | 100 % |
| Scanfil Atlanta Inc | USA | 100 % | 100 % | 100 % |
| Partnertech China Ltd | China | 100 % | 100 % | 100 % |
| Partnertech Electronics Co., Ltd. | China | 100 % | 100 % | 100 % |

Scanfil plc's subsidiary Scanfil EMS Oy has rented an office space from Kiinteistö Oy Pilot 1, which head owners are Harri Takanen and Jarkko Takanen. Rental costs in 2016 were EUR 19 thousand (2015 EUR 19 thousand).

**Business transactions and open balances with Sievi Capital plc, 1000 EUR**

Some of the largest shareholders of Scanfil plc are indirect shareholders of Sievi Capital plc.
Scanfil plc and the subsidiary Scanfil EMS Oy have offered administrative services to Sievi Capital plc.

| | Purchases | Sales | Receivables |
|---|---|---|---|
| <u>31.12.2016</u> | | | |
| Administrative service fees | | 28 | 10 |
| | | | |
| <u>31.12.2015</u> | | | |
| Administrative service fees | | 31 | 8 |
| Purchases of other tangible assets | 17 | | |

**EMPLOYEE BENEFITS FOR MEMBERS OF THE MANAGEMENT, 1000 EUR**

| | *2016* | *2015* |
|---|---|---|
| Salaries and other short-term employee benefits | 1 589 | 1 003 |
| Options implemented and paid in shares | 530 | |
| Post-employment benefits | 2 | 2 |
| Option scheme | 149 | 107 |
| **Total** | **2 269** | **1 111** |

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

**Salaries paid to the President**

| | | |
|---|---|---|
| Salaries and other short-term employee benefits | 330 | 273 |
| Options implemented and paid in shares | 294 | |
| **Total** | **624** | **273** |

**Statutory pension expenditure, TYEL**

| | | |
|---|---|---|
| Petteri Jokitalo | 60 | 50 |

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.

**Salaries paid to the Board members**

| | | | |
|---|---|---|---|
| Jorma J. Takanen | up to 20 August 2015 | | 14 |
| Jarkko Takanen | | 20 | 20 |
| Harri Takanen | | 26 | 26 |
| Bengt Engström | since 20 August 2015 | 20 | 6 |
| Riitta-Liisa Kotilainen | up to 20 August 2015 | | 14 |
| Christer Härkönen | | 20 | 20 |
| Christina Lindstedt | since 12 April 2016 | 13 | |
| **Total salaries of the Board Members** | | **101** | **98** |

The salary information is payment-based.

# KEY RATIOS

| *Key financial indicators* | *2016* | *2015* | *2014* | *2013* | *2012* |
|---|---|---|---|---|---|
| Turnover, EUR m | 508,0 | 377,3 | 214,5 | 188,5 | 180,9 |
| Turnover, growth from previous year, % | 34,6 | 75,9 | 13,8 | 4,2 | -14,2 |
| Operating profit, EUR m | 7,2 | 14,4 | 16,2 | 11,8 | 8,1 |
| Operating profit, % of turnover | 1,4 | 3,8 | 7,6 | 6,3 | 4,5 |
| Profit/loss for the period, EUR m | 0,1 | 8,4 | 12,3 | 8,2 | 5,7 |
| Profit/loss for the period, % of turnover | 0,0 | 2,2 | 5,7 | 4,4 | 3,2 |
| | | | | | |
| Return on equity, % | 0,1 | 8,6 | 14,0 | 10,6 | 7,9 |
| Return on investment, % | 4,5 | 10,6 | 16,5 | 11,4 | 8,1 |
| Interest-bearing liabilities, EUR m | 60,1 | 87,8 | 9,3 | 18,3 | 28,4 |
| Gearing, % | 36,9 | 65,4 | -10,5 | -12,2 | -2,4 |
| Equity ratio, % | 40,7 | 33,4 | 70,6 | 64,1 | 57,7 |
| Gross investments in fixed assets, EUR m | 5,5 | 54,3 | 8,2 | 4,0 | 7,2 |
| Gross investments in fixed assets, % of turnover | 1,1 | 14,4 | 3,8 | 2,1 | 4,0 |
| Average number of employees for the period | 3 483 | 2 690 | 1 773 | 1 673 | 1 669 |
| | | | | | |
| Key indicators per share | | | | | |
| Earnings per share, EUR | 0,00 | 0,15 | 0,21 | 0,14 | 0,10 |
| Shareholders' equity per share, EUR | 1,70 | 1,74 | 1,64 | 1,39 | 1,30 |
| Dividend per share, EUR | 0,09 | 0,08 | 0,07 | 0,05 | 0,04 |
| Dividend per earnings, % | 6118,9 | 55,2 | 32,9 | 35,1 | 40,5 |
| Effective dividend yield, % | 2,58 | 2,10 | 2,85 | 3,70 | 4,88 |
| Price-to-earnings ratio (P/E) | 2 372,8 | 26,3 | 11,5 | 9,5 | 8,3 |
| | | | | | |
| Share trading | | | | | |
| No. of shares traded, thousands | 9 424 | 5 202 | 5 131 | 2 864 | 8 982 |
| Percentage of total shares, % | 14,8 | 9,01 | 8,88 | 4,96 | 15,6 |
| | | | | | |
| Share performance | | | | | |
| Lowest price for year, EUR | 2,86 | 2,36 | 1,30 | 0,82 | 0,60 |
| Highest price for year, EUR | 3,80 | 4,06 | 2,74 | 1,47 | 1,10 |
| Average price for year, EUR | 3,41 | 2,92 | 1,95 | 1,11 | 0,76 |
| Price at the end of year, EUR | 3,49 | 3,81 | 2,46 | 1,35 | 0,82 |
| Market value of share capital at 31 Dec.2009, EUR m | 222,2 | 220,0 | 142,0 | 77,9 | 47,3 |
| | | | | | |
| Share-issue adjusted number of shares | | | | | |
| At the end of the period, thousands | 63 670 | 57 730 | 57 730 | 57 730 | 57 730 |
| On average during the period, thousands | 62 423 | 57 730 | 57 730 | 57 730 | 57 730 |

