

SCANFIL

SCANFIL PLC Q3 INTERIM REPORT

Scanfil Plc

**2020 Q3 and January –
September
Interim Report**

27 OCTOBER 2020



Scanfil Group's Interim Report for Q3 and January – September 2020

Q3/2020: Solid Performance in Exceptional Environment

July - September

- Turnover totalled EUR 141.6 million (Q3 2019: 152.3), decrease of 7.0%
- Adjusted operating profit EUR 9.9 (12.1) million, 7.0% (7.9%) of turnover, decrease of 18.1%
- Operating profit EUR 21.2 (12.1) million, 15.0% (7.9%) of turnover, increase of 76.1%. Operating profit includes a non-recurring capital gain from the sale of Hangzhou factory of EUR 11.4 million
- Net profit was EUR 18.0 (8.8) million
- Earnings per share were EUR 0.28 (0.14), adjusted earnings per share EUR 0.12 (0.14)

January – September

- Turnover totalled to EUR 441.3 (1-9 2019: 424.8) million, increase of 3.9%
- Adjusted operating profit EUR 28.7 (29.3) million, 6.5% (6.9%) of turnover, decrease of 2.3%
- Operating profit EUR 40.1 (25.3) million, 9.1% (6.0%) of turnover. Operating profit includes a non-recurring capital gain from the sale of Hangzhou factory of EUR 11.4 million
- Net profit for the review period was EUR 33.8 (18.3) million
- Earnings per share were EUR 0.52 (0.28), adjusted earnings per share EUR 0.36 (0.35)

Future Outlook

Scanfil updates its outlook and estimates that its turnover for 2020 will be EUR 590 - 610 million and adjusted operating profit EUR 38 - 40 million.

Earlier estimate:

Scanfil estimates that its turnover for 2020 will be EUR 580 – 620 million and adjusted operating profit EUR 38 – 42 million.

The 2020 guidance is subject to exceptional uncertainty due to the potential negative effects of the coronavirus pandemic on customer demand, supply chain capacity as well as the safety and operational capability of our own factories and personnel.

Long Term Target

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

In addition, Scanfil is actively exploring acquisition opportunities, especially in the Nordic countries and Central Europe.

KEY FIGURES

	Q3/2020	Q3/2019	Change%	Q1-Q3/2020	Q1-Q3/2019	Change %	2019
Turnover, EUR million	141.6	152.3	-7.0%	441.3	424.8	3.9%	579.4
Operating Profit, EUR million	21.2	12.1	76.1%	40.1	25.3	58.1%	35.3
Operating Profit, Adjusted, EUR million	9.9	12.1	-18.1%	28.7	29.3	-2.3%	39.4
Operating Profit, %	15.0	7.9		9.1	6.0		6.1
Operating Profit, Adjusted, %	7.00	7.9		6.5	6.9		6.8
Net Profit, EUR million	18.0	8.8	103.5%	33.8	18.3	85.0%	28.1
Net Profit, Adjusted, EUR million	7.5	8.8	-14.9%	23.3	22.3	4.6%	32.1
Earnings per Share, EUR	0.28	0.14	100.0%	0.52	0.28	85.7%	0.44
Earnings per Share, Adjusted, EUR	0.12	0.14	-14.3%	0.36	0.35	2.9%	0.50
Return on Equity, %				26.1	16.2		18.0
Return on Equity, Adjusted. %				18.2	19.5		20.4
Equity Ratio, %				53.3	43.3		49.1
Net Gearing, %				14.4	40.5		27.7
Net Cash Flow from Operations, EUR million				25.9	14.9	74.2%	35.9
Employees (Average)				3 445	3 511	-1.9%	3 530

CEO PETERI JOKITALO

I am pleased with Scanfil's solid performance in the third quarter. We succeeded well in our COVID-19 countermeasures, and our profitability development was strong in exceptional circumstances. I am also delighted of the results of the customer satisfaction survey which show that also our customers think we have succeeded in our development work, and Scanfil can even better meet their expectations.

We also proceeded as planned in the transformation of our factory network: the Hangzhou factory was divested in July. In Hamburg, the negotiations were started with the personnel concerning the factory's possible closing and continuing operations at other Scanfil factories.

Our turnover for the third quarter decreased by 7% from the last year's strong reference period and was EUR 141.6 million. Turnover mainly decreased in the Industrial and Consumer Applications segments. July and August were quiet, while demand started to pick up in September. The delivery capacity of the supply chain set no significant restrictions on our deliveries.

The adjusted operating profit for the third quarter was EUR 9.9 million, comprising 7.0% of turnover. The achieved result is a solid indication of Scanfil's flexibility and the capabilities of Scanfil's personnel. The COVID-19 situation caused rapid changes in customer demand, which could be mitigated by reacting fast and managing costs tightly. Net cash flow from operating activities during this year was EUR 25.9 million, EUR 11 million better than a year earlier.

