ASPOCOMP

ASPOCOMP'S INTERIM REPORT JANUARY 1 - MARCH 31, 2018

Key figures 1-3/2018 in brief

	1-3/2018	1-3/2017	Change *
Net sales	6.1 M€	5.9 M€	0.3 M€
EBITDA	0.6 M€	0.5 M€	0.0 M€
Operating result	0.3 M€	0.2 M€	0.0 M€
% of net sales	4.7 %	4.2 %	0.4 ppts
Earnings per share	0.04 €	0.04 €	0.00 €
Operative cash flow	0.3 M€	0.7 M€	-0.4 M€
Equity ratio	60.7 %	70.5 %	-9.8 ppts
Order book at the end of period	3.0 M€	2.2 M€	0.8 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 2018, net sales are expected to grow approximately 10 percent and the operating result to be better than in 2017. In 2017, net sales amounted to EUR 23.9 million and the operating result to EUR 0.8 million (Company Announcement, April 19, 2018).

CEO'S REVIEW

"Sales developed favorably in all customer segments, amounting to EUR 6.1 million. Net sales increased by 4 percent compared to last year's reference period. Growth in net sales was reduced by the adoption of the new IFRS standard at the beginning of the year. Excluding the effects of IFRS standard on consignment warehousing, net sales growth would have been 11 percent. This difference is due to changed timing in revenue recognition in consignment warehousing.

Customer demand improved significantly toward the end of the first quarter and the order book grew to EUR 3.0 million. A pick-up is seen in a wide range of areas, especially in next-generation telecommunications networks and the automotive industry. Several technology companies and operators have announced early plans for 5G technology deployment. The development, testing and deployment phase of new technology is expected to generate significant demand in the next few months and years. In the automotive industry, the ongoing breakthrough in electronics also supports growing demand.

The operating result for January-March grew to EUR 0.3 million thanks to growth in net sales and higher factory utilization, as well as the cost savings yielded by operational development programs. The operating profit margin rose to 5 percent. Cash flow from operations amounted to EUR 0.3 million.

Investments rose to EUR 1.4 million, mainly due to the acquisition of Aspocomp's production facility in Oulu and the launch of the investment program announced in December 2017. The acquisition of the PCB factory premises in Oulu and future investments to improve technological capabilities and capacity will increase competitiveness and bolster the company's position as a partner to the world's leading technology companies."

NET SALES AND EARNINGS

January-March 2018

First-quarter net sales amounted to EUR 6.1 million (EUR 5.9 million), a year-on-year increase of 4 percent. Growth in net sales was reduced by the adoption of the new IFRS standard at the beginning of the year. Excluding the effects of IFRS standard on consignment warehousing, net sales growth would have been 11 percent. This difference is due to changed timing in revenue recognition in consignment warehousing.

The five largest customers accounted for 45 percent of net sales (51%). In geographical terms, 96 percent of net sales were generated in Europe (98%), 2 percent in Asia (1%) and 2 percent in North America (1%).

The operating result for the first quarter amounted to EUR 0.3 million (EUR 0.2 million) thanks to growth in net sales and higher factory utilization, as well as the cost savings yielded by operational development programs. First-quarter operating result was 4.7 percent of net sales.

Net financial expenses for the first quarter amounted to EUR 0.0 million (EUR 0.0 million). Earnings per share were EUR 0.04 (EUR 0.04).

The order book at the end of the review period was EUR 3.0 million (EUR 2.2 million), representing a year-on-year increase of about EUR 0.8 million. The order book was strengthened, especially in the telecommunications network and automotive industry segments.

INVESTMENTS AND R&D

Investments during the review period amounted to EUR 1.4 million (EUR 0.1 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 0.3 million (EUR 0.7 million). Net working capital increased by EUR 0.5 million due mainly to the growth in inventories.

After investments of EUR 1.4 million, cash flow was EUR -1.1 million (EUR -0.6 million).