# DEFINITIONS OF KEY RATIOS

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

# INCOME STATEMENT, FAS

| *1000 EUR* | *Note* | *1.1.-31.12.2016* | *1.1.-31.12.2015* |
|---|---|---|---|
| Turnover | | 1 240 | 912 |
| | | | |
| Personnel expenses | | | |
| Wages, salaries and fees | | -1 079 | -934 |
| Pensions and statutory indirect employee costs | | | |
| Pensions | | -192 | -163 |
| Statutory indirect employee costs | | -37 | -25 |
| **Personnel expenses total** | 1 | **-1 307** | **-1 121** |
| | | | |
| Depreciation and reduction in value | | | |
| Depreciation according to plan | | -16 | -8 |
| **Depreciation and reduction in value total** | 3 | **-16** | **-8** |
| | | | |
| **Other operating expenses** | 2 | **-965** | **-467** |
| | | | |
| **Operating profit** | | **-1 048** | **-685** |
| | | | |
| Financial income and expenses | | | |
| Financial income from group | | 8 500 | 5 000 |
| Other interest and financial income | | | |
| From group | | 2 | 36 |
| From other | | 213 | 4 |
| Interest expenses and financial expenses | | | |
| To group | | -4 | 0 |
| To other | | -1 687 | -889 |
| **Financial income and expenses total** | 4 | **7 025** | **4 150** |
| | | | |
| **Profit before appropriations and taxes** | | **5 977** | **3 465** |
| | | | |
| Appropriations | | | |
| Depreciation difference increase | | -7 | |
| Group contribution | 5 | 300 | 1 500 |
| **Appropriations total** | | **293** | **1 500** |
| | | | |
| **Profit before taxes** | | **6 270** | **4 965** |
| | | | |
| **Net profit for the period** | | **6 270** | **4 965** |

# BALANCE SHEET, FAS

| 1000 EUR | Note | 31.12.2016 | 31.12.2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | | |
| Immaterial rights | | 44 | 25 |
| Other non-current assets | | 27 | 14 |
| **Intangible assets total** | 7 | **71** | **39** |
| Tangible assets | | | |
| Other tangible assets | | 17 | 17 |
| **Tangible assets total** | 8 | **17** | **17** |
| **Investments** | | | |
| Holdings in Group companies | | 61 444 | 61 444 |
| **Investments total** | 9 | **61 444** | **61 444** |
| **Total non-current assets** | | **61 531** | **61 500** |
| **Current assets** | | | |
| Short-term receivables | | | |
| Account receivables | | 7 | 7 |
| Receivables from Group companies | 10 | 47 479 | 44 972 |
| Accrued income | | 18 | 40 |
| **Short-term receivables total** | | **47 504** | **45 018** |
| **Cash and cash equivalents** | 11 | 0 | 0 |
| **Total current assets** | | **47 504** | **45 018** |
| **Total assets** | | **109 035** | **106 518** |
| **SHAREHOLDER'S EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| **Share capital** | | **2 000** | **2 000** |
| **Other reserves** | | | |
| Reserve for invested unrestricted equity fund | | 28 062 | 10 721 |
| **Retained earnings** | | 6 | 111 |
| **Profit for the period** | | 6 270 | 4 965 |
| **Total Equity** | 12 | **36 338** | **17 797** |
| **Appropriations** | | | |
| Depreciation difference | | 7 | |
| **Appropriations total** | | **7** | |
| **Non-current liabilities** | | | |
| Non-current liabilities | | | |
| Financing loan | 13 | 34 250 | 44 750 |
| **Non-current liabilities total** | | **34 250** | **44 750** |
| Current liabilities | | | |
| Financing loans | 13 | 21 562 | 36 358 |
| Trade liabilities | | 256 | 31 |
| Liabilities to Group companies | 14 | 15 963 | 6 320 |
| Other creditors | | 111 | 720 |
| Accrued liabilities | 15 | 549 | 542 |
| **Current liabilities total** | | **38 440** | **43 971** |
| **Total liabilities** | | **72 697** | **88 721** |
| **Total equity and liabilities** | | **109 035** | **106 518** |

# CASH FLOW STATEMENT, FAS

| 1000 EUR | Note | 1.1.-31.12.2016 | 1.1.-31.12.2015 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit for the period | | 6 270 | 4 965 |
| Adjustments | | | |
| Depreciation according to plan | | 16 | 8 |
| Financial income and expenses | | -7 025 | -4 150 |
| Other income and expenses without payment | 16 | -310 | -1 530 |
| Change in working capital | 16 | -678 | 47 |
| Interest paid | | -1 326 | -771 |
| Interest received | | 225 | 35 |
| Taxes paid | | | |
| **Net cash flow from operating activities** | | **-2 827** | **-1 397** |
| | | | |
| **Cash flow from investing activities** | | | |
| Investments in tangible and intangible assets | | -47 | -64 |
| Investments in subsidiary shares | | | -48 156 |
| Loans granted | | | -2 000 |
| Dividend received from investments | | 2 000 | |
| **Net cash flow from investing activities** | | **1 953** | **-50 220** |
| | | | |
| **Cash flow from financing activities** | | | |
| Received group contributions | | 1 900 | |
| Received dividends | | 8 800 | |
| Share issue | | 16 802 | |
| Related party investments to company shares | | 196 | |
| Intercompany account | | | |
| Short-term loans raised | | 9 622 | 37 423 |
| Repayment of short-term loans | | -20 046 | -1 392 |
| Proceeds from short-term loans | | -6 080 | -32 163 |
| Increase in long-term loans | | | 50 000 |
| Repayment of long-term loans | | -5 250 | |
| Dividends paid | | -5 069 | -4 041 |
| **Net cash flow from financing activities** | | **874** | **49 828** |
| | | | |
| **Net increase/decrease in cash and cash equivalents** | | **0** | **-1 789** |
| Cash and cash equivalents at beginning of period | | 0 | 1 789 |
| **Cash and cash equivalents at end of period** | 11 | **0** | **0** |

### Companys accounting policies

Scanfil plc is a Finland-based public limited company domiciled in Sievi. 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).

### Measurement and recognition principles and methods

#### Fixed assets

Fixed assets 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 depreciation periods are:

| | |
|---|---|
| Buildings and structures | 5 years |
| Machines and equipment | 5 years |
| Other tangible assets | 3-5 years |

#### Shares in subsidiaries

Shares in subsidiaries have been measured at the acquisition cost, which is adjusted by impairment if the future returns on the investment are expected to be permanently lower than the acquisition cost.

#### Financial assets and liabilities

Financial assets and liabilities are recognised at amortised cost.

#### Sales

The parent company's operations consist of Group functions, and income from the sale of services is presented as net sales.

#### Pension expenses

The pension cover of employees is provided by pension insurance companies. Pension expenses are recognized as expenses for the year during which they are accrued.

#### Foreign currency transactions

Foreign currency-denominated transactions are recognized during the financial period using the exchange rates on the transaction date. Any foreign currency-denominated balance sheet items remaining outstanding on the closing date are measured at the exchange rate valid on the closing date.

