

SCANFIL

SCANFIL PLC Q3 INTERIM REPORT

Scanfil Plc

**2019 Q3 and January –
September
Interim Report**

25 OCTOBER 2019



Scanfil Group's Interim Report for Q3 and January – September 2019

Q3/2019: Positive sales development with strong profitability. HASEC integration progress in schedule.

July - September

- Turnover totalled EUR 152.3 million (Q3 2018: 131.5), increase 15.8%
- Operating profit EUR 12.1 (8.8) million, 7.9% (6.7%) of turnover, increase 38%
- Net profit was EUR 8.8 (6.9) million
- Earnings per share were EUR 0.14 (0.11)

January – September

- Turnover totalled to EUR 424.8 (1-9 2018: 422.8) million, increase 0.5%
- Adjusted operating profit EUR 29.3 million, 6.9% of turnover
- Operating profit EUR 25.3 (30.3) million, 6.0% (7.2%) of turnover
- Net profit for the review period was EUR 18.3 (22.5) million
- Earnings per share were EUR 0.28 (0.35), adjusted earnings per share EUR 0.35

Future Outlook

Scanfil changes its outlook for 2019 and expects the full-year turnover to be EUR 570 - 590 million and the adjusted* operating profit to be EUR 39 – 41 million in 2019.

Earlier Scanfil estimated, that its turnover for 2019 will be EUR 580 - 610 million and the adjusted* operating profit will amount to EUR 39 - 42 million.

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

KEY FIGURES

	Q3/2019	Q3/2018	Change%	1-9/2019	1-9/2018	Change%	2018
Turnover, EUR million	152.3	131.5	16%	424.8	422.8	0%	563.0
Operating Profit, EUR million	12.1	8.8	38%	25.3	30.3	-16%	37.8
Operating Profit, adjusted, EUR million	12.1	8.8	38%	29.3	30.3	-3%	37.8
Operating Profit, %	7.9	6.7		6.0	7.2		6.7
Operating Profit, adjusted, %	7.9	6.7		6.9	7.2		6.7
Net Profit, EUR million	8.8	6.9	28%	18.3	22.5	-19%	28.9
Net Profit, Adjusted, EUR million	8.8	6.9	28%	22.3	22.5	-1%	28.9
Earnings per Share, EUR	0.14	0.11	27%	0.28	0.35	-20%	0.45
Net Profit, Adjusted, EUR million	0.14	0.11	27%	0.35	0.35	0%	0.45
Return on Equity, %				16.2	22.8		21.5
Return on Equity, Adjusted, %				19.5	22.8		21.5
Equity Ratio, %				43.3	43.3		47.7
Net Gearing, %				40.5	28.4		19.5
Net Cash Flow from Operations, EUR million				14.9	16.0	-7%	29.0
Employees (Average)				3 511	3 419	3%	3 414

CEO PETERI JOKITALO

The turnover in the third quarter was EUR 152 million, showing an increase of EUR 21 million, 16% from the previous year. More than half of the growth was organic, and the rest from the acquisition of HASEC-Elektronik GmbH made in June. The turnover growth was particularly strong in the "Industrial" and "Medtec" segments.

The quarter was operationally strong: operating profit increased 38% year on year to EUR 12.1 million, 7.9% from the turnover. Strong profitability was driven by the factories' overall good performance and high utilization rate as well as the favorable product mixes. Net cash flow from operations for the quarter was EUR 7.3 million. At the end of the period, Scanfil's equity ratio was 43.3%, and gearing was 40.5%. Scanfil's financial position is stable.

The integration of HASEC-Elektronik GmbH, a German contract manufacturer acquired in June, is well underway. Building common business models and strategy for 2020 is progressing on schedule.

Scanfil has been received well by HASEC customers. Customers are clearly positive about Scanfil's resources and potential that Scanfil brings as a global manufacturing partner. The received feedback fully supports our view that Scanfil has an excellent opportunity to grow business with Central European customers not only locally but also globally, especially

from the factories in Eastern Europe, China, and the USA. Customers are in demand with our service offering and factory network; now, we need to show our ability to realize customer potential into sales!

Based on customer forecasts, we expect demand to continue to strengthen towards the end of the year and fourth-quarter sales to be strongest in the year. We also expect sales to continue at a strong level in the first quarter of 2020. We believe so, despite the fact that many of our customers have lowered their end-of-year demand forecasts due to general market uncertainty or purely customer-specific reasons. Based on the changed outlook, we update our financial guidance for 2019 and estimate our turnover for 2019 to be in the range of EUR 570-590 million and the adjusted operating profit of EUR 39 - 41 million.