The sales gains of the divestment of the Hangzhou factory were reported during the third quarter. The sales gains of EUR 11.4 million increase our reported operating profit for the quarter to EUR 21.2 million. The Hamburg factory's planned closure is expected to result in a one-time cost of approximately EUR 6 million, estimated to occur in either the fourth quarter of the year or 2021, depending on the process's progress.

The Hangzhou factory's divestment in July had no significant impact on our turnover for the third quarter as the factory's major customers have transferred their orders to other Scanfil units for now. However, these sales mainly consist of intermediate sales that have no significant impact on profit.

Scanfil has a strong financial position. At the end of the third quarter, we had around EUR 20 million in cash assets and an unused credit facility of around EUR 56 million. The equity ratio was 53.3%, and net gearing was 14.4%.

Our outlook for the rest of the year has been specified and we estimate the turnover for 2020 will be EUR 590 - 610 million and adjusted operating profit EUR 38 - 40 million. Our estimate is based on our customers' current demand forecasts.

The COVID-19 pandemic is not over, and it is clear that many uncertainties characterize the future. When times are challenging, it is even more important to focus on the essential: our customers' needs and the good leadership of our employees. Scanfil's strong balance sheet withstands these exceptional circumstances in sight and enables the required investments. I believe in Scanfil's and also our customers' ability to come out from this situation and become even stronger than before. I am proud of the contribution of our employees and grateful for customers' trust.

MARKETS AND CUSTOMER SEGMENTS

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

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

During the third quarter, the group's turnover decreased by EUR 10.6 million (7.0%) from the strong corresponding period last year. Turnover mainly decreased in the Industrial and Consumer Applications segments.

The turnover of the Communications segment decreased by EUR 0.7 million (3.3%) compared with the previous year's third quarter, and by EUR 8.2 million (28.3%) compared with the second quarter this year. Compared with the previous quarter, the decrease in turnover was mainly attributable to lower demand for

network elements. The divestment of the Hangzhou factory in July had no significant impact on the Communication segment's turnover, because customers have transferred their orders to other Scanfil units, at least at present. However, these sales consist mainly of intermediate sales that have no significant impact on results.

The Consumer Applications segment's turnover decreased by EUR 6.5 million (23.3%) from the previous year. The negative impact of the coronavirus pandemic was clearly reflected in this segment. However, there were encouraging signs of demand picking up as the third quarter progressed.

The turnover of the Energy & Automation segment increased by EUR 1.0 million (3.5%) from the previous year. The development of customer-specific sales showed great variation: Mainly customer demand developed positively, but the segment also has customers whose demand decreased significantly from the previous year.

The Industrial segment's turnover decreased by EUR 4.4 million (8.9%) from the corresponding period last year. The decrease in turnover spread evenly throughout the customer base. In particular, July and August were slower. However, general demand already picked up noticeably in September.

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

The largest customer accounted for 15% (15%) of turnover and the top ten customers accounted for 59% (56%) of turnover.

EUR million	Q1/2019	Q2/2019	Q3/2019	Q4/2019	Q1/2020	Q2/2020	Q3/2020	% of Q3 turnover 2020
Communication	17.9	19.4	21.4	20.7	22.4	28.9	20.7	14.6%
Consumer Applications	23.5	27.6	27.8	28.3	18.7	20.3	21.3	15.1%
Energy & Automation	25.7	28.3	27.9	29.4	30.7	32.6	28.9	20.4%
Industrial	35.9	41.5	49.0	46.8	45.6	48.5	44.7	31.5%
Medtec & Life Science	26.9	25.7	26.1	29.4	26.7	25.3	26.1	18.4%
Total	129.9	142.6	152.3	154.7	144.1	155.6	141.6	100.0%

TURNOVER

- **July – September** turnover totalled EUR 141.6 million, decrease of EUR 10.6 million, 7.0% compared to the same period last year.

Key changes by customer segments year-on-year:

- The turnover of the Consumer Applications segment decreased by EUR 6.5 million.
- The turnover of the Industrial segment decreased by EUR 4.4 million, or 8.9%, year-on-year
- Changes in turnover are described in more detail in the “Markets and customer segments” section.
- **January- September** turnover totalled EUR 441.3 million, increase of 3.9%.



