

SCANFIL

SCANFIL PLC FINANCIAL STATEMENT

Scanfil Plc
Financial Statement
for 2020

18 FEBRUARY 2021



Scanfil Group's Financial Statement for January – December 2020

Q4/20 and 2020: Solid performance in exceptional year. Customer demand picked up towards year end.

October - December

Turnover totalled EUR 154.1 million (Q4 2019: 154.7), decrease of 0.4%

Adjusted operating profit* EUR 10.4 (10.0) million, 6.8% (6.5%) of turnover, increase of 3.9%

Operating profit EUR 4.3 (10.0) million, 2.8% (6.5%) of turnover, decrease of 56.9%

Net profit was EUR 3.1 (9.8) million

Earnings per share were EUR 0.05 (0.15), adjusted earnings per share EUR 0.14

January – December

Turnover totalled to EUR 595.3 (1-12/2019: 579.4) million, increase of 2.7%

Adjusted operating profit** EUR 39.1 (39.4) million, 6.6% (6.8%) of turnover, decrease of 0.7%

Operating profit EUR 44.4 (35.3) million, 7.5% (6.1%) of turnover, increase of 25.8%

Net profit for the review period was EUR 36.9 (28.1) million

Earnings per share were EUR 0.57 (0.44), adjusted earnings per share EUR 0.50

The Board of Directors proposes a dividend of EUR 0.17 (0.15) per share to be paid for year 2020, increase of 13.3%

** The operating profit includes a total of EUR -6.1 million of adjustments, consisting of costs arising from the shutdown of the factory of German subsidiary Scanfil GmbH.*

*** The operating profit includes a total of EUR 5.3 million of adjustments, consisting of the aforementioned costs arising from the shutdown of the factory of German subsidiary Scanfil GmbH and the sales gains of EUR 11.4 million of Chinese subsidiary Scanfil (Hangzhou) Co. Ltd.*

Future Outlook

Scanfil estimates that its turnover for 2021 will be EUR 600 – 640 million and its adjusted operating profit will be EUR 40–44 million.

The guidance for 2021 involves uncertainty arising from the potential negative impact of the availability of certain materials, especially semiconductors, and Covid 19 pandemic on customer demand and 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

	Q4/2020	Q4/2019	Change%	2020	2019	Change %
Turnover, EUR million	154.1	154.7	-0.4 %	595.3	579.4	2.7 %
Operating Profit, EUR million	4.3	10.0	-56.9 %	44.4	35.3	25.5 %
Operating Profit, Adjusted, EUR million	10.4	10.0	3.9 %	39.1	39.4	-0.7 %
Operating Profit, %	2.8	6.5		7.5	6.1	
Operating Profit, Adjusted, %	6.8	6.5		6.6	6.8	
Net Profit, EUR million	3.1	9.8	-68.1 %	36.9	28.1	31.4 %
Net Profit, Adjusted, EUR million	7.5	9.8	-23.2 %	32.5	32.1	1.2 %
Earnings per Share, EUR	0.05	0.15	-67.6 %	0.57	0.44	31.2 %
Earnings per Share, Adjusted, EUR	0.14	0.15	-4.6 %	0.50	0.50	1.1 %
Return on Equity, %				21.1	18.0	
Return on Equity, Adjusted, %				18.4	20.4	
Equity Ratio, %				54.3	49.1	
Net Gearing, %				9.9	27.7	
Net Cash Flow from Operations, EUR million				35.2	35.9	-1.8 %
Employees (Average)				3 387	3 530	-4.1 %

CEO PETTERI JOKITALO

"**The turnover for the fourth quarter** was EUR 154.1 million. The growth was mainly driven by the Medtec & Life Science, Energy & Automation and Consumer Applications" customer segments. Also, demand among several customers, affected negatively by the Covid-19 pandemic earlier in the year, recovered during the fourth quarter.

The adjusted operating profit for the quarter was EUR 10.4 million, comprising 6.8% of turnover. Our countermeasures to coronavirus were successful and the performance of our personnel and factories remained high.

The year 2020 was an operationally strong year for Scanfil despite exceptionally challenging circumstances and proof of Scanfil's personnel's capability and the flexibility of the company cost structure. Covid 19 pandemic shaped the year, and the operative focus stayed on employees' safety and ensuring customer deliveries continuity. Our turnover in 2020 was EUR 595.3 million, and our adjusted operating profit was EUR 39.1 million, or 6.6% of turnover.

The sale of Hangzhou factory was realized in July, and now Scanfil's focus in China is on the manufacture of electronics and integrated products at the Suzhou factory. In December, we decided to close the Hamburg factory and continue its production at other Scanfil factories in Germany and Poland. Production is expected to be transferred, and the plant to be closed, by the end of the third quarter of 2021. The arrangement is expected to result in annual cost savings of approximately EUR 2.5 million. These measures aim to secure and further improve the long-term performance and competitiveness of Scanfil's factory network.

The reported operating profit for 2020 of EUR 44.4 million includes sales gains from the Hangzhou factory and adjustments related to the Hamburg factory's shutdown.

The Board of Directors proposes that EUR 0.17 per share be paid in dividends for 2020. If the Annual General Meeting to be held this spring approves the dividend proposal, Scanfil increases its dividend for the eighth year in succession. At the same time, the dividend distribution ratio has remained at the targeted level, approximately one-third of earnings per share.