In a situation of growing uncertainty, we focus on the things that are in our own hands. We keep costs under control and increase cost flexibility. We also accelerate and invest in sales, where in addition to Nordic countries the focus is on Central Europe, and increasing sales activity in the US.

I am pleased with Scanfil's development in the third quarter. Thank you, our customers and suppliers, for your support and trust, and our employees for your successful work.

MARKETS AND CUSTOMER SEGMENTS

Scanfil divides its customers into the following customer segments: Communication, Consumer Applications, Energy & Automation, Industrial, and Medtec & Life Science.

Typical products of the customers in the Communication segment include base stations, exchanges and amplifiers, as well as different camera and radio systems. Products of the customers in the Consumer Applications segments are typically used by consumers. These include reverse vending machines, slot machines, machines for self-service laundromats and photo booths, for example. Products of the customers in the Energy & Automation segment include frequency converters, inverters, switches and automation systems. Products of the customers in the Industrial segment are used in industrial applications, such as forklift guidance systems and smart lighting systems. Products of the customers in the Medtec & Life Science segment include dental chairs, analyzers, mass spectrometers and cloud height indicators.

During the third quarter, the Group's turnover increased by EUR 9.7 million (6.8%) compared to the previous quarter.

Turnover either increased or remained at the previous quarter's level in all customer segments.

The Industrial segment's turnover increased by EUR 7.5 million (18.1%) compared to the previous quarter. A significant part of this increase is due to the acquisition of HASEC-Elektronik GmbH's business operations at the end of the second quarter.

In the Communication segment, sales began to develop favourably during the second quarter, and this trend continued in the third quarter. Growth was EUR 2.0 million (10.3%) compared with the previous quarter.

Turnover in the Consumer Applications, Energy and Automation, and Medtec & Life Science customer segments remained at the previous quarter's level.

In the third quarter the largest customer accounted for about 15% (12%) of turnover and the top ten customers accounted for about 56% (61%) of turnover.

EUR million	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2 /2019	Q3/2019	% of Q3 turnover 2019
Communication	22.3	23.7	24.3	27.2	17.9	19.4	21.4	14.1%
Consumer Applications	36.2	38.8	25.6	25.1	23.5	27.6	27.8	18.3%
Energy & Automation	26.0	27.3	26.5	27.7	25.7	28.3	27.9	18.3%
Industrial	29.9	37.3	32.3	35.1	35.9	41.5	49.0	32.2%
Medtec & Life Science	25.2	24.6	22.9	25.2	26.9	25.7	26.1	17.2%
Total	139.6	151.7	131.5	140.2	129.9	142.6	152.3	100.0%

ACQUIRED BUSINESS OPERATIONS

On May 22, 2019, Scanfil plc signed an agreement on the acquisition of the entire share capital of HASEC-Elektronik GmbH, a German electronics contract manufacturer. The acquisition was approved by the relevant competition authorities and was completed on June 17, 2019. The purchase price was EUR 10.3 million. Scanfil financed the transaction from its liquid assets and by directing a share issue to the owners of HASEC-Elektronik GmbH as part of the payment of the purchase price. The proportion of shares of the purchase price was EUR 2.2 million, which is equal to 544,554 shares at the average price of the Scanfil share for March 2019. Scanfil carried out a directed share issue to the sellers in conjunction with the

completion of the acquisition. The business operations of HASEC have been included in Scanfil's consolidated financial statements since June 17, 2019.

Established in 1991, HASEC-Elektronik GmbH has around 200 employees, with a production plant in Wutha-Farnroda near Eisenach in Central Germany. HASEC-Elektronik GmbH has a large number of long-term customer relationships and a strong position as a high-mix, low-volume manufacturer and system integrator. The transaction strengthens Scanfil's position in the German markets and expands the company's customer base. HASEC-Elektronik GmbH's turnover in 2018 was EUR 37.1 million.

TURNOVER

- **July – September** turnover totalled EUR 152.3 million, increase of EUR 20.7 million, 15.8% compared to the same period last year.