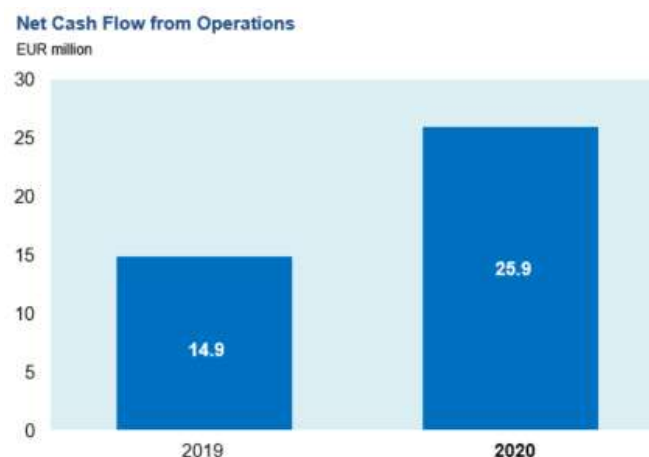
OPERATING PROFIT

- In **July – September**, the adjusted operating profit was EUR 9.9 million (7.0% of turnover). The operating profit decreased by EUR 2.2 million, or 18.1%, compared with the corresponding period of the previous year.
 - The decrease of operating profit was mainly due to the decrease in turnover.
 - In addition, some of the Communications segment’s sales consisted of intermediate sales, which had no impact to the result.
- In **July – September**, the reported operating profit was EUR 21.2 million (15.0% of turnover). The reported operating profit includes a total of EUR 11.4 million of adjustments related to the divestment of the Chinese Hangzhou subsidiary.
- In **January – September**, the adjusted operating profit was EUR 28.7 million, or 6.5% of turnover. The operating profit decreased by EUR 0.7 million, or 2.3%, compared with the adjusted operating profit for the corresponding period in the previous year.
 - As a result of the divestment of the Chinese Hangzhou subsidiary, part of the Communications segment’s turnover consisted of intermediate sales with low profitability.
 - The coronavirus pandemic reduced productivity and resulted additional costs. These are described in more detail in the “COVID-19” section



NET CASH FLOW FROM OPERATIONS

- In **January – September**, net cash flow from operating activities increased by EUR 11.0 million from the previous year to EUR 25.9 million.
 - The net cash flow increased as a result of the good management of working capital.



Scanfil Group's Interim Report for 1 January – 30 September 2020

FINANCIAL DEVELOPMENT

Scanfil EMS Oy, a subsidiary of Scanfil plc, divested all shares in the Chinese subsidiary Scanfil (Hangzhou) Co., Ltd. at a price of EUR 18.4 million. The terms and conditions of the transaction have been fulfilled, and the transaction became effective on July 14, 2020. The positive impact of the transaction on the operating profit was EUR 11.4 million, of which EUR 7.9 million consisted of equity translation differences.

The Group's turnover for January – September was EUR 441.3 (424.8) million, increase of 3.9% compared to the corresponding period of the previous year. The turnover of the Communications segment increased by EUR 13.2 million (22.5%) as a result of positive demand for network elements at the beginning of the year. The Consumer Applications segment's turnover decreased by EUR 18.6 million (23.6%) year-on-year. The negative impact of the coronavirus pandemic was especially reflected in demand in this segment. Demand in the Energy and Automation segment increased by EUR 10.2 million (12.5%). The increase in demand was attributable to several customer relationships. The turnover of the Industrial segment increased by EUR 12.3 million (9.7%), primarily as a result of the HASEC business acquisition completed a year ago. The turnover of the Medtec & Life Science segment remained at the previous year's level.

The Group's operating profit for January – September was EUR 40.1 (25.3) million, 9.1% (6.0%) of turnover. The operating profit includes EUR +11.4 million of adjustments related to the divestment of the Chinese subsidiary Scanfil (Hangzhou) Co. Ltd. The operating profit for 2019 includes adjustment items of EUR -4.0 million, which consists of expenses related to the acquisition of HASEC-Elektronik GmbH (EUR 0.4 million) and a write-down of goodwill (EUR 3.6 million) related to Scanfil GmbH's business operations.

The adjusted operating profit was EUR 28.7 (29.3) million, representing 6.5% (6.9%) of turnover. The adjusted operating profit decreased by 2.3% year-on-year. As a result of the divestment of the Chinese Hangzhou subsidiary, part of the Communications segment's turnover consisted of intermediate sales with low profitability. The coronavirus pandemic reduced productivity and resulted in additional costs.

The result for the review period was EUR 33.8 (18.3) million, and the adjusted result was EUR 23.3 (22.3) million.

Reported earnings per share were EUR 0.52 (0.28) for the period under review, and adjusted earnings per share were EUR 0.36 (0.35). Return on investment was 24.1% (16.2%). The increase in the reported key figures is mainly attributable to the aforementioned adjustment items.

