ASPOCOMP

ASPOCOMP'S HALF-YEAR FINANCIAL REPORT 2018

Key figures 4-6/2018 in brief

	4-6/2018	4-6/2017	Change *
Net sales	7.7 M€	5.7 M€	2.0 M€
EBITDA	1.1 M€	0.4 M€	0.7 M€
Operating result	0.8 M€	0.1 M€	0.7 M€
% of net sales	10.2 %	1.6 %	8.5 ppts
Earnings per share	0.12 €	0.01 €	0.11 €

Key figures 1-6/2018 in brief

	1-6/2018	1-6/2017	Change *
Net sales	13.8 M€	11.6 M€	2.2 M€
EBITDA	1.6 M€	0.9 M€	0.7 M€
Operating result	1.1 M€	0.3 M€	0.7 M€
% of net sales	7.7 %	3.0 %	*4.7* ppts
Earnings per share	0.15 €	0.05 €	0.10 €
Operative cash flow	0.7 M€	1.1 M€	-0.4 M€
Equity ratio	57.6 %	69.8 %	-12.2 ppts
Order book at the end of period	3.1 M€	2.4 M€	0.6 M€

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

OUTLOOK FOR THE FUTURE

In 2018, net sales are expected to grow over 10 percent and the operating result to double compared with 2017 (Company Announcement, July 30, 2018). In 2017, net sales amounted to EUR 23.9 million and the operating result to EUR 0.8 million.

CEO'S REVIEW

"Sales growth picked up in the second quarter. Net sales amounted to EUR 7.7 million, a year-on-year increase of 35 percent. Net sales in the first half of the year increased by 19 percent compared to last year's reference period, amounting to EUR 13.8 million.

Sales grew in almost all customer segments, with the exception of the security and defense segments. The largest growth in the first half of the year was generated by the automotive industry, but the second-quarter pick-up was boosted particularly by the increased demand for next-generation 5G telecommunications networks. The industrial electronics and semiconductor testing segments continued to enjoy good steady growth. The order book strengthened clearly and amounted to EUR 3.1 million.

The operating result for April-June grew to EUR 0.8 million. The operating profit margin rose to over 10 percent. The positive development of the operating result was mainly due to growth in net sales and the focus on more demanding PCBs in the product mix. Cumulatively, the operating result for the first half of the year amounted to EUR 1.1 million, representing nearly 8 percent of net sales. Cash flow from operations amounted to EUR 0.7 million, and it weakened by EUR 0.4 million compared to last year's reference period because growth in net sales tied more working capital.

The investment program announced in December 2017 is proceeding on schedule and the first equipment is already in production use. The program aims to improve the Oulu plant's technological capabilities and capacity in order to bolster the company's position as a partner to the world's leading technology companies."

NET SALES AND EARNINGS

April-June 2018

Second-quarter net sales amounted to EUR 7.7 million (EUR 5.7 million), a year-on-year increase of 35 percent. Sales developed in the second quarter in almost all customer segments and the pick-up was boosted by the increased demand for next-generation 5G telecommunications networks in particular.

The five largest customers accounted for 56 percent of net sales (51%). In geographical terms, 96 percent of net sales were generated in Europe (96%), 2 percent in Asia (1%) and 2 percent in North America (3%).

The operating result for the second quarter amounted to EUR 0.8 million (EUR 0.1 million). The positive development of the operating result was mainly due to growth in net sales and the focus on more demanding PCBs. Second-quarter operating result was 10.2 percent of net sales.

Net financial expenses amounted to EUR 0.0 million (EUR 0.0 million). Earnings per share were EUR 0.12 (EUR 0.01).

The order book at the end of the review period was EUR 3.1 million (EUR 2.4 million), representing a year-on-year increase of about EUR 0.6 million.

First half of 2018

First-half net sales amounted to EUR 13.8 million (EUR 11.6 million), a year-on-year increase of 19.3 percent. The largest growth in net sales in the first half of the year was generated by the automotive industry and in the second-quarter the pick-up was boosted by the increased demand for next-generation 5G telecommunications networks.

The five largest customers accounted for 51 percent of net sales (51%). In geographical terms, 96 percent of net sales were generated in Europe (97%), 2 percent in Asia (1%) and 2 percent in North America (2%).

