

Scanfil Plc Financial Report for Q2 and Half Year 2019

9 August 2019



Scanfil Group's Financial Report for Q2 and Half Year 2019

Q2/2019: Growth compared to the first quarter, picking up demand and the acquisition of HASEC-Elektronik GmbH strengthens the rest of the year

April – June

- Turnover totalled EUR 142.6 million (Q2 2018: 151.7), decrease of 6.0%
- Adjusted operating profit EUR 10.3 million, 7.2% of turnover
- Operating profit EUR 6.4 (11.2) million, 4.5% (7.4%) of turnover
- Net profit was EUR 4.6 (8.0) million
- Earnings per share amounted EUR 0.07 (0.12 it), earnings per share adjusted 0.13

January – June

- Turnover totalled to EUR 272.5 million (H1 2018: 291.3), decrease of 6.5%
- Adjusted operating profit EUR 17.3 million, 6.3% of turnover
- Operating profit EUR 13.3 (21.5) million, 4.9% (7.4%) of turnover
- Net profit for the review period was EUR 9.4 (15.5) million
- Earnings per share were EUR 0.15 (0.24), adjusted earnings per share EUR 0.21

Future Outlook

Scanfil changes its outlook for 2019 and expect the full-year turnover to be EUR 580 - 610 million and the adjusted* (not reported) operating profit to be EUR 39 – 42 million in 2019.

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

Earlier Scanfil estimated, that its turnover for 2019 will be EUR 560 - 610 million and the (reported) operating profit will amount to EUR 36 - 41 million.

KEY FIGURES

	Q2/2019	Q2/2018	Change%	H1/2019	H1/2018	Change %	2018
Turnover, EUR million	142.6	151.7	-6%	272.5	291.3	-6 %	563.0
Operating Profit, EUR million	6.4	11.2	-43%	13.3	21.5	-38%	37.8
Operating Profit, Adjusted, EUR million	10.3	11.2	-9%	17.3	21.5	-20%	37.8
Operating Profit, %	4.5	7.4		4.9	7.4		6.7
Operating Profit, Adjusted, %	7.2	7.4		6.3	7.4		6.7
Net Profit, EUR million	4.6	8.0	-43%	9.4	15.5	-39%	28.9
Net Profit, Adjusted, EUR million	8.4	8.0	6%	13.4	15.5	-14%	28.9
Earnings per Share, EUR	0.07	0.12	-43%	0.15	0.24	-39%	0.45
Earnings per Share, Adjusted, EUR	0.13	0.12	8%	0.21	0.24	-13%	0.45
Return on Equity, %				12.8	24.3		21.5
Return on Equity, Adjusted, %				18.1	24.3		21.5
Equity Ratio, %				41.7	40.6		47.7
Net Gearing, %				45.6	34.1		19.5
Net Cash Flow from Operations, EUR million				7.4	8.5	-13%	29.0
Employees (Average)				3 476	3 446	1%	3 414

Petteri Jokitalo, CEO

Customer demand picked up during the second quarter. Turnover increased by nearly 10% in comparison with the first quarter and was EUR 142.6 million. The growth was supported by broad customer base. Sales developed favourably in all customer segments, except for Medtec & Life Science. The acquisition of HASEC-Elektronik GmbH in May had an effect of around EUR 1.5 million on turnover in the second quarter.

The Q2 adjusted operating profit level increased, supported by an increase in turnover and it was EUR 10.3 million, or 7.2% of turnover. The reported operating profit (EUR 6.4 million) includes adjustment items of EUR 3.8 million, which consists of expenses related to the acquisition of HASEC-Elektronik GmbH (EUR 0.2 million) and a no cash impacting write-down of goodwill (EUR 3.6 million) related to Scanfil (Hamburg) GmbH. Scanfil Hamburg business have not developed as expected, and there were no grounds for the goodwill on the balance sheet any longer. After this write-down, the goodwill of Scanfil Hamburg has been entirely written down. We are strongly continuing our measures to develop our business operations in Hamburg further. The main focus areas are expansion of the customer base and increasing turnover.

The net cash flow from operations in the quarter was EUR 7.8 million. At the end of the second quarter, Scanfil's equity ratio was 41.7%, and its net gearing was 45.6%. Scanfil's financial position is stable.

The acquisition of HASEC-Elektronik GmbH, a German contract manufacturer, was completed on June 17, 2019, and its business operations have since been included in Scanfil's consolidated financial statement.

