ASPOCOMP

ASPOCOMP'S INTERIM REPORT JANUARY 1 - SEPTEMBER 30, 2017

Key figures 7-9/2017 in brief

	7-9/2017	7-9/2016	Change *
Net sales	5.5 M€	5.6 M€	-0.1 M€
EBITDA	0.4 M€	0.4 M€	0.0 M€
Operating result	0.2 M€	0.2 M€	0.0 M€
% of net sales	2.9 %	2.7 %	0.1 ppts
Earnings per share	0.02 €	0.02 €	0.00 €

Key figures 1-9/2017 in brief

	1-9/2017	1-9/2016	Change *
Net sales	16.8 M€	15.0 M€	1.7 M€
EBITDA	1.2 M€	0.6 M€	0.6 M€
Operating result	0.4 M€	-0.1 M€	0.5 M€
% of net sales	2.5 %	-0.8 %	3.3 ppts
Earnings per share	0.06 €	-0.03 €	0.09 €
Operative cash flow	1.1 M€	-0.3 M€	1.4 M€
Equity ratio	70.6 %	64.0 %	6.6 ppts
Order book at the end of period	2.3 M€	1.8 M€	0.5 M€

* The total may deviate from the sum totals due to rounding up and down.

OUTLOOK FOR THE FUTURE

The company's full-year guidance remains unchanged. In 2017, net sales are expected to grow approximately 10 percent and the operating margin to be better than in 2016. In 2016, net sales amounted to EUR 21.6 million and the operating result was 3 percent of net sales.

CEO'S REVIEW

"Third-quarter net sales amounted to EUR 5.5 million (EUR 5.6 million 7-9/2016), representing a slight year-on-year decrease of approximately 1 percent. Volume production continued to see strong growth of about 20 percent. Demand for own production at the Oulu plant was weaker than in the previous year due to the timing of product development projects during the summer season.

Net sales for January-September increased by 12 percent and were EUR 1.7 million higher than a year earlier. Volume production contributes significantly to growth. It increased by over 30 percent compared to the reference period.

The order book at the end of the review period was EUR 2.3 million (EUR 1.8 million 9/2016), representing a year-on-year increase of EUR 0.5 million.

The customer base continued to develop favorably and we expect that this development is closely in line with the cornerstones of the company's strategy. The share accounted for by the automotive industry continued to grow in terms of both net sales and the number of customers. In the case of new generation development projects in telecommunication networks, demand is expected to pick up during the fourth quarter or by the beginning of 2018 at the latest. In security and defense products, we see growing demand. In our new product segment, testing of semiconductor components, the customer base is on the rise, and some deliveries have already begun.

Third-quarter operating result amounted to EUR 0.2 million (EUR 0.2 million 7-9/2016) and was at the same level as a year earlier. The operating result for January-September increased by EUR 0.5 million compared to the previous year.

Cash flow amounted to EUR 1.1 million (EUR -0.3 M€), representing a year-on-year increase of EUR 1.4 million."

NET SALES AND EARNINGS

July-September 2017

Third-quarter net sales amounted to EUR 5.5 million (EUR 5.6 million 7-9/2016), a year-on-year decrease of 1 percent. Volume production continued to see strong growth of about 20 percent in the third quarter. Due to the timing of R&D projects during the summer months, demand for own production at the Oulu plant was lower than in the previous year.

Sales to automotive industry customers continued to grow and we also gained new customers in the third quarter. The customer base for the latest product segment, testing of semiconductor components, is growing, and some deliveries have already begun.

The five largest customers accounted for 55 percent of net sales (57% 7-9/2016). In geographical terms, 96 percent of net sales were generated in Europe (94%), 2 percent in Asia (4%) and 2 percent in North America (2%).

The operating result for the third quarter amounted to EUR 0.2 million (EUR 0.2 million 7-9/2016).

Net financial expenses for the third quarter amounted to EUR 0.0 million (EUR 0.0 million 7-9/2016). Earnings per share were EUR 0.02 (EUR 0.02).

The order book at the end of the review period was EUR 2.3 million (EUR 1.8 million 9/2016), representing a year-on-year increase of EUR 0.5 million.

January-September 2017

Net sales amounted to EUR 16.8 million (EUR 15.0 million 1-9/2016), a year-on-year increase of 12 percent.

Volume production increased by over 30 percent compared to the reference period.

The five largest customers accounted for 52 percent of net sales (52% 1-9/2016). In geographical terms, 97 percent of net sales were generated in Europe (92%), 1 percent in Asia (5%) and 2 percent in North America (3%).

