

INCAP GROUP

# FINANCIAL STATEMENTS RELEASE

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JANUARY-DECEMBER 2023

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# Incap Group's financial statements release for January–December 2023 (unaudited)

## October–December 2023 highlights

- Revenue for the fourth quarter 2023 amounted to EUR 42.4 million (10–12/2022: EUR 78.7 million). Year-on-year decrease was 46%. Excluding the impact of the company's largest customer, revenue grew 54% and excluding also the impact of Pennatronics acquisition, the growth was 15%.
- Operating profit (EBIT) was EUR 3.7 million (EUR 12.7 million) or 8.7 % of revenue (16.1%). Year-on-year decrease was 71%.
- Adjusted operating profit (EBIT) was EUR 4.4 million (EUR 12.9 million) or 10.4% of revenue (16.4%). Year-on-year decrease was 66%.
- Net profit for the period was EUR 1.3 million (EUR 8.7 million).

## January–December 2023 highlights

- On 5 July 2023, Incap acquired Pennatronics Inc., an Electronics Manufacturing Services company based in Pennsylvania, USA.
- Revenue amounted to EUR 221.6 million (1–12/2022: EUR 263.8 million). Year-on-year decrease was 16%. Excluding the impact of the company's largest customer, revenue grew 35% and excluding also the impact of Pennatronics acquisition, the growth was 17%.
- Operating profit (EBIT) was EUR 28.2 million (EUR 38.9 million) or 12.7% of revenue (14.8%). Year-on-year decrease was 28%.
- Adjusted operating profit (EBIT) was EUR 30.6 million (EUR 40.0 million) or 13.8% of revenue (15.1%). Year-on-year decrease was 23%.
- Net profit for the period was EUR 19.8 million (EUR 27.6 million).
- Earnings per share were EUR 0.68 (EUR 0.94).
- Incap is focusing on organic and inorganic growth with a robust M&A pipeline, thus the Board of Directors of Incap Corporation proposes to the Annual General Meeting that no dividend be paid for the financial year 2023.

Unless otherwise stated, the comparison figures refer to the corresponding period in 2022. This financial statements release is unaudited.

## Key figures

EUR million	10-12/23	10-12/22	Change	1-12/23	1-12/22	Change
Revenue	42.4	78.7	-46.1%	221.6	263.8	-16.0%
Non-recurring items	0.2	0.1	23.4%	1.1	0.6	84.1%
Operating profit (EBIT)	3.7	12.7	-70.8%	28.2	38.9	-27.5%
EBIT, % of revenue	8.7%	16.1%		12.7%	14.8%	
Adjusted operating profit (EBIT)*	4.4	12.9	-65.8%	30.6	40.0	-23.5%
Adjusted EBIT*, % of revenue	10.4%	16.4%		13.8%	15.1%	
Net profit for the period	1.3	8.7	-84.5%	19.8	27.6	-28.2%

\*Adjusted operating profit (EBIT) is an alternative performance measure. Adjusted EBIT excludes non-recurring items and purchase price allocation amortisation. Adjusted EBIT provides comparable information between different financial years on operating profit.

## Outlook for 2024

Incap estimates that the company's revenue and operating profit (EBIT) in 2024 will be lower than in 2023.

The destocking exercise with the largest customer will impact the revenue and profitability first half of the 2024. However, Incap's revenue is estimated to grow

quarter to quarter starting first quarter of 2024 improving results over the year.

The estimates are given provided that unexpected events impacting Incap's business environment do not occur, for example, in the availability of components.

## CEO's comments

Overall, 2023 was a good year for the electronics contract manufacturing market, although increased inventory levels were a common problem that slowed down market development and maintained price pressure. In early 2023, also Incap's largest customer announced that their stock level had become too high and that they had to reduce their orders, leading to a decrease in our revenue.

Our close co-operation with them to reduce their inventory levels continued in the fourth quarter of the year, and as previously estimated, we saw the full impact of the decreased volumes during the final months of the year. At the same time, we managed to keep our own inventories on a healthy level. Although the destocking exercise will still affect the first half of 2024, we believe that our operations will slowly start to grow from here on, and we have already started to gradually increase the number of employees in our factory in India.

Our revenue in 2023 was EUR 221.6 million and in the fourth quarter EUR 42.4 million. Excluding sales to our largest customer, our revenue grew 35% year on year and excluding also the impact of Pennatronics acquisition, the growth was 17%. The increase in revenue was boosted by all other Incap's units in Europe, effective sales work to existing and new customers, and the successful acquisition in the US.