With the HASEC acquisition we gained strong electronics factory, local management and sales organization in the centre of German market, as well as many new customers to whom we can offer Scanfil's global factory and supplier network. I am confident that the HASEC acquisition will significantly accelerate the implementation of Scanfil's growth strategy in Central Europe.

We trust customer demand to strengthen further during the second half of the year, even though general uncertainty has increased in terms of the world economy and our customers' expectations. It is clear that under existing increasing uncertainty, it is crucial to keep the company costs under strict control and as flexible as possible. We are changing our outlook for 2019 and expect our full-year turnover to be EUR 580 - 610 million and our adjusted operating profit to be EUR 39 – 42 million in 2019. Expected contribution from HASEC will be about EUR 20 million in sales and EUR 1 million in operating profit.

I am pleased with the level of adjusted operating profit in the second quarter, as well as for the completion of the HASEC acquisition. I want to thank our customers and suppliers for their trust and support, and all our employees for their successful work.

Markets and Customer Segments

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

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

During the second quarter, the Group's turnover increased by EUR 12.7 million (9.8%) compared to the previous quarter.

Demand in Industrial segment developed strongly and it grew by EUR 5.6 million (15.6%) from the previous quarter.

As expected, also the turnover of the Consumer Applications segment resumed growth during the second quarter. Its sales increased by EUR 4.1 million (17.6%) from the first quarter.

The Communication segment sales picked up from the first quarter as expected. The growth was EUR 1.5 million (11.9%) even a sales increase of one of the remarkable customer in this segment was delayed in the second quarter.

The turnover of the Energy & Automation grew by EUR 2.6 million (10.3%) and in addition the Communication segment increased by EUR 1.4 million (8.1%).

The turnover of the Medtec & Life Science segments decreased EUR 1.2 million (-4,4%) compared to the previous quarter.

The largest customer accounted for 14% (12%) of turnover and the top ten customers accounted for 56% (62%) of turnover.

EUR million	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	% of Q2 turnover 2019
Communication	22.3	23.7	24.3	27.2	17.9	19.4	13.6%
Consumer Applications	36.2	38.8	25.6	25.1	23.5	27.6	19.4%
Energy & Automation	26.0	27.3	26.5	27.7	25.7	28.3	19.9%
Industrial	29.9	37.3	32.3	35.1	35.9	41.5	29.1%
Medtec & Life Science	25.2	24.6	22.9	25.2	26.9	25.7	18.0%
Total	139.6	151.7	131.5	140.2	129.9	142.6	100,0%

Acquired business operations

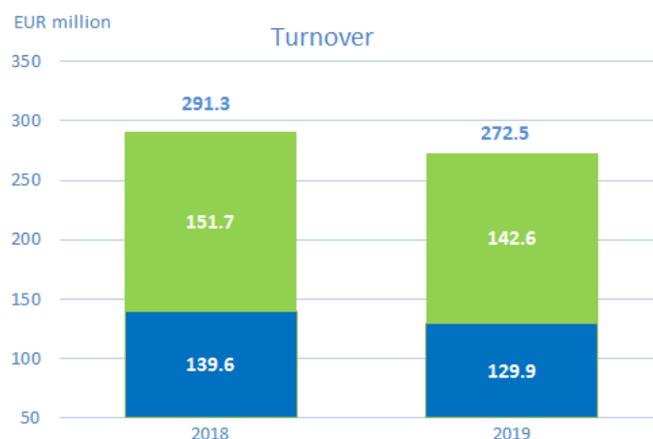
On May 22, 2019, Scanfil plc signed an agreement on the acquisition of the entire share capital of HASEC-Elektronik GmbH, a German electronics contract manufacturer. The acquisition was approved by the relevant competition authorities and was completed on June 17, 2019. The purchase price was EUR 10.3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

