

2019

Annual Report

ASPOCOMP

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CEO'S REVIEW

Our growth remained strong for the fourth year in a row. Net sales for 2019 were 7 percent higher compared to the last year's reference period. Our growth clearly exceeded the total PCB market growth, which is estimated to have been below 1 percent (Custer Consulting, February 2020). However, fourth-quarter sales were approximately 4 percent lower compared to the last year's strong reference period. Net sales for 2019 amounted to EUR 31.2 million.

Telecommunications remained the largest customer segment with growth of almost 20 percent from the previous year. Growth was strongest in the first half of the year. Sales in the fourth quarter did not reach the level of the previous year due to a very strong comparison period and the timing of customer development needs.

In the Automotive segment, net sales were 6 percent lower than in the comparison period, mainly due to the introduction of ship transport, which delayed the accumulation of net sales although demand remained stable. Aspocomp's automotive products have in the past been largely used in heavy transport vehicles, but during the autumn we achieved a breakthrough with several products for passenger cars, too. Volume deliveries for new low-emission car models began at the end of the year.

In the Security, Defense and Aerospace segment, sales remained at the previous year's level. The R&D investments of the segment were increased significantly during the year. New products and customers will bring business opportunities as early as 2020. During the year, the development process of the defense and aviation quality certificate AS9100 was also launched at the Oulu plant.

In the Semiconductor segment, sales grew by almost 60 percent. Multi-year development investments are now generating new growing business. The segment's growth outlook is positive. The newly acquired technology capabilities support the needs of the Semiconductor Industry segment in particular. The first phase of the investment program was mainly completed in 2019.

The general economic situation and the decline in investments in Europe slowed down our Industrial Electronics segment. Sales decreased by almost 10 percent from the previous year. The decline was particularly visible in the Nordic countries.

The order book developed positively throughout the year and amounted to EUR 4.4 million at the end of the year, a year-on-year increase of almost 60 percent. The operating result for the year rose to EUR 3.4 million. Operating result was 11 percent of net sales. In the fourth quarter, the operating result was clearly down from the strong comparison period at EUR 0.7 million. The decline in operating profit was mainly due to the slowdown in demand for product development during the last quarter. The result was also burdened by increasing R&D investments in new products.

The coronavirus epidemic that began in China is strongly affecting the supply chain of the entire electronics industry. This undermines our ability to assess net sales development, especially during the first half of 2020.

I would like to thank all our loyal customers, shareholders and other stakeholders for the excellent past year. I would also like to say a big thanks to our hard-working and flexible staff.



Mikko Montonen, President and CEO

REPORT OF THE BOARD OF DIRECTORS

2019 IN BRIEF

| | 1-12/2019 | 1-12/2018 | Change * |
|---------------------------------|-----------|-----------|----------|
| Net sales | 31.2 M€ | 29.1 M€ | 7 % |
| EBITDA | 4.7 M€ | 4.0 M€ | 18 % |
| Operating result | 3.4 M€ | 2.9 M€ | 18 % |
| <i>% of net sales</i> | 10.9 % | 9.9 % | 1 ppts |
| Earnings per share | 0.59 € | 0.49 € | 20 % |
| Operative cash flow | 4.3 M€ | 2.0 M€ | 110 % |
| Equity ratio | 61.3 % | 57.6 % | 4 ppts |
| Order book at the end of period | 4.4 M€ | 2.8 M€ | 59 % |
| Dividend/share ** | 0.15 € | 0.12 € | 25 % |

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

** The Board of Directors will propose to the Annual General meeting

NET SALES AND EARNINGS

Net sales amounted to EUR 31.2 (29.1) million, a year-on-year increase of 7 percent. The largest customer segment remained the Telecommunications segment, which grew by almost 20 percent compared to the previous year. Sales in the fourth quarter did not reach the level of the previous year due to a very strong comparison period and the timing of customer development needs. In the Automotive segment, net sales were 6 percent lower than in the comparison period, mainly due to the introduction of ship transport, which delayed the accumulation of net sales although demand remained stable. In the Security, Defense and Aerospace segment, sales remained at the previous year's level. In the Semiconductor segment, sales grew by almost 60 percent. Multi-year development investments and newly acquired technology capabilities supported the segment's positive development. The Industrial Electronics segment's sales declined by nearly 10 percent due to the general economic climate and dwindling investments in Europe.

The five largest customers accounted for 58 (54) percent of net sales. In geographical terms, 98 (97) percent of net sales were generated in Europe, 1 (1) percent in Asia and 1 (2) percent in North America.

The full-year operating result amounted to EUR 3.4 (2.9) million and to 11 percent of net sales. Operating result saw a year-on-year increase of 18 percent. Earnings were driven by improvements in EBITDA, growth in net sales and the greater share accounted for by more technologically demanding products.

Net financial expenses amounted to EUR 0.1 (0.1) million. Earnings per share were EUR 0.59 (0.49).

INVESTMENTS AND R&D

Investments during 2019 amounted to EUR 3.5 (3.4) million. The investments were mainly focused on improving the capabilities of the Oulu plant. The EUR 10 million investment program to enhance the capabilities of the Oulu plant and increase its capacity, announced in December 2017, is proceeding on schedule. The investment program focuses in the first stage on enhancing the capabilities of the plant and in the second stage on increasing capacity. Most of the first stage equipment has already been ordered and installation was completed during 2019. Newly acquired technology capabilities supported the needs of the semiconductor industry segment in particular. With the investment program, the

company will be able to respond even better to the rise in demand generated by global digitalization and thereby bolster its position as a partner to the world's leading technology and semiconductor companies.

CASH FLOW AND FINANCING

Cash flow from operations amounted to EUR 4.3 (2.0) million. Cash flow increased due to improved operating result.

Cash assets amounted to EUR 2.4 (2.6) million at the end of the period. Interest-bearing liabilities amounted to EUR 5.8 (5.4) million. Gearing was 19 (19) percent. Non-interest-bearing liabilities amounted to EUR 5.6 (5.5) million.

At the end of the period, the Group's equity ratio amounted to 61.3 (57.6) percent.

The company has a EUR 1.0 (1.0) 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 (0.0) million was in use.

DEFERRED TAX ASSETS

At the end of the 2019 financial year, the company had approximately EUR 4.7 million in deferred tax assets in its balance sheet. The deferred tax assets are primarily due to decelerated tax depreciation.

PERSONNEL

During the review period, the company had an average of 124 employees (116). The personnel count on December 31, 2019 was 132 (117). Of them, 80 (74) were blue-collar and 52 (43) white-collar employees.

The Group's personnel expenses amounted to EUR 7.8 (7.7) million. In addition, the Group booked personnel service costs of EUR 0.5 (0.2) million in 2019.

| | 2019 | 2018 |
|--|------|------|
| Permanent employees, average (no.) | 124 | 116 |
| Personnel expenses, permanent employees (M€) | 7.8 | 7.7 |
| Personnel expenses, part-time employees (M€) | 0.5 | 0.2 |

ENVIRONMENT

Environmental responsibility is an integral part of Aspocomp's operations, management and decision making, seeking to minimize the company's environmental impact. We seek to continuously develop our operations to prevent and reduce the emissions and wastes caused by our operations. We are committed to minimizing the use of materials that have a harmful impact on the environment throughout the whole life cycle of products.

Aspocomp manages its environmental compliance with an environmental system that has been certified in line with ISO 14001:2015, the latest version of the standard. The company's environmental system aims to continuously reduce its environmental impact and conserve natural resources. By using the best available and economically viable technologies, we strive to cut emissions and to economically use natural resources and energy. Aspocomp complies with the environmental legislation and regulations that are in force as well as seeks to proactively boost the efficiency of its operations while taking environmental issues into consideration in all of its functions. 82% of the company's employees work in ISO 14001-certified workplaces.

In order to achieve the objectives of our environmental system, we train our employees and constantly work in cooperation with our customers, the authorities and other stakeholders. The electronics supply

chain has a great impact on the environmental friendliness of the end products. Therefore, we seek to work closely with other electronics companies and subcontractors in projects concerning the environment and its protection. The goal is to collect reliable data on the composition of the production materials, and to identify the most environmentally friendly raw materials and production processes.

Aspocomp can provide its customers with detailed material reports that itemize the chemical elements and compounds used in each PCB. Customers can consult these reports to determine the recyclability of the final product at the end of its life cycle.

Aspocomp identifies and assesses the environmental perspectives of its operations at least every other year. These reviews are performed by a working group assembled by the officer responsible for environmental issues. The evaluation of environmental perspectives carried out in 2018 focused in particular on determining possibilities to improve emissions and waste recovery. On the basis of the evaluation, the following goals were set for the environmental program in 2019-2021:

- Air pollutant emissions review and necessary actions
- Waste recovery
- Optimizing material usage

The Oulu plant covers most of the company's energy and water consumption and waste. Every year, the company provides the national environmental protection information system with data on its use of energy and chemicals, production volumes, water consumption, wastes generated during operations, and the wastewater load discharged into bodies of water.

In 2019, 62% of the electricity we used came from fossil-free sources. Waste in proportion to production volume in 2019 at the Oulu plant was approximately 13 percent less than in the previous year and we are constantly striving to promote the recycling of waste. The PCB manufacturing process requires a large amount of water. After the manufacturing process, all water is treated at the plant's own wastewater treatment facility before being diverted to municipal wastewater treatment.

The company's headquarters in Espoo, Finland are located on the premises of an environmentally responsible property. The property has been implemented on a sustainable basis and has been awarded the LEED Platinum environmental certificate. LEED is a Green Property Certification System that aims to reduce the environmental load during construction and operation of buildings and the Platinum level is the highest level of certification.

THE ANNUAL GENERAL MEETING 2019

The Annual General Meeting of Aspocomp Group Plc. was held on April 3, 2019 at Keilaranta 1, Espoo, Finland. The Annual General Meeting adopted the annual accounts and the consolidated annual accounts for the financial period 2018 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 0.12 per share, as proposed by the Board of Directors. The dividend was paid to shareholders registered in the company's register of shareholders maintained by Euroclear Finland Ltd on the record date of the dividend distribution, April 12, 2019.

THE BOARD OF DIRECTORS

The Annual General Meeting 2019 decided to set the number of Board members at five and re-elected Ms. Päivi Marttila and Ms. Kaarina Muurinen, Mr. Matti Lahdenperä, Julianna Borsos and Mr. Juha Putkiranta, for a term of office ending at the closing of the following Annual General Meeting.

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 be paid EUR 20,000 and the other members will be paid 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.

Authorizations given to the Board

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 16, 2018 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, 2020.

The Board of Directors' organization meeting

In its organization meeting on April 3, 2019, the Board of Directors of Aspocomp Group Plc. re-elected Ms. Päivi Marttila as Chairman of the Board and Ms. Kaarina Muurinen as Vice Chairman of the Board.

The Board resolved to keep its Audit Committee and reelected the following Board members to the Audit Committee: Kaarina Muurinen as Chairman of the Committee and Julianna Borsos and Matti Lahdenperä as members.

AUDITOR

The Annual General Meeting re-elected in accordance with the proposal of the Board of Directors PricewaterhouseCoopers Oy, Authorized Public Accountants as the company's auditor for the 2019 financial year. The Meeting resolved that the auditor's fees shall be paid according to the auditor's invoice.

THE MANAGEMENT TEAM

Mr. Mikko Montonen, M.Sc. (Eng.) is the President and Chief Executive Officer of Aspocomp Group Plc. Mr. Ari Beilinson was appointed VP, Sales and Marketing and a member of the Management Team on April 29, 2019. In addition to Mr. Montonen, the Management Team of the company includes Mr. Antti Ojala, VP, Business Development, Mr. Ari Beilinson, VP, Sales and Marketing, Mr. Jari Isoaho, COO, Mr. Jouni Kinnunen, CFO, and Mr. Mitri Mattila, CTO.

CORPORATE GOVERNANCE STATEMENT

Aspocomp's Corporate Governance Statement 2019 is presented separately on pages 74-86 of the Annual Report. The statement is also available on the company's Internet site at www.aspocomp.com/governance.

SHARES AND OWNERSHIP STRUCTURE

Number of shares

Aspocomp Group Plc. shares have been listed on the main list of the Helsinki Stock Exchange since October 1, 1999. The company's trading code on the Nasdaq Helsinki Small Cap segment is ACG1V. The total number of Aspocomp's shares at December 31, 201 was 6,704,505 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.

The Board of Directors of Aspocomp Group Plc decided on April 3, 2019 on a directed share issue without payment based on Aspocomp's Share Reward Plan 2016-2019 for the performance period 2018. According to the terms and conditions of the Share Reward Plan 2016-2019 and after deduction of the cash payment portions of the remunerations meant for taxes and tax-like contributions, the persons included in the 2018 share-based incentive scheme received altogether 38,000 new shares in the

company through a directed share issue without payment. The new shares were registered in the Trade Register on May 3, 2019. After the registration of the new shares, the total number of Aspocomp Group Plc’s shares has increased to 6,704,505.

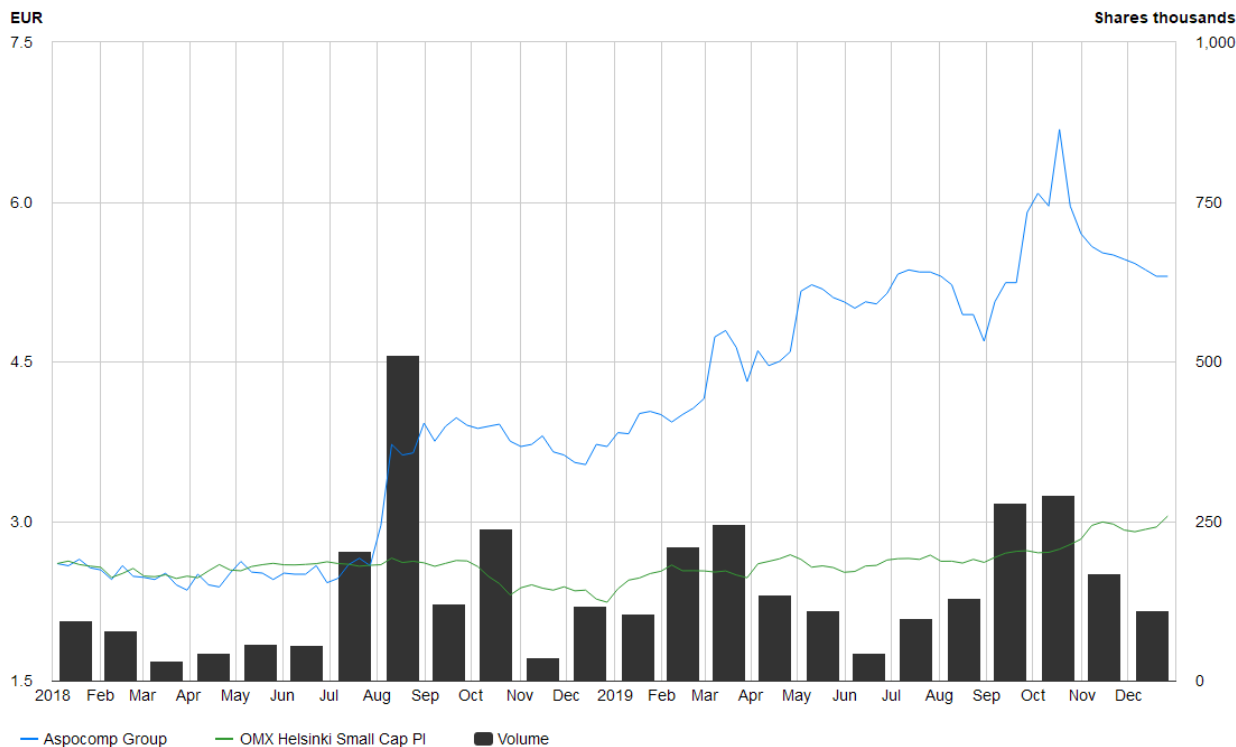
| Date | | Change | Number of shares |
|---------------|----------------------|----------|------------------|
| Jan. 1, 2019 | | | 6,666,505 |
| May 3, 2019 | Directed share issue | + 38 000 | 38,000 |
| Dec. 31, 2019 | | | 6,704,505 |

Share turnover and price

A total of 1,925,930 Aspocomp Group Plc. shares were traded on Nasdaq Helsinki during the period from January 1 to December 31, 2019. The aggregate value of the shares exchanged was EUR 9,855,873. The shares traded at a low of EUR 3.71 and a high of EUR 6.90. The average share price was EUR 5.12. The closing price at December 31, 2019 was EUR 5.26, which translates into market capitalization of EUR 35,3 million. The company had 3,457 shareholders at the end of the review period. Nominee-registered shares accounted for 3.0 percent of the total shares.

Share price development and share turnover per month

Aspocomp 2018-2019



Ownership structure

Size of holding, December 31, 2019

| Shares | Number of shareholders | % of shareholders | Number of shares | % of shares |
|--|------------------------|-------------------|------------------|-------------|
| 1 - 100 | 1,448 | 41.8 | 66,163 | 1.0 |
| 101 - 500 | 1,129 | 32.6 | 306,139 | 4.6 |
| 501 - 1,000 | 393 | 11.4 | 318,676 | 4.7 |
| 1,001 - 5,000 | 383 | 11.1 | 888,729 | 13.3 |
| 5,001 - 10,000 | 53 | 1.5 | 387,381 | 5.8 |
| 10,001 - 50,000 | 33 | 1.0 | 626,054 | 9.3 |
| 50,001 - 100,000 | 7 | 0.2 | 551,508 | 8.2 |
| 100,001 - 500,000 | 9 | 0.3 | 1,813,554 | 27.1 |
| 500,001 - | 2 | 0.1 | 1,746,004 | 26.0 |
| Shares in trust and awaiting clearance | | | 297 | 0 |
| Total | 3,457 | 100% | 6,704,505 | 100% |
| of which nominee registered | 9 | | 202,010 | 3.0 |

Shareholders by sector, December 31, 2019

| Sectors | Number of shareholders | % of shareholders | Number of shares | % of shares |
|--|------------------------|-------------------|------------------|-------------|
| Household | 3,274 | 94.7 | 3,622,551 | 54.0 |
| Companies | 147 | 4.2 | 2,284,162 | 34.1 |
| Financial and insurance institution | 14 | 0.4 | 772,985 | 11.5 |
| Non-domestic | 14 | 0.4 | 22,500 | 0.3 |
| Non-profit organizations | 8 | 0.3 | 2,010 | 0.1 |
| Public sector organizations | 0 | - | 0 | - |
| Shares in trust and awaiting clearance | 0 | | 297 | 0 |
| Total | 3,457 | 100% | 6,704,505 | 100% |

Shareholders

Major shareholders, December 31, 2019

| Shareholders | Shares | Ownership, % |
|--|------------------|--------------|
| Tiiviste-Group Oy | 1,001,004 | 14.93 |
| Joensuun Kauppa ja Kone Oy | 745,000 | 11.11 |
| Mandatum Henkivakuutusosakeyhtiö | 328,861 | 4.91 |
| Etola Erkki | 295,000 | 4.40 |
| Montonen Mikko | 260,000 | 3.88 |
| K22 Finance Oy | 235,000 | 3.51 |
| Lähdesmäki Tuomo | 165,000 | 2.46 |
| Lahdenperä Matti | 150,000 | 2.24 |
| Nordea Henkivakuutus Suomi Oy | 137,000 | 2.04 |
| Svenska Handelsbanken Ab (Nomineereg.) | 128,867 | 1.92 |
| Koskinen Jouni | 113,826 | 1.70 |
| Kakkonen Kari | 100,000 | 1.49 |
| Ruotanen Jaakko | 93,850 | 1.40 |
| Lauren Karri-Pekka | 81,895 | 1.22 |
| Vuorialho Kari | 77,314 | 1.15 |
| AJ EAB Value Hedge Sr | 72,238 | 1.08 |
| Lahdenperä Marja | 70,011 | 1.04 |
| Haaron Perunatila Oy | 56,200 | 0.84 |
| Lemmetti Juhani | 45,457 | 0.68 |
| Nordea Bank Abp (Nomineereg.) | 40,110 | 0.60 |
| 20 major shareholders total | 4,196,633 | 62.59 |
| Other shareholders | 2,507,872 | 37.41 |
| Total shares | 6,704,505 | 100 |

Information on shareholders is based on Aspocomp Group Plc.'s shareholder list, which is maintained by Euroclear Finland Ltd.

MAJOR SHAREHOLDER ANNOUNCEMENTS IN 2019

No announcements in 2019.

OUTLOOK FOR THE FUTURE

The outbreak of the coronavirus epidemic will affect the availability and delivery times of the circuit boards purchased by Aspocomp from China. The coronavirus epidemic is also having a profound impact on the supply chains of the electronics industry and on customer orders. Due to this situation, the outlook for 2020 involves a significantly higher risk than normal.

Aspocomp estimates that its net sales and operating result for 2020 will be at the same level as in 2019. In 2019, net sales amounted to EUR 31.2 million and the operating result to EUR 3.4 million.

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

Impact of coronavirus on the electronics supply chain

The coronavirus epidemic that began in China have a major impact on the supply chain of the entire electronics industry. This will affect particularly the availability and delivery times of the PCBs subcontracted by the company in China. At the same time, the coronavirus epidemic may affect the availability of parts and components required by electronic assemblers, which is estimated to limit business.

Dependence on key customers

Aspocomp's customer base is concentrated; over half of sales are generated by five 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.

BOARD OF DIRECTORS' DIVIDEND PROPOSAL

According to the financial statements dated on December 31, 2019 the parent company's distributable earnings amounted to EUR 9,306,756.97, of which the retained earnings were EUR 6,494,052.87.

The Board of Directors will propose to the Annual General Meeting to be held on April 2, 2020, that a dividend of EUR 0.15 per share be paid. The dividend would be paid to shareholders registered in the Register of Shareholders maintained by Euroclear Finland Ltd on the record date of the dividend distribution, April 6, 2020. The Board of Directors proposes that the dividend will be paid on April 15, 2020.

There have been no significant changes in the company's financial position since the close of the financial period. According to the Board of Directors, the proposed dividend distribution does not endanger the company's financial standing.

KEY INDICATORS 2019-2015

KEY INDICATORS

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-------|------|-------|-------|-------|
| Net sales, M€ | 31.2 | 29.1 | 23.9 | 21.6 | 17.5 |
| Operating result before depreciation (EBITDA), M€ | 4.7 | 4.0 | 1.9 | 1.8 | 0.0 |
| Operating profit/loss (EBIT), M€ | 3.4 | 2.9 | 0.8 | 0.7 | -1.2 |
| <i>Share of net sales, %</i> | 10.9 | 9.9 | 3.5 | 3.2 | -6.8 |
| Pre-tax profit from operations, M€ | 3.3 | 2.8 | 0.8 | 0.6 | -1.3 |
| <i>Share of net sales, %</i> | 10.4 | 9.5 | 3.3 | 2.9 | -7.4 |
| Net profit/loss for the period, M€ | 3.9 | 3.2 | 1.3 | 1.0 | -1.0 |
| <i>Share of net sales, %</i> | 12.6 | 11.1 | 5.3 | 4.8 | -5.8 |
| Net cash flow from operating activities, M€ | 4.3 | 2.0 | 0.8 | 0.1 | -0.1 |
| Return on equity (ROE), % | 23.9 | 24.0 | 11.2 | 10.3 | -10.1 |
| Return on investment (ROI), % | 18.4 | 19.8 | 10.3 | 9.6 | -12.6 |
| Equity ratio, % | 61.3 | 57.6 | 69.1 | 67.6 | 68.6 |
| Gearing, % | 19.0 | 19.3 | 9.3 | 11.8 | 10.7 |
| Investments, M€ | 3.5 | 3.4 | 1.0 | 0.4 | 0.5 |
| <i>Share of net sales, %</i> | 11.4 | 11.5 | 4.0 | 1.8 | 2.7 |
| Order book at the end of period | 4.4 | 2.8 | 2.5 | 2.4 | 1.0 |
| Personnel, year end | 132 | 117 | 113 | 108 | 106 |
| Personnel, average | 124 | 116 | 111 | 106 | 121 |
| Earnings/share (EPS), € | 0.59 | 0.49 | 0.19 | 0.16 | -0.16 |
| Dividend/share, € | 0,15* | 0.12 | 0,07 | 0.00 | 0.00 |
| Price/earnings ratio (P/E) | 8.92 | 7.55 | 12.47 | 10.00 | -7.00 |

*Proposal of the Board of Directors

FORMULAS AND DEFINITIONS

| | | |
|-------------------------|---|---|
| Earnings/share (EPS), € | = | $\frac{\text{Profit attributable to equity shareholders}}{\text{Adjusted weighted average number of shares outstanding}}$ |
| Dividend/share, € | = | Dividend for the period |
| Price/earnings (P/E) | = | $\frac{\text{Share price at the end of period}}{\text{Earnings/share}}$ |

Treasury shares are eliminated when calculating share based ratios.

