

SCANFIL

SCANFIL PLC FINANCIAL STATEMENT

Scanfil Plc

Financial Statement for 2019

19 FEBRUARY 2020



Scanfil Group's Financial Statement for January – December 2019

Q4/19 and 2019: Strong fourth quarter as expected, stable development throughout the year

October - December

- Turnover totalled EUR 154.7 million (Q4 2018: 140.2), increase 10.3%
- Operating profit EUR 10.0 (7.5) million, 6.5% (5.4%) of turnover, increase 33.2%
- Net profit was EUR 9.8 (6.4) million
- Earnings per share were EUR 0.15 (0.10)

January – December

- Turnover totalled to EUR 579.4 (1-12/2018: 563.0) million, increase 2.9%
- Adjusted operating profit* EUR 39.4 million, 6.8% of turnover
- Operating profit EUR 35.3 (37.8) million, 6.1% (6.7%) of turnover
- Net profit for the review period was EUR 28.1 (28.9) million
- Earnings per share were EUR 0.44 (0.45), adjusted earnings per share EUR 0.50
- The Board of Directors proposes a dividend of EUR 0.15 (0.13) per share to be paid for year 2019

**The adjustment items during January-December include expenses related to the acquisition of Scanfil Electronics GmbH (former name HASEC-Elektronik GmbH) (EUR 0.4 million) and the impairment of Scanfil GmbH's goodwill (EUR 3.6 million)*

Future Outlook

Scanfil estimates that its turnover for 2020 will be EUR 590 – 640 million and adjusted operating profit will amount to EUR 39 – 43 million. The estimation is based on our existing understanding of impact of Coronavirus. The 2020 guidance is subject to exceptional uncertainty due to the potential negative impact of the Coronavirus epidemic on customer demand and, in particular, the situation in China.

Long Term Target

Scanfil has updated its long-term target: In 2023, Scanfil is organically aiming for EUR 700 million turnover and 7% operating profit.

KEY FIGURES

	Q4/2019	Q4/2018	Change%	2019	2018	Change %
Turnover, EUR million	154.7	140.2	10.3%	579.4	563.0	2.9%
Operating Profit, EUR million	10.0	7.5	33.2%	35.3	37.8	-6.4%
Operating Profit, Adjusted, EUR million	10.0	7.5	33.2%	39.4	37.8	4.2%
Operating Profit, %	6.5	5.4		6.1	6.7	
Operating Profit, Adjusted, %	6.5	5.4		6.8	6.7	
Net Profit, EUR million	9.8	6.4	52.2%	28.1	28.9	-2.7%
Net Profit, Adjusted, EUR million	9.8	6.4	52.2%	32.1	28.9	11.1%
Earnings per Share, EUR	0.15	0.10	50.0%	0.44	0.45	-3.3%
Earnings per Share, Adjusted, EUR	0.15	0.10	50.0%	0.50	0.45	10.5%
Return on Equity, %				18.0	21.5	
Return on Equity, Adjusted, %				20.4	21.5	
Equity Ratio, %				49.1	47.7	
Net Gearing, %				27.7	19.5	
Net Cash Flow from Operations, EUR million				35.9	29.0	23.4%
Employees (Average)				3 530	3 414	3.4%

CEO PETTERI JOKITALO

"The fourth quarter was our strongest, considering our turnover, totaling EUR 155 million, showing a growth of EUR 15 million, or 10%, year-on-year. A little more than one-third of this growth was organic, while the acquisition of HASEC-Elektronik GmbH in June accounted for the rest. Our annual turnover increased in all customer segments, apart from the Communication segment. The turnover of the Industrial and Medtec segments, in particular, improved significantly.

Profitability during the fourth quarter, 6.5% of turnover, was as expected. The operating profit increased by 33% from the previous year and was EUR 10 million. The performance of our plants was high in general. However, slower customer demand before Christmas and the high number of public holidays burdened our turnover and result in December as usual and as expected.

In terms of the full year, we made progress both operationally and strategically. Our 2019 turnover stood at EUR 579 million, showing an increase of 3% from the year before. The first half of 2019 was particularly challenging considering our turnover due to slower demand among a few major customers. We were able to return to a growth track during the second half, both through the HASEC acquisition and organically. In 2019, the adjusted operating profit was EUR 39.4 million, comprising 6.8% of turnover. Our operative margin developed in the correct direction, and it is approaching the targeted level of 7%. Net cash flow from operations went up by 23%, and return on equity was good at 18%. At the end of 2019, the equity ratio was strong at 49%.

The Board of Directors proposes a dividend of EUR 0.15 per share for 2019. If the Annual General Meeting approves the dividend proposal, Scanfil has raised the dividend for seven consecutive years, while the dividend payout ratio has remained within the target of approximately one-third of earnings per share.

Strategically, our aim is to make progress in Germany, in particular, and also more broadly in Central Europe. The region has highly attractive contract manufacturing markets, offering a huge growth potential for Scanfil: German markets alone are roughly four times larger than Nordic markets, and manufacturing services still have a low outsourcing rate. The acquisition of HASEC clearly improved Scanfil's access to this market potential. We can provide HASEC's customers with Scanfil's global plant capacity and full-service range.