Although our profitability was affected by the lower utilisation ratio of our factory in India, we were able to stay in control and to quickly adjust our cost level so that our business remained profitable both in the fourth quarter and in full year 2023. Our fourth quarter EBIT was EUR 3.7 million or 8.7% of revenue, and our full-year 2023 EBIT was EUR 28.2 million or 12.7% of revenue, which we think is an indication of our strong operating model and agility.

In order to adjust to the lower volume levels in India, we had to take hard measures and reduced workforce by over one thousand people at our factories in India. This has been tough for everyone involved, and I would like to thank the team for their

efforts and commitment during this challenging adjustment period. At the same time the demand is growing at our other units, and we made investments in 2023 to support the growth. In Estonia, a new SMT line was commissioned, increasing the capacity by 50%. In Slovakia, the factory expansion project was finalised, and the plant now has 1,200 additional square metres for production. To support the growing demand, we also recruited more people at our factories in Europe.

During the year we also developed our sustainability work. We are preparing for the CSRD reporting requirements by, for instance, extending our CO<sub>2</sub> reporting. We see the standardised sustainability reporting requirements as positive development and for our part, we are committed to continue developing our own operations in a sustainable way.

We are entering 2024 with a new starting point. Our dependence on a single customer has decreased, and our customer base is also diversified through the expansion into the US market in 2023. The share of Incap's largest customers sales in the Group's revenue in the fourth quarter of 2023 was 23% (73%). With Incap US, our operations now extend to Asia and Europe as well as to North America, and we are an even more interesting partner for both existing and new customers, as we can now offer our services on different continents.

However, we will not stop there. We will continue to pursue M&A transactions that create shareholder value, invest in our factories, focus on new customer acquisition and increasing sales to existing customers.

We estimate that, excluding our largest customer, our high growth rate will continue. We estimate that the sales of all factories except India will increase from the 2023 level. On the Group level, sales is expected to start growing quarter by quarter from the beginning of 2024.

**Otto Pukk, President and CEO of Incap Corporation**



## Business environment

The overall demand and market activity in the electronics manufacturing services (EMS) industry continued at a good level despite the geopolitical tensions. The general inflation and cost of manufacturing continued to increase, while the component availability has started to improve. Incap works closely with its suppliers and customers to keep adequate inventory levels to mitigate the risks.

In the electronics manufacturing services industry, customers continue to be very price-conscious and expect that their manufacturing partners continuously increase their efficiency and stay competitive. Incap sees that the ability to quickly adapt to changes is a key success factor in the electronics industry today and in the future. That ability is necessary in developing and implementing

new products, production methods and ideas. The company estimates that long-term market development will be positive because electronics is increasingly used in new types of products such as light vehicles and other everyday items.

In the longer term, the growth in electronics manufacturing services is driven by the growing use of electronics supported with megatrends such as digitalisation. The increasing need for sustainable energy solutions, medical equipment, emerging 5G and IoT ecosystems and the proliferation of electric vehicles contribute to the demand growth. Population growth and aging population will also create opportunities in for instance health care technology. The EMS industry is highly fragmented and offers potential for consolidation.

## Financial performance

### October–December 2023

In October–December 2023, revenue decreased 46.1% year on year and amounted to EUR 42.4 million (EUR 78.7 million). The decrease was due to lower revenue from the largest customer, which had to reduce its inventory levels.

October–December operating profit (EBIT) decreased 70.8% year on year and amounted to EUR 3.7 million (EUR 12.7 million). Adjusted operating profit (EBIT) was EUR 4.4 million (EUR 12.9 million). Year-on-year decrease was 65.8%. Adjusted operating profit

margin was 10.4% (16.4%). In October–December 2023, Incap cancelled credit loss provisions amounting to EUR 0.3 million (in October–December 2022, credit loss provisions for EUR 0.6 million were recorded). Provisions for inventory write-offs amounted to EUR 0.3 million (in October–December 2022, provisions were recorded for EUR 0.8 million).

Net profit for the period decreased 84.5% year on year and totalled EUR 1.3 million (EUR 8.7 million).

### January–December 2023

In January–December 2023, revenue decreased 16.0% year on year and amounted to EUR 221.6 million (EUR 263.8 million). Revenue was positively impacted by Incap's units in Europe, effective sales work to existing and new customers, and the successful acquisition in the US and negatively by the largest customer's need to reduce its inventory levels.

