

SCANFIL

Scanfil plc
January–September 2021
Interim Report

OCTOBER 26, 2021



Scanfil Group's Interim Report for January–September 2021

Robust customer demand supported record-high turnover growth. Healthy profitability despite challenges in material availability.

July–September

Turnover totalled EUR 167.8 million (7-9 2020: 141.6), an increase of 18.5%.

Adjusted operating profit was EUR 9.5 (9.9) million, 5.7% (7.0%) of turnover.

Operating profit was EUR 9.5 (21.2) million, 5.7% (15.0%) of turnover. Comparison includes a non-recurring capital gain of EUR 11.4 million from the sale of the Hangzhou factory.

Adjusted net profit was EUR 6.8 (7.5) million.

Net profit was EUR 5.1 (18.0) million. It was negatively impacted by a non-recurring tax item of EUR 1.7 million.

Adjusted earnings per share were EUR 0.10 (0.12), earnings per share were EUR 0.08 (0.28).

On 13 October Scanfil revised its outlook for turnover and adjusted operating profit.

January–September

Turnover totalled EUR 504.0 million (1-9 2020: 441.3), an increase of 14.2%.

Adjusted operating profit was EUR 30.0 (28.7) million, 6.0% (6.5%) of turnover.

Operating profit was EUR 30.0 (40.1) million, 6.0% (9.1%) of turnover. Comparison includes a non-recurring capital gain of EUR 11.4 million from the sale of the Hangzhou factory.

Adjusted net profit was EUR 23.0 (23.3) million.

Net profit was EUR 21.3 (33.8) million. It was negatively affected by a non-recurring tax item of EUR 1.7 million.

Adjusted earnings per share were EUR 0.36 (0.36), earnings per share were EUR 0.33 (0.52).

Future Outlook

Due to strong customer demand and increasing material prices Scanfil revised its outlook for 2021 on October 13. The outlook is as follows:

Scanfil estimates that its turnover for 2021 will be EUR 670–710 (previous, issued June 11, 2021: 630–680) million and its adjusted operating profit will be EUR 41–44 (41–46) million.

The guidance for 2021 involves uncertainty arising from the potential negative impact of the availability of certain materials, especially semiconductors, and the COVID-19 pandemic on customer demand, as well as the delivery capability of the component supply chain.

Long-Term Target

Scanfil's long-term target: in 2023, Scanfil is organically aiming for EUR 700 million turnover and 7% operating profit.

KEY FIGURES

	7-9 2021	7-9 2020	Change%	1-9 2021	1-9 2020	Change %	2020
Turnover, EUR million	167.8	141.6	18.5%	504.0	441.3	14.2%	595.3
Operating Profit, EUR million	9.5	21.2	-55.3%	30.0	40.1	-25.0%	44.4
Operating Profit, Adjusted, EUR million	9.5	9.9	-4.0%	30.0	28.7	4.7%	39.1
Operating Profit, %	5.7	15.0		6.0	9.1		7.5
Operating Profit, Adjusted, %	5.7	7.0		6.0	6.5		6.6
Net Profit, EUR million	5.1	18.0	-71.6%	21.3	33.8	-36.9%	36.9
Net Profit, Adjusted, EUR million	6.8	7.5	-9.9%	23.0	23.3	-1.3%	32.5
Earnings per Share, EUR	0.08	0.28	-71.7%	0.33	0.52	-37.2%	0.57
Earnings per Share, Adjusted, EUR	0.10	0.12	-10.4%	0.36	0.36	-1.7%	0.50
Return on Equity, %				15.0	26.1		21.1
Return on Equity, Adjusted, %				16.1	18.2		18.4
Equity Ratio, %				46.8	53.3		54.3
Net Gearing, %				25.2	14.4		9.9
Net Cash Flow from Operations, EUR million				-12.1	25.9	-146.7%	35.2
Employees (Average)				3,267	3,445	-11.0%	3,387

CEO PETTERI JOKITALO

The third quarter turnover was EUR 167.8 million, an increase of 18.5% compared to the previous year. Record-high turnover growth was boosted by robust customer demand and also rising material prices. Customer demand was especially strong in the product groups within energy efficiency, indoor climate, automation, recycling, and elevators.

Turnover growth of 18.5% includes EUR 11.7 million of transitory separately agreed non- or low-margin customer invoicing. This was due to material constraints and the use of often more expensive spot market in order to secure customer deliveries. Turnover excluding these transitory customer invoiced items increased by EUR 14.5 million, 10.2% compared to the previous year.

The operating profit for the quarter was a healthy EUR 9.5 million, 5.7% of turnover, but below our 7% operating profit margin target level. The main negative impacts on the period's operating profit came from challenges in material availability and costs related to the Hamburg factory production transfer and closure.

The production transfer from Hamburg to our factories in Poland and Germany was finalized by the end of September and production ended in Hamburg. We continue to have a small team left in Hamburg until the end of the year to support the production in other factories and customer communications.

Material constraints were negatively impacting the operating profit in two ways: factories productivity decreased due to continuous changes in production based on material availability and ensuring required materials by more expensive spot market purchases, which the customers compensated for mainly on a no-margin basis.

The negative impact on the quarter's operating profit caused by material constraints and the Hamburg factory closure was about EUR 2 million or about 1.2 % of the turnover. This is the operating profit potential we are determined to realize in the coming quarters.

Scanfil's balance sheet remains strong and enables all necessary investments as well as the seizing of business opportunities. The equity ratio was at 46.8% and net gearing at 25.2%.