Cash assets amounted to EUR 1.0 million at the end of the period (EUR 0.5 million). Interest-bearing liabilities amounted to EUR 3.6 million (EUR 1.1 million). Gearing was 27 percent (5.8%). Non-interest-bearing liabilities amounted to EUR 4.1 million (EUR 3.5 million). At the end of the period, the Group's equity ratio amounted to 61 percent (70.4%).

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 0.2 million was in use (EUR 0.1 million).

PERSONNEL

During the review period, the company had an average of 115 employees (107). The personnel count on March 31, 2018 was 115 (106). Of them, 72 (67) were blue-collar and 43 (39) white-collar employees.

ANNUAL GENERAL MEETING 2018, THE BOARD OF DIRECTORS AND AUTHORIZATIONS GIVEN TO THE BOARD

The Annual General Meeting of Aspocomp Group Plc held on March 16, 2018 adopted the annual accounts and the consolidated annual accounts for the financial period 2017 and granted the members of the Board of Directors and the CEO discharge from liability.

The Annual General Meeting decided to pay a dividend of EUR 0.07 per share, as proposed by the Board of Directors. The dividend will be paid to shareholders registered in the company's register of shareholders maintained by Euroclear Finland Ltd on the record date of the dividend distribution, March 20, 2018. The dividend will be paid on March 28, 2018.

The Annual General Meeting decided to set the number of Board members at five (5). The AGM re-elected the current members of the Board, Ms. Päivi Marttila, Ms. Kaarina Muurinen, Ms. Julianna Borsos, Mr. Juha Putkiranta, and Mr. Matti Lahdenperä, for a term of office ending at the closing of the following Annual General Meeting. The Annual General Meeting reelected PricewaterhouseCoopers Oy, Authorized Public Accountants, as the company's auditor for a term of office ending at the closing of the following Annual General Meeting. PricewaterhouseCoopers Oy has notified that Mr. Jouko Malinen, Authorized Public Accountant, will act as its principal auditor.

The Annual General Meeting decided that the chairman of the Board of Directors will be paid EUR 30,000, the vice chairman of the Board of Directors EUR 20,000 and the other members EUR 15,000 each in remuneration for their term of office. The Annual General Meeting further decided that EUR 1,000 will be paid as remuneration per meeting to the chairman and that the other members be paid EUR 500 per meeting of the Board and its committees. The members of the Board of Directors will further be reimbursed for reasonable travel costs. The auditor’s fees will be paid according to the auditor’s invoice.

The Annual General Meeting decided to authorize the Board of Directors, in one or more installments, to decide on the issuance of shares and the issuance of options and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act as follows:

The number of shares to be issued based on the authorization may in total amount to a maximum of 666,650 shares.

The Board of Directors decides on all the terms and conditions of the issuances of shares and of options and other special rights entitling to shares. The authorization concerns both the issuance of new shares as well as own shares possibly held by the company. The issuance of shares and of options and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act may be carried out in deviation from the shareholders’ pre-emptive rights (directed issue).

The authorization cancels the authorization given by the General Meeting on March 23, 2017 to decide on the issuance of shares as well as the issuance of special rights entitling to shares. The authorization is valid until June 30, 2019.

In its organization meeting held on March 16, 2018, the Board of Directors reelected Päivi Marttila as Chairman of the Board and Kaarina Muurinen as Vice Chairman. Kaarina Muurinen was elected as Chairman and Julianna Borsos and Matti Lahdenperä as members of the Audit Committee.

SHARES

The total number of Aspocomp's shares at March 31, 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 205,481 Aspocomp Group Plc. shares were traded on Nasdaq Helsinki during the period from January 1 to March 31, 2018. The aggregate value of the shares exchanged was EUR 513,808. The shares traded at a low of EUR 2.30 and a high of EUR 2.68. The average share price was EUR 2.50. The closing price at March 29, 2018 was EUR 2.35, which translates into market capitalization of EUR 15.6 million.