January–December operating profit (EBIT) decreased 27.5% year on year and amounted to EUR 28.2 million (EUR 38.9 million). Adjusted operating profit (EBIT) was EUR 30.6 million (EUR 40.0 million). Year-

on-year decrease was 23.5%. Adjusted operating profit margin was 13.8% (15.1%). In January–December 2023, Incap cancelled credit loss provisions amounting to EUR 0.6 million (in January–December 2022, credit loss provisions for EUR 0.9 million were recorded). Provisions for inventory write-offs amounted to EUR 0.0 million (in January–December 2022, provisions were recorded for EUR 0.3 million).

In 2023, personnel expenses were EUR 24.0 million (EUR 16.4 million), other operating expenses were EUR 12.0 million (EUR 15.9 million) of which EUR 2.8

million (EUR 5.4 million) related to contract workers, and depreciation and amortisation were EUR 4.6 million (EUR 3.8 million).

## Balance sheet and financing

Total assets in the balance sheet on 31 December 2023 stood at EUR 182.3 million (EUR 168.3 million). The Group's equity at the end of the financial period was EUR 106.8 million (EUR 87.4 million).

Liabilities decreased from the comparison period to EUR 75.6 million (EUR 80.9 million). EUR 34.3 million thereof (EUR 21.4 million) were interest-bearing liabilities. Interest-bearing liabilities increased from the previous year due to the loan related to the acquisition of Pennatronics Inc. Interest-bearing net debt was EUR -8.2 million (EUR 13.9 million).

The Group's non-current interest-bearing liabilities amounted to EUR 30.5 million (EUR 10.9 million) and non-current non-interest-bearing liabilities to EUR 2.9 million (EUR 2.2 million). Out of the non-current interest-bearing liabilities, a loan of EUR 24 million (EUR 2.0 million) granted by the company's Finnish bank is related to the acquisition. Current interest-bearing liabilities were EUR 3.9 million (EUR 10.5 million). Out of the interest-bearing liabilities, EUR 0.3 million (EUR 4.8 million) are related to the Indian subsidiary.

The main covenants of the Group's loans include equity ratio and the Group's interest-bearing debt in relation to EBITDA, and their status is reviewed every six months. In the review on 31 December 2023, the target level of interest-bearing debt in relation to EBITDA was below 3.0 and that of the equity ratio over 30%. The company met these covenants as the actual figure for interest-bearing debt/EBITDA on the review date was 1.05 and the equity ratio 60.6%.

## Acquisitions

On 3 July 2023, Incap announced having signed an agreement to acquire 100% ownership of Pennatronics Inc., an Electronics Manufacturing Services company in Pennsylvania, USA. The acquisition was closed on 5 July 2023. Founded in 1999, Pennatronics is an experienced and well-performing Electronics Manufacturing Services company with a 6,000-sqm factory in Pennsylvania, USA. Pennatronics' revenue for the

Net profit for the period decreased 28.2% year on year and totalled EUR 19.8 million (EUR 27.6 million). Earnings per share were EUR 0.68 (EUR 0.94).

With regards to the loans granted by the Indian bank, the company is committed to follow ordinary covenants and the bank's general loan conditions.

At the end of 2023, the company's financial position was strong. Equity ratio increased to 60.6% (53.6%). Net gearing was -7.7% (15.9%).

On 31 December 2023, no deferred tax assets relating to the parent company's confirmed losses were recognised (EUR 0 on 31 December 2022). EUR 0.2 million (EUR 0.2 million) is related to the Indian subsidiary.

The Group's cash position during the reporting period was good. On 31 December 2023, the Group's cash and cash equivalents totalled EUR 42.6 million (EUR 7.6 million) and the company had unutilised credit lines amounting to EUR 8.0 million (EUR 4.9 million).

The Group's quick ratio was 1.8 (0.7), and the current ratio was 3.3 (2.0).

Inventory at end of 2023 totalled EUR 71.0 million (EUR 91.8 million). Inventory decreased clearly during the year, which was mainly due to improved material availability and Incap's largest customer's decision to postpone orders due to overstocking. The value of the inventory was impacted by the acquisition in July 2023. The value of the inventory of the acquired company at the end of 2023 was EUR 8.8 million. Both trade receivables and payables decreased due to the destocking by Incap's largest customer. Change in inventories had a positive impact on the cash position.

financial year that ended on 31 March 2023 was USD 30 million (EUR 28 million), and the company has 102 employees.