We have already received positive feedback from HASEC's customers: HASEC's operations in Germany, close to its customers' research and development units, combined with volume production at Scanfil's plants, close to markets in Poland, China and USA, offer excellent responses to customer demand. We have projects, resulting in increased production and turnover, in progress with a number of HASEC's customers, and I expect new sales to materialize from this potential no later than this year.

We are in an excellent position when entering to 2020. So far, our customers' forecasts and outlooks promise growth, we are making good progress in acquiring new customers, and we have ongoing projects to gain more market share from our current customers. We got off to a good start for a year: customer demand and customer demand in January was according to our expectations.

At the moment, there is particular uncertainty in this year's threats from the Coronavirus epidemic, particularly in China during the first quarter. Following the Chinese New Year, our Chinese factories located in Suzhou and Hangzhou, were opened on February 10 and 11, a rough week after the original schedule, according to local authority guidance. If the extra shutdowns remain only for that week and supply chains will be recovering as estimated, we are not expecting material impacts to our sales in 2020. However, there are unknown risks associated with the spread of Coronavirus, which may have longer-term effect on our customers' demand and supply chain operations. According to original sales forecast for 2020, the expected sales in China is about 20 % of total sales.

Our long-term goal for 2020 is to reach EUR 600 million turnover and operating profit level of 7%. We have now updated our long-term target for 2023, where we are organically aiming for EUR 700 million turnover and 7% operating profit. In addition, we are actively exploring acquisitions, especially in the Nordic countries and Central Europe.

I am satisfied with our performance in 2019. Our operations are making good progress and our strategic position in Central Europe strengthened through the acquisition of HASEC. I would like 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 are typically used by consumers. These include reverse vending machines, machines for self-service laundromats and photo booths, 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 smart lighting systems.
- Medtec & Life Science segment include dental chairs, analyzers, mass spectrometers and cloud height indicators.

During the fourth quarter, the Group's turnover increased by EUR 2.4 million, or 1.6%, from the previous quarter.

The full-year turnover increased by EUR 16.4 million, or 2.9%, from the previous year. The increase in turnover is mainly attributable to the acquisition of the operations of HASEC during the second quarter.

In 2019, the turnover of the Communication segment decreased clearly (-18.5%) to EUR 79 million. This decrease resulted largely from low demand by a single customer during the year. However, demand picked up slightly during the second half.

In addition, the turnover of the Consumer Applications segment decreased notably (-14.6%) to EUR 107 million in 2019. This decrease was mainly attributable to the discontinued manufacturing of a significant customer's single product during the year.

The turnover of the Energy & Automation segment increased in 2019 by 3.6% to EUR 111 million. The increase was stable and came broadly from the entire customer base of the segment.

The turnover of the Industrial segment increased significantly (28.8%) to EUR 173 million in 2019. This was based on a strong increase in demand among existing customers and new demand from HASEC's customers.

Sales in the Medtec & Life Science segment increased in 2019 by 10.4% to EUR 108 million. This growth was based on the general positive development of customerships and the impact of the acquisition of HASEC. Organic growth in sales was strong, particularly during the fourth quarter.

In 2019 the largest customer accounted for about 14% (12%) of turnover and the top ten customers accounted for about 56% (60%) of turnover.

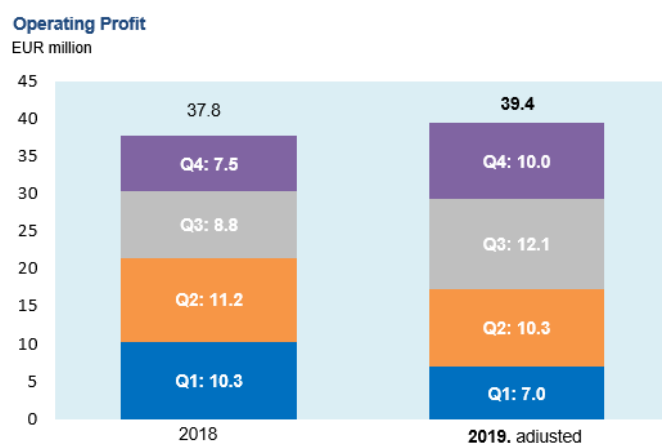
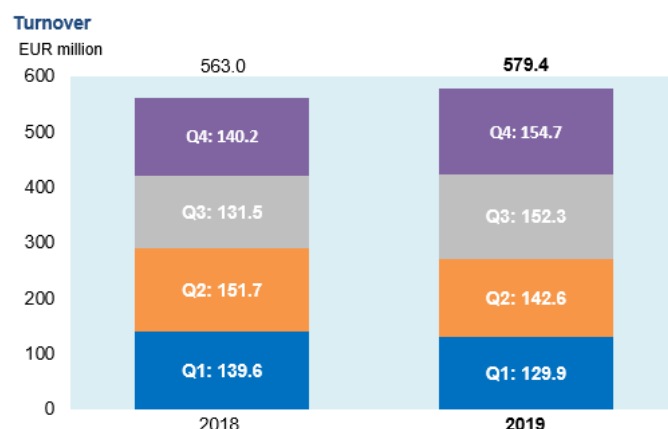
EUR million	Q4/2018	2018	Q1/2019	Q2 /2019	Q3/2019	Q4/2019	2019	% of turnover 2019
Communication	27.2	97.5	17.9	19.4	21.4	20.7	79.4	13.7 %
Consumer Applications	25.1	125.6	23.5	27.6	27.8	28.3	107.3	18.5 %
Energy & Automation	27.7	107.5	25.7	28.3	27.9	29.4	111.3	19.2 %
Industrial	35.1	134.6	35.9	41.5	49.0	46.8	173.3	29.9 %
Medtec & Life Science	25.2	97.9	26.9	25.7	26.1	29.4	108.1	18.7 %
Total	140.2	563.0	129.9	142.6	152.3	154.7	579.4	100.0 %

TURNOVER

- **October – December** turnover totalled EUR 154.7 million, increase of EUR 14.5 million, 10.3% compared to the same period last year.

