SCANFIL

Annual Report 2023

Trusted manufacturing partner

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SCANFIL

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

Scanfil in brief

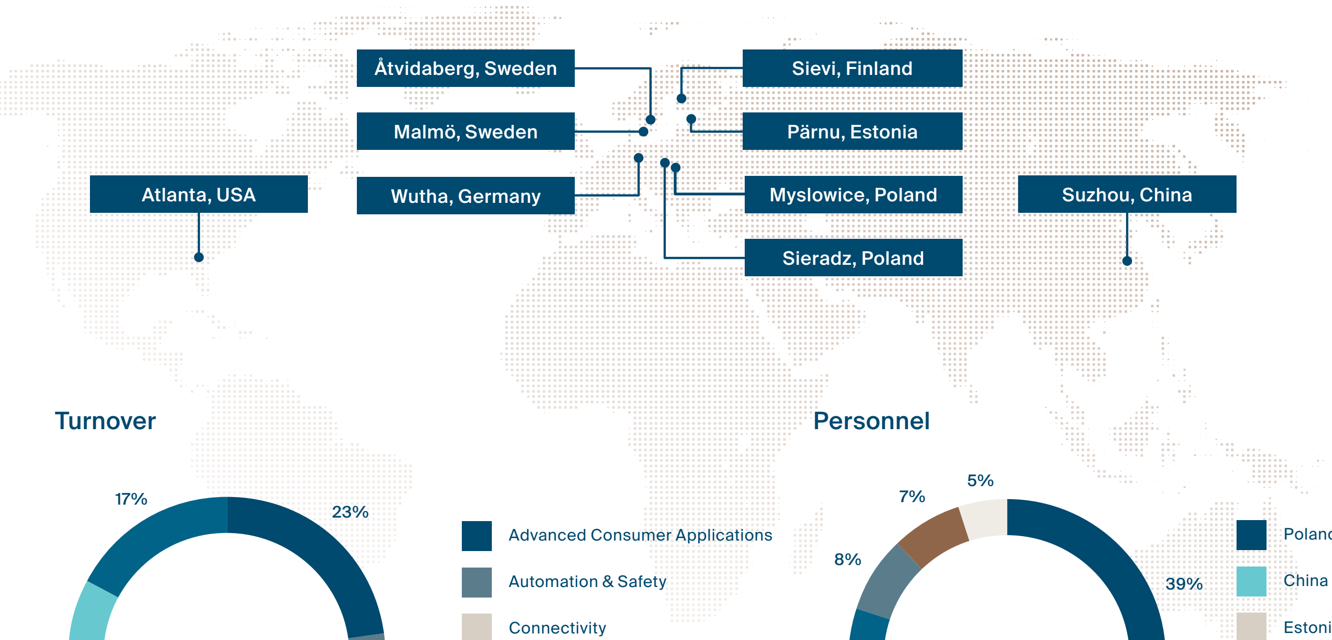
Scanfil is a trusted manufacturing partner and system supplier with over 45 years of experience in demanding manufacturing. Scanfil provides its customers an extensive array of services, ranging from product design to product manufacturing, material procurement, and logistics solutions. Scanfil's competitive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

Scanfil has a strong focus on sustainability and responsibility. We are committed to UN Global Compact and have identified seven key UN Sustainable Development Goals. In 2023, Scanfil started to prepare for the European Sustainability Reporting Standards (ESRS), which comes into force in 2024.

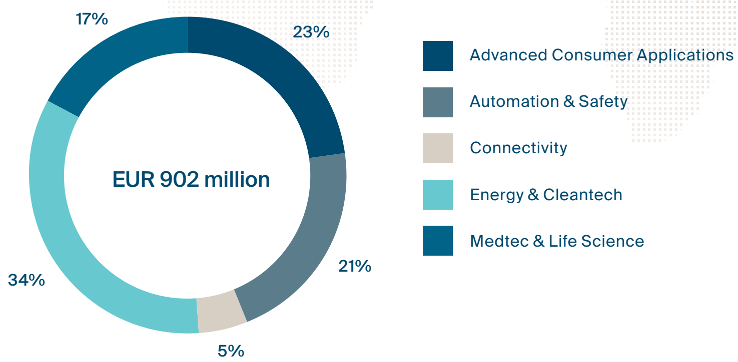
Factory network

Scanfil has a global factory network of nine factories. All factories are self-governing and profit and loss responsible, but benefits from the group operations such as sales, global sourcing, financial resources, IT systems, and processes. This enables us to react fast to changing customer needs and benefit from our scale in procurement and investments.

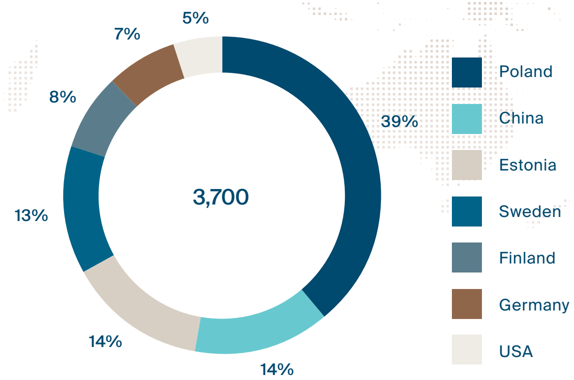
Some factories are located in or close to customers' geographical end-markets. This enables lower transportation costs and time, good market knowledge and possible benefits from avoiding some import-related costs such as customs.



Turnover



Personnel



CEO's review

"After my first full quarter at Scanfil, I am happy to present the financial results for October–December 2023, the quarter that ended our record year. I am also pleased to give you some insight into the period where we have been active on many fronts, from internal to external stakeholders and from operational matters to strategy.

The year 2023 was a record year. The turnover growth, excluding spot-market purchases, was 15.6%. The total revenue was over EUR 900 million, and the organic growth was 6.9%. Strong figures demonstrate the quality of our customer portfolio and the solid performance of our factories. Operating profit also reached a record level of EUR 61.3 million and the operating margin reached the strong level of 6.8%. In 2023, our customer segments showed their growth potential and Scanfil grew to a new level.

In the fourth quarter, as expected, overall demand growth for the EMS market returned to historical levels. The turnover growth excluding spot-market purchases was 4.9%. The overall turnover decreased by 0.7% compared to the fourth quarter of 2022.

Despite a flattish market, our largest customer segment, Energy & Cleantech, grew by 26.8% in 2023 and kept a strong momentum during the fourth quarter with a growth of 21.9%. Energy transformation and sustainability drives the market. Growth figures showcase Scanfil's good positioning in the customer segment with leading companies. I have met many customers with our teams and focused on deepening our partnership. We inaugurated a new electronics assembly line in Atlanta with many of our key customers present and showing strong interest in the site's new capability. In 2023, our customer satisfaction improved significantly compared to the previous year.

In the fourth quarter, profitability improved compared to the fourth quarter of last year. Reported operating profit was EUR 13.4 million, with an operating margin of 6.1%, compared to 6.0% last year. During that quarter demand was flattening out and we focused on efficiency improvements. When fully implemented, the improvement plan will generate EUR 1.7 million in annual savings, and support Scanfil's competitiveness. Excluding one-off costs for the efficiency improvement, customer settlement, spot-market purchases and other material invoicing the operating margin was 6.7%.

Our financial position is strong, gearing was 19.4%, and equity ratio was 53.7%. Our solid balance sheet enables us to make the investments required to develop our business. Our net cash flow from operating activities was at an all-time high. In the fourth quarter, it was EUR 34.8 million, and EUR 68.9 million for the full year. Scanfil is well-positioned and very capable of financing the potential expansion of its operations. The company's ability to pay dividends is at a good level and the Board proposes a dividend of 0.23 euro per share.

We continued our good development towards more sustainable manufacturing. In 2023, we got the honor of being recognized by two of our customers for our sustainability work. The share of fossil-free energy used by us compared to overall energy consumption achieved a 50% milestone and it was 52.4%. The 2030 target for the share of fossil-free energy consumption is 60%. To further drive this change, we are taking the next steps and investing in solar panels and geothermal energy in the Sieradz factory expansion.

Our solid performance in the fourth quarter reflects Scanfil's robust operations and solid customer demand. We continue to rebalance our customer mix and seek growth from faster-growing segments. During the quarter, the Management Team and the Board of Directors have been very active. We are now finalizing our strategy update, and it will be presented at Capital Markets Day on the 5th of March in Stockholm with other topical and interesting subjects.

I would like to thank all our employees, customers, and other business partners for our successful collaboration. The company's current situation emphasizes our strong position and gives us confidence to continue building our success."

CHRISTOPHE SUT
CEO

Strategy

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

We pursue profitable growth in our key market areas: Central Europe, The USA, and the Asia outside of China.

Customers

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

Services

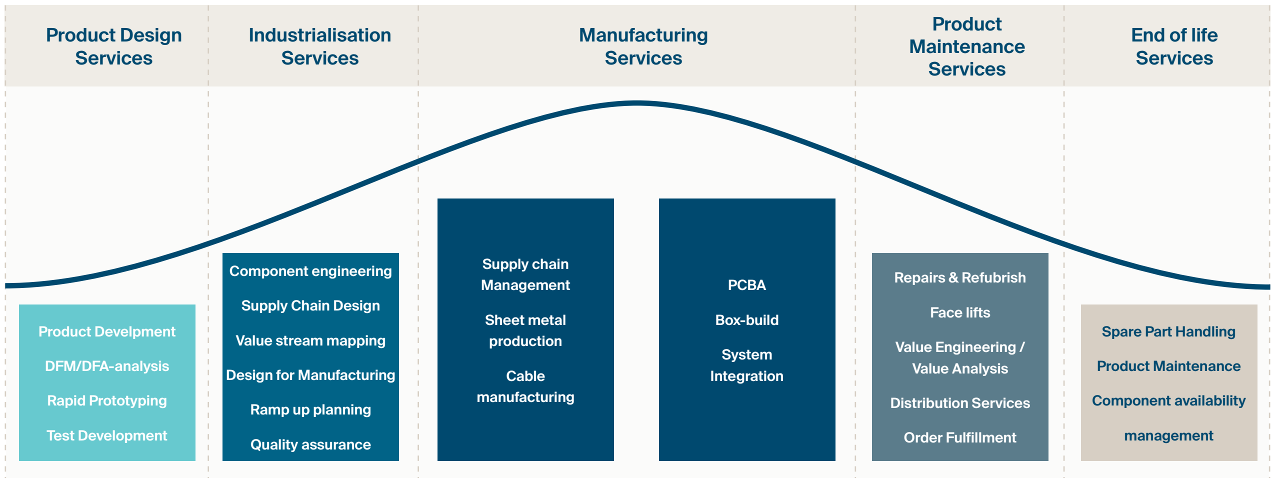
Our services cover product design and development to production and end-of-life. One of the key success factors for both Scanfil and its customers is the close collaboration in the early phases of the product design. Continuous cooperation enables customers to reduce time-to-market and costs by choosing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

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

Technology

At the beginning of 2023, Scanfil started the Scanfil Dream Factory program, whose goal is to develop the most efficient and best factories in the industry, where IT, data, people, processes and technology work seamlessly together. We invested in the production development e.g. in Atlanta in The USA, Malmö in Sweden, and Wutha in Germany. We also started a large expansion and technology investment in Sieradz, Poland. The program runs until 2028.

Our offer throughout customers product's life cycle



Customer segments and growth drivers

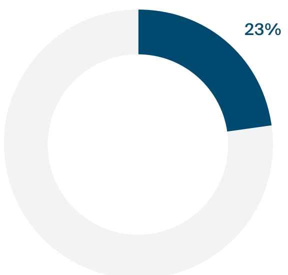
Scanfil has five customer segments that typically have different business cycles, and therefore, it balances changes in demand. We have identified Medtech & Life Science and Energy & Cleantech as high-growth potential customer segments.

Advanced Consumer Applications

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

Driving megatrends

- Urbanization
- Growing middle class
- Modernization of households



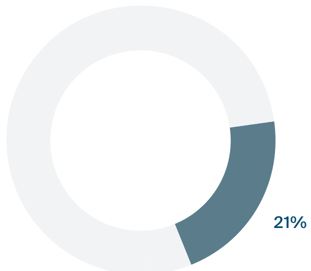
Automation & Safety

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

Driving megatrends

- Industrial automation
- Robotics
- Sustainability

MATERIAL HANDLING



Connectivity

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

Driving megatrends

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

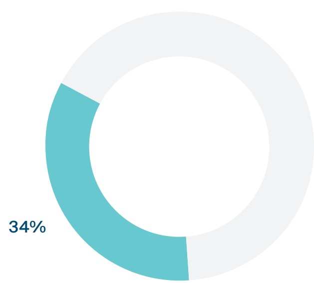
Energy & Cleantech

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

Driving megatrends

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

TOMRA
EATON
ABB



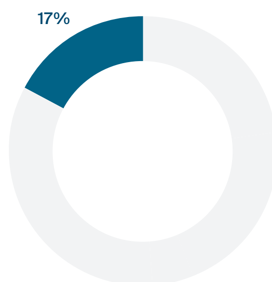
Medtech & Life Science

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

Driving megatrends

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

ThermoFisher SCIENTIFIC
VAISALA
PLANMECA



Growth drivers

Historically, the annual growth of the Electronics Manufacturing Service market (EMS market) relevant to Scanfil has been 3-6%. Scanfil aims for faster growth than the market. In 2023, the company's goal was an organic turnover growth rate of 5%-7%, which the company achieved. Turnover increased by 6.9% compared to 2022.

Scanfil has identified Energy & Cleantech and Medtech & Life Science customer segments, and geographically Central Europe, The USA, and Asia outside of China as high-growth potential areas.

Mergers and acquisitions have been part of Scanfil's growth strategy for decades. We are actively looking for acquisition targets with a complementary customer base and geographical reach.

[Read more about Scanfil's history]

- 1976 – Scanfil Oy was founded
- 2002 – Merger with Wecan Electronics
- 2012 – Industrial electronics represented **75% of the sales**
- 2014 – Acquisition of Schaltex Systems
- 2015 – Acquisition PartnerTech
- 2019 – Acquisition HASEC
- 2023 – Turnover >900 MEUR

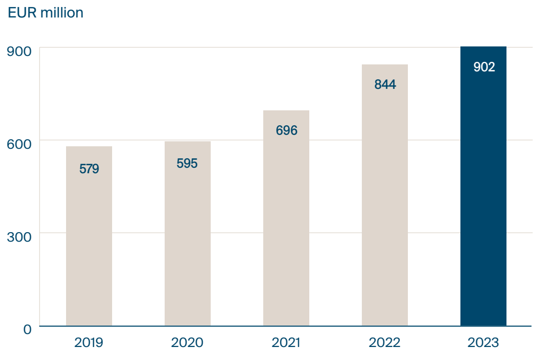
Rapid internationalization to developing countries

Focus on Industrial Electronics customers

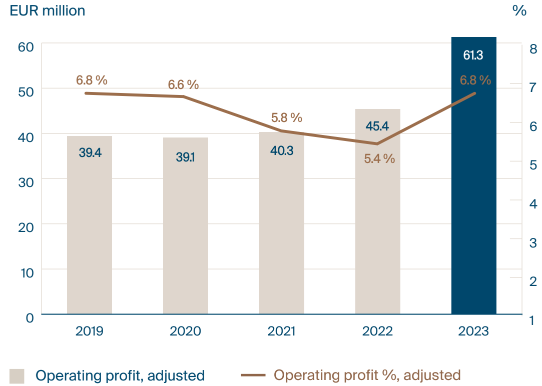
Expansion of customer base

Investor information

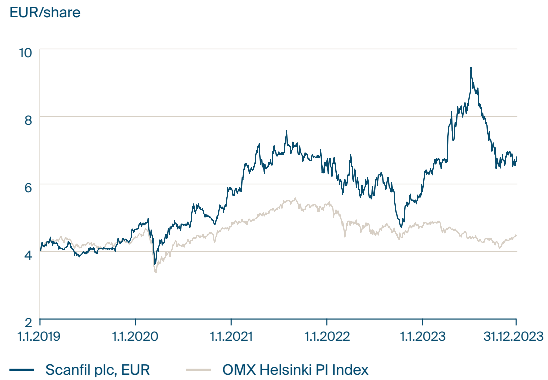
Turnover



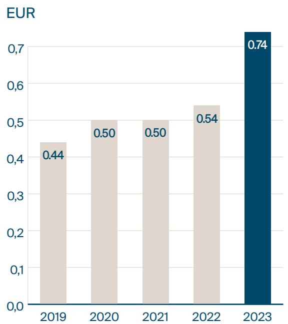
Operating profit & operating profit %, adj.



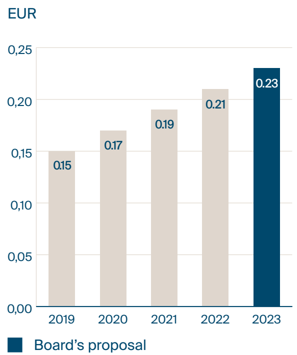
Scanfil share price



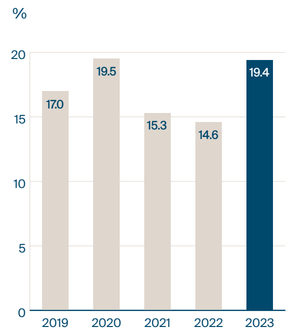
Earnings per share, adj.



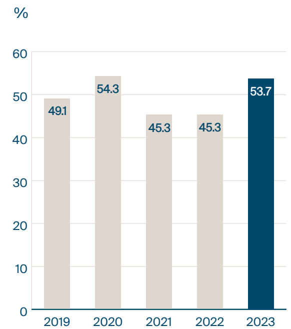
Dividend per share



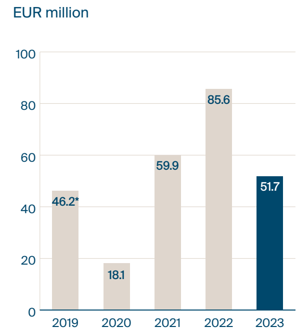
Return on investment



Equity ratio



Net debt



Scanfil as an investment

Scanfil is a company with strong culture and values. The company has been profitable since the beginning. Profitability has made it possible for Scanfil to invest and secure its future.

Scanfil is its' customers preferred manufacturing partner and systems supplier. The company has earned a reputation for building long-term partnerships based on a mutual passion for success.

Solvent and financially reliable partner

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

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

Long-term targets

In the reporting year 2023, Scanfil was organically aiming for 5-7% annual organic turnover growth and 7% operating profit level. Organic turnover growth in 2023 was 6.9% and operating profit margin at 6.8%.

Outlook for 2024

Scanfil estimates that its turnover for 2024 will be EUR 820–900 million, and its adjusted operating profit will be EUR 57–65 million.

The guidance is based on customer forecasts and Scanfil's normal forecasting process. The outlook is associated with uncertainty related to global economic development.

Dividend

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

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.23 (0.21) per share be paid for a total of EUR 15,012,098.39 for the financial year ending on 31 December 2023. The dividend matching day is 29 April 2024 and the dividend payment date 7 May 2024. The dividend will be paid to shareholders registered in the Register of Shareholders maintained by Euroclear Finland Ltd on the matching date.

Annual General Meeting

Scanfil plc's Annual General Meeting (AGM) will be held on 25 April 2024 without a meeting venue using remote connection in real time. More information www.scanfil.com/agm

Financial publications in 2024

- Interim report for January–March, 24 April 2024
- Interim report for January–June, 6 August 2024
- Interim report for January–September, 25 October 2024

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

Sustainability Report

Scanfil is a trusted manufacturing partner and system supplier for the electronics industry with over 45 years of experience. Scanfil provides its customers with an extensive array of services, ranging from product design to product manufacturing, material procurement, logistics solutions, and refurbish and end-of-life services.

Sustainability is essential to Scanfil. Scanfil wants to preserve the earth for future generations and be an excellent and responsible business partner for its customers and suppliers, and a reliable employer. Scanfil is committed to UN Global Compact and has identified seven key UN Sustainable Development Goals from the company perspective.

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

The company continued to prepare for the EU Corporate Sustainability Regulation Directive (CSRD) and European Sustainability Reporting Standards (ESRS), which comes into force in 2024. In its preparation work, Scanfil finalized double materiality assessment survey to be able to fullfill the forthcoming ESRS requirments and started to adopt a new ESG data collection tool.

We contribute to the following UN Sustainable Development Goals.

SCANFIL

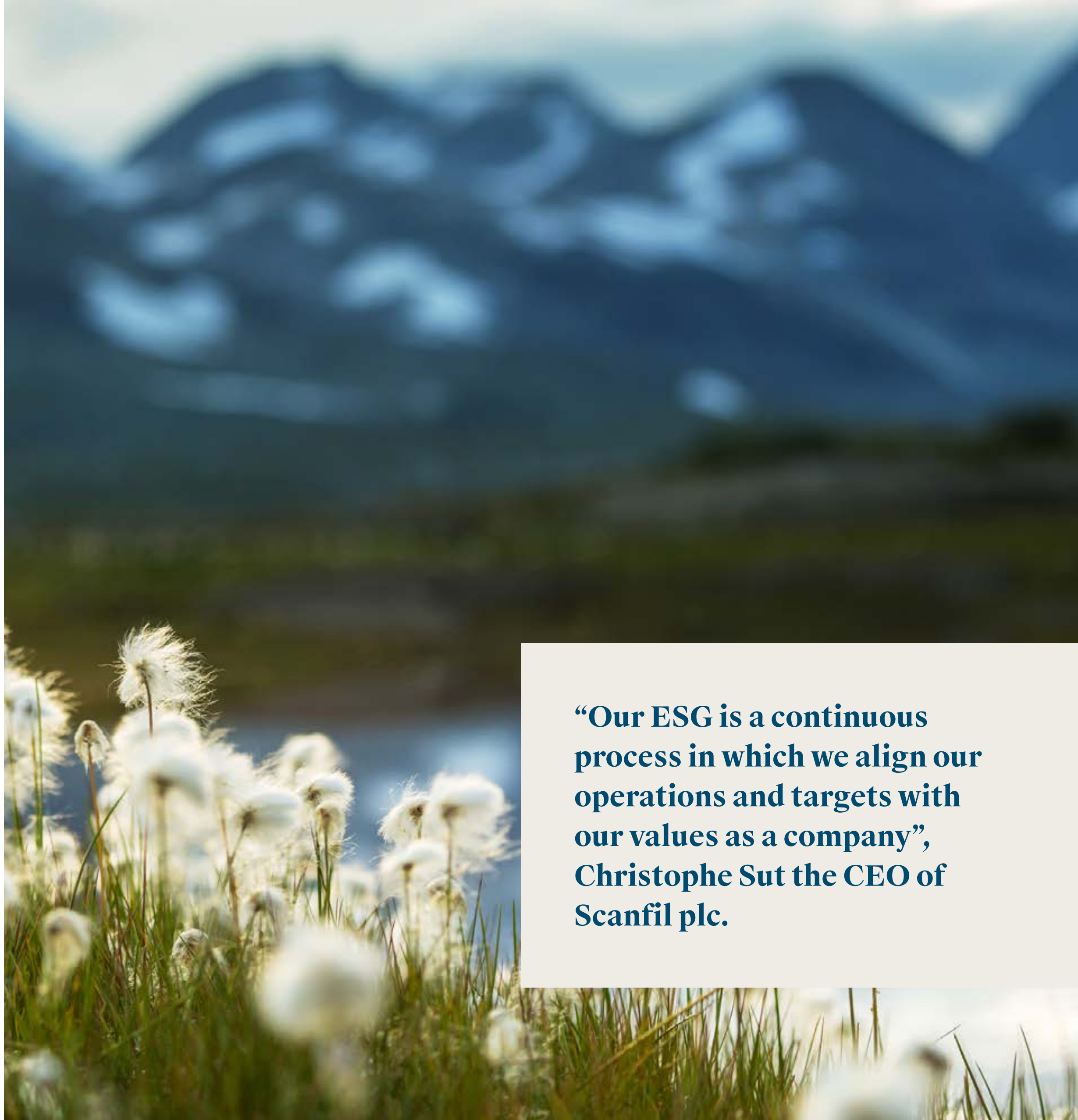
Sustainability at Scanfil

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. Furthermore, in each country Scanfil has operations, it follows the national laws of that area. In addition, the policies and other ethical operating principles are approved by the Board of Directors or the Management Team.