### 1. PERSONNEL EXPENSES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| Salaries, wages and fees | 1 079 | 934 |
| Pension costs | 192 | 163 |
| Other indirect employee expenses | 37 | 25 |
| **Total** | **1 307** | **1 121** |
| | | |
| **Fringe benefits (taxable value)** | **11** | **8** |

The pension costs are based on defined-contribution schemes.
Management's employee benefits presented in note 20.

| **Average number of employees during the period** | | |
|---|---|---|
| Clerical employees | 11 | 9 |
| **Total** | **11** | **9** |

## 2. OTHER OPERATING EXPENSES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| **Other operating expenses include the following significant expense items:** | | |
| Other operating expenses | 965 | 467 |
| **Total** | **965** | **467** |
| **Auditor's remuneration** | | |
| Auditor's remunerations of the Chartered Accountants | 38 | 33 |
| Tax advisor | 1 | |
| Other services | 26 | 154 |
| **Total** | **65** | **187** |

The increase in other operating expenses is mainly due to costs related to consultant and advisor fees for share issue, selling and closing of units and redemption of Scanfil Sweden AB (former PartnerTech AB) remaining shares.

## 3. DEPRECIATION AND AMORTIZATION, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| **Depreciation by asset class** | | |
| **Intangible assets** | | |
| Intangible rights | 13 | 6 |
| Other long-term expenses | 4 | 2 |
| **Total** | **16** | **8** |
| **Total depreciation** | **16** | **8** |

## 4. FINANCING INCOME AND EXPENSES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| **Dividends** | | |
| From group companies | 8 500 | 5 000 |
| **Other interest and financial income** | | |
| From group companies | 2 | 36 |
| Other | 213 | 4 |
| **Total** | **216** | **39** |
| **Interest expenses and other financial expenses** | | |
| To group companies | -4 | 0 |
| Other | -1 687 | -889 |
| **Total** | **-1 691** | **-889** |
| **Total financial income and expenses** | **7 025** | **4 150** |
| **Items other interest and financial income and interest expenses and other financial expenses includes exchange rate gains and losses (net)** | **-17** | **-32** |

## 5. EXTRAORDIANRY ITEMS, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| Group contributions from Scanfil EMS Oy | 300 | 1 500 |
| **Total** | **300** | **1 500** |

### 6. INCOME TAXES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| Income taxes from group contribution | 60 | 300 |
| Income taxes from actual operations | -60 | -300 |
| **Total** | **0** | **0** |

### 7. INTANGIBLE ASSETS, 1000 EUR

| | *Intangible rights* | *Other long-term expenses* | *Intangible assets total* |
|---|---|---|---|
| Acquisition cost at 1 Jan. 2016 | 31 | 16 | 47 |
| Additions | 32 | 16 | 47 |
| **Acquisition cost at 31 Dec. 2016** | **63** | **32** | **95** |
| | | | |
| Accumulated depreciations at 1 Jan. 2016 | -6 | -2 | -8 |
| Depreciations | -13 | -4 | -16 |
| **Accumulated depreciations at 31 Dec. 2016** | **-19** | **-5** | **-24** |
| | | | |
| Carrying amount at 1 Jan. 2016 | 25 | 14 | 39 |
| **Carrying amount at 31 Dec. 2016** | **44** | **27** | **71** |

### 7. INTANGIBLE ASSETS, 1000 EUR

| | *Intangible rights* | *Other long-term expenses* | *Intangible assets total* |
|---|---|---|---|
| Acquisition cost at 1 Jan. 2015 | | | |
| Additions | 31 | 16 | 47 |
| **Acquisition cost at 31 Dec. 2015** | **31** | **16** | **47** |
| | | | |
| Accumulated depreciations at 1 Jan. 2015 | | | |
| Depreciations | -6 | -2 | -8 |
| **Accumulated depreciations at 31 Dec. 2015** | **-6** | **-2** | **-8** |
| | | | |
| Carrying amount at 1 Jan. 2015 | | | |
| **Carrying amount at 31 Dec. 2015** | **25** | **14** | **39** |

### 8. TANGIBLE ASSETS, 1000 EUR

| | *Other tangible assets* | *Tangible assets total* |
|---|---|---|
| Acquisition cost at 1 Jan. 2016 | 17 | 17 |
| **Acquisition cost at 31 Dec. 2016** | **17** | **17** |
| | | |
| Carrying amount at 1 Jan. 2016 | 17 | 17 |
| **Carrying amount at 31 Dec. 2016** | **17** | **17** |

### 8. TANGIBLE ASSETS, 1000 EUR

| | *Other tangible assets* | *Tangible assets total* |
|---|---|---|
| Acquisition cost at 1 Jan. 2015 | 17 | 17 |
| **Acquisition cost at 31 Dec. 2015** | **17** | **17** |
| | | |
| Carrying amount at 1 Jan. 2015 | 17 | 17 |
| **Carrying amount at 31 Dec. 2015** | **17** | **17** |

### 9. HOLDINGS IN GROUP COMPANIES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| Total at beginning of period | 61 444 | 12 621 |
| Partnertech AB | | |
| 48 823 | | |
| **Total at end of period** | **61 444** | **61 444** |
| **Carrying amount at 31 Dec.** | **61 444** | **61 444** |

Scanfil Plc has acquired 98.6% of the share capital of Swedish contract manufacturing group PartnerTech AB through a public offer. The remaining shares will be purchased at Scanfil Plc`s ownership through a mandatory redemption procedure. The acquisition price of shares include the cost of EUR 1.2 million related to the acquisition and the estimation price of unclaimed shares.

| *Group companies* | *Domicile* | *Group share %* | *Parent company share %* | *Parent company book value* |
|---|---|---|---|---|
| Scanfil EMS Oy | Finland | 100 | 100 | 12 621 |
| Scanfil Sweden AB | Sweden | 100 | 100 | 48 823 |
| | | | | **61 444** |

### 10. RECEIVABLES FROM GROUP COMPANIES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| **Short-term receivables** | | |
| Prepayments and accrued income | 8 800 | 10 710 |
| Loans | 38 243 | 34 163 |
| Other receivables | 436 | 100 |
| **Total** | **47 479** | **44 972** |
| | | |
| **Prepayments and accrued income** | | |
| Interest income from group | | 10 |
| Group contribution from subsidiaries | 300 | 1 900 |
| Dividends from group | 8 500 | 8 800 |
| **Total** | **8 800** | **10 710** |

### 11. CASH AND CASH EQUIVALENT, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| Cash and bank balances | 0 | 0 |
| **Total** | **0** | **0** |