The acquisition will establish Incap's presence in the U.S. market and create a foothold for further expansion there. Pennatronics' U.S. production facility complements Incap's current production facilities located in Estonia, in India, in the U.K. and

in Slovakia. Incap's customer base will be broadened through the acquisition, and Incap will be able to offer U.S. based services to existing and new customers, while Pennatronics' customers will benefit from opportunities to source services from Europe and India. In the long term, the acquisition is expected to bring cross-selling opportunities and synergy benefits in e.g., material purchasing.

The enterprise value of the acquired company was USD 18.6 million (EUR 17.1 million), and the

agreement also includes a potential additional earn-out of a maximum of USD 3.0 million (EUR 2.8 million). The transaction was paid in cash except for the amount of approximately USD 1.6 million (EUR 1.5 million), which was paid in Incap's shares.

Pennatronics Inc. was renamed Incap Electronics US, Inc. and the company is now a fully owned subsidiary of Incap Corporation. The company has been included in Incap Group's reporting as of July 2023.

## Investments

In 2023, Incap's factory-related investment cash flow totalled EUR 6.9 million (EUR 5.5 million). The investments were mainly related to the construction of the third factory in India. In January 2023, Incap Estonia commissioned a new production line at the

Kuressaare factory and in June, Incap Slovakia finalised expanding its production area and floor space in the Námestovo factory to 6,400 square metres.

## Research and development

The development of services and products takes place during the ordinary course of business and is accounted for as an operating expense.

## Personnel

At the end of 2023, the number of personnel in Incap Group was 1,733 of which 777 were contractors (2,817 of which 1,816 were contractors). Of the personnel, 57.8% (80.2%) worked in India, 7.6% (4.5%) in Estonia, 18.5% (9.1%) in Slovakia, 9.9% (6.2%) in the United Kingdom, 6.1% (0.0%) in the United States and 0.1% (0.1%) in Finland.

At the end of the year, 541 of Incap's personnel were women (607) and 1,192 were men (2,210). The

average age of the personnel was 36 years (31). The average number of personnel during the year was 2,261 (2,619). The number of permanent personnel totalled 833 (741), and the number of fixed-term contracts was 900 (2,076).

## Management and organisation

Margus Jakobson was appointed member of Incap Group's Management Team as well as Director of Operations Estonia and Managing Director of Incap Estonia as of 1 February 2023.

David Spehar was appointed the Managing Director of Incap Electronics US as of 7 July 2023. After the financial period, he was appointed member of Incap Group's Management Team as of 21 February 2024.



As of 21 February 2024, Incap's Management Team consisted of President & CEO, Otto Pukk; Director of Operations, India and Sales APAC, Murthy Munipalli; Director of Operations, Estonia, Margus Jakobson; Director of Operations, Slovakia, Miroslav Michalik; Director of Operations, U.K., Jamie Maughan; Director of Operations, U.S., David Spehar and CFO Antti Pynnönen.

The Group has manufacturing operations in India, Estonia, Slovakia, the United Kingdom and United States, and sourcing operations in Hong Kong. Finance and administration, sourcing, sales, IT and communications are centrally coordinated by the corporate office in Finland.

## Corporate responsibility

Incap's corporate responsibility concerns responsibility for its economic, social and environmental impacts. For Incap, corporate responsibility means that the company exceeds legal requirements and takes into account the needs and expectations of its stakeholders.

Incap acts as a responsible member of the society. In its operations, the company complies with international agreements for human rights as well as on employees' and children's rights.

The company's personnel policy is based on equality between genders, nationalities and ethnic groups.

Incap's main stakeholders include the company's customers, personnel, subcontractors and owners.

The company also acts responsibly towards the inhabitants and actors in close proximity to its factories.

As a basis for its corporate responsibility programme, the company has a Code of Conduct that concerns all its employees and suppliers. The implementation of corporate responsibility actions is supported by the company's quality assurance and environmental management systems.

The company's Annual and Sustainability Report 2023 will be published during week 14/2024 (week starting 1 April 2024).

## Certified management systems

All Incap Group's business units have environmental management and quality assurance systems. Environmental management systems in all business units comply with ISO 14001:2015, the quality assurance systems comply with ISO 9001:2015, and

the health and safety management systems comply with ISO 45001:2018.

All business units have also the ISO 13485:2016 quality certification for the manufacture of medical devices.