Our strategic goal is to expand our customer base and increase our market share, especially in Germany and more broadly in Central Europe. The region has a highly attractive contract manufacturing market, offering large growth potential for Scanfil. The idea is to provide our customers both a local manufacturing partnership with our Wutha factory in Germany and Scanfil's global partnership, factory network and service range. We made positive progress with our strategic goal during the year; our turnover developed positively in Central Europe, and we signed new global agreements with our current local customers in the region.

We enter 2021 with confidence. Our customers' forecasts for the year are mainly showing growth, and we target for growth in both sales and operating profit. However, it is clear that the year also includes uncertainties: the coronavirus pandemic is still here, and there are also signs of risks associated with the availability of certain materials. We have identified these risks and defined as well as launched appropriate actions to mitigate.

Our long-term target for 2023 is to achieve a turnover of EUR 700 million and an operating profit rate of 7%. We are also actively investigating acquisition opportunities, especially in the Nordic countries and Central Europe.

Overall, I am satisfied with our performance in 2020. I want to thank our committed personnel and our customers and other stakeholders for your trust.

MARKETS AND CUSTOMER SEGMENTS

Scanfil divides its customers into the following customer segments: Communication, Consumer Applications, Energy & Automation, Industrial, and Medtec & Life Science. Typical products of the different customer segments are as following:

- Communication segment include base stations, exchanges and amplifiers, as well as different camera and radio systems.
- Consumer Applications segment's products include reverse vending machines, machines for self-service laundromats and control electronics for households, for example.
- Energy & Automation segment's products include frequency converters, inverters, switches and automation systems.
- Industrial segment's products are used in industrial applications, such as forklift guidance systems and air conditioning systems.
- Medtec & Life Science segment include dental chairs, analyzers, mass spectrometers and cloud height indicators.

During the fourth quarter, the Group's turnover of EUR 154.1 million was at the same level as in the previous year. However, turnover in the fourth quarter increased by 8.8% compared to the third quarter of 2020.

The full-year turnover was EUR 595.3 million, up by EUR 15.9 million (2.7%) from the year before. The turnover increased mainly due to the acquisition of the operations of HASEC during the second quarter of 2019.

The Communication segment's turnover decreased in the fourth quarter by EUR 1.2 million (6.0%), compared to previous quarter. The decrease in turnover was mainly

due to lower sales of base station related products, due to the divestment of the Hangzhou plant and the gradual decrease in the remaining intermediate sales. Intermediate sales are expected to end during the first quarter of 2021, after which Scanfil will not have significant base station related production left. The end of the intermediate sales will not have a significant impact on profit.

The Consumer Applications segment's turnover clearly picked up during the last quarter; the turnover grew by EUR 6.2 million (28.9%) compared to previous quarter. Demand from several customers, which was negatively impacted by Covid-19 pandemic in the early part of the year, grew strongly towards the year end. The segment's growth was also affected by a new customer whose production was in the ramp-up phase towards the end of the year.

The turnover of the Energy & Automation segment increased in the fourth quarter by EUR 5.8 million (19.9%) compared to the previous quarter. The growth came broadly from the segment's customer base.

The Industrial segment's turnover decreased in the fourth quarter by EUR 1.5 million (-3.2%) compared to the previous quarter but remained on a strong level.

The turnover of the Medtec & Life Science segment grew in the fourth quarter by EUR 3.2 million (12.3%) compared to previous quarter. Demand developed positively throughout the whole customer base.

In 2020, the largest customer accounted for about 15% (14%) of turnover and the top ten customers accounted for about 59% (56%) of turnover.

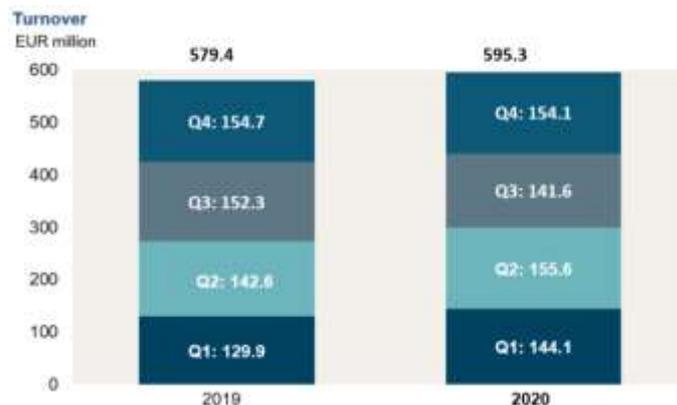
EUR million	Q4/2019	2019	Q1/2020	Q2/2020	Q3/2020	Q4/2020	2020	% of turnover 2020
Communication	20.7	79.4	22.4	28.9	20.7	19.5	91.4	15.3 %
Consumer Applications	28.3	107.3	18.7	20.3	21.3	27.5	87.8	14.7 %
Energy & Automation	29.4	111.3	30.7	32.6	28.9	34.6	126.7	21.3 %
Industrial	46.8	173.3	45.6	48.5	44.7	43.2	182.0	30.6 %
Medtec & Life Science	29.4	108.1	26.7	25.3	26.1	29.3	107.4	18.0 %
Total	154.7	579.4	144.1	155.6	141.6	154.1	595.3	100 %

TURNOVER

The turnover for **October–December** was 154.1 EUR million, showing a decrease of 0.4% from the corresponding period last year. Key changes by customer segments compared to previous year.