Key changes by customer segments year-on-year

- The Industrial segment’s turnover developed favourably, increasing by EUR 16.8 million, or 52.0%, year-on-year. More than half of the growth comes organically, the rest from the acquisition of HASEC’s operations in the quarter.
- The Medtec & Life Science customer segment grew by EUR 3.2 million, or 14.0%, year-on-year. Part of the growth is organic and part of the growth comes from the HASEC.
- The Consumer Applications segment’s turnover increased by EUR 2.2 million, or 8.6%. Growth is mainly organic.
- The Energy and Automation segment’s turnover increased by EUR 1.4 million, or 5.4%.
- The Communication segment’s turnover decreased by EUR 2.9 million, or 11.8%. This decrease in sales was due to lower demand by an individual customer.

- **January-September** turnover totalled EUR 424.8 million, increase of 0.5% .



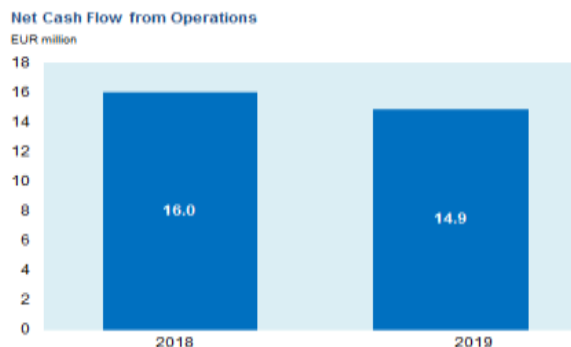
OPERATING PROFIT

- In **July–September**, the operating profit was EUR 12.1 million (7.9% of turnover). The operating profit increased by EUR 3.3 million, or 37.7%, compared with the corresponding period of the previous year. This growth was mainly due to increased turnover.
- In **January–September**, the adjusted operating profit was EUR 29.3 million, or 6.9% of turnover. The operating profit decreased by EUR 0.9 million, or 3.0%, compared with the corresponding period of the previous year.
- In **January–September**, the reported operating profit was EUR 25.3 million, or 6.0% of turnover. The reported operating profit includes EUR 4.0 million in adjustment items, which consist of expenses related to the acquisition of HASEC (EUR 0.4 million) and a write-down of goodwill (EUR 3.6 million) related to Scanfil GmbH’s business operations.



NET CASH FLOW FROM OPERATIONS

- **January-September** net cash flow from operating activities was EUR 14.9 million, nearly at the same level as previous year.
- Working capital increased slightly because of good demand during the third quarter. This had a minor negative effect on net cash flow from operating activities.



Scanfil Group's Interim Report for 1 January – 30 September 2019

FINANCIAL DEVELOPMENT

The Group's turnover for January – September was EUR 424.8 (422.8) million, increase of 0.5% compared to the corresponding period of the previous year. In the Industrial customer segment, turnover grew by EUR 27.0 million, while turnover decreased by EUR 21.6 million in the Customer Applications customer segment.

The Group's operating profit for January – September was EUR 25.3 (30.3) million, 6.0% (7.2%) of turnover. The operating profit includes adjustment items of EUR 4.0 million, which consists of expenses related to the acquisition of HASEC-Elektronik GmbH (EUR 0.4 million) and a write-down of goodwill (EUR 3.6 million) related to Scanfil GmbH's business operations.

The business operations of Scanfil GmbH, a German subsidiary acquired in 2014, have not developed as expected, which is why the company has recognised a write-down based on impairment testing. The adjusted operating profit was EUR 29.3 million, or 6.9% of turnover. The adjusted operating profit decreased by 3.0% year-on-year. This decrease was mainly due to a different product mix early in the year. The net profit for the review period was EUR 18.3 (22.5) million.

Earnings per share for the review period were EUR 0.28 (0.35). Return on investment was 16.2% (21.2%). The weaker key figures are mainly due to the adjustment items mentioned above and a decrease in the operating result in comparison with the previous year.

The Group's turnover in July–September was EUR 152.3 (131.5) million and its operating profit was EUR 12.1 (8.8) million, 7.9% (6.7%) of turnover. The third-quarter operating profit does not include adjustment items. The result in July–September was EUR 8.8 (6.9) million.

The business operations of HASEC-Elektronik GmbH have been consolidated with the Scanfil Group since June 17, 2019. This had an effect of EUR 10.3 million on the Group's turnover and an effect of EUR +0.4 million on its net result during the review period January–September. The purchase price was EUR 10.3 million, from which EUR 3.8 million was preliminarily allocated to long-term customer relationships, where net deferred tax liabilities were EUR 1.1 million and EUR 1.6 million was recognised in unallocated goodwill. Information on the acquired net assets is provided in the tables of the interim report.