Strong inventory growth has impacted our cash flow from operations during the quarter. We have increased our inventories to ensure materials for strong customer demand, and at the same time, material shortages have decreased the rotation of our inventories. Actions to slow down and finally stop the inventory growth have been started and results are already expected during the fourth quarter.

The net profit for the quarter was EUR 5.1 (18.0) million and the adjusted net profit was EUR 6.8 million (7.5). The reported net profit was negatively impacted by a non-recurring tax item of EUR 1.7 million.

We expect strong customer demand to continue for the remainder of the year. Key risks are related to the availability of certain materials, especially semiconductors, where we believe circumstances will continue to be challenging with no quick recovery in the foreseeable future. We need to consider the material situation as a new normal where deep co-operation with customers and suppliers make a difference. We are also confident that we can gradually increase our material margins back to the normal level.

The situation with the pandemic has improved in most of our geographic areas of operations, and we have continued to reduce our preventative actions in our factories.

In October, we revised the outlook for 2021 and we expect our turnover to be EUR 670–710 million and operating profit to be EUR 41–44 million.

The year has been exceptional. Strong customer demand, challenges with material availability, the fight against COVID-19, and the Hamburg production transfer have required a lot from our staff. I want to thank our dedicated employees for a good job and our customers for their support and trust.

MARKETS AND CUSTOMER SEGMENTS

Scanfil renewed its customer segments at the beginning of 2021 to better correspond to the current customer structure.

Discontinued operations include intermediate sales from the Hangzhou factory, which was sold in the summer of 2020.

Scanfil offers products and solutions, which are typically modules and integrated products. Typical customer segment products are as follows:

- **Advanced Consumer Applications:** End products and solutions are often used in public places. End products are e.g. self-service applications, handover automation (e.g. parcel lockers for logistic services) and elevators.
- **Automation & Safety:** End products in this segment are e.g. cameras for network video solutions, access control systems and automation systems.
- **Connectivity:** End products in this segment are e.g. wireless connectivity modules and radio systems.
- **Energy & Cleantech:** End products in this segment are e.g. reverse vending machines, air and water cleaners, indoor climate control systems, energy systems and automated collection and sorting solutions.
- **Medtech & Life Science:** End products for the segment are e.g. dental chairs, analysers, mass spectrometers and solutions for environmental measuring.

During the third quarter of 2021, the Group's turnover increased by EUR 26.2 million, or 18.5% compared to the

corresponding period of the previous year. The growth was organic. EUR 11.7 million of the turnover was transitory separately agreed low margin customer invoicing related to the use of spot markets of materials and components and special freight.

Advanced Consumer Applications: Turnover increased by EUR 16.7 million (43.3%) compared to the third quarter of 2020. The key drivers behind this strong growth were new customer ramp-ups, good demand in elevator products and hand-over automation solutions. Transitory invoicing was 9.0 million.

Automation & Safety: Turnover was stable and decreased by EUR 1.1 million (-3.3%) compared to the third quarter of 2020. Development of the segment has been steady and includes EUR 0.1 million of transitory invoicing.

Connectivity: Turnover increased slightly by EUR 0.2 million (3.3%) compared to the third quarter of 2020.

Energy & Cleantech: Turnover increased by EUR 13.5 million (44.9%) compared to the third quarter of 2020. The key drivers behind this strong growth were good demand in reverse vending machines, energy systems and indoor climate control systems. Transitory invoicing was EUR 1.5 million.

Medtech & Life Science: Turnover increased by EUR 3.1 million (12.0%) compared to the third quarter of 2020. Transitory invoicing was EUR 1.1 million.

During the third quarter of 2021, the largest customer accounted for about 18% (15%) of turnover and the top ten customers accounted for about 55% (59%) of turnover.

EUR million	7-9 2020	10-12 2020	1-3 2021	4-6 2021	7-9 2021	% of turnover
Advanced Consumer Applications	38.6	41.4	42.9	53.4	55.4	33.0
Automation & Safety	33.7	34.0	34.5	36.8	32.5	19.4
Connectivity	7.1	6.4	8.1	7.3	7.3	4.3
Energy & Cleantech	30.0	37.4	40.3	44.8	43.5	25.9
Medtech & Life Science	26.0	29.4	29.1	28.5	29.1	17.4
Discontinued	6.3	5.4	8.5	2.0	-	-
In total	141.6	154.1	163.3	172.9	167.8	100.0

Discontinued was an intermediary trading segment related to the Hangzhou factory divestment. Trading business ended in the second quarter.

TURNOVER

Turnover for **July–September** was EUR 167.8 (141.6) million, showing an increase of 18.5% from the corresponding period in 2020. Turnover for this period includes EUR 11.7 million of transitory low margin invoicing related to price increases of materials, components and freights, and the reliability of deliveries. The turnover for this period excluding the above mentioned low margin revenue was EUR 156.3 million, an increase of 10.2%.

January–September turnover was EUR 504.0 (441.3) million, an increase of 14.2% compared to the previous year which includes EUR 28.4 million of the above mentioned revenue with a low margin. Turnover for this period, excluding the low margin invoicing, was EUR 475.6 million, an increase of 7.8% compared to the previous year.

OPERATING PROFIT

In **July–September**, the operating profit was EUR 9.5 (21.3) million and the adjusted operating profit for the corresponding period in 2020 was EUR 9.9 million. The profit margin was 5.7% (adjusted 2020: 7.0%). The operating profit decreased compared to the previous year by 4.0%.