- The turnover of the Communication segment decreased by EUR 1.2 million (6.0%). The decrease was due to lower demand of base station products.
- The turnover of the Energy and Automation segment increased by EUR 5.2 million (17.6%). The growth came broadly from the customer base.
- The turnover of the Industrial segment decreased by EUR 3.6 million (7.6%).

The turnover for **January–December** was EUR 595.3 million, up by 2.7%. The increase in turnover is mainly attributable to the acquisition of the operations of HASEC during the second quarter of 2019.

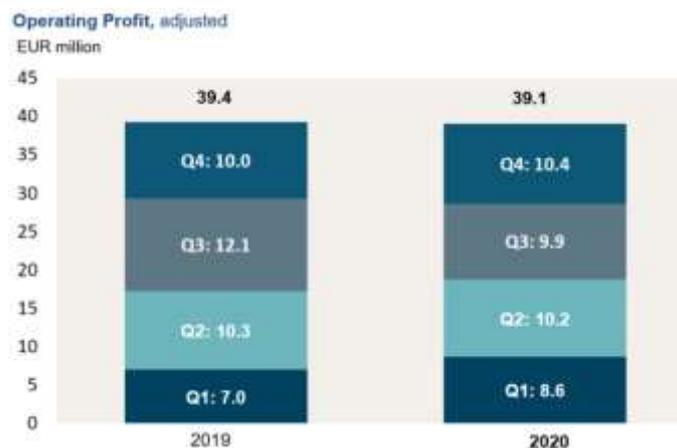


OPERATING PROFIT

In **October–December**, the adjusted operating profit was EUR 10.4 million (6.8% of turnover). The operating profit increased by 3.9% compared to previous year.

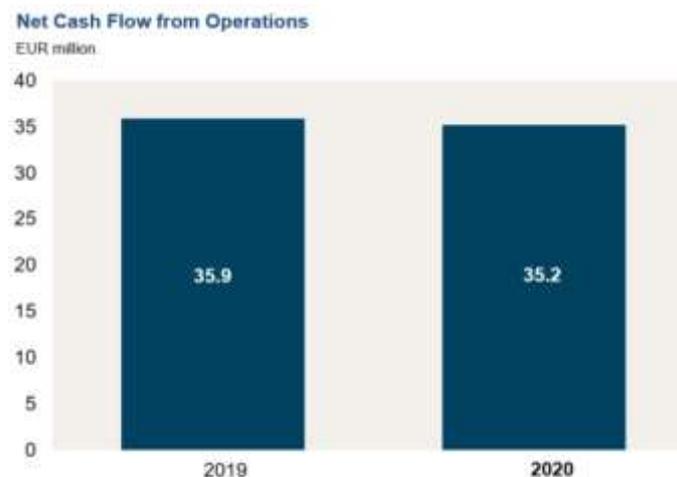
- Operating profit was positively affected by growth in customer demand and improved profitability at several “close to customer market” factories. Fixed costs were lower than a year earlier.
- Operating profit was negatively impacted by additional costs caused by Covid 19 pandemic and lower customer demand and productivity at certain factories. Low-margin intermediate sales slightly reduced relative profitability.

In **January–December**, the adjusted operating profit was EUR 39.1 million, or 6.6% of turnover. The operating profit decreased by 0.7% from the previous year.



NET CASH FLOW FROM OPERATIONS

The net cash flow from operations for **January–December** was EUR 35.2 million, remaining almost at the previous year’s level due to the effective management of working capital and well preserved operating profit.



Scanfil Group's Financial Statement Report for 1 January – 31 December 2020

FINANCIAL DEVELOPMENT

The Group's turnover for January – December was EUR 595.3 (579.4) million, increase of 2.7% compared to the previous year. The turnover increased mainly due to the acquisition of the operations of HASEC during the second quarter of 2019.

Turnover by customer segment developed as follows: The turnover of the Communication segment increased by EUR 12.0 million (15.0%) as a result of positive demand for base station products at the beginning of the year. Furthermore, the divestment of the Hangzhou plant in July had no significant impact annually on the Communication segment's turnover, because customers transferred their orders partly to other Scanfil units. This sale was mainly intermediate sales, which had not significant impact on result.

The Consumer Applications segment's turnover decreased by EUR 19.5 million (18.1%) year-on-year. The negative impact of the coronavirus pandemic was particularly reflected in this segment's full-year demand, even though demand picked up clearly during the final quarter.

The Energy and Automation segment's demand increased by EUR 15.4 million (13.8%). The growth came broadly from the segment's customer base.

The turnover of the Industrial segment increased by EUR 8.8 million (5.1%), primarily as a result of the HASEC business acquisition completed during the second quarter of 2019.

The turnover of the Medtec & Life Science segment remained annually at the previous year's level.

The Group's operating profit for January – December was EUR 44.4 (35.3) million, 7.5% (6.1%) of turnover. The net profit for the review period was EUR 36.9 (28.1) million. Earnings per share for the review period were EUR 0.57 (0.44). Return on investment was 19.5% (17.0%). The increase in the key figures is mainly attributable to the adjustments described below.

The operating profit includes a total of EUR 5.3 million of adjustments, consisting of sales gains from the divestments of all shares in Chinese subsidiary Scanfil (Hangzhou) Co. Ltd and costs arising from the closure of the Hamburg plant of German subsidiary Scanfil GmbH.

The divestment of the Hangzhou subsidiary was completed on July 14, 2020, and its positive impact on the operating profit was EUR 11.4 million, of which EUR 7.9 million consisted of equity translation differences.