The Group's turnover for July – September was EUR 141.6 (152.3) million, showing a decrease of 7.0% from the corresponding period last year. Operating profit was EUR 21.2 (12.1) million, representing 15.0% (7.9%) of turnover. The adjusted operating profit was 9.9 EUR million, or 7.0% of turnover. The operating profit for the previous year's third quarter did not include any adjustment items. The result for July – September was EUR 18.0 (8.8) million, and the adjusted result was EUR 7.5 (8.8) million.

FINANCING AND CAPITAL EXPENDITURE

The Group has a stable financing position. The consolidated balance sheet total was EUR 334.8 (360.1) million at the end of the review period. Cash assets totalled EUR 20.0 (18.7) million. Liabilities amounted to EUR 157.1 (204.3) million, of which non-interest-bearing liabilities totalled EUR 111.6 (122.2) million and interest-bearing liabilities totalled EUR 45.5 (82.1) million. Interest-bearing liabilities consist of loan liabilities EUR 25.9 (58.7) million and leasing liabilities EUR 19.6 (23.4) million. The equity ratio was 53.3% (43.3%), and net gearing was 14.4% (40.5%). Equity per share was EUR 2.74 (2.41). The increase in the key figures is mainly attributable to the aforementioned adjustment items.

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

Net cash flow from operating activities for the review period January – September was EUR 25.9 (14.9) million. The change in net working capital during the review period January – September amounted to EUR -5.4 (-16.7) million. The change in working capital in January – September 2020 compared to the turn of the previous year consists of the following items: short-term non-interest-bearing receivables increased by EUR 14.4 million, inventories increased by EUR 10.1 million and short-term non-interest-bearing liabilities increased by EUR 19.1 million. Net cash flow from investing activities was EUR 4.9 (-14.3) million. The net cash flow

for the current year includes the cash flow effect of the sale of the Chinese Hangzhou subsidiary of EUR 13.0 million and investments in tangible and intangible assets EUR -8.5 million. The previous year's cash flow includes the cash flow effect of the acquisition of HASEC-Elektronik GmbH of EUR -7.5 million and other investments EUR 7.3 million. Cash flow from financing activities was EUR -30.8 (-1.2) million. A total of EUR 9.6 million was paid in dividends. The long-term loans repayments were made the amount of EUR 6.4 million and the use of the credit limit decreased by EUR 11.9 million compared to the turn of the year.

Gross investments in January – September totalled EUR 8.5 (17.5) million, which was 1.9% (4.1%) of the turnover. The investments were mainly acquisitions of machinery and equipment. The previous year's investments include the acquisition price of HASEC-Elektronik GmbH's shares of EUR 10.3 million. Depreciation excluding impairment was EUR 11.3 (10.3) million.

THE IMPACT OF COVID-19 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. The market situation has worsened essentially, especially in the Consumer Applications segment. For example, with the pandemic escalating, the use of self-service equipment for consumers decreased significantly, and customers responded quickly by cutting their forecasts and orders.

The Group has received various government subsidies, mainly related to compensation of employees' working hours and pension contributions, of approximately EUR 1.7 million. With these, part of the above-mentioned productivity losses have been compensated.

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

- Factory shutdown due to orders from the Chinese authorities: EUR -0.5 million
- The shutdown of the Myslowice factory in April: EUR -0.5 million
- Extraordinary costs caused by the pandemic concerning freight, protective equipment and other special arrangements: EUR -0.9 million

The estimated net effect of the above items excluding the decrease in productivity due to loss of turnover was approximately EUR 1.9 million.

The group's financial position has improved significantly from the time preceding the coronavirus situation. COVID-19 did not have a significant negative impact on the Group's cash flow during January – September. The pandemic did not have an impact on Group's financial structure or its costs. The Group's current and non-current financial liabilities are significantly lower than at the beginning of the year due to the positive development of working capital and the divestment of the Chinese Hangzhou subsidiary. The Group has paid dividends for 2019, EUR 9.6 million in May. The payment of dividends and investments, EUR 8.5 million, have been financed from net cash flow from operating activities. The covenant terms were clearly complied by the end of the review period.

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

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

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

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

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

SCANFIL

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

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

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

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

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

The minutes of the Annual General Meeting have been available on the company's website, www.scanfil.com, as of 7 May 2020.

OWN SHARES AND SHARES SUBSCRIBED WITH STOCK OPTIONS

During the review period, Scanfil Plc's shares have been subscribed with the company's stock options; 2016(A) 150,000 and 2016(B) 30,000 shares. The subscription price for subscriptions EUR 614,100 has been entered in the company's reserve for invested unrestricted equity. The subscribed shares were transferred during the review period, of which 130,000 were new shares and 50,000 were own shares.

On 30 September 2020 company owns 428,738 its own shares, representing 0.1% of all shares.

