SCANFIL

# Annual report 2020

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Scanfil provides services ranging from product design to product manufacturing, material procurement and logistics solutions.

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# Scanfil is a global manufacturing partner for the electronics industry

Scanfil plc is a global manufacturing partner and system supplier for the electronics industry. Its 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 including products used by consumers.

Scanfil has a total of 3,200 employees and ten factories in seven countries on three continents. Its factories in Finland, Sweden and Germany are located close to the R&D units of its customers, whereas its factories in Estonia, Poland, China and the USA are close to customer markets.

Scanfil provides its customers with an extensive array of services, ranging from product design which is done with cooperation partners to product manufacturing, material procurement and logistics solutions. These provide a solid foundation for Scanfil's competitive advantages: speed, flexibility and reliability.

Scanfil's shares are listed on the Nasdaq Helsinki stock exchange (SCANFL).

10 factories in 7 countries on 3 continents

Speed, flexibility, reliability

Over 40 years of experience

Scanfil's turnover rose and profitability improved significantly regardless of the pandemic.

# Solid performance in challenging circumstances

The year 2020 brought with it an unprecedented challenge as in the beginning of the year the rapidly spread COVID-19 virus caused a pandemic. Scanfil quickly took actions to ensure the health and safety of its personnel and stakeholders as well as the functioning of its supply chain and production. The implementation of the strategy was continued by concentrating the factory network in both Germany and China. Scanfil's turnover rose to EUR 595 million and profitability improved significantly as operating profit rose to EUR 44.4 million.

## THE HAMBURG FACTORY WILL BE CLOSED

Scanfil decided to close its Hamburg factory to concentrate production at the Wutha factory in Germany and the Sieradz factory in Poland. The measures are estimated to be ready by the end of the third quarter of 2021. The Wutha factory is located close to Central European customers and is a "high mix – low volume" manufacturing unit with strong engineering expertise. The Sieradz factory in central Poland is a large-scale electronics factory that acts as an efficient production unit for higher-volume products.

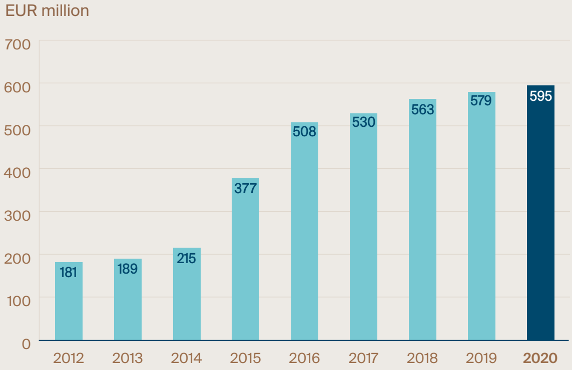
## THE HANGZHOU FACTORY WAS SOLD

Scanfil's factory, focused on sheet metal mechanics, in Hangzhou, China, was divested for a selling price of EUR 18.4 million to the Chinese mechanical manufacturer Cabinet Technology Co., Ltd. The entire personnel of the Hangzhou factory continued to be employed by the new owner after the transaction was completed. As a result of the transaction, Scanfil centralised its Chinese operations at its Suzhou factory. Scanfil will continue to use the mechanical services of the Hangzhou factory.

# Key figures 2020

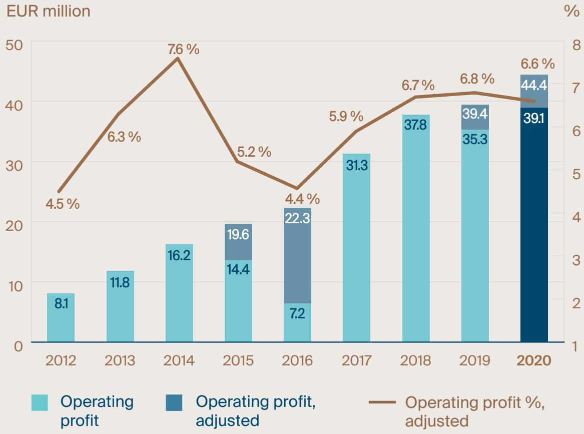
## Turnover

Compound annual growth rate (CAGR) 16% between 2012–2020.

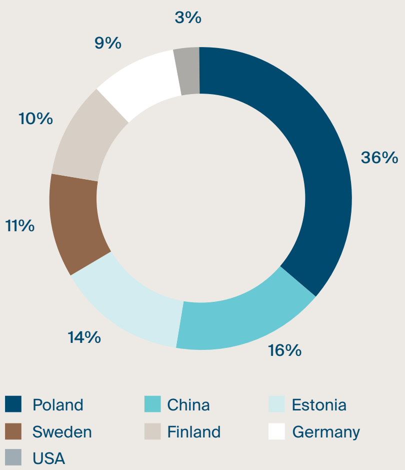



## Operating profit & operating profit %

Compound annual growth rate (CAGR) 24% between 2012–2020.

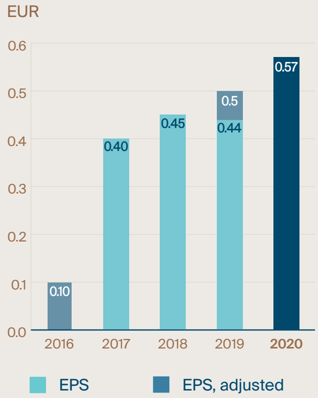



## Personnel per country 31.12.2020



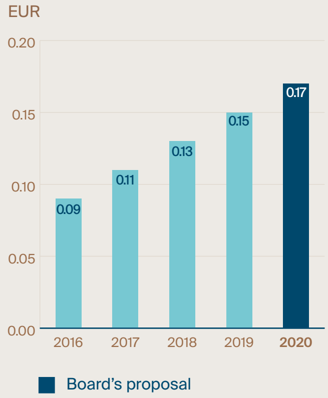

## Earnings per share

Compound annual growth rate (CAGR) 22% between 2012–2020.

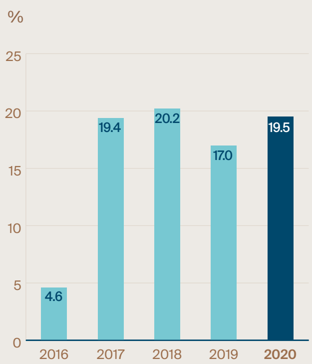



## Dividend per share

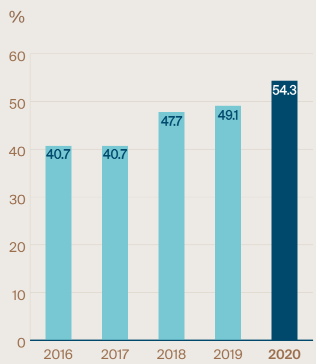
Compound annual growth rate (CAGR) 20% between 2012–2020.



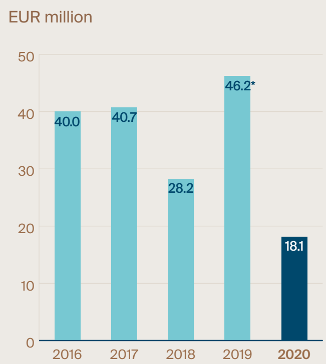

## Return on investment




## Equity ratio




## Net debt




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

# CEO’s review

**Our operational performance during 2020 was strong** despite the unusually challenging conditions and an indication of the abilities of Scanfil's personnel and the flexibility of Scanfil's cost structure. The year was characterised by the coronavirus pandemic, and our operations focused strongly on the health of our personnel and the smooth completion of customer deliveries. Our countermeasures to coronavirus were successful, our employees mainly stayed healthy, and the performance of our factories was good. Our turnover in 2020 was EUR 595.3 million, and our adjusted operating profit was EUR 39.1 million, or 6.6% of turnover.

The Hangzhou factory was sold in July, and Scanfil will now focus on the manufacture of electronics and integrated products at the Suzhou factory in China. In December, we decided to close the Hamburg factory and continue its production at other Scanfil factories in Germany and Poland. Production is expected to be transferred from Hamburg, and the factory shut down, by the end of the third quarter of 2021, and the arrangement is expected to result in annual cost savings of around EUR 2.5 million. The purpose of these measures is to secure and further improve the performance and competitiveness of Scanfil's factory network, and further sharpen Scanfil's strategy and position as a manufacturing partner for electronics and complicated integrated products.

The reported operating profit for 2020 of EUR 44.4 milion includes sales gains from the Hangzhou factory and adjustments related to the closure of the Hamburg factory.

**The most significant investments** in 2020 were made in electronics manufacturing lines and testing equipment at the Sieradz, Malmö, Wutha and Suzhou factories and in updating the painting line in Myslowice. The integration of the manufacturing execution system (MES) continued at the Sieradz factory. Scanfil's "smart manufacturing" project (production and warehouse automation, data systems and digitalisation) accounted for roughly one third of our full-year investments. We expect these investments to significantly increase our productivity already in 2021.

**We aim to accelerate the organic growth of our turnover and expand our customer base.** Our strategic goal is to increase our market share, especially in Germany and more broadly in Central Europe. The region has highly attractive contract manufacturing markets, offering huge growth potential for Scanfil. The purpose is to provide our customers with a local manufacturing partnership with our Wutha factory in Germany, as well as with Scanfil's global partnership, factory network and service range. We made good progress in terms of these goals during the year, our turnover developed positively in Central Europe, and we signed new global agreements with our current local customers in the region. In addition to Central Europe, we have increased our sales efforts in the Nordic countries, China and the USA.

**We are approaching 2021 with confidence.** Our customers' forecasts for the year are mainly showing growth, and we are seeking to increase our turnover and operating profit. However, it is also obvious that this year includes some uncertainties: the coronavirus pandemic is still here, and there are also signs of risks associated with the availability of certain materials. We have identified these risks and defined and launched appropriate risk mitigation measures.

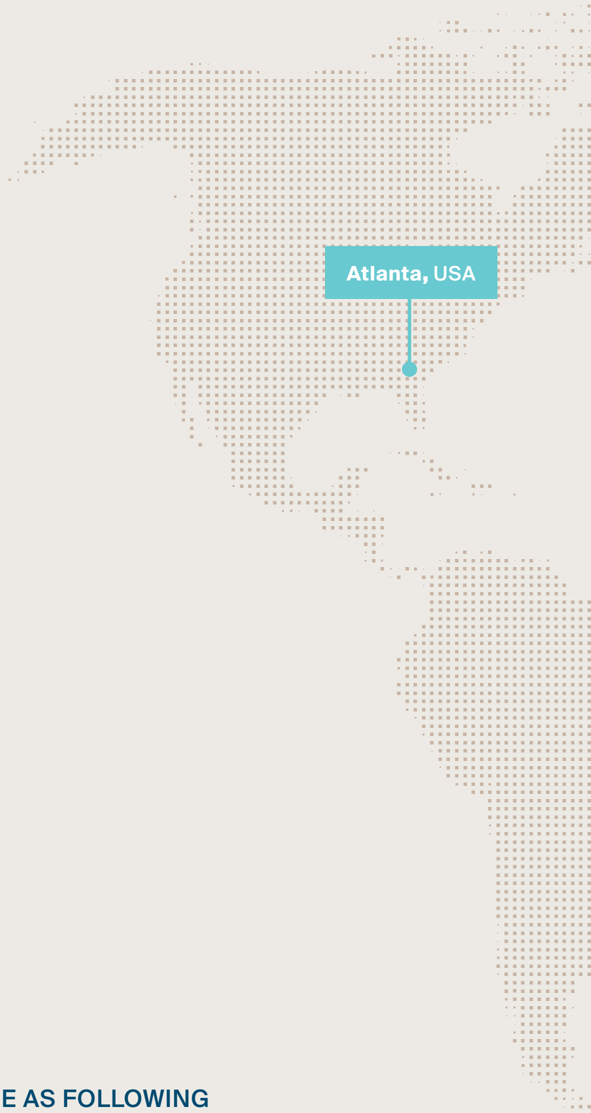
Our long-term target for 2023 is to achieve a turnover of EUR 700 million and an operating profit rate of 7%. We are also actively investigating possibilities for corporate acquisitions, especially in the Nordic countries and Central Europe.

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

**PETTERI JOKITALO**
CEO

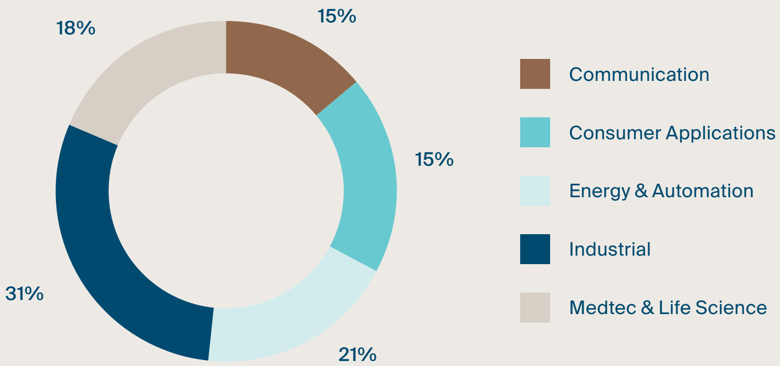
> In addition to Central Europe, we have increased our sales efforts in the Nordic countries, China and the USA.

# Customer Segments and Factory Network




Scanfil has a vast variety of customers from different industries. They are typically technology leaders of their field. Scanfil grows in all of its market areas: the Nordics, Central Europe, the USA and China.

Scanfil has a wide range of customers from small/mid-size to large. Scanfil divides its existing customers into the following customer segments: Communication, Consumer Applications, Energy & Automation, Industrial, and MedTec & Life Science.




## TYPICAL PRODUCTS OF THE DIFFERENT CUSTOMERS SEGMENTS ARE AS FOLLOWING

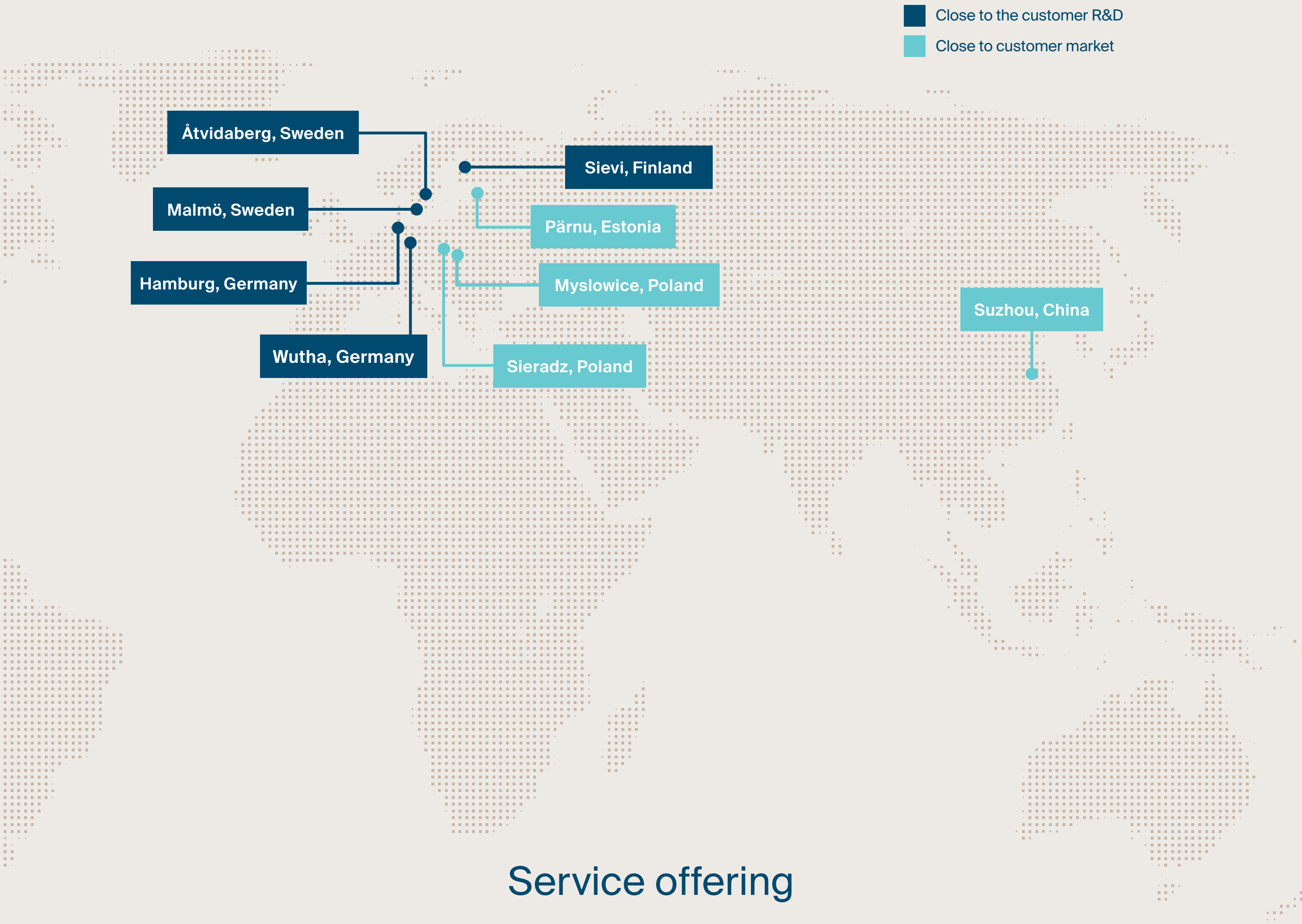
**Communication** segment includes base stations, exchanges and amplifiers, as well as different camera and radio systems.

**Consumer Applications** segment's products are used by consumers. These include e.g. reverse vending machines and machines for self-service laundromats.

**Energy & Automation** segment's products include frequency converters, inverters, switches and automation systems.

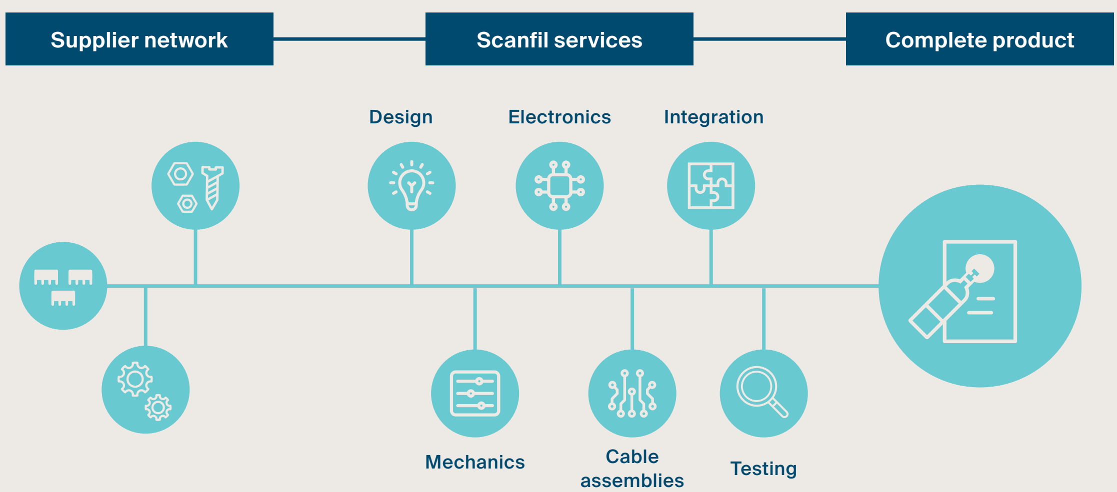
**Industrial** segment's products are used in industrial applications, such as forklift guidance systems and smart lighting systems.

**Medtec & Life Science** segment's products are e.g. dental chairs, analysers, mass spectrometers and cloud height indicators.




# Service offering

Scanfil offers its customers services that cover the entire product life cycle, and helps them productise the idea and bring the product to market.



# Strategy, values and mission

## VISION

We are a trusted partner.

## MISSION

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

## STRATEGY AND GOALS

Scanfil's goal is to help its customers in product design, in industrial and manufacturing processes, and in the launch of finished products within an optimal time. Our excellent performance, continuous improvement and demanding goals are visible in everything we do.

Scanfil mainly serves its global customers from factories that are located close to customer markets. These factories are located in Poland, Estonia, China and the USA. In Finland, Sweden and Germany, Scanfil serves customers whose R&D units are close to our factories.

Our new customer acquisition focuses on the German-speaking Central Europe, the Nordic countries, China and the USA. Our goal is to be the market leader in the Nordic countries and gain a significant market share in the German-speaking Central Europe.

The goal is to pay one third of our annual results to our shareholders in dividends.

## LONG-TERM TARGET

In 2023, Scanfil is organically aiming for EUR 700 million turnover and 7% operating profit level.


## OUR COMPETITIVE ADVANTAGES

Scanfil's strengths are agile operating culture, fast decision making and implementation, global factory network and broad service offering. Scanfil's high-quality and cost-efficient vertically integrated production is one of its key competitive factors. Effective and measurable processes offer standardised operating methods for Scanfil's global plant network.

## SCANFIL VALUES

We believe that companies and people need well designed and built products made in a sustainable way by valuing the people who make them. Our working culture is grounded on four guiding principles.

### Customer focused

Everything we do adds value for our customers. We aim to exceed our customers' expectations. We build long-term partnerships with our customers.

### Achieving together

We are one team, globally. We share ideas and respect and rely on each other. We are open and straight with our communications and provide feedback on short notice. We recognise and celebrate achievements.

**Our excellent performance, continuous improvement and demanding goals are visible in everything we do.**

### Proactive

We continuously improve our competencies and capabilities to stay one step ahead. We proactively support our business partners.

### Engaged to perform

We enjoy challenges and keep our promises. We always act ethically and we are efficient in everything we do.

# Responsibility at Scanfil

## 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. In addition, the policies and ethical operating principles approved by the Board of Directors or the Management Team guide operations.

## KEY THEMES IN CORPORATE RESPONSIBILITY

Ensuring and developing the responsibility of operations is vitally important for Scanfil's success. The monitoring and continuous development of corporate responsibility serves the needs of all Scanfil's stakeholders. Scanfil has defined key factors for its corporate responsibility and divided them into responsible offering, responsibility for partners and the community, social responsibility and responsibility for the environment.