Key changes by customer segments year-on-year.

- The turnover of the Industrial segment increased by EUR 11.7 million, or 33.5%, year-on-year. A significant part of this increase came from the acquisition of the business operations of HASEC during the second quarter. Part of this growth was also organic.
- The Medtec & Life Science customer segment grew by EUR 4.2 million, or 16.7%, year-on-year. More than half of this growth was organic, while the acquisition of the business operations of HASEC accounted for the rest.
- The turnover of the Consumer Applications turnover increased by EUR 3.3 million, or 13.0%. This growth mainly came from material deliveries to a customer because of discontinued manufacturing of a significant single product.
- The turnover of the Energy and Automation segment increased by EUR 1.8 million, or 6.5%.
- The turnover of the Communication segment decreased by EUR 6.5 million, or 24.0%. This decrease in sales was mainly due to lower demand by a single customer.
- **January–December** turnover totalled EUR 579.4 million, increase of 2.9%.

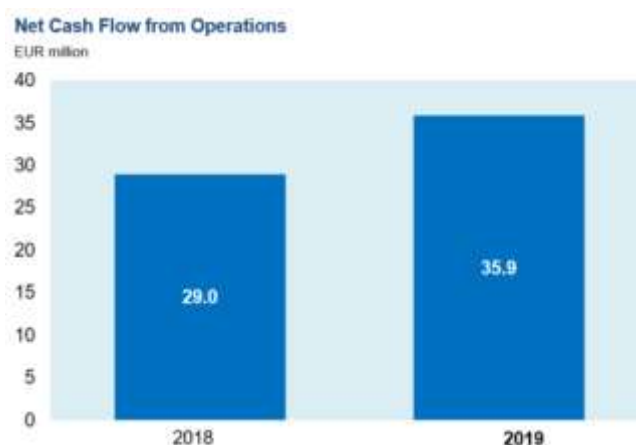


OPERATING PROFIT

- In **October–December**, the operating profit was EUR 10.0 million (6.5% of turnover). The operating profit increased by EUR 2.5 million, or 33.2%, compared with the corresponding period of the previous year. This growth mainly resulted from increased turnover.
- In **January–December**, the adjusted operating profit was EUR 39.4 million, or 6.8% of turnover. The operating profit increased by EUR 1.6 million, or 4.2%, compared with the previous year.
- In **January–December**, the reported operating profit was EUR 35.9 million, or 6.1% of turnover. The reported operating profit includes a total of EUR 4.0 million of adjustments.

NET CASH FLOW FROM OPERATIONS

- In **January–December**, net cash flow from operations was EUR 35.9 million, being EUR 6.8 million higher than in the year before.
- The increase in net cash flow from operations mainly came from an increase in adjusted net results.



Scanfil Group's Financial Statement Report for 1 January – 31 December 2019

FINANCIAL DEVELOPMENT

The Group's turnover for January – December was EUR 579.4 (563.0) million, increase of 2.9% compared to the previous year. The Group's operating profit for January – December was EUR 35.3 (37.8) million, 6.1% (6.7%) of turnover. The net profit for the review period was EUR 28.1 (28.9) million. Earnings per share for the review period were EUR 0.44 (0.45). Return on investment was 17.0% (20.2%). The weaker key figures are mainly due to the adjustment items as explained below.

The operating profit includes adjustment items of EUR 4.0 million, which consists of expenses related to the acquisition of HASEC (EUR 0.4 million) and a write-down of goodwill (EUR 3.6 million) related to Scanfil GmbH's business operations. The business operations of Scanfil GmbH, a German subsidiary acquired in 2014, have not developed as expected, which is why the Group has recognised a write-down based on impairment testing.

The adjusted operating profit was EUR 39.4 million, or 6.8% of turnover. The adjusted operating profit increased by 4.2% year-on-year. The increase in adjusted operating profit mainly came from the increase in turnover.

The Group's effective tax rate is 17.5% which is 2.5% less than the parent company tax rate. Tax rate was affected by the losses confirmed in the taxation of two discontinued subsidiaries which have been recognized in the results of their parent companies. The total effect is EUR 2.1 million in 2019. However the aforementioned non-deductible adjustments as well as paid withholding taxes had some negative impact.

The turnover of the Industrial customer segment increased by EUR 38.7 million. Nearly half of this increase came from the acquisition of the business operations of HASEC, now Scanfil Electronics GmbH, during the second quarter. In addition, the turnover of the Medtec & Life Science segment increased by EUR 10.2 million. Slightly more than one third of this growth came from the acquisition of HASEC. Energy and Automation segment showed an increase of EUR 3.9 million.