The Alternative Performance Measures (APM) used by the Group

Aspocomp presents in its financial reporting alternative performance 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, % | = | $\frac{\text{Equity}}{\text{Total assets - advances received}}$ |
| Gearing, % | = | $\frac{\text{Net interest bearing liabilities}}{\text{Total equity}}$ 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 |

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT

| | 1000 € | Note | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|--|--------|------|-----------------|-----------------|
| Net sales | | 1 | 31,189 | 29,136 |
| Change in inventory of finished goods and work in progress | | | 640 | 139 |
| Other operating income | | 2 | 73 | 57 |
| Materials and services | | 3 | -14,603 | -13,301 |
| Personnel expenses | | 4, 5 | -7,763 | -7,733 |
| Depreciation and impairment | | | -1,263 | -1,075 |
| Other operating expenses | | 6 | -4,881 | -4,338 |
| Operating profit | | | 3,393 | 2,885 |
| Financial income | | 7 | 0 | 0 |
| Financial expenses | | 7 | -136 | -122 |
| Profit before tax | | | 3,257 | 2,763 |
| Income tax | | 8 | 683 | 481 |
| Profit for the period | | | 3,940 | 3,244 |
| <i>Other comprehensive income</i> | | | | |
| Items that will not be reclassified to profit or loss | | | | |
| Remeasurements of defined benefit pension plans | | | 50 | -13 |
| Income tax relating these items | | | -8 | 0 |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Currency translation differences | | | -2 | 0 |
| Other comprehensive income for the period, net of tax | | | 40 | -12 |
| Total comprehensive income | | | 3,979 | 3,232 |
| Earnings per share (EPS) | | | | |
| 9 | | | | |
| Basic EPS | | | 0.59 | 0.49 |
| Diluted EPS | | | 0.59 | 0.49 |

CONSOLIDATED BALANCE SHEET

| Assets | 1000 € | Note | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---------------|----------------|----------------------|----------------------|
| Non-current assets | | | | |
| Intangible assets | | 10 | 3,260 | 3,281 |
| Property, plant and equipment | | 11 | 5,607 | 4,941 |
| Right-of-use assets | | 12 | 1,333 | 0 |
| Financial assets at fair value through profit or loss | | | 15 | 15 |
| Deferred tax assets | | 8 | 4,673 | 3,985 |
| Total non-current assets | | | 14,888 | 12,222 |
| Current assets | | | | |
| Inventories | | 14 | 3,321 | 2,332 |
| Short-term receivables | | 15 | 8,937 | 8,714 |
| Cash and bank deposits | | 16 | 2,382 | 2,565 |
| Total current assets | | | 14,639 | 13,611 |
| Total assets | | | 29,527 | 25,833 |
| Equity and liabilities | | | | |
| Equity | | 27 | | |
| Share capital | | | 1,000 | 1,000 |
| Reserve for invested unrestricted equity | | | 4,534 | 4,504 |
| Remeasurements of defined benefit pension plans | | | -12 | -53 |
| Retained earnings | | | 12,574 | 9,436 |
| Total equity | | | 18,096 | 14,888 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Long-term financing loans | | 13, 17, 18 | 3,227 | 3,253 |
| Lease liabilities | | 12, 13, 17, 18 | 1,099 | 1,007 |
| Employee benefits and remeasurements of defined pension plans | | 5 | 355 | 424 |
| Other non-current liabilities | | 13, 17 | 0 | 5 |
| Deferred tax liabilities | | 8 | 25 | 21 |
| Current liabilities | | | | |
| Short-term financing loans | | 17 | 1,035 | 843 |
| Lease liabilities | | 17 | 451 | 327 |
| Trade and other payables | | 13, 17 | 5,239 | 5,064 |
| Total equity and liabilities | | | 29,527 | 25,833 |

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

1 000 €

| | Share capital | Reserve for invested unrestricted equity | Remeasurements of defined pension plans | Translation differences | Retained earnings | Total equity |
|--|---------------|--|---|-------------------------|-------------------|---------------|
| Balance at Jan. 1, 2019 | 1,000 | 4,504 | -53 | 4 | 9,432 | 14,888 |
| Comprehensive income | | | | | | |
| Comprehensive income for the period | | | | | 3,940 | 3,940 |
| <i>Other comprehensive income for the period, net of tax</i> | | | | | | |
| <i>Remeasurements of defined benefits plans</i> | | | 41 | | | 41 |
| Translation differences | | | | -2 | | -2 |
| Total comprehensive income for the period | 0 | 0 | 41 | -2 | 3,940 | 3,979 |
| Business transactions with owners | | | | | | |
| Dividends paid | | | | | -800 | -800 |
| Share-based payment | | 29 | | | | 29 |
| Business transactions with owners, total | 0 | 29 | 0 | 0 | -800 | -770 |
| Balance at Dec. 31, 2019 | 1,000 | 4,534 | -12 | 2 | 12,572 | 18,096 |
| Balance at Jan. 1, 2018 | 1,000 | 4,478 | -41 | 4 | 6,655 | 12,096 |
| Comprehensive income | | | | | | |
| Comprehensive income for the period | | | | | 3,244 | 3,244 |
| <i>Other comprehensive income for the period, net of tax</i> | | | | | | |
| <i>Remeasurements of defined benefits plans</i> | | | -13 | | | -13 |
| Translation differences | | | | 0 | | 0 |
| Total comprehensive income for the period | | | -13 | 0 | 3,244 | 3,232 |
| Business transactions with owners | | | | | | |
| Dividends paid | | | | | -467 | -467 |
| Share-based payment | | 26 | | | | 26 |
| Business transactions with owners, total | | 26 | | | -467 | -440 |
| Balance at Dec. 31, 2018 | 1,000 | 4,504 | -53 | 4 | 9,432 | 14,888 |

CONSOLIDATED CASH FLOW STATEMENT

| | 1000 € Note | Dec. 31, 2019 | Dec. 31, 2018 |
|---|-------------|---------------|---------------|
| Cash flow from operating activities | | | |
| Profit for the period | | 3,940 | 3,244 |
| Adjustments | | | |
| Non-cash transactions | 21 | 1,405 | 1,244 |
| Other adjustments | 21 | -747 | -515 |
| Change in working capital | 21 | -159 | -1,794 |
| Interest income | | 0 | 0 |
| Interest expenses | | -151 | -138 |
| Taxes | | -1 | -3 |
| Net cash flow from operating activities | | 4,287 | 2,039 |
| Cash flow from investing activities | | | |
| Investments in property, plant and equipment | | -3,548 | -3,357 |
| Proceeds from sale of property, plant and equipment | | 66 | 34 |
| Net cash flow from investing activities | | -3,482 | -3,323 |
| Net cash flow before financing | | 805 | -1,284 |
| Cash flow from financing activities | | | |
| Loans drawn down | | 1,000 | 4,556 |
| Loans repaid | | -828 | -339 |
| | | -356 | -286 |
| Dividends paid | | -800 | -467 |
| Net cash flow from financing activities | | -983 | 3,465 |
| Change in cash and cash equivalents | | -179 | 2,181 |
| Cash and cash equivalents at the beginning of period | 16 | 2,565 | 384 |
| Effects of exchange rate changes on cash and cash equivalents | | -5 | |
| Cash and cash equivalents at the end of period | 16 | 2,382 | 2,565 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANY INFORMATION

The Aspocomp Group sells and manufactures PCBs. Aspocomp's products are used in the electronics industry, for instance, in telecommunications networks, automobiles and many types of industrial applications.

The Group's parent company is Aspocomp Group Plc. The parent company is domiciled in Helsinki and its registered address is Keilaranta 1, 02150 Espoo, Finland.

Copies of the consolidated financial statements are available on the company's Internet site at www.aspocomp.com/reports and from the parent company's head office.

On March 9, 2020, the Board of Directors of Aspocomp Group Plc. approved these financial statements for publication. Pursuant to the Finnish Companies Act, shareholders have the right to either adopt or reject the financial statements at the General Meeting held after their publication. The General Meeting also has the right to revise the financial statements.

ACCOUNTING PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

The financial statements for 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with the international accounting standards (IAS/IFRS) in force at December 31, 2019 as well as SIC and IFRS interpretations. In the Finnish Accounting Act and the regulations based on it, International Financial Reporting Standards refer to the standards and the interpretations that are issued regarding them that have been approved for application within the EU in accordance with the procedure prescribed in Regulation (EC) 1606/2002. The notes to the consolidated financial statements are also in accordance with Finnish accounting and company legislation.

The figures in the financial statements are presented in thousands of euros.

New and revised standards adopted by the Group

IFRS 16 Leases (application from January 1, 2019)

The new standard replaces IAS 17 and its interpretations. Above all, IFRS 16 provides guidance for the lessee and defines principles for the accounting treatment of a rental agreement as an asset and a liability (lease obligation). In the income statement, the cost of rental agreements will be presented as depreciations and financial expenses instead of rental expenses.

Until December 31, 2018, machinery leases whereby the Group, as lessee, held substantially all the risks and rewards of ownership were classified as finance leases. Assets acquired under finance leases were recognized in the balance sheet at the fair value of the leased asset at the commencement of the lease term or the present value of minimum lease payments, whichever was lower. The asset acquired under a finance lease was depreciated over the useful life of the asset or shorter lease term. Lease payments payable were divided into finance costs and debt reduction during the lease so that the same amount of interest is charged on outstanding debt for the financial year.

When IFRS 16 was adopted, lease liabilities were recognized for contracts classified as "operating leases" under IAS 17. The Group adopted a simplified approach to the adoption of the standard and consequently does not restate comparative information in its reporting. The lease liability is determined at the present value of the outstanding lease payments at the incremental rate at the date of application. The weighted average interest rate applied to the lessee's additional loan as at January 1, 2019 was 2.9 percent. The Group does not have any right-of-use assets that meet the definition of an investment property and does not have finance leases where it is the lessor.

First-time application of IFRS 16 employs the following practical means permitted by the standard: Low-value or short-term leases of less than or equal to 12 months are treated as short-term leases. Applying a single discount rate to a portfolio of leases with similar characteristics.

For leases previously classified as finance leases, the carrying amount of the leased asset and liability immediately prior to transition was recognized as the carrying amount of the right-of-use asset and lease liability at the date of transition. The valuation principles of IFRS 16 have been applied only after that date.

For the Group, the right-of-use assets recognized in the balance sheet as of January 1, 2019 consisted mainly of machinery, leased cars, and land. As a significant part of the Group's right-of-use assets consisted of machinery leases, which had already been treated as finance leases prior to implementation, the impact of the standard is not expected to be significant for the Group's key figures. In the balance sheet, lease liabilities are presented as non-current and current interest-bearing liabilities (see Note 11 Right-of-use assets).

LEASES

| | 1000 € | 2019 |
|---|--------|-------|
| Financial leasing debts December 31, 2018 | | 1335 |
| Liabilities related to operating leases December 31, 2018 | | 329 |
| Discounted by the lessee's additional loan at the time of application | | 253 |
| Short-term leases not recognized as a liability are deducted | | -85 |
| Contractual debt recognized as of January 1, 2019 | | 1,503 |

IFRIC 23 Income Tax Treatment Uncertainty (effective for annual periods beginning on or after January 1, 2019). The interpretation applies to the accounting for income taxes when the tax treatment contains uncertainty that affects the application of IAS 12. The main question is whether the tax authority approves the tax treatment chosen by the Group. In making this assessment, it is assumed that the tax authorities have at their disposal all relevant information to assess the tax treatment presented. The interpretation will not have a material impact on the consolidated financial statements.

The other IFRSs or IFRIC interpretations that have been published but have not yet come into effect are not expected to have a material impact on the Group.

Accounting principles

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated when control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized through profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, receivables, liabilities and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Segment reporting

Operating segments are reported in a manner consistent with internal reporting to the chief operative decision-maker. Aspocomp Group Plc.'s Board of Directors is the chief operative decision-maker responsible for the allocation of resources to the operating segments and the assessment of their results. The Aspocomp Group's business operations comprise a single operating segment. The Board of Directors monitors unadjusted net sales, operating result and profit/loss for the period in accordance with IFRS.

Recognition policies

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. 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 manufactures and provides high-tech PCB trading services for the electronics industry. Aspocomp's net sales are based mainly on product sales. Revenues from these sales are recognized in accordance with the terms of delivery at the point in time the products and the control of the products are transferred to the customer. Consignment stock arrangements have been made with certain customers, in which revenues are recognized when the product arrives at the warehouse. In freight and

handling services related to product delivery, the Group acts as principal and recognizes the service at the same time as the products are delivered to the customer.

The payment period for the products sold is typically 14 to 60 days, so the sale is not considered to include a financing component.

Divided income

Dividend income is recognized when the right to receive payment is established.

Conversion of items denominated in currencies other than the euro

Foreign currency transactions

The consolidated financial statements are presented in euros, the functional and presentation currency of the parent company. Foreign currency transactions are converted to euros using the exchange rates on the date of the transaction in question. Receivables and liabilities denominated in a foreign currency are converted to euros using the rates on the closing date. The resulting exchange differences are recorded in the income statement such that exchange differences on business transactions are included in operating profit and exchange differences due to financial assets and liabilities are presented in financial items.

Conversion of the financial statements of foreign subsidiaries

The income statements of foreign subsidiaries have been converted to euros at the average rate for the financial period and the balance sheets at the rate on the closing date. Translation differences due to the use of the average rate and the rate on the closing date are recognized in the Group's shareholders' equity.

Translation differences arising from eliminations of the acquisition cost of foreign subsidiaries and the translation of equity items accumulated after acquisition are recognized in shareholders' equity. When a subsidiary is sold in full or in part, the accumulated translation differences are recognized in the income statement as capital gains or losses.

Share-based payments

The Group has two share-based commitment and incentive plans for management and key employees, a share reward plan and option scheme.

In the share reward plan, payments are made partly in the form of shares in the company and partly in cash. The benefits granted under this plan are measured at fair value at the time when they are granted and are recognized in the income statement as employee benefit expenses in even instalments over the earnings and commitment period. The shares are subject to a 36-month lockup period.

Share options are measured at fair value at the grant date and expensed on a straight-line basis over the commitment period. The counter-item is recognized in retained earnings. The expenditure determined at the option grant date is based on the Group's estimate of the number of options expected to vest at the end of the commitment period. The Group updates the estimate of the final number of options at each balance sheet date. Any movements in estimates are recorded in the income statement. The fair value of options has been calculated using the Black-Scholes option pricing model.

When option rights are exercised, the payments received from the subscription of shares, adjusted for possible transaction costs, are recognized in the shareholders' equity. Assets from share subscriptions based on the option arrangements decided upon after the new Companies Act became effective are recognized in the invested non-restricted equity fund in accordance with the conditions of the arrangements, with adjustments for possible transaction costs.

More information on share-based payments is provided in Note 25.

Employee benefits

Pension liabilities

In the consolidated financial statements, pension schemes in different countries are classified as defined contribution or defined benefit schemes. In defined contribution schemes, the Group makes fixed payments to a separate unit. The Group does not have a legal or constructive obligation to make additional payments if the recipient cannot pay the pension benefits in question. All such schemes that do not fulfill these conditions are considered to be defined benefit schemes. Payments for defined contribution schemes have been recorded in the income statement for the period to which the payment pertains.

The Group has pension schemes that have been classified as defined contribution or defined benefit schemes. In defined contribution schemes, payments have been recorded in the income statement for the period to which the payment pertains.

In a defined benefit scheme, the commitment to be recognized as a liability is the net amount of the present value of the pension liabilities on the closing date and the fair value of assets adjusted by the non-depreciated part of the obligation based on unrecognized retroactive work performance. The pension liability is calculated by independent actuarial mathematicians based on the amount of the predicted pension liability by applying the projected unit credit method; the liability is discounted to the present value of future cash flows at an interest rate corresponding to the interest on high-quality bonds issued by the company. Pension costs are recognized as expenses in the income statement over the service years of personnel. Actuarial gains and losses are recognized in the statement of comprehensive income.

Long service rewards

Long service reward schemes at the Group's different units have been classified as defined benefit schemes as set out in IAS 19 and the related commitments have been recorded as liabilities in the balance sheet. When calculating liabilities deriving from the long service reward schemes, the following parameters have been used: turnover of personnel, average increase in salaries and the average annual pay of personnel. The liabilities have been discounted to their present value. Changes in the estimated values of the commitments are recognized in the income statement.

Operating profit/loss

The IAS 1 standard Presentation of Financial Statements does not include a definition of operating profit/loss. The Group has defined it as follows: operating profit/loss is the net sum remaining after other operating income is added to net sales, less purchasing costs (adjusted for the change in inventories of finished goods and work in progress and the expenses incurred from production for own use) and less expenses, depreciation and impairment losses caused by employee benefits and less other operating expenses. All other items are presented below operating profit/loss. Exchange rate differences are included in operating profit/loss if they arise from business-related items; otherwise they are recognized in financial items.

Income taxes

Taxes on the Group companies' financial results for the period, adjustments of taxes from previous periods and the change in deferred taxes are recorded as the Group's taxes. The deferred tax asset or liability is calculated on all temporary differences between carrying amounts and taxable values, applying the tax rates confirmed on the closing date. Deferred tax assets are recognized from confirmed losses by applying the average result for the past four financial years, to the future financial years in which losses confirmed in taxation can be used. Deferred tax assets arising from acquisition costs that have not been deducted in taxation are recognized in full in undeducted acquisition costs at the end of the reported financial year.

Deferred tax is not recognized on the undistributed profits of subsidiaries when it is probable that the temporary difference will not be dissolved in the foreseeable future.

Intangible assets

Goodwill

Goodwill represents the share of the acquisition cost exceeding the Group's share at the moment of acquisition of the fair value of the itemizable net assets of an acquired subsidiary. Goodwill from the acquisition of subsidiaries is included in intangible assets. For impairment testing, it is allocated to cash-generating units. Goodwill is tested for impairment annually and is recognized in the balance sheet at acquisition cost less impairment losses. An impairment loss on goodwill is not reversed. The carrying amount of goodwill related to a sold company has an effect on the capital gains or losses.

Research and development expenditure

The company does not engage in actual product development. Research and development expenditure represent general development of the production process that cannot be directly allocated to any customer order, but which does not fulfill the capitalization criteria of IAS 38. The company no longer engages in PCB technology-related research and development that would be directly connected to customer projects and which would therefore be capable of independently generating income. The company cannot separate the research phase from the development phase, and it does not engage in actual product development, and thus treats all production process-related expenditure as expenditure on the research phase (IAS 38.53).

Software

Purchased software is recorded in the balance sheet at the original cost less accumulated amortization and impairment, if any.

Intangible rights

Intangible assets with limited useful lives are recorded in the balance sheet at the original cost less accumulated amortization and impairment, if any.

The estimated useful lives of intangible assets are:

- Intangible rights 3 years
- Other intangible assets 5 - 10 years.

Property, plant and equipment and right-of-use assets

Property, plant and equipment are measured at original cost less accumulated depreciation and impairment. Property, plant and equipment are depreciated on a straight-line basis in accordance with the estimated useful life.

If the asset consists of several parts with different useful lives, each part is treated as a separate asset. In this case the costs arising from renewal of the part are capitalized and the remainder is expensed. Other costs are treated as property, plant and equipment only when the economic benefits relating to these assets are probable and when the acquisition cost can be defined reliably. Other repair and maintenance costs are recognized in the income statement as they arise.

The estimated useful lives of property, plant and equipment are:

- Buildings and structures 15 - 30 years
- Machinery and equipment 3 - 8 years
- Other tangible assets 5 - 10 years
- Land and water leased 20 - 22 years.

The residual value of the assets and their useful lives are reviewed at least at each balance sheet date and, if necessary, adjusted to reflect changes in their expected economic benefits.

Gains and losses resulting from derecognition of property, plant and equipment are entered under other operating income or expenses.

Impairment of tangible and intangible assets

The Group assesses asset items annually for indications of impairment. If there are such indications, the recoverable amount of said asset item is estimated and then compared with the carrying amount of the asset item in question. In addition, the recoverable amounts of goodwill are assessed annually.

Impairment is examined at the level of cash-generating units - that is, at the lowest unit level that is primarily independent of other units and whose cash flows can be separated out from other cash flows.

The recoverable amount is the higher of the fair value of the asset less disposal costs or the value in use. The value in use is the estimated future net cash flow of the asset or cash-generating unit discounted to its present value. The discount interest rate used is determined before taxes and describes the market outlook for the time value of money and the special risks associated with the asset item to be tested.

An impairment loss is recognized if the carrying amount of the asset item is higher than its recoverable amount. An impairment loss on an item other than goodwill is reversed if the situation changes and the recoverable amount of the asset has changed since the date of impairment loss recognition. An impairment loss on goodwill is not reversed.

Presentation of asset grants

Government grants are deducted in determining the carrying amount of an asset. The grant is recognized in profit or loss in the form of a decrease in depreciation during the useful life of the asset.

Inventories

Inventories are measured at the lower of the acquisition cost or probable net realizable value. The acquisition cost is determined using the FIFO method. The value of finished and work-in-progress inventories includes variable costs and a share of the fixed costs of purchasing and manufacturing.

Financial assets and financial liabilities

Financial assets

The Group's financial assets are classified in the following categories: "Financial assets at fair value through other comprehensive income" and "Financial assets at fair value through profit or loss". Initial recognition is performed on the basis of the usage of the financial assets at the time of acquisition.

All purchases and sales of financial assets are booked on the transaction date. Financial assets are derecognized from the balance sheet when the Group has lost its contractual rights to their cash flows, or when the Group has substantially transferred the risks and rewards out of the Group.

Loans and Other Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not held for trading. Recognition is based on amortized cost. They are presented under Loans and Other Receivables in the balance sheet as non-current assets if they fall due after a period exceeding 12 months. Otherwise they are presented as current assets under "Short-term Receivables".

Financial assets at fair value through profit or loss are those non-derivative financial assets that are designated as available for sale or are not classified in any other group. They are included in non-current assets, unless the intention is to keep them less than 12 months from the closing date; if that is the case, they are recognized as current assets. Changes in fair value are transferred to the income statement when the investment is sold or when its value has declined such that an impairment loss must be recorded. Financial assets at fair value through profit or loss during the disclosed periods only include investments in unquoted shares whose acquisition cost is substantially equal to their fair value (based on, for instance, recent transactions). The markets for said shares are inactive and the Group does not intend to divest itself of these shares in the near future.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits. Cash and cash equivalents have a maximum maturity of three months from the date of acquisition.

Financial liabilities

Group's financial liabilities are classified in the groups "Accounts payable," "Other short-term payables," "Loans," "Factoring dept," "Lease liabilities" and "Derivative financial instruments".

Transaction costs are included in financial liabilities' initial carrying amount. Later all financial liabilities are recognized at amortized cost. The difference between the money received (less transaction costs) and the amount to be repaid is entered in the income statement using the effective interest method over the loan period. Financial liabilities are included in non-current and current liabilities.

All financial liabilities are booked in the balance sheet when the company becomes a contractual party in said financial liabilities. Financial liabilities are derecognized when the obligation specified in the contract has been discharged or cancelled or has expired.

When the terms of financial liabilities are renegotiated and the terms change substantially, the renegotiated liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are considered to be substantially different if the present value of the discounted cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the present value of the remaining discounted cash flows of the original financial liability. The difference between the carrying amount of the new financial liability and the original financial liability is recognized through profit or loss in financial income or expenses. If the change in the terms of the liability is not substantial, and said change is not accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, then the carrying amount of the liability is adjusted with the resulting costs and fees, which are recognized as expenses over the remaining maturity of the liability whose terms have been revised.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A substantial or long impairment of share investments, in which their value declines below their acquisition cost, indicates the impairment of an equity instrument classified as a financial asset at fair value through profit or loss. If there is evidence of impairment, the loss accumulated in the fair value reserve is transferred into the income statement.

The Group recognizes an impairment loss on accounts receivable if there is objective evidence that the receivables cannot be collected in full. The major financial difficulties of the debtor, the probability of bankruptcy, delinquent payments or significant delays in payments constitute evidence of the impairment of accounts receivable. The amount of the impairment loss recognized in the income statement is measured as the difference between the carrying amount of the receivables and the present value of estimated future cash flows discounted at the effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The amount of the reversal shall be recognized in profit or loss.

Derivative financial instruments and interest rate risk hedging

The Group has not implemented hedge accounting. All derivative financial instruments are recognized initially at fair value and they are recognized in profit or loss. Forward foreign exchange contracts are valued at fair value using the market prices of forward contracts on the closing date. Derivatives are included in the balance sheet in other assets and liabilities. Realized and unrealized gains and losses arising from changes in fair value are recognized in the income statement under financial income and expenses in the period in which they arise. The fair value of interest rate swaps is determined using a method based on the present value of future cash flows. Fair value is the amount that the Group would receive or pay to terminate the derivative contract.

Shareholders' equity

Outstanding shares are presented as share capital. Costs related to issuing or acquiring own equity instruments are disclosed as items reducing shareholders' equity. The acquisition costs of equity instruments that have been bought back have been deducted from shareholders' equity.

Provisions

Provisions are recognized when the Group incurs, due to a previous event, a legal or constructive obligation whose settlement will probably require payment whose amount can be estimated reliably. Provisions are recognized at the present value of these obligations.

A provision for restructuring is recognized when the Group has prepared a detailed restructuring plan and restructuring has either commenced or the plan has been announced in an appropriate manner. No provisions are recognized for the costs of the Group's continuing operations.

