SCANFIL

Annual report 2021

Trusted manufacturing partner

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SCANFIL

Scanfil enables customers to succeed by providing effective and innovative solutions that bring products to life and to market.

Scanfil in brief

Scanfil is a trusted manufacturing partner and system supplier with over 45 years of experience in demanding manufacturing. Scanfil provides its customers an extensive array of services, ranging from product design to product manufacturing, material procurement, and logistics solutions. Scanfil's competitive advantages are speed, flexibility and reliability.

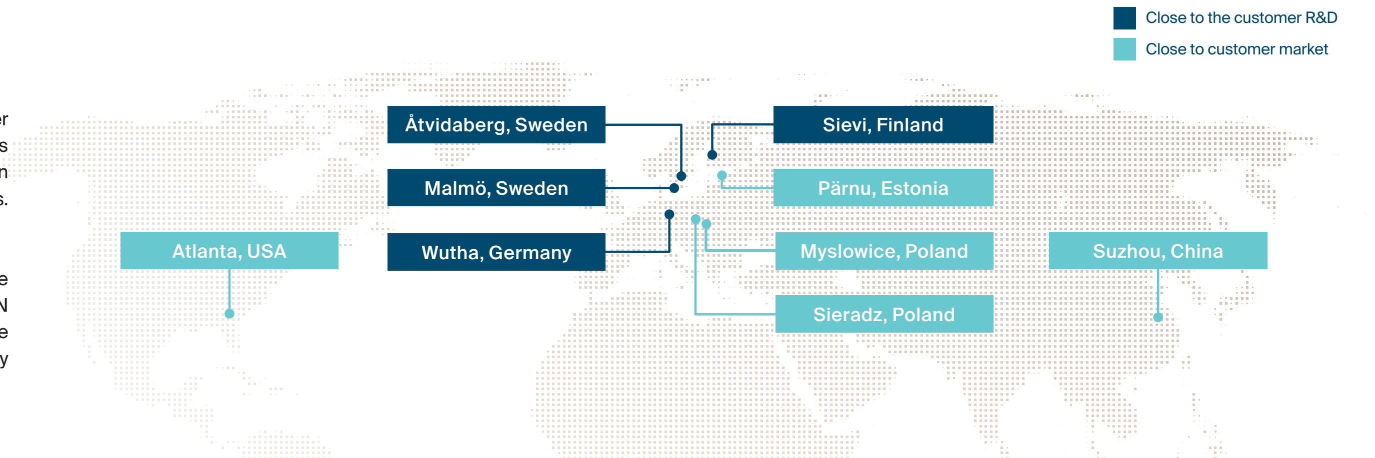
Scanfil has a strong focus on sustainability and responsibility. We are committed to UN Global Compact and have identified eight key UN Sustainable Development Goals. In 2021, we were awarded with the EcoVadis rating. Read more about our sustainability (link to sustainability report).

Factory network

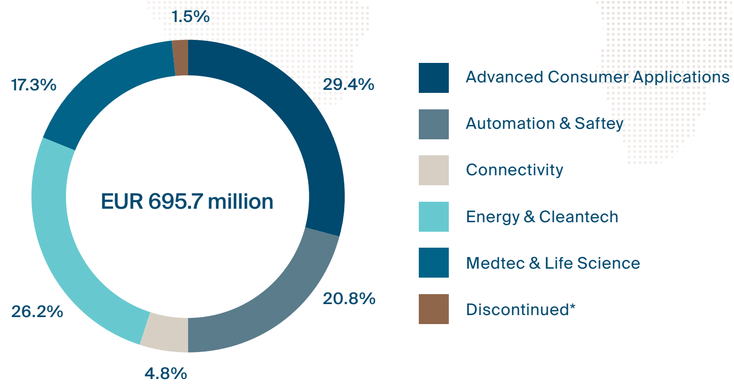
Scanfil has a global factory network with different roles: close to customer R&D and close to customer market. All factories are self-governing and profit and loss responsible but benefits from the group operations such as sales, global sourcing, financial resources, IT systems, unified machinery, and processes. This enables us to react fast to changing customer needs and benefit from our scale in procurement and investments.

Close to customer R&D factories are sites with low volumes and located close to customers' R&D functions. Physical closeness enables fast product development and rapid prototyping. Production can be transferred to close customer market factories when the product has matured and reached higher volume needs.

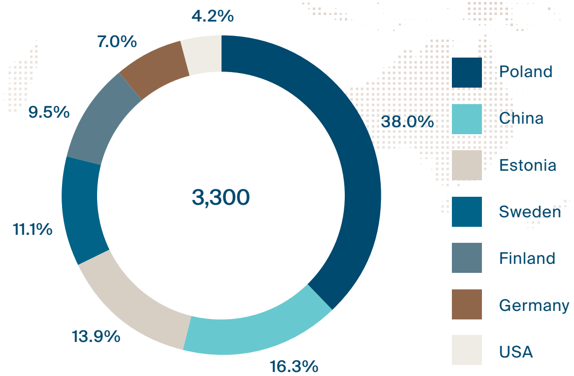
Close to customer market factories are in or close the customers' geographical end market. This enables lower transportation costs and time, enhanced market understanding, and possible benefits from avoiding some import-related costs such as customs.



Turnover



Personnel



* Discontinued was an intermediary trading segment.

CEO’s review

“Driven by the strong customer demand, the year 2021 became a record year of growth and turnover. This all despite the pandemic and the challenges of material availability. Turnover increased by 16.9% to EUR 696 million. We nearly reached the target of EUR 700 million set for 2023 - two years ahead of schedule!

Adjusted operating profit in 2021 was EUR 40.3 million, 5.8% of turnover, and falling short of the long-term target level of 7%.

The biggest negative effects on operating profit for the period were caused by material availability challenges, abnormal high prices paid for spot market purchases, and the relocation of production of the Hamburg factory. The challenging material situation hampered us, especially in the second half of the year. The product transfer from Hamburg was completed by the end of the third quarter, and operations at the Hamburg factory ended during the fourth quarter.

Net cash flow from operating activities in 2021 was EUR 12.5 million negative, mainly due to a strong increase in inventories. The increase in inventories was affected by rising customer demand as well as a slowdown in inventory turnover caused by challenging material availability situation and higher material costs. Inventory management will continue to be the focus area in 2022.

Scanfil’s balance sheet is still strong, with an equity ratio of 45.3% and a gearing of 28.9%, enabling the necessary investments and the implementation of a dividend policy. The Board of Directors proposes a dividend of EUR 0.19 per share for 2021, an increase of 11.8% compared to a year ago. If implemented, Scanfil’s dividend will increase for the ninth year in a row.

The demand outlook for Scanfil’s customers is strong for 2022, and our focus is very clear: we continue to respond to our customer demand, organic growth and turning our profitability to the target we have set. The short-term challenges and risks are mainly related to the availability of materials, especially semiconductors, which we believe will continue to be challenging at least in the first half of the year.

We expect our turnover continues to grow, being EUR 710–760 million this year, and operating profit to increase to EUR 43–48 million euros.

We aim for organic annual growth of 5–7% and an operating profit level of 7% in the longer term. To reach our growth target, we have acquired more production space at our Atlanta and Wutha factories, and started planning expansion options at our Suzhou factory. In the long run, we see North America and Asian markets as interesting expansion areas.

The year 2021 was strongly two-folded: strong customer demand combined with material availability challenges, the pandemic, and the relocation of production of Hamburg was very demanding on our personnel. I want to thank our dedicated employees for their perseverance and good work, as well as the support and trust of our customers.”

PETTERI JOKITALO
CEO

Strategy

Scanfil was founded in 1976. Throughout the decades, we have adjusted our strategy according to the prevailing market situation, but the focus remains the same – manufacturing of products with electronics.

We pursue profitable growth in our key market areas: Nordics, Central Europe, The USA, and China.

Customers

Scanfil serves a wide range of customers from start-ups to global leaders. The focus is on industrial and medtech customers, which are the perfect fit for Scanfil's production and service platform. They tend to have lower production volumes than those in consumer markets and product life cycles even decades-long with refurbishing and modernization needs. Our aim is to be customers' preferred manufacturing partner. Our goal is to build long-term relations, and we have succeeded well: Scanfil's longest existing customer relationships have lasted over 40 years.

Services

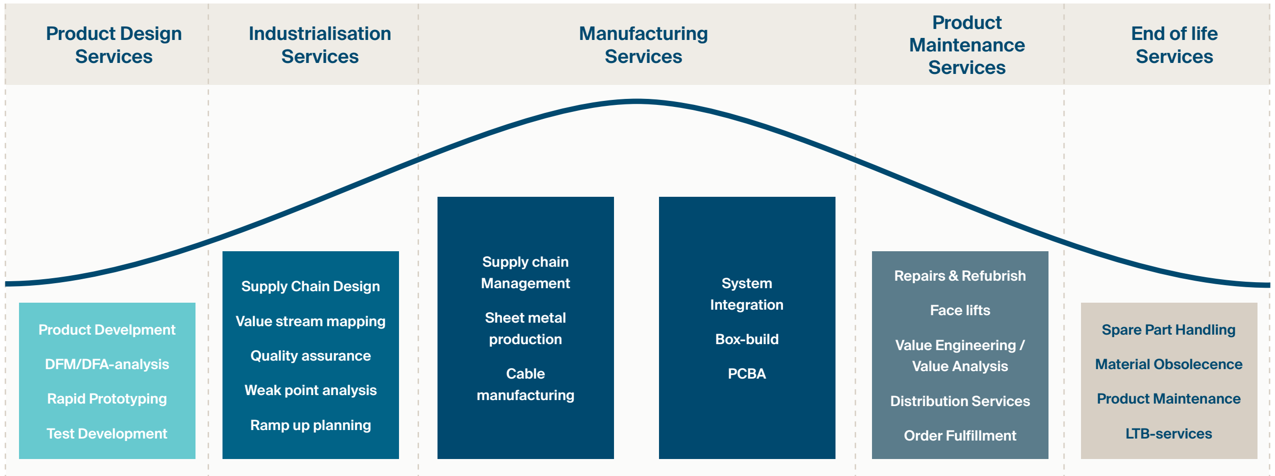
Our services cover product design and development to production and end-of-life. One of the key success factors for both Scanfil and its customers is the close collaboration in the early phases of the product design. Continuous cooperation enables customers to reduce time-to-market and costs by choosing the best materials and production technologies.

The wide spectrum of services enables Scanfil also to take full responsibility for another company's production. We are a reliable partner for companies to outsource their production to. Especially, brand owners can benefit from production outsourcing with low or no investments needed into production, flexibility when customer pays only for the manufactured products and production can be scaled up or down to correspond to the prevailing demand.

Technology

We have systematically invested in reassuring our technological leadership through a five-year program. SMART technology program has been set for 2019-2023, and it aims at fast digitalization and automation. Within the program, we have, e.g., adopted the state-of-the-art Manufacturing Execution System (MES), automated our material flow at factories, taken cobots, machine learning and AI into broader use.

Our offer throughout customers product's life cycle



Customer segments and growth drivers

Scanfil has five customer segments that typically have different business cycles, and therefore, it balances changes in demand. We have identified Energy & Cleantech and Medtech & Life Science as high-growth potential customer segments.

Advanced Consumer Applications

End products and solutions are often used in public places. End products are ,e.g., self-service applications, handover automation (e.g. parcel lockers for logistic services) and elevators.

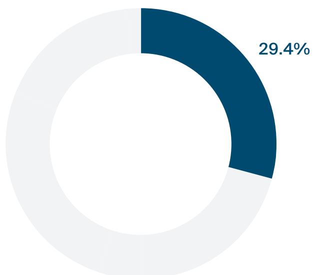
Driving megatrends

- Urbanization
- Growing middle class
- Modernization of households

TK Elevator

ANKARSRUM

QleanAir SCANDINAVIA



Automation & Safety

End products in this segment are, e.g., cameras for network video solutions, access control systems and automation systems.

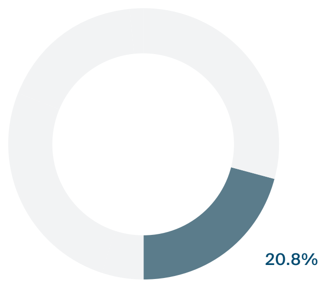
Driving megatrends

- Industrial automation
- Robotics
- Sustainability

UMS SKELDAR

Valmet

TOYOTA MATERIAL HANDLING



Connectivity

End products in this segment are, e.g. , wireless connectivity modules and radio systems.

Driving megatrends

- Digitalization
- Increasing significance and use of information in society
- 5G and wireless solutions
- Industrial internet

ublox

TELESTE

AIRTAME

Energy & Cleantech

End products in this segment are, e.g., reverse vending machines, air and water cleaners, indoor climate control systems, energy systems and automated collection and sorting solutions.

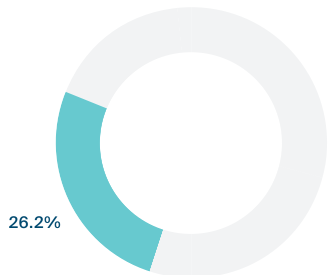
Driving megatrends

- Energy efficiency, renewable energy production and solutions for circular economy
- Urbanization particularly in emerging markets
- Monitoring, controlling and cleaning of water and air quality

TOMRA

EATON

ABB



Medtech & Life Science

End products for the segment are, e.g., dental chairs, analyzers, mass spectrometers and solutions for environmental measuring.

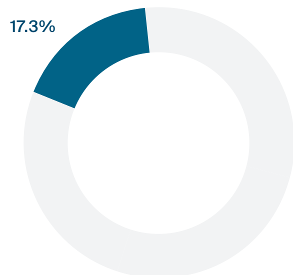
Driving megatrends

- Ageing population
- The increasing needs for healthcare and technology in emerging markets
- Climate change and need to predict weather phenomena

ThermoFisher SCIENTIFIC

VAISALA

PLANMECA

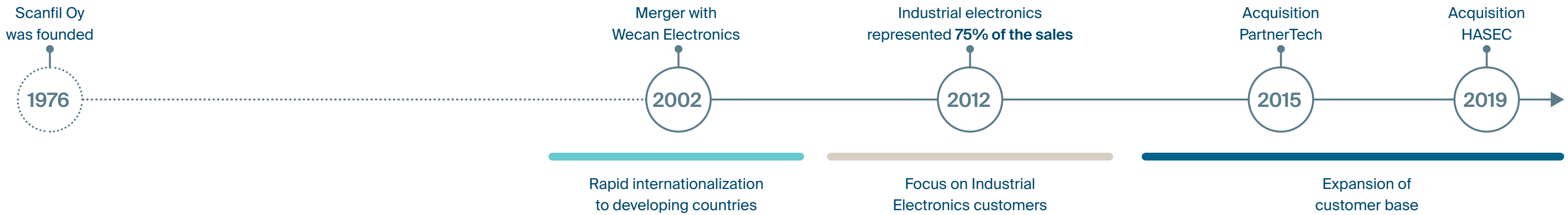


Growth drivers

Historical growth of the relevant Electronics Manufacturing Services (EMS) market to Scanfil has been 3-6% p.a. Scanfil aims to grow faster than the market and has set the annual organic growth target of turnover to 5-7%.

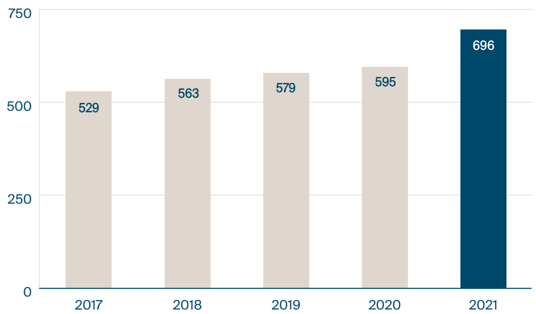
Mergers and acquisitions have been part of our tool box for decades. We are actively looking for EMS companies with a complementary customer base and geographical reach.

Read more about Scanfil's history

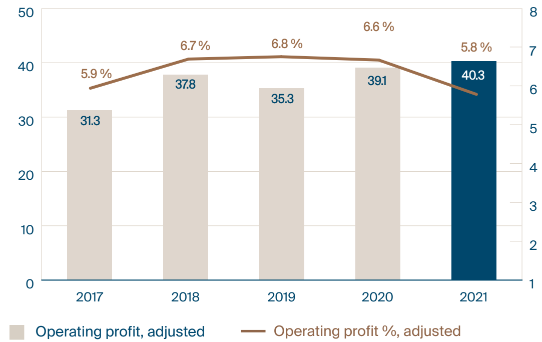


Investor information

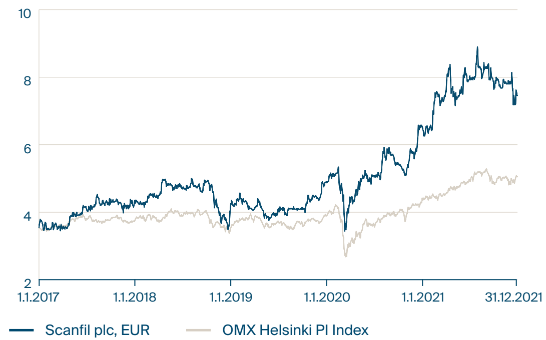
Turnover



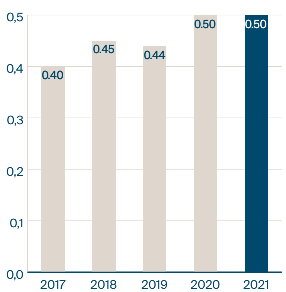
Operating profit & operating profit %, adj.



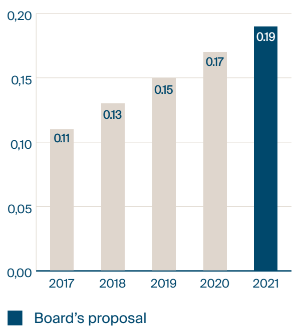
Scanfil share price



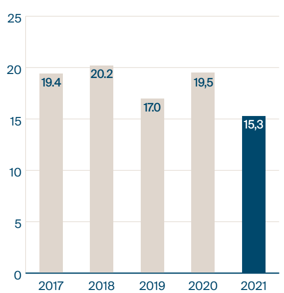
Earnings per share, adj.



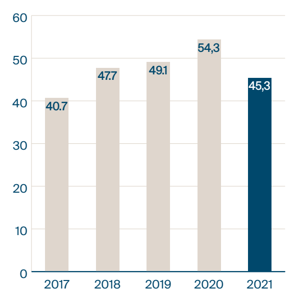
Dividend per share



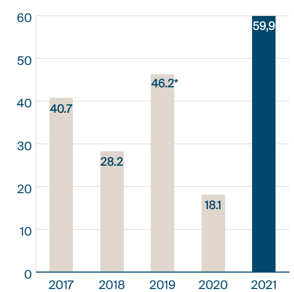
Return on investment



Equity ratio



Net debt



*The increase in net debt is due to the adaption of IFRS 16.

Scanfil as an investment

Scanfil is a company with strong culture and values. The company has been profitable since the beginning. It is a preferred manufacturing partner and systems supplier for industrial customers The company has earned a reputation for building long-term partnerships based on a mutual passion for success.

Profitable operations in all situations have made it possible to invest and secure the company's future.

Solvent and financially reliable partner

Scanfil is a solvent and financially reliable partner for its customers, suppliers, shareholders and employees.

Scanfil's goal is to work in sustainable, long-term cooperation with its customers. Like its customers, the company operates internationally, and its customers include numerous significant international automation, clean energy, recycling and health technology providers, as well as companies operating in the field of urbanization. Scanfil is the market leader in the Nordic countries, among the largest companies in its sector in Europe, and a household name in the global market.

Long-term targets

Scanfil is organically aiming for 5-7% annual turnover growth and 7% operating profit level.

Outlook for 2022

Scanfil estimates that its turnover for 2022 will be EUR 710–760 million, and its adjusted operating profit will be EUR 43–48 million.

The guidance is based on customer forecasts and Scanfil's normal forecasting process. Outlook involves uncertainty arising from the potential negative impact of the availability and prices of certain materials, especially semiconductors, and supply chains delivery capability. In addition, the COVID-19 pandemic might have a negative impact on customer demand and the supply chain.

Dividend

Scanfil aims to pay an increasing dividend of approximately 1/3 of the earnings per share. The level of dividends paid and the date of payment are affected by the result, financial position, need for capital and other possible factors.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.19 (0.17) per share be paid for a total of EUR 12,316,038.45 for the financial year ending on 31 December 2021. The dividend matching day is 25 April 2022 and the dividend payment date 2 May 2022. The dividend will be paid to shareholders registered in the Register of Shareholders maintained by Euroclear Finland Ltd on the matching date.

Annual General Meeting

Scanfil plc's Annual General Meeting (AGM) will be held on 21 April 2022 at the premises of Borenius Attorneys Ltd, at Eteläesplanadi 2, 00130 Helsinki, Finland. Shareholders of the company and their proxy representatives may participate in the meeting and exercise shareholder rights only through voting in advance as well as by making counterproposals and presenting questions in advance. People may not participate in the meeting in person at the venue. More information here (linkki)

Financial publications in 2022

- Interim report for January–March, 22 April 2022
- Interim report for January–June, 5 August 2022
- Interim report for January–September, 26 October 2022

The financial publications are released in Finnish and English languages. They will be available on the company's website at scanfil.com.

Sustainability Report

Scanfil plc is committed to developing its sustainability, sustainability targets, and its reporting and measuring. This sustainability report has been approved by the Board of Directors, and it has been compiled according to the EU's other than non-financial information reporting directive.

EU Taxonomy Regulation

As a listed company with more than 500 employees, we are in the scope of the EU Taxonomy Regulation. As an electronic manufacturing service (EMS) company, Scanfil belongs to the manufacturing sector and is more specifically under electronics manufacturing. We do not currently consider our core economic activities to be in the scope of the EU Taxonomy Regulation's technical annexes on climate change mitigation and climate change adaptation. The manufacturing sector is expected to be more broadly included in the upcoming objectives of 3-6. Based on our current understanding, available data, and assessment of requirements, we have zero eligible activities to report on within revenue, Opex, and Capex. We note that the EU Taxonomy Regulation will keep evolving and that we will continue to consider its impact and future reporting obligations.

We contribute to the following UN Sustainable Development Goals

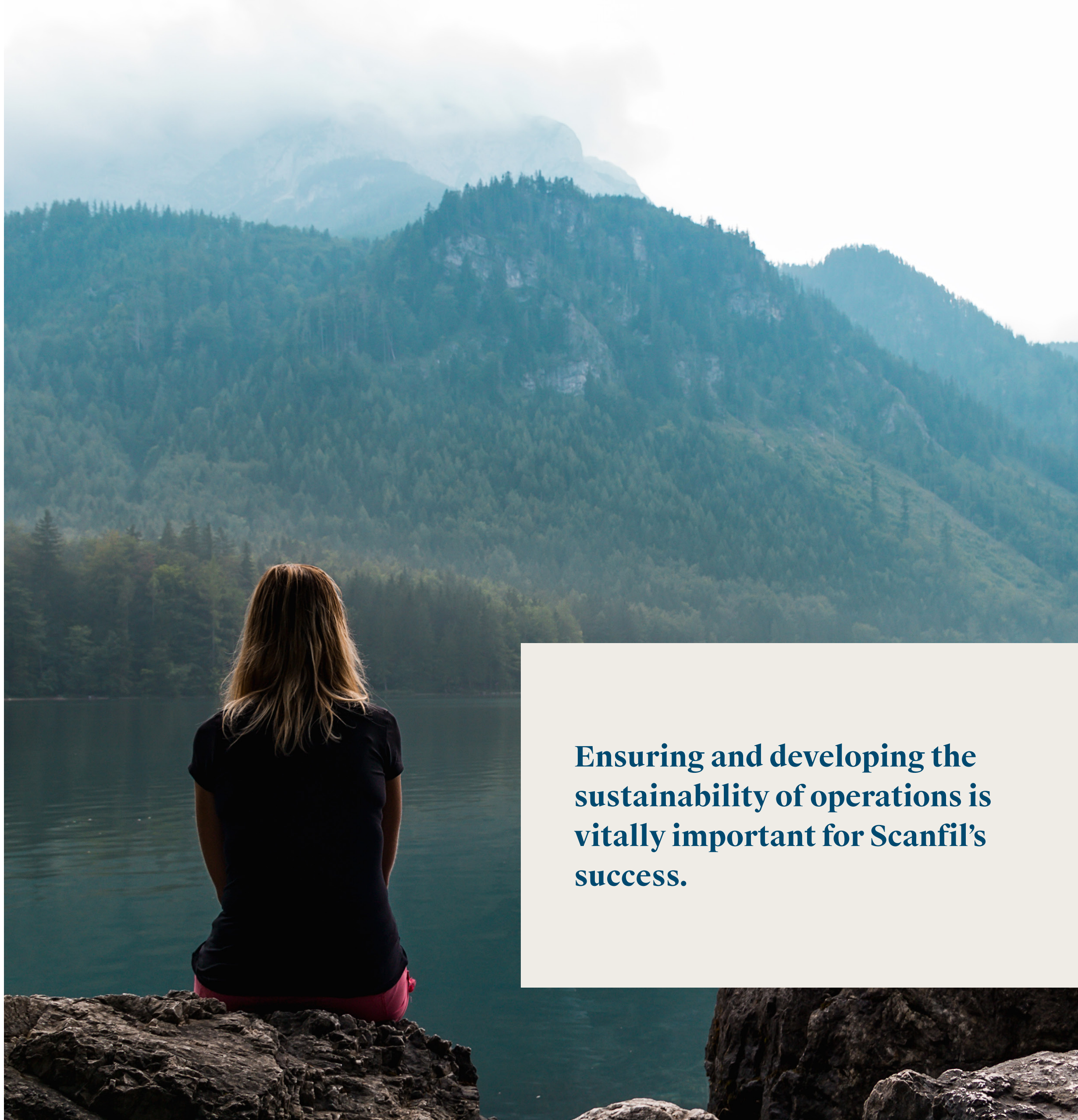
Sustainability at Scanfil

Scanfil is a trusted manufacturing partner and system supplier for the electronics industry with over 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. Scanfil's competitive advantages are speed, flexibility, and reliability. More information about the company, its services and operations is found from the beginning of the Annual Report and the company webpages.

Scanfil has a clear focus on sustainability and responsibility. Scanfil is committed to UN Global Compact and has identified eight key UN Sustainable Development Goals from the company perspective. In 2021 company was awarded the EcoVadis rating. EcoVadis methodology measures the quality of a company's sustainability management system through its policies, actions, and results. The assessment focuses on 21 sustainability criteria grouped into four themes: Environment, Labor & Human Rights, Ethics and Sustainable Procurement. Scanfil is also a signatory of United Nations Women Empowerment Principles (WEPs).

Management

The Board of Directors and members of the management of Scanfil are responsible for the management of corporate responsibility. In terms of its governance, Scanfil complies with Finnish laws and regulations, its Articles of Association, Nasdaq Helsinki's rules and guidelines, and the Finnish Corporate Governance Code. In practical work, responsibility perspectives are guided by the Group's Code of Conduct. Furthermore, in each country Scanfil has operations, it follows the national laws of that area. In addition, the policies and other ethical operating principles are approved by the Board of Directors or the Management Team.



Ensuring and developing the sustainability of operations is vitally important for Scanfil's success.

Key themes in corporate responsibility

Ensuring and developing the sustainability of operations is vitally important for Scanfil's success. The monitoring and continuous development of corporate sustainability serve the needs of all Scanfil's stakeholders. Scanfil has defined key factors for its corporate responsibility and divided them into Environmental (Responsible consumption and Climate action), Social (Heath and safety, Employee Satisfaction, equality and non-discrimination), and Good Corporate Governance (Customer focused, and fairness in all business relations).

The focus areas for **environmental** responsibility are the efficient use of raw materials, the control and reduction of energy and water consumption, as well as the management and reduction of waste, recycling, and the reduction of the carbon footprint. All sites within Scanfil are certified according to ISO 14001.

Social responsibility focuses on competence development, occupational health and safety, the development of the motivation and work satisfaction of the personnel, and equal treatment of the people. The ISO 45001 occupational health and safety management standard is being used at all Scanfil's factories. Scanfil's objective is to be an excellent place to work.

Good Governance includes the development of customer satisfaction, product quality, delivery reliability, continuous development of the community, compliance with the law and ethical principles throughout the supply chain, the prevention of corruption and bribery, and the focus is on profitability, ethical values and the transparency of operations. All the company's factories operate a quality control system observing the ISO 9001 criteria.