The turnover of the Consumer Applications segment decreased by EUR 18.4 million. This decrease was mainly attributable to the discontinued manufacturing of a significant customer's single product during the year. The decrease of EUR 18.0 million in the Communication customer segment mainly resulted from a decrease in demand by a single customer.

The Group's turnover in October–December was EUR 154.7 (140.2) million and its operating profit was EUR 10.0 (7.5) million, 6.5% (5.4%) of turnover. The turnover increased by 10.3% and the operating profit by 33.2% compared with the corresponding quarter in the previous year. The result in October-December was EUR 9.8 (6.4) million.

On May 22, 2019, Scanfil plc signed an agreement on the acquisition of the entire share capital of HASEC, now Scanfil Electronics GmbH, a German electronics contract manufacturer. The acquisition was completed on June 17, 2019 and the business operations of Scanfil Electronics GmbH have been consolidated with the Scanfil Group since June 17, 2019. This had an effect of EUR 19.9 million on the Group's turnover and an effect of EUR -0.1 million on its net result during the review period January-December. The purchase price was EUR 10.3 million, from which EUR 3.8 million was preliminarily allocated to long-term customer relationships, where net deferred tax liabilities were EUR 1.1 million and EUR 1.6 million was recognised in unallocated goodwill. Information on the acquired net assets is provided in the tables of the interim report.

FINANCING AND CAPITAL EXPENDITURE

The Group has a stable financing position. The consolidated balance sheet total was EUR 340.0 (303.8) million at the end of the review period. The increase is due to the adoption of IFRS 16 Leases and the acquisition of Scanfil Electronics GmbH.

From the beginning of 2019, nearly all of the Group's lease agreements have been recognised on the balance sheet as lease liabilities and related asset items. At the end of year 2019, fixed assets included EUR 21.0 million in fixed asset items related to lease liabilities in accordance with IFRS 16 and the corresponding liability items. The balance sheet total of Scanfil Electronics GmbH stood at EUR 20.9 million on December 31, 2019.

Cash assets totalled EUR 20.4 (19.2) million. Liabilities amounted to EUR 173.3 (159.1) million, of which non-interest-bearing liabilities totalled EUR 106.7 (111.7) million and interest-bearing liabilities totalled EUR 66.6 (47.3.) million. Interest-bearing liabilities included EUR 22.3 million in leasing liabilities in accordance with IFRS 16.

The equity ratio was 49.1% (47.7%), and net gearing was 27.7% (19.5%). The adoption of IFRS 16 reduced the Group's equity ratio by -2.9 percentage points and net

gearing by -11.6 percentage points. Equity per share was EUR 2.58 (2.26).

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 35.9 (29.0) million. The change in net working capital during the period amounted to EUR -7.6 (-9.5) million. The change in working capital in January – December 2019 compared to the turn of the previous year consists of the following items: short-term non-interest-bearing receivables increased by EUR 3.9 million, inventories decreased by EUR 5.5 million and short-term non-interest-bearing liabilities decreased by EUR 9.2 million.

Net cash flow from investing activities was EUR -17.6 (-9.7) million, which includes a cash flow effect of EUR -7.5 million related to the acquisition of Scanfil Electronics GmbH.

Cash flow from financing activities was EUR -17.1 (-20.7) million. A new long-term loan of EUR 30 million was withdrawn, while the final installment of the previous loan of EUR 13.3 million was paid. A total of EUR 8.3 million was paid in dividends. The use of the credit facility decreased by EUR 9.0 million in comparison with the turn of the previous year.

Gross investments in January – December totalled EUR 21.1 (10.1) million, which was 3.6% (1.8%) of the turnover. The investments include EUR 10.3 million in acquisition expenses related to the share capital of HASEC-Elektronik GmbH, now Scanfil Electronics GmbH, with the rest being mainly related to the acquisition of machinery and equipment. Depreciation excluding impairment was EUR 14.1 (9.5) million, EUR 3.2 million increase in depreciation is caused by a change in accounting principles due to the adoption of the IFRS 16 Leases standard.

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

The Meeting authorised 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 Meeting decided to authorise the Board of Directors to decide on granting option rights to key people of Scanfil Group.

Scanfil has executed a directed issue of 544,554 new Scanfil shares. The directed share issue to the owners of HASEC-Elektronik GmbH (current name Scanfil Electronics GmbH) is part of the arrangement where Scanfil acquired the entire shareholding of the company. The new shares correspond to approximately 0.9% of all Scanfil shares prior to the directed share issue. After the directed issue, the authorisation to issue shares decided by the Annual General Meeting remains at EUR 12.5 million shares.

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 8 May 2019.

OWN SHARES

On 31 December 2019 company owns 300 000 its own shares, representing 0.5% of all shares.

SHARE TRADING AND SHARE PERFORMANCE

During the review period a total of 90,000 Scanfil Plc's new shares have been subscribed for with the Company's stock options 2013(C) and 30,000 with stock options 2016(A). The entire subscription for subscriptions made with the stock options 2013(C) and 2016(A) of EUR 363,300 has been entered in the Company's reserve for invested unrestricted equity

The shares subscribed for under the stock options have been registered in the Trade Register. The new shares will establish shareholder rights as of the registration date. As a result of registering the new shares, the number of Scanfil shares is 64,669,993 in total. The shares are traded on the main list of Nasdaq Helsinki Ltd.