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

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

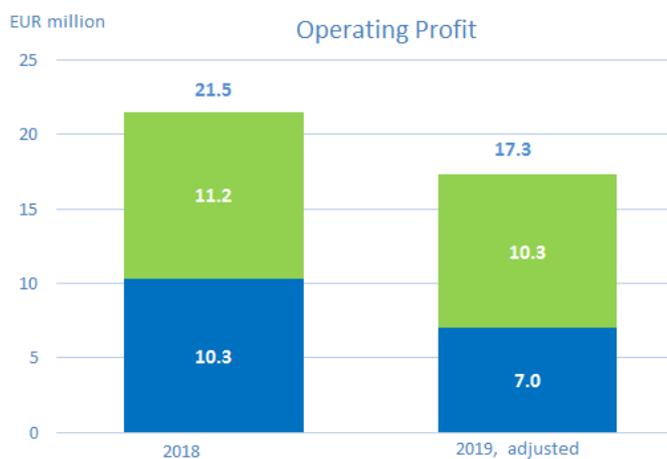
Turnover

- **April-June** turnover totalled EUR 142.6 million with the decrease of EUR 9.1 million or 6.0% compared to the same period last year.
- Key changes by customer segments:
 - The Consumer Applications customer segment turnover fell by EUR 11.1 million, or 28.7 %. This decrease resulted from a change in demand for a single customer's products. The demand of these products has been low since the third quarter of last year and the manufacturing of these products will end during 2019.
 - In Communication segment turnover decreased by EUR 4.3 million, or 18.2%. This was mainly due to a lower demand of a single customer.
 - The turnover of the Industrial segment increased by EUR 4.2 million, or 11.3%, year-on-year. Also the turnover of the Energy & Automation and Medtec & Life Science segments increased slightly year-on-year.
- **January-June** turnover totalled EUR 272.5 million, decrease of 6.5%.



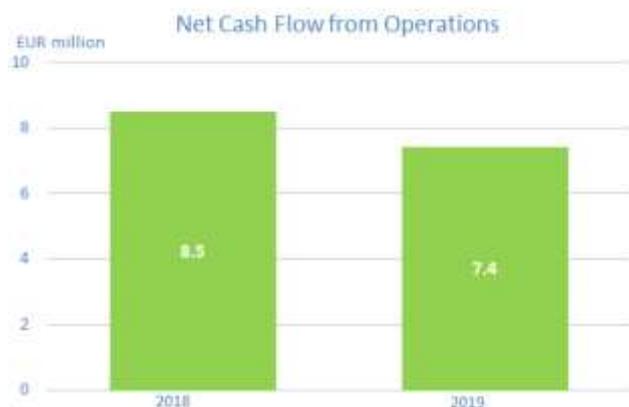
Operating Profit

- **April – June** adjusted operating profit was EUR 10.3 million (7.2% of turnover). Adjusted operating profit decreased by 8.5% compared to last year. The decrease mainly resulted from the decrease in turnover.
- **April – June** reported operating profit was EUR 6.4 million (4.5% of turnover). The operating profit includes adjustment items of EUR 3.8 million, which consists of expenses related to the acquisition of HASEC-Elektronik GmbH (EUR 0.2 million) and a write-down of goodwill (EUR 3.6 million) related to Scanfil GmbH's business operations.
- **January – June** adjusted operating profit was EUR 17.3 million, 6.3% of turnover. Adjusted operating profit decreased by 19.6% compared to previous year. Decrease was due to lower turnover and changes in the product mix.



Net Cash Flow from Operations

- **January – June** the net cash flow from operating activities was EUR 7.4 million, nearly at the same level as previous year.
- The positive cash flow from operations was due to the positive operating result and the measures taken to manage working capital.



Scanfil Group's Half Year Financial Report for 1 January – 30 June 2019

Financial Development

The Group's turnover for January – June was EUR 272.5 (291.3) million, decrease of 6.5% compared to the corresponding period of the previous year. The most significant decrease was recorded for the Consumer Applications customer segment, with its turnover falling by EUR 11.1 million, or 28.7%. The decrease was due to a change in demand for a single customer's products. The Group's operating profit for January – June was EUR 13.3 (21.5) million, 4.9% (7.4%) of turnover. The operating profit includes adjustment items of EUR 4.0 million, which consists of expenses related to the acquisition of HASEC-Elektronik GmbH (EUR 0.4 million) and a write-down of goodwill (EUR 3.6 million) related to Scanfil GmbH's business operations. The business operations of Scanfil GmbH, a German subsidiary acquired in 2014, have not developed as expected, which is why the company has recognised a write-down based on impairment testing. The adjusted operating profit was EUR 17.3 million, or 6.3% of turnover. The adjusted operating profit decreased by 19.6% year-on-year. The decrease in the operating profit mainly resulted from the decrease in turnover. The net profit for the review period was EUR 9.4 (15.5) million.

