annual report 2010

SCANFIL

Solutions for Telecommunications & Professional Electronics

Contents

INFORMATION FOR SHAREHOLDERS

Annual General Meeting

The Annual General Meeting of Scanfil plc will be held on Wednesday 13 April 2011 at 2.00 p.m. in company's main office, at the address Yritystie 6, Sievi, Finland.

Eligibility to attend the meeting shall be enjoyed by shareholders who were entered by 1 April 2011 at the latest as shareholders in the register of Scanfil plc's shareholders kept by Euroclear Finland Oy. In order to be able to attend the Annual General Meeting, shareholders shall register with the company by 4 p.m. on 8 April 2011 at the latest, either in writing to the address Scanfil plc, Yritystie 6, 85410 Sievi, Finland, by telephone, on + 358 8 4882 111, to Ms Anne-Maarit Kainulainen or by e-mail anne-maarit.kainulainen@scanfil.com.

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

Payment of dividend

The Board of Directors proposes to the Annual General Meeting that, according to the dividend policy, a dividend of EUR 0.06 per share be paid based on the annual result of the financial year ending on 31 December 2010, plus an additional dividend of EUR 0.06 per share on the market.

The record date for payment of dividend shall be 18 April 2011 and the date of payment of dividend 27 April 2011. Dividend shall be paid to shareholders who on the record date are entered in the register of the company's shareholders kept by the Euroclear Finland Oy.

Financial information

In 2011, Scanfil plc will be publishing the following financial reviews:

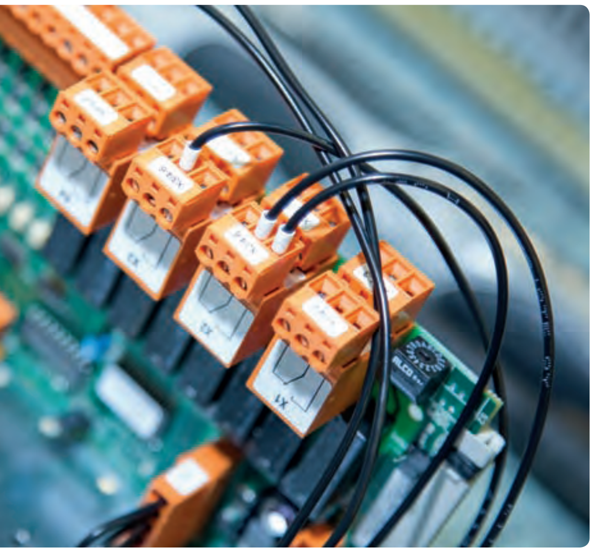
Financial statement bulletin 17 February 2011
Annual report week 11/2011
Interim Report for January–March 27 April 2011
Interim Report for January–June 3 August 2011
Interim Report for January–September 26 October 2011

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

Register of shareholders

Shareholders are requested to notify the bookentry register, at which their book-entries are kept, of any changes in their contact information.

SCANFIL IN BRIEF



The right solution at the right time

Scanfil Group comprises the parent and investment company Scanfil plc and a subgroup called Scanfil EMS Oy, which is engaged in contract manufacturing and offers its services globally to telecommunications systems manufacturers and professional electronics customers.

Scanfil plc

Scanfil plc is a listed (NASDAQ OMX Helsinki) investment company whose task is to manage Group's assets in a way that is efficient and distributes risk. The primary aim is to make capital investments in industrial companies by acquiring a sufficient holding that enables active Board work. In addition, Scanfil plc makes financial investments in shares, corporate bonds and other fixed-income investments, among others.

Scanfil EMS Oy

Scanfil EMS is an international contract manufacturer and system supplier for the telecommunications and electronics industries, with 35 years of experience in demanding contract manufacturing.

The company offers its products and services to large international telecommunications systems manufacturers and professional electronics customers.

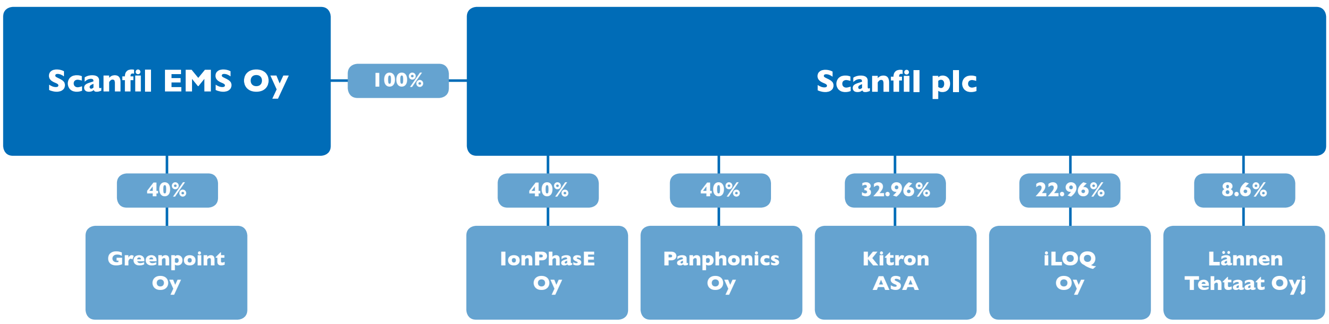
The Scanfil EMS Group comprises the parent company Scanfil EMS Oy and subsidiaries in China, Hungary and Estonia. It has six plants: two in Finland, one in Estonia, one in Hungary and two in China. Scanfil EMS has about 2,260 skilled employees.

Scanfil EMS' service range covers sourcing, logistics, production and testing services. Company masters sheet metal mechanics, printed circuit board assembly (PCBA), manufacturing of wiring harnesses and their integration to completed product.

Typical products manufactured by Scanfil include equipment systems for mobile and telecommunications networks, automation systems, frequency transformers, lift control systems, equipment and systems for electricity production and transmission, analysers, slot machines and different meteorological instruments.

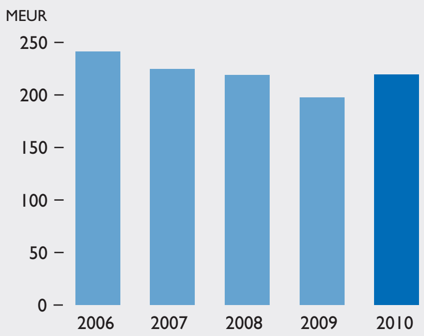
Products manufactured by the company are mainly used in professional applications in, for example, networks, industrial automation, laboratory environments, measuring equipment, lifts and cranes.

The group structure of Scanfil plc

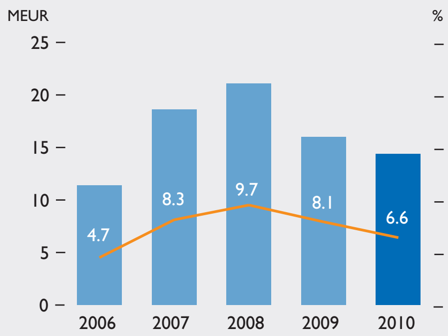


KEY FIGURES 2010

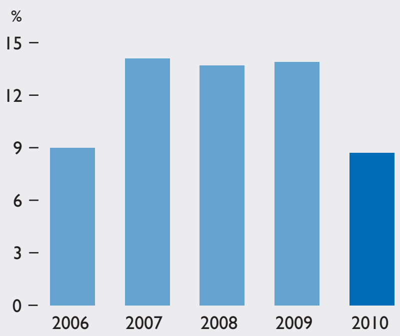
Turnover



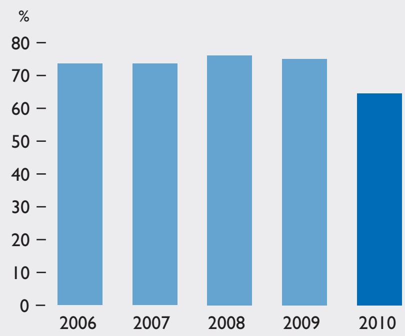
Operating profit and operating profit %



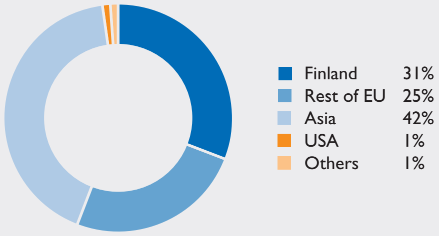
Return on investment



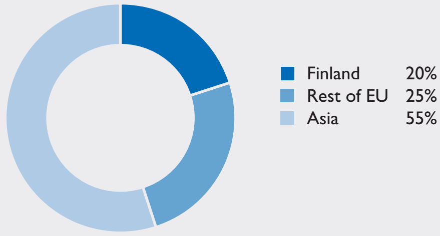
Solvency



Turnover geographically



Personnel by region 31.12.2010



PRESIDENT'S REVIEW

Lots of potential in contract manufacturing

After the recession, the general economic outlook moved in a more positive direction in 2010, even though the debt crisis of the EU area confused the market. The turnover of contract manufacturing business for 2010 increased considerably from the previous year. Scanfil Group's result was on satisfactory level.

Scanfil's contract manufacturing business recovered at the end of the first quarter with increasing customer demand. The recovery was quick, and sales for the third quarter were the highest in four years.

Strategic investments in new business segments

Scanfil plc's investment activity proceeded according to strategy on several fronts in 2010. In addition to lucrative money market and equity investments, we made investments in, among others, the food industry, plastic technology, audio technology and locking solutions. We are seeking growth opportunities from new segments with these investments.

The most significant investment in 2010 was in the Norwegian listed company Kitron ASA, which supports Scanfil plc' strategy of expanding contract manufacturing operations.

Proportion of industrial electronics is increasing

Our contract manufacturing operations developed favourably in communications technology as well as professional electronics. We secured new customers and succeeded in deepening our strategic customer accounts.

The growth in demand was particularly strong in professional electronics where we are actively seeking new customers. We are growing the customer portfolio moderately so that we will be less dependent on individual segments.

Global contract manufacturing has largely shifted to lower-cost countries and closer to the market. In Central Europe, there are still countries like Germany where several companies are engaged in their own production in both electronics and mechanics. Such medium-sized players are good customer potential for a contract manufacturer like Scanfil.

Flowing production increases overall efficiency

Competence in production is a critical success factor for Scanfil. In 2010, we continued to pay attention to the efficiency of our plants and their ability to produce high-quality results. We continued production flow projects that have shortened production turnaround times and increased overall efficiency. In our production, we also actively focused on delivery reliability and flexibility according to customer needs.

The production facilities of the Suzhou plant improved and expanded significantly when we acquired a modern plant in December 2010. The plant's machinery was also increased and renewed. The facilities and equipment introduced in early 2011 will considerably increase the production capacity of furnished PCBs used in electronics equipment. Additional building rights make it possible to increase the production capacity further in the future.

Contract manufacturing outlook cautiously positive

Scanfil plc aims actively to develop capital investments already done and is looking for selected targets in its current and new lines of business. The available investment assets offer a good opportunity for acquisitions conforming to the investment strategy. We aim to obtain a stake in select companies that facilitates active influence on their operations.

The contract manufacturing market has recovered during 2010. The demand outlook for the company's contract manufacturing operations (Scanfil EMS Oy) for 2011 seems positive with regard to professional electronics customers. Predicting the development of demand by telecommunications customers is more uncertain. With regard to contract manufacturing we estimate a cautiously positive trend in sales.

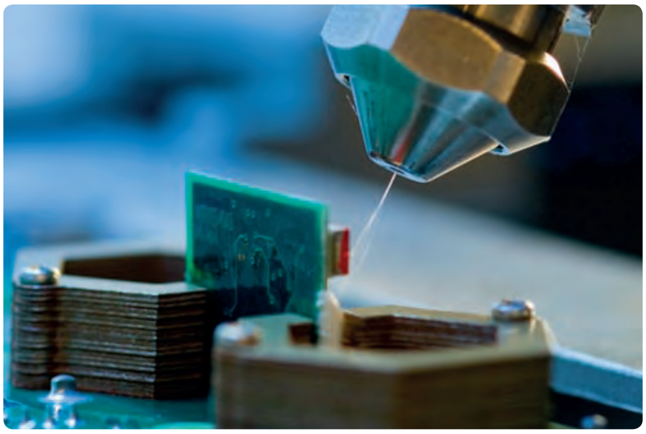
Scanfil plc expects that the Group's turnover for 2011 will increase slightly compared to 2010, while its operating profit will remain at a satisfactory level.

Harri Takanen
President
Scanfil plc

Scanfil plc's capital investments

Scanfil Group has a 100% holding in Scanfil EMS. In addition, Scanfil plc has made capital investments in two listed companies and three unlisted associated companies. Scanfil EMS has additionally invested in one unlisted associated company.

Scanfil plc's listed investment companies



Kitron ASA
(holding 32.96%) is a Norwegian listed contract manufacturer that operates in five different customer segments: the marine and oil industry, basic industry, the defence equipment industry, the hospital and healthcare equipment industry and the data and telecommunications industry. In addition to Norway, Kitron has plants and production in Sweden, Lithuania, Germany, China and, as of the beginning of 2011, also in the United States. Kitron ASA's turnover for 2010 was NOK 1,644,0 million (approximately EUR 204,8 million).

Kitron is one of the leading Scandinavian companies specialising in electronics contract manufacturing and the largest company in its line of business in Norway. The company's core competence includes advanced electronics products and demanding manufacturing processes. www.kitron.com

Lännen Tehtaat Oyj
(holding 8.6%) is a food production company whose shares are quoted on NASDAQ OMX Helsinki Oy. The business operations of the group consist of the Frozen Food business, the Seafood business and the Grains and Oilseeds business. Lännen Tehtaat operates in the northern Baltic Sea region.

The Group's companies are significant players in their respective lines of business. Apetit Pakaste Oy is the Finnish market leader in frozen vegetables and ready meals. Apetit Kala Oy is the market leader in processed fish in Finland. Maritim Food is Norway's leading supplier of processed fish. Nordic Grain specialises in domestic and international trade in corps, oil plants, legumes and feed raw materials, and it has subsidiaries in Russia, Lithuania and Estonia as well as representative office in Kazakhstan. www.lannen.fi

Scanfil plc's unlisted associated companies

All of Scanfil plc's unlisted associated companies are small international start-ups with an interesting and promising global potential. The companies have technological competence, strong patent portfolios and promising commercial applications.

IonPhasE Oy

(holding 40%) develops and manufactures high-quality dissipative polymers that help to control static electricity in plastic products. The production of the company's IonPhasE IPE polymers is based on proprietary patented technology.

Successful pilot projects have been performed for various industries during 2010. In addition, several new product versions received technical approvals at the end of 2010 and more product versions entering the sales phase will be completed during spring and summer 2011.

The District Court approved the company's restructuring plan during summer 2010. Scanfil plc's IonPhasE investment was made after the ratification of the restructuring plan. Some of the pilot projects are in their final stages, and the products are expected to enter production during the spring. www.ionphase.fi

iLOQ Oy

(holding 22,96%) develops, manufactures and markets innovative high security electronic and battery-free locking solutions that combine modern mechatronics with communications and software technology.

The patented iLOQ S10 product concept developed by iLOQ Oy has achieved significant growth and customer accounts in the Finnish lock market. The company has built a retail network in Finland, covering growth centres and major cities.

iLOQ Oy seeks fast growth through going international, first in the Nordic and then the Central European market. In Sweden, a distribution channel is being built by iLOQ Scandinavia Ab, located in Stockholm. The company aims to expand into the Central European market in 2011 with a specifically designed DIN-standard-based lock cylinder that is about to enter serial production. www.iloq.fi

Panphonics Oy

(holding 40%) is a leading manufacturer of products based on directional audio technology. The company's SoundShower speaker solutions are used, for example, in banks, store-specific advertisement systems, information kiosks and offices. Store-specific digital signage marketing is a rapidly growing segment of advertising. The solution offered by Panphonics Oy is unique in this market in terms of directional sound.

During 2010, the company secured a deal as a supplier for a significant store-specific system covering USA and Canada. The deliveries of this project began towards the end of 2010. Also, the company's SoundShower products have been specified for several other stores of leading brands and retail outlets.

During 2010, product development focused on expanding the application areas of the products to more challenging conditions and the development of the product's control electronics. During the year, the company suffered slightly from the international shortage of electronics components. Exports accounted for 95% of the company's invoicing. www.panphonics.com

Scanfil EMS Oy's associated company

Greenpoint Oy

(holding 40%) develops solutions that drive impulse sales of fast-moving consumer goods for retail chains. Greenpoint's product range includes refrigerators, displays and fixtures.

Greenpoint Oy's operations focused on the development of equipment and new product launches in 2010. The design of the portfolio primarily concerned new refrigerators and their certification, as well as launching them for the American market in cooperation with a large group of Mexican companies. The same operating model will also be applied in Europe in 2011. www.greenpoint.fi

Contract manufacturing recovered from the recession

The business outlook of contract manufacturing clients improved after the recession, and demand turned in a clearly positive direction in early 2010. Problems with the availability of electronics components limited sales to some degree.

The year of recession 2009 was challenging for end customers, whose production plunged by approximately 20%–40% from the previous level. The impact on Scanfil's sales were, however, smaller: approximately 10 per cent. Scanfil managed to secure new customer accounts in the challenging market conditions and expand its deliveries to existing customers.

The majority of customers have recovered from the previous year's plunge, and the market situation was better in 2010 from the point of view of overall demand.

At the beginning of 2010, the demand for contract manufacturing products was still decreasing, but demand began to increase at the end of the first quarter. Sales for the third quarter were the best in four years.

Global problems with the availability of certain electronics components faced by Scanfil and certain customers alike increased costs slightly and limited sales. Also, the increase in material prices that continued throughout the year had an effect on costs.

Several business segments in professional electronics

Telecommunications devices have become smaller and more versatile than before and their structures have become more simple. Several devices are modular, and end customers also assemble an increasing number of devices from modules in-house.

The volume of the serial production of telecommunications equipment has increased, and production has been shifted to lower-cost countries. The increased popularity of smart phones has increased the construction of mobile networks, increased the need for 3G network capacity and given a boost to the entire industry.

The business operations of professional electronics customers cover various segments. Scanfil has customers in the energy industry, machine engineering and lift technology, among others. The production series of professional electronics equipment are smaller than those of telecommunications equipment, and in some cases, they are unique.

The emerging segments in professional electronics are associated with increasing energy efficiency, renewable energy solutions and the manufacturing of LED components, for example. All of these new segments are interesting also from the point of view of contract manufacturing.

Growth potential in European customers

According to the most recent ETP (European Technology Platforms) surveys, the technology sector is still growing, which is directly reflected in the demand for contract manufacturing and outsourcing services as well.

Contract manufacturing has become more commonplace at various paces in different markets. Finnish customers have, to a large extent, shifted production to lower-cost countries and closer to the markets.

