Aspocomp Group Plc., Interim Report, October 29, 2010 at 9:00 AM

ASPOCOMP'S INTERIM REPORT JANUARY 1 – SEPTEMBER 30, 2010

Key figures in brief

- Net sales: EUR 14.3 million (EUR 8.9 million 1-9/2009)
- Operating result before depreciation (EBITDA): EUR 3.1 million (-1.2)
- Operating result (EBIT): EUR 2.1 million (-2.1)
- Profit for the period: EUR 1.2 million (-1.4)
- Earnings per share (EPS): EUR 0.02 (-0.05)
- Cash flow from operations: EUR 3.1 million (0.6)

The net sales will increase significantly and net result will be positive for full year 2010.

CEO'S REVIEW

"During the third quarter the demand normalized as expected, though on higher level than last year. The net sales increased compared to the reference period and earnings were clearly positive.

Cash flow from operations has been strong throughout the year. Although the company has invested more than usual, the cash flow after investments remains clearly positive. Consequently, the company was able to repay some debt under the voluntary debt restructuring agreement.

We expect the demand to stay on the same level for the rest of the year."

NET SALES AND EARNINGS IN JULY-SEPTEMBER

Third-quarter net sales amounted to EUR 4.5 million, up 65 percent on 7-9/2009. The five largest customers accounted for 83 percent of net sales (80%). In geographical terms, 96 percent of net sales were generated in Europe (80%) and 4 percent in Asia (20%).

The operating result was EUR 0.6 million (-0.9 Me 7-9/2009).

The Group's net financial expenses amounted to EUR -0.3 million (-0.3).

The result for the review period was EUR 0.3 million (-1.2) and earnings per share were EUR 0.00 (-0.02).

NET SALES AND EARNINGS IN JANUARY-SEPTEMBER

Second-quarter net sales amounted to EUR 14.3 million, up 61 percent on 1-9/2009. The five largest customers accounted for 78 percent of net sales (76% 1-9/2009). In geographical terms, 95 percent of net sales were generated in Europe (81%) and 5 percent in Asia (19%).

The operating result was EUR 2.1 million (-2.1 Me 1-9/2009). Earnings improved thanks to better demand and the cost structure adjustments implemented in 2009.

The Group's net financial expenses amounted to EUR -0.9 million (-0.7).

The result for the review period was EUR 1.2 million (-2.6) and earnings per share were EUR 0.02 (-0.05).

INVESTMENTS AND R&D

Investments amounted to EUR 1.5 million (EUR 0.6 million 1-9/2009).

Majority of the investments were related to the implementation of a new image transfer process on the outer-layer process of PCB manufacturing. Other investments were related to the outer-layer plating and high precision routing. All the investments improve Oulu plant's technical capability.

R&D costs are recognized in overheads.

FINANCING

The Group's financial position remained challenging, but stable. Cash assets amounted to EUR 3.9 million at the end of the period (EUR 3.0 million 9/2009).

Cash flow from operations during the period was EUR 3.1 million (EUR 0.6 million 1-9/2009). In August the company made EUR 0.5 million repayment of interest bearing debts under the voluntary debt restructuring.

The nominal value of interest-bearing liabilities was EUR 23.6 million (EUR 24.4 million 9/2009). Gearing decrease to 409.3 percent (620.7%). Non-interest-bearing liabilities amounted to EUR 7.2 million (5.5).

The Group's equity ratio at the end of the period stood at 13.1 percent (10.0%).

GROUP STRUCTURE

Aspocomp Oulu Oy – in which Aspocomp has a 90 percent holding – manufactures and sells PCBs for telecom, industrial, and automotive electronics applications. Its service portfolio includes prototype and quick-turn deliveries, fulfillment of urgent PCB needs in high-volume operations as well as development and commercialization of new technologies. Aspocomp Oulu Oy's primary technologies are HDI (High Density Interconnection), multilayer and special material PCBs.

Aspocomp has a 20 percent stake in Meadville Aspocomp (BVI) Holdings Limited (MAH). The company's production facility in Suzhou, China is a volume manufacturer of HDI and multilayer PCBs.