A provision is recognized for a loss-making contract when the expenditure required to meet the obligations exceeds the benefits received from the contract. Environmental provisions are recorded when the Group has a present obligation under environmental legislation or the Group's environmental responsibility principles related to the decommissioning of a production plant, environmental rehabilitation and restoration, or relocating equipment.

Accounting principles requiring judgments by management and key sources of estimation uncertainty

When preparing financial statements, estimates and assumptions about the future must be made, and actual results may differ from these estimates and assumptions. If the actual results differ from the estimates and assumptions, this may affect the carrying amounts of assets and liabilities as well as the income and expenses for the financial period. Management must also exercise judgment in the application of accounting principles. The management has considered that the continuity of operations does not involve significant uncertainty. Additional information on risks and business continuity is presented in Note 27.

Accounting estimates and assumptions

The estimates made when preparing the financial statements are based on management's best assessment on the balance sheet date. The estimates are based on historical experiences and assumptions at the balance sheet date regarding matters such as the most probable future development of the Group's financial operating environment with respect to net sales and cost level. The Group regularly monitors the realization of the estimates and assumptions as well as changes in their underlying factors. Any changes in estimates and assumptions are recognized both in the financial period during which said estimates and assumptions are adjusted and in all subsequent financial periods.

Goodwill impairment testing

It has been estimated that any changes in assumptions and estimates will have the greatest impact on goodwill impairment testing.

The Group tests goodwill, incomplete intangible assets, intangible assets with an unlimited useful life and tangible assets for impairment on an annual basis. In addition, the Group evaluates all balance sheet items for indications of impairment as set out in the accounting principles above. If such indications exist, said assets are tested for impairment. The recoverable amounts from cash-generating units have been defined on the basis of value in use calculations. Estimates must be used when performing these calculations (see Note 26).

The estimates required in impairment testing are related to the key assumptions used in the calculations, which are the average growth rate of net sales and the sales margin during the period covered by the cash flow forecasts used in impairment test calculations, and the discount rate used in the calculations. Net sales forecasts involve the most significant estimates.

The impairment test calculations and related assumptions are presented in Note 26.

Recognition of deferred tax assets

The deferred tax asset results mainly from slowed tax depreciation. The company decelerated its tax depreciation during the 2012-2018 tax years and will decelerate in the 2019 tax year.

Deferred tax assets are presented in Note 8.

Judgment exercised by management in the selection and application of accounting principles

In addition to estimates and assumptions concerning the future, management must also exercise judgment in the application of accounting principles. In particular, management must exercise judgment in the selection and application of accounting principles in cases where the current IFRS standards provide for alternative methods of recognition, measurement and presentation.

The major areas involving the use of estimates and assumptions are the valuation of inventories and provisions.

Inventories

The company assesses its inventories regularly to check whether the inventory amounts are larger than the actual figures, the inventory items include non-marketable assets, or the market value of inventory items has fallen below their acquisition cost and recognizes an allowance for such decreases. To this end, management must make estimates of future demand for products. Any changes in these estimates may lead to adjustments of the carrying amount of inventories in future financial periods.

More information on inventories is presented in Note 15.

Provisions

Provisions are recorded when the Group has a legal or constructive obligation on the basis of a prior event and the materialization of the payment obligation is probable. A provision for restructuring is recognized when the Group has prepared a detailed restructuring plan and the plan has been announced. The provision reflects management's best estimate of the present value of future expenditure.

Application of new or revised IFRS and IAS standards

IASB has published the following new or revised standards and interpretations that the Group has not yet adopted. The Group will adopt these standards as of the effective date of each of the standards, or if the effective date is not the first day of the reporting period, as of the beginning of the next reporting period following the effective date.

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors that use a consistent definition of materiality throughout IFRSs and the Financial Reporting Conceptual Framework, clarify when information is material, and incorporate guidance on immaterial information in IAS 1.

In particular, the amendments clarify:

- that the reference to blurring of information relates to situations where the effect is similar to the omission or misstatement of the information in question, and that the company takes into account the financial statements as a whole when assessing materiality; and
- that "primary users of general purpose financial statements" are those to whom the financial statements are addressed and are defined as "many current and potential investors, lenders, and other lenders" who are largely required to meet their financial information needs through general purpose financial statements.

The other IFRSs or IFRIC interpretations that have been published but have not yet come into effect are not expected to have a material impact on the Group.

1. NET SALES INFORMATION

The Group manufactures and provides high-tech PCB trading services for the electronics industry. Aspocomp's net sales are based solely on product sales. All revenues are recognized in accordance with the terms of delivery at a point in time the products and the control of the products is transferred to the customer. For freight and handling services related to the delivery of the products, the Group acts as principal and recognizes the service at the same time as the products are delivered to the customer.

The payment period for the products sold is typically 14 to 60 days, so the sale is not considered to include a financial contribution.

| | 1000 € | 2019 | | 2018 | |
|--------------------------------|--------|---------------|-------------|---------------|-------------|
| Net sales | | | | | |
| Telecommunication | | 13,358 | 43% | 11,328 | 39% |
| Automotive | | 7,381 | 24% | 7,924 | 27% |
| Industrial Electronics | | 4,833 | 15% | 5,304 | 18% |
| Security & Defence & Aerospace | | 2,332 | 7% | 2,522 | 9% |
| Semiconductor industry | | 3,100 | 10% | 1,960 | 7% |
| Others | | 185 | 1% | 97 | 0% |
| Total | | 31,189 | 100% | 29,136 | 100% |

Geographical areas

| | | | | | |
|---------------------------------------|--|---------------|-------------|---------------|-------------|
| Net sales by geographical area | | | | | |
| Finland | | 13,233 | 42% | 11,829 | 41% |
| Europe | | 17,403 | 56% | 16,477 | 57% |
| Other areas | | 553 | 2% | 829 | 3% |
| Total | | 31,189 | 100% | 29,136 | 100% |

2. OTHER OPERATING INCOME

| | 1000 € | 2019 | 2018 |
|-------------------------------|--------|-----------|-----------|
| Gains on sale of fixed assets | | 66 | 34 |
| Other operating income | | 8 | 22 |
| Total | | 73 | 57 |

3. MATERIALS AND SERVICES

| | 1000 € | 2019 | 2018 |
|--------------------------------------|--------|---------------|---------------|
| Purchase of materials and supplies | | 14,291 | 13,290 |
| Change in inventories | | -348 | -271 |
| Materials and services, total | | 13,943 | 13,019 |
| Outsourced services | | 660 | 282 |
| Total | | 14,603 | 13,301 |

4. PERSONNEL EXPENSES

| | 1000 € | 2019 | 2018 |
|--|--------|--------------|--------------|
| Wages and salaries | | 6,451 | 6,389 |
| Share-based rewards | | 82 | 52 |
| Other long-term employee benefits | | -21 | 9 |
| Pension costs - defined contribution plans | | 966 | 1,000 |
| Other personnel expenses | | 285 | 282 |
| Total | | 7,763 | 7,733 |
| | | | |
| Personnel, average | | 124 | 116 |
| | | | |
| Personnel at Dec. 31, 2019 | | | |
| Blue-collar | | 80 | 74 |
| White-collar | | 52 | 43 |
| Total | | 132 | 117 |

5. EMPLOYEE BENEFITS

| | 1000 € | 2019 | 2018 |
|--|--------|-----------|------------|
| Obligation at the beginning of the year | | 114 | 104 |
| Increases during the financial year | | 19 | 34 |
| Realized during the financial year | | -41 | -24 |
| Obligation at the end of the year | | 92 | 114 |

Aspocomp has a long-term employee benefit plan covering all of its employees in Finland. The plan has been terminated in 2014 and now only applies to those who have been Aspocomp's employ before January 1, 2014. The plan will expire on December 31, 2028, at the latest. The plan is by nature a so-called long service reward, where an extra payment is made to employees after they have been in Aspocomp's employ for a certain period.

5. (continues)

PENSION OBLIGATIONS

The Group has pension plans that are classified as either defined contribution plans or defined benefit plans. The contributions made to defined contribution plans are recognized as an expense in the income statement in the period in which they occur. Pensions handled through an insurance company and covered by the Statutory Employee Pensions system (TyEL) are treated as defined contribution plans.

The defined benefit plans are used in Finland. In accordance with IAS 19 the company retains the responsibility for future index and salary increases for company employees who are covered by the pension plan. The pension fund was closed down in 1999. The arrangement applied to the active employees who were covered by the Aspo Group Pension Fund on December 31, 1999.

Amounts of liabilities for defined benefit plans recognized in the balance sheet:

| | 1000 € | 2019 | 2018 |
|------------------------------|--------|-------|-------|
| Defined benefit obligation | | 1,627 | 1,588 |
| Fair value of plan assets | | 1,364 | 1,277 |
| Net liability, Dec. 31, 2019 | | 262 | 311 |

Defined benefit pension liabilities in the income statement and comprehensive income statement:

| | | | |
|--|--|-----|-----|
| Current service cost | | 4 | 4 |
| Interest cost | | 5 | 5 |
| Defined benefit expenses recognized in the income statement | | 9 | 9 |
| Changes in actuarial gains and losses | | 0 | 0 |
| Defined benefit expenses recognized in the income statement and comprehensive income statement | | 9 | 9 |
| <i>Change in net liability for defined benefit</i> | | | |
| <i>Net liability for defined benefit, Jan. 1</i> | | 311 | 298 |
| <i>Contributions paid to the fund</i> | | -16 | -9 |
| <i>Expenses recognized in the income statement</i> | | 9 | 9 |
| <i>Remeasurement gain (-)/loss included in the consolidated income statement</i> | | -41 | 13 |
| <i>Net liability for defined benefit, Dec. 31</i> | | 262 | 311 |

| <i>Acturial assumptions</i> | 2019 | 2018 |
|--------------------------------|-------|-------|
| <i>Discount rate</i> | 0.95% | 1.75% |
| <i>Future salary increase</i> | N/A | N/A |
| <i>Future pension increase</i> | 1.95% | 1.95% |

5. (continues)

Sensitivity of defined benefit obligation to changes in the weighted principal assumptions:

| <i>Assumption</i> | <i>Change in assumption</i> | <i>Impact of increase</i> | <i>Impact of decrease</i> |
|---|-----------------------------|---------------------------|---------------------------|
| <i>Discount rate</i> | 0.50% | -6.8 % | 7.4 % |
| <i>Future salary increase</i> | 0.50% | N/A | N/A |
| <i>Future pension increase</i> | 0.25% | 3.2 % | -2.9 % |
| <i>Mortality change</i> | 5.00% | -1.5 % | 1.5 % |
| | <i>Change in assumption</i> | <i>Impact of increase</i> | <i>Impact of decrease</i> |
| <i>Assumption fair value of plan assets</i> | | | |
| <i>Discount rate</i> | 0.50% | -6.2 % | 6.5 % |
| <i>Future salary increase</i> | 0.50% | N/A | N/A |
| <i>Future pension increase</i> | 0.25% | 0.0 % | 0.0 % |
| <i>Mortality change</i> | 5.00% | -1.3 % | 1.2 % |

6. OTHER OPERATING EXPENSES

| | 1000 € | 2019 | 2018 |
|--|--------|--------------|--------------|
| Rental expenses | | 91 | 203 |
| Maintenance and repair costs | | 646 | 528 |
| Energy costs | | 477 | 475 |
| Water consumption and wastewater treatment | | 139 | 86 |
| Other variable expenses of production | | 280 | 265 |
| Voluntary social costs | | 213 | 178 |
| Real estate costs | | 658 | 491 |
| Insurance charges | | 132 | 122 |
| Travel costs | | 310 | 327 |
| IT costs | | 278 | 276 |
| External services | | 678 | 498 |
| Audit fees | | 66 | 61 |
| Administration costs | | 489 | 276 |
| Other costs | | 424 | 554 |
| Total | | 4,881 | 4,337 |

| | 2019 | 2018 |
|--|-----------|-----------|
| Authorized Public Accountants' (PwC Ltd) fees | | |
| Auditing | 60 | 44 |
| Tax consultation | 0 | 0 |
| Certificates and statements | 2 | 4 |
| Other services | 4 | 12 |
| Total | 66 | 61 |

7. FINANCIAL INCOME AND EXPENSES

| | 1000 € | 2019 | 2018 |
|---|--------|------------|-------------|
| Income | | | |
| Interest income on loans and other receivables | | 0 | 0 |
| Total financial income | | 0 | 0 |
| Expenses | | | |
| Interest expenses on bank loans and overdrafts | | 124 | 119 |
| Changes in the value of derivative instruments recognized at fair value through profit or loss | | 12 | 3 |
| Total financial expenses | | 136 | 122 |
| Total financial income and expenses | | 136 | -122 |

8. INCOME TAXES

| | 1000 € | 2019 | 2018 |
|--|--------|-------------|-------------|
| Current income tax | | | |
| Current income tax for the year | | -1 | -3 |
| Current income tax for previous years | | 0 | 0 |
| Deferred income tax | | 684 | 484 |
| Total current income tax | | 683 | 481 |
| <i>A reconciliation of the income tax expense computed at statutory rates and income tax expense recorded in the income statement.</i> | | | |
| Profit before tax | | 3209 | 2763 |
| Taxes at Finnish statutory tax rate 20.0% | | -642 | -548 |
| Different tax rates of foreign subsidiaries | | 1 | 2 |
| Non-deductible expenses | | -1 | 0 |
| Deferred tax assets on other temporary differences | | 1,325 | 1,027 |
| Total income tax expense | | 683 | 481 |

The taxable income of the Group companies for 2019 was EUR 4,378 thousand. If the result for 2019 is confirmed in taxation, the total amount of confirmed losses would be EUR 925 thousand and they would expire in 2019-2025. After the taxes for 2018 have been confirmed, the remaining losses amount to EUR 5,296.

Foreign subsidiaries do not have significant distributable funds.

| | 1000 € | |
|---|---------------|------------------|
| Confirmed tax losses | Losses | Expire in |
| for 2009 | 4,044 | 2019 |
| for 2010 | 757 | 2020 |
| for 2014 | 377 | 2024 |
| for 2015 | 119 | 2025 |
| | 5,296 | |
| Deferred income taxes | 2019 | 2018 |
| Deferred income tax liabilities | | |
| - Deferred income tax liabilities due after 12 months | 0 | 0 |
| - Deferred income tax liabilities due within the next 12 months | 25 | 21 |
| | 25 | 21 |
| Deferred income tax assets | | |
| - Deferred income tax assets due after 12 months | 3,985 | 3,501 |
| - Deferred income tax assets due within the next 12 months | 687 | 484 |
| | 4,672 | 3,985 |
| Deferred income tax (net) | 4,647 | 3,964 |

8. (continues)

1000 €

Deferred tax assets and liabilities during the financial year are shown below without offsetting them against each other.

| Deferred income tax liability | Others | Total |
|---|---------------|--------------|
| Jan. 1, 2018 | 21 | 21 |
| Recognized in net profit for the year | 0 | 0 |
| Recognized in comprehensive income for the year | | 0 |
| Recognized directly in equity | | 0 |
| Dec. 31, 2018 | 21 | 21 |
| Recognized in net profit for the year | 4 | 4 |
| Recognized in comprehensive income for the year | | |
| Recognized directly in equity | | |
| Dec. 31, 2019 | 25 | 25 |

| Deferred income tax assets | From decelerated tax depreciation | Confirmed losses | Employee benefits | Others | Total |
|---|--|-------------------------|--------------------------|---------------|--------------|
| Jan. 1, 2018 | 3,323 | 0 | 80 | 98 | 3,501 |
| Recognized in net profit for the year | 476 | | 4 | 4 | 484 |
| Recognized in comprehensive income for the year | | | | | 0 |
| Recognized directly in equity | | | | | 0 |
| Unrecognized portion of the change | | | | | 0 |
| Dec. 31, 2018 | 3,799 | 0 | 85 | 102 | 3,985 |
| Recognized in net profit for the year | 497 | 185 | -14 | 20 | 688 |
| Recognized in comprehensive income for the year | | | | | |
| Recognized directly in equity | | | | | |
| Unrecognized portion of the change | | | | | |
| Dec. 31, 2019 | 4,295 | 185 | 71 | 122 | 4,673 |

The deferred tax asset results mainly from the slowed tax depreciation. The company decelerated its tax depreciation during 2013-2018 tax years. In the 2019 tax year, the company will decelerate depreciation to a total of about EUR 21.5 million, resulting in deferred tax assets of about EUR 4,295 thousand under the current 20.0% corporate tax rate.

9. EARNINGS PER SHARE

| | 1000 € | 2019 | 2018 |
|--|--------|-------|-------|
| (a) Basic earnings per share | | | |
| Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of shares during the year. | | | |
| Profit attributable to equity holders of the company | | 3,939 | 3,244 |
| Weighted average number of shares (1,000) | | 6,692 | 6,667 |

(b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding such that all dilutive potential shares are considered to be traded shares. There were no diluting effects in 2019 and 2018.

10. INTANGIBLE ASSETS

| 1000 € | Intangible rights | Group goodwill | Total |
|---|----------------------|-------------------|--------------|
| Acquisition cost at Jan. 1, 2019 | 702 | 3,000 | 3,702 |
| Increase | 73 | 0 | 73 |
| Decrease | -171 | 0 | -171 |
| Transfers between lines | 0 | 0 | 0 |
| Acquisition cost at Dec. 31, 2019 | 604 | 3,000 | 3,604 |
| Total accumulated depreciation and impairment Jan. 1, 2019 | 421 | 0 | 421 |
| Accumulated depreciation of decreases and transfers | -170 | 0 | -170 |
| Depreciation for the year | 92 | 0 | 92 |
| Total accumulated depreciation and impairment Dec. 31, 2019 | 344 | 0 | 344 |
| Book value Dec. 31, 2019 | 260 | 3,000 | 3,260 |
| Acquisition cost at Jan. 1, 2018 | 599 | 3,000 | 3,599 |
| Increase | 103 | 0 | 103 |
| Decrease | 0 | 0 | 0 |
| Transfers between lines | 0 | 0 | 0 |
| Acquisition cost at Dec. 31, 2018 | 702 | 3,000 | 3,702 |
| Total accumulated depreciation and impairment Jan. 1, 2018 | 332 | 0 | 332 |
| Accumulated depreciation of decreases and transfers | 0 | 0 | 0 |
| Depreciation for the year | 90 | 0 | 90 |
| Total accumulated depreciation and impairment Dec. 31, 2018 | 421 | 0 | 421 |
| Book value Dec. 31, 2018 | 281 | 3,000 | 3,281 |

The principles of the impairment testing of goodwill are presented in Note 26.

11. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

| 1000 € | Land and water areas | Buildings and structures | Machinery and equipment | Advances | Total |
|---|----------------------------|--------------------------------|-------------------------------|--------------|---------------|
| Acquisition cost at Jan. 1, 2019 | 0 | 1,248 | 16,053 | 917 | 18,218 |
| Increase | 168 | 161 | 2,297 | 1,283 | 3,909 |
| Decrease | 0 | 0 | -969 | 0 | -969 |
| Transfers between lines | 0 | 0 | 740 | -740 | 0 |
| Acquisition cost at Dec. 31, 2019 | 168 | 1,409 | 18,120 | 1,461 | 21,158 |
| Total accumulated depreciation and impairment Jan. 1, 2019 | 0 | 62 | 13,215 | 0 | 13,277 |
| Accumulated depreciation of decreases and transfers | 0 | 0 | -230 | 0 | -230 |
| Depreciation for the year | 8 | 87 | 1,076 | 0 | 1,171 |
| Total accumulated depreciation and impairment Dec. 31, 2019 | 8 | 150 | 14,061 | 0 | 14,218 |
| Book value Dec. 31, 2019 | 160 | 1,260 | 4,059 | 1,461 | 6,939 |
| Acquisition cost at Jan. 1, 2018 | 0 | 0 | 15,216 | 88 | 15,304 |
| Increase | 0 | 1,248 | 1,189 | 917 | 3,354 |
| Decrease | 0 | 0 | -440 | 0 | -440 |
| Transfers between lines | 0 | 0 | 88 | -88 | 0 |
| Acquisition cost at Dec. 31, 2018 | 0 | 1,248 | 16,053 | 917 | 18,218 |
| Total accumulated depreciation and impairment Jan. 1, 2018 | 0 | 0 | 12,732 | 0 | 12,732 |
| Accumulated depreciation of decreases and transfers | 0 | 0 | -440 | 0 | -440 |
| Depreciation for the year | 0 | 62 | 923 | 0 | 986 |
| Total accumulated depreciation and impairment Dec. 31, 2018 | 0 | 62 | 13,215 | 0 | 13,277 |
| Book value Dec. 31, 2018 | 0 | 1,186 | 2,838 | 917 | 4,941 |

12. RIGHT-OF-USE ASSETS

Property, plant and equipment include property, plant and equipment where the Group is the lessee under IFRS 16.

| 1000 € | Land and water areas | Machinery and equipment | Total |
|---|-------------------------|----------------------------|--------------|
| Acquisition cost at Jan. 1, 2019 | 0 | 1,813 | 1,813 |
| Increase | 168 | 404 | 572 |
| Decrease | 0 | 0 | 2,385 |
| Acquisition cost at Dec. 31, 2019 | 168 | 2,217 | 2,385 |
| Total accumulated depreciation and impairment Jan. 1, 2019 | 0 | 679 | 679 |
| Accumulated depreciation of decreases and transfers | 0 | 0 | 0 |
| Depreciation for the year | 8 | 365 | 373 |
| Total accumulated depreciation and impairment Dec. 31, 2019 | 8 | 1,045 | 1,052 |
| Book value Dec. 31, 2019 | 160 | 1,172 | 1,333 |
| Acquisition cost at Jan. 1, 2018 | 0 | 0 | 0 |
| Increase | 0 | 0 | 0 |
| Decrease | 0 | 0 | 0 |
| Acquisition cost at Dec. 31, 2018 | 0 | 0 | 0 |
| Total accumulated depreciation and impairment Jan. 1, 2018 | 0 | 0 | 0 |
| Accumulated depreciation of decreases and transfers | 0 | 0 | 0 |
| Depreciation for the year | 0 | 0 | 0 |
| Total accumulated depreciation and impairment Dec. 31, 2018 | 0 | 0 | 0 |
| Book value Dec. 31, 2018 | 0 | 0 | 0 |

From 2019 leased assets are presented as a separate line item in the balance sheet.

LEASES

On December 31, 2018, the leased machines included assets leased under a finance lease as follows:

| | 1000 € | 2019 | 2018 |
|--------------------------|--------|----------|--------------|
| Leased equipment | | | |
| Acquisition cost | | 0 | 1,813 |
| Accumulated depreciation | | 0 | -679 |
| Total | | 0 | 1,134 |

Finance leases have been reclassified to property, plant and equipment in 2019.

| | 1000 € | 2019 |
|---------------------------------------|--------|--------------|
| Financial lease agreements 31.12.2018 | | 1,335 |
| Short term 1.1.2019 | | 327 |
| Long term 1.1.2019 | | 1,007 |
| Total | | 1,335 |
| Lease liabilities 31.12.2019 | | |
| Short term | | 451 |
| Long term 1.1.2019 | | 1,099 |
| Total | | 1,551 |

13. FINANCIAL ASSETS AND LIABILITIES

| 1000 € | 2019 | 2018 |
|---|---------------|---------------|
| Financial assets | | |
| Financial assets at amortized cost | | |
| Accounts receivable | 7,969 | 8,151 |
| Other cash and cash equivalents at amortized cost | | |
| Cash and cash equivalents | 2,382 | 2,565 |
| Shares | 15 | 15 |
| Total | 10,366 | 10,731 |

| 1000 € | 2019 | 2018 |
|--|---------------|---------------|
| Financial liabilities | | |
| Liabilities at amortized cost | | |
| Trade and other payables | 5,239 | 5,064 |
| Loans | 4,253 | 4,080 |
| Factoring debt | 2 | 2 |
| Lease liabilities (Financial leasing debts 2018) | 1,551 | 1,335 |
| Derivative financial instruments (not in hedge accounting) | 6 | 19 |
| Total | 11,051 | 10,500 |

14. INVENTORIES

| 1000 € | 2019 | 2018 |
|---------------------------|--------------|--------------|
| Materials and supplies | 2,085 | 1,736 |
| Work in progress | 844 | 495 |
| Finished goods | 392 | 101 |
| Total | 3,321 | 2,332 |
| Write down of inventories | 107 | 109 |

15. SHORT-TERM RECEIVABLES

| | | 1000 € | | | 2019 | | | 2018 | | |
|--|----------------------|-------------|----------------|-------------------|--------------|-------|----------------|-------------------|--------------|--|
| Short-term receivables | | | | | | | | | | |
| Trade receivable | | | | | 7,969 | | | 8,151 | | |
| Accrued receivables | | | | | 228 | | | 563 | | |
| Other receivables | | | | | 740 | | | 0 | | |
| Total | | | | | 8,937 | | | 8,714 | | |
| Age distribution of accounts receivable | | | | | | | | | | |
| <i>Trade receivable that not are impaired</i> | | | | | | | | | | |
| | | Gross | Average loss % | Impairment IFRS 9 | Net | Gross | Average loss % | Impairment IFRS 9 | Net | |
| Receivables carried forward | | 6555 | 0.2 | -13 | 6,542 | 7,131 | 0.4 | -28 | 7,103 | |
| Expired | | | | | | | | | | |
| | in less than 30 days | 946 | 0.2 | -2 | 944 | 769 | 1.2 | -9 | 761 | |
| | in 30-60 days | 277 | 0.8 | -2 | 275 | 132 | 1.3 | -2 | 130 | |
| | in 61-90 days | 88 | 1.2 | -1 | 87 | 36 | 1.5 | -1 | 35 | |
| | over 90 days | 123 | 2 | -2 | 121 | 125 | 2 | -2 | 122 | |
| Total | | 7989 | | -20 | 7,969 | | | -42 | 8,151 | |

Reconciliation of trade receivables provision

| | | 1000 € | | 2019 | | 2018 | |
|--|--|--------|--|------------|--|-----------|--|
| December 31, 2017 calculated in accordance with IAS | | | | 0 | | 9 | |
| Credit loss provision as of January 1, 2018 (according to IFRS 9) | | | | 0 | | 38 | |
| Change in credit loss provision recognized in profit or loss during the financial year | | | | -21 | | -6 | |
| Total | | | | -21 | | 41 | |

15. (continues)

| | 1000 € | 2019 | 2018 |
|--|--------|--------------|--------------|
| The breakdown by currencies of short-term receivables | | | |
| EUR | | 4,622 | 6,437 |
| USD | | 3,347 | 1,714 |
| Total | | 7,969 | 8,151 |

Other receivables and accrued receivables consist mainly of normal trade receivables but no amounts which are individually significant.