First-half operating result amounted to EUR 1.1 million (EUR 0.3 million). The positive development of the operating result was mainly due to growth in net sales and the focus on more demanding PCBs in the product mix.

Net financial expenses amounted to EUR 0.0 million (EUR 0.0 million). Earnings per share were EUR 0.15 (EUR 0.05).

Investments and R&D

Investments during the review period amounted to EUR 2.0 million (EUR 0.2 million). The investments were mainly focused on the acquisition of the production facility and 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 from operations amounted to EUR 0.7 million (EUR 1.1 million). Cash flow from operations decreased by EUR 0.4 million from the comparative period as the increase in net sales tied up more working capital.

Due to investments of EUR 2.0 million, cash flow was EUR -1.2 million (EUR 0.8 million).

Cash assets amounted to EUR 1.6 million at the end of the period (EUR 0.5 million). Interest-bearing liabilities amounted to EUR 4.4 million (EUR 0.9 million) after the company raised a new loan to finance the investments of the Oulu plant. Gearing was 22 percent (4.2%). Non-interest-bearing liabilities amounted to EUR 4.9 million (EUR 3.8 million). At the end of the period, the Group’s equity ratio amounted to 57.6 percent (69.6%).

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

Personnel

During the review period, the company had an average of 115 employees (109). The personnel count on June 30, 2018 was 116 (113). Of them, 72 (70) were blue-collar and 44 (43) white-collar employees.

Annual General Meeting 2018

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 16, 2018.

Shares

The total number of Aspocomp’s shares at June 30, 2018 was 6,666,505 and the share capital stood at EUR 1,000,000. The company did not hold any treasury shares. Each share is of the same share series and entitles its holder to one vote at a General Meeting and to have an identical dividend right.

A total of 363,686 Aspocomp Group Plc. shares were traded on Nasdaq Helsinki during the period from January 1 to June 29, 2018. The aggregate value of the shares exchanged was EUR 911,964. The shares traded at a low of EUR 2.30 and a high of EUR 2.74. The average share price was EUR 2.51. The closing price at June 29, 2018 was EUR 2.42, which translates into market capitalization of EUR 16.1 million.

The company had 2,923 shareholders at the end of the review period. Nominee-registered shares accounted for 4.2 percent of the total shares.

OUTLOOK FOR THE FUTURE

In 2018, net sales are expected to grow over 10 percent and the operating result to double compared with 2017 (Company Announcement, July 30, 2018). In 2017, net sales amounted to EUR 23.9 million and the operating result to EUR 0.8 million.

The cornerstones of Aspocomp's growth include, for instance, next-generation 5G telecommunications and government networks, the e-revolution in the automotive industry, the development of testing requirements for semiconductor components as well as the spread of artificial intelligence and mechanical applications in the industry.

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.

ASSESSMENT OF SHORT-TERM BUSINESS RISKS

Dependence on key customers

Aspocomp's customer base is concentrated; around half of sales are generated by a small number of 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 accelerated as the market for PCBs weakened, 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:

- Interim report January-September: Thursday, October 25, 2018

The interim report will be published at around 9:00 a.m. (EET) on the given date.

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

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, 2017 have been applied in the preparation of this report.

However, the company complies with new or amended standards that came into effect as of January 1, 2018.

Aspocomp Group Plc adjusted its 2018 opening statement of financial position due to the adoption of the following new and amended IFRS standards: Amendments to IFRS 9 Financial Instruments and the new IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments introduced new requirements for the classification and measurement of financial assets. In summary, it includes revised guidance on the classification, recognition and measurement of financial assets, new general hedge accounting requirements and a new expected credit loss model for calculating impairment on financial assets. Furthermore, IFRS 9 requires disclosures.

Aspocomp does not have significant amounts of financial instruments except customer receivables and interest rate derivatives. Aspocomp does not apply hedge accounting as defined by IFRS.

