SCANFIL

Annual Report 2017

Index

Scanfil is a global contract manufacturer for electronics industry

Scanfil plc is an international listed (NASDAQ Helsinki, SCANFL) contract manufacturer and system supplier for the electronics industry with over 40 years of experience in demanding contract manufacturing. Company's strength is its extensive service offering covering 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 2017 was EUR 529.9 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 10 production units in seven different countries on three different continents.

The core of our offering is a vertically integrated production including overall service offering and supply chain management 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, 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, control systems for lifts and industrial trucks, analysers, various slot and vending machines, defence industry devices and meteorological instruments.

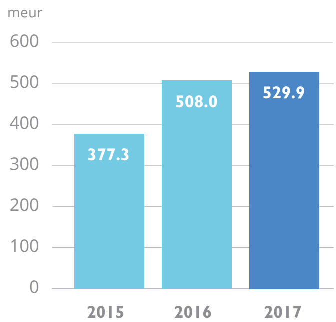
Equity ratio
40.7
%

Turnover
about 530
MEUR

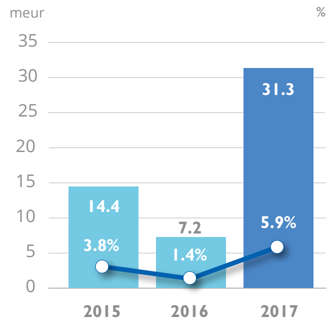
Operating profit
31.3
MEUR

GROUP

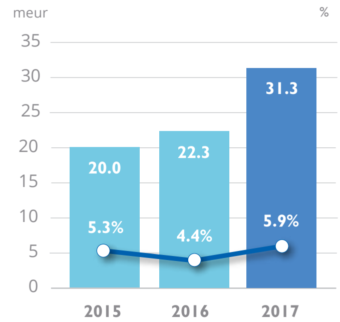
Turnover



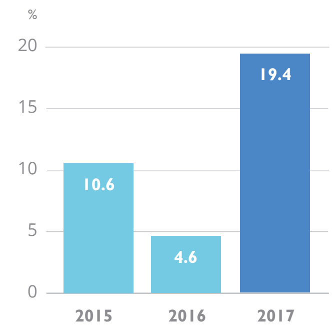
Operating profit & operating profit %



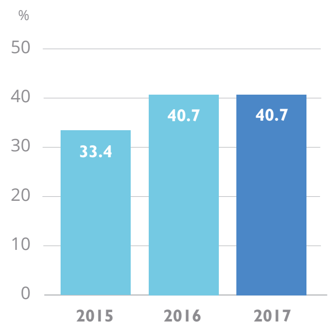
Operating profit & operating profit %
before adjustment



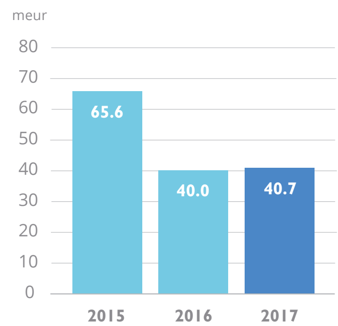
Return on investment



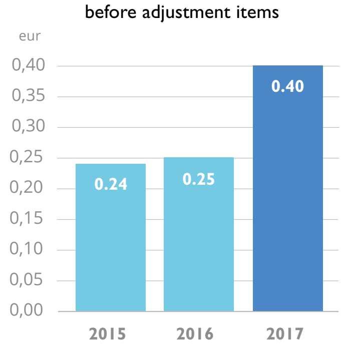
Equity ratio



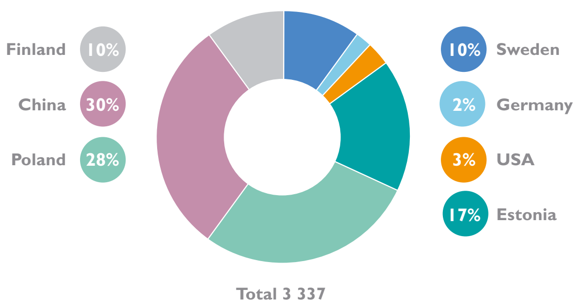
Net debt

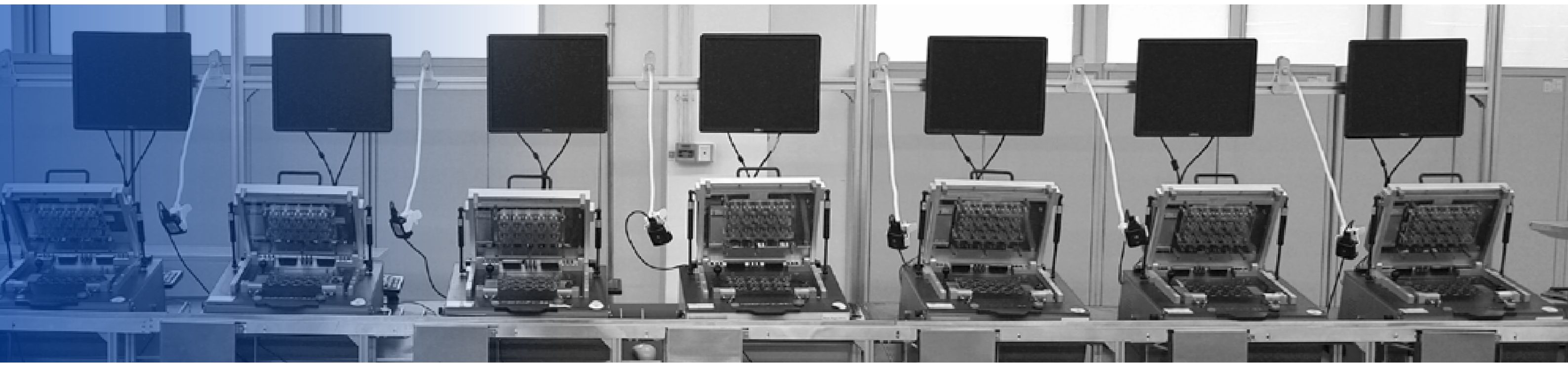


Earning per share
before adjustment items



Personnel per country 31.12.2017





NEW CUSTOMERS

Scanfil succeeded well in acquiring new customers in 2017. The company started partnerships with a number of new customers operating in different customer segments. These customers represent several customer segments.

INVESTMENTS

Scanfil's investments in production facilities and manufacturing capacity were record-high, EUR 18.6 million in 2017. Through these investments, Scanfil prepared for increasing customer needs and its targets for future growth.

Scanfil expanded its **production facilities** in Poland and the USA. At the Sieradz electronics plant in Poland, an expansion was completed at the end of the year as planned which doubled its surface area. In the USA, the Atlanta plant moved in to new and larger facilities during the third quarter.

Scanfil increased its **electronics manufacturing capacity** by investing in new SMT lines at three plants. In China investments were made in the Suzhou and in Europe, in the Sieradz plant in Poland and in the Malmö plant in Sweden.

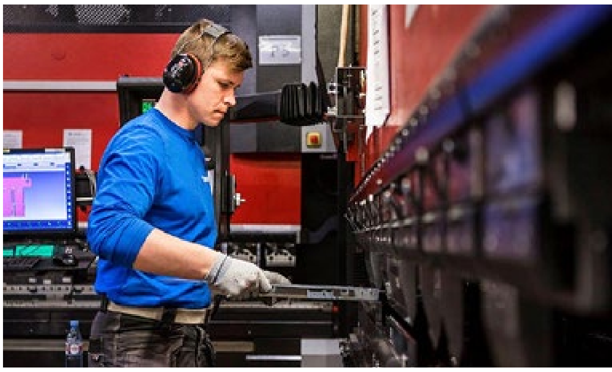
In 2017, Scanfil increased its **manufacturing capacity of sheet metal** mechanics at the Myslowice plant in Poland through the acquisition of punching machines and bending machines. These investments tripled the plant's capacity to manufacture sheet metal mechanics.

PLANT NETWORK

During the year, Scanfil completed the restructuring of its global plant network, a process that was started in 2015 after the acquisition of PartnerTech Ab. Plants located in Vantaa, Finland, and Biatorbágy, Hungary, were closed during the year. The company's plant network has now been optimized, and the company is more efficiently and extensively able to use the production capacity of its whole plant network to serve its customers.

PROFITABLE GROWTH

Scanfil's operations developed well and profitably during the year. In half year report, the company specified its guidance regarding turnover and operating profit. The fourth quarter was particularly good and, on 12 December 2017, the company issued a positive profit warning, increasing its estimates of turnover and operating profit in 2017.



Successful, but also a demanding year

I am confident and enthusiastic about the future. Customer potential, made investments to ensure the growth as well as committed and capable employees give a good foundation for future growth.

Petteri Jokitalo, CEO

In the ended fiscal year Scanfil reached its history's highest turnover, 530 million euros, and operating profit, 31.3 million euros. Turnover was based on generally strong and at the end of the year further improved customer demand as well as successful new customer acquisitions. Record-high operating profit was influenced by lighter cost structure achieved as a result of the optimization of the factory network. Operating profit grew steadily throughout every quarter and on an annual basis, we reached our targeted approximately 6 % operating profit level. Net cash from the operating activities incresased by 29% and return on equity was at good level 22%.

The year 2017 was also a demanding year. The factory optimization project was finalized in June and production transfers connected to this were challenging some of our factories ability to offer excellent services to our customers. Things that needed to be enhanced were addressed without any delay and the situation was improved at the end of the year. We were able to turn the development focus forward; deepening customer relations, continuously developing the business, and building the future.

Our investments were record-high. We invested in based on improving business outlook e.g. SMT lines in Suzhou, Sieradz and Malmö electronics factories. In Myslowice integration factory we increased notably sheet metal products production capacity. At Sieradz's electronics factory and Atlanta integration factory, we doubled space to ensure future growth targets.

We are in strong position for 2018

Scanfil's diversified customer base includes global companies and which often are market leaders in their own business sector. These companies are benefitting from megatrends such as energy efficiency, aging population, urbanization and digitalization. Good spin in global economy gives a good tailwind for the growth of our customer companies and enables us to accomplish our growth targets. We continue efforts also in new customer acquisition; especially in Scandinavia and Central Europe where we see lots of potential.

Our factory network consists of ten factories in seven countries in Europe, North-America and Asia. The role of our factories is divided into two categories; factories near to customer markets (China, Poland, USA, Estonia) and factories near to customer R&D (Finland, Sweden and Germany).

Factories that are operating near customer R&D have a particular role in new customer acquisition. In these factories, we target to gain customers from fast growing product and technology companies. We want to be part of customer projects already in the product design phase, to ensure minimum lead -time of the product from product design to market launch. Our service offering scales within the life-cycle of the product as well as to meet customers' needs for growth and globalization.

Strong operational performance and continuous development of it, is the foundation of the operations in all our factories, but its importance grows even more in factories that are operating near customer markets. From these factories, we serve mainly our large global customers. We are committed to develop our operations based on customer needs and in close co-operation with our customers.

I am confident and enthusiastic about the future. We are targeting turnover MEUR 600 for 2020. Customer potential, made investments to ensure the growth as well as committed and capable employees give a good foundation for reaching the target.

I thank employees of Scanfil for excellent work in 2017. I also want to thank customers, suppliers, other stakeholders and owners for trust and good cooperation

Petteri Jokitalo
CEO

Achieving together

Scanfil plc is an international contract manufacturer and system supplier for the electronics industry with over 40 years of experience in demanding contract manufacturing. Scanfil enables customers to succeed by providing effective and innovative solutions during the whole life-cycle of customer's product. The company offers a wide range of services ranging from product design to product manufacturing, material management and logistics solutions. Vertically integrated production and a comprehensive supply chain provide a solid foundation for Scanfil's competitive advantages: speed, flexibility and reliability. Main part of

Scanfil's services to customers includes high mix - low / medium volume production and integration and product development services for demanding products.

High quality and cost-effective production is one of Scanfil's most important competitive factors. Quality control and continuous development cover the entire production and supply chain. Efficient and measurable processes create unified modes of operation for Scanfil's global factory network.

Scanfil's network of factories consists of 10 production units on three different continents. Factories in Finland, Sweden and Germany are situated close to customer's R&D. Factories in Estonia, Poland, China and the USA on the other hand are situated close to customer's markets.

Scanfil's goal is to grow profitably both organically and through possible acquisitions

VALUES

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

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.

We differentiate with our best in class performance.

> Our growth is an indication of our customers' trust and our correctly timed and implemented development activities.
>
> Timo Sonninen, Vice President, Sales

Key to Scanfil's growth: customer confidence

The positive development of turnover shows that customers consider Scanfil to be a reliable, solvent and long-term partner. Sales to new customers representing different fields paid off.

The company can now more efficiently and extensively use the production capacity of its whole plant network to serve its customers in international contract manufacturing markets.

During the year, demand among global customers developed positively as a result of stronger economic development and new partnership projects. Scanfil's vertically integrated production, effective global plant network and significant investments made during the year secure the company's profitable growth. Cooperation with customers is based on a long-term strategic partnership to meet goals agreed together.

The largest single customer accounted for roughly 13% and the ten largest customers close to 61% of net sales.

Scanfil succeeded well in acquiring new customers in 2017. The company started partnerships with a number of customers. Sales to new customers increased by approximately EUR 30 million during the year. These new customers represent several customer segments and balance the distribution of sales to different segments and reduce customer and segment specific risks.

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, Jolife

Urban Applications

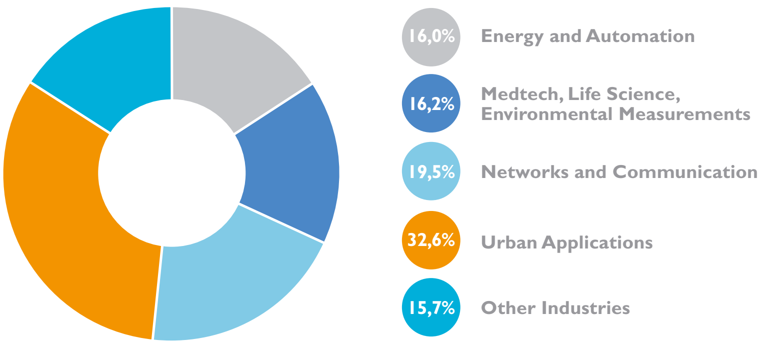
• Key market trends include urbanization, particularly in developing countries, an increase in the size of the middle class, particularly in Asia, and the aging population.
• Products and solutions related to urbanization, such as lifts, escalators, and slot and vending machines.
• Examples of customers: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

Other Industries

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

Distribution of customer segments:

- Energy and Automation
- Medtech, Life Science, Environmental Measurements
- Networks and Communication
- Urban Applications
- Other Industries



A full-service company

Scanfil is an international contract manufacturer and systems supplier for the electronics industry. It 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 also offers a broad range of services for supply chain management and logistics. The company's vertically integrated production forms the core of its customer supply.

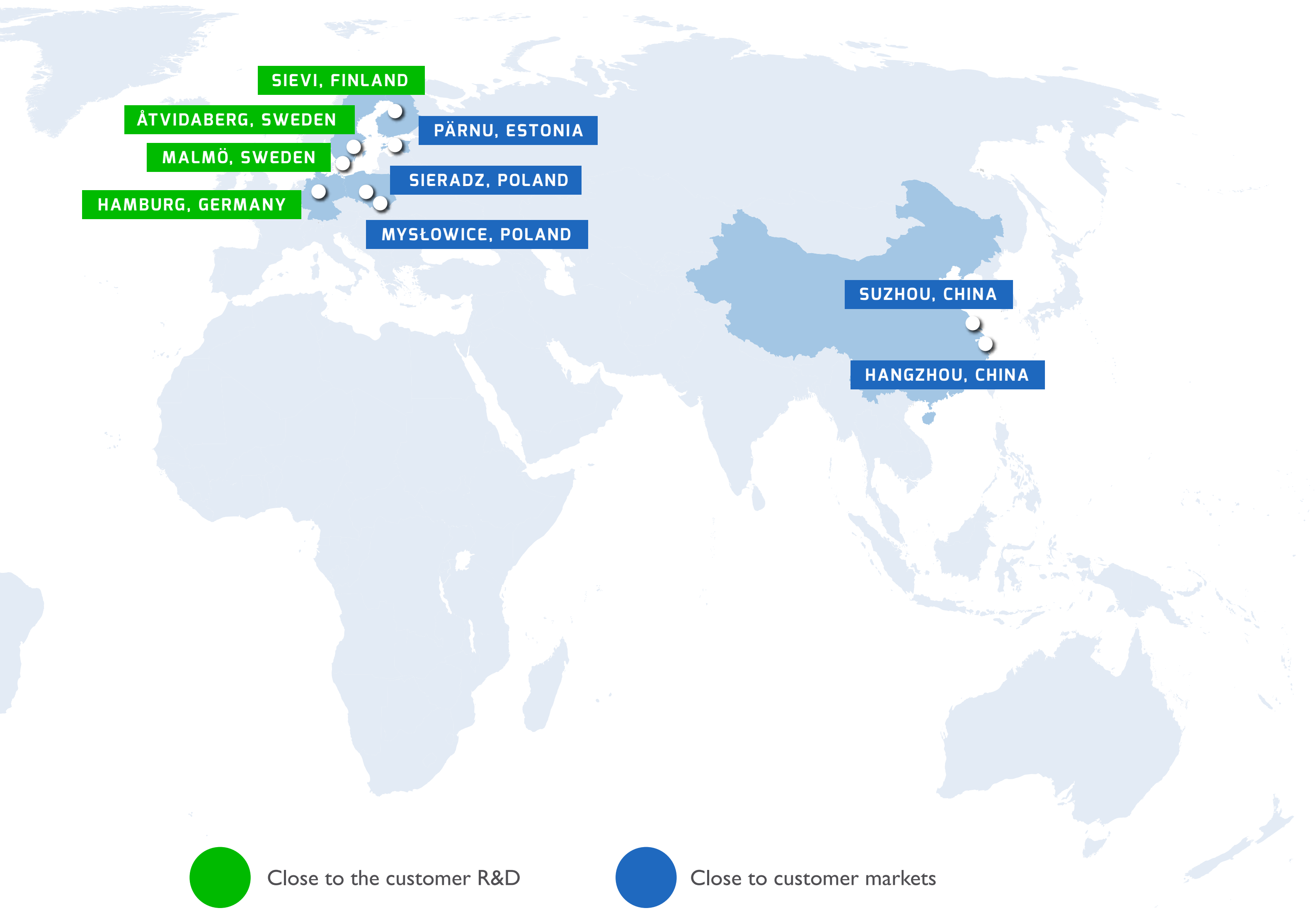
The majority of services that Scanfil offers to its customers are high-mix/low-medium volume manufacturing and integration and product development services for demanding products. Customers can gain the best benefits by ordering a product that is as complete as possible. Scanfil improves the efficiency of its customers' production and shortens the production throughput time, starting from product ideas, R&D and design, all the way to product launches. Scanfil's global procurement unit allows it to reduce product costs; therefore, increasing the competitiveness of its customers.