SHARE TRADING AND SHARE PERFORMANCE

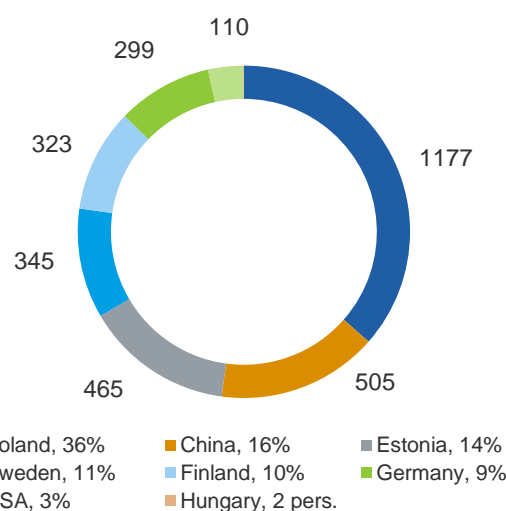
The highest trading price during the review period was EUR 6.00 and the lowest EUR 3.26, the closing price for the period standing at EUR 5.42. A total of 4,722,752 shares were traded during the period, corresponding to 7.3% of the total number of shares.

The market value of the shares on 30 September 2020 was EUR 351.4 million.

PERSONNEL

At the end of the period under review, the Group employed 3,226 (3,610) people, of whom 2,903 (3,275) worked outside Finland and 323 (335) in Finland. The average number of Group employees during the review period was 3,445 (3,511) people.

Personnel by Country 3 226 (30 September 2020)



STATUS OF SCANFIL GMBH'S CONSULTATION PROCESS

On 1 July 2020, Scanfil announced that it is planning to shut down the production of Scanfil GmbH in Hamburg and close the plant. The company has started a consultation process concerning the personnel of the entire Hamburg factory. The process is on-going. No decisions have been made on the arrangements and there are no detailed plans. Therefore, any restructuring costs have not been recognized.

FUTURE OUTLOOK

Scanfil estimates that its turnover for 2020 will be EUR 590 – 610 million and adjusted operating profit EUR 38 – 40 million.

LONG TERM TARGET

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

SCANFIL

In addition, Scanfil is actively exploring acquisition opportunities, especially in the Nordic countries and Central Europe.

OPERATIONAL RISKS AND UNCERTAINTIES

At present, uncertainty in the current year is still caused by the yet unknown negative effects of the spread of the Coronavirus pandemic. No essential changes have taken place in the Scanfil's other business risks during the review period.

A weakening of the global economy and a decrease in the international demand for capital goods could have a negative effect on the development of the business operations of Scanfil's customers and could subsequently reduce demand in the contract manufacturing market. In particular, changes in

international trade agreements and an increase in international trade restrictions could increase uncertainty in the development of the world economy. In addition, Scanfil is exposed to risks resulting from exchange rate fluctuations in its business operations.

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

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

EUR million

	7 - 9 2020	7 - 9 2019	1 - 9 2020	1 - 9 2019	1 - 12 2019
Operating profit	21.2	12.1	40.1	25.3	35.3
Operating profit, % of turnover	15.0%	7.9%	9.1%	6.0%	6.1%
Adjustment items:					
<i>Other operating income</i>	-11.5		-11.5		
<i>Expenses</i>	0.2	0.0	0.2	0.4	0.4
<i>Depreciation and amortization</i>				3.6	3.6
Total adjustment items	-11.4	0.0	-11.4	4.0	4.0
Adjusted operating profit	9.9	12.1	28.7	29.3	39.4
Adjusted operating profit, % of turnover	7.0%	7.9%	6.5%	6.9	6.8%
Financial income and expenses	-0.8	-0.9	-1.3	-1.3	-1.3
Profit before taxes	20.5	11.2	38.8	24.0	34.0
Income taxes	-2.5	-2.3	-5.0	-5.7	-5.9
Adjustment items:					
<i>Income taxes</i>	0.9		0.9		
Total adjustment items	0.9		0.9		
Net profit for the period	18.0	8.8	33.8	18.3	28.1
Earnings per share, EUR	0.28	0.14	0.52	0.28	0.44
Adjusted net profit for the period	7.5	8.8	23.3	22.3	32.1
Adjusted earnings per share, EUR	0.12	0.14	0.36	0.35	0.50
Equity			177.7	155.8	166.7
Return on equity, %			26.1%	16.2%	18.0%
Adjustment items:					
<i>Net profit for the period</i>			1.1	4.0	4.0
<i>Impact of the sale of the subsidiary on net asset</i>			-3.7		
Adjusted equity			175.1	159.9	170.7
Adjusted return on equity, %			18.2%	19.5%	20.4%

The adjustment for other operating income consists of Scanfil (Hangzhou) Co. Ltd, which includes translation differences in equity of EUR 7.9 million. The Expenses adjustment item includes expenses incurred from the sale of the subsidiary and the Income taxes adjustment item includes taxes incurred on the sale.