- Operating profit was positively affected by the growth in customer demand. In particular, operational efficiency and profitability improved at the Suzhou, Myslowice, and Atlanta factories.
- Transitory low margin invoicing had a negative effect on the profit margin by more expensive spot market purchases, which the customers compensated for mainly on a no-margin basis.
- Material constrains caused continuous changes in production based on material availability and ensuring required materials in the manufacturing processes, and therefore impacted negatively on productivity and operating profit.
- The Hamburg production transfer with the ongoing factory ramp down required additional resources and costs, which lowered the profit margin.

The negative impact on the quarter’s operating profit caused by material constraints and Hamburg factory closure was about EUR 2 million or about 1.2 % of the turnover.

In **January–September**, the operating profit was EUR 30.0 (adjusted operating profit for corresponding period in 2020 was EUR 28.7 million) million, an increase of 4.7%.

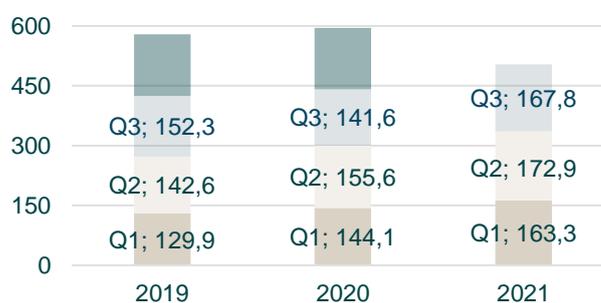
NET CASH FLOW FROM OPERATIONS

The net cash flow from operations for **January–September** was EUR -12.1 (25.9) million, which decreased

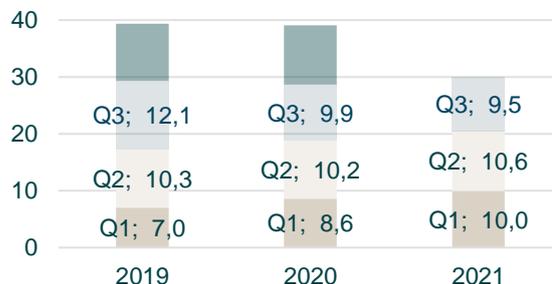
by EUR 38.0 million compared to the previous year. The main reasons for the change are:

- The increase in the turnover drove the working capital growth.
- Inventories were increased to secure the availability of materials for the forecasted demand.
- Challenges in the availability of certain materials, long delivery times and price increases caused an exceptional increase in the inventories.

TURNOVER, EUR million



OPERATING PROFIT, ADJ. EUR million



NET CASH FLOW FROM OPERATIONS, EUR million



Scanfil Group's Interim Report for January 1–September 30, 2021

FINANCIAL DEVELOPMENT

The Group's turnover for **January–September** was EUR 504.0 (441.3) million, an increase of 14.2% compared to the previous year. Turnover includes EUR 28.4 million of transitory low margin customer invoicing, of which EUR 10.5 million was intermediary trading and the remaining EUR 17.8 million was low margin invoicing related to securing the availability of certain materials and deliveries. Turnover excluding transitory invoicing and intermediary trading was EUR 475.6 million, an increase of 7.8% compared to the previous year.

Turnover by customer segment developed as follows:

Advanced Consumer Applications: Turnover increased by EUR 41.8 million (38.0%) compared to January–September in 2020. The key drivers behind this strong growth were new customer ramp-ups, and good demand in elevator products and hand-over solutions. Transitory invoicing was EUR 9.8 million.

Automation & Safety: Turnover decreased by EUR 4.3 million (-4.0%). Despite the slight negative change, the development of this segment has been steady. Transitory invoicing was EUR 2.6 million.

Connectivity: Turnover increased by EUR 0.5 million, EUR 22.7 million (2.3%).

Energy & Cleantech: Turnover increased compared to the corresponding period in 2020 by EUR 30.4 million (31.0%). The key drivers behind this strong growth were good demand in reverse vending machines, energy systems and indoor climate control systems. Transitory invoicing was EUR 3.9 million.

Medtech & Life Science: Turnover increased by EUR 8.3 million (10.7%) compared to the corresponding period in 2020. Transitory invoicing was EUR 1.3 million.

Turnover of "Discontinued" was EUR 10.5 million and consisted only low margin intermediary trading.

The Group's operating profit for January–September was EUR 30.0 (40.1) million, 6.0% (9.1%) of turnover. The operating profit for 2020 includes EUR +11.4 million of adjustments related to the divestment of the Hangzhou factory. The adjusted operating profit for 2020 was EUR 28.7 million, representing 6.5% of turnover.

The operating profit was positively affected by the increase in customer demand, but received a negative impact from the Hamburg production transfer as well as inefficiency caused by material shortages. In addition, the transitory low margin invoicing of EUR 28.4 million lowered the profit margin.

The net profit for the review period was EUR 21.3 (33.8) million. The adjusted net profit was EUR 23.0 (23.3) million.

Earnings per share for the review period were EUR 0.33 (0.52). The adjusted earnings per share were EUR 0.36 (0.36). Return on investment was 16.7% (24.1%).

The Group's effective tax rate was 24.7% (13.0%). The tax rate was higher due to the tax adjustment of EUR 1.7 million. It is related to confirmed losses of EUR 8.1 million of the Hungarian subsidiary, which was merged into the parent company in 2018. Based on the losses, the parent company made cross-border tax deductions in 2018 and 2019. Finnish tax authorities resolved this matter against Scanfil's interest on 28 September 2021. The company considers to appeal in the administrative court in this matter.

The Group's turnover in **July–September** was EUR 167.8 (141.6) million. Turnover increased, by 18.5% compared to the corresponding period of the previous year. This turnover includes EUR 11.7 million of transitory low margin invoicing related to price increases of materials, components and freights and securing deliveries. Turnover for the period excluding the above-mentioned invoicing was EUR 156.3 million, an increase of 10.2%.