Many of Scanfil's customers are operating in markets with very high quality requirements. This means that product start-ups must be quick and any changes in demand must be addressed at the right time. High-quality and cost-efficient production is one of Scanfil's key competitive factors. The monitoring and continuous development of quality cover the entire production and supply chain. Effective and measurable processes offer standardized operating methods for Scanfil's global plant network. Customer benefits are visible as reliability, speed, flexibility and a competitive price level.

Scanfil has ten plants on three continents. Its plants in Finland, Sweden and Germany are located close to the R&D units of its customers, whereas plants in Estonia, Poland, China and the USA are close to customer markets.

Our strategic factory network with high quality and cost effective production processes ensure speed, flexibility and reliability to the best total cost for all our customers.

Krisoffer Asklöv, Vice President, Operations


SIEVI, FINLAND
ÅTVIDABERG, SWEDEN
MALMÖ, SWEDEN
HAMBURG, GERMANY
PÄRNU, ESTONIA
SIERADZ, POLAND
MYSŁOWICE, POLAND
SUZHOU, CHINA
HANGZHOU, CHINA
Close to the customer R&D
Close to customer markets

Personnel is in the key position

The number of employees at the end of 2017 was about 3300. The average age was 41 years. Of the personnel 43% were women and 57% men.

In 2017, the focus areas of personnel management varied by plant, but overall the company made good progress. This was reflected both in improved job satisfaction and in higher profitability.

Minna Oksanen, Director Group Communications and HR

Scanfil's aim is to be a reliable employer and an encouraging working community where every individual has the opportunity to develop their personal skills and abilities. Human rights and equal treatment are basic values in Scanfil's operations, over which no compromises can ever be made. Social responsibility focuses on competence development, occupational safety and health, and the development of leadership and supervisory work.

Scanfil's competitive advantage is built on competitive and engaged employees. To ensure our company's success now and in the future, we focus on training the personnel with right skills and knowledge.

Scanfil's key competence areas are customers, manufacturing, procurement and logistics. These competence areas are developed continuously both at corporate and individual levels. A significant part of training takes place in the form of internal training, on-the-job training and different training programs, but Scanfil also uses external training channels when necessary.

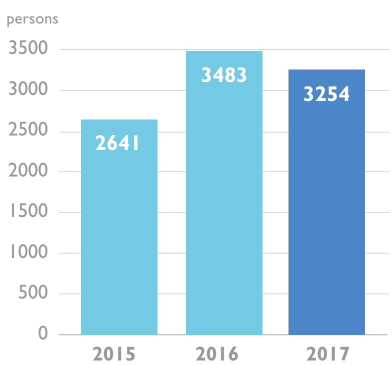
Scanfil has plants in several countries on several continents. The company's employer image and the general availability of employees are high on average. The majority of people working at Scanfil are employed by the company, whereas external employees are only used to balance peaks in demand. Recruitment has not been a challenge and all vacancies have been filled. Between countries, there is high variation in the duration of employment relationships. In Finland and Sweden, employees are easily available and employment relationships are long. For example in China, however, employee turnover is high, even though it is lower than on average in the local labor market.

An annual job satisfaction survey is conducted among the personnel. Its results are used when defining development activities. In 2017 the answer rate in the survey was as high as 87%. The work satisfaction is relatively good; it increased slightly from the previous year. Based on the survey the development actions are defined and the whole personnel takes part in the planning these actions. To ensure that development actions are carried out they are included in the supervisors' development plans and monitored at group level.

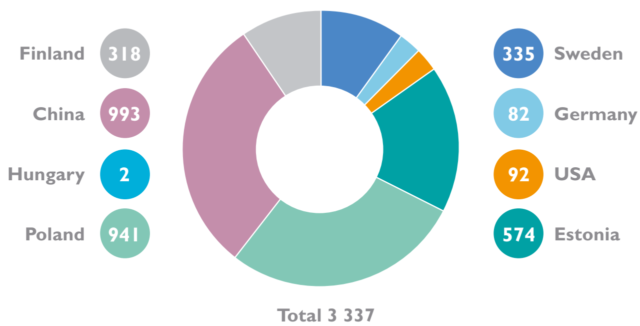
Scanfil monitors any changes in occupational safety and health using specific indicators. There were no serious occupational accidents in 2017. Working conditions involve various loading factors. Different presses and tools are used in production that pose safety risks if used incorrectly. To prevent these risks from materializing, Scanfil develops safety guidelines and looks for safer machines and models. In assembly and office work, postures and work done sitting down present a challenge. Their negative impact is avoided by means of high ergonomics. All employees are encouraged to move around and take care of their ability to work.

In 2017, the focus areas of personnel management varied by plant, but overall the company made good progress. This was reflected both in improved job satisfaction and in higher profitability. On the basis of the most recent job satisfaction survey, development activities should be directed at communication and at supervisory work at certain plants. A group-level management training program has already been started with the aim of developing supervisory skills.

Personnel on average 2015-2017



Personnel per country 31.12.2017



Scanfil – responsible partner

Scanfil helps its customers to succeed by providing effective and innovative solutions throughout the product life cycle. Taking care of responsible operations and their development is vital for Scanfil's success. Monitoring and continuous development of corporate responsibility serves the needs of Scanfil's all stakeholders.

Scanfil has determined the key factors for its corporate responsibility and divided them into operational, financial, social (in Personnel chapter) and environmental responsibilities. Operational responsibility focuses on product quality, delivery reliability, continuous development and cooperation with customers and suppliers. The aim of financial responsibility is to examine profitability, risk management and operational transparency. The focus points of environmental responsibility are the effective use of raw material, the management and reduction of energy consumption, environmentally friendly procurement activities, and management and reduction of the use of hazardous substances. The Board of Directors and members of the management level of Scanfil are responsible for the management of corporate responsibility. In practical work, responsibility is guided by the Group's Code of Conduct.

Operational responsibility

Close cooperation

Scanfil's success is based on satisfied long-term customers. Scanfil has nearly 100 customers from different industrial fields. Scanfil works very closely with its customers. Compliance with corporate responsibility is raised more often than before in talks with customers. Scanfil has defined responsible operating principles that cover, for example, the equal treatment of people and prohibit corruption and bribery. The Group's operating methods, such as transparent and cost-based pricing, reduce the possibility of non-compliant activities.

In 2017, Scanfil succeeded in its work with its customers. This was seen in the form of new customers and larger orders placed by existing customers. Customer-specific development programs selected on the basis of customer satisfaction results also produced good results.

Scanfil has a broad network of more than 4,000 local, regional and international suppliers and partners. As the procurement of raw material and other material, components, modules and electronics makes up more than half of net sales, effective procurement activities provide Scanfil a competitive edge. Scanfil sets high quality, delivery reliability and cost-efficiency requirements for its suppliers. In addition, Scanfil ensures that its suppliers fulfill their financial and administrative obligations. Scanfil monitors that the terms and conditions of the agreement are fulfilled. Any misuse is prevented by means of existing operating methods, such as order inspections, training and job rotation.

In 2017, Scanfil aimed to reduce its oversized supplier network by focusing on a few select suppliers. In addition, Scanfil carried out a number of development measures in terms of supplier quality, delivery reliability and cost efficiency.

Quality and delivery reliability are the key

High-quality and cost-efficient production is one of Scanfil's key competitive factors. The monitoring and continuous development of quality covers the entire production and supply chain. Effective and measurable processes offer standardized operating methods for Scanfil's global plant network. Each Scanfil plant has a certified ISO 9001-compliant quality management system. In addition, selected plants have more detailed certified quality management systems aimed at specific industrial fields. All Scanfil plants follow the internationally recognized Lean Six Sigma process development methodology and the failure mode and effects analysis (FMEA) that identifies any risks in production. When developing operational processes, the aim is to optimize production resources and create opportunities for stable and high-quality production. The identification of risks helps to intervene in any problems in production at an early stage.

Scanfil supplies products for the production chains of its customers. Therefore, staying on the agreed schedule is a critical factor for its customers. Scanfil ensures its delivery reliability by means of correctly timed production and resource planning and material procurement. The efficiency of the production process and the high quality of products allow Scanfil to set competitive prices. The continuous development of production processes and the use of correct technologies play a key part in maintaining cost efficiency. What is more, the use of Scanfil's global position and volume in procurement activities allows it to set competitive prices for its customers.

In 2017, Scanfil reorganized its global plant network by closing its plants in Vantaa (Finland) and in Hungary, and by expanding its plant in Poland, in addition the plant in the USA moved

to larger facilities rojects were launched at all plants to improve quality and productivity. These measures significantly increased the company's profitability and halved the number of quality errors in relation to deliveries from the 2016 level. In addition, Scanfil developed the measurement of results by defining more detailed key performance indicators (KPIs).

Financial responsibility

Scanfil fulfills its financial responsibility by seeing to its profitability, controlling its risks and communicating openly and transparently. Scanfil's aim is to be a good corporate citizen and distribute its financial success between all of its stakeholders. Financial development is evaluated by comparing it with goals that are set on an annual level and in the long term.

Scanfil ensures its profitability by means of the continuous development of key competence and production and effective procurement activities. Taking care of the efficiency of Scanfil's own operations and resources is also important in terms of productivity. Group-level decisions ensure benefits of scale and the optimal use of resources. Moreover, Scanfil's plants are independent units responsible for their own results and they use individual processes and quality management systems.

Environmental responsibility

Scanfil promotes sustainable development by identifying, measuring and reporting the environmental impact caused by its activities and by attempting to minimize such impact. The focus points of environmental responsibility are the effective use of raw material, the management and reduction of energy consumption, environmentally friendly procurement activities and the management and reduction of the use of hazardous substances. The aim is to consider environmental impact throughout the value chain, ranging from the procurement of raw material to production and distribution, including the impact caused by the use of products and solutions by their end users and any recycling options.

All of Scanfil's plants have a certified ISO 14001-compliant environmental management system. In addition, they fulfill the legal requirements of the countries in which they are based.

In its production, Scanfil uses various metals, and it aims to continuously improve their usage rate. Steel is the most important raw material used by Scanfil. Its effective use is monitored closely in the production process. In addition to optimized use, Scanfil monitors the recycling of metals closely. Energy is consumed in production and distribution, and its amount is to be reduced, for example, by means of energy-efficient equipment and highly controlled logistics. In its procurement activities, Scanfil uses recycled material and prefers eco-friendly products.

Report of Board of Directors 2017

Scanfil plc is an international listed (NASDAQ Helsinki, SCANFL) contract manufacturer and system supplier for the electronics industry with over 40 years of experience in demanding contract manufacturing. The strength of the company is it's comprehensive service offering covering 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 2017. Scanfil's network of factories at the end of the year consists of 10 production units in seven 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 2017

Scanfil's operations developed well and profitably in 2017. Turnover was EUR 529.9 million, showing an increase of 4.3% from the previous year. Profitability developed well and operating profit increased by 40% compared with the previous year's adjusted operating profit. The company was able to increase its operating profit during every quarter and to exceed its targeted operating profit rate of 6% during the second half of the year.

The positive development in profitability is based on the restructuring of the plant network completed during the year and positively developed customer demand. During the first half of the year, the operations of plants located in Vantaa, Finland, and Biatorbágy, Hungary, were discontinued. The plant network has now been optimized and the company's cost structure is clearly lower than in the previous year. This enables profitable operations.

Scanfil succeeded well in acquiring new customers in 2017. The company started partnerships with a number of new customers, and sales to new customers developed well. These new customers represent several customer segments and balance the distribution of sales to different segments and reduce customer- and segment-specific risks. During the year, demand among existing customers developed positively as a result of stronger economic development and new partnership projects.

In 2017, turnover increased in "Energy & Automation", "Medtech, Life Science, Environmental Measures," "Networks & Communication" and "Other Industries" segments compared to previous year. The positive development in sales to new customers was particularly reflected in increased sales in the "Other Industries" segment. However, the development of demand within customer segments showed high customer-specific variation. The largest single customer accounted for roughly 13% (11%) and the ten largest customers close to 61% (56%) of net sales.

Scanfil's investments in production facilities and manufacturing capacity were record high in 2017. Through these investments, Scanfil prepared for its targets for future growth and already increasing customer needs.

Financial development

The Group's turnover for January - December was EUR 529.9 (508.0) million. The Group's operating profit for January – December was EUR 31.3 (7.2) million, representing 5.9% (1.4%) of turnover. The operating profit for the previous year includes adjustments total of EUR 15.1 million, consisting of the costs of the reorganisation, sale and closure of poorly profitable units of

Scanfil's good positioning in the electronics manufacturing services market and company's efficient organization provide a good foundation for future growth.

Harri Takanen, Chairman of the Board

PartnerTech AB's plant network and the Metal Precision business acquired in the year 2015. Operating profit grew 40.2% compared to the adjusted operating profit of the corresponding period of the previous year. Operating profit without adjustments in January – December 2016 was EUR 22.3 million, 4.4% of turnover.

The net profit for the review period was EUR 25.8 (0.1) million. The net profit for the comparison period without adjustments was EUR 15.7 million. The result includes EUR 2.4 million non-recurring capital gains on discontinued units recognized in financial items. The batch has no impact to cash flow. In addition, deferred taxes include tax benefit related to the Polish special economic zone as well as withholding tax on dividends based on intercompany dividend distribution plans for the coming years. Their positive net effect is EUR 0.5 million on the net profit.

Earnings per share for the review period were EUR 0.40 (0.00). In the previous year, the earnings per share without adjustments were EUR 0.25. Return on investment was 19.4% (4.6%). The effect of booked translation differences and above mentioned taxes is EUR 0.05 on the earnings per share.

Financing and capital expenditure

The Group's financial position is stable. The consolidated balance sheet total stood at EUR 306.6 (266.8) million at the end of the review period. Cash assets totalled EUR 20.6 million (20.2) million. Liabilities amounted to EUR 181.9 (158.5) million, of which non-interest-bearing liabilities totalled EUR 120.6 (98.3) million and interest-bearing liabilities totalled EUR 61.3 (60.1) million. The equity ratio was 40.7% (40.7%), and net gearing was 32.6% (36.9%). Equity per share was EUR 1.95 (1.70).

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. At the end of the period under review the terms have been clearly complied.

Net cash flow from operating activities for the review period January-December was EUR 21.3 (16.5) million. The change in net working capital during the period amounted to EUR -5.8 (-6.1) million. The change in working capital in 2017 compared to the turn of the previous year consists of the following items: short-term non-interest-bearing receivables grew by EUR 18.1 million, inventories increased by EUR 15.4 million and short-term non-interest-bearing liabilities increased by EUR 27.6 million. Net cash flow from investments was EUR -10.7 (-3.5) million. Cash flow from financing was EUR -9.1 (-14.4) million. The long-term loan was shortened by EUR 10.5 (5.3) million and EUR 5.7 (5.1) million of dividends were paid. In the previous year, assets of EUR 16.8 million were raced by emission.

Gross investment in January–December 2017 totalled EUR 18.6 (5.5) million, or 3.5% (1.1%) of the turnover. The investments included mainly the expansion of the production facility in Poland, SMT lines to Suzhou, China, Sieradz, Poland and Malmö, Sweden. In addition, investment to sheet metal capacity was made in Myslowice, Poland. Depreciation totalled EUR 8.7 (11.0) 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.

Decisions of the Annual General Meeting have been published in a stock exchange release, available on the company's website at www.scanfil.com.

Option schemes

During the period under review, a total of 225,000 Scanfil Plc's new shares have been subscribed for with the company's stock options 2013(B). The entire subscription price for subscriptions made with the stock options of EUR 317,250 has been entered in the company's reserve for invested unrestricted equity.

The shares subscribed for under the stock options have been registered in the Trade Register. The new shares will establish shareholder rights as of the date of registration. As a result of registering the new shares, the number of Scanfil shares is 63,895,439 in total. The new shares are traded on the main list of the Nasdaq Helsinki Ltd.

Based on the authorization granted at the Annual General Meeting Scanfil Oyj's Board of Directors decided on 21 November 2017 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 3,337 (3,294) people, of whom 3,019 (2,973) worked outside Finland and 318 (321) in Finland. The average number of Group employees during the review period was 3,254 (3,483) people.

Personnel by country on 31 December 2017:
China 993, Estonia 574, Finland 318, Germany 82, Hungary 2, Poland 941, Sweden 335 and USA 92.

Share trading and share performance

The highest trading price during the review period was EUR 4.53 and the lowest EUR 3.42, the closing price for the period standing at EUR 4.25. A total of 3,295,944 shares were traded during the period, corresponding to 5.2% of the total number of shares. The market value of the shares on 31 December 2017 was EUR 271.6 million.

The Board of Directors and CEO

Scanfil plc's Annual General Meeting held on 24 April 2017 re-elected Harri Takanen, Jarkko Takanen, Christer Härkönen, Bengt Engström and Christina Lindstedt as members of the Board of Directors. At its organizing meeting held on 26 April 2017 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 2017.

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 4.8 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 2017, 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 five wholly-owned subsidiaries operating in four different countries and one inactive subsidiary that did not engaged in any production activities at the end of 2017. The Scanfil Sweden AB sub-group comprises the parent company, Scanfil Sweden Ab, five wholly-owned subsidiaries operating in three different countries and five inactive subsidiaries that were not engaged in any production activities at the end of 2017.

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.

All Scanfil plants follow the internationally recognized Lean Six Sigma process development methodology and the failure mode and effects analysis (FMEA) that identifies any risks in production. When developing operational processes, the aim is to optimize production resources and create opportunities for stable and high-quality production. The identification of risks helps to intervene in any problems in production at an early stage.

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.

Scanfil promotes sustainable development by identifying, measuring and reporting the environmental impact caused by its activities and by attempting to minimize such impact. The focus points of environmental responsibility are the effective use of raw material, the management and reduction of energy consumption, environmentally friendly procurement activities and the management and reduction of the use of hazardous substances. The aim is to consider environmental impact throughout the value chain, ranging from the procurement of raw material to production and distribution, including the impact caused by the use of products and solutions by their end users and any recycling options.

Board of director's proposals to the Annual General Meeting

Scanfil plc's Annual General Meeting will be held on 25 April 2018 at the company's head office in Sievi, Finland.

Dividend for 2017

The parent company's distributable funds are EUR 37,164,484.87 including retained earnings EUR 8,785,218.25. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.11 per share be paid for a total of EUR 7,028,498.29 for the financial year ending on 31 December 2017 .The dividend matching day is 27 April 2018. 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 7 May 2018.