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

The result for the financial year presented in equity adjustments includes the costs and income taxes incurred in 2020 on the sale of the Chinese Hangzhou subsidiary. In 2019, the corresponding item includes the above-mentioned adjustments affecting the result.

ACCOUNTING PRINCIPLES

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

The accounting principles applied in this Interim Report correspond with those defined in the Group's 2019 financial statements.

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

This Interim Report is unaudited.

In its meeting held on 26 November 2020, the Board of Director of Scanfil plc approved this Interim Report release for publication.

CONSOLIDATED INCOME STATEMENT

EUR million

	7 - 9 2020	7 - 9 2019	1 - 9 2020	1 - 9 2019	1 - 12 2019
Turnover	141.6	152.3	441.3	424.8	579.4
Other operating income	11.8	0.2	12.1	0.8	1.0
Changes in inventories of finished goods and work in progress	1.9	0.8	1.7	1.1	0.8
Manufacturing for own use			0.0		0.0
Expenses	-130.3	-137.4	-403.8	-387.4	-528.2
Depreciation and amortization	-3.7	-3.7	-11.3	-13.9	-17.7
Operating profit	21.2	12.1	40.1	25.3	35.3
Financial income and expenses	-0.8	-0.9	-1.3	-1.3	-1.3
Profit before taxes	20.5	11.2	38.8	24.0	34.0
Income taxes	-2.5	-2.3	-5.0	-5.7	-5.9
Net profit for the period	18.0	8.8	33.8	18.3	28.1
Attributable to:					
Equity holders of the parent	18.0	8.8	33.8	18.3	28.1
Earnings per share for profit attributable to shareholders of the parent:					
undiluted (EUR)	0.28	0.14	0.52	0.28	0.44
diluted (EUR)	0.28	0.14	0.52	0.28	0.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million

	7 - 9 2020	7 - 9 2019	1 - 9 2020	1 - 9 2019	1 - 12 2019
Net profit for the period	18.0	8.8	33.8	18.3	28.1
Items that may later be recognized in profit or loss					
Translation differences	-1.7	-0.9	-4.7	-1.0	0.3
Cash flow hedges	-0.1	-0.4	-0.5	0.1	0.4
Other comprehensive income, net of tax	-1.8	-1.2	-5.2	-0.9	0.7
Total Comprehensive Income	16.2	7.6	28.5	17.3	28.8
Attributable to:					
Equity holders of the parent	16.2	7.6	28.5	17.3	28.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

Assets	30.9.2020	30.9.2019	31.12.2019
Non-current assets			
Property, plant and equipment	47.8	50.1	50.7
Right-of-use asset	18.2	22.3	21.0
Goodwill	8.0	7.9	8.0
Other intangible assets	15.2	16.0	16.8
Available-for-sale investments	0.5	0.5	0.5
Deferred tax assets	5.9	5.3	5.7
Total non-current assets	95.6	102.2	102.7
Current assets			
Inventories	106.2	115.2	101.9
Trade and other receivables	109.7	120.1	112.1
Advance payments	0.6	0.3	0.5
Current tax	2.8	3.6	2.4
Cash and cash equivalents	20.0	18.7	20.4
Total current assets	239.2	257.9	237.3
Total assets	334.8	360.1	340.0
Shareholder's equity and liabilities	30.9.2020	30.9.2019	31.12.2019
Equity attributable to equity holders of the parent			
Share capital	2.0	2.0	2.0
Reserve for invested unrestricted equity fund	31.6	30.9	31.0
Fair value reserve	-0.3	-0.2	0.2
Other reserves	2.6	6.9	6.9
Translation differences	-8.0	3.3	4.6
Retained earnings	149.8	112.9	122.0
Total equity	177.7	155.8	166.7
Non-current liabilities			
Deferred tax liabilities	5.6	7.0	7.0
Provisions	0.5	0.4	0.4
Interest bearing liabilities	18.5	1.2	24.7
Lease liability	16.2	19.8	18.8
Total non-current liabilities	40.9	28.3	50.9
Current liabilities			
Trade and other liabilities	102.8	111.1	96.1
Current tax	2.4	3.5	3.0
Provisions	0.2	0.2	0.2
Interest bearing liabilities	7.4	57.5	19.5
Lease liability	3.4	3.6	3.5
Total current liabilities	116.2	175.9	122.4
Total liabilities	157.1	204.3	173.3
Total shareholder's equity and liabilities	334.8	360.1	340.0