FINANCING AND CAPITAL EXPENDITURE

The Group has a stable financing position. The consolidated balance sheet total was EUR 360.1 (318.3) million at the end of the review period. The increase is due to the adoption of IFRS 16 Leases and the acquisition of HASEC-Elektronik GmbH. From the beginning of 2019, nearly all of the Group's lease agreements have been recognised on the balance sheet as lease liabilities and related asset items. At the end of September 2019, fixed assets included EUR 19.8 million in fixed asset items related to lease liabilities in accordance with IFRS 16 and the corresponding liability items. The balance sheet total of HASEC-Elektronik GmbH stood at EUR 22.5 million on September 30, 2019. Cash assets totalled EUR 18.7 (19.7) million. Liabilities amounted to EUR 204.3 (180.4) million, of which non-interest-bearing liabilities totalled EUR 122.2 (121.6) million and interest-bearing liabilities totalled EUR 82.1 (58.8) million. Interest-bearing liabilities included EUR 20.0 million in leasing liabilities in accordance with IFRS 16. The equity ratio was 43.3% (43.3%), and net gearing was 40.5% (28.4%). The adoption of IFRS 16 reduced the Group's equity ratio by 2.6 percentage points and net gearing by 12.9 percentage points. Equity per share was EUR 2.41 (2.55).

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

Net cash flow from operating activities for the review period January - September was EUR 14.9 (16.0) million. The change in net working capital during the period amounted to EUR -16.7 (-14.7) million. The change in working capital in January –September 2019 compared to the turn of the previous year consists of the following items: short-term non-interest-bearing receivables increased by EUR 11.7 million, inventories increased by EUR 8.7 million and short-term non-interest-bearing liabilities increased by EUR 3.7 million. Net cash flow from investing activities was EUR -14.3 (-7.4) million, which includes a cash flow effect of EUR -7.5 million related to the acquisition of HASEC-Elektronik GmbH. Cash flow from financing activities was EUR -1.2 (-9.2) million. A total of EUR 8.3 million was paid in dividends. The use of the credit facility increased by EUR 11.1 million in comparison with the beginning of the year.

Gross investments in January – September totalled EUR 17.5 (7.6) million, which was 4.1% (1.8%) of the turnover. The investments include EUR 10.3 million in acquisition expenses related to the share capital of HASEC-Elektronik GmbH, with the rest being mainly related to the acquisition of machinery and equipment. Depreciation excluding impairment was EUR 10.3 (7.1) million, EUR 2.4 million increase in depreciation is caused by a change in accounting principles due to the adoption of the IFRS 16 Leases standard.

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

Scanfil plc's Annual General Meeting was held on 24 April 2019 in the company headquarters in Sievi, Finland.

The Meeting authorised the Board of Directors to decide on the acquisition of the company's own shares and to decide on share issues through one or more issues. The Meeting decided to authorise the Board of Directors to decide on granting option rights to key people of Scanfil Group.

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

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

The minutes of the Annual General Meeting have been available on the company's website, www.scanfil.com, as of 8 May 2019.

OWN SHARES

On 30 September 2019 company owns 148 979 its own shares, representing 0.2% of all shares.

SHARE TRADING AND SHARE PERFORMANCE

On 1 July 2019, a total of 90,000 Scanfil Plc's new shares have been subscribed for with the Company's stock options 2013(C). The entire subscription price for subscriptions made with the stock options 2013(C) of EUR 261,900 will be entered in the Company's reserve for invested unrestricted equity

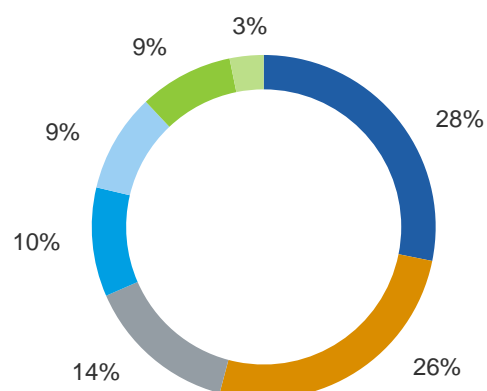
The shares subscribed for under the stock options have been registered in the Trade Register today on 4 July 2019, as of which date the new shares will establish shareholder rights. As a result of registering the new shares, the number of Scanfil shares is 64,669,993 in total.