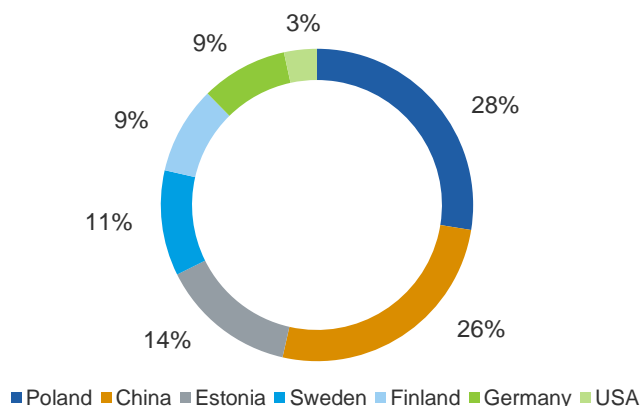
The highest trading price during the review period was EUR 4.96 and the lowest EUR 3.73, the closing price for the period standing at EUR 4.89. A total of 3,526,080 shares were traded during the period, corresponding to 5.4% of the total number of shares. The market value of the shares on 31 December 2019 was EUR 316.4 million

PERSONNEL

At the end of the period under review, the Group employed 3,474 (3,348) people, of whom 3,163 (3,030) worked outside Finland and 311 (318) in Finland. The

average number of Group employees during the review period was 3,530 (3,414) people.

Personnel by Country 3,474 (31 December 2019)



CHANGES IN GROUP STRUCTURE

Through a transaction signed on May 22, 2019, Scanfil plc acquired all shares in HASEC-Elektronik GmbH, a German contract manufacturer of electronics (currently Scanfil Electronics GmbH).

During the review period, Scanfil plc established Scanfil Holding Germany GmbH, a wholly-owned holding company, in Germany. It holds all shares in Scanfil GmbH (Hamburg) and Scanfil Electronics GmbH:n (Wutha-Farnroda), Scanfil's subsidiaries in Germany. After the arrangement, Scanfil plc has three wholly-owned sub-groups: Scanfil EMS Oy (Finland), Scanfil Sweden AB (Sweden) and Scanfil Holding Germany GmbH (Germany). The parent companies of these sub-groups wholly own their subsidiaries.

The operations of Hasec-Elektronik Sp. z o.o., a Polish subsidiary of Scanfil Electronics GmbH, was discontinued during the review period. Preparations to dissolve the company through a voluntary liquidation procedure are underway. The dissolution of two discontinued companies was completed through a voluntary liquidation procedure during the financial period.

FUTURE OUTLOOK

Scanfil estimates that its turnover for 2020 will be EUR 590 – 640 million and adjusted operating profit will amount to EUR 39 – 43 million.

The estimation is based on our existing understanding of impact of Coronavirus. The 2020 guidance is subject to exceptional uncertainty due to the potential negative

impact of the Coronavirus epidemic on customer demand and, in particular, the situation in China.

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 caused by the yet unknown negative effects of the spread of the Coronavirus epidemic. No essential changes have taken place in the Scanfil's other business risks during the review period.

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 is exposed to risks resulting from exchange rate fluctuations in its business operations.

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 2020 AND BOARD OF DIRECTORS' PROPOSALS TO THE ANNUAL GENERAL MEETING

Scanfil plc's Annual General Meeting will be held on 23 April 2020 at the company's head office in Sievi, Finland.

Dividend for 2019

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 43,485,669.92 including retained earnings EUR 12,168,378.38. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.15 (0.13) per share be paid for a total of EUR 9,704,998.95 for the financial year ending on 31 December 2019. The dividend matching day is 27 April 2020. 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 5 May 2020.

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.

ACCOUNTING PRINCIPLES

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

Scanfil reports single business segment.

Starting from 1 January 2019, Scanfil has adopted new standard IFRS 16 Leases. The changes in accounting principles resulting from this adoption are presented under "Changes in accounting principles." Otherwise, the accounting principles applied correspond with those defined in the Group's 2018 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 19 February 2020, the Board of Director of Scanfil plc approved this Financial Statements report release for publication.

CHANGES IN ACCOUNTING PRINCIPLES

IFRS 16 Leases

The new standard replaced IAS 17 and related interpretations. IFRS 16 requires lessees to recognise lease agreements on the balance sheet as a lease liability and as a related asset item. Lessor accounting remains mostly similar to current IAS 17.

Six of the group's eleven production plants operate in leased premises. In addition, the group has lease agreements on cars and other vehicles (mainly forklifts). Scanfil has started to use a simplified approach. The group used exceptions that concern short-term lease agreements of at most 12 months and assets at a maximum value of USD 5000, apart from leasing cars, for example, to which the 12-month exception does not apply. Therefore, nearly all lease agreements were recognised on the balance sheet at the time of the transition. The interest rate applied to the Group's loans in Finland, Sweden, Germany and Estonia will be used as the discount rate. Discount rates applied in other countries have been defined separately for each country.