Similar development has also become more common among Central European customers, which is expected to increase Scanfil's opportunities for selling manufacturing services to new customers in Central Europe.

The location of contract manufacturing depends on the customers' needs. Production will be where demand is. The industry's general trend of moving operations to lower-cost areas, Asia in particular, continued further in 2010.

Focusing on growth and performance

Scanfil Group seeks growth in investment and contract manufacturing activity. The aim is to expand the Group's operations into new business segments. In the future, Scanfil EMS will focus on securing new global customer accounts in professional electronics.

Scanfil plc aims to expand the Group's operations to cover new industries, in addition to contract manufacturing. The aim is to invest the company assets profitably in companies that operate in the chosen sectors. Scanfil will try to acquire shares of ownership allowing an active say in the operation of the companies.

The cornerstone of Scanfil EMS Oy's strategy is good performance, whose key indicators are delivery reliability, quality and efficiency.

In the future, Scanfil EMS will seek growth in professional electronics in particular, where there is a lot of customer potential. From the point of view of a contract manufacturer, the telecommunications market is mature.

Scanfil EMS stands out from other contract manufacturing companies with the vertical integration of the production system. The comprehensive service offered to customers covers the sourcing of raw materials and materials, testing, electronics and mechanics manufacturing, and the required logistics, all the way to the final product.

Scanfil's service portfolio enables the company to assume greater responsibility in the customer's value chain than the mere manufacturing of products.

Global service offering

Scanfil keeps its customer portfolio sufficiently extensive. The number of customers is increased moderately while focusing on significant strategic customer accounts. The aim is to secure two or three significant new customer accounts each year.

Scanfil must be able to provide services globally in order to be competitive. Scanfil's objective is to expand its operations to cater for customers in all key markets worldwide. The strategy is to establish global production units on the basis of customer needs and market development.

With regard to the plants, Scanfil aims to increase the size of the units. Currently, the plants in Sievi (Finland) and China are examples of a good size. The location of the plants is viewed on the basis of customers' needs.

Scanfil's mission

We offer our customers a competitive edge by ensuring the most cost-effective way to produce assemblies and equipment, including mechanics and electronics. We are the preferred manufacturing partner for our customers.

Reliable contract manufacturing partner

Scanfil EMS offers comprehensive contract manufacturing for manufacturers of telecommunications systems and professional electronics. The company's global services cover the entire life cycle of the product. In its production, Scanfil flexibly combines mechanics and electronics manufacturing and final assembly.

Industry-leading equipment manufacturers as customers

Scanfil's customers are leading international telecommunications and professional electronics manufacturers. The company manufactures products for various applications, such as mobile and telecommunications networks, automation systems, electricity transmission and production systems, LED component manufacturing equipment, weather observation equipment and passenger and goods lifts.

Scanfil's long-term customer relationships are based on high product quality, cost-efficiency and flexibility of production. Scanfil aims to be its customers' primary contract manufacturing partner.

The largest telecommunications customers are Alcatel Lucent, Ericsson and Nokia Siemens Networks.

Major customer accounts in professional electronics include ABB, Kone, Metso, RAY, The Switch, Vacon and Vaisala.

Professional electronics customers increased their production in Asia during 2010, offering Scanfil an opportunity to increase its activity in China. Heidelberg Druckmaschinen and Kemppi, for example, started the manufacture of products in Suzhou and Hangzhou.

The company continued its active efforts to secure new customers, and cooperation was agreed on with AIXTRON SE among others. Professional electronics, in particular, include various potential segments that could utilise contract manufacturing to a higher extent. The aim is also to deepen the existing strategic customer accounts.

Scanfil EMS plants

SIEVI, FINLAND

- Electronics and mechanics
- Personnel: 310
- Floor area: 26 000 m^2

VANTAA, FINLAND

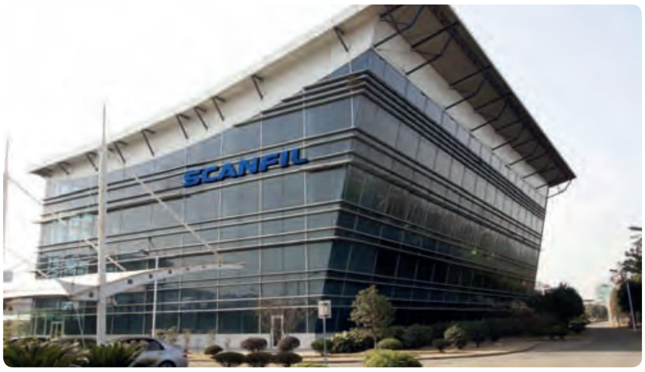
- Mechanics
- Personnel: 140
- Floor area: 9 000 m^2

PÄRNU, ESTONIA

- Electronics and mechanics
- Personnel: 380
- Floor area: 16 000 m^2

BUDAPEST, HUNGARY

- Mechanics
- Personnel: 180
- Floor area: 16 000 m^2

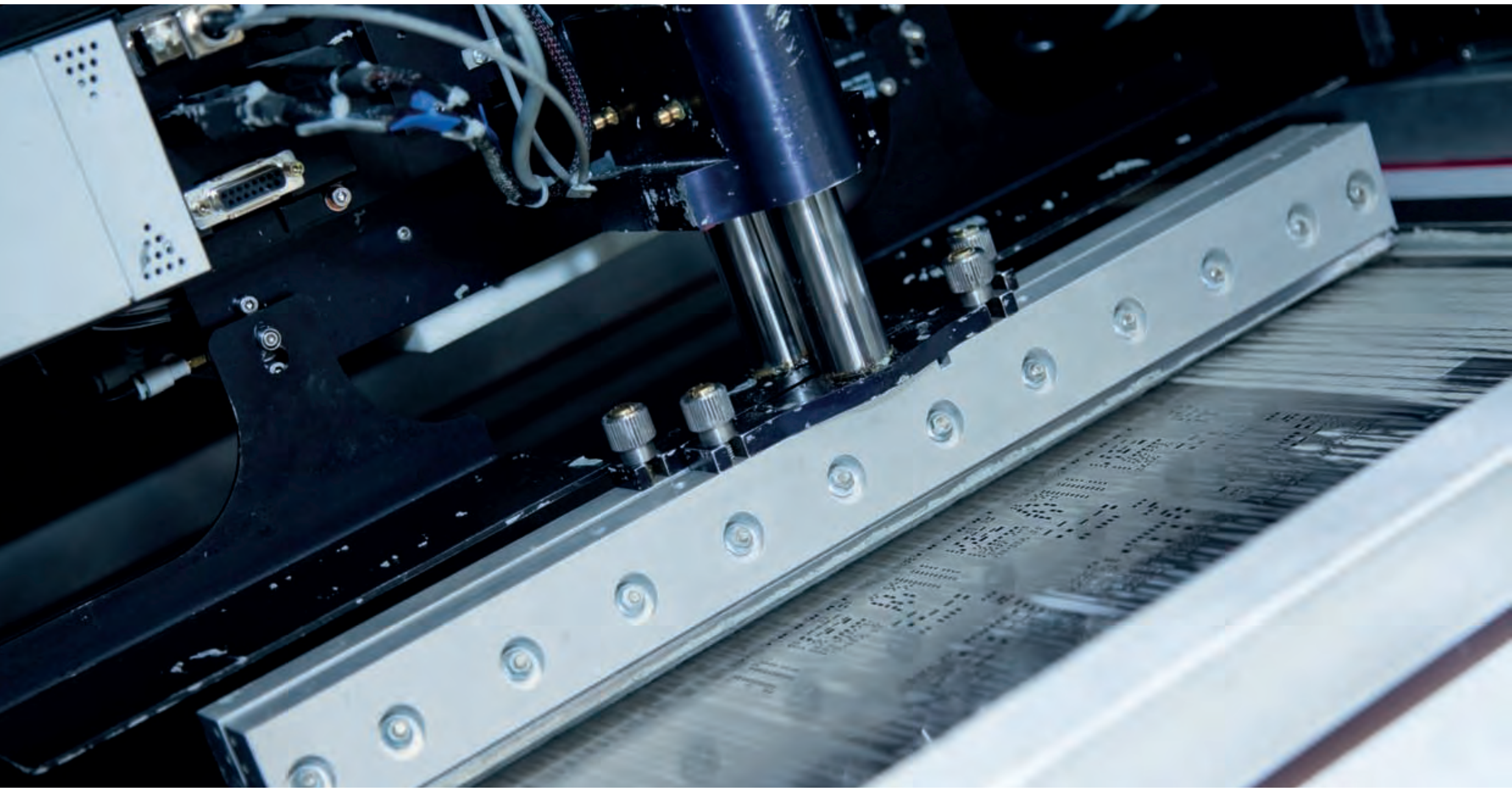


SUZHOU, CHINA

- Electronics
- Personnel: 620
- Floor area: 21 000 m^2

HANGZOU, CHINA

- Mechanics
- Personnel: 630
- Floor area: 36 500 m^2



Production methods are developed

Scanfil's production is located in six plants, two of which are in Finland, one in Estonia, one in Hungary and two in China. The combined floor area of the Scanfil plants is more than 124,000 square metres.

The geographical location of contract manufacturing is determined in accordance with customer needs and cost objectives. Production capacity in China has been strongly increased in the last few years.

Scanfil developed its competitiveness in 2010 by improving its production operating models and the structure of its production activity at the European plants as well as in China. Efficient harmonised processes ensure optimum service and quality to the customers across all production units.

Scanfil EMS Oy's strengths

- Comprehensive manufacturing services
- Cost-efficiency
- Speed, flexibility
- Supply chain management
- Customer orientation
- Solvency
- Solid and versatile production competence

Circuit board mounting in Europe was centralised at the Estonian plant. Investments were made in new technology in Estonia and China with the acquisition of a total of ten surface-mounting units and accessories at the Pärnu and Suzhou plants. The equipment acquisitions significantly increase the assembly capacity of the plants.

A significant investment was made in China in December 2010 with the acquisition of new facilities in Suzhou. The floor area of the building commissioned in January 2011 is 21,000 square metres, and new buildings can be constructed on the 61,000 square-metre plot.

The acquired facilities are better suited to the plant operations than the previous rental facilities, enabling the operations to grow. If needed, the facilities may also be rented to, among others, collaboration partners.

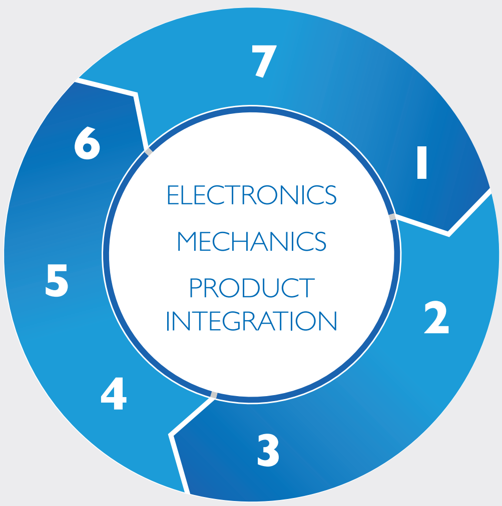
Products for telecommunications and professional electronics

Key products for telecommunications network systems are enclosure systems and base station products designed for wireless communications and broadband networks. The delivery of an enclosure system includes the production of mechanical and electronic components, product assembly and the testing of the final product.

Examples of key professional electronics products are box-built electronic products, various electronic modules, backplanes and assembled circuit boards as well as cable assemblies.

Six plants in four countries

Full life-cycle services for contract manufacturing



1. **Development of productivity**
   Scanfil's contract manufacturing services cover a significant part of the customers' value chains. The company assumes overall responsibility for the design of the productivity of the products.
2. **Scourcing**
   Scanfil assumes responsibility for supplier selection, prices, control of material flows and supervision of suppliers.
3. **Pilot series and prototypes of new products**
   Scanfil's strong manufacturing competence provides a solid foundation for the manufacturing and analysis of pilot and prototype series and testing of products.
4. **Sourcing and incoming logistics**
   Scanfil's global sourcing organisation knows the most cost-efficient supplier alternatives and organises the best logistical solutions.
5. **Global manufacturing**
   Scanfil offers its international customers global services of uniform quality at all of its sites.
6. **Distribution and outgoing logistics**
   Scanfil assumes responsibility for material flows between plants, deliveries to customers and the necessary forwarding and transport arrangements.
7. **After-sales services**
   Scanfil's after sales services include product repair, product data management and spare parts and logistics services.

Developing diverse competence

Competent and motivated employees are Scanfil's key success factor. The employees hold a significant role in implementing the strategy. Operating internationally sets challenges for personnel development. The values define Scanfil's global way of working.

In contract manufacturing, a company must react quickly to changes in demand. It must be possible to shift the focuses of production on the basis of demand as necessary. Market requirements also set challenges to the production operation model, which must flexibly adapt to the different needs of several customers.

In order to increase the flexibility of its operating model, Scanfil pays particular attention to increasing diverse competence within the organisation. Similarly, attention is also paid to the development of managerial work. Work hour models that are flexible according to the workload are developed in cooperation with the personnel.

Individual's responsibility is emphasised

The starting point of HR policy at all sites and in all duties is trusting the employees' ability to cope with their tasks and assume responsibility for their actions. In order to maintain the required competence, Scanfil aims to offer its employees opportunities for education and personal development.

Scanfil actively offers its employees opportunities for career development. The aim is that 80% of new open positions are filled from within the company and 20% from outside the company. All Group employees may apply for open positions within the company.

Scanfil takes the requirements of the local culture and business habits at all of its units. All of the subsidiaries located around the world comply with local legislation, collective labour agreements and operating methods with regard to all conditions of employment. Scanfil is committed to offering a safe working environment with no fear of discrimination, and to operating in compliance with international human rights conventions.

80% of personnel outside Finland

The number of personnel grew the most in China. At the end of 2010, the Group employed 2,260 (2,061) people, of whom 1,809 (1,561) worked in units outside Finland. The proportion of employees outside of Finland was 80% (76%) at the end of the year. The proportion of employees working in China was 55%.

The average number of Group employees during 2010 was 2,203 (2,064) people. The number of employees by country on 31 December 2010 was: Finland 451, Estonia 377, Hungary 179 and China 1,253.

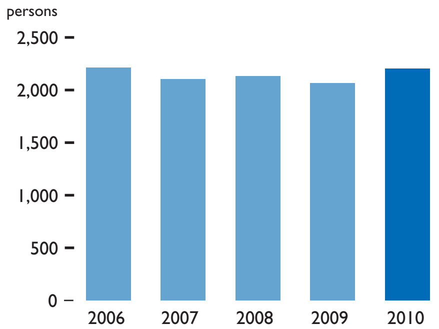
China features the youngest employees, with an average age of 31 years. The average age of employees in Estonia and Hungary is 35 years. The average age of the personnel working in Finland is 40 years.

Men account for 56% of all personnel and women for 44%.

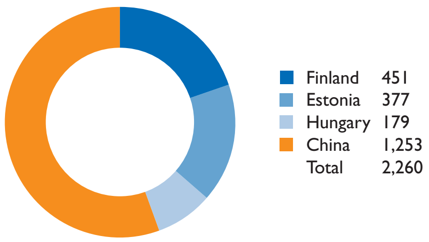
Scanfil's values

- Profitability – results
- Flexibility
- Confidence
- Responsibility
- Continuous development

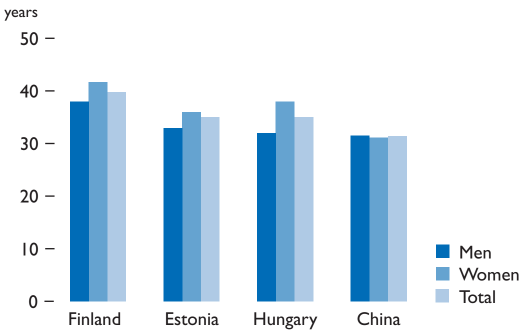
Personnel on average 2006–2010



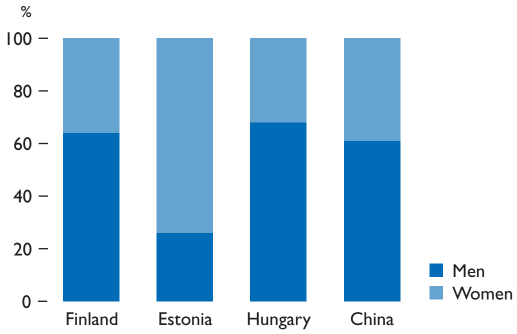
Personnel on 31 December 2010

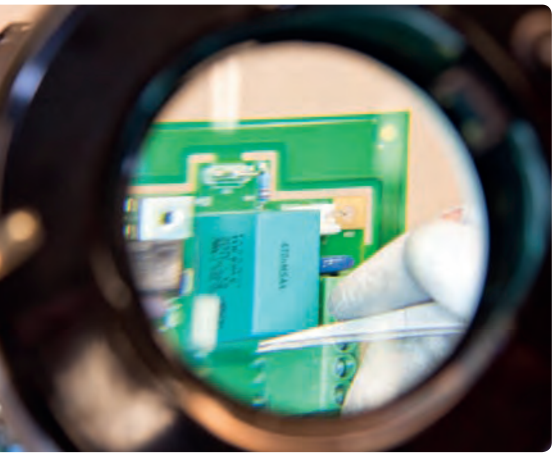


Average age of employees by countries



Employees by gender





QMS ensures operating methods and processes

Quality and environmental efficiency are Scanfil's key competitive factors. All Scanfil units comply with an ISO 9001-compliant certified quality management system and ISO 14001 environmental standard. Operations are developed according to the principle of continuous improvement.

Scanfil's quality management is based on process management, which is applied in the same way across all production units. Efficient and measurable global processes ensure quality and guarantee that the customers receive the best possible service from all units.

In 2010, Scanfil streamlined its global production activity, especially through flow projects. A well-designed flow model shortens production turnaround times considerably. At the same time, bottlenecks in production are identified and can be quickly eliminated. The aim is to keep the processes as stable as possible and minimise variation.

Six Sigma ensures quality management

Quality management is based on the use of Six Sigma tools at all Scanfil plants. Different levels of the production process are continuously measured and errors are minimised.

The plants' tool for continuous quality improvement is the Hoshin process used by several Japanese companies, emphasising the units' own responsibility for the design and implementation of individual development projects.

A framework that enables changing the production model quickly according to the customer's needs has been introduced to Scanfil units. The significance of speed has been emphasised, especially with regard to large-scale production start-ups.

Product quality, turnaround times of products as well as the cost-efficiency of production are important to customers and those are developed in co-operation also with customers.

Monitoring environmental efficiency

Each Scanfil plc unit has a certified ISO 14001-compliant environmental management system.