Key themes in corporate responsibility

Ensuring and developing the sustainability of operations is vitally important for Scanfil's success. The monitoring and continuous development of corporate sustainability serve the needs of all Scanfil's stakeholders. Scanfil has defined key factors for its corporate responsibility and divided them into Environmental (Responsible Consumption and Climate Action), Social (Good Health, Gender Equality, Good Jobs and Reduce Inequalitites), and Governance (Peace, Justice and Strong Institutions).



"Our ESG is a continuous process in which we align our operations and targets with our values as a company", Christophe Sut the CEO of Scanfil plc.

Environmental

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

Social

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

Governance

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

Sustainability risks

Scanfil's most important sustainability risks.

Supply chain

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

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

Health and safety

In our operations, the greatest threats to employee health and safety, such as work-related illnesses and accidents, arise when Scanfil's health and safety processes are not followed, and risks in the work environment are not recognized and controlled.

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

Scanfil has a Safety Council, which monitors all work safety aspects. Safety Council convenes quarterly to share and decide on corrective actions and preventive best practices. In addition, sick leaves, accidents, and lost time resulting from these are monitored monthly.

The occupational risk analyses are performed regularly at all locations to prevent health and safety incidents related to our operations.

Unethical behavior

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

Climate-related physical risks

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

Environmental responsibility

Responsible consumption

Scanfil produces extensive services for its customers, ranging from product design and development to material procurement, product manufacturing and distribution. It is generally estimated that approximately 80% of a product's negative environmental impacts are determined in the product design phase. Environmental impacts are taken into account throughout Scanfil's value chain, ranging from the procurement of raw materials to production, distribution, and recycling.

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

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

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

Reduce carbon footprint

Scanfil commits to reducing its carbon footprint by 50% from 2020 16,853 tCO2e to 2030 10,000 tCO2e. This means on average 4.2% annual actual reduction in carbon footprint until 2030 and is in line with the temperature target of the Paris Agreement. In 2023, the result was a 47% reduction in CO2 emission from the baseline in 2020. However, the target is challenging with the annual organic turnover growth rate target of 5 - 7%.

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

Increasing usage of fossil-free energy

The company also commits that its energy consumption is 60% fossil-free by 2030. Target was increased from the previous 50% to 60% in 2023. In 2023, the share of fossil-free energy increased to 52.4% from the baseline of 28% in 2020. Scanfil uses energy in heating, cooling, lighting, and production machinery. In 2023, Scanfil's electricity energy consumption was 27 million kWh and the total energy consumption was 41,6 million kWh. The total energy consumption includes the combustion of fossil fuels in on-site boilers, furnaces, vehicles, purchased electricity, district heating, and cooling. The total energy consumption increased by 1,5 % year-on-year. This is due to higher customer demand and volumes in 2023. The total energy consumption per value-added decreased by 17%.

Most of the increase in energy consumption came from Suzhou and Sieradz which are the largest production units at Scanfil. The increase in production resulted in a larger number of machines installed and in more shifts when the factory operated during evenings and weekends.

It is also notable, that climate change has increased the need for air cooling in several factories and increased energy consumption during the summer.

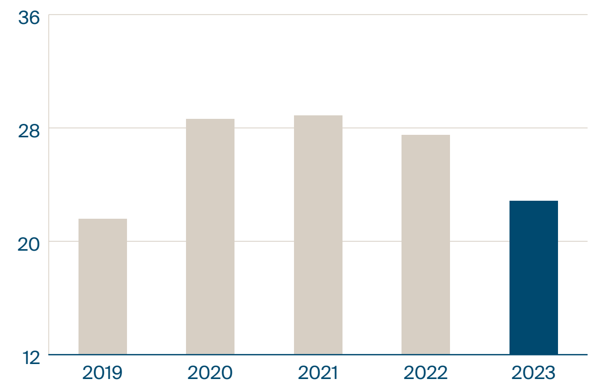
In 2023, electrical energy consumption divided by value-added decreased by 19%. Value add increased at a higher pace than electricity consumption.

Water and waste

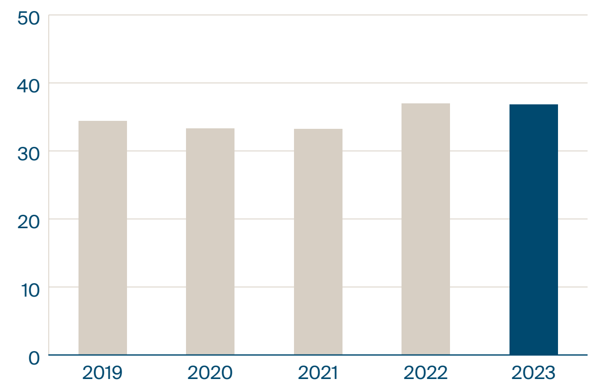
Water is used in facility cooling and maintenance, production, and sanitary facilities. Total water consumption was 66,985 (55,065) m3. Water consumption increased by 22% and increase divided by added value was 0.4%. The main reason for the increased water consumption is the galvanic line in the Pärnu factory and the introduction of the overflow system in the rinsing baths. In Suzhou, rainwater recycling for cooling tower and production building toilets was installed and the Suzhou factory reduced water consumption by 14%. The increase in water consumption is also distributed across all factories in relation to the increase in production volume.

The amount of waste created increased by 3.8% in 2023 compared to 2022. There were some differences between factories due to changes in production and different product ranges, but majority of the increase came from increased volumes. Waste divided by value-added improved from 2022 by 15%.

Energy consumption kWh / value add



Water consumption m^3 / value add



Added value = turnover - purchases

Environmental certificate held by all

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

The most important actions taken in 2023 to support the above targets

- Energy saving activities in all factories e.g. automated power switches, runtime optimization and led lightning
- New energy agreements in Wutha and Pärnu factories
- Logistics and transportation optimization

The most important actions to be taken in 2024 to support the above target

- Full climate Scope 3 reporting
- Energy saving and transportation optimization to continue
- Further development with fossil-free energy consumption

Certificates of Scanfil's factories

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

Social responsibility

At Scanfil, social responsibility focuses on its employees' competence development, occupational health and safety, as well as the development of the personnel's motivation and employee satisfaction. Scanfil aims to be a responsible employer and an encouraging working community where every individual has the opportunity to develop their personal skills and abilities. Scanfil aims to improve the employee satisfaction to the top quartile among all companies covered by our employee satisfaction survey service partner.

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

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

Scanfil improves occupational safety by continuous active measures.

Occupational health and safety

The Group's sick leave rate was 4.2% (2022: 4.4).

There were 33 (2022: 30) occupational accidents. which resulted in sick leave. The accident rate calculated as a percentage of accidents vs active workforce changed from 0,68% (2022) to 0,70%.

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

Scanfil uses a Safety Book to record occurred occupational accidents during the year. The organization reacts to all occupational accidents and near-miss incidents to prevent them from recurring. Most accidents in 2023 were related to handling of materials and machines operating. Owing to Safety Council solutions sharing, factories have opportunity to take into use the preventive measures implemented at sister sites. There is a lot of focus on personal well-being's self-awareness and employees are being equipped with hints and instructions on how to stay focused and avoid risks while performing work.

The annual practice of gathering employees' opinions in the employee engagement survey has proven to be highly appreciated as the response rate increased again and resulted in 91% (2022: 89%). The survey's main measures evaluating employees' satisfaction and motivation, and loyalty show a positive trend for eight consecutive years. The scores are above the weighted external benchmark, which proves that the development activities taken during past years were effective and drove Scanfil towards the desired top quartile. To continue this positive trend, all units prepare own plans and almost 500 development actions were defined within Scanfil.

Human rights

The company ensures its social responsibility through fair working conditions and practices, with an exclusive focus on human rights as expressed in Scanfil's Code of Conduct.

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

Scanfil has a whistleblowing channel through which the company's personnel and partners can report any observed or suspected misconduct regarding corruption, bribery, or rules described in the Code of Conduct. In 2024, Scanfil is upgrading its whistleblowing channel and operating tool available to all external (www.scanfil.com) and internal (Intranet) stakeholders. This will be replacing the mailbox-based channel (report.codeofconduct@scanfil.com and whistleblowing@scanfil.com). The company aims to ensure compliance with the Code of Conduct in its supply chain by carrying out audits and increasing supplier's awareness in this field. Compliance with the law and ethical principles is also monitored in internal control and audits. In 2023, no non-conformities pursuant to corporate governance were identified in Scanfil's global whistleblowing channels. There were ten cases reported by employees when they perceived themselves to be exposed to discrimination or mobbing. These were in detail investigated thoroughly by global authorized personnel together with local management representatives. Most of them occurred not to be justified, and thus Scanfil acknowledges the need to improve misconduct awareness in the organization. The actions to enhance it were started in 2023 with DEI (Diversity Equity Inclusion) global training. Next activities are planned for 2024. In those cases where misbehavior was found to be true, the individual disciplinary conversations and consequences took place.

During 2024, Scanfil will enhance the Succession planning process. This will, in addition to designed in 2023 Talent management process,

Development of employee satisfaction results

help to further develop diversity in all management levels. The Scanfil Women Appreciation Team collaborates closely with Diversity Equity Inclusion forum to strengthen the workforce potential. Scanfil will also start implementation of a system which will support pay transparency and its improvements.

Scanfil's factories are actively involved in charity activities like occasional gift gatherings (for Christmas, for child's days, etc.), charity sports events, supporting orphanage. Additionally, Scanfil sponsors youth sports teams and clubs. Scanfil also supports UNICEF at the Group level.

Non-discrimination and diversity

We believe that the broader the pool of talent open to an employer, the greater the chance of finding the optimum person for the job. Innovation and agility are seen as the great benefits of diversity, and there is an increasing awareness of what has come to be known as 'the power of difference.'

Scanfil focuses a lot on diversity, equity, and inclusion. After Women Appreciation Team started operating in 2022 to enhance gender equity, the next step was taken in 2023. That was quarterly DEI forum kick-off of which was hosted by the CEO. DEI community works to foster desired attitudes and behaviors.

Scanfil employs around 50 different nationalities. We have over 70 employees with disabilities. The average age of our employees is 41 years, and the ratio between women and men is 45% to 55%.

Board and management diversity is handled in the Scanfil's Board of Directors Report. Group Senior Management diversity ratio became one of the strategic targets and is now monitored quarterly, including Global Management Team, Factory Local Management Teams and Global Functions' Directors and Heads. Women representation in the Senior Management stands for 20% in the end of 2023.

The most important actions taken in 2023:

- Continuously improve employee satisfaction, including employee well-being as well as leadership practices to enable better support
- Kick-off of DEI (Diversity Equity Inclusion) Forum
- Performing DEI training for while collars
- Safety Council workshop summarizing 2023 best preventive actions and brainstorming on safety culture roll-out initiatives

The most important actions to be taken in 2024:

- Enhance diversity & inclusion by cascading down the diversity targets, include diversity dimension in the succession planning
- Introduce advanced digital whistleblowing reporting channel
- Perform ScanfilWay Culture roll-out (updated CoreValues, leadership and collaboration practices)
- Safety-first campaign and trainings

Good governance

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

Good corporate citizen

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

Anti-corruption and anti-bribery measures

As part of its corporate responsibility management, Scanfil is also developing its activities to fight corruption and bribery. Compliance with corporate responsibility is raised more often than previously in talks with customers. Scanfil has defined responsible operating guidelines in its' Code of Conduct. This, for example, prohibits corruption and bribery. The Group's operating methods, such as transparent and cost-based pricing, reduce the possibility of non-compliant activities. No deviations from Scanfil's Code of Conduct in these areas were identified in 2023.

Whistleblowing

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

Anti-competitive

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

Facilitating customer sustainability

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

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

Scanfil works actively together with its customers to improve the sustainability activities of the entire supply chain and industry. In 2023, Vaisala awarded Scanfil as the most responsible supplier of the year, and at ThermoFisher's supplier days, Scanfil was facilitating together with the customer responsible business practices and recommendations to other suppliers.

Satisfied customers

Customer satisfaction (Net Promoter Score, NPS) is measured regularly by conducting a customer satisfaction survey twice a year. Feedback helps us to monitor our operational performance in terms of our delivery capacity and our ability to produce quality, as well as our flexibility, competitive prices, the organization's ability to react, and the coverage and performance of our services. Based on the survey, we will define a factory- and/or function-specific development program, including relevant measures. These measures will be monitored actively in cooperation with customers. NPS, which shows the probability of our customers recommending Scanfil as a manufacturing partner, increased significantly from the previous year. This was thanks to a positive development in both customer quality and delivery punctuality. The increase in the NPS score shows that the measures implemented have had a positive effect and that they had a great impact on the customer experience.

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

NPS-scale from -100 to +100.

	Q2 2022	Q4 2022	Q2 2023	Q4 2023
NPS Score	5	-5	7	22

Quality and performance

All Scanfil's factories operate a quality control system observing the ISO 9001 criteria. In addition, certain factories have other certified quality management systems applicable to specific industries. All Scanfil's factories observe the Lean Six Sigma process development methodology and analysis (FMEA) that identifies the supply chain and production risks. The objective is to identify the deficiencies and risks in processes and production at an early stage, continuously make improvements, and carry out preventive measures. The numbers of continuous improvements are measured in all factories and in 2023, a total of 7 685 continuous improvements where implemented and documented. Performance is measured by KPIs, the most important being delivery punctuality and customer quality, measured as Defective Parts Per Million (DPPM). In 2023, both customer quality and the delivery punctuality significantly improved.

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

Towards sustainable supply chain

Material purchases represent approximately two-thirds of turnover, which is why efficient procurement is a significant competitive factor for Scanfil. Scanfil has a broad network of local, regional, and international suppliers and partners, which it seeks to develop to ensure good quality, cost-effectiveness and a responsible sustainability approach throughout the whole value chain.

Sustainability evaluation of suppliers

Scanfil requests our preferred and key suppliers to undergo a sustainability assessment by a reputable third-party provider, such as

EcoVadis or similar. EcoVadis is the chosen third-party assessment provider by Scanfil. The result of such an assessment will be part of Scanfil's strategic purchasing decisions.

By continuously working to consolidate purchasing volumes with our preferred and key suppliers and proactively requesting sustainability assessments, we will ensure that our supply chain is aligned with Scanfil's sustainability objectives.

Supplier selection and Supplier Code of Conduct

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

The Supplier Code of Conduct constitutes part of purchase agreements signed with major suppliers. In addition, the Code of Conduct is signed with all suppliers when operating in the Asian market. Scanfil selects its suppliers carefully, and cooperation with its key suppliers is long-term.

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

The most important actions taken in 2023:

- Preparation for EU level CSRD and EU taxonomy
- Start of Scope 3 measurement
- Roll out of Scanfil sustainable procurement program
- Code of Conduct online training

The most important actions to be taken in 2024:

- CSRD driven double materiality assessment and actions based on the results
- Full reporting from factory level according to ESRS
- Validation of science based target near-term targets ready
- Commitment of science based target long-term targets to achieve net-zero 2050
- Achieving EcoVadis Gold

Scanfil value add creation 2023, EUR million

Sales to customer		Purchases from suppliers		Value add
902 (2022: 844)	–	719 (694)	=	182 (149)

Business partners and society

Scanfil's sales to customers totaled EUR 902 million, of which purchases from external suppliers accounted for EUR 719 million. The difference, EUR 182 million, was the added value produced by Scanfil. The added value produced increased by EUR 33 million (+21,9%) from the previous year. Scanfil produces added value for employees, creditors, shareholders, and for the company's further development. Most of the added value was produced by the employees. During the year, Scanfil had an average of 3,670 employees and paid them EUR 96 million in salaries and wages. Salaries and wages increased by EUR 13 million, or 15,8%, year-on-year. Scanfil paid a total of EUR 39 million in other statutory staff costs and income taxes.

The company's subsidiaries are located in seven different countries. 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 net financial expenses totaled EUR 0 (2022: 4) million. The company aims to pay approximately a third of its net result as annual dividends. In keeping with this principle, Scanfil paid EUR 14 million in dividends in 2023. The dividend per share paid by the company has increased every year since 2012. 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 19.6% in 2023, which clearly shows that the investments made in the company have repaid themselves well.

EU taxonomy

The EU taxonomy is a classification system for sustainable economic activities. It aims to provide robust definitions and transparent reporting to support increased finance for activities that substantially contribute to solving the climate and environmental crisis.

The EU taxonomy is reported in financial terms as the proportion of economic activities that are determined non-eligible, eligible and aligned in turnover, Capital Expenditure (CapEx) and Operating Expenditure (OpEx).

The EU taxonomy is intended to encourage financial markets to invest and finance more sustainably and avoid green washing. It sets the criteria for activities that the EU has classified as environmentally sustainable. Activities that are described in the taxonomy are referred to as eligible activities. Eligible activities that also meet set criteria are referred to as aligned activities in the taxonomy.

How Scanfil is affected by the EU Taxonomy

Scanfil is an electronics manufacturing service ("EMS") company that almost exclusively produces according to the customers' specifications, with little control over how the specifications are developed. Since most of its operations fall under NACE code 26 (Manufacturing of computers and electronic and optical products), sold as components for further assembly and manufacturing, Scanfil does not always know what the produced components are used for by the customer in the final product or application. Components may be used for Taxonomy eligible or non-eligible, aligned and non-aligned economic activities and it can be difficult to assess and influence usage in detail.

That said, Scanfil works in close collaboration with its customers to the greatest extent possible to ensure that its products are of the highest quality and contribute substantially to achieving the environmental objectives defined in Article 9 of Regulation (EU) 2020/852.

In accordance with Article 10 on Substantial contribution to climate change mitigation, Scanfil contributes substantially by enabling the activities listed in points (a) to (h). These are economic activities that qualify as substantially stabilizing the concentrations of greenhouse gas in the atmosphere at a level that prevents dangerous anthropogenic interference with the climate system consistent with the long-term temperature goal of the Paris Agreement. Scanfil's EU Taxonomy aligned customers' main contribution via a) generating, transmitting, storing, distributing, or using renewable energy in line with Directive (EU) 2018/2001, including through using innovative technology with a potential for significant future savings or through necessary reinforcement or extension of the grid; (b) improving energy efficiency, except for power generation activities as referred to in Article 19(3).

As described in Article 16, enabling activities are defined as those which contribute substantially to one or more of the environmental objectives and:

(a) does not lead to a lock-in of assets that undermine long-term environmental goals, considering the economic lifetime of those assets; and:

(b) has a substantial positive environmental impact, based on life-cycle considerations

Scanfil has activities that qualify as environmentally sustainable according to the EU Taxonomy as per EU Regulation 2020/852. Scanfil has activities that are in the scope of Technical Screening Criteria (TSC) 3.1 Manufacture of renewable energy technologies, 3.4 Manufacture of batteries and 3.5 Manufacture of energy efficiency equipment for buildings.

Assessment of compliance with the taxonomy regulation

Scanfil has carried out an assessment regarding its economic activities against the EU Sustainable Finance Taxonomy's first Delegated Act on Climate, as required by the Delegated Act on Article 8. The purpose of this assessment was to define the taxonomy-eligibility and alignment. Scanfil's approach to identifying and reporting sustainable economic activities consisted of:

1. Eligibility assessment: mapping of economic activities to taxonomy activity descriptions and NACE codes.

2. Substantial contribution assessment: screening of activities against technical screening criteria.

3. Do no significant harm (DNSH) assessment: screening of Scanfil's procedures to ensure that our operations do not cause significant harm to relevant environmental objectives. Screening conducted at an appropriate level for each environmental objective. The company has established management procedures that address different environmental issues, including waste disposal and pollution control. These procedures are primarily carried out using environmental management systems that are certified by ISO 14001.

4. Minimum safeguards assessment: A review of Scanfil's social safeguards to ensure that our operating instructions, company policies, and management system are compliant with the UN Declaration of Human Rights, the ILO Fundamental Conventions on Human Rights at Work, the Rio Declaration, and the UN Convention against Corruption.

Scanfil works with the requirements for minimum safeguards by assessing and managing the risk and impact of their business activities on people, society, and the environment. These requirements are met by ensuring compliance with its Code of Conduct (CoC). Internally this means that all employees are required to participate in a course to make sure their behaviors are in line with the values of Scanfil. For its upstream activities, Scanfil works to ensure that its suppliers comply with their supplier CoC. As part of its minimum requirement, 100% of all new suppliers have signed Scanfil's supplier CoC. Scanfil has a risk assessment process for all new suppliers that results in a score card. Suppliers are categorized and assessed according to a three-point criteria containing of business and customer needs, and regulatory requirements. Scanfil conducts an in-depth audit for these suppliers.

To ensure its sustainability in procurement Scanfil uses EcoVadis to assess its suppliers. Scanfil requests specific measures from suppliers who cannot meet with the required minimum rating score. If insufficient measures are implemented to raise their score, Scanfil may phase out these suppliers.

Human rights impact assessments are part of broader efforts to promote corporate social responsibility, sustainable development, and ethical business practices. They contribute to the protection and promotion of human rights by proactively identifying and addressing potential risks and impacts associated with various activities. Scanfil requires the commitment of the Supplier Code of Conduct for the approval of all new suppliers. This is in combination with a "Due Diligence procedure", where criteria for sustainability are included.

To meet the increased demands on the due diligence process for human rights impact assessment, Scanfil continuously develops its processes including the implementation of new tools. The goal is to have the opportunity in 2024 to cover the entire supplier base from both a risk perspective, but also for the introduction of new suppliers.

Scanfil promotes and supports sustainable and ethical business practices. To enforce business conduct policy against corruption and misconduct, Scanfil uses a whistleblower service that allows everybody to speak up. The purpose is to ensure that no acts of bribery, anti-competitiveness and harassment occurs at Scanfil. Cases reported via the whistleblower service are handled by an internal council. On a monthly basis, any and all reported cases are assessed with consequent follow-ups as needed.

As a result of the 2023 assessment, the following economic activities were identified as taxonomy eligible and aligned for Scanfil with the objective of Climate Change Mitigation (CCM) according to the Technical Screening Criteria of 3.1 Manufacture of renewable energy technologies, 3.4 Manufacture of batteries and 3.5 Manufacture of energy efficiency equipment for buildings.