Lease agreement liabilities and the asset item regarding the right of use on January 1, 2019, recognised on the balance sheet totalled EUR 14.8 million

The adoption of the standard has an impact on key figures; the equity ratio has decreased by 2.9 percentage points and net gearing by 11.6 percentage points. The impact to net results is minor.

Reconciliation calculation, EUR 1000

Minimum leasing liabilities in financial statements of December 31, 2018	12 035
Impact of discount rate	-1 145
Lease periods longer than minimum lease periods	5 371
New lease agreement, starting on February 1, 2019, included in lease agreement liabilities	-1 422
Fixed asset item in accordance with IFRS 16, January 1, 2019	14 839

Other amended standards do not have any impact on consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

EUR million

	10 - 12 2019	10 - 12 2018	1 - 12 2019	1 - 12 2018
Turnover	154.7	140.2	579.4	563.0
Other operating income	0.2	0.3	1.0	0.8
Changes in inventories of finished goods and work in progress	-0.3	-0.2	0.8	-0.3
Manufacturing for own use			0.0	
Expenses	-140.8	-130.4	-528.2	-516.2
Depreciation	-3.9	-2.5	-17.7	-9.5
Operating profit	10.0	7.5	35.3	37.8
Financial income and expenses	0.0	-0.1	-1.3	-1.7
Profit before taxes	10.0	7.4	34.0	36.0
Income taxes	-0.2	-1.0	-5.9	-7.1
Net profit for the period	9.8	6.4	28.1	28.9
Attributable to:				
Equity holders of the parent	9.8	6.4	28.1	28.9
Earnings per share for profit attributable to shareholders of the parent:				
undiluted and diluted				
earnings per share (EUR)	0.15	0.10	0.44	0.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million

	10 - 12 2019	10 - 12 2018	1 - 12 2019	1 - 12 2018
Net profit for the period	9.8	6.4	28.1	28.9
Items that may later be recognized in profit or loss				
Translation differences	1.3	0.4	0.3	-2.4
Cash flow hedges	0.3	-0.1	0.4	-0.2
Other comprehensive income, net of tax	1.7	0.2	0.7	-2.6
Total Comprehensive Income	11.5	6.7	28.8	26.3
Attributable to:				
Equity holders of the parent	11.5	6.7	28.8	26.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

Assets	31.12.2019	31.12.2018
Non-current assets		
Property, plant and equipment	50.7	49.1
Right-of-use asset	21.0	
Goodwill	8.0	10.1
Other intangible assets	16.8	12.2
Available-for-sale investments	0.5	0.0
Deferred tax assets	5.7	4.4
Total non-current assets	102.7	75.9
Current assets		
Inventories	101.9	99.2
Trade and other receivables	112.1	107.6
Advance payments	0.5	0.3
Current tax	2.4	1.6
Cash and cash equivalents	20.4	19.2
Total current assets	237.3	227.9
Total assets	340.0	303.8
Shareholder's equity and liabilities	31.12.2019	31.12.2018
Equity attributable to equity holders of the parent		
Share capital	2.0	2.0
Reserve for invested unrestricted equity fund	31.0	28.4
Fair value reserve	0.2	-0.2
Other reserves	6.9	6.7
Translation differences	4.6	4.3
Retained earnings	122.0	103.6
Total equity	166.7	144.7
Non-current liabilities		
Deferred tax liabilities	7.0	6.0
Provisions	0.4	0.3
Interest bearing liabilities	24.7	16.6
Lease liability	18.8	
Total non-current liabilities	50.9	22.8
Current liabilities		
Trade and other liabilities	96.1	103.5
Current tax	3.0	1.8
Provisions	0.2	0.1
Interest bearing liabilities	19.5	30.8
Lease liability	3.5	
Total current liabilities	122.4	136.2
Total liabilities	173.3	159.1
Total shareholder's equity and liabilities	340.0	303.8

CONSOLIDATED CASH FLOW STATEMENT

EUR million

	1.1.-31.12.2019	1.1.-31.12.2018
Cash flow from operating activities		
Net profit	28.1	28.9
Adjustments for the net profit	25.6	18.2
Change in net working capital	-7.6	-9.5
Paid interests and other financial expenses	-2.3	-1.7
Interest received	0.3	0.1
Taxes paid	-8.2	-6.9
Net cash from operating activities	35.9	29.0
Cash flow from investing activities		
Acquisition of subsidiaries less cash and cash equivalents at the time of acquisition	-7.5	
Investments in tangible and intangible assets	-10.6	-10.1
Sale of tangible and intangible assets	0.5	0.4
Net cash from investing activities	-17.6	-9.7
Cash flow from financing activities		
Related-party investment company shares	0.4	0.4
Purchase of own shares	-1.2	
Proceeds from long term loans	30.0	
Repayment of long-term loans	-23.8	-10.5
Proceeds from short term loans	5.3	
Repayment of short-term loans	-19.4	-3.5
Dividends paid	-8.3	-7.0
Net cash from financing activities	-17.1	-20.7
Net increase/decrease in cash and cash equivalents	1.1	-1.3
Cash and cash equivalents at beginning of period	19.2	20.6
Changes in exchange rates	0.1	-0.2
Cash and cash equivalents at end of period	20.4	19.2