Earnings per share for the review period were EUR 0.15 (0.24). Return on investment was 12.7% (22.7%). The weaker key figures are mainly due to the adjustment items mentioned above and a decrease in the operating result in comparison with the previous year.

The Group's turnover in April–June was EUR 142.6 (151.7) million, and its operating profit was EUR 6.4 (11.2) million, or 4.5% (7.4%) of turnover. The second-quarter operating profit includes EUR 0.2 million in acquisition expenses related to HASEC-Elektronik GmbH and an impairment of goodwill of EUR 3.6 million. The adjusted operating profit was 10.3 EUR million, or 7.2% of turnover. The result in April–June was EUR 4.6 (8.0) million.

The business operations of HASEC-Elektronik GmbH have been consolidated with the Scanfil Group since June 17, 2019. This had an effect of EUR 1.5 million on the Group's turnover and an effect of 0.0 million on its net result during the review period. The purchase

price was EUR 10.3 million, from which EUR 3.8 million was preliminarily allocated to long-term customer relationships, where net deferred tax liabilities were EUR 1.1 million and EUR 1.6 million was recognised in unallocated goodwill. Information on the acquired net assets is provided in the tables of the interim report.

Financing and Capital Expenditure

The Group has a stable financing position. The consolidated balance sheet total was EUR 356.8 (323.6) million at the end of the review period. The increase is due to the adoption of IFRS 16 *Leases* and the acquisition of HASEC-Elektronik GmbH. From the beginning of 2019, nearly all of the Group's lease agreements have been recognised on the balance sheet as lease liabilities and related asset items. At the end of June 2019, fixed assets included EUR 20.6 million in fixed asset items related to lease liabilities in accordance with IFRS 16 and the corresponding liability items. The balance sheet total of HASEC-Elektronik GmbH stood at EUR 21.5 million on June 30, 2019. Cash assets totalled EUR 26.5 (21.2) million. Liabilities amounted to EUR 208.4 (192.3) million, of which non-interest-bearing liabilities totalled EUR 113.9 (126.2) million and interest-bearing liabilities totalled EUR 94.5 (66.0) million. Interest-bearing liabilities included EUR 20.7 million in leasing liabilities in accordance with IFRS 16. The equity ratio was 41.7% (40.6%), and net gearing was 45.6% (34.1%). The adoption of IFRS 16 reduced the group's equity ratio by 2.6 percentage points and net gearing by 14.0 percentage points during the first half of the year. Equity per share was EUR 2.30 (2.05).

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 - June was EUR 7.4 (8.5) million. The change in net working capital during the period amounted to EUR -11.4 (-12.6) million. The change in working capital in January – June 2019 compared to the turn of the previous year consists of the following items: short-term non-interest-bearing receivables increased by EUR 3.7 million, inventories increased by

EUR 3.9 million and short-term non-interest-bearing liabilities decreased by EUR 3.8 million. Net cash flow from investing activities was EUR -11.5 (-5.9) million, which includes a cash flow effect of EUR 7.5 million related to the acquisition of HASEC-Elektronik GmbH. Cash flow from financing activities was EUR 11.3 (-2.1) million. A total of EUR 8.3 million was paid in dividends. The use of the credit facility increased by EUR 22.4 million in comparison with the beginning of the year.

Gross investments in January – June totalled EUR 14.3 (6.1) million, which was 5.3% (2.1%) of the turnover. The investments include EUR 10.3 million in acquisition expenses related to the share capital of HASEC-Elektronik GmbH, with the rest being mainly related to the acquisition of machinery and equipment. Depreciation excluding impairment was EUR 6.5 (4.6) million, EUR 1.5 million increase in depreciation is caused by a change in accounting principles due to the adoption of the IFRS 16 *Leases* standard.

Decisions by the Annual General Meeting and Board of Directors' Authorisation

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

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

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

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

The minutes of the Annual General Meeting have been

available on the company's website, www.scanfil.com, as of 8 May 2019.

Own Shares

The company does not own its own shares.