The operating profit was EUR 9.5 (21.2) million, 5.7% (15.0) of the turnover. The adjusted operating profit for the previous year's third quarter was 9.9 EUR million, or 7.0% of turnover. The production transfer of the Hamburg factory and inefficiencies due to material shortages had a negative impact on the operating profit. In addition, the transitory low margin invoicing of EUR 11.7 million lowered the profit margin. **The total negative impact in the operating profit was about EUR 2 million or about 1.2 % of the turnover.**

The net profit in July–September was EUR 5.1 (18.0) million, which was negatively impacted by a non-recurring tax adjustment of EUR 1.7 million. The adjusted net profit was EUR 6.8 million (7.5).

FINANCING AND CAPITAL EXPENDITURE

The Group has a stable financing position. The consolidated balance sheet total was EUR 424.4 (334.8) million at the end of the review period. Cash and cash equivalents totalled EUR 7.5 (20.0) million. Liabilities amounted to EUR 227.7 (157.1) million, of which non-interest-bearing liabilities totalled EUR 170.5 (111.6) million and interest-bearing liabilities totalled EUR 57.2 (45.5) million. Interest-bearing liabilities consisted of EUR 40.1 (25.9) million of financial liabilities and EUR 17.1 (19.6) million of leasing liabilities. The equity ratio was 46.8% (53.3%), and net gearing was 25.2% (14.4%). Equity per share was EUR 3.03 (2.74).

The Group's financial arrangement includes discharge covenants related to equity ratio and interest-bearing net debt/EBITDA ratio. The terms of the covenants are reviewed quarterly. At the end of the period under review, the terms have been clearly complied with.

The net cash flow from operating activities for the review period **January–September** was EUR -12.1 (25.9) million. The change in net working capital during the period amounted to EUR -43.1 (-5.4) million. The change in working capital consists of the following items: short-term non-interest-bearing receivables increased by EUR 30.8 (14.4) million; inventories increased by EUR 68.6 (10.1) million; and short-term non-interest-bearing liabilities increased by EUR 56.3 (19.1) million.

The net cash flow from investing activities was EUR -9.4 (4.9) million. The cash flow from financing activities was EUR 3.0 (-30.8) million, including a EUR 11.0 (9.6) million dividend payment, 6.0 (6.4) million in repayments of long-term loans and change in overdraft facility EUR -21.8 (13.2) million.

Gross investments in January–September totalled EUR 9.7 (8.5) million, which was 1.9% (1.9%) of the turnover. The investments mainly include the acquisition of machinery and equipment. Depreciation including impairments totalled EUR 11.4 (11.3) million.

THE IMPACT OF COVID-19 DURING THE REVIEW PERIOD

The COVID-19 pandemic had only a small negative impact on the Group's productivity and operating profit. The impacts mainly arose from costs related to preventive actions at the factories. Actions are explained in more detail below. However, the Group received some government subsidies to compensate for the extra cost. The value of compensations was negligible.

COVID-19 did not have any significant negative impact on the Group's cash flow during January–September nor on the Group's financial structure or costs. The pandemic had no impact on balance sheet valuations, such as inventories, fixed assets or goodwill.

The company has unified guidelines for all factories to prevent the spread of COVID-19. These measures include e.g. shift changes being undertaken so that employees working different shifts do not meet one another during shift changes; the enhanced cleaning of work facilities; the restriction of travel and visits, remote work when possible; the use of protective equipment and safety distances; and hygiene guidelines for employees.

The situation with the pandemic has improved in the geographic areas of Scanfil's operations and the company has gradually started to reduce preventative actions at the factories. Nevertheless, the situation might change rapidly and the company management is conscious of the importance of active monitoring and quick response.

The revised guidance issued on October 13, 2021 by the company is based on customer forecasts and Scanfil's normal forecast process. However, it should be noted that the guidance is still subject to exceptional uncertainty due to the potential negative effects of the coronavirus pandemic on customer demand and supply chain capacity.

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

Scanfil plc's Annual General Meeting was held on April 22, 2021 at the premises of Borenus Attorneys Ltd. Due to the COVID-19 pandemic shareholders and their proxies had to vote in advance and physical attendance at the meeting was not possible.

The Meeting authorized the Board of Directors to decide on the acquisition of the company's own shares and to decide on share issues through one or more issues.

The Board of Directors' proposals to the General Meeting and the minutes of the Annual General Meeting are available on the company website at www.scanfil.com/agm.

OWN SHARES

On September 30, 2021, the company owned 198,738 of its own shares, representing 0.3% of all shares.

SHARE TRADING AND SHARE PERFORMANCE

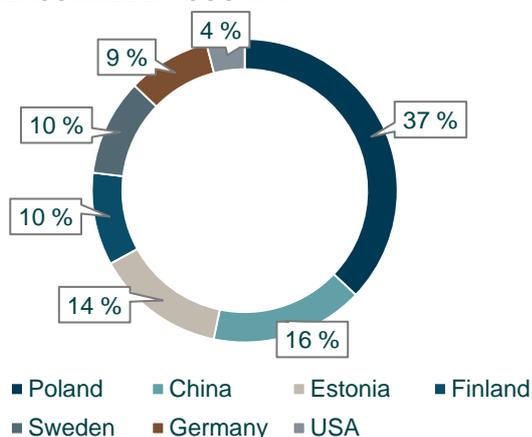
During January–September, a total of 290,000 treasury shares were subscribed under Scanfil Plc’s stock options 2016B (160,000 shares with EUR 571,200) and 2016C (130,000 shares with EUR 582,400). The whole subscription price of EUR 1,153,600 for subscriptions made with the stock options was recognized in the company’s reserve for invested unrestricted equity. As a result of the subscriptions, the number of Scanfil shares was 64,959,993 in total as of September 30, 2021.