The highest trading price during the review period was EUR 4.68 and the lowest EUR 3.73, the closing price for the period standing at EUR 4.12. A total of 2,634,996 shares were traded during the period, corresponding to 4.1% of the total number of shares. The market value of the shares on 30 September 2019 was EUR 266.4 million

PERSONNEL

At the end of the period under review, the Group employed 3,610 (3,369) people, of whom 3,275 (3,038) worked outside Finland and 335 (331) in Finland. The average number of Group employees during the review period was 3,511 (3,419) people.

Personnel by Country 3 610 (30 September 2019)



■ Poland ■ China ■ Estonia ■ Sweden ■ Finland ■ Germany ■ USA

FUTURE OUTLOOK

Scanfil changes its outlook for 2019 and expect the full-year turnover to be EUR 570 - 590 million and the adjusted operating profit to be EUR 39 – 41 million in 2019.

Earlier Scanfil estimated that its turnover for 2019 will be EUR 580 - 610 million and the adjusted operating will amount to EUR 39 - 42 million.

LONG TERM TARGET

In 2020, Scanfil aims to reach sales of EUR 600 million and 7% operating profit level through organic growth.

OPERATIONAL RISKS AND UNCERTAINTIES

Uncertainty in the global economy has increased during the year, and this is also partly reflected in the outlook of Scanfil customers towards the end of the year. No essential changes have taken place in the Scanfil's other business risks during the review period.

A weakening of the global economy and a decrease in the international demand for capital goods could have a negative effect on the development of the business operations of Scanfil's customers and could subsequently reduce demand in the contract manufacturing market. In particular, changes in international trade agreements and an increase in international trade restrictions could increase uncertainty in the development of the world economy. In addition, Scanfil is exposed to risks resulting from exchange rate fluctuations in its business operations.

The company's risks and risk management are described on the company's website under Corporate Governance and in the notes to the consolidated financial statements for 2018.

ACCOUNTING PRINCIPLES

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

Scanfil reports single business segment.

Starting from 1 January 2019, Scanfil has adopted new standard IFRS 16 Leases. The changes in accounting

principles resulting from this adoption are presented under "Changes in accounting principles." Otherwise, the accounting principles applied correspond with those defined in the Group's 2018 financial statements.

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

This interim report is unaudited.

In its meeting held on 25 October 2019, the Board of Director of Scanfil plc approved this interim report release for publication.

CHANGES IN ACCOUNTING PRINCIPLES

IFRS 16 Leases

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

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

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

The adoption of the standard has an impact on key figures; the equity ratio has decreased by 2.6 percentage points and net gearing by 12.9 percentage points. The impact to net results is minor.

Reconciliation calculation, EUR 1000

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

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

CONSOLIDATED INCOME STATEMENT

EUR million

	7 - 9 2019	7 - 9 2018	1 - 9 2019	1 - 9 2018	1 - 12 2018
Turnover	152,3	131,5	424,8	422,8	563,0
Other operating income	0.2	0.0	0.8	0.5	0.8
Changes in inventories of finished goods and work in progress	0.8	0.9	1.1	-0.1	-0.3
Expenses	-137.4	-121.2	-387.4	-385.8	-516.2
Depreciation	-3.7	-2.4	-13.9	-7.1	-9.5
Operating profit	12.1	8.8	25.3	30.3	37.8
Financial income and expenses	-0.9	0.6	-1.3	-1.6	-1.7
Profit before taxes	11.2	9.4	24.0	28.6	36.0
Income taxes	-2.3	-2.4	-5.7	-6.2	-7.1
Net profit for the period	8.8	6.9	18.3	22.5	28.9
Attributable to:					
Equity holders of the parent	8.8	6.9	18.3	22.5	28.9
Earnings per share for profit attributable to shareholders of the parent:					
undiluted and diluted					
earnings per share (EUR)	0.14	0.11	0.28	0.35	0.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million

	7 - 9 2019	7 - 9 2018	1 - 9 2019	1 - 9 2018	1 - 12 2018
Net profit for the period	8.8	6.9	18.3	22.5	28.9
Items that may later be recognized in profit or loss					
Translation differences	-0.9	-0.8	-1.0	-2.8	-2.4
Cash flow hedges	-0.4	0.3	0.1	0.0	-0.2
Other comprehensive income, net of tax	-1.2	-0.5	-0.9	-2.8	-2.6
Total Comprehensive Income	7.6	6.4	17.3	19.6	26.3
Attributable to:					
Equity holders of the parent	7.6	6.4	17.3	19.6	26.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