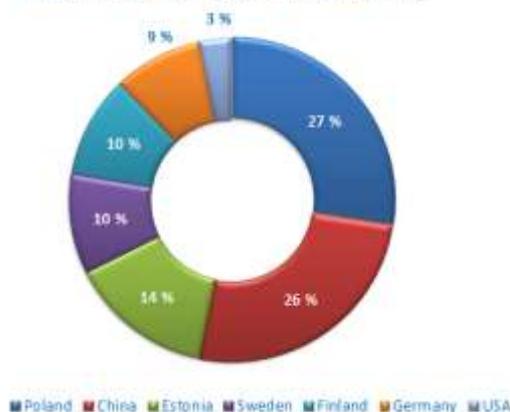
Share Trading and Share Performance

The highest trading price during the review period was EUR 4.68 and the lowest EUR 3.73, the closing price for the period standing at EUR 3.90. A total of 1,247,108 shares were traded during the period, corresponding to 1.9% of the total number of shares. The market value of the shares on 30 June 2019 was EUR 251.9 million.

Personnel

At the end of the period under review, the Group (including HASEC-Elektronik GmbH's 200 persons) employed 3,647 (3,484) people, of whom 3,275 (3,105) worked outside Finland and 372 (379) in Finland. The average number of Group employees during the review period was 3,476 (3,446) people.

Personnel by Country 3,647 (30 June 2019)



Future Outlook

Scanfil changes its outlook for 2019 and expects the full-year turnover to be EUR 580 - 610 million and the adjusted operating profit to be EUR 39 – 42 million in 2019.

Earlier Scanfil estimated, that its turnover for 2019 will be EUR 560 - 610 million and the operating profit will amount to EUR 36 - 41 million.

Long-term Target

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

Events after the review period

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

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

Operational Risks and Uncertainties

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

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

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

Accounting principles

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

Scanfil reports single business segment.

Starting from 1 January 2019, Scanfil has adopted new standard IFRS 16 *Leases*. The changes in accounting principles resulting from this adoption are presented

under "Changes in accounting principles." Otherwise, the accounting principles applied correspond with those defined in the Group's 2018 financial statements.

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

This interim report is unaudited.

In its meeting held on 9 August 2019, the Board of Director of Scanfil plc approved this interim report release for publication.

Changes in accounting principles

IFRS 16 *Leases*

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

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

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

The adoption of the standard has an impact on key figures; the equity ratio has decreased by 2.6 percentages and net gearing by 14.0 percentages. The impact to net results is minor.

Reconciliation calculation**EUR 1,000**

Minimum leasing liabilities in financial statements of December 31, 2018	12 035
Minimum leasing liabilities in financial statements of December 31, 2018	-1 145
Lease periods longer than minimum lease periods	5 371
New lease agreement, starting on February 1, 2019, included in lease agreement liabilities	-1 422

Fixed asset item in accordance with IFRS 16, January 1, 2019	14 839
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Other amended standards do not have any impact on consolidated financial statements.

Consolidated Income Statement

EUR million

	4 - 6 2019	4 - 6 2018	1 - 6 2019	1 - 6 2018	1 - 12 2018
Turnover	142.6	151.7	272.5	291.3	563.0
Other operating income	0.5	0.1	0.6	0.4	0.8
Changes in inventories of finished goods and work in progress	-0.2	-0.1	0.3	-1.1	-0.3
Expenses	-129.6	-138.2	-250.0	-264.6	-516.2
Depreciation	-6.9	-2.3	-10.1	-4.6	-9.5
Operating profit	6.4	11.2	13.3	21.5	37.8
Financial income and expenses	0.4	-1.2	-0.4	-2.2	-1.7
Profit before taxes	6.8	10.0	12.8	19.3	36.0
Income taxes	-2.2	-2.0	-3.4	-3.7	-7.1
Net profit for the period	4.6	8.0	9.4	15.5	28.9
Attributable to:					
Equity holders of the parent	4.6	8.0	9.4	15.5	28.9
Earnings per share for profit attributable to shareholders of the parent: undiluted and diluted earnings per share (EUR)	0.07	0.12	0.15	0.24	0.45

Consolidated Statement of Comprehensive Income

EUR million

	4 - 6 2019	4 - 6 2018	1 - 6 2019	1 - 6 2018	1 - 12 2018
Net profit for the period	4.6	8.0	9.4	15.5	28.9
Items that may later be recognized in profit or loss					
Translation differences	-2.4	-1.2	-0.1	-2.0	-2.4
Cash flow hedges	0.2	-0.5	0.4	-0.4	-0.2
Other comprehensive income, net of tax	-2.2	-1.6	0.3	-2.4	-2.6
Total Comprehensive Income	2.4	6.3	9.7	13.2	26.3
Attributable to:					
Equity holders of the parent	2.4	6.3	9.7	13.2	26.3