Scanfil Taxonomy KPIs for the year 2023 are presented in the tables of the following pages.

Double counting has been avoided by classifying external revenue streams into taxonomy-eligible economic activities only once. The shares of eligible and aligned net sales have been used as key to calculate eligible and aligned Opex and Capex.

Turnover

Scanfil is an electronics manufacturing service ("EMS") company. It manufactures components and products for its customers. Most of Scanfil's operations fall under NACE code 26 (Manufacturing of computers and electronic and optical products), which is currently not covered in the first Delegated Act on Climate. Scanfil has approximately 160 active customers and it manuafactures approximately 10,000 different products annually. To describe the complexity, customers' end products can vary from heat pumps and recycling solutions to elevators and industrial pumps and frequency converters. For now, Scanfil's taxonomy-eligible and aligned economic activities are conducted predominantly in the Energy & Cleantech segment customers while other businesses are currently not described in the Taxonomy Regulation. Only customers and their line of business is assessed.

Capital Expenditure

The idea of an EMS company is to share assets in the production with other customers e.g. SMT lines are used for multiple customers and therefore identifying or separating investments in these assets based on taxonomy eligibility or alignment cannot be done. In cases, where assets cannot be shared i.e. they are customer specific, customer typically owns the assets.

Taxonomy CapEx is presented and measured in line with the CapEx presented in the Group's financial statements. It consists of purchases of property, plant and equipment, and intangible assets and right-of-use assets.

Breakdown of CapEx KPI

MEUR	
Additions to property, plant and equipment	19
Additions to intangible assets	2
Additions to capitalized right-of-use assets	3
Total	**24**

Operating Expenditure

The Taxonomy regulation's definition of OpEx relates to assets and economic activities that generate taxonomy eligible net sales. It consists of expenses relating directly to maintenance and servicing of assets including e.g., facility improvements. Scanfil has applied a conservative interpretation of the Taxonomy OpEx definition. Raw materials, and salaries of employees performing repairs, maintenance, and services of eligible fixed assets, are excluded.

Breakdown of OpEx KPI

MEUR	
Costs of maintenance, repair and equipment	10
Total	**10**

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	**Code**	**Turnover**	**Proportion of turnover, year 2023**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Minimum safeguards**	**Proportion of Taxonomy-aligned (A.1.) or -eligible turnover, year 2022 (A.2.)**	**Category enabling activity**	**Category transitional activity**
		MEUR	*%*	*Y;N;N/EL*	*Y;N;N/EL*	*Y;N;N/EL*	*Y;N;N/EL*	*Y;N;N/EL*	*Y;N;N/EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacturer of renewable energy technologies	CCM 3.1	6	0.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.5%	E	
Manufacturer of batteries	CCM 3.4	19	2.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1.5%	E	
Manufacturer of energy efficiency equipment for buildings	CCM 3.5	76	8.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6.0%	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**101**	**11.1%**	**11.1%**	**0%**	**0%**	**0%**	**0%**	**0%**	Y	Y	Y	Y	Y	Y	Y	**8.0%**		
Of which enabling		**101**	**11.1%**	**11.1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**		**E**	
Of which transitional			**0.0%**	**0%**															
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activites)																			
Manufacturer of renewable energy technologies	CCM 3.1	3	0.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%		
Turnover of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities (A.2)		**3**	**0.4%**	**0.4%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0.4%**		
A. Turner of Taxonomy-eligible activities (A.1 + A.2)		**104**	**11.5%**														**8.4%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**798**	**88.5%**																
TOTAL		**902**	**100.0%**																

A.1.
Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

A.2
EL – Taxonomy-eligible activity for the relevant objective
N/EL – Taxonomy-non-eligible activity for the relevant objective

Scanfil plc's principles for defining turnover, capital expenditure and operating expenditure can be found in notes 1.1., 1.5., 3.2., 3.3. and 3.4. in the Financial Statements.

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	Code	CapEx	Proportion of CapEx, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible CapEx year 2022 (A.2.)	Category enabling activity	Category transitional activity
		MEUR	*%*	*Y;N;N/EL*	*Y;N;N/EL*	*Y;N;N/EL*	*Y;N;N/EL*	*Y;N;N/EL*	*Y;N;N/EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacturer of renewable energy technologies	CCM 3.1	0.2	0.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.5%	E	
Manufacturer of batteries	CCM 3.4	0.5	2.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1.5%	E	
Manufacturer of energy efficiency equipment for buildings	CCM 3.5	2.0	8.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6.0%	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**2.6**	**11.1%**	**11.1%**	**0%**	**0%**	**0%**	**0%**	**0%**	Y	Y	Y	Y	Y	Y	Y	**8.0%**		
Of which enabling		**2.6**	**11.1%**	**11.1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**		**E**	
Of which transitional			**0,0%**	**0%**															
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activites)																			
Manufacturer of renewable energy technologies	CCM 3.1	0.1	0.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%		
CapEx of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities (A.2)		**0.1**	**0.4%**	**0.4%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0.4%**		
A. CapEx of Taxonomy-eligible activities (A.1 + A.2)		**2.7**	**11.5%**														**8.4%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		**21.3**	**88.5%**																
TOTAL		**24.0**	**100.0%**																

A.1
Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

A.2
EL – Taxonomy-eligible activity for the relevant objective
N/EL – Taxonomy-non-eligible activity for the relevant objective

Scanfil plc's principles for defining turnover, capital expenditure and operating expenditure can be found in notes 1.1., 1.5., 3.2., 3.3. and 3.4. in the Financial Statements.

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	Code	OpEx	Proportion of OpEx, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible Opex year 2022 (A.2.)	Category enabling activity	Category transitional activity
		MEUR	*%*	*Y;N;N/EL*	*Y;N;N/EL*	*Y;N;N/EL*	*Y;N;N/EL*	*Y;N;N/EL*	*Y;N;N/EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacturer of renewable energy technologies	CCM 3.1	0.1	0.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.5%	E	
Manufacturer of batteries	CCM 3.4	0.2	2.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1.5%	E	
Manufacturer of energy efficiency equipment for buildings	CCM 3.5	0.8	8.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6.0%	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**1.1**	**11.1%**	**11.1%**	**0%**	**0%**	**0%**	**0%**	**0%**	Y	Y	Y	Y	Y	Y	Y	**8.0%**		
Of which enabling		**1.1**	**11.1%**	**11.1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**		**E**	
Of which transitional			**0.0%**	**0%**															
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activites)																			
Manufacturer of renewable energy technologies	CCM 3.1	0.0	0.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%		
OpEx of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities (A.2)		**0.0**	**0.4%**	**0,4%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0.4%**		
A. OpEx of Taxonomy-eligible activities (A.1 + A.2)		**1.1**	**11.5%**														**8.4%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**8.9**	**88.5%**																
TOTAL		**10.0**	**100.0%**																

A.1.
Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

A.2
EL – Taxonomy-eligible activity for the relevant objective
N/EL – Taxonomy-non-eligible activity for the relevant objective

Scanfil plc's principles for defining turnover, capital expenditure and operating expenditure can be found in notes 1.1., 1.5., 3.2., 3.3. and 3.4. in the Financial Statements.

Delegated Regulation 2022/1214

Most of Scanfil's operations fall in under NACE code 26, Manufacturer of computer, electronic and optical products, in accordance with the statistical classification of economic activities established by regulation (EC) no 1893/2006. As an electronics manufacturing service ("EMS") Scanfil has customers in the Energy & Cleantech segment but rarely with knowledge of in-depth energy related activities.

	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

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BOARD OF DIRECTORS' REPORT

Scanfil plc is an international listed (Nasdaq Helsinki, SCANFL) manufacturing partner and system supplier for the electronic industry, with more than 45 years of experience in demanding contract manufacturing. Overall management is one of the Group's strengths. Its services range from product design and production suitability planning to prototype and pre-serial production, the volume manufacturing of products and aftersales services such as maintenance and spare parts services. On December 31, 2023, the Group employed some 3,600 people. At the end of 2023, Scanfil had a total of nine factories in seven countries on three continents.

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

Year 2023

The strong growth that started in 2021-2022 slowly folded towards the end of 2023. Despite the waning of strong demand, full-year turnover growth was 6.9% compared to 2022, and totaled in EUR 901,6 (843,8) million. In 2023, the goal of 5–7% annual revenue growth in accordance with the long-term financial goals was met.

The previously challenging material situation began to ease towards the end of 2022, which increased the factories' productivity during 2023 when production interruptions and delays caused by material shortages decreased. In addition, due to material shortages, low-margin or no-margin spot market purchases of materials had to be made significantly less, which increased the operating profit margin.

At the beginning of 2023, Scanfil started the new Scanfil Dream Factory development program. The goal is to create a factory concept where IT, data, people, processes and technology work seamlessly together. Investments according to the concept were made during the year at several factories.

Turnover and result

The turnover for 2023 was EUR 901.6 (843.8) million, an increase of 6.9% compared to 2022. Turnover includes EUR 19.3 (80.7) million invoicing of spot-market purchases. The turnover excluding the spot-market purchases increased by 15.6%.

The operating profit for 2023 was EUR 61.3 (45.4) million, 6.8% (5.4%) of turnover. The operating profit was positively affected by good customer demand and increased productivity, which was supported by improved component availability. The operating margin in 2023 was negatively affected by spot-market purchases and excluding them it was 6.9%. The operating profit in 2022 was negatively affected by EUR -2.5 million of foreign exchange rates changes. In addition, operating margin in 2022 was negatively affected by high value of spot-market purchases.

The net profit for 2023 was EUR 48.2 (35.0) million, an increase of 37.6%. Earnings per share were EUR 0.74 (0.54). Return on investment was 19.4% (14.6%).

The effective tax rate in 2023 was 21.7% (16.0%). The tax rate was impacted negatively by taxes of intercompany dividends. In 2022, taxes of intercompany dividends had a slightly positive impact.

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

Financing position and investments

Scanfil's financial position improved significantly during 2023. The consolidated balance sheet total was EUR 518.0 (525.5) million at the end of the review period. Cash and cash equivalents totaled EUR 21.2 (20.8) million. Liabilities amounted to EUR 252.0 (298.9) million, of which non-interest-bearing liabilities totaled EUR 179.0 (192.6) million and interest-bearing liabilities totaled EUR 73.0 (106.3) million. Interest-bearing liabilities consisted of EUR 50.4 (81.5) million in financial liabilities and EUR 22.6 (24.8) million in leasing liabilities. The Group has EUR 83.4 million in unused credit facilities.

The equity ratio at the end of the period was 53.7% (45.3%), and net gearing was 19.4% (37.8%). Equity per share was EUR 4.08 (3.49).

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

The net cash flow from operating activities for January–December was at an all–time high EUR 68.9 (10.2) million.   The high cash flow was driven by good profitability as well as positive working capital development.

The net cash flow from investing activities in January–December was EUR -21.9 (-18.5) million.

Free cash flow was positive at EUR 47.0 (-8.3) million.

The cash flow from financing activities was EUR -46.4 (3.9) million, including a EUR -13.6 (-12.3) million dividend payment, EUR -6.0 (-6.0) million repayments of long-term loans and change in overdraft facility EUR -23.9 (25.9) million.

Gross investments in January–December totaled EUR 22.2 (19.0) million, which was 2.5% (2.3%) of the turnover. Approximately 50% of the investments were made for increase the electronics manufacturing capacity especially in Poland and the USA. The rest of the investments were in information technology, productivity development and capacity replacements. Depreciations, including impairments, totaled EUR 19.1 (17.5) million.

The Board of Directors' authorizations

Scanfil plc's Annual General Meeting was held on April 27, 2023 as a remote meeting in accordance with the law.

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

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

Option schemes

The Group has two valid option schemes. On April 24, 2019, the Annual General Meeting accepted the 2019 option scheme (A–C) and on April 21, 2022 the Annual General Meeting authorized the Board to decide on the issue of option rights to the Scanfil Group 's key personnel and to decide on the terms and conditions of the option scheme. Based on the authorization on 27 October 2022, the Board decided on the option scheme 2022 (AI/AII) – (CI/CII).) On the basis of the 2019 option scheme, a maximum of 900,000 option rights can be granted and on the basis of the 2022 option scheme, a maximum of 1,200,000 option rights can be granted Each option right enables its holder to subscribe to one Scanfil plc share.

During the period under review, a total of 330,000 shares were subscribed under Scanfil Plc's stock options 2019(A) and 2019(B). Based on the subscriptions the company issued 310,000 new shares and 20,000 treasury shares were transferred to subscribers. The whole subscription price of EUR 1,381,200 for subscriptions made with the stock options was recognized in the company's reserve for invested unrestricted equity.

Share

Scanfil plc has a total of 65,269,993 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 10,197,800 shares on December 31, 2023, comprising 15.6% of the company's shares and votes. A total of 1,256,000 stock options have been granted to the current CEO Christophe Sut and to the CEO Petteri Jokitalo, who stepped down on September 1, 2023, and to the members of the group's management team, of which 976,000 are unvested. A total of 206,000 2022 (AI/AII) and (BI/BII) option rights have been granted to other key personnel. The total number of unsubscribed option rights, 1,182,000, corresponds to 1.8% of the total number of shares in Scanfil plc.

The highest trading price during the financial year was EUR 11.58, and the lowest was EUR 6.40, with the closing price for the period standing at EUR 7.83. A total of 6,730,900 shares were traded during the period, corresponding to 10% of the total number of shares. As of December 31, 2023, the market value of the shares was EUR 511.1 million.

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

Own shares

On December 31, 2023, the company owned 78,738 of its own shares, representing 0.1% of all shares.

Personnel

At the end of the financial period, the Group employed 3,642 (3,497) people, of whom 3,356 (3,189) worked outside Finland and 286 (308) in Finland.

PERSONNEL, AVARAGE	2023	2022	2021
Parent company	13	13	13
The Group	3,671	3,403	3,267

PAID SALARIES, WAGES AND FEES EUR MILLION	2023	2022	2021
Parent company	2.3	1.9	1.8
The Group	95.6	82.5	77.8

Board of Directors and CEO

On April 27, 2023, the Annual General Meeting re-elected Harri Takanen, Bengt Engström, Christina Lindstedt and Juha Räisänen as Board members, and Thomas Dekorsy and Minna Yrjönmäki as new members. At its organizing meeting on April 27, 2023, the Board of Directors elected Harri Takanen as its chair.

In addition, the Board of Directors made the following decisions on the organization of committees: the members of the Audit Committee are Juha Räisänen (chair), Christina Lindstedt and Minna Yrjönmäki, and the members of the Nomination and Remuneration Committee are Harri Takanen (chair) and Bengt Engström.

Christophe Sut (1973) served as the CEO of the company as of September 31 and Petteri Jokitalo (1963) January 1 - August 31, 2023.

Risks

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

Near-future business risks and uncertainties

In this section, the most essential risk factors, that may have an impact on Scanfil's ability to achieve its targets and means to manage related risks, are discussed briefly. Scanfil seeks actively to reduce the impact of these risk factors by preventive actions.

STRATEGIC RISKS

The weakening of the global economy and the declining demand of investment goods might have a negative impact on the development of business of Scanfil's customers and weaken the demand in the contract manufacturing market.

Scanfil doesn't have sales to Russia or material purchases from Russia and therefore the war in Ukraine doesn't have direct impact on Scanfil revenue or profitability. However, the continuation and expansion of conflicts in Ukraine and the Middle East may have an impact on the business environments of Scanfil and its customers. Also, political and trade political tense and related actions may impact on the Scanfil business environment. This risk is eliminated by Scanfil's global factory network and its development.

OPERATIONAL RISKS

The vast majority of materials and components used in the supply chain are purchased from external suppliers or subcontractors. This exposes the Group to the availability and cost risks related to materials, components and other subcontracted products in addition to the contingency of the business relationship.

The group has a global procurement unit whose task is to ensure the availability of materials using trusted suppliers. With its purchasing power and procurement department, Scanfil is able to influence suppliers' delivery reliability and pricing to a reasonable extent.

There was challenges in the availability of certain materials, especially semiconductors, in 2021-2022. The situation improved significantly during 2023, although availability challenges related to certain materials are still visible.

Obsolete materials and components may create a financial risk for the group limited to their book value. Material responsibilities are agreed upon in customer contracts.

Scanfil needs electricity and heat in its production. The risk of rising energy availability and costs is believed to be small in the short term in Europe, and will not have a significant impact on short-term revenue or profitability expectations. In the longer term, there may still be risks to the availability of energy.

CUSTOMER RISKS

The Group has approximately 160 active customers, of which the largest customers are Nordic companies that are leaders in their respective industries. The client companies are spread over several different industries and geographical areas. In general, the business of the Group's key customers is not particularly sensitive to economic cycles and the life cycles of products are often long. During 2023, the largest customer's share of turnover was 13% (19%), and the ten largest customers' share of turnover was approximately 55% (55%).

FINANCIAL AND EXCHANGE RATE RISKS

Scanfil operates internationally and is thus exposed to exchange rate risks. The group's exchange rate risks consist of transaction risks related to business and financing cash flows, translation risks related to foreign subsidiaries, and financial risks caused by exchange rate changes. Currency forwards are used to hedge the transaction risk. Investments in foreign subsidiaries are not protected.

Interest rate risk is included in the return on financial investments and interest-bearing debts. Changes in the interest rate have an impact on the Group's result. The interest rate risk of loans can be managed with credit swaps and by adjusting the relative shares of fixed and variable rate loans. The prevailing interest rate risk is moderate with current contracts and credit levels.

Credit risks are related to trade receivables from customers. The Group's largest customers are solvent Nordic market leaders in their industries. Overdue trade receivables are monitored regularly on a monthly basis at the Group level. The creditworthiness of new customers is checked and only standard payment terms are granted to customers. The customers' credit ratings are monitored and most of Scanfil's largest customers have a good credit rating. Trade receivables do not include significant credit loss risk.

Financial risk is mainly related to securing the Group's financing. The management of the Group's finances and the management of financial risks are managed in accordance with the principles approved by the Board of the Group's parent company. Scanfil's finance function, which is part of the Group's financial administration, is responsible for ensuring that financial services and financial transactions are carried out in a way that aims to enable the availability of sufficient funding under all circumstances. Scanfil's debt level is moderate and the credit rating is good.

INFLATION RISK

Overall inflation has an impact on the Group's cost structure. Inflation has slowed down, but the future development is uncertain.

PANDEMIC RISKS

Pandemics could affect the Group's business. The effects can include, for example, factory closings, increased staff sick leave and quarantines, the costs of protective measures, even a temporary stoppage of production and/or delays in the delivery of materials and manufactured products.

CYBER SECURITY RISK

Cyber security is recognized as a growing risk. Scanfil continuously monitors and develops the ICT environment and systems to reduce risks.

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

Changes in the Group structure

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

Research and development

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

Proposals by the Board of Directors to the Annual General Meeting

Scanfil plc's Annual General Meeting has been planned to be held on April 25, 2024.

Dividend for 2023

The parent company's distributable assets total EUR 60,942,965.89 including undistributed profits of EUR 25,793,374.35. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.23 (0.21) per share, in total EUR 14,993,988.65 to be paid for the financial year ending on December 31, 2023. The dividend will be paid to shareholders, who are recorded on April 29, 2024, in the company's list of shareholders maintained by Euroclear Finland Oy. The dividend will be paid on May 7, 2024.

No significant changes have taken place in the company's financial position since the end of the financial year. In the view of the Board of Directors, the proposed dividend pay-out will not put the company's liquidity at risk.

The proposal of Scanfil plc's nomination committee to the General Meeting for the composition of Scanfil plc's Board of Directors will be published in connection with the invitation to the General Meeting.

Future Outlook

Scanfil estimates that its turnover for 2024 will be EUR 820–900 million, and its adjusted operating profit will be EUR 57–65 million.

The outlook is based on customer forecasts and Scanfil's normal forecasting process. The outlook is associated with uncertainty related to the economy, customer destocking and end-demand.

Long-term targets

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

Events after the reporting period

There were no significant events after the reporting perriod.

Corporate Governance Statement

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

Report on non-financial information

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

SHARES AND SHAREHOLDERS

Shares and share capital

Scanfil plc has a total of 65,269,993 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.

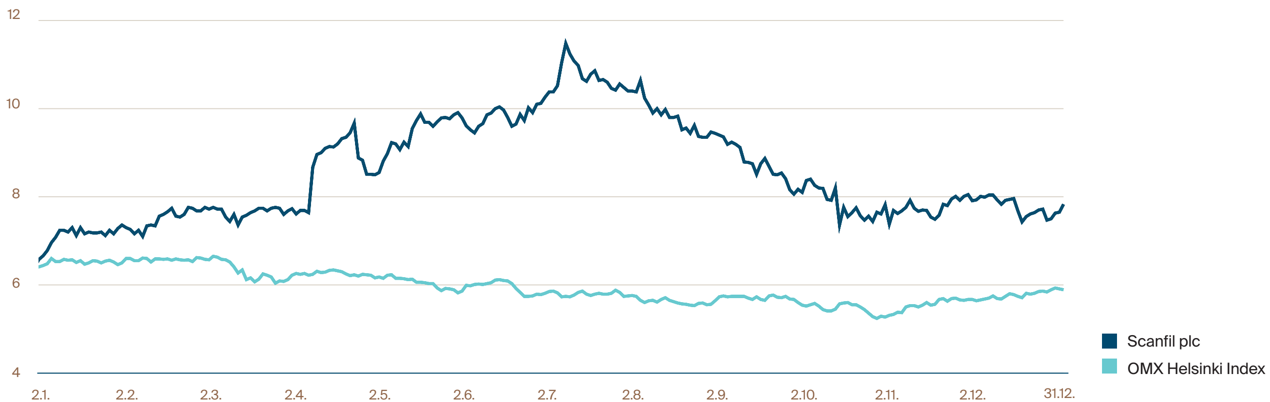
Board's authorizations in force

The Scanfil plc's Board of Directors did not have any authorizations to issue convertible bonds or bonds with warrants.

The Annual General Meeting ("AGM") of Scanfil plc held on April 27, 2023 authorized the Board of Directors to decide on the acquisition of at most 5,000,000 treasury shares. The authorization will remain in force for 18 months after its issuance.

On April 27, 2023 the AGM meeting authorized the board of directors to decide on share issue and on the granting of special rights entitling to shares. The number of shares to be issued based on the authorization can be no more than 12,000,000 shares. The board of directors decides on all share issues and special rights entitling to shares and their conditions. The authorization applies to both the issuance of new shares and own shares transfer of shares. Share issues and special rights entitling to shares issuing may take place in deviation from the shareholders' pre-emptive right (directed issue). The authorization is valid until 30 June 2024.

SHARE PRICE DEVELOPMENT IN 2022 COMPARED TO THE GENERAL INDEX



Own shares

The company held 78,738 of its own shares on December 31, 2023.

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 0.23 per share, totalling EUR 14,993,988,65 be paid for the financial year ending on December 31, 2023.