Scanfil performs regular evaluations of its environmental systems at all units. The systems are updated on the basis of the evaluations. Also, the environmental requirements of the customers and authorities are taken into account in all operations.

Scanfil pays attention to the use of raw materials and energy at all of its units, and aims to minimise its emissions and environmental load.

The flow projects implemented at several plants during 2010 generated favourable results from the point of view of environmental efficiency. Production turnaround times improved while the recovery of materials became more efficient. Active investments were also made in recycling waste.

Scanfil's senior management monitors the key indicators of the environmental system and evaluates the achievement of the set targets through regular reviews.

Scanfil plc
Stock exchange releases 2010

December 3, 2010
Scanfil EMS signed eur 40 million loan agreement

November 18, 2010
Scanfil plc's financial information and
Annual General Meeting in 2011

November 9, 2010
Scanfil plc's representation in the Board
of Directors of Kitron ASA

November 1, 2010
Scanfil plc's subsidiary Scanfil EMS Oy
and Ojala-Yhtymä Oy to merge

October 22, 2010
Scanfil plc's Interim Report
1 January – 30 September 2010

September 24, 2010
Scanfil plc acquires 32,9% of shares of Kitron ASA

August 3, 2010
Scanfil plc's Interim Report 1 January – 30 June 2010

June 15, 2010
Scanfil sold the real estate in Oulu

April 26, 2010
Scanfil plc's Interim Report 1 January – 30 March 2010

April 8, 2010
Scanfil plc's Annual General Meeting, 8 April 2010

April 6, 2010
Preliminary information on Scanfil plc's turnover
and operating profit of the first quarter

April 1, 2010
Closure of statutory negotiations at Vantaa plant
of Scanfil plc's subsidiary Scanfil EMS Oy

March 23, 2010
The Supreme Court rejected to grant
a leave of appeal to Scanfil plc

March 23, 2010
Scanfil plc's subsidiary Scanfil EMS Oy, starts
employer-employee negotiations in Vantaa

March 17, 2010
Scanfil plc's Financial Statements, Annual Report and
Corporate Governance Statement have been published

March 17, 2010
Notice to the Annual General Meeting

February 15, 2010
Scanfil Group's Financial Statements for
1 January – 31 December 2010

February 9, 2010
Scanfil plc's annual summary 2009

SCANFIL PLC, BOARD OF DIRECTORS

Chairman of the Board of Directors

Jorma J. Takanen
Qualified Chemical Engineer, born 1946

Founder of Scanfil Oy, President & CEO during 1976–2005 and Group CEO of Scanfil Group since 1 February 2005, member of the Board of Directors since 1976.

Chairman of the Board of Directors: Foundation of Riitta and Jorma J. Takanen

Vice Chairman of the Board of Directors: Pohjanmaan Puhelin Oy, Pohjanmaan Puhelinosuuskunta PPO

Member of the Board of Directors: iLoq Oy, IonPhasE Oy

Member of the Supervisory Board: Varma Mutual Pension Insurance Company

Holds 17,596,305 Scanfil plc shares (31 December 2010).

Vice Chairman of the Board of Directors

Asa-Matti Lyytinen
M.Sc. (Econ.), born 1950

Member of the company's Board of Directors since 2000, partner in Mecrastor PricewaterhouseCoopers Oy and its CEO 1992–2002, Mecrastor Oy's President and CEO 1990–1992 and Deputy CEO 1988–1990.

Chairman of the board of Directors: Panphonics Oy, Fermlab Oy, Fuko Pharma Oy, Kitron ASA

Holds 4,000 Scanfil plc shares (31 December 2010).

In the picture from left: Harri Takanen, Asa-Matti Lyytinen, Reijo Põllä, Jarkko Takanen, Tuomo Lähdesmäki and Jorma J. Takanen

Tuomo Lähdesmäki
M.Sc. (Eng.), MBA (INSEAD), born 1957

Member of the company's Board of Directors since 2005, Founding Partner and Senior Partner of Boardman Oy since 2002, President and CEO of Elcoteq Network Corporation 1997–2001, Managing Director of Leiras Oy 1991–1997.

Chairman of the Board of Directors: Aspocomp Group Oyj, Terästorni Oy, Turun yliopistosäätiö, West Welding Oy, Viafin Oy, Reneva Oy

Member of the Board of Directors: Citycon Oyj, Meconet Oy and Metsä Tissue Oyj, Yliopiston Apteekki, Vaaka Partners Oyj.

Holds 10,000 Scanfil plc shares (31 December 2010).

Reijo Pöllä
Qualified IT Engineer, born 1951

Member of the company's Board of Directors since 1983, has been responsible for the most important investment projects of the Group since May 2006. Before that, he has held the position of Vice President, Internal Operations and Plant Manager of the Sievi electronics plant and the Äänekoski plant.

Member of the Board of Directors: Greenpoint Oy

Holds 3,128,745 Scanfil plc shares (31 December 2010).

Jarkko Takanen
Qualified Production Engineer, holds a Commercial College Diploma in Management Accountancy, born 1967

Member of the company's Board of Directors 1997–2003 and from 2005, Customer Service Manager, Works Manager, Quality Manager, IT Manager and Director of Sourcing and Logistics at Scanfil plc 1995–2004, Managing Director of the Belgian subsidiary Scanfil N.V. 1 April 2003 – 30 June 2004.

Managing Director and member of the Board of Directors: Jussi Capital Oy

Holds 2,477,169 Scanfil plc shares (31 December 2010).

SCANFIL EMS OY, MANAGEMENT TEAM

Harri Takanen
President, Scanfil plc and Scanfil EMS Oy

M.Sc. (Eng.), born 1968

President of Scanfil plc since 15 May 2007, at the company's employ since 1994 in positions such as Director of China Operations, Managing Director of Scanfil (Hangzhou) Co., Ltd, Vice President of Technology, Director of Customer Relations, Customer Service Manager and Plant Manager of Sievi Mechanics.

Holds 4,002,664 Scanfil plc shares (31 December 2010).

Keijo Anttila
Director, Sales and Marketing

M.Sc. (Eng.), born 1966

Joined the company in 2008. Managing Director of Mecanova Oy 2001–2008, Planning and Marketing Manager of Elektronet Oy 1999–2001.

Holds 576 Scanfil plc shares (31 December 2010).

Markku Kosunen
Director, Operations

Technology undergraduate, born 1967

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

Marjo Nurkkala
Director, Finance

M.Sc. (Econ.), born 1959

The Company's CFO since 2000, financial manager since 1997, financial manager of Oy M-Filter Ab 1993–1997, office manager of Osuuskauppa Jokiseutu 1986–1992.

Holds 3,953 Scanfil plc shares (31 December 2010).

Reijo Pöllä
Qualified IT Engineer, born 1951

Joined the company in 1977, Director, Investment Projects since 1 May 2006. Before that, he has held the position of Vice President, Internal Operations and Plant Manager of the Sievi electronics plant and the Äänekoski plant.

Holds 3,128,745 Scanfil plc shares (31 December 2010).

Tomi Takanen
Director, Materials and Logistics

Qualified Production Engineer, born 1972

Joined the Company in 1997, has held the current position since 1 March 2009, Managing Director of the Hangzhou subsidiary 2007–2009, Key Customer Account Manager 2004–2007, Production Manager and Plant Manager at the Sievi electronics plant 2000–2004, project tasks at the Sievi mechanics 1997–2000.

Holds 113 Scanfil plc shares (31 December 2010).

Aki Viljamaa
Director, Quality and Process Development

B.Sc. (Machine Automation), born 1967

Joined the Company in 2004, assumed his current position on 1 January 2009, Quality Manager of China operations and Logistics Manager of Scanfil (Hangzhou) Co. Ltd. 2004–2009, Quality Manager of Flextronics' mechanics plants in Finland 2002–2004, Quality Manager of Flextronics Enclosures (Hangzhou, China) 2001–2002.

Picture: Scanfil Group headquarter in Sievi.

REPORT OF BOARD OF DIRECTORS 2010

Scanfil Group comprises the parent and investment company Scanfil plc and a subgroup called Scanfil EMS Oy, which is engaged in contract manufacturing and offers its services globally to telecommunications systems manufacturers and professional electronics customers.

Scanfil plc is a listed investment company whose task is to manage the Group's assets in a way that is efficient and distributes risk. The aim of the investment company is to create shareholder value through active shareholding. The primary aim is to make capital investments in industrial companies by acquiring a sufficient holding that enables active Board work. Scanfil plc additionally makes financial investments in shares, corporate bonds and other fixed-income investments, among others.

Scanfil EMS Oy is an international contract manufacturer and system supplier for the telecommunications and electronics industries, with 35 years of experience in demanding contract manufacturing.

Group structure

The Scanfil plc Group includes the investment and parent company Scanfil plc, its wholly owned subgroup Scanfil EMS Oy and associated companies. Scanfil plc's associated companies are Kitron ASA (share of ownership 32.96%), IonPhasE Oy (40.0%), iLOQ Oy (22.96%) and Panphonics Oy (40.0 %). Scanfil's wholly owned Belgian subsidiary Scanfil N.V. has not engaged in any production activities since 2006.

The Scanfil EMS Oy subgroup is comprised of subsidiaries and the associated company Greenpoint Oy (share of ownership 40%). Scanfil EMS Oy's subsidiaries are Scanfil (Suzhou) Co., Ltd. and Scanfil (Hangzhou) Co., Ltd. in China, Scanfil Kft. (Budapest) and real-estate company Rozália Invest Kft. (Budapest) in Hungary and Scanfil Oü (Pärnu) in Estonia. The Scanfil EMS group has a 100% holding in all of its subsidiaries.

Year 2010

Scanfil plc

Scanfil plc started investments in new business segments at the end of 2009 when it acquired an 8.6% holding in Lännen Tehtaat Oyj. Lännen Tehtaat Oyj is a food production company whose shares are quoted on NASDAQ OMX Helsinki Oy. The group's business segments are Frozen Food, Seafood, and Grains and Oilseeds. Lännen Tehtaat Oyj's performance was on a growth track in 2010. Growth in turnover compared to the previous financial period was nearly 20%. The aim is to enhance profitability further with started streamlining measures, especially in the Seafood business. The company estimates that due to the implemented development measures and acquisitions made in 2010, the Group's full-year operating result for 2011 excluding non-recurring items is expected to be better than for the comparison year, 2010.

Scanfil plc made another investment in a listed company in September by purchasing 57,000,000 shares in the Norwegian company Kitron ASA on the Oslo Stock Exchange. The shares gave Scanfil plc a holding of 32.96%. The acquisition value of the shares was NOK 143.9 million (approximately EUR 18.1 million). Kitron ASA is an electronics contract manufacturer with production activity in Norway, Sweden, Lithuania, Germany and China. With the investment, Scanfil plc wants to strengthen its position and presence in the international contract manufacturing market. Kitron ASA's business was also moderate during the fourth quarter. Its turnover for the fourth quarter increased slightly compared to the previous year in spite of a shortage of components. Despite challenges, 2010 as a whole was satisfactory with regard to operations. However, as the result of the provision associated with the streamlining programme in Sweden recorded in the fourth quarter, the full-year operating profit remained modest.

All of Scanfil plc's unlisted associated companies (iLOQ Oy, Panphonics Oy, IonPhasE Oy) are small internationally operating start-ups with an interesting and promising global potential. The companies have technological competence, strong patent portfolios and promising commercial applications.

An 18.7% holding in iLOQ Oy, a company that manufactures and markets innovative locking solutions, was acquired in autumn 2009. In December 2010, Scanfil plc subscribed for more shares in the company in iLOQ Oy's share issue to the effect that Scanfil plc's holding increased to 23%. At the same time, iLOQ Oy became Scanfil plc's associated company. iLOQ Oy's patented and internationally acclaimed iLOQ S10 locking system has achieved considerable growth and customer accounts in the Finnish locking market. The company has built a Finnish distributor network that covers growth centres and major cities. iLOQ Oy seeks fast growth through going international, first in the Nordic and then the Central European market. In Sweden, a distribution channel is being built by iLOQ Scandinavia Ab, located in Stockholm. The company aims to expand into the Central European market in 2011 with a specifically designed DIN-standard-based lock cylinder that is about to enter serial production.

In June, Scanfil plc made an investment in a new business segment by acquiring a 40% holding in Panphonics Oy, a company that develops and manufactures audio solutions based on plane wave technology. Panphonics manufactures solutions based on patented directional audio technology for acoustically demanding applications. During 2010, company secured a deal as a supplier for a significant store-specific system covering a continent. The deliveries of this project were begun towards the end of 2010. Also, the company's SoundShower products have been approved for several other stores of leading brands and retail outlets. During 2010, product development focused on expanding the application areas of the products to more challenging conditions and the development of the product's control electronics. During the year, the company suffered slightly from the international shortage of electronics components. Exports accounted for 95% of the company's invoicing.

The company invested in the plastic technology segment in July by acquiring a 40% holding in IonPhasE Oy, a company that develops, manufactures and markets dissipative polymers. The company develops and manufactures high-quality dissipative polymers that help to control static electricity in plastic products. IonPhasE products are utilised in a wide range of industries, such as chemical, automotive, telecommunications and consumer electronics. IonPhasE Oy has implemented successful pilot projects for various industries during 2010. In addition, several new product versions received technical approvals at the end of 2010 and more product versions entering the sales phase will be completed during the spring and summer 2011. Some of the pilot projects are in their final stages, and the products are expected to enter production during the spring.

Scanfil plc's investment portfolio is divided into two parts: financial investments and capital investments.

Financial investments are further divided into two parts. The first part contains money market investments including risk-free interest investments (deposits), low-risk investments (business loans) and moderate risk investments (structured instruments). The second part contains liquid high-yield, ETF and equity investments.

The purpose of capital investment activity is to acquire a share of ownership in the target companies that allow an active say in the operation of the selected companies. Scanfil plc's current target allocation is: money market investments 20%-35%, ETF and equity investments 10%-15% and capital investments 50%-70%. At the end of the period under review, the allocation was 62%, 4% and 34%, respectively.

At the turn of the year, fixed-income investments were clearly overweight as the EUR 40 million credit raised in December was temporarily deposited in banks.

The average duration of the structured instruments in the investment portfolio is less than three years, and they account for less than 20% of the financial investments.

With regard to investment activity, 2010 was a good year as a whole, and the target yield for the financial investments was reached. Capital investments were made in accordance with the strategy. The capital investments that have been made enable long-term development of operations and more effective utilisation of new investment opportunities.

Scanfil EMS subgroup

The business outlook of contract manufacturing clients improved in 2010 after the recession in 2009, and excluding the first two months of the period under review, the development of sales has been positive. The strengthening of demand that started at the end of the first quarter continued throughout the year, and full-year turnover increased by 11.1% compared to 2009. Increased sales to professional electronics customers accounted for the majority of the growth in full-year sales. Similarly to the previous quarter, the turnover for the fourth quarter, EUR 62.2 million, was considerably better (+29%) than the corresponding period the previous year.

Professional electronics customers accounted for 49% of total sales in 2010 (44% in 2009) and telecommunications customers for 51% (56%). The customer division and sales monitoring of Scanfil EMS subgroup has been reorganised to better match customers' product range and the company's internal reporting. The new customer groups are professional electronics customers and telecommunications customers. The change increases the share of professional electronics customers by 2-3 percentage points compared to the previous practice.

In 2010, the company continued its activity in securing new customers, especially in professional electronics. Cooperation was agreed upon with, for example, AIXTRON SE. Professional electronics in particular include various potential segments that could utilise contract manufacturing to a higher extent. Cooperation with existing customers deepened, and some professional electronics customers increased their manufacturing activity in Asia, which provides the company with an opportunity for increasing its operations in China.

At the beginning of December, Scanfil EMS Oy's subsidiary in Suzhou, China, Scanfil (Suzhou) Co., Ltd. acquired new premises of approximately 21,000 square metres. The acquired facilities are better suited for the plant operations than the current facilities, enabling the operations to grow. In the new facilities, for example, the surface-mount assembly capacity of circuit boards used in production will be renewed and increased with several assembly machine units and necessary associated equipment. The property investment was financed using cash funds accumulated from the operations in China.

In August, Scanfil EMS Oy acquired a 40% holding in Greenpoint Oy and signed a supply contract with the company. Greenpoint Oy develops concepts to drive fast moving consumer goods and serves international brand and retail chain customers in Europe and, via contractual partners, in North and Latin America. Greenpoint Oy's operations focused on the development of equipment and new product launches in 2010. The design of the portfolio primarily concerned new refrigerators and their certification, as well as launching them for the American market in cooperation with a large group of Mexican companies. It was agreed to launch product marketing measures in Europe during 2011 using the same operating model.

Scanfil Group's financial performance

The Group's turnover for January - December was EUR 219.3 (197.3) million, up 11.1% year-on-year. Distribution of turnover based on the location of customers was as follows: Finland 31% (35%), rest of Europe 25% (22%), Asia 42% (42%), USA 1% (1%) and others 1% (1%).

REPORT OF BOARD OF DIRECTORS 2010

The Chinese subsidiaries' sales accounted for 47% (46%) of the Group's sales during the review period including deliveries to the Group's other plants.

Operating profit of the Group during the review period was EUR 14.4 (16.0) million, representing 6.6% (8.1%) of turnover. Operating profit includes a non-recurring property sales gain of EUR 2.5 million, recognised in the second quarter. Operating profit without the sales gain was EUR 11.9 million, representing 5.4% of turnover. The associated company Kitron ASA has recorded a provision of NOK 27 million (EUR 3.3 million) for the fourth quarter due to the restructuring of Swedish operations. The Group's financial expenses include a 32.96% share, or EUR 1.1 million, of the associated company's loss for the fourth quarter.

Earnings for the review period amounted to EUR 10.9 (14.3) million. Earnings per share were EUR 0.19 (0.25) and return on investment was 8.6% (13.9%).

Scanfil EMS subgroup

The turnover of contract manufacturing operations amounted to EUR 219.3 (197.3) million in January-December. Operating profit for the review period was EUR 11.0 (15.6) million, or 5.0% (7.9%) of turnover. The result amounted to EUR 6.8 (10.0) million, or 3.1% (5.0%) of turnover. Throughout the period under review, the development of profitability has been affected by global problems for the company and certain customers with the availability of certain electronics components. These problems increased costs and decreased sales to some extent. In addition, the increase in raw material prices that continued throughout the year increased the costs.

Return on investment was 11.4% (15.8%), equity ratio was 41.6% (39.3%) and gearing 43.1% (40.4%).

Investment activities

The investment activity of the Group's parent company, Scanfil plc, is divided into financial investments and capital investments. The gains and losses from investment activities are recognised under financial income and expenses in the income statement.