Sustainability risks

This section describes Scanfil's most important sustainability risks.

Supply chain

Scanfil's global supply chain includes procurement from countries with different risk levels. Potential risks in the supply chain include, e.g., compromising human rights or labor rights, risks to occupational health and safety, and causing environmental damage. Scanfil suppliers can cause notable reputation or business risks to Scanfil if they engage in such unethical behavior.

To effectively manage risks in the supply chain, Scanfil has a broad supplier evaluation process, and each supplier is committed to commit to Scanfil's Supplier Code of Conduct.

Health and safety

In our own operations, the greatest threats to employee health and safety, such as work-related illnesses and accidents, arise from a working culture where our health and safety processes are not followed, and risks in the work environment are not controlled or even recognized.

Our employees are involved in health and safety decisions through consultation and cooperation. We comply with legal requirements and develop and implement appropriate health and safety procedures and working practices.

Scanfil has formed Safety Council, which monitors all work safety aspects. Safety Council gathers quarterly to review corrective actions and preventive best practices. In addition to that, sick leaves, accidents/injuries and, serious accidents are monitored monthly.

The occupational risk analyses are performed regularly at all locations to verify if any potential occupational diseases may result from our operations.

Unethical behavior

Employee-related risks may also arise from violations of Scanfil's Code of Conduct and related principles, such as practices related to bribery, fraud, corruption, and misconduct, which could impact the company's reputation and its financial position.

Climate-related physical risks

Due to climate change e.g., extreme weather conditions are becoming more common. For example, floods or tornadoes could pose a threat to the continuity of Scanfil's operations. The company has business continuity plans in place in all factories to manage possible impacts.

Environmental responsibility

Responsible Consumption

Scanfil produces extensive services for its customers, ranging from product design and development to product manufacture, material procurement, and logistics solutions. Products are designed and manufactured based on customers' requirements, which means that the design process starts with product data provided by each customer. Accurate data and careful design allow a more efficient manufacturing process and a reduction in the environmental impacts of production. It is generally estimated that approximately 80% of a product's negative environmental impacts are determined in the product design phase. As circular economy aims to circulate products and materials at their highest value, it is essential that products have been designed with their eventual circulation in mind. The efficiency of resource utilization and the environmental friendliness of raw materials and products throughout their lifespans are analyzed in detail. Environmental impacts are taken into account throughout Scanfil's value chain, ranging from the procurement of raw materials to production, distribution, and recycling.

Scanfil promotes sustainable development by identifying, measuring and reporting the environmental impact caused by its activities. The goal is to reduce negative impacts on the environment. Scanfil's aspiration is to consider the environmental impact throughout the value chain, ranging from the procurement of raw materials to production, distribution, and recycling possibilities. All Scanfil's factories have a certified ISO 14001-compliant environmental management system. In its production, Scanfil mainly uses metals, components, and chemicals. It prefers recyclable materials and eco-friendly products. Part of the materials to be used are chosen by customers. The utilization rate of all raw materials is optimized to ensure the efficient use of resources and decrease the amount of waste created. Waste materials are recycled if they cannot be re-used in the company's own production. Steel is an important raw material used by Scanfil. Its effective use is closely monitored in the production process.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Scanfil promotes sustainable development by identifying, measuring and reporting the environmental impact caused by its activities.

The risks associated with chemicals are analyzed before their deployment, and they are handled following precise instructions and precautions. In addition, proper training and drills are arranged to prepare for any accidents.

Reduce carbon footprint

Scanfil commits to reducing its carbon footprint by 35% from 2020 to 2030 assuming that its organic growth remains at the current yearly level. This means a reduction of carbon footprint average of 4.2% from the baseline year 2020 (based on 5-7% organic growth). In 2021 the result was a 4.4% reduction of CO2 emission in total.

The company also commits that its energy consumption is 50% fossil-free by 2030. As an internationally operating company, employees' business travel is necessary, while the company seeks to reduce it, for example, by utilizing the possibilities of the latest technology and by favoring virtual meetings. The travel practice always guides the employees to choose the most environmentally friendly alternative for travel and meetings. Emissions from daily commuting have been reduced by organizing bus transportation for personnel at several Scanfil factories. The company's updated vehicle policy favors low-emission cars, such as hybrid models.

Due to travel restrictions imposed because of the outbreak of the coronavirus pandemic at the beginning of 2020, there were significant decreases in travel, and meetings between customers and partners were primarily held via remote connections. Employees who were able to work without needing to be in the workplace started to work remotely. As a result, emissions from commuting decreased.

Increasing usage of fossil-free energy

Scanfil commits that its energy consumption will be more than 50% fossil-free by 2030. This target is set from a baseline of the year 2020 (based on 5-7% organic growth). The result of 2021 was a 5% increase of fossil-free energy consumption.

Scanfil consumes energy in the heating, cooling and lighting of its production facilities, and in the use of production machinery. In 2021, Scanfil's total energy consumption was 29.07 million kWh, having been 28.79 million kWh in the previous year. Energy consumption increased by 0.3% year-on-year.

Most of the increase in energy consumption came from Sieradz, Pärnu, and Suzhou factories, where production volumes increased due to higher customer demand during 2021. The increase in production resulted in a larger number of machines installed and in more shifts when the factory operated during evenings and weekends.

The coronavirus countermeasures, e.g., longer opening hours of the factories and more shifts introduced as general risk control measures to prevent the spread of coronavirus, resulted in longer production periods which had an impact to energy consumption.

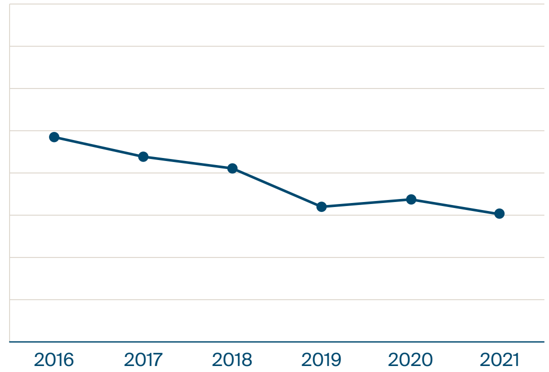
In 2021, all factories carried out an energy reduction program to reduce energy consumption by 3%, divided by added value. Target was met with a -5.4% decrease. The energy consumption is followed up on the group level.

Water and Waste

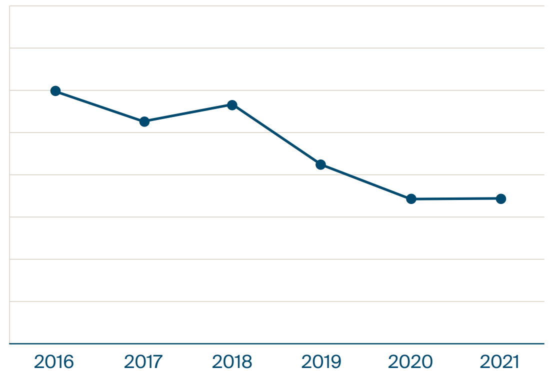
Water is used in facility maintenance, production, and sanitary facilities. Total water consumption was 47,479 m³ (44,875 m³ in 2021). Water consumption increased by 5.8%, but a decrease divided by added value was -0.3%. The increase in water consumption is distributed across all factories and is in relation to the production volume increases.

There was no big difference in the amount of waste between 2020 and 2021. There were some differences between factories due to changes in production and different product ranges. In total, an increase of waste created by 3.1%, related to production increase, but a decrease of waste divided by added value was -2.8%.

Energy consumption kWh / value add



Water consumption m³ / value add



Added value = turnover - purchases

Environmental certificate held by all

All Scanfil's factories have a certified ISO 14001:2015 -compliant environmental management system that verifies the measurement and improvement of environmental impacts on the company's management and employees, as well as on its external stakeholders. The company's management monitors the implementation of environmental practices, as well as the development of key indicators and the goals set, both locally and at group level. In addition, the employees are provided with the necessary knowledge and training to ensure they can work in accordance with the objectives of our environmental practices.

The most important actions taken in 2021 to support the above targets

- All factories have reviewed their energy agreements and the possibilities for fossil-free energy consumption for heating, cooling and electricity
- New energy agreement in Sievi factory for 100% green electricity
- All new equipment takes into account energy consumption
- Establish a full Material Declaration process
- Factory activities in following areas:
  - Lights
  - Heating & Cooling
  - Vehicles
  - Compressed air

The most important actions to be taken in 2022 to support the above target

- Transfer of production from Hamburg factory to other factories. Hamburg factory closes
- New energy agreement in Sieradz factory with 100 % fossil-free energy consumption
- Overview of factories using natural gas for heating for biofuel possibilities
- Energy reduction activities in all factories

Certificates of Scanfil's factories

Factory	**ISO 9001:2015** Quality management system	**ISO 14001:2015** Environmental management system	**ISO 13485:2016** Medical equipment	**ISO 45001:2018** Occupational health and safety assessment system	**IATF 16949:2016** Quality system standard for the automobile industry, conformity document
Atlanta	●	●	●	●	
Hamburg (closed September 2021)	●	●	●		
Malmö	●	●	●	●	
Myslowice	●	●	●	●	
Pärnu	●	●		●	
Sieradz	●	●	●	●	
Sievi	●	●	●	●	
Suzhou	●	●	●	●	●
Wutha	●	●	●	●	●
Åtvidaberg	●	●	●	●	

Social Responsibility

At Scanfil, social responsibility focuses on its employees' competence development, occupational health and safety, as well as the development of the personnel's motivation and work satisfaction. Scanfil aims to be a reliable employer and an encouraging working community where every individual has the opportunity to develop their personal skills and abilities. Scanfil aims to be among the highest quarter of its industry.

In 2021 Scanfil joined the UN initiative "Global Compact" to enhance responsible business practices. The principles are based on the UN Declaration of Human Rights, the ILO Fundamental Conventions on Human Rights at Work, the Rio Declaration, and the UN Convention against Corruption. By this, Scanfil has the use of Global Compact best practice guidance, tools, resources ,and training.

Scanfil has prepared HR and work environment policies and the Code of Conduct to guide the daily work of the management and other employees. The Code of Conduct describes in detail the ethical and sustainable methods of operation compliant with Scanfil's values. Any updates of the Code of Conduct are consulted with all subsidiaries, also involving their non-managerial employees, in order to get full alignment and contribution from differentiated communities. A thorough review of the Code of Conduct is part of the induction process. Scanfil's Code of Conduct was updated in 2021, and the training to personnel was carried out in all factories.

SCANFIL

Scanfil improves occupational safety by continuous active measures.

Occupational health and safety

2021 was characterized by the global coronavirus pandemic, due to which extensive measures were taken to protect the safety and health of Scanfil's personnel, customers, and partners. The Group adopted various measures considering country-specific restrictions and recommendations. Scanfil has paid particular attention to the coping of the personnel and the maintenance of their work motivation to avoid any exhaustion resulting from remote working. In 2022 the focus will be on promoting enhanced employee well-being.

In 2021, the Group's sick leave rate was 3.6%, while the target was less than 3%. This was mainly affected by the pandemic during the year. Due to Covid-19, employees' awareness grew, and they stayed at home also when having other mild flu-like symptoms.

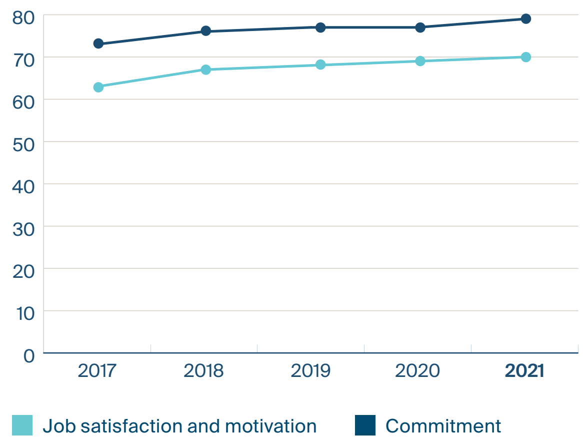
There were 43 occupational accidents, while the corresponding figure in 2020 was 54. Competence development continued at a global level and in local units under different programs.

Scanfil improves occupational safety by continuous active measures. The work environment must always be safe and healthy. The ISO 45001 occupational health and safety management standard is used at all Scanfil's factories. The development of safety is also monitored by the Safety Council, which meets four times a year and consists of the HR Managers and Safety Officers of each factory. In 2021 one serious accident requiring hospital care was reported.

Scanfil uses the Safety Book, in which information on occupational accidents occurring during a year is recorded. Scanfil reacts to all occupational accidents and near-miss incidents appropriately to prevent them from recurring. In addition, the Lean Manufacturing and Process Engineering teams participate in ensuring the safety and efficiency of production areas. Most accidents are related to the handling of materials in production areas and the use of tools at workstations. Challenging postures and extended sedentary work present a challenge in assembly and office work. Their negative impact is avoided through high ergonomics.

The response rate to the annual personnel survey was 87% (2020: 88%). Despite the uncertainties resulting from the coronavirus pandemic and rearrangements within the company, employees' job satisfaction, motivation and loyalty increased. The area that came out in the survey was office workers' workload — the workload driven by remote work and market situations. On top of the rising market demand, the availability of certain components, mainly semiconductors, added the workload of those employees responsible for customers and purchases. Therefore Group's focus on 2022 will be on white-collars workload. In addition, all factories have defined the top three areas to focus on locally. Based on the survey, over 450 development actions were registered within Scanfil.

Development of job satisfaction results



Human rights

The company ensures the fulfillment of its social responsibility through fair working conditions and practices, with an exclusive focus on human rights as expressed in its Code of Conduct. Scanfil uses Corporate Human Rights Benchmark (CHRB) as a benchmark tool for measuring human rights.

Human rights and equal treatment are fundamental values in Scanfil's operations, and here no compromises can ever be made. Besides the personnel, they concern all partners, and they define, among other things, the principles of respecting individuals, as well as those of preventing forced labor, child labor, and human trafficking. The Code of Conduct also includes instructions on reporting possible or suspected unethical or illegal actions. Scanfil's personnel survey also includes questions about any unwelcome behavior.

Scanfil has a whistleblowing channel through which the company's personnel and partners can anonymously report any observed or suspected misconduct regarding corruption, bribery, or rules described in the Code of Conduct. The company aims to ensure compliance with the Code of Conduct in its supply chain by carrying out audits and increasing supplier's awareness in this field. Compliance with the law and ethical principles is also monitored in internal control and audits. In 2021, no non-conformities pursuant to corporate governance were identified in Scanfil's global whistleblowing channels. Three cases of bullying or harassment were reported in local HR organizations. These were investigated thoroughly by local management teams, and the resulting actions were reported in the global HR organization.

In early 2021, Scanfil joined the United Nations Global Compact initiative. The companies involved in the Global Compact are committed to the ten principles of human rights, labor standards, the environment, and the eradication of corruption. In the latter part of 2021, Scanfil became United Nations Women Empowerment Principles (WEPs) Signatory. As a member of the WEPs community of companies, industry associations, and chambers of commerce, Scanfil is committed to making a difference for gender equality and women's empowerment in the workplace, marketplace, and community.

In 2021 Scanfil established Conflict Mineral Policy. Scanfil, together with its subsidiaries, is committed to corporate responsibility and respecting human rights in its operations and global supply chain. Therefore, we are committed to working with our customers and suppliers to responsibly source the materials and components we use in manufacturing our customers' products that may contain these minerals.

Scanfil is committed to ethical practices and compliance with all applicable laws and regulations. While we do not source these metals directly, they may exist in the materials and components we source.

Scanfil's factories are actively involved in charitable activities, and Scanfil supports UNICEF at the Group level.

Non-discrimination and diversity

We believe that the broader the pool of talent open to an employer, the greater the chance of finding the optimum person for the job. Innovation and agility are seen as the great benefits of diversity, and there is an increasing awareness of what has come to be known as 'the power of difference.' Scanfil employs around 50 different nationalities. We have over 70 employees with disabilities. The average age of our employees is 40 years, and the ratio between women and men is 45% to 55%. Board and management diversity is handled in the Scanfil's Board of Directors Report.

The most important actions taken in 2021:

- Scanfil CEO Statement of Support for the Women's Empowerment Principles
- Secure overall Human Rights
- Strengthen Scanfil Code of Conduct and train all personnel
- Strengthen Scanfil Web
- Establish Mineral Conflict Policy

The most important actions to be taken in 2022:

- Continuously improve employee satisfaction, including employee well-being and white-collar workload
- Sustainable Procurement – assessment of 80% most spend suppliers, preferred suppliers, and selected suppliers with an increased risk profile by EcoVadis assessment platform
- Scanfil uses UNGP (UN guiding principles on business and human rights) as a benchmark tool for measuring human rights
- Conduct human rights impact assessment

Good governance

Scanfil's governance is divided into good and sustainable business practices, customer satisfaction, and a sustainable supply chain. Topics concerning Board and Management are handled in the Board of Directors Report and in addition to this in the Remuneration report.

Good corporate citizen

Scanfil has operations in seven countries, and it co-operates with suppliers and subcontractors around the world. Scanfil is committed to being a good corporate citizen both internationally and locally, which is why all its functions must respect different cultures and cultural heritage, as well as local methods of operations compliant with national laws. Scanfil's Code of Conduct defines the ethical principles and commitment to anti-bribery, honesty, fair methods of operation, and the behavior expected of Scanfil's employees business partners and other stakeholders. Human rights and equal treatment are basic values in Scanfil's operations, and they cannot be compromised. People must be treated with dignity and respect in the manner approved by the international community.

Anti-corruption and anti-bribery measures

As part of its corporate responsibility management, Scanfil is also developing its activities to fight corruption and bribery. Compliance with corporate responsibility is raised more often than previously in talks with customers. Scanfil has defined responsible operating guidelines in its' Code of Conduct. This covers, for example, the equal treatment of people and prohibits corruption and bribery. The Group's operating methods, such as transparent and cost-based pricing, reduce the possibility of non-compliant activities. No deviations from Scanfil's Code of Conduct were identified in 2021.

SCANFIL

Whistleblowing

Scanfil has a whistleblowing channel through which the company's personnel and partners can anonymously report any observed or suspected misconduct regarding corruption, bribery, or rules described in the Code of Conduct. More information about Whistleblowing is found in the Social Responsibility section.

Anti-Competitive

Scanfil is committed to not take part in decisions and practices that are anti-competitive. These actions are, e.g., price-fixing, bid-rigging, market sharing, production controlling, or miss-use of market power.

Facilitating Customer sustainability

Customer satisfaction is one of the company's core values, and everybody at Scanfil understands that success depends on satisfied and loyal customers. Maintaining active contacts regarding the customer's requirements and Scanfil's plans is an essential element of cooperation. It allows the correct business decisions to be made and the competitiveness and responsibility of production services to be developed. Continuous development of operations in cooperation with customers is in both parties' best interest.

Continuous contact with customers is based on the key account management model. It includes a plan on cooperation, systematic and regular meetings at several levels, and a standardized reporting model presenting the most important key performance indicators (KPIs). Development projects are also implemented based on customer feedback. For example, they may be related to quality matters or the expansion of the service offering. High-quality and cost-effective production is one of Scanfil's key competitive advantages. The continuous development of production processes, utilization of the right technologies, and verified quality of the materials used are key factors in the continuous improvement of competitiveness.

Satisfied customers

Scanfil changed the way it measures customer satisfaction in 2019. Customer satisfaction (Net promoter score) is measured regularly by conducting a customer satisfaction survey twice a year. Feedback helps us to monitor our operational performance in terms of our delivery capacity and our ability to produce quality, as well as our flexibility, competitive prices, the organization's ability to react, and the coverage and performance of our services. Based on the survey, we will define a factory- and/or function-specific development program, including relevant measures. These measures will be monitored actively in cooperation with customers. The Net Promoter Score (NPS), which shows the probability of our customers recommending Scanfil as a manufacturing partner, decreased from the previous year. This was mainly due to challenging material situations and not being able to live up to customers' expectations on-time delivery.

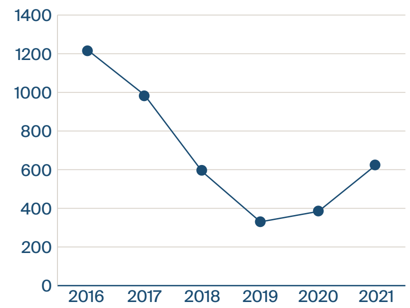
How probable is it that you would recommend Scanfil's services?

NPS-scale from -100 to +100.

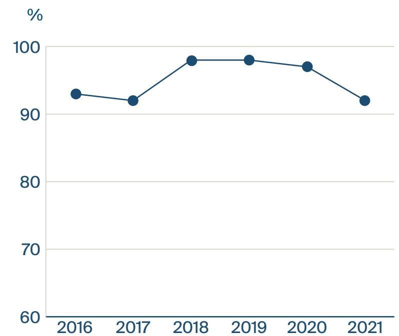
	Q2 2020	Q4 2020	Q2 2021	Q4 2021
NPS Score	38	37	25	22

Development of customer quality / PPM

(Parts Per Million)



Reliability of delivery



Quality and performance

All Scanfil's factories operate a quality control system observing the ISO 9001 criteria. In addition, certain factories have other certified quality management systems applicable to specific industries. All Scanfil's factories observe the Lean Six Sigma process development methodology and analysis (FMEA) that identifies the risks supply chain and production risks. The objective is to identify the deficiencies and risks in processes and production at an early stage, continuously make improvements, and carry out preventive measures. Performance is measured by KPIs, the most important being delivery punctuality and customer quality, measured as Defective Parts Per Million (DPPM). In 2021, the KPIs describing the quality and delivery reliability remained at the same excellent level as in 2020.

Scanfil is committed to continuously develop its operation. The company's SMART program is an enabler of this. The company has made significant investments in the digitalization and automation of its operations. The technology investments have been made to further develop production processes and by that improve company's competitiveness. Scanfil investments totaled 2.5% of company's turnover.

Towards Sustainable Supply Chain

Procurement makes up approximately two-thirds of turnover, which is why efficient procurement is a significant competitive factor for Scanfil. Scanfil has a broad network of local, regional, and international suppliers and partners, which it seeks to develop to ensure good quality and cost-effectiveness.

Supplier selection and Supplier Code of Conduct

Scanfil requires that all its partners comply with the law and agreements and operate according to Scanfil's Code of Conduct. Scanfil Supplier Code of Conduct sets the standards we expect our suppliers to follow. It is the starting point for any new or existing business relationship, and it covers areas such as health and safety, child and forced labor, human rights, anti-corruption, compliance with laws and regulations, environment and climate change, and more. We expect our suppliers to make every effort to comply with our Supplier Code of Conduct.

The Supplier Code of Conduct constitutes part of purchase agreements signed with major suppliers. In addition, the Code of Conduct is signed with all suppliers when operating in the Asian market. Scanfil selects its suppliers carefully, and cooperation with its key suppliers is long-term. Scanfil has an automated the supplier selection process. Scanfil only uses approved suppliers that fulfill Scanfil's strict criteria in terms of quality, delivery reliability and cost-efficiency. Scanfil audits its suppliers systematically and monitors their compliance with the terms and conditions of agreements. It also prevents any misconduct through the verification of orders and training. Once cooperation has started, quality assurance is carried out continuously. This means that incoming material is inspected, any non-conformities are kept under control, any errors in quality are corrected and the general performance of suppliers is evaluated. When new components or materials enter production, Scanfil always uses a separate inspection process to ensure quality. Making use of Scanfil's global position and volume in procurement processes helps to maintain competitive prices and control the supplier network. This is why Scanfil aims to focus its purchases on a few selected suppliers.

The most important actions taken in 2021:

- Strengthen Scanfil Code of Conduct
- Create a common group level Supplier Code of Conduct

The most important actions to be taken in 2022:

- Sustainable Procurement – assessment of 80% most spend suppliers, preferred suppliers and selected suppliers with an increased risk profile
- Awareness training performed to prevent corruption and bribery
- Corruption risk assessments performed
- Awareness training performed to prevent anti-competitive practices
- Anti-competitive practices risk assessments performed
- Continuous development of operations
- Continuous development of production processes
- Continuous improvement of competitiveness

Business partners and society

Scanfil's sales to customers totaled EUR 696 million, of which purchases from external suppliers accounted for EUR 558 million. The difference, EUR 138 million, was the added value produced by Scanfil. The added value produced increased by EUR 7 million (+5%) from the previous year. Scanfil produces added value for employees, creditors, shareholders, and for the company's further development. Most of the added value was produced by the employees. During the year, Scanfil had an average of 3,300 employees and paid them EUR 78 million in salaries and wages. Distribution of added value, EUR million Salaries and wages increased by EUR 4 million, or 6%, year-on-year. Scanfil paid a total of EUR 26 million in other statutory staff costs and income taxes.

The company's subsidiaries are located in seven different countries. The location of these companies is based purely on business-related factors, such as the customers' market areas or their research and development centers. Scanfil is committed to paying taxes and other statutory expenses in each of its countries of operation. Scanfil has solvent financial partners. The company's financial position is strong. The company's credit and financial expenses totaled EUR 2 million, slightly less than in the previous year. The company aims to pay a third of its net result as annual dividends. In keeping with this principle, Scanfil paid EUR 11 million in dividends in 2021. The dividend per share paid by the company has increased every year for the last nine years. Correspondingly, the company aims to use two-thirds of its result for investments, future growth and the general development of business. The company's return on equity was 15.2% in 2021, which clearly shows that the investments made in the company have repaid themselves well.

Scanfil value add creation 2021, EUR million

Sales to customer		Purchases from suppliers		Value add
696 (2020: 595)	–	558 (465)	=	138 (131)

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BOARD OF DIRECTORS' REPORT

Scanfil plc is an international listed (Nasdaq Helsinki, SCANFL) manufacturing partner and system supplier for the electronic industry, with more than 45 years of experience in demanding contract manufacturing. Overall management is one of the Group's strengths. Its services range from product design and production suitability planning to prototype and pre-serial production, the volume manufacturing of products and aftersales services such as maintenance and spare parts services. On December 31, 2021, the Group employed some 3,300 people. At the end of 2021, Scanfil had a total of nine factories in seven countries on three continents.

Key elements of Scanfil's operations include a vertically integrated production system and the provision of services and supply chain management for customers over the entire lifecycle of products. These provide a solid foundation for Scanfil's competitive advantages: speed, flexibility and reliability. The company's customers include international operators in sectors such as automation, energy, cleantech, and health technology, and companies operating in fields related to urbanization.

Year 2021

Strong customer demand and material availability challenges were characteristic for the year 2021. Customer demand remained strong throughout the whole year, and it became a year of record-high growth and turnover for Scanfil. Turnover increased by 16.9% compared to the previous year, and it was EUR 695.7 million. Scanfil nearly reached the target of EUR 700 million set for 2023, two years ahead of schedule.

Challenges in material availability affected Scanfil in two ways: first of all, material shortages reduced the labour productivity by causing breaks and delays in planned production. Secondly, Scanfil was forced to purchase materials from the spot market with higher than planned prices, which were mainly invoiced from customers without material margin.

During the year, one factory was closed down in Hamburg, Germany. Production of the factory was transferred to factories in Wutha, Germany and Sieradz, Poland. Production transfer and closure of the factory caused EUR 0.7 million costs during the year in addition to the provision of EUR 6.1 million.

In 2020 started COVID-19 pandemic has only minor effects on turnover and operating profit. The effects were mainly related to costs of preventative actions, sick leaves and quarantine of exposed personnel. The effects are explained in the section of "The effects of the COVID-19-pandemic during the financial year".

Scanfil has a SMART technology program set for 2019–2023 years, which aims to secure the company's position as a technological forerunner. In 2021 investments in production processes and the automation of material handling and digitalization continued according to the SMART program. Scanfil invested in e.g., in a new SMT line in Suzhou, a new soldering machine in Sieradz and in a new testing solution which was taken into use in several different factories. In addition, the company invested in a new punching-, laser- and pressing automation in the factories of Pärnu, Sievi and Myslowice.

Turnover and result

The Group's turnover for January–December was EUR 695.7 (595.3) million, an increase of 16.9% compared to the previous year. Turnover includes EUR 42.5 million of low-margin invoicing, of which EUR 32.0 million was separately agreed purchases related to securing the availability of materials needed for production. These purchases related to securing deliveries were usually spot market purchases of materials and special freights. This invoicing was no or low margin for Scanfil in 2021. Turnover excluding invoicing of separately agreed purchases was EUR 663.7 million, an increase of 11.7% compared to the previous year. In addition, turnover included EU 10.5 million of low-margin intermediary trading.