The consultation process concerning the personnel of the Hamburg factory was completed on December 17, 2020, and Scanfil GmbH decided to close the Hamburg plant. Production will be transferred to the Wutha factory in Germany and the Sieradz factory in Poland. This arrangement is expected to result in non-recurring expenses of approximately EUR 6.1 million, recognized for the final quarter of 2020. The arrangement is expected to result in annual cost savings of around EUR 2.5 million. These steps are expected to be completed by the end of the third quarter of 2021.

The previous year's operating profit includes a total of EUR -4.0 million of adjustments, consisting of expenses related to the acquisition of HASEC-Elektronik GmbH (EUR -4.0 million) and a write-down of goodwill (EUR 3.6 million) related to Scanfil GmbH's business operations.

The adjusted operating profit was EUR 39.1 (39.4) million, or 6.6% (6.8%) of turnover. The adjusted operating profit decreased by 0.7% year-on-year. As a result of the divestment of the Hangzhou subsidiary, part of the Communication segment's turnover consisted of intermediate sales with low profitability, which reduced total profitability.

In addition, the Covid 19 pandemic reduced productivity and resulted additional costs. These are described in more detail in the "The Impact of Covid-19 Pandemic during the Review Period" section.

The Group's low effective tax rate of 11.6% primarily results from the low tax on sales gains from Chinese subsidiary Scanfil (Hangzhou) Co., Ltd and tax relief related to investments in the Polish Special Economic Zone.

The Group's turnover in October–December was EUR 154.1 (154.7) million and its operating profit was EUR 4.3 (10.0) million, 2.8% (6.5%) of turnover. The adjusted operating profit was EUR 10.4 million, or 6.8% of turnover. The operating profit for the fourth quarter includes expenses of EUR 6.1 million from the closure of the plant of German subsidiary Scanfil GmbH. The result for October–December was EUR 3.1 (9.8) million.

FINANCING AND CAPITAL EXPENDITURE

The Group has a stable financing position. The consolidated balance sheet total was EUR 339.2 (340.0) million at the end of the review period. Cash assets totalled EUR 25.8 (20.4) million. Liabilities amounted to EUR 156.3 (173.3) million, of which non-interest-bearing liabilities totalled EUR 112.3 (106.7) million and interest-bearing liabilities totalled EUR 44.0 (66.6) million. Interest-bearing liabilities consisted of EUR 24.4 (44.3) million of financial liabilities and EUR 19.6 (22.3) million of leasing liabilities. The equity ratio was 54.3% (49.1%), and net gearing was 9.9% (27.7%). Equity per share was EUR 2.82 (2.58). The improvement in the key figures is mainly attributable to the adjustment items mentioned above and a high net cash flow from operating activities.

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

Net cash flow from operating activities for the review period January - December was EUR 35.2 (35.9) million. The change in net working capital during the period amounted to EUR -8.0 (-7.6) million. The change in working capital in January – December 2020 compared to the turn of the previous year consists of the following items: short-term non-interest-bearing receivables increased by EUR 17.5 million, inventories increased by EUR 6.6 million and short-term non-interest-bearing liabilities increased by EUR 16.1 million.

Net cash flow from investing activities was EUR +4.1 (-17.6) million. The current year's net cash flow includes the impact of the divestment of the Hangzhou subsidiary in China on cash flow (EUR 13.1 million) and investments in tangible and intangible assets (EUR -9.4 million). The previous year's cash flow includes the impact of the acquisition of HASEC-Elektronik GmbH on cash flow (EUR -7.5 million) and other investments (EUR -10.6 million).

Cash flow from financing activities was EUR -33.3 (-17.1) million. A total of EUR 9.6 million was paid in dividends. Long-term loan repayments totalled EUR 6.0 million, and the use of the overdraft facility decreased by EUR 13.2 million compared to the end of last year.

Gross investments in January – December totalled EUR 9.4 (21.1) million, which was 1.6% (3.6%) of the turnover. The investments include mainly acquisition of machinery and equipment. The previous year's investments include the purchase price of shares in

HASEC-Elektronik GmbH (EUR 10.3 million). Depreciation excluding impairment was EUR 15.1 (14.1) million.

THE IMPACT OF COVID-19 PANDEMIC DURING THE REVIEW PERIOD

The COVID-19 pandemic had a somewhat negative impact on the Group's turnover, and thereby on its productivity and operating profit. The factory-specific effects depended on the factory's customer base and product mix. For example, with the pandemic escalating, the use of self-service equipment for consumers decreased significantly in the early part of the year, and customers reacted quickly by cutting their forecasts and orders. However, the segment's sales picked up significantly during the final quarter.

The Group has received various government subsidies, mainly related to compensation of employees' working hours and pension contributions, of approximately EUR 2.5 million. With these, part of productivity losses have been compensated.

In addition, the pandemic had the following impacts on the operating profit:

- Factory shutdown due to orders from the Chinese authorities: EUR -0.5 million
- The shutdown of the Myslowice factory in April: EUR -0.5 million
- Extraordinary costs caused by the pandemic concerning freight, protective equipment and other special arrangements: EUR -1.3 million

The estimated net effect of the above items excluding the decrease in productivity due to loss of turnover was approximately EUR 2.3 million.