### 12. EQUITY, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| **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 |
| Share issue | 17 145 | |
| Addition of equity, options | 196 | |
| **Reserve for invested unrestricted equity fund at 31 Dec.** | **28 062** | **10 721** |
| | | |
| **Retained earnings** | | |
| Retained earning at 1 Jan. | 5 076 | 4 152 |
| Paid dividends | -5 069 | -4 041 |
| **Retained earnings at 31 Dec.** | **6** | **111** |
| | | |
| **Profit for the period** | **6 270** | **4 965** |
| | | |
| **Total unrestricted equity** | **34 338** | **15 797** |
| | | |
| **Total equity** | **36 338** | **17 797** |
| | | |
| **Calculation of distributable funds at 31 Dec.** | | |
| Reserve for invested unrestricted equity fund | 28 062 | 10 721 |
| Retained earnings | 6 | 111 |
| Profit for the period | 6 270 | 4 965 |
| **Total** | **34 338** | **15 797** |

### 13. LOANS FROM FINANCIAL INSTITUTIONS, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| **Non-current** | | |
| Financial Institutions | 34 250 | 44 750 |
| **Current** | | |
| Financial Institutions | 10 500 | 5 250 |
| Credit facility | 11 062 | 31 108 |
| **Total** | **55 812** | **81 108** |
| | | |
| Interest-bearing liabilities will mature as follows: | | |
| Year 2016 | | 5 250 |
| Year 2017 | 10 500 | 10 500 |
| Year 2018 | 10 500 | 10 500 |
| Year 2019 | 10 500 | 10 500 |
| Year 2020 | 13 250 | 13 250 |
| | **44 750** | **50 000** |

Scanfil has entered into a financing agreement with Nordea Bank Finland Plc relating to the acquisition of PartnerTech AB´s shares and raised a long-term loan of EUR 50 million to pay for the shares. In addition Group is using Multicurrency Global Cash Pool with EUR 42 million credit limit.

The financial arrangement includes termination covenants related to the equity ratio and the ratio between interest-bearing net liabilities and the operating margin. The terms of the covenants are monitored on a quarterly basis. During the 2016 financial period, the Group fulfilled the covenant terms.

The loan is amortized every six months. The first installment of EUR 5.3 million was paid on November 25, 2016, and the final installment will be paid on November 25, 2019. The remaining portion of EUR 13.3 million will fall due on the agreement end date on May 25, 2020.

## 14. LIABILITIES TO GROUP COMPANIES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| Short-term liabilities to Group companies | | |
| Trade payables | 25 | 5 |
| Loans | 15 938 | 6 315 |
| **Total** | **15 963** | **6 320** |

## 15. ACCRUED LIABILITIES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| The most significant items included in accrued liabilities | | |
| Employee expenses | 419 | 421 |
| Interests | 91 | 86 |
| Other accrued liabilities | 39 | 36 |
| **Total** | **549** | **542** |

## 16. CASH FLOW STATEMENT ADJUSTMENTS, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| Other income and expenses, without payment | | |
| Depreciation increase | 7 | |
| Group contributions | -300 | -1 500 |
| Exchange rate differences | -17 | -30 |
| **Total** | **-310** | **-1 530** |
| | | |
| Changes in working capital | | |
| Inc(-)/dec(+) in short-term non-interest-bearing receivables | -315 | -51 |
| Inc(+)/dec(-) in short-term non-interest-bearing liabilities | -362 | 98 |
| **Total change in working capital** | **-678** | **47** |

## 17. COMMITMENTS AND CONTINGENCIES, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| Mortgages to secure own debt | | |
| Business mortgages | 100 000 | 100 000 |
| | | |
| Liabilities secured with mortgages | | |
| Interest-bearing liabilities from financial institutions | 55 688 | 81 108 |
| | | |
| Guarantees given | | |
| On behalf of own company | 844 | 893 |
| On behalf of group company | 181 | |

Scanfil Plc has entered absolute guarantee to Nordea Bank Finland Plc related to liabilities of Scanfil Sweden AB´s derivative contract in Nordea Bank Finland Plc. Scanfil Plc has entered absolute guarantee to Skandinaviska Enskilda Banken AB for guarantees of 3.3 million.
In addition Scanfil Plc has provided an absolute guarantee to Siemens Finance GmbH concerning Scanfil GmbH leasing liabilites 15 k€.

## 18. DERIVATIVE CONTRACTS, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| **Interest derivatives** | | |
| **Interest swap agreements, hedging** | | |
| Fair value | -664 | -615 |
| Rated value of underlying asset | 44 750 | 50 000 |

In 2015, Scanfil plc withdrew a long-term loan of EUR 50 million. The company uses an interest swap agreement to hedge the loan. The purpose of the hedge is to offer protection against interest rate fluctuations related to the variable-rate loan. Through hedging, the interest payments of the variable-rate euro-denominated loan are changed to have a fixed rate. Scanfil pays a fixed rate of 0.41% every quarter, in addition to the bank's rate.

The effectiveness of the hedge can be reliably measured, and the hedge is expected to remain fully effective throughout the validity of the hedge. The agreement expiry date is May 25, 2020. Effectiveness is evaluated every quarter, and the hedge has remained effective. The impact of the derivative on results is expected to materialize during the validity of the loan. The fair value of the derivative is presented as an off-balance sheet item.

## 19. OTHER RENTAL CONTRACTS, 1000 EUR

| | 2016 | 2015 |
|---|---|---|
| To be paid next accounting period | 9 | |
| To be paid later | 25 | |
| **Total** | **34** | |

Rental liabilites without VAT.

## 20. MANAGEMENT'S EMPLOYMENT-RELATED BENEFITS, 1000 EUR

| | | 2016 | 2015 |
|---|---|---|---|
| **Salaries and other short-term employee benefits** | | | |
| **Salaries and bonuses of the President** | | | |
| Salaries, wages and fees | | 330 | 273 |
| Shares and options | | 294 | |
| **Salaries and bonuses of the Board members** | | | |
| Jorma J. Takanen | up to 20 August 2015 | | 14 |
| Jarkko Takanen | | 20 | 20 |
| Harri Takanen | | 26 | 26 |
| Bengt Engström | since 20 August 2015 | 20 | 6 |
| Riitta-Liisa Kotilainen | up to 20 August 2015 | | 14 |
| Christer Härkönen | | 20 | 20 |
| Christina Lindstedt | since 12 April 2016 | 13 | |
| **Total salaries of the Board Members** | | **101** | **98** |

## 21. RELATED PARTY TRANSACTIONS, 1000 EUR

**Business transactions and open balances with Sievi Capital plc**
Few Scanfil plc´s major share holders are indirect owners of Sievi Capital plc.
Scanfil plc have offered administrative services to Sievi Capital plc.

| | Purchases | Sales | Receivables |
|---|---|---|---|
| **31.12.2016** | | | |
| Administrative service fees | | 25 | 7 |
| **31.12.2015** | | | |
| Administrative service fees | | 27 | 7 |
| Purchases of other tangible assets | 17 | | |

## Shares and share capital

Scanfil Oyj:llä on 63.670.439 osaketta. Yhtiön rekisteröity Scanfil plc has a total of 63,670,439 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 Helsinki Ltd. The shares have been publicly traded since 2 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

Board of Directors of Scanfil plc dos not have any share issue authorisations or authorisations to issue convertible bonds or bonds with warrants.