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

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 2018 will be EUR 530 - 570 million and the operating profit will amount to EUR 33 – 37 million.

Long-term target

In 2020, Scanfil aims to reach sales of EUR 600 million and 7% operating profit level thru organic growth.

Corporate Governance Statement

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

Report on information other than financial information

Report on information other than financial information will be published on company's www-pages within six months from the book closing day.

CONSOLIDATED INCOME STATEMENT, IFRS

1000 EUR	*Note*	*1.1.-31.12.2017*	*1.1.-31.12.2016*
Turnover	1.1	529 860	507 970
Other operating income	1.2	2 703	975
Changes in inventories of finished goods and work in progress		3 018	-1 832
Use of materials and supplies	1.3	-367 742	-340 918
Employee benefit expenses	1.4	-80 020	-86 132
Depreciation and amortization	3.4	-8 740	-10 956
Other operating expenses	1.5	-47 795	-61 871
Operating profit		**31 283**	**7 237**
Financial income	4.2	9 825	11 310
Financial expense	4.2	-8 505	-12 470
Profit before tax		**32 603**	**6 077**
Income tax	1.6	6 795	5 985
Net profit for the period		**25 808**	**92**
Attributable to:			
The parent company owners		25 808	92
Earnings per share calculated on the profit attributable to shareholders of the parent company:			
undiluted and diluted earnings per share	1.7	0,40	0,00

Consolidated Statement of Comprehensive Income, IFRS

Net profit for the period		**25 808**	**92**
Other comprehensive income			
Items that may later be recognized in profit or loss			
Translation differences	4.9	-4 900	-4 015
Cash flow hedges	4.9	438	-34
Other comprehensive income, net of tax		-4 461	-4 050
Total comprehensive income		**21 347**	**-3 958**
Total comprehensive income attributable to:			
The parent company owners		21 347	-3 958

CONSOLIDATED BALANCE SHEET, IFRS

1000 EUR	*Note*	*31.12.2017*	*31.12.2016*
ASSETS			
Non-current assets			
Property, plant and equipment	3.3	47 662	40 617
Goodwill	3.1	10 384	10 587
Other intangible assets	3.2	14 628	16 439
Available-for-sale investments	4.4	33	39
Deferred tax assets	1.6	4 171	1 867
		76 879	69 549
Current assets			
Inventories	2.2	100 658	85 319
Trade and other receivables	2.3	106 001	87 953
Advance payments		982	2 372
Current tax		1 429	1 382
Cash and cash equivalents	4.1	20 635	20 194
		229 706	197 219
Total assets		**306 585**	**266 768**
EQUITY			
Shareholder's equity and liabilities	4.9		
Share capital		2 000	2 000
Reserve for invested unrestricted equity fund		28 036	27 719
Fair Value Reserve		-68	-506
Other reserves		6 706	6 542
Translation differences		6 691	11 591
Retained earnings		81 318	60 963
		124 683	108 308
Total equity		**124 683**	**108 308**
Non-current liabilities			
Provisions	5.1	283	148
Interest bearing liabilities	4.3	27 356	38 235
Deferred tax liabilities	1.6	4 825	3 001
		32 464	41 383
Current liabilities			
Trade and other liabilities	2.4	113 058	88 266
Current tax		2 245	1 472
Provisions	5.1	176	5 423
Interest bearing liabilities	4.3	33 959	21 915
		149 438	117 076
Total liabilities		**181 902**	**158 459**
Total shareholder's equity and liabilities		**306 585**	**266 768**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

1000 EUR	*Note*	*1.1.-31.12.2017*	*1.1.-31.12.2016*
Cash flow from operating activities			
Net profit		25 808	92
Adjustments for the net profit			
Transactions without payment:			
Change in provisions		-4 833	4 037
Shutdown costs			6 443
Capital gain / loss for fixed assets		1 496	-105
Exchange rate differences		-870	993
Other adjustments		730	141
Depreciation		8 740	10 956
Financial income		-9 825	-11 310
Financial expenses		8 505	12 470
Taxes		6 753	5 985
Change in net working capital:			
Change in accounts receivable and other receivables		-18 050	8 560
Change in inventories		-15 412	-2 456
Change in accounts payable and other liabilities		27 614	-12 186
Change in net working capital total		-5 848	-6 082
Paid interests and other financial expenses		-1 831	-2 002
Interest received		169	181
Taxes paid		-7 723	-5 344
Net cash from operating activities		**21 272**	**16 453**
Cash flow from investing activities			
The sale of a subsidiary less cash and cash equivalents at the time of sale			901
Investments in tangible and intangible assets	3.2, 3.3	-20 705	-5 161
Sale of tangible and intangible assets		10 021	719
Net cash from investing activities		**-10 683**	**-3 541**
Cash flow from financing activities			
Share issue			16 802
Related party investments to company shares	1.4	317	196
Repayment of long-term loans		-10 500	-5 250
Proceeds from short-term loans		11 956	
Repayment of short-term loans		-5 139	-21 063
Paid dividends		-5 730	-5 069
Net cash from financing activities		**-9 096**	**-14 385**
Net increase/decrease in cash and cash equivalents		**1 493**	**-1 472**
Cash and cash equivalents at beginning of period		20 194	22 255
Changes in exchange rates		-1 052	-589
Cash and cash equivalents at end of period		**20 635**	**20 194**

STATEMENT OF CHANGES IN EQUITY, IFRS

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

1000 EUR	*Share capital*	*Share premium account*	*Fair value reserve*	*Other reserves*	*Translation differences*	*Retained earnings*	*Equity total*
Equity 1.1.2017	2 000	27 719	-506	6 542	11 591	60 963	108 308
Comprehensive income							
Net profit for the period						25 808	25 808
Other comprehensive income (net of tax)							
Translation differences					-4 900		-4 900
Cash flow hedges			438				438
Total comprehensive income			**438**		**-4 900**	**25 808**	**21 347**
Transactions with owners							
Fund transfer				164		-164	0
Option scheme						441	441
Paid dividends						-5 730	-5 730
Share options exercised		317					317
Equity 31.12.2017	**2 000**	**28 036**	**-68**	**6 706**	**6 691**	**81 318**	**124 683**

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

1000 EUR	*Share capital*	*Share premium account*	*Fair value reserve*	*Other reserves*	*Translation differences*	*Retained earnings*	*Equity total*
Equity 1.1.2016	2 000	10 721	-472	6 334	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**
Transactions with owners							
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**	**-506**	**6 542**	**11 591**	**60 963**	**108 308**

Notes to consolidated financial statements

Basic details of the Group

Scanfil plc is a Finland-based public limited company domiciled in Sievi. The parent company Scanfil plc and the subgroups Scanfil EMS Oy and Scanfil Sweden AB make up the Scanfil Group (hereinafter 'Scanfil' or 'the Group'). The shares of parent company Scanfil plc have been quoted on the Main List of the NASDAQ OMX Helsinki since January 2, 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, analyzers, various slot and vending machines, and devices related to medical technology and meteorology. Scanfil's network of factories consists of 10 production units in Europe, Asia and North America. The total number of employees is approximately 3,300.

Accounting principles

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

The consolidated financial statements have been prepared for the period January 1 – December 31, 2017. In its meeting held on February 16, 2018, the Board of Directors of Scanfil plc approved the consolidated financial statements for publication. According to the Finnish Limited Liability Companies Act, the ordinary general meeting has the right to adopt, reject or amend the financial statements after their publication.

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

All individual figures and totals presented in the financial statements have been rounded, due to which the total sum of single figures may differ from the sum presented. The key figures were calculated using precise values.

Accounting principles for consolidated financial statements

The general accounting principles used for consolidated financial statements are described in this section. More detailed accounting principles are shown below in connection with each item.

The table below shows the accounting principles used for the consolidated financial statements of Scanfil plc, the associated notes and references to the most important IFRS regulating the financial statement items.

Combination principles

Subsidiaries

Subsidiaries are companies controlled by the Group. Control emerges when the Group controls 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. In the Scanfil Group, all subsidiaries are wholly-owned, and control is created by the voting powers.

Accounting principles for consolidated financial statements

Accounting principle	*Note*	*IFRS-standard*
Net Sales and details of business segments	1.1	IFRS 8, IAS 18
Employee benefit expenses	1.4	IAS 19, IFRS 2
Income taxes and deferred taxes	1.6	IAS 12
Inventories	2.1	IAS 2
Goodwill and impairment testing	3.1	IAS 36
Intangible assets	3.2	IAS 38, IFRS 3
Property, plant and equipment	3.3	IAS 16, IAS 23
Finance leases and other leases	3.5, 5.2	IAS 17
Financial income and expenses	4.2	IAS 32, IAS 39, IFRS 7
Financial liabilities and Cash and cash equivalents	4.1, 4.3	IAS 32, IAS 39, IFRS 7, IFRS 13
Provisions	5.1	IAS 37

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 recognized 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 unrealized gains and internal profit distribution are eliminated upon preparing the consolidated financial statements. Unrealized 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. There were no non-controlling interests during the financial periods 2016 and 2017. 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 recognized through profit or loss. Acquisitions made prior to 1 January 2010 are handled in accordance with the regulations effective at the time.

Conversion of items in foreign currency

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 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. The companies' balance sheets are translated into euros using the rates in force on the balance sheet date.

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 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.

Non-current assets classified as **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 in 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. The Group did not have such items for the financial periods 2016 and 2017.

Operating profit

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

Dividend

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

Accounting principles requiring the discretion of management and major uncertainty factors associated with the estimates

LThe 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 3.1, "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 realizable 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 5.1, "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 2017:

- Amendments to IAS 7 *Disclosure Initiative* (effective for financial periods beginning on or after January 1, 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 notes to the consolidated financial statements of Scanfil plc.

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses* (effective for financial periods beginning on or after January 1, 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 amendment has no impact on Scanfil plc's consolidated financial statements.

- Amendments to IFRS 12*, Annual Improvements to IFRS (2014-2016 cycle) (effective for financial years beginning on or after January 1, 2017). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRS to be grouped together and issued in one package annually. The amendment has no impact on Scanfil plc's consolidated financial statements.

* = not yet endorsed for use by the European Union as of December 31, 2017.

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

Scanfil has not yet applied the following new or revised standards and interpretation already published by the IASB. The Group will adopt them as of the effective date of each standard and interpretation, or if the effective date is not the first day of the financial period, as of the beginning of the first financial period after the effective date.

- IAS 9 *Financial Instruments* and amendments made to it (effective for the financial periods beginning on or after January 1, 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 potential impacts of IFRS 9 on the consolidated financial statements of Scanfil plc have been assessed. The amendments have no impact on the recognition of the Group's financial liabilities or on the recognition of cash flow hedging. Introduction of the new impairment method does also not have a material effect on the consolidated financial statements.

- IFRS 15 *Revenue from Contracts with Customers, Effective date of IFRS 15 and Clarifications to IFRS 15* (effective for the financial periods beginning on or after January 1, 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 recognize revenue, and at what amount. Revenue is recognized when a company transfers control of goods or services to a customer either over time or at a point in time. The standard also introduces new disclosure requirements.
  The Group has analyzed the 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. Typical Scanfil products include mobile and communications network devices, automation system modules, frequency converters, lift control systems, analyzers, various slot and vending machines, and devices related to medical technology and meteorology.
  The introduction of the standard is not expected to have a material effect on the timing of posting the sales revenues of the Group as income. The most significant difference from the current timing of posting is created by the treatment of customers' consignment stocks. Earlier, posting was done as the customer used the consignment stock. According to IFRS 15, the contractual control is transferred to the customer when the goods are transferred to the consignment stock, and consequently, the sales are posted as income when control is passed. A minor impact on the recognition of penalties for late delivery and quantity discounts granted to customers. The penalties for late delivery have earlier been recognized as an expense, but in the future, they will be recognized as a deduction of sales in compliance with IFRS 15. Quantity discounts have been recognized when the customer has been credited; in the future the quantity discount will be already estimated and recog-

nized in compliance with IFRS 15 when the performance obligation is posted, provided that the customer is entitled to a discount.

The Group will use the cumulative effect approach when applying IFRS 15. The estimated impact on the opening balance on January 1, 2018 is as follows:

- Retained earnings will increase by EUR 0.2 million
- Inventories will decrease by EUR 2.5 million, and accrued income will increase by EUR 3.0 million.

- IFRS 16 *Leases* (effective for the financial periods beginning on or after January 1, 2019). The new standard replaces the current IAS 17 and related interpretations. IFRS 16 requires the lessees to recognize the lease agreements in the balance sheet as a lease liability and as a related asset item. 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 about USD 5,000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting.

  IFRS 16 *Leases* will impact the consolidated financial statements of Scanfil plc, because the company has leases, mainly related to business premises but also to cars and other equipment. The company has analyzed the current leases taking into account the exceptions available and using the interest rate of the Group's credits as the discount rate of interest. The analysis shows that the lease asset item to be recognized in the balance sheet would be approximately EUR 11 million, if the standard was to be applied on January 1, 2018.

- Amendments to IFRS 2 *Clarification and Measurement of Share-based Payment Transactions** (effective for financial periods beginning on or after January 1, 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 amendment has no impact on Scanfil plc's consolidated financial statements.

- *IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration** (effective for the financial periods beginning on or after January 1, 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 recognizes 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 amendment has no impact on Scanfil plc's consolidated financial statements.

- Annual Improvements to IFRS*, 2014–2016 cycle (effective for financial years beginning on or after January 1, 2018). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRS to be grouped together and issued in one package annually. The amendments concern IFRS 1 and IAS 28. The amendments have no impact on Scanfil plc's consolidated financial statements.

- IFRIC 23 *Uncertainty over Income Tax Treatments** (effective for the financial periods beginning on or after January 1, 2019). The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment. When considering this, the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The amendment has no impact on Scanfil plc's consolidated financial statements.

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation** (effective for the financial periods beginning on or after January 1, 2019). The amendments enable entities to measure at amortized cost some prepayable financial assets with so-called negative compensation. The amendment has no impact on Scanfil plc's consolidated financial statements.

- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures** (effective for the financial periods beginning on or after January 1, 2019). The amendments clarify that a company applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The amendment has no impact on Scanfil plc's consolidated financial statements.

- Annual Improvements to IFRS*, 2015–2017 cycle (effective for financial years beginning on or after January 1, 2019). 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 amendments concern IFRS 3, IFRS 11, IAS 12 and IAS 23. The amendments have no impact on Scanfil plc's consolidated financial statements.

* = not yet endorsed for use by the European Union as of December 31, 2017.

1. ITEMS AFFECTING THE RESULT

1.1 NET SALES AND DETAILS OF BUSINESS SEGMENTS

ACCOUNTING PRINCIPLE

Revenue recognition

Revenue arising from the sale of products is recognized 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. The Group has no long-term projects posted on the basis of degree of completion. 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.

The impacts of the new IFRS 15 *Revenue from Contracts with Customers*, effective from January 1, 2018, are discussed in the section entitled "Accounting principles".

Following the clarification of Scanfil Group's structure, Scanfil has started using single business segment reporting from the beginning of 2017.

Net sales

The company's customers include international operators in the automation, energy, data transmission and health technology sectors, among other industries, and companies operating in fields related to urbanization. Typical products manufactured by Scanfil 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, analyzers, various slot and vending machines, defense industry devices and meteorological instruments.

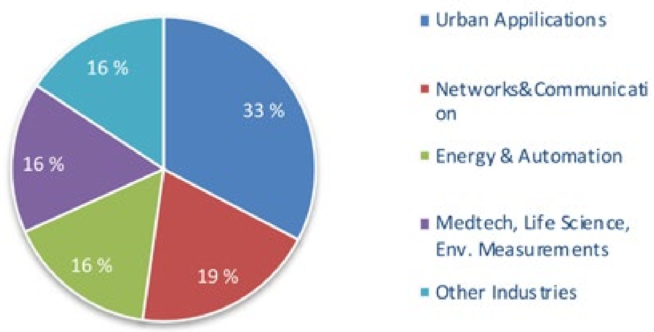
Markets and customer segments

Scanfil has divided its customers into segments on the basis of their respective fields of activity and monitors the development of sales by customer segment.

The customers are divided into the following segments:

- Energy and Automation
- Medtec, Life Science, Environmental Measurements
- Networks & Communication
- Urban Applications
- Other Industries

Net sales by customer segment in 2017



In 2017, net sales increased in "Energy & Automation", "Medtech, Life Science, Environmental Measures," "Networks & Communication" and "Other Industries" segments from the year before. The positive development in sales to new customers was particularly reflected in increased sales in the "Other Industries" segment. However, the development of demand within customer segments showed high customer-specific variation. The largest single customer accounted for roughly 13% and the ten largest customers close to 61% of net sales.

Net sales by customer segment and quarter

MEUR	*2016*	*Q1/2017*	*Q2/2017*	*Q3/2017*	*Q4/2017*	**2017**	*% of 2017 turnover*
Defence, Oil & Gas and Maritime*	15,7						
Energy & Automation	80,7	21,4	22,1	20,7	20,5	**84,7**	16,0 %
Medtec, Life Science, Environmental Measurements	70,4	20,3	21,0	21,5	23,3	**86,0**	16,2 %
Networks&Communication	98,8	27,2	25,5	27,3	23,5	**103,5**	19,5 %
Urban Applications	179,6	40,6	42,9	39,4	49,8	**172,6**	32,6 %
Other Industries	62,8	12,8	20,9	22,0	27,4	**83,1**	15,7 %
Total	508,0	122,3	132,4	130,8	144,4	**529,9**	100,0 %

* "Defence, Oil & Gas and Maritime" customer accounts were transferred to the "Networks & Communication" and "Other Industries" customer groups as of Q3/2016.

Sales of products and services

Service sales include productization, component, warehousing and logistics services as well as after-sales services, which include product repair, update and spare part services.

1000 EUR	*2017*	*2016*
Sales of goods	501 258	477 902
Sales of services	28 602	30 068
Total	**529 860**	**507 970**

Major customers

1000 EUR	*2017*	*% of turnover*	*2016*	*% of turnover*
Customer 1	66 692	13	55 720	11
Customer 2	47 517	9	52 138	10
Customer 3	41 860	8	36 336	7
Total	**156 069**		**146 210**	

The same customers are not necessarily shown in the table above for the reporting period and for the comparison period.

Information about the whole Group

Of the segment information, the assets are shown by their location and distribution of sales is shown by the location of customers.

Distribution of segment assets

The segment assets mainly consist of goodwill, intangible and tangible assets, inventories, trade receivables as well as cash and cash equivalents.