Balance sheet values correspond best to the maximum monetary value of the credit risk, excluding the fair value of collateral in cases where the other parties to the agreement are unable to fulfill their obligations with respect to the financial instruments. Receivables do not involve significant credit risk concentrations.

The fair values of short-term receivables are equivalent to their book values, as the effect of discounting them is not material, considering their maturities.

The Group has a recourse factoring arrangement in use. Under this arrangement, the Group has transferred part of the relevant receivables to the factor in exchange for cash. However, the company has retained the late payment and credit risk. The Group therefore continues to recognize the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as a secured borrowing.

The Group estimates expected credit losses on accounts receivable and recognizes a credit loss provision based on historical credit losses as well as current circumstances and macroeconomic analysis of the future. The credit loss provision is recognized based on the age distribution of trade receivables according to the business area and geographic location. A credit loss provision of EUR 20 thousand has been recognized.

16. CASH AND EQUIVALENTS

| | 1000 € | 2019 | 2018 |
|------------------------|--------|--------------|--------------|
| Cash and bank accounts | | 2,382 | 2,565 |
| Total | | 2,382 | 2,565 |

On the balance sheet date, cash and cash equivalents totaled EUR 2,153 thousand in Finland and EUR 229 thousand in other countries. Cash and cash equivalents were primarily held in bank accounts.

17. FINANCING LOANS

| | 1000 € | | 2019 | | 2018 | |
|----------------------------------|--------|--|--------------|------------|--------------|------------|
| | | | Book value | Fair value | Book value | Fair value |
| Long-term financing loans | | | | | | |
| Bank borrowings | | | 3,227 | 3,250 | 3,253 | 3,251 |
| Derivative financial instruments | | | 0 | | 5 | 0 |
| Lease liabilities | | | 1,099 | 1,099 | 1,007 | 946 |
| Total | | | 4,326 | | 4,266 | |

The fair values of long-term loans are based on discounted cash flows. The discount rate is the interest that the Group would receive for an equivalent loan from an external party on the closing date. The total interest rate comprises risk-free interest and a company-specific risk premium.

Financial leasing

In financial leasing, fair values are estimated by discounting future cash flows with an interest rate corresponding to the interest on equivalent leasing agreements on the closing date.

Discount rates used in determining fair values

| | | |
|-------------------|-------|-------|
| Bank borrowings | 2.0 % | 2.1 % |
| Financial leasing | 2.5 % | 2.5 % |

Short-term financing loans

| | | |
|----------------------------------|--------------|--------------|
| Bank borrowings | 1,027 | 827 |
| Lease liabilities | 451 | 327 |
| Derivative financial instruments | 6 | 14 |
| Credit facility | 0 | 0 |
| Factoring-debt | 2 | 2 |
| Total | 1,486 | 1,170 |

The fair values of short-term financing loans are equivalent to their book values, as discounting has no material effect in view of the maturities of the debts.

Bank loans

Aspocomp had a EUR 1 million credit facility costing 1.95 percent per annum. The interest on credit drawn down is 1.0 percent above the one-week Euribor rate. At the end of the financial year EUR 0 thousand credit was in use.

17. (continues)

| The breakdown of the maturity of payables | | | 1000 € | | | |
|---|---------------|---------------|--------------|--------------|--------------|------------|
| Dec. 31, 2019 | Balance | Cash flow | 12 | | Over 5 | |
| | sheet value | | months | 1-2 years | 2-5 years | years |
| Bank borrowings | | | | | | |
| Principal | 4,053 | 4,053 | 1,027 | 2,053 | 973 | 0 |
| Paid interest expenses | | 255 | 77 | 133 | 45 | 0 |
| Lease liabilities | | | | | | |
| Principal | 1,551 | 1,551 | 451 | 339 | 661 | 100 |
| Paid interest expenses | | 102 | 32 | 54 | 17 | 0 |
| Derivative financial instruments | 6 | 6 | 6 | 0 | 0 | 0 |
| Factoring debt | 2 | 2 | 2 | 0 | 0 | 0 |
| Trade and other payables | 5,239 | 5,239 | 5,239 | 0 | 0 | 0 |
| Total | 10,851 | 11,209 | 6,834 | 2,579 | 1,696 | 100 |

| Dec. 31, 2018 | Balance | Cash flow | 12 | | Over 5 | |
|----------------------------------|---------------|---------------|--------------|--------------|--------------|----------|
| | sheet value | | months | 1-2 years | 2-5 years | years |
| Bank borrowings | | | | | | |
| Principal | 4,080 | 4,080 | 827 | 1,653 | 1,600 | 0 |
| Paid interest expenses | | 203 | 76 | 101 | 26 | 0 |
| Lease liabilities | | | | | | |
| Principal | 1,335 | 1,335 | 327 | 373 | 634 | 0 |
| Paid interest expenses | | 89 | 37 | 26 | 26 | 0 |
| Derivative financial instruments | 19 | 19 | 14 | 5 | 0 | 0 |
| Factoring debt | 2 | 2 | 2 | 0 | 0 | 0 |
| Trade and other payables | 5,043 | 5,043 | 5,043 | 0 | 0 | 0 |
| Total | 10,478 | 10,769 | 6,325 | 2,159 | 2,285 | 0 |

| Trade and other payables | 2019 | 2018 |
|--|--------------|--------------|
| The breakdown by currencies of accounts payable | | |
| EUR | 1,737 | 1,687 |
| GBP | 0 | 0 |
| CHF | 5 | 0 |
| CNY | 33 | 0 |
| SEK | 3 | 0 |
| USD | 1,710 | 1,046 |
| Total | 3,488 | 2,733 |
| Accrued payables | 1,750 | 2,331 |
| Total trade and other payables | 5,239 | 5,064 |
| <i>Accrued liabilities</i> | | |
| Personnel expenses | 1,467 | 1,647 |
| Accrued interest on loans | 2 | 2 |
| VAT liabilities | 45 | 365 |
| Total | 1,514 | 2,014 |

18. STATEMENT OF CHANGES IN INTEREST - BEARING LIABILITIES

| | 1000 € | Long-term interest- bearing liabilities | Short-term interest-bearing liabilities | Total interest- bearing liabilities |
|---------------------------------------|--------|--|---|---|
| Liabilities December 31, 2018 | | 4,266 | 1,170 | 5,436 |
| Loan withdrawals (cash flow) | | 684 | 316 | 1,000 |
| Lease debt withdrawals (other change) | | 559 | 18 | 577 |
| Loan payments (cash flow) | | -827 | 0 | -827 |
| Lease debt payment (cash flow) | | -356 | -18 | -373 |
| Factoring loan payment (cash flow) | | 0 | -1 | -1 |
| Liabilities December 31, 2019 | | 4,326 | 1,486 | 5,812 |

| | 1000 € | Long-term interest- bearing liabilities | Short-term interest-bearing liabilities | Total interest- bearing liabilities |
|---|--------|--|---|---|
| Liabilities December 31, 2017 | | 1,003 | 508 | 1,511 |
| Loan withdrawals (cash flow) | | 3,374 | 826 | 4,200 |
| Financial lease debt withdrawals (other change) | | 0 | 356 | 356 |
| Loan payments (cash flow) | | -111 | 0 | -111 |
| Financial lease debt payment (other change) | | 0 | -302 | -302 |
| Factoring loan payment (cash flow) | | 0 | -219 | -219 |
| Liabilities December 31, 2018 | | 4,266 | 1,170 | 5,436 |

19. NET FOREIGN EXCHANGE GAINS/LOSSES

| | 1000 € | 2019 | 2018 |
|--|--------|-----------|------------|
| <i>The exchange differences charged/credited to the income statement</i> | | | |
| Other operating costs | | 9 | -81 |
| Financial expenses | | 12 | 0 |
| Total | | 21 | -81 |

20. CONTINGENCIES AND COMMITMENTS

| | 1000 € | 2019 | 2018 |
|---|--------|--------------|--------------|
| Other rental payables | | | |
| <i>Minimum rents of other rent agreements that cannot be terminated</i> | | | |
| Within one year | | 65 | 79 |
| After one year but not more than five years | | 0 | 74 |
| More than five years | | 0 | 177 |
| Total | | 65 | 330 |
| Contingent liabilities at Dec. 31, 2019 | | | |
| Guarantees | | | |
| Business mortgage | | 6,000 | 4,000 |
| Collateral note | | 1,200 | 1,200 |
| Guaranteed contingent liability towards the Finnish Customs | | 35 | 35 |
| Total | | 7,235 | 5,235 |

21. ADJUSTMENTS TO CASH FLOW FROM OPERATING ACTIVITIES

| | 1000 € | 2019 | 2018 |
|--------------------------------------|--------|--------------|---------------|
| <i>Non-cash transactions</i> | | | |
| Depreciation | | 1,263 | 1,075 |
| Others | | 142 | 169 |
| Non-cash transactions, total | | 1,405 | 1,244 |
| <i>Other adjustments</i> | | | |
| Sales profit | | -64 | -34 |
| Taxes | | -683 | -481 |
| Other adjustments, total | | -747 | -515 |
| <i>Change in net working capital</i> | | | |
| Change in receivables | | -223 | -2,872 |
| Change in inventories | | -988 | -410 |
| Change in trade and other payables | | 1,052 | 1,489 |
| Total | | -159 | -1,794 |

22. DERIVATIVE FINANCIAL INSTRUMENTS

| Nominal values | 1000 € | 2019 | 2018 |
|---|--------|-------|-------|
| Interest rate swap contracts, nominal value | | 2,000 | 2,000 |
| Interest rate swap contracts, fair value (non-current assets) | | 0 | 5 |
| Interest rate swap contracts, fair value (current assets) | | 6 | 14 |

23. RELATED-PARTY DISCLOSURES

| | 1000 € | 2019 | 2018 |
|--|--------|--------------|--------------|
| Aspocomp Group's related parties include subsidiaries, members of the Board of Directors, the CEO and members of the Management Team, and close family members of key executives and companies in which they or their family members have control. | | | |
| <i>Salaries and benefits of the Management Team</i> | | | |
| CEO Mikko Montonen as of May 15, 2014 | | | |
| Salaries and fringe benefits | | 352 | 242 |
| Options | | 0 | 0 |
| Share-based payment | | 0 | 5 |
| Pension costs, defined contribution plans | | 62 | 42 |
| Other Management Team | | | |
| Salaries and fringe benefits | | 772 | 592 |
| Share-based payment | | 82 | 52 |
| Pension costs, defined contribution plans | | 136 | 102 |
| <i>Fees of members of the Board</i> | | | |
| Ms. Päivi Marttila, Chairman of the Board | | 38 | 38 |
| Mr. Matti Lahdenperä (member as of April 7, 2016) | | 20 | 20 |
| Ms. Julianna Borsos (member as of March 23, 2017) | | 19 | 20 |
| Ms. Kaarina Muurinen, Vice Chairman (as of March 26, 2015) | | 25 | 23 |
| Mr. Juha Putkiranta (member as of April 7, 2016) | | 19 | 19 |
| <i>Total remunerations of the members of the Board</i> | | 120 | 120 |
| Management's total employment benefits | | 1,404 | 1,155 |

The CEO's age of retirement and grounds for his/her pension are in accordance with current legislation. If the contract of service of the CEO is terminated either by the CEO or by the company, the notice period is 6 months. If the company terminates the contract an additional 6 months' severance pay shall be paid. The CEO does not have any voluntary additional pension arrangements.

The CEO and Board members have not been granted any loans, nor have any guarantees or commitments been given on their behalf.

| | Dec. 31, 2019 | Dec. 31, 2018 |
|--|---------------|---------------|
| <i>Aspocomp shareholdings (number of shares)</i> | | |
| Members of the Board | 1,259,974 | 1,259,974 |
| CEO | 260,000 | 260,000 |
| Other management | 18,024 | 1,024 |
| <i>Total shareholdings</i> | 1,537,998 | 1,520,998 |
| Votes conferred by the shares | 22.9 % | 22.8 % |

24. SHARE-BASED PAYMENTS

On February 25, 2016, the Board of Directors of Aspocomp Group Plc. decided to introduce share-based incentive and commitment plans for the company's key personnel.

1. Share reward plan for key personnel

The share reward plan offers the members of the Management Team and other key employees the possibility to receive shares in the company on the basis of the achievement of targets that will be set by the Board of Directors for four earnings periods, which are the four 12-month financial years during the period 1/2016 through 12/2019.

The target group for the plan consists of approximately 15 persons. The Board of Directors may decide on including new key employees and their annual maximum rewards. The maximum reward is expressed as a number of shares. In addition, the reward consists of a cash payment, the amount of which is determined on the basis of the value of the share reward at the time of payment. The cash payment aims at covering taxes and similar charges arising from the reward. Achievement of targets set for the earnings periods determines the portion of the maximum reward to be paid to a person.

Recipients of shares on the basis of the share reward plan must hold them for at least 36 months after the shares are entered on their book-entry accounts. If a plan participant's employment or service relationship with a group company ends during this commitment period, he or she is as a general rule required to return the shares to the company without compensation.

| Earnings periods | 2019 | 2018 |
|---|---|---------------|
| Grant date | | |
| Earnings period begins | Jan. 1, 2019 | Jan. 1, 2018 |
| Earnings period ends | Dec. 31, 2019 | Dec. 31, 2018 |
| Shares are released | 36 months after entry into the book-entry account | |
| Earnings criteria | 2019 | 2018 |
| Earnings per share (EPS) without extraordinary items | | |
| Achievement of earnings criteria, % | 14% | 100% |
| Share price listed on grant date, € | 4.40 | 2.58 |
| Share price listed on balance sheet date, € | 5.26 | 3.70 |
| Impact of share incentive plan on the result for the | 2019 | 2018 |
| Impact of the scheme on the profit for the period | 82 | 52 |

24. (continues)

2. CEO's stock option program

The Board of Directors of Aspocomp Group Plc resolved on May 15, 2014 to issue in total a maximum of 390,000 stock options to the company's President and CEO. The issue, which has been made in deviation from the shareholders' pre-emptive subscription rights, is based on the authorization by the Annual General Meeting held on April 23, 2014.

The maximum number of stock options issued under Option Program 2014 will be 390,000. Each stock option shall entitle the CEO to subscribe for one new share in the company. The stock options are issued free of charge. The program is divided into A, B and C series, each of which covers a maximum of 130,000 option entitlements. The share subscription price of the stock options A is the trade volume weighted average quotation of the share during March 1 - March 31, 2014 (EUR 0.99), of the stock options B the trade volume weighted average quotation of the share during March 1 - March 31, 2015 (EUR 1.24) and of the stock options C the trade volume weighted average quotation of the share during March 1 - March 31, 2016 (EUR 1.26).

| | Option A | Option B | Option C |
|----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Date of issue | May 14, 2014 | May 14, 2014 | May 14, 2014 |
| Issued number of options | 130,000 | 130,000 | 130,000 |
| Subscription price | 0.99 | 1.24 | 1.26 |
| Share price on the date of issue | 1.45 | 1.45 | 1.45 |
| Fair value | 0.63 | 0.45 | 0.48 |
| Subscription period | May 1, 2016- Apr. 30, 2018 | May 1, 2017- Apr. 30, 2019 | May 1, 2018- Apr. 30, 2020 |
| Number of options | | | |
| Outstanding on January 1 | 0 | 0 | 130,000 |
| Exercised | 0 | 0 | 0 |
| Outstanding on December 31 | 0 | 0 | 130,000 |
| | 1000 € | 2019 | 2018 |
| Recognized as an expense | 0 | | 5 |

25. IMPAIRMENT TESTING

| | 1000 € | 2019 | 2018 |
|--|--------|------|------|
|--|--------|------|------|

Goodwill from the acquisition of a subsidiary is allocated to a cash-generating unit as follows:

| | | | |
|--------------------------------|--------------|--------------|--|
| PCB manufacturing plant | 3,000 | 3,000 | |
|--------------------------------|--------------|--------------|--|

The PCB manufacturing operations of the cash-generating unit Aspocomp Oulu. The plant primarily manufactures HDI (High Density Interconnection), multilayer and special material PCBs.

Impairment testing is carried out using the value-in-use method, in which the recoverable amount of the unit generating goodwill is determined and then compared with the book value of said unit. The cash flows after the forecast period are based on the average cash flow for the forecast years.

According to the impairment test, the recoverable amount exceeded the book amount by EUR 31.3 million, and thus goodwill was not impaired in 2019 (EUR 14.6 million 2018).

| Key variables and assumptions used in impairment testing | 2019 | 2018 |
|---|-------------|-------------|
|---|-------------|-------------|

| | | |
|---|-------|------|
| <i>Annual growth in net sales</i> is based on the budget approved by management for the years 2020-2023. The growth rate after the end of the forecast period is assumed to be one (1) percent. | 8.3 % | 5.0% |
|---|-------|------|

| | | |
|--|-----|-----|
| <i>The sales margin</i> is based on the average budgeted margin for the forecast period. | 45% | 44% |
|--|-----|-----|

| | | |
|--|-------|------|
| <i>The discount rate</i> is set using the weighted average cost of capital (WACC), which describes the total cost of equity and liabilities, accounting for the specific risks of asset items. The discount rate is determined before taxes. | 7.4 % | 7.9% |
|--|-------|------|

Investments during the period under review are based on the strategic investment plan approved by management. The level of investments somewhat exceeds the ordinary level of investments in the industry.

Sensitivity analysis of impairment testing

| The following changes in the values of each of the key variables (if all the other variables remain unchanged) would mean that the book value of the unit would be the same as its recoverable amount. | Zero limit of the sensitivity analysis | Compared with the assumed figure |
|--|---|---|
|--|---|---|

| | | |
|----------------------------|-------|-------------|
| Annual growth in net sales | -9.5% | - 17.8 ppts |
| Average sales margin | 18.3% | - 26.7 ppts |
| Discount rate | 21.4% | + 14.0 ppts |

| Assumptions concerning the discount rate | 2019 | 2018 |
|---|-------------|-------------|
|---|-------------|-------------|

| | | |
|---|-------|-------|
| Risk-free market yield | 0.1 % | 0.5 % |
| Gearing target (average based on an industry analysis) | 9.5 % | 9.5 % |
| Equity market risk premium (EMRP) | 6.0 % | 6.0 % |
| Additional risk premium for small companies with no liquid assets | 2.0 % | 2.0 % |
| Loan margin | 2.0 % | 2.5 % |
| Weighted average cost of capital (WACC) | 7.4 % | 7.9 % |

26. FINANCIAL RISK MANAGEMENT

1000 €

Aspocomp is exposed to numerous financial risks in its ordinary operations. These risks are described in greater detail below. The President and CEO and the financial department identify, assess and if necessary hedge against financial risks and report to the Board of Directors on the financial position and adequacy of financing.

Liquidity risk

The company's liquidity is based on cash assets, the cash flow generated by business operations, and external financing.

At the end of the financial year 2019, the nominal value of interest-bearing liabilities was EUR 5.8 million. Gearing was 19.0 percent (19.3%) and equity ratio was 61.3 percent (57.6%).

The company has a credit facility of EUR 1,000 thousand, of which EUR 0.0 million was in use at the end of the financial year 2019.

Maturities of financial liabilities are presented in Note 17.

The company seeks to continuously evaluate and monitor the amount of financing to ensure that it has enough liquid funds to finance operations and repay maturing loans. To assess liquidity, the company has prepared a month-specific cash flow forecast for 2020. The forecast is updated on a monthly basis. On the basis of the cash flow forecast prepared during the drafting of the financial statements, the company estimates that it has enough working capital to meet its needs during the next 12 months, provided that the company's sales and production cost structure develop as predicted and the availability of financing does not weaken unexpectedly. The company has a EUR 1.0 million credit facility, of which EUR 0.0 million was in use as at December 31, 2019, and a recourse factoring agreement, of which EUR 0.0 million was in use at the end of the review period. These forms of finance used to safeguard liquidity include covenant term. The covenant terms were not broken at December 31, 2019.

Capital management

As equity, the company manages the shareholders' equity shown in the consolidated balance sheet. The objective is to ensure the continuity of the company's operations and the appreciation of shareholder value. The capital structure of the Group is monitored and forecast regularly in order to ensure liquidity. Capital management does not involve significant risks, as the shareholders' equity of the company is strong.

26. (continues)

1000 €

Interest rate risk

The Group has made an interest rate swap agreement to hedge against the cash flows of the interest on factoring liabilities and loans from financial institutions. Note 22. The fixed interest rate for the financial institution is 0.32% and the floating interest rate for the Group is fixed at 1 month Euribor.

Foreign currency risk

The Group's production activities are carried out in Finland. In addition, the Group has subsidiaries in Germany and China. The Group's main currency is the euro and 60 percent of the Group's receivables are denominated in euros (at the end of year: 58%). The breakdown by currencies of the receivables is presented in Note 15. All the Group's long-term liabilities are denominated in euro. At the end of the year, 67 percent of the short-term debts were denominated in euros.

Calculation of exchange rate risk sensitivity

| 1000 € | Change in exchange rate | | |
|---------|-------------------------|------|--------|
| | Gross | -10% | + 10 % |
| USD/EUR | 1,615 | -179 | 147 |
| PLN/EUR | -1 | 0 | 0 |
| CHF/EUR | -5 | -1 | 0 |
| SEK/USD | -3 | 0 | 0 |
| GBP/EUR | -1 | 0 | 0 |
| | 1,606 | -180 | 148 |

Credit risk

The Group trades only with recognized, creditworthy third parties. According to the credit policy agreed by the Board, all new customers are subject to credit verification procedures. The creditworthiness of existing customers is reviewed on a regular basis. Overdue receivables are reported to top management and the sales teams on a monthly basis and all the necessary actions are taken in order to collect the overdue receivables. On the reporting date, the maximum amount of financial assets exposed to credit risk was equal to their book value.

The five largest customers accounted for 58 percent of net sales (54% in 2018). During the financial year were recorded credit losses of EUR 0.0 million .

The age distribution of accounts receivable is presented in Note 15.

27. NOTES TO THE CONSOLIDATED CHANGES IN EQUITY

1000 €

| | Number of shares |
|----------------------|------------------|
| Jan. 1, 2018 | 6,666,505 |
| Dec. 31, 2018 | 6,666,505 |
| Jan. 1, 2019 | 6,666,505 |
| Stock options | 38,000 |
| Dec. 31, 2019 | 6,704,505 |

Share capital

Aspocomp Group Plc. has one share series. The maximum number of shares is 6,704,505 (6,666,505 shares in 2018). All issued shares are fully paid.

Treasury shares

The treasury share fund includes the treasury shares owned by the parent company, measured at acquisition cost. At the end of the fiscal years 2018 and 2019, the company did not hold any treasury shares.

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity includes other equity investments and share subscription fees insofar as a decision has not been made to enter them into share capital. On the basis of the stock option programs launched after the new Companies Act (July 21, 2006/624) came into force (September 1, 2006), fees received from share subscriptions are recognized in full in the reserve for invested unrestricted equity.

Payment of dividends

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.15 per share be paid.