Scanfil plc's Annual General Meeting on 12 April 2016 authorized the Board of Directors to decide on the acquisition of maximum of 5.000.000 Company's own shares. The authorization will remain in force for 18 months after it is issued.

The Meeting decided to authorize the Board of Directors to decide on share issues and the issue of other special rights entitling their holders to shares. The number of shares to be issued based on the authorisation can be no more than 13,000,000 shares. The Board shall decide on the terms and conditions of share issues and the issue of special rights entitling their holders to shares. The authorisation concerns both the issue of new shares and the transfer of treasury shares. Shares and special rights entitling their holders to shares can be issued in deviation from the shareholders' pre-emptive rights (directed issue). The authorisation shall be valid until 30 June 2017.

The Meeting decided to authorize the Board of Directors to decide on granting option rights to specific key people of Scanfil Group. The total number of option rights is 900,000 and they entitle the key personnel to subscribe for a combined total of 900,000 of the company's new shares or shares in its possession.

## 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.

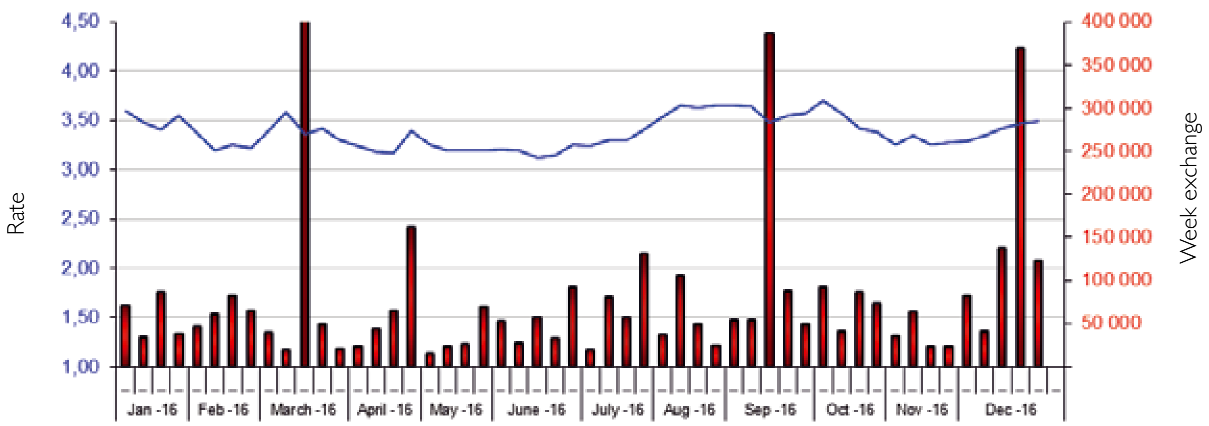
## Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share be paid for a total of EUR 5.730.339,51 for the financial year ending on 31 December 2016.

## Share price development, trading and market value

In 2016, the number of Scanfil plc shares traded on NASDAQ Helsinki Ltd was 9,424,254, which accounts for 14.8% of all shares. The value of shares traded was EUR 29.8 million and the average price EUR 3.41. Market capitalisation was EUR 222,2 million at the end of 2016. The highest trading price was EUR 3.80 and the lowest EUR 2.86. The closing price was EUR 3.49.

## Rate and exchange



## Information on shareholders

On 31 December 2016, Scanfil plc had a total of 4,949 shareholders, 75.6% of whom owned a maximum of 1,000 shares in the company.The ten major shareholders owned 73.7% of the shares. Nominee-registered shares accounted for 1.2% of the shares.

## Shares held by management

Members of the Board of Directors of Scanfil plc and the CEO held a total of 18,464,036 shares on 31 December 2016, which accounts for 29.0% of the company's shares and votes.

## Breakdown of share ownership

**Breakdown of share ownership by number of shares held at 31 Dec. 2016**

| *Number of shares* | *Number of shares pcs* | *Percentage of owners %* | *Total number of shares and votes pcs* | *Percentage of shares and votes %* |
|---|---|---|---|---|
| 1 - 200 | 1 867 | 37,73 | 259 347 | 0,41 |
| 201 - 1000 | 1 882 | 38,03 | 1 083 694 | 1,70 |
| 1001 - 2000 | 536 | 10,83 | 858 876 | 1,35 |
| 2001 - 10000 | 485 | 9,80 | 2 092 153 | 3,29 |
| 10001 - 100000 | 142 | 2,87 | 4 210 094 | 6,61 |
| 100001 - 99999999 | 37 | 0,75 | 55 166 275 | 86,64 |
| **Total** | **4 949** | **100,00** | **63 670 439** | **100,00** |

**Breakdown of share ownership by owner category at 31 Dec. 2016**

| | *Number of shareholders* | *share %* | *Number of shares* | *share %* |
|---|---|---|---|---|
| Corporations | 227 | 4,59 | 10 419 951 | 16,37 |
| Financial and insurance institutions | 19 | 0,38 | 3 987 280 | 6,26 |
| Public entities | 4 | 0,08 | 1 747 742 | 2,75 |
| Non-profit-making organisations | 22 | 0,46 | 2 368 169 | 3,72 |
| Households | 4 663 | 94,22 | 45 125 304 | 70,87 |
| Non-Finnish owners | 14 | 0,28 | 21 993 | 0,04 |
| **Total** | **4 949** | **100,00** | **63 670 439** | **100,00** |
| of which nominee-registered | 9 | | 749 247 | 1,18 |

**Information on shareholders**

Major shareholders at 31 Dec. 2016

| | *pcs* | *Share % of shares and votes* |
|---|---|---|
| 1. Takanen Harri | 9 776 664 | 15,36 |
| 2. Takanen Jarkko | 8 451 169 | 13,27 |
| 3. Varikot Oy | 7 606 442 | 11,95 |
| 4. Takanen Jorma Jussi | 6 079 305 | 9,55 |
| 5. Tolonen Jonna | 3 351 950 | 5,26 |
| 6. Püllä Reijo | 3 328 745 | 5,23 |
| 7. Laakkonen Mikko | 2 531 187 | 3,98 |
| 8. Takanen Martti | 1 954 218 | 3,07 |
| 9. Sijoitusrahasto Aktia Capital | 1 928 000 | 3,03 |
| 10. Foundation of Riitta ja Jorma J.Takanen | 1 900 000 | 2,98 |

## Board of Directors' Proposal for the Distribution of Profit

The distributable funds of parent company is EUR 34,338,367.26 which includes undistributed earnings total EUR 6,276,350.64

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.09 per share be paid for the financial period ended 31 December 2016, for a total of EUR 5,730,339.51.