The group's financial position has further improved during 2020. Covid 19 pandemic did not have a significant negative impact on the Group's cash flow during January – December nor an impact on Group's financial structure or its costs. The Group's current and non-current financial liabilities are significantly lower than at the beginning of the year. The Group has paid dividends for 2019, EUR 9.6 million in May. The payment of dividends and investments, EUR 9.4 million, have been financed from net cash flow from operating activities.

Special attention has been paid to the collection of trade receivables, and the total overdue trade receivables are below the level before the pandemic.

Customer risks are monitored regularly. COVID-19 has affected the solvency of some smaller customers, but the related risks are moderate and under control. Special payment arrangements have been negotiated with a few smaller customers, and the customers have complied with these arrangements. In the case of identified risk customers, even a realized credit loss would not have an adverse effect on the Group's operations.

The pandemic has so far had no impact on other balance sheet valuations, such as inventories, fixed assets or goodwill.

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

Apart from the two-week shutdown at the Myslowice factory in April and shutdown at factories in China in February following orders by the authorities, Scanfil has avoided disruptions in its production operations and wider personnel illnesses.

The guidance issued by the company is based on customer forecasts and Scanfil's normal forecast process, however it should be noted that the 2021 guidance is still subject to exceptional uncertainty due to the potential negative effects of the coronavirus pandemic on customer demand and supply chain capacity. However, the accuracy of the forecasting process during 2020 has not deviated from the usual in the first three quarters of the year.

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

Scanfil plc's Annual General Meeting was held on 23 April 2020 in the company headquarters in Sievi, Finland.

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 are available on the company website at www.scanfil.com.

The minutes of the Annual General Meeting have been

available on the company's website, www.scanfil.com, as of 7 May 2020.

OWN SHARES

On 31 December 2020 company owns 358,738 its own shares, representing 0.6% of all shares.

SHARE TRADING AND SHARE PERFORMANCE

During the period under review, a total of 250,000 treasury shares were subscribed under Scanfil Plc's stock options 2016(A) and 2016(B). Of these shares, 130,000 were new shares and 120,000 were treasury shares held by the company and transferred on the basis of subscriptions. The whole subscription price of EUR 858,300 for subscriptions made with the stock options was recognized in the company's reserve for invested unrestricted equity.

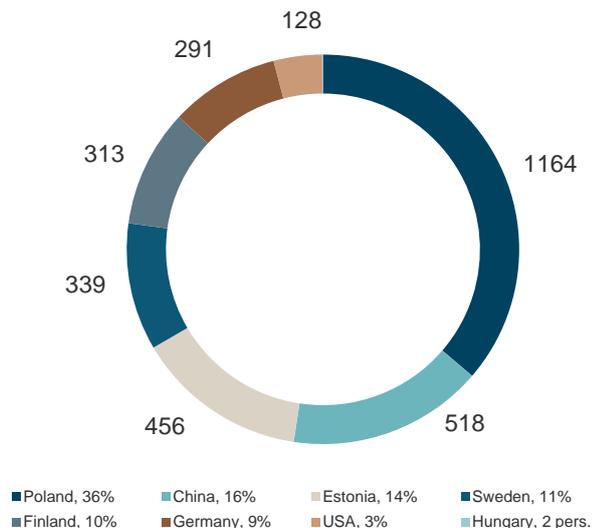
The new shares subscribed under the stock options have been entered in the Trade Register. The new shares provide their holders with shareholder rights starting from their registration date. Following the registration of the new shares, the number of Scanfil Plc shares is 64,829,993 in total. The shares are traded on the main list of Nasdaq Helsinki Ltd. Following the transfer of the treasury shares, the company holds 358,738 treasury shares.

The highest trading price during the review period was EUR 6.7 and the lowest EUR 3.26, the closing price for the period standing at EUR 6.52. A total of 6,289,025 shares were traded during the period, corresponding to 9.7% of the total number of shares. The market value of the shares on 31 December 2020 was EUR 422.7 million.

PERSONNEL

At the end of the period under review, the Group employed 3,211 (3,474) people, of whom 2,898 (3,163) worked outside Finland and 313 (311) in Finland. The average number of Group employees during the review period was 3,387 (3,530) people.

Personnel by country 3 211 (31 Dec. 2020)



CHANGES IN GROUP STRUCTURE

On June 29, 2020, the Board of Directors of Scanfil EMS Oy, a subsidiary of Scanfil Plc, sold all shares in Chinese subsidiary Scanfil (Hangzhou) Co., Ltd. The regular terms and conditions of the transaction were fulfilled on July 14, 2020, on which date the transaction entered into force.

FUTURE OUTLOOK

Scanfil estimates that its turnover for 2021 will be EUR 600 - 640 million and its adjusted operating profit will be EUR 40 – 44 million.

The guidance for 2021 involves uncertainty arising from the potential negative impact of the availability of certain materials, especially semiconductors, and 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

At present, uncertainty in the current year is still caused by the yet unknown negative effects of the spread of the COVID-19 pandemic. In addition, there are risks associated with the availability of certain materials, especially semiconductors.

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 also 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.

ANNUAL GENERAL MEETING 2021 AND BOARD OF DIRECTORS’ PROPOSALS TO THE ANNUAL GENERAL MEETING

Scanfil plc’s Annual General Meeting is planned to be held on 22 April 2021 at the company’s head office in Sievi, Finland.

Dividend for 2020

The company aims to pay dividends amounting to approximately 1/3 of its annual result on a regular basis.