**In responsible offering,** attention is paid to the development of customer satisfaction, compliance with the law and ethical principles throughout the supply chain, the prevention of corruption and bribery, product quality, delivery reliability, and continuous development. All the company's factories operate a quality control system observing the ISO 9001 criteria.

**In responsibility for partners and the community,** the focus is on profitability, ethical values and the transparency of operations.

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, and the reduction of the carbon footprint.

**Social responsibility** focuses on competence development, occupational safety and health, and the development of the motivation and work satisfaction of the personnel. 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.

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

# Responsibility of offering

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 standardised reporting model presenting the most important key performance indicators (KPIs). Development projects are also implemented on the basis of customer feedback. They may be related to quality matters or the expansion of the service offering, for example. High-quality and cost-effective production is one of Scanfil's key competitive advantages. The continuous development of production processes, utilisation of the right technologies and verified quality of the materials used are key factors in the continuous improvement of competitiveness.

## HIGH LEVEL OF CUSTOMER SATISFACTION

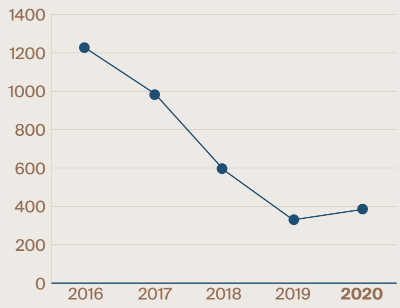
Scanfil changed the way it measures customer satisfaction in 2019. Customer satisfaction is measured regularly by conducting a customer satisfaction survey twice a year.

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 organisation'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 programme, including relevant measures. These measures will be monitored actively in cooperation with customers.

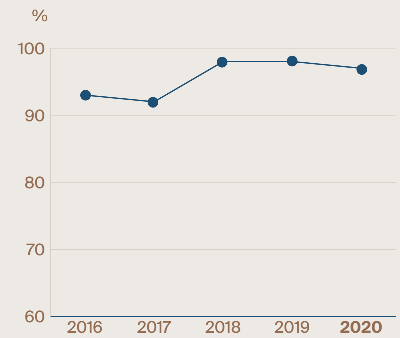
Scanfil's customer satisfaction improved further in 2020. The Net Promoter Score (NPS), which shows the probability of our customers recommending Scanfil as a manufacturing partner, increased significantly from the previous year.

### Development of customer quality / PPM

(Parts Per Million)




### Reliability of delivery




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

NPS-scale from -100 to +100.

| | Q2 2019 | Q4 2019 | Q2 2020 | Q4 2020 |
|---|---|---|---|---|
| **NPS Score** | 21 | 22 | 38 | 37 |

Scanfil received the best ratings for the quality of services (including the rate of response), continuous development and problem-solving ability. Respondents to the survey felt that positive development had taken place in proactivity, test planning, and in how Scanfil supported its customers regarding new business opportunities. Although there has been a marked improvement both in proactivity and product design, investment in these areas will continue. The survey also included a question about how well we have performed during the coronavirus pandemic. Feedback was positive; customers thanked Scanfil's way of informing them about the targeted measures and proactivity relative to future situations.

## QUALITY AND PERFORMANCE MEASURED

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 certain industries.

All Scanfil's factories observe the Lean Six Sigma process development methodology and analysis (FMEA) that identifies the risks in the supply chain and production. 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).

During 2020, the KPIs describing quality and delivery reliability remained at the same excellent level as in 2019.

## 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 heritages, as well as local methods of operations compliant with laws.

Scanfil's Code of Conduct defines the ethical principles and commitment to anti-bribery, honesty and fair methods of operation, as well as 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.

## Certificates of Scanfil's plants

| Plant | **ISO 9001:2015** Quality management system | **ISO 14001:2015** Environmental management system | **ISO 13485:2016** Medical equipment | **OHSAS 18001:2007/45001** Occupational health and safety assessment system | **IATF 16949:2016** Quality system standard for the automobile industry, conformity document |
|---|---|---|---|---|---|
| Atlanta | • | • | • | • | |
| Hamburg | • | • | | • | |
| Hangzhou | • | • | | • | |
| Malmö | • | • | • | • | |
| Myslowice | • | • | • | • | |
| Pärnu | • | • | | • | |
| Sieradz | • | • | • | • | Will be introduced in 2022 |
| Sievi | • | • | • | • | |
| Suzhou | • | • | • | • | • |
| Wutha | • | • | • | • | • |
| Åtvidaberg | • | • | • | • | |

# Social responsibility

At Scanfil, social responsibility focuses on competence development, occupational safety and health, and the development of the personnel's motivation and work satisfaction. Scanfil's aim is to be a reliable employer and an encouraging working community where every individual has the opportunity to develop their personal skills and abilities.

Scanfil has prepared HR and work environment policies, as well as 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. A thorough review of the Code of Conduct is part of the induction process. To update the Code of Conduct, development ideas were listed during 2020, and they are planned to be implemented during 2021.

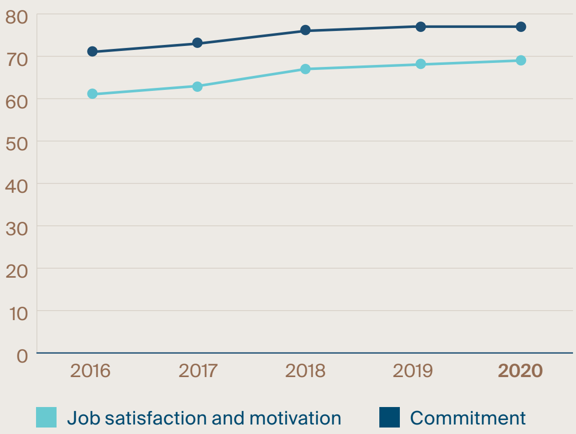
2020 was characterised by the global coronavirus pandemic, due to which extensive measures were taken to protect the safety and health of Scanfil's personnel, customers and partners. The Group adopted various measures considering country-specific restrictions and recommendations. The annual shutdown of Scanfil's factories in China was extended by more than a week in February due to official regulations, and the Myslowice factory in Poland was also stopped for two weeks due to COVID-19 infections and the quarantine of employees potentially exposed to coronavirus. In addition, 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 2020, the Group's sick leave rate was 3.6%, while the target is less than 3%. This was partly affected by the pandemic during the year. There were 54 occupational accidents, while the corresponding figure in 2019 was 41. Competence development continued at a global level and in local units under different programmes. A total of 58,575 working hours were used in the Group for training in 2020.

Scanfil continued to improve the efficiency of its factory network by divesting the Hangzhou factory in July. The factory and all of its roughly 400 employees continued in the new owner's name. Scanfil also completed the consultation process regarding the Hamburg factory and decided to close the factory in Hamburg and transfer its production to other factories in Central Europe.

The response rate to the annual personnel survey was 88% (2019: 90%). Despite the uncertainties resulting from the coronavirus pandemic and rearrangements within the company (the divestment of the Hangzhou factory and the plan to close the Hamburg factory), employees' job satisfaction, motivation and engagement were at the previous year's level. On the basis of the results, the Group decided to keep key development areas unchanged: support from the nearest supervisor, zero tolerance of discrimination, bullying and harassment, and reputation. Based on the survey, nearly 500 local development actions were registered.

## Development of job satisfaction results




### DIGITALISATION TO HELP THE PERSONNEL

The digitalisation of HR processes was a key development area in 2020. Scanfil SMART is a development programme that aims to utilise the benefits of digitalisation, technological development and automation in all of Scanfil's functions. During 2020, tools based on SMART were also introduced in HR management. Now, employees can take care of their daily HR processes such as making holiday requests and reporting absences to supervisors via an electronic system. This also facilitates supervisors' work. In addition, the system provides support in working hours monitoring. As a result of an ongoing development project, upcoming internal training material is made available to all employees online. The next goal is to deploy a tool to support competence evaluations and performance appraisals, improve communication channels and enable mobile services for employees.

In addition, Scanfil will invest in a new e-learning platform. This will further strengthen Scanfil Academy and enable individual studies flexibly, independent of time and place. The significance of this has become even more emphasised during the pandemic.

During the year, Scanfil made significant investments in the development of supervisors. The company believes that the nearest supervisors have a major impact on the personnel's efficiency and work motivation and further on the company's results.

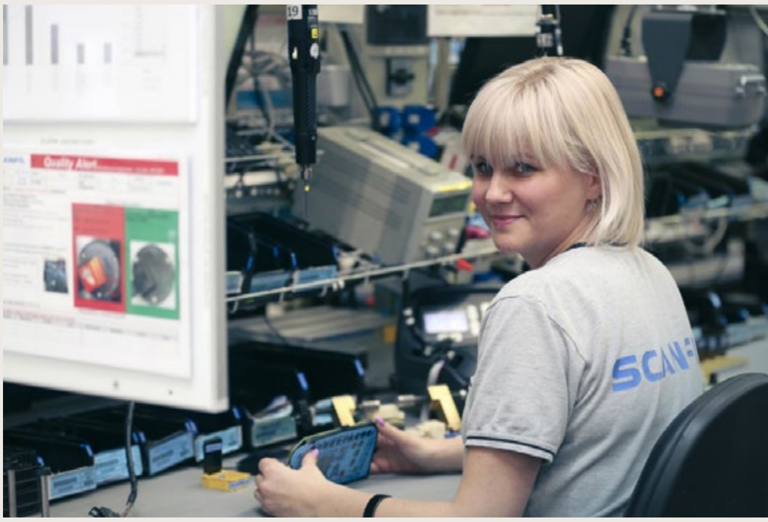
## CERTIFICATES FOR OCCUPATIONAL SAFETY

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 being 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 of each factory. 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. In assembly and office work, difficult postures and extended sedentary work present a challenge. Their negative impact is avoided by means of high ergonomics.

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

## HUMAN RIGHTS

In terms of its social responsibility, Scanfil focuses on competence development, occupational safety and health, and the development of employees' motivation and work satisfaction. The company ensures the fulfilment of its social responsibility through fair working conditions and practices in its Code of Conduct. Human rights and equal treatment are basic 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 labour, child labour 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 to which the company's personnel and partners can anonymously report any misconduct or suspected misconduct regarding human rights, corruption, bribery or the Code of Conduct.



**During the year, Scanfil made significant investments in the development of supervisors.**

The company aims to ensure compliance with the Code of Conduct in supply chain management by carrying out audits. Compliance with the law and ethical principles is also monitored in internal control and audits. During 2020, no non-conformities pursuant to corporate governance were identified in Scanfil's global whistleblowing channels. Five cases of bullying or harassment were reported in local HR organisations. These were investigated thoroughly by local management teams, and the resulting actions were reported in the global HR organisation.

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, labour standards, the environment and the eradication of corruption.

# Responsibility for partners

## BUSINESS PARTNERS AND SOCIETY

Scanfil's sales to customers totalled EUR 595 million, of which purchases from external suppliers accounted for EUR 465 million. The difference, EUR 131 million, was the added value produced by Scanfil. The added value produced decreased by EUR 3 million (2%) from the previous year.

Scanfil produces added value for employees, creditors and 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 3,387 employees and paid them EUR 73 million in salaries and wages. Salaries and wages decreased by EUR 1 million, or -1%, year-on-year. The value added and the salaries were reduced due to sale of the Hangzhou factory on July 14, 2021.

Scanfil paid a total of EUR 22 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 centres.

### Scanfil value add creation 2020, EUR million

**Sales to customer**
595
(2019: 579)

–

**Purchases from suppliers**
465
(446)

=

**Value add**
131
(133)

Scanfil is committed to paying taxes and other statutory expenses in each of its countries of operation.

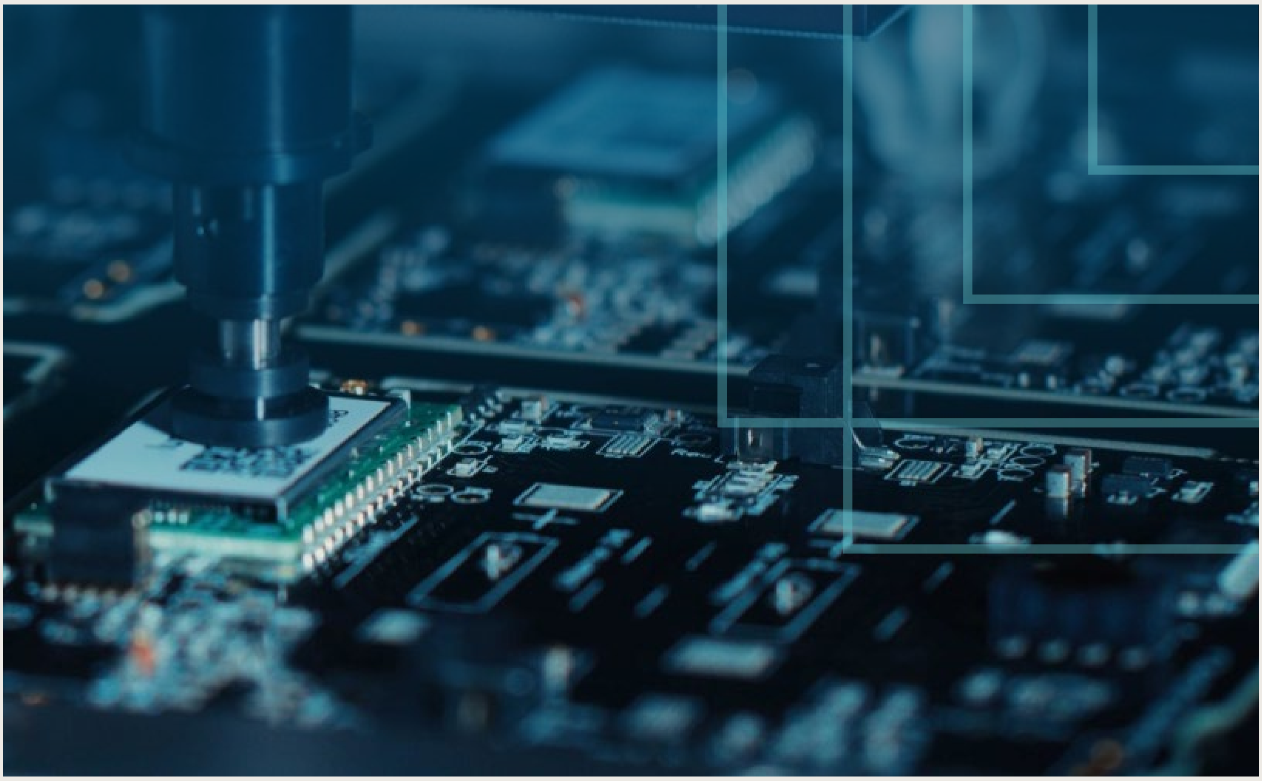
Scanfil has solvent financial partners. The company's financial position is strong. The company's credit and financial expenses totalled EUR 3 million, slightly more than in the previous year.

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 2019. The dividend per share paid by the company has increased every year for the last eight 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 21.1% in 2019, which clearly shows that the investments made in the company have repaid themselves well.

### Distribution of added value, EUR million

| | |
|---|---|
| **Salaries and wages** | 73 (2019: 74) |
| **Other staff costs and taxes** | 22 (26) |
| **Creditors** | 3 (1) |
| **Shareholders** | 11 (10) |
| **Funds reserved for investments** | 22 (22) |



## BROAD SUPPLIER NETWORK

Procurement makes up approximately two thirds of turnover, which is why efficient procurement is a significant competition 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.

## CAREFUL SELECTION OF SUPPLIERS

Scanfil requires that all its partners comply with the law and agreements and that they operate in accordance with Scanfil's 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. During 2020, Scanfil automated the supplier selection process. Scanfil only uses approved suppliers that fulfil 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 in 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.

## 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 that cover, for example, the equal treatment of people and prohibit 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 2020.

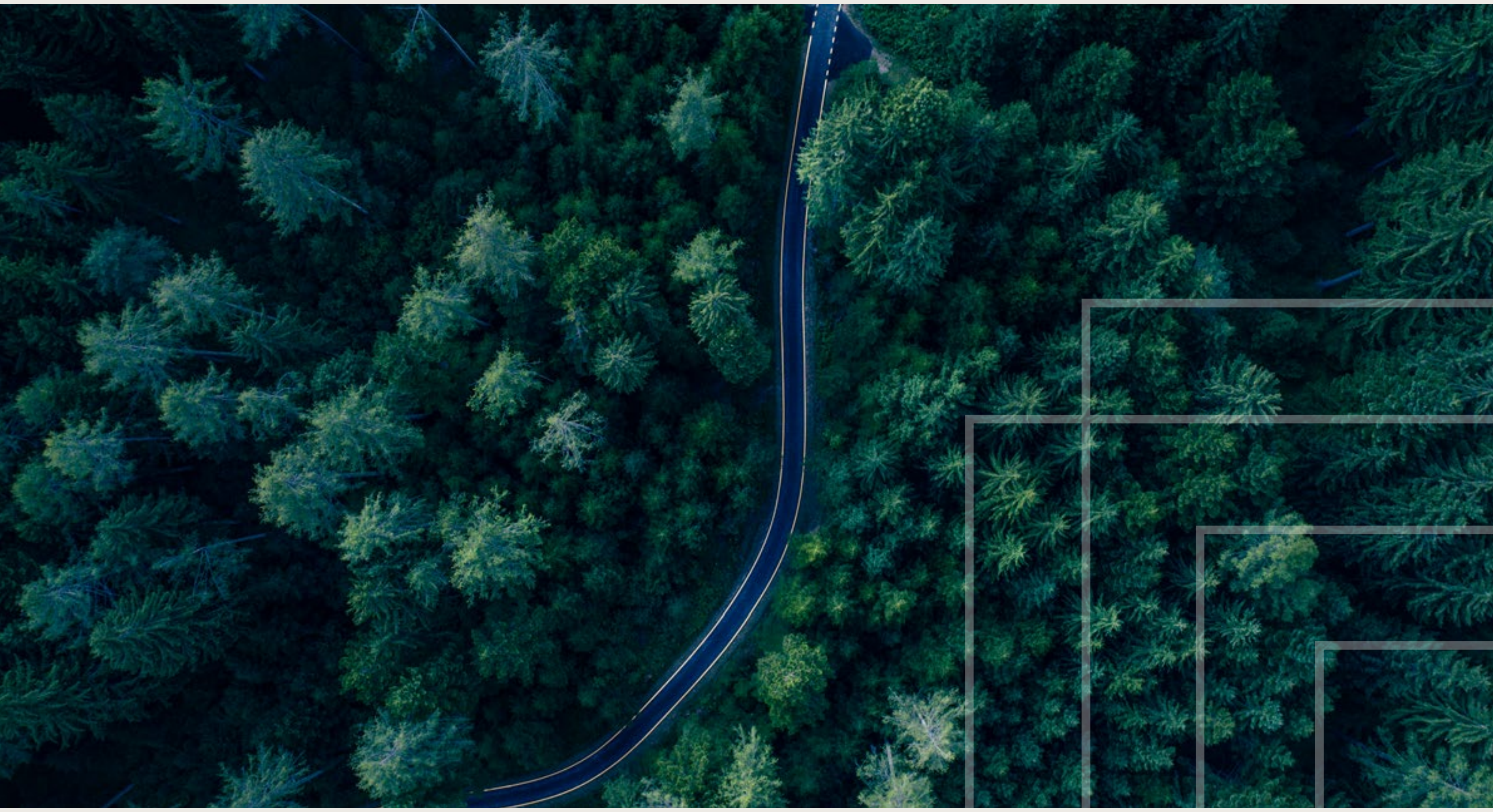
# Environmental responsibility

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 on the basis of 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. The efficiency of resource utilisation and the environmental friendliness of raw materials and products throughout their lifespans are analysed 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 the impact to 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 utilisation rate of all raw materials is optimised 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 the most important raw material used by Scanfil. Its effective use is closely monitored in the production process.

The risks associated with chemicals are analysed 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.

Scanfil consumes energy in the heating, cooling and lighting of its production facilities and in the use of production machinery. In 2020, Scanfil's total energy consumption was 28.9 million kWh, having been 28.7 million kWh in the previous year. Energy consumption increased by 0.9% year-on-year.



Most of the increase in energy consumption came from the Myslowice factory, where production increased during 2020. 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 factory and new air-conditioning system, increased Suzhou's energy consumption. More shifts were introduced as general risk control measures to prevent the spread of coronavirus, as a result of which production periods were longer.

At the Sieradz factory, energy consumption decreased by 7%. Optimised electronics production, standardised operations and harmonised machine and equipment set up had a significant impact on the decrease in energy consumption.

In 2020, all factories carried out an energy reduction programme to reduce energy consumption by 3 percent divided by add-value. Target was not met due to mitigation activities due to coronavirus. The energy consumption is followed up on the group level.

Water is used in facility maintenance, production and sanitary facilities. Total water consumption was 44,875 m³ (56,349 m³ in 2019). Water consumption decreased by 20.4%. This decrease in water consumption resulted from measures carried out at factories. The most significant results were achieved in Sieradz, where optimised machine and equipment set up led to a 15% decrease in water consumption. The divestment of the Hangzhou factory also had a significant impact on the decrease in water consumption.

There was no big difference in the amount of waste between 2019 and 2020. There were some differences between factories due to changes in production and different product ranges. Changes in the factory network and the factories' new way of calculating waste made it somewhat difficult to compare the amount of waste on an annual basis.

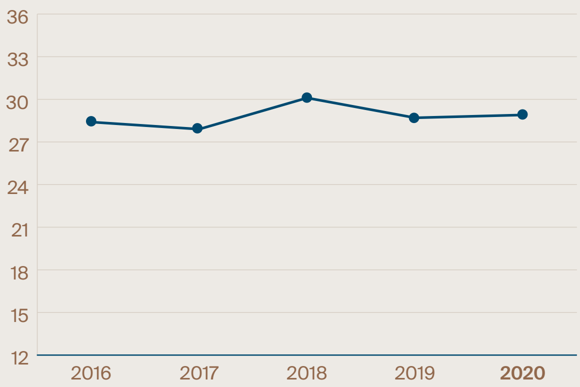
### ENVIRONMENTAL CERTIFICATE HELD BY ALL

All Scanfil's factories have a certified ISO 14001:2005 -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. The employees are provided with the necessary knowledge and training to ensure they can work in accordance with the objectives of our environmental practices.