Assets	30.9.2019	30.9.2018	31.12.2018
Non-current assets			
Property, plant and equipment	72.5	48.7	49.1
Goodwill	7.9	10.1	10.1
Other intangible assets	16.0	12.6	12.2
Shares in associated companies	0.5		
Available-for-sale investments	0.0	0.0	0.0
Deferred tax assets	5.3	4.9	4.4
Total non-current assets	102.2	76.4	75.9
Current assets			
Inventories	115.2	105.3	99.2
Trade and other receivables	120.1	114.3	107.6
Advance payments	0.3	0.8	0.3
Current tax	3.6	1.8	1.6
Cash and cash equivalents	18.7	19.7	19.2
Total current assets	257.9	241.9	227.9
Total assets	360.1	318.3	303.8
Shareholder's equity and liabilities	30.9.2019	30.9.2018	31.12.2018
Equity attributable to equity holders of the parent			
Share capital	2.0	2.0	2.0
Reserve for invested unrestricted equity fund	30.9	28.3	28.4
Fair value reserve	-0.2	-0.1	-0.2
Other reserves	6.9	6.7	6.7
Translation differences	3.3	3.9	4.3
Retained earnings	112.9	97.1	103.6
Total equity	155.8	137.9	144.7
Non-current liabilities			
Deferred tax liabilities	7.0	5.3	6.0
Provisions	0.4	0.3	0.3
Interest bearing liabilities	21.0	21.9	16.6
Total non-current liabilities	28.3	27.5	22.8
Current liabilities			
Trade and other liabilities	111.1	112.8	103.5
Current tax	3.5	2.9	1.8
Provisions	0.2	0.3	0.1
Interest bearing liabilities	61.1	36.9	30.8
Total current liabilities	175.9	152.9	136.2
Total liabilities	204.3	180.4	159.1
Total shareholder's equity and liabilities	360.1	318.3	303.8

CONSOLIDATED CASH FLOW STATEMENT

EUR million

	1.1.-30.9.2019	1.1.-30.9.2018	1.1.-31.12.2018
Cash flow from operating activities			
Net profit	18.3	22.5	28.9
Adjustments for the net profit	21.0	14.9	18.2
Change in net working capital	-16.7	-14.7	-9.5
Paid interests and other financial expenses	-1.7	-1.3	-1.7
Interest received	0.2	0.1	0.1
Taxes paid	-6.2	-5.5	-6.9
Net cash from operating activities	14.9	16.0	29.0
Cash flow from investing activities			
Acquisition of subsidiaries less cash and cash equivalents at the time of acquisition	-7.5		
Investments in tangible and intangible assets	-7.3	-7.8	-10.1
Sale of tangible and intangible assets	0.4	0.4	0.4
Net cash from investing activities	-14.3	-7.4	-9.7
Cash flow from financing activities			
Related-party investment company shares	0.3	0.3	0.4
Purchase of own shares	-0.5		
Repayment of long-term loans	-5.3	-5.4	-10.5
Repayment of short-term loans	-3.7		-3.5
Proceeds from short term loans	16.3	3.0	
Dividends paid	-8.3	-7.0	-7.0
Net cash from financing activities	-1.2	-9.2	-20.7
Net increase/decrease in cash and cash equivalents	-0.7	-0.6	-1.3
Cash and cash equivalents at beginning of period	19.2	20.6	20.6
Changes in exchange rates	0.2	-0.4	-0.2
Cash and cash equivalents at end of period	18.7	19.7	19.2

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR million

Equity attributable to equity holders of the parent company

Equity	Share capital	Reserve for invested unrestricted equity fund	Fair value reserve	Reserve fund	Translation differences	Retained earnings	Equity total
1.1.2019	2.0	28.4	-0.2	6.7	4.3	103.6	144.7
Total comprehensive income			0.1		-1.0	18.3	17.3
Fund transfer				0.2		-0.2	
Share issue		2.4					2.4
Option Scheme						0.2	0.2
Purchase of own shares						-0.5	-0.5
Paid dividends						-8.3	-8.3
Equity 30.9.2019	2.0	30.8	-0.2	6.9	3.3	112.9	155.8