Operating result amounted to EUR 0.4 million (EUR -0.1 million 1-9/2016), representing a year-on-year increase of EUR 0.5 million. The improvement in operating result was due to the growth in net sales.

Net financial expenses amounted to EUR 0.0 million (EUR 0.1 million). Earnings per share were EUR 0.06 (EUR -0.03).

Investments and R&D

Investments during the review period amounted to EUR 0.7 million (EUR 0.2 million 1-9/2016). The investments were mainly focused on improving the capabilities of the Oulu plant.

R&D costs comprise general production development costs. These costs do not fulfill the IAS 38 definition of either development or research and are therefore booked into plant overheads.

Cash flow and financing

Cash flow amounted to EUR 1.1 million (EUR -0.3 million 1-9/2016), representing a year-on-year increase of EUR 1.4 million. Despite net sales growth, net working capital remained at the same level as last year. Cash flow developed positively due to improved operating profit.

Cash flow after investments was EUR 0.5 million (EUR -0.5 million).

Cash assets amounted to EUR 0.4 million at the end of the period (EUR 0.4 million 9/2016). Interest-bearing liabilities amounted to EUR 1.0 million (EUR 1.9 million 9/2016). Gearing was 4.6 percent (16.0%). Non-interest-bearing liabilities totaled EUR 3.7 million (EUR 3.3 million). At the end of the period, the Group's equity ratio amounted to 70.6 percent (64.1%).

The company also has a EUR 0.5 million credit facility, which was not in use at the end of the review period. In addition, the company has a recourse factoring agreement, of which EUR 0.0 million was in use (EUR 1.0 million).

Personnel

During the review period, the company had an average of 110 employees (105 in 1-9/2016). The personnel count on September 30, 2017 was 114 (109 in 9/2016). Of them, 71 (68) were non-salaried and 43 (41) salaried employees.

Annual General Meeting 2017

The decisions of the Annual General Meeting, the authorizations given to the Board of Directors by the AGM and the decisions relating to the organization of the Board of Directors have been published in separate stock exchange releases on March 23, 2017.

Shares

The total number of Aspocomp's shares at September 30, 2017 was 6,666,505 and the share capital stood at EUR 1,000,000. The company did not hold any treasury shares.

Aspocomp Group Plc's CEO subscribed a total of 170,000 new Aspocomp shares under the company's 1/2014 stock option terms on August 23, 2017, a total of 40,000 shares with the 2014A option rights and a total of 130,000 shares with the 2014B option rights.

The new shares have been registered in the Trade Register on September 19, 2017. After the registration of the new shares, the total number of Aspocomp Group Plc's shares has increased to 6,666,505.

A total of 3,615,886 Aspocomp Group Plc. shares were traded on Nasdaq Helsinki during the period from January 1 to September 30, 2017. The aggregate value of the shares exchanged was EUR 8,721,513. The shares traded at a low of EUR 1.59 and a high of EUR 3.19. The average share price was EUR 2.41. The closing price at September 29, 2017 was EUR 2.46, which translates into market capitalization of EUR 16.4 million.

Nominee-registered shares accounted for 4.4 percent of the total shares.

Aspocomp's business operations

Aspocomp specializes in demanding PCB technologies, serving its customers throughout the entire life cycle of a product. Aspocomp sells and manufactures PCBs and also provides related design and logistics services as well as technology solutions. Aspocomp creates value for its customers with unique products and solutions, strong manufacturing and technology expertise, as well as fast and reliable deliveries.

Aspocomp has expanded its operations to serve numerous industries and market areas. Aspocomp's customers are companies that design and manufacture telecom systems and equipment, automotive and industrial electronics, security technology and semiconductor testing systems.

Aspocomp offers a wide range of PCB design and manufacturing services, together with selected partners. A wide network of expert partners together with Aspocomp's own manufacturing enables its customers to cost-effectively buy their PCBs from a single provider over the entire life cycle of a product. These services include the selection of the most suitable high-volume manufacturer, provision of the technical specifications of the product, quality assurance and logistics services.

Aspocomp's manufacturing unit in Oulu focuses on prototype and quick-turn deliveries and the commercialization of new PCB technologies in cooperation with customers' product design departments. The Oulu plant manufactures HDI (*High Density Interconnection*), multilayer and special material PCBs. It is capable of very fast deliveries, even in the case of structurally complex PCBs and therefore is able to help its customers in their very diverse and demanding needs.