The highest trading price during January–September was EUR 9.02 and the lowest was EUR 6.24, with the closing price for the period standing at EUR 7.90. A total of 3,102,415 shares were traded during the period, corresponding to 4.8% of the total number of shares. As of September 30, 2021, the market value of the shares was EUR 513.2 million.

PERSONNEL

At the end of the period under review, the Group employed 3,276 (3,226) people, 2,953 (2,903) of whom worked outside Finland and 323 (323) in Finland. The average number of Group employees during the review period was 3,267 (3,445) people. The majority of the change is attributable to the sale of the Hangzhou factory.

PERSONNEL BY COUNTRY



CHANGES IN GROUP STRUCTURE

There have been no changes in the Group structure during the reporting period.

FUTURE OUTLOOK

Scanfil estimates (revised October 13, 2021) that its turnover for 2021 will be EUR 670–710 (previous, issued June 11, 2021: 630–680) million and its adjusted operating profit will be EUR 41–44 (41–46) million.

The guidance for 2021 involves uncertainty arising from the potential negative impact of the availability of certain materials, especially semiconductors, and the COVID-19 pandemic on customer demand and the delivery capability of the component supply chain.

LONG-TERM TARGET

In 2023, Scanfil is organically aiming for EUR 700 million turnover and 7% operating profit level. In addition, Scanfil is actively exploring acquisitions, especially in the Nordic countries and Central Europe.

OPERATIONAL RISKS AND UNCERTAINTIES

Current risks are mainly associated with the availability and prices of certain materials, especially semiconductors, and freights. In addition, COVID-19 might create currently unknown challenges for the operating environment.

A weakening of the global economy and a decrease in the international demand for capital goods could have a negative effect on the development of the business operations of Scanfil’s customers and could subsequently reduce demand in the contract manufacturing market. In particular, changes in international trade agreements and an increase in international trade restrictions could increase uncertainty in the development of the world economy. In addition, Scanfil’s business involves operational risks as well as exchange rate, interest rate and credit risks.

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

RECONCILIATION OF ADJUSTED OPERATING PROFIT, NET PROFIT FOR THE PERIOD AND SHAREHOLDERS' EQUITY

EUR million	7 - 9 2021	7 - 9 2020	1 - 9 2021	1 - 9 2020	1 - 12 2020
Operating profit	9.5	21.2	30.0	40.1	44.4
Operating profit. % of turnover	5.7 %	15.0 %	6.0 %	9.1 %	7.5 %
Adjustment items:					
<i>Other operating income</i>		-11.5		-11.5	-11.5
<i>Expenses</i>		0.2		0.2	5.2
<i>Depreciation and amortization</i>					1.0
Total adjustment items		-11.4		-11.4	-5.3
Adjusted operating profit	9.5	9.9	30.0	28.7	39.1
Adjusted operating profit, % of turnover	5.7 %	7.0 %	6.0 %	6.5 %	6.6 %
Financial income and expenses	-0.9	-0.8	-1.7	-1.3	-2.6
Profit before taxes	8.6	20.5	28.3	38.8	41.8
Income taxes	-3.4	-2.5	-7.0	-5.0	-4.9
Adjustment items:					
<i>Income taxes</i>	1.7	0.9	1.7	0.9	0.9
Total adjustment items	1.7	0.9	1.7	0.9	0.9
Net profit for the period	5.1	18.0	21.3	33.8	36.9
Earnings per share, EUR	0.08	0.28	0.33	0.52	0.57
Adjusted net profit for the period	6.8	7.5	23.0	23.3	32.5
Adjusted earnings per share, EUR	0.10	0.12	0.36	0.36	0.50
Equity			196.7	177.7	182.9
Return on equity, %			15.0 %	26.1 %	21.1 %
Adjustment items:					
<i>Net profit for the period</i>			1.7	1.1	7.2
<i>Impact of the sale of the subsidiary on net asset</i>				-3.7	-3.7
Adjusted equity			198.3	175.1	186.4
Adjusted return on equity, %			16.1 %	18.2 %	18.4 %

During the third quarter a tax adjustment of EUR 1.7 million was recognized. It is related to confirmed losses of EUR 8.1 million of Hungarian subsidiary, which was merged into the parent company in 2018. Based on the losses, the parent company made cross-border tax deductions in 2018 and 2019. Finnish tax authorities resolved this matter against Scanfil's interest on September 28, 2021.

In the year 2020 the adjustment for other operating income consists of the Scanfil (Hangzhou) Co. Ltd capital gain of EUR 11.5 million, which includes translation differences in equity of EUR 7.9 million. The Expenses adjustment item includes expenses incurred from the sale of the Hangzhou subsidiary (EUR 0.2 million) and the closure of the Scanfil GmbH factory (EUR 5.1 million). Depreciations and decreases in the value of fixed assets EUR 1.0 million are related to the closure of

the Scanfil GmbH factory. The Income taxes adjustment item includes taxes amounting to EUR 0.9 million incurred on the sale of Hangzhou subsidiary.

The result for the financial year presented in equity adjustments includes the costs and income taxes incurred on the sale of the Chinese Hangzhou subsidiary and costs incurring from the closure of the Scanfil GmbH in 2020.