The company had 2,952 shareholders at the end of the review period. Nominee-registered shares accounted for 4.3 percent of the total shares.

OUTLOOK FOR THE FUTURE

The company's full-year guidance remains unchanged. In 2018, net sales are expected to grow approximately 10 percent and the operating result to be better than in 2017. In 2017, net sales amounted to EUR 23.9 million and the operating result to EUR 0.8 million (Company Announcement, April 19, 2018).

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.

EVENTS AFTER THE FINANCIAL PERIOD

Aspocomp Group Plc adjusted its 2018 opening statement of financial position and figures for the comparison period 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 (Company Announcement, April 19, 2018).

PUBLICATION OF FINANCIAL RELEASES

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

- Half-year report for January-June: Thursday, August 9, 2018
- Interim report January-September: Thursday, October 25, 2018

The interim report 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.

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 modified 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 derivates. 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 the anticipated 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

January-March

1 000 €	1-3/2018		1-3/2017		Change	1-12/2017	
Net sales	**6,136**	***100%***	**5,885**	***100%***	***4%***	**23,924**	***100%***
Other operating income	6	*0%*	19	*0%*	*-67%*	24	*0%*
Materials and services	-2,764	*-45%*	-2,650	*-45%*	*4%*	-11,350	*-47%*
Personnel expenses	-1,770	*-29%*	-1,536	*-26%*	*15%*	-6,294	*-26%*
Other operating costs	-1,056	*-17%*	-1,189	*-20%*	*-11%*	-4,385	*-18%*
Depreciation and amortization	-266	*-4%*	-279	*-5%*	*-5%*	-1,074	*-4%*
Operating result	**286**	***5%***	**249**	***4%***	***15%***	**845**	***4%***
Financial income and expenses	-31	*-1%*	-12	*0%*		-53	*0%*
Profit/loss before tax	**255**	***4%***	**237**	***4%***	***7%***	**792**	***3%***
Income taxes	-1	*0%*	-2	*0%*		477	*2%*
Profit/loss for the period	**254**	***4%***	**236**	***4%***	***8%***	**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			-41	0%
Currency translation differences	0	*0%*	1	*0%*		5	*0%*
Total other comprehensive income	0	*0%*	1	*0%*		-36	*0%*
Total comprehensive income	**254**	***4%***	**236**	***4%***	***7%***	**1,233**	***5%***
Earnings per share (EPS)							
Basic EPS	0.04 €		0.04 €		*0%*	0.19 €	
Diluted EPS	0.04 €		0.04 €		*0%*	0.19 €	

Consolidated Balance Sheet

1 000 €	3/2018	3/2017	Change	12/2017
Assets				
Non-current assets				
Intangible assets	3,285	3,255	*1%*	3,268
Tangible assets	3,672	2,297	*60%*	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	**10,474**	**8,584**	***22%***	**9,356**
Current assets				
Inventories	2,410	2,402	*0%*	1,922
Short-term receivables	5,767	3,983	*45%*	5,842
Cash and bank deposits	1,018	467	*118%*	384
Total current assets	**9,195**	**6,852**	***34%***	**8,145**
Total assets	**19,668**	**15,436**	***27%***	**17,504**
Equity and liabilities				
Share capital	1,000	1,000	*0%*	1,000
Reserve for invested non-restricted equity	4,479	4,261	*5%*	4,478
Remeasurements of employee benefits	-41	0		-41
Retained earnings	6,509	5,621	*16%*	6,659
Total equity	**11,948**	**10,881**	***10%***	**12,096**
Long-term financing loans	2,580	784	*229%*	1,003
Other non-current liabilities	402	357	*13%*	402
Deferred income tax liabilities	21	19	*11%*	21
Short-term financing loans	1,053	311	*238%*	508
Trade and other payables	3,663	3,084	*19%*	3,473
Total liabilities	**7,720**	**4,555**	***70%***	**5,408**
Total equity and liabilities	**19,668**	**15,436**	***27%***	**17,504**