Share price development, trading and market value

During 2023, the number of Scanfil plc shares traded on Nasdaq Helsinki Ltd was 6,730,900 comprising 10% of all outstanding shares. The value of shares traded was EUR 57.9 million and the average price was EUR 8.60. The market value of the share capital was EUR 511.1 million on December 31, 2023. The highest trading price was EUR 11.58 and the lowest EUR 6.4. The closing price was EUR 7.83.

Information on shareholders

On December 31, 2023, Scanfil plc had a total of 8,302 shareholders, 86,1% of whom owned a maximum of 1,000 shares in the company. The ten major shareholders owned 71.0% of the shares. Nominee-registered shares accounted for 5.5% 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 10,197,800 shares on December 31, 2023, comprising 15.6% of the company's shares and votes.

BREAKDOWN OF SHARE OWNERSHIP

BREAKDOWN OF SHARE OWNERSHIP BY NUMBER OF SHARES HELD ON DECEMBER 31, 2023

Number of shares	Number of shares pcs	Percentage of owners %	Total number of shares and votes pcs	Percentage of shares and votes %
1–100	2,958	35.63	127,231	0.19
101–1,000	4,187	50.43	1,608,271	2.46
1,001–10,000	1,004	12.09	2,705,338	4.14
10,001–100,000	117	1.41	3,694,753	5.66
100,001–9,999.999	36	0.43	57,134,400	87.54
Total	**8,302**	**100.00**	**65,269,993**	**100.00**

BREAKDOWN OF SHARE OWNERSHIP BY OWNER CATEGORY ON DECEMBER 31, 2023

	Number of shareholders	Share %	Number of shares	Share %
Corporations	290	3.49	9,060,169	13.88
Financial and insurance institutions	30	0.36	6,044,324	9.26
Public entities	5	0.06	2,246,038	3.44
Non-profit-making organisations	33	0.40	2,093,146	3.21
Households	7,916	95.35	45,288,619	69.39
Non-Finnish owners	28	0.34	537,697	0.82
Total	**8,302**	**100.00**	**65,269,993**	**100.00**

INFORMATION ON SHAREHOLDERS

MAJOR SHAREHOLDERS ON DECEMBER 31, 2023

	Shares	Percentage of shares and votes, %
1. Takanen Harri	9,913,146	15.19
2. Takanen Jarkko	8,251,169	12.64
3. Varikot Oy	7,606,442	11.65
4. Takanen Jorma Jussi	6,474,305	9.92
5. Tolonen Jonna	3,351,950	5.14
6. Pöllä Reijo	3,328,745	5.10
7. Laakkonen Mikko	2,531,187	3.88
8. Riitta ja Jorma J. Takasen säätiö	1,900,000	2.91
9. Takanen Martti	1,647,018	2.52
10. Sijoitusrahasto Aktia Capital	1,366,203	2.09
Ten largest shareholders, in total	**46,370,165**	**71.04**

KEY RATIOS

	2023	2022	2021	2020	2019
Financial key ratios					
Turnover, EUR m	901.6	843.8	695.7	595.3	579.4
Turnover, growth from previous year, %	6.9	21.3	16.9	2.7	2.9
Operating profit, EUR m	61.3	45.4	39.6	44.4	35.3
Operating profit, % of turnover	6.8	5.4	5.7	7.5	6.1
Profit/loss for the period, EUR m	48.2	35.0	29.8	36.9	28.1
Profit/loss for the period, % of turnover	5.3	4.2	4.3	6.2	4.8
Return on equity, %	19.6	16.1	15.2	21.1	18.0
Return on investment, %	19.4	14.6	15.3	19.5	17.0
Interest-bearing liabilities, EUR m	73.0	106.3	85.2	44.0	66.6
Gearing, %	19.5	37.8	28.9	9.9	27.7
Equity ratio, %	53.7	45.3	45.3	54.3	49.1
Gross investments in fixed assets, EUR m	22.2	19.0	15.5	9.4	21.1
Gross investments in fixed assets, % of turnover	2.5	2.3	2.2	1.6	3.6
Average number of employees for the period	3,671	3,403	3,267	3,387	3,530

	2023	2022	2021	2020	2019
Key indicators per share					
Earnings per share, EUR	0.74	0.54	0.46	0.57	0.44
Shareholders’ equity per share, EUR	4.08	3.49	3.18	2.82	2.58
Dividend per share, EUR	0.23	0.21	0.19	0.17	0.15
Dividend per earnings, %	31.1	38.9	41.3	29.8	34.3
Effective dividend yield, %	2.94	3.19	2.55	2.61	3.07
Price-to-earnings ratio (P/E)	10.6	12.2	16.2	11.4	11.2
Share trading					
No. of shares traded, thousands	6,731	4,166	4,415	6,290	3,526
Percentage of total shares, %	10.0	6.4	6.8	9.7	5.4
Share performance					
Lowest price for year, EUR	6.40	4.90	6.24	3.26	3.73
Highest price for year, EUR	11.58	8.06	9.02	6.70	4.96
Average price for year, EUR	8.60	6.59	7.61	5.07	4.16
Price at the end of year, EUR	7.83	6.58	7.46	6.52	4.89
Market value of share capital at the end of financial year, EUR million	511.1	427.4	484.6	422.7	316.4
Share-issue adjusted number of shares					
At the end of the period, thousands	65,270	64,960	64,960	64,830	64,700
On average during the period, thousands	64,864	64,830	64,701	64,387	64,296

DEFINITIONS OF KEY RATIOS

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 capitalization	Number of shares x last trading price of the financial period
Adjusted item	A non-recurring significant item that deviates from normal business operations, which affects the comparability between different periods.

CONSOLIDATED FINANCIAL STATEMENT, IFRS

Consolidated Income Statement

EUR THOUSAND	Note	1.1.-31.12.2023	1.1.-31.12.2022
Turnover	1.1	**901,564**	**843,756**
Other operating income	1.2	861	855
Changes in inventories of finished goods and work in progress		-275	273
Use of materials and supplies	1.3	-631,601	-610,201
Employee benefit expenses	1.4	-120,845	-104,045
Depreciation and amortisation	3.5	-19,104	-17,456
Other operating expenses	1.5	-69 285	-67 801
Operating profit		**61,314**	**45,381**
Financial income	4.2	4,013	366
Financial expense	4.2	-3,713	-4,033
Profit before tax		**61,614**	**41,714**
Income tax	1.6	-13,399	-6,670
Net profit for the period		**48,215**	**35,044**
Attributable to:			
The parent company owners		48,215	35,044
Earnings per share calculated on the profit attributable to shareholders of the parent company:			
undiluted earnings per share	1.7	0.74	0.54
diluted earnings per share	1.7	0.74	0.54

Consolidated Statement of Comprehensive Income

EUR THOUSAND	Note	1.1.-31.12.2023	1.1.-31.12.2022
Net profit for the period		**48,215**	**35,044**
Other comprehensive income			
Items that may later be recognised in profit or loss			
Translation differences	4.8	2,972	-5,203
Cash flow hedges	4.8	-35	1,029
Other comprehensive income, net of tax		2,937	-4,173
Total comprehensive income		**51,152**	**30,871**
Total comprehensive income attributable to:			
The parent company owners		51,152	30,871

Consolidated Statement of Financial Position

EUR THOUSAND	Note	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Property, plant and equipment	3.3	62,697	55,564
Right-of-use-assets	3.4	22,616	24,141
Goodwill	3.1	7,678	7,664
Other intangible assets	3.2	10,391	10,799
Other investments	4.6	529	529
Deferred tax assets	1.6	7,694	7,843
		111,605	106,540
Current assets			
Inventories	2.2	209,003	229,291
Trade and other receivables	2.3	173,504	164,817
Advance payments		923	2,292
Current tax		1,770	1,776
Cash and cash equivalents	4.1	21,222	20,779
		406,423	418,954
Total assets		**518,027**	**525,494**

EUR THOUSAND	Note	31.12.2023	31.12.2022
EQUITY AND LIABILITIES			
Shareholder's equity and liabilities	4.8		
Share capital		2,000	2,000
Reserve for invested unrestricted equity fund		34,806	33,425
Fair Value Reserve		924	959
Other reserves		2,650	2,650
Translation differences		-4,588	-7,560
Retained earnings		230,246	195,120
		266,038	226,594
Total equity		**266,038**	**226,594**
Non-current liabilities			
Provisions	5.1	1,105	801
Interest bearing liabilities	4.3		36,000
Lease liabilities	4.3	18,606	20,439
Deferred tax liabilities	1.6	5,703	4,615
		25,414	61,854
Current liabilities			
Trade and other liabilities	2.4	166,750	183,685
Current tax		4,886	3,084
Provisions	5.1	578	378
Interest bearing liabilities	4.3	50,413	45,538
Lease liabilities	4.3	3,948	4,360
		226,575	237,046
Total liabilities		**251,989**	**298,900**
Total shareholder's equity and liabilities		**518,027**	**525,494**

Consolidated Statement of Cash Flow

EUR THOUSAND	Note	1.1.-31.12.2023	1.1.-31.12.2022
Cash flow from operating activities			
Net profit		48,215	35,044
Adjustments for the net profit			
Transactions without payment:			
Change in provisions		413	-1,031
Capital gain / loss for fixed assets		-16	-169
Exchange rate differences		2,518	-2,311
Other adjustments		540	395
Depreciation and amortisation		19,104	17,456
Financial income		-3,959	-366
Financial expenses		3,659	4,033
Taxes		13,391	6,624
Change in net working capital:			
Change in accounts receivable and other receivables		-6,491	-18,099
Change in inventories		24,002	-39,584
Change in accounts payable and other liabilities		-20,078	14,568
Change in net working capital total		-2,566	-43,115
Paid interests and other financial expenses		-3,644	-2,304
Interest received		493	364
Taxes paid		-9,212	-4,431
Net cash from operating activities		**68,936**	**10,189**

EUR THOUSAND	Note	1.1.-31.12.2023	1.1.-31.12.2022
Cash flow from investing activities			
Investments in tangible and intangible assets	3.2, 3.3	-22,168	-18,975
Sale of tangible and intangible assets		258	461
Net cash from investing activities		**-21,909**	**-18,515**
Cash flow from financing activities			
Share subscriptions based on stock options	1.4	1,381	260
Proceeds from short-term loans			25,917
Repayment of short-term loans		-23,994	-190
Repayment of long-term loans		-6,000	-6,000
Repayment of lease liabilities		-4,185	-3,742
Paid dividends		-13,621	-12,316
Net cash from financing activities		**-46,419**	**3,929**
Net increase/decrease in cash and cash equivalents		**608**	**-4,397**
Cash and cash equivalents at beginning of period		20,779	25,345
Changes in exchange rates		-165	-169
Cash and cash equivalents at end of period		**21,222**	**20,779**

Consolidated Statement of Changes in Equity

Equity attributable to equity holders of the parent company

EUR THOUSAND	Note	Share capital	Reserve for invested unrestricted equity fund	Fair value reserve	Other reserves	Translation differ-ences	Retained earnings	Equity total
Equity 1.1.2023		**2,000**	**33,425**	**959**	**2,650**	**-7,560**	**195,120**	**226,594**
Comprehensive income								
Net profit for the period							48,215	48,215
Other comprehensive income (net of tax)								
Translation differences	4.8					2,972		2,972
Cash flow hedges	4.5, 4.8			-35				-35
Total comprehensive income				**-35**		**2,972**	**48,215**	**51,152**
Transactions with owners								
Option Scheme							532	532
Paid dividends							-13,621	-13,621
Share options exercised			1,381					1,381
Equity 31.12.2023		**2,000**	**34,806**	**924**	**2,650**	**-4,588**	**230,246**	**266,038**

Equity attributable to equity holders of the parent company

EUR THOUSAND	Note	Share capital	Reserve for invested unrestricted equity fund	Fair value reserve	Other reserves	Translation differences	Retained earnings	Equity total
Equity 1.1.2022		**2,000**	**33,165**	**-71**	**2,650**	**-2,357**	**172,043**	**207,430**
Comprehensive income								
Net profit for the period							35,044	35,044
Other comprehensive income (net of tax)								
Translation differences	4.8					-5,203		-5,203
Cash flow hedges	4.5, 4.8			1,029				1,029
Total comprehensive income				**1,029**		**-5,203**	**35,044**	**30,871**
Transactions with owners								
Option Scheme							349	349
Paid dividends							-12,316	-12,316
Share options exercised			260					260
Equity 31.12.2022		**2,000**	**33,425**	**959**	**2,650**	**-7,560**	**195,120**	**226,594**

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 45 years of experience in demanding contract manufacturing. Scanfil provides its customers with an extensive array of services, ranging from product design to product manufacturing, material procurement and logistics solutions. Typical Scanfil products include automation system modules, frequency converters, elevator control systems, analysers, various vending machines, and devices related to medical technology and meteorology. Scanfil's network of factories consists of 9 production units in Europe, Asia and North America. The total number of employees is approximately 3,600.

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, 2023, 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, 2023.

In its meeting held on February 22, 2024, the Board of Directors of Scanfil plc approved the consolidated financial statements for publication.

According to the Finnish Limited Liability Companies Act, the ordinary general meeting has the right to adopt, reject or amend the financial statements after their publication.

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

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

Accounting principles for consolidated financial statements

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

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

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

SUBSIDIARIES' COMBINATION PRINCIPLES

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

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

Acquired subsidiaries are consolidated from the moment the group has gained control, and divested subsidiaries until control ceases to exist. All intra-group transactions, receivables, liabilities and unrealised gains and internal profit distribution are eliminated upon preparing the consolidated financial statements. Unrealised losses are not eliminated when the loss is due to impairment.

Shareholders' equity attributable to non-controlling interest is presented as a separate item under shareholders' equity in the balance sheet. There were no non-controlling interests during the financial periods 2023 and 2022.

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.

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.

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. The war in Ukraine causes uncertainty, but it does not have a significant impact on the management's judgment 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 corporate tax and deferred tax assets.

New and amended standards applied in the financial year ended 31 December 2023

Scanfil Group has observed the following new and amended standards from the beginning of 2023:

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

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

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

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

Amendment to standard had no impact on Scanfil plc's financial statements.

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

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

As a result of the amendment in the standard, Scanfil Oyj has presented separate deferred tax assets and liabilities of leases in the notes of the consolidated financial statements.

International Tax Reform — Pillar Two Model Rules* – Amendments to IAS 12 *Income Taxes (the temporary mandatory exception is effective immediately upon publication on 28 May 2023; disclosures requirements are effective for annual reporting periods beginning on or after 1 January 2023).

The amendments give relief from accounting for deferred taxes arising from the OECD's (Organisation for Economic Co-operation and Development) international tax reform and require new disclosures to compensate for the potential loss of information resulting from the relief.

Amendment to standard had no impact on Scanfil plc's financial statements.

Adoption of new and amended standards in future financial years

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

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

Amendments to IAS 1 *Presentation of Financial Statements *: Classification of Liabilities as Current or Non-current Date; Classification of Liabilities as Current or Non-current – Deferral of Effective Date; Non-current Liabilities with Covenants* (effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments are to promote consistency in application and clarify the requirements for determining if a liability is current or non-current. The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments require to disclose information about these covenants in the notes to the financial statements. The amendments also clarify transfer of a company's own equity instruments is regarded as settlement of a liability. Liability with any conversion options might affect classification as current or non-current unless these conversion options are recognized as equity under IAS 32.

***Supplier Finance Arrangements* – Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* *** (effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. Amendments require to disclose quantitative and qualitative information about supplier finance programs.

***Lack of Exchangeability – Amendments to* IAS 21 *The Effects of Changes in Foreign Exchange Rates* *** (effective for financial years beginning on or after 1 January 2025, early application is permitted)

The amendments require to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* *** (available for optional adoption, effective date deferred indefinitely)

The amendments address the conflict between the existing guidance on consolidation and equity accounting and require the full gain to be recognised when the assets transferred meet the definition of a 'business' under IFRS 3 *Business Combinations*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ITEMS AFFECTING THE RESULT

1.1 Turnover and details of business segments

ACCOUNTING PRINCIPLE

Revenue recognition

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

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

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

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

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

Scanfil reports single business segment.

TURNOVER

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

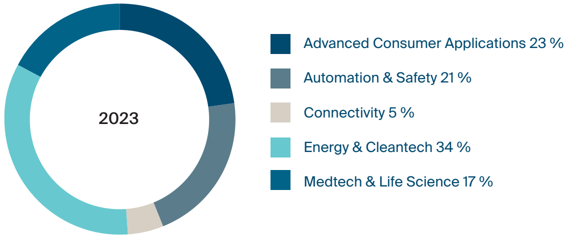
Markets and customer segments

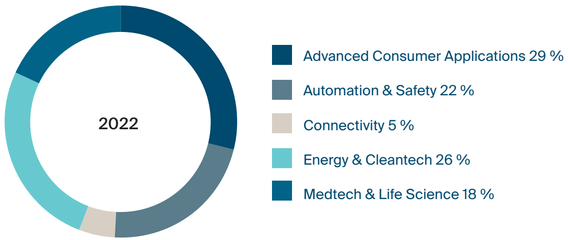
Scanfil has divided its customers into segments on the basis of their respective fields of activity and monitors the development of sales by customer segment.

The customers are divided into the following segments:

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

BREAKDOWN OF TURNOVER BY CUSTOMER SEGMENT IN 2023 AND 2022





In 2023, the Group's turnover was EUR 901.6 (843.8) million, an increase of 6.9% compared to the previous year. Turnover includes EUR 19.3 (80.7) million of spot-market purchases and some other costs related to securing customer deliveries. In order to ensure the availability of materials and components and reliability of delivery, the company had to buy especially semiconductor components at a significantly higher price than the normal price on the spot market. The extra costs incurred have been invoiced to the customers. This invoicing was low-margin or no-margin for Scanfil. Profit is realized at a point of time, when the products in which the materials have been used are transferred to the customer's ownership.

Turnover by customer segment developed as follows:

ADVANCED CONSUMER APPLICATIONS

Turnover in 2023 was EUR 211.5 (247.8) million, an increase of 14.6% compared to previous year. The turnover in 2022 was heavily increased by spot-market operations. Separately agreed customer invoicing was EUR 4.3 (36.1) million.

AUTOMATION & SAFETY

Turnover in 2023 was EUR 186.7 (183.8) million, an increase of 1.6% compared to previous year. Separately agreed customer invoicing was EUR 4.7 (12.0) million.

CONNECTIVITY

Turnover in 2023 was EUR 48.7 (38.5) million, an increase of 26.5% compared to previous year. Demand increased, especially for advanced hearing protection. Separately agreed customer invoicing for the segment was EUR 0.5 (1.2) million.

ENERGY & CLEANTECH

Turnover in 2023 was EUR 301.8 (222.4) million, an increase of 35.7% compared to previous year. Demand was good for recycling, green energy, and energy efficiency solutions. Separately agreed customer invoicing was EUR 6.7 (18.4) million.

MEDTECH & LIFE SCIENCE

Turnover in 2023 was EUR 152.9 (151.2) million, an increase of 1.1% compared to previous year. Separately agreed customer invoicing was EUR 3.1 (13.0) million.

In 2023, the largest customer accounted for about 13% (19%) of turnover and the top ten customers accounted for about 55% (55%) of turnover.

Impact of the war in Ukraine and Middle East conflict in the financial year

Scanfil doesn't have sales to Russia or material purchases from Russia and therefore the war in Ukraine did not have direct impact on Scanfil revenue or profitability.

Conflict in the Middle East had no significant impact on the group's turnover or profitability in the financial year of 2023.

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.

	2023			2022		
EUR MILLION	Goods	Services	Total	Goods	Services	Total
Customer Segments						
Advanced Consumer Applications	205.9	5.7	211.5	241.7	6.1	247.8
Automation & Safety	158.9	27.8	186.7	157.4	26.4	183.8
Connectivity	47.4	1.3	48.7	35.0	3.5	38.5
Energy & Cleantech	297.0	4.8	301.8	218.3	4.2	222.4
Medtec & Life Science	145.2	7.7	152.9	142.3	8.9	151.2
Total	**854.4**	**47.2**	**901.6**	**794.7**	**49.1**	**843.8**
Timing of revenue recognition						
Goods and services transferred at a point of time	854.4	44.6	899.0	794.7	44.9	839.5
Services transferred over time		2.6	2.6		4.2	4.2
Total	**854.4**	**47.2**	**901.6**	**794.7**	**49.1**	**843.8**

Major customers

EUR THOUSAND	2023	% of turnover	2022	% of turnover
Customer 1	116,090	13 %	157,835	19 %
Customer 2	78,392	9 %	71,078	8 %
Customer 3	76,506	8 %	53,775	6 %
Total	**270,989**		**282,688**	

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. Contract liabilities are advances received from customers.

EUR THOUSAND	2023	2022
Trade receivables, which are included in "Trade and other receivables"	158,956	149,576
Contract assets		143
Contract liabilities	22,692	25,029

Trade and other receivables

Current	158,956	149,576
Total	158,956	**149,576**

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

EUR THOUSAND	2023	2022
Contract assets		
Transferred to trade receivables	-139	-87
Contract liabilities		
Recognised in Profit and Loss	-25,029	-15,498
Increase in advances received from customer	22,692	25,029

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	2023	2022
Domicile		
Finland	28,491	27,616
Sweden	74,028	65,937
Poland	183,530	181,921
China	101,038	114,423
Germany	41,985	45,664
Estonia	54,850	60,974
USA	26,257	20,985
Hungary	156	131
Total	**510,333**	**517,652**

Turnover by location of customers (delivery address)

EUR THOUSAND	2023	2022
Domicile		
Finland	121,900	123,421
Sweden	209,407	151,724
Germany	104,295	101,373
Poland	60,446	32,016
Rest of Europe	207,470	201,864
Asia	121,426	159,341
USA	73,335	68,917
Other	3,284	5,099
Total	**901,564**	**843,756**

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.

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	2023	2022
Proceeds from sale of property, plant and equipment	28	169
Allowances and compensations	491	381
Rental income	2	20
Other	340	285
Total	**861**	**855**

1.3 Use of materials and supplies

USE OF MATERIALS AND SUPPLIES, EUR THOUSAND	2023	2022
Purchases during the period	616,322	621,193
Change in inventories	15,279	-10,992
Total	**631,601**	**610,201**

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.

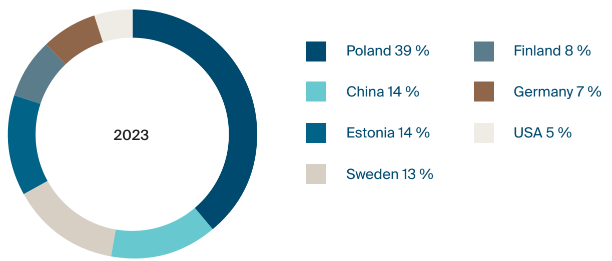
There is a multi-employer supplementary defined benefit pension plan for employees in industry and commerce secured by Alecta in Sweden. Because Alecta is unable to furnish Scanfil with information that would enable the plan to be reported as a defined benefit plan in accordance with IAS 19 Employee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

PERSONNEL EXPENSES, EUR THOUSAND	2023	2022
Salaries, wages and fees	95,047	82,182
Taxable income from option scheme	532	349
Pension costs - defined-contribution schemes	14,352	12,508
Other indirect employee expenses	10,914	9,007
Total	**120,845**	**104,045**

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

AVERAGE NUMBER OF GROUP EMPLOYEES DURING THE PERIOD	2023	2022
Europe	302	312
Abroad	3,369	3,091
Total	**3,671**	**3,403**

PERSONNEL BY COUNTRY ON DECEMBER 31, 2023, IN TOTAL, 3,642 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 scheme 2019

On April 24, 2019, the Annual General Meeting accepted the 2019 option scheme (A)–(C). Based on the 2019 option scheme, maximum of 900,000 option rights 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 based on the Company's trading volume weighted average share price in Nasdaq Helsinki Ltd during the period March 1 to March 31 three years before start of the option rights subscription period. Based on 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. All option rights granted from the 2016 option program have been marked.