Assets on geographical areas

1000 EUR	*2017*	*2016*
Domicile		
Finland	26 352	21 664
Sweden	40 870	37 647
Poland	91 407	71 997
China	90 272	77 455
Other	52 955	56 207
Total	**301 855**	**264 970**

Net sales by location of customers

1000 EUR	*2017*	*2016*
Finland	102 883	89 971
Sweden	114 481	116 026
Rest of Europe	159 019	188 448
Asia	107 519	85 576
USA	40 421	26 837
Other	5 536	1 111
Total	**529 860**	**507 970**

1.2. OTHER OPERATING INCOME

ACCOUNTING PRINCIPLE

Income other than that associated with actual business operations is recognized under other operating income. Such items include capital gains from the sales of tangible fixed assets, rental income, insurance compensation payments and public subsidies. Rental income mainly consists of rents from business premises in China.

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

Other operating income, 1000 EUR	*2017*	*2016*
Proceeds from sale of property, plant and equipment	2 045	208
Rental income	124	170
Allowances and compensations	175	233
Insurance claims		112
Other	359	252
Total	**2 703**	**975**

The capital gains from the sales of tangible fixed assets include the capital gains of EUR 1.4 million from the industrial real estate property in Hungary, as well as capital gains of EUR 0.6 million from the sales of machinery and equipment.

1.3. USE OF MATERIALS AND SUPPLIES

Use of materials and supplies, 1000 EUR	*2017*	*2016*
Materials, supplies and goods		
Purchases during the period	374 673	343 999
Change in inventories	-6 931	-3 082
Total	**367 742**	**340 918**

1.4. EMPLOYEE BENEFIT EXPENSES

Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits and share-based payments. Short-term employee benefits are posted as expense for the financial period during which the work was performed.

ACCOUNTING PRINCIPLE

Short-term employee benefits
Short-term employee benefits include salaries and fringe benefits, annual holidays and performance bonuses.

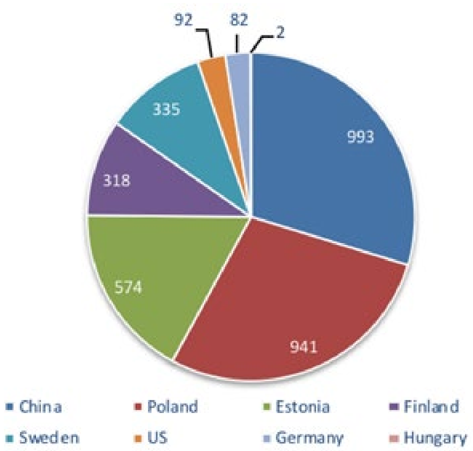
Post-employment benefits
Pension arrangements related to post-employment benefits are classified as defined benefit or defined contribution plans. The Group does not have significant defined benefit pension plans. Most of Scanfil's obligations towards its employees are comprised of various defined contribution pension plans. The pension contributions for defined contribution pension plans are posted as expense for the financial period during which they were accrued. In Finland, the defined contribution pension plans are based on the Employees Pensions Act, according to which the pension contributions are based directly on the beneficiary's earnings.
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.

Personnel expenses, 1000 EUR	*2017*	*2016*
Salaries, wages and fees	62 644	68 378
Options implemented and paid in shares	548	530
Pension costs – defined-contribution schemes	6 720	6 381
Other indirect employee expenses	10 108	10 842
Total	**80 020**	**86 132**

Management's employee benefits are reported in note 5.4, "Details of related parties and Group structure".

Average number of Group employees during the period	*2017*	*2016*
Finland	325	326
Abroad	2 929	3 157
Total	**3 254**	**3 483**

Personnel by country on December 31, 2017, in all 3,337 employees.



Share-based payments

ACCOUNTING PRINCIPLE

The Group has two option schemes in place. Option rights are valued at their fair value at the time they were granted and recognized 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.

2013 and 2016 option schemes

On April 18, 2013, the Annual General Meeting accepted Scanfil plc's 2013 option scheme (A) – (C), and on April 12, 2016, the Annual General Meeting accepted the 2016 option scheme (A) – (C) On the basis of the 2013 option scheme, a maximum of 750,000 option rights can be granted, while on the basis of the 2016 option scheme, maximum of 900,000 option rights can be granted. Each option right enables its holder to subscribe one Scanfil plc share. The start of the option rights 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. The subscription price of shares is determined on the basis of the Company's trading volume -weighted average share price in Nasdaq Helsinki Oy during the period March 1 to March 31 three years before start of the option rights subscription period.

On the basis of the authorization granted by the Annual General Meeting, the Board of Directors decides on providing option rights to the Group's President and to the members of the Management Team.

In 2017, the expense recognition of the option scheme was EUR 441 thousand (EUR 148 thousand in 2016).

In 2017, a total of 225,000 new shares were subscribed under option rights 2013B. The subscription price of EUR 317 thousand of subscriptions made under the option rights has been recognized in the invested unrestricted equity reserve, and the shares subscribed under the option rights were entered in the Trade Register on June 19, 2017 and September 26, 2017.

In 2016, a total of 225,000 new shares were subscribed under option rights 2013A. The subscription price of EUR 195 thousand of subscriptions made under the option rights has been recognized in the invested unrestricted equity reserve, and the shares subscribed under the option rights were entered in the Trade Register on June 9, 2016. All shares related to the 2013A and 2013B option schemes have been subscribed.

The valuation of option schemes was done using the Black-Scholes valuation model.

Option arrangement	*2016B*	*2016A*	*2013C*	*2013B*	*2013A*
Grant date	21.11.2017	8.12.2016	28.10.2015	25.9.2014	18.9.2013
Amount of granted instruments (pcs)	250 000	250 000	250 000	225 000	225 000
Subscription price (EUR)	3,57	3,38	2,91	1,41	0,87
Fair value (EUR)	1,12	0,74	1,57	1,17	0,66
Share price at time of granting (EUR)	4,15	3,36	3,08	2,31	1,34
Term of validity (years)	4,4	4,4	4,5	4,5	4,5
Subscription period	1.5.2020-30.4.2022	1.5.2019-30.4.2021	1.5.2018-30.4.2020	1.5.2017-30.4.2019	1.5.2016-30.4.2018

1.5. OTHER OPERATING EXPENSES

Other operating expenses include the following significant items:

Other operating expenses, 1000 EUR	*2017*	*2016*
Hired labour	11 284	10 541
Subcontracting	1 934	2 633
Sales freight	3 892	3 901
Electricity, gas, water, heating	3 036	3 224
Tools & repair and maintenance of tools	5 615	5 442
Rent, premises	2 676	4 404
Other rents and business restructuring	247	4 758
Maintenance expenses	3 891	4 826
Travel, marketing and vehicle expenses	3 367	3 814
Other employee expenses	2 921	3 072
Bought services	4 246	4 020
IT and telecommunications expenses	1 670	1 985
Business restructuring		5 270
Other operating expenses	3 018	3 983
Total	**47 795**	**61 871**

Other operating expenses were lower than in the previous year, due to the fact that the result for 2016 was burdened by reorganization and restructuring expenses as well as the adaptation and improvement of efficiency of the factory network following the restructuring measures.

In 2016, the Annual General Meeting of Scanfil Plc KPMG Oy Ab, a firm of Authorized Public Accountants, as the Group's' auditor.

Auditor's remuneration, 1000 EUR	*2017 Fees to KPMG*	*2017 Fees to other auditors*	*2016 Fees to KPMG*	*2016 Fees to other auditors*
Audit fees	310	10	298	19
Tax consulting	18		1	
Other services	28	14	32	1
Total	**356**	**23**	**331**	**20**

The non-audit services performed by the statutory auditor KPMG Oy / Ab for the financial year 2017 totaled EUR 33 thousand.

1.6. INCOME TAXES

ACCOUNTING PRINCIPLE

Income 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 recognized in full. Deferred tax assets are recognized only when it is probable that the assets can be utilized against the taxable profit of future financial periods.

Use of estimates

The management uses its discretion in determining the amount of income taxes and in recognizing deferred tax assets. Deferred tax assets are recognized for taxable losses and for the temporary differences between the taxation values and book values of assets and liabilities. Deferred tax assets are recognized to the extent that the Group probably accumulates, according to the assessment by the management, enough taxable income against which the deferred tax assets can be utilized.

Income taxes, 1000 EUR	*2017*	*2016*
Current tax	7 450	5 176
Tax expense of previous years	-183	96
Deferred taxes	-472	713
Total	**6 795**	**5 985**

Reconciliation of tax expense in the income statement and taxes calculated at the domestic tax rate of 20 % (year 2016 20%):

Earnings before taxes	32 603	6 077
Taxes calculated at domestic tax rate	6 521	1 215
Different tax rates of foreign subsidiaries	-252	-979
Tax at source on dividends paid in China	822	323
Witholding tax of unpaid dividends	2 040	
Unrecorded deferred tax assets from tax losses	404	4 837
Cancellation of deferred tax assets related to previous losses	458	408
Use of deferred tax assets related to previous losses		182
Use of unrecognized losses in previous years	-7	-583
Tax benefit of investment in Polish subsidiary	-2 552	
Other	-456	486
Taxes from previous years	-183	96
Taxes in income statement	**6 795**	**5 985**

Other items for 2017 include the EUR 0.4 million reassessment resulting from the tax inspection carried out in the Polish subsidiary. The reassessment was mainly related to transfer pricing between Group companies in 2014.The Group is considering the option of applying for a refund through an EU arbitration process.

Deferred tax assets and receivables

1000 EUR	*1.1.2017*	*Recognised through profit and loss*	*Recognised under other comprehensive income*	*Translation differences*	*Divested businesses*
Deferred tax assets:					
Confirmed losses	477	-472		0	5
Investment grant to Poland		2 552		49	2 601
Related to inventories	444	144		18	606
Provisions	203	-72		7	138
Other	742	148	-57	-12	821
Total	**1 867**	**2 301**	**-57**	**61**	**4 171**
Deferred tax liabilities:					
Long-term customer relationships	-2 527	295		69	-2 164
Unpaid dividends		-2 040			-2 040
Accumulated depreciation	-393	-66		-4	-463
Leasing	-20	9		0	-11
Other	-61	-27	-60	0	-147
Total	**-3 001**	**-1 829**	**-60**	**64**	**-4 825**

On 31 December 2017, the Group had EUR 27.8 million of confirmed losses for which no deferred tax assets have been recognized because the Group is unlikely to record taxable profit before the expiration of the loss in question against which the losses could be taken into account. The losses in question will expire in 2019–2027.

1000 EUR	*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	403	46		-4		444
Pension provisions	20	-20				0
Provisions	451	-244		-5		203
Other	1 152	-453	9	34		742
Total	**2 690**	**-806**	**9**	**-27**		**1 866**
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 recognized because the Group is unlikely to record taxable profit before the expiration of the loss in question against which the losses could be taken into account. The losses in question will expire in 2019–2026.

1.7. EARNINGS PER SHARE

ACCOUNTING PRINCIPLE

Earnings per share

Earnings per share are calculated by dividing the profit for the period attributable to equity holders of the parent company with the weighted average number of outstanding shares during the financial period. For the earnings per share adjusted for the dilution effect, the impact of possible share-based incentive schemes and option rights is taken into account.The exercise of options is not considered when calculating earnings per share if the share subscription price using the option exceeds the average market price of the share during the period.

Earnings per share, 1000 EUR	*2017*	*2016*
Net profit for the period attributable to equity holders of the parent company	25 808	92
Number of shares, undiluted (1,000 pcs)	**63 757**	**62 423**
Earnings per share, undiluted, EUR	0,40	0,00
Dilution effect of stock options (1,000 pcs)	710	685
Number of shares, diluted (1,000 pcs)	64 467	63 108
Earnings per share, diluted, EUR	**0,40**	**0,00**

2. NET WORKING CAPITAL

2.1. NET WORKING CAPITAL

The company includes the following items in net working capital: Of current assets, inventories, trade receivables and other receivables, advance payments as well as deferred tax assets based on the taxable income for the financial period, and of current liabilities, trade payables and other liabilities as well as deferred tax liabilities based on the taxable income for the financial period.

The Group monitors on a monthly basis the ratio of net working capital to the net sales for the previous 12 months. The goal is to have less than 20 per cent of net sales tied up in working capital.

Net working capital, 1000 EUR	*2017*	*2016*
Net working capital		
Inventories	100 658	85 319
Trade receivables	99 552	83 820
Accrued income, other receivables and income tax receivables	7 879	5 514
Advance payments	982	2 372
Trade payables	-90 969	-67 510
Accrued expenses, other liabilities and income tax liabilities	-24 116	-22 228
Total	**93 986**	**87 287**
Net working capital, % of turnover	**17,7 %**	**17,2 %**

2.2 INVENTORIES

ACCOUNTING PRINCIPLE

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined on a weighted-average basis. The cost of raw materials includes the expenses incurred for purchasing and putting them into storage. The cost of finished goods and work in progress includes raw materials, direct labor costs and other direct expenditure as well as a proportion of fixed costs.

The impairment due to obsolescence, based on the management's estimate of probable net realizable value, is taken into account when determining the value of inventories. The net realizable value is the estimated selling price less sale-related costs.

Use of estimates

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

Inventories, 1000 EUR	*2017*	*2016*
Materials and supplies	78 757	66 133
Work in progress	8 886	6 329
Finished goods	13 016	12 856
Total	**100 658**	**85 319**

The increased value of inventories is due to the increased demand at the end of the year when compared to the situation a year ago. During the comparison year 2016, a total of EUR 1.1 million in write-downs of inventories related to discontinued units were recognized during the financial period.

2.3 TRADE AND OTHER RECEIVABLES

ACCOUNTING PRINCIPLE

Trade receivables

Trade receivables are created when Scanfil invoices products and services delivered to customers. Trade receivables are measured at the original invoiced amount. For uncertain receivables, impairment is recognized on the basis of case-specific risk assessments. The quality of receivables is generally monitored on the basis of ageing, and also on the basis of individual customer-specific analyses.

Use of estimates

Estimates by the management are included in the assessment of possible credit loss risks included in the trade receivables.

Trade and other receivables, 1000 EUR	*2017*	*2016*
Trade receivables	99 552	83 820
Accrued income	2 042	971
Value-added tax receivables	3 489	2 837
Other receivables	919	325
Total	**106 001**	**87 953**

Age distribution of trade receivables, 1000 EUR	*2017*	*2016*
Unmatured	88 498	71 961
Matured		
1 - 30 days	9 287	10 720
31 - 90 days	1 330	821
91 - 180 days	578	156
181 - 365 days	-124	265
over 1 year	48	62
Provision for bad debt	-65	-165
Total	**99 552**	**83 820**

During the financial period, the Group has recognized a total of EUR 0.1 million (EUR 0.4 million in 2016) of credit losses for trade receivables. The credit losses of 2016 ware mainly credit losses incurred by restructured and divested companies and write-downs of uncertain trade receivables.

At the end of the financial period, the credit loss provision recognized for covering uncertain receivables stood at EUR 0.1 (0.2) million.

2.4 TRADE AND OTHER LIABILITIES

Trade and other payables, 1000 EUR	*2017*	*2016*
Trade payables	90 969	67 510
Accrued liabilities	16 112	14 173
Advance payments received	219	746
Other creditors	5 759	5 837
Total	**113 058**	**88 266**
The most significant items included in accrued liabilities:		
Employee expenses	11 489	10 630
Interests	55	91
Financial derivatives	371	766
Other accrued liabilities	4 197	2 686
Total	**16 112**	**14 173**

3. NON-CURRENT ASSETS

3.1. GOODWILL

ACCOUNTING PRINCIPLE

Goodwill

Business combinations are treated using the acquisition method. Goodwill is recognized at the amount by which the acquisition cost exceeds the Group's share of the value of acquired assets and liabilities at the time of acquisition. Goodwill is created in corporate transactions, and it reflects the value of the acquired business, market share and synergies. The book value of goodwill is tested by impairment testing. The Group's goodwill was mainly created by the acquisition of the PartnerTech AB Group.

Impairment testing

No depreciation is made of goodwill; instead, goodwill is tested annually for possible impairment. For that, goodwill is allocated to cash generating units (CGUs). The recoverable amount of the CGU is calculated with value in use calculations. An impairment loss is recognized when the book value of an asset exceeds its recoverable amount. Impairment losses are immediately recognized as expenses in the income statement. Impairment losses recognized for goodwill cannot be later reversed.

Goodwill, 1000 EUR	*2017*	*2016*
Cost at 1 Jan.	10 587	10 859
Exchange rate differences	-203	-272
Carrying amount at 31 Dec.	**10 384**	**10 587**

Allocation of goodwill and goodwill on consolidation to cash-generating units		
Scanfil Oü	111	111
Scanfil GmbH	3 602	3 602
Scanfil Vellinge AB	1 334	1 375
Scanfil Åtvidaberg AB	1 801	1 856
Scanfil Poland Sp. z o.o.	3 535	3 643
Total	**10 384**	**10 587**

Discount rate of cash flows before taxes	*2017*	*2016*
Germany	11,6 %	13,2 %
Poland	11,9 %	13,5 %
Vellinge	11,0 %	12,8 %
Åtvidaberg	11,0 %	12,9 %

The recoverable amount of a CGU is based on the value in use of a cash-generating unit, which is the present value of the future cash flows the CGU is expected to accumulate. Determination of the value in use is based on the conditions and expectations in force at the time of testing. Future cash flows are determined for a five-year forecast period, and for the period following that, a growth rate of 2% has been assumed for cash flows.

Preparing impairment testing calculations requires estimates of future cash flows. The net sales and profitability assumptions used for the forecasts are based on customer-specific forecasts and the management's estimates of the development of demand and markets.

The weighted average cost of capital (WACC) for the cash-generating unit has been used as the discount rate for cash flows. The risk-free interest rate, risk factor (beta) and risk premium parameters used for determining the discount rate of interest are based on information obtained from the market.

Impairment testing did not indicate any need for impairment of goodwill. The recoverable amounts of all cash-generating units exceed their book values by at least 35%.

Sensitivity analysis

A sensitivity analysis was performed for cash-generating units by changing calculation assumptions. The table below shows the change in assumption that would be required to make the recoverable amount equal to its book value.

Impairment testing	*2017 Change % -units*	*2016 Change % -units*
Discount rate before taxes		
Germany	+ 2,1	+ 0,3
Poland	+2,6	+10,5
Vellinge	+12,3	+25,0
Åtvidaberg	+24,9	+31,1
Profitability (EBITDA %)		
Germany	- 1,4	- 0,0
Poland	- 1,3	- 3,1
Vellinge	- 4,9	- 5,1
Åtvidaberg	- 6,0	- 5,3
Terminal growth rate		
Germany	-6,9	-0,0
Poland	-8,4	-40,0
Vellinge	N/A	N/A
Åtvidaberg	N/A	N/A

For Vellinge and Åtvidaberg, the change in terminal growth is irrelevant (N/A), because the recoverable amount for the first five forecast periods is already sufficient to cover the book value.