Outlook for the future

A major share of Aspocomp's net sales is generated by quick-turn deliveries and R&D series, and thus the company's order book is short. The company's aim is to systematically expand its services to cover the PCB needs of customers over the entire life cycle and thereby balance out variations in demand and the order book.

Demand for telecommunication network development projects is expected to pick up in the fourth quarter of the year or by the beginning of next year at the latest. As regards security and defense products, demand is expected to continue to grow.

The company's full-year guidance remains unchanged. In 2017, net sales are expected to grow approximately 10 percent and the operating margin to be better than in 2016. In 2016, net sales amounted to EUR 21.6 million and the operating result was 3 percent of net sales.

ASSESSMENT OF SHORT-TERM BUSINESS RISKS

Dependence on key customers

Aspocomp's customer base is concentrated; the majority of sales are generated by a small number of key customers. Aspocomp does not as yet have enough medium-sized customers and still remains too dependent on its key customers. This exposes the company to significant fluctuations in demand.

Market trends

Although Aspocomp is a marginal player in the global electronics market, changes in global PCB demand also have an impact on the company's business. Competition for quick-turn deliveries and short production series will accelerate as the market for PCBs weakens, and continues to have a negative impact on both total demand and market prices.

Aspocomp's main market area comprises Northern and Central Europe. In case Aspocomp's clients would transfer their R&D and manufacturing out of Europe, demand for Aspocomp's offerings might weaken significantly.

Liquidity

Although the Group's liquidity has improved markedly due to the improvement in operating profit, the company still remains dependent on the net sales generated by its key customers. Liquidity risk is managed, if necessary, with a recourse factoring agreement and credit facility.

PUBLICATION OF FINANCIAL RELEASES

Aspocomp Group Plc.'s financial information publication schedule for 2018 is:

- Financial Statements for 2017: Thursday, February 15, 2018
- Interim report for January-March 2018: Friday, April 27, 2018
- Half-year report for January-June 2018: Thursday, August 9, 2018
- Interim report January-September 2018: Thursday, October 25, 2018

The interim reports and half-year report will be published at around 9:00 a.m. (EET) on the given dates.

Aspocomp's silent period commences 30 days prior to the publication of its financial information.

EVENTS AFTER THE FINANCIAL PERIOD

No significant reportable events after the financial period.

ACCOUNTING POLICIES

The reported operations include the Group's parent company, Aspocomp Group Plc. 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, 2016 have been applied in the preparation of this report. However, the company complies with new or modified standards that came into effect as of January 1, 2017. The company has determined that these amendments do not have an impact on the consolidated financial statements.

IFRS 15 Revenue from contracts with customers

Update to information provided in the year-end 2016 annual financial statements on the impact of the key concepts of IFRS 15.

IFRS 15 *Revenue from contracts with customers* establishes a model for revenue recognition from contracts with customers. According to IFRS 15, an entity recognizes revenue when the performance obligation has been fulfilled, that is, when the customer obtains control of the good or service in question. Sales agreement assessments indicated that the Group has sales agreements for both own production and trading sales that have been labeled as consignment stock agreements. Under the current practice, revenue is recognized when the customer takes the product from the warehouse. Going forward, revenue will be recognized earlier, when the product arrives in the warehouse. In the case of other customer agreements, the revenue recognition method will remain unchanged.

The Group will continue to analyze and prepare estimates of the impacts of this change during the last quarter of 2017. The Group will present more information on the impact of the new standard in its 2017 financial statements release.

PROFIT AND LOSS STATEMENT

July-September

1 000 €	7-9/2017		7-9/2016		Change
Net sales	**5,509**	***100%***	**5,564**	***100%***	***-1%***
Other operating income	1	*0%*	1	*0%*	*-14%*
Materials and services	-2,610	*-47%*	-2,617	*-47%*	*0%*
Personnel expenses	-1,486	*-27%*	-1,393	*-25%*	*7%*
Other operating costs	-998	*-18%*	-1,148	*-21%*	*-13%*
Depreciation and amortization	-258	*-5%*	-255	*-5%*	*1%*
Operating result	**159**	***3%***	**153**	***3%***	***4%***
Financial income and expenses	-16	*0%*	-19	*0%*	*-16%*
Profit/loss before tax	**142**	***3%***	**132**	***2%***	***8%***
Income taxes	0	*0%*	0	*0%*	
Profit/loss for the period	**142**	***3%***	**132**	***2%***	***8%***
Other comprehensive income					
Items that will not be reclassified to profit or loss	0	*0%*	0	*0%*	
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences	-3	*0%*	1	*0%*	
Total other comprehensive income	-3	*0%*	1	*0%*	
Total comprehensive income	**139**	***3%***	**132**	***2%***	***5%***
Earnings per share (EPS)					
Basic EPS	0.02 €		0.02 €		*0%*
Diluted EPS	0.02 €		0.02 €		*0%*