KEY INDICATORS	1 - 9	1 - 9	1 - 12
	2021	2020	2020
Return on equity, %	15.0	26.1	21.1
Return on investment, %	16.7	24.1	19.5
Interest-bearing liabilities, EUR million	57.2	45.5	44.0
Gearing, %	25.2	14.4	9.9
Equity ratio, %	46.8	53.3	54.3
Gross investments, EUR million	9.7	8.5	9.4
% of net turnover	1.9	1.9	1.6
Personnel, average	3 267	3 445	3 387
Earnings per share, EUR	0.33	0.52	0.57
Shareholders' equity per share, EUR	3.03	2.74	2.82
Number of shares at the end of the period, 000's			
- not counting own shares	64 631	64 401	64 830
- weighted average	64 675	64 372	64 387

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

KEY INDICATORS QUARTERLY

	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Turnover, MEUR	167.8	172.9	163.3	154.1	141.6	155.6	144.1	154.7	152.3
Operating profit, MEUR	9.5	10.6	10.0	4.3	21.2	10.2	8.6	10.0	12.1
Operating profit, %	5.7	6.1	6.1	6.0	15.0	6.5	6.0	6.5	7.9
Net income, MEUR	5.1	8.6	7.6	3.1	18.0	8.3	7.5	9.8	8.8

CALCULATION OF KEY INDICATORS

Return on equity, %	$\frac{\text{Net profit for the period} \times 100}{\text{Shareholders' equity (average)}}$
Return on investment, %	$\frac{(\text{Profit before taxes} + \text{interest and other financial expenses}) \times 100}{\text{Balance sheet total} - \text{non-interest-bearing liabilities (average)}}$
Gearing (%)	$\frac{(\text{Interest-bearing liabilities} - \text{cash and other liquid financial assets}) \times 100}{\text{Shareholders' equity}}$
Equity ratio (%)	$\frac{\text{Shareholders' equity} \times 100}{\text{Balance sheet total} - \text{advance payments received}}$
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
Adjusted item	A non-recurring significant item that deviates from normal business operations, which affects the comparability between different periods

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR million	7 - 9 2021	7 - 9 2020	1 - 9 2021	1 - 9 2020	1 - 12 2020
Turnover	167.8	141.6	504.0	441.3	595.3
Other operating income	0.4	11.8	0.8	12.1	12.4
Changes in inventories of finished goods and work in progress	0.1	1.9	2.9	1.7	2.4
Manufacturing for own use				0.0	0.0
Expenses	-155.1	-130.3	-466.3	-403.8	-549.7
Depreciation and amortization	-3.8	-3.7	-11.4	-11.3	-16.1
Operating profit	9.5	21.2	30.0	40.1	44.4
Financial income and expenses	-0.9	-0.8	-1.7	-1.3	-2.6
Profit before taxes	8.6	20.5	28.3	38.8	41.8
Income taxes	-3.4	-2.5	-7.0	-5.0	-4.9
Net profit for the period	5.1	18.0	21.3	33.8	36.9
Attributable to:					
Equity holders of the parent	5.1	18.0	21.3	33.8	36.9
Earnings per share for profit attributable to shareholders of the parent:					
undiluted (EUR)	0.08	0.28	0.33	0.52	0.57
diluted (EUR)	0.08	0.28	0.33	0.52	0.57

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	7 - 9 2021	7 - 9 2020	1 - 9 2021	1 - 9 2020	1 - 12 2020
Net profit for the period	5.1	18.0	21.3	33.8	36.9
Items that may later be recognized in profit or loss					
Translation differences	0.0	-1.7	1.8	-4.7	-2.8
Cash flow hedges	-0.2	-0.1	0.3	-0.5	-0.7
Other comprehensive income, net of tax	-0.2	-1.8	2.1	-5.2	-3.5
Total Comprehensive Income	4.9	16.2	23.4	28.5	33.4
Attributable to:					
Equity holders of the parent	4.9	16.2	23.4	28.5	33.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	30.9.2021	30.9.2020	31.12.2020
Assets			
Non-current assets			
Property, plant and equipment	48.9	47.8	46.4
Right-of-use asset	15.8	18.2	18.1
Goodwill	8.2	8.0	8.3
Other intangible assets	13.2	15.2	14.3
Available-for-sale investments	0.5	0.5	0.5
Deferred tax assets	7.7	5.9	6.9
Total non-current assets	94.4	95.6	94.5
Current assets			
Inventories	172.8	106.2	103.3
Trade and other receivables	145.5	109.7	113.3
Advance payments	0.7	0.6	0.6
Current tax	3.5	2.8	1.8
Cash and cash equivalents	7.5	20.0	25.8
Total current assets	330.0	239.2	244.7
Total assets	424.4	334.8	339.2
	30.9.2021	30.9.2020	31.12.2020
Shareholder's equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	2.0	2.0	2.0
Reserve for invested unrestricted equity fund	33.0	31.6	31.8
Fair value reserve	-0.3	-0.3	-0.6
Other reserves	2.6	2.6	2.6
Translation differences	-4.2	-8.0	-6.1
Retained earnings	163.6	149.8	153.0
Total equity	196.7	177.7	182.9
Non-current liabilities			
Deferred tax liabilities	5.2	5.6	5.7
Provisions	0.7	0.5	0.6
Interest bearing liabilities	12.1	18.5	18.2
Lease liability	13.9	16.2	15.9
Total non-current liabilities	31.8	40.9	40.4
Current liabilities			
Trade and other liabilities	160.7	102.8	100.1
Current tax	1.9	2.4	1.8
Provisions	2.1	0.2	4.2
Interest bearing liabilities	27.9	7.4	6.2
Lease liability	3.3	3.4	3.7
Total current liabilities	195.9	116.2	115.9
Total liabilities	227.7	157.1	156.3
Total shareholder's equity and liabilities	424.4	334.8	339.2