The financial income and expenses for the financial period include EUR 4.0 (3.3) million of interest and dividend income and capital gains from the financial investments, EUR 0.9 (1.4) million of realised sales losses and EUR -0.5 (3.5) million of changes of financial assets at fair value through profit or loss, resulting in a total recorded value of EUR 2.7 (5.4) million. The figures do not include the dividend of EUR 0.4 million from Lännen Tehtaat Oyj, classified as a capital investment.

Capital investments in associated companies (iLOQ Oy, Panphonics Oy, IonPhasE Oy Kitron ASA and Greenpoint Oy) during 2010 amounted to a total of EUR 24.1 million, the largest of which was the acquisition of shares in Kitron ASA at the end of September, EUR 18.1 million. The Group's share of the associated companies' losses and goodwill amortisation totals EUR 2.3 million, of which the company's share of the fourth quarter losses of Kitron ASA accounts for EUR 1.1 million. Due to specification of acquisition cost of Kitron ASA, EUR 0,3 million, has been entered as income during the review period. The associated company Greenpoint Oy is owned by Scanfil EMS Oy.

Of the capital investments, Lännen Tehtaat Oyj, which does not fulfil the definition of an associated company, is measured at fair value, and the change in the value, EUR 1.0 million for the financial period, is recognised in the fair value reserve under equity adjusted with deferred tax liability, net EUR 0.7 million. Lännen Tehtaat Oyj's dividend yield, EUR 0.4 million, is recognised under financial income.

The profit before taxes from investment activities, including all financial and capital investments, totalled EUR 1.1 (5.4) million for the financial period.

Financing and capital expenditure

The Group enjoys a strong financial position.

The consolidated balance sheet totalled EUR 249.1 (200.7) million. Liabilities amounted to EUR 88.3 (50.2) million, EUR 48.3 (38.2) million of which were non-interest-bearing and EUR 40.0 (12.0) million interest-bearing. The equity ratio was 64.6% (75.0)% and gearing -26.2% (-46.7%). Scanfil EMS Oy has raised a loan of EUR 40.0 million, used to repay the Scanfil EMS group's loans to the parent company Scanfil plc. The loans are associated with the capital return to the parent company in autumn 2009 and the intra-group loan granted by Scanfil plc to the Estonian subsidiary.

Financial assets totalled EUR 82.2 (82.3) million, of which EUR 57.9 (51.2) million has been deposited in bank accounts and in time deposits with maturity of three months or less. An additional EUR 24.3 (31.1) million of financial assets was invested in financial instruments, mainly in bonds, credit linked notes, structured investment instruments and ETF and equity investments. In compliance with the IFRS, the investments have been measured at fair value. The profit before taxes for January-December includes EUR -0.5 (3.5) million of change in the fair value of the investments.

Cash flows from operating activities in the accounting period were EUR -0.3 (30.9) million. EUR 12.3 million was tied to working capital whereas in the corresponding period last year, the amount of working capital that became available was EUR 16.3 million. In addition to turnover growth, preparation for and resulting increase in inventories due to weak availability and long delivery times of electronics components had an effect on working capital commitment. Cash flow from investment activities, EUR -15.9 (-15.4) million consists of the parent company's investment activities and investments in associated companies, proceeds from the sale of the Oulu property and the subsidiary's acquisition of a property in China. Cash flow from financing activities, EUR 21.1 (-8.5) million, contains raising a financing loan of EUR 40.0 million, the repayment of a loan taken by the Estonian subsidiary, EUR 12.0 million, and dividend payments amounting to EUR 6.9 million.

Gross investments in fixed assets totalled EUR 10.1 (3.1) million, which is 4.6% (1.6%) of turnover. Investments consists mainly the acquiring premises in China and machinery and equipment purchases. Depreciations were EUR 5.0 (5.1) million.

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

Board of Directors' authorisation

The Annual General Meeting decided on 8 April 2010 according to the Board of Directors' proposal to authorize the Board of Directors to decide on the acquisition of the Company's own shares with distributable assets.

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

Own shares

On 31 December 2010, the company owned a total of 2,983,831 of its own shares that represented 4.9% of the company's share capital and votes.

During the review period, the company disposed of 4,522 of its own shares in conjunction with the share-based profit-sharing scheme of the Group's Management Team.

Personnel

At the end of the review period the Group employed 2,260 (2,061) people, of whom 1,809 (1,561) worked abroad. At the end of the year 55 (56)% of the personnel was working in Chinese subsidiaries. In all, 80 (76%) of the Group's personnel were employed by subsidiaries outside Finland on 31 December 2010.

The Group employed an average 2,203 (2,064) people during the year. Personnel by country on 31 December 2010: Finland 451, Estonia 377, Hungary 179, China 1,253.

The average age of personnel is lowest in China about 31 years. In Hungary and Estonia, the average age is almost the same: about 35 years. The average age of the Finnish personnel is about 40 years. There is a bit more men working in the Group than women, men accounting for 56% and women for 44% of the personnel.

Situation of the merger between Scanfil EMS Oy and Ojala-yhtymä Oy

Scanfil plc's subsidiary Scanfil EMS Oy and Ojala-Yhtymä Oy have on 1 November 2010 signed a merger agreement whereby Ojala-Yhtymä Oy will merge into Scanfil EMS Oy. The general meetings of shareholders of both companies have approved the merger plan. The purpose is to execute the merger during the first half of 2011. Following the merger, Scanfil plc will have a 79% holding in Scanfil EMS Oy and former owners of Ojala-Yhtymä Oy a 21% holding.

After the period under review, Scanfil EMS Oy was notified by the Board of Directors of Ojala-Yhtymä Oy that the Ojala-Yhtymä Oy's Board is dissatisfied with the signed merger agreement. Therefore, the realisation of the planned merger of the companies is uncertain.

Share trading and share performance

The highest trading price during the review period was EUR 3.14 and the lowest was EUR 2.40, the closing price for the period standing at EUR 2.97. A total of 4,687,254 shares were traded during the period, corresponding to 7.7% of the total number of shares. The market value of the shares on 31 December 2010 was EUR 180.3 million.

The Board of Directors and President

In the annual general meeting, held on 8 April 2010, Jorma J. Takanen, Asa-Matti Lyytinen, Reijo Pöllä, Jarkko Takanen and Tuomo Lähdesmäki were re-elected as members of the Board of Directors. At its organizing meeting held on 8 April 2010 the new board of directors elected Jorma J. Takanen as the Chairman of the Board of Directors and Asa-Matti Lyytinen as the Vice Chairman.

M.Sc.(Eng) Harri Takanen has acted as the company's President.

Risk management

Scanfil plc's risk management is based on the risk management policy ratified by the Board of Directors, according to which risks are categorised into strategic and operational risks. The aim is to manage risks in a comprehensive and proactive manner. Strategic risk management is part of the Board's strategy process, which defines the business and market areas and the business sector. Operational risk management is the responsibility of operational management as part of the management and development of business processes. Risk management has been integrated into the Group's management, monitoring and reporting systems.

The most significant short-term risk associated with investment activities can be realised if the global economy's on-going recovery slows down or political uncertainty and citizens' discontent increases around the world. On the other hand, if the recovery is faster than estimated, it may result in an increase in inflation expectations, which might lead to rapidly accelerating inflation, and the resulting tightening financial policy in a rapid increase in interest rates. All of these alternatives would have immediate impacts on the stock market and be visible as increasing market volatility.

The poor demand predictability typical of contract manufacturing clients constitutes an operational risk in the short term that is hard to estimate. Demand by telecommunications customers in particular may fluctuate strongly, even in the

REPORT OF BOARD OF DIRECTORS 2010

short term. Problems with the availability of electronics components have somewhat decreased compared to the previous year, but availability may be poor for some critical component groups during the year. Customer and industry-specific risk is decreased further by expanding the company's client base in professional electronics to new business segments.

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

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

Research and development

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

Quality and environment

Quality

All Scanfil units comply with an ISO 9001-compliant certified quality management system.

Scanfil's quality management is based on process management, which is applied in the same way across all production units. Quality management is based on the use of Six Sigma tools at all Scanfil plants. The plants' tool for continuous quality improvement is the Hoshin process used by several Japanese companies, emphasising the units' own responsibility for the design and implementation of individual development projects.

Environment

All Scanfil units comply with an ISO 14001 environmental standard.

Scanfil pays attention to the use of raw materials and energy at all of its units, and aims to minimise its emissions and environmental load.

The flow projects implemented at several plants during 2010 generated favourable results from the point of view of environmental efficiency. Production turnaround times improved while the recovery of materials became more efficient. Active investments were also made in recycling waste.

Board of Directors' proposals to the Annual General Meeting

Dividend for 2010

The parent company's distributable funds are EUR 80.680.282,34.

The Board of Directors proposes to the Annual General Meeting that, according to the dividend policy, a dividend of EUR 0.06 per share be paid based on the annual result of the financial year ending on 31 December 2010, plus an additional dividend of EUR 0.06 per share on the market. The dividend matching day is 18 April 2011. 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 Oy. The dividend payment day is 27 April 2011.

The Nomination Committee of the Board of Directors, supported by the company's major shareholders holding over 50% of the shares and votes, proposes that the general meeting will re-elect the following board members: Jorma J. Takanen, Asa-Matti Lyytinen, Reijo Pöllä, Jarkko Takanen and Tuomo Lähdesmäki. All members of the board have announced their consent to re-election.

In order to fulfil recommendation 9 of the Finnish Corporate Governance Code (Number, composition and competence of the directors), Scanfil plc's Nomination Committee has considered the possibility of proposing a suitable female candidate. The Nomination Committee has so far found no suitable candidate who is familiar with both investment operations and contract manufacturing.

Future Prospects

Scanfil plc aims actively to develop capital investments already done and is looking for selected targets in its current and new lines of business. The available investment assets offer a good opportunity for acquisitions conforming to the investment strategy, aiming to obtain a stake in select companies that facilitates active influence on their operations.

The contract manufacturing market has recovered during 2010. The demand outlook for the company's contract manufacturing operations (Scanfil EMS Oy) for 2011 seems positive with regard to professional electronics customers. Predicting the development of demand by telecommunications customers is more uncertain. With regard to contract manufacturing, the company estimates a cautiously positive trend in sales.

Scanfil plc expects that the Group's turnover for 2011 will increase slightly compared to 2010, while its operating profit will remain at a satisfactory level.

Corporate Governance Statement

The Corporate Governance Statement is provided as a part of the company's annual report.

CONSOLIDATED INCOME STATEMENT, IFRS

1000 EUR	Note	1.1.-31.12.2010	1.1.-31.12.2009
TURNOVER	1	219,319	197,336
Other operating income	2	3,317	1,216
Changes in inventories of finished goods and work in progress		1,284	-4,059
Use of materials and supplies	3	-154,021	-127,641
Employee benefit expenses	4	-31,291	-30,065
Depreciation and amortization	5	-4,992	-5,068
Other operating expenses	6	-19,217	-15,720
OPERATING PROFIT		14,398	15,998
Financial income	7	5,038	6,840
Financial expense	8	-2,071	-1,771
Share of profit or loss of associates		-2,007	
PROFIT BEFORE TAX		15,359	21,067
Income tax	9	-4,488	-6,728
NET PROFIT FOR THE PERIOD		10,871	14,338
Attributable to equity holders of the parent			
Earnings / share (EPS), EUR basic and diluted	10	0.19	0.25
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
NET PROFIT FOR THE PERIOD		10,871	14,338
Other comprehensive income			
Available-for-sale investments		745	275
Translation differences		5,537	-1,858
Other comprehensive income, net of tax		6,282	-1,583
TOTAL COMPREHENSIVE INCOME		17,153	12,756

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

1000 EUR	Note	31.12.2010	31.12.2009
ASSETS			
Non-current assets			
Property, plant and equipment	11	34,478	31,112
Goodwill	12	2,380	2,370
Other intangible assets	13	3,541	1,142
Investments in associated companies	14	25,732	
Available-for-sale investments	15	9,546	10,639
Financial assets at fair value through profit or loss	20	16,614	14,546
Receivables	16	200	
Deferred tax assets	17	300	105
		92,791	**59,914**
Current assets			
Inventories	18	36,756	24,656
Trade and other receivables	19	53,631	43,416
Advance payments		313	64
Financial assets at fair value through profit or loss	20	7,656	16,051
Available-for-sale investments, liquid assets	21		508
Available-for-sale investments, cash equivalents	22	41,048	20,406
Cash and cash equivalents	22	16,876	30,809
		156,280	**135,910**
Non current assets held for sale	23		4,920
			140,830
TOTAL ASSETS		**249,070**	**200,744**
SHAREHOLDER'S EQUITY AND LIABILITIES			
Equity			
Share capital		15,179	15,179
Share premium account		16,089	16,089
Treasury shares		-8,860	-8,878
Translation differences		5,652	115
Other reserves		6,244	4,698
Retained earnings		126,472	123,330
Total equity	24	**160,776**	**150,533**
Non-current liabilities			
Deferred tax liabilities	17	1,059	1,478
Provisions	25	4,423	5,426
Interest bearing liabilities	26	35,556	
Other liabilities		995	
		42,032	**6,904**
Current liabilities			
Trade and other liabilities	27	39,201	30,055
Current tax	26	2,617	1,236
Interest bearing liabilities	26	4,444	12,015
		46,263	**43,307**
Total liabilities		**88,295**	**50,211**
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**249,070**	**200,744**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

1000 EUR	Note	31.12.2010	31.12.2009
Cash flow from operating activities			
Net profit		10,871	14,338
Adjustments for the net profit	28	4,768	5,988
Change in net working capital	28	-12,267	16,259
Paid interests and other financial expenses		-417	-943
Interest received		466	738
Taxes paid		-3,749	-5,462
Net cash from operating activities		**-329**	**30,918**
Cash flow from investing activities			
Investments in tangible and intangible assets		-9,020	-3,382
Sale of tangible and intangible assets		7,575	204
Purchase of investments		-25,753	-88,265
Proceeds from sale of investments		33,421	74,117
Purchase of associated companies		-24,126	
Repayment of loans receivable			10
Granted loans		-200	
Interest received from investments		1,027	1,934
Dividends received from investments		1,146	21
Net cash from investing activities		**-15,929**	**-15,361**
Cash flow from financing activities			
Purchase of treasury shares			-1,497
Proceeds from short-term loans		5,000	
Repayment of short-term loans		-5,000	
Proceeds from long-term loans		40,000	
Repayment of long-term loans		-12,015	
Dividends paid		-6,928	-7,005
Net cash from financing activities		**21,057**	**-8,502**
Net increase/decrease in cash and cash equivalents		**4,799**	**7,055**
Cash and cash equivalents at beginning of period		51,215	45,097
Changes in exchange rates		1,909	-937
Cash and cash equivalents at end of period	22	**57,924**	**51,215**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

1000 EUR								
		Equity attributable to equity holders of the parent company						
	Note	Share capital	Share premium account	Other reserves	Treasury share	Translation differences	Retained earnings	Equity total
Equity 1.1.2010		**15,179**	**16,089**	**4,698**	**-8,878**	**115**	**123,330**	**150,533**
Comprehensive income								
Net profit for the period							10,871	10,871
Other comprehensive income, net of tax								
Available-for-sale investments				745				745
Translation differences						5,537		5,537
Total comprehensive income				**745**		**5,537**	**10,871**	**17,153**
Transactions with owners								
Dividends paid	24						-6,928	-6,928
Share based compensation	24				18			18
Transactions with owners total					**18**		**-6,928**	**-6,910**
Fund transfer	24			801			-801	0
Equity 31.12.2010		**15,179**	**16,089**	**6,244**	**-8,860**	**5,652**	**126,472**	**160,776**
Equity 1.1.2009		**15,179**	**16,089**	**3,539**	**-7,436**	**1,973**	**116,881**	**146,224**
Comprehensive income								
Net profit for the period							14,338	14,338
Other comprehensive income, net of tax								
Available-for-sale investments				275				275
Translation differences						-1,858		-1,858
Total comprehensive income				**275**		**-1,858**	**14,338**	**12,756**
Transactions with owners								
Dividends paid	24						-7,005	-7,005
Acquisition of treasury shares	24				-1,465			-1,465
Share based compensation	24				22			22
Transactions with owners total					**-1,442**		**-7,005**	**-8,447**
Fund transfer	24			884			-884	0
Equity 31.12.2009		**15,179**	**16,089**	**4,698**	**-8,878**	**115**	**123,330**	**150,533**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

ACCOUNTING PRINCIPLES FOR CONSOLIDATED FINANCIAL STATEMENTS

Scanfil plc is a Finland-based public limited company domiciled in Sievi. The parent and investment company Scanfil plc and the Scanfil EMS Oy subgroup, which engages in contract manufacturing, constitute the Scanfil Group ("Scanfil" or "Group"). Scanfil EMS Oy is an international contract manufacturer and systems supplier for the telecommunications and electronics industries. The shares of Scanfil plc have been quoted on NASDAQ OMX Helsinki Ltd since 2000.

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 2005 as well as the SIC and IFRIC interpretations. The "IFRS" refer 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. Scanfil adopted the IFRS on 1 January 2004, until which date statements were prepared under Finnish Accounting Standards (FAS). The company has applied the First-Time Adoption of IFRS, which permits certain exemptions from the retrospective application of individual standards at the transition stage. The most significant exemption is the use of book values of FAS financial statements as the book values of the consolidated goodwill in the opening balance sheet of the date of transition to IFRS.

Principles of consolidation

In addition to Scanfil plc, the consolidated financial statements include all those companies in which the parent company has, directly or indirectly, more than 50 per cent of the votes or which the company controls in another way.

Intra-group shareholdings have been eliminated using the acquisition cost method. The acquisition price is allocated to assets and liabilities based on their fair value at the time of acquisition. The remaining amount of the acquisition cost is handled as goodwill.

Business acquisitions made prior to the date of transition have not been restated, as the company has applied the relief permitted under IFRS 1 to handle business acquisitions in accordance with Finnish Accounting Standards. As of 1 January 2004, the amortisation of goodwill arising from such acquisitions has been replaced with annual impairment tests determining the value of goodwill.

An associated company is a company in which the Group holds 20%-50% of votes and a minimum of 20% of shares or where the Group exercises significant influence. Associated companies are consolidated in the consolidated financial statements using the equity method. The proportion of the associated companies' results based on the Group's holding is presented as a separate item in the income statement under operating profit. Investments in associated companies are presented on the balance sheet under Holdings in associated companies.

Net profit for the financial period is divided into a share belonging to the equity holders of the parent company and a share belonging to the minority. Minority interest is reported as a separate component of equity.

Intra-group transactions, receivables and liabilities as well as internal margins related to inventories and internal sales of fixed assets have been eliminated.

Transactions in foreign currencies

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

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

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

Translation differences owing to the different exchange rates used in the income statement and balance sheet as well as the differences attributable to the use of the acquisition cost method have been recorded in Group equity.