Aspocomp applies the simplified approach to recognize lifetime expected credit losses for its trade receivables and amounts due from customers under long-term projects as required or permitted by IFRS 9. In general, the application of the expected credit loss model of IFRS 9 resulted in earlier recognition of credit losses for the respective items regarding overdue receivables for which the Group has not previously recognized generic credit loss provisions. Following this, the Group has made an adjustment of EUR -0.05 million in retained earnings and trade receivables as at January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers (effective for financial periods beginning on or after January 1, 2018 in the EU). IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers with an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e., when control of the good or service underlying the particular performance obligation is transferred to the customer. These principles are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue

The Group does not engage in project sales or recognize revenue on the basis of percentage of completion. The bulk of the Group’s sales comprise ordinary orders and deliveries of products, and such revenue is recognized in accordance with the criteria of the delivery terms as currently in force. On the other hand, the Group has agreed on consignment warehousing with certain customers, which may mean that the recognition of revenue from such performance obligations may result in the earlier timing of earnings, with revenue being recognized when the product arrives in the warehouse.

Furthermore, IFRS 15 requires extensive disclosures.

Aspocomp has adopted IFRS 15 Revenue from Contracts with Customers as of January 1, 2018.

Aspocomp Group Plc's financial reporting and transition. The effect is based on earlier revenue recognition. The adoption of the standard had an impact of EUR 0.1 million on shareholders' equity in the Group's opening balance sheet of January 1, 2018, and EUR 1.0 million on net sales for January-December 2017. In addition, in the statement of financial position, trade receivables of EUR 1.0 million and inventories of EUR -0.8 million were adjusted following the IFRS 15 adoption.

PROFIT AND LOSS STATEMENT

April-June

1 000 €	4-6/2018		4-6/2017		Change
Net sales	**7,706**	***100%***	**5,721**	***100%***	***35%***
Other operating income	12	*0%*	2	*0%*	*456%*
Materials and services	-3,610	*-47%*	-2,639	*-46%*	*37%*
Personnel expenses	-2,034	*-26%*	-1,643	*-29%*	*24%*
Other operating costs	-1,012	*-13%*	-1,077	*-19%*	*-6%*
Depreciation and amortization	-277	*-4%*	-271	*-5%*	*3%*
Operating result	**783**	***10%***	**94**	***2%***	***734%***
Financial income and expenses	-16	*0%*	-13	*0%*	
Profit/loss before tax	**768**	***10%***	**81**	***1%***	***845%***
Income taxes	-1	*0%*	-2	*0%*	
Profit/loss for the period	**767**	***10%***	**79**	***1%***	***866%***
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:					
Remeasurements of employee benefits	0	*0%*	0	*0%*	
Currency translation differences	0	*0%*	5	*0%*	
Total other comprehensive income	0	*0%*	5	*0%*	
Total comprehensive income	**767**	***10%***	**84**	***1%***	***813%***
Earnings per share (EPS)					
Basic EPS	0.12 €		0.01 €		*1100%*
Diluted EPS	0.12 €		0.01 €		*1100%*

January-June

1 000 €	1-6/2018		1-6/2017		Change	1-12/2017	
Net sales	**13,842**	***100%***	**11,606**	***100%***	***19%***	**23,924**	***100%***
Other operating income	18	*0%*	21	*0%*	*-14%*	24	0%
Materials and services	-6,374	*-46%*	-5,289	*-46%*	*21%*	-11,350	-47%
Personnel expenses	-3,804	*-27%*	-3,179	*-27%*	*20%*	-6,294	-26%
Other operating costs	-2,068	*-15%*	-2,267	*-20%*	*-9%*	-4,385	-18%
Depreciation and amortization	-543	*-4%*	-549	*-5%*	*-1%*	-1,074	*-4%*
Operating result	**1,069**	***8%***	**343**	***3%***	***212%***	**845**	***4%***
Financial income and expenses	-47	*0%*	-25	*0%*	*90%*	-53	*0%*
Profit/loss before tax	**1,023**	***7%***	**319**	***3%***	*221%*	**792**	***3%***
Income taxes	-1	*0%*	-3	*0%*		477	*2%*
Profit/loss for the period	**1,021**	***7%***	**315**	***3%***	***224%***	**1,269**	***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:							
Remeasurements of employee benefits	0	*0%*	0	*0%*		-41	*0%*
Currency translation differences	-1	*0%*	5	*0%*	-	5	*0%*
Total other comprehensive income	-1	*0%*	5	*0%*	-	-36	*0%*
Total comprehensive income	**1,021**	***7%***	**320**	***3%***	***219%***	**1,233**	***5%***
Earnings per share (EPS)							
Basic EPS	0.15 €		0.05 €		*200%*	0.19 €	
Diluted EPS	0.15 €		0.05 €		*200%*	0.19 €	