Consolidated Changes in Equity

January-March 2018

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					254	**254**
Other comprehensive income for the period, net of tax						
Translation differences				0		**0**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**254**	**254**
Business transactions with owners						
Dividend paid					-403	**-403**
Share-based payment		1				**1**
Business transactions with owners, total	**0**	**1**	**0**	**0**	**-403**	**-402**
Balance at March 31, 2018	**1,000**	**4,479**	**-41**	**3**	**6,506**	**11,948**

January-March 2017

1000 €	Share capital	Other reserve	Remeasuremets of empolyee benefits	Translation differences	Retained earnings	Total equity
Balance at Jan. 1, 2017	**1,000**	**4,255**	**0**	**-1**	**5,386**	**10,639**
Comprehensive income						
Comprehensive income for the period					236	**236**
Other comprehensive income for the period, net of tax						
Translation differences				1		**1**
Total comprehensive income for the period	**0**	**0**	**0**	**1**	**236**	**236**
Business transactions with owners						
Share-based payment		6				**6**
Business transactions with owners, total	**0**	**6**	**0**	**0**	**0**	**6**
Balance at March 31, 2017	**1,000**	**4,261**	**0**	**-1**	**5,621**	**10,881**

CONSOLIDATED CASH FLOW STATEMENT

1 000 €	1-3/2018	1-3/2017	1-12/2017
Profit for the period	**254**	**236**	**1,270**
Adjustments	296	283	644
Change in working capital	-186	246	-1,024
Received interest income	0	1	2
Paid interest expenses	-29	-23	-51
Paid taxes	-1	-2	-5
Cash flow from operating activities	**335**	**741**	**836**
Investments	-1,421	-143	-962
Proceeds from sale of property, plant and equipment	0	18	35
Cash flow from investing activities	**-1,421**	**-125**	**-928**
Increase in financing	2,200	0	373
Decrease in financing	-77	-408	-356
Dividends paid	-403	0	0
Stock options exercised	0	0	201
Cash flow from financing activities	**1,720**	**-408**	**217**
Change in cash and cash equivalents	634	208	126
Cash and cash equivalents at the beginning of period	384	258	258
Cash and cash equivalents at the end of period	**1,018**	**467**	**384**

KEY FINANCIAL INDICATORS

	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017
Net sales, M€	6.1	6.3	6.0	5.7	5.9
Operating result before depreciation (EBITDA), M€	0.6	0.7	0.4	0.4	0.5
Operating result (EBIT), M€	0.3	0.4	0.1	0.1	0.2
of net sales, %	*5%*	*6%*	*2%*	*2%*	*4%*
Profit/loss before taxes, M€	0.3	0.4	0.1	0.1	0.2
of net sales, %	*4%*	*6%*	*1%*	*1%*	*4%*
Net profit/loss for the period, M€	0.3	0.9	0.1	0.1	0.2
of net sales, %	*4%*	*14%*	*1%*	*1%*	*4%*
Equity ratio, %	61%	69%	71%	70%	70%
Gearing, %	27%	9%	5%	4%	6%
Gross investments in fixed assets, M€	1.4	0.3	0.3	0.2	0.1
of net sales, %	23%	5%	5%	3%	2%
Personnel, end of the quarter	115	113	114	113	106
Earnings/share (EPS), €	0.04	0.13	0.01	0.01	0.04
Equity/share, €	1.79	1.81	1.69	1.68	1.67

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 €	3/2018	3/2017	12/2017
Business mortgage	4,000	4,000	2,000
Operating lease liabilities	56	465	477
Other liabilities	1,221	21	21
Total	**5,277**	**4,486**	**2,498**

All figures are unaudited.

Espoo, April 27, 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.