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR million

Equity attributable to equity holders of the parent company

Equity	Share capital	Reserve for invested unrestricted equity fund	Fair value reserve	Reserve fund	Translation differences	Retained earnings	Equity total
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	
Share issue		2.5					2.5
Option Scheme						0.1	0.1
Purchase of own shares						-1.2	-1.2
Paid dividends						-8.3	-8.3
Equity 31.12.2019	2.0	31.0	0.2	6.9	4.6	122.0	166.7

Equity attributable to equity holders of the parent company

Equity	Share capital	Reserve for invested unrestricted equity fund	Fair value reserve	Reserve fund	Translation differences	Retained earnings	Equity total
1.1.2018	2.0	28.0	-0.1	6.7	6.7	81.3	124.7
Adjustment according to IFRS 15						0.2	0.2
Total comprehensive income			-0.2		-2.4	28.9	26.2
Exercised options		0.4					0.4
Option Scheme						0.2	0.2
Paid dividends						-7.0	-7.0
Equity 31.12.2018	2.0	28.4	-0.3	6.7	4.3	103.6	144.7

KEY INDICATORS

	1 - 12 2019	1 - 12 2018
Return on equity, %	18.0	21.5
Return on investment, %	17.0	20.2
Interest-bearing liabilities, EUR million	66.6	47.3
Gearing, %	27.7	19.5
Equity ratio, %	49.1	47.7
Gross investments, EUR million	21.1	10.1
% of net turnover	3.6	1.8
Personnel, average	3 530	3 414
Earnings per share, EUR	0.44	0.45
Shareholders' equity per share, EUR	2.58	2.26
Dividend per share, EUR	0.15	0.13
Dividend per earnings, %	34.3	28.7
Effective dividend yield, %	3.07	3.47
Price-to-earnings ratio (P/E)	11.2	8.3
Year's lowest share price, EUR	3.73	3.45
Year's highest share price, EUR	4.96	5.16
Average share price for year, EUR	4.16	4.44
Share price at year's end, EUR	4.89	3.75
Market capitalisation at end of year, EUR million	316.4	240.1
Number of shares at the end of period, 000's		
- not counting own shares	64 700	64 035
- weighted average	64 296	63 945

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.

ACQUIRED BUSINESS

EUR million

Scanfil plc has acquired the entire share capital of the German contract manufacturer HASEC-Elektronik GmbH. The acquisition date was 17 June 2019. Acquisition related costs of EUR 0.4 million are mainly comprised of advisory fees and due diligence expenses.

The value of the acquired assets and liabilities on the date of acquisition were as follows:

Tangible assets	4.4
Long-term customer relationships	3.8
Other intangible assets	0.5
Shares in associated companies	0.5
Inventories	8.0
Trade and other receivables	1.5
Cash and cash equivalents	0.6
Total assets	19.2
Deferred tax liabilities	1.2
Non-current interest bearing liabilities	4.5
Trade and other liabilities	3.9
Equity loan	1.0
Total liabilities	10.6
Net assets	8.6
Goodwill arising on acquisition	
Acquisition cost	10.2
Goodwill	-1.6
Purchase price in cash	8.1
Cash and cash equivalents of the acquired company	0.6
Cash Flow	7.5

According to the preliminary acquisition cost calculation, EUR 3.8 million was allocated to long-term customer relationships. The deferred tax liability is EUR 1.1 million. EUR 1.6 million of unallocated goodwill was recognised from the acquisition. EUR -0.6 million was allocated to property, plant and equipment. The deferred tax asset is EUR 0.1 million. HASEC-Elektronik GmbH has been consolidated into Scanfil Group as of 17 June 2019. The effect on the Group's turnover for the reporting period was EUR 19.9 million and net profit for the period EUR -0.1 million. Scanfil's turnover for January-December 2019 would have been EUR 595.0 million and net profit for the period EUR 28.4 million if the business acquired during the financial year had been consolidated as of January 1, 2019.

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

EUR million

	10 - 12 2019	1 - 12 2019
Operating profit	10,0	35,3
Operating profit, % of turnover	6.5 %	6.1 %
Adjustment items:		
<i>Goodwill write-down</i>		3.6
<i>Acquisition costs of acquired transactions</i>	0.0	0.4
Adjustment items total	0.0	4.0
Adjusted operating profit	10.0	39.4
Adjusted operating profit, % of turnover	6.5 %	6.8 %
Financial income and expenses	0.0	-1.3
Profit before taxes	10.0	34.0
Income taxes	-0.2	-5.9
Net profit for the period	9.8	28.1
Earnings per share, EUR	0.15	0.44
Adjusted net profit for the period	9.8	32.1
Adjusted earnings per share, EUR		0.50
Equity		166.7
Return on equity, %		18.0 %
Adjustment items:		
<i>Net profit for the period</i>		4.0
Adjusted equity		170.7
Adjusted return on equity, %		20.4 %

Previous year's operating profit, profit for the period and shareholders' equity are not including any adjusted items.