Consolidated Statement of Financial Position

EUR million

Assets	30.6.2019	30.6.2018	31.12.2018
Non-current assets			
Property, plant and equipment	73.9	49.1	49.1
Goodwill	7.9	10.0	10.1
Other intangible assets	16.0	13.1	12.2
Shares in associated companies	0.5		
Available-for-sale investments	0.0	0.0	0.0
Deferred tax assets	5.0	4.8	4.4
Total non-current assets	103.3	77.0	75.9
Current assets			
Inventories	111.2	104.3	99.2
Trade and other receivables	112.1	118.5	107.6
Advance payments	0.4	1.2	0.3
Current tax	3.3	1.5	1.6
Cash and cash equivalents	26.5	21.2	19.2
Total current assets	253.4	246.7	227.9
Total assets	356.8	323.6	303.8
Shareholder's equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	2.0	2.0	2.0
Reserve for invested unrestricted equity fund	30.6	28.3	28.4
Fair value reserve	0.2	-0.4	-0.2
Other reserves	6.9	6.7	6.7
Translation differences	4.1	4.7	4.3
Retained earnings	104.6	90.1	103.6
Total equity	148.4	131.4	144.7
Non-current liabilities			
Deferred tax liabilities	7.2	4.4	6.0
Provisions	0.4	0.3	0.3
Interest bearing liabilities	22.0	21.9	16.6
Total non-current liabilities	29.6	26.6	22.8
Current liabilities			
Trade and other liabilities	103.9	118.2	103.5
Current tax	2.3	2.9	1.8
Provisions	0.2	0.4	0.1
Interest bearing liabilities	72.5	44.1	30.8
Total current liabilities	178.8	165.6	136.2
Total liabilities	208.4	192.3	159.1
Total shareholder's equity and liabilities	356.8	323.6	303.8

Consolidated Cash Flow Statement

EUR million

	1.1.-30.6.2019	1.1.-30.6.2018	1.1.-31.12.2018
Cash flow from operating activities			
Net profit	9.4	15.5	28.9
Adjustments for the net profit	14.5	10.2	18.2
Change in net working capital	-11.4	-12.6	-9.5
Paid interests and other financial expenses	-1.0	-0.9	-1.7
Interest received	0.1	0.0	0.1
Taxes paid	-4.2	-3.8	-6.9
Net cash from operating activities	7.4	8.5	29.0
Cash flow from investing activities			
Acquisition of subsidiaries less cash and cash equivalents at the time of acquisition	-7.5		
Investments in tangible and intangible assets	-4.1	-6.3	-10.1
Sale of tangible and intangible assets	0.1	0.3	0.4
Net cash from investing activities	-11.5	-5.9	-9.7
Cash flow from financing activities			
Related-party investment company shares		0.3	0.4
Repayment of long-term loans	-5.3	-5.4	-10.5
Repayment of short-term loans	-2.8		-3.5
Proceeds from short term loans	27.6	10.1	
Dividends paid	-8.3	-7.0	-7.0
Net cash from financing activities	11.3	-2.1	-20.7
Net increase/decrease in cash and cash equivalents	7.2	0.5	-1.3
Cash and cash equivalents at beginning of period	19.2	20.6	20.6
Changes in exchange rates	0.1	0.1	-0.2
Cash and cash equivalents at end of period	26.5	21.2	19.2

Statement of changes in Consolidated Equity

EUR million

Equity	Share capital	Reserve for invested unrestricted equity fund	Fair value reserve	Reserve fund	Translation differences	Retained earnings	Equity total
1.1.2019	2.0	28.4	-0.2	6.7	4.3	103.6	144.7
Total comprehensive income			0.4		-0.1	9.4	9.7
Fund transfer				0.2		-0.2	
Share issue		2.2					2.2
Option Scheme						0.1	0.1
Paid dividends						-8.3	-8.3
Equity							
30.6.2019	2.0	30.6	0.2	6.9	4.1	104.6	148.4