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Equity attributable to equity holders of the parent company

EUR million		Reserve for invested	Fair				
	Share	unrestricted	value	Reserve	Translation	Retained	Equity
Equity	capital	equity fund	reserve	fund	differences	earnings	total
1.1.2021	2.0	31.8	-0.6	2.6	-6.1	153.0	182.9
Total comprehensive income			0.3		1.8	21.3	23.4
Option Scheme						0.2	0.2
Share options exercised		1.2					1.2
Paid dividends						-11.0	-11.0
Equity 30.9.2021	2.0	33.0	-0.3	2.6	-4.2	163.6	196.7

Equity attributable to equity holders of the parent company

EUR million		Reserve for invested	Fair				
	Share	unrestricted	value	Reserve	Translation	Retained	Equity
Equity	capital	equity fund	reserve	fund	differences	earnings	total
1.1.2020	2.0	31.0	0.2	6.9	4.6	122.0	166.7
Total comprehensive income			-0.5		-4.7	33.8	28.5
Selling of subsidiary				-4.3	-7.9	4.3	-7.9
Share issue		0.4					0.4
Option Scheme		0.2				0.1	0.3
Purchase of own shares						-0.8	-0.8
Paid dividends						-9.6	-9.6
Equity 30.9.2020	2.0	31.6	-0.3	2.6	-8.0	149.8	177.7

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	1.1.-30.9.2021	1.1.-30.9.2020	1.1.-31.12.2020
Cash flow from operating activities			
Net profit	21.3	33.8	36.9
Adjustments for the net profit	18.2	6.1	15.2
Change in net working capital	-43.1	-5.4	-8.0
Paid interests and other financial expenses	-0.9	-1.4	-1.7
Interest received	0.0	0.1	0.2
Taxes paid	-7.6	-7.4	-7.3
Net cash from operating activities	-12.1	25.9	35.2
Cash flow from investing activities			
Sale of a subsidiary less cash and			
Cash equivalents at the time of disposal		13.0	13.1
Investments in tangible and intangible assets	-9.8	-8.5	-9.4
Sale of tangible and intangible assets	0.3	0.3	0.3
Dividends received		0.1	0.1
Net cash from investing activities	-9.4	4.9	4.1
Cash flow from financing activities			
Related-party investment company shares	1.2	0.6	0.9
Purchase of own shares		-0.8	-0.8
Repayment of long-term loans	-6.0	-6.4	-6.0
Proceeds from short term loans	21,8	1,3	1,2
Repayment of short-term loans	-0,1	-13,2	-15,1
Repayment of lease liabilities	-2,8	-2,7	-4,0
Dividends paid	-11,0	-9,6	-9,6
Net cash from financing activities	3,0	-30,8	-33,3
Net increase/decrease in cash and cash equivalents	-18,5	0,0	6,0
Cash and cash equivalents at beginning of period	25,8	20,4	20,4
Changes in exchange rates	0,2	-0,4	-0,5
Cash and cash equivalents at end of period	7,5	20,0	25,8

Notes to the interim report

ACCOUNTING PRINCIPLES

The Group's interim report has been prepared in compliance with the IAS 34 Interim Financial Reporting standard.

The accounting principles applied in this report correspond with those defined in the Group's 2020 Financial Statements.

In April 2021, the IFRS IC finalised its agenda decision Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets). The Group has carefully analysed its implementation costs related to cloud computing arrangements and reached a conclusion that there are no impacts that should be implemented.

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

This interim report is unaudited.

In its meeting held on October 25, 2021, the Board of Directors of Scanfil plc approved this interim report release for publication.

DISAGGREGATION OF REVENUES

EUR million	7 - 9 2021			7 - 9 2020		
	Goods	Services	Total	Goods	Services	Total
Customer Segments						
Advanced Consumer Applications	53.5	1.8	55.4	38.0	0.7	38.6
Automation & Safety	30.2	2.3	32.5	27.8	5.9	33.7
Connectivity	7.2	0.1	7.3	7.0	0.1	7.1
Energy & Cleantech	42.5	1.0	43.5	29.8	0.3	30.0
Medtec & Life Science	27.5	1.6	29.1	25.0	1.0	26.0
Discontinued				6.3	0.0	6.3
Total	160.9	6.9	167.8	133.7	8.0	141.6
Timing of revenue recognition						
Goods and services transferred at a point of time	160.9	6.1	167.1	133.7	7.6	141.3
Services transferred over time		0.8	0.8		0.4	0.4
Total	160.9	6.9	167.8	133.7	8.0	141.6

EUR million	1 - 9 2021			1 - 9 2020		
	Goods	Services	Total	Goods	Services	Total
Customer Segments						
Advanced Consumer Applications	145.5	6.1	151.7	107.4	2.5	109.9
Automation & Safety	91.4	12.4	103.9	91.0	17.1	108.1
Connectivity	24.2	0.5	24.7	21.8	0.3	22.2
Energy & Cleantech	125.2	3.5	128.7	96.8	1.4	98.3
Medtec & Life Science	81.4	5.3	86.7	74.0	4.3	78.3
Discontinued	8.5	0.0	8.5	24.3	0.2	24.5
Total	476.2	27.8	504.0	415.4	25.9	441.3
Timing of revenue recognition						
Goods and services transferred at a point of time	476.2	26.0	502.2	415.4	24.4	439.8
Services transferred over time		1.8	1.8		1.5	1.5
Total	476.2	27.8	504.0	415.4	25.9	441.3