Revenue recognition

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

Grants

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

Business segments

The Group's reporting is based on the business segments investment activity and contract manufacturing. Contract manufacturing is further divided into the geographical segments Asia and Europe. The reporting is based on internal reporting to the Group management.

Employee benefits

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

The Group's pension arrangements are classified as defined-contribution schemes. Contributions related to defined-contribution pension schemes are recorded as expenses for the financial period in which they were paid.

Research and development costs

Research and development costs are recorded as expenses for the financial period in which they were incurred.

Development costs as per IAS 38 (Intangible Assets) are capitalised and amortised over their useful lives. The Group has no capitalised research and development costs.

Leases

A lease is classified as a finance lease if it substantially transfers the risks and rewards incidental to ownership to the Group. Assets acquired through finance leases are recorded in the consolidated balance sheet under assets and liabilities. Their depreciation is performed in the same way as for owned assets. Finance lease payments will be recorded as financial expenses and reduction in liability. The Group has no finance leases.

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

Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

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 planned depreciation periods are as follows:

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

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

Goodwill and other intangible assets

Goodwill

Subsidiaries are consolidated in the consolidated financial statements using the acquisition cost method. The acquisition price is allocated to assets and liabilities based on the fair value of their acquisition cost. Goodwill corresponds to that amount of the acquisition cost that exceeds the fair value of net assets at the time of acquisition of a company acquired after 1 January 2004. No depreciations are made on goodwill; instead, goodwill will be tested annually for possible impairment. Goodwill is allocated to the cash generating units.

Other intangible assets

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

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

Impairment

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

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

Investment property

Property that is not occupied, even partially, by the Group for its own activities, is classified as investment property. The Group had no investment properties during the period.

Non-current assets held for sale and discontinued operations

The assets and liabilities of major operations that have been sold or are classified as held for sale or to be discontinued are presented separately in the balance sheet. The net operating result for such operations and the net result arising from their sale or discontinuation are shown in the income statement separately from the profit or loss for continued operations. Non-current assets classified as held for sale or groups of assets to be disposed of are measured at the lower of carrying amount and fair value less costs to sell.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted-average basis. The costs of inventories include purchase and conversion costs. The cost of finished goods and work in progress includes raw materials, direct labour costs and other direct costs and proportion of fixed costs. The net realisable value is the estimated selling price in ordinary business less sale-related costs.

Financial assets

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

Financial assets recorded at fair value are either financial assets held for sale or investments held to maturity. This group includes bonds, index loans, certificates of deposit, commercial papers, structured instruments and shares as well as ETF funds (exchange traded fund). Several instruments include a component that generates a fixed interest rate and a component linked to, for example, a share index or credit liability, which is a linked derivative. Items are measured at fair value based on published market quotations. Changes in fair value with both realised and unrealised profits and losses are recorded under financing income and expenses for that accounting period when they arose.

Assets held for trading are included either in short-term or long-term financial assets; in the latter, if they mature in more than 12 months.

Loans and other receivables are non-derivative financial instruments that are not quoted on public markets; they have a fixed or definable payment day and the Group does not hold them for trading. 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. Credit losses are recorded as expenses in the income statement.

This entry also includes time deposits; on the balance sheet, available-for-sale investments, liquid assets that mature in over three months.

Both quoted and non-quoted shares are classified as available-for-sale investments. Quoted shares are measured at fair value, which is the market price of the date of the financial statement. Changes in fair value are recorded in the revaluation reserve under equity until the investment is traded or otherwise transferred, at which point the changes in fair value are recorded in the income statement. Investments in non-quoted shares are stated at the lower of cost and probable realisable value because their fair values cannot be determined reliably.

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

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short-term bank deposits. Deposits are classified in two categories: *available-for-sale investments, cash equivalents,* mature in less than three months and *available-for-sale investments, liquid assets,* that mature in over three months. The latter are classified in the category Loans and other receivables. Liquid assets are reported under acquisition costs on the balance sheet.

Financial liabilities

The Group's financial liabilities are stated at historical cost.

Provisions

A provision is recognised when a past event has created an obligation that will probably be realised and when the amount of the obligation can be estimated reliably. Provisions include, among others, restructuring costs. A restructuring provision is recorded when a detailed and appropriate plan has been drawn up and when there is a valid expectation that the restructuring will be carried out.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

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 book value and tax bases, based on tax rates for the following year that have been enacted by the balance sheet date. Temporary differences arise from intercompany profits on inventories, valuation of investments at fair value, depreciation differences and provisions, among others.

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

In the consolidated financial statements, the parent company's accumulated depreciation difference is divided between shareholders' equity and deferred tax liability.

Operating profit

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

Dividend

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

Use of estimates

The preparation of financial statements in accordance with international accounting standards and generally accepted accounting principles requires 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.

The key estimates concern the following fields:

- the economic depreciation period of intangible and tangible assets
- testing for impairment of goodwill and other intangible rights
- net realisable value of inventories
- amount of provisions associated with business operations

Even though the estimates are based on the most recent information available and management's best judgment, the actual outcome may differ from the estimates.

Amounts stated in thousands of euro

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

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

Application of new and amended standards and interpretations

The Group has applied the following new and revised standards and interpretations as from 1 January 2010:

- Amendments to IFRS 2 Share-based Payment – group cash-settled share-based payment transactions. The standard amendment has not had an effect on the consolidated financial statements.
- Revised IFRS 3 Business Combinations. The scope of application of the revised standard is more extensive than before. The amendments to the standard influence the amount of goodwill recognised for acquisitions and the results of the disposal of business operations. The amendments to the standard also have an effect on items recognised through profit or loss during the period of acquisition as well as the periods during which additional purchase price is paid or additional acquisitions are made. In accordance with the transition rules of the standard, business combinations where the date of acquisition is prior to the mandatory implementation of the standard will not be adjusted. The revised standard contains significant amendments from the point of view of the Group.
- Amended IAS 27 Consolidated and Separate Financial Statements. The amended standard requires that effects arising from changes in the ownership of a subsidiary be recognised directly in the Group's equity when the parent company's control remains. If control in the subsidiary is lost, any remaining investment is measured at fair value through profit or loss. A corresponding accounting method will also be applied to investments in associated companies and holdings in joint ventures in the future. As the result of the standard amendment, losses of a subsidiary can be allocated to minority interest even when they exceed the value of the investment of the minority. The Group estimates that the amendment to the standard has not had a significant effect on the consolidated financial statements.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Exposures qualifying for hedge accounting. The amendments concern hedge accounting. They specify further the guidelines of IAS 39 on the hedging of the unilateral risk of a hedged item and inflation risk when an item included in financial assets or liabilities is concerned. The Group estimates that the amendment to the standard has not had a significant effect on the consolidated financial statements.
- Improvements to IFRSs (May2010) Minor and less urgent amendments to standards are collected into a single entity and implemented once a year through the Annual Improvements procedure. The effects of the changes vary by standard, but the changes were not significant in terms of the consolidated financial statements.

The following standards have not had an effect on the consolidated financial statements:

- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers

The IASB has published the following new or revised standards and interpretations that the Group has not yet applied. 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.

- Revised IAS 24 Related Party Disclosures (effective for financial periods beginning on or after 1 January 2011). The definition of related parties is specified, and certain requirements concerning the notes to the financial statements of entities tied to public authorities will change. The Group estimates that the amendments to the standard will not have a significant effect on the consolidated financial statements.
- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for financial periods beginning on or after 1 February 2010). The amendment concerns the accounting (classification) of options, subscription rights or other rights concerning shares denominated in a currency other than the issuer's operating currency. The Group estimates that the amendments will not have an effect on the Group's future financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Segment

The Group reports operating segments, investing and contract manufacturing. Contract manufacturing is still divided on the geographical business segments Asia and Europe. The reporting is based on internal reporting to the Group management.

The Group's parent company Scanfil plc is an investment company. Scanfil plc's wholly-owned subgroup Scanfil EMS Oy is a contract manufacturer and system supplier for the telecommunications and electronics industries. All of the Group's business operations are managed from Finland. The Group has manufacturing units in the EU in Finland, Hungary and Estonia. In Asia, the Group has two subsidiaries in China. The Asian production is primarily sold to the Asian market and to some extent to other Group companies.

A segment's assets include all assets used in the segment's business operations, primarily consisting of cash and cash equivalents, receivables, inventories and property, plant and equipment, less provisions and deductions caused by impairment. The assets can be allocated to geographically reported regions; Asia and Europe. A segment's liabilities include all liabilities related to operations, consisting mainly of accounts payable, outstanding taxes and accrued liabilities.

Intersegment transactions: segment revenue, expenses and result include transactions between geographical segments. Such transactions have mainly been defined on the basis of competitive prices charged from external customer for similar products. The transactions are eliminated in consolidation.

1000 EUR

1. Segment information				2010
Geographical segments	**Europe**	**Asia**	**Investment activity**	**Group**
Segment turnover	122,810	107,910		230,720
Intersegment turnover	-1,971	-9,430		-11,401
Total turnover				219,319
Operating profit	3,941	10,457		14,398
Financial income	95	418	4,525	5,038
Financial expense	-431	-228	-1,412	-2,071
Share of profit or loss of associates			-2,007	-2,007
Profit before taxes				15,359
Segment assets	76,834	69,587		146,421
Goodwill	2,380			2,380
Investment assets			100,269	100,269
Total assets				249,070
Segment liabilities and provisions	65,908	20,206	2,180	88,295
Total liabilities				88,295
Capital expenditure	1,005	9,081		10,086
Depreciation	2,898	2,094		4,992

1. Segment information				2009
	Europe	**Asia**	**Investment activity**	**Group**
Segment turnover	113,499	93,195		206,695
Intersegment turnover	-1,747	-7,612		-9,359
Total turnover				197,336
Operating profit	2,554	13,444		15,998
Financial income	478	787	5,575	6,840
Financial expense	-1,491	-186	-94	-1,771
Profit before taxes				21,067
Segment assets	68,369	60,445		128,815
Goodwill	2,370			2,370
Investment assets			69,559	69,559
Total assets				200,744
Segment liabilities and provisions	30,786	18,843	581	50,211
Total liabilities				50,211
Capital expenditure	2,707	362		3,069
Depreciation	3,289	1,780		5,068

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

1000 EUR	2010	2009
Turnover by location of customers		
Finland	68,015	68,526
Rest of Europe	55,580	43,314
Asia	92,203	82,961
USA	1,860	1,248
Other	1,660	1,288
Total	**219,319**	**197,336**

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

Sales to the largest customer amounted to EUR 72 (68) million, 33% (34%), to the second largest EUR 37 (36) million, 17% (18%) and to the third largest EUR 34 (27) million, 16% (14%).

The income from the largest customers are generated from the contract manufacturing.

2. Other operating income	2010	2009
Proceeds from sale of property, plant and equipment	2,573	175
Rental income	389	763
Grants	14	20
Other	341	257
Total	**3,317**	**1,216**

3. Use of materials and supplies	2010	2009
Materials, supplies and goods		
Purchases during the period	163,808	127,690
Change in inventories	-9,786	-49
Total	**154,021**	**127,641**

4. Personnel expenses	2010	2009
Salaries, wages and fees	25,310	24,308
Pension costs – defined-contribution schemes	4,664	4,597
Other indirect employee expenses	1,317	1,159
Total	**31,291**	**30,065**

Pension costs and other indirect employee expenses are not necessarily comparable from country to country.

The company does not have outstanding stock options.

Average number of Group employees during the period	2010	2009
Clerical employees		
Europe	206	184
Asia	165	165
	371	**349**
Employees		
Europe	776	777
Asia	1,056	938
	1,832	**1,715**
Total	**2,203**	**2,064**

Management's employee benefits are reported in note 35, Related party transactions.

5. Depreciation and amortization	2010	2009
Depreciation by asset class		
Intangible assets		
Intangible rights	161	162
Other long-term expenses	345	219
Total	**506**	**381**
Property, plant and equipment		
Buildings	1,022	1,010
Machinery and equipment	3,430	3,631
Other tangible assets	34	46
Total	**4,485**	**4,688**
Total depreciation and amortization	**4,992**	**5,068**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

1000 EUR

6. Other operating expenses	2010	2009
Other operating expenses include the following significant expense items:		
External services	4,183	3,402
Sales freight	3,000	2,495
Other variable expenses	4,912	3,684
Rent and maintenance expenses	1,547	1,512
Travel, marketing and vehicle expenses	787	832
Other employee expenses	1,078	962
Other operating expenses	3,710	2,833
Total	19,217	15,720
Auditor's remuneration		
Audit fees	72	71
Certificates and statements	1	
Tax consulting	12	8
Other services	36	2
Total	121	81

7. Financing income	2010	2009
Entered through profit or loss:		
Interest income from investments held to maturity	299	622
Dividend income from available-for-sale investments	1,146	21
Exchange rate gains	296	812
Change in the fair value of financial assets at fair value through profit and loss		2,130
Capital gains from marketable securities	3,138	3,142
Other financial income	159	114
Total	5,038	6,840

Other comprehensive income:

	Entered in other comprehensive income
2010	
Available-for-sale investments	745
2009	
Available-for-sale investments	275

8. Financing expenses	2010	2009
Interest expenses from financial liabilities	192	960
Change in fair value of financial assets at fair value throught profit or loss	1,362	
Exchange rate losses	433	714
Other financial expenses	83	97
Total	2,071	1,771

9. Income taxes	2010	2009
Current tax	5,363	5,464
Deferred taxes	-875	1,264
Total	4,488	6,728
Reconciliation of tax expense in the income statement and taxes calculated at the tax rate applicable in Finland (26%):		
Earnings before taxes	15,359	21,067
Taxes calculated at Finnish tax rate	3,993	5,477
Different tax rates of foreign subsidiaries	-354	-583
Tax exempt income	-298	-6
Tax at source on dividends paid in China	500	951
Unrecognised deferred tax assets from tax losses	512	874
Losses of associated companies	522	
Other items	-387	15
Taxes in income statement	4,488	6,728

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Disclosure of tax effects relating to components of other comprehensive income:

2010	Before-tax amount	Tax effects	Net-of-tax amount
Available-for-sale investmentst	1,007	262	745

2009	Before-tax amount	Tax effects	Net-of-tax amount
Available-for-sale investments	373	97	275

10. Earnings per share

	2010	2009
Net profit for the period attributable to equity holders of the parent company	10,871	14,338
Number of shares at end of the period (1,000)	57,730	57,726
Weighted average number of shares during the period (1,000)	57,730	57,992
Earnings per share (EPS) EUR, basic	**0.19**	**0.25**

The company does not have items that might dilute the earnings per share.

11. Property, plant and equipment 2010

	Land	Buildings and constructions	Machinery and equipments	Other tangible assets	Advance payments and constructions in progress	Tangible assets total
Acquisition cost at 1 Jan.	1,247	25,328	50,259	780	521	78,135
Additions		4,954	1,935	19	505	7,414
Deductions			-1,888		-148	-2,036
Exchange rate differences	-12	10	1,433	11	60	1,501
Acquisition cost at 31 Dec.	**1,235**	**30,293**	**51,739**	**810**	**937**	**85,014**
Accumulated depreciations at 1 Jan.		-8,093	-38,271	-659		-47,023
Depreciations		-1,022	-3,430	-34		-4,485
Deductions			1,746			1,746
Exchange rate differences		43	-777	-39		-774
Accumulated depreciations at 31 Dec.		**-9,072**	**-40,732**	**-732**		**-50,536**
Carrying amount at 1 Jan.	1,247	17,236	11,988	121	521	31,112
Carrying amount at 31 Dec.	**1,235**	**21,221**	**11,007**	**78**	**937**	**34,478**

The value of land includes connection fees EUR 110 thousand.
Undepreciated acquisition cost of production machinery and equipments is EUR 10,360 thousand.

11. Property, plant and equipment 2009

	Land	Buildings and constructions	Machinery and equipments	Other tangible assets	Advance payments and constructions in progress	Tangible assets total
Acquisition cost at 1 Jan.	1,562	25,535	49,835	773	509	78,213
Additions		0	2,861	26	271	3,159
Deductions	-309	-51	-1,900		-242	-2,502
Exchange rate differences	-6	-156	-537	-20	-16	-735
Acquisition cost at 31 Dec.	**1,247**	**25,328**	**50,259**	**780**	**521**	**78,135**
Accumulated depreciations at 1 Jan.		-7,115	-36,795	-630		-44,540
Depreciations		-1,010	-3,631	-46		-4,688
Deductions		9	1,877			1,885
Exchange rate differences		23	279	18		319
Accumulated depreciations at 31 Dec.		**-8,093**	**-38,271**	**-659**		**-47,023**
Carrying amount at 1 Jan.	1,562	18,420	13,039	143	509	33,673
Carrying amount at 31 Dec.	**1,247**	**17,236**	**11,988**	**121**	**521**	**31,112**

The value of land includes connection fees EUR 167 thousand
Undepreciated acquisition cost of production machinery and equipment EUR 10,281 thousand.

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12. Goodwill	2010	2009
Goodwill		
Cost at 1 Jan.	2 370	2 399
Exchange rate differences	11	-30
Cost at 31 Dec.	**2 380**	**2 370**
Carrying amount at 31 Dec.	**2 380**	**2 370**
Allocation of goodwill and goodwill on consolidation to cash-generating units		
Scanfil Kft, Hungary	2 138	2 127
Other	243	243
Total	**2 380**	**2 370**

Annual impairment tests

Goodwill is allocated to the cash generating units. Goodwills have been tested by comparing their carrying amounts and their estimated recoverable amounts. Impairment is tested by comparing the recoverable amount to its balance sheet value. With respect to Hungary, the goodwill tested is EUR 2.1 million, fixed assets EUR 6.4 million and net working capital EUR 4.4 million. The time period used for cash flow projections is five years. Cash flows beyond that period are extrapolated using an estimated growth rate of 1%. The interest rate used is 7.0%. The tests showed that there was no need for impairment.

The testing requires forecasts and assumptions regarding demand, the competitive situation, development of costs and interest rates. A sensitivity analysis was performed in connection with the impairment tests. According to it, an annual decrease of more than 20% in cash flow may mean that goodwill has been impaired. Similarly, a decrease of more than 10% in turnover and profitability compared to the forecasts may mean that goodwill has been impaired.