Option scheme 2022

On 21 April 2022, the Annual General Meeting of Scanfil plc decided to authorize the Board of Directors to decide on granting stock options rights to key personnel of the Scanfil Group and to decide on the terms and conditions of the maximum amount of 1,200,000 option rights. Based on the authorization, the Board of Directors has on 28 October 2022 decided on general terms and conditions of option plan ("Option plan 2022") and issuing 1,200,000 option rights. The total amount of the option program is a maximum of 1,200,000 option rights and they are given free of charge. Of these options, 400,000 will be marked with the codes 2022AI and 2022AII, 400,000 2022BI and 2022BII and 400,000 2022CI and 2022CII. The options entitle the holder to subscribe for a maximum of 1,200,000 of the company's new or existing shares. The option rights whose goals are not met will expire as determined by the Board.

The subscription period for option right 2022AI and 2022AII is 1 May 2025 – 30 April 2027, for option right 2022BI and 2022BII 1 May 2026 – 30 April 2028, and for option right 2022CI and 2022CII 1 May 2027 – 30 April 2029. The share subscription price for 2022AI and 2022AII are the Company's trading volume weighted by the Company's average share price on the Nasdaq Helsinki 1 November 2022 – 30 November 2022, for option rights 2022BI and 2022BII the trading volume weighted by the Company's average share price on the Nasdaq Helsinki 1 November 2023 – 30 November 2023, and for 2022CI and 2022CII the trading volume weighted by the Company's average share price on the Nasdaq Helsinki 1 November 2024 – 30 November 2024. The share subscription price is entered in the Company's reserve for invested non-restricted equity.

The board decides on the granting of stock options and all related conditions.

On 27 October 2023 Scanfil plc's Board of Directors decided on granting 324,000 stock option rights to key personnel of the Scanfil Group. Granted option rights shall be marked as "2022BI" and "2022BII". Each option right entitles its holder to subscribe for one (1) of the company's new shares or shares in its possession. The subscription period for option rights

2022BI and 2022BII is 1 May 2026 – 30 April 2028. The subscription price of option rights 2022BI and 2022BII is the trade volume weighted average price of the Scanfil plc share on Nasdaq Helsinki Ltd during the period of 1– 30 November 2023.

On 27 October 2022 Scanfil plc's Board of Directors decided on granting 316,000 stock option rights to key personnel of the Scanfil Group. Granted option rights shall be marked as "2022AI" and "2022AII". Each option right entitles its holder to subscribe for one (1) of the company's new shares or shares in its possession. The subscription period for option rights 2022AI and 2022AII is 1 May 2026 – 30 April 2027. The subscription price of option rights 2022BI and 2022BII is the trade volume weighted average price of the Scanfil plc share on Nasdaq Helsinki Ltd during the period of 1– 30 November 2022.

In 2023, the expense recognition of the option scheme was EUR 532 (349) thousand.

In 2023, a total of 170,000 new shares were subscribed under option rights 2019(A). The subscription price of EUR 686,800 of subscriptions made under the option rights has been recognised in the invested unrestricted equity fund. The shares subscribed with the stock options have been registered with the Trade Register on 29.5.2023.

In 2023, a total of 20,000 Company's shares were subscribed under option rights 2019(B). The subscription price of EUR 86,800 of subscriptions made under the option rights has been recognised in the invested unrestricted equity fund. Scanfil transferred 20,000 treasury shares held by the company to subscribers on the basis of the subscriptions made under the option rights.

In 2023, a total of 140,000 new shares were subscribed under option rights 2019(B). The subscription price of EUR 607,600 of subscriptions made under the option rights has been recognised in the invested unrestricted equity fund. The shares subscribed with the stock options have been registered with the Trade Register on 29.5. and 7.6.2023.

OPTION ARRANGEMENT 31.12.2023	2022BI and 2022BII	2022AI and 2022AII	2019C	2019B	2019A
Grant date	27.10.2023	27.10.2022	25.10.2021	27.10.2020	27.11.2019
Amount of granted instruments (pcs)	324,000	316,000	220,000	200,000	190,000
Subscription price (EUR)	7.81	6.12	7.37	4.34	4.04
Fair value (EUR)	1.91	1.64	1.66	1.79	1.08
Share price at time of granting (EUR)	8.04	5.98	7.74	5.16	4.42
Term of validity (years)	4.5	4.5	4.5	4.5	4.4
Subscription period	1.5.2026-30.4.2028	1.5.2025-30.4.2027	1.5.2024-30.4.2026	1.5.2023-30.4.2025	1.5.2022-30.4.2024
Excercised options, pcs				160,000	190,000
Returned options to company, pcs					
Number of options outstanding	**324,000**	**316,000**	**220,000**	**40,000**	**0**

1.5 Other operating expenses

Other operating expenses include the following significant items:

OTHER OPERATING EXPENSES, EUR THOUSAND	2023	2022
Hired labour	23,998	23,881
Subcontracting	2,114	1,736
Sales freight	4,266	5,603
Energy	5,125	4,589
Tools & repair and maintenance of tools	7,618	7,319
Rents	1,373	1,315
Maintenance expenses	5,015	4,539
Travel, marketing and vehicle expenses	3,146	2,461
Other employee expenses	4,612	4,079
Bought services	3,610	5,558
ICT expenses	3,727	3,257
Other operating expenses	4,682	3,464
Total	**69,285**	**67,801**

During the 2023 and 2022 financial periods, the company's main auditor was the auditing company KPMG Oy Ab.

AUDITOR'S REMUNERATION, EUR THOUSAND	2023	2022
Audit fees	386	381
Auditors statement	10	17
Tax consulting	36	47
Total	**432**	**445**

Services other than auditing services carried out by KPMG Oy Ab totalled EUR 27 thousand during the 2023 financial period.

1.6 Income taxes

ACCOUNTING PRINCIPLE

Income taxes

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

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

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

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

Use of estimates

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

INCOME TAXES, EUR THOUSAND	2023	2022
Current tax	11,546	7,263
Tax expense of previous years	365	-251
Deferred taxes	1,488	-343
Total	**13,399**	**6,670**

RECONCILIATION OF TAX EXPENSE IN THE INCOME STATEMENT AND TAXES CALCULATED AT THE TAX RATE APPLICABLE IN FINLAND OF 20% (20% IN 2022)

Earnings before taxes	**61,614**	**41,714**
Taxes calculated at domestic tax rate	12,323	8,343
Different tax rates of foreign subsidiaries	-663	-608
Tax at source on dividends paid in China	457	
Witholding tax of unpaid dividends	1,637	
Cancelling witholding tax of unpaid dividends		-790
Tax free items	0	-39
Other	10	0
Taxes from previous years	-365	-251
Taxes in income statement	**13,399**	**6,670**
Effective tax rate, %	**21.7**	**16.0**
Tax rate of the parent company, %	**20.0**	**20.0**

Scanfil operates in jurisdictions which implement the international tax reform known as OECD Pillar Two.

Pillar Two regulations are effective from 1 January 2024, and for the year ended 31 December 2023 Scanfil has applied the mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes.

Scanfil has assessed the impacts of Pillar Two regulation in relation to the taxation of its subsidiaries. In most of the jurisdictions Scanfil operates in the effective tax rate clearly exceeds the 15 % threshold. Therefore, Scanfil does not expect material top-up tax payments to arise from these jurisdictions. An exception to this is Estonia, where corporate income tax is paid in connection with profit distribution. For this reason it is possible that the group will be subject to top-up taxes in financial years taking place after 31 December 2023.

DEFERRED TAX ASSETS AND LIABILITIES

EUR THOUSAND	1.1.2023	Recognised through profit and loss	Recognised under other comprehensive income	Translation differences	31.12.2023
Deferred tax assets:					
Investment grant to Poland		397		19	416
Inventories	891	-123		32	800
Provisions	757	82		63	902
Fixed assets	569	39		9	617
Rental agreements *	5,001	-491		-109	4,401
Other	2,396	-863		38	1,571
Losses	3,127	37			3,164
Net against deferred tax liabilities	-4,823	527		119	-4,176
Total	**7,918**	**-395**		**171**	**7,694**
Deferred tax liabilities:					
Long-term customer relationships	-1,335	345		12	-977
Rental agreements *	-4,823	527		119	-4,176
Unpaid dividends	-1,522	-1,637			-3,159
Fixed assets	-1,084	31		40	-1,013
Other	-674	168	6	-54	-554
Net against deferred tax assets	4,823	-527		-119	4,176
Total	**-4,615**	**-1,093**	**6**	**-1**	**-5,703**

* The Group has applied the amendment to IAS 12 Income Taxes that entered into force on 1 January 2023.

As a result of the amendment to the standard, Scanfil Oyj has presented in the notes to the consolidated financial statements a separate deferred tax assets and deferred tax liabilities from their leases.

EUR THOUSAND	1.1.2022	Recognised through profit and loss	Recognised under other comprehensive income	Translation differences	31.12.2022
Deferred tax assets:					
Investment grant to Poland	803	-788		-15	0
Inventories	669	231		-9	891
Provisions	689	80		-12	757
Fixed assets	629	42		1	672
Other	3,351	-864	-18	-74	2,396
Losses	2,360	767			3,127
Total	**8,501**	**-531**	**-18**	**-110**	**7,843**
Deferred tax liabilities:					
Long-term customer relationships	-1,759	364		60	-1,335
Unpaid dividends	-2,312	790			-1,522
Fixed assets	-1,172	95		-7	-1,084
Other	-48	-375	-237	-14	-674
Total	**-5,290**	**874**	**-237**	**39**	**-4,615**

Other items include EUR 1.6 million for deferred tax assets related to cost accruals in Poland.

1.7 Earnings per share

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

EARNINGS PER SHARE, EUR THOUSAND	2023	2022
Net profit for the period attributable to equity holders of the parent company	48,215	35,044
Number of shares, undiluted (1,000 pcs)	64,864	64,830
Earnings per share, undiluted, EUR	**0.74**	**0.54**
Dilution effect of stock options (1,000 pcs)	172	157
Number of shares, diluted (1,000 pcs)	65,036	65,987
Earnings per share, diluted, EUR	**0.74**	**0.54**

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 23.7% of net sales, compared to 25.1% at the end of the previous year. The net working capital percentage decreased compared to the previous year due to the decrease in the value of inventories.

NET WORKING CAPITAL, EUR THOUSAND	2023	2022
Net working capital		
Inventories	209,003	229,291
Trade receivables	158,956	149,576
Accrued income, other receivables and income tax receivables	16,318	17,017
Advance payments	923	2,292
Trade payables	-111,842	-129,003
Advances received	-22,692	-25,029
Accrued expenses, other liabilities and income tax liabilities	-37,101	-32,738
Total	**213,565**	**211,405**
Net working capital, % of turnover	**23.7 %**	**25.1 %**

2.2 Inventories

ACCOUNTING PRINCIPLE
Inventories

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

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

Use of estimates

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

INVENTORIES, EUR THOUSAND	2023	2022
Materials and supplies	178,039	197,243
Work in progress	18,660	19,188
Finished goods	12,304	12,859
Total	**209,003**	**229,291**

Impairment losses on inventories during the financial year amounted to EUR 3.3 (3.6) million.

2.3 Trade and other receivables

ACCOUNTING PRINCIPLE
Trade receivables

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

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

Use of estimates

Estimates by the management are included in the assessment of possible credit loss risks included in the trade receivables. According to the group's management, there is no significant credit loss risk in trade receivables. The group has approximately 110 active customers, of which the largest customers are Nordic market leaders in their industries. The client companies are spread over several different industries and geographical areas. In general, the business of the Group's key customers is not particularly sensitive to economic cycles and the life cycles of products are often long. Overdue accounts receivable are regularly monitored and actively collected. The creditworthiness of new customers is checked and only standard payment terms are granted to customers. Neither the war in Ukraine nor the general uncertain economic situation has had a significant impact.

TRADE AND OTHER RECEIVABLES, EUR THOUSAND	2023	2022
Trade receivables	158,956	149,576
Accrued income	10,422	9,263
Value-added tax receivables	3,068	3,394
Other receivables	1,057	2,585
Total	**173,504**	**164,817**

AGE DISTRIBUTION OF TRADE RECEIVABLES, EUR THOUSAND	2023	2022
Unmatured	134,019	123,191
Matured		
1–30 days	21,295	20,895
31–90 days	2,544	3,168
91–180 days	880	1,420
181–365 days	343	791
Over 365 days	38	193
Provision for bad debt	-163	-83
Total	**158,956**	**149,576**

Expected credit losses

2023, EUR THOUSAND	Book value (gross)	Estimated credit losses	Bad debt provision
Unmatured	134,019	0.01 %	14
Matured			
1 - 30 days	21,295	0.02 %	4
31 - 90 days	2,544	0.50 %	13
91 - 180 days	880	2.00 %	18
181 - 365 days	343	25.00 %	86
Over 365 days	38	75.00 %	29
Total	**159,119**		**163**

2022, EUR THOUSAND	Book value (gross)	Estimated credit losses	Bad debt provision
Unmatured	123,191	0.01 %	12
Matured			
1 - 30 days	20,895	0.02 %	4
31 - 90 days	3,168	0.50 %	16
91 - 180 days	1,420	2.00 %	28
181 - 365 days	791	25.00 %	9
Over 365 days	193	75.00 %	13
Total	**149,659**		**83**

At the end of the financial period, the credit loss provision recognised for covering uncertain receivables stood at EUR 163 (83) thousand. During the financial period, credit losses recognised from trade receivables were EUR 197 (47) thousand. Scanfil Group's credit risk is described in note 4.7.

2.4 Trade and other liabilities

TRADE AND OTHER PAYABLES, EUR THOUSAND	2023	2022
Trade payables	111,842	129,003
Accrued liabilities	22,181	22,104
Advance payments received	22,692	25,029
Other creditors	10,034	7,549
Total	**166,750**	**183,685**
The most significant items included in accrued liabilities:		
Employee expenses	14,550	12,090
Interests	161	98
Financial derivatives	476	893
Other accrued liabilities	6,994	9,024
Total	**22,181**	**22,104**

3. NON-CURRENT ASSETS

3.1 Goodwill

ACCOUNTING PRINCIPLE
Goodwill

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

Impairment testing

No depreciation is made of goodwill; instead, goodwill is tested at least annually for possible impairment. For that, goodwill is allocated to five cash generating units (CGUs). The recoverable amount of the CGU is calculated with value in use calculations. An impairment loss is recognised when the book value of an asset exceeds its recoverable amount. Impairment losses are immediately recognised as expenses in the income statement. Impairment losses recognised for goodwill cannot be later reversed. In 2023 and 2022, no goodwill impairments were recorded.

GOODWILL, EUR THOUSAND	2023	2022
Cost at 1 Jan.	7,664	8,166
Exchange rate differences	14	-502
Carrying amount at 31 Dec.	**7,678**	**7,664**

ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS, EUR THOUSAND	2023	2022
Scanfil Oü	111	111
Scanfil Poland Sp. z o.o.	3,136	3,129
Scanfil Malmö Ab	1,184	1,181
Scanfil Åtvidaberg AB	1,598	1,594
Scanfil Electronics GmbH	1,649	1,649
Total	**7,678**	**7,664**

DISCOUNT RATE OF CASH FLOWS BEFORE TAXES	2023	2022
Scanfil Electronics GmbH	10.0 %	12.2 %
Scanfil Poland Sp. z o.o.	13.6 %	19.8 %
Scanfil Malmö Ab	9.4 %	11.2 %
Scanfil Åtvidaberg AB	9.4 %	11.1 %

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

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

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

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

Sensitivity analysis

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

SENSITIVITY ANALYSIS	2023 Change % units	2022 Change % units
Discount rate before taxes		
Scanfil Poland Sp. z o.o.	+ 9.6	+ 4.8
Scanfil Malmö Ab	+37.9	+18.7
Scanfil Åtvidaberg AB	+21.2	+18.6
Scanfil Electronics GmbH	+ 3.6	+ 1.9
Profitability (EBITDA %)		
Scanfil Poland Sp. z o.o.	- 4.2	- 1.9
Scanfil Malmö Ab	- 7.4	- 5.3
Scanfil Åtvidaberg AB	- 5.5	- 5.5
Scanfil Electronics GmbH	- 2.6	- 1.3
Terminal growth rate		
Scanfil Poland Sp. z o.o.	- 35.6	- 29.3
Scanfil Malmö Ab	N/A	N/A
Scanfil Åtvidaberg AB	N/A	N/A
Scanfil Electronics GmbH	- 4.2	- 4.9

Regarding Scanfil Malmö Ab and Scanfil Åtvidaberg AB, changes in terminal growth are not significant (N/A).

According to the sensitivity analysis the first impairment loss would take place in Scanfil GmbH if the EBITDA % of the CGU was reduced by 2.6 percentage units or the discount rate was raised by 3.6 percentage units. The book value of Scanfil GmbH assets in the sensitivity calculation was EUR 32.1 million.

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.

Cloud service arrangements

The accounting treatment of cloud service arrangements depends on whether the cloud-based software is classified as an intangible asset or a service contract. Those arrangements in which the company does not have control over the software in question are treated in accounting as service contracts, which give the group the right to use the cloud service provider's application software during the contract period. The ongoing license fees for the application software, as well as the configuration or customization costs related to the software, are recorded in the income statement when the services are received.

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. 2023	15,370	9,658	3,601	174	28,803
Additions		515	149		663
Reductions		44	-7	-160	-122
Transfers between items		163	1,670	-4	1,829
Exchange rate differences	27	-267	8	-11	-243
Acquisition at 31 Dec. 2023	**15,397**	**10,114**	**5,420**	**0**	**30,931**
Accumulated depreciations at 1 Jan. 2023	-10,015	-5,624	-2,364		-18,004
Depreciations	-1,501	-572	-381		-2,453
Reductions			7		7
Exchange rate differences	-59	-18	-12		-89
Accumulated depreciations at 31 Dec. 2023	**-11,575**	**-6,214**	**-2,751**		**-20,540**
Carrying amount at 1 Jan. 2023	5,354	4,034	1,236	174	10,799
Carrying amount at 31 Dec. 2023	**3,822**	**3,900**	**2,670**	**0**	**10,391**

OTHER INTANGIBLE ASSETS, EUR THOUSAND	Customer relationships	Intangible rights	Other long-term expenses	Advance payments	Intangible assets total
Acquisition at 1 Jan. 2022	16,355	8,611	3,227	385	28,579
Additions		425	140	-211	354
Deductions		462	5		
Exchange rate differences	-985	160	229		-597
Acquisition at 31 Dec. 2022	**15,370**	**9,658**	**3,601**	**174**	**28,336**
Accumulated depreciations at 1 Jan. 2022	-9,119	-4,824	-1,729		-15,672
Depreciations	-1,591	-573	-401		-2,565
Exchange rate differences	694	-227	-234		233
Accumulated depreciations at 31 Dec. 2022	**-10,015**	**-5,624**	**-2,364**		**-18,004**
Carrying amount at 1 Jan. 2022	7,236	3,787	1,498	385	12,906
Carrying amount at 31 Dec. 2022	**5,354**	**4,034**	**1,236**	**174**	**10,799**

3.3 Property, plant and equipment

ACCOUNTING PRINCIPLE

Property, plant and equipment

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

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

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

THE DEPRECIATION PERIODS ARE:

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

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

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

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

Impairment

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

PROPERTY, PLANT AND EQUIPMENT, EUR THOUSAND	Land	Buildings and con-structions	Machinery and equip-ments	Other tangible assets	Advance payments and con-structions in progress	Tangible assets total
Acquisition cost at 1 Jan. 2023	1,006	29,640	104,237	856	2,438	138,176
Additions		190	11,429	110	8,573	20,301
Deductions			-1,595			-1,595
Transfers between items		79	6,013	25	-7,946	-1,829
Exchange rate differences	47	197	-99	-7	98	237
Acquisition cost at 31 Dec. 2023	**1,053**	**30,107**	**119,985**	**983**	**3,163**	**155,290**
Accumulated depreciations at 1 Jan. 2023		-17,265	-64,854	-493		-82,612
Depreciations		-1,503	-10,404	-56		-11,963
Deductions			1,506			1,506
Exchange rate differences		143	326	7		476
Accumulated depreciations at 31 Dec. 2023		**-18,625**	**-73,426**	**-543**		**-92,593**
Carrying amount at 1 Jan. 2023	1,006	12,376	39,383	362	2,438	55,564
Carrying amount at 31 Dec. 2023	**1,053**	**11,482**	**46,559**	**441**	**3,163**	**62,697**

Gross investments in tangible and intangible assets totalled EUR 22.2 million, which is 2.5% of net sales. The most significant investments focused at electronics production capacity in Atlanta USA and in Sieradz Poland, where we also started factory expancion project. In addition in Malmö Sweden and in Wutha Germany we made investments to production according to our Dream Factory -concept. Rest of the investments focused at IT and general improvement of factories and increase of production capacity.