CHANGES IN GOODWILL

EUR million	1 - 9 2021	1 - 9 2020	1 - 12 2020
Book value at the beginning of the period	8.3	8.0	8.0
Exchange rate differences	-0.1	-0.1	0.3
Book value at the end of the period	8.2	7.9	8.3

CHANGES IN TANGIBLE NON-CURRENT ASSETS

EUR million	1 - 9 2021	1 - 9 2020	1 - 12 2020
Book value at the beginning of the period	64.5	71.6	71.6
Additions	9.3	7.8	11.4
Deductions	-0.0	-0.4	-1.6
Selling of subsidiary		-2.0	-2.0
Depreciations and decreases in value	-9.4	-9.3	-13.4
Exchange rate differences	0.4	-1.8	-1.6
Book value at the end of the period	64.7	66.0	64.5

In the financial year of 2020 Scanfil plc's subsidiary Scanfil EMS Oy sold the entire share capital of Scanfil (Hangzhou) Co., Ltd, a subsidiary located in China, for the sale price of EUR 18.4 million. The decrease in tangible non-current assets presented in the line 'Selling of subsidiary' is related to the transaction in question. Depreciations and decreases in value of fixed assets EUR 1.0 million are related to the closure of the Scanfil GmbH factory.

FINANCIAL ASSETS AND LIABILITIES, CARRYING AMOUNT AND FAIR VALUE

EUR million	30.9.2021 Book values of balance sheet values	30.9.2021 Fair values of balance sheet values
Non-current assets		
Investments	0.5	0.5
Non-current assets total	0.5	0.5
Current assets		
Trade receivables	130.6	130.6
Cash and cash equivalents	7.5	7.5
Current assets total	138.2	138.2
Total financial assets	138.7	138.7
Non-current financial liabilities		
Interest bearing liabilities from financial institutions	12.1	12.1
Non-current financial liabilities total	12.1	12.1
Current financial liabilities		
Interest bearing liabilities from financial institutions	6.2	6.2
Loans withdrawn from the credit limit	21.8	21.8
Trade payables	107.5	107.5
Derivatives	0.3	0.3
Current financial liabilities total	135.8	135.8
Total financial liabilities	148.0	148.0

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

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

OPEN DERIVATIVE CONTRACTS

EUR million	30.9.2021	Positive	Negative	Net	Nominal value
Interest rate swaps, protective			-0.0	-0.0	18.0
Forward exchange contracts, hedge accounting		0.0	-0.3	-0.3	28.8

PROVISIONS

EUR million	Reclamation and guarantee	Pension	Other	Restructuring provisions	Total
1.1.2021	0.2	0.1	0.4	4.0	4.7
Exchange rate differences	0.0	0.0	0.0		0.0
Additions	0.3	0.0	0.1		0.4
Used provisions				-2.4	-2.4
30.9.2021	0.5	0.1	0.5	1.6	2.7

Long term provisions are EUR 0.7 million and short term provisions are EUR 2.1 million.

The reclamation and warranty provision includes the estimated cost of repairing defective products that is related to customer complaints and warranty obligations, and any fees resulting from delayed deliveries. Other provisions are related to a bonus agreed upon locally in Poland to be paid on the basis of service years. It applies to employees who have worked in the company for several years. The restructuring provision includes the costs related to the closure of the Scanfil GmbH's Hamburg factory and includes mainly personnel costs.

CONTINGENT LIABILITIES

EUR million	30.9.2021	30.9.2020	31.12.2020
Pledged guarantees	1.6	8.2	0.8

In addition to the above commitments, the following guarantees have been given:

Scanfil plc has given guarantees to Nordea Bank Abp as security for payment of the liabilities which Scanfil Sweden AB has created from time to time towards Nordea Bank Abp on the basis of derivative contracts concluded, as well as to Skandinaviska Enskilda Banken AB replacing the previous liabilities of Scanfil Sweden AB. The maximum liability to Skandinaviska Enskilda Banken AB is EUR 3.6 million.

Scanfil plc has given a guarantee for the lease obligations of its subsidiary Scanfil Inc

Scanfil EMS Oy has given a guarantee to Nordea Bank AB Shanghai Branch of any obligations arising from a loan facility of CNY 100 million between the subsidiary Scanfil (Suzhou) Co., Ltd. and the Nordea Bank AB Shanghai Branch.

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

Scanfil Sweden AB has given a guarantee to the lessor as security for the liabilities under the lease contract regarding the premises leased by the Polish subsidiary Scanfil Poland Sp. z o.o.

On behalf of the group companies may be given usual parent company guarantees from time to time as security for the fulfillment of their customer agreement obligations.

EVENTS AFTER THE REVIEW PERIOD

On October 13, 2021, Scanfil revised its outlook for 2021. In the new outlook the company estimates that its turnover for 2021 will be EUR 670–710 (previous, issued June 11, 2021: 630–680) million and its adjusted operating profit will be EUR 41–44 (41–46) million.

SCANFIL PLC

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CEO

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Scanfil is an international manufacturing partner and system supplier for the electronics industry with 40 years of experience in demanding manufacturing. Scanfil provides its customers with an extensive array of services, ranging from product design to product manufacturing, material procurement and logistics solutions. Vertically integrated production and a comprehensive supply chain are the foundation of Scanfil's competitive advantages: speed, flexibility and reliability.

Typical Scanfil products are modules or integrated products for e.g. self-service application, automation systems, wireless connectivity modules, climate control systems, collection and sorting systems, analysers and environmental measurement solutions. Scanfil services are used by numerous international automation, safety, energy, cleantech, connectivity and health service providers, as well as companies operating in the field of urbanisation. Scanfil's network of factories consists of nine production units in Europe, Asia and North America.

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