13. Other intangible assets			2010
	Intangible rights	Other long-term expenses	Intangible assets total
Acquisition cost at 1 Jan.	2,463	1,451	3,914
Additions	2,495	326	2,820
Deductions	-12		-12
Exchange rate differences	76	110	186
Acquisition cost at 31 Dec.	**5,021**	**1,887**	**6,908**
Accumulated depreciations at 1 Jan.	-1,759	-1,013	-2,772
Depreciations	-161	-345	-506
Deductions	12		12
Exchange rate differences	-25	-76	-101
Accumulated depreciations at 31 Dec.	**-1,933**	**-1,434**	**-3,367**
Carrying amount at 1 Jan.	704	438	1,142
Carrying amount at 31 Dec.	**3,088**	**453**	**3,541**

13. Other intangible assets			2009
	Intangible rights	Other long-term expenses	Intangible assets total
Acquisition cost at 1 Jan.	2,407	1,413	3,819
Additions	80	73	153
Exchange rate differences	-24	-34	-58
Acquisition cost at 31 Dec.	**2,463**	**1,451**	**3,914**
Accumulated depreciations at 1 Jan.	-1,605	-815	-2,420
Depreciations	-162	-219	-381
Exchange rate differences	8	21	29
Accumulated depreciations at 31 Dec.	**-1,759**	**-1,013**	**-2,772**
Carrying amount at 1 Jan.	801	598	1,399
Carrying amount at 31 Dec.	**704**	**438**	**1,142**

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14. Investments in associated companies

14. Investments in associated companies	2010	2009
Total at beginning of period		
Acquisitions	27,221	
Share of the profit	-2,007	
Translation differences	518	
Total at end of period	25,732	

Investments in associated companies at 31 December include allocated goodwill of EUR 6.4 million.
The book value of Kitron ASA at 31 December 2010 was EUR 17.7 million and market value EUR 16.5 million.

Total amount of assets of associated companies was EUR 143.6 million and total equity EUR 61.0 million. Turnover totaled EUR 209.6 million and total profit for the period was EUR 0.7 million. Financial information is based on financial statements of 2010 except for Greenpoint Oy which financial statement is for fiscal year 1.2.2009 - 31.1.2010.

Group's associated companies

2010	Domicile	Group ownership (%)
iLOQ Oy	Oulu	22.96
Kitron ASA	Billingstad, Norway	32.96
Panphonics Oy	Espoo	40.00
IonPhasE Oy	Tampere	40.00
Greenpoint Oy	Pori	40.00

15. Available-for-sale investments

15. Available-for-sale investments	2010	2009
Cost at 1 Jan.	10,267	37
Additions		10,245
Deductions	-2,100	-15
Cost at 31 Dec.	8,167	10,267
Accumulated impairment at 1 Jan.		
Accumulated changes in fair value at 1 Jan.	372	
Change in fair value	1,007	372
Carrying amount at 31 Dec.	9 546	10,639

Available-for-sale investments include the following shares

	Ownership	Acquisition	Carrying amount at 31 Dec.
Lännen Tehtaat Oyj	8.60%	8,145	9,524
Other shares		22	22
		8,167	9,546

During the period, more shares of iLog Oy were acquised and and the company became an associated company.
Acquisition cost of shares is presented in note 14, investments in associated companies
Change in the value of listed shares is recognised in the revaluation reserve under equity.
Unlisted shares are recorded at purchase price or a lower probable realisable value.

16. Receivables

16. Receivables	2010	2009
Cost at 1 Jan.		185
Additions	200	
Refund of payment		15
Impairment	-201	
Carrying amount at 31 Dec.	200	0

Scanfil EMS Oy has granted a loan, a maximum of EUR 300,000 to an associated company Greenpoint Oy, from which EUR 200,000 has been raised in period 2010.
In 2009, an impairment for a loan was recognized as the company in question entered debt restructuring.

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1000 EUR

17. Deferred tax assets and receivables 2010

	31.12.2009	Recognised through profit and loss	Recognised under other comprehensive income	31.12.2010
Deferred tax assets:				
Related to inventories	60	166		227
Other	45	29		73
Total	**105**	**195**		**300**
Deferred tax liabilities:				
Accumulated depreciation difference	-912	350		-562
Reversal of amortisation of assets classifield as available-for-sale	-230	230		0
Remeasurement at fair value	-199	116		-83
Valuation of available-for-sale financial assets at fair value	-97		-262	-359
Related to inventories	-37	-11		-48
Other	-3	-4		-7
Total	**-1,478**	**681**	**-262**	**-1,059**

17. Deferred tax assets and receivables 2009

	31.12.2008	Recognised through profit and loss	Recognised under other comprehensive income	31.12.2009
Deferred tax assets:				
Remeasurement at fair value	765	-765		0
Related to inventories	151	-91		60
Other	108	-63		45
Total	**1,024**	**-919**		**105**
Deferred tax liabilities:				
Accumulated depreciation difference	-875	-37		-912
Reversal of amortisation of assets classifield as available-for-sale	-158	-71		-230
Remeasurement at fair value		-199		-199
Valuation of available-for-sale financial assets at fair value			-97	-97
Related to inventories		-37		-37
Other	-3	-1		-3
Total	**-1,036**	**-345**	**-97**	**-1,478**

18. Inventories

	2010	2009
Materials and supplies	29,436	18,794
Work in progress	3,480	3,166
Finished goods	3,839	2,696
Total	**36,756**	**24,656**

During the 2010 accounting period, EUR 0.4 million (EUR 0.3 million in 2009) was charged to expense to write down inventories to their net realisable value.

19. Trade and other receivables

	2010	2009
Trade receivables	50,802	41,629
Accrued income	409	564
Other	2,420	1,223
Total	**53,631**	**43,416**

The essential items included in accrued income are related to interest and advance payments. Other receivables are mainly value-added tax receivables.

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20. Financial assets at fair value through profit or loss

	2010	2009
Held for trading		
Cost at 1 Jan.		
Long term	16,332	14,709
Short term	7,617	15,116
Total	23,949	29,825
Change in fair value	321	772
	24,270	30,597
Carrying amount at 31 Dec.		
Long term	16,614	14,546
Short term	7,656	16,051
Total	24,270	30,597

Financial assets at fair value through profit and loss consist mainly of bonds, credit linked notes, structured investments products and ETF and share investments.

21. Available-for-sale investments, liquid assets

	2010	2009
Available-for-sale investments, liquid assets		508

Available-for-sale investments, liquid assets, are bank deposits that mature in over three moths.
They are classified in the category Loans and other receivables.

22. Cash and cash equivalents

	2010	2009
Available-for-sale investments, cash equivalents	41,048	20,406
Cash and cash equivalents	16,876	30,809
Total	57,924	51,215

Available-for-sale investments, cash equivalents, are bank deposits that mature in a maximum of three months.

23. Non-current assets held for sale

	2010	2009
Scanfil plc's Oulu plant property		4,611
Planning gain charge		309
Total		4,920

Scanfil plc sold the real estate in Oulu on 15 June 2010. The selling price was EUR 7,496 thousand and capital gain less selling expenses was EUR 2,482 thousand.

24. Equity

The following is a reconciliation of the number of shares:

	Number of shares pcs 1,000	Share capital 1000 EUR	Share premium account 1000 EUR	Treasury shares 1000 EUR	Total 1000 EUR
31.12.2008	58,443	15,179	16,089	-7,436	23,832
Acquisition of treasury shares	-723			-1,465	-1,465
Share based compensation	6			22	22
31.12.2009	57,726	15,179	16,089	-8,878	22,390
Share based compensation	5			18	18
31.12.2010	57,730	15,179	16,089	-8,860	22,407

Shares and share capital

Scanfil plc has a total of 60,714,270 shares. The company's registered share capital is EUR 15,178,567.50.
The company has one series of shares, and all shares belong to the same class.
Each share entitles the holder to one vote and the equal right to receive dividends.
Scanfil plc's shares are quoted on NASDAQ OMX Helsinki Oy. The shares have been publicly traded since 24 May 2000.
The trading code of the shares is SCF1V. The shares are entered in the book-entry securities system administered by Euroclear Finland Ltd.

Translation differences

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

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Other reserves

Other reserves includes a reserve comprising of transfers from retained earnings in accordance with the Articles of Association of foreign companies and the fair value reserve comprising of accumulated changes in the value of available-for-sale investments.

	2010	2009
Transfer to reserves	5,224	4,423
Fair value reserve	1,020	275
Total	**6,244**	**4,698**

Own shares and authorisations of the Board of Directors

On 31 December 2010, the company owned a total of 2,983,831 of its ows shares representing 4.9% of the company's share capital and votes.

The Annual General Meeting held on 8 April 2010 authorised the Board of Directors to decide on the repurchase of a maximum of 3,000,000 shares in the company and the transfer of a maximum of 5,900,000 shares. The authorisation to repurchase treasury shares is valid for 18 months after its granting and the conveyance authorisation for three years after its granting.

During the financial period 2010, no shares were repurchased. Total of 4,522 shares were transfered to Management Team of a subsidiary in relation to a share-based scheme.

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

Dividend

After the closing of the accounts, the Board of Directors has proposed a dividend of EUR 0.06/share and an additional dividend of EUR 0.06/share be paid, total EUR 0,12/share.

25. Provisions

	2010	2009
Provisions at 1 Jan.	5,426	6,041
Additions to provisions		
Changes in pension liability	-293	389
Unemployment pension deductibles	95	100
Other	30	15
Used provisions	-970	-1,194
Discounting effect	135	76
Provisions at 31 Dec.	**4,423**	**5,426**

The provision mainly includes the pension liability associated with the restructuring expenses of Scanfil NV.

26. Financial liabilities

	2010	2009
Loans from financial institutions, interest-bearing	40,000	12,015
Total	**40,000**	**12,015**

Maturity of financing loans	Interest	Installment	Total
Year 2011	896	4,444	5,341
Year 2012	753	8,889	9,642
Year 2013	546	8,889	9,435
Year 2014	348	8,889	9,236
Year 2015	149	8,889	9,038
Total	**2,692**	**40,000**	**42,692**

On December 2010 Scanfil EMS Oy raised a EUR 40 million loan and used it to repay the loans of Scanfil EMS Group to it's parent company Scanfil plc. Loans are related to the returning of equity made in the autumn 2009 and a loan granted by Scanfil plc to Scanfil EMS Oy's subsidiary Scanfil Oü operating in Estonia.

The loan is SEK-denominated. Scanfil EMS Oy has entered into interest and currency swap agreements with the bank to convert the SEK-denominated principal and cash flows of instalments and interest payments into euros. The interest and currency swap agreement fully hedges the instalments and interest payments against fluctuations in exchange and interest rates. The loan maturity is five years and the interest rate is fixed at 2.2% for the whole loan period calculated into EUR-denominated capital, on the condition that the terms of interest covenants are fulfilled. The interest is a maximum of 2.6%. Termination covenants are also related to the loan.

In 2008 the Estonian subsidiary raised a EEK-denominated loan, countervalue EUR 12.0 million, in order to hedge against the possible impairment of the Estonian kroon. The loan was repaid on the due date, 21 February 2010.

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27. Non-current liabilities	2010	2009
Trade payables	31,691	22,946
Accrued liabilities	8,825	7,111
Advance payments received	2	98
Other creditors	1,300	1,136
Interest-bearing liabilities from financial institutions	4,444	12,015
Total	46,263	43,307
The most significant items included in accrued liabilities:		
Employee expenses	5,576	1,321
Direct taxes	2,617	1,236
Interests	56	114
Other accrued liabilities	576	440
Total	8,825	3, 111

28. Cash flow statement adjustments	2010	2009
Adjustments		
Depreciation according to plan	4,992	5,068
Financial income and expenses	-960	-5,069
Taxes	4,488	6,728
Changes in provisions	-1,004	-615
Other adjustments	-2,748	-124
Total	4,768	5,988
Changes in working capital		
Inc(-)/dec(+) in short-term non-interest bearing receivables	-8,094	5,956
Inc(-)/dec(+) in inventories	-10,995	5,164
Inc(+)/dec(-) in short-term non-interest-bearing liabilities	6,822	5,139
Total change in working capital	-12,267	16,259

29. Financial assets and liabilities, fair value

	Note	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Non-current assets					
Available-for-sale investments	15	9,546	9,546	10,639	10,639
Financial assets at fair value through profit and loss	20	16,614	16,614	14,546	14,546
Receivables	16	200	200		
Current assets					
Trade and other receivables	19	53,631	53,631	43,416	43,416
Financial assets at fair value through profit and loss	20	7,656	7,656	16,051	16,051
Available-for-sale investments, liquid assets	21			508	508
Available-for-sale investments, cash equivalents	22	41,048	41,048	20,406	20,406
Cash and cash equivalents	22	16,876	16,876	30,809	30,809
Total financial assets		145,571	145,571	136,375	136,375
Non-current financial liabilities					
Interest-bearing liabilities from financial institutions	26	35,556	35,556		
Current financial liabilities					
Interest-bearing liabilities from financial institutions	26	4,444	4,444	12,015	12,015
Trade and other payables	26	41,818	41,818	31,291	31,291
Total financial liabilities		81,818	81,818	43,307	43,307

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30. Hierarchy of fair value 2010

	Level 1	Level 2	Level 3	
Financial assets at fair value through profit and loss	3,724	20,546		24,270
Available-for-sale investments	9,524			9,524
Total	13,248	20,546		33,794

Level 3 reconciliation

	At fair value through profit and loss	Available for sale	Total
Opening balance 1 January		2,100	2,100
Transfer to associated companies		-2,100	-2,100
Closing balance 31 December		0	0

30. Hierarchy of fair value 2009

	Level 1	Level 2	Level 3	
Financial assets at fair value through profit and loss	8,561	22,036		30,597
Available-for-sale investments	8,517		2,100	10,617
Total	17,078	22,036	2,100	41,214

Level 3 reconciliation

	At fair value through profit and loss	Available for sale	Total
Opening balance 1 January			
Additions		2,100	2,100
Closing balance 31 December		2,100	2,100

No transfers between different levels of the hierarchy have taken place.
The fair values of hierarchy level 1 are based on quoted prices in active markets for identical assets. The Group has primarily used the prices on the NASDAQ OMX stock exchange in determining the fair value of these instruments.

The fair values of level 2 instruments are significantly based on other input data than the quoted prices included in level 1, however so that the data can be either directly or indirectly expected for the asset in question. In determining the fair value of these instruments, the Group utilises widely accepted measurement models whose input data, however, is significantly based on verifiable market data.

The fair values of level 3 instruments are based on input data concerning the asset that are not based on verifiable market data but significantly on the estimates of the management and their use in widely accepted measurement models.
The level of fair value hierarchy to which a certain item measured at fair value is classified in full is defined in accordance with the lowest-level input data significant with regard to the entire item measured at fair value. The significance of the input data is estimated with regard to the entire asset measured at fair value in question in full.

31. Financial risk management

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

Currency risk

The Group's currency risks consist of
- transaction risks related to trade receivables and payables
- translation risks related to foreign subsidiaries
- financial risks related to exchange rate changes

Currency risks are mainly caused by the changes in the USD/EUR exchange rates. Currency risks can be hedged with forward exchange contracts.
The parent company is responsible for all hedging measures.
The financial statements at 31 December 2010 do not contain open forward exchange contracts.

Transaction risk 2010

	USD-risk	USD-risk	EUR-risk	USD-risk	HUF-risk
Company's reporting currency	EUR	RMB	RMB	EEK	EUR
Trade receivables	1	3,329	1,306	7	71
Trade payables	-808	-847	-1,837	-551	-203
Balance sheet net risk	-806	2,482	-531	-543	-133

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Transaction risk

Company's reporting currency	USD-risk EUR	USD-risk RMB	EUR-risk RMB	EUR-risk EEK	2009 EUR-risk HUF
Trade receivables		1,670	966	3,369	1,529
Trade payables	-407	-910	-2,017	-802	-404
Balance sheet net risk	-407	760	-1,051	2,567	1,125

The balance sheet 31 December 2010 does not include a significant transaction risk.

Translation risk

Of the Group equity on 31 December 2010, more than 70% is denominated in euro, slightly over a fourth in Chinese yuan. A simultaneous decrease of 10% in the value of Chinese yuan would decrease the Group's equity by approximately EUR 5 million. The Chinese currency is strongly linked to the US dollar. The exposure is not constant; rather, it varies based on profit and distributed dividend. The Hungarian property company has a euro-denominated loan of EUR 6.0 million from the parent company, associated with a currency risk should the local currency (HUF) become weaker. Bookkeeping currency of Hungarian contract manufacturing susidiary has been EUR from the begining of 2010. Share of Estonian kroon from the Group's equity is approximately 1%. Estonia is joining to euro area at the begining of 2011 when the EEK-risk will be eliminated. The investment in the Norwegian company Kitron ASA includes a significant currency exposure in NOK. The carrying amount of the investment was EUR 17.7 million on 31 December 2010. The investments in the foreign subsidiaries have not been hedged.

Financial risk

The changes in exchange rates should not have a significant effect on the long-term competitiveness of the company. Pricing is adjusted continuously with most customers and the amount of long-term fixed pricing is not significant.

Interest rate risk

Interest-bearing liabilities and return on financial investments carry an interest rate risk.
The Group has significant financial assets and the changes in interest rate will affect the Group's result.
The interest rate risk of loans can be controlled with the proportion between variable rate and fixed-interest loans.
The Group has one EUR 40 million interest-bearing loan whose interest rate has been fixed through an interest swap agreement for a loan period of five years.

Credit risk

The credit risks of trade receivables are the responsibility of business units. The company has no significant risk of credit loss.
The five biggest customers represent 3/4 of the sales.

Age distribution of trade receivables		2010	2009
Unmatured		48,845	39,831
Matured			
	1 - 30 days	1,550	1,326
	31 - 90 days	262	336
	91 - 180 days	42	84
	181 - 365 days	95	32
	over 1 year	8	20
Total		**50,802**	**41,629**

The Group has recorded a credit loss of EUR 39 thousand during the financial period (EUR 23 thousand in 2009).

Liquidity risk

Considering the Group's balance sheet structure, the liquidity risk is small. The Group's liquid cash reserve was EUR 57.9 million on 31 December 2010 (EUR 51.2 million in 2009). The parent company's treasury operations are responsible for the Group's liquidity.
Effective cash management contributes to the management of liquidity.

Risks related to investments

With regard to risks related to investments, the total allocation approved by the Board guides the investment of assets and defines the limits of exposure as well as guides the allocation between different classes of risks and assets. The management of the overall risk is facilitated by select instruments, the majority of which are highly liquid and marketable. Majority of Scanfil plc's capital investments are associated companies and therefore amount equivalent to ownership is entered through profit or loss in consolidated income statement. The overall decentralisation of investments aims at a situation where losses that are high compared to the total amount are highly unlikely. Decentralisation is also coordinated within individual classes of assets in terms of risk management.
Of the investment assets, approximately 50% were categorised as low-risk investments on 31 December 2010.
The investments are associated with market risk and, to some extent, counterparty risk.

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32. Management of capital structure	2010	2009

With a strong capital structure, the company can ensure normal prerequisites for operations as well as growth opportunities. The company examines different options for more efficient capital management.