PROPERTY, PLANT AND EQUIPMENT, EUR THOUSAND	Land	Buildings and con-structions	Machinery and equip-ments	Other tangible assets	Advance payments and con-structions in progress	Tangible assets total
Acquisition cost at 1 Jan. 2022	984	29,122	89,438	588	3,193	123,326
Additions	219	900	11,470	179	5,378	18,145
Deductions		-19	-959			-978
Transfers between items	-191	22	5,539	189	-6,081	-523
Exchange rate differences	-7	-385	-1,251	-99	-52	-1,795
Acquisition cost at 31 Dec. 2022	**1,006**	**29,640**	**104,237**	**856**	**2,438**	**138,176**
Accumulated depreciations at 1 Jan. 2022		-15,968	-56,994	-571		-73,534
Depreciations		-1,491	-9,220	-22		-10,734
Deductions			693			693
Exchange rate differences		195	669	99		963
Accumulated depreciations at 31 Dec. 2022		**-17,265**	**-64,854**	**-493**		**-82,612**
Carrying amount at 1 Jan. 2022	984	13,154	32,444	17	3,193	49,792
Carrying amount at 31 Dec. 2022	**1,006**	**12,376**	**39,383**	**362**	**2,438**	**55,564**

Gross investments in tangible and intangible assets totalled EUR 19.0 million, which is 2.3% of net sales. The most significant investments in the electronics manufacturing were the SMT line in Suzhou, THT line and soldering line in Sieradz, and the investments in growing the SMT line capacity in Sieradz. In addition, the investments include testing solutions in different factories. A significant investment in production, warehouse and office space reorganizations was made in Suzhou. The most significant investments in mechanics were painting line renewals in Pärnu and Myslowice and automatic punching and folding machines. In addition, the factories invested in smart warehouse and logistics solutions and cobots

3.4 Right-of-use assets

ACCOUNTING PRINCIPLE

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

The group as a lessee

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

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

EUR THOUSAND	Buildings and constructions	Machinery and equipments	Right-of-use assets total
Acquisition cost at 1 Jan. 2023	33,946	3,158	37,104
Additions	2,435	451	2,886
Deductions	-594	-1,326	-1,920
Exchange rate differences	841	81	922
Acquisition cost at 31 Dec. 2023	**36,627**	**2,364**	**38,991**
Accumulated depreciations at 1 Jan. 2023	-10,477	-2,486	-12,963
Depreciations	-4,133	-440	-4,573
Deductions	133	1,251	1,385
Exchange rate differences	-154	-69	-224
Accumulated depreciations at 31 Dec. 2023	**-14,631**	**-1,744**	**-16,375**
Carrying amount at 1 Jan. 2023	23,469	672	24,141
Carrying amount at 31 Dec. 2023	**21,996**	**620**	**22,616**

EUR THOUSAND	Land	Buildings and constructions	Machinery and equipments	Right-of-use assets total
Acquisition cost at 1 Jan. 2022	-185	28,359	3,066	31,239
Additions		6,195	230	6,425
Deductions	185	55	-79	161
Exchange rate differences		-664	-58	-722
Acquisition cost at 31 Dec. 2022	**0**	**33,946**	**3,158**	**37,104**
Accumulated depreciations at 1 Jan. 2022	185	-7,148	-2,037	-9,000
Depreciations		-3,586	-572	-4,158
Deductions	-185		69	-116
Exchange rate differences		258	53	311
Accumulated depreciations at 31 Dec. 2022	**0**	**-10,477**	**-2,486**	**-12,963**
Carrying amount at 1 Jan. 2022	0	21,211	1,029	22,240
Carrying amount at 31 Dec. 2022	**0**	**23,469**	**672**	**24,141**

LEASE LIABILITIES, EUR THOUSAND	2023	2022
Maturity analysis – contractual undiscounted cash flows		
Within one year	4,912	4,933
In one to two years	15,015	13,874
More than five years	7,185	8,896
Total	**27,113**	**27,703**

CARRYING AMOUNT OF LEASE LIABILITIES AT THE END OF THE FINANCIAL YEAR, EUR THOUSAND	2023	2022
Long-term liabilities	18,606	20,439
Short-term liabilities	3,948	4,360
Total	**22,554**	**24,798**

AMOUNTS RECOGNISED IN PROFIT AND LOSS, EUR THOUSAND	2023	2022
Interest on lease liabilities	1,029	563
Expenses relating to short-term leases	177	272
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	71	121
Total	**1,276**	**957**

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	2023	2022
Intangible assets		
Intangible rights	572	573
Other long-term expenses	432	401
Long-term customer relationships	1,501	1,591
Total	**2,504**	**2,565**
Property, plant and equipment		
Land	63	
Buildings	1,503	1,491
Machinery and equipment	10,404	9,220
Other tangible assets	56	22
Total	**12,026**	**10,734**
Right-of-use-assets		
Buildings	4,133	3,586
Machinery and equipment	440	572
Total	**4,573**	**4,158**
Total depreciation	**19,104**	**17,456**

4. CAPITAL STRUCTURE

Financial items

ACCOUNTING PRINCIPLE
Financial assets and liabilities

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

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

Financial assets recognised at fair value through profit or loss include financial assets acquired to be held for trading or classified as items recognised at fair value during initial recognition. Financial assets included in this item are non-quoted shares. Investments in non-quoted shares are stated at the lower of historical cost and probable realisable value because their fair values cannot be determined reliably. Quoted shares are measured at fair value, which is the market price of the date of the financial statement. This item also includes derivatives to which hedge accounting does not apply. In the 2023 financial statements, the group had no investments in non-quoted shares.

Financial assets entered at fair value in other comprehensive income are derivatives that are subject to hedge accounting.

On the date of the financial statements, the group's financial assets are evaluated to see if there are indications that the value of any of the assets might be impaired.

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

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

4.1 Cash and cash equivalents

CASH AND CASH EQUIVALENTS, EUR THOUSAND	2023	2022
Cash and cash equivalents	21,222	20,779
Total	**21,222**	**20,779**

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	2023	2022
Financing incomes		
Dividends		0
Interest income from other financial assets	3	4
Exchange rate gains	3,520	
Other financial income	490	362
Financing incomes total	**4,013**	**366**
Financing expenses		
Interest expenses	3,168	1,827
Exchange rate losses		1,719
Other financial expenses	544	487
Financing expenses total	**3,713**	**4,033**
Financing incomes and expenses	**300**	**-3,667**

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 3.5 (-1.7) million. These items include EUR 2.6 (0.1) million of exchange rate gains from the layered foreign exchange hedging program. Additionally the items include EUR 0.6 (-0.8) million of exchange rate losses arising from Group's internal loans. The operating profit includes a total of EUR -0.2 (-2.5) million of exchange rate losses.

Interest expenses consist of interest for financial liabilities, EUR 0.2 (0.3) million, interest expenses for leases EUR 1.0 (0.6) million and interest expenses for using the overdraft facility, EUR 1.2 (0.8) million. Other financial expenses include financial liabilities commissions and overdraft facility extension fee of EUR 0.4 (0.2) million.

4.3 Financial liabilities

FINANCIAL LIABILITIES, EUR THOUSAND	2023	2022
Long-term liabilities recognised at amortised cost		
Financial institutions		36,000
Lease liability	18,606	20,439
Total	**18,606**	**56,439**
Short-term liabilities recognised at amortised cost		
Financial institutions	36,000	6,079
Drawdowns from credit facilities	14,413	39,460
Lease liability	3,948	4,360
Total	**54,361**	**49,898**

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

In 2019, Scanfil plc raised a long-term loan of EUR 30 million from Nordea Bank Finland Plc. The loan is repayable in every six months, and the first instalment of EUR 3.0 million was paid on March 27, 2020 and the last instalment will be paid on September 27, 2024. In addition, Nordea's Multicurrency Global Cash Pool is available with an overdraft facility of EUR 80 million as well as a working capital facility of CNY 137 million granted to subsidiary Scanfil (Suzhou) Co. Ltd. by Nordea Bank AB Shanghai Branch.

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 Group fulfilled the covenant terms during the financial periods of 2023 and 2022.

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
2023				
Non-current assets				
Equity investments		529		529
Current assets				
Trade receivables			158,956	158,956
Derivatives	1,207	328		1,535
Cash and cash equivalents			21,222	21,222
Total financial assets	**1,207**	**857**	**180,179**	**182,243**
Non-current financial liabilities				
Lease liabilities			18,606	18,606
Current financial liabilities				
Interest-bearing liabilities from financial institutions			36,000	36,000
Drawdowns from credit facilities			14,413	14,413
Lease liabilities			3,948	3,948
Derivatives		476		476
Trade payables			111,842	111,842
Total financial liabilities		**476**	**184,809**	**185,285**

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
2022				
Non-current assets				
Equity investments		529		529
Current assets				
Trade receivables			149,576	149,576
Derivatives	1,189	34		1,223
Cash and cash equivalents			20,779	20,779
Total financial assets	**1,189**	**562**	**170,355**	**172,106**
Non-current financial liabilities				
Interest-bearing liabilities from financial institutions			36,000	36,000
Lease liabilities			20,439	20,439
Current financial liabilities				
Interest-bearing liabilities from financial institutions			6,079	6,079
Drawdowns from credit facilities			39,460	39,460
Lease liabilities			4,360	4,360
Derivatives		893		893
Trade payables			129,003	129,003
Total financial liabilities		**893**	**235,340**	**236,233**

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 made for hedging forecasted cash flow and to an interest rate swap made for hedging 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, 2023 the rated amount of the interest swap was EUR 6.0 million, and it will expire on September 27, 2024. The fair value of the derivative was EUR 104 thousand, 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. Forward exchange contracts are used both for hedging of forecasted cash flow and for hedging of accounts receivable and accounts payable. In addition, the Group hedges internal loans selectively. The Group applies cash flow hedge accounting to currency derivative contracts made for hedging of forecasted cash flows. Changes in fair value are recognised in other comprehensive income items adjusted for deferred taxes and presented in the fair value reserve under equity. Forward exchange contracts made for hedging of accounts receivable, accounts payable and internal loans are outside hedge accounting. Changes in fair value are immediately recognised through profit or loss.

Interest and currency derivatives

EUR THOUSAND	Positive	Negative	Net	Nominal value	Book value, liabilities	Changes in fair values (used in efficiency testing)
2023						
Interest rate swaps	104		104	6,000	104	-206
Forward exchange contracts	1,051		1,051	30,408	1,052	170
Forward exchange contracts, outside hedge accounting	380	-476	-96	123,574	-96	
Total			**1,059**	**159,982**	**1,059**	

The Group uses forward exchange contracts for hedging against currency risk and interest rate swaps for managing interest rate risk. Accounts receivable and accounts payable are hedged with forward exchange contracts that are not included in hedge accounting. In addition, the currency derivatives outside hedge accounting include a forward exchange contract made for hedging an internal Polish zloty loan receivable to the parent company. 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)
2022						
Interest rate swaps	350		350	12,000	350	297
Forward exchange contracts	866	-27	839	34,941	839	732
Forward exchange contracts, outside hedge accounting	900	-1,759	-859	113,316	-859	
Total			**330**	**160,257**	**330**	

CASH FLOW HEDGING, EUR THOUSAND	Hedging item value, liabilities	Hedging items included in balance sheet item	Cash flow hedging, share of fair value reserve
2023			
Interest rate swaps	6,000	Financial liabilities	82
Forward exchange contracts			841
Total	**6,000**		**924**

CASH FLOW HEDGING, EUR THOUSAND	Hedging item value, liabilities	Hedging items included in balance sheet item	Cash flow hedging, share of fair value reserve
2022			
Interest rate swaps	12,000	Financial liabilities	288
Forward exchange contracts			671
Total	**12,000**		**959**

CASH FLOW HEDGING, EUR THOUSAND	Hedging instrument nominal value	Hedging instrument book value, liabilities	Hedging instrument included in balance sheet item
2023			
Interest rate swaps	6,000	104	Other liabilities
Forward exchange contracts	30,408	1,051	Other liabilities
Forward exchange contracts, outside hedge accounting	123,574	-96	Other assets / liabilities
Total	**159,982**	**1,059**	

CASH FLOW HEDGING, EUR THOUSAND	Hedging instrument nominal value	Hedging instrument book value, liabilities	Hedging instrument included in balance sheet item
2022			
Interest rate swaps	12,000	350	Other liabilities
Forward exchange contracts	34,941	839	Other liabilities
Forward exchange contracts, outside hedge accounting	113,316	-859	Other assets / liabilities
Total	**160,257**	**330**	

4.6 Hierarchy of fair values

EUR THOUSAND	Level 2	Level 3
2023		
Assets measured at fair value		
Recognised at fair value through profit or loss		
Equity investments		529
Derivatives	1,535	
Liabilities measured at fair value		
Financial liabilities at fair value through profit or loss		
Derivatives	476	
Liabilities recognised at amortised cost		
Financing loan	50,413	

EUR THOUSAND	Level 2	Level 3
2022		
Assets measured at fair value		
Recognised at fair value through profit or loss		
Equity investments		529
Derivatives	1,223	
Liabilities measured at fair value		
Financial liabilities at fair value through profit or loss		
Derivatives	893	
Liabilities recognised at amortised cost		
Financing loan	81,538	

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

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

There were no transfers between tiers during the financial period.

Tier 3 items

FINANCIAL ASSETS AT FAIR VALUE, EUR THOUSAND	2023	2022
Cost at 1 Jan.	529	535
Exchange rate differences	0	-1
Deductions		-5
Cost at 31 Dec.	**529**	**529**
Carrying amount at 31 Dec.	**529**	**529**

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

4.7 Financial risk management

In its business operations, Scanfil Group is exposed to different financial risks. The Group's treasury operations and financial risks are managed in compliance with the principles approved by the parent company's Board of Directors. Scanfil's treasury function, part of the Group's financial management, provides that financial services and financing transactions are carried out in a manner that enables cost-efficient risk management and optimization of cash flows.

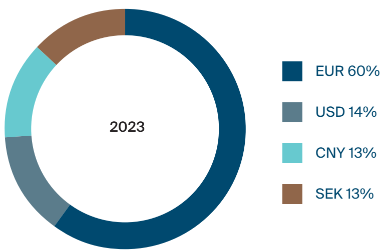
Currency risk

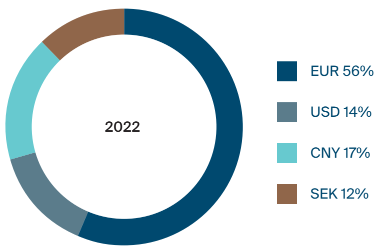
Scanfil has international operations and is therefore exposed to transaction and translation risks in several currencies. The transaction risk consists of operating and financing cash flows denominated in foreign currencies. The translation risk is related to the conversion of foreign subsidiaries' income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

Transaction risk

The Group's operating currency is the euro. Scanfil's turnover is mainly generated in EUR, CNY, 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 treasury function monitors that all hedging transactions are carried out in accordance with the Group's hedging policy.

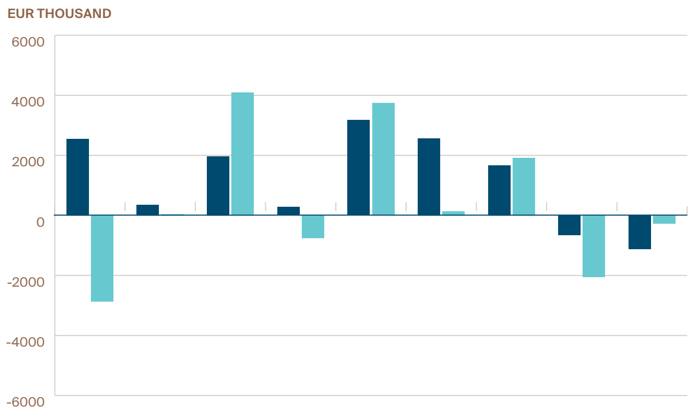
The financial statements of December 31, 2023 include outstanding EUR/PLN forward exchange contracts made for hedging purposes. Their nominal value is EUR 30.4 (34.9) million, and the Group applies hedge accounting to them. Forward contracts are made on a monthly basis, and the final contract will expire on November 27, 2024. In addition, the financial statements include a total nominal value of EUR 123.6 million of forward exchange contracts that are outside hedge accounting and made for hedging of accounts receivable and accounts payable (EUR 106.4 million) and a Group internal loan receivable (EUR 17.2 million).

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

TRANSACTION RISK, EUR THOUSAND									2023
Foreign currency	USD	USD	SEK	EUR	PLN	EUR	EUR	USD	USD
Reporting currency	EUR	CNY	EUR	SEK	EUR	PLN	CNY	SEK	PLN
Cash and cash equivalents		51				170	517		34
Trade receivables	594	7,951		7,408		46,576	6,816	84	13,856
Trade payables	-4,091	-8,565	-150	-7,069	-366	-20,874	-2,959	-4,321	-12,788
Derivatives	3,553	924		-58		-23,306	-2,700	3,579	-2,224
Global Cash Pool	2,498		2,121		3,540				
Net position	**2,555**	**360**	**1,971**	**280**	**3,174**	**2,566**	**1,673**	**-658**	**-1,121**

TRANSACTION RISK, EUR THOUSAND									2022
Foreign currency	USD	USD	SEK	EUR	PLN	EUR	EUR	USD	USD
Reporting currency	EUR	CNY	EUR	SEK	EUR	PLN	CNY	SEK	PLN
Cash and cash equivalents	3	2,085				622	506		103
Trade receivables	258	5,401		4,330		41,160	9,122	152	10,388
Trade payables	-7,611	-11,856	-51	-5,765	-367	-21,091	-4,569	-6,833	-16,425
Derivatives	6,548	4,407		678		-20,557	-3,140	4,627	5,665
Global Cash Pool	-2,060		4,144		4,109				
Net position	**-2,862**	**36**	**4,093**	**-756**	**3,742**	**134**	**1,919**	**-2,054**	**-269**

TRANSACTION RISK: NET POSITION



	EUR USD	CNY USD	EUR SEK	SEK EUR	EUR PLN	PLN EUR	CNY EUR	SEK USD	PLN USD
2023	2,555	360	1,971	280	3,174	2,566	1,673	-658	-1,121
2022	-2,862	36	4,093	-756	3,742	134	1,919	-2,054	-269

Net position 2023
Net position 2022

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

Foreign currency	USD	USD	SEK	EUR	PLN	EUR	EUR	USD	USD
Reporting currency	EUR	CNY	EUR	SEK	EUR	PLN	CNY	SEK	PLN
Change in currency % +/- 10									
Year 2023, EUR THOUSAND	+/- 256	+/- 36	+/- 197	+/- 28	+/- 317	+/- 257	+/- 167	+/- 66	+/- 112

	USD	USD	SEK	EUR	PLN	EUR	EUR	USD	USD
	EUR	CNY	EUR	SEK	EUR	PLN	CNY	SEK	PLN
Change in currency %									
Year 2022, EUR THOUSAND	+/- 286	+/- 4	+/- 409	+/- 76	+/- 374	+/- 13	+/- 192	+/- 205	+/- 27

In addition, the changes in the value of the EUR/PLN forward contracts made by the group's parent company and included in hedge accounting, which are presented above, affect the group's comprehensive income statement. The impact of a 10% change in the Polish zloty in relation to the currency is EUR +/- 2.2 (2.7) million based on the situation at the end of the year.

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	2023	2022	2023	2022
CNY	48,074	52,841	+/- 4,807	+/- 5,284
HUF	1,501	1,456	+/- 150	+/- 146
PLN	108,982	68,446	+/- 10,898	+/- 6,845
SEK	74,920	64,882	+/- 7,492	+/- 6,488
USD	15,585	14,208	+/- 1,559	+/- 1,421
Total	**249,062**	**201,833**		

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.

Interest rates of Nordea's Multicurrency Global Cash Pool available to the Group as well as the working capital facility available to subsidiary Scanfil (Suzhou) Co., Ltd are impacted by currency-specific reference interest rates. Interest rate risk relating to interest payments of the group's interest-bearig net debt, caused by a rise of one percentage point in reference interest rates, was EUR 0.1 million at the end of 2023.

The Group withdrew a loan of EUR 30.0 million in 2021. The loan interest rate is fixed for the whole loan period. Additionally the Group withdrew a loan in 2019, of which EUR 6.0 million was outstanding on December 31, 2023. The loan was hedged with an interest swap on December 28, 2020. On the basis of the interest swap, Scanfil pays a fixed interest rate and receives a variable Euribor three-month rate which is the loan's reference rate.

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

Credit risk

The Group's credit risk is associated with the trade receivables from its customers. Overdue trade receivables are regularly monitored at the Group level on a monthly basis. The Group companies are responsible for the credit risks of trade receivables, and they monitor trade receivables on a customer-specific basis in compliance with the Group guidelines. The creditworthiness of new customers is checked, and the customers are only granted normal payment terms. Scanfil monitors the credit rating of its customers. Most of Scanfil's major customers have a good credit rating. The Group's management is of the opinion that the company does not have any significant concentration of credit risks. The largest customer's share of the turnover in 2023 was 12.9% (18.7% in 2021), and that of the ten largest customers was 55.1% (55.1%).

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 163 (83) thousand. During the financial period, credit losses recognised from trade receivables were EUR 80 (47) 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, 2023, liquid assets stood at EUR 21.2 (20.8 in 2022) million. The Group also has an EUR 80.0 million overdraft limit of which EUR 80.0 million was used at the end of the year. EUR 30.0 million of the limit is due on 31 December 2025 and EUR 50.0 million on 24 May 2026. In addition, EUR 3.5 million of the CNY 137 million working capital facility available to subsidiary Scanfil (Suzhou) Co., Ltd was unutilized at the end of the year. Considering the Group's balance sheet structure, the liquidity risk is small. The Group's financing arrangements include usual loan covenant terms. The Group has fulfilled the financing-related covenant terms during the financial periods of 2023 and 2022.

Maturity analysis based on debt agreements

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

31.12.2023, EUR THOUSAND	Balance sheet value	Cash flow	0–6 months	2024 year	2025 1–2 years	2026-2028 2–5 years	2029– more than 5 years
Loans from financial institutions	36,000	36,127	3,081	33,045			
Finance lease	22,554	27,130	2,522	2,399	4,844	10,180	7,185
Overdraft facility	14,413	14,413	14,413				
Derivatives	-104	-104	-104				
Derivatives, hedging	-1,051						
Cash flow due		30,408	24,321	6,088			
Available cash flow		-31,688	-25,373	-6,315			
Derivatives, outside hedge accounting	96						
Cash flow due		123,574	123,560	14			
Available cash flow		-123,349	-123,335	-14			
Trade payables	111,842	111,842	111,842				
Total	**183,749**	**188,352**	**130,926**	**35,217**	**4,844**	**10,180**	**7,185**

31.12.2022, EUR THOUSAND	Balance sheet value	Cash flow	0–6 months	2023 6 months–1/2-1 year	2024 1–2years	2025-2027 2–5 years	2028– more than 5 years
Loans from financial institutions	42,079	42,452	3,180	3,128	36,143		
Finance lease	24,798	27,726	2,549	2,394	4,492	9,395	8,896
Overdraft facility	39,460	39,460	39,460				
Derivatives	-350	-350	-350				
Derivatives, hedging	-839						
Cash flow due		34,941	26,419	8,523			
Available cash flow		-36,371	-27,379	-8,992			
Derivatives, outside hedge accounting	859						
Cash flow due		129,339	129,339	0			
Available cash flow		-127,686	-127,686	0			
Trade payables	129,003	129,003	129,003				
Total	**235,010**	**238,513**	**174,534**	**5,053**	**40,635**	**9,395**	**8,896**

Reconciliation of changes in financial liabilities with cash flows from financing

			Changes not affecting cash flow			
EUR THOUSAND	1.1.2023	Cash flows	Changes in IFRS 16	Changes in exchange rates	Changes in fair values	31.12.2023
Long-term loans	36,000	-36,000				0
Short-term loans	45,538	4,874				50,413
Lease liabilities	24,798	-4,185	1,693	247		22,554
Total liabilities in financial operations	**106,337**	**-35,310**	**1,693**	**247**	**0**	**72,967**

			Changes not affecting cash flow			
EUR THOUSAND	1.1.2022	Cash flows	Changes in IFRS 16	Changes in exchange rates	Changes in fair values	31.12.2022
Long-term loans	42,078	-6,078				36,000
Short-term loans	20,041	25,497				45,538
Lease liabilities	23,085	-3,742	5,739	-283		24,798
Total liabilities in financial operations	**85,204**	**15,677**	**5,739**	**-283**	**0**	**106,337**

4.8 Shareholders' equity

Shares and share capital

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

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

The company has not acquired its own shares during the financial year. On December 31, 2023, the company held 78,738 of its own shares.