January-September

1 000 €	1-9/2017		1-9/2016		Change	1-12/2016	
Net sales	**16,769**	***100%***	**15,032**	***100%***	***12%***	**21,623**	***100%***
Other operating income	22	*0%*	21	*0%*	*5%*	38	*0%*
Materials and services	-7,653	*-46%*	-6,620	*-44%*	*16%*	-9,159	*-42%*
Personnel expenses	-4,665	*-28%*	-4,565	*-30%*	*2%*	-6,216	*-29%*
Other operating costs	-3,253	*-19%*	-3,228	*-21%*	*1%*	-4,530	*-21%*
Depreciation and amortization	-808	*-5%*	-766	*-5%*	*5%*	-1,066	*-5%*
Operating result	**412**	***2%***	**-125**	***-1%***	***429%***	**690**	***3%***
Financial income and expenses	-41	*0%*	-66	*0%*	*-38%*	-68	*0%*
Profit/loss before tax	**371**	***2%***	**-192**	***-1%***	*294%*	**622**	***3%***
Income taxes	-4	*0%*	-1	*0%*		412	*2%*
Profit/loss for the period	**367**	***2%***	**-192**	***-1%***	***291%***	**1,034**	***5%***
Other comprehensive income							
Items that will not be reclassified to profit or loss	0	*0%*	0	*0%*		0	*0%*
Items that may be reclassified subsequently to profit or loss:							
Currency translation differences	2	*0%*	3	*0%*	-	2	*0%*
Total other comprehensive income	2	*0%*	3	*0%*	-	2	*0%*
Total comprehensive income	**369**	***2%***	**-189**	***-1%***	***295%***	**1,036**	***5%***
Earnings per share (EPS)							
Basic EPS	0.06 €		-0.03 €		*300%*	0.16 €	
Diluted EPS	0.06 €		-0.03 €		*300%*	0.16 €	

CONSOLIDATED BALANCE SHEET

1 000 €	9/2017	9/2016	Change	12/2016
Assets				
Non-current assets				
Intangible assets	3,247	3,118	*4%*	3,216
Tangible assets	2,204	1,992	*11%*	2,499
Available for sale investments	15	15	*0%*	15
Deferred income tax assets	3,017	2,595	*16%*	3,017
Total non-current assets	**8,484**	**7,720**	***10%***	**8,747**
Current assets				
Inventories	2,991	2,445	*22%*	2,622
Short-term receivables	3,988	3,969	*0%*	4,117
Cash and bank deposits	445	384	*16%*	258
Total current assets	**7,424**	**6,798**	***9%***	**6,998**
Total assets	**15,908**	**14,517**	***10%***	**15,744**
Equity and liabilities				
Share capital	1,000	1,000	*0%*	1,000
Reserve for invested non-restricted equity	4,472	4,154	*8%*	4,255
Retained earnings	5,754	4,159	*38%*	5,384
Total equity	**11,226**	**9,313**	***21%***	**10,639**
Long-term financing loans	727	353	*106%*	819
Other non-current liabilities	357	402	*-11%*	357
Deferred income tax liabilities	19	12	*65%*	19
Short-term financing loans	234	1,525	*-85%*	693
Trade and other payables	3,346	2,913	*15%*	3,217
Total liabilities	**4,682**	**5,205**	***-10%***	**5,105**
Total equity and liabilities	**15,908**	**14,517**	***10%***	**15,744**

CONSOLIDATED CHANGES IN EQUITY

January-September 2017

1000 €	Share capital	Other reserve	Translation differences	Retained earnings	Total equity
Balance at Jan. 1, 2017	**1,000**	**4,255**	**-1**	**5,386**	**10,639**
Comprehensive income					
Comprehensive income for the period				367	**367**
Other comprehensive income for the period, net of tax					
Translation differences			2		**2**
Total comprehensive income for the period	**0**	**0**	**2**	**367**	**369**
Business transactions with owners					
Share-based payment		217		0	**217**
Business transactions with owners, total	**0**	**217**	**0**	**0**	**217**
Balance at September 30, 2017	**1,000**	**4,472**	**1**	**5,753**	**11,226**