	2010	2009
Equity ratio, %	64.6	75.0
Gearing, %	-26.2	-46.7

33. Commitments and contingencies	2010	2009
Mortgages to secure own debt		
Mortgages on property	3,447	3,447
Business mortgages	46,832	18,832
Total	**50,279**	**22,279**
Liabilities secured with mortgages		
Interest-bearing liabilities from financial institutions	40,000	12,015
Total	**40,000**	**12,015**
Guarantees given		
On behalf of own company	84	84
Total	**84**	**84**

The parent company has given a EUR 5.2 million bank guarantee to secure the payment of contributions related to Scanfil NV's restructuring. Scanfil NV's balance sheet includes a corresponding provision.

34. Other leases	2010	2009

Group as lessee

Minimum rents payable based on other non-cancellable leases:

	2010	2009
Within one year	77	187
In one to five years	16	29
Total	**93**	**216**

The Group owns its production premises. Scanfil (Suzhou) Co., Ltd acquised production premises at the end of 2010. Previously Scanfil (Suzhou) Co., Ltd operated in rented premises and its leases end at 28 February 2011.
Other rent leases consist of residences of Finnish General Managers of subsidiaries.

35. Related party transactions

Group companies

	Domicile	Group's ownership	Share of votes	Parent company's ownership
Scanfil plc, parent company	Finland			
Scanfil EMS Oy	Finland	100%	100%	100%
Scanfil Kft	Hungary	100%	100%	
Scanfil Oü	Estonia	100%	100%	
Scanfil (Suzhou) Co., Ltd.	China	100%	100%	
Scanfil (Hangzhou) Co., Ltd.	China	100%	100%	
Scanfil NV	Belgium	100%	100%	99.99%
Rozália Invest Kft	Hungary	100%	100%	

List of associated companies is presented in note 14, Investments in associated companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

1000 EUR

Related party transactions

Related party transactions of receivables and liabilities

2010	Interest	Loan receivable
Greenpoint Oy	2	200
Jorma J. Takanen	11	0
Total	13	200

A maximum of EUR 300,000 loan has been granted to an associate company Greenpoint Oy and EUR 200,000 has been raised. The expiry date of the loan is 30 June 2012 and the interest rate is 6 months euribor + 2.5%. Paid interest as per 31 December 2010 is EUR 2,059.27.

During the financial period, the company had a short-term and temporary loan from its Chairman of the Board, Jorma J. Takanen. The loan period was 28.09. - 03.12.2010. The loan interest rate was 3 months euribor + 0.7% and accumulated interest from the loan period was EUR 11,191.66. The loan was used to finance the acquisition of Kitron ASA shares.

The company owns 40% share of Phanphonics Oy, whose Chairman of the Board and one of the owners is Asa-Matti Lyytinen.

Management's employee benefits

Salaries and other short-term employee benefits	2010	2009
President of the parent company	184	177
Board of Directors of parent company	161	161
Presidents of subsidiaries	384	379
Total	729	717

Harri Takanen works as a President in both Scanfil plc and Scanfil EMS Oy. Scanfil EMS Oy pays the president's salary.

Salaries paid to the President and Board members		2010	2009
Jorma J. Takanen	Chairman of the Board, Group CEO	83	83
Harri Takanen	President	184	177
Asa-Matti Lyytinen	Board member	24	24
Tuomo Lähdesmäki	Board member	24	24
Reijo Pöllä	Board member	6	6
Jarkko Takanen	Board member	24	24
Total		345	338

36. Employee incentive schemes

In 2006, Scanfil plc's Board of Directors decided to reward the Group's management and key employees through a profit-sharing scheme.

The members of the Group's Management Team are covered by a share-based scheme, in which the targets to be met are set on an annual basis. The structure of the plan is also approved annually. Half of the bonuses are paid as the company's shares after PAYE, while the other half is transfered to the person's bonus bank. Transfered shares are set for conveyance injunction for a period of one year. Any new bonuses received in the subsequent years are added to the bonus bank and half of the total amount is paid as shares after PAYE. When the person's employment ends, the amount contained in the bonus bank is annulled. The number of shares granted is calculated using the share's closing rate on the day the financial statements are released. The shares are issued from treasury shares held by the company. Based on the results of 2009, 4,522 shares totaling approximately EUR 13,000 were transferred in 2010. Based on the results of 2010, it is estimated that approximately 3,000 shares totaling EUR 9,000 will be transferred.

Other key employees of the Group are included in a cash-based scheme, in which bonuses are based on individual performance targets.

In addition, a bonus based on the performance of the plant can be paid to plant workers.

In 2010, profit-related bonuses amounted to approximately EUR 0.6 million.

KEY RATIOS

Key financial indicators	2010	2009	2008	2007	2006
Turnover, EUR m	219.3	197.3	218.9	224.6	241.4
Turnover, growth from previous year, %	11.1	-9.8	-2.5	-7.0	-24.9
Operating profit, EUR m	14.4	16.0	21.1	18.6	11.4
Operating profit, % of turnover	6.6	8.1	9.7	8.3	4.7
Profit/loss for the period, EUR m	10.9	14.3	15.6	14.1	8.2
Profit/loss for the period, % of turnover	5.0	7.3	7.1	6.3	3.4
Non-current assets, EUR m	92.8	59.9	46.4	40.8	47.4
Inventories, EUR m	36.8	24.7	30.2	33.6	41.4
Receivables, EUR m	53.9	43.5	50.6	52.3	43.1
Cash and cash equivalence, EUR m	65.6	67.8	60.4	50.0	31.8
Non-current assets held for sale		4.9	4.6	4.6	10.0
Share capital, EUR m	15.2	15.2	15.2	15.2	15.2
Other equity, EUR m	145.6	135.4	131.0	118.4	112.2
Provisions, EUR m	4.4	5.4	6.0	7.0	8.5
Non-current liabilities, EUR m	42.0	6.9	19.1	9.3	17.4
Current liabilities, EUR m	46.3	43.3	26.9	38.7	28.8
Balance sheet total, EUR m	249.1	200.7	192.2	181.5	173.6
Return on equity, %	7.0	9.7	11.2	10.8	6.4
Return on investment, %	8.7	13.9	13.7	14.1	9.0
Interest-bearing liabilities, EUR m	40.0	12.0	12.0	7.5	7.5
Gearing, %	-26.2	-46.7	-38.4	-31.8	-19.1
Equity ratio, %	64.6	75.0	76.1	73.6	73.6
Gross investments in fixed assets, EUR m	10.1	3.1	3.9	1.4	8.5
Gross investments in fixed assets, % of turnover	4.6	1.6	1.8	0.6	3.5
Average number of employees for the period	2,203	2,064	2,132	2,105	2,213
Key indicators per share					
Earnings per share, EUR	0.19	0.25	0.27	0.24	0.14
Shareholders' equity per share, EUR	2.78	2.61	2.50	2.27	2.17
Dividend per share, EUR	0.12	0.12	0.12	0.12	0.10
Dividend per earnings, %	63.7	48.6	45.0	49.8	72.4
Effective dividend yield, %	4.04	4.36	5.91	6.15	4.22
Price-to-earnings ratio (P/E)	15.77	11.14	7.62	8.1	17.2
Share trading					
No. of shares traded, thousands	4,687	7,382	6,066	8,947	20,401
Percentage of total shares, %	7.7	12.2	10.0	14.7	33.6
Share performance					
Lowest price for year, EUR	2.40	1.82	1.76	1.92	2.30
Highest price for year, EUR	3.14	2.81	2.45	2.49	4.67
Average price for year, EUR	2.88	2.18	2.07	2.19	3.47
Price at the end of year, EUR	2.97	2.75	2.03	1.95	2.37
Market value of share capital at 31 Dec., EUR m	180.3	167.0	123.2	118.4	143.9
Share-issue adjusted number of shares					
At the end of the period, thousands	57,730	57,726	58,443	58,716	58,714
On average during the period, thousands	57,730	58,082	58,696	58,716	59,557

KEY RATIOS

Calculation of key indicators

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

PARENT COMPANY INCOME STATEMENT, FAS

1000 EUR	Note	1.1.-31.12.2010	1.1.-31.12.2009
Other operating income	1	5,654	2,285
Personnel expenses	2	-288	-324
Depreciation	3	-618	-809
Other operating expenses	4	-516	-583
OPERATING PROFIT		4,232	570
Financial income	6	5,514	6,330
Financial expenses	6	-1,194	-2,318
PROFIT BEFORE APPROPRIATIONS AND TAXES		8,552	4,582
Appropriations	3	1,534	235
Income taxes	7	-2,328	-1,393
NET PROFIT FOR THE PERIOD		7,759	3,424

PARENT COMPANY BALANCE SHEET, FAS

1000 EUR	Note	31.12.2010	31.12.2009
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights		1	2
	8	1	2
Tangible assets			
Land		735	1,341
Buildings		6,484	10,325
Machinery and equipments		2	2
Other tangible assets		29	44
	9	7,249	11,712
Investments			
Holdings in Group companies	10	13,971	13,971
Associated companies	11	25,562	
Other shares and holdings	12	8,167	10,267
Other receivables	13	15,950	14,359
		63,650	38,597
TOTAL NON-CURRENT ASSETS		70,901	50,310
CURRENT ASSETS			
Long-term receivables			
Deferred tax assets	14	120	94
Receivables from Group companies	15		22,733
		120	22,827
Short-term receivables			
Trade receivables			15
Receivables from Group companies	15	2,800	8,269
Other receivables	13	3,935	7,094
Accrued income		145	133
		6,880	15,512
Marketable securities	16	3,606	8,013
Cash and cash equivalents	17	40,743	27,837
TOTAL CURRENT ASSETS		51,349	74,189
TOTAL ASSETS		122,249	124,499

PARENT COMPANY BALANCE SHEET, FAS

1000 EUR	Note	31.12.2010	31.12.2009
EQUITY AND LIABILITIES			
EQUITY			
Share capital		15,179	15,179
Share premium account		16,089	16,089
Retained earnings		72,921	76,412
Profit for the period		7,759	3,424
TOTAL EQUITY	18	**111,948**	**111,104**
APPROPRIATIONS			
Depreciation difference	19	**1,592**	**3,127**
Liabilities			
Long-term			
Liabilities to Group companies	20	**4,897**	
Short-term			
Advances received			1
Trade payables		22	34
Liabilities to Group companies	20	1,622	9,648
Other creditors		64	75
Accrued liabilities	21	2,104	511
		3,812	10,268
TOTAL LIABILITIES		**8,709**	**10,268**
TOTAL EQUITY AND LIABILITIES		**122,249**	**124,499**

PARENT COMPANY CASH FLOW STATEMENT, FAS

1000 EUR	Note	2010	2009
Cash flow from operating activities			
Profit for the period		7,759	3,424
Adjustments	22	-6,455	-1,994
Change in working capital	22	-24	553
Interest paid and other financial expenses		-159	-283
Interest received		1,070	475
Taxes paid		-737	-711
Net cash flow from operating activities		**1,454**	**1,464**
Cash flow from investing activities			
Investments in tangible and intangible assets			-242
Proceeds from sale of tangible and intangible assets		7,496	
Granted loans		-12,500	-32,433
Investments to other investments		-49,215	-81,565
Repayment of loans receivable		40,700	1,443
Proceeds from sale of other investments		32,880	64,196
Repayment of capital of a subsidiary			65,000
Interest received from investments		1,027	1,882
Dividend received from investments		1,146	21
Net cash flow from investing activities		**21,534**	**18,302**
Cash flow from financing activities			
Acquisition of own shares			-1,497
Proceeds from short-term loans		5,000	2,297
Repayment of short-term-loans		-8,154	-850
Dividends paid		-6,928	-7,005
Net cash flow from financing activities		**-10,081**	**-7,056**
Change in cash and cash equivalents		**12,906**	**12,710**
Cash and cash equivalents at 1 Jan.		27,837	15,127
Cash and cash equivalents at 31 Dec.	17	**40,743**	**27,837**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS, FAS

1000 EUR

Parent company accounting policies

Scanfil plc is a Finland-based public limited company domiciled in Sievi. The financial statements of Scanfil plc have been prepared in accordance with the Finnish Accounting Act and other regulations in force in Finland (FAS).

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

The most significant differences between the parent company's and the Group's accounting policies concern the following:

Parent company goodwill

The parent company's goodwill is amortised according to plan. The amortisation period is five years. The goodwill was fully amortised in 2005.

Non-current assets

Non-current assets classified as held for sale are included in fixed assets, and their depreciation will continue normally.

Depreciation periods for fixed assets are:

Buildings and structures	25 years
Machinery and equipment	3 - 8 years
Other tangible assets	5 - 10 years
Intangible assets	5 years

Securities and other investments

Investments are valued at the lower of cost and probable realisable value.

1. Other operting income	2010	2009
Proceeds from sale of property, plant and equipment	3,556	1
Rental income	2,072	2,264
Other	27	21
Total	5,654	2,285

2. Personnel expenses	2010	2009
Salaries, wages and fees	319	299
Pension costs	-39	16
Other indirect employee expenses	8	9
Total	288	324

The pension costs are based on defined-contribution schemes. The company does not have outstanding stock options.
The accumulated pension fund is large compared to current salaries. Customer refund from pension fund from year 2010 is bigger that the pension costs.

Average number of employees during the period	2010	2009
Clerical employees	3	3
Total	3	3

Management's employee benefits and related party transactions are presented in note 35, in notes to the consolidated financial statements.

3. Depreciation and amortization	2010	2009
Depreciation and amortisation by asset class		
Intangible assets		
Intangible rights	1	1
Total	1	1
Tangible assets		
Buildings	605	786
Machinery and equipment	0	0
Other tangible assets	12	22
Total	617	808
Total depreciation and amortisation	618	809
Change in depreciation difference		
Buildings and structures	1,528	230
Machinery and equipment	0	0
Other tangible assets	7	5
Total	1,534	235

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS, FAS

1000 EUR		
4. Other operating expenses	**2010**	**2009**
Other operating expenses include the following significant expense items:		
Rent and maintenance expenses	167	207
Travel, marketing and vehicle expenses	34	39
Other employee expenses	1	1
Other operating expenses	313	335
Total	516	583
5. Auditor's remuneration	**2010**	**2009**
Auditor's remunerations of the Chartered Accountants	28	23
Tax consulting	4	2
Other remuneration	0	1
Total	32	26
6. Financing income and expenses	**2010**	**2009**
Income from other investments held as financial fixed assets		
Dividend income from other	1,146	21
Interest income from other	976	1,869
Total	2,123	1,890
Other interest and financial income		
From group companies	989	221
Other	2,403	1,496
Total	3,391	1,717
Changes in fair value on investments		
From group companies		-500
Other	-100	2,723
Total	-100	2,223
Interest expenses and other financial expenses		
To group companies	-109	-129
Other	-986	-1,689
Total	-1,094	-1,818
Total financial income and expenses	4,320	4,012
The item other interest and financial income includes exchange rate gains (net)	91	41
7. Income taxes	**2010**	**2009**
Current tax	2,354	685
Change in deferred tax liabilities	-26	708
Total	2,328	1,393

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS, FAS

1000 EUR

8. Intangible assets 2010

	Intangible rights	Intangible assets total
Acquisition cost at 1 Jan.	16	16
Acquisition cost at 31 Dec.	**16**	**16**
Accumulated depreciations at 1 Jan.	-15	-15
Depreciations	-1	-1
Accumulated depreciations at 31 Dec.	**-15**	**-15**
Carrying amount at 31 Dec.	**1**	**1**

8. Intangible assets 2009

	Intangible rights	Intangible assets total
Acquisition cost at 1 Jan.	16	16
Acquisition cost at 31 Dec.	**16**	**16**
Accumulated depreciations at 1 Jan.	-14	-14
Depreciations	-1	-1
Accumulated depreciations at 31 Dec.	**-15**	**-15**
Carrying amount at 31 Dec.	**2**	**2**

9. Tangible assets 2010

	Land	Buildings	Machinery and equipments	Other tangible assets	Tangible assets total
Acquisition cost at 1 Jan.	1,341	19,203	2	528	21,074
Deductions	-605	-6,904	0	-155	-7,664
Acquisition cost at 31 Dec.	**735**	**12,299**	**2**	**373**	**13,410**
Accumulated depreciations at 1 Jan.		-8,878	0	-484	-9,362
Depreciations		-605	0	-12	-617
Deductions		3,668		151	3,819
Accumulated depreciations at 31 Dec.		**-5,815**	**-1**	**-345**	**-6,160**
Carrying amount at 31 Dec.	**735**	**6,484**	**2**	**29**	**7,249**

The value of land includes connection fees EUR 110 thousand.

9. Tangible assets 2009

	Land	Buildings	Machinery and equipments	Other tangible assets	Tangible assets total
Acquisition cost at 1 Jan.	1,341	19,203		528	21,072
Additions			2		2
Acquisition cost at 31 Dec.	**1,341**	**19,203**	**2**	**528**	**21,074**
Accumulated depreciations at 1 Jan.		-8,092		-462	-8,554
Depreciations		-786	0	-22	-808
Accumulated depreciations at 31 Dec.		**-8,878**	**0**	**-484**	**-9,362**
Carrying amount at 31 Dec.	**1,341**	**10,325**	**2**	**44**	**11,712**

The value of land includes connection fees EUR 167 thousand.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS, FAS

1000 EUR

10. Holdings in Group companies	2010	2009
Total at beginning of period	13,971	79,471
Deductions		-65,000
Impairment		-500
Total at end of period	13,971	13,971
Carrying amount at 31 Dec.	13,971	13,971

The Extraordinary General Meeting of Scanfil EMS Oy on 2009 decided on the repayment of capital in the amount of EUR 65 million to the parent company Scanfil plc. An impairment of EUR 0.5 million has been recorded for the shares in the Belgian subsidiary Scanfil NV.

Group companies	Domicile	Group share %	Parent company share %	Parent company book value
Scanfil NV	Belgium	100.00	99.99	1,350
Scanfil EMS Oy	Finland	100.00	100.00	12,621
				13,971

11. Investments in associated companies	2010	2009
Total at beginning of period		
Acquisitions	25,562	
Total at end of period	25,562	
Carrying amount at 31 Dec.	25,562	

Associated companies	Domicile	Group share %	Parent company share %	Parent company book value
Panphonics Oy	Finland	40.00	40.00	2,000
IonPhaseE Oy	Finland	40.00	40.00	2,000
iLOQ Oy	Finland	22.96	22.96	3,454
Kitron ASA	Norway	32.96	32.96	18,108
				25,562

The market value of Kitron ASA on 31 December 2010 was EUR 16.5 million.

12. Other shares and holdings	2010	2009
Total at beginning of period	10,267	37
Acquisitions		10,245
Deductions	-2,100	-15
Total at end of period	8,167	10,267
Carrying amount at 31 Dec.	8,167	10,267

Other shares and holdings include EUR 8,145 thousand of listed shares in Lännen Tehtaat Oyj and unlisted other shares in the amount of EUR 22 thousand.
During the period, more shares of iLog Oy were acquired and and the company became an associated company.
Acquisition cost of shares is presented in note 11, investments in associated companies.