28. EVENTS AFTER THE FINANCIAL PERIOD

No significant reportable events after the financial period.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

| | € | Note | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|--|---|------|----------------------|----------------------|
| Net sales | | 1.1 | 31,572,306.35 | 29,134,666.27 |
| Change in finished goods and work in progress | | | 228,963.04 | 9,423.00 |
| Other operating income | | 1.2 | 73,181.35 | 56,604.26 |
| Materials and services | | 1.3 | -14,548,584.48 | -13,126,002.53 |
| Personnel costs | | 1.4 | -7,421,328.60 | -7,406,671.88 |
| Depreciation and write-downs | | 1.5 | -2,556,155.75 | -2,379,426.11 |
| Other operating expenses | | 1.6 | -5,321,766.32 | -4,783,065.34 |
| Operating loss | | | 2,026,615.59 | 1,505,527.67 |
| Financial income and expenses | | 1.7 | -137,935.70 | -123,931.66 |
| Profit/loss before appropriations and taxes | | | 1,888,679.89 | 1,381,596.01 |
| Profit/loss for the year | | | 1,888,679.89 | 1,381,596.01 |

PARENT COMPANY BALANCE SHEET

| Assets | Note | 12/31/2019 | 12/31/2018 |
|---|-------------|----------------------|----------------------|
| Non-current assets | | | |
| Intangible assets | 2.1 | 3,857,782.18 | 5,192,320.32 |
| Property, plant and equipment | 2.2 | 5,596,514.92 | 4,923,202.62 |
| Right-of-use assets | 2.3 | 1,327,909.41 | 0.00 |
| Investments | 2.4 | 127,130.50 | 127,130.50 |
| Total non-current assets | | 10,909,337.01 | 10,242,653.44 |
| Current assets | | | |
| Inventories | 2.5 | 3,505,469.04 | 2,928,108.00 |
| Short-term receivables | 2.6 | 8,478,744.85 | 7,821,707.67 |
| Cash and cash equivalents | | 2,116,873.34 | 2,358,962.81 |
| Total current assets | | 14,101,087.23 | 13,108,778.48 |
| Total assets | | 25,010,424.24 | 23,351,431.92 |
| Liabilities and shareholders' equity | | | |
| Shareholders' equity | | | |
| Share capital | 2.7 | 1,000,000.00 | 1,000,000.00 |
| Reserve for invested unrestricted equity | | 2,812,704.10 | 2,783,228.10 |
| Retained earnings | | 4,605,372.98 | 4,023,757.57 |
| Net profit/loss for the period | | 1,888,679.89 | 1,381,596.01 |
| Total shareholders' equity | | 10,306,756.97 | 9,188,581.68 |
| Liabilities | | | |
| Long-term liabilities | 2.8 | 4,325,955.91 | 4,265,857.67 |
| Short-term liabilities | 2.9 | 10,377,711.36 | 9,896,992.57 |
| Total liabilities | | 14,703,667.27 | 14,162,850.24 |
| Total liabilities and shareholders' equity | | 25,010,424.24 | 23,351,431.92 |

PARENT COMPANY CASH FLOW STATEMENT

| | € | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|---|---|----------------------|----------------------|
| Cash flow from operating activities | | | |
| Operating profit/loss | | 1,888,679.89 | 1,381,596.01 |
| Adjustments | | | |
| Non-cash transactions | | 2,663,380.23 | 2,499,919.31 |
| Change in working capital | | -187,437.55 | -1,710,811.51 |
| Paid interest expenses | | -150,786.99 | -137,982.40 |
| Received interest income | | 106.62 | 0.00 |
| Net cash flow from operating activities | | 4,213,942.20 | 2,032,721.41 |
| Cash flow from investing activities | | | |
| Purchase of tangible and intangible assets | | -3,545,894.63 | -3,356,846.15 |
| Proceeds from sale of tangible and intangible assets | | 65,600.00 | 34,318.15 |
| Net cash flow from investing activities | | -3,480,294.63 | -3,322,528.00 |
| Net cash flow before financing | | 733,647.57 | -1,289,806.59 |
| Cash flow from financing activities | | | |
| Loans drawn down | | 1,000,000.00 | 4,556,347.11 |
| Loans repaid | | -827,513.42 | -339,305.28 |
| Decrease lease liabilities (2018: Financial lease payments) | | -344,033.33 | -285,591.08 |
| Payments of dividends | | -799,944.96 | -466,655.35 |
| Net cash flow from financing activities | | -971,491.71 | 3,464,795.40 |
| Change in cash and cash equivalents | | -237,844.14 | 2,174,988.81 |
| Effects of exchange rate changes on cash and cash equivalents | | -4,245.33 | 0.00 |
| Cash and cash equivalents at the beginning of period | | 2,358,962.81 | 183,974.00 |
| Cash and cash equivalents at the end of period | | 2,116,873.34 | 2,358,962.81 |

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY, FAS

Accounting principles of the parent company

The financial statements of the company have been prepared in accordance with the procedures laid out in the Finnish Accounting Act and other Finnish Accounting Standards (FAS). The figures from the previous year have been adjusted for comparability. The financial statements are presented in euros.

Tangible and intangible assets

Intangible assets

Goodwill

Goodwill represents the share of the acquisition cost exceeding the company's share at the moment of acquisition of the fair value of the itemizable net assets of an acquired subsidiary. Goodwill from the acquisition of subsidiaries is included in intangible assets. For impairment testing, it is allocated to cash-generating units. Goodwill is tested for impairment annually and is recognized in the balance sheet at acquisition cost less impairment losses. An impairment loss on goodwill is not reversed. The carrying amount of goodwill related to a sold company has an effect on the capital gains or losses.

Research and development expenditure

The company does not engage in actual product development. Research and development expenditure represents general development of the production process that cannot be directly allocated to any customer order, but which does not fulfill the capitalization criteria of IAS 38. The company no longer engages in PCB technology-related research and development that would be directly connected to customer projects and which would therefore be capable of independently generating income. The company cannot separate the research phase from the development phase, and it does not engage in actual product development, and thus treats all production process-related expenditure as expenditure on the research phase (IAS 38.53).

Software

Purchased software is recorded in the balance sheet at the original cost less accumulated amortization and impairment, if any.

Intangible rights

Intangible assets with limited useful lives are recorded in the balance sheet at the original cost less accumulated amortization and impairment, if any.

The estimated useful lives of intangible assets are:

- Intangible rights 3 years
- Other intangible assets 5 - 10 years.

Property, plant and equipment and right-of-use assets

Property, plant and equipment are measured at original cost less accumulated depreciation and impairment. Property, plant and equipment are depreciated on a straight-line basis in accordance with the estimated useful life.

If the asset consists of several parts with different useful lives, each part is treated as a separate asset. In this case the costs arising from renewal of the part are capitalized and the remainder is expensed. Other costs are treated as property, plant and equipment only when the economic benefits relating to these assets are probable and when the acquisition cost can be defined reliably. Other repair and maintenance costs are recognized in the income statement as they arise.

The estimated useful lives of property, plant and equipment are:

- Buildings and structures 15 - 30 years

- Machinery and equipment 3 - 8 years
- Other tangible assets 5 - 10 years
- Land and water leased 20-22 years

The residual value of the assets and their useful lives are reviewed at least at each balance sheet date and, if necessary, adjusted to reflect changes in their expected economic benefits.

Gains and losses resulting from derecognition of property, plant and equipment are entered under other operating income or expenses.

Impairment of tangible and intangible assets

The company assesses asset items annually for indications of impairment. If there are such indications, the recoverable amount of said asset item is estimated and then compared with the carrying amount of the asset item in question. In addition, the recoverable amounts of goodwill are assessed annually. Impairment is examined at the level of cash-generating units - that is, at the lowest unit level that is primarily independent of other units and whose cash flows can be separated out from other cash flows.

The recoverable amount is the higher of the fair value of the asset less disposal costs or the value in use. The value in use is the estimated future net cash flow of the asset or cash-generating unit discounted to its present value. The discount interest rate used is determined before taxes and describes the market outlook for the time value of money and the special risks associated with the asset item to be tested.

An impairment loss is recognized if the carrying amount of the asset item is higher than its recoverable amount. An impairment loss on an item other than goodwill is reversed if the situation changes and the recoverable amount of the asset has changed since the date of impairment loss recognition. An impairment loss on goodwill is not reversed.

Presentation of asset grants

Government grants are deducted in determining the carrying amount of an asset. The grant is recognized in profit or loss in the form of a decrease in depreciation during the useful life of the asset.

Financial assets and financial liabilities

Financial assets

The Group's financial assets are classified in the following categories: "Financial assets at fair value through other comprehensive income" and "Financial assets at fair value through profit or loss". Initial recognition is performed on the basis of the usage of the financial assets at the time of acquisition.

All purchases and sales of financial assets are booked on the transaction date. Financial assets are derecognized from the balance sheet when the company has lost its contractual rights to their cash flows, or when the Group has substantially transferred the risks and rewards out of the company.

Loans and Other Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not held for trading. Recognition is based on amortized cost. They are presented under Loans and Other Receivables in the balance sheet as non-current assets if they fall due after a period exceeding 12 months. Otherwise they are presented as current assets under "Short-term Receivables".

Financial assets at fair value through profit or loss are those non-derivative financial assets that are designated as available for sale or are not classified in any other group. They are included in non-current assets, unless the intention is to keep them less than 12 months from the closing date; if that is the case, they are recognized as current assets. Changes in fair value are transferred to the income statement when the investment is sold or when its value has declined such that an impairment loss must be recorded. Financial assets at fair value through profit or loss during the disclosed periods only include investments in unquoted shares whose acquisition cost is substantially equal to their fair value (based on, for instance, recent transactions). The markets for said shares are inactive and the company does not intend to divest itself of these shares in the near future.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits. Cash and cash equivalents have a maximum maturity of three months from the date of acquisition.

Financial liabilities

Financial liabilities are recognized initially at their fair value. Transaction costs are included in financial liabilities' initial carrying amount. Later all financial liabilities are recognized at amortized cost. The difference between the money received (less transaction costs) and the amount to be repaid is entered in the income statement using the effective interest method over the loan period. Financial liabilities are included in non-current and current liabilities.

All financial liabilities are booked in the balance sheet when the company becomes a contractual party in said financial liabilities. Financial liabilities are derecognized when the obligation specified in the contract has been discharged or cancelled or has expired.

When the terms of financial liabilities are renegotiated and the terms change substantially, the renegotiated liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are considered to be substantially different if the present value of the discounted cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the present value of the remaining discounted cash flows of the original financial liability. The difference between the carrying amount of the new financial liability and the original financial liability is recognized through profit or loss in financial income or expenses. If the change in the terms of the liability is not substantial, and said change is not accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, then the carrying amount of the liability is adjusted with the resulting costs and fees, which are recognized as expenses over the remaining maturity of the liability whose terms have been revised.

Impairment of financial assets

The Group applies a simplified procedure for the recognition of expected credit losses in accordance with IFRS 9, whereby all trade receivables and contractual assets are recognized over the life of the loan. For the purposes of determining expected credit losses, trade receivables and contractual assets are grouped based on common credit risk characteristics and late payment.

Net sales

Discounts, VAT and exchange rate differences of accounts receivable have been accounted for under adjustments to net sales.

Research and development expenditure

Research and development expenditure is fully expensed during the financial year in which it was incurred.

Extraordinary income and expenses

Extraordinary income and expenses include exceptional and significant events that are not related to the company's line operations.

Provisions

Provisions are recorded when the company has a legal or constructive obligation on the basis of a prior event and the materialization of the payment obligation is probable. A provision for restructuring is recognized when the company has prepared a detailed restructuring plan and the plan has been announced. The provision reflects management's best estimate of the present value of future expenditure.

Pension arrangements

In the financial statements, pension schemes in different countries are classified as defined contribution or defined benefit schemes. In defined contribution schemes, the company makes fixed

payments to a separate unit. The company does not have a legal or constructive obligation to make additional payments if the recipient cannot pay the pension benefits in question. All such schemes that do not fulfill these conditions are considered to be defined benefit schemes. Payments for defined contribution schemes have been recorded in the income statement for the period to which the payment pertains. The company has pension schemes that have been classified as defined contribution or defined benefit schemes. In defined contribution schemes, payments have been recorded in the income statement for the period to which the payment pertains.

In a defined benefit scheme, the commitment to be recognized as a liability is the net amount of the present value of the pension liabilities on the closing date and the fair value of assets adjusted by the non-depreciated part of the obligation based on unrecognized retroactive work performance. The pension liability is calculated by independent actuarial mathematicians based on the amount of the predicted pension liability by applying the projected unit credit method; the liability is discounted to the present value of future cash flows at an interest rate corresponding to the interest on high-quality bonds issued by the company. Pension costs are recognized as expenses in the income statement over the service years of personnel. Actuarial gains and losses are recognized in the statement of comprehensive income.

Items denominated in foreign currencies

The consolidated financial statements are presented in euros, the functional and presentation currency of the parent company. Foreign currency transactions are converted to euros using the exchange rates on the date of the transaction in question. Receivables and liabilities denominated in a foreign currency are converted to euros using the rates on the closing date. The resulting exchange differences are recorded in the income statement such that exchange differences on business transactions are included in operating profit and exchange differences due to financial assets and liabilities are presented in financial items.

Taxes

Taxes on the company's financial results for the period, adjustments of taxes from previous periods and the change in deferred taxes are recorded as the Group's taxes. The deferred tax asset or liability is calculated on all temporary differences between carrying amounts and taxable values, applying the tax rates confirmed on the closing date. Deferred tax assets are recognized from confirmed losses by applying the average result for the past four financial years, to the future financial years in which losses confirmed in taxation can be used. Deferred tax assets arising from acquisition costs that have not been deducted in taxation are recognized in full in undeducted acquisition costs at the end of the reported financial year.

Deferred tax is not recognized on the undistributed profits of subsidiaries when it is probable that the temporary difference will not be dissolved in the foreseeable future.

1.1 NET SALES BY GEOGRAPHICAL AREA

| | € | 2019 | 2018 |
|-------------------|---|----------------------|----------------------|
| Europe | | 31,019,236.81 | 28,305,363.82 |
| Rest of the world | | 553,069.54 | 471,811.50 |
| Total | | 31,572,306.35 | 29,134,666.27 |

1.2 OTHER OPERATING INCOME

| | € | 2019 | 2018 |
|----------------------------------|---|------------------|------------------|
| Gains on sale of tangible assets | | 22,500.00 | 34,318.15 |
| Other income | | 50,681.35 | 22,286.11 |
| Total | | 73,181.35 | 56,604.26 |

1.3 MATERIALS AND SERVICES

| | € | 2019 | 2018 |
|------------------------------------|---|----------------------|----------------------|
| Purchase during accounting period | | 14,236,727.21 | 13,115,095.81 |
| Change in inventories | | -348,398.00 | -271,240.00 |
| Subcontracting (external services) | | 660,255.27 | 282,146.72 |
| Total | | 14,548,584.48 | 13,126,002.53 |

1.4 NOTES ON PERSONNEL AND MEMBERS OF ADMINISTRATIVE BODIES

| | € | 2019 | 2018 |
|---|---|---------------------|---------------------|
| Personnel costs | | | |
| Salaries and wages | | 6,201,585.53 | 6,153,006.85 |
| Fees | | 0.00 | 0.00 |
| Pension costs | | 972,825.52 | 1,000,416.32 |
| Other personnel costs | | 246,917.55 | 253,248.71 |
| Total | | 7,421,328.60 | 7,406,671.88 |
| Management salaries and benefits | | | |
| CEO and Board Members | | 472,035.40 | 361,721.21 |
| Personnel at the end of year | | | |
| Non-office workers | | 80 | 74 |
| Salaried employees | | 46 | 39 |
| Total | | 126 | 113 |
| Personnel on average during the year | | | |
| Non-office workers | | 75 | 73 |
| Salaried employees | | 44 | 39 |
| Total | | 119 | 112 |

1.5 DEPRECIATIONS AND WRITE-DOWNS

| | € | 2019 | 2018 |
|---|---|---------------------|---------------------|
| Depreciation of intangible rights | | 1,406,029.63 | 1,429,301.12 |
| Depreciation of machinery and equipment | | 1,150,126.12 | 950,124.99 |
| Total | | 2,556,155.75 | 2,379,426.11 |

1.6 OTHER OPERATING EXPENSES

| | € | 2019 | 2018 |
|--------------------------------|---|---------------------|---------------------|
| Rental expenses | | 79,143.48 | 190,446.53 |
| Real estate costs | | 480,710.16 | 323,111.16 |
| Energy costs | | 851,869.23 | 831,113.56 |
| IT costs | | 276,617.21 | 273,984.87 |
| External services | | 1,173,118.36 | 921,246.62 |
| Other expenses | | 2,460,307.88 | 2,243,162.60 |
| Total | | 5,321,766.32 | 4,783,065.34 |
| Auditor's fees | | | |
| 1. Auditing | | 60,068.00 | 43,646.35 |
| 2. Tax consultation | | 0.00 | 0.00 |
| 3. Certificates and statements | | 1,632.00 | 4,392.00 |
| 4. Other services | | 4,060.66 | 12,394.84 |
| Total | | 65,760.66 | 60,433.19 |

1.7 FINANCIAL INCOME AND EXPENSES

| | € | 2019 | 2018 |
|--|---|--------------------|--------------------|
| Interest and other financial income | | | |
| From group companies | | 0.00 | 0.00 |
| From others | | 106.62 | 0.00 |
| Total | | 106.62 | 0.00 |
| Interest and other financial expenses | | | |
| To group companies | | 0.00 | 0.00 |
| To others | | 138,042.32 | 123,931.66 |
| Total | | 138,042.32 | 123,931.66 |
| Total financial income and expenses | | -137,935.70 | -123,931.66 |

2.1 INTANGIBLE ASSETS

| € | | | | |
|---|-------------------|----------------------|-------------------------|----------------------|
| 2019 | Intangible rights | Goodwill | Other long-lived assets | Total |
| Acquisition cost Jan. 1, 2019 | 702,047.14 | 13,051,744.81 | 525,041.87 | 14,278,833.82 |
| Increase | 72,957.73 | 0.00 | 0.00 | 72,957.73 |
| Decrease | -171,457.58 | 0.00 | 0.00 | -171,457.58 |
| Acquisition cost Dec. 31, 2019 | 603,547.29 | 13,051,744.81 | 525,041.87 | 14,180,333.97 |
| Accumulated depreciation Jan. 1, 2019 | 421,075.68 | 8,157,340.50 | 508,097.32 | 9,086,513.50 |
| Accumulated depreciation of decreases and transfers | -169,991.34 | 0.00 | 0.00 | -169,991.34 |
| Depreciation for the year | 92,452.83 | 1,305,174.48 | 8,402.32 | 1,406,029.63 |
| Accumulated depreciation Dec. 31, 2019 | 343,537.17 | 9,462,514.98 | 516,499.64 | 10,322,551.79 |
| Book value Dec. 31, 2019 | 260,010.12 | 3,589,229.83 | 8,542.23 | 3,857,782.18 |
| | | | | |
| 2018 | Intangible rights | Goodwill | Other long-lived assets | Total |
| Acquisition cost Jan. 1, 2018 | 599,279.95 | 13,051,744.81 | 525,041.87 | 14,176,066.63 |
| Increase | 102,767.19 | 0.00 | 0.00 | 102,767.19 |
| Decrease | 0.00 | 0.00 | 0.00 | 0.00 |
| Acquisition cost Dec. 31, 2018 | 702,047.14 | 13,051,744.81 | 525,041.87 | 14,278,833.82 |
| Accumulated depreciation Jan. 1, 2018 | 331,527.52 | 6,852,166.02 | 473,518.84 | 7,657,212.38 |
| Accumulated depreciation of decreases and transfers | 0.00 | 0.00 | 0.00 | 0.00 |
| Depreciation for the year | 89,548.16 | 1,305,174.48 | 34,578.48 | 1,429,301.12 |
| Accumulated depreciation Dec. 31, 2018 | 421,075.68 | 8,157,340.50 | 508,097.32 | 9,086,513.50 |
| Book value Dec. 31, 2018 | 280,971.46 | 4,894,404.31 | 16,944.55 | 5,192,320.32 |

2.2 TANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

| | € | | | | |
|---|--------------------------|-------------------|-------------------------|--|----------------------|
| | Buildings and structures | Land areas | Machinery and equipment | Advance payments & constructions in progress | Total |
| 2019 | | | | | |
| Acquisition cost Jan. 1, 2019 | 1,248,000.00 | 0.00 | 7,869,892.16 | 917,188.18 | 10,035,080.34 |
| Increase | 161,147.54 | 168,065.23 | 2,278,652.23 | 1,283,171.02 | 3,891,036.02 |
| Decrease | 0.00 | 0.00 | -969,449.43 | 0.00 | -969,449.43 |
| Transfers between items | 0.00 | 0.00 | 739,688.18 | -739,688.18 | 0.00 |
| Acquisition cost Dec. 31, 2019 | 1,409,147.54 | 168,065.23 | 9,918,783.14 | 1,460,671.02 | 12,956,666.93 |
| Accumulated depreciation Jan. 1, 2019 | 62,400.06 | 0.00 | 5,049,477.66 | 0.00 | 5,111,877.72 |
| Accumulated depreciation of decreases and transfers | 0.00 | 0.00 | -229,761.25 | 0.00 | -229,761.25 |
| Depreciation for the year | 87,199.27 | 7,639.32 | 1,055,287.54 | 0.00 | 1,150,126.13 |
| Accumulated depreciation Dec. 31, 2019 | 149,599.33 | 7,639.32 | 5,875,003.95 | 0.00 | 6,032,242.60 |
| Book value Dec. 31, 2019 | 1,259,548.21 | 160,425.91 | 4,043,779.19 | 1,460,671.02 | 6,924,424.33 |
| 2018 | | | | | |
| Acquisition cost Jan. 1, 2018 | 0.00 | 0.00 | 6,673,717.86 | 88,000.00 | 6,761,717.86 |
| Increase | 1,248,000.00 | 0.00 | 1,189,214.30 | 917,188.18 | 3,354,402.48 |
| Decrease | 0.00 | 0.00 | -81,040.00 | 0.00 | -81,040.00 |
| Transfers between items | 0.00 | 0.00 | 88,000.00 | -88,000.00 | 0.00 |
| Acquisition cost Dec. 31, 2018 | 1,248,000.00 | 0.00 | 7,869,892.16 | 917,188.18 | 10,035,080.34 |
| Accumulated depreciation Jan. 1, 2018 | 0.00 | 0.00 | 4,242,792.73 | 0.00 | 4,242,792.73 |
| Accumulated depreciation of decreases and transfers | 0.00 | 0.00 | -81,040.00 | 0.00 | -81,040.00 |
| Depreciation for the year | 62,400.06 | 0.00 | 887,724.93 | 0.00 | 950,124.99 |
| Accumulated depreciation Dec. 31, 2018 | 62,400.06 | 0.00 | 5,049,477.66 | 0.00 | 5,111,877.72 |
| Book value Dec. 31, 2018 | 1,185,599.94 | 0.00 | 2,820,414.50 | 917,188.18 | 4,923,202.62 |

2.3 RIGHT-OF-USE ASSETS

€

Property, plant and equipment include leased as follows:

| 2019 | Land areas | Machinery and equipment | Total |
|--|-------------------|-------------------------|---------------------|
| Acquisition cost Jan. 1, 2019 | 0.00 | 1,813,163.10 | 1,813,163.10 |
| Increase | 168,065.23 | 387,027.31 | 555,092.54 |
| Decrease | 0.00 | 0.00 | 0.00 |
| Acquisition cost Dec. 31, 2019 | 168,065.23 | 2,200,190.41 | 2,368,255.64 |
| Accumulated depreciation Jan. 1, 2019 | 0.00 | 679,220.36 | 679,220.36 |
| Accumulated depreciation of decreases and transfers | 0.00 | 0.00 | 0.00 |
| Depreciation for the year | 7,639.32 | 353,486.55 | 361,125.87 |
| Accumulated depreciation Dec. 31, 2019 | 7,639.32 | 1,032,706.91 | 1,040,346.23 |
| Book value Dec. 31, 2019 | 160,425.91 | 1,167,483.50 | 1,327,909.41 |
| 2018 | | | |
| Acquisition cost Jan. 1, 2018 | 0.00 | 0.00 | 0.00 |
| Increase | 0.00 | 0.00 | 0.00 |
| Decrease | 0.00 | 0.00 | 0.00 |
| Acquisition cost Dec. 31, 2018 | 0.00 | 0.00 | 0.00 |
| Accumulated depreciation Jan. 1, 2018 | 0.00 | 0.00 | 0.00 |
| Accumulated depreciation of decreases and transfers | 0.00 | 0.00 | 0.00 |
| Depreciation for the year | 0.00 | 0.00 | 0.00 |
| Accumulated depreciation Dec. 31, 2018 | 0.00 | 0.00 | 0.00 |
| Book value Dec. 31, 2018 | 0.00 | 0.00 | 0.00 |

2.4 INVESTMENTS

| | | € | | | | |
|--|-----------------|-----------------------|-----------------------|-------------------------|--|-------------------|
| | | Shares | | Receivables | Total | |
| | | Group | Others | Group companies | | |
| | | companies | | | | |
| 2019 | | | | | | |
| Book value Jan. 1, 2019 | | 112,234.00 | 14,896.50 | 0.00 | 127,130.50 | |
| Increases | | 0.00 | 0.00 | 0.00 | 0.00 | |
| Decreases | | 0.00 | 0.00 | 0.00 | 0.00 | |
| Book value Dec. 31, 2019 | | 112,234.00 | 14,896.50 | 0.00 | 127,130.50 | |
| 2018 | | | | | | |
| Book value Jan. 1, 2018 | | 112,234.00 | 14,896.50 | 0.00 | 127,130.50 | |
| Increases | | 0.00 | 0.00 | 0.00 | 0.00 | |
| Decreases | | 0.00 | 0.00 | 0.00 | 0.00 | |
| Book value Dec. 31, 2018 | | 112,234.00 | 14,896.50 | 0.00 | 127,130.50 | |
| Group companies | <i>Domicile</i> | <i>Group interest</i> | <i>Parent company</i> | <i>Parent company's</i> | <i>Shares/participations owned by the parent company</i> | |
| | | (%) | (%) | (no.) | nominal value | book value |
| Aspocomp Trading Oy | Finland | 100.00 | 100.00 | 320 | 0.00 | 0.00 |
| Aspocomp GmbH | Germany | 100.00 | 100.00 | 2 | | 62,234.00 |
| AC Shenzhen Electronics Co., Ltd. | China | 100.00 | 100.00 | | | 50,000.00 |
| Total | | | | | | 112,234.00 |
| Other shares and participations | | | | | | |
| Other shares | | | | | | 14,896.50 |
| Total | | | | | | 14,896.50 |