Equity attributable to equity holders of the parent company

Equity	Share capital	Reserve for invested unrestricted equity fund	Fair value reserve	Reserve fund	Translation differences	Retained earnings	Equity total
1.1.2018	2.0	28.0	-0.1	6.7	6.7	81.3	124.7
Adjustment according to IFRS 15						0.2	0.2
Total comprehensive income			-0.0		-2.8	22.5	19.6
Excercised options		0.3					0.3
Option Scheme						0.2	0.2
Paid dividends						-7.0	-7.0
Equity 30.9.2018	2.0	28.3	-0.1	6.7	3.9	97.1	137.9

KEY INDICATORS

	1 - 9 2019	1 - 9 2018	1 - 12 2018
Return on equity, %	16.2	22.8	21.5
Return on investment, %	16.2	21.2	20.2
Interest-bearing liabilities, EUR million	82.1	58.8	47.3
Gearing, %	40.5	28.4	19.5
Equity ratio, %	43.3	43.3	47.7
Gross investments, EUR million	17.5	7.6	10.1
% of net turnover	4.1	1.8	1.8
Personnel, average	3 511	3 419	3 414
Earnings per share, EUR	0.28	0.35	0.45
Shareholders' equity per share, EUR	2.41	2.15	2.26
Number of shares at the end of period, 000's			
- not counting own shares	64 521	63 985	64 035
- weighted average	64 263	63 929	63 945

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

ACQUIRED BUSINESS

EUR million

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

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

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

According to the preliminary acquisition cost calculation, EUR 3.8 million was allocated to long-term customer relationships. The deferred tax liability is EUR 1.1 million. EUR 1.6 million of unallocated goodwill was recognised from the acquisition. EUR -0.6 million was allocated to property, plant and equipment. The deferred tax asset is EUR 0.1 million. HASEC-Elektronik GmbH has been consolidated into Scanfil Group as of 17 June 2019. The effect on the Group's turnover for the reporting period was EUR 10.3 million and net profit for the period EUR +0.4 million. Scanfil's turnover for January-September 2019 would have been EUR 440.3 million and net profit for the period EUR 18.6 million if the business acquired during the financial year had been consolidated as of January 1, 2019.

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

EUR million

	7 - 9	1 - 9
	2019	2019
Operating profit	12.1	25.3
Operating profit, % of turnover	7.9%	6.0%
Adjustment items:		
<i>Goodwill write-down</i>		3.6
<i>Acquisition costs of acquired transactions</i>	0.0	0.4
Adjustment items total	0.0	4.0
Adjusted operating profit	12.1	29.3
Adjusted operating profit, % of turnover	7.9%	6.9%
Financial income and expenses	-0.9	-1.3
Profit before taxes	11.2	24.0
Income taxes	-2.3	-5.7
Net profit for the period	8.8	18.3
Earnings per share, EUR	0.14	0.28
Adjusted net profit for the period	8.8	22.3
Adjusted earnings per share, EUR		0.35
Equity		155.8
Return on equity, %		16.2%
Adjustment items:		
<i>Net profit for the period</i>		4.0
Adjusted equity		159.9
Adjusted return on equity, %		19.5%

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

DISAGGREGATION OF REVENUES

EUR million

	Sales of goods	7 - 9 2019 Sales of services	Total	Sales of goods	7 - 9 2018 Sales of services	Total
Customer Segments						
Communication	18.0	3.4	21.4	21.4	2.9	24.3
Consumer Applications	27.2	0.6	27.8	25.2	0.4	25.6
Energy & Automation	26.4	1.5	27.9	25.1	1.4	26.5
Industrial	46.2	2.8	49.0	30.9	1.4	32.3
Medtec & Life Science	24.6	1.5	26.1	21.2	1.7	22.9
Total	142.4	9.8	152.3	123.7	7.8	131.5
Timing of revenue recognition						
Goods and services transferred at a point of time	142.4	9.0	151.4	123.7	7.2	130.9
Services transferred over time		0.8	0.8		0.6	0.6
Total	142.4	9.8	152.3	123.7	7.8	131.5

	Sales of goods	1 - 9 2019 Sales of services	Total	Sales of goods	1 - 9 2018 Sales of services	Total
Customer Segments						
Communication	49.3	9.4	58.7	62.6	7.7	70.2
Consumer Applications	76.3	2.6	78.9	98.7	1.8	100.6
Energy & Automation	77.9	4.0	81.9	76.5	3.4	79.8
Industrial	118.3	8.2	126.5	94.6	4.9	99.5
Medtec & Life Science	73.2	5.5	78.7	66.0	6.8	72.7
Total	395.1	29.6	424.8	398.4	24.5	422.8
Timing of revenue recognition						
Goods and services transferred at a point of time	395.1	26.9	422.0	398.4	22.3	420.6
Services transferred over time		2.8	2.8		2.2	2.2
Total	395.1	29.6	424.8	398.4	24.5	422.8