Equity	Share capital	Reserve for invested unrestricted equity fund	Fair value reserve	Reserve fund	Translation differences	Retained earnings	Equity total
1.1.2018	2.0	28.0	-0.1	6.7	6.7	81.3	124.7
Adjustment according to IFRS 15						0.2	0.2
Total comprehensive income			-0.4		-2.0	15.5	13.2
Exercised options		0.3					0.3
Option Scheme						0.1	0.1
Paid dividends						-7.0	-7.0
Equity							
30.6.2018	2.0	28.3	-0.4	6.7	4.7	90.1	131.4

Key Indicators

	1 - 6 2019	1 - 6 2018	1 - 12 2018
Return on equity, %	12.8	24.3	21.5
Return on investment, %	12.7	22.7	20.2
Interest-bearing liabilities, EUR million	94.5	66.0	47.3
Gearing, %	45.6	34.1	19.5
Equity ratio, %	41.7	40.6	47.7
Gross investments, EUR million	14.3	6.1	10.1
% of net turnover	5.3	2.1	1.8
Personnel, average	3 476	3 446	3 414
Earnings per share, EUR	0.15	0.24	0.45
Shareholders' equity per share, EUR	2.30	2.05	2.26
Number of shares at the end of period, 000's			
- not counting own shares	64 580	63 985	64 035
- weighted average	64 074	63 901	63 945

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

Acquired business

EUR million

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

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

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

According to the preliminary acquisition cost calculation, EUR 3.8 million was allocated to long-term customer relationships. The deferred tax liability is EUR 1.1 million. EUR 1.6 million of unallocated goodwill was recognised from the acquisition. EUR -0.6 million was allocated to property, plant and equipment. The deferred tax asset is EUR 0.1 million. HASEC-Elektronik GmbH has been consolidated into Scanfil Group as of 17 June 2019. The effect on the Group's turnover for the reporting period was EUR 1.5 million and net profit for the period EUR +0.0 million. Scanfil's turnover for January-June 2019 would have been EUR 288.0 million and net profit for the period EUR 9.7 million if the business acquired during the financial year had been consolidated as of January 1, 2019.

Reconciliation of adjusted operating profit, net profit for the period and shareholders' equity

EUR million

	4 - 6 2019	1 - 6 2019
Operating profit	6.4	13.3
Operating profit, % of turnover	4.5 %	4.9 %
<i>Adjustment items:</i>		
<i>Goodwill write-down</i>	3.6	3.6
<i>Acquisition costs of acquired transactions</i>	0.2	0.4
Oikaisuerät yhteensä	3.8	4.0
Adjusted operating profit	10.3	17.3
Adjusted operating profit, % of turnover	7.2 %	6.3 %
Financial income and expenses	0.4	-0.4
Profit before taxes	6.8	12.8
Income taxes	-2.2	-3.4
Net profit for the period	4.6	9.4
Earnings per share, EUR		0.15
Adjusted net profit for the period	8.4	13.4
Adjusted earnings per share, EUR		0.21
Equity		148.4
Return on equity, %		12.8 %
<i>Adjustment items:</i>		
<i>Net profit for the period</i>		4.0
Adjusted equity		152.4
Adjusted return on equity, %		18.1 %

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

Disaggregation of revenues

EUR million

	4 - 6 2019			4 - 6 2018		
	Sales of goods	Sales of services	Total	Sales of goods	Sales of services	Total
Customer Segments						
Communication	16.4	2.9	19.4	21.1	2.6	23.7
Consumer Applications	26.6	1.1	27.6	37.9	0.9	38.8
Energy & Automation	26.8	1.5	28.3	26.0	1.3	27.3
Industrial	38.5	3.0	41.5	35.0	2.3	37.3
Medtec & Life Science	23.6	2.2	25.7	21.4	3.2	24.6
Total	132.0	10.6	142.6	141.4	10.3	151.7
Timing of revenue recognition						
Goods and services transferred at a point of time	132.0	9.5	141.5	141.4	9.4	150.7
Services transferred over time		1.1	1.1		0.9	0.9
Total	132.0	10.6	142.6	141.4	10.3	151.7

	1 - 6 2019			1 - 6 2018		
	Sales of goods	Sales of services	Total	Sales of goods	Sales of services	Total
Customer Segments						
Communication	31.3	6.0	37.3	41.2	4.7	46.0
Consumer Applications	49.2	2.0	51.1	73.5	1.4	75.0
Energy & Automation	51.5	2.5	54.0	51.4	2.0	53.3
Industrial	72.1	5.4	77.4	63.7	3.5	67.2
Medtec & Life Science	48.6	3.9	52.6	44.7	5.1	49.8
Total	252.7	19.8	272.5	274.6	16.7	291.3
Timing of revenue recognition						
Goods and services transferred at a point of time	252.7	17.8	270.5	274.6	15.1	289.7
Services transferred over time		2.0	2.0		1.6	1.6
Total	252.7	19.8	272.5	274.6	16.7	291.3