2.5 INVENTORIES

| | € | 2019 | 2018 |
|------------------------|---|---------------------|---------------------|
| Materials and supplies | | 2,084,884.00 | 1,736,486.00 |
| Work in progress | | 755,712.00 | 445,898.00 |
| Finished goods | | 664,873.04 | 745,724.00 |
| Total | | 3,505,469.04 | 2,928,108.00 |

2.6 SHORT-TERM RECEIVABLES

| | € | 2019 | 2018 |
|--------------------------------------|---|---------------------|---------------------|
| Accounts receivable | | 7,555,238.69 | 7,284,556.67 |
| Other receivables | | 735,350.11 | 191,433.00 |
| Other accrued income | | 188,156.05 | 345,718.00 |
| Short-term receivables, total | | 8,478,744.85 | 7,821,707.67 |

2.7 SHAREHOLDERS' EQUITY

| | € | 2019 | 2018 |
|---|---|----------------------|---------------------|
| Shareholders' equity Jan. 1 | | 1,000,000.00 | 1,000,000.00 |
| Shareholders' equity Dec. 31 | | 1,000,000.00 | 1,000,000.00 |
| Reserve for invested unrestricted equity Jan. 1 | | 2,783,228.10 | 2,761,888.80 |
| Increase | | 29,476.00 | 21,339.30 |
| Reserve for invested unrestricted equity Dec. 31 | | 2,812,704.10 | 2,783,228.10 |
| Retained earnings Jan. 1 | | 5,405,353.58 | 4,490,412.92 |
| Dividends paid | | -799,980.60 | -466,655.35 |
| Retained earnings Dec. 31 | | 4,605,372.98 | 4,023,757.57 |
| Net profit/loss for the period | | 1,888,679.89 | 1,381,596.01 |
| Total balance | | 10,306,756.97 | 9,188,581.68 |
| Distributable funds in unrestricted equity | | 9,306,756.97 | 8,188,581.68 |

2.8 NON-CURRENT LIABILITIES

| | € | 2019 | 2018 |
|--|---|---------------------|---------------------|
| Loans from financial institutions | | | |
| Loans from financial institutions | | 3,226,660.00 | 3,253,330.00 |
| Financial leasing debts | | 942,524.90 | 1,007,231.66 |
| Lease liability | | 156,771.01 | 0.00 |
| Derivative financial instruments | | 0.00 | 5,296.01 |
| Non-current liabilities, total | | 4,325,955.91 | 4,265,857.67 |

2.9 CURRENT LIABILITIES

| | € | 2019 | 2018 |
|--|---|----------------------|---------------------|
| Loans from financial institutions | | | |
| Bank loans | | 1,026,670.00 | 826,670.00 |
| Financial leasing debts | | 440,640.88 | 327,373.75 |
| Derivative financial instruments | | 6,387.00 | 13,612.99 |
| Lease liability | | 5,727.82 | 0.00 |
| Factoring debt | | 1,654.87 | 2,498.29 |
| Total | | 1,481,080.57 | 1,170,155.03 |
| Accounts payable, other payables and accrued expenses | | | |
| Accounts payable | | 3,415,561.09 | 2,722,119.56 |
| Other payables | | 155,460.40 | 122,908.92 |
| Accrued expenses | | 1,494,001.58 | 2,062,125.31 |
| Total | | 5,065,023.07 | 4,907,153.79 |
| <i>Material items in accrued expenses:</i> | | | |
| Periodization of personnel expenses | | 1,300,691.97 | 1,515,738.27 |
| Interest periodization of loans | | 1,739.88 | 2,130.67 |
| Vat liabilities at the year end | | 44,873.01 | 364,872.50 |
| Other items | | 146,696.72 | 179,383.87 |
| Total | | 1,494,001.58 | 2,062,125.31 |
| Liabilities to Group companies | | | |
| Liabilities to Group companies | | 3,831,607.72 | 3,819,683.75 |
| Current liabilities, total | | 10,377,711.36 | 9,896,992.57 |

3.1 CONTINGENCIES AND COMMITMENTS

| | 1000 € | 2019 | 2018 |
|---|--------|---------------------|---------------------|
| Other rental payables | | | |
| <i>Minimum rents of other rent agreements that cannot be terminated</i> | | | |
| Within one year | | 56,815.14 | 79,461.54 |
| After one year but not more than five years | | 7,692.33 | 74,329.69 |
| More than five years | | 0.00 | 176,557.92 |
| Total | | 64,507.47 | 330,349.15 |
| Contingent liabilities at Dec. 31, 2019 | | | |
| Guarantees | | | |
| Business mortgage | | 6,000,000.00 | 4,000,000.00 |
| Collateral note | | 1,200,000.00 | 1,200,000.00 |
| Guaranteed contingent liability towards the Finnish Customs | | 35,000.00 | 35,000.00 |
| Total | | 7,235,000.00 | 5,235,000.00 |

BOARD OF DIRECTORS' DIVIDEND PROPOSAL AND SIGNATURES

According to the financial statements dated on December 31, 2019 the parent company's distributable earnings amounted to EUR 9,306,756.97, of which the retained earnings were EUR 6,494,052.87.

The Board of Directors will propose to the Annual General Meeting to be held on April 2, 2019, that a dividend of EUR 0.15 per share be paid. The dividend would be paid to shareholders registered in the Register of Shareholders maintained by Euroclear Finland Ltd on the record date of the dividend distribution, April 6, 2020. The Board of Directors proposes that the dividend will be paid on April 15, 2020.

Helsinki, March 9, 2020

Päivi Marttila
Chairman of the Board

Kaarina Muurinen
Vice Chairman of the Board

Julianna Borsos
Member

Matti Lahdenperä
Member

Juha Putkiranta
Member

Mikko Montonen
President and CEO

THE AUDITOR'S NOTE

The audit carried out has been submitted Auditor's Report today.

Helsinki, March 9, 2020

PricewaterhouseCoopers Oy

Authorized Public Accountants

Jouko Malinen
Authorized Public Accountant

AUDITOR'S REPORT

(Translation of the Finnish Original)

To the Annual General Meeting of Aspocomp Group Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee of the Board of Directors.

What we have audited

We have audited the financial statements of Aspocomp Group Oyj (business identity code 1547801-5) for the year ended 31 December 2019. The financial statements comprise:

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.


Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 6 to the Financial Statements.

OUR AUDIT APPROACH

OVERVIEW

| | |
|---|--|
|  | <ul style="list-style-type: none"> Overall group materiality: € 280 000 (previous year € 260 000), which represents 0,9 % of net sales 2019 |
| | <ul style="list-style-type: none"> Audit scope: The audit scope included the Group parent entity |
| | <ul style="list-style-type: none"> Revenue recognition Valuation of goodwill Valuation of deferred tax assets |

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

| | |
|--|---|
| Overall group materiality | € 280 000 (previous year € 260 000) |
| How we determined it | 0,9 % of net sales 2019 |
| Rationale for the materiality benchmark applied | We chose net sales as the benchmark because, in our view, it reflects the volume and growth objectives Group's business operations. Because the profit performance of the company is not steady, net sales is also a generally accepted benchmark. The percentage applied in the calculation is within the range of generally accepted quantitative materiality thresholds. |

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Aspocomp Group has one operative company, the Group parent, which has been selected into the audit scope. Group parent audit covers almost 100 % of the consolidated net sales.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

| Key audit matter in the audit of the group | How our audit addressed the key audit matter |
|---|--|
| <p>Revenue recognition</p> <p><i>For more information on revenue recognition please refer to the Accounting Principles of the Group Financial Statements and Note 1. Net Sales Income</i></p> <p>Revenue for sale of goods is recognized when significant risks and benefits related to the ownership have transferred to the buyer and the group no longer has right of possession or actual control over a good. In calculation of revenue, the sales income is adjusted by indirect taxes and granted discounts.</p> <p>We concentrated to the audit of revenue cut-off, as there is a risk that revenue from sales transactions is recognized to wrong period.</p> | <p>Our audit procedures included for example the following procedures:</p> <ul style="list-style-type: none"> We reviewed net sales recording to the correct accounting period by inspecting sales transactions recorded as revenue both before and after the last day of the financial period. For the selected sales transactions, we verified recognition of revenue in the correct financial period by going through delivery notes that the revenue was recorded to the correct financial period. We reviewed on a sample of sales transactions and validated the selected transactions to both sales invoices and delivery notes. <p>We performed IT assisted audit procedures on Group net revenue analyzing all sales transactions during the financial period and ascertained logical accounting treatment of all revenue recognition bookings.</p> |
| <p>Valuation of goodwill</p> <p><i>For information on valuation of goodwill refer to Accounting Principles of the Group Financial Statements and Note 25. Impairment Testing</i></p> <p>The company is obliged to test valuation of goodwill for depreciation at least once a year. The consolidated group goodwill at year end is € 3 million and relates to the circuit board factory in Oulu.</p> <p>This area is important for the audit, as impairment testing involves management consideration regarding the key assumptions such as average increase rate of goodwill over the cash flow forecast period, gross margin and the discount rate used in the calculations. We concentrated on cash flow forecasts, as these involve most inherent judgement.</p> | <p>Our audit procedures included for example the following procedures:</p> <ul style="list-style-type: none"> We reviewed the estimates of annual increase in net sales and discount rate used in impairment testing, and traced them to budgets approved by the board of directors. We evaluated and challenged the future cash flow forecasts and discount rate, and reviewed the process of forming those forecasts. We validated the mathematic accuracy of the impairment testing calculations. We compared the actual results of the year ended with the forecasts used in the impairment testing calculations, and reviewed impairment |

Based on impairment testing, the recoverable amount exceeded the book value and thus goodwill was not impaired in 2019.

testing of prior years in view of realization in order to ensure that the management forecasts were not too optimistic e.g. in terms of estimated margins and net sales increase rate.

- We reviewed the sensitivity analyses made by the management, which have been prepared by estimating the effects of the increase of net sales, weakening of the gross margin and changes in the discount rate both individually and in aggregate to the results of the impairment testing.

Valuation of deferred tax assets

For information on valuation of deferred tax assets refer to Accounting Principles of the Group Financial Statements and Note 8. Income Taxes

The Group's consolidated balance sheet includes deferred tax assets of € 4,7 million, which were mainly recorded from slowed tax depreciations. Over the financial period the deferred tax assets have increased by € 0,7 million. Valuation of deferred tax assets involves inherent management judgement, since utilisation of the tax assets is subject to the company being likely to have taxable income in the future, based on which valuation of deferred tax assets is a key audit matter.

In addition, the Group confirmed losses for the parent company from previous financial periods, for which deferred tax assets of € 0,2 million have been recorded in the Group consolidated balance sheet per 31 December, 2019 because management has estimated that respective taxable income is to be expected utilized before the confirmed tax losses are obsolete.

Our audit procedures included for example the following procedures:

- We challenged the management forecasts of future taxable income. We verified the conformity of these forecasts with the estimates used for impairment testing.
- We reviewed the grounds for recording deferred tax assets prepared by the management and challenged the management on the prerequisites for recording deferred tax assets.
- We validated the mathematic accuracy of the calculations prepared by management.
- We also evaluated accuracy of previous forecasts in comparison with actual financial performance of the Group.

We have no key audit matters to report with respect to our audit of the parent company financial statements in addition to above mentioned revenue recognition.

Neither the consolidated financial statements nor the parent company financial statements include a significant risk of material misstatement as referred to in Article 10(2c) of Regulation (EU) No 537/2014.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

APPOINTMENT

PricewaterhouseCoopers Oy was first appointed as auditors by the annual general meeting of Aspo Oyj (demerged company liquidated) which decided on the demerger 15.4.1999. Our appointment represents a total period of uninterrupted engagement of 21 years starting from the establishment of Aspocomp Group Oyj 1.10.1999 and the Company has been public interest entity for the whole period.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 9 March 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant (KHT)

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT 2019

Aspocomp Group Plc's Corporate Governance Statement 2019 has been prepared in accordance with the new Finnish Corporate Governance Code 2020, issued by the Securities Market Association and entered into force on January 1, 2020.

Aspocomp has complied with the Corporate Governance Code 2020 recommendations as written and without any deviations.

The company's Board of Directors has reviewed and approved this statement at its meeting. The statement has been issued separately from the Report of the Board of Directors. In addition to being included in the Annual Report 2019, the Corporate Governance Statement is available on the company's Internet site at www.aspocomp.com/governance. The Finnish Corporate Governance Code 2020 for Finnish listed companies is publicly available from, for instance, the Securities Market Association's website at www.cgfinland.fi/en.

STRUCTURE OF THE COMPANY AND ITS ADMINISTRATIVE BODIES

The administrative bodies of Aspocomp - the General Meeting, the Board of Directors, and the CEO - are in charge of the governance and operations of the company. Aspocomp's highest decision-making body is the General Meeting, where shareholders exercise their right to speak and vote. The Board of Directors is the highest operational decision-making body of the company. The AGM elects the Board of Directors, which in turn appoints the CEO. The CEO is responsible for the operational management of the company in accordance with the policies of the Board of Directors. Members of the Management Team assist the CEO in the company's operative management. In addition, the company has an auditor elected by the AGM, which must be a public accountant authorized by the Central Chamber of Commerce of Finland.

Management structure of Aspocomp Group Plc.



The duties and responsibilities of Aspocomp Group Plc's management bodies are defined according to Finnish legislation. The company complies with the legislation in force in Finland, Aspocomp's Articles of Association, the working orders of the Board of Directors and its committees, the company's policies and guidelines, the rules and guidelines issued by the European Securities and Markets Authority, the Finnish Financial Supervisory Authority and Nasdaq Helsinki Ltd, and the Corporate Governance Code applicable to Finnish listed companies.

The Group comprises the parent company Aspocomp Group Plc and the subsidiaries it owns directly in Finland and abroad.



ANNUAL GENERAL MEETING

Aspocomp's Annual General Meeting will be held each year on the day determined by the Board, but no later than the end of June. The Annual General Meeting decides on the matters covered by the Finnish Companies Act and the Articles of Association of the company. The most significant matters falling within the decision-making power of the General Meeting include the election of the Board members and the Auditor, the adoption of financial statements, the resolution on discharging the Board members and the CEO from liability, and the resolution on the distribution of the company's assets, such as distribution of profit. Extraordinary General Meetings are convened to handle specific matters proposed to a General Meeting.

Shareholders may exercise their decision-making power at the General Meeting, where they have the right to speak, ask questions, and vote. All Aspocomp shareholders have the right to attend General Meetings, as long as they follow the instructions given in the Notice of Meeting. Shareholders may either attend in person or authorize a representative to represent them. Each share carries one vote at a General Meeting. When votes are taken, the proposal for which more than half of the votes were given usually becomes the resolution of the General Meeting, as prescribed by the Limited Liability Companies Act.

NOTICE OF THE GENERAL MEETING AND PROPOSALS FOR RESOLUTIONS

Aspocomp will publish invitations to its General Meetings as stock exchange releases, as well as on its website. The company will publish the Notice of AGM no earlier than three months and no later than three weeks prior to the meeting. The Notice of AGM includes the agenda for the meeting, the proposals for the composition and remuneration of the Board of Directors prepared by the Board of Directors (or the Nomination Committee) and the proposal for the auditor. The Notice also includes an assessment of the independence of the Board candidates, the Remuneration Policy for the company's governing bodies as well as other items on the agenda. In addition, the biographical details of all candidates for the Board will be published on the company's website, including an assessment of their independence. The Remuneration Policy to be reviewed at the AGM will also be published on the website.

The Notice of AGM also includes any written proposals concerning the composition and remuneration of the Board of Directors and the election of the auditor submitted by shareholders representing no less than 10% of the company's shares. If the proposals are submitted to the company after the publication of the notice of the AGM, the company will publish the proposals separately. All written proposals submitted to the company before the date of the General Meeting and relating to the items on the agenda of that meeting will be published on the company's website.

SHAREHOLDERS' PROPOSALS FOR ISSUES TO BE ADDRESSED AT THE AGM

An Aspocomp shareholder has the right to have a matter falling within the competence of the General Meeting under the Limited Liability Companies Act addressed by the GM if he/she submits a demand in writing to the company's Board well in advance so that the matter can be included in the Notice of Meeting. Aspocomp shall disclose in due time on its website and the event calendar the date by which a shareholder must notify the company's Board of an issue that she or he demands to be addressed at the General Meeting and the contact information for sending such notifications. The date and contact

information shall be published no later than by the end of the financial period preceding the General Meeting.

ATTENDANCE AT THE AGM

The Chairman of the Board, the members of the Board and the CEO are present at the General Meeting. The auditor is present at the Annual General Meeting. The nominees for the Board of Directors are present at the Annual General Meeting where they are elected. If one or more of these people do not attend, Aspocomp will notify the General Meeting of their non-attendance.

ARCHIVE OF THE GENERAL MEETING DOCUMENTS

The decisions of the AGM will be announced in a stock exchange release and on the company's website without undue delay after the meeting. The minutes of the General Meeting shall be made available on the company's website within two weeks of the General Meeting. General Meeting documents shall be archived on Aspocomp's website for at least five years. In addition, the annual Remuneration Report for governing bodies will be made available on the company's website for at least ten years. The remuneration report will be published at the same time as the financial statements, the annual report and the corporate governance statement.

2019

The 2019 Annual General Meeting was held on April 3, 2019 in Espoo, Finland. The AGM adopted the parent company's financial statements and the consolidated financial statements for 2018 and discharged the Board of Directors and the CEO from liability for 2018. The AGM also approved the Board of Directors' proposal regarding the distribution of the company's profit for 2018, sanctioning payment of a dividend of EUR 0.12 per share. The AGM also decided the composition of the Board of Directors and remuneration to be paid to the members of the Board of Directors and appointed the Auditor.

BOARD OF DIRECTORS

The Board is responsible for the administration and the proper organization of the operations of the company. In addition, the Board is responsible for the proper organization of accounting and financial management. The Board of Directors has general authority in matters that have not been assigned to another administrative body in either legislation or the Articles of Association. The general task of the Board is to use its powers to increase the value of the shareholders' holdings in the long run in line with the interests of the company and all of its shareholders. The Board of Directors operates in accordance with Aspocomp's Articles of Association, current legislation and the rules and regulations and guidelines of FIN-FSA and Nasdaq Helsinki.

ELECTION AND TERM OF OFFICE OF THE BOARD OF DIRECTORS

The Annual General Meeting elects annually all the members of the Board of Directors for a term of one year and decides on their remuneration. As set out in Aspocomp's Articles of Association, the company's Board of Directors consists of three to eight members. The term of office of the Board members ends at the next AGM following their election. The Board elects the Chairman and the Vice Chairman from among its members at its organization meeting, which is held after the AGM.

In the preparation of the proposal for the Board composition, Aspocomp applies a practice in which the Board of Directors or the Nomination Committee, if one has been established, prepares a proposal to the AGM concerning candidates for the Board of Directors and the remuneration of Board members. However, the procedure published by the company shall not restrict the shareholder's right to make proposals concerning the composition or remuneration of the Board of Directors.

COMPOSITION AND DIVERSITY OF THE BOARD OF DIRECTORS

The composition of the Board should enable the Board to perform its duties as effectively as possible. The preparation of the composition of the Board takes into consideration the requirements of the company's operations and development to ensure that the Board supports Aspocomp's current and future business in the best possible way.

In order for the Board of Directors to discharge its duties in the most effective manner, it is important that the members have sufficient and versatile competencies, mutually complementing experience and

knowledge of the company and its industry. In addition, a person elected to the Board must have the possibility to devote a sufficient amount of time to the duties. Both genders shall be represented in the Board of Directors. A sufficient number of Board members contributes to the diversity of the Board and to the fulfillment of the independence requirements.

Diversity is an essential component of the achievement of Aspocomp's strategic objectives and good governance at the company. The diversity of the Board strengthens its efficient and optimal work and operations, promotes open discussions and enables decision-making based on different views and knowledge.

When preparing proposals on the composition of the Board, a range of diversity aspects, such as educational backgrounds, professional competencies and experience of national and international business, independence of the candidates as well as age and gender distribution are taken into consideration as set out in the company's principles concerning diversity. Board members need to have diverse and mutually complementary expertise, experience and capabilities that correspond effectively to the company's business and strategic requirements set by both current and emerging demands. The goal is to maintain the current balanced gender representation in the Board also in the future, so that at least 25% of Board members are always men and women.

In 2019, the Board consisted of five members. They have all worked or are working on the Boards of Directors or in the management of listed or unlisted companies. The Board members also have international work experience of different types of tasks. The Board members hold university-level degrees that are evenly distributed between economics and technology. Both genders are equally represented in the Board. At the end of 2018, 60 percent of Board members were women. During 2012-2018, the share of women in the Board varied between 25-66%. The ages of Board members are evenly distributed between 48 and 66.

During January 1-April 3, 2019, the Board consisted of five members: Ms. Päivi Marttila as Chairman of the Board, Ms. Kaarina Muurinen as Vice Chairman of the Board and Ms. Julianna Borsos, Mr. Matti Lahdenperä and Mr. Juha Putkiranta as members of the Board.

The Board of Directors prepared the proposal for the Board of Directors for consideration at the AGM held on April 3, 2019. The AGM decided to set the number of Board members at five and re-elected the current members of the Board, Ms. Päivi Marttila, Ms. Kaarina Muurinen, Ms. Julianna Borsos, Mr. Matti Lahdenperä and Mr. Juha Putkiranta. The Board re-elected Päivi Marttila as Chairman of the Board and Kaarina Muurinen as Vice Chairman. The term of office of the members of the Board ends at the end of the AGM in 2020.

| Member | Born | Education | Nationality | Main occupation | Member since | Shareholdings * |
|-----------------------------------|------|------------------|-------------|---|--------------|--------------------|
| Päivi Marttila Chairman | 1961 | M.Sc. (Econ.) | Finnish | Sievi Capital Oyj, CEO | 2013 | 34,963 * |
| Kaarina Muurinen Vice Chairman | 1958 | M.Sc. (Econ.) | Finnish | Vaisala Plc, CFO | 2015 | 0 * |
| Julianna Borsos | 1971 | D.Sc. (Econ.) | Finnish | Bocap Private Equity Oy Chairman of the Board and founder | 2017 | 1,005,000 * |
| Matti Lahdenperä | 1953 | Lic. Sc. (Tech.) | Finnish | Board professional | 2016 | 220,011 * |
| Juha Putkiranta | 1957 | M.Sc. (Eng.) | Finnish | Saafricon Oy, CEO and owner | 2016 | 0 * |
| Shareholdings, total | | | | | | 1,259,974 * |

* The shareholdings also include any shares held by the Board of Directors' related parties and controlled organizations.

Further information on the members of the Board of Directors can be found on the company's website at www.aspocomp.com/board.

INDEPENDENCE OF DIRECTORS

The majority of the directors must be independent of the company. At least two directors who are independent of the company must also be independent of the significant shareholders of the company.

Aspocomp's Board of Directors evaluates the independence of its members in accordance with the Finnish Corporate Governance Code annually and the updated evaluation is published as part of the company's Corporate Governance Statement. The evaluation also includes the criteria according to which the member is not considered independent. If factors affecting the independence of a director change during the year, an updated evaluation is published on the company's website. The independence evaluation of Board candidates is presented on the company's website. All Board members and Board candidates are obligated to provide the Board with the information necessary to evaluate their independence and to notify the changes as well as present their own evaluation of their independence.

In 2019, according to an evaluation of Board members' independence performed by the Board, all five Board members are independent of the company and four out of five members are also independent of the company's major shareholders. On the basis of the overall evaluation, the Board of Directors considered that a member of the board, Ms. Julianna Borsos, is not independent of the company's major shareholders, as a member of her family is one of the company's major shareholders, having more than 10% of the company's shares and voting rights.

| Member | Independent of the company | Independent of the main shareholders |
|---------------------------------|----------------------------|--------------------------------------|
| Päivi Marttila, Chairman | Yes | Yes |
| Kaarina Muurinen, Vice Chairman | Yes | Yes |
| Julianna Borsos | Yes | No |
| Matti Lahdenperä | Yes | Yes |
| Juha Putkiranta | Yes | Yes |

WORKING ORDER OF THE BOARD OF DIRECTORS

The Board of Directors has confirmed a written charter for the Board of Directors' duties, the matters it deals with, its meeting practice and its decision-making procedure. In addition to the Articles of Association, Finnish legislation and other regulations, Aspocomp's Board of Directors complies with a Working Order that is available in its entirety on the company's Internet site (www.aspocomp.com/governance, choose Board -> Working Order). All meetings are documented.