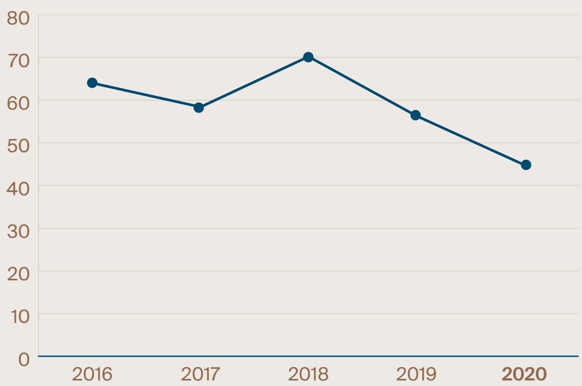
### REDUCE IN CARBON FOOTPRINT

Scanfil also seeks to reduce its carbon footprint in other activities, such as travel and mobility. As an internationally operating company, employees' business travel is necessary, while the company seeks to reduce it, for example, by utilising the possibilities of modern technology and by favouring virtual meetings. The travel practice always guides the employees to choose the most environmentally

### Energy consumption gWh/added value




### Water consumption tm³/added value




Added value = turnover - purchases

friendly alternative for travel and meetings. Emissions from daily commuting have been reduced by organising bus transportation for personnel at several Scanfil factories. The company's updated vehicle policy favours 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.

**Scanfil measurers and reports the environmental impact caused by its activities.**

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# BOARD OF DIRECTORS' REPORT 2020

Scanfil plc is an international listed (Nasdaq Helsinki, SCANFL) contract manufacturer and system supplier for the electronic industry, with more than 40 years' experience in demanding contract manufacturing. Overall management is one of the Group's strengths, and 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, 2020, the Group employed some 3,200 people. At the end of 2020, Scanfil had a total of ten 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, ICT and health technology, and companies operating in fields related to urbanisation.

## Year 2020

Despite the highly challenging operating environment due to the coronavirus pandemic, Scanfil was able to increase its turnover to EUR 595.3 (579.4) million. The increase in turnover mainly resulted from the acquisition of the operations of HASEC-Elektronik GmbH in the previous year.

The adjusted operating profit remained at the previous year's level at EUR 39.1 (39.4) million, representing 6.6% (6.8%) of turnover. The divestment of the Hangzhou subsidiary had a particular impact on the slight decrease in operating profit, as a result of which part of the Communication segment's turnover consisted of intermediate sales with low profitability. The coronavirus pandemic also reduced productivity and resulted in additional costs.

Of all customer segments, turnover increased from the previous year in the Communication, Energy & Automation and Industrial segments. The turnover of the Medtec & Life Science segment remained at the previous year's level. The turnover of the Consumer Applications segment decreased from the previous year. The negative impact of the coronavirus pandemic was particularly reflected in this segment's full-year demand, even though demand picked up significantly during the final quarter.

Scanfil streamlined its factory network and divested all shares in its Chinese subsidiary Scanfil (Hangzhou) Co., Ltd., and initiated a consultation process concerning the shutdown of the Hamburg factory of its German subsidiary Scanfil GmbH with the factory personnel.

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

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

The impact of the coronavirus pandemic is described under "Impact of the coronavirus pandemic during the review period" in this annual report.

The majority of investments completed during the year were made in production machinery and equipment. For example, a new electronics surface mounting line was acquired at the Sieradz factory, and a new environmentally friendly pre-treatment line for powder painting was acquired in Myslowice. Investments were also continued in the automation of production processes and material management at several factories. The digitalisation of production was also continued in accordance with investment plans through the deployment of IoT solutions and Manufacturing Execution System (MES) software in production.

## Turnover and result

The Group's turnover for January–December was EUR 595.3 (579.4) million, showing an increase of 2.7% from the previous year. The increase in turnover is mainly attributable to the acquisition of the operations of HASEC during the second quarter of 2019.

The Group's operating profit for January–December was EUR 44.4 (35.3) million, representing 7.5% (6.1%) of turnover. The result for the period under review was EUR 36.9 (28.1) million. Earnings per share for the period under review were EUR 0.57 (0.44). Return on investment (ROI) was 19.5% (17.0%), and return on equity (ROE) was 21.1% (18.0%). The increase in the key figures is mainly attributable to the adjustments described below.

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

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

The Group's low effective tax rate of 11.6% primarily results from the low tax on sales gains from Chinese subsidiary Scanfil (Hangzhou) Co., Ltd. and the tax relief related to investments made in Poland's special economic zone.

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

## Financing position and investments

The Group has a stable financing position. The consolidated balance sheet total was EUR 339.2 (340.0) million. The Group's cash and cash equivalents were EUR 25.8 (20.4) million. Liabilities amounted to EUR 156.3 (173.3) million, of which non-interest-bearing liabilities were EUR 112.3 (106.7) million and interest-bearing liabilities were EUR 44.0 (66.6) million. Interest-bearing liabilities consisted of EUR 24.4 (44.2) million of financial liabilities and EUR 19.6 (22.3) million of leasing liabilities. The equity ratio was 54.3% (49.1%), and net gearing was 9.9% (27.7%). Equity per share was EUR 2.82 (2.58). The improvement in the key figures is mainly attributable to the adjustment items mentioned above and a high net cash flow from operating activities.

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. The covenant terms were clearly fulfilled by the end of the review period.

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

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

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

Gross investments in January–December were EUR 9.4 (21.1) million, representing 1.6% (3.6%) of turnover. The investments were mainly acquisitions of machinery and equipment. The previous year's investments include the purchase price of shares in HASEC-Elektronik GmbH (EUR 10.3 million). Depreciation excluding impairment was EUR 15.1 (14.1) million.

## The impact of the coronavirus pandemic during the review period

The coronavirus pandemic had a slightly negative impact on the Group's turnover, and thereby on its productivity and operating profit. Unit-specific impact depended on the customer base and product mix of each unit.

The Group has received approximately EUR 2.5 million of different government subsidies, primarily for compensation for employees' working hours and pension contributions. These have partly compensated for decreases in productivity.

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

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

The impact of the aforementioned expense items, excluding the decrease in productivity due to losses of turnover, totalled EUR 2.3 million.

The Group's financing position continued to improve during 2020. Between January and December, the pandemic had no significant negative impact on the Group's cash flow or the Group's financing structure or costs. The Group's current and non-current financial liabilities are significantly lower than at the end of the previous year. Dividends and investments have been financed through net cash flow from operating activities.

Customer risks are monitored regularly. Special attention has been paid to the collection of trade receivables, and the total overdue trade receivables are at the level preceding the pandemic. At present, the pandemic has had no impact on other balance sheet values such as inventories, fixed assets or goodwill.

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

Apart from the two-week shutdown of the Myslowice factory in April and the shutdowns of factories in China in February following regulations imposed by the local authorities, Scanfil has avoided any disruptions in its production operations and any extensive infections among employees.

The guidance issued by the company is based on customer forecasts and Scanfil's normal forecast process. However, the guidance for 2021 continues to involve uncertainties over customer demand and the delivery capacity of the supply chain as a result of any negative impact of the coronavirus pandemic. During 2020, the accuracy of forecasts did not deviate from the norm.

## The Board of Directors' authorisations

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

The AGM authorised the Board of Directors to decide on the acquisition of treasury shares and share issues as proposed by the Board of Directors.

Decisions made at the AGM were published in a stock exchange release, which is available on the company's website at www.scanfil.com.

## 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. The 2013 option scheme ended during the review period after a total of 90,000 shares were subscribed to using the remaining 2013(C) option rights.

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

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

## Shares

Scanfil plc has a total of 64,829,993 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 19,096,450 shares on December 31, 2020, comprising 29.5% 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 to, corresponding to 1.2% of all shares in Scanfil plc.

The highest trading price during the financial period was EUR 6.70, and the lowest price was EUR 3.26, with trading closing at EUR 6.52 at the end of the period. A total of 6,289,025 shares was traded during the review period, corresponding to 9.7.% of the total number of shares The market value of the share capital was EUR 422.7 million on December 31, 2020.

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

## Treasury shares

On December 31, 2020, the company owned 358,738 treasury shares, representing 0.6% of all shares.

## Personnel

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

Personnel by country on December 31, 2020: China 518, Poland 1,164, Sweden 339, Germany 291, Finland 313, Hungary 2, USA 128 and Estonia 456

| PERSONNEL, AVERAGE | 2020 | 2019 | 2018 |
|---|---|---|---|
| Parent company | 13 | 13 | 13 |
| Group | 3,387 | 3,530 | 3,414 |

| PAID SALARIES, WAGES AND FEES EUR MILLION | 2020 | 2019 | 2018 |
|---|---|---|---|
| Parent company | 1.7 | 1.6 | 1.8 |
| Group | 77.3 | 74.1 | 67.4 |

## Board of Directors and CEO

At the Annual General Meeting on April 23, 2020, Harri Takanen, Jarkko Takanen, Christer Härkönen, Bengt Engström and Christina Lindstedt were re-elected to the Board of Directors, and Juha Räisänen was elected as a new member. At its organising meeting on April 23, 2020, 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, 2020.

## Near-future business risks and uncertainties

The Board of Directors of Scanfil plc is responsible for ensuring the appropriate organisation of the Group's risk management and internal control and audit. The goal of the company's risk management activities is to identify and analyse factors that have a negative impact on achieving the company's goals in the short and long term, as well as to initiate measures to minimise and postpone or eliminate these risks. Risk management is part of the normal business processes and management system controlled by the Audit Committee of the Board of Directors.

### STRATEGIC RISKS

The weakening of the global economy and the decrease in international demand for investment commodities may have a negative impact on the development of the business operations of Scanfil's customers, and weaken demand in the contract manufacturing market. In particular, changes in international trade agreements and an increase in international trade restrictions could lead to growing uncertainties about the development of the global economy.

### OPERATIONAL RISKS

The majority of the components used in the supply chain are acquired from external suppliers or subcontractors. This exposes the company to risks associated with the availability of components and subcontracted products, costs and the continuity of partnerships. Any difficulties in the procurement of these components or any quality issues related to these components could cause disruptions in business operations and increase costs.

### EXCHANGE RATE RISKS

The Group's exchange 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 the proportion between variable rate and fixed-interest loans.

### CREDIT RISKS

Credit risks are associated with accounts receivable from customers. Accounts receivable do not involve any significant credit loss risk.

### NEAR-FUTURE RISKS

The negative impact of the coronavirus pandemic will continue to cause uncertainties this year. In addition, risks will be associated with the availability of certain materials, semiconductors in particular, during the first half of the year.

Scanfil Group's financial risk management is described in Note 4.7 to the consolidated financial statements.

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 statements.

## Changes in the Group structure

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

## 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.

# REPORT ON NON-FINANCIAL INFORMATION

### DESCRIPTION OF BUSINESS OPERATIONS

Scanfil is a manufacturing partner and system supplier for the electronics industry. It manufactures products based on product details and requirements specified by its customers. The company provides extensive services for its customers, ranging from product design and development to product manufacture, material procurement and logistics solutions. Key elements of the company'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. The company's customers include international operators in sectors such as automation, energy, data transmission and health technology, and companies operating in fields related to urbanisation.

Scanfil has factories in Suzhou, China, in Sieradz and Myslowice, Poland, in Malmö and Åtvidaberg, Sweden, in Hamburg and Wutha-Farnroda, Germany, in Sievi, Finland, in Atlanta, USA, and in Pärnu, Estonia. During 2020, Scanfil divested its factory operating in Hangzhou, China, and decided to discontinue production at its Hamburg factory, which will be completed by the end of the third quarter in 2021. On December 31, 2020, the division of employees by country was as follows: China 518, Poland 1,164, Sweden 339, Germany 291, Finland 313, Hungary 2, USA 128 and Estonia 456. At the end of 2020, Scanfil employed a total of 3,211 professionals.

### PRINCIPLES OF CORPORATE RESPONSIBILITY

Ensuring and developing the responsibility of operations is vitally important for Scanfil's success. The monitoring and continuous development of corporate responsibility serves the needs of all of Scanfil's stakeholders. Scanfil has defined key factors for its corporate responsibility and divided them into responsible offering, responsibility for partners and the community, social responsibility and responsibility for the environment.

In responsible offering, attention is paid to the development of customer satisfaction, compliance with the law and ethical principles throughout the supply chain, the prevention of corruption and bribery, product quality, delivery reliability, and continuous development. In responsibility for partners and the community, the focus is on profitability, ethical values and the transparency of operations.

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, and the reduction of the carbon footprint. Social responsibility focuses on competence development, occupational safety and health, and the development of the motivation and work satisfaction of the personnel.

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. In addition, the policies and ethical operating principles approved by the Board of Directors or the Management Team guide operations.

Scanfil also requires that all its partners comply with the law and agreements, and that they operate in accordance with Scanfil's Code of Conduct. The Supplier Code of Conduct constitutes part of purchase agreements signed with major suppliers. When operating in Asian markets, the Code of Conduct must be signed by all suppliers.

The development of Scanfil's operations and Scanfil's achievements in the area of corporate responsibility are discussed in more detail in the first sections of the annual report.

### THE ENVIRONMENT

Scanfil promotes sustainable development by identifying, measuring and reporting the environmental impact caused by its activities and by attempting to minimise such impact. The aim is to consider 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 utilisation rate of all raw materials is optimised 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 the most important raw material used by Scanfil. Its effective use is closely monitored in the production process.

The risks associated with chemicals are analysed 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.

Scanfil consumes energy in the heating, cooling and lighting of its production facilities, and in the use of production machinery. In 2020, Scanfil's total energy consumption was 28.9 million kWh, having been 28.7 million kWh in the previous year. Energy consumption increased by 0.9% year-on-year.

Most of the increase in energy consumption came from the Myslowice factory, where production increased during 2020. 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 utilisation rate also increased in the Suzhou factory area, resulting in higher energy consumption. A new air conditioning system was deployed to purify the air and prevent the spread of coronavirus. More shifts were introduced as general risk control measures to prevent the spread of coronavirus, as a result of which production periods were longer.

At the Sieradz factory, energy consumption decreased by 7%. Optimised electronics production, standardised operations and harmonised machining had a significant impact on the decrease in energy consumption.

During 2020, an energy savings programme was implemented at all factories to achieve savings of 3% relative to added value. The Group will monitor the achievement of this goal on the basis of reported results and best practices.

Water is used in facility maintenance, production and sanitary facilities. Total water consumption was 44,875 m$^3$ (56,349 m$^3$ in 2019). Water consumption decreased by 20.4%. This decrease in water consumption resulted from measures carried out at factories. The most significant results were achieved in Sieradz, where optimised machining led to a 15% decrease in water consumption. The divestment of the Hangzhou factory also had a significant impact on the decrease in water consumption.

There were no major differences in waste volumes between 2019 and 2020. However, there were slight differences between factories due to production changes and different product ranges. Changes in the factory network and the new waste calculation method at factories made it slightly more difficult to compare waste volumes at an annual level.

Scanfil also seeks to reduce its carbon footprint in other activities, such as travel and mobility. As an internationally operating company, employees' business travel is necessary, while the company seeks to reduce it, for example, by utilising the possibilities of modern technology and by favouring 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 organising bus transportation for personnel at several Scanfil factories. The company's updated vehicle policy favours low-emission cars, such as hybrid models.

Due to travel restrictions imposed due to 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.

### SOCIAL AND EMPLOYEE-RELATED MATTERS

At Scanfil, social responsibility focuses on competence development, occupational safety and health, and the development of the personnel's motivation and work satisfaction. Scanfil's aim is to be a reliable employer and an encouraging working community where every individual has the opportunity to develop their personal skills and abilities. The personnel and associated key figures, as well as the salaries and wages paid to the personnel of the parent company and the Group, are described in the "Personnel" section of the Board of Directors' Report.

Scanfil has prepared HR and work environment policies, as well as 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. A thorough review of the Code of Conduct is part of the induction process. To update the Code of Conduct, development ideas were listed during 2020, and they are planned to be implemented during 2021.

The year 2020 was characterised 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. The annual shutdown of Scanfil's factories in China was extended by more than a week in February due to official regulations, and the Myslowice factory in Poland was also stopped for two weeks due to COVID-19 infections and the quarantine of employees potentially exposed to coronavirus. In addition, 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 2020, the Group's sick leave rate was 3.6%, while the target is less than 3%. This was partly affected by the pandemic during the year. There were 54 occupational accidents, while the corresponding figure in 2019 was 41. Competence development continued at a global level and in local units under different programmes. A total of 58,575 working hours were used in the Group for training in 2020.

Scanfil continued to improve the efficiency of its factory network by divesting the Hangzhou factory in July. The factory and all of its roughly 400 employees continued in the new owner's name. Correspondingly, Scanfil decided to close its Hamburg factory in 2021 and to transfer its production to other factories in Central Europe. The resulting negotiations have been started with the personnel.

The response rate to the annual personnel survey was 88% (2019: 90%). Despite the uncertainties resulting from the coronavirus pandemic and rearrangements within the company (the divestment of the Hangzhou factory and the plan to close the Hamburg factory), employees' job satisfaction, motivation and engagement were at the previous year's level. On the basis of the results, the Group decided to keep key development areas unchanged: support from the nearest supervisor, zero tolerance of discrimination, bullying and harassment, and reputation. Based on the survey, nearly 500 local development actions were registered.

The digitalisation of HR processes was a key development area in 2020. Scanfil SMART is a development programme that aims to utilise the benefits of digitalisation, technological development and automation in all of Scanfil's functions. During 2020, tools based on SMART were also introduced in HR management. Now, employees can take care of their daily HR processes such as making holiday requests and reporting absences to supervisors via an electronic system. This also facilitates supervisors' work. In addition, the system provides support in working hours monitoring. As a result of an ongoing development project, upcoming internal training material is made available to all employees online. The next goal is to deploy a tool to support competence evaluations and performance appraisals, improve communication channels and enable mobile services for employees.

In addition, Scanfil will invest in a new e-learning platform. This will further strengthen Scanfil Academy and enable individual studies flexibly, independent of time and place. The significance of this has become even more emphasised during the pandemic.

During the year, Scanfil made significant investments in the development of supervisors. The company believes that immediate managers have a major impact on the personnel's efficiency and work motivation, and further on the company's results.

Scanfil uses the ISO 45001 occupational safety and health standards at all its factories. The development of safety is also monitored by the Safety Council, which meets four times a year and consists of the HR managers of each factory. Scanfil also 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 the work to ensure 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. In assembly and office work, difficult postures and extended sedentary work present a challenge. Their negative impact is avoided by means of high ergonomics.

### HUMAN RIGHTS

In terms of its social responsibility, Scanfil focuses on competence development, occupational safety and health, and the development of employees' motivation and work satisfaction. The company ensures the fulfilment of its social responsibility through its ethical principles, fair working conditions and practices. Human rights and equal treatment are basic 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 labour, child labour and human trafficking.

The ethical principles also contain instructions for reporting possible or suspected unethical or illegal actions. Scanfil's personnel survey also includes questions about any unwelcome behavior. Scanfil has a whistleblowing channel to which the company's personnel and partners can anonymously report any misconduct or suspected misconduct regarding human rights, corruption, bribery or the Code of Conduct.

The company aims to ensure compliance with the Code of Conduct in supply chain management by carrying out audits. Compliance with the law and ethical principles is also monitored in internal control and audits. During 2020, no non-conformities pursuant to corporate governance were identified in Scanfil's global whistleblowing channels.

### 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 that cover, for example, the equal treatment of people, and prohibit 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 2020.

Scanfil selects its suppliers carefully and aims to engage in long-term cooperation with its key suppliers. Scanfil only uses approved suppliers that fulfil Scanfil's strict criteria in terms of quality, delivery reliability and cost-efficiency. In addition to these factors, Scanfil ensures that its suppliers fulfil their financial and administrative obligations. Scanfil audits its suppliers systematically and monitors their compliance with the terms and conditions of agreements and the Code of Conduct. It aims to prevent any misuse through the verification of orders, training and work rotation.

#### RISKS

Scanfil has determined the most significant risks in its operations, and they are described in more detail in the Board of Directors' report under "Near-future business risks and uncertainties". Risks associated with corporate responsibility have not been separately specified. Scanfil observes and monitors all potential risks. The most significant risks are associated with the order-supply chain and the suppliers' ability to be responsible for the actions of their own suppliers, for example, with respect to honoring human rights, fair pay and provision of appropriate working conditions, as well as to anti-corruption and anti-bribery activities. The most significant risks in Scanfil's own operations are associated with occupational safety in the handling of hazardous materials and in the use of tools, for example. Furthermore, unethical conduct by Scanfil's employees, such as corruption or bribery, may harm Scanfil's reputation, in addition to which it may also have financial implications.

## THE BOARD OF DIRECTORS' PROPOSALS FOR THE ANNUAL GENERAL MEETING

Scanfil plc's Annual General Meeting will be held on Thursday 22 April 2021 at the Borenius Attorneys Ltd. premises Eteläesplanadi 2, 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 the meeting in person at the venue.

### Dividend for 2020

The parent company's distributable assets total EUR 73,734,335.62, including undistributed profits of EUR 41,558,335.08. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.17 (0.15) per share, totalling EUR 10,960,113.35, be paid for the financial year ending on December 31, 2020. The dividend will be paid to shareholders who are recorded in the company's list of shareholders maintained by Euroclear Finland Oy on the record date of the dividend payment. The dividend will be paid on May 3, 2021.

After the financial period, there have not been any significant changes in the company's financial position. According to the Board of Directors, the proposed distribution of profit does not endanger the company's capital adequacy.

The proposal of Scanfil plc's Nomination Committee to the Annual General Meeting for the composition of Scanfil plc's Board of Directors has been published on March 25, 2021 in conjunction with the invitation to the AGM.

### Future outlook

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

The guidance for 2021 still involves uncertainty arising from the potential negative impact of the coronavirus pandemic on customer demand and the delivery ability of the procurement chain.

### Long-term targets

Scanfil aims to organically reach a turnover of EUR 700 million and an operating profit rate of 7% by 2023. In addition, Scanfil is also actively investigating possibilities for business acquisitions, especially in the Nordic countries and Central Europe.

### 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.

# SHARES AND SHAREHOLDERS

## Shares and share capital

Scanfil plc has a total of 64,829,993 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.