The parent company's distributable funds are EUR 73,734,335.62 including retained earnings EUR 41,558,744.08. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.17 (0.15) per share be paid for a total of EUR 10,960,113.35 for the financial year ending on 31 December 2019 .The dividend matching day is 26 April 2021. The dividend will be paid to those shareholders who, on the matching day, are entered in the Company’s Register of Shareholders, kept by Euroclear Finland Ltd. The dividend payment day is 3 May 2021.

No significant changes have taken place in the company’s financial position since the end of the financial year. In

the view of the Board of Directors, the proposed dividend pay-out will not put the company's liquidity at risk.

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

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

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

	10 - 12 2020	10 - 12 2019	1 - 12 2020	1 - 12 2019
Operating profit	4.3	10.0	44.4	35.3
Operating profit, % of turnover	2.8 %	6.5 %	7.5 %	6.1 %
Adjustment items:				
<i>Other operating income</i>			-11.5	
<i>Expenses</i>	5.1	0.0	5.2	0.4
<i>Depreciation and decreases in value</i>	1.0		1.0	3.6
Total adjustment items	6.1	0.0	-5.3	4.0
Adjusted operating profit	10.4	10.0	39.1	39.4
Adjusted operating profit, % of turnover	6.8 %	6.5 %	6.6 %	6.8 %
Financial income and expenses	-1.3	0.0	-2.6	-1.3
Profit before taxes	3.0	10.0	41.8	34.0
Income taxes	0.1	-0.2	-4.9	-5.9
Adjustment items:				
<i>Income taxes</i>			0.9	
Total adjustment items			0.9	
Net profit for the period	3.1	9.8	36.9	28.1
Earnings per share, EUR	0.05	0.15	0.57	0.44
Adjusted net profit for the period	9.2	9.8	32.5	32.1
Adjusted earnings per share, EUR	0.14	0.15	0.50	0.50
Equity			182.9	166.7
Return on equity, %			21.1 %	18.0 %
Adjustment items:				
<i>Net profit for the period</i>			7.2	4.0
<i>Impact of the sale of the subsidiary on net asset</i>			-3.7	
Adjusted equity			186.4	170.7
Adjusted return on equity, %			18.4 %	20.4 %

The adjustment for other operating income consists of Scanfil (Hangzhou) Co. Ltd capital gain of EUR 11.4 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 closure of Scanfil GmbH factory EUR 5.1 million. Depreciations and decreases in value of fixed assets EUR 1.0 million are related to the closure of Scanfil GmbH factory. The Income taxes adjustment item includes taxes amounting EUR 0.9 million incurred on the sale of Hangzhou subsidiary.

The previous year's adjusted operating profit consists of expenses related to the acquisition of HASEC-Elektronik GmbH in the amount of EUR 0.4 million and EUR 3.6 million from the write-down of consolidated goodwill related to Scanfil GmbH's business.

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 closure of Scanfil GmbH in 2020. In 2019, the corresponding item includes the above-mentioned adjustments affecting the result.

ACCOUNTING PRINCIPLES

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

Scanfil has followed the new and amended standards entered into force at the beginning of 2020. Otherwise, this financial statements release has been prepared following the same accounting principles as in the 2019 financial statements.

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 Financial Statements report is unaudited.

In its meeting held on 17 February 2021, the Board of Director of Scanfil plc approved this Financial Statements report release for publication.

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR million

	10 - 12 2020	10 - 12 2019	1 - 12 2020	1 - 12 2019
Turnover	154.1	154.7	595.3	579.4
Other operating income	0.3	0.2	12.4	1.0
Changes in inventories of finished goods and work in progress	0.7	-0.3	2.4	0.8
Manufacturing for own use	0.0		0.0	0.0
Expenses	-146.0	-140.8	-549.7	-528.2
Depreciation and amortization	-4.8	-3.9	-16.1	-17.7
Operating profit	4.3	10.0	44.4	35.3
Financial income and expenses	-1.3	0.0	-2.6	-1.3
Profit before taxes	3.0	10.0	41.8	34.0
Income taxes	0.1	-0.2	-4.9	-5.9
Net profit for the period	3.1	9.8	36.9	28.1
Attributable to:				
Equity holders of the parent	3.1	9.8	36.9	28.1
Earnings per share for profit attributable to shareholders of the parent:				
undiluted (EUR)	0.05	0.15	0.57	0.44
diluted (EUR)	0.05	0.15	0.57	0.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million

	10 - 12 2020	10 - 12 2019	1 - 12 2020	1 - 12 2019
Net profit for the period	3.1	9.8	36.9	28.1
Items that may later be recognized in profit or loss				
Translation differences	1.9	1.3	-2.8	0.3
Cash flow hedges	-0.2	0.3	-0.7	0.4
Other comprehensive income, net of tax	1.7	1.7	-3.5	0.7
Total Comprehensive Income	4.9	11.5	33.4	28.8
Attributable to:				
Equity holders of the parent	4.9	11.5	33.4	28.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