As set out in the Working Order, the Board of Directors:

- decides on its Working Order and updates it annually, as necessary
- appoints and discharges the CEO and determines his or her salary and bonuses
- approves and maintains a successor plan for the CEO
- approves the appointment of employees reporting to the CEO and decides on the terms and conditions of their employment and remuneration
- approves the corporate structure and the company's organization
- proposes management incentive schemes to the General Meeting, as necessary
- ensures that the company has organized internal control of accounting and financial management as well as monitors the effectiveness of supervision
- determines the company's long-term objectives and monitors their implementation
- assesses the company's annual action plans
- approves the company's annual financial targets
- reviews, at least once a year, the company's major risks and issues the necessary instructions to manage those risks

- reviews and approves the company's interim reports, Financial Statements and the Board of Directors' Report as well as the Corporate Governance Statement
- has a discussion with the company's auditor at least once a year
- makes the most important business decisions such as acquisitions, divestitures, major contracts and liabilities, investments and financing arrangements
- determines the strategy of the company and oversees its implementation
- approves the business plan and budget drafted on the basis of the strategy and oversees their execution
- sets approval limits for investments and commitments, which cannot be exceeded without the Board of Directors' approval
- decides on the dividend policy and prepares a proposal to the AGM regarding payment of dividend
- monitors and manages any conflicts of interest between the company's management, Board members and shareholders
- carries out a self-evaluation of its own work, performance and competence on a yearly basis
- reviews and decides on all other matters that are the business of the Board of Directors according to the Companies Act or other legislation.

Tasks of the Chairman of the Board

The task of the Chairman is to chair the Board meetings and manage the Board's work so that the Board's responsibilities are met. The Chairman shall:

- ensure that the meetings set out in the meetings schedule are held
- call the Board to extraordinary meetings when necessary
- ensure that the proposals and the supporting material are sent to Board members two (2) working days before the meetings
- accept the agenda prepared by the CEO
- ensure that the minutes of the meetings are kept and that they are signed by the Chairman with a Board member appointed separately by the Board at each meeting
- be in contact with the CEO and follow up on the management of the company's business operations
- meet the other Board members between the meetings to discuss the company's business
- be in contact with the company's shareholders and other stakeholders
- be responsible for the assessment of the Board's work.

BOARD OF DIRECTORS' RIGHT TO RECEIVE INFORMATION

Aspocomp's CEO, assisted by the Management Team, ensures that all Board members have access to sufficient information about the company's business operations, strategy, operating environment, and financial position, and that new members are properly introduced to the operations of the company.

BOARD OF DIRECTORS' PERFORMANCE EVALUATION

In order to ensure and develop the efficiency and continuity of its work, Aspocomp's Board conducts an evaluation of its operations and working methods annually. The purpose of the evaluation is also to assess the composition of the Board and define qualifications for any new Board members.

In 2019, the Board carried out an internal self-assessment of its operations and working methods and used the evaluation results to develop its work. A summary of the results was reviewed at a Board meeting.

Board meetings in 2019

The Board assembled eight times and the meeting participation rate was 100%. The CEO and CFO of the company also participated in the Board meetings as needed.

| Member of the Board | Number of Board meetings attended | Attendance percentage |
|---------------------------------|-----------------------------------|-----------------------|
| Päivi Marttila, Chairman | 8/8 | 100% |
| Kaarina Muurinen, Vice Chairman | 8/8 | 100% |
| Julianna Borsos | 8/8 | 100% |
| Matti Lahdenperä | 8/8 | 100% |
| Juha Putkiranta | 8/8 | 100% |

COMMITTEES

Aspocomp has an Audit Committee that includes three Board members. The Board of Directors appoints the Chairman and members of the Audit Committee from amongst its number after the end of the Annual General Meeting for a term of one year. The Board of Directors has not appointed committees other than an Audit Committee.

The Board of Directors may also decide to establish a Nomination and Compensation Committee if necessary, to more effectively prepare such matters. The Board of Directors shall confirm the main duties and operating principles of each committee in a written charter. The committees have no decision-making authority of their own, and the decisions within their competence are taken collectively by the Board. Each committee must have at least three members. The members of the committee must have the expertise and experience required for the duties of the committee and the majority of the members of a committee must be independent of the company. At least one member of the Audit Committee must be an independent individual with special expertise in accounting, bookkeeping, or auditing. All meetings need to be documented and the committees must report regularly on their work to the Board. Minutes of committee meetings are to be submitted to the Board.

As an alternative to the Board's Nomination Committee, the General Meeting may establish a Shareholders' Nomination Committee to prepare Board election and remuneration. Aspocomp's General Meeting did not establish a Nomination Committee.

Audit Committee

At its organization meeting held after the AGM on April 3, 2019, the Board resolved to keep its Audit Committee and reelected the following Board members to the Audit Committee:

- **Kaarina Muurinen, Chairman of the Audit Committee**
- **Julianna Borsos, member**
- **Matti Lahdenperä, member**

All Audit Committee members are independent of the company and two members out of three are independent of the company's major shareholders. The competence requirements of Audit Committee members have been taken into account in their selection.

Specific duties have been assigned to the Audit Committee, including:

- overseeing the reporting of the financial statements
- overseeing the financial reporting
- overseeing the effectiveness of the company's internal control and risk management systems
- drafting a description, included in this Corporate Governance Statement, regarding the main features of internal control and risk management, which are connected to the financial reporting procedure
- overseeing the statutory audit of the financial statements and consolidated financial statements
- establishment of principles concerning the monitoring and assessment of related party transactions
- assessing the independence of the statutory audit and auditing firm
- preparing the proposal for the election of the auditor

- reviewing the accounting principles and IFRS issues.

The Audit Committee's working order is available in its entirety on the company's Internet site at www.aspocomp.com/audit-committee.

In 2019, the Audit Committee assembled five times in 2019. The overall meeting participation rate was 100%.

| Member of the Audit Committee | Number of Audit meetings attended | Attendance percentage |
|---------------------------------|-----------------------------------|-----------------------|
| Kaarina Muurinen, Vice Chairman | 5/5 | 100% |
| Julianna Borsos | 5/5 | 100% |
| Matti Lahdenperä | 5/5 | 100% |

CEO AND MANAGEMENT

As of May 15, 2014, Mr. **Mikko Montonen**, M.Sc. (Tech.), (born 1965) has been the President and CEO of Aspocomp Group Plc as well as the Chairman of the Management Team. On December 31, 2019, CEO Mikko Montonen owned a total of 260,000 Aspocomp shares and 130,000 stock options.

The CEO is responsible for managing and developing the business operations of the company, and for the day-to-day management of the company in line with the guidelines given by the Board of Directors. In addition, the CEO is responsible for the legality of the company's accounting and reliable organization of the company's financial management as well as ensuring that the company has adequate management resources and that its administration is appropriate. The CEO prepares matters to be handled at Board meetings and reports to the Board.

The Board appoints the CEO and decides on the terms and conditions of the CEO's employment. The written CEO's contract, approved by the Board of Directors, specifies the terms and conditions of the CEO's employment and all financial benefits. The Board of Directors ensures that the remuneration of the CEO under the contract complies with the company's valid remuneration policy for governing bodies.

DEPUTY CEO

Aspocomp's Board of Directors appointed **Antti Ojala**, VP Business Development (b. 1979, M.Sc. engineer) as Deputy CEO on October 29, 2018. The Deputy CEO shall perform the duties of CEO if the CEO is temporarily unable to perform his or her duties or if the employment of the CEO is terminated. Mr. Ojala owned a total of 5,000 Aspocomp shares on December 31, 2019.

MANAGEMENT TEAM

The Management Team is responsible for assisting the CEO and supporting the preparation and implementation of major matters. The Board of Directors appoints the Management Team members on the proposal of the CEO and decides on their remuneration, taking into account the provisions of the Companies Act.

The Management Team holds regular meetings that are chaired by the CEO. The Management Team monitors the company's business performance and risk management, as well as reviews investment proposals, business plans and annual plans and incentive programs prior to their submission to the Board. The company's Management Team members report to the CEO and assist him by preparing important matters such as strategy and action plans as well as putting them into practice. The Management Team is not a governing body.

Management Team's composition and shareholdings as at December 31, 2019

| Member | Born | Education | Position at Aspocomp | Natio- nality | Member since | Share- holdings * | Options |
|---|-------------|--|--|--------------------------|-------------------------|------------------------------|----------------|
| Mikko Montonen | 1965 | M.Sc. (Tech.) | President and CEO | Finnish | 2014 | 260,000 | 130,000 * |
| Antti Ojala | 1979 | M.Sc. (Eng.) | VP, Business Development, deputy to CEO | Finnish | 2013 | 5,000 | |
| Ari Beilinson | 1963 | M.Sc. (Econ.) | VP, Sales and Marketing | Finnish | 2019 ** | None | |
| Jari Isoaho | 1960 | B. Sc. (Eng.) | COO | Finnish | 2011 | 5,000 | |
| Jouni Kinnunen | 1960 | diploma in Business & Administration | CFO | Finnish | 2011 | 5,024 | |
| Mitri Mattila | 1973 | M.Sc. (Eng.) | Chief Technology Officer | Finnish | 2018 | 3,000 | |
| Shareholdings and options, total | | | | | | 278,024 * | 130,000 |

* The shareholdings also include any shares held by the Management Team's related parties and controlled organizations.

** Ari Beilinson's Management Team membership started on April 29, 2019.

Further information on the members of the Management Team can be found on the company's website at www.aspocomp.com/management.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO THE FINANCIAL REPORTING PROCESS

Aspocomp's internal control and risk management model associated with its financial reporting process aims to ensure that the company's operations comply with current laws and regulations and the company's operating principles. In addition, the objective is to ensure that the financial reports published by the company give a true view of the company's performance and financial position.

In addition, the objective is to ensure that the Board and management have accurate and sufficient information about the company's financial position, risks impacting on future performance and the implementation of strategy. The Board is responsible for the proper and effective arrangement of internal control and risk management. The Board monitors that the CEO attends to the day-to-day business operations and administration of the company in accordance with the instructions and regulations issued by the Board of Directors.

INTERNAL CONTROL

Internal control seeks to maintain the reliability of financial reporting. The objective is to ensure efficient implementation of the company's strategy and effective operations, assure compliance with internal instructions, policies and laws and regulations as well as achieve accurate financial reporting and prevent fraud and other misconduct. Internal control is an integral part of the company's administration and management systems. It is not a separate process, but as part of the company's activities it covers all the company's policies, guidelines and systems.

The Board is responsible for organizing internal control. The CEO takes care of the practical arrangement of the control and reports on it to the Board. In accordance with the company's internal control principles, all significant tasks, transactions and meetings, including the decisions made, are

documented, IT and other support systems are used efficiently and appropriately, and information security is arranged properly.

The Management Team, which is responsible for line operations, and the company's other teams regularly follow all key performance indicators to ensure the correctness of the financial information. On a monthly basis, the Board receives a standard-format profit and loss report as well as a cash flow status report, including both actual and forecast figures.

The Board reviews and approves the company's interim reports, half-year reports, financial statement bulletins, financial statements and the report of the Board of Directors, as well as any significant changes in the business. The Audit Committee monitors the company's financial reporting process and internal control systems as well as reviews and appraises the audit efforts of the company's independent auditors.

The actual internal control materializes in management processes as personnel acts based on instructions to reach operative targets. The targets determine the necessary actions and related risks. Instructions are used to steer actions and compliance with them is monitored as part of operational activity and management. In order to secure an efficient and functional internal control environment, the company seeks to ensure transparency, fairness, correctness and timeliness of internal and external communications.

The company's policies and other instructions and regulations adopted by the Board of Directors are kept up-to-date and regularly communicated to all those concerned. The company's Policies document defines representation and approval rights, HR policies and approval of employee benefits, pricing, payment term and credit policies as well as approval procedures for expenses. In addition, it defines instructions for preparing and handling agreements, instructions for IT usage and IT security and principles of risk management and insurance coverage. The Finance Manual provided to the financial staff includes accounting instructions, principles and instructions for management reporting and external reporting, as well as defines the internal controls in bookkeeping and reporting processes including responsibilities. Aspocomp's Code of Conduct defines the basic requirements of our business practices and guides our employees to act responsibly and ethically in their daily work. Treasury Policy defines the objectives of Aspocomp's financing activities, division of responsibilities, operating principles, financial risk management principles as well as monitoring and reporting principles. Privacy Policy (GDPR) and related training are designed to ensure that the company's personnel process personal data confidentially and carefully as well as in accordance with applicable Finnish law and EU Data Protection Regulation requirements. Aspocomp's Disclosure policy describes the company's key principles and information practices and other external communication practices that the company pursues in investor relations and financial reporting.

Accounting and reporting of the Group's parent company is centralized into one ERP system, which supports the business processes. Foreign subsidiaries' accounting is handled by external accounting firms, taking into account the specific legal and auditing requirements of each country. Each subsidiary submits a monthly report on account-level expenses, which is reviewed and approved prior to their payment. Reports from the system are used in decision making and control in management and support processes. Several control points are defined at different levels of reporting (subsidiaries, parent company, Group). These controls include approval procedures, reconciliations and analyses of financial information to detect errors and thereby ensure the correctness of the information received from the system.

RISK MANAGEMENT

Risk management is an integral element in Aspocomp's business management, strategic planning and operational goal setting. The task of risk management is to identify, manage and track major risks in the company's business and business environment to enable the company to achieve its strategic and financial goals in the best possible way. Identified risks are assessed and prioritized according to their likelihood and their potential impact on the company's operations and financial performance.

When deciding on the company's strategy, the Board of Directors reviews the company's major risks and sets operative goals such that these risks are eliminated or minimized cost-effectively. Aspocomp's Management Team is responsible for day-to-day risk management. Risk management, processes and methods are discussed regularly at the Management Team meetings. As part of internal control, the

achievement of the operative goals set for risk management is assessed and monitored. Aspocomp's Annual Report contains an evaluation of the material risks and uncertainties. In addition, the company's regular reporting describes the material short-term risks and uncertainties related to the business operations.

OTHER INFORMATION TO BE PROVIDED IN THE CG STATEMENT

INTERNAL AUDIT

Due to its size, the company does not have a separate internal auditing organization or specific internal audit tasks. Aspocomp's external auditor takes this into consideration and audited the internal auditing procedures in 2019 in accordance with its audit plan.

RELATED-PARTY TRANSACTIONS

Aspocomp's related parties include entities defined in accordance with Chapter 1, Section 12 of the Companies Act, in accordance with the International Accounting Standard IAS24 (Related Party Disclosures). The definitions of related parties in the Finnish Accounting Act and Decree correspond to the content of the standard.

According to IAS24, the related parties of a company consist of its Board of Directors, the President and CEO and the Deputy CEO of the parent company and the managing directors of the major subsidiaries as well as the other executives of the company and the company's key shareholders, who exercise control or significant influence over the decision-making process relating to the finances and business of the parent company or the significant subsidiary. Close family members of the above-mentioned persons are also considered to be related parties of the company.

An entity is a related party of a company if it is, for example, a parent or a subsidiary, an associate or joint venture or it is controlled, jointly controlled or significantly influenced by a related party.

Control means more than 50% of the holding in the company, taking into account both direct and indirect ownership and the right to appoint and/or dismiss a majority of the members of the company's Board of Directors. Significant influence is, in principle, a 20% to 50% direct or indirect shareholding in the company.

Close family members of a person are that person's children, spouse, domestic partner or dependents (meaning a financially dependent person) as well as children or dependents of that person's spouse or domestic partner. The related party subject itself should assess, on an individual basis, which persons are dependents and as such considered to be close family members.

Definition of related parties and maintenance of a list of related parties

Aspocomp keeps an up-to-date record of the natural or legal persons that are the company's related parties and the insider responsible ensures that related party instructions are issued. The CEO monitors changes in the list of related parties and reports changes to the Board of Directors.

Principles for identifying, monitoring and evaluating related party transactions and decision making

A related party transaction means an agreement or other legal act between the company and its related party. In identifying related party transactions, Aspocomp pays attention to the actual content of the action, the related party and the relationship between them and not only its legal form. In related party transactions, the transfer of resources, services or obligations between the reporting entity and its related party is essential, regardless of whether monetary or other compensation is rendered.

Aspocomp's Board of Directors has defined the principles for monitoring and evaluating the company's related party transactions. Aspocomp carries out transactions with its related parties only if they are in accordance with the purpose of the company's operations and the company's interest and have a commercial basis. When the company engages in transactions with its related parties, it will first ensure that it is appropriate for the company and its shareholders and take into account the legislation relating to the monitoring, evaluation, decision-making and publication of related party transactions. In addition, it will be ensured that no conflict of interest has affected the decision or other act. Members

of the Management Team report to the CEO if they plan or detect planned related party transactions. A member of the Management Team, as specifically designated by the CEO, taking provisions on conflicts of interest into account, prepares reports and evaluations of each planned related party transaction and the nature of its terms for the Management Team. Each related party transaction and the nature of its terms is assessed on a case-by-case basis and in relation to the company's normal operations and commercial terms as well as generally respected and accepted market practices in the industry.

If the related party transaction is clearly in the scope of the standard terms and conditions of the company's ordinary business operations, the CEO or, if necessary, the Management Team shall decide on the implementation of the related party action, subject to the conflict of interest provisions. Related party transactions that are not part of the company's course of business or are made in deviation from customary commercial terms require a decision of the Board of Directors to carry out the related party transaction, subject to the conflict of interest provisions. In such cases, the CEO presents the reports and evaluations to the Board of Directors for consideration and decision. The Board of Directors may also, if necessary, defer the decision on the related party transaction to the general meeting, requiring a majority of the votes of shareholders who are not related parties to the matter at hand. The exceptions to the above are the actions expressly listed in the Limited Liability Companies Act that are not subject to the conflict of interest provisions relating to shareholders' related party transactions. Such transactions include, for example, transactions with fully owned subsidiaries and resolutions of the general meeting concerning the remuneration of the Board of Directors.

The CEO shall report all related transactions annually to the Board of Directors/Audit Committee. The Board of Directors shall monitor and evaluate how contracts and other legal transactions between the company and its related parties comply with the legal requirements for being part of the company's ordinary business and market conditions.

Reporting and disclosure requirements of related party transactions as well as explaining the principles

The company reports on related party transactions annually in the Annual Report and in the notes to the Financial Statements as required by the Companies Act and the regulations governing the preparation of the financial statements. The company publishes related party transactions as required by the Securities Markets Act, the stock exchange rules and the Market Abuse Regulation. Related party disclosures include the nature of the related party relationship, a description of the transaction or financial interest and its monetary value. The principles for monitoring and evaluating related party transactions are described annually in the company's Corporate Governance Statement.

Conflict of interest

A person or entity that is a related party to Aspocomp may not participate in the preparation of an agreement or vote for an agreement or other legal act to which he or she is a related party or is a member of a related party's close family, and the legal action is not part of the company's ordinary course of business or is not executed on customary commercial terms. A majority of votes of members who are not related parties with respect to the transaction, whether themselves or through their own related parties, is always required to make a decision on a related party transaction.

Related party transactions in 2019

Aspocomp's related parties comprise the Board of Directors, the President and CEO and the Management Team, and their close family members and companies in which the aforementioned exercise control or significant influence, whether alone or jointly. Aspocomp Group's related companies include the Group's subsidiaries.

In 2019, Aspocomp did not carry out any significant transactions with related parties that would have deviated from the company's ordinary course of business or would not have been carried out under customary commercial terms (no related party transactions in 2018).

MAIN PROCEDURES RELATING TO INSIDER ADMINISTRATION

Aspocomp complies with the Market Abuse Regulation (MAR, EU 596/2014) and the regulations and guidance given under it, such as Nasdaq Helsinki's Guidelines for Insiders. These are supplemented with Insider Rules approved by the Board of Directors, which have been drawn up in compliance with the above laws and regulations, and also include company-specific clarifications.

The company's Board of Directors, the CEO and the Management Team members are designated as persons with an obligation to disclose their transactions at Aspocomp. Persons in managerial positions and their related parties are obligated to notify both the company and the Financial Supervisory Authority of any transactions involving Aspocomp's financial instruments made on their behalf. Aspocomp discloses such transactions with stock exchange releases (www.aspocomp.com/reports). The company also maintains a company-specific list of persons who have access to insider information and who work under contract or otherwise perform tasks that give them access to the company's insider information. Aspocomp does not maintain a permanent insider register. Instead, project- and event-specific insider lists are kept. The company's insider lists are maintained in Euroclear Finland Oy's SIRE system. Aspocomp's managers and any persons who have access to unpublished information on the company's financial results, such as those involved in the preparation, drafting and publication of financial reports, are not allowed to trade Aspocomp's securities for a period of 30 days prior to the publication of the company's financial statement bulletins, half-year reports and interim reports (so-called "closed window"). Project-specific insiders are not allowed to trade Aspocomp's securities before the project has been made public or discontinued. The CEO is responsible for insider affairs, training and decisions to set up registers for insider projects. The company monitors that the insider rules are followed and ensures that all persons who have access to insider information recognize the legal and regulatory obligations related to this and are aware of applicable penalties for insider trading and illegal disclosure of insider information. Under the authorization of the Board of Directors, Aspocomp's CEO will monitor, evaluate and make decisions about the disclosure of insider information and the postponement of disclosure of insider information when MAR conditions are met.

INSTRUCTIONS FOR REPORTING ON INFRINGEMENTS (WHISTLE BLOWING)

All persons employed by Aspocomp may report any suspected infringement of internal or external norms and regulations, such as activities in contravention of business principles or the insider guidelines, through an independent channel within the company (and anonymously if they wish). The purpose of the reporting channel is to promote good corporate governance in the company's day-to-day operations and to prevent and detect misconduct. All reports are investigated in confidence and without delay.

In 2019, no offence notifications were made (no offence notifications in 2018).

AUDITING

According to the Articles of Association, the Annual General Meeting shall elect one external auditor to inspect the administration and accounts of the company for one year at a time. The auditor must be a public accountant authorized by the Central Chamber of Commerce of Finland. The Board prepares the election process for the auditor. In the statutory audit, the auditor is responsible for auditing the company's accounting records, report of the Board of Directors, financial statements and administration. The auditor issues the auditor's report required by law to the company's shareholders in connection with the company's financial statements.

Auditor in 2019

On April 3, 2019 the AGM elected Authorized Public Accountants PricewaterhouseCoopers Oy as the company's auditor with Authorized Public Accountant Jouko Malinen as the main auditor.

Auditing fees 2019

| Auditing fees | 2019 | 2018 |
|---------------------|--------|--------|
| PWC, actual audit | 60,068 | 48,038 |
| PWC, other services | 5,693 | 12,395 |
| Total | 65,761 | 60,433 |

THE BOARD OF DIRECTORS

PÄIVI MARTTILA

Chairman

b. 1961, Finnish Citizen, M.Sc. (Econ.)

Independent member of the Board since 2013 and Chairman of the Board since 2014

Primary work experience

Sievi Capital Plc, CEO, 2018-, Midagon Oy, CEO, 2012-16, Flextronics Group, VP Sales and Marketing, 2005-11, Plamec Oy, CEO, 2002-05, QPR Software Oy, Director and Founder, 1991-2001.

Key positions of trust

Midagon Oy, Chairman of the Board, Patria Oyj, Member of the Board.

KAARINA MUURINEN

Vice Chairman

b. 1958, Finnish Citizen, M.Sc. (Econ.)

Independent member of the Board and Vice Chairman of the Board since 2015

Primary work experience

Vaisala Oyj, CFO, 2011-, Nokia Oyj, Vice President, Supply Chain Finance & Control, 2008-11, Vice President, Shared Accounting Services, 2003-08, Director, Financial Services Platform, 1998-2003, Hewlett-Packard Brussels Coordination Center, Accounting Manager, Europe Inventory & Revenue, 1994-98.

JULIANNA BORSOS

Member of the Board

b. 1971, Finnish Citizen, D.Sc. (Econ.)

Independent of the company, dependent of significant shareholders of the company, member of the Board since 2017

Primary work experience

Bocap, Founder and Chairman of the Board, 2011-, Intelligem Oy, Merasco Capital Oy, Investment Bank Executive & Partner, 2002-2009, Mandatum, Partner and Head of International Operations, 1999-2001, Merita ja Merita-Nordbanken, Economist and Chief Analyst, European emerging markets, 1997-1999, ETLA, Researcher, 1993-1997

Key positions of trust

Bocap subsidiaries, Chairman of the Board, MediVida Oy, Primex Pharmaceuticals Oy and Nanocomp Oy, Member of the Board

MATTI LAHDENPERÄ**Member of the Board**

b. 1953, Finnish Citizen, Lic.Sc. (Tech.)

Independent member of the Board, 2016-

Primary work experience

OT-Kumi Oy, Partner and Development Manager, 2004-2016, RL Vision Tech Oy, Deputy to the CEO, 2002-04, Thermo Radiometrie Oy, Production Manager, Group Manager 1995-2002, Rautaruukki New Technology, Production Manager 1991-95, VTT Oulu, Researcher, 1988-91, Aspo Elektroniikka, Oulu, Production Manager, 1979-88.