The Annual General Meeting of Scanfil plc held on April 23, 2020 authorised the Board of Directors to decide on the acquisition of at most 5,000,000 treasury shares. The authorisation will remain in force for 18 months after its issuance.

On April 23, 2020, 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, 2021.

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 358,738 of its own shares on December 31, 2020.

## 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.

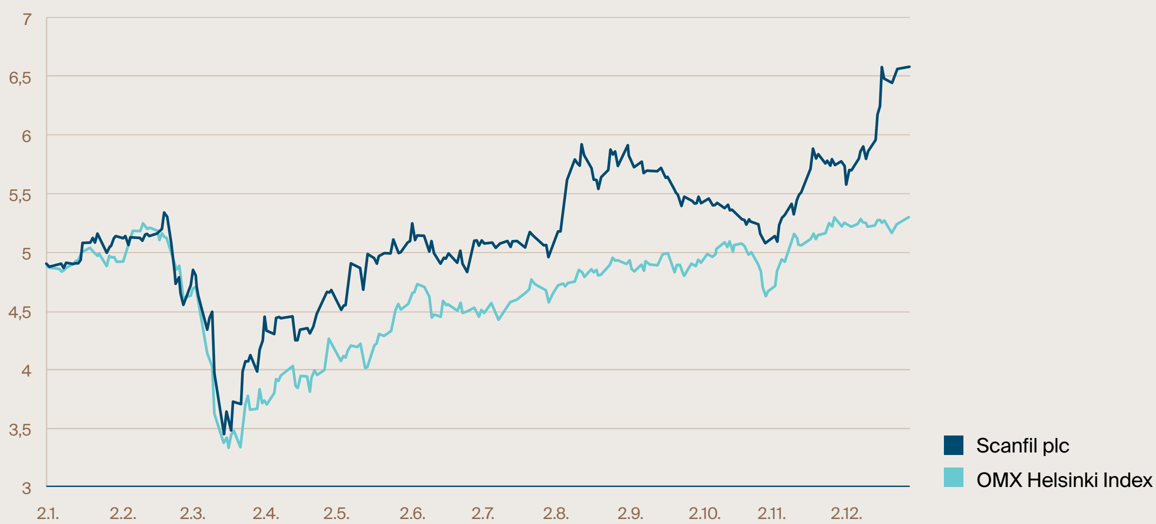
## Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.17 per share, totalling EUR 10,960,113.35, be paid for the financial year ending on December 31, 2020.

## Share price development, trading and market value

During 2020, the number of Scanfil plc shares traded on Nasdaq Helsinki Ltd was 6,289,025, comprising 9.4% of all outstanding shares. The value of shares traded was EUR 31.9 million and the average price was EUR 5.07. The market value of the share capital was EUR 422.7 million on December 31, 2020. The highest trading price was EUR 6.70 and the lowest EUR 3.26. The closing price was EUR 6.52.

### SHARE PRICE DEVELOPMENT IN 2020 COMPARED TO THE GENERAL INDEX



### Information on shareholders

On December 31, 2020, Scanfil plc had a total of 6,535 shareholders, 81.1% of whom owned a maximum of 1,000 shares in the company. The ten major shareholders owned 72.5% of the shares. Nominee-registered shares accounted for 2.7% 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 19,096,450 shares on December 31, 2020, comprising 29.5% of the company's shares and votes.

## BREAKDOWN OF SHARE OWNERSHIP

#### BREAKDOWN OF SHARE OWNERSHIP BY NUMBER OF SHARES HELD ON DECEMBER 31, 2020

| Number of shares | Number of shares pcs | Percentage of owners % | Total number of shares and votes pcs | Percentage of shares and votes % |
|---|---|---|---|---|
| 1–100 | 1,559 | 23.86 | 83,033 | 0.13 |
| 101–1,000 | 3,740 | 57.23 | 1,519,686 | 2.34 |
| 1,001–10,000 | 1,074 | 16.43 | 3,008,408 | 4.64 |
| 10,001–100,000 | 129 | 1.97 | 4,030,447 | 6.22 |
| 100,001–9,999.999 | 33 | 0.50 | 56,188,419 | 86.67 |
| **Total** | **6,535** | **100.00** | **64,829,993** | **100.00** |

#### BREAKDOWN OF SHARE OWNERSHIP BY OWNER CATEGORY ON DECEMBER 31, 2020

| | Number of shareholders | Share % | Number of shares | Share % |
|---|---|---|---|---|
| Corporations | 253 | 3.87 | 9,367,723 | 14.45 |
| Financial and insurance institutions | 26 | 0.40 | 5,284,018 | 8.15 |
| Public entities | 5 | 0.08 | 1,810,383 | 2.79 |
| Non-profit-making organisations | 22 | 0.34 | 2,117,768 | 3.27 |
| Households | 6,207 | 94.98 | 46,143,911 | 71.18 |
| Non-Finnish owners | 22 | 0.34 | 106,190 | 0.16 |
| **Total** | **6,535** | **100.00** | **64,829,993** | **100.00** |
| | | | | |
| Of which nominee-registered | 11 | | 1,777,665 | 2.74 |

### Information on shareholders

| MAJOR SHAREHOLDERS ON DECEMBER 31, 2020 | pcs | Share % of shares and votes |
|---|---|---|
| 1. Takanen Harri | 9,913,146 | 15.29 |
| 2. Takanen Jarkko | 8,596,169 | 13.26 |
| 3. Varikot Oy | 7,606,442 | 11.73 |
| 4. Takanen Jorma Jussi | 6,129,305 | 9.45 |
| 5. Tolonen Jonna | 3,351,950 | 5.17 |
| 6. Pöllä Reijo | 3,328,745 | 5.13 |
| 7. Laakkonen Mikko | 2,531,187 | 3.90 |
| 8. Takanen Martti | 1,947,018 | 3.00 |
| 9. Foundation of Riitta ja Jorma J. Takanen | 1,900,000 | 2.93 |
| 10. UCITS Fund Aktia Capital | 1,688,000 | 2.60 |

# KEY RATIOS

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Financial key ratios** | | | | | |
| Turnover, EUR m | 595,3 | 579,4 | 563,0 | 529,9 | 508,0 |
| Turnover, growth from previous year, % | 2.7 | 2.9 | 6.3 | 4.3 | 34.6 |
| Operating profit, EUR m | 44,4 | 35,3 | 37,8 | 31,3 | 7,2 |
| Operating profit, % of turnover | 7.5 | 6.1 | 6.7 | 5.9 | 1.4 |
| Profit/loss for the period, EUR m | 36,9 | 28,1 | 28,9 | 25,8 | 0,1 |
| Profit/loss for the period, % of turnover | 6.2 | 4.8 | 5.1 | 4.9 | 0.0 |
| | | | | | |
| **Return on equity, %** | 21.1 | 18.0 | 21.5 | 22.2 | 0.1 |
| Return on investment, % | 19.5 | 17.0 | 20.2 | 19.4 | 4.6 |
| Interest-bearing liabilities, EUR m | 44,0 | 66,6 | 47,3 | 61,3 | 60,1 |
| Gearing, % | 9.9 | 27.7 | 19.5 | 32.6 | 36.9 |
| Equity ratio, % | 54.3 | 49.1 | 47.7 | 40.7 | 40.7 |
| Gross investments in fixed assets, EUR m | 9,4 | 21,1 | 10,1 | 18,6 | 5,5 |
| Gross investments in fixed assets, % of turnover | 1.6 | 3.6 | 1.8 | 3.5 | 1.1 |
| Average number of employees for the period | 3,387 | 3,530 | 3,414 | 3,254 | 3,483 |
| | | | | | |
| **Key indicators per share** | | | | | |
| Earnings per share, EUR | 0.57 | 0.44 | 0.45 | 0.40 | 0.00 |
| Shareholders' equity per share, EUR | 2.82 | 2.58 | 2.26 | 1.95 | 1.70 |
| Dividend per share, EUR | 0.17 | 0.15 | 0.13 | 0.11 | 0.09 |
| Dividend per earnings, % | 29.8 | 34.3 | 28.7 | 27.2 | 6,118.9 |
| Effective dividend yield, % | 2.61 | 3.07 | 3.47 | 2.59 | 2.58 |
| Price-to-earnings ratio (P/E) | 11.4 | 11.2 | 8.3 | 10.5 | 2,372.8 |
| | | | | | |
| **Share trading** | | | | | |
| No. of shares traded, thousands | 6,290 | 3,526 | 3,341 | 3,296 | 9,424 |
| Percentage of total shares, % | 9.7 | 5.4 | 5.2 | 5.2 | 14.8 |
| | | | | | |
| **Share performance** | | | | | |
| Lowest price for year, EUR | 3.26 | 3.73 | 3.45 | 3.42 | 2.86 |
| Highest price for year, EUR | 6.70 | 4.96 | 5.16 | 4.53 | 3.80 |
| Average price for year, EUR | 5.07 | 4.16 | 4.44 | 3.92 | 3.41 |
| Price at the end of year, EUR | 6.52 | 4.89 | 3.75 | 4.25 | 3.49 |
| Market value of share capital at 31 Dec. 2020, EUR m | 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 | 64,830 | 64,700 | 64,035 | 63,895 | 63,670 |
| On average during the period, thousands | 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 | Definition |
|---|---|
| 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 |
| 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 capitalisation | Number of shares x last trading price of the financial period |
| Adjusted item | A non-recurring significant item that deviates from normal business operations, which affects the comparability between different periods |

# CONSOLIDATED FINANCIAL STATEMENT, IFRS

## CONSOLIDATED INCOME STATEMENT

| EUR THOUSAND | Note | 1.1.-31.12.2020 | 1.1.-31.12.2019 |
|---|---|---|---|
| **Turnover** | 1.1 | **595,347** | **579,416** |
| Other operating income | 1.2 | 12,384 | 995 |
| Changes in inventories of finished goods and work in progress | | 2,431 | 810 |
| Manufacturing for own use | | 25 | 34 |
| Use of materials and supplies | 1.3 | -410,335 | -389,776 |
| Employee benefit expenses | 1.4 | -95,496 | -94,021 |
| Depreciation and amortisation | 3.5 | -16,088 | -17,734 |
| Other operating expenses | 1.5 | -43,896 | -44,378 |
| **Operating profit** | | **44,372** | **35,346** |
| Financial income | 4.2 | 3,940 | 5,418 |
| Financial expense | 4.2 | -6,520 | -6,724 |
| **Profit before tax** | | **41,793** | **34,039** |
| Income tax | 1.6 | -4,895 | -5,950 |
| **Net profit for the period** | | **36,898** | **28,090** |
| Attributable to: | | | |
| The parent company owners | | 36,898 | 28,090 |
| Earnings per share calculated on the profit attributable to shareholders of the parent company: | | | |
| undiluted earnings per share | 1.7 | 0.57 | 0.44 |
| diluted earnings per share | 1.7 | 0.57 | 0.43 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | | |
|---|---|---|---|
| **Net profit for the period** | | **36,898** | **28,090** |
| **Other comprehensive income** | | | |
| Items that may later be recognised in profit or loss | | | |
| Translation differences | 4.8 | -2,789 | 344 |
| Cash flow hedges | 4.8 | -727 | 394 |
| Other comprehensive income, net of tax | | -3,516 | 738 |
| **Total comprehensive income** | | **33,382** | **28,827** |
| Total comprehensive income attributable to: | | | |
| The parent company owners | | 33,382 | 28,827 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| EUR THOUSAND | Note | 1.12.2020 | 31.12.2019 |
|---|---|---|---|
| **ASSETS** | | | |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3.3 | 46,356 | 50,677 |
| Right-of-use-assets | 3.4 | 18,125 | 20,959 |
| Goodwill | 3.1 | 8,304 | 8,046 |
| Other intangible assets | 3.2 | 14,260 | 16,792 |
| Other investments | 4.6 | 535 | 534 |
| Deferred tax assets | 1.6 | 6,884 | 5,714 |
| | | 94,464 | 102,722 |
| **Current assets** | | | |
| Inventories | 2.2 | 103,254 | 101,897 |
| Trade and other receivables | 2.3 | 113,305 | 112,056 |
| Advance payments | | 562 | 532 |
| Current tax | | 1,761 | 2,441 |
| Cash and cash equivalents | 4.1 | 25,845 | 20,353 |
| | | 244,727 | 237,279 |
| | | | |
| **Total assets** | | **339,191** | **340,000** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| | | | |
| **Shareholder's equity and liabilities** | 4.8 | | |
| Share capital | | 2,000 | 2,000 |
| Reserve for invested unrestricted equity fund | | 31,832 | 30,974 |
| Fair Value Reserve | | -558 | 168 |
| Other reserves | | 2,650 | 6,910 |
| Translation differences | | -6,063 | 4,600 |
| Retained earnings | | 153,015 | 122,035 |
| | | 182,876 | 166,688 |
| | | | |
| **Total equity** | | **182,876** | **166,688** |
| | | | |
| **Non-current liabilities** | | | |
| Provisions | 5.1 | 553 | 427 |
| Interest bearing liabilities | 4.3 | 18,242 | 24,704 |
| Lease liabilities | 4.3 | 15,905 | 18,803 |
| Deferred tax liabilities | 1.6 | 5,711 | 6,958 |
| | | 40,411 | 50,892 |
| | | | |
| **Current liabilities** | | | |
| Trade and other liabilities | 2.4 | 100,104 | 96,127 |
| Current tax | | 1,770 | 3,031 |
| Provisions | 5.1 | 4,183 | 179 |
| Interest bearing liabilities | 4.3 | 6,188 | 19,548 |
| Lease liabilities | 4.3 | 3,659 | 3,534 |
| | | 115,904 | 122,420 |
| | | | |
| **Total liabilities** | | **156,315** | **173,313** |
| | | | |
| **Total shareholder's equity and liabilities** | | **339,191** | **340,000** |

## CONSOLIDATED STATEMENT OF CASH FLOW

| EUR THOUSAND | Note | 1.1.–31.12.2020 | 1.1.–31.12.2019 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Net profit | | 36,898 | 28,090 |
| Adjustments for the net profit | | | |
| Transactions without payment: | | | |
| Change in provisions | | 4,164 | 190 |
| Transactions from the sale of a subsidiary | | -11,387 | |
| Capital gain / loss for fixed assets | | -18 | -137 |
| Exchange rate differences | | -1,380 | 467 |
| Other adjustments | | 202 | 123 |
| Depreciation and amortisation | | 16,088 | 17,734 |
| Financial income | | -3,940 | -5,418 |
| Financial expenses | | 6,520 | 6,724 |
| Taxes | | 4,907 | 5,907 |
| Change in net working capital: | | | |
| Change in accounts receivable and other receivables | | -17,471 | -3,942 |
| Change in inventories | | -6,606 | 5,498 |
| Change in accounts payable and other liabilities | | 16,050 | -9,157 |
| Change in net working capital total | | -8,026 | -7,601 |
| Paid interests and other financial expenses | | -1,708 | -2,327 |
| Interest received | | 158 | 266 |
| Taxes paid | | -7,283 | -8,168 |
| **Net cash from operating activities** | | **35,194** | **35,851** |
| | | | |
| **Cash flow from investing activities** | | | |
| Acquisition of subsidiary less cash and cash equivalents at the time of acquisition | 3.6 | | -7,456 |
| Sale of subsidiary less cash at the time of sale | | 13,059 | |
| Investments in tangible and intangible assets | 3.2, 3.3 | -9,355 | -10,648 |
| Sale of tangible and intangible assets | | 301 | 472 |
| Received dividends | | 100 | |
| **Net cash from investing activities** | | **4,105** | **-17,631** |
| | | | |
| **Cash flow from financing activities** | | | |
| Share subscriptions based on stock options | 1.4 | 858 | 363 |
| Purchase of own shares | | -755 | -1,239 |
| Proceeds from short-term loans | | 1,246 | 5,250 |
| Repayment of short-term loans | | -15,070 | -16,094 |
| Proceeds from long-term loans | | | 30,000 |
| Repayment of long-term loans | | -6,000 | -23,750 |
| Repayment of lease liabilities | | -3,990 | -3,347 |
| Paid dividends | | -9,637 | -8,325 |
| **Net cash from financing activities** | | **-33,347** | **-17,142** |
| | | | |
| **Net increase/decrease in cash and cash equivalents** | | **5,952** | **1,079** |
| Cash and cash equivalents at beginning of period | | 20,353 | 19,153 |
| Changes in exchange rates | | -460 | 122 |
| **Cash and cash equivalents at end of period** | | **25,845** | **20,353** |

## 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 1.1.2020** | **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 issue | | 439 | | | | | 439 |
| Share options exercised | | 419 | | | | | 419 |
| **Equity 31.12.2020** | **2,000** | **31,832** | **-558** | **2,650** | **-6,063** | **153,015** | **182,876** |

In the line sale of subsidiary, changes in other reserves and retained earnings result from previous transfers of profits from the subsidiary to other reserves.

**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 1.1.2019** | 2,000 | 28,443 | -225 | 6,706 | 4,257 | 103,564 | 144,744 |
| | | | | | | | |
| **Comprehensive income** | | | | | | | |
| Net profit for the period | | | | | | 28,090 | 28,090 |
| Other comprehensive income (net of tax) | | | | | | | |
| Translation differences | | | | | 344 | | 344 |
| Cash flow hedges | | | 394 | | | | 394 |
| **Total comprehensive income** | | | **394** | | **344** | **28,090** | **28,827** |
| **Sale of subsidiary** | | | | | | | |
| **Transactions with owners** | | | | 204 | | -204 | 0 |
| Purchase of own shares | | | | | | -1,239 | -1,239 |
| Option Scheme | | | | | | 149 | 149 |
| Paid dividends | | | | | | -8,325 | -8,325 |
| Share issue | | 2,167 | | | | | 2,167 |
| Share options exercised | | 363 | | | | | 363 |
| **Equity 31.12.2019** | **2,000** | **30,974** | **168** | **6,910** | **4,600** | **122,035** | **166,688** |

# ACCOUNTING PRINCIPLES FOR CONSOLIDATED FINANCIAL STATEMENTS

## Basic details of the group

Scanfil plc is a Finland-based public limited company domiciled in Sievi. The parent 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 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. Typical Scanfil products include mobile and communications network devices, automation system modules, frequency converters, elevator control systems, analysers, various slot and vending machines, and devices related to medical technology and meteorology. Scanfil's network of factories consists of 10 production units in Europe, Asia and North America. The total number of employees is approximately 3,200.

## 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, 2020, 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, 2020. In its meeting held on February 17, 2021, 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 PRINCIPLES FOR CONSOLIDATED FINANCIAL STATEMENTS

| Accounting principle | Note | IFRS standard |
|---|---|---|
| Net sales 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 |
| Acquired business | 3.7 | IFRS 3 |
| 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 2019 and 2020. 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 2019 and 2020.

### 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 2020:

* = not yet endorsed for use by the European Union as of December 31, 2020.

- **Amendments to References to Conceptual Framework in IFRS Standards** (effective for financial years beginning on or after 1 January 2020)
  The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.

- **Definition of a Business – Amendments to *IFRS 3 Business Combinations*** (effective for financial years beginning on or after 1 January 2020)
  The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business.

- **Definition of Material – *Amendments to IAS 1 Presentation of Financial Instruments* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*** (effective for financial years beginning on or after 1 January 2020)
  The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved.

- **Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*** (effective for financial years beginning on or after 1 January 2020)
  Amendments have been issued to address uncertainties related to the reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

- **COVID-19-Related Rent Concessions – Amendment to IFRS 16 *Leases*** (effective for financial years beginning on or after 1 June 2020)
  The amendment allows 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.

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.

- **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**** (to be applied from 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.

- **Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 *Property, Plant and Equipment**** (to be applied from 1 January 2022)
  Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items.

- **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets**** (to be applied from 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***
(to be applied from 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 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter later than its parent – a subsidiary may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent.
- 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.

**Classification of Liabilities as Current or Non-current – Amendments to IAS 1 *Presentation of Financial Statements**** (to be applied from 1 January 2023)
The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

# 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 products manufactured by Scanfil include video surveillance systems and equipment, communications network device, audio communications products, health technology devices and systems, electricity and automation system modules, renewable energy production converters and inverters, frequency converters, lift control systems, analysers, various slot and vending machines, defense industry devices and meteorological instruments.

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**

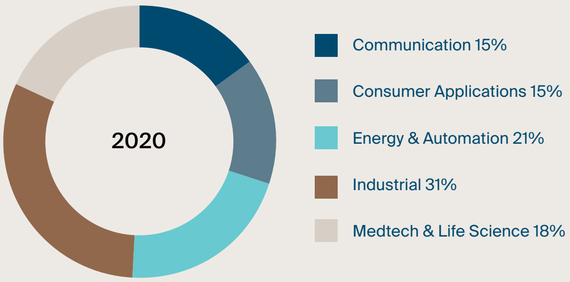
Scanfil has divided its customers into segments on the basis of their respective fields of activity and monitors the development of sales by customer segment.

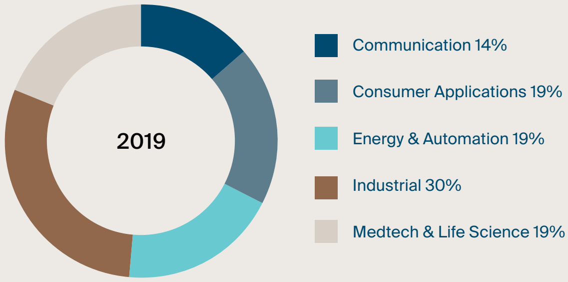
The customers are divided into the following segments:

- Communication
- Consumer Applications
- Energy & Automation
- Industrial
- Medtech & 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, analysers, mass spectrometers and cloud height indicators.