NUMBER OF SHARES, 1000 PCS	2023
Number of shares at 1.1.2023	64,960
Share subscription under option rights 2019 (A) on May 5, 8, 12 and 16 2023	170
Share subscription under option rights 2019 (B) on May 8 and June 7 2023	140
Number of shares at 31 Dec. 2023	**65,270**

NUMBER OF SHARES, 1000 PCS	2022
Number of shares at 1.1.2022	64,960
Number of shares at 31 Dec. 2022	**64,960**

Currency translation differences

Currency translation differences include differences arising from the conversion of the financial statements of foreign companies. On December 31, 2023, translation differences stood at EUR -4.6 million (EUR -7.6 million in 2022), of which EUR 1.8 (4.8) million was created by the exchange rate changes of the Chinese CNY, -12.6 (-10.8) Swedish krone and 6.2 (-2.0) Polish zloty. The translation difference, EUR 3.0 million (-5.2 million) during the financial period, is mainly made up by the exchange rate changes of the Polish currency 8.2 (0.6) EUR million and the Chinese currency -3.0 (-1.7) EUR million.

EUR THOUSAND	RMB	SEK	USD	PLN	HUF	Total
1.1.2023	4,826	-10,836	791	-2,013	-326	**-7,559**
Recorded in comprehensive income items	-3,048	-1,716	-530	8,209	58	**2,972**
31.12.2023	**1,777**	**-12,553**	**261**	**6,195**	**-268**	**-4,587**

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	2023	2022
1.1.	959	-71
Interest rate derivatives, change	-206	297
Currency derivatives, change	170	732
Total	**924**	**959**

Of the derivative financial instruments, EUR -1 (2) 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

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.

In 2023, dividends of EUR 0.21 per share were paid, in total EUR 13,620,863.55.

After the reporting date, The Board of Directors has proposed a dividend of EUR 0.23 per share to be distributed, in total EUR 14,993,988.65.

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.

NET LIABILITIES, EUR THOUSAND	2023	2022
Interest-bearing liabilities	72,967	106,337
Cash assets	-21,222	-20,779
Net liabilities	**51,744**	**85,558**
Equity total	**266,038**	**226,594**
Gearing, %	**19.4**	**37.8**

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. The provisions also include a pension provision for staff benefits and a benefit based on years of service in Poland.

Use of estimates

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

PROVISIONS, EUR THOUSAND	Reclamation and guarantee	Pension provision	Other provisions	Restructuring provisions	Total
1.1.2023	370	162	638	8	1,179
Exchange rate differences	29	-19	50		60
Additions	202	96	178		476
Used provisions	-23			-8	-31
31.12.2023	**578**	**239**	**867**	**0**	**1,683**

	2023	2022
Non-current provisions	1,105	801
Current provisions	578	378
Total	**1,683**	**1,179**

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. The restructuring provision were related to the closure of the Scanfil GmbH's Hamburg factory.

5.2 Securities provided, contingent liabilities and other liabilities

BANK GUARANTEES GIVEN, EUR THOUSAND	2023	2022
On behalf of own company	690	861
On behalf of Group company	150	758
Total	**840**	**1,619**

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

Scanfil plc has given 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 plc has provided a guarantee to Nordea Bank Abp as security for the performance and payment of obligations under the derivative contracts concluded between Scanfil Electronics GmbH and Nordea Bank Abp. Scanfil plc has given a guarantee for the lease obligations of its subsidiary Scanfil Inc.

Scanfil EMS Oy has given a guarantee to Nordea Bank AB Shanghai Branch of any obligations arising from a loan facility of CNY 137 million between the subsidiary Scanfil (Suzhou) Co., Ltd. and the Nordea Bank AB Shanghai Branch. Scanfil EMS Oy has given a guarantee of any obligations arising from the subsidiary's delivery contracts with its customers. The guarantee is limited to a maximum of EUR 7.5 million and seven years after the expiry of the last product agreement.

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

Scanfil EMS Oy and Scanfil Sweden AB have provided guarantees to Nordea Bank Abp and Nordea Bank AB Shanghai Branch as security for the performance and payment of the obligations under the derivative master agreements entered into between the Group companies Scanfil Oü, Scanfil Poland Sp. z o.o, Scanfil Åtvidaberg AB, Scanfil Malmö AB, Scanfil (Suzhou) Co., Ltd.

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

5.3 Details of related parties and group structure

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

EMPLOYEE BENEFITS FOR MEMBERS OF THE MANAGEMENT, EUR THOUSAND	2023	2022
Salaries and other short-term employee benefits	1,966	1,629
Options implemented and paid in shares	1,566	146
Total	**3,532**	**1,776**

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

SALARIES PAID TO THE PRESIDENT, EUR THOUSAND	2023	2022
Petteri Jokitalo until 31 August 2023	413	420
Christophe Sut since 1 September 2023	116	
Options exercised and paid in shares, Petteri Jokitalo*	1,111	
Total	**1,640**	**420**

* Taxable value of benefit.

STATUTORY PENSION EXPENDITURE, TYEL, EUR THOUSAND	2023	2022
Petteri Jokitalo until 31 August 2023	79	78
Christophe Sut since 1 September 2023	29	

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

SALARIES PAID TO THE BOARD MEMBERS, EUR THOUSAND	2023	2022
Harri Takanen	61	61
Jarkko Takanen, untill 21 February 2022		9
Bengt Engström	39	40
Christina Lindstedt	41	37
Juha Räisänen	46	38
Minna Yrjönmäki, since 27 April 2023	26	
Thomas Dekorsy, since 27 April 2023	23	
Total salaries of the Board Members	**236**	**185**

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 Malmö Ab	Sweden	100%	100%	100%
Scanfil Åtvidaberg AB	Sweden	100%	100%	100%
Scanfil Atlanta Inc.	USA	100%	100%	100%
Scanfil Business Services Kft	Hungary	100%	100%	100%

Leases to related parties

Scanfil plc's subsidiary Scanfil EMS Oy has leased office premises from Kiinteistö Oy Pilot 1. The main shareholder of Jussi Real Estate Oy, the owner of Kiinteistö Oy Pilot 1, is Jussi Capital Oy. The main shareholders of Jussi Capital Oy are Scanfil plc's Board members Harri Takanen and Jarkko Takanen. Jarkko Takanen's board membership ended on 21 February 2022. In 2023, the market rents paid totalled EUR 29 thousand (EUR 29 thousand in 2022).

5.4 Events after the reporting period

There were no significant events after the reporting perriod.

PARENT COMPANY FINANCIAL STATEMENTS, FAS

Parent Company Income Statement

EUR THOUSAND	Note	1.1.-31.12.2023	1.1.-31.12.2022
Other operating income		**2,466**	**2,265**
Personnel expenses	1		
Wages, salaries and fees		-2,349	-1,866
Pensions and statutory indirect employee costs			
Pensions		-396	-295
Statutory indirect employee costs		-113	-49
Personnel expenses total		**-2,858**	**-2,210**
Depreciation and reduction in value			
Depreciation according to plan	3	-77	-56
Depreciation and reduction in value total		**-77**	**-56**
Other operating expenses	**2**	**-1,292**	**-1,165**
Operating profit		**-1,761**	**-1,166**
Financial income and expenses			
Financial income from Group		6,000	10,000
Other interest and financial income			
From Group		6,215	3,099
From other		3,998	3,435
Interest expenses and financial expenses			
To Group		-1,680	-921
To other		-2,562	-3,147
Financial income and expenses total		**11,972**	**12,466**

EUR THOUSAND	Note	1.1.-31.12.2023	1.1.-31.12.2022
Profit before appropriations and taxes		**10,211**	**11,300**
Appropriations			
Depreciation difference increase		5	8
Appropriations total		**5**	**8**
Profit before tax		**10,215**	**11,309**
Income taxes	4		
Income taxes		-813	-259
Taxes for previous years		0	65
Deferred taxes			-52
Income taxes total		**-813**	**-246**
Net profit for the period		**9,403**	**11,063**

Parent Company Balance Sheet

EUR THOUSAND	Note	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Intangible assets			
Immaterial rights	5	2	4
Other non-current assets		239	124
Intangible assets total		**241**	**129**
Tangible assets			
Plant and equipment		21	36
Other tangible assets		17	17
Advance payments and construction in progress	6	32	133
Tangible assets total		**69**	**186**
Investments			
Holdings in Group companies	7	68,535	68,535
Investments total		**68,535**	**68,535**
Total non-current assets		**68,846**	**68,850**

EUR THOUSAND	Note	31.12.2023	31.12.2022
ASSETS			
Current assets			
Long-term receivables			
Loan receivables from Group companies	8	25,370	57,026
Long-term receivables total		**25,370**	**57,026**
Short-term receivables			
Receivables from Group companies	8	42,529	28,541
Accrued income		2,444	1,155
Short-term receivables total		**44,974**	**29,696**
Cash and cash equivalents	9	**6,173**	**1**
Total current assets		**76,516**	**86,723**
Total assets		**145,362**	**155,572**

Parent Company Balance Sheet

EUR THOUSAND	Note	31.12.2023	31.12.2022
SHAREHOLDER'S EQUITY AND LIABILITIES			
Equity			
Share capital	10	**2,000**	**2,000**
Other reserves			
Fair value reserve		841	671
Reserve for invested unrestricted equity fund		35,150	33,768
Retained earnings		16,391	18,949
Profit for the period		9,403	11,063
Total Equity		**63,784**	**66,451**
Appropriations			
Cumulative accelerated depreciation	11		5
Total Appropriations			**5**

EUR THOUSAND	Note	31.12.2023	31.12.2022
Non-current liabilities			
Financing loan	12		36,000
Deferred tax liabilities		210	168
Non-current liabilities total		**210**	**36,168**
Current liabilities			
Financing loans	12	36,000	27,432
Trade liabilities		93	239
Liabilities to Group companies	13	43,847	23,948
Other creditors		152	99
Accrued liabilities	14	1,276	1,231
Current liabilities total		**81,367**	**52,949**
Total liabilities		**81,577**	**89,117**
Total equity and liabilities		**145,362**	**155,572**

Parent Company Cash Flow Statement

EUR THOUSAND	1.1.-31.12.2023	1.1.-31.12.2022
Cash flow from operating activities		
Profit for the period	9,403	11,063
Adjustments		
Depreciation according to plan	77	56
Financial income and expenses	-11,972	-12,466
Other income and expenses without payment		
Deferred taxes	808	238
Exchange rate differences	2,055	-180
Changes in working capital		
Inc(-)/dec(+) in short-term non-interest bearing receivables	-1,106	-257
Inc(+)/dec(-) in short-term non-interest-bearing liabilities	538	266
Interest received from other financial revenues	4,975	4,185
Interest paid from other financial expenses	-2,657	-1,223
Taxes paid	-1,032	-160
Net cash flow from operating activities	**1,089**	**1,523**
Cash flow from investing activities		
Investments in tangible and intangible assets	-73	-57
Investments in subsidiary shares		-7,000
Granted loans		-52,137
Received loan payments	18,523	17,046
Received dividends	6,000	10,000
Net cash flow from investing activities	**24,450**	**-32,148**

EUR THOUSAND	1.1.-31.12.2023	1.1.-31.12.2022
Cash flow from financing activities		
Received group contributions		1,500
Related party investments to company shares	1,381	260
Changes in Group financing	-1,127	34,393
Repayment of long-term loans	-6,000	-6,000
Dividends paid	-13,621	-12,316
Net cash flow from financing activities	**-19,367**	**17,837**
Net increase/decrease in cash and cash equivalents	**6,172**	**-12,788**
Cash and cash equivalents Jan 1.	1	12,789
Cash and cash equivalents Dec 31.	**6,173**	**1**

Changes in Group financing are presented net and 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.

In September 2023, Scanfil Oyj opened a Permanent Establishment in Sweden. The accounts of Scanfil Oyj's Stockholm branch will be integrated into the accounting records of the parent company.

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.

Derivative contracts

Section 5:2a of the Act on Foreign Exchange Derivatives is applied to currency derivatives, in which changes in the fair value of currency derivatives are recorded in the fair value reserve for equity less deferred tax liabilities.

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.

Taxes

Income taxes have been recorded in accordance with Finnish tax legislation. A deferred tax liability or asset is calculated on temporary differences between accounting and taxation of assets and liabilities at the established tax rate. Deferred tax liabilities are recognised in full. Deferred tax assets are recognised only when it is probable that the receivable can be utilised against taxable profit in future periods.

1. Personnel expenses

EUR THOUSAND	2023	2022
Salaries, wages and fees	2,349	1,866
Pension costs	396	295
Other indirect employee expenses	113	49
Total	**2,858**	**2,210**
Fringe benefits (taxable value)	**1,435**	**85**

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

AVERAGE NUMBER OF EMPLOYEES DURING THE PERIOD	2023	2022
Clerical employees	13	13
Total	**13**	**13**

2. Other operating expenses

EUR THOUSAND	2023	2022
Other operating expenses	1,292	1,165
Total	**1,292**	**1,165**

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

AUDITOR'S REMUNERATION, EUR THOUSAND	2023	2022
Auditor's remunerations of the Chartered Accountants	70	67
Auditor's statements	10	10
Tax advisor	27	47
Total	**106**	**124**

3. Depreciation and amortisation

DEPRECIATION BY ASSET CLASS, EUR THOUSAND	2023	2022
Intangible assets		
Intangible rights	2	2
Other long-term expenses	60	39
Tangible assets		
Plant and equipment	15	15
Total	**77**	**56**
Total depriciation	**77**	**56**

4. Income taxes

EUR THOUSAND	2023	2022
Income taxes from actual operations	813	259
Income taxes from previous years	0	-65
Change in deferred taxes		52
Total	**813**	**246**

Deferred taxes re recognised on currency derivatives under layered hedging program adjusting the fair value reserve on shareholders equity. In the financial year 2023, deferred tax liabilities were recognised for currency derivatives amounting to EUR 210 (168) thousand.

5. Intangible assets

EUR THOUSAND	Intangible rights	Other long-term expenses	Intangible assets total
Acquisition cost Jan 1, 2023	121	235	356
Additions		41	41
Transfers between accounts		133	133
Acquisition cost Dec 31, 2023	**121**	**410**	**531**
Accumuled depricions Jan 1, 2023	-117	-111	-228
Depreciations	-2	-60	-62
Accumuled depricions Dec 31, 2023	**-119**	**-171**	**-290**
Carrying amount Jan 1, 2023	4	124	129
Carrying amount Dec 31, 2023	**2**	**239**	**241**

EUR THOUSAND	Intangible rights	Other long-term expenses	Intangible assets total
Acquisition cost Jan 1, 2022	121	225	346
Additions		10	10
Acquisition cost Dec 31, 2022	**121**	**235**	**356**
Accumuled depreciations Jan 1, 2022	-115	-72	-187
Deprecions	-2	-39	-41
Accumuled depreciations Dec 31, 2022	**-117**	**-111**	**-228**
Carrying amount Jan 1, 2022	7	153	159
Carrying amount Dec 31, 2022	**4**	**124**	**129**

6. Tangible assets

EUR THOUSAND	Plant and equipment	Other tangible assets	Advanced payments and construction in progress	Tangible assets total
Acquisition cost Jan 1, 2023	76	17	133	225
Additions			32	32
Transfer between accounts			-133	-133
Acquisition cost Dec 31, 2023	**76**	**17**	**32**	**124**
Accumuled depricions Jan 1, 2023	-39			-39
Deprecions	-15			-15
Accumuled depricions Dec 31, 2023	**-54**			**-54**
Carrying amount Jan 1, 2023	36	17	133	186
Carrying amount Dec 31, 2023	**21**	**17**	**32**	**69**

EUR THOUSAND	Plant and equipment	Other tangible assets	Advanced payments and construction in progress	Tangible assets total
Acquisition cost Jan 1, 2022	76	17	87	179
Additions			47	47
Acquisition cost Dec 31, 2022	**76**	**17**	**133**	**225**
Accumuled depricions Jan 1, 2022	-24			-24
Deprecions	-15			-15
Accumuled depricions Dec 31, 2022	**-39**			**-39**
Carrying amount Jan 1, 2022	52	17	87	155
Carrying amount Dec 31, 2022	**36**	**17**	**133**	**186**

7. Holdings in Group companies

EUR THOUSAND	2023	2022
Total in the beginning of period	68,535	61,535
Scanfil Holding Germany GmbH, additions		7,000
Total at the end of period	**68,535**	**68,535**
Carrying amount at 31 Dec.	**68,535**	**68,535**

GROUP COMPANIES, EUR THOUSAND	Domicile	Group share %	Parent company share %	Parent company book value
Scanfil EMS Oy	Finland	100	100	12,621
Scanfil Sweden AB	Sweden	100	100	48,823
Scanfil Holding Germany GmbH	Germany	100	100	7,091
Total				**68,535**

8. Receivables from Group companies

EUR THOUSAND	2023	2022
Long-term receivables		
Loan receivables	25,370	57,026
Total	**25,370**	**57,026**
Short-term receivables		
Prepayments and accrued income	377	215
Global Cash Pool receivables	18,325	18,973
Loan receivables	23,302	8,909
Other receivables	525	444
Total	**42,529**	**28,541**
Prepayments and accrued income		
Interest income from group	377	215
Total	**377**	**215**

9. Cash and equivalent

EUR THOUSAND	2023	2022
Cash and bank balances	6,173	1
Total	**6,173**	**1**

10. Equity

EUR THOUSAND	2023	2022
Share capital		
Share capital Jan 1.	2,000	2,000
Share capital Dec 31.	**2,000**	**2,000**
Fair Value Reserve	**841**	**671**
Total restricted shareholder's equity	**2,841**	**2,671**
Reserve for invested unrestricted equity fund		
Reserve for invested unrestricted equity fund Jan 1.	33,768	33,508
Options	1,381	260
Reserve for invested unrestricted equity fund Dec 31.	**35,150**	**33,768**
Retained earnings		
Retained earning Jan 1.	30,011	31,265
Paid dividends	-13,621	-12,316
Retained earnings Dec 31.	**16,391**	**18,949**
Profit for the period	**9,403**	**11,063**
Total unrestricted equity	**60,943**	**63,780**
Total equity	**63,784**	**66,451**
Calculation of distributable funds Dec 31.		
Reserve for invested unrestricted equity fund	35,150	33,768
Retained earnings	16,391	18,949
Profit for the period	9,403	11,063
Total	**60,943**	**63,780**

11. Depreciation difference

EUR THOUSAND	2023	2022
Depreciation difference		5
Total		**5**

12. Loans from financial institutions

EUR THOUSAND	2023	2022
Non-current		
Financial Institutions		36,000
Current		
Financial Institutions	36,000	6,000
Utilized overdraft facility		21,432
Total	**36,000**	**27,432**
Interest-bearing liabilities will mature as follows:		
Year 2023		6,000
Year 2024	36,000	36,000
Total	**36,000**	**42,000**

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

In 2019, Scanfil plc withdrew a long-term loan of EUR 30 million from Nordea Bank Finland Plc. The loan is amortised every six months. The first instalment of EUR 3.0 million was paid on March 27, 2020, and it will be entirely repaid on September 27, 2024. In addition, Nordea's Multicurrency Global Cash Pool is available with an overdraft facility of EUR 80 million of which EUR 80.0 million was unutilized on December 31, 2023.

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 2023 and 2022 financial periods, the Group fulfilled the covenant terms.

13. Liabilities to Group companies

EUR THOUSAND	2023	2022
Short-term liabilities to Group companies		
Accounts payable	302	61
Other liabilities	43,544	23,887
Total	**43,847**	**23,948**

14. Accrued liabilities

EUR THOUSAND	2023	2022
The most significant items included in accrued liabilities		
Employee expenses	1,083	734
Interests	11	14
Other accrued liabilities	181	483
Total	**1,276**	**1,231**

15. Commitments and contingencies

EUR THOUSAND	2023	2022
Guarantees given		
On behalf of group company	150	758
Total	**150**	**758**

In addition, the following guarantees have been given:

Scanfil plc has given 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 plc has provided a guarantee to Nordea Bank Abp as security for the performance and payment of obligations under the derivative contracts concluded between Scanfil Electronics GmbH and Nordea Bank Abp.

Scanfil plc has given a guarantee for the lease obligations of its subsidiary Scanfil Inc their customer agreement obligations.

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

16. Derivative contracts

INTEREST DERIVATIVES, EUR THOUSAND	2023	2022
Interest swap agreements, hedging		
Fair value	104	350
Rated value of underlying asset	6,000	12,000

HEDGE ACCOUNTING, EUR THOUSAND	2023	2022
Forward exchange contracts, hedge accounting		
Fair value	841	671
Rated value of underlying asset	30,408	34,941
Forward exchange contracts, outside of hedge accounting		
Other liabilities	52	123
Rated value of underlying asset	17,157	16,023

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, 2023 was EUR 6.0 million, and maturity 27 September 2024. The fair value of the derivative was EUR 104 thousand, including accrued interest. The interest flows of the derivative occur simultaneously with the interest flows of the loan.

Forward exchange contracts outside hedge accounting consist of a forward exchange contract made for hedging an internal loan receivable. Changes in fair value are immediately recognised through profit or loss. In line with the International Accounting Standard, currency derivatives under a layered hedging programme are recognised in accordance with their own the fair value reserve of capital adjusted for deferred tax. A fair value reserve is adjusted to earnings when a currency derivative surrendered or due.

17. Other rental contracts

EUR THOUSAND	2023	2022
To be paid next accounting period	47	22
To be paid later	26	12
Total	**73**	**33**

Rent liabilities do not include VAT.

18. Management's employment-related benefits

SALARIES AND OTHER SHORT-TERM EMPLOYEE BENEFITS, EUR THOUSAND	2023	2022
Salaries and bonuses of the President		
Petteri Jokitalo until 31 August 2023	413	420
Christophe Sut since 1 September 2023	116	
Shares and options, Petteri Jokitalo*	1,111	
Total salaries and bonuses of the President	**1,640**	**420**
*Taxable value of the benefit		
Salaries and bonuses of the Board members		
Harri Takanen	61	61
Jarkko Takanen until 21 February 2022		9
Bengt Engström	39	40
Christina Lindstedt	41	37
Juha Räisänen	46	38
Minna Yrjönmäki since 27 April 2023	26	
Thomas Dekorsy since 27 April 2023	23	
Total salaries of the Board Members	**236**	**185**

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The parent company's distributable funds total EUR 60,942,965.89, including undistributed profits of EUR 25,793,374.35. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.23 per share be paid, totalling EUR 14,993,988.65 for the financial year ending on December 31, 2023.

Signatures to the board of directors' report and financial statements

Sievi, February 22, 2024

Harri Takanen
Chairman of the Board

Bengt Engström
Member of the Board

Christina Lindstedt
Member of the Board

Juha Räisänen
Member of the Board

Minna Yrjönmäki
Member of the Board

Dr. Thomas Dekorsy
Member of the Board

Christophe Sut
CEO

AUDITOR'S REPORT 2023

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 31 December, 2023. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, 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 IFRS Accounting Standards 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 11.5 million.

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

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

Due to the high level of judgment related to the forecasts used in goodwill impairment tests, 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 impairment testing and acquisition-related customer relationships.

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 209 million representing 40 percent of the consolidated total assets as at December 31, 2023.