CHANGES IN GOODWILL

EUR million

	1 - 9	1 - 9	1 - 12
	2019	2018	2018
Book value at the beginning of the period	10.1	10.4	10.4
Business combinations	1.6		
Impairment	-3.6		
Exchange rate differences	-0.3	-0.3	-0.3
Book value at the end of the period	7.9	10.1	10.1

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

CHANGES IN TANGIBLE NON-CURRENT ASSETS

EUR million

	1 - 9	1 - 9	1 - 12
	2019	2018	2018
Book value at the beginning of the period	63.9	47.7	47.7
Additions	7.3	7.6	9.9
Deductions	-0.2	-0.2	-0.1
Business combinations	10.4		
Depreciations	-8.6	-5.6	-7.5
Exchange rate differences	-0.3	-0.8	-0.8
Book value at the end of the period	72.5	48.7	49.1

The carrying amount at the beginning of the financial year on 1 January 2019 includes the effect of the change in accounting principle arising from the adoption of IFRS 16 Leases, EUR 14.8 million. The carrying amount on 30 September 2019 includes the asset item EUR 19.8 million of IFRS 16, which is recognized as an asset

FINANCIAL ASSETS AND LIABILITIES, CARRYING AMOUNT AND FAIR VALUE

EUR million

	30.9.2019	30.9.2019
	Book values of balance sheet values	Fair values of balance sheet values
Non-current assets		
Investments	0.0	0.0
Shares in associated companies	0.5	0.5
Non-current assets total	0.5	0.5
Current assets		
Trade receivables	110.0	110.0
Cash and cash equivalents	18.7	18.7
Derivatives	0.0	0.0
Current assets total	128.7	128.7
Total financial assets	129.2	129.2
Non-current financial liabilities		
Interest bearing liabilities from financial institutions	1.2	1.2
Financial leasing	19.8	19.8
Non-current financial liabilities total	21.0	21.0
Current financial liabilities		
Equity loans	0.3	0.3
Interest bearing liabilities from financial institutions	23.9	23.9
Financial leasing	3.6	3.6
Loans withdrawn from the credit limit	33.2	33.2
Derivatives	0.2	0.2
Trade payables	86.9	86.9
Current financial liabilities total	148.3	148.3
Total financial liabilities	169.2	169.2

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

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

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OPEN DERIVATIVE CONTRACTS

EUR million

	Positive	Negative	Net	Nominal value
Interest rate swaps, protective		-0.1	-0.1	18.5
Forward agreement, protective	0.1	-0.2	-0.1	23.0

PROVISIONS

EUR million

	Reclamation and guarantee	Pension	Other	Total
1.1.2019	0.1	0.0	0.2	0.4
Exchange rate differences	0.0	0.0	0.0	0.0
Additions	0.0	0.0	0.1	0.1
Reversal of unused provisions		0.0		
30.9.2019	0.2	0.1	0.3	0.6

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

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

CONTINGENT LIABILITIES

EUR million

	1 - 9 2019	1 - 9 2018	1 - 12 2018
Business mortgages	110.0	110.0	110.0
Pledged guarantees	8.4	1.4	8.3

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

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

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

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

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

Scanfil Sweden AB has given security to some subsidiary suppliers regarding obligations that may be created through the business relationship.

KEY INDICATORS QUARTERLY

EUR million

	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17
Turnover	152.3	142.6	129.9	140.2	131.5	151.7	139.6	144.4	130.8
Operating profit	12.1	6.4	6.8	7.5	8.8	11.2	10.3	9.6	8.5
Operating profit, %	7.9	4.5	5.3	5.4	6.7	7.4	7.4	6.6	6.5
Net income	8.8	4.6	4.8	6.4	6.9	8.0	7.6	10.5	5.2

CALCULATION OF KEY INDICATORS

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

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

Typical Scanfil products include mobile and communications network devices, automation system modules, frequency converters, lift control systems, analysers, various slot and vending machines, and devices related to medical technology and meteorology. Scanfil services are used by numerous international automation, energy, IT and health service providers, as well as companies operating in the field of urbanisation. Scanfil's network of factories consists of 11 production units in Europe, Asia and North America. The total number of employees is about 3,600.

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