## BREAKDOWN OF TURNOVER BY CUSTOMER SEGMENT IN 2020 AND 2019




**Turnover by customer segment and quarter**

| EUR MILLION | 2019 | Q1/2020 | Q2 /2020 | Q3/2020 | Q4/2020 | 2020 | % of turnover 2020 |
|---|---|---|---|---|---|---|---|
| Communication | **79.4** | 22.4 | 28.9 | 20.7 | 19.5 | **91.4** | 15.3% |
| Consumer Applications | **107.3** | 18.7 | 20.3 | 21.3 | 27.5 | **87.8** | 14.7% |
| Energy & Automation | **111.3** | 30.7 | 32.6 | 28.9 | 34.6 | **126.7** | 21.3% |
| Industrial | **173.3** | 45.6 | 48.5 | 44.7 | 43.2 | **182.0** | 30.6% |
| Medical & Life Science | **108.1** | 26.7 | 25.3 | 26.1 | 29.3 | **107.4** | 18.0% |
| **Total** | **579.4** | 144.1 | 155.6 | 141.6 | 154.1 | **595.3** | **100.0%** |

In 2020, the group's turnover increased by EUR 15.9 million, 2.7% compared to the previous year. The turnover increased mainly due to the acquisition of the operations of HASEC Elektronik GmbH during the second quarter of 2019.

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

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

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

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

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

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

### The impact of COVID-19 pandemic during the review period

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

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

### 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.

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| EUR MILLION | Good | Services | Total | Good | Services | Total |
| **Customer Segments** | | | | | | |
| Communication | 80.1 | 11.3 | 91.4 | 66.9 | 12.5 | 79.4 |
| Consumer Applications | 84.0 | 3.8 | 87.8 | 103.2 | 4.1 | 107.3 |
| Energy & Automation | 119.2 | 7.6 | 126.7 | 105.7 | 5.7 | 111.3 |
| Industrial | 174.7 | 7.4 | 182.0 | 161.9 | 11.3 | 173.3 |
| Medtec & Life Science | 101.1 | 6.3 | 107.4 | 100.9 | 7.2 | 108.1 |
| **Total** | **559.0** | **36.3** | **595.3** | **538.6** | **40.8** | **579.4** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Timing of revenue recognition** | | | | | | |
| Goods and services transferred at a point of time | 559.0 | 34.3 | 593.4 | 538.6 | 37.3 | 575.9 |
| Services transferred over time | | 2.0 | 2.0 | | 3.5 | 3.5 |
| **Total** | **559.0** | **36.3** | **595.3** | **538.6** | **40.8** | **579.4** |

### Major customers

| EUR THOUSAND | 2020 | % of turnover | 2019 | % of turnover |
|---|---|---|---|---|
| Customer 1 | 89,392 | 15% | 82,614 | 14% |
| Customer 2 | 54,510 | 9% | 60,443 | 10% |
| Customer 3 | 42,201 | 7% | 41,689 | 7% |
| **Total** | **186,103** | | **184,745** | |

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 | 2020 | 2019 |
|---|---|---|
| Trade receivables, which are included in "Trade and other receivables" | 105,661 | 102,297 |
| Contract assets | 161 | 582 |
| Contract liabilities | 2,371 | 172 |

### Trade and other receivables

| | | |
|---|---|---|
| Non-current | | 126 |
| Current | 105,822 | 102,753 |
| **Total** | **105,822** | **102,879** |

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

| EUR THOUSAND | 2020 Contract assets | 2020 Contract liabilities |
|---|---|---|
| Transferred to trade receivables | -371 | |
| Recognised 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 | 2020 | 2019 |
|---|---|---|
| **Domicile** | | |
| Finland | 51,343 | 24,359 |
| Sweden | 47,552 | 58,885 |
| Poland | 89,708 | 92,292 |
| China | 56,380 | 76,769 |
| Germany | 35,744 | 31,063 |
| Estonia | 37,418 | 36,204 |
| USA | 14,035 | 14,382 |
| Other | 126 | 122 |
| **Total** | **332,307** | **334,075** |

### Turnover by location of customers (delivery address)

| EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| **Domicile** | | |
| Finland | 102,248 | 107,467 |
| Sweden | 126,024 | 131,061 |
| Germany | 77,543 | 66,193 |
| Poland | 18,504 | 15,585 |
| Rest of Europe | 142,188 | 123,679 |
| Asia | 75,799 | 87,988 |
| USA | 49,947 | 45,559 |
| Other | 3,095 | 1,884 |
| **Total** | **595,347** | **579,416** |

## 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. As an exception, subsidies received from governments concerning COVID-19 pandemic are posted to net cost accounts of which the subsidy relates. 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 | 2020 | 2019 |
|---|---|---|
| Proceeds from sale of property, plant and equipment | 37 | 150 |
| Gain on sale of subsidiary | 11,540 | |
| Allowances and compensations | 283 | 484 |
| Rental income | 213 | 85 |
| Other | 311 | 276 |
| **Total** | **12,384** | **995** |

Scanfil EMS Oy, a subsidiary of Scanfil plc, divested all its shares in the Chinese subsidiary Scanfil (Hangzhou) Co., Ltd. on July 14, 2020. The purchase price of EUR 18.4 million was paid in cash. The subsidiary's cash and cash equivalents totalled EUR 2.3 million on the transaction date. The subsidiary's assets, excluding cash and cash equivalents, were EUR 24.4 million, and its liabilities were EUR 11.7 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 | 2020 | 2019 |
|---|---|---|
| Materials, supplies and goods | | |
| Purchases during the period | 410,180 | 382,587 |
| Change in inventories | 155 | 7,189 |
| **Total** | **410,335** | **389,776** |

## 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.

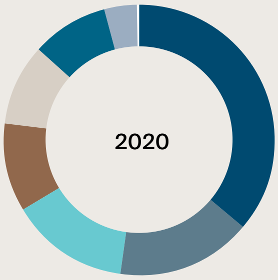
| PERSONNEL EXPENSES, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Salaries, wages and fees | 76,892 | 74,118 |
| Options implemented and paid in shares | 366 | 124 |
| Pension costs – defined-contribution schemes | 9,505 | 11,256 |
| Other indirect employee expenses | 8,733 | 8,523 |
| **Total** | **95,496** | **94,021** |

Scanfil has decided to close Scanfil GmbH's factory in Hamburg. In relation to the arrangement, EUR 3.9 million in severance pay associated with the discharge of the personnel has been recognised in employee expenses. Regarding the coronavirus pandemic, the Group has received a total of EUR 2.5 million in various government subsidies, primarily for compensation for employees' working hours and pension contributions. These have been recognised as decreases in employee expenses.

Management's employee benefits are reported in note 5.4, "Details of related parties and Group structure".

| AVERAGE NUMBER OF GROUP EMPLOYEES DURING THE PERIOD | 2020 | 2019 |
|---|---|---|
| Europe | 331 | 335 |
| Abroad | 3,056 | 3,195 |
| **Total** | **3,387** | **3,530** |

PERSONNEL BY COUNTRY ON DECEMBER 31, 2020, IN TOTAL, 3,211 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 volumeweighted 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 2020, the expense recognition of the option scheme was EUR 214,404 (EUR 149,226 in 2019).

In 2020, a total of 180,000 new shares were subscribed under option rights 2016(A). The subscription price of EUR 608,400 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 8, 2020, and the Company transferred a total of 50,000 treasury shares held by the company to the subscribers.

In 2020, a total of 70,000 new shares were subscribed under option rights 2016(B). The subscription price of EUR 249,900 of subscriptions made under the option rights has been recognised in the invested unrestricted equity fund. Scanfil transferred 70,000 treasury shares held by the company to subscribers on the basis of the subscriptions made under the option rights.

| OPTION ARRANGEMENT 31.12.2020 | 2019B | 2019A | 2016C | 2016B | 2016A |
|---|---|---|---|---|---|
| Grant date | 27.10.2020 | 27.11.2019 | 26.6.2019 | 21.11.2017 | 8.12.2016 |
| Amount of granted instruments (pcs) | 220,000 | 210,000 | 210,000 | 250,000 | 250,000 |
| Subscription price (EUR) | 4.34 | 4.04 | 4.48 | 3.57 | 3.38 |
| Fair value (EUR) | 1.79 | 1.08 | 0.54 | 1.12 | 0.74 |
| Share price at time of granting (EUR) | 5.16 | 4.42 | 3.88 | 4.15 | 3.36 |
| Term of validity (years) | 4.5 | 4.4 | 3.9 | 4.4 | 4.4 |
| Subscription period | 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 | | | | 70,000 | 210,000 |
| Returned options to company, pcs | | | | 20,000 | 40,000 |
| **Number of options outstanding** | **220,000** | **210,000** | **210,000** | **160,000** | **0** |

## 1.5 Other operating expenses

Other operating expenses include the following significant items:

| EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Hired labour | 11,699 | 11,808 |
| Subcontracting | 2,169 | 1,906 |
| Sales freight | 4,465 | 3,511 |
| Energy | 3,332 | 3,378 |
| Tools & repair and maintenance of tools | 5,611 | 5,697 |
| Rents | 507 | 367 |
| Maintenance expenses | 3,274 | 3,397 |
| Travel, marketing and vehicle expenses | 1,316 | 2,706 |
| Other employee expenses | 2,828 | 3,028 |
| Bought services | 3,864 | 3,813 |
| ICT expenses | 2,138 | 1,687 |
| Other operating expenses | 2,693 | 3,079 |
| **Total** | **43,896** | **44,378** |

Travel, marketing and vehicle expenses decreased clearly due to COVID-19 pandemic. Travelling was limited after March 2020.

During the 2020 financial period, the company's main auditor was the auditing firm KPMG Oy Ab.

| AUDITOR'S REMUNERATION, EUR THOUSAND | 2020 Fees to KPMG | 2020 Fees to other auditors | 2029 Fees to KPMG | 2019 Fees to other auditors |
|---|---|---|---|---|
| Audit fees | 310 | 1 | 319 | 1 |
| Tax consulting | 23 | | 42 | |
| Other services | 53 | | 169 | |
| **Total** | **386** | **1** | **530** | **1** |

Services other than auditing services carried out by KPMG Oy Ab totalled EUR 65 thousand during the 2020 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 utilised.

| INCOME TAXES, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Current tax | 7,977 | 4,621 |
| Tax expense of previous years | -265 | -177 |
| Deferred taxes | -2,816 | 1,505 |
| **Total** | **4,895** | **5,950** |

### RECONCILIATION OF TAX EXPENSE IN THE INCOME STATEMENT AND TAXES CALCULATED AT THE TAX RATE APPLICABLE IN FINLAND OF 20% (20% IN 2019)

| | | |
|---|---|---|
| **Earnings before taxes, EUR thousand** | **41,793** | **34,039** |
| | | |
| Taxes calculated at domestic tax rate | 8,359 | 6,808 |
| Different tax rates of foreign subsidiaries | -1,148 | -11 |
| Tax at source on dividends paid in China | 105 | 418 |
| Tax at source on dividends paid in Estonia | 802 | 625 |
| Witholding tax of unpaid dividends | -430 | 110 |
| Unrecorded deferred tax assets from tax losses | 18 | 53 |
| Use of unrecognised losses in previous years | | -2,137 |
| Tax benefit of investment in Polish subsidiary | -761 | -520 |
| Impairment of goodwill | | 720 |
| Taxes on the sale of a subsidiary | 889 | |
| Tax free income from the sale of a subsidiary | -2,239 | |
| Tax free items | -258 | |
| Other | -177 | 61 |
| Taxes from previous years | -265 | -177 |
| **Taxes in income statement** | **4,895** | **5,950** |

Scanfil Kft, Scanfil EMS Oy's subsidiary in Hungary, merged into its parent company Scanfil EMS Oy through a cross-border subsidiary merger in 2018. Scanfil Kft has confirmed losses of EUR 8.1 million, which Scanfil EMS Oy has deducted from its taxable income for 2018 and 2019. The Tax Recipients' Legal Services Unit has presented a claim for adjustment in a case concerning the finality and deductibility of losses. The case is still being processed by the Finnish Tax Administration.

Scanfil Sweden AB's English subsidiary Scanfil Ltd discontinued operations in 2016 and has been dissolved by voluntary clearing procedure. The company had confirmed losses of EUR 6.6 million, which Scanfil Sweden AB deducted from its taxable income for 2019. Swedish Tax Office has refunded EUR 1.2 million to Scanfil Sweden AB according to the tax declaration.

### DEFERRED TAX ASSETS AND LIABILITIES

| EUR THOUSAND | 1.1.2020 | Recognised through profit and loss | Recognised under other comprehensive 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 0.7 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 ongoing. The company considers that the costs can be reduced for tax purposes over the coming financial periods.

On December 31, 2020, the group had confirmed losses of EUR 11.2 million from the Norwegian company PartnerTech AS, of which no deferred tax receivables have been recognised. The company was discontinued in 2016 and placed into voluntary liquidation. The company was dissolved on January 27, 2021.

The group is investigating opportunities to use these taxable losses in the year 2021 taxation of Scanfil Sweden AB, the Swedish parent company.

| EUR THOUSAND | 1.1.2019 | Recognised through profit and loss | Recognised under other comprehensive income | Business combination | Translation differences | 31.12.2019 |
|---|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | | |
| Investment grant to Poland | 2,866 | 526 | | | 35 | 3,427 |
| Inventories | 277 | 48 | | | -18 | 307 |
| Provisions | 357 | 74 | | | 2 | 432 |
| Fixed assets | 347 | 171 | | | 88 | 605 |
| Other | 587 | 383 | | | -27 | 943 |
| **Total** | **4,433** | **1,201** | | | **80** | **5,714** |
| | | | | | | |
| **Deferred tax liabilities:** | | | | | | |
| Long-term customer relationships | -1,800 | 365 | | -1,134 | 37 | -2,532 |
| Unpaid dividends | -2,492 | -110 | | | | -2,602 |
| Fixed assets | -1,549 | 89 | | | -21 | -1,481 |
| Other | -130 | 2 | -43 | -231 | 58 | -344 |
| **Total** | **-5,970** | **346** | **-43** | **-1,365** | **74** | **-6,958** |

## 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 | 2020 | 2019 |
|---|---|---|
| Net profit for the period attributable to equity holders of the parent company | 36,898 | 28,090 |
| | | |
| Number of shares, undiluted (1,000 pcs) | 64,387 | 64,296 |
| **Earnings per share, undiluted, EUR** | **0.57** | **0.44** |
| | | |
| Dilution effect of stock options (1,000 pcs) | 800 | 830 |
| Number of shares, diluted (1,000 pcs) | 65,187 | 65,126 |
| **Earnings per share, diluted, EUR** | **0.57** | **0.43** |

# 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 20.1% of net sales, compared to 20.3% at the end of the previous year.

| Net working capital, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Net working capital | | |
| Inventories | 103,254 | 101,912 |
| Trade receivables | 105,661 | 102,297 |
| Accrued income, other receivables and income tax receivables | 9,405 | 12,041 |
| Advance payments | 562 | 532 |
| Trade payables | -76,153 | -72,897 |
| Accrued expenses, other liabilities and income tax liabilities | -23,350 | -26,269 |
| **Total** | 119,379 | 117,616 |
| | | |
| **Net working capital, % of turnover** | **20.1%** | **20.3%** |

## 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 | 2020 | 2019 |
|---|---|---|
| Materials and supplies | 81,947 | 79,603 |
| Work in progress | 10,747 | 11,515 |
| Finished goods | 10,560 | 10,779 |
| **Total** | **103,254** | **101,897** |

Impairment losses on inventories during the financial year amounted to EUR 3.6 (2.7) 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 | 2020 | 2019 |
|---|---|---|
| Trade receivables | 105,661 | 102,297 |
| Accrued income | 6,050 | 8,569 |
| Value-added tax receivables | 1,088 | 849 |
| Other receivables | 506 | 340 |
| **Total** | **113,305** | **112,056** |

| AGE DISTRIBUTION OF TRADE RECEIVABLES, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Unmatured | 91,073 | 88,893 |
| Matured | | |
| 1–30 days | 10,856 | 12,380 |
| 31–90 days | 3,474 | 979 |
| 91–180 days | 257 | 51 |
| 181–365 days | 35 | 31 |
| Over 365 days | 34 | 6 |
| Provision for bad debt | -70 | -42 |
| **Total** | **105,661** | **102,297** |

**Expected credit losses, December 31, 2020**

| 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** |

| 2019, EUR THOUSAND | Book value (gross) | Estimated credit losses | Bad debt provision |
|---|---|---|---|
| Unmatured | 88,893 | 0.01% | 10 |
| Matured | | | |
| 1–30 days | 12,380 | 0.02% | 2 |
| 31–90 days | 979 | 0.50% | 5 |
| 91–180 days | 51 | 12.5% | 6 |
| 181–365 days | 31 | 37.5% | 12 |
| Over 365 days | 6 | 100.0% | 6 |
| **Total** | **102,339** | | **42** |

At the end of the financial period, the credit loss provision recognised for covering uncertain receivables stood at EUR 70 (42) 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 | 2020 | 2019 |
|---|---|---|
| Trade payables | 76,153 | 72,897 |
| Accrued liabilities | 16,124 | 17,428 |
| Advance payments received | 2,371 | 172 |
| Other creditors | 5,456 | 5,630 |
| **Total** | **100,104** | **96,127** |
| | | |
| The most significant items included in accrued liabilities: | | |
| Employee expenses | 11,388 | 12,749 |
| Interests | 2 | 9 |
| Financial derivatives | 698 | |
| Other accrued liabilities | 4,036 | 4,671 |
| **Total** | **16,124** | **17,428** |

# 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. The acquisition calculation of HASEC-Elektronik GmbH is presented in Note 3.6 "Acquired Business".

**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.

The business operations of Scanfil GmbH, a German subsidiary acquired in 2014, did not develop predictably, and as a consequence, based on impairment testing, the group recorded a decrease of EUR 3.6 million in the goodwill related to the acquisition in 2019. In 2020, no goodwill impairments were recorded.

| GOODWILL, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Cost at 1 Jan. | 8,046 | 10,117 |
| Business combinations | | 1,649 |
| Impairment | | -3,602 |
| Exchange rate differences | 258 | -118 |
| **Carrying amount at 31 Dec.** | **8,304** | **8,046** |

| ALLOCATION OF GOODWILL AND GOODWILL ON CONSOLIDATION TO CASH-GENERATING UNITS, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Scanfil Oü | 111 | 111 |
| Scanfil Poland Sp. z o.o. | 3,468 | 3,331 |
| Scanfil Vellinge AB | 1,309 | 1,257 |
| Scanfil Åtvidaberg AB | 1,767 | 1,697 |
| Scanfil Electronics GmbH | 1,649 | 1,649 |
| **Total** | **8,304** | **8,046** |

| DISCOUNT RATE OF CASH FLOWS BEFORE TAXES | 2020 | 2019 |
|---|---|---|
| Scanfil Electronics GmbH | 12.2% | 12.0% |
| Scanfil Poland Sp. z o.o. | 12.2% | 12.1% |
| Scanfil Vellinge AB | 11.6% | 11.2% |
| Scanfil Åtvidaberg AB | 11.6% | 11.2% |

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.

| IMPAIRMENT TESTING | 2020 Change % units | 2019 Change % units |
|---|---|---|
| Discount rate before taxes | | |
| Scanfil Poland Sp. z o.o. | +7.5 | +8.0 |
| Scanfil Vellinge AB | +15.7 | +14.2 |
| Scanfil Åtvidaberg AB | +18.2 | +19.8 |
| Scanfil Electronics GmbH | +3.6 | +2.3 |
| Profitability (EBITDA %) | | |
| Scanfil Poland Sp. z o.o. | -3.1 | -2.9 |
| Scanfil Vellinge AB | -4.9 | -4.9 |
| Scanfil Åtvidaberg AB | -5.1 | -6.0 |
| Scanfil Electronics GmbH | -2.0 | -1.4 |
| 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 | -10.2 | -5.3 |

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. 2020 | 16,119 | 7,958 | 2,910 | 834 | 27,820 |
| 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** | **2,864** | **8** | **27,759** |
| | | | | | |
| Accumulated depreciations at 1 Jan. 2020 | -5,741 | -3,866 | -1,421 | | -11,028 |
| 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** | **-1,612** | | **-13,517** |
| | | | | | |
| Carrying amount at 1 Jan. 2020 | 10,377 | 4,092 | 1,489 | 834 | 16,792 |
| **Carrying amount at 31 Dec. 2020** | **8,994** | **3,988** | **1,252** | **8** | **14,242** |

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

| OTHER INTANGIBLE ASSETS, EUR THOUSAND | Customer relationships | Intangible rights | Other long-term expenses | Advance payments | Intangible assets total |
|---|---|---|---|---|---|
| Acquisition cost at 1 Jan. 2019 | 12,570 | 6,750 | 1,921 | | 21,241 |
| Additions | | 889 | 1,068 | 834 | 2,792 |
| Business combinations | 3,780 | 290 | 156 | | 4,225 |
| Deductions | | -3 | -234 | | -237 |
| Exchange rate differences | -231 | 32 | -2 | | -201 |
| **Acquisition cost at 31 Dec. 2019** | **16,119** | **7,958** | **2,910** | **834** | **27,820** |
| | | | | | |
| Accumulated depreciations at 1 Jan. 2019 | -4,399 | -3,302 | -1,293 | | -8,994 |
| Depreciations | -1,406 | -556 | -343 | | -2,306 |
| Deductions | | | 218 | | 218 |
| Exchange rate differences | 64 | -9 | -2 | | 54 |
| **Accumulated depreciations at 31 Dec. 2019** | **-5,741** | **-3,866** | **-1,421** | | **-11,028** |
| | | | | | |
| Carrying amount at 1 Jan. 2019 | 8,170 | 3,448 | 628 | 0 | 12,246 |
| **Carrying amount at 31 Dec. 2019** | **10,377** | **4,092** | **1,489** | **834** | **16,792** |

Other intangible assets include the right to land use in China, having a book value of EUR 0.4 million.