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

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

We assessed the appropriateness of the inventory valuation principles applied.

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

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

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

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

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

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

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

We assessed the appropriateness of the revenue recognition principles applied.

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

We have also performed substantive audit procedures relating to completeness and accuracy of the revenue.

Furthermore, we considered the appropriateness of the Group's disclosures in respect of revenue recognition principles and net sales.

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 IFRS Accounting Standards 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 or 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.

Tampere February 26, 2024
KPMG OY AB

Janna Kivimäki
Authorised Public Accountant, KHT

CORPORATE GOVERNANCE STATEMENT 2023

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 (Thomas Dekorsy, Bengt Engström, Christina Lindstedt, Juha Räisänen and Minna Yrjönmäki) are independent of the company and independent of the significant shareholders of the company. All three members of the Audit committee are independent of the company and its significant shareholders. One of the two members of the Nomination and Remuneration Committee is independent of significant shareholders and the Company (Engström). When the Company deviates from the Corporate Governance Code with regard to the Nomination and Remuneration Committee (a) the recommendation regarding the minimum number of Committee members (3 members) (Recommendation 15) and (b) the recommendation regarding the minimum number of members independent of the Company (Recommendation 17-18) : The Company's Board of Directors has estimated that two members are sufficient to handle the tasks assigned to the Nomination and Remuneration Committee. If necessary, other members of the Company's Board of Directors can be involved in the Committee's work. The Company's Board of Directors has proposed to the 2024 Annual General Meeting (AGM) to decide on establishing a Shareholders' Nomination Board. If AGM decides, it will replace the Nomination and Remuneration Committee. This statement has been reviewed by Scanfil plc's Board of Directors. Scanfil plc's auditing firm has verified that the summary description of the internal control and risk management associated with the financial reporting process is consistent with the financial statements.

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

Board of Directors

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

Composition of the Board of Directors

The following Board members were elected by the Annual General Meeting held on April 27, 2023:

Harri Takanen

Harri Takanen (born 1968, a Finnish citizen), Member of the Board since April 18, 2013, Professional Board Member, and Managing Director of Jussi Capital Oy and Jussi Invest Oy. Harri Takanen has worked at Sievi Capital plc as CEO 2007–2011 and as the CEO of Scanfil plc and Scanfil EMS Ltd. 2012–2013. He has served Scanfil Group since 1994, e.g. as Director of operations in China, Scanfil (Hangzhou) Co., Ltd's Managing Director, Technology Director, Director of Customer Relations, Customer Service Manager and Plant Manager of Sievi mechanics. Harri Takanen holds a Master's degree in Engineering. Not independent of the company and major shareholders.

- Held 9,913,146 shares in Scanfil plc on December 31, 2023
- Chair of the Board of Directors: WellO2 Oy
  Member of the Board of Directors: Jussi Capital Oy

Bengt Engström

Bengt Engström (born 1953, a Swedish citizen), Member of the Board since August 20, 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.

- Held 12,929 shares in Scanfil plc on December 31, 2023
- Chair of the Board of Directors: Nordic Flanges, QleanAir AB, Qlosr AB, BEngström AB and BEngström Förvaltning AB
- Member of the Board of Directors: KTH Executive School, Real Fastigheter AB, Polygienne AB and Scandinavian Chemotech AB

Christina Lindstedt

Christina Lindstedt (born 1968, a Swedish citizen), Member of the Board since April 12, 2016. Partner at STOAF since 2014. She was the Senior Advisor, CEO and COO at QleanAir Scandinavia 2020–2023. 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 has also held a number of board positions in listed and non-listed companies. Christina Lindstedt holds a Master's Degree of Business Administration and Commercial law.Independent of the company and major shareholders.

- Held 7,312 shares in Scanfil plc on December 31, 2023
- Member of the Board of Directors: Xplorebiz AB

Juha Räisänen

Juha Räisänen (born 1958, a Finnish citizen), Member of the Board since 23 April 2020. Managing Partner at Valuenode GmbH. Juha Räisänen has held a number of executive positions globally at ICL-Fujitsu, Nokia, SanDisk, KONE and Aliaxis. He has been responsible for sales, manufacturing, supply chain, sourcing & procurement, quality and safety. Juha Räisänen holds a Master's Degree of Industrial Engineering & Management. Independent of the company and major shareholders.

- Did not hold any shares in Scanfil plc on December 31, 2023
- Member of the Board of Directors: Bluefors Oy and Valuenode GmbH

Dr. Thomas Dekorsy

Dr. Thomas Dekorsy (born 1963, a German citizen) has been elected as a board member in the Annual General Meeting on 27 April 2023. He is the CEO of saniXTREME GmbH as of June 2023. He was the Global Head Business Unit Automotive (ad. interim) of Amann & Sähne GmbH & Co. KG. He has served in various leadership roles e.g as the Managing Director of Prettl Management Services GmbH 2021–2022, the Chief Operating Officer of Lakesight Technologies Holding GmbH 2019–2021, the Chief Sales Officer of Escatec Sdn. Bdh. 2018–2019 and many others since 1989. He holds a Ph.D. in Engineering. Independent of the company and its major shareholders.

Did not hold any shares in Scanfil plc on December 31, 2023

Minna Yrjönmäki

Minna Yrjönmäki (born 1967, a Finnish citizen) has been elected as a board member in the Annual General Meeting on 27 April 2023. She is the Chief Financial Officer of Wihuri Group as of October 2023. She was the CFO (ad int.) of Raute Corporation May 2022–April 2023. She has served as the CFO of Uponor Corporation 2019–2021, SVP Group Financial Controlling 2016–2019 and SVP Financial Services and Reporting 2014–2016 at Outokumpu Oyj. Prior to that, she worked at Ahlstrom Oyj 2004–2014 e.g. as Group and Business Area Controller and as Group Controller and other financial roles at Huhtamaki Oyj 1991–2004. She holds a Master of Science (Econ.). Independent of the company and its major shareholders.

Did not hold any shares in Scanfil plc on December 31, 2023

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

Board had 17 meetings in 2023 of which four (4) were written resolutions without convening a meeting. 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 and Remuneration Committee (or Shareholders' Nomination Board) 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 on the Board of Directors.

The Annual General Meeting held on April 27, 2023, elected six (6) members to the Board, four of whom are men and two women. 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 2023.

Board Committees

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

The task of the Nomination and Remuneration Committee is to prepare matters related to the appointment and remuneration of the members of the Board of Directors and, when necessary, find suitable members for it. The Committee has two members: Harri Takanen (chair) and Bengt Engström. The committee convened four (4) times in 2023. The attendance rate of its members was 100%. The Board of Directors has proposed to the Annual Meeting 2024 to establish a permanent Shareholders' Nomination Board which would replace the Nomination and Remuneration Committee.

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: Juha Räisänen (chair), Christina Lindstedt and Minna Yrjönmäki. The committee convened eight (8) times in 2023. 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 was the CEO of the company since April 1, 2013 until August 31, 2023. Christophe Sut was nominated as the CEO as of September 1, 2023.

Christophe Sut, CEO (as of Septemeber 1, 2023)

Christophe Sut (1973), a French and Swedish citizen. He was previously the President of the Manufacturing Solution at Sandvik AB 2021–2023, Executive Vice President of Global Solutions 2016–2021 and Vice President of Business development 2014–2016 at ASSA ABLOY AB, and the Development Director, EMEA at CLIQ 2012–2014. Global Strategic Marketing Manager at Niscayah Group 2010–2012, and various marketing and development roles at ASSA ABLOY AB in Sweden and France 2001–2010. Various marketing roles at ITW Group and SAM Outillage 1997–2001. He holds a Master's degree in Marketing and Sales, and a Bachelor's degree in Languages and Mathematics.

December 31,2023, Christophe Sut held 5,000 shares in Scanfil plc and he has option rights 2022(BI) for 120,000 shares.

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

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

Other management

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

Riku Hynninen, Chief Develoment Officer

Riku Hynninen (1972) is responsible for operational performance development, combining the power of manufacturing and information technologies, people and culture, sustainability, and quality & lean management. During the years 2018 - 2021, he was leading the Scanfil operations as COO. Riku Hynninen has previously worked at Nokia Corporation, where he was responsible for manufacturing technology, new product introduction and lifecycle management for Mobile Networks product portfolio. He holds a Master's degree in Engineering.

He held (31 Dec 2023) 56,150 shares in Scanfil plc.

Markku Kosunen, Chief Procurement Officer

Markku Kosunen (1967) is responsible for Global Sourcing and Supply Chain, including inventory management. 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. He is an undergraduate of technology.

He held (31 Dec. 2023) 37,763 shares in Scanfil plc.

Timo Sonninen, Chief Operating Officer

Timo Sonninen (1966) is responsible for the factories' operational and financial performance. He has has previously worked for Efore Oyj as Vice President, Operations, in Suzhou, China 2006–2013. Prior to that he has worked at Incap Oyj among others as Vice President, Manufacturing Services and the Plant Director of Vuokatti factory. He holds a Bachelor's degree of Science.

He held (31 Dec. 2023) 143,500 shares in Scanfil plc.

Kai Valo, Chief Financial Officer

Kai Valo (1965) is responsible for finance, accounting and risk management. Group's Chief Financial Officer. During 2015–2016 Kai was the CFO at 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 in Perlos. He hold Master's degree in Economics.

He held (31 Dec. 2023) 20,000 shares in Scanfil plc.

Christina Wiklund, Chief Commercial Officer

Christina Wiklund (1971) is responsible for sales and marketing activities and customer relations as of January 17, 2022. Christina Wiklund comes from GE Additive, where she held the Vice President/Head of Sales EMEA position. Prior to that she has worked at Flex as Vice President of sales and account management. Before that she worked at Solectron and Ericsson in business development and account management roles. She holds a Bachelor's degree of Social Science and has attended Stanford Graduate School of Business Executive Program.

She held (31 Dec. 2023) 2,000 shares in Scanfil plc.

Petteri Jokitalo, CEO (April 1, 2013 - August 31, 2023)

Before starting as the CEO of Scanfil, Petteri Jokitalo 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 Oyj in management tasks of sales and business development during 2003–2007 and in international tasks at Nokia Networks during 1998–2003. Petteri Jokitalo holds a Master's degree in Engineering.

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

Risk Management

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

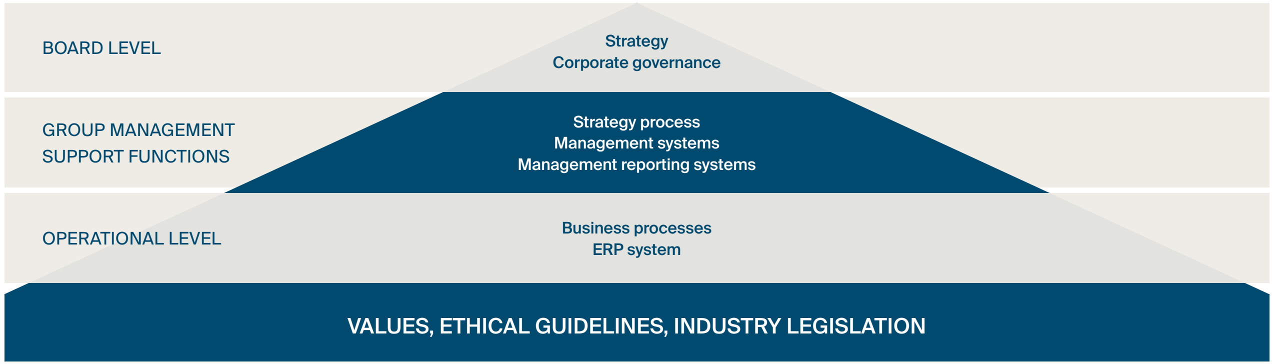
Risk management aims to observe and analyse factors that might have a negative impact on the achievement of the company's goals and to take measures to mitigate or completely eliminate the risks. The operative units report on business risks in accordance with the management and reporting system.

Internal Control

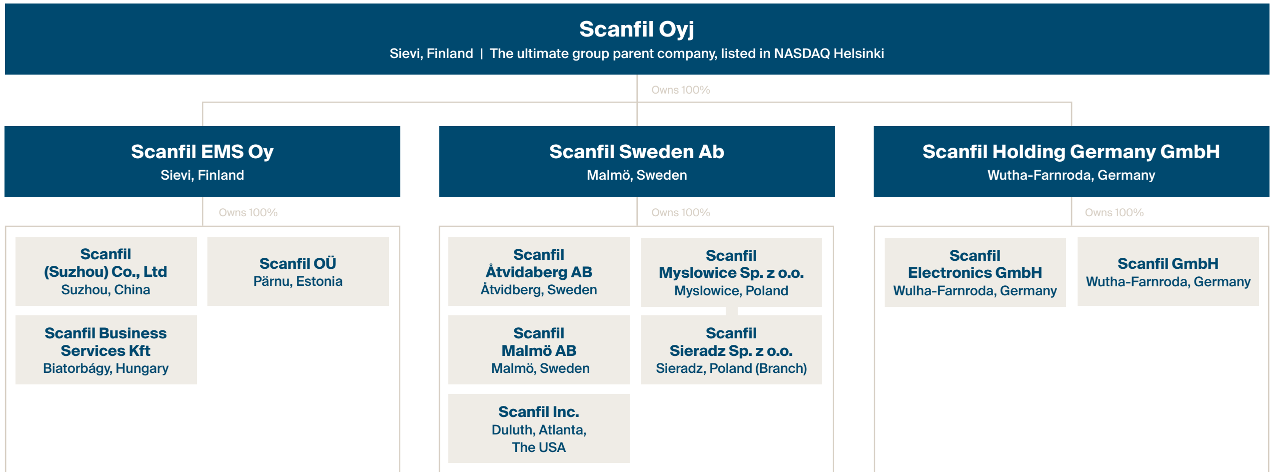
Scanfil plc's internal control is a continuous process used to ensure profitable and uninterrupted operation. The control function aims to minimize risks by ensuring the reliability of reporting and compliance with laws and regulations.

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

DESCRIPTION OF THE INTERNAL CONTROL AT SCANFIL PLC



SCANFIL PLC GROUPS STRUCTURE IN 2023



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

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

Internal Audit

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

Changes in Group's structure in 2023

Scanfil plc did not have any changes in the group structure in 2023.

OTHER INFORMATION TO BE PROVIDED IN THE STATEMENT

Company insiders and insider administration

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

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

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

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

As a result of the entry into force of MAR, the company no longer has any public insiders. From July 3, 2016, the company will publish, in a stock exchange release, all transactions with company shares carried out by managers ("PDMR", person discharging managerial responsibilities) with a reporting obligation and their related parties in the company's financial instruments in accordance with MAR.

Related party transactions

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

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

The company's related parties

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

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

List of related parties

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

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

Identifying related party transactions

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

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

Monitoring related party transactions

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

Assessing related party transactions and decision making

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

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

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

(1) ORDINARY RELATED PARTY TRANSACTIONS

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

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

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

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

(2) SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

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

Reporting related party transactions

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

Auditors

The Annual General Meeting held on April 27, 2023 selected the auditing firm KPMG Oy Ab to be the company's auditor, and they named Authorized Public Accountant Janna Kivimäki as the main auditor. The audit fees for the Finnish companies of the Group for the 2023 accounting year were EUR 102,863 in total, and the parent company's share was EUR 66,465. The audit fees for the foreign companies of the Group were EUR 282,734 in total. For other services, the auditing company was paid EUR 36,555.

REMUNERATION REPORT FOR THE GOVERNING BODIES 2023

1. Introduction

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

According to the policy, remuneration of the Board of Directors can consist of one or several elements, such as annual fees and meeting fees. The fees can be paid in cash, or partly in cash and partly in the company's shares. Board members are not covered by the company's incentive reward schemes. In 2023, the Board's monthly fees, committee membership fees and meeting fees were paid in cash.

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

Details about the Remuneration policy can be found online.

KEY ELEMENTS OF REMUNERATION

Element	Target group	Target	Description
Salary	CEO (and other senior management)	Attract, keep and reward skilled managers	Number of factors are taken into account in determining the basic salary, e.g. market situation, individual qualities, skill and experience. The basic salary is typically reviewed annually.
Fixed remuneration	The Board of Directors	Attract, keep and reward skilled Board members	The remuneration of the Board of Directors is proposed by the Nomination and Remuneration Committee to the General Meeting to decide.
Annual incentive scheme (short-term)	CEO (and other senior management)	Encourage, guide and reward from achieving short-term financial, operational and strategic targets	The short-term annual incentive plan is primarily based on one-year earnings criteria, which are further based on longer-term indicators, typically three years of target settings. Structure discussed more in details in section “Remuneration of the CEO in 2023”.
Stock option incentive scheme (long-term)	CEO (and other senior management)	Link management and their rewarding to Company's shareholders.	The General Meeting decides on share-based compensation programs and authorizes the Board of Directors to decide on the details and practical implementation of the compensation programs. More details in section “Remuneration of the CEO in 2023”.

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

Company turnover increased significantly in 2021-2022, and 2023 it was the highest in the company's history. Profit margin recovered when the challenges in the supply chain, especially semiconductors, started to fade out towards the end of 2022.

FINANCIAL AND REMUNERATION DEVELOPMENT, 2019–2023

	2019	2020	2021	2022	2023
Turnover, EUR million	579.4	595.3	695.7	843.8	901.6
Annual turnover growth, %	2.9	2.7	16.9	21.3	6.9
Adjusted operating profit, EUR million	39.4	39.1	40.3	45.4*	61.3*
Adjusted operating profit, %	6.8	6.6	5.8	5.4*	6.8*
Share price change, VWAP, %	-6.8	21.9	50.1	-13.4	18.1

*No adjustments in the financial reporting period

Scanfil's financial targets in 2023 were 5%-7% organic annual turnover growth and 7% adjusted operating profit margin. The turnover target was achived whereas the company fell 0.1% behind in the profit margin target.

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

FEES OF THE BOARD OF DIRECTORS

1, 000 EUR	2019	2020	2021	2022	2023
Harri Takanen (chair)	49.3	51.0	54.1	61,5	60.7
Thomas Dekorsy (as of 27 April 2023)	-	-	-	-	22.8
Bengt Engström	27.5	29.5	33.8	40.0	39.3
Christina Lindstedt	28.6	30.1	33.8	36.8	41.5
Juha Räisänen (as of 23 April 2020)	-	17.4	33.8	37.8	45.8
Minna Yrjönmäki	-	-	-	-	25.6
Jarkko Takanen (until 2 February 2022)	30.2	31.7	34.9	9.0	-
Christer Härkönen (until 22 April 2021)	25.9	27.9	11.4	-	-
Salaries and fees of the Board of Directors, in total	**161.5**	**187.6**	**198.7**	**185.0**	**235.7**

The remuneration of the CEO has consisted of a fixed base salary with fringe benefits and variable incentives. The variable incentives have included the short-term performance bonus and long-term stock option schemes, with their terms and conditions determined by the Board. Petteri Jokitalo acted as the CEO until August 31,2023. Christophe Sut assumed his position as the CEO September 1, 2023.

SALARIES AND FEES OF THE CEO

1,000 EUR	2019	2020	2021	2022	2023
Salary, in total	269.5	289.7	295.3	304.0	354.2
Petteri Jokitalo	269.5	289.7	295.3	304.0	241.1
Christophe Sut	-	-	-	-	113.1
Fringe benefits, in total	13.6	12.3	14.2	14.8	14.5
Petteri Jokitalo	13.6	12.3	14.2	14.8	11.3
Christophe Sut	-	-	-	-	3.1
Performance bonus, in total	258.0	85.0	105.6	101.4	160.0
Petteri Jokitalo	258.0	85.0	105.6	101.4	160.0
Christophe Sut	-	-	-	-	-
In shares and payable stock options, in total	71.2	132.2	631.3	-	1.111.1
Petteri Jokitalo	71.2	132.2	631.3	-	1,111.1
Christophe Sut	-	-	-	-	-
In total	**612.3**	**519.2**	**1,046.4**	**420.1**	**1,640.2**

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

PAID SALARIES AND WAGES/AVERAGE NUMBER OF EMPLOYEES

1,000 EUR	2019	2020	2021	2022	2023
In total	**20.8**	**22.6**	**23.1**	**24.0**	**25.1**

2. Remuneration of the Board of Directors in 2023

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

On April 27, 2023 the Annual General Meeting decided that:

- Members of the Board are paid EUR 3,000/month
- The Chairman of the Board is paid EUR 4,800/month.

Additionally, members of the Committee received a compensation of EUR 700/meeting and the Chair of the Audit Committee EUR 350/month. In addition, a fee of EUR 350 per face-to-face meeting held outside of the Board Members country of residence was paid.

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

During the financial year of 2023, members of Scanfil plc's Board of Directors did not receive any company's shares or share-based benefits as remuneration.

MEETING AND COMMITTEE FEES PAID TO THE BOARD OF DIRECTORS IN 2023

EUR	Meeting fee	Committee fee	Fees in total
Harri Takanen	56,790	3,950	60,740
Thomas Dekorsy	22,800	-	22,800
Bengt Engström	36,677	2,650	39,327
Christina Lindstedt	36,677	4,800	41,477
Juha Räisänen	37,027	8,757	45,783
Minna Yrjönmäki	22,100	3,500	25,600
In total	**212,069**	**23,657**	**235,727**

3. Remuneration of the CEO in 2023

The CEO has a service contract that is valid until further notice with a mutual notice period of six months. Should the company terminate the service contract made with the CEO, the amount is subject to the duration of the service term and at the maximum equivalent to the monetary salary of 12 months can be paid to the CEO as a severance package under the terms and conditions of his service contract.

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

SALARIES AND FEES OF THE CEO

EUR	Fixed	Variable
Salary, in total	354,176	-
Petteri Jokitalo	241,075	
Christophe Sut	113,101	
Fringe benefits, in total	14,454	-
Petteri Jokitalo	11,340	
Christophe Sut	3,114	
Performance bonus from the year 2022 (50.8% of the maximum), in total	-	160,484
Petteri Jokitalo	-	160,484
Christophe Sut	-	-
Stock option scheme, in total	-	1,111,060
Petteri Jokitalo	-	1,111,060
Christophe Sut	-	-
Salaries and fees, in total	368,630	1,271,544
Petteri Jokitalo	252,415	1,271,544
Christophe Sut	116,215	-
Salaries and fees in total	**1,640,174**	

In addition, the former CEO Petteri Jokitalo was paid a performance bonus of EUR 316,224 regarding the year 2023 in 2024, which was 100% of the maximum.

Performance bonus

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

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

The CEO does not have other benefits.

Stock option scheme

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

On 21 April 2022, the Annual General Meeting of Scanfil plc decided to authorize the Board of Directors to decide on granting stock options rights to key personnel of the Scanfil Group and to decide on the terms and conditions of the maximum amount of 1,200,000 option rights ("Stock Option scheme 2022").

OPTIONS HELD BY THE CEO	2019(C)	2022(AI)	2022(BI)*
Number of options	120,000	120,000	120,000
Subscription period	1 May 2024 - 30 April 2026	1 May 2025 - 30 April 2027	1 May 2026 - 30 April 2028
Fair value, in total, EUR	199,200	196,800	1229,200

*Concerns CEO Christophe Sut. More details on stock option schemes can be found here.

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