The Group's operating profit for January–December was EUR 39.6 (44.4) million, 5.7% (7.5%) of turnover. The operating profit for 2021 includes an adjustment of EUR -0.7 million related to the closure of the Hamburg factory. The operating profit for the comparison year includes adjustments of EUR +11.4 million related to the divestment of the Hangzhou factory and EUR -6.1 million related to the closure of the Hamburg factory. The adjusted operating profit was EUR 40.3 (39.1) million, representing 5.8% (6.6%) of turnover. The operating profit was positively affected by the increase in customer demand but received a negative impact from the Hamburg production transfer as well as inefficiency caused by material shortages. In addition, the transitory low margin invoicing of EUR 42.5 million lowered the profit margin. The negative impact raising from these was approximately EUR 5.0 million, i.e., 0.7% of turnover.

The net profit for the review period was EUR 29.8 (36.9) million. The adjusted net profit was EUR 32.0 (32.5) million.

Earnings per share for the review period were EUR 0.46 (0.57). The adjusted earnings per share were EUR 0.50 (0.50). Return on investment was 15.3% (19.5%).

The Group's effective tax rate was 21.0% (11.7%). The comparison figure was affected by the low tax on sales gains from the Chinese subsidiary Scanfil (Hangzhou) Co., Ltd. and the tax relief related to investments made in Poland's special economic zone.

The Group's key figures over five years are presented under "The Group's key figures" in the financial statements.

Financing position and investments

The Group has a stable financing position. In total, the consolidated balance sheet was EUR 473.8 (339.2) million at the end of the review period. Cash and cash equivalents totalled EUR 25.3 (25.8) million. Liabilities amounted to EUR 266.4 (156.3) million, of which non-interest-bearing liabilities totalled EUR 181.2 (112.3) million and interest-bearing liabilities totalled EUR 85.2 (44.0) million. Interest-bearing liabilities consisted of EUR 62.1 (24.4) million of financial liabilities and EUR 23.1 (19.6) million of leasing liabilities. The increase in non-interest bearing liabilities was caused by the increase in current assets, which rose due to an increase in turnover, the slowdown of inventory rotation caused by material availability challenges and an increase in material prices. The interest-bearing liabilities were increased by the long-term debt of EUR 30.0 million, drawn in November 2021. The equity ratio was 45.3% (54.3%), and net gearing was 28.9% (9.9%). Equity per share was EUR 3.19 (2.82).

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

The net cash flow from operating activities for the review period January–December was EUR -12.5 (35.2) million. The change in net working capital during the period amounted to EUR -52.7 (-8.0) million. The change in working capital consists of the following items: short-term non-interest-bearing receivables increased by EUR 34.6 (17.5) million; inventories increased by EUR 88.3 (6.6) million, and short-term non-interest-bearing liabilities increased by EUR 70.3 (16.1) million.

The net cash flow from investing activities was EUR -12.5 (4.1) million. The cash flow from financing activities was EUR 24.3 (-33.3) million, including a EUR 11.0 (9.6) million dividend payment, 6.0 (6.0) million in repayments of long-term loans, and change in overdraft facility EUR 13.9 (13.2) million.

Gross investments in January–December totalled EUR 15.5 (9.4) million, which was 2.2% (1.6%) of the turnover. The investments mainly include the acquisition of machinery and equipment. Depreciation including impairments totalled EUR 15.4 (16.1) million.

The impact of COVID-19 during the review period

The COVID-19 pandemic had only a small negative impact on the Group's productivity and operating profit. The impacts mainly arose from costs related to preventive actions at the factories.

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

Factories have factory-specific measures to prevent the spread of COVID-19 in accordance with the prevailing situation and instructions given by the authorities. These measures include e.g., shift changes being undertaken so that employees working different shifts do not meet one another during shift changes; the enhanced cleaning of work facilities; the restriction of travel and visits, remote work when possible; the use of protective equipment and safety distances; and hygiene guidelines for employees.

The situation might change rapidly, and the company management is conscious of the importance of active monitoring and quick response.

The Board of Directors' authorizations

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

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

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

Option schemes

The Group has two valid option schemes. On April 12, 2016, the Annual General Meeting accepted Scanfil plc's 2016 option scheme (A)–(C), and on April 24, 2019, the Annual General Meeting accepted the 2019 option scheme (A–C) On the basis of the 2016 option scheme, a maximum of 900,000 option rights can be granted, while on the basis of the 2019 option scheme, a maximum of 900,000 option rights can be granted. Each option right enables its holder to subscribe to one Scanfil plc share.

During the period under review, a total of 290,000 treasury shares were subscribed under Scanfil Plc's stock options 2016B (160,000 shares with EUR 571,200) and 2016C (130,000 shares with EUR 582,400). The whole subscription price of EUR 1,153,600 for subscriptions made with the stock options was recognized in the company's reserve for invested unrestricted equity.

Share

Scanfil plc has a total of 64,959,993 shares. The company's registered share capital is EUR 2,000,000. The company has one series of shares, and each share entitles the holder to one vote and an equal right to receive dividends. Scanfil plc's shares are quoted on Nasdaq Helsinki Ltd. The shares have been publicly traded since January 2, 2012. The trading code of the shares is SCANFL. The shares are included in the book-entry securities system maintained by Euroclear Finland Oy.

Members of the Board of Directors of Scanfil plc, the CEO and members of the Group's Management Team held a total of 19,089,657 shares on December 31, 2021, comprising 29.4% of the company's shares and votes. A total of 800,000 option rights has been granted for the CEO and members of the Group's Management Team, on the basis of which a maximum of 800,000 treasury shares can be subscribed, of which 630,000 are still unsubscribed. The total of 800,000 corresponds 1.2% of all shares in Scanfil plc.

The highest trading price during the financial year was EUR 9.02, and the lowest was EUR 6.24, with the closing price for the period standing at EUR 7.46. A total of 4,414,796 shares were traded during the period, corresponding to 6.8% of the total number of shares. As of December 31, 2021, the market value of the shares was EUR 484.6 million.

More detailed information on the distribution of shareholdings, shareholders and the share price development is presented under "Shares and shareholders" in the financial statements.

Own shares

On December 31, 2021, the company owned 158,738 of its own shares, representing 0.3% of all shares.

Personnel

At the end of the financial period, the Group employed 3,282 (3,211) people, of whom 2,970 (2,898) worked outside Finland and 312 (313) in Finland. The average number of Group employees during the financial period was 3,267 (3,387) people. Change is mainly attributable to the sale of the Hangzhou factory. Personnel by country on December 31, 2021: Poland 1,247, China 535, Estonia 455, Sweden 364, Finland 311, Germany 230 and USA 139.

PERSONNEL, AVARAGE	2021	2020	2019
Parent company	13	13	13
The Group	3,267	3,387	3,530

PAID SALARIES, WAGES AND FEES EUR MILLION	2021	2020	2019
Parent company	1.8	1.7	1.6
The Group	77.8	77.3	74.1

Board of Directors and CEO

At the Annual General Meeting on April 22, 2021, Harri Takanen, Jarkko Takanen, Bengt Engström, Christina Lindstedt and Juha Räisänen were re-elected to the Board of Directors. At its organising meeting on April 22, 2021, the Board of Directors elected Harri Takanen as its chair.

In addition, the Board of Directors made the following decisions on the organisation of committees: the members of the Audit Committee are Jarkko Takanen, Harri Takanen and Christina Lindstedt, and the members of the Nomination and Remuneration Committee are Harri Takanen, Jarkko Takanen and Bengt Engström.

Petteri Jokitalo (b. 1963), M.Sc. (Tech.), served as the company's CEO between January 1 and December 31, 2021.

Risks

Scanfil has determined the most significant risks in its operations. Risks related to sustainability have been discussed in the Sustainability Report. The Group monitors and follows all identified and potential risks. The Board of Directors steers the risk management processes and Audit Committee supervises the implementation. Operative management of the risk management is led by CFO. More information can be found in the Corporate Governance Statement's risk management section.

Near-future business risks and uncertainties

Scanfil is exposed to many risks that may have a significant impact on the Group's operations. This section dis-cusses the most essential risk factors, which may have a material impact on Scanfil's ability to achieve targets set by the Group and means to manage related risks. Scanfil seeks actively to reduce the impact of these risk factors by preventive actions. If preventative actions are not possible, risks can be managed by hedging or using insurances. Many risks might have both positive and negative effects. The most significant risks are associated with the order-supply chain and the suppliers' ability to fulfill their business commitments.

STRATEGIC RISKS

The Group pursues for profitable growth in its key market areas: Nordics, Central Europe, The USA and China. The turnover target for the year 2023 has been EUR 700 million and an operating profit margin of 7%. In a recent update, the annual turnover growth target has been set to 5%-7% and operating profit margin target of 7%. It is possible that the profitability and growth target will not be achieved.

RISKS RELATED TO BUSINESS CYCLES

The Group has a global business and therefore the weakening of the economic cycle and the declining demand of investment goods might have a negative impact on the development of business of Scanfil's customers and weak-en the demand in the contract manufacturing market.

GEOGRAPHICAL RISK

Scanfil has a global business. Changes in international trade agreements and an increase in international trade restrictions might raise the uncertainty of the development of the global economy and have a direct or indirect impact on Scanfil or its customers' business and profit.

OPERATIONAL RISKS

The vast part of materials and components used in the supply chain are purchased from external suppliers or subcontractors. This exposes the Group to the availability and costs related to materials, components and other subcontracted products in addition to the contingency of the business relationship. Possible challenges in purchasing these components or issues in quality might cause disturbance in production and increase costs.

RISKS RELATED TO ACCIDENTS AND DISTURBANCES AT THE FACTORIES

The Group has nine factories in seven countries: Finland, Sweden, Estonia, Germany, Poland, The USA and China. Continuous care taking and maintenance investments are an essential part of technical development and produc-tion ensurance at the factories. Scanfil prevents disturbances and cut-offs with a developed means of management and procedures, service plans and employee trainings.

CUSTOMER RISKS

The Group has approximately 150 active customers. The largest customers are Nordic leaders of their line of busi-ness. Customer companies are well-diversified across different business areas and geographies. In general, their business is not especially sensitive to changes in business cycles and product life cycles are long, which creates possibilities to less volatile service and refurbishing businesses. In 2021, the largest customer accounted for approximately 18% (15%) of the turnover and the ten largest accounted for 55% (59%) of the turnover.

EXCHANGE RATE RISKS

Scanfil operates globally, and therefore it is exposed to exchange rate risks in several currencies. The Group's ex-change rate risks consist of transaction risks associated with accounts receivable and payable, translation risks associated with foreign subsidiaries, and financial risks resulting from exchange rate changes. Forward foreign exchange contracts can be used to hedge against transaction risks. The parent company is responsible for the level of hedging. Investments in foreign subsidiaries have not been hedged.

INTEREST RATE RISK

The interest rate risk is associated with return on financial investments and interest-bearing liabilities. Any changes in interest rates have an impact on the Group's results. The interest rate risk of loans can be controlled with swap agreements and by adjusting the proportion between variable rate and fixed-interest loans.

CREDIT RISK

Credit risks are associated with accounts receivable from customers. The largest customers of the Group are sol-vent Nordic market leaders in their line of business. The due accounts receivables are monitored on a monthly basis on the Group level. Credit information of all new customers are checked and only normal payment terms are committed to customers. Customers' credit ratings are monitored, and the most of Scanfil's largest customers have high ratings. Accounts receivable do not involve any significant credit loss risk.

FINANCING RISKS

Scanfil Group is exposed to many financial risks in its operations. The Group's financing and risks control are central-ized and taken care of according to the policies approved by the parent company's Board of Directors. Scanfil's financing function is a part of the Group's financial operations, which offers financing services and takes care of the financial transactions on behalf of all Group companies. Target is to have cost-efficient risk management and optimisation of cash flow.

PANDEMIC RISKS

After 2020, when the COVID-19 pandemic started, it and similar epidemics might have an impact on the Group's business operations. The effects could be e.g., closings of factories, increase in employees' sick leaves and quarantines, costs related to preventative actions and even temporary stops in production and/or delays in materials and delay in deliveries of manufactured products.

MATERIAL RISKS

The Group is dependent on materials and components delivered by its business partners. Materials and compo-nents, such as sheet metals and semiconductors, availability might weaken significantly and/or their market prices could increase sharply. The Group has a global procurement function responsible for the availability of these materials by founding and using trusted partners. Scanfil has the purchasing power and organization with what it can affect on partners reliability on supply and pricing to a reasonable extent. In 2021, when the semiconductor shortage escalated, the Group has not been fully able to fulfil the demand what customers' production required. In addition, obsolete materials and components can create a financial risk which is limited to their book-value to the Group.

RISK IN FALLING BEHIND IN TECHNOLOGICAL DEVELOPMENT

Scanfil is dependent on adopting technologies needed for customer production in an efficient manner as an integral part of its operations. It is possible, that the Group cannot develop its production with a tight schedule and products manufactured on behalf of its customers are not competitive, which might cause its customers to change the manufacturing partner. Scanfil has systematically responded to this challenge with e.g., through its technology program SMART and by investing in new competitive machines and equipment. The five-year program for com-petitiveness and technological forerunner runs 2019-2023.

The company's risks and risk management are described in greater detail on the company's website under "Corporate Governance" and in the notes to the consolidated financial statement.

Changes in the Group structure

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

Research and development

As a result of the nature of the company's business operations, R&D activities are primarily carried out with customers, and the company's R&D activities do not account for any significant part of the company's cost structure.

Proposals by the Board of Directors to the Annual General Meeting

Scanfil plc's Annual General Meeting has been planned to be held on April 21, 2022, as a remote meeting in ac-cordance with the temporary legislative act.

Dividend for 2021

The parent company's distributable assets total EUR 64,773,284.67, including undistributed profits of EUR 31,264,893.13. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.19 (0.17) per share, totalling EUR 12,316,038.45 be paid for the financial year ending on December 31, 2021. The dividend will be paid to shareholders, who are recorded on April 25, 2022, in the company's list of shareholders maintained by Euroclear Finland Oy. The dividend will be paid on May 2, 2022.

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.

Future Outlook

Scanfil estimates that its turnover for 2022 will be EUR 710–760 million, and its adjusted operating profit will be EUR 43–48 million.

The guidance is based on customer forecasts and Scanfil's normal forecasting process. Outlook involves uncertainty arising from the potential negative impact of the availability and prices of certain materials, especially semiconductors, and supply chains delivery capability. In addition, the COVID-19 pandemic might have a negative impact on customer demand and supply chain.

Long-term targets

Scanfil is organically aiming for 5%-7% annual turnover growth and 7% operating profit level. Scanfil aims to pay an increasing dividend of approximately 1/3 of the earnings per share.

Events after the reporting period

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

Corporate Governance Statement

The Corporate Governance Statement will be published with the financial statements separately from the annual report.

Report on non-financial information

Scanfil reports its non-financial information as a part of its sustainability report, which will be published as a part of the annual report.

SHARES AND SHAREHOLDERS

Shares and share capital

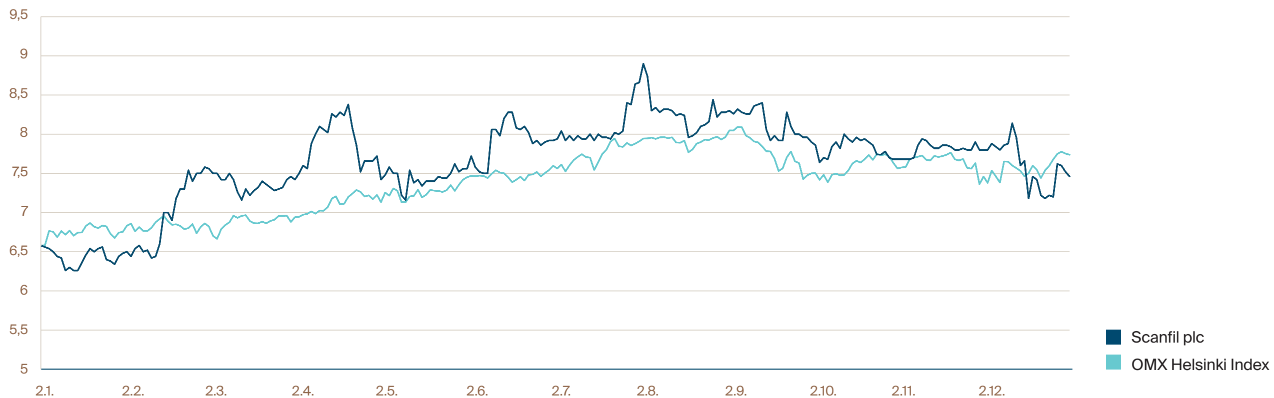
Scanfil plc has a total of 64,959,993 shares. The company's registered share capital is EUR 2,000,000. The company has one series of shares, and each share entitles the holder to one vote and an equal right to receive dividends.

Scanfil plc's shares are quoted on Nasdaq Helsinki Ltd. The shares have been publicly traded since January 2, 2012. The trading code of the shares is SCANFL. The shares are included in the book-entry securities system maintained by Euroclear Finland Ltd.

Board's authorisations in force

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

SHARE PRICE DEVELOPMENT IN 2021 COMPARED TO THE GENERAL INDEX



The Annual General Meeting of Scanfil plc held on April 22, 2021 authorised the Board of Directors to decide on the acquisition of at most 5,000,000 treasury shares. The authorization will remain in force for 18 months after its issuance.

On April 22, 2021, the AGM authorised the Board of Directors to decide on share issues and the issue of special rights entitling their holders to shares. No more than thirteen million (13,000,000) shares may be issued under the authorisation. The Board of Directors decides on the terms and conditions of share issues and the issuance of special rights entitling their holders to shares. The authorisation concerns both the issue of new shares and the transfer of treasury shares. Shares and special rights entitling their holders to shares can be issued in deviation from the shareholders' pre-emptive rights (directed issue). The authorisation will remain in force until June 30, 2022.

On April 24, 2019, Scanfil plc's AGM authorised the Board of Directors to decide on granting options rights to certain key personnel of Scanfil Group. At most 900,000 option rights can be issued, and they entitle their holders to subscribe to a combined total of 900,000 of the company's new shares or shares in its possession.

Own shares

The company held 158,738 of its own shares on December 31, 2021.

Dividend distribution policy

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

Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.19 per share, totalling EUR 12,316,038.45, be paid for the financial year ending on December 31, 2021.

Share price development, trading and market value

During 2021, the number of Scanfil plc shares traded on Nasdaq Helsinki Ltd was 4,414,796, comprising 6.8% of all outstanding shares. The value of shares traded was EUR 33.6 million and the average price was EUR 7.61. The market value of the share capital was EUR 484.6 million on December 31, 2021. The highest trading price was EUR 9.02 and the lowest EUR 6.24. The closing price was EUR 7.46.

Information on shareholders

On December 31, 2021, Scanfil plc had a total of 7,003 shareholders, 83.1% of whom owned a maximum of 1,000 shares in the company. The ten major shareholders owned 72.7% of the shares. Nominee-registered shares accounted for 3.6% of the shares.

Shares held by management

Members of the Board of Directors of Scanfil plc, the CEO and members of the Group's Management Team held a total of 19,079,657 shares on December 31, 2021, comprising 29.4% of the company's shares and votes.

BREAKDOWN OF SHARE OWNERSHIP

BREAKDOWN OF SHARE OWNERSHIP BY NUMBER OF SHARES HELD ON DECEMBER 31, 2021

Number of shares	Number of shares pcs	Percentage of owners %	Total number of shares and votes pcs	Percentage of shares and votes %
1–100	1,927	27.52	96,944	0.15
101–1,000	3,895	55.62	1,515,716	2.33
1,001–10,000	1,019	14.55	2,806,426	4.32
10,001–100,000	130	1.86	4,040,888	6.22
100,001–9,999.999	32	0.46	56,500,019	86.98
Total	**7,003**	**100.00**	**64,959,993**	**100.00**

BREAKDOWN OF SHARE OWNERSHIP BY OWNER CATEGORY ON DECEMBER 31, 2021

	Number of shareholders	Share %	Number of shares	Share %
Corporations	256	3.66	9,315,031	14.34
Financial and insurance institutions	27	0.39	5,740,180	8.84
Public entities	5	0.07	1,808,883	2.78
Non-profit-making organisations	20	0.29	2,090,774	3.22
Households	6,672	95.27	45,737,299	70.41
Non-Finnish owners	23	0.33	267,826	0.41
Total	**7,003**	**100.00**	**64,829,993**	**100.00**
Of which nominee-registered	10		2,366,796	3.64

INFORMATION ON SHAREHOLDERS

MAJOR SHAREHOLDERS ON DECEMBER 31, 2021

	pcs	Share % of shares and votes
1. Takanen Harri	9,913,146	15.26
2. Takanen Jarkko	8,596,169	13.23
3. Varikot Oy	7,606,442	11.71
4. Takanen Jorma Jussi	6,129,305	9.44
5. Tolonen Jonna	3,351,950	5.16
6. Põllä Reijo	3,328,745	5.12
7. Laakkonen Mikko	2,531,187	3.90
8. Takanen Martti	1,947,018	3.00
9. Sijoitusrahasto Aktia Captial	1,918,000	2.95
10. Riitta ja Jorma J. Takasen säätiö	1,900,000	2.92

KEY RATIOS

	2021	2020	2019	2018	2017	2016
Financial key ratios						
Turnover, EUR m	695.7	595.3	579.4	563.0	529.9	508.0
Turnover, growth from previous year, %	16.9	2.7	2.9	6.3	4.3	34.6
Operating profit, EUR m	39.6	44,4	35.3	37.8	31.3	7.2
Operating profit, % of turnover	5.7	7.5	6.1	6.7	5.9	1.4
Profit/loss for the period, EUR m	29.8	36,9	28.1	28.9	25.8	0.1
Profit/loss for the period, % of turnover	4.3	6.2	4.8	5.1	4.9	0.0
Return on equity, %	15.2	21.1	18.0	21.5	22.2	0.1
Return on investment, %	15.3	19.5	17.0	20.2	19.4	4.6
Interest-bearing liabilities, EUR m	85.2	44.0	66.6	47.3	61.3	60.1
Gearing, %	28.9	9.9	27.7	19.5	32.6	36.9
Equity ratio, %	45.3	54.3	49.1	47.7	40.7	40.7
Gross investments in fixed assets, EUR m	15.5	9.4	21.1	10.1	18.6	5.5
Gross investments in fixed assets, % of turnover	2.2	1.6	3.6	1.8	3.5	1.1
Average number of employees for the period	3,267	3,387	3,530	3,414	3,254	3,483

	2021	2020	2019	2018	2017	2016
Key indicators per share						
Earnings per share, EUR	0.46	0.57	0.44	0.45	0.40	0.00
Shareholders' equity per share, EUR	3.18	2.82	2.58	2.26	1.95	1.70
Dividend per share, EUR	0.19	0.17	0.15	0.13	0.11	0.09
Dividend per earnings, %	41.3	29.8	34.3	28.7	27.2	6118.9
Effective dividend yield, %	2.55	2.61	3.07	3.47	2.59	2.58
Price-to-earnings ratio (P/E)	16.2	11.4	11.2	8.3	10.5	2,372.8
Share trading						
No. of shares traded, thousands	4,415	6,290	3,526	3,341	3,296	9,424
Percentage of total shares, %	6.8	9.7	5.4	5.2	5.2	14.8
Share performance						
Lowest price for year, EUR	6.24	3.26	3.73	3.45	3.42	2.86
Highest price for year, EUR	9.02	6.70	4.96	5.16	4.53	3.80
Average price for year, EUR	7.61	5.07	4.16	4.44	3.92	3.41
Price at the end of year, EUR	7.46	6.52	4.89	3.75	4.25	3.49
Market value of share capital on 31 Dec, EUR m	484.6	422.7	316.4	240.1	271.6	222.2
Share-issue adjusted number of shares						
Share-issue adjusted number of shares at the end of the period, thousands	64,960	64,830	64,700	64,035	63,895	63,670
On average during the period, thousands	64,701	64,387	64,296	63,945	63,757	62,423

The adoption of IFRS 16 in 2019 has affected the comparability of some key figures. The effect mainly concerns the equity ratio and gearing ratio.