Assets	31.12.2020	31.12.2019
Non-current assets		
Property, plant and equipment	46.4	50.7
Right-of-use asset	18.1	21.0
Goodwill	8.3	8.0
Other intangible assets	14.3	16.8
Available-for-sale investments	0.5	0.5
Deferred tax assets	6.9	5.7
Total non-current assets	94.5	102.7
Current assets		
Inventories	103.3	101.9
Trade and other receivables	113.3	112.1
Advance payments	0.6	0.5
Current tax	1.8	2.4
Cash and cash equivalents	25.8	20.4
Total current assets	244.7	237.3
Total assets	339.2	340.0
Shareholder's equity and liabilities	31.12.2020	31.12.2019
Equity attributable to equity holders of the parent		
Share capital	2.0	2.0
Reserve for invested unrestricted equity fund	31.8	31.0
Fair value reserve	-0.6	0.2
Other reserves	2.6	6.9
Translation differences	-6.1	4.6
Retained earnings	153.0	122.0
Total equity	182.9	166.7
Non-current liabilities		
Deferred tax liabilities	5.7	7.0
Provisions	0.6	0.4
Interest bearing liabilities	18.2	24.7
Lease liability	15.9	18.8
Total non-current liabilities	40.4	50.9
Current liabilities		
Trade and other liabilities	100.1	96.1
Current tax	1.8	3.0
Provisions	4.2	0.2
Interest bearing liabilities	6.2	19.5
Lease liability	3.7	3.5
Total current liabilities	115.9	122.4
Total liabilities	156.3	173.3
Total shareholder's equity and liabilities	339.2	340.0

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million

	1.1.-31.12.2020	1.1.-31.12.2019
Cash flow from operating activities		
Net profit	36.9	28.1
Adjustments for the net profit	15.2	25.6
Change in net working capital	-8.0	-7.6
Paid interests and other financial expenses	-1.7	-2.3
Interest received	0.2	0.3
Taxes paid	-7.3	-8.2
Net cash from operating activities	35.2	35.9
Cash flow from investing activities		
Sale of a subsidiary less cash and cash equivalents at the time of disposal	13.1	
Acquisition of subsidiaries less cash and cash equivalents at the time of acquisition		-7.5
Investments in tangible and intangible assets	-9.4	-10.6
Sale of tangible and intangible assets	0.3	0.5
Dividends received	0.1	
Net cash from investing activities	4.1	-17.6
Cash flow from financing activities		
Subscription of shares on the basis of option rights	0.9	0.4
Purchase of own shares	-0.8	-1.2
Proceeds from long term loans		30.0
Repayment of long-term loans	-6.0	-23.8
Proceeds from short term loans	1.2	5.3
Repayment of short-term loans	-15.1	-16.1
Repayment of lease liabilities	-4.0	-3.3
Dividends paid	-9.6	-8.3
Net cash from financing activities	-33.3	-17.1
Net increase/decrease in cash and cash equivalents	6.0	1.1
Cash and cash equivalents at beginning of period	20.4	19.2
Changes in exchange rates	-0.5	0.1
Cash and cash equivalents at end of period	25.8	20.4

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR million

Equity attributable to equity holders of the parent company

	Share capital	Reserve for invested unrestricted equity fund	Fair value reserve	Reserve fund	Translation differences	Retained earnings	Equity total
Equity 1.1.2020	2.0	31.0	0.2	6.9	4.6	122.0	166.7
Total comprehensive income			-0.7		-2.8	36.9	33.4
Selling of subsidiary				-4.3	-7.9	4.3	-7.9
Purchase of own shares						-0.8	-0.8
Option Scheme						0.2	0.2
Paid dividends						-9.6	-9.6
Share issue		0.4					0.4
Share options exercised		0.4					0.4
Equity 31.12.2020	2.0	31.8	-0.6	2.6	-6.1	153.0	182.9
	Share capital	Reserve for invested unrestricted equity fund	Fair value reserve	Reserve fund	Translation differences	Retained earnings	Equity total
Equity 1.1.2019	2.0	28.4	-0.2	6.7	4.3	103.6	144.7
Total comprehensive income			0.4		0.3	28.1	28.8
Fund transfer				0.2		-0.2	
Purchase of own shares						-1.2	-1.2
Option Scheme						0.1	0.1
Paid dividends						-8.3	-8.3
Share issue		2.2					2.2
Share options exercised		0.4					0.4
Equity 31.12.2019	2.0	31.0	0.2	6.9	4.6	122.0	166.7

KEY INDICATORS

	1 - 12 2020	1 - 12 2019
Return on equity, %	21.1	18.0
Return on investment, %	19.5	17.0
Interest-bearing liabilities, EUR million	44.0	66.6
Gearing, %	9.9	27.7
Equity ratio, %	54.3	49.1
Gross investments, EUR million	9.4	21.1
% of net turnover	1.6	3.6
Personnel, average	3 387	3 530
Earnings per share, EUR	0.57	0.44
Shareholders' equity per share, EUR	2.82	2.58
Dividend per share, EUR	0.17	0.15
Dividend per earnings, %	29.8	34.3
Effective dividend yield, %	2.61	3.07
Price-to-earnings ratio (P/E)	11.4	11.2
Year's lowest share price, EUR	3.26	3.73
Year's highest share price, EUR	6.70	4.96
Average share price for year, EUR	5.07	4.16
Share price at year's end, EUR	6.52	4.89
Market capitalisation at end of year, EUR million	422.7	316.4
Number of shares at the end of period, 000's		
- not counting own shares	64 830	64 700
- weighted average	64 387	64 296

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.