## 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 constructions | Machinery and equipments | Other tangible assets | Advance payments and constructions 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.

| PROPERTY, PLANT AND EQUIPMENT, EUR THOUSAND | Land | Buildings and constructions | Machinery and equipments | Other tangible assets | Advance payments and constructions in progress | Tangible assets total |
|---|---|---|---|---|---|---|
| Acquisition cost at 1 Jan. 2019 | 820 | 37,808 | 73,457 | 576 | 1,230 | 113,891 |
| Additions | | 371 | 7,407 | | 1,730 | 9,508 |
| Deductions | | -16 | -1,825 | | -1,485 | -3,327 |
| Business combinations | | | 3,502 | | 293 | 3,795 |
| Reclassification | | -4,509 | -338 | | | -4,847 |
| Exchange rate differences | 4 | 193 | 276 | -6 | 22 | 489 |
| **Acquisition cost at 31 Dec. 2019** | **824** | **33,846** | **82,479** | **570** | **1,790** | **119,510** |
| | | | | | | |
| Accumulated depreciations at 1 Jan. 2019 | | -16,579 | -47,641 | -560 | | -64,780 |
| Depreciations | | -1,899 | -6,363 | | | -8,262 |
| Deductions | | 7 | 1,515 | | | 1,522 |
| Reclassification | | 2,466 | 202 | | | 2,668 |
| Exchange rate differences | | -51 | 64 | 6 | | 19 |
| **Accumulated depreciations at 31 Dec. 2019** | | **-16,056** | **-52,223** | **-554** | | **-68,833** |
| | | | | | | |
| Carrying amount at 1 Jan. 2019 | 820 | 21,229 | 25,816 | 17 | 1,230 | 49,111 |
| **Carrying amount at 31 Dec. 2019** | **824** | **17,790** | **30,256** | **17** | **1,790** | **50,677** |

The reclassification includes a transfer of a finance lease asset in accordance with IAS 17 to be presented in note 3.4 ”Right-of-use assets”.

Gross investments totalled EUR 21.1 million and represents 3.6% of net sales. The investments include the acquisition price of HASEC-Elektronik GmbH shares of EUR 10.3 million. Otherwise, they are mainly machinery and equipment purchases. During the year, equipment and automation investments were made in the electronics manufacturing lines in locations including Malmö and Pärnu, mechanics manufacturing in Myslowice and collaboration robots (Cobots), automated intelligent vehicles (AIV) and warehouse automation in several factories. At the Suzhou and Sieradz plants, investments concerned the digitalisation of production using a manufacturing execution system (MES).

## 3.4 Right-of-use assets

### ACCOUNTING PRINCIPLE

The group adopted the new IFRS 16 standard starting from January 1, 2019, and applied the simplified approach to its adoption. At the time of the transition, the Group used exemptions concerning short-term lease agreements of at most 12 months and assets with a maximum value of EUR 5,000, apart from leasing cars, for example, to which the 12-month exemption 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 additional loan was used as the discount rate. The cumulative effect of the deployment is presented on the opening balance sheet on January 1, 2019.

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. Six of the Group’s eleven 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 | Tangible 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.

| EUR THOUSAND | Land | Buildings and constructions | Machinery and equipments | Tangible assets total |
|---|---|---|---|---|
| Acquisition cost at 1 Jan. 2019 | 285 | 17,841 | 1,559 | 19,685 |
| Additions | 4 | 1,733 | 123 | 1,860 |
| Business combinations | | 5,959 | 675 | 6,634 |
| Deductions | | -768 | -219 | -987 |
| Exchange rate differences | 3 | 7 | 0 | 10 |
| **Acquisition cost at 31 Dec. 2019** | **292** | **24,772** | **2,138** | **27,203** |
| | | | | |
| Accumulated depreciations at 1 Jan. 2019 | | -2,466 | -202 | -2,668 |
| Depreciations | -39 | -2,809 | -716 | -3,564 |
| Deductions | | 29 | 40 | 69 |
| Exchange rate differences | -3 | -69 | -9 | -81 |
| **Accumulated depreciations at 31 Dec. 2019** | **-42** | **-5,315** | **-887** | **-6,244** |
| | | | | |
| Carrying amount at 1 Jan. 2019 | 285 | 15,376 | 1,357 | 17,017 |
| **Carrying amount at 31 Dec. 2019** | **251** | **19,457** | **1,251** | **20,959** |

Consolidation of business operations includes a right-of-use asset of EUR 0.6 million on the balance sheet on the acquisition date of HASEC-Elektronik GmbH and right-of-use asset of EUR 5.3 million recognised for the group in accordance with IFRS 16.

| LEASE LIABILITIES, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| **Maturity analysis – contractual undiscounted cash flows** | | |
| Within one year | 4,237 | 4,213 |
| In one to two years | 13,113 | 14,923 |
| More than five years | 4,419 | 6,076 |
| **Total** | **21,768** | **25,212** |

| CARRYING AMOUNT OF LEASE LIABILITIES AT THE END OF THE FINANCIAL YEAR | 2020 | 2019 |
|---|---|---|
| Long-term liabilities | 15,905 | 18,893 |
| Short-term liabilities | 3,659 | 3,439 |
| **Total** | **19,565** | **22,332** |

| AMOUNTS RECOGNISED IN PROFIT AND LOSS, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Interest on lease liabilities | 690 | 608 |
| Expenses relating to short-term leases | 122 | 130 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | 67 | 15 |
| **Total** | **879** | **753** |

### 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 | 2020 | 2019 |
|---|---|---|
| **Maturity analysis – contractual undiscounted cash flows** | | |
| Within one year | 59 | 61 |
| In one to two years | 74 | 61 |
| More than five years | | 77 |
| **Total undiscounted lease income at 31 December** | **134** | **199** |

## 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 | 2020 | 2019 |
|---|---|---|
| **Intangible assets** | | |
| Intangible rights | 704 | 556 |
| Other long-term expenses | 336 | 343 |
| Long-term customer relationships | 1,607 | 1,406 |
| **Total** | **2,648** | **2,306** |
| | | |
| **Property, plant and equipment** | | |
| Buildings | 1,624 | 1,899 |
| Machinery and equipment | 7,046 | 6,363 |
| **Total** | **8,670** | **8,262** |
| | | |
| **Right-of-use-assets** | | |
| Land | 39 | 39 |
| Buildings | 2,948 | 2,809 |
| Machinery and equipment | 758 | 716 |
| **Total** | **3,745** | **3,564** |
| | | |
| **Total depreciation** | **15,063** | **14,132** |

| AMORTISATION BY ASSET CLASS, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| **Intangible assets** | | |
| Intangible rights | 49 | |
| Goodwill | | 3,602 |
| **Total** | **49** | **3,602** |
| | | |
| **Property, plant and equipment** | | |
| Machinery and equipment | 611 | |
| **Total** | **611** | |
| | | |
| **Right-of-use-assets** | | |
| Buildings | 365 | |
| **Total** | **365** | |
| | | |
| **Total amortisation** | **1,025** | **3,602** |

Scanfil has decided to close German subsidiary Scanfil GmbH's factory in Hamburg. 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.

In the previous year, based on impairment testing, the Group has recorded an impairment of goodwill related to the acquisition of Scanfil GmbH, EUR 3.6 million. euros. More information on goodwill is provided in Note 3.1 "Goodwill".

## 3.6 Acquired business

During the financial year 202, no new businesses were acquired.

Scanfil plc acquired the entire share capital of the German contract manufacturer HASEC-Elektronik GmbH (now known as Scanfil Electronics GmbH) on 17 June 2019. The purchase price was EUR 10.3 million. The company paid EUR 8.1 million of the purchase price in cash and the remaining EUR 2.2 million by issuing a share issue to the owners of HASEC-Elektonik GmbH as part of the purchase price payment. Acquisition related costs of EUR 0.4 million are mainly comprised of advisory fees and due diligence expenses and is included in other operating expenses.

| EUR THOUSAND | Note | Booked value |
|---|---|---|
| Tangible assets | 3.3, 3.4 | 4,443 |
| Long-term customer relationships | 3.2 | 3,780 |
| Other tangible assets | 3.2 | 450 |
| Shares in associated companies | | 502 |
| Inventories | | 8,001 |
| Trade and other receivables | | 1,478 |
| Cash and cash equivalents | | 595 |
| **Total assets** | | **19,248** |
| | | |
| Deferred tax liabilities | | 1,204 |
| Non-current interest bearing liabilities | | 4,518 |
| Trade and other liabilities | | 3,882 |
| Equity loan | | 1,044 |
| **Total liabilities** | | **10,648** |
| | | |
| **Net assets** | | **8,600** |
| | | |
| **Goodwill arising on acquisition** | | |
| Acquisition cost | | 10,217 |
| Goodwill | 3.1 | -1,617 |
| | | |
| Purchase price in cash | | 8,050 |
| Cash and cash equivalents of the acquired company | | 595 |
| Cash flow | | 7,455 |

According to the 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. Scanfil Electronics GmbH has been consolidated into Scanfil Group as of 17 June 2019. The effect on the Group's turnover for the year 2019 was EUR 19.9 million and on net profit for the year EUR -0.1 million. Scanfil's turnover for January-December 2019 would have been EUR 595.0 million and net profit for the period EUR 28.4 million if the business acquired during the financial year had been consolidated as of January 1, 2019.

# 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 amortised** 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 2020 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 amortised 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

| EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | 25,845 | 20,353 |
| **Total** | **25,845** | **20,353** |

## 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 | 2020 | 2019 |
|---|---|---|
| **Financing incomes** | | |
| Dividends | 100 | |
| Interest income from other financial assets | 11 | 35 |
| Exchange rate gains | 3,648 | 5,130 |
| Translation differences recognised through profit or loss | | 19 |
| Other financial income | 181 | 234 |
| **Financing incomes total** | **3,940** | **5,418** |
| | | |
| **Financing expenses** | | |
| Interest expenses | 1,205 | 1,445 |
| Exchange rate losses | 4,925 | 4,634 |
| Translation differences recognised through profit or loss | 103 | |
| Other financial expenses | 286 | 645 |
| **Financing expenses total** | **6,520** | **6,724** |
| | | |
| **Financing incomes and expenses** | **-2,579** | **-1,307** |

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 1.3 (0.5) million. The operating profit includes a total of EUR -1.3 (-0.4) 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 0.3 (0.5) million interest expenses for leases, EUR 0.6 (0.6) million and interest expenses for using the overdraft facility, EUR 0.1 (0.4) million. Other financial expenses include financial liabilities commissions and loan withdrawal fees of EUR 0.2 (0.2) million.

## 4.3 Financial liabilities

| FINANCIAL LIABILITIES, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| **Long-term liabilities recognised at amortised cost** | | |
| Financial institutions | 18,242 | 24,704 |
| Lease liability | 15,905 | 18,803 |
| **Total** | **34,147** | **43,508** |
| | | |
| **Short-term liabilities recognised at amortised cost** | | |
| Financial institutions | 6,188 | 6,364 |
| Drawdowns from credit facilities | | 13,184 |
| Lease liability | 3,659 | 3,534 |
| **Total** | **9,847** | **23,083** |

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, which was entirely unused on December 31, 2020

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 2019 and 2020.

## 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 |
|---|---|---|---|---|
| **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 | | | 18,242 | 18,242 |
| Lease liabilities | | | 15,905 | 15,905 |
| **Current financial liabilities** | | | | |
| Interest-bearing liabilities | | | 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.

| 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 |
|---|---|---|---|---|
| **2019** | | | | |
| **Non-current assets** | | | | |
| Equity investments | | 534 | | 534 |
| **Current assets** | | | | |
| Derivatives, hedging | 212 | | | 212 |
| Trade receivables | | | 102,297 | 102,297 |
| Cash and cash equivalents | | | 20,353 | 20,353 |
| **Total financial assets** | **212** | **534** | **122,650** | **123,396** |
| | | | | |
| **Non-current financial liabilities** | | | | |
| Interest-bearing liabilities | | | 24,704 | 24,704 |
| Lease liabilities | | | 18,803 | 18,803 |
| **Current financial liabilities** | | | | |
| Interest-bearing liabilities | | | 6,364 | 6,364 |
| Drawdowns from credit facilities | | | 13,184 | 13,184 |
| Lease liabilities | | | 3,534 | 3,534 |
| Derivatives, hedging | | 54 | | 54 |
| Trade payables | | | 72,897 | 72,897 |
| **Total financial liabilities** | | **54** | **139,488** | **139,542** |

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, 2020, the rated amount of the interest swap was EUR 24.0 million, and it will expire on September 27, 2024. The fair value of the derivative was EUR -0.1 million, 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) |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| Interest rate swaps | | -66 | -66 | 24,000 | -66 | -53 |
| Forward exchange contracts, hedge accounting | 38 | -670 | -632 | 24,381 | -632 | -674 |
| **Total** | | | **-698** | **48,381** | **-698** | |

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) |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| Interest rate swaps | | -54 | -54 | 13,250 | -54 | |
| Forward exchange contracts, hedge accounting | 302 | -90 | 212 | 23,465 | 212 | 251 |
| **Total** | | | **158** | **23,465** | **158** | |

| 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, hedge accounting | 24,381 | -632 | Other assets |
| **Total** | **48,381** | **-698** | |

| CASH FLOW HEDGING, EUR THOUSAND | Hedging instrument nominal value | Hedging instrument book value, liabilities | Hedging instrument included in balance sheet item |
|---|---|---|---|
| **2019** | | | |
| Interest rate swaps | 13,250 | -54 | Other liabilities |
| Forward exchange contracts, hedge accounting | 23,465 | 212 | Other assets |
| **Total** | **36,715** | **158** | |

| 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, hedge accounting | 24,000 | Financial liabilities | -53 |
| Forward exchange contracts, hedge accounting | | | -674 |
| **Total** | **24,000** | | **-727** |

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

| CASH FLOW HEDGING, EUR THOUSAND | Cash flow hedging, share of fair value reserve |
|---|---|
| **2019** | |
| Forward exchange contracts, hedge accounting | 251 |
| **Total** | **251** |

## 4.6 Hierarchy of fair values

| 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 | |

| EUR THOUSAND | Level 2 | Level 3 |
|---|---|---|
| **2019** | | |
| **Assets measured at fair value** | | |
| Recognised at fair value through profit or loss | | |
| Equity investments | | 534 |
| **Assets measured at fair value** | | |
| Derivatives, hedging | 212 | |
| **Liabilities measured at fair value** | | |
| Financial liabilities at fair value through profit or loss | | |
| Derivatives | 54 | |
| **Liabilities recognised at amortised cost** | | |
| Financing loan | 31,068 | |

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 reconciliation item

| FINANCIAL ASSETS AT FAIR VALUE, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Cost at 1 Jan. | 534 | 33 |
| Additions | | 502 |
| Exchange rate differences | 1 | 0 |
| **Cost at 31 Dec.** | **535** | **534** |
| **Carrying amount at 31 Dec.** | **535** | **534** |

In the comparison year 2019, the increase in financial assets measured at fair value consists of shares of IMG Electronic & Power Systems GmbH and EMS-Electra SRL, owned by Scanfil Electronics GmbH. 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.

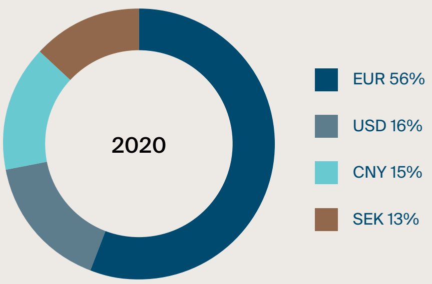
#### Currency risk

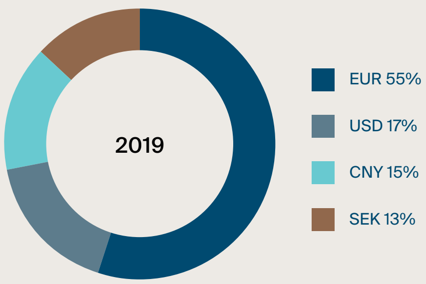
Scanfil has international operations and is therefore exposed to transaction and translation risks in several currencies. The transaction risk consists of operating and financing cash flows denominated in foreign currencies. The translation risk is related to the conversion of foreign subsidiaries' income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

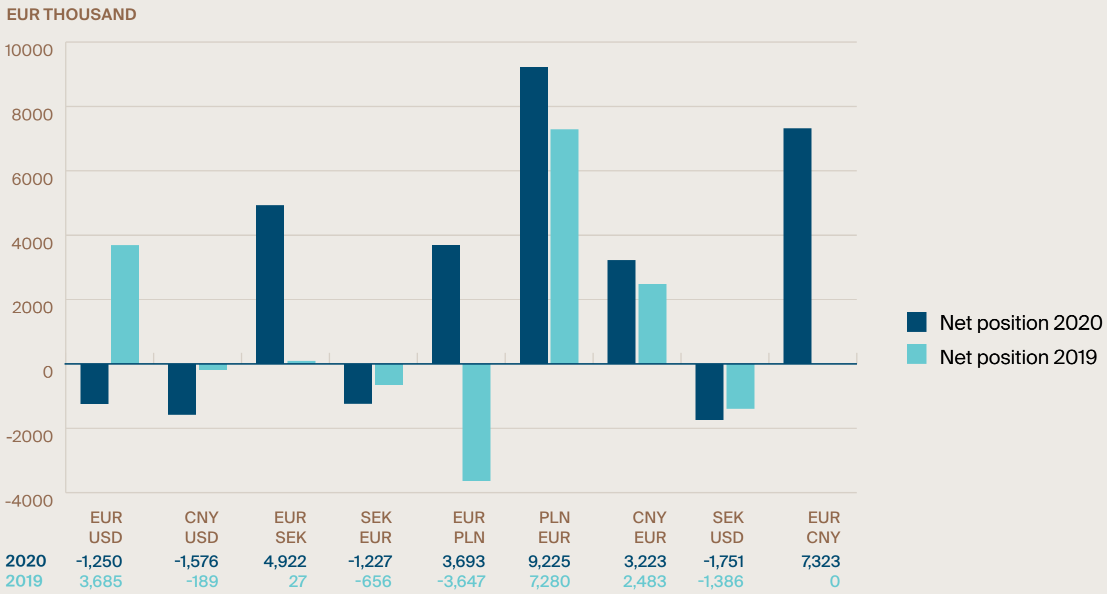
The financial statements of December 31, 2020 include outstanding EUR/PLN and PLN/SEK forward exchange contracts made for hedging purposes. Their nominal value is EUR 24.4 (23.5) million, and the group applies hedge accounting to them. Forward contracts are made on a monthly basis, and the final contract will expire on December 29, 2021.

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

| TRANSACTION RISK, **EUR THOUSAND** | | | | | | | | | 2020 |
|---|---|---|---|---|---|---|---|---|---|
| Foreign currency | USD | USD | SEK | EUR | PLN | EUR | EUR | USD | CNY |
| Reporting currency | EUR | CNY | EUR | SEK | EUR | PLN | CNY | SEK | EUR |
| Cash and cash equivalents | 53 | 42 | | | 1 | 616 | 1,087 | | 48 |
| Trade receivables | 891 | 2,291 | | 2,228 | | 17,935 | 4,514 | 585 | 9,173 |
| Trade payables | -3,009 | -3,908 | -146 | -3,455 | -141 | -9,325 | -2,377 | -2,336 | -1,898 |
| 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** | **7,323** |

| TRANSACTION RISK, **EUR THOUSAND** | | | | | | | | | 2019 |
|---|---|---|---|---|---|---|---|---|---|
| Foreign currency | USD | USD | SEK | EUR | PLN | EUR | EUR | USD | CNY |
| Reporting currency | EUR | CNY | EUR | SEK | EUR | PLN | CNY | SEK | EUR |
| Cash and cash equivalents | 97 | 520 | | | | 48 | 632 | | |
| Trade receivables | 93 | 4,758 | | 2,483 | | 14,913 | 4,252 | 1,120 | |
| Trade payables | -1,309 | -5,468 | -161 | -3,139 | 5 | -7,681 | -2,401 | -2,506 | |
| Global Cash Pool | 4,804 | | 188 | | -3,652 | | | | |
| **Net position** | **3,685** | **-189** | **27** | **-656** | **-3,647** | **7,280** | **2,483** | **-1,386** | **0** |

## TRANSACTION RISK: NET POSITION



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 | CNY |
|---|---|---|---|---|---|---|---|---|---|
| Reporting currency | EUR | CNY | EUR | SEK | EUR | PLN | CNY | SEK | EUR |
| Change in currency % +/- 10 | | | | | | | | | |
| **Year 2020, EUR THOUSAND** | +/- 125 | +/- 158 | +/- 492 | +/- 123 | +/- 369 | +/- 923 | +/- 322 | +/- 175 | +/- 732 |

| | USD | USD | SEK | EUR | PLN | EUR | EUR | USD | CNY |
|---|---|---|---|---|---|---|---|---|---|
| | EUR | CNY | EUR | SEK | EUR | PLN | CNY | SEK | EUR |
| Change in currency % | | | | | | | | | |
| **Year 2019, EUR THOUSAND** | +/- 368 | +/- 19 | +/- 3 | +/- 66 | +/- 365 | +/- 728 | +/- 248 | +/- 139 | +/- 0 |

### 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 | 2020 | 2019 | 2020 | 2019 |
| CNY | 35,267 | 45,336 | +/- 3,526 | +/- 4,534 |
| HUF | 1,446 | 1,443 | +/- 145 | +/- 144 |
| NOK | -27 | -50 | -/+ 3 | -/+ 5 |
| PLN | 40,896 | 34,318 | +/- 4,090 | +/- 3,432 |
| SEK | 60,896 | 53,819 | +/- 6,090 | +/- 5,382 |
| USD | 6,791 | 5,194 | +/- 679 | +/- 519 |
| **Total** | **145,270** | **140,059** | | |

### 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 2019, of which EUR 24.0 million was outstanding on December 31, 2020. 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. 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 2020 was 15.0% (14.3% in 2019), and that of the ten largest customers was 58.6% (55.8%).

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 has affected the solvency of some smaller customers, but the related risks are moderate and under control. With regard to identified risk-bearing customers, not even a realised credit loss would endanger the Group's operations.

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, 2020, liquid assets stood at EUR 25.8 (20.4 in 2019) 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 financial position has improved compared to the pre-pandemic period due to e.g. the sale of the subsidiary.

The group's financing arrangements include usual loan covenant terms. The group has fulfilled the financing-related covenant terms during the financial periods of 2019 and 2020.