DEFINITIONS OF KEY RATIOS

Ratio	Numerator	Denominator
Return on equity, %	Net profit for the period x 100	Shareholders' equity (average)
Adjusted return on equity, %	Adjusted net profit for the period x 100	Adjusted shareholders' equity (average)
Return on investment, %	(Profit before taxes + interest and other financial expenses) x 100	Balance sheet total - non-interest-bearing liabilities (average)
Gearing (%)	(Interest-bearing liabilities - cash and other liquid financial assets)	Shareholders' equity
Equity ratio (%)	Shareholders' equity x 100	Balance sheet total - advance payments received
Earnings per share	Net profit for the period	Average adjusted number of shares during the year
Shareholders' equity per share	Shareholders' equity	Adjusted number of shares at the end of the financial period

Ratio	Numerator	Denominator
Dividend per share	Dividend to be distributed for the period (Board's proposal)	Number of shares at the end of year
Dividend per earnings (%)	Dividend per share x 100	Earnings per share
Effective dividend yield (%)	Dividend per share x 100	Share price at the end of year
Price-to-earnings ratio (P/E)	Share price at the end of year	Earnings per share
Average share price	Total share turnover	Number of shares traded

Market capitalization: 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

CONSOLIDATED FINANCIAL STATEMENT, IFRS

Consolidated Income Statement

EUR THOUSAND	Note	1.1.-31.12.2021	1.1.–31.12.2020
Turnover	1.1	**695,735**	**595,347**
Other operating income	1.2	1,167	12,384
Changes in inventories of finished goods and work in progress		2,978	2,431
Manufacturing for own use			25
Use of materials and supplies	1.3	-491,339	-410,335
Employee benefit expenses	1.4	-97,474	-95,496
Depreciation and amortisation	3.5	-15,376	-16,088
Other operating expenses	1.5	-56,108	-43,896
Operating profit		**39,583**	**44,372**
Financial income	4.2	61	292
Financial expense	4.2	-1,988	-2,871
Profit before tax		**37,656**	**41,793**
Income tax	1.6	-7,901	-4,895
Net profit for the period		**29,756**	**36,898**
Attributable to:			
The parent company owners		29,756	36,898
Earnings per share calculated on the profit attributable to shareholders of the parent company:			
undiluted earnings per share	1.7	0.46	0.57
diluted earnings per share	1.7	0.46	0.57

Consolidated Statement of Comprehensive Income

EUR THOUSAND	Note	1.1.-31.12.2021	1.1.–31.12.2020
Net profit for the period		**29,756**	**36,898**
Other comprehensive income			
Items that may later be recognised in profit or loss			
Translation differences	4.8	3,706	-2,789
Cash flow hedges	4.8	488	-727
Other comprehensive income,			
net of tax		4,194	-3,516
Total comprehensive income		**33,950**	**33,382**
Total comprehensive income attributable to:			
The parent company owners		33,950	33,382

Consolidated Statement of Financial Position

EUR THOUSAND	Note	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Property, plant and equipment	3.3	49,792	46,356
Right-of-use-assets	3.4	22,240	18,125
Goodwill	3.1	8,166	8,304
Other intangible assets	3.2	12,906	14,260
Other investments	4.6	535	535
Deferred tax assets	1.6	8,501	6,884
		102,141	94,464
Current assets			
Inventories	2.2	193,358	103,254
Trade and other receivables	2.3	149,027	113,305
Advance payments		1,303	562
Current tax		2,641	1,761
Cash and cash equivalents	4.1	25,345	25,845
		371,674	244,727
Total assets		**473,814**	**339,191**

EUR THOUSAND	Note	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
Shareholder's equity and liabilities	4.8		
Share capital		2,000	2,000
Reserve for invested unrestricted equity fund		33,165	31,832
Fair Value Reserve		-71	-558
Other reserves		2,650	2,650
Translation differences		-2,357	-6,063
Retained earnings		172,043	153,015
		207,430	182,876
Total equity		**207,430**	**182,876**
Non-current liabilities			
Provisions	5.1	665	553
Interest bearing liabilities	4.3	42,078	18,242
Lease liabilities	4.3	19,903	15,905
Deferred tax liabilities	1.6	5,290	5,711
		67,935	40,411
Current liabilities			
Trade and other liabilities	2.4	172,290	100,104
Current tax		1,376	1,770
Provisions	5.1	1,560	4,183
Interest bearing liabilities	4.3	20,041	6,188
Lease liabilities	4.3	3,182	3,659
		198,449	115,904
Total liabilities		**266,385**	**156,315**
Total shareholder's equity and liabilities		**473,814**	**339,191**

Consolidated Statement of Cash Flow

EUR THOUSAND	Note	1.1.–31.12.2021	1.1.–31.12.2020
Cash flow from operating activities			
Net profit		29,756	36,898
Adjustments for the net profit			
Transactions without payment:			
Change in provisions		-2,506	4,164
Transactions from the sale of a subsidiary			-11,387
Capital gain / loss for fixed assets		-289	-18
Exchange rate differences		37	-1,380
Other adjustments		301	202
Depreciation and amortisation		15,376	16,088
Financial income		-61	-3,940
Financial expenses		1,988	6,520
Taxes		7,859	4,907
Change in net working capital:			
Change in accounts receivable and other receivables		-34,644	-17,471
Change in inventories		-88,340	-6,606
Change in accounts payable and other liabilities		70,292	16,050
Change in net working capital total		-52,692	-8,026
Paid interests and other financial expenses		-1,046	-1,708
Interest received		44	158
Taxes paid		-11,304	-7,283
Net cash from operating activities		**-12,537**	**35,194**

EUR THOUSAND	Note	1.1.–31.12.2021	1.1.–31.12.2020
Cash flow from investing activities			
Sale of subsidiary less cash at the time of sale			13,059
Investments in tangible and intangible assets	3.2, 3.3	-12,901	-9,355
Sale of tangible and intangible assets		356	301
Received dividends			100
Net cash from investing activities		**-12,546**	**4,105**
Cash flow from financing activities			
Share subscriptions based on stock options	1.4	1,333	858
Purchase of own shares			-755
Proceeds from short-term loans		13,851	1,246
Repayment of short-term loans		-161	-15,070
Proceeds from long-term loans		30,000	
Repayment of long-term loans		-6,000	-6,000
Repayment of lease liabilities		-3,742	-3,990
Paid dividends		-10,987	-9,637
Net cash from financing activities		**24,293**	**-33,347**
Net increase/decrease in cash and cash equivalents		**-789**	**5,952**
Cash and cash equivalents at beginning of period		25,845	20,353
Changes in exchange rates		290	-460
Cash and cash equivalents at end of period		**25,345**	**25,845**

Consolidated Statement of Changes in Equity

Equity attributable to equity holders of the parent company

EUR THOUSAND	Share capital	Reserve for invested unrestricted equity fund	Fair value reserve	Other reserves	Translation differences	Retained earnings	Equity total
Equity 1.1.2021	**2,000**	**31,832**	**-558**	**2,650**	**-6,063**	**153,015**	**182,876**
Comprehensive income							
Net profit for the period						29,756	29,756
Other comprehensive income (net of tax)							
Translation differences					3,706		3,706
Cash flow hedges			488				488
Total comprehensive income			**488**		**3,706**	**29,756**	**33,950**
Transactions with owners							
Option Scheme						259	259
Paid dividends						-10,987	-10,987
Share options exercised		1,333					1,333
Equity 31.12.2021	**2,000**	**33,165**	**-71**	**2,650**	**-2,357**	**172,043**	**207,430**

Equity attributable to equity holders of the parent company

EUR THOUSAND	Share capital	Reserve for invested unrestricted equity fund	Fair value reserve	Other reserves	Translation differences	Retained earnings	Equity total
Equity 1.1.2020	**2,000**	**30,974**	**168**	**6,910**	**4,600**	**122,035**	**166,688**
Comprehensive income							
Net profit for the period						36,898	36,898
Other comprehensive income (net of tax)							
Translation differences					-2,789		-2,789
Cash flow hedges			-727				-727
Total comprehensive income			**-727**		**-2,789**	**36,898**	**33,382**
Sale of subsidiary				**-4,260**	**-7,875**	**4,260**	**-7,875**
Transactions with owners							
Purchase of own shares						-755	-755
Option Scheme						214	214
Paid dividends						-9,637	-9,637
Share options exercised		858					858
Equity 31.12.2020	**2,000**	**31,832**	**-558**	**2,650**	**-6,063**	**153,015**	**182,876**

ACCOUNTING PRINCIPLES FOR CONSOLIDATED FINANCIAL STATEMENTS

Basic details of the group

Scanfil plc is a Finland-based public limited company domiciled in Sievi. Theparent company Scanfil plc and the subgroups Scanfil EMS Oy, Scanfil Sweden AB and Scanfil Holding Germany GmbH make up Scanfil Group (hereinafter 'Scanfil' or 'the group'). The shares of parent company Scanfil plc have been quoted on the Main List of Nasdaq Helsinki Ltd since January 2, 2012.

Scanfil is an international contract manufacturer and system supplier for the electronics industry with over 45 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. Typical Scanfil products include automation system modules, frequency converters, elevator control systems, analysers, various vending machines, and devices related to medical technology and meteorology. Scanfil's network of factories consists of 9 production units in Europe, Asia and North America. The total number of employees is approximately 3,300.

Accounting principles

Scanfil's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applying the IAS and IFRS effective on December 31, 2021, as well as the SIC and IFRIC interpretations. "IFRS" refers to the standards and their interpretations in the Finnish Accounting Act and the provisions issued thereunder in accordance with the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards within the Community. The notes to the consolidated financial statements are also in compliance with Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared for the period January 1 – December 31, 2021. In its meeting held on February 21, 2022, the Board of Directors of Scanfil plc approved the consolidated financial statements for publication. According to the Finnish Limited Liability Companies Act, the ordinary general meeting has the right to adopt, reject or amend the financial statements after their publication.

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

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

Accounting principles for consolidated financial statements

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

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

Accounting principle	Note	IFRS standard
Turnover and details of business segments	1.1	IFRS 15, IFRS 8, IAS 18
Employee benefit expenses	1.4	IAS 19, IFRS 2
Income taxes and deferred taxes	1.6	IAS 12
Inventories	2.2	IAS 2
Goodwill and impairment testing	3.1	IAS 36
Intangible assets	3.2	IAS 38, IFRS 3
Property, plant and equipment	3.3	IAS 16, IAS 23
Right-of-use-assets	3.4	IFRS 16
Financial income and expenses	4.2	IFRS 9, IAS 32, IAS 39, IFRS 7
Financial liabilities and Cash and cash equivalents	4.1, 4.3	IFRS 9, IAS 32, IAS 39, IFRS 7, IFRS 13
Provisions	5.1	IAS 37

SUBSIDIARIES' COMBINATION PRINCIPLES

Subsidiaries are companies controlled by the group. Control emerges when the group controls more than one half of the votes or otherwise has control. The group has controlling interest in an entity when it has the right and ability to control significant operations in the entity and when it is exposed to or has the right to variable returns from the entity through its power over the entity. The existence of potential voting rights is also taken into account when estimating the criteria for control when the instruments entitling to potential voting rights can be realised at the time of the assessment. In Scanfil Group, all subsidiaries are wholly-owned, and control is created by the voting powers.

Intra-group shareholdings have been eliminated using the acquisition cost method. Consideration transferred and the identifiable assets and assumed liabilities of the acquired company are measured at fair value at the time of the acquisition. Acquisition-related expenses, apart from expenses related to the issue of debt or equity securities, have been recorded as expenses. Consideration transferred does not include business operations handled separately from the acquisition. Their impact has been taken into account in connection with the acquisition through profit or loss. Any conditional additional purchase price is measured at fair value at the time of the acquisition and classified as either debt or equity. Additional purchase price classified as debt is measured at fair value at the balance sheet date of each reporting period, and the resulting profit or loss is recognised through profit or loss. Additional purchase price classified as equity is not re-valued.

Acquired subsidiaries are consolidated from the moment the group has gained control, and divested subsidiaries until control ceases to exist. All intra-group transactions, receivables, liabilities and unrealised gains and internal profit distribution are eliminated upon preparing the consolidated financial statements. Unrealised losses are not eliminated when the loss is due to impairment. Shareholders' equity attributable to non-controlling interest is presented as a separate item under shareholders' equity in the balance sheet. There were no non-controlling interests during the financial periods 2020 and 2021. Should the group lose control of a subsidiary, the remaining holding is measured at fair value on the date of losing control, and the resulting difference is recognised through profit or loss. Acquisitions made prior to January 1, 2010 are handled in accordance with the regulations effective at the time.

CONVERSION OF ITEMS IN FOREIGN CURRENCY

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

Foreign currency-denominated transactions are recorded in the operating currency using the foreign exchange rates on the transaction date. In practice, a rate that is sufficiently close to the rate of the transaction date is often used. The resulting exchange rate differences are recognised through profit or loss. Foreign exchange gains and losses related to business operations are recognised as adjusted sales and purchase items. Rate differences in financing are presented under financial income and expenses.

In the consolidated financial statements, the income statements of foreign group companies are translated into euros using the average annual rates published by the European Central Bank. The companies' balance sheets are translated into euros using the rates in force on the balance sheet date.

Translation differences owing to the different exchange rates used in the income statement and balance sheet as well as translation differences attributable to the use of the acquisition method and equity balances accrued after the acquisition have been recorded in group equity, and the change in translation difference are presented in the statement of comprehensive income.

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The assets and liabilities of major operations that are classified as held for sale or to be discontinued are presented separately in the balance sheet. The net operating result for discontinued operations and the net result arising from their sale or discontinuation are shown in the income statement separately from the profit or loss for continued operations. Non-current assets classified as held for sale or groups of assets to be disposed of are measured at the lower of carrying amount and fair value less costs to sell. The group did not have such items for the financial periods 2020 and 2021.

OPERATING PROFIT

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

DIVIDEND

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

ACCOUNTING PRINCIPLES REQUIRING THE DISCRETION OF MANAGEMENT AND MAJOR UNCERTAINTY FACTORS ASSOCIATED WITH THE ESTIMATES

The preparation of financial statements in accordance with international accounting standards requires the company's management to make estimates and assumptions that affect the contents of the financial statements. The estimates and assumptions made are based on previous experience and assumptions, which in turn are based on the circumstances prevailing at the time the financial statements are prepared and future prospects. Even though the estimates are based on the most recent information available and the management's best judgment, the actual outcome may differ from the estimates. COVID-19 pandemic caused uncertainty during the financial period but it has not remarkable impact on management assessment and estimates.

The following lists the most significant items that require the management's assessment.

The group annually performs testing for impairment of goodwill and other intangible rights. The recoverable amounts for cash-generating units have been determined with calculations based on value in use. These calculations require the use of estimates from the management. More information on impairment testing of goodwill is available in Note 3.1, "Goodwill".

Potential obsolescence included in the value of inventories is regularly examined and, if necessary, the value of inventories is depreciated to match their net realisable value. These examinations require estimates on the future demand for products. Inventories are presented in Note 2.2, "Inventories".

Estimates are also required when assessing the amount of provisions associated with business operations. Note 5.1, "Provisions", presents the provisions made within the group.

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

Furthermore, the management also uses its discretion when recognising and measuring deferred tax assets.

New and amended standards applied during the financial year

Scanfil Group has observed the following new and amended standards from the beginning of 2021:

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 *Leases* (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021)

The amendments allow the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the Covid-19 pandemic and only if certain conditions are met.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 *Leases* (effective for financial years beginning on or after 1 January 2021)

Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements.

Above mentioned amended standards have no impact on Scanfil plc's financial statements.

Adoption of new and amended standards in future financial years

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

* = not yet endorsed for use by the European Union as of 31 December 2021

Costs of Fulfilling a Contract – Amendments to IAS 37 Provisions, *Contingent Liabilities and Contingent Assets* (effective for financial years beginning on or after 1 January 2022)

When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.

Annual Improvements to IFRS Standards 2018–2020 (effective for financial years beginning on or after 1 January 2022)

The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify the following standards:

- IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities: This amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- IFRS 16 *Leases* – Lease incentives – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.

Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 Property, *Plant and Equipment* (effective for financial years beginning on or after 1 January 2022)

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items.

Reference to the Conceptual Framework — Amendments to IFRS 3 *Business Combinations* (effective for financial years beginning on or after 1 January 2022)

The amendments update a reference in IFRS 3 and made further reference related amendments.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 *Presentation of Financial Statements* * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Disclosure of Accounting Policies – Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify the application of materiality to disclosure of accounting policies.

Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, *Changes in Accounting Estimates and Errors* * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 *Income Taxes* * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ITEMS AFFECTING THE RESULT

1.1 Turnover and details of business segments

ACCOUNTING PRINCIPLE

Revenue recognition

The Group's turnover mainly consists of customer agreements that only include the sale of goods. Typical Scanfil products include automation system modules, frequency converters, elevator control systems, analysers, various vending machines, and devices related to medical technology and meteorology.

Revenue is recognised when a company transfers control of goods or services to a customer either over time or at a point in time. The Group mainly fulfils the performance obligation at a certain point in time when control of an asset item is transferred to the customer. Typically, control is transferred when goods are delivered in compliance with the terms of delivery. Revenue arising from the sale of products is recognised when the significant risks and rewards of ownership, right of possession and actual control of the products sold have been transferred to the buyer. A small part of the group's turnover comes from service sales. Service sales include prototype manufacturing, productisation, component, storage and logistics services, as well as after-sales services, including repair and updating services for products. Some revenue from services is recognised over time in accordance with the completion of the services.

With regard to customers' consignment stocks, revenue is recognised when control is transferred to the customer, i.e. when goods are transferred to the consignment stock.

Variable considerations include cash and quantity discounts and consequences of delayed deliveries. Variable considerations are included in the performance obligation sales price of the receivable.

Scanfil provides a product warranty on the basis of customer contracts. The warranty period typically ranges from 12 to 24 months, and it can be at most 36 months. The warranty is not a separate performance obligation. Payment terms are customer-specific, ranging from 30 to 90 days.

Scanfil reports single business segment.

TURNOVER

The company's customers include international operators in the automation, energy, data transmission and health technology sectors, among other industries, and companies operating in fields related to urbanisation.

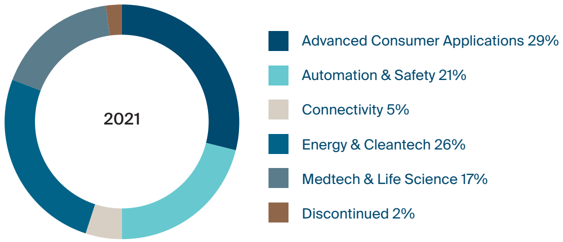
Markets and customer segments

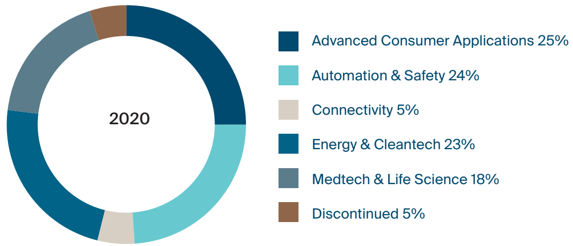
Scanfil has divided its customers into segments on the basis of their respective fields of activity and monitors the development of sales by customer segment. Scanfil renewed its customer segments at the beginning of 2021 to better correspond to the current customer structure.

The customers are divided into the following segments:

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

BREAKDOWN OF TURNOVER BY CUSTOMER SEGMENT IN 2021 AND 2020





Turnover by customer segment and quarter

EUR MILLION	2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021	% of turnover 2021
Advanced Consumer Applications	**151.3**	42.9	53.4	55.4	52.9	**204.6**	29.4
Automation & Safety	**142.1**	34.5	36.8	32.5	41.1	**144.9**	20.8
Connectivity	**28.6**	8.1	7.3	7.3	10.4	**33.0**	4.8
Energy & Cleantech	**135.6**	40.3	44.8	43.5	53.4	**182.1**	26.2
Medtech & Life Science	**107.8**	29.1	28.5	29.1	33.9	**120.6**	17.3
Discontinued	**29.9**	8.5	2.0	0.0	0.0	**10.5**	1.5
Total	**595.3**	163.3	172.9	167.8	191.7	**695.7**	100.0

In 2021, the Group's turnover was EUR 695.7 (595.3) million, an increase of 16.9% compared to the previous year.

Turnover includes EUR 42.5 million of low margin invoicing, of which EUR 32.0 million was separately agreed purchases related to securing the availability of materials needed for production. These purchases related to securing deliveries were usually spot market purchases of materials and special freights. This invoicing was no or low margin for Scanfil in 2021. Turnover excluding invoicing of separately agreed purchases was EUR 663.7 million, an increase of 11.7% compared to the previous year. In addition, turnover included EUR 10.5 million of low-margin intermediary trading.

Turnover by customer segment developed as follows:

Advanced Consumer Applications: Turnover increased by EUR 53.4 million (35.3%) compared to the previous year. The key drivers behind this strong growth were new customer ramp-ups and good demand in elevator products and hand-over solutions. Invoicing related to securing deliveries was EUR 14.6 million.

Automation & Safety: Turnover increased by EUR 2.8 million (2.0%). The development has been steady. Invoicing related to securing deliveries was s EUR 4.9 million.

Connectivity: Turnover increased by EUR 4.4 million (15.5%). Invoicing related to securing deliveries was EUR 0.1 million.

Energy & Cleantech: Turnover increased compared to the previous year by EUR 46.5 million (34.3%). The key drivers behind this strong growth were good demand in recycling and energy systems. Invoicing related to securing deliveries was EUR 8.9 million.

Medtech & Life Science: Turnover increased by EUR 12.8 million (11.8%). Invoicing related to securing deliveries was EUR 3.5 million.

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

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

The impact of COVID-19 pandemic during the review period

The COVID-19 pandemic had only a small negative impact on the Group's productivity and operating profit. The impacts mainly arose from costs related to preventive actions at the factories.

Factories have factory-specific measures to prevent the spread of COVID-19 in accordance with the prevailing sit-uation and instructions given by the authorities. These measures include e.g., shift changes being undertaken so that employees working different shifts do not meet one another during shift changes; the enhanced cleaning of work facilities; the restriction of travel and visits, remote work when possible; the use of protective equipment and safety distances; and hygiene guidelines for employees.

The situation might change rapidly, and the company management is conscious of the importance of active monitoring and quick response.

Grouping of revenue

Revenue is grouped into product and service sales by customer segment. The majority, more than 90%, of the company's revenue comes from sales of manufactured products.

	2021			2020		
EUR MILLION	Good	Services	Total	Good	Services	Total
Customer Segments						
Advanced Consumer Applications	197.5	7.1	204.6	146.5	4.7	151.3
Automation & Safety	124.6	20.3	144.9	120.6	21.5	142.1
Connectivity	30.7	2.4	33.0	28.1	0.5	28.6
Energy & Cleantech	177.8	4.3	182.1	132.8	2.8	135.6
Medtec & Life Science	114.9	5.7	120.6	101.3	6.6	107.8
Discontinued	10.5	0.0	10.5	29.7	0.2	29.9
Total	**655.9**	**39.8**	**695.7**	**559.0**	**36.3**	**595.3**

Timing of revenue recognition						
Goods and services transferred at a point of time	655.9	37.3	693.2	559.0	34.3	593.4
Services transferred over time		2.5	2.5		2.0	2.0
Total	**655.9**	**39.8**	**695.7**	**559.0**	**36.3**	**595.3**

Major customers

EUR THOUSAND	2021	% of turnover	2020	% of turnover
Customer 1	122,210	18%	89,392	15%
Customer 2	57,681	8%	54,510	9%
Customer 3	48,396	7%	42,201	7%
Total	**228,287**		**186,103**	

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

Contractual amounts recognised on the balance sheet

The table below presents contractual receivables, assets and liabilities recognised on the balance sheet.

EUR THOUSAND	2021	2020
Trade receivables, which are included in "Trade and other receivables"	132,613	105,661
Contract assets		161
Contract liabilities	15,498	2,371

Trade and other receivables

Current	132,613	105,822
Total	**132,613**	**105,822**

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

EUR THOUSAND	2021 Contract assets	2021 Contract liabilities
Transferred to trade receivables	-161	
Recognised in Profit and Loss		-2,371
Increase in advances received from customer		15,498

EUR THOUSAND	2020 Contract assets	2020 Contract liabilities
Transferred to trade receivables	-371	
Recognized in Profit and loss		-172
Increase in advances received from customer		2,371

Information about the whole entity

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

Distribution of segment assets

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

Assets on geographical areas

EUR THOUSAND	2021	2020
Domicile		
Finland	38,030	51,343
Sweden	55,903	47,552
Poland	153,512	89,708
China	110,570	56,380
Germany	37,514	35,744
Estonia	52,498	37,418
USA	17,163	14,035
Other	123	126
Total	**465,313**	**332,307**

Turnover by location of customers (delivery address)

EUR THOUSAND	2021	2020
Domicile		
Finland	111,038	102,248
Sweden	129,094	126,024
Germany	95,282	77,543
Poland	22,765	18,504
Rest of Europe	157,759	142,188
Asia	116,934	75,799
USA	57,907	49,947
Other	4,956	3,095
Total	**695,735**	**595,347**

1.2 Other operating income

ACCOUNTING PRINCIPLE

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

Government grants related to tangible and intangible assets are deducted from an asset's acquisition cost, and the net acquisition cost is capitalised on the balance sheet. Other financial contributions are recognised in other operating income through profit or loss.

OTHER OPERATING INCOME, EUR THOUSAND	2021	2020
Proceeds from sale of property, plant and equipment	306	37
Gain on sale of subsidiary		11,540
Allowances and compensations	246	283
Rental income	185	213
Other	429	311
Total	**1,167**	**12,384**

In the year 2020 Scanfil EMS Oy, a subsidiary of Scanfil plc, divested all its shares in the Chinese subsidiary Scanfil (Hangzhou) Co., Ltd. The purchase price was EUR 18.4 million. The sales gains of EUR 11.5 million include equity translation differences of EUR 7.9 million.

1.3 Use of materials and supplies

USE OF MATERIALS AND SUPPLIES, EUR THOUSAND	2021	2020
Materials, supplies and goods		
Purchases during the period	543,913	410,180
Change in inventories	-52,574	155
Total	**491,339**	**410,335**

1.4 Employee benefit expenses

Employee benefits

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

ACCOUNTING PRINCIPLE

Short-term employee benefits

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

Post-employment benefits

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

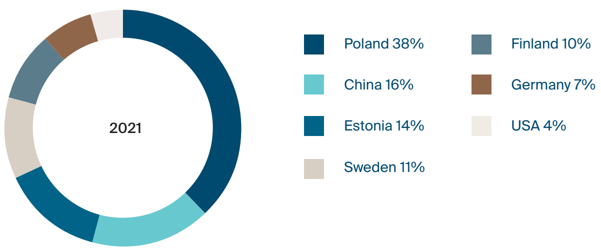
There is a multi-employer supplementary defined benefit pension plan for employees in industry and commerce secured by Alecta in Sweden. Because Alecta is unable to furnish Scanfil with information that would enable the plan to be reported as a defined benefit plan in accordance with IAS 19 Employee Benefits, it is reported as a defined contribution plan.

PERSONNEL EXPENSES, EUR THOUSAND	2021	2020
Salaries, wages and fees	76,769	76,892
Options implemented and paid in shares	1,010	366
Pension costs – defined-contribution schemes	10,950	9,505
Other indirect employee expenses	8,745	8,733
Total	**97,474**	**95,496**

Management's employee benefits are reported in note 5.3, "Details of related parties and Group structure".

AVERAGE NUMBER OF GROUP EMPLOYEES DURING THE PERIOD	2021	2020
Europe	321	331
Abroad	2,946	3,056
Total	**3,267**	**3,387**

PERSONNEL BY COUNTRY ON DECEMBER 31, 2021, IN TOTAL, 3,282 EMPLOYEES



Share-based payments

ACCOUNTING PRINCIPLE

The Group has two option schemes in place. Option rights are valued at their fair value at the time they were granted and recognised as an expense in the income statement under employee benefits in equal portions during the vesting period. The expense defined at the time the options were granted is based on the group's estimate of the amount of options assumed to be vested at the end of the vesting period. The fair value of options has been defined based on the Black-Scholes pricing model. Assumptions concerning the final amount of options are updated on each reporting date. Changes in the estimates are recognised in profit or loss. When option rights are exercised, proceeds from share subscriptions, adjusted with potential transaction costs, are entered under equity.

Option schemes

On April 12, 2016, the Annual General Meeting accepted Scanfil plc's 2016 option scheme (A)–(C) and on April 24, 2019, the Annual General Meeting accepted the 2019 option scheme (A)–(C). On the basis of the 2016 and 2019 option schemes, maximum of 900,000 option rights per option scheme can be granted. Each option right enables its holder to subscribe one Scanfil plc share. The start of the option rights subscription period requires that the group's production and financial goals and conditions specifically determined by the Board for exercising the option rights are met. The subscription price of shares is determined on the basis of the Company's trading volume weighted average share price in Nasdaq Helsinki Ltd during the period March 1 to March 31 three years before start of the option rights subscription period.

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

In 2021, the expense recognition of the option scheme was EUR 259,201 (EUR 214,404 in 2020).

In 2021, a total of 160,000 Company's shares were subscribed under option rights 2016(B). The subscription price of EUR 571,200 of subscriptions made under the option rights has been recognised in the invested unrestricted equity fund. Scanfil transferred 160,000 treasury shares held by the company to subscribers on the basis of the subscriptions made under the option rights.

In 2021, a total of 170,000 Company's shares were subscribed under option rights 2016(C). The subscription price of EUR 761,600 of subscriptions made under the option rights has been recognised in the invested unrestricted equity fund. The total of 130,000 new shares subscribed under the option rights were entered in the trade register on May 28, 2021, and the Company transferred a total of 40,000 treasury shares held by the company to the subscribers.

OPTION ARRANGEMENT 31.12.2021	2019C	2019B	2019A	2016C	2016B	2016A
Grant date	25.10.2021	27.10.2020	27.11.2019	26.6.2019	21.11.2017	8.12.2016
Amount of granted instruments (pcs)	200,000	200,000	190,000	210,000	250,000	250,000
Subscription price (EUR)	7,73	4,34	4,04	4,48	3,57	3,38
Fair value (EUR)	1,66	1,79	1,08	0,54	1,12	0,74
Share price at time of granting (EUR)	7,74	5,16	4,42	3,88	4,15	3,36
Term of validity (years)	4,5	4,5	4,4	3,9	4,4	4,4
Subscription period	1.5.2024-30.4.2026	1.5.2023-30.4.2025	1.5.2022-30.4.2024	1.5.2021-30.4.2023	1.5.2020-30.4.2022	1.5.2019-30.4.2021
Excercised options, pcs				170,000	230,000	210,000
Returned options to company, pcs					20,000	40,000
Number of options outstanding	**200,000**	**200 000**	**190,000**	**40,000**	**0**	**0**

1.5 Other operating expenses

Other operating expenses include the following significant items:

OTHER OPERATING EXPENSES, EUR THOUSAND	2021	2020
Hired labour	19,514	11,699
Subcontracting	1,531	2,169
Sales freight	5,771	4,465
Energy	3,647	3,332
Tools & repair and maintenance of tools	6,812	5,611
Rents	853	507
Maintenance expenses	3,482	3,274
Travel, marketing and vehicle expenses	2,133	1,316
Other employee expenses	3,161	2,828
Bought services	3,940	3,864
ICT expenses	2,367	2,138
Other operating expenses	2,898	2,693
Total	**56,108**	**43,896**

The use of hired labor increased compared to the previous year mainly due to the increase in demand.

During the 2021 and 2020 financial periods, the company's main auditor was the auditing company KPMG Oy Ab.

AUDITOR'S REMUNERATION, EUR THOUSAND	2021 Fees to KPMG	2021 Fees to other auditors	2020 Fees to KPMG	2020 Fees to other auditors
Audit fees	323	1	310	1
Tax consulting	54		23	
Other services	2		53	
Total	**379**	**1**	**386**	**1**

Services other than auditing services carried out by KPMG Oy Ab totalled EUR 25 thousand during the 2021 financial period.

1.6 Income taxes

ACCOUNTING PRINCIPLE
Income taxes

The taxes of the consolidated income statement include taxes based on the results of the group companies and calculated in accordance with local tax laws and tax rates. The taxes in the income statement also include the change in deferred tax assets and liabilities.