Consolidated Balance Sheet

1 000 €	6/2018	6/2017	Change	12/2017
Assets				
Non-current assets				
Intangible assets	3,286	3,253	*1%*	3,268
Tangible assets	3,951	2,179	*81%*	2,572
Available for sale investments	15	15	*0%*	15
Deferred income tax assets	3,501	3,017	*16%*	3,501
Total non-current assets	**10,753**	**8,465**	***27%***	**9,356**
Current assets				
Inventories	2,293	2,448	*-6%*	1,922
Short-term receivables	7,288	4,330	*68%*	5,842
Cash and bank deposits	1,613	485	*233%*	384
Total current assets	**11,195**	**7,263**	***54%***	**8,145**
Total assets	**21,948**	**15,728**	***40%***	**17,504**
Equity and liabilities				
Share capital	1,000	1,000	*0%*	1,000
Reserve for invested non-restricted equity	4,481	4,266	*5%*	4,478
Remeasurements of employee benefits	-41	0		-41
Retained earnings	7,212	5,705	*26%*	6,659
Total equity	**12,652**	**10,971**	***15%***	**12,096**
Long-term financing loans	3,561	751	*374%*	1,003
Other non-current liabilities	402	357	*13%*	402
Deferred income tax liabilities	21	19	*11%*	21
Short-term financing loans	881	191	*361%*	508
Trade and other payables	4,429	3,439	*29%*	3,473
Total liabilities	**9,295**	**4,758**	***95%***	**5,408**
Total equity and liabilities	**21,948**	**15,728**	***40%***	**17,504**

Consolidated Changes in Equity

1000 €	Share capital	Other reserve	Remeasuremets of empolyee benefits	Translation differences	Retained earnings	Total equity
Balance at Jan. 1, 2018	**1,000**	**4,478**	**-41**	**4**	**6,655**	**12,096**
Comprehensive income						
Comprehensive income for the period					1,021	**1,021**
Other comprehensive income for the period, net of tax						
Translation differences				-1		**-1**
Total comprehensive income for the period	**0**	**0**	**0**	**-1**	**1,021**	**1,021**
Business transactions with owners						
Dividends paid					-467	**-467**
Share-based payment		3				**3**
Business transactions with owners, total	**0**	**3**	**0**	**0**	**-467**	**-464**
Balance at June 30, 2018	**1,000**	**4,481**	**-41**	**3**	**7,210**	**12,652**
January-June 2017						
Balance at Jan. 1, 2017	**1,000**	**4,255**	**0**	**-1**	**5,386**	**10,639**
Comprehensive income						
Comprehensive income for the period					315	**315**
Other comprehensive income for the period, net of tax						
Translation differences				5		**5**
Total comprehensive income for the period	**0**	**0**	**0**	**5**	**315**	**320**
Business transactions with owners						
Share-based payment		11				**11**
Business transactions with owners, total	**0**	**11**	**0**	**0**	**0**	**11**
Balance at June 30, 2017	**1,000**	**4,266**	**0**	**4**	**5,701**	**10,971**

Consolidated Cash Flow Statement

1 000 €	1-6/2018	1-6/2017	1-12/2017
Profit for the period	**1,021**	**315**	**1,269**
Adjustments	595	577	644
Change in working capital	-831	230	-1,023
Received interest income	0	1	2
Paid interest expenses	-57	-38	-51
Paid taxes	-1	-3	-5
Cash flow from operating activities	**726**	**1,081**	**836**
Investments	-1,971	-332	-962
Proceeds from sale of property, plant and equipment	8	35	35
Cash flow from investing activities	**-1,963**	**-298**	**-928**
Increase in financing	3,281	0	373
Decrease in financing	-348	-557	-356
Dividends paid	-467	0	0
Stock options exercised	0	0	201
Cash flow from financing activities	**2,466**	**-557**	**217**
Change in cash and cash equivalents	1,229	227	126
Cash and cash equivalents at the beginning of period	384	258	258
Cash and cash equivalents at the end of period	**1,613**	**485**	**384**