### Maturity analysis based on debt agreements

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

### Maturity analysis based on debt agreements

| 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** |

| 31.12.2019, EUR THOUSAND | Balance sheet value | Cash flow | 0–6 months | 2020 6 months–1 year | 2021 1–2 years | 2022-2024 2–5 years | 2025– more than 5 years |
|---|---|---|---|---|---|---|---|
| Loans from financial institutions | 31,068 | 31,817 | 3,504 | 3,411 | 6,395 | 18,506 | |
| Finance lease | 22,338 | 25,212 | 2,192 | 2,021 | 3,946 | 10,977 | 6,076 |
| Overdraft facility | 13,184 | 13,184 | 13,184 | | | | |
| Derivatives | 55 | 55 | 55 | | | | |
| Derivatives, hedging | -212 | | | | | | |
| Cash flow due | | 23,465 | 17,448 | 6,016 | | | |
| Available cash flow | | -23,676 | -17,632 | -6,045 | | | |
| Trade payables | 72,894 | 72,894 | 72,894 | | | | |
| **Total** | **139,328** | **142,950** | **91,646** | **5,404** | **10,341** | **29,483** | **6,076** |

### Reconciliation of changes in financial liabilities with cash flows from financing

| | | | 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** |

| | | | Changes not affecting cash flow | | | | |
|---|---|---|---|---|---|---|---|
| EUR THOUSAND | 1.1.2019 | Cash flows | Changes in IFRS 16 | Date of acquisition | Changes in exchange rates | Changes in fair values | 31.12.2019 |
| Long-term loans | 23,750 | -1,671 | | 2,625 | | | 24,704 |
| Short-term loans | 19,865 | -2,923 | | 2,607 | 0 | | 19,548 |
| Lease liabilities | 18,562 | -3,347 | 7,249 | | -126 | | 22,338 |
| Derivative assets hedging long-term loans | 196 | | | | | -142 | 54 |
| **Total liabilities in financial operations** | **62,372** | **-7,941** | **7,249** | **5,232** | **-126** | **-142** | **66,645** |

The opening balance of lease liabilities includes EUR 14.8 million entered in the introduction of the IFRS 16 standard and the financial lease liabilities of the reference year of EUR 3.7 million, which were previously included in short-term loans.

## 4.8 Shareholders' equity

### Shares and share capital

Scanfil plc has a total of 64,829,993 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, 2020, the company held 358,738 of its own shares

| 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** |

| NUMBER OF SHARES | 2019 |
|---|---|
| Number of shares at 1 Jan. 2019 | 64,035,439 |
| Share issue | 544,554 |
| Share subscription under option rights 2013C on July 4, 2019 | 90,000 |
| Share subscription under option rights 2016A on December 12, 2019 | 30,000 |
| **Number of shares at 31 Dec. 2019** | **64,699,993** |

### Currency translation differences

Currency translation differences include differences arising from the conversion of the financial statements of foreign companies. On December 31, 2020, translation differences stood at EUR -6.1 million (EUR 4.6 million in 2019), of which EUR 2.1 (11.2) million was created by the exchange rate changes of the Chinese RMB, -4.9 (-9.3) Swedish krone and -2.5 (2.7) Polish zloty. The translation difference, EUR -2.8 million (0.3 million) during the financial period, is mainly made up by the exchange rate changes of the Swedish currency, EUR -4.4 (-1.2) million, and Polish currency, EUR -5.2 (1.1) million.

Related to the sale of the Chinese subsidiary, EUR 7.9 million of the translation differences have been transferred from equity to be recognised through profit or loss. The translation differences of discontinued units EUR -0.1 (0.0) million have been transferred from equity to be recognised through profit or loss.

| EUR THOUSAND | RMB | SEK | NOK | USD | PLN | HUF | Total |
|---|---|---|---|---|---|---|---|
| 1.1.2020 | 11,175 | -9,292 | 0 | 63 | 2,705 | -50 | **4,601** |
| Recorded in comprehensive income items | -1,166 | 4,391 | -103 | -592 | -5,229 | -137 | **-2,836** |
| Transferred to be recognised through profit or loss | -7,931 | | 103 | | | | **-7,828** |
| **31.12.2020** | **2,079** | **-4,901** | **0** | **-529** | **-2,524** | **-187** | **-6,063** |

### 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 | 2020 | 2019 |
|---|---|---|
| 1.1. | 168 | -225 |
| Interest rate derivatives, change | -53 | 143 |
| Currency derivatives, change | -674 | 251 |
| **Total** | **-558** | **168** |

Of the derivative financial instruments, EUR 3 (17) 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 2020, dividends of EUR 0.15 per share were paid, in total EUR 9,659,998.95.

After the reporting date, the Board of Directors has proposed a dividend of EUR 0.17 per share to be distributed, in total EUR 10,960,113.35.

## 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 | 2020 | 2019 |
|---|---|---|
| Interest-bearing liabilities | 43,994 | 66,590 |
| Cash assets | -25,845 | -20,353 |
| **Net liabilities** | **18,149** | **46,238** |
| | | |
| **Equity total** | **182,876** | **166,688** |
| | | |
| **Gearing, %** | **9.9** | **27.7** |

# 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 quarantee | Pension provision | Other provisions | Restructuring provisions | Total |
|---|---|---|---|---|---|
| 1.1.2020 | 179 | 90 | 336 | | 606 |
| Exchange rate differences | -5 | -6 | -22 | | -34 |
| Additions | 64 | 34 | 121 | 3,983 | 4,201 |
| Cancellation of unused provisions | -38 | | | | -38 |
| **31.12.2020** | **199** | **118** | **435** | **3,983** | **4,736** |

| | 2020 | 2019 |
|---|---|---|
| Non-current provisions | 553 | 427 |
| Current provisions | 4,183 | 179 |
| **Total** | **4,736** | **606** |

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

### Securities provided

| BUSINESS MORTGAGES, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| **Total** | | 10,000 |

| GUARANTEES GIVEN, EUR THOUSAND | | |
|---|---|---|
| On behalf of own company | 671 | 8,399 |
| On behalf of Group company | 175 | 188 |
| **Total** | **846** | **8,587** |

The increase in the amount of bank guarantees during the year 2019 is mainly due to guarantees given to a customer in relation to a storage arrangement. 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 to its subsidiary Scanfil Inc regarding lease liabilities.

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 will expire seven years after the end of the last product agreement.

## 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 | 2020 | 2019 |
|---|---|---|
| Salaries and other short-term employee benefits | 1,364 | 1,812 |
| Options implemented and paid in shares | 366 | 124 |
| Post-employment benefits | | 2 |
| **Total** | **1,731** | **1,938** |

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

| SALARIES PAID TO THE PRESIDENT, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Salaries and other short-term employee benefits | 387 | 541 |
| Options implemented and paid in shares | 132 | 71 |
| **Total** | **519** | **612** |

| STATUTORY PENSION EXPENDITURE, TYEL | 2020 | 2019 |
|---|---|---|
| Petteri Jokitalo | 72 | 101 |

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

| SALARIES PAID TO THE BOARD MEMBERS, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Harri Takanen | 51 | 49 |
| Jarkko Takanen | 32 | 30 |
| Bengt Engström | 30 | 28 |
| Christer Härkönen | 28 | 26 |
| Christina Lindstedt | 30 | 29 |
| Juha Räisänen | 17 | |
| **Total salaries of the Board Members** | **187** | **162** |

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% |
| PartnerTech AS | Norway | 100% | 100% | 100% |
| HASEC-Elektronik Sp. Z o.o. | Poland | 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 2020, the market rents paid totalled EUR 27,360 (EUR 26,300 in 2019).

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 will pay approximately EUR 50,000 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.–31.12.2020 | 1.1.–31.12.2019 |
|---|---|---|---|
| **Other operating income** | | **1,924** | **2,335** |
| Personnel expenses | 1 | | |
| Wages, salaries and fees | | -1,669 | -1,624 |
| Pensions and statutory indirect employee costs | | | |
| Pensions | | -217 | -258 |
| Statutory indirect employee costs | | -55 | -45 |
| **Personnel expenses total** | | **-1,941** | **-1,927** |
| Depreciation and reduction in value | | | |
| Depreciation according to plan | 3 | -40 | -29 |
| **Depreciation and reduction in value total** | | **-40** | **-29** |
| **Other operating expenses** | **2** | **-782** | **-710** |
| **Operating profit** | | **-839** | **-330** |
| Financial income and expenses | | | |
| Financial income from Group | | 40,000 | 11,000 |
| Other interest and financial income | | | |
| From Group | | 801 | 1,024 |
| From other | | 2,005 | 544 |
| Interest expenses and financial expenses | | | |
| To Group | | -71 | -246 |
| To other | | -3,161 | -1,360 |
| **Financial income and expenses total** | | **39,574** | **10,962** |
| **Profit before appropriations and taxes** | | **38,735** | **10,632** |
| Appropriations | | | |
| Depreciation difference increase | | | |
| Group contribution | 4 | 1,000 | 1,000 |
| **Appropriations total** | | **1,000** | **1,000** |
| **Profit before tax** | | **39,735** | **11,632** |
| Income taxes | 5 | | |
| Income taxes | | 6 | -139 |
| Deferred taxes | | 41 | 11 |
| **Income taxes total** | | **47** | **-128** |
| **Net profit for the period** | | **39,782** | **11,504** |

## PARENT COMPANY BALANCE SHEET

| EUR THOUSAND | Note | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| ASSETS | | | |
| | | | |
| **Non-current assets** | | | |
| | | | |
| Intangible assets | | | |
| Immaterial rights | 6 | 18 | 25 |
| Other non-current assets | | 146 | 7 |
| **Intangible assets total** | | **164** | **33** |
| | | | |
| Tangible assets | | | |
| Plant and equipment | | 67 | |
| Other tangible assets | 7 | 17 | 17 |
| **Tangible assets total** | | **83** | **17** |
| | | | |
| Investments | | | |
| Holdings in Group companies | 8 | 61,535 | 61,469 |
| **Investments total** | | **61,535** | **61,469** |
| | | | |
| **Total non-current assets** | | **61,782** | **61,519** |
| | | | |
| **Current assets** | | | |
| | | | |
| Long-term receivables | | | |
| Loan receivables from Group companies | 9 | 33,141 | 25,389 |
| Deferred tax assets | | 178 | 11 |
| **Long-term receivables total** | | **33,320** | **25,400** |
| | | | |
| Short-term receivables | | | |
| Receivables from Group companies | 9 | 12,504 | 50,869 |
| Accrued income | | 174 | 207 |
| **Short-term receivables total** | | **12,678** | **51,076** |
| | | | |
| **Cash and cash equivalents** | 10 | **19,183** | **0** |
| | | | |
| **Total current assets** | | **65,181** | **76,477** |
| | | | |
| **Total assets** | | **126,963** | **137,995** |

## PARENT COMPANY BALANCE SHEET

| EUR THOUSAND | Note | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| SHAREHOLDER'S EQUITY AND LIABILITIES | | | |
| **Equity** | | | |
| | | | |
| **Share capital** | 11 | **2,000** | **2,000** |
| **Other reserves** | | | |
| Fair value reserve | | -506 | 113 |
| Reserve for invested unrestricted equity fund | | 32,176 | 31,317 |
| Retained earnings | | 1,777 | 665 |
| Profit for the period | | 39,782 | 11,504 |
| **Total Equity** | | **75,229** | **45,599** |
| | | | |
| **Non-current liabilities** | | | |
| | | | |
| Non-current liabilities | | | |
| Financing loan | 12 | 18,000 | 24,000 |
| Deferred tax liabilities | | | 28 |
| **Non-current liabilities total** | | **18,000** | **24,028** |
| | | | |
| Current liabilities | | | |
| Financing loans | 12 | 6,000 | 19,184 |
| Financial loans from Group companies | | | 4,780 |
| Trade liabilities | | 82 | 217 |
| Liabilities to Group companies | 13 | 26,093 | 43,212 |
| Other creditors | | 66 | 96 |
| Accrued liabilities | 14 | 1,493 | 880 |
| **Current liabilities total** | | **33,734** | **68,368** |
| | | | |
| **Total liabilities** | | **51,734** | **92,396** |
| | | | |
| **Total equity and liabilities** | | **126,963** | **137,995** |

## PARENT COMPANY CASH FLOW STATEMENT

| EUR THOUSAND | 1.1.–31.12.2020 | 1.1.–31.12.2019 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit for the period | 39,782 | 11,504 |
| Adjustments | | |
| Depreciation according to plan | 40 | 29 |
| Financial income and expenses | -39,574 | -10,962 |
| Other income and expenses without payment | | |
| Tax accrual | -47 | 128 |
| Group contributions received | -1,000 | -1,000 |
| Exchange rate differences | -634 | 147 |
| Changes in working capital | | |
| Inc(-)/dec(+) in short-term non-interest bearing receivables | 321 | 88 |
| Inc(+)/dec(-) in short-term non-interest-bearing liabilities | -7 | -191 |
| Interest received | 756 | 943 |
| Interest paid | -618 | -1,273 |
| Income taxes paid | -131 | -119 |
| **Net cash flow from operating activities** | **-1,111** | **-707** |
| | | |
| **Cash flow from investing activities** | | |
| Investments in tangible and intangible assets | -238 | |
| Paid loans | -4,780 | |
| Investments in subsidiary shares | -66 | -8,467 |
| Granted loans | -15,000 | -12,000 |
| Received loan payments | 4,250 | |
| **Net cash flow from investing activities** | **-15,834** | **-20,467** |
| | | |
| **Cash flow from financing activities** | | |
| Received group contributions | 1,000 | 1,500 |
| Dividents received | 51,000 | 8,000 |
| Related party investments to company shares | 858 | 363 |
| Share repurchase | -755 | -1,239 |
| Changes in group financing | -339 | 14,624 |
| Drawdown of short-term loans | | 5,250 |
| Repayment of short-term loans | | -5,250 |
| Drawdown of long-term loans | | 30,000 |
| Repayment of long-term loans | -6,000 | -23,750 |
| Dividends paid | -9,637 | -8,325 |
| **Net cash flow from financing activities** | **36,127** | **21,174** |
| | | |
| **Net increase/decrease in cash and cash equivalents** | **19,183** | **0** |
| Cash and cash equivalents Jan 1. | 0 | 0 |
| **Cash and cash equivalents Dec 31.** | **19,183** | **0** |

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 | 2020 | 2019 |
|---|---|---|
| Salaries, wages and fees | 1,669 | 1,624 |
| Pension costs | 217 | 258 |
| Other indirect employee expenses | 55 | 45 |
| **Total** | **1,941** | **1,927** |
| | | |
| **Fringe benefits (taxable value)** | **38** | **41** |

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

| AVERAGE NUMBER OF EMPLOYEES DURING THE PERIOD | 2020 | 2019 |
|---|---|---|
| Clerical employees | 13 | 13 |
| **Total** | **13** | **13** |

## 2. Other operating expenses

| OTHER OPERATING EXPENSES INCLUDE THE FOLLOWING SIGNIFICANT EXPENSE ITEMS, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Other operating expenses | 782 | 710 |
| **Total** | **782** | **710** |

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

| AUDITOR'S REMUNERATION, EUR THOUSAND | | |
|---|---|---|
| Auditor's remunerations of the Chartered Accountants | 57 | 42 |
| Tax advisor | 9 | 17 |
| Other services | 55 | 165 |
| **Total** | **120** | **224** |

## 3. Depreciation and amortisation

| DEPRECIATION BY ASSET CLASS, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| **Intangible assets** | | |
| Intangible rights | 18 | 22 |
| Other long-term expenses | 13 | 6 |
| Plant and equipment | 9 | |
| **Total** | **40** | **29** |
| | | |
| **Total depriciation** | **40** | **29** |

## 4. Contributions from Group companies

| EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Group contribution from Scanfil EMS Oy | 1,000 | 1,000 |
| **Total** | **1,000** | **1,000** |

## 5. Income taxes

| EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Income taxes from group contribution | 200 | 200 |
| Income taxes from actual operations | -252 | -63 |
| Income taxes from previous years | -6 | 2 |
| Change in deferred taxes | 11 | -11 |
| **Total** | **-47** | **128** |

## 6. Intangible assets

| 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** |

| EUR THOUSAND | Intangible rights | Other long-term expenses | Intangible assets total |
|---|---|---|---|
| Acquisition cost Jan 1, 2019 | 110 | 32 | 143 |
| Additions | | | |
| **Acquisition cost Dec 31, 2019** | **110** | **32** | **143** |
| | | | |
| Accumulated depreciations Jan 1, 2019 | -63 | -18 | -81 |
| Depreciations | -22 | -6 | -29 |
| **Accumulated depreciations Dec 31, 2019** | **-85** | **-25** | **-110** |
| | | | |
| Carrying amount Jan 1, 2019 | 48 | 14 | 61 |
| **Carrying amount Dec 31, 2019** | **25** | **7** | **33** |

## 7. Tangible assets

| 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 depreciations Jan 1, 2020 | | | |
| Depreciations | 9 | | 9 |
| **Accumuled depreciations Dec 31, 2020** | **9** | | **9** |
| | | | |
| Carrying amount Jan 1, 2020 | | 17 | 17 |
| Carrying amount Dec 31, 2020 | **67** | **17** | **83** |

| EUR THOUSAND | Other tangible assets | Tangible assets total |
|---|---|---|
| Acquisition cost Jan 1, 2019 | 17 | 17 |
| **Acquisition cost Dec 31, 2019** | **17** | **17** |
| | | |
| Carrying amount Jan 1, 2019 | 17 | 17 |
| **Carrying amount Dec 31, 2019** | **17** | **17** |

## 8. Holdings in Group companies

| EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Total in the beginning of period | 61,469 | 61,444 |
| Scanfil Holding Germany GmbH, additions | 66 | 25 |
| **Total at the end of period** | **61,535** | **61,469** |
| **Carrying amount at 31 Dec.** | **61,535** | **61,469** |

| 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 | 2020 | 2019 |
|---|---|---|
| **Long-term receivables** | | |
| Loan receivables | 33,141 | 25,389 |
| **Total** | **33,141** | **25,389** |
| | | |
| **Short-term receivables** | | |
| Prepayments and accrued income | 1,177 | 12,000 |
| Global Cash Pool receivables | 6,269 | 36,255 |
| Loan receivables | 5,000 | 2,000 |
| Other receivables | 58 | 614 |
| **Total** | **12,504** | **50,869** |
| | | |
| **Prepayments and accrued income** | | |
| Interest income from group | 177 | 124 |
| Group contribution from subsidiaries | 1,000 | 1,000 |
| Dividends from group | | 11,000 |
| **Total** | **1,177** | **12,000** |

## 10. Cash and equivalent

| EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Cash and bank balances | 19,183 | 0 |
| **Total** | **19,183** | **0** |

## 11. Equity

| EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| **Share capital** | | |
| Share capital Jan 1. | 2,000 | 2,000 |
| **Share capital Dec 31.** | **2,000** | **2,000** |
| | | |
| **Fair Value Reserve** | **-506** | **113** |
| | | |
| Total restricted shareholder's equity | 1,494 | 2,113 |
| | | |
| Reserve for invested unrestricted equity fund | | |
| Reserve for invested unrestricted equity fund Jan 1. | 31,317 | 28,787 |
| Addition of equity | | 2,167 |
| Options | 858 | 363 |
| **Reserve for invested unrestricted equity fund Dec 31.** | **32,176** | **31,317** |
| | | |
| **Retained earnings** | | |
| Retained earning Jan 1. | 12,168 | 10,229 |
| Retained earnings, purchase of own shares | -755 | -1,239 |
| Paid dividends | -9,637 | -8,325 |
| **Retained earnings Dec 31.** | **1,777** | **665** |
| | | |
| **Profit for the period** | **39,782** | **11,504** |
| | | |
| **Total unrestricted equity** | **73,734** | **43,486** |
| | | |
| **Total equity** | **75,229** | **45,599** |
| | | |
| **Calculation of distributable funds Dec 31.** | | |
| Reserve for invested unrestricted equity fund | 32,176 | 31,317 |
| Retained earnings | 1,777 | 665 |
| Profit for the period | 39,782 | 11,504 |
| **Total** | **73,734** | **43,486** |

## 12. Loans from financial institutions

| EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| **Non-current** | | |
| Financial Institutions | 18,000 | 24,000 |
| **Current** | | |
| Financial Institutions | 6,000 | 6,000 |
| Credit facility | | 13,184 |
| **Total** | **24,000** | **43,184** |
| | | |
| Interest-bearing liabilities will mature as follows: | | |
| Year 2020 | | 6,000 |
| Year 2021 | 6,000 | 6,000 |
| Year 2022 | 6,000 | 6,000 |
| Year 2023 | 6,000 | 6,000 |
| Year 2024 | 6,000 | 6,000 |
| | **24,000** | **30,000** |

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 2018 and 2019 financial periods, the group fulfilled the covenant terms.

## 13. Liabilities to Group companies

| EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| **Short-term liabilities to Group companies** | | |
| Accounts payable | 37 | 5 |
| Loans | 26,056 | 43,197 |
| Other liabilities | | 9 |
| **Total** | **26,093** | **43,212** |

## 14. Accrued liabilities

| EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| **The most significant items included in accrued liabilities** | | |
| Employee expenses | 660 | 600 |
| Interests | 2 | 9 |
| Other accrued liabilities | 831 | 271 |
| **Total** | **1,493** | **880** |

## 15. Commitments and contingencies

| EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| **Guarantees given** | | |
| On behalf of group company | 175 | 188 |
| **Total** | **175** | **188** |

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.

## 16. Derivative contracts

| INTEREST DERIVATIVES, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Interest swap agreements, hedging | | |
| Fair value | -66 | -54 |
| Rated value of underlying asset | 24,000 | 13,250 |

| HEDGE ACCOUNTING, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| Forward exchange contracts, hedge accounting | | |
| Fair value | -632 | 142 |
| Rated value of underlying asset | 24,381 | 15,012 |

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, 2020 was EUR 24.0 million, and maturity 27 September 2024. The fair value of the derivative was EUR -0.1 million, including accrued interest. The interest flows of the derivative occur simultaneously with the interest flows of the loan.

## 17. Other rental contracts

| EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| To be paid next accounting period | 23 | 30 |
| To be paid later | 31 | 2 |
| **Total** | **54** | **32** |

Rent liabilities do not include VAT.