Deferred tax assets or liabilities are calculated on temporary differences between taxation and financial statements and differences due to group eliminations based on tax rates for the following year confirmed by the reporting date. Temporary differences arise from intercompany profits on inventories, depreciation differences and provisions, among others.

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

The purpose of the company's management assessment is to identify the company's tax positions for which the related tax legislation is open to interpretation. An adjustment is recorded on uncertain tax positions identified on the basis of the estimate if it is expected that the tax authorities will challenge the management's interpretation. The amount of the reservation is based on the estimated final tax cost.

Use of estimates

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

INCOME TAXES, EUR THOUSAND	2021	2020
Current tax	8,709	7,977
Tax expense of previous years	1,443	-265
Deferred taxes	-2,252	-2,816
Total	**7,901**	**4,895**

RECONCILIATION OF TAX EXPENSE IN THE INCOME STATEMENT AND TAXES CALCULATED AT THE TAX RATE APPLICABLE IN FINLAND OF 20% (20% IN 2020)

Earnings before taxes	**37,656**	**41,793**
Taxes calculated at domestic tax rate	7,531	8,359
Different tax rates of foreign subsidiaries	-765	-1,148
Tax at source on dividends paid in China		105
Tax at source on dividends paid in Estonia	576	802
Witholding tax of unpaid dividends	140	-430
Unrecorded deferred tax assets from tax losses		18
Use of unrecognised losses in previous years	-1,057	
Tax benefit of investment in Polish subsidiary		-761
Taxes on the sale of a subsidiary		889
Tax free income from the sale of a subsidiary		-2,239
Tax free items	-59	-258
Other	92	-177
Taxes from previous years	1,443	-265
Taxes in income statement	**7,901**	**4,895**

Use of unrecognised losses in the previous years are related to the use of losses of Scanfil Sweden AB's Norwegian subsidiary PartnerTech AS. The operations of PartnerTech AS was ceased in 2016 and the company was resolved in voluntary liquidation proceedings in 2016. The company had EUR 11.8 million of unrealized losses of which Scanfil Sweden AB has deducted EUR 5.1 million from the taxable income of the year 2021 based on the legislation regarding the Group contribution. The corresponding deduction has been previously accepted concerning the losses of Scanfil Sweden AB's British subsidiary.

Taxes from previous years include a tax adjustment related to the losses of EUR 8.1 million of Scanfil EMS Oy's Hungarian subsidiary. The subsidiary was merged into the parent company in 2018 and based on the realized losses the parent company made tax deductions in 2018 and 2019. On 28 September 2021 Finnish tax authorities resolved this matter against the company interest. The company has appealed on Assessment Adjustment Board's decision to Northern Finland's administrative court in January 2022.

DEFERRED TAX ASSETS AND LIABILITIES

EUR THOUSAND	1.1.2021	Recognised through profit and loss	Recognised under other comprehensive income	Translation differences	31.12.2021
Deferred tax assets:					
Investment grant to Poland	2,075	-1,264		-8	803
Inventories	408	260		1	669
Provisions	481	214		-5	689
Fixed assets	641	-12		1	629
Other	1,382	2,115	-122	-23	3,351
Losses	1,897	462			2,360
Total	**6,884**	**1,774**	**-122**	**-35**	**8,501**
Deferred tax liabilities:					
Long-term customer relationships	-2,157	376		22	-1,759
Unpaid dividends	-2,172	-140			-2,312
Fixed assets	-1,242	150		-79	-1,172
Other	-140	92		0	-48
Total	**-5,711**	**477**		**-57**	**-5,290**

EUR THOUSAND	1.1.2020	Recognised through profit and loss	Recognised under other comprehen-sive income	Sold businesses	Translation differences	31.12.2020
Deferred tax assets:						
Investment grant to Poland	3,427	-1,153			-198	2,075
Inventories	307	185		-73	-12	408
Provisions	432	79			-31	481
Fixed assets	605	66		-20	-11	641
Other	943	421	140		-122	1,382
Losses		1,897				1,897
Total	**5,714**	**1,496**	**140**	**-92**	**-374**	**6,884**
Deferred tax liabilities:						
Long-term customer relationships	-2,532	421			-46	-2,157
Unpaid dividends	-2,602	430				-2,172
Fixed assets	-1,481	199			40	-1,242
Other	-344	186	43		-26	-140
Total	**-6,958**	**1,320**	**43**		**-32**	**-5,711**

Other items include EUR 0.9 (0.7) million for deferred tax assets related to Polish non-deductible intra-group charges. Scanfil Poland Sp. z o.o has submitted an application for an Advance Pricing Agreement (APA) to the Polish Ministry of the Finance in 2018. The process is still ongoing. The company considers that the costs can be reduced for tax purposes over the coming financial periods.

In addition other items include EUR 1.4 (0.2) for deferred tax assets related to cost accruals in Poland.

1.7 Earnings per share

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

EARNINGS PER SHARE, EUR THOUSAND	2021	2020
Net profit for the period attributable to equity holders of the parent company	29,756	36,898
Number of shares, undiluted (1,000 pcs)	64,701	64,387
Earnings per share, undiluted, EUR	**0.46**	**0.57**
Dilution effect of stock options (1,000 pcs)	630	800
Number of shares, diluted (1,000 pcs)	65,331	65,187
Earnings per share, diluted, EUR	**0.46**	**0.57**

2. NET WORKING CAPITAL

2.1 Net working capital

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

The group monitors on a monthly basis the ratio of net working capital to the turnover for the previous 12 months. Net working capital was 27.0% of net sales, compared to 20.1% at the end of the previous year. In general, turnover growth increased the working capital. The increase in inventories was driven also by a slowdown in inventory turnover due to material availability challenges and increased material prices.

NET WORKING CAPITAL, EUR THOUSAND	2021	2020
Net working capital		
Inventories	193,358	103,254
Trade receivables	132,613	105,661
Accrued income, other receivables and income tax receivables	19,054	9,405
Advance payments	1,303	562
Trade payables	-127,256	-76,153
Accrued expenses, other liabilities and income tax liabilities	-30,912	-23,350
Total	**188,161**	**119,379**
Net working capital, % of turnover	**27.0%**	**20.1%**

2.2 Inventories

ACCOUNTING PRINCIPLE
Inventories

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

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

Use of estimates

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

INVENTORIES, EUR THOUSAND	2021	2020
Materials and supplies	164,549	81,947
Work in progress	16,852	10,747
Finished goods	11,957	10,560
Total	**193,358**	**103,254**

Impairment losses on inventories during the financial year amounted to EUR 2.1 (3.6) million.

2.3 Trade and other receivables

ACCOUNTING PRINCIPLE
Trade receivables

Trade receivables are created when Scanfil invoices products and services delivered to customers. Trade receivables are measured at the original invoiced amount. For uncertain receivables, impairment is recognised on the basis of case-specific risk assessments.

According to the new impairment model, impairment provisions must be recognised on the basis of expected credit losses. A simplified model must be applied to trade receivables, in which the estimated amount of credit losses is based on percentages defined on the basis of the age distribution of the receivables. These percentages are based on the estimated probability of credit losses and historical information.

Use of estimates

Estimates by the management are included in the assessment of possible credit loss risks included in the trade receivables. According to the view of the group's management, the company has no significant credit loss risks.

TRADE AND OTHER RECEIVABLES, EUR THOUSAND	2021	2020
Trade receivables	132,613	105,661
Accrued income	5,425	6,050
Value-added tax receivables	3,360	1,088
Other receivables	7,629	506
Total	**149,027**	**113,305**

AGE DISTRIBUTION OF TRADE RECEIVABLES, EUR THOUSAND	2021	2020
Unmatured	115,286	91,073
Matured		
1–30 days	14,094	10,856
31–90 days	2,383	3,474
91–180 days	780	257
181–365 days	100	35
Over 365 days		34
Provision for bad debt	-30	-70
Total	**132,613**	**105,661**

Expected credit losses, December 31, 2021

2021, EUR THOUSAND	Book value (gross)	Estimated credit losses	Bad debt provision
Unmatured	115,286	0.01 %	12
Matured			
1–30 days	14,094	0.02 %	2
31–90 days	2,383	0.21 %	5
91–180 days	780	0.87 %	7
Over 365 days	100	3.7 %	4
Total	**132,643**		**30**

2020, EUR THOUSAND	Book value (gross)	Estimated credit losses	Bad debt provision
Unmatured	91,073	0.01%	9
Matured			
1–30 days	10,856	0.02%	2
31–90 days	3,474	0.50%	17
91–180 days	257	2.00%	5
181–365 days	35	25.0%	9
Over 365 days	34	81.3%	28
Total	**105,731**		**70**

At the end of the financial period, the credit loss provision recognised for covering uncertain receivables stood at EUR 30 (70) thousand. During the financial period, credit losses recognised from trade receivables were EUR 2 (2) thousand.

2.4 Trade and other liabilities

TRADE AND OTHER PAYABLES, EUR THOUSAND	2021	2020
Trade payables	127,256	76,153
Accrued liabilities	23,158	16,124
Advance payments received	15,498	2,371
Other creditors	6,378	5,456
Total	**172,290**	**100,104**
The most significant items included in accrued liabilities:		
Employee expenses	11,807	11,388
Interests	90	2
Financial derivatives	88	698
Other accrued liabilities	11,173	4,036
Total	**23,158**	**16,124**

3. NON-CURRENT ASSETS

3.1 Goodwill

ACCOUNTING PRINCIPLE
Goodwill

Business combinations are treated using the acquisition method. Goodwill is recognised at the amount by which the acquisition cost exceeds the group's share of the value of acquired assets and liabilities at the time of acquisition. Goodwill is created in corporate transactions, and it reflects the value of the acquired business, market share and synergies. The book value of goodwill is tested by impairment testing. The group's goodwill mainly consists of the acquisition of PartnerTech AB group in 2015 and the acquisition of German HASEC-Elektronik GmbH in 2019.

Impairment testing

No depreciation is made of goodwill; instead, goodwill is tested at least annually for possible impairment. For that, goodwill is allocated to cash generating units (CGUs). The recoverable amount of the CGU is calculated with value in use calculations. An impairment loss is recognised when the book value of an asset exceeds its recoverable amount. Impairment losses are immediately recognised as expenses in the income statement. Impairment losses recognised for goodwill cannot be later reversed. In 2020 and 2021, no goodwill impairments were recorded.

GOODWILL, EUR THOUSAND	2021	2020
Cost at 1 Jan.	8,304	8,046
Exchange rate differences	-138	258
Carrying amount at 31 Dec.	**8,166**	**8,304**

ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS, EUR THOUSAND	2021	2020
Scanfil Oü	111	111
Scanfil Poland Sp. z o.o.	3,395	3,468
Scanfil Vellinge AB	1,281	1,309
Scanfil Åtvidaberg AB	1,730	1,767
Scanfil Electronics GmbH	1,649	1,649
Total	**8,166**	**8,304**

DISCOUNT RATE OF CASH FLOWS BEFORE TAXES	2021	2020
Scanfil Electronics GmbH	9.9%	12.2%
Scanfil Poland Sp. z o.o.	11.2%	12.2%
Scanfil Vellinge AB	10.9%	11.6%
Scanfil Åtvidaberg AB	11.0%	11.6%

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

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

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

No need for impairment of goodwill was detected based on the impermanent testing. The recoverable amounts of all CGUs exceed their book values.

Sensitivity analysis

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

SENSITIVITY ANALYSIS	2021 Change % units	2020 Change % units
Discount rate before taxes		
Scanfil Poland Sp. z o.o.	+ 9.3	+6.7
Scanfil Vellinge AB	+12.7	+14.2
Scanfil Åtvidaberg AB	+13.9	+16.3
Scanfil Electronics GmbH	+2.2	+2.0
Profitability (EBITDA %)		
Scanfil Poland Sp. z o.o.	-4.0	-2.9
Scanfil Vellinge AB	-4.9	-4.7
Scanfil Åtvidaberg AB	-3.7	-5.0
Scanfil Electronics GmbH	-1.6	-1.3
Terminal growth rate		
Scanfil Poland Sp. z o.o.	N/A	N/A
Scanfil Vellinge AB	N/A	N/A
Scanfil Åtvidaberg AB	N/A	N/A
Scanfil Electronics GmbH	-7.0	-4.3

As regards Scanfil Poland Sp. z.o.o., Scanfil Vellinge AB and Scanfil Åtvidaberg AB, changes in terminal growth are not significant (N/A).

3.2 Other intangible assets

ACCOUNTING PRINCIPLE

Other intangible assets

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

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

THE DEPRECIATION PERIODS ARE:

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

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

Long-term customer relationships

In connection with the allocation of the purchase price related to the acquisition of PartnerTech AB in 2015 and HASEC-Elektronik GmbH in 2019, the group has allocated part of the purchase price to long-term customer relationships. Following the initial recognition, customer relationships are measured at cost less accrued depreciation and impairment.

Research and development costs

Research and development costs are recognised as expenses through profit or loss. Development costs as per IAS 38 Intangible Assets are capitalised and amortised over their useful lives. The group has no capitalised development costs.

Impairment

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

OTHER INTANGIBLE ASSETS, EUR THOUSAND	Customer relationships	Intangible rights	Other long-term expenses	Advance payments	Intangible assets total
Acquisition at 1 Jan. 2021	16,626	8,260	2,913	8	27,808
Additions		149	583	385	1,117
Deductions		-278	-292	-8	-578
Exchange rate differences	-271	479	23		232
Acquisition at 31 Dec. 2021	**16,355**	**8,611**	**3,227**	**385**	**28,579**
Accumulated depreciations at 1 Jan. 2021	-7,632	-4,272	-1,643		-13,548
Depreciations	-1,648	-682	-355		-2,686
Deductions		278	292		570
Exchange rate differences	162	-147	-23		-9
Accumulated depreciations at 31 Dec. 2021	**-9,119**	**-4,824**	**-1,729**		**-15,672**
Carrying amount at 1 Jan. 2021	8,994	3,988	1,270	8	14,260
Carrying amount at 31 Dec. 2021	**7,236**	**3,787**	**1,498**	**385**	**12,906**

OTHER INTANGIBLE ASSETS, EUR THOUSAND	Customer relationships	Intangible rights	Other long-term expenses	Advance payments	Intangible assets total
Acquisition at 1 Jan. 2020	16,119	7,958	2,959	834	27,869
Additions		536	827	8	1 371
Deductions		-753	-137	-834	-1,724
Transfers between items		668	-722		-54
Exchange rate differences	507	-148	-14		346
Acquisition at 31 Dec. 2020	**16,626**	**8,260**	**2,913**	**8**	**27,808**
Accumulated depreciations at 1 Jan. 2020	-5,741	-3,866	-1,452		-11,060
Depreciations	-1,607	-704	-336		-2,648
Decreases in value		-49			-49
Deductions		326	135		461
Transfers between items		-31	31		0
Exchange rate differences	-283	52	-21		-252
Accumulated depreciations at 31 Dec. 2020	**-7,632**	**-4,272**	**-1,643**		**-13,548**
Carrying amount at 1 Jan. 2020	10,377	4,092	1,507	834	16,810
Carrying amount at 31 Dec. 2020	**8,994**	**3,988**	**1,270**	**8**	**14,260**

The deductions line includes the carrying amount of EUR 0.4 million arising from the sale of the Chinese subsidiary Scanfil (Hangzhou) Co., Ltd.

3.3 Property, plant and equipment

ACCOUNTING PRINCIPLE

Property, plant and equipment

The main items included in this category are buildings, machinery, equipment, fixtures and fittings. They are stated in the balance sheet at historical cost less depreciation and any impairment losses. Depreciation is calculated from historical cost on a straight-line basis over the expected useful lives of the assets. No depreciation is made for land areas. The repair and maintenance costs of tangible fixed assets are recognised through profit or loss.

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

An item of property, plant and equipment will no longer be depreciated when such an item is considered as being held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations".

THE DEPRECIATION PERIODS ARE:

Buildings and structures	10–25 years
Machinery and equipment	3–10 years
Other tangible assets	5–10 years

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

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

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

Impairment

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

PROPERTY, PLANT AND EQUIPMENT, EUR THOUSAND	Land	Buildings and con-structions	Machinery and equip-ments	Other tangible assets	Advance payments and con-structions in progress	Tangible assets total
Acquisition cost at 1 Jan. 2021	797	28,389	80,218	582	1,845	111,831
Additions	191	96	10,057		3,011	13,355
Deductions			-3,236		-1,643	-4,879
Transfers between items		13				13
Exchange rate differences	-3	624	2,400	5	-20	3,006
Acquisition cost at 31 Dec. 2021	**984**	**29,122**	**89,438**	**588**	**3,193**	**123,326**
Accumulated depreciations at 1 Jan. 2021		-14,082	-50,827	-566		-65,475
Depreciations		-1,417	-7,525			-8,941
Deductions			2,608			2,608
Exchange rate differences		-469	-1,251	-5		-1,725
Accumulated depreciations at 31 Dec. 2021		**-15,968**	**-56,994**	**-571**		**-73,534**
Carrying amount at 1 Jan. 2021	-797	-14,307	-29,391	-17	-1,845	46,356
Carrying amount at 31 Dec. 2021	**984**	**13,154**	**32,444**	**17**	**3,193**	**49,792**

Gross investments in tangible and intangible assets totalled EUR 15.5 million, which is 2.2% of net sales. Most of the investments were made in production machinery and equipment. Main investments in electronics manufacturing were new surface assembly line in Suzhou, new wave soldering machine in Sieradz and testing systems for different sites. Main investments in mechanical manufacturing were new punching, laser and bending technic to Myslowice, Parnu and Sievi. Investment in sites continued in order to automatize manufacturing processes and material handling and to digitalize production.

PROPERTY, PLANT AND EQUIPMENT, EUR THOUSAND	Land	Buildings and con-structions	Machinery and equip-ments	Other tangible assets	Advance payments and con-structions in progress	Tangible assets total
Acquisition cost at 1 Jan. 2020	824	33,846	82,479	570	1,790	119,510
Additions		471	8,243		3,595	12,308
Deductions		-4,362	-8,856		-3,469	-16,688
Transfers between items		-520				-520
Exchange rate differences	-28	-1,046	-1,647	12	-71	-2,780
Acquisition cost at 31 Dec. 2020	**797**	**28,389**	**80,218**	**582**	**1,845**	**111,831**
Accumulated depreciations at 1 Jan. 2020		-16,056	-52,223	-554		-68,833
Depreciations		-1,624	-7,046			-8,670
Decreases in value			-611			-611
Deductions		2,897	8,106			11,003
Transfers between items		391				391
Exchange rate differences		311	947	-12		1,245
Accumulated depreciations at 31 Dec. 2020		**-14,082**	**-50,827**	**-566**		**-65,475**
Carrying amount at 1 Jan. 2020	824	17,790	30,256	17	1,790	50,677
Carrying amount at 31 Dec. 2020	**797**	**14,307**	**29,391**	**17**	**1,845**	**46,356**

Gross investments in tangible and intangible assets totalled EUR 9.4 million, which is 1.6% of net sales. Most of the investments were made in production machinery and equipment, including a new electronics surface assembly line at the Sieradz plant and a new environmentally friendly powder coating pre-treatment line in Myslowice. Investments were also continued in several factories to automate production processes and material management. The digitalisation of production was also continued in accordance with the investment plans with the introduction of production IoT solutions and MES (Manufacturing Execution System) software.

The deductions line includes deductions from the sale of the Chinese subsidiary Scanfil (Hangzhou) Co., Ltd with a book value of EUR 2.0 million.

3.4 Right-of-use assets

ACCOUNTING PRINCIPLE

When an agreement enters into force, the group will determine whether it is a lease agreement or whether it includes a lease agreement. An agreement is a lease agreement or includes a lease agreement if it provides the right to control the use of a specific asset item for compensation for a specific period.

The group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use asset is initially measured at the original acquisition cost, including an amount equal to the original valuation of the lease liability, rents paid until the start date of the agreement and expenses for returning the right-of-use asset to its original state, less any rent incentives received.

The group leases production and office facilities. A typical lease for production facilities covers five to eight years. Five of the Group's nine production plants operate in leased premises. Some lease agreements include options to extend the lease period or to terminate the agreement before the end of the lease period. When a lease period starts, the group assesses whether it is reasonably certain to exercise different options. The group will reassess whether it is reasonably certain to exercise different options if there are changes in circumstances under its control or if significant event takes place. The group has recognised extension options based on lease agreements totalling three to four years.

In addition, the group has lease agreements on cars and other vehicles (mainly forklifts) and equipment. Lease agreements typically cover one to four years. With regard to vehicle leases, the group processes components other than lease agreement components as separate, including servicing.

Right-of-use asset items is subsequently depreciated using straight-line method, starting from the commencement date of the lease agreement until the end of the lease period or until the end of the expected useful life of each right-of-use asset, depending on which is shorter. The expected useful life of each right-of-use asset is determined using the same principles that are used to determine the depreciation periods of owned properties and equipment. In addition, right-of-use asset is reduced by impairment losses, if any, and adjustments resulting from the remeasurement of the lease liability.

The lease liability is recognised at the current value of upcoming rents using the interest rate of incremental borrowing rate as the discount rate, in which case the value of the right-of-use asset corresponds with the amount of the lease liability on the commencement date of the lease agreement.

The lease liability is measured using the effective interest method. Lease liability is remeasured if there are changes in upcoming rents due to changes in index or interest rates, if the estimated residual value guarantee to be paid changes, or if the estimate of exercising the extension or termination option changes. When lease liability is remeasured as described above, the book value of the right-of-use asset will be adjusted correspondingly or the impact of the change will be recognised through profit and loss, provided that the book value of the right-of-use asset has decreased to zero.

Short-term lease agreements and leases of low-value assets

The group applies recognition exemptions concerning short-term lease agreements of at most 12 months and assets with a low value of at most EUR 5,000. As an exception to the application of exemptions, the exemption of 12 months does not apply to leasing vehicles. Expenses related to short-term lease agreements and asset items with a low value are recognised on a straight-line basis in other operating expenses over the lease period.

Lease agreements previously classified as finance leases in accordance with IAS 17

Lease agreements that were previously classified as finance leases in accordance with IAS 17 are included in right-of-use asset and lease liability in accordance with IFRS 16, starting from January 1, 2019.

EUR THOUSAND	Land	Buildings and constructions	Machinery and equipments	Right-of-use assets total
Acquisition cost at 1 Jan. 2021	276	24,349	2,681	27,306
Additions	-198	8 482	525	8 809
Deductions	-270	-4 528	-104	-4 902
Exchange rate differences	7	57	-36	27
Acquisition cost at 31 Dec. 2021	**-185**	**28,359**	**3,066**	**31,239**
Accumulated depreciations at 1 Jan. 2021	-63	-7,716	-1,402	-9,181
Depreciations	-36	-2,963	-749	-3,749
Deductions	270	3,386	95	3,751
Exchange rate differences	15	145	20	179
Accumulated depreciations at 31 Dec. 2021	**185**	**-7,148**	**-2,037**	**-9,000**
Carrying amount at 1 Jan. 2021	213	16,633	1,279	18,125
Carrying amount at 31 Dec. 2021	**0**	**21,211**	**1,029**	**22,240**

EUR THOUSAND	Land	Buildings and constructions	Machinery and equipments	Right-of-use assets total
Acquisition cost at 1 Jan. 2020	292	24,772	2,138	27,203
Additions	3	1,726	825	2,554
Deductions	-19	-2,344	-251	-2,615
Transfers between items		520		520
Exchange rate differences		-324	-31	-355
Acquisition cost at 31 Dec. 2020	**276**	**24,349**	**2,681**	**27,306**
Accumulated depreciations at 1 Jan. 2020	-42	-5,315	-887	-6,244
Depreciations	-39	-2,948	-758	-3,745
Deductions		1,084	208	1,291
Decreases in value		-365		-365
Transfers between items		-391		-391
Exchange rate differences	18	220	35	273
Accumulated depreciations at 31 Dec. 2020	**-63**	**-7,716**	**-1,402**	**-9,181**
Carrying amount at 1 Jan. 2020	251	19,457	1,251	20,959
Carrying amount at 31 Dec. 2020	**213**	**16,633**	**1,279**	**18,125**

The deductions include deductions related to the closure of the German Scanfil GmbH plant with a book value of EUR 1.2 million. Decreases in value EUR 0.4 million is related to the revaluation of the lease agreement in the event of plant closure..

LEASE LIABILITIES, EUR THOUSAND	2021	2020
Maturity analysis – contractual undiscounted cash flows		
Within one year	3,859	4,237
In one to two years	12,523	13,113
More than five years	9,618	4,419
Total	**26,000**	**21,768**

CARRYING AMOUNT OF LEASE LIABILITIES AT THE END OF THE FINANCIAL YEAR	2021	2020
Long-term liabilities	19,903	15,905
Short-term liabilities	3,182	3,659
Total	**23,085**	**19,565**

AMOUNTS RECOGNISED IN PROFIT AND LOSS, EUR THOUSAND	2021	2020
Interest on lease liabilities	552	690
Expenses relating to short-term leases	142	122
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	101	67
Total	**795**	**879**

The group as a lessor

The group has leased out one of its office buildings and classified this lease agreement as an operational lease agreement. The group therefore recognises rents received under this agreement as income on a straight-line basis throughout the lease period under “other operating income.” The group has no other agreements in the role of a lessor.

Operating lease agreement

LEASE INCOME, EUR THOUSAND	2021	2020
Maturity analysis – contractual undiscounted cash flows		
Within one year	66	59
In one to two years	17	74
Total undiscounted lease income at 31 December	**83**	**134**

3.5 Depreciation, amortisation and impairment

ACCOUNTING PRINCIPLE

The determination principles are shown in note 3.1 “Goodwill”, 3.2 “Other intangible assets”, 3.3 “Tangible assets” and 3.4 ”Right-of-use assets”.

Depreciation and amortisation

DEPRECIATION BY ASSET CLASS, EUR THOUSAND	2021	2020
Intangible assets		
Intangible rights	682	704
Other long-term expenses	355	336
Long-term customer relationships	1,648	1,607
Total	**2,686**	**2,648**
Property, plant and equipment		
Buildings	1,417	1,624
Machinery and equipment	7,530	7,046
Total	**8.946**	**8,670**
Right-of-use-assets		
Land	36	39
Buildings	2,959	2,948
Machinery and equipment	749	758
Total	**3,745**	**3,745**
Total depreciation	**15,376**	**15,063**

AMORTISATION BY ASSET CLASS, EUR THOUSAND	2021	2020
Intangible assets		
Intangible rights		49
Total		**49**
Property, plant and equipment		
Machinery and equipment		611
Total		**611**
Right-of-use-assets		
Buildings		365
Total		**365**
Total amortisation		**1,025**
Total depreciation and amortisation	**15,376**	**16,088**

The decision of closing German subsidiary Scanfil GmbH’s factory was made in 2020. Impairments of EUR 1.0 million related to machinery, equipment and the property have been recognised in intangible assets related to the shutdown of the factory and the discontinued operations.

4. CAPITAL STRUCTURE

Financial items

ACCOUNTING PRINCIPLE
Financial assets and liabilities

The company classifies the Group's financial assets as financial assets recognised at amortised cost, financial assets recognised at fair value through profit or loss, or financial assets recognised at fair value in other comprehensive income items. Financial assets are classified based on the purpose of their acquisition, and they are classified at the time of their original acquisition. The classification is based on the company's business goals and agreement-based cash flows of financial assets, or it is carried out by applying the fair value option in conjunction with the original acquisition.

Financial assets recognised at amortized cost mainly consist of trade receivables. Assets classified in this group are valued at amortised cost using the effective interest method. According to the Group's business model, trade receivables are intended to be maintained in accordance with original agreements, and cash flows related to them and based only on capital and interest are to be collected. Trade receivables are current assets that the company intends to keep for a maximum of 12 months after the end of the reporting period. The carrying amount of current trade receivables is considered to materially correspond to their fair value. The accounting of impairments is described in Note 4.7 "Credit risk".

Financial assets recognised at fair value through profit or loss include financial assets acquired to be held for trading or classified as items recognised at fair value during initial recognition. Financial assets included in this item are non-quoted shares. Investments in non-quoted shares are stated at the lower of historical cost and probable realisable value because their fair values cannot be determined reliably. Quoted shares are measured at fair value, which is the market price of the date of the financial statement. This item also includes derivatives to which hedge accounting does not apply. In the 2021 financial statements, the group had no investments in non-quoted shares.