## Signatures on the Report of Board of Directors and Financial Statement

Vantaa, 24 February 2017

| | |
|---|---|
| **Harri Takanen**<br>Chairman of the Board | **Jarkko Takanen** |
| **Christer Härkönen** | **Bengt Engström** |
| **Christina Lindstedt** | **Petteri Jokitalo**<br>CEO |

## TO THE ANNUAL GENERAL MEETING OF SCANFIL PLC

***Report on the Audit of the Financial Statements***

**Opinion**

We have audited the financial statements of Scanfil Plc (business identity code 2422742-9) for the year ended 31 December, 2016. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance, financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

**Basis for Opinion**

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

**Materiality**

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

| THE KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
|---|---|
| **Impairment of goodwill and acquisition-related customer relationships (Refer to Accounting principles for consolidated financial statements and note 12 and 13)** | |
| Goodwill and acquisition-related customer relationships amount to EUR 22.1 million.<br>Goodwill is not amortized, instead it is tested for impairment at least on an annual basis. Impairment tests are based on future cash flow forecasts and determining the underlying key assumptions require management judgment.<br>Scanfil's acquisition-related long-term customer relationships have finite useful lives that are estimated by management through the application of judgement.<br>Due to the high level of judgment related to the forecasts used in goodwill impairment tests and the significant carrying amounts involved, impairment of goodwill and acquisition-related customer relationships are considered key judgmental areas that our audit is focused on. | We assessed the key assumptions used in the calculations, such as growth of turnover, profitability and discount rate, with relation to the budgets approved by the Board, external references and our own views.<br>We involved KPMG valuation specialists when assessing the technical accuracy of the calculations and comparing the assumptions used with external market and industry data.<br>In respect of acquisition-related customer relationships, we evaluated the recoverability of these assets by inspecting the associated calculations and underlying assumptions.<br>In addition, we considered the appropriateness of the Group's disclosures in respect of goodwill, acquisition-related customer relationships and impairment testing. |

**Valuation of inventories (Refer to Accounting principles for consolidated financial statements and note 17)**

Inventory management, stock-taking practices and determination of cost are the key elements in inventory valuation. The Group's inventories amounted to EUR 85 million representing 32 percent of the consolidated total assets as at 31 December 2016.

Inventory valuation involves the exercise of judgement by management surrounding determination of cost and any impaired inventories.

Due to management judgments and the significant carrying amount involved, valuation of inventories is considered a key audit matter.

We assessed the appropriateness of the inventory valuation principles applied.

Our audit procedures comprised testing of controls over inventory management and the accuracy of inventory amounts. We also performed substantive procedures to evaluate the accuracy of inventory valuation.

We attended stock takes in order to assess the process effectiveness.

**Revenue recognition (Refer to Accounting principles for consolidated financial statements and note 1)**

The number of sales transactions processed in the IT systems is significant and pricing responsibilities for products and services are decentralized.

Due to the nature of the industry, the effectiveness of the internal controls over the IT systems and pricing are critical in respect of the accuracy of revenue recognition.

Application of consistent revenue recognition principles is considered a key audit matter.

We assessed the appropriateness of the revenue recognition principles applied.

As part of our audit procedures we tested internal controls over registration of sales transactions, recording related revenues and approval of changes.

Our substantive procedures included testing of inclusion of relevant transactions in the appropriate period, comparing invoice details to the received payments and assessing the appropriateness of the bad debt provision recognized.

**Responsibilities of the Board of Directors and the Managing Director for the Financial Statements**

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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

***Other Reporting Requirements***

**Other Information**

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 8 March 2017

KPMG OY AB

**Kirsi Jantunen**
Authorised Public Accountant, KHT

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 (2015) issued by the Securities Market Association, but allows for the following exceptions with regard to the independence evaluation of directors:

Recommendation 15 (Appointment of Members to Committees) and Recommendation 16 (Audit Committee). Harri Takanen, a Board member not independent of the company and its major shareholders, is the company's largest shareholder. The second largest is Jarkko Takanen, who is independent of the company. Due to the entrepreneurship and financial risk related to ownership, it is justifiable that the members not independent of the company and major shareholders attend to the shareholders' interests in the committees. In addition, Jarkko Takanen and Harri Takanen have extensive experience in the contract manufacturing business. Through their work in the committees, this experience can be used for the benefit of the company as a whole and for the benefit of all of its shareholders.

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 at www.scanfil.com under Investors. 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 the proper organization 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, organization 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 organized.

### Composition of the Board of Directors

The following Board members were elected by the Annual General Meeting held on April 12, 2016:

**Harri Takanen**
Chairman of the Board of Directors. Born 1968, M.Sc. (Tech.). Member of the Board of Directors of Scanfil plc since April 18, 2013. Professional board member. Not independent of the company and its major shareholders.
Holds 9,776,664 shares in Scanfil plc.

**Jarkko Takanen**
Member of the Board since January 1, 2012. Born 1967, Qualified Production Engineer, Commercial College Diploma in Management Accountancy. CEO of Jussi Capital Oy. Independent of the company.
Holds 8,451,169 shares in Scanfil plc.

**Christer Härkönen**
Member of the Board since April 8, 2014. Born 1957, M.Sc. (Tech.). Christer Härkönen has been involved in the Scanfil and PartnerTech integration process between 1 January and 31 March 2016 as the CEO of Scanfil Sweden AB, and between 1 April and 31 December 2016 on a project basis. Not independent of the company, independent of its major shareholders.
Does not hold Scanfil plc shares.

**Bengt Engström**
Member of the Board since August 20, 2015. Born 1953, M.Sc. (Eng.). Has held several management-level positions in Sweden and internationally, including Whirlpool, Bofors AB, Duni AB and Fujitsu. Independent of the company and major shareholders.
Holds 9,000 shares in Scanfil plc.

**Christina Lindstedt**
Member of the Board since April 12, 2016. Born 1968, holds a Master's Degree of Business Administration and Commercial law. Background from several international business leadership roles at AB Electrolux and Sony, based in Sweden and internationally. Independent of the company and major shareholders.
Does not hold Scanfil plc shares.