## 18. Management's employment-related benefits

| SALARIES AND OTHER SHORT-TERM EMPLOYEE BENEFITS, EUR THOUSAND | 2020 | 2019 |
|---|---|---|
| **Salaries and bonuses of the President** | | |
| Salaries, wages and fees | 387 | 541 |
| Shares and options | 132 | 71 |
| | | |
| **Salaries and bonuses of the Board members** | | |
| Jarkko Takanen | 32 | 30 |
| Harri Takanen | 51 | 49 |
| Bengt Engström | 30 | 28 |
| Christer Härkönen | 28 | 26 |
| Christina Lindstedt | 30 | 29 |
| Juha Räisänen | 17 | |
| **Total salaries of the Board Members** | **187** | **162** |

# BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The parent company's distributable funds total EUR 73,734,35.62, including undistributed profits of EUR 41,558,744.08. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.17 per share be paid, totalling EUR 10,960,113.35 for the financial year ending on December 31, 2020.

## Signatures to the board of directors' report and financial statements

Sievi, February 17, 2021

**Harri Takanen**
Chairman of the Board

**Jarkko Takanen**
Member of the Board

**Christer Härkönen**
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

### 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, 2020. 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 17.3 million.

Goodwill is not amortised, 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 103.3 million representing 30 percent of the consolidated total assets as at December 31, 2020.

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 decentralised.

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 recognised 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 recognised 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 recognised.

### 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 February 25, 2021

KPMG OY AB

**Kirsi Jantunen**
Authorised Public Accountant, KHT

# CORPORATE GOVERNANCE STATEMENT 2020

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, Christina Lindstedt, Christer Härkönen (since 29 April 2020) and Juha Räisänen (during 23 April–30 November 2020) and independent of the significant shareholders of the company (Christer Härkönen, 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 www.scanfil.com under Investors. The Finnish Corporate Governance Code is available to the public at www.cgfinland.fi.

## BOARD OF DIRECTORS

Under the Companies Act, the Board of Directors is responsible for the management of the company and the proper organisation 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, organisation 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 organised.

### Composition of the Board of Directors

The following Board members were elected by the *Annual General Meeting held on April 23, 2020.*

#### 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. 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. CEO of Jussi Capital Oy. Independent of the company, not independent of major shareholders. Holds 8,596,169 shares in Scanfil plc.

#### Christer Härkönen

Member of the Board since April 8, 2014. Born 1957, M.Sc. (Tech.). CEO of DimWei Group Oy.

Independent of the company since 29 April 2020, independent of its major shareholders. Christer Härkönen has been involved in the Scanfil and PartnerTech integration process between 1 January and 30 April 2017 on Group level project tasks. Does not hold Scanfil plc shares.

#### 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 12,829 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 at ICL-Fujitsu, Nokia, SanDisk, KONE and Aliaxis. Independent of the major shareholders. Independent of the company during 23 April–30 November 2020. Not independent of the company as of 30 November 2020 due to a consulting assignment between the company and related party of a Board Member based on which the Board Member receives or has received compensation for non-board services during the past year. Does not hold Scanfil plc shares.

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 18 meetings in 2020, some of which were remote meetings. 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 23 April 2020 elected six (6) members to the Board, five 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 2020.

## Board Committees

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

The task of the Nomination and Compensation 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 (Chairman), Jarkko Takanen and Bengt Engström. The committee convened two times in 2020. 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 (chairman), Harri Takanen and Christina Lindstedt. The committee convened four times in 2020. 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 between 1 January and 31 December 2020. Petteri Jokitalo holds (31 Dec. 2020) 312,000 shares in Scanfil plc and he has the following option rights: option programme 2016(B) for 110,000 shares, 2016(C) 110,000 shares, 2019(A) 110,000 shares and 2019(B) 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 organised 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.

**Timo Sonninen**
*Vice President, Sales & Global Customers*
Timo Sonninen (b. 1966), BSc (Eng.), is responsible for sales and customer relations development globally, as well as new and local customer sales outside of Central Europe with a focus on the Nordic countries, China and the USA. Timo Sonninen holds (31 Dec. 2020) 128,000 shares in Scanfil plc and he has the following option rights: option programme 2016(C) for 20,000 shares and 2019(A) for 20,000 shares and 2019(B) for 20,000 shares.

**Kristoffer Asklöv**
*Vice President, Business Development & Central European Sales*
Kristoffer Asklöv (b. 1977), M.Sc. (Mech.Eng.) is responsible for sales for local customers as well as new sales in Central Europe. He will also will be in charge of Scanfil's global marketing as well as design sales and design strategic partnerships development globally. Kristoffer Asklöv holds 38,000 shares in Scanfil plc and he has the following option rights: option programme 2016(B) for 20,000 shares, 2016(C) for 20,000 shares, 2019(A) for 20,000 shares and 2019(B) for 20,000 shares.

**Markku Kosunen**
*CTO*
Markku Kosunen (b. 1967), technology undergraduate, is responsible for ICT and ERP, Quality processes and systems, production technology and investments. He holds (31 Dec. 2020) 39,156 shares in Scanfil plc and has the following option rights: option programme 2016(B) for 20,000 shares, 2016(C) for 20,000 shares, 2019(A) for 20,000 shares and 2091(B) for 20,000 shares.

**Kai Valo**
*CFO*
Kai Valo (b. 1965), MSc (Economics), Group's Chief Financial Officer.

He holds (31 Dec. 2020) 30,000 shares in Scanfil plc, and has the following option rights: option programme 2016(B) for 20,000 shares, 2016(C) for 20,000 shares, 2019(A) for 20,000 shares and 2019(B) for 20,000 shares.

**Riku Hynninen**
*COO*
Riku Hynninen (1972) is responsible for factories' financial and operational performance and development, global sourcing and supply chain and strategic HR until 1 November 2020.

He holds (31 Dec 2020) 21,150 shares in Scanfil plc and has the following option rights: option programme 2016(C) for 20,000 shares, 2016(C) for 20,000 shares, 2019(A) for 20,000 shares and 2019(B) 20,000 shares.

## 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 organisation 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 minimise 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 harmonised business processes included in the control system. The Group's financial administration co-ordinates the financial management of the Group.

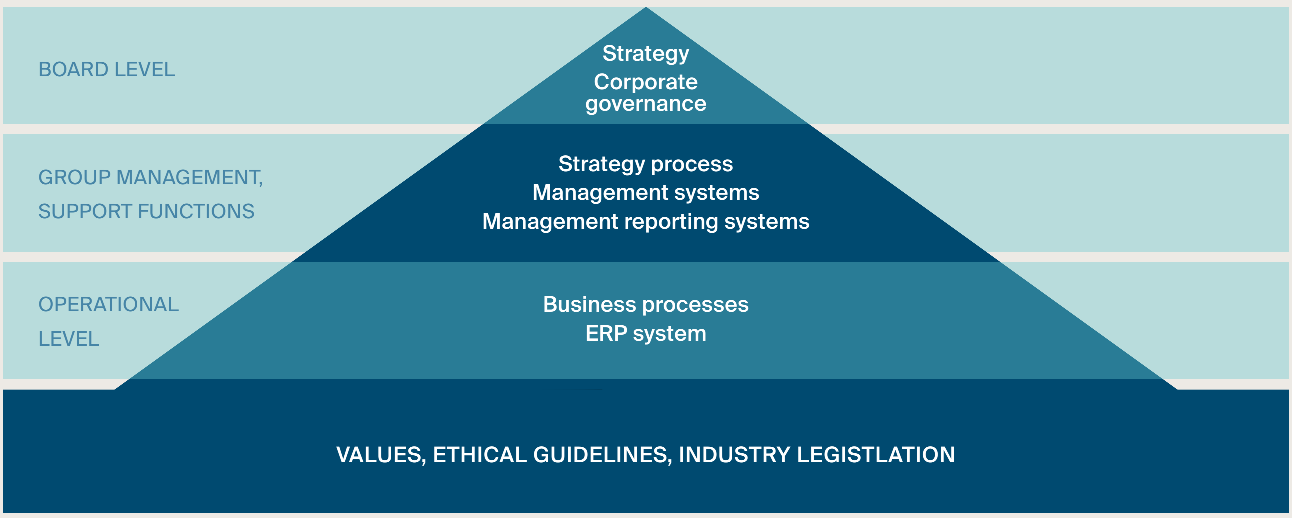
The controls included in Scanfil's operating processes form the basis of the company's financial control. They enable the company to swiftly identify and react to any deviations. The management's monthly reporting is a fundamental part of financial control. It includes producing a rolling forecast, the 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 harmonised ERP system and shared reporting tools. The use of standardised 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.

DESCRIPTION OF THE INTERNAL CONTROL AT SCANFIL PLC



## Changes in Group's structure in 2020

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

## 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 organised 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.

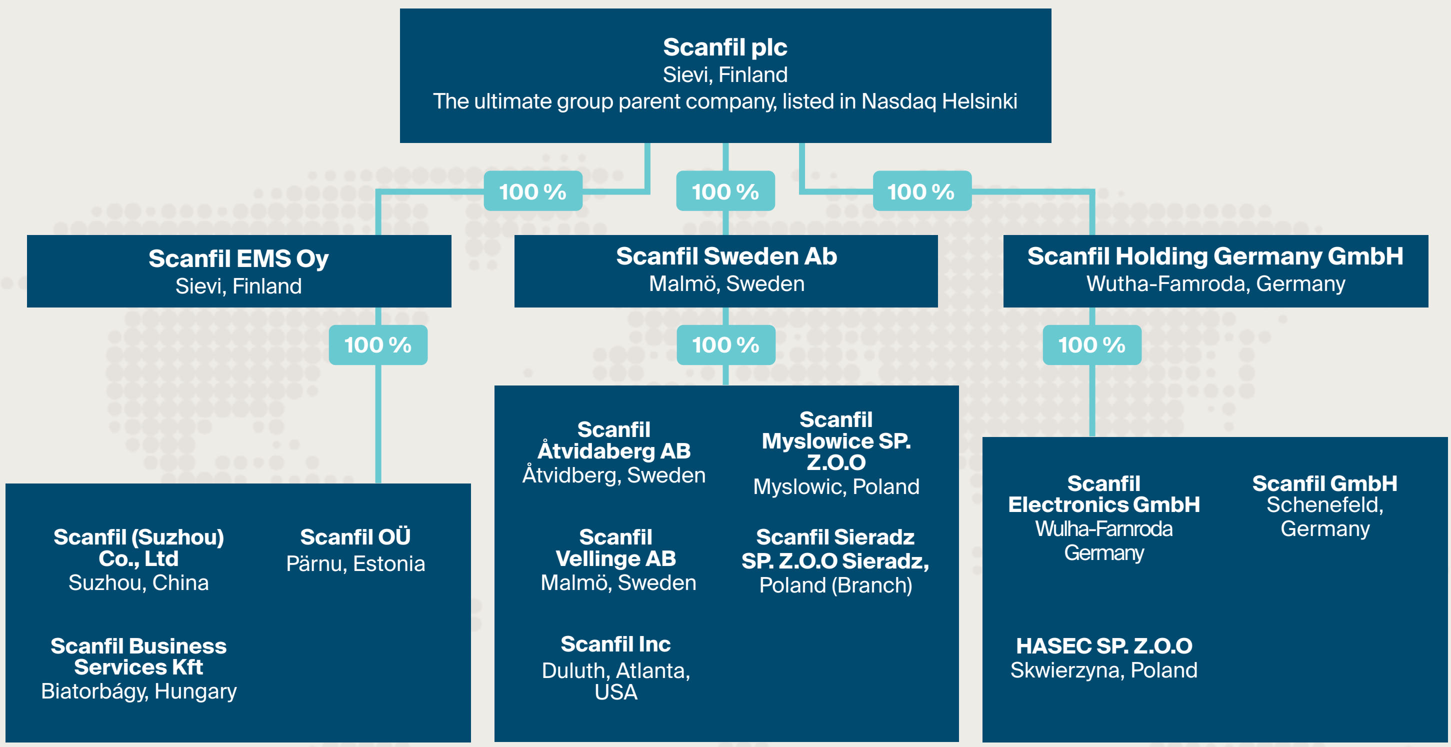
As a result of the entry into force of MAR, the company no longer has any public insiders. From July 3, 2016, the company will publish, in a stock exchange release, all business activities carried out by managers with a reporting obligation and their related parties in the company's financial instruments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

SCANFIL PLC GROUPS STRUCTURE IN 2020




In addition to companies listed above, Scanfil Sweden owns 100% of the following company which did not have operational activities in 2020 and is under voluntary liquidation to winding-up the company: PartnerTech AS (Norway).

#### 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 favourable 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, 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 is 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 23, 2020 selected the auditing firm KPMG Oy Ab to be the company's auditor, and they named Authorised Public Accountant Kirsi Jantunen as the main auditor. The audit fees for the Finnish companies of the Group for the 2020 accounting year were EUR 71,680 in total, and the parent company's share was EUR 46,680. The audit fees for the foreign companies of the Group were EUR 237,846 in total. For services unrelated to auditing, the auditing company was paid EUR 64,851.

# SCANFIL PLC BOARD OF DIRECTORS

**Harri Takanen**

*Chairman of the Board of Directors*

Harri Takanen (born 1968), Member of Board since 2013, Professional Board Member. Harri Takanen has worked for Sievi Capital plc as CEO 2007–2011. He was CEO of Scanfil plc and Scanfil EMS ltd. during 1 Jan. 2012–31 March 2013. He has served Scanfil Group since 1994, for example 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 Scanfil plc. (31 Dec. 2020).
- Chairman of Board of Directors: Titanium Oyj
- Member of Board of Directors: Jussi Capital Oy, WellO2 Oy

**Jarkko Takanen**

Jarkko Takanen (1967), Member of Board of Directors since 2012, Managing Director of Jussi Capital Oyj. He has worked for Sievi Capital Group during 1995–2004 among others as Customer Service Manager, Plant Manager, Quality Manager, IT Manager and Director of Sourcing and Logistics. As Managing Director of Belgian subsidiary Scanfil N.V. he acted between 1 April 2003 and 30 June 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 Dec. 2020).

**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 12,829 shares in Scanfil plc. (31 Dec. 2020).
- Chairman of Board of Directors: Nordic Flanges, QleanAir AB, BEngström AB, BEngström Förvaltning AB
- Member of Board of Directors: KTH Executive School, Bure Equity AB, ScandiNova Systems AB, Real Holding AB, Scandinavian Chemotech AB

**Christer Härkönen**

Christer Härkönen (born 1957), Member of Board since 2014, CEO at DimWei Group Oy. Christer Härkönen held executive positions at Oy Fibox Ab 2013–2017, Sandvik Mining and Construction in Sweden and Holland during years 2010–2013. Between 2005–2010 he led the RFID business of UPM Oyj. Between 1996 and 2005 he worked in executive positions in Elcoteq Oyj to where he transferred from Fujitsu ICL. Härkönen started his career at Nokia in 1984 and moved in 1991 with the sale of business operations to Fujitsu ICL. Christer Härkönen holds a Master's degree in Engineering. Independent of the company since 29 April 2020 and independent of major shareholders.

- Does not hold Scanfil plc shares.
- Chairman of Board of Directors at Valoya Oy
- Member of Board of Directors at Arnon Oy

**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 Dec. 2020).
- Member of Board of Directors: Handicare Group AB (Publ), 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, based in Finland, Singapore, Hong Kong, Shanghai, Brussels and currently in Vienna. Primarily he has served as a sales, manufacturing, supply chain, sourcing & procurement, quality and safety head for businesses such as IT systems & software, mobile phones, telecom networks, semiconductors (NAND flash memory products), elevators, escalators & automatic doors and plastic pipes & fittings. Juha Räisänen holds a Master's Degree of Industrial Engineering & Management. Independent of the major shareholders. Independent of the company during 23 April–30 November 2020. Not independent of the company as of 30 November 2020 due to a consulting assignment between the company and related party of a Board Member based on which the Board Member receives or has received compensation for non-board services during the past year.

- Does not hold Scanfil plc shares.
- Member of the Board of Directors: LumiDental Ltd

# SCANFIL PLC MANAGEMENT TEAM

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

**Timo Sonninen**
*Vice President, Sales & Global Customers*
Timo Sonninen (1966) is responsible for sales and customer relations development globally, as well as new and local customer sales outside of Central Europe with a focus on the Nordic countries, China and the USA since 1 December 2019. 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.

**Kristoffer Asklöv**
*Vice President, Business Development & Sales Central Europe*
Kristoffer Asklöv (1977) is responsible for sales for local customers as well as new sales in Central Europe since 1 December 2019. He is also in charge of Scanfil's global marketing as well as design sales and design strategic partnerships development globally. Before joining Scanfil he has worked as Managing Director of PartnerTech's factory in Åtvidaberg as well as Operations Manager, Program Manager and Production Manager at PartnerTech. Prior to this he worked for Toyota Material Handling. Kristoffer Asklöv holds a Master's degree in Mechanical Engineering.

**Markku Kosunen**

*CTO*

Markku Kosunen (1967) is responsible for ICT and ERP, Quality processes and systems, production technology and investments. 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.

**Kai Valo**

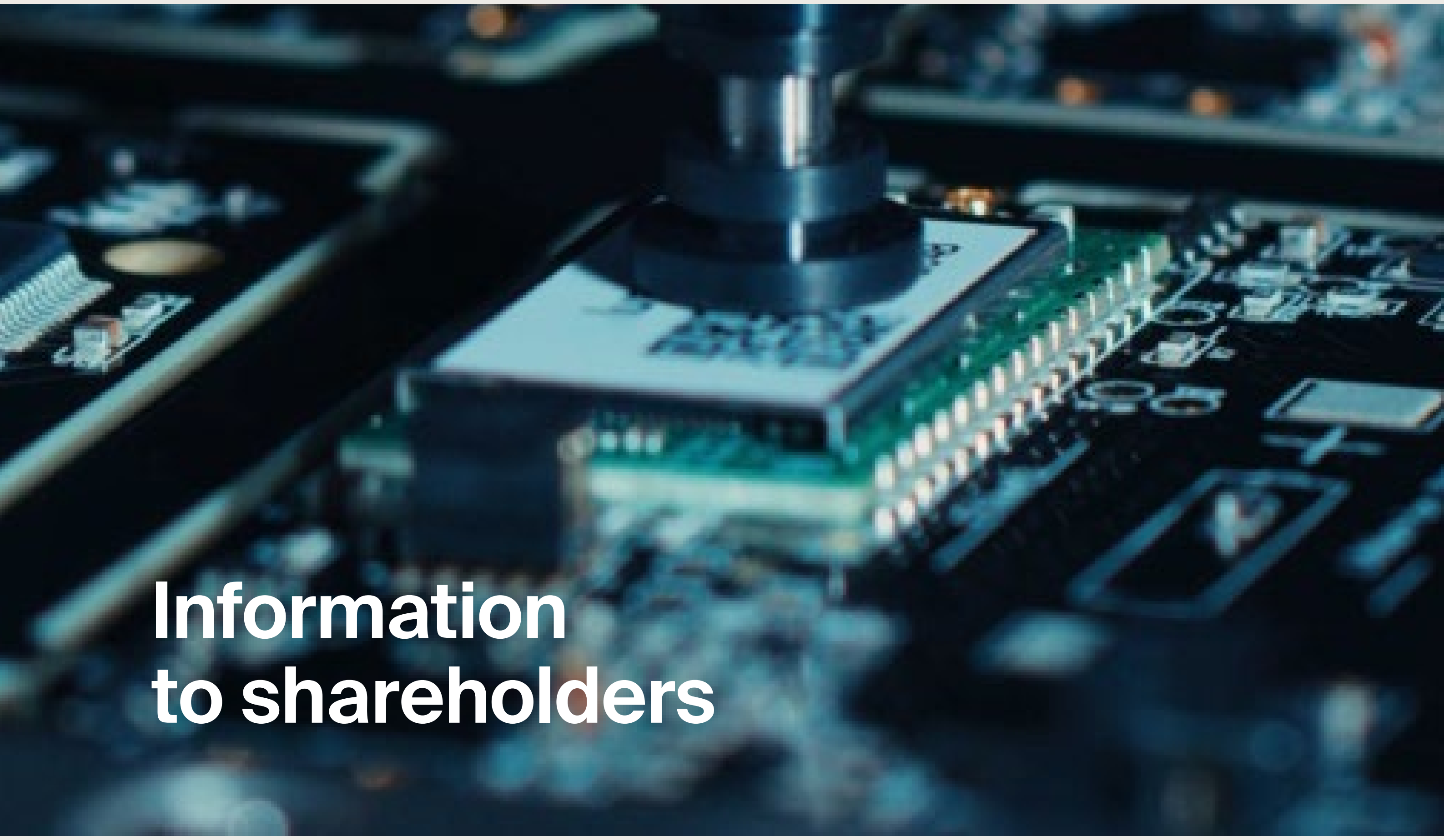
*CFO*

Mr. Kai Valo (1965) is the Group CFO since 14 October 2016. 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. Before that (during 1999–2008) he had several finance related management positions at Perlos. Kai holds a Master's Degree in Economics.

**Riku Hynninen**

*COO*

Riku Hynninen (1972) is responsible for factories financial and operational performance and development, global sourcing and supply chain and until 1.November 2020 strategic HR. He has previously worked at Nokia Corporation (1995–2018), in charge of 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 in Italy and Finland. Riku Hynninen holds Master's degree in Industrial Economics and Engineering.



# Information to shareholders

## Annual General Meeting

Scanfil plc's Annual General Meeting (AGM) will be held on Thursday 22 April 2021 at the 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 the meeting in person at the venue. The AGM will discuss the matters listed in the notice of the meeting, in accordance with the company's Articles of Association. The meeting agenda has been published on 25 March 2021. The agenda is also available at company's website www.scanfil.com.

## Distribution of profits

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.17 per share be paid for a total of EUR 10,960,113.35 for the financial year ending on 31 December 2020. The dividend matching day is 26 April 2021 and the dividend payment date 3 May 2021. The dividend will be paid to shareholders who are registered in the Register of Shareholders maintained by Euroclear Finland Ltd on the matching date.

## Financial information

In 2021, Scanfil plc will publish the following financial reviews:

- Financial statements 18 February 2021
- Annual report week 12/2021
- Interim report for January–March 23 April 2021
- Interim report for January–June 6 August 2021
- Interim report for January–September 26 October 2021

## Information to shareholders

The financial reviews will be released in Finnish and English. They will be published on the company's website at www.scanfil.com.

## Register of Shareholders

Each shareholder is requested to notify the bank, brokerage firm or Euroclear Finland Ltd, which manages the shareholder's book entry account, as the account operator selected by the shareholder of any changes in its name or address.

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