DISAGGREGATION OF REVENUES

EUR million

EUR million	10 - 12 2019			10 - 12 2018		
	Goods	Services	Total	Goods	Services	Total
Customer Segments						
Communication	17.6	3.1	20.7	24.2	3.0	27.2
Consumer Applications	26.8	1.5	28.3	22.9	2.2	25.1
Energy & Automation	27.8	1.7	29.4	25.3	2.3	27.7
Industrial	43.7	3.1	46.8	32.7	2.4	35.1
Medtec & Life Science	27.6	1.8	29.4	23.4	1.8	25.2
Total	143.5	11.2	154.7	128.5	11.8	140.2
Timing of revenue recognition						
Goods and services transferred at a point of time	143.5	10.4	153.9	128.5	11.0	139.5
Services transferred over time		0.7	0.7		0.7	0.7
Total	143.5	11.2	154.7	128.5	11.8	140.2

EUR million	1 - 12 2019			1 - 12 2018		
	Goods	Services	Total	Goods	Services	Total
Customer Segments						
Communication	66.9	12.5	79.4	86.8	10.7	97.5
Consumer Applications	103.2	4.1	107.3	121.6	4.1	125.6
Energy & Automation	105.7	5.7	111.3	101.8	5.7	107.5
Industrial	161.9	11.3	173.3	127.3	7.2	134.6
Medtec & Life Science	100.9	7.2	108.1	89.4	8.6	97.9
Total	538.6	40.8	579.4	526.8	36.2	563.0
Timing of revenue recognition						
Goods and services transferred at a point of time	538.6	37.3	575.9	526.8	33.3	560.1
Services transferred over time		3.5	3.5		2.9	2.9
Total	538.6	40.8	579.4	526.8	36.2	563.0

CHANGES IN GOODWILL

EUR million

	1 - 12 2019	1 - 12 2018
Book value at the beginning of the period	10.1	10.4
Business combinations	1.6	
Impairment	-3.6	
Exchange rate differences	-0.2	-0.3
Book value at the end of the period	8.0	10.1

The impairment of goodwill includes the write-down of goodwill of Scanfil GmbH. The business combination consists of the goodwill recognized on the acquisition of HASEC-Elektronik GmbH.

CHANGES IN TANGIBLE NON-CURRENT ASSETS

EUR million

	1 - 12 2019	1 - 12 2018
Book value at the beginning of the period	63.9	47.7
Additions	10.0	9.9
Deductions	0.2	-0.1
Business combinations	10.4	
Depreciations	-11.8	-7.5
Exchange rate differences	-1.3	-0.8
Book value at the end of the period	71.6	49.1

The carrying amount at the beginning of the financial year on 1 January 2019 includes the effect of the change in accounting principle arising from the adoption of IFRS 16 *Leases*, EUR 14.8 million. The carrying amount on 31 December 2019 includes the asset item EUR 21.0 million of IFRS 16, which is recognized as an asset

FINANCIAL ASSETS AND LIABILITIES, CARRYING AMOUNT AND FAIR VALUE

EUR million

	31.12.2019 Book values of balance sheet values	31.12.2019 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	102.3	102.3
Cash and cash equivalents	20.4	20.4
Derivatives	0.2	0.2
Current assets total	122.9	122.9
Total financial assets	123.4	123.4
Non-current financial liabilities		
Interest bearing liabilities from financial institutions	24.7	24.7
Lease liability	18.8	18.8
Non-current financial liabilities total	43.5	43.5
Current financial liabilities		
Interest bearing liabilities from financial institutions	6.4	6.4
Lease liability	3.5	3.5
Loans withdrawn from the credit limit	13.2	13.2
Trade payables	72.9	72.9
Current financial liabilities total	96.0	96.0
Total financial liabilities	139.5	139.5

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

	Positive	Negative	Net	Nominal value
Interest rate swaps, protective	0.3	-0.1	0.2	23.5

PROVISIONS

EUR million

	Reclamation and guarantee	Pension	Other	Total
1.1.2019	0.1	0.0	0.2	0.4
Exchange rate differences	0.0	0.0	0.0	0.0
Additions	0.1	0.0	0.1	0.2
31.12.2019	0.2	0.1	0.3	0.6

Long term provisions are EUR 0.4 million and short term provisions EUR 0.2 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.

CONTINGENT LIABILITIES

EUR million

	1 - 12 2019	1 - 12 2018
Business mortgages	10.0	110.0
Pledged guarantees	8.6	8.3

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

	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17
Turnover, MEUR	154.7	152.3	142.6	129.9	140.2	131.5	151.7	139.6	144.4
Operating profit, MEUR	10.0	12.1	6.4	6.8	7.5	8.8	11.2	10.3	9.6
Operating profit, %	6.5	7.9	4.5	5.3	5.4	6.7	7.4	7.4	6.6
Net income, MEUR	9.8	8.8	4.6	4.8	6.4	6.9	8.0	7.6	10.5

CALCULATION OF KEY INDICATORS

Return on equity, %	$\frac{\text{Net profit for the period} \times 100}{\text{Shareholders' equity (average)}}$
Adjusted return on equity, %	$\frac{\text{Adjusted net profit for the period} \times 100}{\text{Adjusted shareholders' equity (average)}}$
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	$\frac{\text{Net profit for the period}}{\text{Average adjusted number of shares during the year}}$
Adjusted earnings per share	$\frac{\text{Adjusted net profit for the period}}{\text{Average adjusted number of shares during the year}}$
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	$\text{Number of shares} \times \text{last trading price of the financial period}$

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Scanfil is an international contract manufacturer and system supplier for the electronics industry with 40 years of experience in demanding contract 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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