The entities over which the Board members exercise control do not own Scanfil shares.

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

### Activity of the Board

The Board of Directors had a total of 17 meetings in 2016, some of which were telephone meetings. The members' attendance rate for meetings was 100%, except for Jarkko Takanen, whose attendance rate was 88%.

The duties and responsibilities of the Board of Directors of Scanfil plc are based on the Finnish Limited Liability Companies Act, other applicable legislation, the Articles of Association, good governance recommendations and the Board's charter. The Board carries out an annual review of its operations and regular reviews of the work of the CEO and the Management Team. The Scanfil Board of Directors has confirmed the charter, which lists the following key duties for the Board:

- confirming the company's business strategy and monitoring its implementation
- confirming the annual key business targets and monitoring Scanfil Group's performance
- deciding on strategically significant investments in the Group
- discussing and approving financial statements and interim reports
- appointing and dismissing the CEO and determining their terms of employment and remuneration
- deciding on incentive systems for managers and employees

- monitoring the company's key operational risks and their management
- confirming the company's values and operating principles.

**Diversity Principles for the Board of Directors**

Scanfil plc operates in the international contract manufacturing market and its customers include global companies in various industries. For the Board to be effective, its members must possess experience from several different industries, be well versed in international business and have insight into the global trends that affect the development of the contract manufacturing market. The Nomination Committee should consider the education and professional and international experience of the candidates, as well as their individual characteristics, when preparing the proposal for the Board's composition. The aim is to form a diverse Board with a sufficient number of members, who are able to take responsibility for developing the company's operations and strategy in its line of business, and who are competent to manage the duties and responsibilities of the Board. Scanfil plc aims to have both sexes present on the Board.

**Board Committees**

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

The task of the Nomination Committee is to prepare matters related to the appointment and remuneration of the members of the Board of Directors and, when necessary, find suitable members for it. The Committee has three members: Harri Takanen (Chairman), Jarkko Takanen and Bengt Engström. The committee convened once in 2016. The attendance rate of its members was 100%.

The audit committee is responsible for monitoring the financial reporting process and the reporting of financial statements and interim reports, as well as monitoring the functionality of internal control and risk management in the company. It also evaluates the appropriateness of auditing and prepares the proposal for the appointment of an auditor. The committee has two members: Jarkko Takanen (chairman) and Harri Takanen. The committee convened five times in 2016. The attendance rate of its members was 100%.

## 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 upon separately by the Board of Directors. Petteri Jokitalo, M.Sc. (Eng.), has been the CEO of the company between 1 January and 31 December 2016. Petteri Jokitalo holds 137,000 shares in Scanfil plc and he has the following option rights: option program 2013(B) for 125,000 shares, 2013(C) for 110,000 shares and 2016(A) for 110,000 shares.

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 the 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 organized 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.

## OTHER MANAGEMENT

The principal duty of the Management Team is to assist the CEO in the company's operative management. The Team's other duties include matters relating to long-term planning, the planning and monitoring of investments and the allocation of resources to key operations.

**Timo Sonninen,** Vice President, Sales
Timo Sonninen (b. 1966), BSc (Eng.), is responsible for the company's global customers and business development.
Timo Sonninen holds 48,000 shares in Scanfil plc and he has the following option rights: option program 2013(B) for 25,000 shares, 2013(C) for 20,000 shares and 2016(A) for 20,000 shares.

**Kristoffer Asklöv,** Vice President, Operations
Kristoffer Asklöv (b. 1977), MSc (Mech.Eng.) is responsible for the operation of the Åtvidaberg, Vellinge, Myslowice, Atlanta ja Hamburg plants.
Kristoffer Asklöv holds 2,000 shares in Scanfil plc and he has the following option rights: option program 2013(C) for 20,000 shares and 2016(A) for 20,000 shares.

**Keijo Anttila,** Vice President, Operations
Keijo Anttila (b. 1966), MSc (Eng.), is responsible for the company's operations in China.
Keijo Anttila holds 576 shares in Scanfil plc and he has the following option rights: option program 2013(C) for 20,000 shares and 2016(A) for 20,000 shares.

**Tomi Takanen** Vice President, Operations
Tomi Takanen (b. 1972), BSc (Production Economics), is responsible for the operation of the Sievi, Vantaa, Pärnu, Sieradz and Budapest plants.
He holds 25,113 shares in Scanfil plc. Tomi Takanen holds 25,113 shares in Scanfil plc and he has the following option rights: option program 2013(B) for 25,000 shares, 2013(C) for 20,000 shares and 2016(A) for 20,000 shares.

**Markku Kosunen,** CTO
Markku Kosunen (b. 1967), technology undergraduate, is responsible for the processes, quality control, technology, IT and services of the company.
He holds 14,514 shares in Scanfil plc and has the following option rights: option program 2013(B) for 25,000 shares, 2013(C) for 20,000 shares and 2016(A) for 20,000 shares.

**Mats Lundin,** Vice President, Supply Chain
Mats Lundin (b. 1959), MSc (Eng.), is responsible for the company's Supply Chain activities.
He holds no Scanfil plc shares, but has the following option rights: option program 2013(C) for 20,000 shares and 2016(A) for 20,000 shares.

**Kai Valo**, CFO
Kai Valo (b. 1965), MSc (Economics), has been the Group's Chief Financial Officer since 14 October 2016.
He holds no Scanfil plc shares, but has the following option rights: 2016(A) for 20,000 shares. Marjo Nurkkala acted as the CFO between January 1 and October 13, 2016.

## DESCRIPTIONS OF INTERNAL CONTROL PROCEDURES AND THE MAIN FEATURES OF RISK MANAGEMENT SYSTEMS RELATED TO THE FINANCIAL REPORTING PROCESS

### Risk Management

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

Risk management is based on a risk management policy approved by the Board, aimed at managing 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.

### Internal Control

Scanfil plc's internal control is a continuous process used to ensure profitable and uninterrupted operation. The control function aims to minimize risks by ensuring the reliability of reporting and compliance with laws and regulations.

Internal control is based on the Group's shared values, ethical guidelines and industry legislation, from which the operating principles and guidelines 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 harmonized business processes included in the control system. The Group's financial administration co-ordinates the financial management of the Group.

The controls included 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. The management's monthly reporting is a fundamental part of financial control. It includes producing a rolling forecast, the result of business operations carried out and an analysis of the differences between the forecast and the 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 are 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 harmonized ERP system and shared reporting tools. The use of standardized tools enables continuous control and successful change management.