DISAGGREGATION OF REVENUES

EUR million

	10 - 12 2020			10 - 12 2019		
	Goods	Services	Total	Goods	Services	Total
Customer Segments						
Communication	16.7	2.8	19.5	17.6	3.1	20.7
Consumer Applications	25.8	1.7	27.5	26.8	1.5	28.3
Energy & Automation	31.6	3.0	34.6	27.8	1.7	29.4
Industrial	42.4	0.8	43.2	43.7	3.1	46.8
Medtec & Life Science	27.1	2.2	29.3	27.6	1.8	29.4
Total	143.6	10.4	154.1	143.5	11.2	154.7
Timing of revenue recognition						
Goods and services transferred at a point of time	143.6	10.0	153.6	143.5	10.4	153.9
Services transferred over time		0.5	0.5		0.7	0.7
Total	143.6	10.4	154.1	143.5	11.2	154.7

	1 - 12 2020			1 - 12 2019		
	Goods	Services	Total	Goods	Services	Total
Customer Segments						
Communication	80.1	11.3	91.4	66.9	12.5	79.4
Consumer Applications	84.0	3.8	87.8	103.2	4.1	107.3
Energy & Automation	119.2	7.6	126.7	105.7	5.7	111.3
Industrial	174.7	7.4	182.0	161.9	11.3	173.3
Medtec & Life Science	101.1	6.3	107.4	100.9	7.2	108.1
Total	559.0	36.3	595.3	538.6	40.8	579.4
Timing of revenue recognition						
Goods and services transferred at a point of time	559.0	34.3	593.4	538.6	37.3	575.9
Services transferred over time		2.0	2.0		3.5	3.5
Total	559.0	36.3	595.3	538.6	40.8	579.4

CHANGES IN GOODWILL

EUR million

	1 - 12	1 - 12
	2020	2019
Book value at the beginning of the period	8.0	10.1
Business combinations		1.6
Impairment		-3.6
Exchange rate differences	0.3	-0.2
Book value at the end of the period	8.3	8.0

In the financial year 2019, the business combination consists of the goodwill recognized from the acquisition HASEC-Elektronik GmbH and the impairments include the write-down of goodwill of Scanfil GmbH.

CHANGES IN TANGIBLE NON-CURRENT ASSETS

EUR million

	1 - 12	1 - 12
	2020	2019
Book value at the beginning of the period	71.6	63.9
Additions	11.4	10.0
Deductions	-1.6	0.2
Business combinations		10.4
Selling of subsidiary	-2.0	
Depreciations and decreases in value	-13.4	-11.8
Exchange rate differences	-1.6	-1.3
Book value at the end of the period	64.5	71.6

Scanfil plc's subsidiary Scanfil EMS Oy has sold the entire share capital of Scanfil (Hangzhou) Co., Ltd, a subsidiary located in China, for purchase 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 Scanfil GmbH factory.

FINANCIAL ASSETS AND LIABILITIES, CARRYING AMOUNT AND FAIR VALUE

EUR million

	31.12.2020	31.12.2020
	Book values of balance sheet values	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	105.7	105.7
Cash and cash equivalents	25.8	25.8
Current assets total	131.5	131.5
Total financial assets	132.0	132.0
Non-current financial liabilities		
Interest bearing liabilities from financial institutions	18.2	18.2
Non-current financial liabilities total	18.2	18.2
Current financial liabilities		
Interest bearing liabilities from financial institutions	6.2	6.2
Trade payables	76.2	76.2
Derivatives	0.7	0.7
Current financial liabilities total	83.0	83.0
Total financial liabilities	101.3	101.3

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

	31.12.2020	Positive	Negative	Net	Nominal value
Interest rate swaps, protective			-0.1	-0.1	24.0
Forward exchange contracts, hedge accounting		0.0	-0.7	-0.6	24.4

PROVISIONS

EUR million

	Reclamation and guarantee	Pension	Other	Restructuring provisions	Total
1.1.2020	0.2	0.1	0.3		0.6
Exchange rate differences	0.0	0.0	0.0		0.0
Additions	0.1	0.0	0.1	4.0	4.2
Cancellation of unused provision	-0.0				0.0
31.12.2020	0.2	0.1	0.4	4.0	4.8

Long term provisions are EUR 0.5 million and short term provisions EUR 4.2 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 Scanfil GmbH's Hamburg factory and is mainly personnel costs.

CONTINGENT LIABILITIES

EUR million

	31.12.2020	31.12.2019
Business mortgages		10.0
Pledged guarantees	0.8	8.6

The increase in the amount of bank guarantees is due to the guarantees given to the customer in connection with the storage arrangement.

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

Scanfil Oyj has given absolute 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 Oyj has provided a guarantee for the lease obligations of its subsidiary Scanfil Inc

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

KEY INDICATORS QUARTERLY

EUR million

	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18
Turnover, MEUR	154.1	141.6	155.6	144.1	154.7	152.3	142.6	129.9	140.2
Operating profit, MEUR	4.3	21.2	10.2	8.6	10.0	12.1	6.4	6.8	7.5
Operating profit, %	2.8	15.0	6.5	6.0	6.5	7.9	4.5	5.3	5.4
Net income, MEUR	3.1	18.0	8.3	7.5	9.8	8.8	4.6	4.8	6.4

THE IMPACT OF COVID-19

This topic is handled in the explanatory statement of the interim report under “Impact of COVID-19 during the review period”.

EVENTS AFTER THE REVIEW PERIOD

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

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

Scanfil Oyj

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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 include mobile and communications network devices, automation system modules, frequency converters, lift control systems, analysers, various slot and vending machines, and devices related to medical technology and meteorology. Scanfil services are used by numerous international automation, energy, IT and health service providers, as well as companies operating in the field of urbanisation. Scanfil's network of factories consists of 11 production units in Europe, Asia and North America. The total number of employees is about 3,500.

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