3.2. OTHER INTANGIBLE ASSETS

ACCOUNTING PRINCIPLE

Other intangible assets

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

Other intangible assets include long-term customer relationships, software suites and right to land use of Chinese subsidiaries.

The depreciation periods are:

Long-term customer relationships	10 years
Intellectual property rights	3–10 years
Other intangible assets	3–10 years
Right to land use in China	50 years

The balance sheet value of an asset is always assessed for establishing possible impairment whenever there are any indications that the value of some asset has been impaired.

Long-term customer relationships

In connection with the allocation of the purchase price related to the acquisition of PartnerTech AB in 2015, 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.

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 capitalized and amortized over their useful lives. The Group has no capitalized development costs.

Impairment

The balance sheet values tangible assets are assessed for establishing possible impairment on the balance sheet date and whenever there are any indications that the value of some asset has been impaired. The recoverable amount for the asset in question is assessed in the impairment tests. The recoverable amount is the fair value of the asset less its disposal costs, or its value of use, whichever is higher. An impairment loss is recognized in the income statement, if the book value of an asset exceeds its recoverable amount. The impairment loss is included in the income statement item Depreciation, amortization and impairment. An impairment loss related to property, plant and equipment is reversed if there has been a material change in the estimates used to determine the recoverable amount. An impairment loss is only reversed up to the asset's book value which it would have net of depreciation, if no impairment loss had been recognized in earlier years.

Other intangible assets, 1000 EUR	*Customer relation-ships*	*Intangible rights*	*Other long-term expenses*	*Advance paymentst*	*Intangible assets total*
Acquisition cost at 1 Jan. 2017	13 494	6 491	1 930	610	22 525
Additions		800	495	196	1 491
Deductions		-282	-503	-643	-1 428
Exchange rate differences	-399	-265	-87	-5	-756
Acquisition cost at 31 Dec. 2017	**13 095**	**6 744**	**1 834**	**159**	**21 832**
Accumulated depreciations at 1 Jan. 2017	-2 024	-2 841	-1 222		-6 087
Depreciations	-1 338	-435	-305		-2 078
Deductions		278	501		779
Exchange rate differences	88	71	23		183
Accumulated depreciations at 31 Dec. 2017	**-3 274**	**-2 927**	**-1 002**		**-7 203**
Carrying amount at 1 Jan. 2017	11 470	3 650	708	610	16 439
Carrying amount at 31 Dec. 2017	**9 821**	**3 817**	**832**	**159**	**14 628**

Other intangible assets include the right to land use in China, having a book value of EUR 0.4 million.

Other intangible assets, 1000 EUR	*Customer relation-ships*	*Intangible rights*	*Other long-term expenses*	*Advance paymentst*	*Intangible assets total*
Acquisition cost at 1 Jan. 2016	14 027	6 864	1 913	157	22 960
Additions		283	51	464	798
Deductions		-510	-8		-518
Exchange rate differences	-533	-146	-25	-10	-715
Acquisition cost at 31 Dec. 2016	**13 494**	**6 491**	**1 930**	**610**	**22 525**
Accumulated depreciations at 1 Jan. 2016	-701	-2 861	-941		-4 503
Depreciations	-1 364	-460	-298		-2 122
Deductions		453	7		460
Exchange rate differences	41	28	9		78
Accumulated depreciations at 31 Dec. 2016	**-2 024**	**-2 841**	**-1 222**		**-6 087**
Carrying amount at 1 Jan. 2016	13 326	4 003	972	157	18 457
Carrying amount at 31 Dec. 2016	**11 470**	**3 650**	**708**	**610**	**16 439**

3.3. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING PRINCIPLE

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. No depreciation is made for land areas. The repair and maintenance costs of tangible fixed assets are recognized through profit or loss.

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 years
Machinery and equipment	3–10 years
Other tangible assets	5–10 years

Regarding machinery and equipment, a depreciation period of 8–10 years is generally used for heavy machinery (such as sheet metalwork centers) and production lines (such as surface mounting lines). Otherwise, the depreciation period for machinery and equipment is usually five years. Production tools are depreciated over three years.

The capital gains from property, plant and equipment are included in other operating income while the corresponding capital losses are included in other operating expenses.

Government grants related to tangible and intangible assets are deducted from an asset's acquisition cost, and the net acquisition cost is capitalized in the balance sheet.

Impairment

The principle for determining impairment is shown in note 3.2, Other intangible assets.

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. 2017	1 214	37 138	67 608	327	1 653	107 941
Additions		10 364	12 262	0	1 645	24 271
Deductions	-404	-11 297	-11 515	-515	-1 059	-24 790
Exchange rate differences	22	-289	-1 076	4	73	-1 265
Acquisition cost at 31 Dec. 2017	**832**	**35 916**	**67 279**	**-184**	**2 312**	**106 156**
Accumulated depreciations at 1 Jan. 2017		**-15 028**	**-52 026**	**-270**		**-67 324**
Depreciations		-2 099	-4 552	-12		-6 662
Deductions		2 240	11 412	487		14 139
Exchange rate differences		256	1 101	-4		1 353
Accumulated depreciations at 31 Dec. 2017		**-14 631**	**-44 065**	**202**		**-58 494**
Carrying amount at 1 Jan. 2017	1 214	22 110	15 581	57	1 653	40 617
Carrying amount at 31 Dec. 2017	**832**	**21 285**	**23 214**	**18**	**2 312**	**47 662**

During the financial period of January 1 – December 31, 2017, the gross investments in tangible and intangible assets totaled EUR 18.6 million. Expansion of the Sieradz electronics plant in Poland doubled its floor area. Scanfil increased its electronics manufacturing capacity by investing in new surface mounting lines at three plants. In addition, Scanfil invested in the Suzhou plant in China and, in Europe, in the Sieradz plant in Poland and the Malmö plant in Sweden. In 2017, Scanfil increased its manufacturing capacity of sheet metal mechanics at the Myslowice plant in Poland where sheet metal working centers and bending machines were purchased.

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**

During the financial period of January 1 – December 31, 2016, the gross investments in tangible and intangible assets totaled EUR 5.5 million. The investments were mainly acquisitions of machinery and equipment.

3.4 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

ACCOUNTING PRINCIPLE

The determination principles are shown in note 3.1. Goodwill, 3.2 Other intellectual property rights and 3.3 Tangible rights.

Depreciation and amortization

Depreciation by asset class, 1000 EUR	*2017*	*2016*
Intangible assets		
Intangible rights	435	460
Other long-term expenses	305	298
Long-term customer relationships	1 338	1 364
Total	**2 078**	**2 122**
Property, plant and equipment		
Buildings	2 099	2 173
Machinery and equipment	4 552	5 075
Other tangible assets	12	65
Total	**6 662**	**7 313**
Total depreciation	**8 740**	**9 435**

Amortization by assets, 1000 EUR	*2017*	*2016*
Tangible assets		
Machinery and equipment		1 521
Total		**1 521**
Total amortization		**1 521**

The impairment of machinery and equipment in the comparison year 2016 was related to the shutdown and/or divestment of unprofitable plants.

3.5 FINANCE LEASES

ACCOUNTING PRINCIPLE

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 recognized 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 recognized 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 recognized in the income statement as expenses over the lease period.

Property, plant and equipment as well as intangible assets include assets acquired by finance leases as follows:

Finance leases, 1000 EUR	*Buildings*	*Machinery and equipments*	*Total*
Acquisition cost at 1 Jan. 2017	4 548	441	4 989
Additions		89	89
Deductions		-12	-12
Depreciations	-2 203	-385	-2 588
Exchange rate differences	49	-1	48
Carrying amount at 31 Dec. 2017	**2 394**	**132**	**2 526**

Finance leases, 1000 EUR	*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**

Finance lease maturities, 1000 EUR	*2017*	*2016*
Gross financial debt		
- Minimum rents by time of maturity		
Within one year	740	737
In one to five years	2 913	2 854
More than five years	2 315	3 032
Total	**5 968**	**6 623**
Future financing expenses accrued	-1 996	-2 410
Current value of financing lease debt	**3 973**	**4 213**

The current value of financing lease debt, 1000 EUR	*2017*	*2016*
Within one year	335	303
In one to five years	1 690	1 470
More than five years	1 948	2 439
Total	**3 973**	**4 213**

4. CAPITAL STRUCTURE

FINANCIAL ITEMS

ACCOUNTING PRINCIPLE

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 recognized at fair value during initial recognition. The Group recognizes derivatives not eligible for hedge accounting at fair value through profit or loss.

Investments held to maturity are financial assets not included in derivative assets which mature at a certain date and which the Group has the intention and ability to hold until the maturity date. They are valued at amortized cost using the effective interest method. The Group did not have any investments held to maturity during the financial period 2017.

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 amortized 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 recognized through profit or loss. Investments in non-quoted shares are stated at the lower of historical cost and probable realizable 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 category Loans and other receivables, and they are presented in the balance sheet at amortized cost.

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

4.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents, 1000 EUR	*2017*	*2016*
Deposits		4 098
Cash and cash equivalents	20 635	16 096
Total	**20 635**	**20 194**

The deposits are fixed-term deposits with a maximum maturity of three months.

4.2 FINANCIAL INCOME AND EXPENSES

ACCOUNTING PRINCIPLE

Interest income is recognized using the effective interest method and dividend income when the right to a dividend was created.

Financing incomes and expenses, 1000 EUR	*2017*	*2016*
Financing incomes		
Dividend income		0
Interest income from investments held to maturity	41	88
Exchange rate gains	7 286	11 150
Capital gain of the associated company	2 398	
Other financial income	100	71
Financing incomes total	**9 825**	**11 310**
Financing expenses		
Interest expenses from financial liabilities	1 483	1 628
Exchange rate losses	6 653	10 417
Other financial expenses	369	424
Financing expenses total	**8 505**	**12 470**
Financing incomes and expenses	**1 320**	**-1 160**

Exchange rate gains and losses have arisen from the translation of transactions and monetary items into euro. The exchange rate items are shown under Financial income and expenses as their net amount, a gain of EUR 0.6 (0.7) million. The operating profit includes a total of EUR -0.0 million (EUR 0.7 million) of exchange rate losses.

The translation differences related to discontinued units have been transferred from equity to financial income and recognized through profit or loss.

Interest expenses consist of interest for financial liabilities, EUR 0.7 (1.0) million, interest expenses for leases, EUR 0.5 (0.5) million and interest expenses for using the overdraft facility, EUR 0.3 (0.1) million. Other financial expenses include EUR 0.2 (0.2) million of commissions related to financial liabilities.

4.3 FINANCIAL LIABILITIES

Financial liabilities, 1000 EUR	*2017*	*2016*
Long term liabilities recognised at amortised cost		
Financial Institutions	23 775	34 325
Finance Lease	3 581	3 909
Total	**27 356**	**38 235**
Short term liabilities recognised at amortised cost		
Financial Institutions	10 550	10 550
Drawdowns from credit facilities	23 018	11 062
Finance Lease	392	303
Total	**33 959**	**21 915**

Scanfil has signed a financing agreement with Nordea Bank Finland Plc in 2015, related to the acquisition of PartnerTech AB shares, and taken out a long-term credit of EUR 50 million. The loan is amortized every six months. The first instalment of EUR 5.3 million was paid on November 25, 2016, and the final instalment will be paid on November 25, 2019. The remaining portion, EUR 13.3 million, will fall due on the agreement end date on May 25, 2020.

In addition, Nordea's Multicurrency Global Cash Pool is available with an overdraft facility of EUR 42 million.

The Group's financing arrangements 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. The Group fulfilled the covenant terms during the financial periods of 2016 and 2017.

Finance leases are discussed in note 3.5, Finance leases.

4.4 AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments, 1000 EUR	*2017*	*2016*
Cost at 1 Jan.	39	35
Additions	-5	5
Exchange rate differences	-1	-1
Cost at 31 Dec.	33	39
Carrying amount at 31 Dec.	**33**	**39**

The available-for-sale investments comprise golf shares and shares in personnel hire companies.

4.5 BOOK VALUES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

2017, Balance sheet item 1000 EUR	*Financial assets and liabilities at fair value through profit and loss*	*Loans and other receivables*	*Available for sales investment*	*Financial liabilities recognised at amortised cost*	*Balance sheet items total*
Non-current assets					
Equity investments			33		33
Current assets					
Trade receivables		99 552			99 552
Derivatives, hedging	270				270
Cash and cash equivalents		20 635			20 635
Total financial assets	**270**	**120 187**	**33**	**0**	**120 491**
Non-current financial liabilities					
Interest-bearing liabilities from financial institutions				23 775	23 775
Finance Lease				3 581	3 581
Current financial liabilities					
Interest-bearing liabilities from financial institutions				10 550	10 550
Drawdowns from credit facilities				23 018	23 018
Finance Lease				392	392
Derivatives, hedging	371				371
Trade payables				90 969	90 969
Total financial liabilities	**371**			**152 284**	**152 655**

The fair values of financial assets and liabilities do not differ from their book values. Financial assets and liabilities have not been offset in the balance sheet.

2016, Balance sheet item 1000 EUR	*Financial assets and liabilities at fair value through profit and loss*	*Loans and other receivables*	*At fair value through profit and loss*	*Available for sales investment*	*Financial liabilities recognised at amortised cost*	*Balance sheet items total*
Non-current assets						
Available for sale investments				39		39
Current assets						
Trade receivables		83 820				83 820
Cash and cash equivalents		20 194				20 194
Total financial assets		**104 014**		**39**		**104 054**
Non-current financial liabilities						
Interest-bearing liabilities from financial institutions					34 325	34 325
Finance Lease					3 909	3 909
Current financial liabilities						
Interest-bearing liabilities from financial institutions					10 550	10 550
Drawdowns from credit facilities					11 062	11 062
Finance Lease					303	303
Derivatives, hedging	664					664
Derivatives, non-hedging			102			102
Trade payables					67 510	67 510
Total financial liabilities	**664**		**102**		**127 660**	**128 426**

The fair values of financial assets and liabilities do not differ from their book values. Financial assets and liabilities have not been offset in the balance sheet.

4.6 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

ACCOUNTING PRINCIPLE

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 currency derivatives and the interest rate swap used to hedge a 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 Fair Value Reserve). Profits and losses accumulated from the hedging instrument to equity are recognised in profit or loss when the hedged item affects profit or loss.

Interest rate swap

The Group uses an interest swap agreement to hedge a credit. 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 objective of the hedge is compliant with the Group's risk management principles.

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 terms and conditions of the hedged object and the hedging instrument correspond to each other. 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.

On December 31, 2017, the rated amount of the interest swap agreement was EUR 34.3 million, and it will expire on May 25, 2020. The fair value of the derivative was EUR -0.4 million, including accumulated interest. The interest flows of the derivative will materialize at the same time as the interest flows of the loan.

Forward exchange contracts

The Group uses forward exchange contracts for hedging against currency risks. The Group applies cash flow hedge accounting to currency derivative contracts prepared for hedging purposes after January 1, 2017. Changes in fair value are recognized in other comprehensive income items adjusted for deferred taxes and presented in the fair value reserve under equity. In addition, the Group had in 2016 currency derivatives for hedging purposes, but they were not subjected to hedge accounting; instead, the changes in fair value were recognized through profit or loss.

Interest and currency derivatives

1000 EUR	*Positive*	*Negative*	*Net*	*Nominal value*
2017				
Interest swap agreements, hedging		371	371	34 250
Foreign exchange forwards, hedging	-309	39	-270	9 897
Total			**100**	**44 147**

1000 EUR	*Negative*	*Net*	*Nominal value*
2016			
Interest swap agreements, hedging	664	664	44 750
Foreign exchange forwards, non-hedging	102	102	16 012
Total		**766**	**60 762**

The company uses forward exchange contracts for hedging against currency risk and interest swaps for managing the interest rate risk. The table shows the interest rate derivatives at net values and currency derivatives at gross values.

4.7. HIERARCHY OF FAIR VALUES

2017, 1000 EUR	*Level 2*	*Level 3*
Assets measured at fair value		
Available-for-sale investments		
Equity investments		33
Assets measured at fair value		
Derivatives, hedging	270	
Liabilities measured at fair value		
Derivatives, hedging	371	
Liabilities recognised at amortised cost		
Financing loan	34 250	
Finance Lease	3 973	

2016, 1000 EUR	*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	

The fair values of **Tier 2** instruments are to a significant extent based on data that can be observed indirectly (e.g. derived from the prices) for the asset or liability in question. When determining the fair value of these instruments, the Group utilizes widely accepted measurement models whose input data, however, is significantly based on observable market data.

The fair values of **Tier 3** instruments are based on input data concerning the asset that are not based on observable market data but significantly on the estimates of the management and their use in widely accepted measurement models..Tier 3 items are unlisted shares. There were no transfers between tiers during the financial period.

4.8 FINANCIAL RISK MANAGEMENT

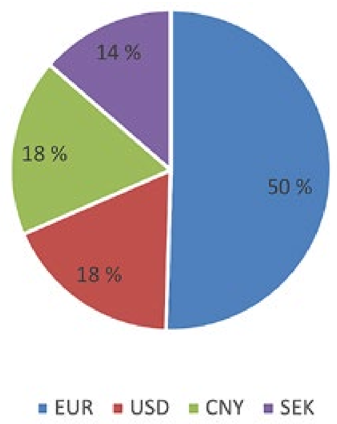
In its business operations, the Scanfil Group is exposed to different financial risks. The Group's treasury operations and financial risks are managed centrally in compliance with the principles approved by the parent company's Board of Directors. Scanfil's financial function, part of the Group's financial management, provides the financial services and handles financing transactions centrally for all Group companies. The goal is cost-efficient risk management and optimization of cash flows.

Currency risk

Scanfil has international operations hand is therefore exposed to transaction and translation risks in several currencies. The transaction risk is created by incoming and outgoing cash flows in different currencies. The translation risk is related to the conversion of foreign subsidiaries' income statements and balance sheets into euro.

Transaction risk

The Group's operating currency is the euro. Scanfil's net sales are mainly generated in EUR, RMB, USD and SEK. Half of the Group's net sales are generated in the Group's operating currency.



A significant part of the business is done in local operating currencies, which does therefore not create any transaction risk. In addition to the above currencies, the most significant transaction risk associated with the business concern the Polish zloty. Very little sales revenues are created in local currency in Poland, but the local expenses, such as wages, salaries, taxes, etc. are zloty-denominated.

The purpose of currency risk management is to mitigate the uncertainty created by exchange rate fluctuations regarding the Group's financial results, cash flows and balance sheet. Currency risks can be hedged with forward exchange contracts. The Group's financial function is responsible for all hedging actions.