KEY FINANCIAL INDICATORS

	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017
Net sales, M€	7.7	6.1	6.3	6.0	5.7
Operating result before depreciation (EBITDA), M€	1.1	0.6	0.7	0.4	0.4
Operating result (EBIT), M€	0.8	0.3	0.4	0.1	0.1
of net sales, %	*10%*	*5%*	*6%*	*2%*	*2%*
Profit/loss before taxes, M€	0.8	0.3	0.4	0.1	0.1
of net sales, %	*10%*	*4%*	*6%*	*1%*	*1%*
Net profit/loss for the period, M€	0.8	0.3	0.9	0.1	0.1
of net sales, %	*10%*	*4%*	*14%*	*1%*	*1%*
Equity ratio, %	58%	61%	69%	71%	70%
Gearing, %	22%	22%	9%	5%	4%
Gross investments in fixed assets, M€	0.6	1.4	0.3	0.3	0.2
of net sales, %	7%	23%	5%	5%	3%
Personnel, end of the quarter	116	115	113	114	113
Earnings/share (EPS), €	0.12	0.04	0.13	0.01	0.01
Equity/share, €	1.90	1.79	1.81	1.69	1.68

The Alternative Performance Measures (APM) used by the Group

Aspocomp presents in its financial reporting alternative perfomance measures, which describe businesses' financial performance and its development as well as investments and return on equity. In addition to accounting measures which are defined or specified in IFRS, alternative performance measures complement and explain presented information. Aspocomp presents in its financial reporting the following alternative performance measures:

EBITDA	=	Earnings before interests, taxes, depreciations and amortizations EBITDA indicates the result of operations before depreciations, financial items and income taxes. It is an important key figure, as it shows the profit margin on net sales after operating expenses are deducted.
Operating result	=	Earnings before income taxes and financial income and expenses presented in the IFRS consolidated income statement. The operating result indicates the financial profitability of operations and their development.
Profit/loss before taxes	=	The result before income taxes presented in the IFRS consolidated statements.
Equity ratio, %	=	$\frac{\text{Equity}}{\text{Total assets - advances received}} \times 100$
Gearing, %	=	$\frac{\text{Net interest bearing liabilities}}{\text{Total equity}} \times 100$ Gearing indicates the ratio of capital invested in the company by shareholders and interest-bearing debt to financiers. A high gearing ratio is a risk factor that may limit a company’s growth opportunities and financial latitude.
Gross investments	=	Acquisitions of long-term intangible and tangible assets (gross amount).
Order book	=	Undelivered customer orders at the end of the financial period.
Cash flow from operating activities	=	Profit for the period + non-cash transactions +- other adjustments +- change in working capital '+ interest income - interest expenses -taxes

Contingent Liabilities

1 000 €	6/2018	6/2017	12/2017
Business mortgage	4,000	2,000	2,000
Operating lease liabilities	44	460	477
Other liabilities	1,234	21	21
Total	**5,278**	**2,481**	**2,498**

All figures are unaudited.

Espoo, August 9, 2018

Board of Directors of Aspocomp Group Plc.

For further information, please contact Mikko Montonen, President and CEO, tel. +358 40 5011 262, mikko.montonen(at)aspocomp.com.

Aspocomp – a service company specializing in PCB technologies

A printed circuit board (PCB) is used for electrical interconnection and as a component assembly platform in electronic devices. Aspocomp provides PCB technology design, testing and logistics services over the entire lifecycle of a product. The company’s own production and extensive international partner network guarantee cost-effectiveness and reliable deliveries.

Aspocomp’s customers are companies that design and manufacture telecommunication systems and equipment, automotive and industrial electronics, and systems for testing semiconductor components for security technology. The company has customers around the world and most of its net sales are generated by exports.

Aspocomp is headquartered in Espoo and its plant is in Oulu, one of Finland’s major technology hubs.

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.