Financial assets entered at fair value in other comprehensive income are derivatives that are subject to hedge accounting. On the date of the financial statements, the group's financial assets are evaluated to see if there are indications that the value of any of the assets might be impaired.

Cash and cash equivalents include cash at bank and in hand as well as short-term bank deposits, which can easily be exchanged for an amount known in advance and for which there is little risk of changes in value. Items classified as cash and cash equivalents have a maximum maturity of three months from the time of acquisition. Cash and cash equivalents are included in the item of financial assets recognised at amortized cost.

The group's financial liabilities are recognised at amortised cost.

The financial assets and liabilities are recognised on the value date, apart from derivative contracts, which are recognised on the transaction date.

4.1 Cash and cash equivalents

CASH AND CASH EQUIVALENTS, EUR THOUSAND	2021	2020
Cash and cash equivalents	25,345	25,845
Total	**25,345**	**25,845**

4.2 Financial income and expenses

ACCOUNTING PRINCIPLE

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

FINANCING INCOMES AND EXPENSES, EUR THOUSAND	2021	2020
Financing incomes		
Dividends		100
Interest income from other financial assets	7	11
Exchange rate gains	18	
Other financial income	37	181
Financing incomes total	**61**	**292**
Financing expenses		
Interest expenses	1,123	1,205
Exchange rate losses	473	1,277
Translation differences recognised through profit or loss		103
Other financial expenses	392	286
Financing expenses total	**1,988**	**2,871**
Financing incomes and expenses	**-1,926**	**-2,579**

Exchange rate gains and losses have arisen from the translation of transactions and monetary items into euro. The exchange rate items are shown under financial income and expenses as their net amount, EUR 0.5 (-1.3) million. The operating profit includes a total of EUR -2.0 (-1.3) million of exchange rate losses.

The translation differences related to discontinued units have been transferred from equity to financial income and recognised through profit or loss. The translation differences are presented in note 4.8, Shareholders' equity.

Interest expenses consist of interest for financial liabilities, EUR 0.2 (0.3) million, interest expenses for leases EUR 0.6 (0.6) million and interest expenses for using the overdraft facility, EUR 0.2 (0.1) million. Other financial expenses include financial liabilities commissions and loan withdrawal fees of EUR 0.3 (0.2) million.

4.3 Financial liabilities

FINANCIAL LIABILITIES, EUR THOUSAND	2021	2020
Long-term liabilities recognised at amortised cost		
Financial institutions	42,078	18,242
Lease liability	19,903	15,905
Total	**61,981**	**34,147**
Short-term liabilities recognised at amortised cost		
Financial institutions	6,190	6,188
Drawdowns from credit facilities	13,851	
Lease liability	3,182	3,659
Total	**23,224**	**9,847**

In 2021, Scanfil plc raised a long-term loan of EUR 30 million from Nordea Bank Finland Plc. The loan due date is November 15, 2024.

In 2019, Scanfil plc raised a long-term loan of EUR 30 million from Nordea Bank Finland Plc. The loan is repayable in every six months, and the first instalment of EUR 3.0 million was paid on March 27, 2020 and the last instalment will be paid on September 27, 2024. In addition, Nordea's Multicurrency Global Cash Pool is available with an overdraft facility of EUR 50 million.

The Group's financing arrangements includes termination covenants related to the equity ratio and the ratio between interest-bearing net liabilities and the operating margin. The terms of the covenants are monitored on a quarterly basis. The Group fulfilled the covenant terms during the financial periods of 2020 and 2021.

4.4 Book values and fair values of financial assets and liabilities

BALANCE SHEET ITEM, EUR THOUSAND	Derivatives in cash flow hedging	Recognised at fair value through profit or loss	Financial assets and liabilities recognised at amortised cost	Balance sheet items total
2021				
Non-current assets				
Equity investments		535		535
Current assets				
Trade receivables			132,613	132,613
Cash and cash equivalents			25,345	25,345
Total financial assets		**535**	**157,958**	**158,493**
Non-current financial liabilities				
Interest-bearing liabilities from financial institutions			42,078	42,078
Lease liabilities			19,903	19,903
Current financial liabilities				
Interest-bearing liabilities from financial institutions			6,190	6,190
Drawdowns from credit facilities			13,851	13,851
Lease liabilities			3,182	3,182
Derivatives, hedging	88			88
Trade payables			127,256	127,256
Total financial liabilities	**88**		**212,461**	**212,549**

The fair values of financial assets and liabilities do not differ from their book values.

BALANCE SHEET ITEM, EUR THOUSAND	Derivatives in cash flow hedging	Recognised at fair value through profit or loss	Financial assets and liabilities recognised at amortised cost	Balance sheet items total
2020				
Non-current assets				
Equity investments		535		535
Current assets				
Trade receivables			105,661	105,661
Cash and cash equivalents			25,845	25,845
Total financial assets		**535**	**131,506**	**132,040**
Non-current financial liabilities				
Interest-bearing liabilities from financial institutions			18,242	18,242
Lease liabilities			15,905	15,905
Current financial liabilities				
Interest-bearing liabilities from financial institutions			6,188	6,188
Lease liabilities			3,659	3,659
Derivatives, hedging	698			698
Trade payables			76,154	76,154
Total financial liabilities	**698**		**120,148**	**120,846**

The fair values of financial assets and liabilities do not differ from their book values.

4.5 Derivative financial instruments and hedge accounting

ACCOUNTING PRINCIPLE

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised in accounting at fair value on the date when the group becomes a party to the related contract and later further valued at fair value. For derivative financial instruments to which hedge accounting is not applied, changes in value are immediately recognised through profit or loss. For derivative financial instruments to which hedge accounting is applied and which are considered effective hedging instruments, the impact on the result of changes in value is presented according to the hedge accounting model employed.

The Group applies cash flow hedge accounting to currency derivatives and the interest swap used to hedge a variable-rate loan. When initiating hedge accounting, the Group documents the relationship between the hedged item and the hedging instruments, together with the Group's risk management objectives and hedging strategy. When initiating hedge accounting, the group documents the relationship between the hedged item and the hedging instruments, together with the group's risk management objectives and hedging strategy. When initiating hedging and at least every time when preparing financial statements and interim financial statements, the group documents and evaluates the effectiveness of the hedging relationships by examining the ability of the hedging instrument to negate changes in the fair value or cash flows of the hedged item. Any change in the fair value of the effective portion of derivative financial instruments fulfilling the conditions of a cash flow hedge is recognised under other comprehensive income and presented in equity hedging reserve with tax consequence considered (included in "Fair value reserves"). Profits and losses accumulated from the hedging instrument to equity are recognised through profit or loss when the hedged item affects profit or loss.

Interest swap

The Group uses an interest swap to hedge a loan. The purpose of the hedge is to offer protection against interest rate fluctuations related to the variable-rate loan. Through hedging, the interest payments of the variable-rate euro-denominated loan are changed to have a fixed rate. Scanfil pays a fixed rate of 0.15% every quarter, in addition to the bank's rate. The objective of the hedge is compliant with the Group's risk management principles.

The effectiveness of the hedge can be reliably measured, and the hedge is expected to remain fully effective throughout the validity of the hedge. The terms and conditions of the hedged object and the hedging instrument correspond to each other. Effectiveness is evaluated every quarter, and the hedge has remained effective. The impact of the derivative on results is expected to materialise during the validity of the loan.

On December 31, 2021, the rated amount of the interest swap was EUR 18.0 million, and it will expire on September 27, 2024. The fair value of the derivative was EUR -12.009, including accumulated interest. The interest flows of the derivative will materialise at the same time as the interest flows of the loan.

Forward exchange contracts

The group uses forward exchange contracts for hedging against currency risks. The group applies cash flow hedge accounting to currency derivative contracts prepared for hedging purposes. Changes in fair value are recognised in other comprehensive income items adjusted for deferred taxes and presented in the fair value reserve under equity.

Interest and currency derivatives

EUR THOUSAND	Positive	Negative	Net	Nominal value	Book value, liabilities	Changes in fair values (used in efficiency testing)
2021						
Interest rate swaps		-12	-12	18,000	-12	43
Forward exchange contracts	120	-197	-76	30,547	-76	444
Total			**-88**	**48,547**	**-88**	

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

EUR THOUSAND	Positive	Negative	Net	Nominal value	Book value, liabilities	Changes in fair values (used in efficiency testing)
2020						
Interest rate swaps		-66	-66	24,000	-66	-53
Forward exchange contracts	38	-670	-632	24,381	-632	-674
Total			**-698**	**48,381**	**-698**	

CASH FLOW HEDGING, EUR THOUSAND	Hedging instrument nominal value	Hedging instrument book value, liabilities	Hedging instrument included in balance sheet item
2021			
Interest rate swaps	18,000	-12	Other liabilities
Forward exchange contracts	30,547	-76	Other assets
Total	**48,547**	**-88**	

CASH FLOW HEDGING, EUR THOUSAND	Hedging instrument nominal value	Hedging instrument book value, liabilities	Hedging instrument included in balance sheet item
2020			
Interest rate swaps	24,000	-66	Other liabilities
Forward exchange contracts	24,381	-632	Other assets
Total	**48,381**	**-698**	

CASH FLOW HEDGING, EUR THOUSAND	Hedging item value, liabilities	Hedging items included in balance sheet item	Cash flow hedging, share of fair value reserve
2021			
Interest rate swaps	18,000	Financial liabilities	-9
Forward exchange contracts			-61
Total	**18,000**		**-70**

Forward exchange contracts are used to hedge expenses denominated in Polish zloty.

CASH FLOW HEDGING, EUR THOUSAND	Hedging item value, liabilities	Hedging items included in balance sheet item	Cash flow hedging, share of fair value reserve
2020			
Interest rate swaps	24,000	Financial liabilities	-53
Forward exchange contracts			-674
Total	**24,000**		**-727**

Forward exchange contracts are used to hedge expenses denominated in Polish zloty.

4.6 Hierarchy of fair values

EUR THOUSAND	Level 2	Level 3
2021		
Assets measured at fair value		
Recognised at fair value through profit or loss		
Equity investments		535
Liabilities measured at fair value		
Financial liabilities at fair value through profit or loss		
Derivatives	88	
Liabilities recognised at amortised cost		
Financing loan	62,119	

EUR THOUSAND	Level 2	Level 3
2020		
Assets measured at fair value		
Recognised at fair value through profit or loss		
Equity investments		535
Liabilities measured at fair value		
Financial liabilities at fair value through profit or loss		
Derivatives	698	
Liabilities recognised at amortised cost		
Financing loan	24,429	

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

The fair values of **Tier 3** instruments are based on input data concerning the asset that are not based on observable market data but significantly on the estimates of the management and their use in widely accepted measurement models. Tier 3 items are unlisted shares.

There were no transfers between tiers during the financial period.

Tier 3 items

FINANCIAL ASSETS AT FAIR VALUE, EUR THOUSAND	2021	2020
Cost at 1 Jan.	535	534
Exchange rate differences	-0	1
Cost at 31 Dec.	**535**	**535**
Carrying amount at 31 Dec.	**535**	**535**

Financial assets measured at fair value mainly consist of shares held by Scanfil Electronics GmbH in IMG Electronic & Power Systems GmbH and EMS-Electra SRL. Other financial assets measured at fair value include golf club shares and shares in an employee brokerage agency. These are included in financial assets recognised at fair value through profit or loss.

4.7 Financial risk management

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

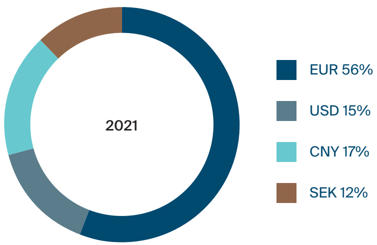
Currency risk

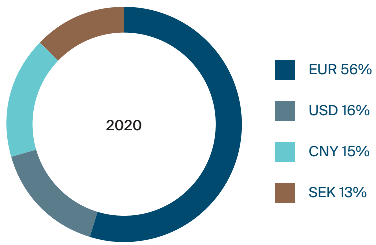
Scanfil has international operations and is therefore exposed to transaction and translation risks in several currencies. The transaction risk consists of operating and financing cash flows denominated in foreign currencies. The translation risk is related to the conversion of foreign subsidiaries' income statements and balance sheets into euro..

Transaction risk

The group's operating currency is the euro. Scanfil's turnover is mainly generated in EUR, RMB, USD and SEK. Half of the group's turnover is generated in the group's operating currency.

BREAKDOWN OF TURNOVER BY CURRENCY





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

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

The financial statements of December 31, 2021 include outstanding EUR/PLN and PLN/SEK forward exchange contracts made for hedging purposes. Their nominal value is EUR 30.5 (24.4) million, and the group applies hedge accounting to them. Forward contracts are made on a monthly basis, and the final contract will expire on December 27, 2022.

The net positions associated with financial assets and net working capital are shown below in euros for the main currencies.

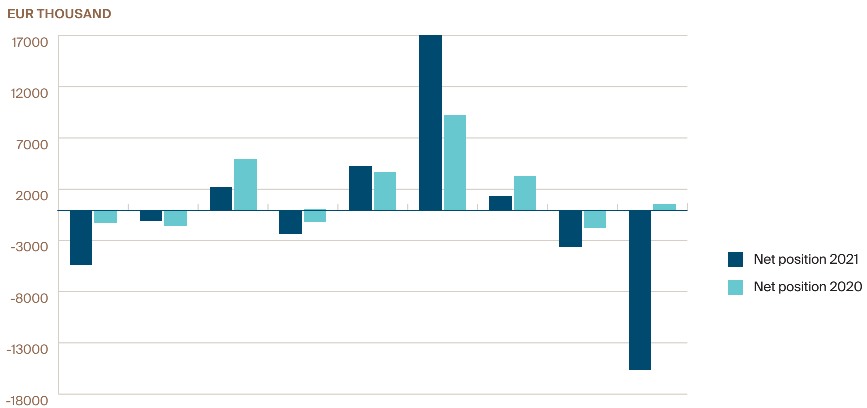
TRANSACTION RISK, EUR THOUSAND — 2021

Foreign currency	USD	USD	SEK	EUR	PLN	EUR	EUR	USD	USD
Reporting currency	EUR	CNY	EUR	SEK	EUR	PLN	CNY	SEK	EUR
Cash and cash equivalents	4	16				470	674		61
Trade receivables	324	7,613		2,042		35,238	4,354	993	7,050
Trade payables	-7,003	-8,686	-68	-4,380	-147	-18,629	-3,745	-4,653	-22,716
Global Cash Pool	1,292		2,303		4,425				
Net position	**-5,383**	**-1,057**	**2,235**	**-2,338**	**4,278**	**17,079**	**1,283**	**-3,660**	**-15,605**

TRANSACTION RISK, EUR THOUSAND — 2020

Foreign currency	USD	USD	SEK	EUR	PLN	EUR	EUR	USD	USD
Reporting currency	EUR	CNY	EUR	SEK	EUR	PLN	CNY	SEK	PLN
Cash and cash equivalents	53	42			1	616	1,087		19
Trade receivables	891	2,291		2,228		17,935	4,514	585	7,722
Trade payables	-3,009	-3,908	-146	-3,455	-141	-9,325	-2,377	-2,336	-7,177
Global Cash Pool	816		5,068		3,832				
Net position	**-1,250**	**-1,576**	**4,922**	**-1,227**	**3,693**	**9,225**	**3,223**	**-1,751**	**564**

TRANSACTION RISK: NET POSITION



	EUR USD	CNY USD	EUR SEK	SEK EUR	EUR PLN	PLN EUR	CNY EUR	SEK USD	EUR CNY
2021	-5 383	-1 057	2 235	-2 338	4 278	17 079	1 283	-3 660	-15 605
2020	-1 250	-1 576	4 922	-1 227	3 693	9 225	3 223	-1 751	564

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

Foreign currency	USD	USD	SEK	EUR	PLN	EUR	EUR	USD	USD
Reporting currency	EUR	CNY	EUR	SEK	EUR	PLN	CNY	SEK	PLN
Change in currency % +/- 10									
Year 2021, EUR THOUSAND	+/- 538	+/- 106	+/- 224	+/- 234	+/- 428	+/- 1 708	+/- 128	+/- 366	+/- 1 561
	USD	USD	SEK	EUR	PLN	EUR	EUR	USD	USD
	EUR	CNY	EUR	SEK	EUR	PLN	CNY	SEK	PLN
Change in currency %									
Year 2020, EUR THOUSAND	+/- 125	+/- 158	+/- 492	+/- 123	+/- 369	+/- 923	+/- 322	+/- 175	+/- 56

Translation risk

The translation risk consists of the equities of foreign subsidiaries. The policy regarding the translation risk is that equity is not hedged.

The Group's translation position per currency and a sensitivity analysis, presenting the impact of a change of 10% in the exchange rate of a foreign currency, are presented below.

			Sensitivity analysis +/- 10%	
TRANSLATION RISK, EUR THOUSAND	2021	2020	2021	2020
CNY	47,483	35,267	+/- 4,748	+/- 3,526
HUF	1,455	1,446	+/- 146	+/- 145
NOK		-27		-/+ 3
PLN	53,817	40,896	+/- 5,382	+/- 4,090
SEK	64,750	60,896	+/- 6,475	+/- 6,090
USD	10,619	6,791	+/- 1,062	+/- 679
Total	**178,124**	**145,270**		

Interest rate risk

The interest rate risk is associated with interest-bearing liabilities. Changes in the interest rates mainly affect the fair values of interest-bearing liabilities in the balance sheet and the interest payments associated with these liabilities. Interest swaps are used for managing the interest rate risk.

The Group took out a loan in 2021 of EUR 30.0 million. The loan interest rate is fixed for the whole loan period. The Group took out a loan in 2019, of which EUR 18.0 million was outstanding on December 31, 2021. The loan was hedged with an interest swap on December 28, 2020. On the basis of the interest swap, Scanfil receives a variable Euribor three-month rate and pays a fixed five-year rate.

Both of the loan interest margin includes covenant conditions. Depending on the development of the interest covenant condition (interest-bearing liabilities/EBITDA), the interest rate of the loan can increase by a maximum of 0.35 percentage points.

Credit risk

The group's credit risk is associated with the trade receivables from its customers. Overdue trade receivables are regularly monitored at the group level on a monthly basis. The group companies are responsible for the credit risks of trade receivables, and they monitor trade receivables on a customer-specific basis in compliance with the group guidelines. The creditworthiness of new customers is checked, and the customers are only granted normal payment terms. Scanfil monitors the credit rating of its customers. Most of Scanfil's major customers have a good credit rating. The group's management is of the opinion that the company does not have any significant concentration of credit risks. The largest customer's share of the turnover in 2021 was 17.6% (15.0% in 2020), and that of the ten largest customers was 55.2% (58.6%).

Special attention has been paid to the collection of trade receivables during the pandemic, and the total overdue trade receivables are at the level before the pandemic. Customer risks are monitored regularly. The coronavirus pandemic did not cause any bad debt during the financial period.

Trade receivables are measured at acquisition cost less the provision of any expected impairment losses. According to IFRS 9, impairment provisions must be recognised on the basis of expected credit losses. A simplified model must be applied to trade receivables, in which the estimated amount of credit losses is based on percentages defined on the basis of the age distribution of the receivables. These percentages are based on the estimated probability of credit losses and historical information. Impairment losses are recorded as expenses in the income statement. At the end of the financial period, the expected credit loss provision stood at EUR 70 (42) thousand. During the financial period, credit losses recognised from trade receivables were EUR 2 (2) thousand.

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

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

Liquidity risk

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

On December 31, 2021, liquid assets stood at EUR 25.3 (25.8 in 2020) million. In addition, the group has an EUR 50.0 million credit limit which was unused at the end of the year. Considering the group's balance sheet structure, the liquidity risk is small and the COVID-19 pandemic has not had a negative impact on the Group's liquidity.

The group's financing arrangements include usual loan covenant terms. The group has fulfilled the financing-related covenant terms during the financial periods of 2020 and 2021.

Maturity analysis based on debt agreements

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

31.12.2021, EUR THOUSAND	Balance sheet value	Cash flow	0–6 months	2022 6 months–1/2-1 year	2023 1–2years	2024-2026 2–5 years	2027– more than 5 years
Loans from financial institutions	48,268	48,788	3,260	3,174	6,245	36,109	
Finance lease	23,085	25,511	1,702	1,974	3,809	8,555	9 472
Overdraft facility	13,851	13,851	13,851				
Derivatives	12	12	12				
Derivatives, hedging	76						
Cash flow due		30,547	22,064	8,483			
Available cash flow		-30,471	-22,004	-8,467			
Trade payables	127,256	127,256	127,256				
Total	**212,549**	**215,495**	**146,141**	**5,164**	**10,054**	**44,664**	**9,472**

31.12.2020, EUR THOUSAND	Balance sheet value	Cash flow	0–6 months	2021 6 months–1 year	2022 1–2 years	2023-2025 2–5 years	2026– more than 5 years
Loans from financial institutions	24,429	24,850	3,193	3,181	6,294	12,182	
Finance lease	19,565	21,768	2,180	2,057	3,504	9,609	4,419
Derivatives	66	66	66				
Derivatives, hedging	632						
Cash flow due		24,381	17,804	6,577			
Available cash flow		-23,749	-17,330	-6,420			
Trade payables	76,154	76,154	76,154				
Total	**120,846**	**123,470**	**82,067**	**5,395**	**9,798**	**21,791**	**4,419**

Reconciliation of changes in financial liabilities with cash flows from financing

			Changes not affecting cash flow			
EUR THOUSAND	1.1.2021	Cash flows	Changes in IFRS 16	Changes in exchange rates	Changes in fair values	31.12.2021
Long-term loans	18,242	23,836				42,078
Short-term loans	6,188	13,854				20,041
Lease liabilities	19,565	-3,742	9,489	-2,226		23,085
Derivative assets hedging long-term loans	66				-66	0
Total liabilities in financial operations	**44,060**	**33,948**	**9,489**	**-2,226**	**-66**	**85,204**

			Changes not affecting cash flow			
EUR THOUSAND	1.1.2020	Cash flows	Changes in IFRS 16	Changes in exchange rates	Changes in fair values	31.12.2020
Long-term loans	24,704	-6,463				18,242
Short-term loans	19,548	-13,361				6,188
Lease liabilities	22,338	-3,990	1,328	-110		19,565
Derivative assets hedging long-term loans	54	-54			66	66
Total liabilities in financial operations	**66,645**	**-23,868**	**1,328**	**-110**	**66**	**44,060**

4.8 Shareholders' equity

Shares and share capital

Scanfil plc has a total of 64,959,993 shares. The company's registered share capital is EUR 2,000,000.00. The company has one series of shares, and all shares belong to the same class. Each share entitles the holder to one vote and equal entitlement to dividends. The share has no nominal value.

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

The company has acquired its own shares during the financial year. On December 31, 2021, the company held 158,738 of its own shares

NUMBER OF SHARES	2021
Number of shares at 1 Jan. 2021	64,829,993
Share subscription under option rights 2016C on May 5 and 18, 2021	130,000
Number of shares at 31 Dec. 2021	**64,959,993**

NUMBER OF SHARES	2020
Number of shares at 1 Jan. 2020	64,699,993
Share subscription under option rights 2016A on May 4 and 5, 2020	130,000
Number of shares at 31 Dec. 2020	**64,829,993**

Currency translation differences

Currency translation differences include differences arising from the conversion of the financial statements of foreign companies. On December 31, 2021, translation differences stood at EUR -2.4 million (EUR -6.1 million in 2020), of which EUR 6.5 (2.1) million was created by the exchange rate changes of the Chinese RMB, -6.2 (-4.9) Swedish krone and -2.6 (2.5) Polish zloty. The translation difference, EUR 3.7 million (-2.8 million) during the financial period, is mainly made up by the exchange rate changes of the Chinese currency 4.4 (-1.2) million and the Swedish currency, EUR -1.3 (4.4) million.

The translation differences of discontinued units EUR 0.0 (-0.1) million have been transferred from equity to be recognised through profit or loss.

EUR THOUSAND	RMB	SEK	NOK	USD	PLN	HUF	Total
1.1.2021	2,079	-4,901		-529	-2 524	-187	**-6,063**
Recorded in comprehensive income items	4,445	-1,339	-18	698	-77	-22	**3,689**
Transferred to be recognised through profit or loss			18				**18**
31.12.2021	**6,524**	**-6,240**	**0**	**169**	**-2,602**	**-209**	**-2,357**

Fair value reserve

The fair value reserve includes the change in value of the interest rate derivable due to cash flow hedging and the changes in fair value of currency derivatives concluded for hedging purposes. The derivative instruments recorded in the fair value reserve are discussed in closer detail in note 4.5, Derivative financial instruments and hedge accounting.

FAIR VALUE RESERVE, EUR THOUSAND	2021	2020
1.1.	-558	168
Interest rate derivatives, change	43	-53
Currency derivatives, change	444	-674
Total	**-71**	**-558**

Of the derivative financial instruments, EUR 0 (3) thousand has been recognised through profit or loss.

Other reserves

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

Reserve for invested unrestricted equity

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

Dividend

In 2021, dividends of EUR 0.17 per share were paid, in total EUR 10,987,313.35.
After the reporting date, The Board of Directors has proposed a dividend of EUR 0.19 per share to be distributed, in total EUR 12,316,038.45.

4.9 Management of capital structure

The objective of the group's capital management is to ensure normal prerequisites for business operations. Development of the group's capital structure is monitored through net gearing. The capital structure is regularly reviewed. The shareholders' equity on the consolidated balance sheet is managed as capital. No external capital requirements are applied to the group.

The group's long-term goal is that net gearing does not exceed 50%.

NET LIABILITIES, EUR THOUSAND	2021	2020
Interest-bearing liabilities	85,204	43,994
Cash assets	-25,345	-25,845
Net liabilities	**59,859**	**18,149**
Equity total	**207,430**	**182,876**
Gearing, %	**28.9**	**9.9**

5. OTHER NOTES

5.1 Provisions

ACCOUNTING PRINCIPLE

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

Use of estimates

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

PROVISIONS, EUR THOUSAND	Reclamation and guarantee	Pension provision	Other provisions	Restructuring provisions	Total
1.1.2021	199	118	435	3,983	4,736
Exchange rate differences	-1	-1	-4		-6
Additions	8	20	97	246	371
Used provisions				-2,795	-2,795
Cancellation of unused provisions	-80	-1			-81
31.12.2021	**126**	**137**	**528**	**1,434**	**2,224**

	2021	2020
Non-current provisions	665	553
Current provisions	1,560	4,183
Total	**2,224**	**4,736**

The complaint 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 benefit payable on the basis of years of service, which was locally agreed in Poland and is applicable to employees with a long history of service in the company.

Restructuring provision includes the closing cost of the Scanfil GmbH Hamburg factory and is mainly related to personnel expenses.

5.2 Securities provided, contingent liabilities and other liabilities

BANK GUARANTEES GIVEN, EUR THOUSAND	2021	2020
On behalf of own company	670	671
On behalf of Group company	1,669	175
Total	**2,339**	**846**

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

Scanfil plc has given absolute guarantees to Nordea Bank AB (publ) as security for payment of the liabilities which Scanfil Sweden AB has created from time to time towards Nordea Bank AB (publ) on the basis of derivative contracts concluded, as well as to Skandinaviska Enskilda Banken AB as a replacement for the securities earlier provided by Scanfil Sweden AB. The maximum liability to Skandinaviska Enskilda Banken AB is EUR 3.6 million.

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

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

Scanfil EMS Oy has given a guarantee to Nordea Bank AB Shanghai Branch of any obligations arising from a loan facility of CNY 137 million between the subsidiary Scanfil (Suzhou) Co., Ltd. and the Nordea Bank AB Shanghai Branch.

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

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

5.3 Details of related parties and group structure

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

EMPLOYEE BENEFITS FOR MEMBERS OF THE MANAGEMENT, EUR THOUSAND	2021	2020
Salaries and other short-term employee benefits	1,440	1,364
Options implemented and paid in shares	1,010	366
Total	**2,450**	**1,731**

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

SALARIES PAID TO THE PRESIDENT, EUR THOUSAND	2021	2020
Salaries and other short-term employee benefits	415	387
Options implemented and paid in shares	631	132
Total	**1,046**	**519**

STATUTORY PENSION EXPENDITURE, TYEL, EUR THOUSAND	2021	2020
Petteri Jokitalo	77	72

One of the Board members has a valid voluntary pension insurance policy on a payment basis.