### Internal Audit

The company uses internal auditing that, in co-operation with other Group functions, handles internal auditing duties and makes regular reports to the CEO and the Board.

Description of the Internal Control at Scanfil plc

**Scanfil plc groups structure in 2016**

On December 31, 2016, the Scanfil Group comprised the parent company, Scanfil plc, and two wholly-owned sub-groups, Scanfil EMS Oy (Finland) and Scanfil Sweden AB (Sweden). The Scanfil EMS sub-group comprises the parent company, Scanfil EMS Oy, and six wholly-owned subsidiaries operating in four different countries. The Scanfil Sweden AB sub-group comprises the parent company, Scanfil Sweden AB, seven wholly-owned subsidiaries operating in five different countries, as well as five inactive subsidiaries that were not engaged in any production activities at the end of 2016.

## OTHER INFORMATION TO BE PROVIDED IN THE STATEMENT

**Company Insiders and Insider Administration**

Scanfil plc will abide by the current Nasdaq Helsinki Ltd Guidelines for Insiders. In addition, the Scanfil plc Board of Directors has confirmed company insider guidelines that are based on the Nasdaq Helsinki Ltd. guidelines.

In accordance with the Market Abuse Regulation (EU/No 596/2014 (MAR)), Scanfil plc has determined the company's Board of Directors and the members of the company's Management Team to be its managerial employees. Managerial employees of the company bound by the reporting obligation may not trade in Scanfil plc shares or other financial instruments for 30 days before financial statements are released (= the MAR closed period).

Persons and parties with access to insider information will be specified in the insider list for each project. Any party on the insider list may not trade while they are still listed.

The Scanfil plc insider administration will ensure that the insider guidelines are followed and organize training in insider matters. The insider administration will maintain a list of managerial company employees who have a reporting obligation and their related parties, as well as the insider lists.

**Transactions with related parties**

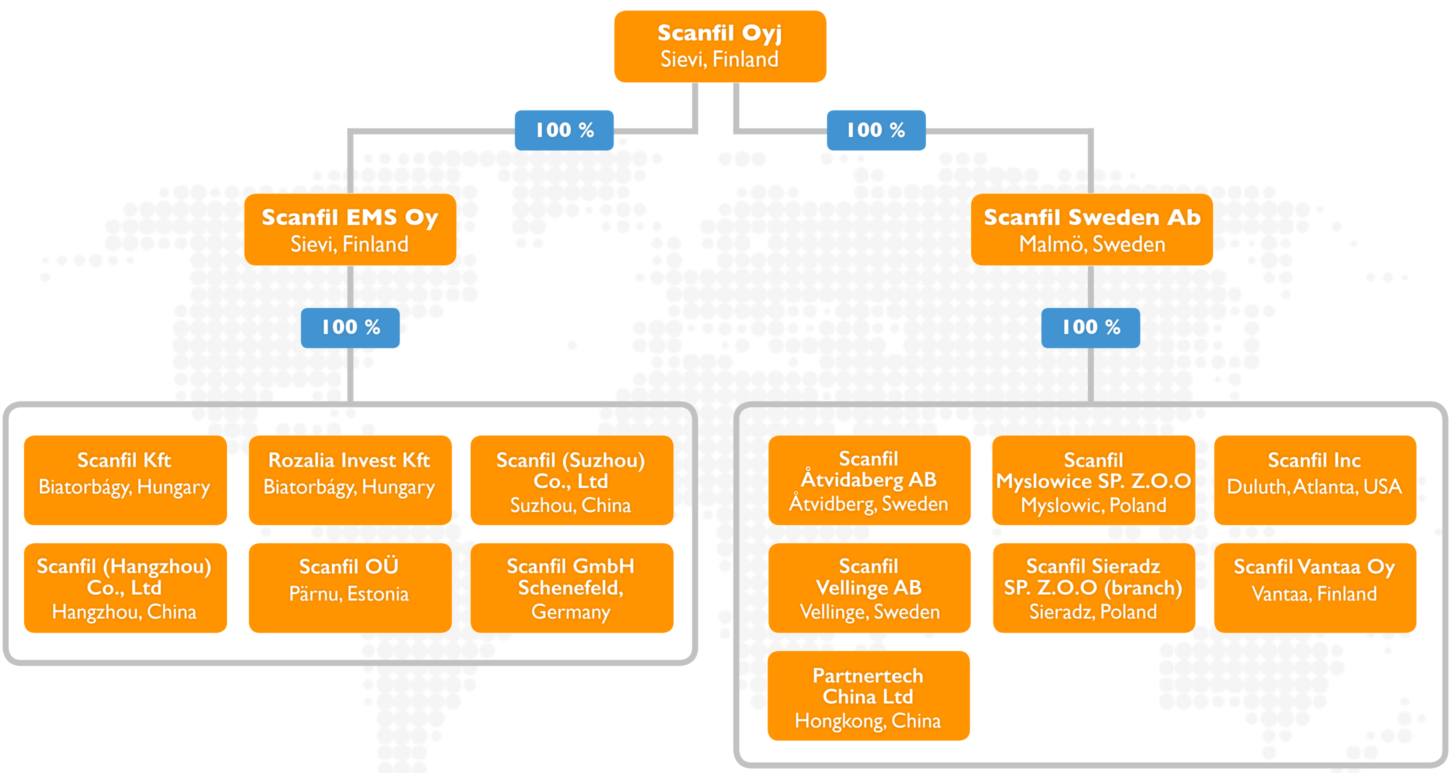
Company has stated that related party transactions that are material to the company or deviate from the company's normal business or are not made on market equivalent terms have not been done.

**Auditors**

The Annual General Meeting held on April 12, 2106 selected the Chartered Accountants KPMG Oy Ab to be the company's auditor, and they named Authorized Public Accountant Kirsi Jantunen as the main auditor. The audit fees for the Finnish companies of the Group for the 2016 accounting year were € 66,100 in total, and the parent company's share was €38,100. The audit fees for the foreign companies of the Group were €232,269 in total.

For services unrelated to auditing, the auditing company was paid €33,108. These services were mainly related to assistance for the preparation of transfer pricing policy.

Scanfil plc groups structure in 2016




In addition to companies engaged in production activities listed above Group owns 100% of the following companies which did not have operational activities at the end of 2016: Scanfil Limited (UK), Partner Tech AS (Norway), Partner Tech Ljungby AB (Sweden), Partner Tech 1000 AB (Sweden), Partner Tech Electronics Co., Ltd (China)

STATIIVI.FI

SCANFIL

Yritystie 6
FI-85410 SIEVI
FINLAND

Tel +358 8 48 82 111
Fax +358 8 48 82 250

**www.scanfil.com**