Aspocomp's 20 percent stake is booked into the balance sheet at its minimum value, which is based on the option agreement made in connection with the ownership arrangements in 2007. The minimum value is EUR 16.3 million at the end of the period, and it increases by 2.5 percent annually until the option is exercised. Details of the option agreement can be found in the press release of Meadville Holdings published on November 16, 2007: "Major transaction - acquisitions and resumption of trading, pages 8-9" (www.meadvillegroup.com/announcements.html).

As MAH-stake is related to the aforementioned option arrangement, it is categorized as other non-current receivables in the balance sheet.

As the stake is valued at the minimum value based on the option agreement, the financial performance of MAH does not impact on the value of the stake.

On November 16, 2009, Meadville announced that it will sell its PCB business to TTM Technologies, Inc., which is listed on the NASDAQ in the United States. The deal was completed on April 9, 2010. Meadville’s 80 percent stake in MAH and 10 percent holding in Aspocomp Oulu Oy are included in this deal. The parties have signed transfer agreements, in which Meadville’s rights and liabilities related to the MAH are transferred to TTM.

In addition, Aspocomp holds a 13.2 percent share in the Thai company PCB Center and a 5.3 percent share in Imbera Electronics. PCB Center’s production is currently stopped due to a fire at the plant, however this has no material financial impact on Aspocomp.

SHAREHOLDERS’ EQUITY OF THE PARENT COMPANY

In accordance with the requirements of the Companies Act, the Trade Register has been notified of the loss of share capital on May 14, 2008. The shareholders’ equity of Aspocomp Group’s parent company, Aspocomp Group Plc., was EUR 5.2 million negative at the end of the period. However, the shareholders’ equity of Aspocomp Group was EUR 4.4 million positive.

SHARES AND SHARE CAPITAL

The total number of Aspocomp’s shares at September 30, 2010 was 49 905 130 and the share capital stood at EUR 20 082 052. The company held 200 000 treasury shares, representing 0.4 percent of the aggregate votes conferred by all the shares.

A total of 38 551 718 Aspocomp Group Plc. shares were traded on NASDAQ OMX Helsinki during the period from January 1 to September 30, 2010. The aggregate value of the shares exchanged was EUR 6 030 604. The shares traded at a low of EUR 0.12 and a high of EUR 0.21. The average share price was EUR 0.16. The closing price at September 30, 2010 was EUR 0.18, which translates into market capitalization of EUR 8 982 923.

Nominee-registered shares accounted for 3.6 percent of the total shares.

PERSONNEL

During the period, Aspocomp had an average of 96 employees (108). The personnel count on September 30, 2010 was 99 (101). Of them, 68 (69) were non-salaried and 31 (32) salaried employees.

EVENTS AFTER THE FINANCIAL PERIOD

Six former employees of Aspocomp Group Oyj's French subsidiary Aspocomp S.A.S have re-raised their claims against Aspocomp Group Oyj in a French court. The total amount of the claims is about EUR 213 000. The hearings will be held on February 2011.

These claims are part of the case raised by 21 former Aspocomp S.A.S employees (Aspocomp's stock exchange release 18.2.2008). Concerning 2 employees a settlement agreement was made in 2007. Concerning 13 employees the French Court of Appeal has made a judgment (Aspocomp’s stock exchange release 12.5.2010) but Aspocomp has not yet been served with the decision. The court had suspended these six cases as per the employees’ request.

Aspocomp has made a reservation in its year 2007 Financial Statements to cover all these 21 claims.

DECISIONS OF THE ANNUAL GENERAL MEETING

The Annual General Meeting of Aspocomp Group Plc. held on April 13, 2010 re-elected the current Board and decided that the remunerations of the members of the Board will remain the same as in 2009. The General Meeting also decided to amend the company’s Articles of Association. Furthermore, the Meeting decided not to pay dividend for the period.

The Annual General Meeting decided to set the number of Board members at three (3) and re-elected the current members of the Board: Johan Hammarén, Tuomo Lähdesmäki, and Kari Vuorialho. The Meeting re-elected PricewaterhouseCoopers Oy as the company's auditor for the 2010 financial year.

Annual remuneration of EUR 24 000 will be paid to the chairman of the Board and EUR 12 000 to the other Board members. 60 percent of the annual remuneration will be paid in cash and 40 percent in company shares, which will be acquired and distributed to Board members. EUR 1 000 per meeting will be paid to the chairman and EUR 500 per meeting to the other members. The members of the Board residing outside of the Greater Helsinki Area are reimbursed for reasonable travel and lodging expenses. The auditor will be paid according to invoice.