January-September 2016

1000 €	Share capital	Other reserve	Translation differences	Retained earnings	Total equity
Balance at Jan. 1, 2016	**1,000**	**4,117**	**-3**	**4,351**	**9,465**
Comprehensive income					
Comprehensive income for the period				-192	**-192**
Other comprehensive income for the period, net of tax					
Translation differences			3		**3**
Total comprehensive income for the period	**0**	**0**	**3**	**-192**	**-189**
Business transactions with owners					
Share-based payment		37		0	**37**
Business transactions with owners, total	**0**	**37**	**0**	**0**	**37**
Balance at September 30, 2016	**1,000**	**4,154**	**0**	**4,159**	**9,313**

Consolidated Cash Flow Statement

1 000 €	1-9/2017	1-9/2016	1-12/2016
Profit for the period	**367**	**-192**	**1,034**
Adjustments	843	898	795
Change in working capital	-21	-915	-1,658
Received interest income	2	23	0
Paid interest expenses	-45	-89	-78
Paid taxes	-4	-1	-2
Cash flow from operating activities	**1,141**	**-276**	**91**
Investments	-653	-207	-397
Proceeds from sale of property, plant and equipment	35	3	20
Cash flow from investing activities	**-618**	**-204**	**-377**
Increase in financing	0	925	1,046
Decrease in financing	-537	-330	-860
Stock options exercised	201	0	89
Cash flow from financing activities	**-336**	**595**	**276**
Change in cash and cash equivalents	187	115	-10
Cash and cash equivalents at the beginning of period	258	268	268
Cash and cash equivalents at the end of period	**445**	**384**	**258**

Key Financial Indicators

	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016
Net sales, M€	5.5	5.6	5.7	6.6	5.6
Operating result before depreciation (EBITDA), M€	0.4	0.3	0.5	1.1	0.4
Operating result (EBIT), M€	0.2	0.1	0.2	0.8	0.2
of net sales, %	*3%*	*1%*	*3%*	*12%*	*3%*
Profit/loss before taxes, M€	0.1	0.0	0.2	0.8	0.1
of net sales, %	*3%*	*1%*	*3%*	*12%*	*2%*
Net profit/loss for the period, M€	0.1	0.0	0.2	1.2	0.1
of net sales, %	*3%*	*1%*	*3%*	*19%*	*2%*
Equity ratio, %	*71%*	70%	70%	68%	64%
Gearing, %	5%	4%	6%	12%	16%
Gross investments in fixed assets, M€	0.3	0.2	0.1	0.2	0.1
of net sales, %	6%	3%	3%	3%	2%
Personnel, end of the quarter	114	113	106	108	109
Earnings/share (EPS), €	0.02	0.01	0.03	0.19	0.02
Equity/share, €	1.68	1.67	1.67	1.64	1.45

Formulas and definitions

Equity/share, €	=	Equity attributable to shareholders / Number of shares at the end of period	
Equity ratio, %	=	Equity / Total assets - advances received	x 100
Gearing, %	=	Net interest bearing liabilities / Total equity	x 100
Earnings/share (EPS), €	=	Profit attributable to equity shareholders / Adjusted weighted average number of shares outstanding	
EBITDA	=	Earnings before interests, taxes, depreciations and amortisations	

Contingent Liabilities

1 000 €	9/2017	9/2016	12/2016
Business mortgage	2,000	4,000	4,000
Operating lease liabilities	472	551	466
Other liabilities	21	1,528	21
Total	**2,493**	**6,079**	**4,487**

All figures are unaudited.

Espoo, October 26, 2017

Board of Directors of Aspocomp Group Plc.

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ASPOCOMP – A SERVICE COMPANY SPECIALIZING IN PCB TECHNOLOGIES

Aspocomp specializes in demanding PCB technologies, serving its customers throughout the entire life cycle of a product. Aspocomp sells and manufactures PCBs and also provides related design and logistics services as well as technology solutions. Aspocomp creates value for its customers with unique products and solutions, strong manufacturing and technology expertise, as well as fast and reliable deliveries. A wide network of expert partners together with Aspocomp's own manufacturing enables its customers to cost-effectively buy their PCBs from a single provider over the entire life cycle of a product.

A printed circuit board (PCB) is the principal interconnection method in electronic devices. PCBs are used for electrical interconnection and as a component assembly platform in most electronic applications. Aspocomp's customers are companies that design and manufacture telecom systems and equipment, automotive and industrial electronics, security technology and semiconductor testing systems.

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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.