CONSOLIDATED CASH FLOW STATEMENT

EUR million

	1.1.-30.9.2020	1.1.-30.9.2019	1.1.-31.12.2019
Cash flow from operating activities			
Net profit	33.8	18.3	28.1
Adjustments for the net profit	6.1	21.0	25.6
Change in net working capital	-5.4	-16.7	-7.6
Paid interests and other financial expenses	-1.4	-1.7	-2.3
Interest received	0.1	0.2	0.3
Taxes paid	-7.4	-6.2	-8.2
Net cash from operating activities	25.9	14.9	35.9
Cash flow from investing activities			
Sale of a subsidiary less cash and cash equivalents at the time of disposal	13.0		
Acquisition of subsidiaries less cash and cash equivalents at the time of acquisition		-7.5	-7.5
Investments in tangible and intangible assets	-8.5	-7.3	-10.6
Sale of tangible and intangible assets	0.3	0.4	0.5
Dividends received	0.1		
Net cash from investing activities	4.9	-14.3	-17.6
Cash flow from financing activities			
Related-party investment company shares	0.6	0.3	0.4
Purchase of own shares	-0.8	-0.5	-1.2
Proceeds from long term loans			30.0
Repayment of long-term loans	-6.4	-5.3	-23.8
Proceeds from short term loans	1.3	16.3	5.3
Repayment of short-term loans	-13.2	-1.2	-16.1
Repayment of lease liabilities	-2.7	-2.5	-3.3
Dividends paid	-9.6	-8.3	-8.3
Net cash from financing activities	-30.8	-1.2	-17.1
Net increase/decrease in cash and cash equivalents	0.0	-0.7	1.1
Cash and cash equivalents at beginning of period	20.4	19.2	19.2
Changes in exchange rates	-0.4	0.2	0.1
Cash and cash equivalents at end of period	20.0	18.7	20.4

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR million

Equity attributable to equity holders of the parent company

Equity	Share capital	Reserve for invested unrestricted equity fund	Fair value reserve	Reserve fund	Translation differences	Retained earnings	Equity total
1.1.2020	2.0	31.0	0.2	6.9	4.6	122.0	166.7
Total comprehensive income			-0.5		-4.7	33.8	28.5
Selling of subsidiary				-4.3	-7.9	4.3	-7.9
Share issue		0.4					0.4
Option Scheme		0.2				0.1	0.3
Purchase of own shares						-0.8	-0.8
Paid dividends						-9.6	-9.6
Equity 30.9.2020	2.0	31.6	-0.3	2.6	-8.0	149.8	177.7

Equity attributable to equity holders of the parent company

Equity	Share capital	Reserve for invested unrestricted equity fund	Fair value reserve	Reserve fund	Translation differences	Retained earnings	Equity total
1.1.2019	2.0	28.4	-0.2	6.7	4.3	103.6	144.7
Total comprehensive income			0.1		-1.0	18.3	17.3
Fund transfer				0.2		-0.2	
Share issue		2.4					2.4
Option Scheme						0.2	0.2
Purchase of own shares						-0.5	-0.5
Paid dividends						-8.3	-8.3
Equity 30.9.2019	2.0	30.9	-0.2	6.9	3.3	112.9	155.8

KEY INDICATORS

	1 - 9 2020	1 - 9 2019	1 - 12 2019
Return on equity, %	26.1	16.2	18.0
Return on investment, %	24.1	16.2	17.0
Interest-bearing liabilities, EUR million	45.5	82.1	66.6
Gearing, %	14.4	40.5	27.7
Equity ratio, %	53.3	43.3	49.1
Gross investments, EUR million	8.5	17.5	21.1
% of net turnover	1.9	4.1	3.6
Personnel, average	3 445	3 511	3 530
Earnings per share, EUR	0.52	0.28	0.44
Shareholders' equity per share, EUR	2.74	2.41	2.58
Number of shares at the end of period, 000's			
- not counting own shares	64 401	64 521	64 400
- weighted average	64 372	64 263	64 296

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

DISAGGREGATION OF REVENUES

EUR million

	7 - 9 2020			7 - 9 2019		
	Goods	Services	Total	Goods	Services	Total
Customer Segments						
Communication	18.0	2.7	20.7	18.0	3.4	21.4
Consumer Applications	21.1	0.3	21.3	27.2	0.6	27.8
Energy & Automation	27.7	1.2	28.9	26.4	1.5	27.9
Industrial	41.9	2.8	44.7	46.2	2.8	49.0
Medtec & Life Science	25.1	1.0	26.1	24.6	1.5	26.1
Total	133.7	8.0	141.6	142.4	9.8	152.3
Timing of revenue recognition						
Goods and services transferred at a point of time	133.7	7.6	141.3	142.4	9.0	151.4
Services transferred over time		0.4	0.4		0.8	0.8
Total	133.7	8.0	141.6	142.4	9.8	152.3