SALARIES PAID TO THE BOARD MEMBERS, EUR THOUSAND	2021	2020
Harri Takanen	54	51
Jarkko Takanen	35	32
Bengt Engström	34	30
Christer Härkönen	11	28
Christina Lindstedt	34	30
Juha Räisänen	31	17
Total salaries of the Board Members	**199**	**187**

The salary information is payment-based.

Group companies	Domicile	Group's ownership	Share of vote	Parent company´s ownership
Scanfil plc, parent company;	Finland			
Scanfil EMS Oy	Finland	100%	100%	100%
Scanfil GmbH	Germany	100%	100%	100%
Scanfil Electronics GmbH	Germany	100%	100%	100%
Scanfil Holding Germany GmbH	Germany	100%	100%	100%
Scanfil Oü	Estonia	100%	100%	100%
Scanfil (Suzhou) Co., Ltd.	China	100%	100%	100%
Scanfil Poland Sp. z o.o.	Poland	100%	100%	100%
Scanfil Sweden AB	Sweden	100%	100%	100%
Scanfil Vellinge AB	Sweden	100%	100%	100%
Scanfil Åtvidaberg AB	Sweden	100%	100%	100%
Scanfil Atlanta Inc.	USA	100%	100%	100%
Scanfil Business Services Kft	Hungary	100%	100%	100%

Leases to related parties

Scanfil plc's subsidiary Scanfil EMS Oy has leased office premises from Kiinteistö Oy Pilot 1. The main shareholder of Jussi Real Estate Oy, the owner of Kiinteistö Oy Pilot 1, is Jussi Capital Oy. The main shareholders of Jussi Capital Oy are Scanfil plc's Board members Harri Takanen and Jarkko Takanen. In 2021, the market rents paid totalled EUR 27,579 (EUR 27,360 in 2020).

A consulting agreement dated 30 November 2020 has been signed between Valuenode GmbH, a company controlled by Juha Räisänen, a member of Scanfil plc's Board of Directors, on the analysis and development project of the Scanfil Group's procurement operations. Based on the consulting agreement, Scanfil plc has paid EUR 52,500 of consulting fees during 2021.

5.4 Events after the reporting period

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

PARENT COMPANY FINANCIAL STATEMENTS, FAS

Parent Company Income Statement

EUR THOUSAND	Note	1.1.–31.12.2021	1.1.–31.12.2020
Other operating income		**2,152**	**1,924**
Personnel expenses	1		
Wages, salaries and fees		-1,768	-1,669
Pensions and statutory indirect employee costs			
Pensions		-268	-217
Statutory indirect employee costs		-37	-55
Personnel expenses total		**-2,074**	**-1,941**
Depreciation and reduction in value			
Depreciation according to plan	3	-61	-40
Depreciation and reduction in value total		**-61**	**-40**
Other operating expenses	**2**	**-759**	**-782**
Operating profit		**-742**	**-839**
Financial income and expenses			
Financial income from Group			40,000

EUR THOUSAND	Note	1.1.–31.12.2021	1.1.–31.12.2020
Other interest and financial income			
From Group		762	801
From other		901	2,005
Interest expenses and financial expenses			
To Group			-71
To other		-1 541	-3,161
Financial income and expenses total		**122**	**39,574**
Profit before appropriations and taxes		**-620**	**38,735**
Appropriations			
Depreciation difference increase		-13	
Group contribution	4	1,500	1,000
Appropriations total		**1,487**	**1,000**
Profit before tax		**867**	**39,735**
Income taxes	5		
Income taxes		-285	163
Deferred taxes		111	-116
Income taxes total		**-173**	**47**
Net profit for the period		**693**	**39,782**

Parent Company Balance Sheet

EUR THOUSAND	Note	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Intangible assets			
Immaterial rights	6	7	18
Other non-current assets		153	146
Intangible assets total		**159**	**164**
Tangible assets			
Plant and equipment		52	67
Other tangible assets		17	17
Advance payments and construction in progress	7	87	
Tangible assets total		**155**	**83**
Investments			
Holdings in Group companies	8	61,535	61,535
Investments total		**61,535**	**61,535**
Total non-current assets		**61,849**	**61,782**

EUR THOUSAND	Note	31.12.2021	31.12.2020
ASSETS			
Current assets			
Long-term receivables			
Loan receivables from Group companies	9	23,389	33,139
Other reveivables from Group companies	9	6	2
Deferred tax assets		67	178
Long-term receivables total		**23,463**	**33,320**
Short-term receivables			
Receivables from Group companies	9	43,917	12,504
Accrued income		158	174
Short-term receivables total		**44,075**	**12,678**
Cash and cash equivalents	10	**12,789**	**19,183**
Total current assets		**80,327**	**65,181**
Total assets		**142,176**	**126,963**

Parent Company Balance Sheet

EUR THOUSAND	Note	31.12.2021	31.12.2020
SHAREHOLDER'S EQUITY AND LIABILITIES			
Equity			
Share capital	11	**2,000**	**2,000**
Other reserves			
Fair value reserve		-61	-506
Reserve for invested unrestricted equity fund		33,508	32,176
Retained earnings		30,571	1,777
Profit for the period		693	39,782
Total Equity		**66,712**	**75,229**
Appropriations			
Cumulative accelerated depreciation	12	13	
Total Appropriations		**13**	

EUR THOUSAND	Note	31.12.2021	31.12.2020
Non-current liabilities			
Financing loan	13	42,000	18,000
Non-current liabilities total		**42,000**	**18,000**
Current liabilities			
Financing loans	13	6,000	6,000
Trade liabilities		113	82
Liabilities to Group companies	14	26,244	26,093
Other creditors		131	66
Accrued liabilities	15	963	1,493
Current liabilities total		**33,451**	**33,734**
Total liabilities		**75,451**	**51,734**
Total equity and liabilities		**142,176**	**126,963**

Parent Company Cash Flow Statement

EUR THOUSAND	1.1.–31.12.2021	1.1.–31.12.2020
Cash flow from operating activities		
Profit for the period	693	39,782
Adjustments		
Depreciation according to plan	61	40
Financial income and expenses	-122	-39,574
Other income and expenses without payment		
Tax accrual	186	-47
Group contributions received	-1,500	-1,000
Exchange rate differences	-153	-634
Changes in working capital		
Inc(-)/dec(+) in short-term non-interest bearing receivables	-269	321
Inc(+)/dec(-) in short-term non-interest-bearing liabilities	-59	-7
Interest received	633	756
Interest paid	-479	-618
Income taxes paid	-17	-131
Net cash flow from operating activities	**-1,027**	**-1,111**
Cash flow from investing activities		
Investments in tangible and intangible assets	-128	-238
Paid loans		-4,780
Investments in subsidiary shares		-66
Granted loans		-15,000
Received loan payments	7,250	4,250
Net cash flow from investing activities	**7,122**	**-15,834**

EUR THOUSAND	1.1.–31.12.2021	1.1.–31.12.2020
Cash flow from financing activities		
Received group contributions	1,000	1,000
Dividents received		51,000
Related party investments to company shares	1,333	858
Share repurchase		-755
Changes in group financing	-27,834	-339
Drawdown of long-term loans	30,000	
Repayment of long-term loans	-6,000	-6,000
Dividends paid	-10,987	-9,637
Net cash flow from financing activities	**-12,489**	**36,127**
Net increase/decrease in cash and cash equivalents	**-6,394**	**19,183**
Cash and cash equivalents Jan 1.	19,183	0
Cash and cash equivalents Dec 31.	**12,789**	**19,183**

Changes in group financing are presented in net and are related to the group's Cash Pool.

NOTES TO FINANCIAL STATEMENTS, FAS

The parent company's accounting principles

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

MEASUREMENT AND RECOGNITION PRINCIPLES AND METHODS

Fixed assets

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

The depreciation periods for fixed assets are as follows:

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

Subsidiary company shares

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

Financial instruments

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

The group's bank account system

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

Turnover

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

Pension costs

The pension cover of employees is provided by pension insurance companies. Pension expenses are recognised as expenses for the year during which they are accrued.

Foreign currency items

Foreign currency-denominated transactions are recognised during the financial period using the exchange rates on the transaction date. Any foreign currency-denominated balance sheet items remaining outstanding on the closing date are measured at the exchange rate valid on the closing date.

1. Personnel expenses

EUR THOUSAND	2021	2020
Salaries, wages and fees	1,768	1,669
Pension costs	268	217
Other indirect employee expenses	37	55
Total	**2,074**	**1,941**
Fringe benefits (taxable value)	**693**	**38**

Pension costs are based on defined contribution schemes. Management's employee benefits are reported in note 18.

AVERAGE NUMBER OF EMPLOYEES DURING THE PERIOD	2021	2020
Clerical employees	13	13
Total	**13**	**13**

2. Other operating expenses

OTHER OPERATING EXPENSES INCLUDE THE FOLLOWING SIGNIFICANT EXPENSE ITEMS, EUR THOUSAND	2021	2020
Other operating expenses	759	782
Total	**759**	**782**

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

AUDITOR'S REMUNERATION, EUR THOUSAND	2021	2020
Auditor's remunerations of the Chartered Accountants	58	57
Tax advisor	23	9
Other services	2	55
Total	**83**	**120**

3. Depreciation and amortisation

DEPRECIATION BY ASSET CLASS, EUR THOUSAND	2021	2020
Intangible assets		
Intangible rights	12	18
Other long-term expenses	34	13
Plant and equipment	15	9
Total	**61**	**40**
Total depriciation	**61**	**40**

4. Contributions from Group companies

EUR THOUSAND	2021	2020
Group contribution from Scanfil EMS Oy	1 500	1,000
Total	**1 500**	**1,000**

5. Income taxes

EUR THOUSAND	2021	2020
Income taxes from group contribution	300	200
Income taxes from actual operations	-15	-357
Income taxes from previous years		-6
Change in deferred taxes	-111	116
Total	**173**	**-47**

6. Intangible assets

EUR THOUSAND	Intangible rights	Other long-term expenses	Intangible assets total
Acquisition cost Jan 1, 2021	121	184	305
Additions		41	41
Acquisition cost Dec 31, 2021	**121**	**225**	**346**
Accumuled depreciations Jan 1, 2021	-103	-38	-141
Deprecions	-12	-34	-46
Accumuled depreciations Dec 31, 2021	**-115**	**-72**	**-187**
Carrying amount Jan 1, 2021	18	146	164
Carrying amount Dec 31, 2021	**7**	**153**	**159**

EUR THOUSAND	Intangible rights	Other long-term expenses	Intangible assets total
Acquisition cost Jan 1, 2020	110	32	143
Additions	11	152	163
Acquisition cost Dec 31, 2020	**121**	**184**	**305**
Accumuled depreciations Jan 1, 2020	-85	-25	-110
Deprecions	-18	-13	-31
Accumuled depreciations Dec 31, 2020	**-103**	**-38**	**-141**
Carrying amount Jan 1, 2020	25	7	33
Carrying amount Dec 31, 2020	**18**	**146**	**164**

7. Tangible assets

EUR THOUSAND	Plant and equipment	Other tangible assets	Advanced payments and construction in progress	Tangible assets total
Acquisition cost Jan 1, 2021	76	17		92
Additions			87	87
Acquisition cost Dec 31, 2021	**76**	**17**	**87**	**179**
Accumuled depricions Jan 1, 2021	-9			-9
Deprecions	-15			-15
Accumuled depricions Dec 31, 2021	**-24**			**-24**
Carrying amount Jan 1, 2021	67	17		83
Carrying amount Dec 31, 2021	**52**	**17**	**87**	**155**

EUR THOUSAND	Plant and equipment	Other tangible assets	Tangible assets total
Acquisition cost Jan 1, 2020		17	17
Additions	76		76
Acquisition cost Dec 31, 2020	**76**	**17**	**92**
Accumuled depricions Jan 1, 2020			
Deprecions	9		9
Accumuled depricions Dec 31, 2020	**9**		**9**
Carrying amount Jan 1, 2020		17	17
Carrying amount Dec 31, 2020	**67**	**17**	**83**

8. Holdings in Group companies

EUR THOUSAND	2021	2020
Total in the beginning of period	61,535	61,469
Scanfil Holding Germany GmbH, additions		66
Total at the end of period	**61,535**	**61,535**
Carrying amount at 31 Dec.	**61,535**	**61,535**

GROUP COMPANIES, EUR THOUSAND	Domicile	Group share %	Parent company share %	Parent company book value
Scanfil EMS Oy	Finland	100	100	12,621
Scanfil Sweden AB	Sweden	100	100	48,823
Scanfil Holding Germany GmbH	Germany	100	100	91
Total				**61,535**

9. Receivables from Group companies

EUR THOUSAND	2021	2020
Long-term receivables		
Loan receivables	23,389	33,141
Other receivables	6	2
Total	**23,389**	**33,141**
Short-term receivables		
Prepayments and accrued income	1,809	1,177
Global Cash Pool receivables	34,269	6,269
Loan receivables	7,500	5,000
Other receivables	339	58
Total	**43,917**	**12,504**
Prepayments and accrued income		
Interest income from group	309	177
Group contribution from subsidiaries	1,500	1,000
Total	**1,809**	**1,177**

10. Cash and equivalent

EUR THOUSAND	2021	2020
Cash and bank balances	12,789	19,183
Total	**12,789**	**19,183**

11. Equity

EUR THOUSAND	2021	2020
Share capital		
Share capital Jan 1.	2,000	2,000
Share capital Dec 31.	**2,000**	**2,000**
Fair Value Reserve	**-61**	**-506**
Total restricted shareholder's equity	**1,939**	**1,494**
Reserve for invested unrestricted equity fund		
Reserve for invested unrestricted equity fund Jan 1.	32,176	31,317
Options	1,333	858
Reserve for invested unrestricted equity fund Dec 31.	**33,508**	**32,176**
Retained earnings		
Retained earning Jan 1.	41,559	12,168
Retained earnings, purchase of own shares		-755
Paid dividends	-10,987	-9,637
Retained earnings Dec 31.	**30,571**	**1,777**
Profit for the period	**693**	**39,782**
Total unrestricted equity	**64,773**	**73,734**
Total equity	**66,712**	**75,229**
Calculation of distributable funds Dec 31.		
Reserve for invested unrestricted equity fund	33,508	32,176
Retained earnings	30,571	1,777
Profit for the period	693	39,782
Total	**64,773**	**73,734**

12. Depreciation difference

EUR THOUSAND	2021	2020
Depreciation difference	13	
Total	**13**	

13. Loans from financial institutions

EUR THOUSAND	2021	2020
Non-current		
Financial Institutions	42,000	18,000
Current		
Financial Institutions	6,000	6,000
Total	**48,000**	**24,000**
Interest-bearing liabilities will mature as follows:		
Year 2021		6,000
Year 2022	6,000	6,000
Year 2023	6,000	6,000
Year 2024	36,000	6,000
Total	**48,000**	**24,000**

In 2021, Scanfil plc withdrew a long-term loan of EUR 30 million from Nordea Bank Finland Plc. The loan due date is November 15, 2024.

In 2019, Scanfil plc withdrew a long-term loan of EUR 30 million from Nordea Bank Finland Plc. The loan is amortised every six months. The first instalment of EUR 3.0 million was paid on March 27, 2020, and it will be entirely repaid on September 27, 2024. In addition, Nordea's Multicurrency Global Cash Pool is available with an overdraft facility of EUR 50 million, which was entirely unused on December 31, 2020.

The group's financing arrangements include termination covenants related to the equity ratio and the ratio between interest-bearing net liabilities and the operating margin. The terms of the covenants are monitored on a quarterly basis. During the 2020 and 2021 financial periods, the group fulfilled the covenant terms.

14. Liabilities to Group companies

EUR THOUSAND	2021	2020
Short-term liabilities to Group companies		
Accounts payable	22	37
Other liabilities	26,222	26,056
Total	**26,244**	**26,093**

15. Accrued liabilities

EUR THOUSAND	2021	2020
The most significant items included in accrued liabilities		
Employee expenses	635	660
Interests	11	2
Other accrued liabilities	316	831
Total	**963**	**1,493**

16. Commitments and contingencies

EUR THOUSAND	2021	2020
Guarantees given		
On behalf of group company	1,669	175
Total	**1,669**	**175**

Scanfil plc has given absolute guarantees to Nordea Bank AB (publ) as security for payment of the liabilities which Scanfil Sweden AB has created from time to time towards Nordea Bank AB (publ) on the basis of derivative contracts concluded, as well as to Skandinaviska Enskilda Banken AB as a replacement for the securities earlier provided by Scanfil Sweden AB. The maximum liability to Skandinaviska Enskilda Banken AB is EUR 3.6 million. Furthermore, Scanfil plc has issued a guarantee for the obligations of the lease agreement of the subsidiary Scanfil Inc.

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

17. Derivative contracts

INTEREST DERIVATIVES, EUR THOUSAND	2021	2020
Interest swap agreements		
Fair value	-12	-66
Rated value of underlying asset	18,000	24,000

HEDGE ACCOUNTING, EUR THOUSAND	2021	2020
Forward exchange contracts		
Fair value	-76	-632
Rated value of underlying asset	30,547	24,381

In 2019, Scanfil plc withdrew a long-term loan which contains an interest swap agreement to hedge the loan as of Dec 28, 2020. The purpose of the hedge is to offer protection against interest rate fluctuations related to the variable-rate loan. Through hedging, the interest payments of the variable-rate euro-denominated loan are changed to have a fixed rate. Scanfil pays quarterly a fixed rate of 0.15%, in addition to the rate of the bank. The objective of the hedge is in accordance with the Group's risk management principles.

The effectiveness of the hedge can be reliably measured, and the hedge is expected to remain fully effective throughout the validity of the hedge. The terms are corresponding to each other, regarding the hedged item and the hedging instrument. Effectiveness is quarterly evaluated and the hedge has remained effective. The impact of the derivative on results is expected to materialise during the validity of the loan.

The nominal amount of the interest rate swap agreement on December 31, 2021 was EUR 18.0 million, and maturity 27 September 2024. The fair value of the derivative was EUR -12,009, including accrued interest. The interest flows of the derivative occur simultaneously with the interest flows of the loan.

18. Other rental contracts

EUR THOUSAND	2021	2020
To be paid next accounting period	32	23
To be paid later	33	31
Total	**65**	**54**

Rent liabilities do not include VAT.

19. Management's employment-related benefits

SALARIES AND OTHER SHORT-TERM EMPLOYEE BENEFITS, EUR THOUSAND	2021	2020
Salaries and bonuses of the President		
Salaries, wages and fees	415	387
Shares and options	631	132
Salaries and bonuses of the Board members		
Jarkko Takanen	35	32
Harri Takanen	54	51
Bengt Engström	34	30
Christer Härkönen	11	28
Christina Lindstedt	34	30
Juha Räisänen	31	17
Total salaries of the Board Members	**199**	**187**

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The parent company's distributable funds total EUR 64,773,284.67, including undistributed profits of EUR 31,264,893.13. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.19 per share be paid, totalling EUR 12,316,038.45 for the financial year ending on December 31, 2021.

Signatures to the board of directors' report and financial statements

Vantaa, February 21, 2022

Harri Takanen
Chairman of the Board

Jarkko Takanen
Member of the Board

Bengt Engström
Member of the Board

Christina Lindstedt
Member of the Board

Juha Räisänen
Member of the Board

Petteri Jokitalo
CEO

AUDITOR'S REPORT 2021

To the Annual General Meeting of Scanfil Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Scanfil Plc (business identity code 2422742-9) for the year ended December 31, 2021. The financial statements comprise the consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's income statement, balance sheet, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee and Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Valuation of goodwill and acquisition-related customer relationships (Refer to Accounting principles for consolidated financial statements and note 3.1. and 3.2.)

Goodwill and acquisition-related customer relationships amounted to EUR 15.4 million.

Goodwill is not amortized, instead it is tested for impairment at least on an annual basis. Impairment tests are based on future cash flow forecasts and determining the underlying key assumptions require management judgment.

Scanfil's acquisition-related long-term customer relationships have finite useful lives that are estimated by management through the application of judgement.

Due to the high level of judgment related to the forecasts used in goodwill impairment tests and the significant carrying amounts involved, impairment of goodwill and acquisition-related customer relationships are considered key judgmental areas that our audit is focused on.

We assessed the key assumptions used in the calculations, such as growth of turnover, profitability and discount rate, with relation to the original forecast presented to the Board of Directors, external references and our own views.

We involved KPMG valuation specialists when assessing the technical accuracy of the calculations and comparing the assumptions used with external market and industry data.

In respect of acquisition-related customer relationships, we evaluated the recoverability of these assets by inspecting the associated calculations and underlying assumptions.

In addition, we considered the appropriateness of the Group's disclosures in respect of goodwill, acquisition-related customer relationships and impairment testing.

Valuation of inventories (Refer to Accounting principles for consolidated financial statements and note 2.2.)

Inventory management, stocktaking routines and determination of cost are the key elements of inventory valuation. The Group's carrying values of inventories amounted to EUR 193.4 million representing 41 percent of the consolidated total assets as at December 31, 2021.

Inventory valuation involves the exercise of judgement by management in respect of determination of cost and any impaired inventories.

Due to management judgments and the significant carrying amount involved, valuation of inventories is considered a key audit matter.

We assessed the appropriateness of the inventory valuation principles applied.

Our audit procedures comprised testing of controls over inventory management and the accuracy of inventory amounts. We also performed substantive procedures to evaluate the accuracy of inventory valuation.

We followed the execution of certain stocktaking routines in order to assess the effectiveness of the process.

Revenue recognition (Refer to Accounting principles for consolidated financial statements and note 1.1.)

The number of sales transactions processed in the IT systems is significant and pricing responsibilities for products and services are decentralized.

Due to the nature of the industry, the effectiveness of the internal controls over the IT systems and pricing are critical in respect of the accuracy of revenue recognition.

Revenue is recognized when Scanfil has satisfied performance obligations in the contract either at a point in time or over the time for services. As the revenue of the group consists mainly of the sale of products the revenue is recognized at a point in time when the control is transferred to a customer in accordance with the terms and conditions of the agreement.

Application of consistent revenue recognition principles is considered a key audit matter.

We assessed the appropriateness of the revenue recognition principles applied.

As part of our audit procedures we tested internal controls over registration of sales transactions, recording related revenues and approval of changes.

Our substantive procedures included testing of recognition of relevant transactions in the appropriate period, comparing invoice details to the received payments and assessing the appropriateness of the bad debt provision recognized.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

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

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki March 1, 2022
KPMG OY AB

Kirsi Jantunen
Authorised Public Accountant, KHT

CORPORATE GOVERNANCE STATEMENT 2021

Scanfil plc is a publicly listed company, managed in accordance with the company's Articles of Association, the Finnish Companies Act and other legislation relating to the company. In addition, the Company complies with the Finnish Corporate Governance Code (2020) published by the Securities Market Association and entered into force on January 1, 2020.

The Board of Directors has evaluated the independence of its members according to which the majority of members are independent of the company (Jarkko Takanen, Bengt Engström and Christina Lindstedt) and independent of the significant shareholders of the company (Bengt Engström, Christina Lindstedt and Juha Räisänen). The majority of the members of Board's two committees are independent of the company and one member of the Audit Committee is independent of the significant shareholders of the company.

This statement has been reviewed by Scanfil plc's Board of Directors. Scanfil plc's auditing firm has verified that the summary description of the internal control and risk management associated with the financial reporting process is consistent with the financial statements.

This Corporate Governance Statement is available on the company website at scanfil.com under Investors. The Finnish Corporate Governance Code is available to the public at cgfinland.fi.

Board of Directors

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

Composition of the Board of Directors

The following Board members were elected by the Annual General Meeting held on Apri 22, 2021:

Harri Takanen

Chairman of the Board of Directors. Born 1968, M.Sc. (Tech.). Member of the Board of Directors of Scanfil plc since April 18, 2013. Professional board member and the CEO of Jussi Capital Oy as of 15 December 2021. Not independent of the company and its major shareholders. Holds 9,913,146 shares in Scanfil plc.

Jarkko Takanen

Member of the Board since January 1, 2012. Born 1967, B.Sc.(Prod.Eng.), Commercial College Diploma in Management Accountancy. The CEO of Jussi Capital Oy until 14 December 2021. Independent of the company, not independent of major shareholders. Holds 8,596,169 shares in Scanfil plc.

Bengt Engström

Member of the Board since August 20, 2015. Born 1953, M.Sc. (Eng.). Has held several management-level positions in Sweden and internationally, including Whirlpool, Bofors AB, Duni AB and Fujitsu. Independent of the company and major shareholders. Holds 12,929 shares in Scanfil plc.

Christina Lindstedt

Member of the Board since April 12, 2016. Born 1968, holds a Master's Degree of Business Administration and Commercial law. CEO of QleanAir Scandinavia AB. Background from several international business leadership roles at AB Electrolux and Sony, based in Sweden and internationally. Independent of the company and major shareholders. Holds 6,000 shares in Scanfil plc.

Juha Räisänen

Member of Board since 2020. Born 1958, M.Sc. (Tech.). Managing Partner at Valuenode GmbH. Juha Räisänen has held a number of executive positions globally e.g. at ICL-Fujitsu, Nokia, SanDisk, KONE and Aliaxis. Not Independent of the company in 2021., but independent of the major shareholders. Does not hold Scanfil plc shares.

Christer Härkönen

Member of Board May 8, 2014 - May 22, 2021

The entities over which the Board members exercise control do not own Scanfil shares.

The term of office of the Board members expires at the close of the first Annual General Meeting following the one in which they were elected.

Activity of the Board

The Board of Directors had a total of 15 meetings in 2021. The members' average attendance rate for meetings was 100%.

The duties and responsibilities of the Board of Directors of Scanfil plc are based on the Finnish Limited Liability Companies Act, other applicable legislation, the Articles of Association, good governance recommendations and the Board's charter. The Board carries out an annual review of its operations and regular reviews of the work of the CEO and the Management Team. The Scanfil Board of Directors has confirmed the charter, which lists the following key duties for the Board:

- confirming the company's business strategy and monitoring its implementation
- confirming the annual key business targets and monitoring Scanfil Group's performance
- deciding on strategically significant investments in the Group
- discussing and approving financial statements and interim reports
- appointing and dismissing the CEO and determining their terms of employment and remuneration
- deciding on incentive systems for managers and employees
- monitoring the company's key operational risks and their management
- confirming the company's values and operating principles.

Diversity Principles for the Board of Directors

Scanfil plc operates in the international contract manufacturing market and its customers include global companies in various industries. For the Board to be effective, its members must possess experience from several different industries, be well versed in international business and have insight into the global trends that affect the development of the contract manufacturing market. The Nomination Committee should consider the education and professional and international experience of the candidates, as well as their individual characteristics, when preparing the proposal for the Board's composition. The aim is to form a diverse Board with a sufficient number of members, who are able to take responsibility for developing the company's operations and strategy in its line of business, and who are competent to manage the duties and responsibilities of the Board. Scanfil plc aims to have a sufficiently diverse gender and age distribution of the Board of Directors.

The Annual General Meeting held on April 22, 2021, elected five (5) members to the Board, four of whom are men and one woman. Board members have either technical or business degree. In addition, the above-mentioned factors and characteristics relevant to the diversity of the Board were represented in the composition of the Board in 2021.

Board Committees

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

The task of the Nomination and Remuneration Committee is to prepare matters related to the appointment and remuneration of the members of the Board of Directors and, when necessary, find suitable members for it. The Committee has three members: Harri Takanen (Chair), Jarkko Takanen and Bengt Engström. The committee convened four times in 2021. The attendance rate of its members was 100%.

The Audit Committee is responsible for monitoring the financial reporting process and the reporting of financial statements and interim reports, as well as monitoring the functionality of internal control and risk management in the company. It also evaluates the appropriateness of auditing and prepares the proposal for the appointment of an auditor. The committee has three members: Jarkko Takanen (chair), Harri Takanen and Christina Lindstedt. The committee convened four times in 2021. The attendance rate of its members was 100%.

CEO

The Board of Directors decides on the appointment and dismissal of the CEO and the terms and conditions of his employment.

The CEO is covered by the performance and profit bonus systems decided upon separately by the Board of Directors. Petteri Jokitalo, M.Sc. (Eng.), has been the CEO of the company since April 1, 2013. Petteri Jokitalo holds (31 Dec. 2021) 312,000 shares in Scanfil plc and he has the following option rights: option program 2019(A) for 110,000 shares, 2019(B) for 120,000 shares and 2019(C) for 120,000 shares.