13. Other receivables	2010	2009
Long term		
Marketable securities		
Acquisition cost	16,332	14,709
Change in fair value	-382	-350
Carrying amount at 31 Dec.	15,950	14,359
Short term		
Advance payments	2	2
Marketable securities		
Acquisition cost	4,000	7,103
Change in fair value	-68	-11
Carrying amount at 31 Dec.	3,935	7,094

The marketable securities mainly consist of bonds, credit linked notes and structured investments.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS, FAS

1000 EUR

14. Deferred tax assets	2010	2009
Deferred tax assets		
Remeasurement at fair value	120	94
Total	120	94

15. Receivables from Group companies	2010	2009
Long term		
Loan receivables		22 733
Short term		
Trade receivables		3
Loan receivables	2,800	8,267
Total	2,800	8,269

16. Marketable securities	2010	2009
Total at beginning of period	3,617	8,013
Remeasurement at fair value	-11	
Total at end of period	3,606	8,013

The marketable securities on 31 December 2010 are listed shares. On previous year they were mainly ETFs and other funds.

17. Cash and cash equivalents	2010	2009
Cash and bank balances	40,743	27,837
Total	40,743	27,837

18. Equity	2010	2009
Share capital		
Share capital at 1 Jan.	15,179	15,179
Share capital at 31 Dec.	15,179	15,179
Share premium account		
Share premium account at 1 Jan.	16,089	16,089
Share premium account at 31 Dec.	16,089	16,089
Retained earnings		
Retained earnings at 1 Jan.	79,836	84,870
Dividends	-6,928	-7,016
Acquistion/distribution of company's own shares	13	-1,442
Retained earnings at 31 Dec.	72,921	76,412
Profit for the period	7,759	3,424
Unrestricted equity at 31 Dec.	80,680	79,836
Equity at 31 Dec.	111,948	111,104
Calculation of distributable funds at 31 Dec.		
Retained earnings	72,921	76,412
Profit for the period	7,759	3,424
Total	80,680	79,836

19. Depreciation difference by balance sheet item at the end of the period	2010	2009
Accumulated depreciation difference, buildings	1,588	3,116
Accumulated depreciation difference, machinery and equipment	0	0
Accumulated depreciation difference, other tangible assets	4	11
Total	1,592	3,127

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS, FAS

1000 EUR

20. Liabilities to Group companies	2010	2009
Liabilities to Group companies		
Loans	5,697	6,450
Liquid assets of the Group account	796	3,196
Trade payables	1	
Accrued liabilities and other short-term liabilities	26	2
Total	**6,519**	**9,648**

Interest-bearing loans	2010	2009
Long-term		
Liabilities to Group companies	4,897	
Short-term		
Liabilities to Group companies	800	9,646
Maturity of interest-bearing loans		
Year 2010		9,646
Year 2011	800	
Year 2012	1,224	
Year 2013	1,224	
Yeari 2014	1,224	
Year 2015	1,224	
Total	**5,697**	**9,646**
Loans are EUR-denominated		
The weighted average interest rates of interest-bearing loans were as follows:		
Liabilities to Group companies	1.75%	1.87%

21.Accrued liabilities	2010	2009
The most significant items included in accrued liabilities		
Employee expenses	61	81
Direct taxes	2,042	425
Other accrued liabilities	1	5
Total	**2,104**	**511**

22. Cash flow statement adjustments	2010	2009
Adjustments		
Depreciation according to plan	618	809
Financial income and expenses	-4,320	-4,012
Taxes	2,328	1,393
Changes in provisions	-1,534	-235
Other adjustments	-3,547	52
Total	**-6,455**	**-1,994**
Changes in working capital		
Inc(-)/dec(+) in short-term non-interest-bearing receivables	22	561
Inc(+)/dec(-) in short-term non-interest-bearing liabilities	-46	-8
Total change in working capital	**-24**	**553**

23. Commitments and contingencies	2010	2009
General collateral mortgages given		
Mortgages on property	3,447	3,447
Business mortgages	6,832	6,832
Total	**10,279**	**10,279**
Guarantees given		
On behalf of parent company	84	84
On behalf of Group companies	5,221	6,037
Total	**5,305**	**6,121**

The parent company has given a EUR 5.2 million bank guarantee to secure the payment of contributions related to Scanfil NV's restructuring. Scanfil NV's balance sheet includes a corresponding provision.

SHARES AND SHAREHOLDERS

Shares and share capital

Scanfil plc has a total of 60,714,270 shares. The company's registered share capital is EUR 15,178,567.50. The company has one series of shares, and each share entitles the holder to one vote and an equal right to receive dividends.

Scanfil plc's shares are quoted on NASDAQ OMX Helsinki Ltd. The shares have been publicly traded since 24 May 2000. The trading code of the shares is SCF1V. The shares are included in the book-entry securities system maintained by Euroclear Finland Oy.

Board's authorisations in force

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

The Annual General Meeting of 8 April 2010 authorised the Board of Directors to decide on the repurchase of a maximum of 3,000,000 shares and conveyance of a maximum of 5,900,000 treasury shares. The authorisation to repurchase treasury shares is valid for 18 months after its granting and the conveyance authorisation for three years after its granting.

Treasury shares

On 31 December 2010, the company owned a total of 2,983,831 treasury shares, representing 4.9% of the company's share capital and total number of votes. No treasury shares were repurchased during the financial period 2010. A total of 4,522 shares have been conveyed in connection with the share-based incentive scheme for a subsidiary's management team.

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 that, according to the dividend policy, a dividend of EUR 0.06 per share be paid for the financial year 1 January–31 December 2010, plus an additional dividend of EUR 0.06 per share, totalling EUR 0.12 per share, for a total of EUR 6,927,652.68.

A dividend of EUR 0.08 per share and an additional dividend of EUR 0.04 per share was paid for 2009, totalling EUR 0.12 per share, for a total of EUR 6,927,652.68. The dividend was paid on 20 April 2010.

Share price development, trading and market value

In 2010, the number of Scanfil plc shares traded on NASDAQ OMX Helsinki Ltd was 4,687,254, which accounts for 7.2% of all outstanding shares. The value of shares traded was EUR 13.5 million and the average price EUR 2.88. Market capitalisation was EUR 180.3 million at the end of 2010. The highest trading price was EUR 3.14 and the lowest EUR 2.40. The closing price was EUR 2.97.

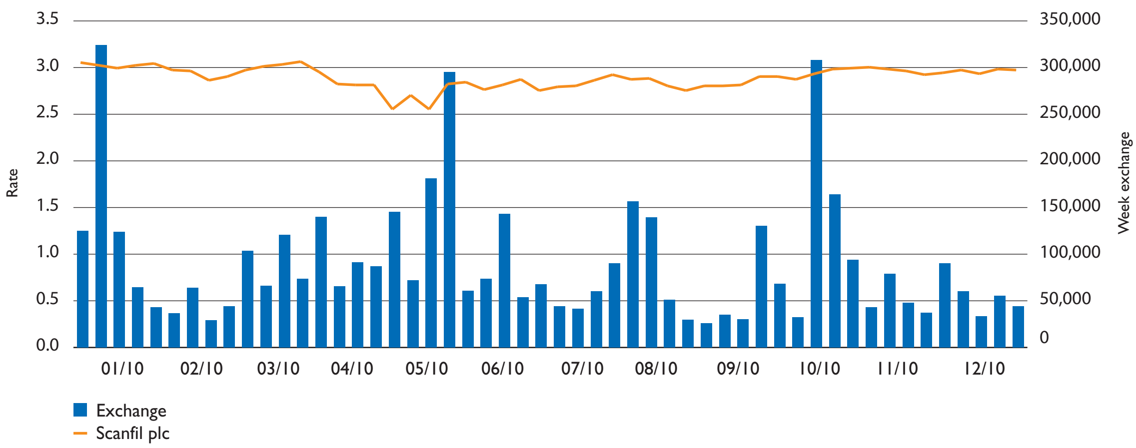
Information on shareholders

On 31 December 2010, Scanfil plc had a total of 4,611 shareholders, 75.1% of whom owned a maximum of 1,000 shares in the company. The ten major shareholders owned 77.3% 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 27,218,883 shares on 31 December 2010, which accounts for 44.8% of the company's shares and votes.

Rate development and exchange



Breakdown of share ownership

Breakdown of share ownership by number of shares held at 31 Dec. 2010

Number of shares	Number of shares pcs	Percentage of shares %	Total number of shares and votes pcs	Percentage of shares and votes %
1 - 200	1,663	36.07	267,458	0.44
201 - 1,000	1,801	39.06	1,063,291	1.75
1,001 - 2,000	501	10.87	804,417	1.33
2,001 - 10,000	513	11.13	2,179,446	3.59
10,001 - 100,000	107	2.32	3,025,194	4.98
100,001 - 99,999,999	26	0.56	53,374,464	87.91
Total	**4,611**	**100.00**	**60,714,270**	**100.00**

Breakdown of share ownership by owner category at 31 Dec. 2010

	Number of shareholders	share %	Number of shares	share %
Corporations	280	6.07	4,890,107	8.05
Financial and insurance institutions	11	0.24	1,089,733	1.80
Public entities	5	0.11	1,250,000	2.06
Non-profit-making organisations	19	0.41	2,333,784	3.84
Households	4,285	92.93	51,011,174	84.02
Non-Finnish owners	11	0.24	139,472	0.23
Total	**4,611**	**100.00**	**60,714,270**	**100.00**
of which nominee-registered	5		975,025	1.61

Information on shareholders

Major shareholders at 31 Dec. 2010	psc	Share % of shares and votes
1. Takanen Jorma	17,596,305	28.98
2. Kotilainen Eero	7,273,109	11.98
3. Takanen Harri	4,002,664	6.59
4. Takanen Jonna	3,251,950	5.36
5. Pöllä Reijo	3,128,745	5.15
6. Scanfil plc	2,983,831	4.91
7. Takanen Jarkko	2,477,169	4.08
8. Laakkonen Mikko	2,346,055	3.86
9. Takanen Martti	1,954,218	3.22
10. Foundation of Riitta and Jorma J. Takanen	1,900,000	3.13

CORPORATE GOVERNANCE STATEMENT 2010

Scanfil plc is a publicly listed company, managed in accordance with the company's Articles of Association, the Finnish Companies Act, and other legislation relating to the company. In addition, the company follows the Finnish Corporate Governance Code issued by the Securities Market Association on 15 June 2010, excluding recommendations 9 (Number, composition and competence of the directors), 14 (Number of independent directors), 26 (Independence of the members of the audit committee) and 29 (Members of the nomination committee).

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 Web site www.scanfil.com under Investors, and it complies with recommendation 51 of the Finnish Corporate Governance Code. The Finnish Corporate Governance Code is available to the public at www.cgfinland.fi.

BOARD OF DIRECTORS

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

Composition of the Board

The Annual General Meeting held on 8 April 2010 elected the following Board members:

Jorma J. Takanen

Chairman of the Board of Directors Born 1946, Qualified Chemical Engineer. Founder of Scanfil Oy and member of its Board of Directors 1976-2002. Member and Chairman of the Board of Directors of Scanfil plc since 2002. Group CEO of Scanfil Group.

Asa-Matti Lyytinen

Independent of the company and major shareholders. Vice Chairman of the Board of Directors. Born 1950, M.Sc. (Econ.) Member of the Board of Directors of Scanfil plc since 2000.

Tuomo Lähdesmäki

Independent of the company and major shareholders. Member of the Board of Directors. Born 1957, M.Sc. (Eng), MBA (INSEAD). Member of the Board of Directors of Scanfil plc since 2005. Senior Partner of Boardman Oy.

Reijo Pöllä

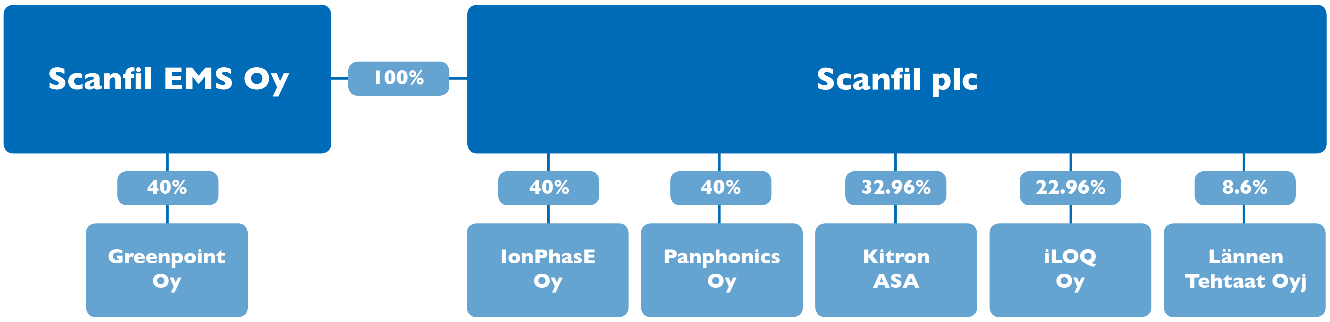
Member of the Board of Directors. Born 1951, Qualified IT Engineer. Member of the Board of Directors of Scanfil Oy 1983-2002 and member of the Board of Directors of Scanfil plc since 2002. Scanfil EMS Oy, Director, Investment Projects.

Jarkko Takanen

Member of the Board of Directors. Born 1967, Qualified Production Engineer, holds a Commercial College Diploma in Management Accountancy. Member of the Board of Directors of Scanfil Oy 1997–2002 and of Scanfil plc 2002–2003 and since 2005. Managing Director, Jussi Capital Oy.

The term of office of the Board members expires at the close of the first Annual General Meeting following the one at which they were elected. In order to fulfil recommendation 9 of the Finnish Corporate Governance Code (Number, composition and competence of the directors), Scanfil plc's Nomination Committee has considered the possibility of proposing a suitable female candidate. The Nomination Committee has so far found no suitable candidate who is familiar with both investment operations and contract manufacturing.

The group structure of Scanfil plc



Independence of Board members

According to an evaluation of independence carried out by the Board, two Board members (Asa-Matti Lyytinen and Tuomo Lähdesmäki) are independent of the company. The non-independent members of the Board (Jorma J. Takanen, Reijo Pöllä, and Jarkko Takanen) are among the seven biggest shareholders in the company. Due to the shareholding-related entrepreneurship and financial risk, it is justifiable that they supervise the interests of the shareholders also as members of the Board of Directors and the Audit Committee. In addition, Jorma J. Takanen is the founder of the company and served as the President & CEO in 1976–2005, Reijo Pöllä has been employed by the company as a developer in electronics manufacturing since 1981, and Jarkko Takanen has held various positions in the company in 1995–2004, so they all have extensive experience in the operation of the company and in the industry, which can be utilised by the entire company and shareholders through Board membership.

Activity of the Board

The Board of Directors had a total of 18 meetings in 2010, some of which were telephone meetings. The average attendance rate at Board meetings was 94%.

The matters regularly dealt with by the Board of Directors are specified in the Board's written charter. The charter is reviewed, ratified and, if necessary, updated on a yearly basis. In accordance with the charter, matters to be dealt with by the Board meetings include management's monthly reports, investment activities' reports and guidance, the company's business strategy, internal audit and control systems, risk control and reward schemes. The Board annually performs a self-evaluation of its work.

Board committees

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

The task of the Nomination Committee is to prepare matters related to the appointment and remuneration of the members of the Board of Directors and, when necessary, find suitable new members for it. The Committee consists of two members: Jorma J. Takanen, who acts as the Chairman, and Asa-Matti Lyytinen. In the Nomination Committee, Jorma J. Takanen is the largest single shareholder in the company while Asa-Matti Lyytinen is independent of the company. The composition of the Committee is considered to secure the interests of the shareholders in committee work. The Committee convened a total of 2 times during 2010. The attendance rate of the Committee members was 100%.

The tasks of the Audit Committee are performed by the entire Board of Directors with Jorma J. Takanen as the chairman. The task of the Audit Committee is to supervise the financial reporting process and the reporting of the financial statements and interim reports as well as to monitor the functioning of the company's internal control and risk management. It also evaluates the appropriateness of auditing and prepares the proposal for the appointment of an auditor.

PRESIDENT

The Board of Directors decides on the appointment and dismissal of the President and the terms and conditions of his employment. The President is covered by the performance and profit bonus systems decided on separately by the Board of Directors at any given time. Harri Takanen, M.Sc. (Eng), born 1968, has acted as the company's President.

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

With regard to investment activities, the chairman of the Board of Directors and Group CEO Jorma J. Takanen is responsible or the strategic planning and execution of the investment activities of the parent company that acts as an investment company.

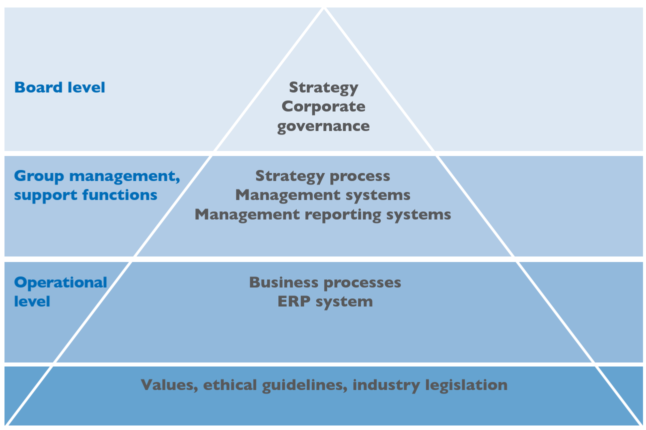
The President has a separate service contract that is valid until further notice with a mutual notice period of six months. Should the company terminate the service contract made with the President, an amount equivalent to the monetary salary of 12 months will be paid to the President as a severance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

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

Risk management

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

Description of internal control at Scanfil plc



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

Internal control

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

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

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

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

Internal audit

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

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

Board of Directors' Proposal for the Distribution of Profit

The parent company's distributable funds total EUR 80,680,282.34

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.12 per share be paid for the financial period ended 31 December 2010.

Signatures to the Annual Report and Financial Statements

Sievi, 17 February 2011

Jorma J. Takanen Chairman of the Board	Asa-Matti Lyytinen
Reijo Pöllä	Jarkko Takanen
Tuomo Lähdesmäki	Harri Takanen President

AUDITORS' REPORT

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

To the Annual General Meeting of Scanfil plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Scanfil plc for the year ended on December 31, 2010. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditors' Responsibility

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

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

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

Opinion on the consolidated financial statements

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

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

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

Helsinki, February 28, 2011
KPMG OY AB

(signed)
Ari Ahti
Authorized Public Accountant

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