	1 - 9 2020			1 - 9 2019		
	Goods	Services	Total	Goods	Services	Total
Customer Segments						
Communication	63.4	8.5	71.9	49.3	9.4	58.7
Consumer Applications	58.2	2.1	60.3	76.3	2.6	78.9
Energy & Automation	87.6	4.5	92.1	77.9	4.0	81.9
Industrial	132.2	6.6	138.8	118.3	8.2	126.5
Medtec & Life Science	74.0	4.1	78.1	73.2	5.5	78.7
Total	415.4	25.9	441.3	395.1	29.6	424.8
Timing of revenue recognition						
Goods and services transferred at a point of time	415.4	24.4	439.8	395.1	26.9	422.0
Services transferred over time		1.5	1.5		2.8	2.8
Total	415.4	25.9	441.3	395.1	29.6	424.8

CHANGES IN GOODWILL

EUR million

	1 - 9 2020	1 - 9 2019	1 - 12 2019
Book value at the beginning of the period	8.0	10.1	10.1
Business combinations		1.6	1.6
Impairment		-3.6	-3.6
Exchange rate differences	-0.1	-0.3	-0.2
Book value at the end of the period	8.0	7.9	8.0

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

CHANGES IN TANGIBLE NON-CURRENT ASSETS

EUR million

	1 - 9 2020	1 - 9 2019	1 - 12 2019
Book value at the beginning of the period	71.6	63.9	63.9
Additions	7.8	7.3	10.0
Deductions	-0.4	-0.2	0.2
Business combinations		10.4	10.4
Selling of subsidiary	-2.0		
Depreciations	-9.3	-8.6	-11.8
Exchange rate differences	-1.8	-0.3	-1.3
Book value at the end of the period	66.0	72.5	71.6

Scanfil plc's subsidiary Scanfil EMS Oy has sold the entire share capital of Scanfil (Hangzhou) Co., Ltd, a subsidiary located in China, for purchase price of EUR 18.4 million. The positive effect of the transaction on operating profit was EUR 11.4 million of which EUR 7.9 million were translation differences in equity. The decrease in tangible non-current assets presented in the line Selling of subsidiary is related to the transaction in question.

FINANCIAL ASSETS AND LIABILITIES, CARRYING AMOUNT AND FAIR VALUE

EUR million

	30.9.2020	30.9.2020
	Book values of balance sheet values	Fair values of balance sheet values
Non-current assets		
Investments	0.5	0.5
Non-current assets total	0.5	0.5
Current assets		
Trade receivables	98.8	98.8
Cash and cash equivalents	20.0	20.0
Current assets total	118.8	118.8
Total financial assets	119.3	119.3
Non-current financial liabilities		
Interest bearing liabilities from financial institutions	18.5	18.5
Non-current financial liabilities total	18.5	18.5
Current financial liabilities		
Interest bearing liabilities from financial institutions	7.4	7.4
Loans withdrawn from the credit limit		
Trade payables	76.8	76.8
Derivatives	0.4	0.4
Current financial liabilities total	84.6	84.6
Total financial liabilities	103.1	103.1

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

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

OPEN DERIVATIVE CONTRACTS

EUR million

		Positive	Negative	Net	Nominal value
Interest rate swaps, protective	30.9.2020	0.0	-0.4	-0.4	23.9

PROVISIONS

EUR million

	Reclamation and guarantee	Pension	Other	Total
1.1.2020	0.2	0.1	0.3	0.6
Exchange rate differences	0.0	0.0	0.0	0.0
Additions	0.1	0.0	0.1	0.2
30.9.2020	0.2	0.1	0.4	0.8

Long term provisions are EUR 0.5 million and short term provisions EUR 0.2 million.

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

CONTINGENT LIABILITIES

EUR million

	30.9.2020	31.12.2019
Business mortgages		10.0
Pledged guarantees	8.2	8.6

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

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

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

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

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

KEY INDICATORS QUARTERLY

EUR million

	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18
Turnover	141.6	155.6	144.1	154.7	152.3	142.6	129.9	140.2	131.5
Operating profit	21.2	10.2	8.6	10.0	12.1	6.4	6.8	7.5	8.8
Operating profit, %	15.0	6.5	6.0	6.5	7.9	4.5	5.3	5.4	6.7
Net income	18.0	8.3	7.5	9.8	8.8	4.6	4.8	6.4	6.9

THE IMPACT OF COVID-19

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

EVENTS AFTER THE REVIEW PERIOD

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

CALCULATION OF KEY INDICATORS

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

SCANFIL PLC

Petteri Jokitalo
CEO

Additional information:
CEO Petteri Jokitalo
Tel +358 8 4882 111

Distribution NASDAQ OMX, Helsinki
 Major Media
 www.scanfil.com

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. Vertically integrated production and a comprehensive supply chain are the foundation of Scanfil's competitive advantages: speed, flexibility and reliability.

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

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