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

The CEO has a separate service contract that is valid until further notice with a mutual notice period of six months. Should the company terminate the service contract made with the CEO, an amount equivalent to the monetary salary of 12 months will be paid to the CEO as a severance package in accordance with the terms and conditions of his service contract. The CEO's retirement age is the statutory retirement age.

Other management

The principal duty of the Management Team is to assist the CEO in the company's operative management. The Team's other duties include matters relating to long-term planning, the planning and monitoring of investments and the allocation of resources to key operations.

Riku Hynninen, Chief Operating Officer

Riku Hynninen (b. 1972), M.Sc. (Mech.Eng.) was responsible for factories' financial and operational performance and development, global sourcing and supply chain. Chief Development Officer as of January 1, 2022. He holds (31 Dec 2021) 26,150 shares in Scanfil plc and has the following option rights: option program 2019(A) for 20,000 shares, 2016(B) for 20,000 shares and 2019(C) for 20,000 shares.

Markku Kosunen, Chief Technology Officer

Markku Kosunen (b. 1967), technology undergraduate, was responsible for ICT, ERP, Quality processes and systems, production technology and investments. Chief Procurement Officer as of January 1, 2022. He holds (31 Dec. 2021) 52,763 shares in Scanfil plc and has the following option rights: option program 2016(C) for 20,000 shares, 2019(A) for 20,000 for shares, 2091(B) for 20,000 shares and 2091(C) for 20,000 shares.

Timo Sonninen, Vice President, Sales and Business Development

Timo Sonninen (b. 1966), BSc (Eng.) was in charge of sales and business development until 17 January 2022. Chief Operating Officer as of January 1, 2022. He holds (31 Dec. 2021) 140,500 shares in Scanfil plc and he has the following option rights: option program 2019(A) for 20,000 shares, 2019(B) for 20,000 shares and 2019(C) for 20,000 shares.

Kai Valo, Chief Financial Officer

Kai Valo (b. 1965), MSc (Economics), Group's Chief Financial Officer. He holds (31 Dec. 2021) 20,000 shares in Scanfil plc, and has the following option rights: option program 2016(C) for 20,000 shares, 2019(A) for 20,000 shares, 2019(B) for 20,000 shares and 2019(C) for 20,000 shares

Christina Wiklund, Chief Commercial Officer (as of January 17, 2022)

Christina Wiklund (b. 1971), BSc (Soc.) responsible for sales and marketing activities and customer relations as of 17 January 17, 2022. Did not hold any shares not option rights on December 31, 2021.

Kristoffer Asklöv, who was in charge of business development and sales in Central Europe left the company on August 31, 2021.

DESCRIPTIONS OF INTERNAL CONTROL PROCEDURES AND THE MAIN FEATURES OF RISK MANAGEMENT SYSTEMS RELATED TO THE FINANCIAL REPORTING PROCESS

Risk Management

The Board of Directors of Scanfil plc is responsible for ensuring the appropriate organization of the Group's risk management and internal control and audit. Risk management is based on a risk management policy approved by the Board, aimed at managing risks in a comprehensive and proactive manner. The assessment of risks is part of the annual strategy and business planning process. There is no separate risk management organisation; risk management is incorporated into the business processes and the management system and it is coordinated by the Group's CFO.

Risk management aims to observe and analyse factors that might have a negative impact on the achievement of the company's goals and to take measures to mitigate or completely eliminate the risks. The operative units report on business risks in accordance with the management and reporting system.

Internal Control

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

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

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

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

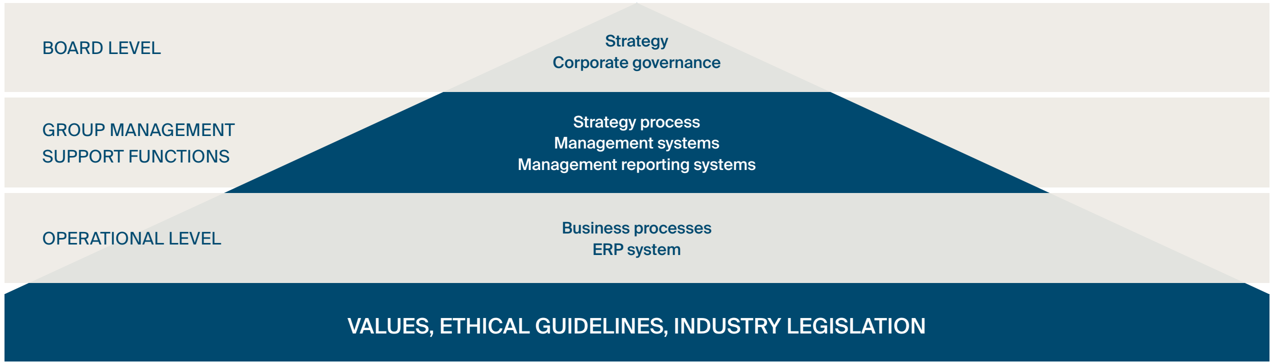
Internal Audit

The company uses internal auditing that, in co-operation with other Group functions, handles internal auditing duties and makes regular reports to the CEO and the Board.

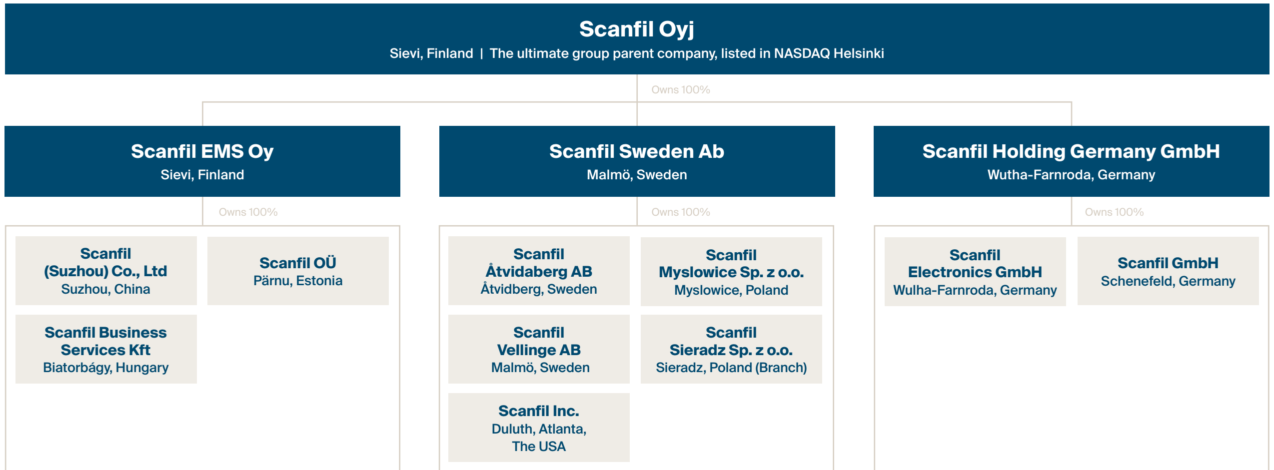
Changes in Group's structure in 2021

Scanfil plc did not have any changes in the group structure in 2021.

DESCRIPTION OF THE INTERNAL CONTROL AT SCANFIL PLC



SCANFIL PLC GROUPS STRUCTURE IN 2021



OTHER INFORMATION TO BE PROVIDED IN THE STATEMENT

Company insiders and insider administration

In its operations, the company complies with regulation EU No. 596/2014 on market abuse (MAR) and the Finnish Securities Markets Act, as well as related regulations and guidelines issued by the European Securities and Markets Authority (ESMA), the Finnish Financial Supervisory Authority and Nasdaq Helsinki.

The company's Board of Directors has confirmed the company's insider guidelines based on Nasdaq Helsinki's guidelines for insiders. The insider guidelines define certain practices and decision-making procedures to ensure that the company's insider administration is organized consistently and reliably.

The company divides insiders into two categories: a) managers with a reporting obligation; and b) project-specific insiders. Managers with a reporting obligation include members of the Board of Directors, the CEO and members of the group's Management Team. Managers with a reporting obligation cannot trade in the company's financial instruments during a period before the publication of the company's interim reports and financial statements releases, starting 30 days before the publication of the interim reports and financial statements releases ("closed window"). Project-specific insiders cannot trade in the company's financial instruments before the project in question has ended.

In addition, the company has decided that persons who are party to the preparation and drawing up of the company's interim reports and financial statements releases cannot trade in the company's financial instruments during a period before the publication of the company's interim reports and financial statements releases, starting 30 days before the publication of the interim reports and financial statements releases ("expanded closed window"). The expanded closed window also applies to persons who, as a result of their work-related tasks, have access to the group's sales figures or to sales figures of a business unit that is significant for the total results of Scanfil Group as a whole.

As a result of the entry into force of MAR, the company no longer has any public insiders. From July 3, 2016, the company will publish, in a stock exchange release, all business activities carried out by managers with a reporting obligation and their related parties in the company's financial instruments in accordance with MAR.

Related party transactions

Principles of monitoring and assessing Scanfil plc's related party transactions

The principles of Scanfil plc's related party transactions define the principles and processes by which the company identifies its related parties and monitors related party transactions, assesses the nature and terms of business transactions, and ensures that any conflicts of interest are addressed appropriately in the company's decision-making processes. The Board of Directors monitors and assesses related party transactions continuously and regularly.

The company's related parties

The company's related parties cover individuals and entities close to the Group's companies as defined in the International Financial Reporting Standards (IFRS), approved in accordance with the IAS Regulation referred to in Chapter 1, Section 4 d of the Finnish Accounting Act.

The company's related parties include its subsidiaries and the company's key management employees, consisting of the Board of Directors, the CEO and the Group's Management Team, as well as their family members. Related parties also include companies in which the aforementioned individuals hold control.

List of related parties

The company maintains a list of individuals and entities regarded as its related parties to identify related party transactions. The company ensures that the company's management is provided with sufficient related party guidelines.

The company's internal related parties are identified by maintaining and updating the list of related parties. Each individual and entity identified as a related party is entered in the list of related parties, including details of their connection to the company as a related party, such as shareholdings in other entities. Each related party is required to report or otherwise bring, on their own initiative, potential conflicts of interests to the attention of the executive management.

Identifying related party transactions

Related party transactions are identified, and a register of agreed activities is maintained. The following procedures apply to the identification of related party transactions:

- The company maintains a list of entities regarded as related parties.
- The person who approves related party transactions on the company's behalf verifies that assessments and decision-making processes regarding related party transactions are in compliance with defined criteria.
- If it becomes apparent in connection with the preparation of a related party transaction that the related party transaction is not related to the company's ordinary course of business or it is not carried out on arm's-length terms, the preparation of the transaction is handled by the Group Administration.
- In addition to the identification procedures followed by the company, individuals and entities regarded as related parties must ensure that related party transactions are entered in the register of related party transactions and carried out following the appropriate decision-making process.

Monitoring related party transactions

The company monitors and assesses how agreements and other legal transactions between the company and its related parties comply with the requirements set for the ordinary activities and for arms-length terms. Information on related party transactions will be requested regularly from related parties, at least in conjunction with regular reporting.

Assessing related party transactions and decision making

The company's main criterion for related party transactions is that it is sufficiently ensured that related party transactions comply with market terms and are favorable for the company's business operations.

When preparing decisions on related party transactions, it must be considered that (a) decisions are based on particularly careful preparations and appropriate clarifications and assessments; (b) preparations, decision-making and the assessment and approval of individual transactions are arranged considering provisions of conflicts of interests regulations and the appropriate decision-making body; and/or (c) the identification, reporting and control related to transactions have been arranged appropriately, for example, so that the company's related party transactions are monitored in accordance with the reporting practices followed by the company.

Related party transactions are assessed according to the categories to which each transaction belongs. These include:

(1) ORDINARY RELATED PARTY TRANSACTIONS

As a rule, ordinary related party transactions must be part of the company's regular business operations, and they must be carried out following arms-length terms. Related party transactions are entered in the register of related party transactions so that the company can report its related party transactions as required in IFRS.

The ordinality and arm's-length terms of the transaction shall be assessed and documented for such ordinary related party transactions that are not performed on standard terms or at a standard pricing, or for transactions with value exceeding EUR 5,000. Ordinary commercial terms may vary in different situations.

The ordinary nature of related party transactions in relation to Scanfil Group's business operations are assessed on the basis of the company's purpose, and the industry and other provisions listed in the company's Articles of Association, and the company's actual operations.

Related party transactions that are associated with the company's standard agreements or agreements provided generally for customers within the framework of standard pricing, and related party transactions that have a value of less than EUR 5,000 can be approved following the one-over-one principle. Other ordinary related party transactions must be approved by the CEO unless they are significant related party transactions, or unusual or far-reaching considering the scope and quality of the activities. However, any events involving the CEO's related parties must always be approved by the chairman of the company's Board of Directors.

(2) SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions that are not part of the company's ordinary business operations or that are not carried out in accordance with arms-length terms are regarded as significant related party transactions.

The company's Board of Directors decides on significant related party transactions, including agreements or other legal transactions that the company is engaged in with related parties, are not part of the company's ordinary business operations, and do not follow arms-length terms.

Members of the Board of Directors or the company's shareholders cannot participate in the approval of a decision or voting regarding a decision if they or their related parties are party to significant related party transactions.

Reporting related party transactions

When preparing and carrying out related party transactions, the company complies with specific reporting and disclosure obligations regarding related party transactions.

Auditors

The Annual General Meeting held on April 22, 2021 selected the auditing firm KPMG Oy Ab to be the company's auditor, and they named Authorized Public Accountant Kirsi Jantunen as the main auditor. The audit fees for the Finnish companies of the Group for the 2021 accounting year were EUR 87,745 in total, and the parent company's share was EUR 57,745. The audit fees for the foreign companies of the Group were EUR 234,826 in total. For services unrelated to auditing, the auditing company was paid EUR 25,343.

REMUNERATION REPORT 2021

1. Introduction

Scanfil plc's Annual General Meeting held on April 23, 2020 discussed the remuneration policy regarding the company's administrative bodies. The objective of the discussed remuneration policy is to promote the long-term financial performance of the company and development of the shareholder value through the remuneration of the company's top management by having the management committed to and motivated in implementing the company's strategy in line with the interests of all shareholders of the company. The remuneration policy also aims to provide the CEO with a total remuneration package that motivates and commits the CEO to the implementation of the company's long-term strategy and its financial profitability are concerned.

According to the policy, remuneration of the Board of Directors can consist of one or several elements, such as annual fees and meeting fees. The fees can be paid in cash, or partly in cash and partly in the company's shares. Board members are not covered by the company's incentive reward schemes. In 2021, the Board's monthly fees, committee membership fees and meeting fees were paid in cash.

The remuneration of the CEO consists of a fixed base salary and variable incentives, i.e., performance-based bonuses. The variable incentive schemes include the annual incentive scheme and the stock option incentive scheme. The variable annual incentive scheme cannot exceed 100 per cent of the fixed base salary.

Details about the Remuneration policy can be found online.

KEY ELEMENTS OF REMUNERATION

Element	Target group	Target	Description
Salary	CEO (and other senior management)	Attract, keep and reward skilled managers	Number of factors are taken into account in determining the basic salary, e.g. market situation, individual qualities, skill and experience. The basic salary is typically reviewed annually.
Fixed remuneration	The Board of Directors	Attract, keep and reward skilled Board members	The remuneration of the Board of Directors is proposed by the Nomination and Remuneration Committee to the General Meeting to decide.
Annual incentive scheme (short-term)	CEO (and other senior management)	Encourage, guide and reward from achieving short-term financial, operational and strategic targets	The short-term annual incentive plan is primarily based on one-year earnings criteria, which are further based on longer-term indicators, typically three years of target settings. Structure discussed more in details in section "Remuneration of the CEO in 2021".
Stock option incentive scheme (long-term)	CEO (and other senior management)	Link management and their rewarding to Company's shareholders.	The General Meeting decides on share-based compensation programs and authorizes the Board of Directors to decide on the details and practical implementation of the compensation programs. More details in section "Remuneration of the CEO in 2021".

Scanfil's financial and remuneration development over the last five years

Company turnover has increased steadily over the last five years, both organically and through corporate acquisitions. The turnover increased significantly in 2021 and it was the highest in the company history. Profitability was slightly down due to the challenges in the supply chain, especially semiconductors.

FINANCIAL AND REMUNERATION DEVELOPMENT, 2017–2021

	2017	2018	2019	2020	2021
Turnover, EUR million	529.9	563.0	579.4	595.3	695.7
Operating profit, reported, EUR million	31.3	37.8	35.3	44.4	39.6
Operating profit, reported, %	5.9	6.7	6.1	7.5	5.7
Operating profit, adjusted, EUR million	31.3	37.8	39.4	39.1	40.3
Operating profit, adjusted, %	5.9	6.7	6.8	6.6	5.8
Share price change, VWAP, %	15.0	13.3.	-6.8	21.9	50.1

Financial targets of the company in 2021 was to reach EUR 700 million in 2023 and achieve 7% operating profit margin.

Throughout the period under review, the remuneration of the Board has consisted of the monthly fees and committee membership fees decided by the General Meeting.

FEES OF THE BOARD OF DIRECTORS

EUR THOUSAND	2017	2018	2019	2020	2021
Harri Takanen	37.2	47.4	49.3	51.0	54.1
Jarkko Takanen	24.1	28.8	30.2	31.7	34.9
Bengt Engström	23.1	26.3	27.5	29.5	33.8
Christina Lindstedt	23.6	27.3	28.6	30.1	33.8
Juha Räisänen (as of 23 April 2020)	-	-	-	17.4	33.8
Christer Härkönen (until 22 April 2021)	22.6	24.7	25.9	27.9	11.4
Salaries and fees of the Board of Directors, in total	**130.6**	**154.5**	**161.5**	**187.6**	**198.7**

The remuneration of the CEO has consisted of a fixed base salary with fringe benefits and variable incentives. The variable incentives have included the short-term performance bonus and long-term stock option schemes, with their terms and conditions determined by the Board.

SALARIES AND FEES OF THE CEO

EUR THOUSAND	2017	2018	2019	2020	2021
Salary	243.5	254.7	269.5	289.7	295.3
Fringe benefits	10.2	13.4	13.6	12.3	14.2
Performance bonus	28.0	168.0	258.0	85.0	105.6
In shares and payable stock options	361.3	35.0	71.2	132.2	631.3
In total	**643.0**	**471.1**	**612.3**	**519.2**	**1,046.4**

The development of employees' remuneration is based on the salaries and wages paid to the personnel less the employer's social security contributions divided by the average number of employees during the year.

PAID SALARIES AND WAGES/AVERAGE NUMBER OF EMPLOYEES

EUR THOUSAND	2017	2018	2019	2020	2021
In total	**19.1**	**19.6**	**20.8**	**22.6**	**23.2**

2. Remuneration of the Board of Directors in 2021

The remuneration of the Board members is decided by the General Meeting of Scanfil plc.

On April 22, 2021 the Annual General Meeting decided that:

- Members of the Board are paid EUR 2,600/month
- The Chairman of the Board is paid EUR 4,200/month.

Members of the committees are paid EUR 600/meeting. In addition, a Board member residing outside Finland is paid EUR 200 for each physical meeting.

The travel expenses of Board members will be compensated in accordance with the company's travel policy. No other benefits are paid to the members of the Board on the basis of this position.

During the financial year of 2021, members of Scanfil plc's Board of Directors did not receive any company's shares or share-based benefits as remuneration.

MEETING AND COMMITTEE FEES PAID TO THE BOARD OF DIRECTORS IN 2021

EUR THOUSAND	Meeting fee	Committee fee	Fees in total
Harri Takanen	49,460	4,600	54,060
Jarkko Takanen	30,260	4,600	34,860
Bengt Engström	31,460	2,300	33,760
Christina Lindstedt	31,460	2,300	33,760
Juha Räisänen	30,860	-	30,860
Christer Härkönen (until 22 April 2021)	11,360	-	11,360
In total	**184,860**	**13,800**	**198,660**

3. Remuneration of the CEO in 2021

The CEO has a service contract that is valid until further notice with a mutual notice period of six months. Should the company terminate the service contract made with the CEO, an amount equivalent to the monetary salary of 12 months will be paid to the CEO as a severance package in accordance with the terms and conditions of his service contract.

The retirement age of the CEO is the statutory retirement age.

SALARIES AND FEES OF THE CEO

EUR	Fixed	Variable
Salary	295,319	-
Fringe benefits	14,167	-
Performance bonus from the year 2020	-	105,620
Stock option scheme	-	631,290
In total	309,486	736,910
Salaries and fees in total	**1,046,396**	

In addition, the CEO was paid a performance bonus of EUR 101,352 regarding the year 2021 in 2022.

Performance bonus

The CEO is included in the scope of the management's performance bonus scheme based on the Group's operating profit and turnover. The operating profit determines 80% and turnover 20% of the bonus payable to the CEO. The final performance bonus is determined on the basis of the actual operating profit and turnover in euro compared with the targets set in the previous three years, each representing one-third of determining the bonus. The Board of Directors decides on the management remuneration scheme and its terms and conditions for the next three years.

The annual bonus cannot exceed the amount corresponding to 12 months' salary. The CEO is also included in the scope of the company's share-based incentive scheme.

The CEO does not have other benefits.

Stock option scheme

On April 24, 2019, the Scanfil plc General Meeting authorized the Board of Directors to decide on granting stock option rights to certain key personnel of the company and its subsidiaries and to decide on the terms and conditions of the option scheme. The total number of stock option rights may not exceed 900,000, and they entitle one to the subscription of a maximum of 900,000 new shares or treasury shares of the company ("Stock Option scheme 2019").

OPTIONS HELD BY THE CEO	2016(C)	2019(A)	2019(B)	2019(C)
Number of options	110,000	110,000	120,000	120,000
Subscription period	1 May 2021 - 30 April 2023	1 May 2022 - 30 April 2024	1 May 2023 - 30 April 2025	1 May 2024 - 30 April 2026
Fair value, in total, EUR	all subscribed	118,800	214,800	199,200

More details on stock option schemes can be found here.

SCANFIL PLC BOARD OF DIRECTORS

Harri Takanen

Chair of the Board of Directors

Harri Takanen (born 1968), Member of Board since 2013, Professional Board Member and CEO of Jussi Capital Oy as of December14, 2021. Harri Takanen has worked for Sievi Capital plc as CEO 2007–2011 and as the CEO of Scanfil plc and Scanfil EMS ltd. 2012–2013. He has served Scanfil Group since 1994, e.g. as Director of operations in China, Scanfil (Hangzhou) Co., Ltd's Managing Director, Technology Director, Director of Customer Relations, Customer Service Manager and Plant Manager of Sievi mechanics. Harri Takanen holds Master's degree in Engineering. Not independent of the company and major shareholders.

- Holds 9,913,146 shares in Scanfilplc (31 December 2021)
- Chair of the Board of Directors: Titanium Oyj WellO2 Oy

Jarkko Takanen

Jarkko Takanen (1967) a member of Board of Directors since 2012, Chief Investment Officer of Jussi Capital Pte. Ltd. (Singapore) as of beginning of 2022. Jarkko Takanen has worked as the CEO of Jussi Capital Oy since 2008 until December 13, 2021. He has worked for Sievi Capital Group during 1995–2004. CEO of the Belgian subsidiary Scanfil N.V. 2003-2004. Jarkko Takanen holds a Bachelor's Degree in Production Engineer and a Commercial College Diploma in Management Accountancy. Independent of the company, not independent of major shareholders.

- Holds 8,596,169 shares in Scanfil plc (31 December 2021)

Bengt Engström

Bengt Engström (born 1953), Member of the Board since 2015. Bengt Engström has held a number of executive positions at several companies, both in Sweden and globally, for example at Whirlpool, Bofors AB, Duni AB and Fujitsu. Bengt Engström holds a Mechanical Engineer's degree. Independent of the company and major shareholders.

- Holds 12,929 shares in Scanfil plc (31 December2021)
- Chair of the Board of Directors: Nordic Flanges, QleanAir AB, Qlosr AB, BEngström AB and BEngström Förvaltning AB
- Member of the Board of Directors: KTH Executive School, Bure Equity AB, ScandiNova Systems AB, Real Fastigheter AB and Scandinavian Chemotech AB

Christina Lindstedt

Christina Lindstedt (born 1968), Member of the Board since 2016. CEO in QleanAir Scandinavia AB. Christina Lindstedt has held a number of executive positions at AB Electrolux, Sony Ericsson and Sony, both in Sweden and globally. Primarily she has served as a Business/Product area head for businesses such as e.g. smartphones, washing machines, automatic lawn mowing and New Business Areas. In addition, she has been responsible for establishing global sourcing operations in China. Christina Lindstedt holds a Master's Degree of Business Administration and Commercial law. Independent of the company and major shareholders.

- Holds 6,000 shares in Scanfil plc (31 December 2021)
- Member of the Board of Directors: XPlorebiz AB

Juha Räisänen

Juha Räisänen (1958), Member of Board since 2020, Managing Partner at Valuenode GmbH. Juha Räisänen has held a number of executive positions globally at ICL-Fujitsu, Nokia, SanDisk, KONE and Aliaxis. He has been responsible for sales, manufacturing, supply chain, sourcing & procurement, quality and safety. Juha Räisänen holds a Master's Degree of Industrial Engineering & Management. Not independent of the company in 2021, independent of the major shareholders.

- Do not hold any shares in Scanfil plc
- Member of the Board of Directors: LumiDental Ltd, Bluefors Oy and Coolbrook Oy

SCANFIL PLC MANAGEMENT TEAM

Petteri Jokitalo

CEO

Petteri Jokitalo (1963), company's CEO since April 1, 2013. Earlier Petteri Jokitalo has worked in Scanfil EMS Oy as Director of Sales and Marketing 2012–2013, in Meka Pro Oy as Managing Director during 2007–2011, in Scanfil Oyj in management tasks of sales and business development during 2003–2007 and in international tasks in Nokia Networks during 1998–2003. Petteri Jokitalo holds Master's Degree in Engineering.

Christina Wiklund

CCO (as of January 17, 2022)

Christina Wiklund (1971) is responsible for sales and marketing activities and customer relations. She started in her position on January 17, 2022. Before joining Scanfil she worked at GE Additive as Vice President and Head of Sales for EMEA 2018–2021. Prior to this, she worked at Flex as Vice President of Sales and Account Management 2006–2018. Before that she worked at Solectron 2002–2006 and Ericsson 2000–2002 in business development and account management roles. Christina Wiklund hold a Bachelor's Degree in Sociology.

Riku Hynninen

COO

Riku Hynninen (1972) was responsible for factories' financial and operational performance and development, global sourcing and supply chain. Chief Development Officer as of January 1, 2022. He has previously worked at Nokia Corporation 1995–2018, in charge of e.g. developing the production technology for mobile network business, creating new product delivery capability, and product portfolio lifecycle management 2014–2018. Prior to that he has been responsible among others the technical functions of the Nokia Suzhou factory and the creation and management of the delivery capability of several different mobile network product families Riku Hynninen holds Master's degree in Industrial Economics and Engineering.

Markku Kosunen

CTO

Markku Kosunen (1967) was responsible for ICT, ERP, Quality processes and systems, production technology and investments. Chief Procurement Officer as of January 1, 2022. Before joining Scanfil Group he worked at Mecanova Oy as Vice President of Business Development 2005–2007, Director of Operations during 2008–2010 and in different management positions at mechanics plants of Flextronics and Ojala-yhtymä in Finland during 1993–2005. Markku Kosunen is a technology undergraduate.

Timo Sonninen

Vice President, Sales and Business Development

Timo Sonninen (b. 1966) was in charge of sales and business development until January 1 2022. Chief Operating Officer as of january 1, 2022. Previously he has worked at Efore Oyj as Vice President, Operations, in Suzhou, China 2006–2013. Prior to that he has worked at Incap Oyj during 1991–2006 among others as Director of Operations, Business Director of Electronics Production and Plant Director of Vuokatti Plant. Timo Sonninen holds a Bachelor's Degree in Engineering.

Kai Valo

CFO

Kai Valo (1965) is the Group CFO. During 2015–2016 Kai was the CFO for Norpe Group. Prior to that he was at Lite-On Mobile Group Director of Finance and Control in Beijing, China 2009–2015. In 1999–2008 he held several finance related management positions at Perlos plc. Kai Valo holds a Master's Degree in Economics.

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Global manufacturing partner and system supplier