JUHA PUTKIRANTA**Member of the Board**

b. 1957, Finnish Citizen, M.Sc. (Engineering)

Independent member of the Board, 2016-

Primary work experience

Saafricon Oy, CEO and owner, 2015-, Microsoft Corporation, Corporate Vice President, 2014, Nokia Oyj, Executive Vice President, Operations, 2013-14, Nokia Oyj, Senior Vice President, executive positions, 1997-12, Symbian Ltd, Member of the Board, 1998-01, Hewlett-Packard Corporation, Director of Marketing, Europe and Africa, Electronic Measurement solutions, 1992-97, Siar Oy, consult, 1986-87, Nokia Oyj, various projects, sales & marketing management positions, Information Solutions, 1979-86.

Key positions of trust

Familings Oy and Variantum Oy, Chairman of the Board, Bittium Corporation, Nordcloud Oy and 4TS Oy, Member of the Board, Meontrust Oy, Advisor of the Board

THE MANAGEMENT TEAM

MIKKO MONTONEN

President and CEO

M.Sc. (Tech.), b. 1965, Finnish citizen

CEO and Chairman of the Management Team as of April 15, 2014

Primary work experience: Okmetic Oyj, Executive Vice President, Customers and Markets, 2010-2014, Deputy to the President, 2008-14, Executive Vice President, Sales, 2008-10 and Senior Vice President, Sales and Marketing, 2004-07, Okmetic Inc., North America, President, Vice President, Sales and Marketing, 2000-04, Okmetic Oy, Sales Manager, Process Engineer, 1991-99.

ANTTI OJALA

Vice President, Business Development & Deputy CEO

M.Sc. (Eng.), b. 1979, Finnish citizen

VP, Business Development and member of the Management Team as of October 25, 2013

Previous work experience: various positions in Aspocomp Group Plc. since 2003.

ARI BEILINSON

Vice President, Sales and Marketing

M.Sc. (Econ.), born 1963, Finnish citizen

VP, Sales and Marketing as of April 29, 2019

Previous work experience: Ramboll Finland Oy, Sales and Management positions, 2018, Recright.com, CEO, 2011-2017, iConsulting Finland Oy, CEO and consultant, 2009-2011, SRV Group, EVP, 2006-2009, Nokia Plc, Sales and Management positions, 1994-2006, IBM, Sales and Management positions, 1988-1994

JARI ISOAHO

Chief Operational Officer

B.Sc. (Eng.), b. 1960, Finnish citizen

COO and member of the Management Team as of September 19, 2011

Primary work experience: various positions in Aspocomp Group Plc., 1989-

JOUNI KINNUNEN

Chief Financial Officer

Diploma in Business and Administration, b. 1960, Finnish citizen

CFO and member of the Management Team as of September 19, 2011

Primary work experience: various positions in Aspocomp Group Plc., 1984-

MITRI MATTILA

Chief Technology Officer

M.Sc. (Eng.), b. 1973, Finnish citizen

CTO and member of the Management Team as of February 26, 2018

Primary work experience: various positions in Aspocomp Group Plc., 1997-

REMUNERATION STATEMENT 2019

DECISION-MAKING PROCEDURE CONCERNING THE REMUNERATION

The Nomination Committee - or, if no such a committee is established, Aspocomp's entire Board of Directors - prepares the proposals for the composition of the Board and the remuneration of its members to be presented to the Annual General Meeting. The proposals for the composition and remuneration of the Board of Directors shall be published in the notice of the Annual General Meeting and on the company's Internet site. Aspocomp's Annual General Meeting decides on the remuneration and the principles of remuneration for the Board members for one term of office at a time. The Remuneration Committee prepares the proposals for the remuneration of the CEO to the Board. If no Remuneration Committee has been set up, the Board itself also takes care of the preparatory tasks concerning remuneration. The Board of Directors decides on the compensation and other terms of employment of the CEO. In addition, the Board of Directors also decides on the other compensation payable upon termination of the CEO's service contract. The Board also decides on incentive and bonus plans for the CEO as well as the financial performance objectives and the payout under such plans. The CEO makes proposals for the remuneration of the other Management Team members. The Board of Directors decides on the compensation and other terms of employment of the other members of the Management Team who report directly to the CEO. The Board also decides on incentive and bonus plans for the Management Team members as well as the financial performance objectives and the payout under such plans.

MAIN PRINCIPLES OF REMUNERATION

THE BOARD OF DIRECTORS

The Annual General Meeting held on April 3, 2019 decided that the chairman of the Board of Directors will be paid EUR 30,000, the vice chairman of the Board of Directors will be paid EUR 20,000 and the other members will be paid 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. In addition, the members of the Board of Directors will be reimbursed for reasonable travel costs. Annual fees are not paid to the Board of Directors in the form of shares; instead all remunerations are paid in money. The members of the Board are not employed by the company. They are only paid compensation for their Board and committee membership and work. The Board members are not covered by the company's incentive schemes.

THE PRESIDENT AND CEO

The key terms and conditions of the CEO's service are set out in a written President's contract, which the Board of Directors has approved. In 2019, the remuneration of the CEO consisted of a fixed monthly salary and customary fringe benefits (such as phone, meal and car benefits). In addition, he is included in the CEO's Stock Option program 2014 and the Annual Profit-Sharing plan covering all employees. The CEO has no special retirement arrangements; the CEO's retirement age is determined by the Employees Pensions Act. The CEO's service contract does not define either an early retirement age or resigning age. If the CEO's contract is terminated by either the CEO or the company, the notice period is six (6) months. In addition, six (6) months' severance pay shall be paid.

Stock Option Program 2014 of the CEO

The Board of Directors of Aspocomp Group Plc decided on May 15, 2014 to issue in total a maximum of 390,000 stock options to the company's CEO in accordance with the terms and conditions of the Stock Option plan. The issue, which has been made in deviation from the shareholders' pre-emptive subscription rights, is based on the authorization by the Annual General Meeting held on April 23, 2013. The stock options are issued free of charge. Each stock option shall entitle its holder to subscribe for one new share in Aspocomp Group Plc. 130,000 of the issued stock options will be marked with the letter "A", 130,000 with the letter "B" and 130,000 with the letter "C". The share subscription price of the stock options A is the trade volume weighted average quotation of the company's share on Nasdaq Helsinki Oy during March 1 - March 31, 2014 (EUR 0.99), of the stock options B the trade volume

weighted average quotation of the share during March 1 - March 31, 2015 (EUR 1.24) and of the stock options C the trade volume weighted average quotation of the share during March 1 - March 31, 2016 (EUR 1.26). The share subscription periods for the stock options are for Stock Options A: May 1, 2016 - April 30, 2018, Stock Options B: May 1, 2017 - April 30, 2019 and Stock Options C: May 1, 2018 - April 30, 2020. Further information on the Stock Option Plan 2014 is available on the company's Internet Site at www.aspocomp.com/remuneration.

Annual Profit-Sharing plan

Aspocomp has an annual Profit-Sharing plan covering all employees, including the CEO. The plan pays cash bonuses based on pre-set targets for net sales, operating income and operating cash flow. The Board determines the targets and criteria for bonus payment annually.

THE MANAGEMENT TEAM, EXCLUDING THE CEO

In 2019, in addition to the CEO, Aspocomp's Management Team consisted of: VP, Business Development, COO, CFO and CTO as well as VP, Sales (as of April 29, 2019). The remuneration of the Management Team members consists of a fixed base salary and customary fringe benefits (such as phone, meal and car benefits). The members of the Management Team, excluding the CEO, are included in the share reward plan 2016-2019. In addition, they are all included in the annual profit-sharing plan covering all employees. None of the Management Team members has any special retirement arrangements. The retirement age of each member is determined by the Employees Pensions Act.

Share reward plan for key personnel 2016-2019

The share reward plan 2016 offers the members of the Management Team (except for the CEO) and other key employees a possibility to receive the company's shares based on achieved targets to be set by the Board of Directors for four earning periods.

The CEO of Aspocomp Group Plc is not included in this share reward plan. The CEO has a separate incentive scheme, the Stock Option Plan 2014, described earlier in this document.

On February 25, 2016, the Board of Directors of Aspocomp Group Plc decided on a new share-based incentive and commitment plan for the company's key personnel. The aim of the reward plan is to combine the goals of the owners and the key personnel for increasing the value of the company on a permanent basis, to commit the key personnel to the company on a long-term basis and to offer the key personnel a competitive reward plan based on entrepreneurship. The four earning periods each comprise a 12-month financial year during the period 1/2016 through 12/2019. The target group for the plan consisted of approximately 15 persons on December 31, 2018. The Board of Directors may decide on including new key employees and their annual maximum reward. The maximum reward is expressed as a number of shares of which one half (1/2) is paid in shares and one half (1/2) consists of a cash payment, the amount of which is determined on the basis of the value of the share reward at the time of the payment. The cash payment aims at covering taxes and similar charges arising from the reward. Achievement of targets set for the earning periods determines the portion of the maximum reward to be paid to a person. The approximately 15 persons who are included in the plan may, based on the achievement of targets, annually be rewarded with a maximum of 90,000 shares of Aspocomp Group Plc, corresponding to approximately 1.6 percent of the current total amount of outstanding shares. Of this amount, a maximum of 10,000 shares may be granted annually to each of the members of the Management Team and a maximum of 4,000-6,000 shares to each key employee. The annual maximum amount of shares to be granted will increase if the Board of Directors decides to include new persons in the plan. Shares received on the basis of the share reward plan shall be held at least 36 months calculated from their entry on the book-entry account of the recipient. Should a target person's employment or service relationship with a group company end during such commitment period, he or she is, according to the main rule, required to return the shares to the company without compensation.

Annual profit-sharing plan

Aspocomp has an annual profit-sharing plan covering all employees, including the CEO and Management Team. The plan pays cash bonuses based on pre-set targets for net sales, operating income and operating cash flow. The Board determines the targets and criteria for bonus payment annually.

REMUNERATION REPORT 2019

THE BOARD OF DIRECTORS

The Annual General Meeting held on April 3, 2019 decided that the chairman of the Board of Directors will be paid EUR 30,000, the vice chairman of the Board of Directors will be paid EUR 20,000 and the other members will be paid 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 Board of Directors prepared the proposal for the Board of Directors for consideration at the AGM held on April 3, 2019. The AGM decided to set the number of Board members at five and re-elected the current members of the Board, Ms. Päivi Marttila, Ms. Kaarina Muurinen, Ms. Julianna Borsos, Mr. Matti Lahdenperä and Mr. Juha Putkiranta, for a term of office ending at the closing of the following Annual General Meeting. At its organization meeting on April 3, 2019, the Board of Directors of Aspocomp Group Plc. re-elected Ms. Päivi Marttila as Chairman of the Board and Ms. Kaarina Muurinen as Vice Chairman of the Board. **During January 1-April 3, 2019** the Board consisted of five members. Ms. Päivi Marttila as Chairman of the Board, Ms. Kaarina Muurinen as Vice Chairman of the Board and Ms. Julianna Borsos, Mr. Matti Lahdenperä and Mr. Juha Putkiranta as members of the Board.

Board and Audit committee meetings in 2019

During 2019 the Board assembled 8 times. The overall meeting participation rate was 100%.

At its organization meeting on April 3, 2019, the Board resolved to keep its Audit Committee. During 2019 the Audit Committee assembled 5 times. The overall meeting participation rate was 100%.

Remuneration of the Board of Directors in 2019

| | Annual fees, paid monthly * | Meeting fees Board | Audit committee | Total |
|---------------------------------|--------------------------------|-----------------------|--------------------|----------------|
| Päivi Marttila, Chairman | 30,000 | 8,000 | | 38,000 |
| Kaarina Muurinen, Vice Chairman | 20,000 | 4,000 | 500 | 24,500 |
| Julianna Borsos | 15,000 | 4,000 | 500 | 19,500 |
| Matti Lahdenperä | 15,000 | 4,000 | 500 | 19,500 |
| Juha Putkiranta | 15,000 | 4,000 | | 19,000 |
| Total, EUR | 95,000 | 24,000 | 1,500 | 120,500 |

* Annual fees are paid in monthly instalments. In 2019, annual fees corresponding to an eight-month period were paid to each Board member, to a total of EUR 63,333. Annual fees in 2018 corresponded to a four-month period, totaling EUR 31,664.

Annual fees were not paid to the Board of Directors in the form of shares; instead all remunerations were paid in money. Meeting fees are not paid for telephone meetings.

Members of the Board have not received any other benefits and they are not covered by the company's incentive schemes.

REMUNERATION OF THE CEO

Mr. Mikko Montonen, M.Sc. (Tech.) has served as the company's President and CEO as well as the Chairman of the Management team from May 15, 2014. The remuneration of the President and CEO consisted of a fixed monthly salary and customary fringe benefits (such as phone, meal and car benefits).

| Remuneration of the President and CEO | 2019 | 2018 |
|---------------------------------------|----------------|------------------|
| Salary and fringe benefits | 352,035 | 241,885 |
| Options | 0 | 0 |
| Total | 352,035 | 241,885 * |

* In addition to the total salary, the remuneration includes the CEO's stock options.

Option rights granted based on Stock Option Program 2014 (A-C) for CEO

| | Option A | Option B | Option C |
|----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Date of issue | May 14, 2014 | May 14, 2014 | May 14, 2014 |
| Issued number of options | 130,000 | 130,000 | 130,000 |
| Subscription price | 0.99 | 1.24 | 1.26 |
| Share price on the date of issue | 1.45 | 1.45 | 1.45 |
| Fair value | 0.63 | 0.45 | 0.48 |
| Subscription period | May 1, 2016- Apr. 30, 2018 | May 1, 2017- Apr. 30, 2019 | May 1, 2018- Apr. 30, 2020 |
| Number of options | | | |
| Outstanding on January 1 | 0 | 0 | 130,000 |
| Exercised | 0 | 0 | 0 |
| Outstanding on December 31 | 0 | 0 | 130,000 |

REMUNERATION OF THE MANAGEMENT TEAM (EXCLUDING THE CEO)

The remuneration of Vice President, Business Development consists of a fixed monthly salary and customary fringe benefits (such as phone, meal and car benefits). In 2019, in addition to the CEO, Aspocomp's Management Team consisted of:

- Antti Ojala, Vice President, Business Development, deputy to the CEO
- Ari Beilinson, Vice President, Sales (as of April 29, 2019)
- Jari Isoaho, Chief Operational Officer
- Jouni Kinnunen, Chief Financial Officer
- Mitri Mattila, Chief Technology Officer

| Management Team members (excluding the CEO) | EUR | 2019 | 2018 |
|---|-----|---------|---------|
| Salary and fringe benefits | | 772,495 | 592,245 |

Share reward plan for key personnel 2016-2019

During the 2019 earnings period, the criteria set for the plan were fulfilled and thus rewards were paid to those participating in the plan. The share reward plan payments to the Management Team (excluding the CEO) totaled EUR 187,880 during the 2019 earnings period, one half of which was paid in shares and one half with a cash payment, the amount of which is determined on the basis of the value of the share reward at the time of payment. The cash payment aims at covering taxes and similar charges arising from the reward.

INFORMATION FOR SHAREHOLDERS

INVESTOR RELATIONS

Aspocomp's communications are based on facts and objectivity and guided by the general principles of trustworthiness, openness and timeliness. The objective of reporting is to ensure that all market participants receive sufficient and accurate information on the company and to ensure that this information is disclosed at the same time, consistently and without undue delay.

The Group's investor relations contact is Mikko Montonen, CEO.
Tel. +358 20 775 6860, mikko.montonen@aspocomp.com

FINANCIAL INFORMATION

Aspocomp Group Plc.'s financial information publication schedule for 2020 is:

- Interim report for January-March: Tuesday, May 5, 2020
- Half-year report for January-June: Wednesday, August 12, 2020
- Interim report for January-September: Wednesday, November 4, 2020.

Interim reports will be published at around 9:00 a.m. (EET).

Aspocomp's silent period starts 30 days prior to the publication of its financial reports. During the silent period the company does not give any statements on the company's financial condition or business development.

The financial reports are published in Finnish and English. The reports and Annual Reports are published only electronically. Financial reports, Annual Reports and stock exchange releases are available at www.aspocomp.com/reports.

ANNUAL GENERAL MEETING, APRIL 2, 2020

The Annual General Meeting of Aspocomp Group Plc. will be held on Thursday, April 2, 2020 at 10:00 a.m. (EET). The meeting will take place at Keilaranta 1, 1st floor Auditorium, Espoo, Finland. Shareholders who have been registered in the company's share register, maintained by Euroclear Finland Ltd., no later than March 23, 2020 are entitled to attend the Meeting.

Shareholders wishing to attend the Meeting are requested to notify the company by March 30, 2020 by 10:00 a.m. (EET). Further information about the agenda of the AGM and right to participate and registration can be found in the Notice of the AGM, which is available on the company's website at www.aspocomp.com/agm as of March 10, 2020.

PAYMENT OF DIVIDENDS

The Board of Directors will propose to the Annual General Meeting 2020 that a dividend of EUR 0.15 per share for the fiscal year 2019 be paid. The dividend would be paid to shareholders registered in the Register of Shareholders maintained by Euroclear Finland Ltd on the record date of the dividend distribution, April 6, 2020. The Board of Directors proposes that the dividend will be paid on April 15, 2020.

CONTACT INFORMATION

Aspocomp Group Plc

SALES

| | | |
|-----------------------|---|--|
| Finland | Tutkijantie 11, 90590 Oulu Keilaranta 1, 02150 Espoo | P: +358 20 775 6860 P: +358 20 775 6860 |
| Germany | Siegfriedstraße 1, 86356 Neusäß Paracelsusstrasse 10, 72762 Reutlingen | P: +49 821 454 4913 P: +49 7121 230 902 |
| Sweden | Köpenhamnsvägen 101, 217 75 Malmö | P: +46 702 120 065 |
| United Kingdom | 8 Second Cross road, TW2 5RF Twickenham | P: +44 776 142 228 |

PRODUCTION

| | | |
|----------------|----------------------------|---------------------|
| Finland | Tutkijantie 11, 90590 Oulu | P: +358 20 775 6860 |
|----------------|----------------------------|---------------------|

CHINA OPERATIONS

| | | |
|-----------------|---|--|
| Shenzhen | Room 901B, Building B, Nanxian commercial Plaza, 43# of MeiLong Road, LongHua district, Shenzhen People's Republic of China | P: + 86 755 8376 156 F: + 86 755 8376 1766 (Post code: 518131) |
|-----------------|---|--|

HEADQUARTERS

| | | |
|----------------|---------------------------|---------------------|
| Finland | Keilaranta 1, 02150 Espoo | P: +358 20 775 6860 |
|----------------|---------------------------|---------------------|

www.aspocomp.com

RESPONSIBILITY

Profitable, responsible and long-term business growth is Aspocomp's goal. By being open to continuous development and changes, we are able to improve our operating methods and develop all our operations so that we can create tangible economic, social and ecological value for our customers, shareholders, personnel and environment, both now and in the long term. We are committed to sustainable business and comply with existing laws and regulations. Aspocomp is committed to good governance, in accordance with the legislation in force and the company's Articles of Association. The company complies with the rules, regulations and guidelines of Nasdaq Helsinki, the Finnish Financial Supervisory Authority as well as the Finnish Governance Code.

Our working principles are in line with the Social Accountability International SA8000 standard. The standard defines the criteria for socially and ethically good use of labor. The main aspects of SA8000 relate to preventing the use of child and forced labor, working hours and remuneration, occupational health and safety, freedom of association and the right to collective bargaining. By following high ethical standards, we promote the company's profitable growth, increase stakeholders' trust and support both fair competition and equality. All our operations are guided by the following values: We provide our customers with value-added services. Being streamlined makes us more efficient. Continuous development keeps us going. The working community is a strength.

Responsibility work is guided by the Code of Conduct based on our core values, which is approved by the company's Board of Directors. Aspocomp's Code of Conduct defines the basic requirements of our business practices and guides our employees to act responsibly in their daily work. All persons employed by Aspocomp may report any suspected infringement of internal or external norms and regulations, such as activities in contravention of business principles or the insider guidelines, through an independent channel within the company (and anonymously if they wish). The purpose of the reporting channel is to promote good corporate governance in the company's day-to-day operations and to prevent and detect misconduct. All reports are investigated in confidence and without delay. In 2019, no offence notifications were made (none in 2018).

Aspocomp is committed to ensuring that the minerals it uses come from legitimate, ethical sources, and that they are not associated with crime, armed conflict or human rights abuses. Aspocomp requires its employees and business partners to comply with Aspocomp's **conflict mineral policy**. These "conflict minerals" include gold, tin and tungsten, which are necessary to the functionality or production of printed circuit boards.

ENVIRONMENT

Environmental responsibility is an integral part of Aspocomp's operations, management and decision making, seeking to minimize the company's environmental impact. We seek to continuously develop our operations to prevent and reduce the emissions and wastes caused by our operations. We are committed to minimizing the use of materials that have a harmful impact on the environment throughout the whole life cycle of products. Aspocomp manages its environmental compliance with an environmental system that has been certified in line with ISO 14001:2015, the latest version of the standard. The company's environmental system aims to continuously reduce its environmental impact and conserve natural resources. By using the best available and economically viable technologies, we strive to cut emissions and to economically use natural resources and energy. Aspocomp complies with the environmental legislation and regulations that are in force as well as seeks to proactively boost the efficiency of its operations while taking environmental issues into consideration in all of its functions. 82% of the company's employees work in ISO 14001-certified workplaces.

In order to achieve the objectives of our environmental system, we train our employees and constantly work in cooperation with our customers, the authorities and other stakeholders. The electronics supply chain has a great impact on the environmental friendliness of the end products. Therefore, we seek to work closely with other electronics companies and subcontractors in projects concerning the environment and its protection. The goal is to collect reliable data on the composition of the production materials, and to identify the most environmentally friendly raw materials and production processes.

Our products meet the requirements of the lead-free soldering process in terms of both the materials and surface finishes used. In addition, our raw material options include halogen-free base materials. We operate in accordance with the European Union's REACH Regulation (Registration, Evaluation and Authorization). Aspocomp can provide its customers with detailed material reports that itemize the chemical elements and compounds used in each PCB. Customers can consult these reports to determine the recyclability of the final product at the end of its life cycle. Aspocomp identifies and assesses the environmental perspectives of its operations at least every other year. These reviews are performed by a working group assembled by the officer responsible for environmental issues. The evaluation of environmental perspectives carried out in 2018 focused in particular on determining possibilities to improve emissions and waste recovery. On the basis of the evaluation, the following goals were set for the environmental program in 2019-2021:

- Air pollutant emissions review and necessary actions
- Waste recovery
- Optimizing material usage

The Oulu plant covers most of the company's energy and water consumption and waste. Every year, the company provides the national environmental protection information system with data on its use of energy and chemicals, production volumes, water consumption, wastes generated during operations, and the wastewater load discharged into bodies of water.

In 2019, 62% of the electricity we used came from fossil-free sources. Waste in proportion to production volume in 2019 at the Oulu plant was approximately 13 percent less than in the previous year and we are constantly striving to promote the recycling of waste. The PCB manufacturing process requires a large amount of water. After the manufacturing process, all water is treated at the plant's own wastewater treatment facility before being diverted to municipal wastewater treatment. The company's headquarters in Espoo, Finland are located on the premises of an environmentally responsible property. The property has been implemented on a sustainable basis and has been awarded the LEED Platinum environmental certificate. LEED is a Green Property Certification System that aims to reduce the environmental load during construction and operation of buildings and the Platinum level is the highest level of certification.

ECONOMICAL RESPONSIBILITY

Our economical responsibility means ensuring the continuity of our future operations and securing jobs. To this end, we must always look for the best solutions for the company's development and growth. Analysis of opportunities requires us to engage in continuous planning in order to succeed in competitive markets. By continuously developing the skills and working methods of our personnel, we improve our competitiveness and profitability. In order to succeed, we must engage in determined, long-term and above all customer-oriented work. We develop our working methods and processes to meet future challenges and apply the latest technology to fulfill our customers' needs. Our own manufacturing and an extensive international partner network guarantee cost-efficiency and reliable deliveries. The customer can rely on fast and dependable customer service in all situations. We aim to work in close cooperation with our customers. We familiarize ourselves with our customers' operations and needs, aiming for long-term relationships that benefit us both.

SOCIAL RESPONSIBILITY

We actively promote the physical, mental and social well-being of our employees to maintain a safe and healthy workplace with equal opportunities. We have a program to promote safety and health, which covers the development of working conditions and work environment factors. Safety at work is an important part of our business, and we invest continuously in its development. We also encourage our employees to keep their eyes open for safety risks and to report on them. Our goal is an accident-free working community. We take care of our employees' welfare and the availability of resources by investing in occupational healthcare services and supporting sports activities and clubs. We believe that a healthy and enthusiastic employee achieves the best results and experiences our common goals as meaningful. We pay particular attention to the development of expertise, professional skills and occupational fitness, at the level of both individuals and the working community. The expertise and high motivation of personnel are key factors in implementing our strategy. We promote open

communication at all organizational levels. We encourage our personnel to interact and share new ideas with each other. Employees' job satisfaction and organizational atmosphere are monitored with regular personnel surveys. In addition, annual development discussions with supervisors help to identify development needs and to plan necessary actions. Based on the results, various work environment and job satisfaction programs have been started. Our target is to create a flexible, effective and balanced working community

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