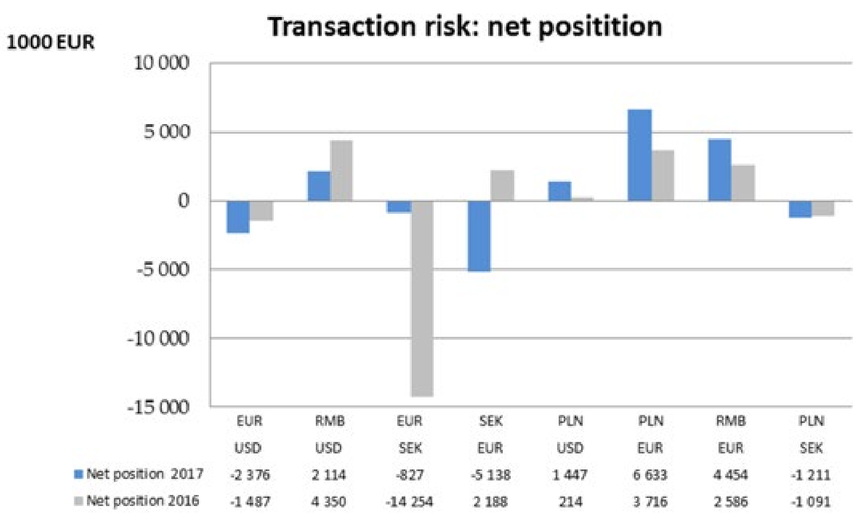
The financial statements of December 31, 2017 include outstanding EUR/PLN and PLN/SEK forward exchange contracts made for hedging purposes. Their nominal value is EUR 20.0 million, and the Group applies hedge accounting to them. Forward contracts are made on a monthly basis, and the final contract will expire on December 27, 2018.

The net positions associated with cash and cash equivalents, trade receivables and trade payables are shown below in euros for the main currencies.

Transaction risk, 1000 EUR								*2017*
Foreign currency	USD	USD	SEK	EUR	USD	EUR	EUR	SEK
Reporting currency	EUR	RMB	EUR	SEK	PLN	PLN	RMB	PLN
Cash and cash equivalents	273	3 026	0	2	1 004	48	2 600	12
Trade receivables	-245	9 665	0	3 122	7 250	15 366	4 310	87
Trade payables	-2 900	-10 577	-26	-8 262	-6 807	-7 676	-2 456	-1 309
Global Cash Pool	495	0	-801	0	0	-1 105	0	0
Balance sheet net risk	-2 376	2 114	-827	-5 138	1 447	6 633	4 454	-1 211

Transaction risk, 1000 EUR								*2016*
Foreign currency	USD	USD	SEK	EUR	USD	EUR	EUR	SEK
Reporting currency	EUR	RMB	EUR	SEK	PLN	PLN	RMB	PLN
Cash and cash equivalents	142	2 413	1	1 263	0	0	794	-1
Trade receivables	160	5 397	0	10 097	8 115	9 948	2 955	93
Trade payables	-1 680	-3 460	-19	-2 184	-7 901	-6 882	-1 163	-1 183
Global Cash Pool	-109	0	-14 235	-6 987	0	650	0	0
Balance sheet net risk	-1 487	4 350	-14 254	2 188	214	3 716	2 586	-1 091

Financial risk management, Currency risk



The impact on the Group's result of a change of 10% in the exchange rate of a foreign currency relative to the euro is shown below. Tax consequences have not been considered.

Foreign currency	USD	USD	SEK	EUR	USD	EUR	EUR	SEK
Reporting currency	EUR	RMB	EUR	SEK	PLN	PLN	RMB	PLN
change in currency % +/- 10								
Year 2017	+/- 238	+/- 211	+/- 83	+/- 514	+/- 145	+/- 663	+/- 445	+/- 121
	USD	USD	SEK	EUR	USD	EUR	EUR	SEK
	EUR	RMB	EUR	SEK	PLN	PLN	RMB	PLN
change in currency % +/- 10								
Year 2016	+/- 149	+/- 435	+/- 1 425	+/- 219	+/- 21	+/- 372	+/- 259	+/- 109

Translation risk

Regarding translation risk, the policy is not to hedge the company's equity.

			Sensitivity analysis +/- 10%	
Translation risk, 1000 EUR	*2017*	*2016*	*2017*	*2016*
CNY	48 228	45 802	+/- 4 823	+/- 4 580
HKD	-130	5 136	-/+ 13	+/- 514
HUF	1 453	395	+/- 145	+/- 40
NOK	-8 282	-11 206	-/+ 828	-/+ 1 121
PLN	24 190	19 371	+/- 2 419	+/- 1 937
SEK	38 829	49 418	+/- 3 883	+/- 4 942
USD	1 989	1 664	+/- 199	+/- 166
Total	**106 278**	**110 579**		

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 have an effect on the Group's result, but their impact is not significant, given the prevailing low level of interest rates. Changes in the interest rates mainly affect the fair values of interest-bearing liabilities in the balance sheet and the interest payments associated with these liabilities. Interest swaps are used for managing the interest rate risk.

The Group has a credit of EUR 50 million taken out in 2015, of which EUR 34.3 million was outstanding on December 31, 2017. The interest rate of the credit has been fixed through an interest swap agreement for a loan period of five years. On the basis of the interest swap, Scanfil receives a variable EURIBOR 3 month rate and pays a fixed five-year rate. Scanfil applies cash flow hedge accounting to the interest swap. The loan interest margin includes covenant conditions. Depending on the development of the interest covenant condition (interest bearing liabilities / EBITDA), the interest rate of the loan can increase by a maximum of 0.5 percentage points. This would lead to the interest expenses increasing by a maximum of EUR 153,000 in in 2018.

Credit risk

The Group's credit risk is associated with the trade receivables from its customers. Overdue trade receivables are regularly monitored at the Group level on a monthly basis. The Group companies are responsible for the credit risks of trade receivables, and they monitor trade receivables on a customer-specific basis in compliance with the Group guidelines. The creditworthiness of new customers is checked, and the customers are only granted normal payment terms. The Group's management is of the opinion that the company does not have any significant concentration of credit risks. The largest customer's share of net sales is 12.6%, while that of the ten largest customers is 60.6%.

The Group does not have factoring agreements or credit insurance.

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. At the end of the financial period, the credit loss provision for covering uncertain receivables stood at EUR 0.1 million (0.2 million in 2016).

The age distribution of trade receivables is shown in note 2.3, Trade and other receivables.

The counterparty risk associated with investments in financial markets is managed by only accepting banks with high credit ratings as counterparts.

Liquidity risk

The purpose of cash and liquidity management is to concentrate the Group's management of cash and cash equivalents, thus ensuring efficient use of the funds. The Group has a Multicurrency Global Cash Pool arrangement in place for ensuring the efficient use of cash and cash equivalents.

On December 31, 2017, liquid assets stood at EUR 20.6 million (EUR 20.2 million in 2016). In addition, the Group had EUR 19.0 million of unused overdraft facility at the turn of the year. Considering the Group's balance sheet structure, the liquidity risk is small.

The Group's financing arrangements include usual loan covenant terms. The Group has fulfilled the financing-related covenant terms during the financial periods of 2016 and 2017.

Maturity analysis based on debt agreements

The figures are undiscounted and include the interest payments and repayments of capital based on the agreements.

31.12.2017, 1000 EUR	*balance sheet value*	*cash flow*	*0-6 months*	*2018 6 months - 1 year*	*2019 1-2 years*	*2020-2022 2-5 years*	*2022- more than 5 years*
Loans from financial institutions	34 250	34 866	5 435	5 411	10 719	13 301	
Finance lease	3 973	5 968	371	368	763	2 150	2 315
Overdraft facility	23 018	23 018	23 018				
Derivatives, hedging	371	233	68	59	84	22	
Derivatives, hedging	-270						
Cash flow due		20 011	14 081	5 930			
Available cash flow		-20 281	-14 310	-5 971			
Trade payables	90 969	90 969	90 969				
Total	**152 310**	**154 784**	**119 632**	**5 798**	**11 566**	**15 473**	**2 315**

31.12.2016, 1000 EUR	*balance sheet value*	*cash flow*	*0-6 months*	*2017 6 months - 1 year*	*2018 1-2 years*	*2019-2021 2-5 years*	*2021- more than 5 years*
Loans from financial institutions	44 875	46 159	5 562	5 532	10 955	24 110	
Finance lease	4 213	6 623	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**

Reconciliation of changes in financial liabilities with cash flows from financing

				Changes not affecting cash flow		
1000 EUR	*1.1.2017*	*Cash flows*	*Date of acquisition*	*Changes in exchange rates*	*Changes in fair values*	*31.12.2017*
Long-term loans	44 750	-10 500				34 250
Short-term loans	15 400	6 817	4 853	-5		27 065
Derivative assets hedging						
long-term loans	664				-293	371
Total liabilities in financial operations	**60 814**	**-3 683**	**4 853**	**-5**	**-293**	**61 686**

4.9 SHAREHOLDERS' EQUITY

Shares and share capital

Scanfil plc has a total of 63,895,439 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 equal entitlement to dividends The share has no nominal value.

Scanfil plc's shares are quoted on Nasdaq Helsinki Oy. The trading code of the shares is SCANFL. The shares are included in the book-entry securities system maintained by Euroclear Finland Ltd.

Number of shares	*2017*
Number of shares at 1 Jan. 2017	63 670 439
Share subscription under option rights 2013B on June 19, 2017	100 000
Share subscription under option rights 2013B on September 26, 2017	125 000
Number of shares at 31 Dec. 2017	**63 895 439**

Number of shares	*2016*
Number of shares at 1 Jan. 2016	57 730 439
Share issue on March 15, 2016	5 715 000
Share subscription under option rights 2013A on June 9, 2016	225 000
Number of shares at 31 Dec. 2016	**63 670 439**

Share issue

On March 14, 2016, Scanfil organized a share issue where 5,715,000 new shares in the company were offered to institutional and other selected investors. Scanfil's Board of Directors approved the subscriptions on March 14, 2016. The 5,715,000 shares subscribed in the share issue represent around 9.99% of all Scanfil shares and votes before the issue. 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. On December 31, 2017, translation differences stood at EUR 6.7 million (EUR 11.6 million in 2016), of which EUR 11.4 (14.8) million was created by the exchange rate changes of the Chinese RMB. The translation difference for the financial period, EUR -4.9 million (-4.0 million) is mainly made up by the exchange rate changes of the Chinese currency, EUR -3.1 (-2.0) million, Swedish currency, EUR -3.7 (-2.6) million and Polish currency, EUR 3.3 (0.2) million. The translation differences of discontinued units have been transferred from equity to be recognized through profit or loss.

1000 EUR	*RMB*	*HKD*	*SEK*	*GBP*	*NOK*	*USD*	*PLN*	*HUF*	*total*
1.1.2017	14 763	276	-3 040	727	-35	92	-1 237	45	**11 590**
Change during the financial period	-3 075	-359	-3 681	190	1 349	-230	3 310	-5	**-2 502**
Transfererd to be recognized through profit and loss	-251	83		-917	-1 313				**-2 397**
31.12.2017	**11 437**	**0**	**-6 721**	**0**	**0**	**-138**	**2 073**	**41**	**6 691**

Fair value reserve

The fair value reserve includes the change in value of the interest rate derivable due to cash flow hedging and the changes in fair value of currency derivatives concluded for hedging purposes.

The derivative instruments recorded in the fair value reserve are discussed in closer detail in note 4.6, Derivative financial instruments and hedge accounting.

Fair value reserve, 1000 EUR	*2017*	*2016*
1.1.	**-506**	**-472**
Interest derivatives, change	227	-34
Currency derivatives, change	211	
Total	**-68**	**-506**

Of the derivative financial instruments, EUR 28,000 (6,000) has been recognized through profit or loss.

Other reserves

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

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity includes other equity investments and the subscription price of shares to the extent that it is not recognized in share capital pursuant to a specific decision. The payments received from share subscriptions made on the basis of option schemes are recorded in their entirety in the reserve for invested unrestricted equity.

Dividend

In 2017, dividends of EUR 0.09 per share were paid, in total EUR 5,730,339.51.

After the reporting date, the Board of Directors has proposed a dividend of EUR 0.11 per share to be distributed, in total EUR 7,028,498.29.

4.10 MANAGEMENT OF CAPITAL STRUCTURE

The objective of the Group's capital management is to ensure normal prerequisites for business operations. Development of the Group's capital structure is monitored through net gearing. The capital structure is regularly reviewed. The shareholders' equity on the consolidated balance sheet is managed as capital. No external capital requirements are applied to the Group. The Group's long-term goal is that net gearing does not exceed 50%.

Net liabilities, 1000 EUR	*2017*	*2016*
Interest-bearing liabilities	61 315	60 150
Cash assets	-20 635	-20 194
Net liabilities	**40 680**	**39 956**
Equity total	**124 683**	**108 308**
Gearing, %	**32,6**	**36,9**

5. OTHER NOTES

5.1. PROVISIONS

ACCOUNTING PRINCIPLE

A provision is recognized in the balance sheet when a past event has created an obligation that will probably be realized and when the amount of the obligation can be reliably estimated. 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.

Use of estimates

Estimates are required when assessing the amount of provisions associated with business operations.

Provisions, 1000 EUR	*Reclamation and quarantee*	*Pension provision*	*Restructuring provisions*	*Other provisions*	*Total*
1.1.2017	383	38	4 940	209	5 571
Exchange rate differences	6	2	-299	12	-279
Additions	20	4		32	56
Used provisions	-135		-4 641		-4 776
Cancellation of unused provisions	-99	-4		-10	-113
31.12.2017	**176**	**40**	**0**	**243**	**458**

	2017	*2016*
Non-current provisions	283	148
Current provisions	176	5 423
Total	**458**	**5 571**

The complaint and warranty provision includes the estimated cost of repairing defective products that is related to customer complaints and warranty obligations. Reorganization provisions consist of the shutdown costs of unprofitable companies, mainly consisting of personnel and leasing costs. Other provisions are related to a benefit payable on the basis of years of service, which was locally agreed in Poland and is applicable to employees with a long history of service in the company.

5.2. OTHER LEASES

Other leases

ACCOUNTING PRINCIPLE

Leases where the risks and rewards incidental to ownership remain with the lessor are processed as other leases, and the leases are recognized in the income statement as expenses over the lease period.

Other leases, 1000 EUR	*2017*	*2016*
Group as lessee		
Minimum rents payable based on other non-cancellable leases:		
Within one year	2 303	2 703
In one to five years	5 074	3 613
More thatn five years	1 624	665
Total	**9 001**	**6 981**

Rental expenses mainly comprise the rents of the production facilities. Rent liabilities do not include VAT. The Group uses leased premises in Sweden, Germany, the USA, and Myslowice in Poland as well as Vantaa and Oulu in Finland.

5.3 SECURITIES PROVIDED, CONTINGENT LIABILITIES AND OTHER LIABILITIES

Securities provided:

Mortgages to secure own debt, 1000 EUR	*2017*	*2016*
Business mortgages	**110 000**	**110 000**

Liabilities secured with mortgages, 1000 EUR		
Interest-bearing liabilities from financial institutions	**57 268**	**55 812**

Guarantees given, 1000 EUR		
On behalf of own company	1 953	1 953
On behalf of Group company	192	581
Total	**2 144**	**2 535**

Scanfil plc 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 as a replacement for the securities earlier provided by Scanfil Sweden AB. The maximum liability to Skandinaviska Enskilda Banken AB is EUR 3.6 million. Furthermore, Scanfil plc has given an absolute guarantee to Siemens Finance GmbH for the leasing liabilities of Scanfil GmbH, of which EUR 6,000 were outstanding on December 31, 2017.

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 ledged guarantees to some business partners of its subsidiaries regarding any liabilities arising from the business relationship.

5.4. DETAILS OF RELATED PARTIES AND GROUP STRUCTURE

The Group's related parties include, in addition to Group companies, the key members of management, i.e., the members of the parent company's Board of Directors and the Group's Management Team.

Employee benefits for members of the management, 1000 EUR	2017	2016
Salaries and other short-term employee benefits	1 406	1 589
Options implemented and paid in shares	548	530
Post-employment benefits	2	2
Option scheme	184	149
Total	**2 140**	**2 269**

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

Salaries paid to the President	2017	2016
Salaries and other short-term employee benefits	282	330
Options implemented and paid in shares	361	294
Total	**643**	**624**

Statutory pension expenditure, TYEL	2017	2016
Petteri Jokitalo	52	60

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

Salaries paid to the Board members	2017	2016
Jarkko Takanen	24	20
Harri Takanen	37	26
Bengt Engström	23	20
Christer Härkönen	23	20
Christina Lindstedt, since 12 April 2016	24	13
Total salaries of the Board Members	**130**	**101**

The salary information is payment-based.

Group companies	*Domicile*	*Group´s ownership*	*Share of votes*	*Parent company´s ownership*
Scanfil Oyj, emoyhtiö;	Finland			
Scanfil EMS Oy	Finland	100 %	100 %	100 %
Scanfil GmbH	Germany	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 %
Scanfil Poland Sp. z o.o.	Poland	100 %	100 %	100 %
Scanfil Sweden AB	Sweden	100 %	100 %	100 %
Scanfil Vellinge AB	Sweden	100 %	100 %	100 %
Scanfil Åtvidaberg AB	Sweden	100 %	100 %	100 %
Scanfil Atlanta Inc.	USA	100 %	100 %	100 %
Scanfil Business Services Kft	Hungary	100 %	100 %	100 %
Scanfil Kft	Hungary	100 %	100 %	100 %
Scanfil Vantaa Oy	Finland	100 %	100 %	100 %
PartnerTech AS	Norway	100 %	100 %	100 %
Solgaard Skog AS	Norway	100 %	100 %	100 %
Solgaard Skog KS	Norway	100 %	100 %	100 %
Scanfil Limited	Great Britain	100 %	100 %	100 %
PartnerTech China Limited	China	100 %	100 %	100 %
PartnerTech Electronics Co., Ltd.	China	100 %	100 %	100 %

Scanfil plc's subsidiary Scanfil EMS Oy has leased office premises from Kiinteistö Oy Pilot 1. The main shareholder of Jussi Real Estate Oy, the owner of Kiinteistö Oy Pilot 1, is Jussi Capital Oy. The main shareholders of Jussi Capital Oy are Scanfil plc's Board members Harri Takanen and Jarkko Takanen. In 2017, the market rents paid totaled EUR 20 thousand (EUR 19 thousand in 2016).

Business transactions and open balances with Sievi Capital plc

Some of the largest shareholders of Scanfil plc are indirect shareholders of Sievi Capital plc. In 2016, Scanfil plc and its subsidiary Scanfil EMS Oy provided Sievi Capital plc with administrative services.

Related party transactions, 1000 EUR	*Sales*	*Receivables*
31.12.2016		
Administrative service fees	28	7

5.5 EVENTS AFTER THE REPORTING PERIOD

No material events to be reported have occurred after the reporting period.