The Annual General Meeting decided to amend the Articles of Association so that a following sentence was added at the end of the Article 10 (notice of meeting): “However, the notice to the Annual General Meeting must be conveyed no later than nine (9) days before the record date of the Annual General Meeting.” The amendment is based on the recent amendment of Companies Act.

THE BOARD OF ASPOCOMP GROUP PLC., AUTHORIZATIONS GIVEN TO THE BOARD

In its organization meeting, the Board of Directors of Aspocomp Group Plc. re-elected Tuomo Lähdesmäki as chairman of the Board. As the Board only comprises three (3) members, Board committees were not established.

The Annual General Meeting 2008 of Aspocomp Group Plc. authorized the Board to decide on issuing new shares and conveying the Aspocomp shares held by the company. A maximum of 55 000 000 new shares can be issued and/or granted on the basis of special rights. The authorization is valid five years from the respective Annual General Meeting.

The Annual General Meeting 2008 also decided about issuing stock options to the CEO. The Board of Directors has not granted the said stock options.

Details of the authorizations can be found on pages 10-11 of the Annual Report 2008 (www.aspocomp.com/linked/investor/ar_2008.pdf).

ASSESSMENT OF BUSINESS RISKS

Significant indebtedness

The Aspocomp Group’s interest-bearing liabilities at September 30, 2010 had a nominal value of about EUR 23.6 million and amounted to about EUR 21.9 million under IFRS.

Liquidity and financial risks

Because of the agreement on debt restructuring, management of the Group’s liquidity risk is based on the cash assets of the parent company and the cash flow generated by the Oulu plant. If Aspocomp Group Plc. does not obtain financing from Aspocomp Oulu Oy or other ways of financing, the company may ultimately become insolvent.

Litigations

In 2007, the French Supreme Court ordered the company to pay approximately EUR 11 million, including annual interest of about 7 percent, to 388 former employees of Aspocomp S.A.S. In January 2009, the Labor Court of Evreux, France ruled that the company has to pay approximately EUR 0.5 million in compensation, with interest, to a further 13 former employees. Aspocomp has appealed the January 2009 decision to the next instance in France.

In May 2010, the Court of Appeal of Rouen did not change the decision rendered by the Labor Court of Evreux on January 2009 and ruled that Aspocomp Group Plc has to pay to thirteen former employees of its French Subsidiary, Aspocomp S.A.S., approximately EUR 527 000 including the interest. Aspocomp has not yet been formally notified of the decision.

In October 2010 Aspocomp was informed that six former employees re-raised their earlier suspended cases in a French Court. The related hearings will be held on February 2011. The total amount of the claims is EUR 213 000.

The aforementioned compensations and claims do not have a profit impact during the financial year, because Aspocomp has made a reservation in its financial statements 2007. The claims are related to the notice time salaries of the closed, heavily loss-making Evreux plant. The closure took place in 2002.

There is a risk that the remaining approximately 100 employees may also institute proceedings. Under legislation that came into effect in June 2008, the statute of limitations for filing a suit is five years after the law came into effect.

OUTLOOK FOR THE FUTURE

The lean cost structure and the outlook for operations in Oulu enable the continuity of the Group’s operations. The net sales will increase significantly and the net result will be positive for full year 2010.

In addition to developing the continuing operations of the company, the Board of Directors is looking into various structural development solutions, including carrying out company reorganization in the future.

TABLES AND ACCOUNTING POLICIES

The reported operations include Aspocomp Oulu Oy and the Group's parent company, Aspocomp Group Plc. These operations comprise a single business segment.

All figures are unaudited. The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The accounting principles that were applied in the preparation of the financial statements of December 31, 2009 have been applied in the preparation of this report. However, as of January 1, 2010 the company has applied the following new or modified standards:

- IFRS 3 (revised), Business Combinations
- IAS 27 (revised), Consolidated and Separate Financial Statements

The application of the aforementioned standards did not have significant impact on the reported figures.