Changes in goodwill

EUR million

	1 - 6 2019	1 - 6 2018	1 - 12 2018
Book value at the beginning of the period	10.1	10.4	10.4
Business combinations	1.6		
Impairment	-3.6		
Exchange rate differences	-0.2	-0.4	-0.3
Book value at the end of the period	7.9	10.0	10.1

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

Changes in tangible non-current assets

EUR million

	1 - 6 2019	1 - 6 2018	1 - 12 2018
Book value at the beginning of the period	63.9	47.7	47.7
Additions	4.9	6.1	9.9
Deductions	-0.0	-0.1	-0.1
Business combinations	10.4		
Depreciations	-5.5	-3.6	-7.5
Exchange rate differences	0.2	-1.0	-0.8
Book value at the end of the period	73.9	49.1	49.1

The carrying amount at the beginning of the financial year on 1 January 2019 includes the effect of the change in accounting principle arising from the adoption of IFRS 16 Leases, EUR 14.8 million. The carrying amount on 30 June 2019 includes the asset item EUR 20.6 million of IFRS 16, which is recognized as an asset.

Financial assets and liabilities, carrying amount and fair value

EUR million

	30.6.2019	30.6.2019
	Book values of balance sheet values	Fair values of balance sheet values
Non-current assets		
Investments	0.0	0.0
Shares in associated companies	0.5	0.5
Non-current assets total	0.5	0.5
Current assets		
Trade receivables	101.6	101.6
Cash and cash equivalents	26.5	26.5
Derivatives	0.4	0.4
Current assets total	128.4	128.4
Total financial assets	128.9	128.9
Non-current financial liabilities		
Interest bearing liabilities from financial institutions	1.6	1.6
Financial leasing	20.4	20.4
Non-current financial liabilities total	22.0	22.0
Current financial liabilities		
Equity loans	0.3	0.3
Interest bearing liabilities from financial institutions	27.0	27.0
Financial leasing	3.6	3.6
Loans withdrawn from the credit limit	41.6	41.6
Derivatives	0.1	0.1
Trade payables	77.7	77.7
Current financial liabilities total	150.3	150.3
Total financial liabilities	172.3	172.3

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

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

Open derivative contracts

EUR million

	Positive	Negative	Net	Nominal value
Interest rate swaps, protective		-0.1	-0.1	18.5
Forward agreement, protective	0.4	-0.0	0.4	22.8

Provisions

EUR million

	Reclamation and guarantee	Pension	Other	Total
1.1.2019	0.1	0.0	0.2	0.4
Exchange rate differences	0.0	0.0	0.0	0.0
Additions	0.0	0.0	0.1	0.1
30.6.2019	0.2	0.1	0.3	0.5

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

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

Contingent Liabilities

EUR million

	1 - 6 2019	1 - 6 2018	1 - 12 2018
Business mortgages	110.0	110.0	110.0
Pledged guarantees	8.3	1.4	8.3

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

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

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

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

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

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

A total of EUR 41.6 million of the Scanfil's credit limits were in use on 30 June 2019.

Key Indicators quarterly

	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17
Turnover, MEUR	142.6	129.9	140.2	131.5	151.7	139.6	144.4	130.8	132.4
Operating profit, MEUR	6.4	6.8	7.5	8.8	11.2	10.3	9.6	8.5	7.1
Operating profit, %	4.5	5.3	5.4	6.7	7.4	7.4	6.6	6.5	5.3
Net income, MEUR	4.6	4.8	6.4	6.9	8.0	7.6	10.5	5.2	4.3

Calculation of key Indicators

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

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

Typical Scanfil products include mobile and communications network devices, automation system modules, frequency converters, lift control systems, analysers, various slot and vending machines, and devices related to medical technology and meteorology. Scanfil services are used by numerous international automation, energy, IT and health service providers, as well as companies operating in the field of urbanisation. Scanfil's network of factories consists of 11 production units in Europe, Asia and North America. The total number of employees is about 3,700.

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