KEY RATIOS

	2017	2016	2015	2014	2013	2012
Financial Key ratios						
Turnover, EUR m	529,9	508,0	377,3	214,5	188,5	180,9
Turnover, growth from previous year, %	4,3	34,6	75,9	13,8	4,2	-14,2
Operating profit, EUR m	31,3	7,2	14,4	16,2	11,8	8,1
Operating profit, % of turnover	5,9	1,4	3,8	7,6	6,3	4,5
Profit/loss for the period, EUR m	25,8	0,1	8,4	12,3	8,2	5,7
Profit/loss for the period, % of turnover	4,9	0,0	2,2	5,7	4,4	3,2
Return on equity, %	22,2	0,1	8,6	14,0	10,6	7,9
Return on investment, %	19,4	4,6	10,6	16,5	11,4	8,1
Interest-bearing liabilities, EUR m	61,3	60,1	87,8	9,3	18,3	28,4
Gearing, %	32,6	36,9	65,4	-10,5	-12,2	-2,4
Equity ratio, %	40,7	40,7	33,4	70,6	64,1	57,7
Gross investments in fixed assets, EUR m	18,6	5,5	54,3	8,2	4,0	7,2
Gross investments in fixed assets, % of turnover	3,5	1,1	14,4	3,8	2,1	4,0
Average number of employees for the period	3 254	3 483	2 690	1 773	1 673	1 669
Key indicators per share						
Earnings per share, EUR	0,40	0,00	0,15	0,21	0,14	0,10
Shareholders' equity per share, EUR	1,95	1,70	1,74	1,64	1,39	1,30
Dividend per share, EUR	0,11	0,09	0,08	0,07	0,05	0,04
Dividend per earnings, %	27,2	6118,9	55,2	32,9	35,1	40,5
Effective dividend yield, %	2,59	2,58	2,10	2,85	3,70	4,88
Price-to-earnings ratio (P/E)	10,5	2 372,8	26,3	11,5	9,5	8,3
Share trading						
No. of shares traded, thousands	3 296	9 424	5 202	5 131	2 864	8 982
Percentage of total shares, %	5,2	14,8	9,01	8,88	4,96	15,6
Share performance						
Lowest price for year, EUR	3,42	2,86	2,36	1,30	0,82	0,60
Highest price for year, EUR	4,53	3,80	4,06	2,74	1,47	1,10
Average price for year, EUR	3,92	3,41	2,92	1,95	1,11	0,76
Price at the end of year, EUR	4,25	3,49	3,81	2,46	1,35	0,82
Market value of share capital at 31 Dec.2017, EUR m	271,6	222,2	220,0	142,0	77,9	47,3
Share-issue adjusted number of shares						
At the end of the period, thousands	63 895	63 670	57 730	57 730	57 730	57 730
On average during the period, thousands	63 757	62 423	57 730	57 730	57 730	57 730

DEFINITIONS OF KEY RATIOS

Ratio	Definition
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

THE PARENT COMPANY'S INCOME STATEMENT, FAS

1000 EUR	*Note*	*1.1.-31.12.2017*	*1.1.-31.12.2016*
Other operating income		1 649	1 240
Personnel expenses			
Wages, salaries and fees		-1 487	-1 079
Pensions and statutory indirect employee costs			
Pensions		-252	-192
Statutory indirect employee costs		-29	-37
Personnel expenses total	**1**	**-1 768**	**-1 307**
Depreciation and reduction in value			
Depreciation according to plan		-29	-16
Depreciation and reduction in value total	**3**	**-29**	**-16**
Other operating expenses	**2**	**-784**	**-965**
Operating profit		**-932**	**-1 048**
Financial income and expenses			
Financial income from group		6 000	8 500
Other interest and financial income			
From group			2
From other		806	213
Interest expenses and financial expenses			
To group		-153	-4
To other		-1 187	-1 687
Financial income and expenses total		**5 466**	**7 025**
Profit before appropriations and taxes		**4 534**	**5 977**
Appropriations			
Depreciation difference increase		2	-7
Group contribution	4	3 700	300
Appropriations total		**3 702**	**293**
Profit before tax		**8 237**	**6 270**
Income taxes			
Income tax		2	
Income taxes total		**2**	
Net profit for the period		**8 239**	**6 270**

THE PARENT COMPANY'S BALANCE SHEET, FAS

1000 EUR	*Note*	*31.12.2017*	*31.12.2016*
ASSETS			
Non-current assets			
Intangible assets			
Immaterial rights		70	44
Other non-current assets		20	27
Intangible assets total	**6**	**90**	**71**
Tangible assets			
Other tangible assets		17	17
Tangible assets total	**7**	**17**	**17**
Investments			
Holdings in Group companies		61 444	61 444
Investments total	8	61 444	61 444
Total non-current assets		**61 551**	**61 531**
Current assets			
Long-term receivables			
Current tax		2	
Long-term receivables total		**2**	
Short-term receivables			
Account receivables			7
Receivables from Group companies	9	85 591	47 479
Accrued income		137	18
Short-term receivables total		**85 727**	**47 504**
Cash and cash equivalents	**10**	**0**	**0**
Total current assets		**85 730**	**47 504**
Total assets		**147 281**	**109 035**

THE PARENT COMPANY'S BALANCE SHEET, FAS

1000 EUR	*Note*	*31.12.2017*	*31.12.2016*
SHAREHOLDER'S EQUITY AND LIABILITIES			
Equity			
Share capital		**2 000**	**2 000**
Other reserves			
Reserve for invested unrestricted equity fund		28 379	28 062
Retained earnings		546	6
Profit for the period		8 239	6 270
Total Equity	11	**39 164**	**36 338**
Appropriations			
Depreciation difference		**4**	**7**
Appropriations total		**4**	**7**
Non-current liabilities			
Non-current liabilities			
Financing loan	12	23 750	34 250
Non-current liabilities total		**23 750**	**34 250**
Current liabilities			
Financing loans	12	33 518	21 562
Trade liabilities		91	256
Liabilities to Group companies	13	49 915	15 963
Other creditors		120	111
Accrued liabilities	14	718	549
Current liabilities total		**84 362**	**38 440**
Total liabilities		**108 116**	**72 697**
Total equity and liabilities		**147 281**	**109 035**

THE PARENT COMPANY'S CASH FLOW STATEMENT, FAS

1000 EUR	*1.1.-31.12.2017*	*1.1.-31.12.2016*
Cash flow from operating activities		
Profit for the period	8 239	6 270
Adjustments		
Depreciation according to plan	29	16
Financial income and expenses	-5 466	-7 025
Other income and expenses without payment		
Change in cumulative accelerated depreciation	-2	7
Group contributions received	-3 700	-300
Exchange rate differences	-1	-17
Changes in working capital		
Inc(-)/dec(+) in short-term non-interest bearing receivables	-14	-315
Inc(+)/dec(-) in short-term non-interest-bearing liabilities	26	-362
Interest paid	-1 377	-1 326
Interest received	806	225
Net cash flow from operating activities	**-1 461**	**-2 827**
Cash flow from investing activities		
Investments in tangible and intangible assets	-48	-47
Loans granted		2 000
Net cash flow from investing activities	**-48**	**1 953**
Cash flow from financing activities		
Received group contributions	300	1 900
Received dividends	8 500	8 800
Share issue		16 802
Related party investments to company shares	317	196
Short-term loans raised	33 974	9 622
Repayment of short-term loans	11 956	-20 046
Proceeds from short-term loans	-37 308	-6 080
Repayment of long-term loans	-10 500	-5 250
Dividends paid	-5 730	-5 069
Net cash flow from financing activities	**1 509**	**874**
Net increase/decrease in cash and cash equivalents	**0**	**0**
Cash and cash equivalents at beginning of period	0	0
Cash and cash equivalents at end of period	**0**	**0**

The parent company's accounting principles

Scanfil plc is a Finland-based public limited company domiciled in Sievi. The company's shares are quoted on the main list of Nasdaq Helsinki Oy. The financial statements of Scanfil plc, have been prepared in accordance with the Finnish Accounting Act and other legislation and regulations in force in Finland.

Measurement and recognition principles and methods

Fixed assets

Fixed attests are measured at historical cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the expected useful lives of the assets.

The depreciation periods for fixed assets are as follows:

Intellectual property rights	5 years
Other long-term expenses	5 years
Machinery and equipment	3–5 years

Subsidiary company shares

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

Financial instruments

Financial assets abs liabilities are measured at the lower of cost and probable realizable value.

The Group's bank account system

The assets and liabilities of the subsidiaries included in Scanfil plc's Group account systems are shown as offset at Scanfil plc, either as cash and bank receivables or as short-term financial liabilities and short-term receivables from Group companies or as short-term debts to Group companies.

Net sales

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

Pension costs

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 items

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

	2017	*2016*
Salaries, wages and fees	1 487	1 079
Pension costs	252	192
Other indirect employee expenses	29	37
Total	**1 768**	**1 307**
Fringe benefits (taxable value)	**32**	**11**

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

Average number of employees during the period	*2017*	*2016*
Clerical employees	13	11
Total	**13**	**11**

2. OTHER OPERATING EXPENSES, 1000 EUR

Other operating expenses include the following significant expense items:	*2017*	*2016*
Other operating expenses	784	965
Total	**784**	**965**

Other operating costs mainly consist of legal and consultation expenses, traveling expenses and statutory expenses of a listed company.

Auditor's remuneration		
Auditor's remunerations of the Chartered Accountants	45	38
Tax advisor	13	1
Other services	21	26
Total	**79**	**65**

3. DEPRECIATION AND AMORTIZATION, 1000 EUR

Depreciation by asset class	*2017*	*2016*
Intangible assets		
Intangible rights	22	13
Other long-term expenses	6	4
Total	**29**	**16**
Total depreciation	**29**	**16**

4. CONTRIBUTIONS FROM GROUP COMPANIES, 1000 EUR

	2017	*2016*
Group contribution from Scanfil EMS Oy	3 700	300
Total	**3 700**	**300**

5. INCOME TAXES, 1000 EUR

	2017	*2016*
Income taxes from group contribution	740	60
Income taxes from actual operations	-742	-60
Total	**-2**	**0**

6. INTANGIBLE ASSETS, 1000 EUR

	Intangible rights	*Other long-term expenses*	*Intangible assets total*
Acquisition cost at 1 Jan. 2017	63	32	95
Additions	48		48
Acquisition cost at 31 Dec. 2017	**110**	**32**	**143**
Accumulated depreciations at 1 Jan. 2017	-19	-5	-24
Depreciations	-22	-6	-29
Accumulated depreciations at 31 Dec. 2017	**-41**	**-12**	**-53**
Carrying amount at 1 Jan. 2017	44	27	71
Carrying amount at 31 Dec. 2017	**70**	**20**	**90**

	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. TANGIBLE ASSETS, 1000 EUR

	Other tangible assets	*Tangible assets total*
Acquisition cost at 1 Jan. 2017	17	17
Acquisition cost at 31 Dec. 2017	**17**	**17**
Carrying amount at 1 Jan. 2017	17	17
Carrying amount at 31 Dec. 2017	**17**	**17**

	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. HOLDINGS IN GROUP COMPANIES, 1000 EUR

	2017	2016
Total at beginning of period	61 444	61 444
Total at end of period	**61 444**	**61 444**
Carrying amount at 31 Dec.	**61 444**	**61 444**

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

9. RECEIVABLES FROM GROUP COMPANIES, 1000 EUR

	2017	2016
Short-term receivables		
Prepayments and accrued income	9 700	8 800
Loans, Global Cash Pool	75 551	38 243
Other receivables	345	436
Total	**85 595**	**47 479**
Prepayments and accrued income:		
Group contribution from subsidiaries	3 700	300
Dividends from group	6 000	8 500
Total	**9 700**	**8 800**

10. CASH AND CASH EQUIVALENT, 1000 EUR

	2017	2016
Cash and bank balances	0	0
Total	**0**	**0**

11. EQUITY, 1000 EUR

	2017	2016
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.	28 062	10 721
Share issue		17 145
Addition of equity, options	317	196
Reserve for invested unrestricted equity fund at 31 Dec.	**28 379**	**28 062**
Retained earnings		
Retained earning at 1 Jan.	6 276	5 076
Paid dividends	-5 730	-5 069
Retained earnings at 31 Dec.	**546**	**6**
Profit for the period	**8 239**	**6 270**
Total unrestricted equity	**37 164**	**34 338**
Total equity	**39 164**	**36 338**
Calculation of distributable funds at 31 Dec.		
Reserve for invested unrestricted equity fund	28 379	28 062
Retained earnings	546	6
Profit for the period	8 239	6 270
Total	**37 164**	**34 338**

12. LOANS FROM FINANCIAL INSTITUTIONS, 1000 EUR

	2017	2016
Non-current		
Financial Institutions	23 750	34 250
Current		
Financial Institutions	10 500	10 500
Credit facility	23 018	11 062
Total	**57 268**	**55 812**
Interest-bearing liabilities will mature as follows:		
Year 2017		10 500
Year 2018	10 500	10 500
Year 2019	10 500	10 500
Year 2020	13 250	13 250
	34 250	**44 750**

Scanfil has signed a financing agreement with Nordea Bank Finland Plc in 2015, related to the acquisition of PartnerTech AB shares, and taken out a long-term credit of EUR 50 million. In addition, Nordea's Multicurrency Global Cash Pool is available with an overdraft facility of EUR 42 million. 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 2017 financial period, the Group fulfilled the covenant terms. The loan is amortized every six months. The first instalment of EUR 5.3 million was paid on November 25, 2016, and the final instalment will be paid on November 25, 2019. The remaining portion, EUR 13.3 million, will fall due on the agreement end date on May 25, 2020.

13. LIABILITIES TO GROUP COMPANIES, 1000 EUR

	2017	2016
Short-term liabilities to Group companies		
Trade payables	4	25
Loans, Global Cash Pool	49 912	15 938
Total	**49 915**	**15 963**

14. ACCRUED LIABILITIES, 1000 EUR

	2017	2016
The most significant items included in accrued liabilities		
Employee expenses	639	419
Interests	55	91
Other accrued liabilities	25	39
Total	**718**	**549**

15. COMMITMENTS AND CONTINGENCIES, 1000 EUR

	2017	2016
Mortgages to secure own debt		
Business mortgages	100 000	100 000
Liabilities secured with mortgages		
Interest-bearing liabilities from financial institutions	57 268	55 812
Guarantees given		
On behalf of own company	819	844
On behalf of group company	192	181
Total	**1 011**	**1 026**

Scanfil plc 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 as a replacement for the securities earlier provided by Scanfil Sweden AB. The maximum liability to Skandinaviska Enskilda Banken AB is EUR 3.6 million. Furthermore, Scanfil plc has given an absolute guarantee to Siemens Finance GmbH for the leasing liabilities of Scanfil GmbH, of which EUR 6,000 were outstanding on December 31, 2017.

16. DERIVATIVE CONTRACTS, 1000 EUR

Interest derivatives	*2017*	*2016*
Interest swap agreements, hedging		
Fair value	-371	-664
Rated value of underlying asset	34 250	44 750

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.

17. OTHER RENTAL CONTRACTS, 1000 EUR

	2017	*2016*
To be paid next accounting period	20	9
To be paid later	41	25
Total	**60**	**34**

Rent liabilities do not include VAT.

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

Salaries and other short-term employee benefits	*2017*	*2016*
Salaries and bonuses of the President		
Salaries, wages and fees	282	330
Shares and options	361	294
Salaries and bonuses of the Board members		
Jarkko Takanen	24	20
Harri Takanen	37	26
Bengt Engström	23	20
Christer Härkönen	23	20
Christina Lindstedt	24	13
Total salaries of the Board Members	**130**	**101**

19. RELATED PARTY TRANSACTIONS, EUR

Business transactions and open balances with Sievi Capital plc

Some of the largest shareholders of Scanfil plc are indirect shareholders of Sievi Capital plc.
Scanfil plc has provided Sievi Capital plc with administrative services.

Related party transactions, 1000 EUR	*Sales*	*Receivables*
31.12.2016		
Administrative service fees	25	7

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. 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 SCANFL. 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 26 April 2017 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 2018.

The Annual General Meeting on 12 April 2016 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

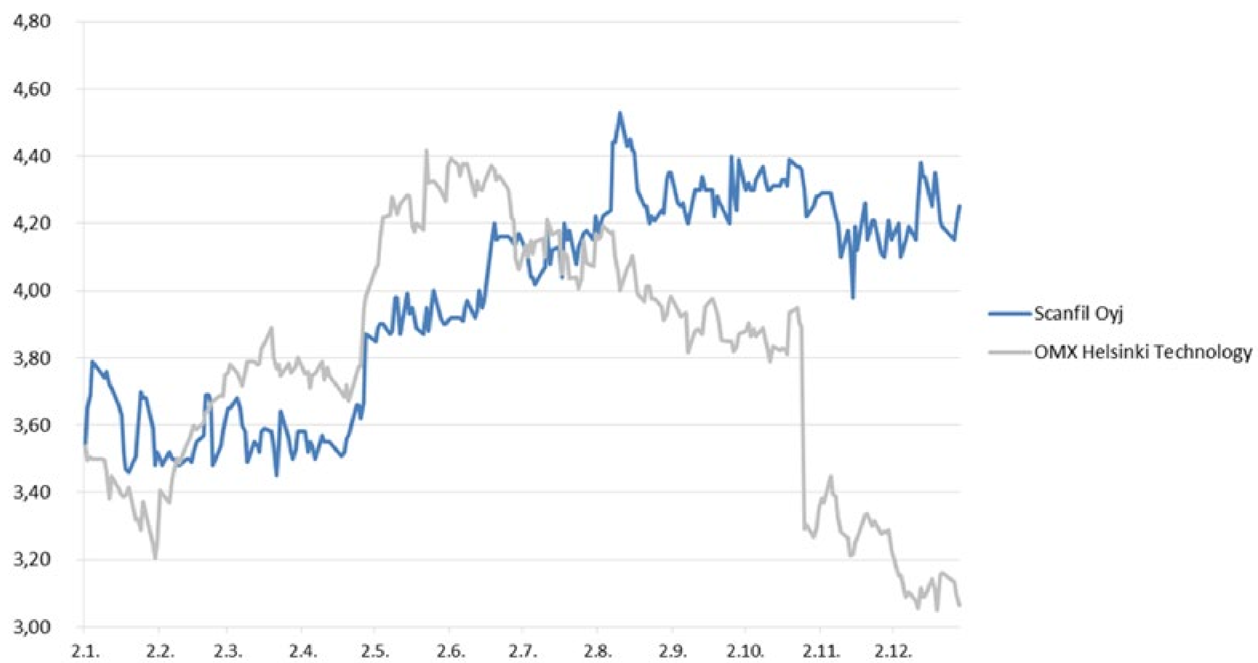
The company aims to pay a dividend annually. The level of dividends paid and the date of payment are affected, inter alia, by the Group's result, financial position, need for capital and other possible factors. The aim is to distribute approximately one-third of the Group's annual profit as dividend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

Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.11 per share be paid for a total of EUR 7,028,498.29 for the financial year ending on 31 December 2017.