PROFIT & LOSS STATEMENT, JULY-SEPTEMBER	7-9/10		7-9/09	
	1000 e	%	1000 e	%
NET SALES	4 525	100,0	2 747	100,0
Other operating income	99	2,2	66	2,4
Materials and services	-1 411	-31,2	-958	-34,9
Personnel expenses	-1 404	-31,0	-1 369	-49,8
Other operating costs	-950	-21,0	-1 066	-38,8
Depreciation and amortization	-303	-6,7	-280	-10,2
OPERATING PROFIT/LOSS	556	12,3	-860	-31,3
Financial income and expenses	-302	-6,7	-304	-11,1
PROFIT/LOSS BEFORE TAX	254	5,6	-1 164	-42,4
Income taxes	-2	-0,1	-1	0,0
PROFIT/LOSS FOR THE PERIOD	252	5,6	-1 165	-42,4
Other comprehensive income for the period, net of tax				
Translation differences	2	0,0	13	0,5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	253	5,6	-1 152	-41,9
Profit/loss for the period attributable to:				
Non-controlling interests	78	1,7	-17	-0,6
Equity shareholders	173	3,8	-1 148	-41,8
Total comprehensive income attributable to:				

Non-controlling interests	78	1,7	-17	-0,6
Equity shareholders	175	3,9	-1 135	-41,1

JANUARY-SEPTEMBER	1-9/10		1-9/09		1-12/09	
	1000 e	%	1000 e	%	1000 e	%
NET SALES	14 307	100,0	8 912	100,0	13 161	100,0
Other operating income	229	1,6	177	2,0	238	1,8
Materials and services	-4 249	-29,7	-3 034	-34,0	-4 323	-32,8
Personnel expenses	-4 288	-30,0	-4 277	-48,0	-5 575	-42,4
Other operating costs	-2 926	-20,4	-2 985	-33,5	-4 026	-30,6
Depreciation and amortization	-940	-6,6	-844	-9,5	-1 145	-8,7
OPERATING PROFIT/LOSS	2 134	14,9	-2 052	-23,0	-1 670	-12,7
Financial income and expenses	-892	-6,2	-673	-7,6	-969	-7,4
PROFIT/LOSS BEFORE TAX	1 242	8,7	-2 725	-30,6	-2 639	-20,1
Income taxes	-3	0,0	141	1,6	136	1,0
PROFIT/LOSS FOR THE PERIOD	1 239	8,7	-2 583	-29,0	-2 503	-19,0
Other comprehensive income for the period, net of tax						
Translation differences	13	0,1	10	0,0	10	0,1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1 252	8,8	-2 573	-29,0	-2 493	-18,9
Profit/loss for the period attributable to:						
Non-controlling interests	295	2,1	-56	-0,6	12	0,1
Equity shareholders	944	6,6	-2 528	-28,4	-2 515	-19,1
Total comprehensive income attributable to:						
Non-controlling interests	295	2,1	-56	-0,6	12	0,1
Equity shareholders	957	6,7	-2 517	-28,2	-2 505	-19,0
Earnings per share						
Basic EPS		0,02		-0,05		-0,05
Diluted EPS		0,02		-0,05		-0,05

CONSOLIDATED BALANCE SHEET	9/10 1000 e	9/09 1000 e	Change %	12/09 1000 e
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	3 000	3 030	-1,0	3 000
Tangible assets	3 544	3 148	12,6	3 066
Available for sale investments	44	44	0,0	44
Other non-current receivables	16 505	16 113	2,4	16 217
TOTAL NON-CURRENT ASSETS	23 093	22 335	3,4	22 327
CURRENT ASSETS				
Inventories	2 264	1 771	27,8	1 963
Short-term receivables	4 182	3 491	19,8	4 058
Cash and bank deposits	3 918	3 034	29,1	3 038
TOTAL CURRENT ASSETS	10 364	8 296	24,9	9 059
TOTAL ASSETS	33 457	30 631	9,2	31 386
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	20 082	20 082	0,0	20 082
Share premium	27 918	27 918	0,0	27 918
Treasury shares	-758	-758	0,0	-758
Special reserve	45 989	45 989	0,0	45 989
Reserve for invested non-restricted equity	23 885	23 885	0,0	23 885
Retained earnings	-113 721	-114 690	-0,8	-114 678
Equity attributable to shareholders	3 394	2 425	40,0	2 438
Non-controlling interests	1 001	638	56,8	706
TOTAL EQUITY	4 395	3 064	43,5	3 143
Long-term financing loans	21 734	21 755	-0,1	21 878
Provisions	264	256	2,8	319
Short-term financing loans	172	294	-41,4	242
Trade and other payables	6 892	5 262	31,0	5 804
TOTAL LIABILITIES	29 062	27 567	5,4	28 243
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	33 457	30 631	9,2	31 386

CONSOLIDATED CHANGES IN EQUITY, JANUARY-SEPTEMBER
1000 e

	Equity attributable to the shareholders of the parent company								
	Share capita	Share premi	Other reser	Own share	Trans latio	Retain ed	Total	Non-cont	Total equit

	l	um	ve	s	n diffe rence s	earnin gs		roll ing inte rest s	y
Balance at 1.1.10	20 082	27 918	69 874	-758	-9	-114 669	2 438	706	3 143
Comprehensive income for the period						944	944	295	1 239
Translation differences					13		13		13
Balance at 30.09.10	20 082	27 918	69 874	-758	4	-113 725	3 394	1 001	4 395

	Equity attributable to the shareholders of the parent company								
	Share capital	Share premium	Other reserve	Own shares	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1.1.09	20 082	27 918	69 874	-758	-19	-112 154	4 943	694	5 637
Comprehensive income for the period						-2 528	-2 528	-56	-2 583
Translation differences					10		10		10
Balance at 30.09.09	20 082	27 918	69 874	-758	-9	-114 682	2 425	638	3 064

CONSOLIDATED CASH FLOW STATEMENT, JANUARY-SEPTEMBER

1000 e	1-9/10	1-9/09	1-12/09
Profit for the period	1 239	-2 583	-2 503
Adjustments	1 802	1 314	1 999
Change in working capital	10	1 868	1 404
Received interest income and dividends	24	17	17
Paid interest expenses	-4	-34	-37
Paid taxes	1	-2	-3
Operational cash flow	3 072	580	877
Investments	-1 501	-618	-819
Proceeds from sale of property, plant and equipment	9	97	99

Cash flow from investments	-1 492	-522	-720
Decrease in financing	-699	-1 280	-1 375
Increase in financing	0	0	0
Cash flow from financing	-699	-1 280	-1 375
Change in cash and cash equivalents	880	-1 221	-1 217
Cash and cash equivalents at the beginning of period	3 038	4 255	4 255
Currency exchange differences	0	0	0
Cash and cash equivalents at the end of period	3 918	3 034	3 038

KEY FINANCIAL INDICATORS	9/10	9/09
Equity per share, EUR	0,07	0,05
Equity ratio, %	13,1	10,0
Gearing, %	409,3	620,7
Earnings per share (EPS)		
Basic and diluted EPS, EUR	0,02	-0,05

CONTINGENT LIABILITIES

1000 e	9/10	9/09	12/09
Mortgages given for security for liabilities	15 400	15 400	15 400
Operating lease liabilities	666	666	666
Other liabilities	100	100	100
Total	16 166	16 166	16 166

FORMULAS FOR CALCULATION OF KEY FIGURES

$$\text{Equity/share, EUR} = \frac{\text{Equity attributable to shareholders}}{\text{Number of shares at the end of period}}$$

$$\text{Equity ratio, \%} = \frac{\text{Total equity}}{\text{Balance sheet total - advances received}} \times 100$$

$$\text{Gearing, \%} = \frac{\text{Net interest-bearing liabilities}}{\text{Total equity}} \times 100$$

Earnings per share
(EPS), EUR = Profit attributable to equity shareholders

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Adjusted weighted average number of shares outstanding

All figures are unaudited.

Espoo, October 29, 2010

Aspocomp Group Plc.
Board of Directors

For further information, please contact Sami Holopainen, CEO, tel. +358 400 487 180.

www.aspocomp.com

Some statements in this stock exchange release are forecasts and actual results may differ materially from those stated. Statements in this stock exchange release relating to matters that are not historical facts are forecasts. All forecasts involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performances or achievements of the Aspocomp Group to be materially different from any future results, performances or achievements expressed or implied by such forecasts. Such factors include general economic and business conditions, fluctuations in currency exchange rates, increases and changes in PCB industry capacity and competition, and the ability of the company to implement its investment program.