Ohare price development, trading and market value

In 2017, the number of Scanfil plc shares traded on NASDAQ Helsinki Ltd was 3,295,944, which accounts for 5.2% of all shares. The value of shares traded was EUR 12.9 million and the average price EUR 3.92. Market capitalisation was EUR 271.6 million at the end of 2017. The highest trading price was EUR 4.53 and the lowest EUR 3.42. The closing price was EUR 4.25.



Information on shareholders

On 31 December 2017, Scanfil plc had a total of 5,231 shareholders, 76.4% of whom owned a maximum of 1,000 shares in the company. The ten major shareholders owned 72.9% of the shares. Nominee-registered shares accounted for 1.6% of the shares.

Shares held by management

Members of the Board of Directors of Scanfil plc and the CEO held a total of 18,649,807 shares on 31 December 2017, which accounts for 29.2% of the company's shares and votes.

Breakdown of share ownership

Breakdown of share ownership by number of shares held at 31 Dec. 2017

Number of shares	*Number of shares pcs*	*Percentage of owners %*	*Total number of shares and votes pcs*	*Percentage of shares and votes %*
1 - 200	902	17,24	56 159	0,09
201 - 1000	3 092	59,11	1 320 676	2,07
1001 - 5000	947	18,10	2 159 768	3,38
5001 - 10000	132	2,52	989 271	1,55
10001 - 100000	123	2,35	3 917 500	6,13
100001 - 9999999	35	0,67	55 452 065	86,79
	5 231	**100,00**	**63 895 439**	**100,00**

Breakdown of share ownership by owner category at 31 Dec. 2017

	Number of shareholders	*share %*	*Number of shares*	*share %*
Corporations	226	4,32	10 445 469	16,35
Financial and insurance institutions	15	0,29	3 974 778	6,22
Public entities	5	0,10	1 755 062	2,75
Non-profit-making organisations	23	0,44	2 371 554	3,71
Households	4 951	94,65	45 167 177	70,69
Non-Finnish owners	11	0,21	181 399	0,28
Total	**5 231**	**100,00**	**63 895 439**	**100,00**
of which nominee-registered	7		1 039 406	1,63

Information of shareholders

Major shareholders at 31 Dec. 2017

	pcs	*Share % of shares and votes*
1. Takanen Harri	9 776 664	15,30
2. Takanen Jarkko	8 511 169	13,32
3. Varikot Oy	7 606 442	11,90
4. Takanen Jorma Jussi	6 079 305	9,51
5. Tolonen Jonna	3 351 950	5,25
6. Pöllä Reijo	3 328 745	5,21
7. Laakkonen Mikko	2 531 187	3,96
8. Takanen Martti	1 954 218	3,06
9. Riitta ja Jorma J. Takasen säätiö	1 900 000	2,97
10. Sijoitusrahasto Aktia Capital	1 528 000	2,39

LIST OF ACCOUNTING BOOKS AND VOUCHER TYPES, AND THE WAYS OF STORING THEM

Financial period January 1, 2017 – December 31, 2017

The company's main accounting was done using the IFS system.

ACCOUNTING BOOKS

Trade accounts receivable	DVD / PDF
Trade accounts payable	DVD / PDF
Journal	DVD / PDF
General ledger	DVD / PDF
Financial statements and Board of Directors' report	Bound book / PDF
Balance sheet itemizations	Bound book
Payroll	Computer printout
Fixed assets accounting	Computer printout

VOUCHER TYPES

As paper vouchers

Payroll vouchers	VT WA
Payment vouchers	VT WA
Memo vouchers	VT M, R, A, MYE
Note vouchers	

VOUCHER TYPES

IFS database

Purchase invoices	VT I, J, K, X
Travel expenses	VT WA
Sales invoices	VT F (Series ID II)
Payment vouchers	VT B, U, N, S

Board of directors' proposal for the distribution of profit

The parent company's distributable funds total EUR 37,164,484.87, including undistributed profits of EUR 8,785,218.25.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.11 per share be paid, totaling EUR 7,028,498.29 for the financial year ending on December 31, 2017.

Signatures to the Board of Directors' report and financial statements

Vantaa, February 16, 2018

Harri Takanen
Chairman of the Board

Jarkko Takanen

Christer Härkönen

Bengt Engström

Christina Lindstedt

Petteri Jokitalo
President

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, 2017. 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 position, financial performance 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.

Our opinion is consistent with the additional report submitted to the Audit Committee.

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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 1.5. to the consolidated financial statements.

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. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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 3.1. and 3.2.)	
Goodwill and acquisition-related customer relationships amount to EUR 20.2 million. 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. Scanfil's acquisition-related long-term customer relationships have finite useful lives that are estimated by management through the application of judgement. 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. We involved KPMG valuation specialists when assessing the technical accuracy of the calculations and comparing the assumptions used with external market and industry data. In respect of acquisition-related customer relationships, we evaluated the recoverability of these assets by inspecting the associated calculations and underlying assumptions. 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 2.2.)

Inventory management, stock-taking practices and determination of cost are the key elements in inventory valuation. The Group's inventories amounted to EUR 100.7 million representing 33 percent of the consolidated total assets as at 31 December 2017.

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 1.1.)

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 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 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

Information on our audit engagement

We have acted as auditors appointed by the Annual General Meeting as of January 1, 2012, at which point the parent company was established as a result of a demerger of Sievi Capital Plc. Since 1999 we have acted as auditors in Sievi Capital Plc, which became a public interest entity as a result of a listing in 2000.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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 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, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 16 March 2018

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.

The company follows the Finnish Corporate Governance Code (2015) issued by the Securities Market Association. The Board of Directors has evaluated the independence of its members according to which the majority of members are independent of the company (Jarkko Takanen, Bengt Engström and Christina Lindstedt) and independent of the significant shareholders of the company (Christer Härkönen, Bengt Engström and Christina Lindstedt). The majority of the members of Board's two committees are independent of the company and one member of the Audit Committee is independent of the significant shareholders of the company.

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 26, 2017:

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, B.Sc. (Prod.Eng.), Commercial College Diploma in Management Accountancy. CEO of Jussi Capital Oy. Independent of the company, not independent of major shareholders. Holds 8,511,169 shares in Scanfil plc.

Christer Härkönen
Member of the Board since April 8, 2014. Born 1957, M.Sc. (Tech.). CEO of DimWei Group Oy. Not independent of the company, independent of its major shareholders. Does not hold Scanfil plc shares. Christer Härkönen has been involved in the Scanfil and PartnerTech integration process between 1 January and 30 April 2017 on Group level project tasks.

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 10,829 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. Managing Director of XploreBiz AB. Background from several international business leadership roles at AB Electrolux and Sony, based in Sweden and internationally. Independent of the company and major shareholders. Holds 6,000 shares in Scanfil plc.

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 12 meetings in 2017, some of which were telephone meetings. The members' attendance rate for meetings was 100%.

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 a sufficiently diverse gender and age distribution of the Board of Directors.

Board Committees

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

The task of the Nomination and Compensation 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 twice in 2017. 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 had two members: Jarkko Takanen (chairman) and Harri Takanen in 1 January – 17 May 2017 and since 18 May 2017 three members Jarkko Takanen (chairman), Harri Takanen and Christina Lindstedt. The committee convened six times in 2017. 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 2017. Petteri Jokitalo holds 202,000 shares in Scanfil plc and he has the following option rights: option program 2013(C) for 110,000 shares, 2016(A) for 110,000 shares and 2016(B) 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 73,000 shares in Scanfil plc and he has the following option rights: option program 2013(C) for 20,000 shares, 2016(A) for 20,000 shares and 2016(B) for 20,000 shares.

Kristoffer Asklöv, Vice President, Operations

Kristoffer Asklöv (b. 1977), M.Sc. (Mech.Eng.) is responsible for the operation of the Sievi, Åtvidaberg, Vellinge, Atlanta and Hamburg plants.

Kristoffer Asklöv holds 3,000 shares in Scanfil plc and he has the following option rights: option program 2013(C) for 20,000 shares, 2016(A) for 20,000 shares and 2016(B) for 20,000.

Tomi Takanen Vice President, Operations

Tomi Takanen (b. 1972), B.Sc. (Production Economics), is responsible for the operation of the Pärnu, Myslowice, Sieradz, Vantaa (Vantaa operations closed on Q2 / 2017) and Budapest (operations closed on Q2 / 2017) plants.

Tomi Takanen holds 50,113 shares in Scanfil plc and he has the following option rights: option program 2013(C) for 20,000 shares, 2016(A) for 20,000 shares and 2016(B) 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 27,861 shares in Scanfil plc and has the following option rights: option program 2013(C) for 20,000 shares, 2016(A) for 20,000 shares and 2016(B) 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, 2016(A) for 20,000 shares and 2016(B) 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 and 2016(B) for 20,000 shares.

Keijo Anttila, Vice President, Operations, until 31 July 2017

Keijo Anttila (b. 1966), MSc (Eng.), was responsible for the company's operations in China.

Keijo Anttila holds 576 shares in Scanfil plc (31 July 2017). His option rights from option program 2013(C) for 20,000 shares and 2016(A) for 20,000 shares were restored to company on 31 July 2017.

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.

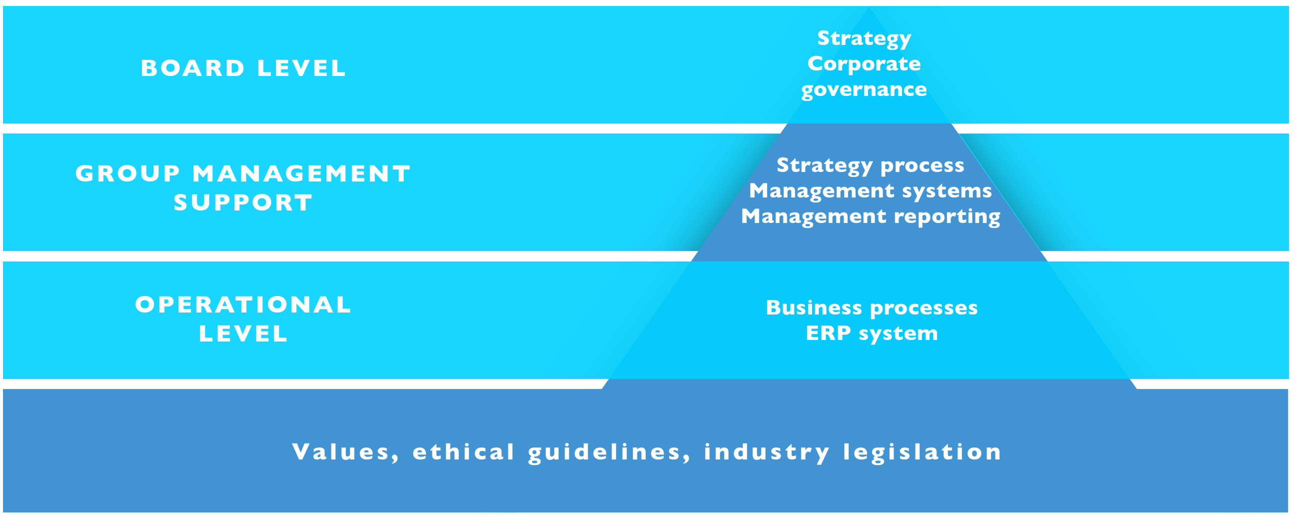
The controls included in Scanfil's operating processes form the basis of the company's financial control. They enable the company to swiftly identify and react to any deviations. The management's monthly reporting is a fundamental part of financial control. It includes producing a rolling forecast, the 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 2017

On December 31, 2017, 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 five wholly-owned subsidiaries operating in four different countries and one inactive subsidiary that was not engaged in any production activities at the end of 2017. The Scanfil Sweden AB sub-group comprises the parent company, Scanfil Sweden AB, five wholly-owned subsidiaries operating in three different countries, as well as five inactive subsidiaries that were not engaged in any production activities at the end of 2017.

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

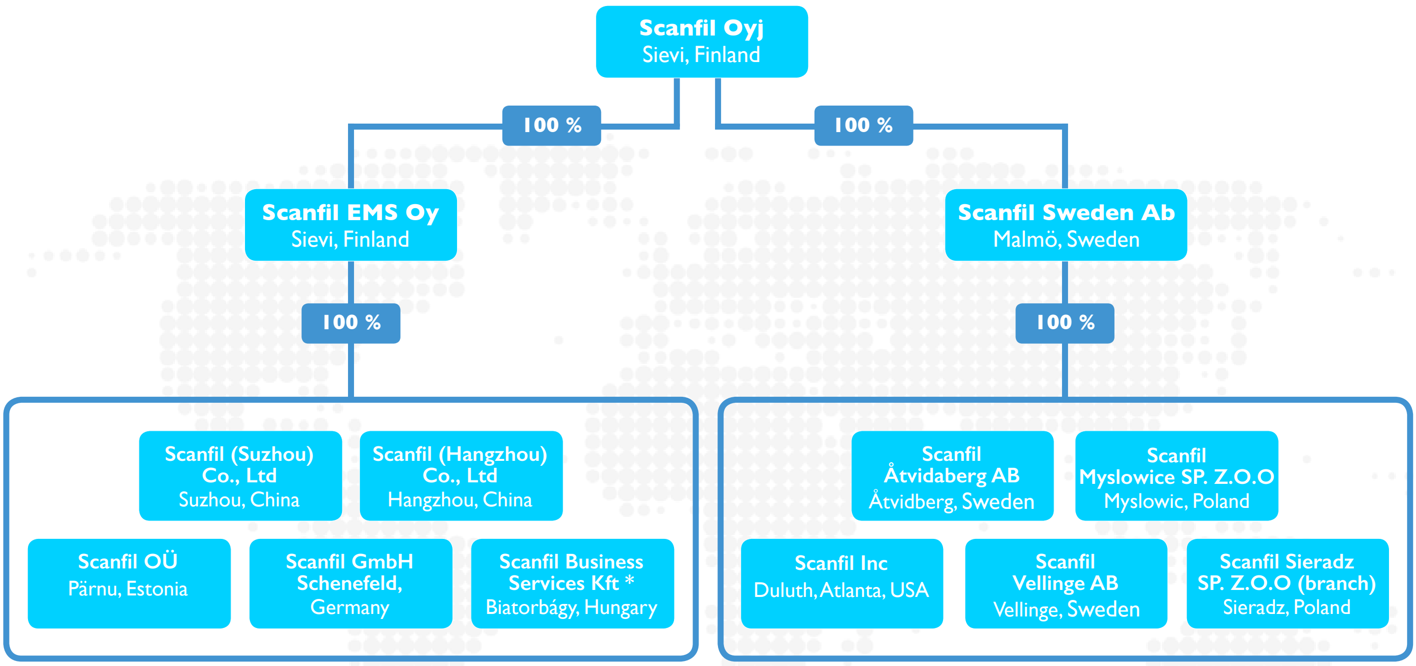
Company has stated that related party transactions that are material to the company or deviate from the company's normal business or are not made on market equivalent terms have not been done.

Auditors

The Annual General Meeting held on April 26, 2017 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 2017 accounting year were €69,729 in total, and the parent company's share was €44,729. The audit fees for the foreign companies of the Group were €240,073 in total.

For services unrelated to auditing, the auditing company was paid €46,672.

Scanfil plc groups structure in 2017



In addition to companies listed above Scanfil EMS Oy owns 100% of the following company which did not have operational activities in the end of 2017: Scanfil Kft (Unkari),
* former Rozalia Invest Kft.

In addition to companies listed above Scanfil Sweden owns 100% of the following companies which did not have operational activities in the end of 2017: Scanfil Vantaa Oy, Scanfil Limited (UK), PartnerTech Electronics Co., Ltd (China), PartnerTech China Ltd. (HongKong, China), PartnerTech AS (Norway), which owns real estate companies Solgaard Skog AS ja Solgaard Skog KS, which do not have bysiness activities.

Scanfil Oyj 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. 2017)
- Chairman of Board of Directors: Titanium Oyj
- Member of Board of Directors: Finelcomp Oy, iLOQ Oy, Jussi Capital Oy, Visualligent 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 8,511,169 shares in Scanfil plc. (31 Dec. 2017)
- Chairman of Board of Directors: Indoor Group Holding Oy, Indoor Group Oy
- Member of Board of Directors: Sievi Capital Oyj

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 10,829 shares in Scanfil plc. (31 Dec. 2017)
- Chairman of Board of Directors: Nordic Flanges, Scandinavian Executive AB, Real Holding Ab, Bengström AB, BengströmFörvaltning AB.
- Member of Board of Directors: KHT Executive School, 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, CEO at DimWei Group Oy. 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 independent of major shareholders. Does not hold Scanfil plc shares.

- Member of Board of Directors: Arnon Oy, Koto Automation Oy

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.

- Holds 6,000 shares in Scanfil plc. (31 Dec. 2017)
- Member of Board of Directors: Qlean Air Scandinavia AB and Minalyze AB

Scanfil Oyj 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 Sievi, Åtvidaberg, Vellinge, 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 Master's degree in Mechanical Engineering.

Keijo Anttila (until 31 July 2017)
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 2008 – 2012. Before that he has worked as CEO of Mecanova Oy 2001 – 2008 and Design and Marketing Director of Elektronet Oy 1999 – 2001. Keijo Anttila holds a Master's degree in Engineering.

Tomi Takanen
Vice President, Operations
Tomi Takanen (1972) is responsible for operations in Vantaa (operations closed on Q2/2017), Pärnu, Myslowice, Sieradz and Budapest (operations closed on Q2/2017), 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.

Information to shareholders

Annual General Meeting

Scanfil plc's Annual General Meeting (AGM) will be held on Wednesday 25 April 2018 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 FinlandLtd, on 13 April 2018 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 19 April 2018, 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 Boardof Directors proposes to the Annual General Meeting that a dividend of EUR 0.11 per share be paid for a total of EUR 7,028,498.29 for the financial year ending on 31 December 2017 .

The dividend matching day is 27 April 2018 and the dividend payment date 7 May 2018. 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 2018, Scanfil plc will publish the following financial reviews:
Financial statements 16 Feb. 2018
Annual report week 12/2018
Interim report for January–March 26/04/2018
Interim report for January–June 09/08/2018
Interim report for January–September 26/10/2018

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.

STATIIVI.FI

SCANFIL

Yritystie 6
FI-85410 SIEVI
FINLAND

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

www.scanfil.com