## Annual General Meeting 2023

The Annual General Meeting of Incap Corporation held on 27 April 2023 approved the annual accounts for the financial period 1 January 2022– 31 December 2022 and resolved to discharge the members of the Board of Directors and the President and CEO from liability.

The General Meeting resolved in accordance with the proposal by the Board of Directors that no dividend will be paid for the financial year 2022.

The General Meeting authorised the Board of Directors to decide to issue new shares either against payment or without payment. The authorisation was given to a maximum quantity of 2,928,483 new shares which represent approximately 10 per cent of the total number of shares in the company at the date of the notice to convene the Annual General Meeting.

The new shares may be issued to the company's shareholders in proportion to their current shareholdings in the company or deviating from the shareholders' pre-emptive right through one or more directed share issues, if the company has a weighty financial reason to do so, such as developing the company's equity structure, implementing mergers and acquisitions or other restructuring measures aimed at developing the company's business, financing of investments and operations or using the shares as a part of the company's remuneration and compensation system. The Board of Directors would decide upon terms and scope related to share issues.

Based on the authorisation, the Board of Directors can, pursuant to chapter 10, section 1, of the Companies Act, also decide on issuing other special

rights, either against payment or without payment, entitling to new shares of the company. The subscription price of the new shares can be recorded partly or fully to the invested unrestricted equity reserves or to equity according to the decision of the Board of Directors. The Board of Directors is further entitled to decide on conditions regarding the issuance of shares as well as the issuance of other special rights entitling to shares.

The authorisation is valid for one year from the Annual General Meeting.

The resolutions of the Annual General Meeting are available in full on the company's website at <https://incapcorp.com/annual-general-meeting/>.

## Board of Directors and auditor

The Annual General Meeting held on 27 April 2023 resolved that the number of members of the Board of Directors shall be four (4). The General Meeting resolved that the present members of the Board, Carl-Gustaf von Troil, Ville Vuori and Kaisa Kokkonen be re-elected as members of the Board of Directors and that Julianna Borsos be elected as a new member of the Board of Directors. In its constitutive meeting after the Annual General Meeting, the Board of Directors elected Ville Vuori as the Chairman of the Board.

The General Meeting re-elected PricewaterhouseCoopers Oy, a company of Authorised Public Accountants, as the company's auditor, with Maria Grönroos, Authorised Public Accountant, as the principally responsible auditor.

## Corporate governance

Incap Corporation complies with the Corporate Governance Code of Securities Market Association. The company will release a report on the company's corporate governance in compliance with the Securities Market Act as a separate document in connection with the publication of the Report of the Board of Directors and the Annual Report in week

14/2024. The report will also be available at the company's website.

The Corporate Governance Code of Securities Market Association is publicly available at the website of Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

## Shares and shareholders

Incap Corporation has one series of shares.

Related to the acquisition of Pennatronics Inc., on 3 July 2023, the Board of Directors of Incap Corporation resolved to issue 152,379 new shares in the company to the company itself without consideration. The new shares are of the same class as the company's other shares. The shares were

issued based on the share issue authorisation granted by the Annual General Meeting held on 27 April 2023. The shares issued were used for the partial payment of the purchase price of the acquisition of Pennatronics Inc.

The number of shares of the company on 31 December 2023 was 29,437,214 (31 December 2022: 29,284,835).

In 2023, the share price varied between EUR 5.80 and EUR 22.05 (EUR 10.68 and 17.62). The closing price on 29 December 2023 was EUR 7.75 (30 December 2022: EUR 17.10). The company's market capitalisation on 31 December 2023 was EUR 228.1 million (EUR 500.8 million).

At the end of 2023, the company had 7,429 shareholders (4,705). Nominee-registered owners

held 25.0% (32.3%) and foreign owners 7.1% (7.7%) of all shares. The company does not hold any equity shares.

At the end of 2023, the members of Incap Corporation's Board of Directors and the President and CEO and their related parties owned a total of 2,123,031 shares or 7.2% of the company's shares outstanding (317,890 or 1.1%).

### Largest shareholders on 31 December 2023

	Number of shares	Holding, %
Erkki Etola and controlled entities	6,636,665	22.55
Nordea Life Assurance Finland Ltd	1,880,877	6.39
Kyösti Kakkonen's controlled entities	1,799,341	6.11
Ilmarinen Mutual Pension Insurance Company	1,391,540	4.73
Handelsbanken Fonder	967,857	3.29
Danske Invest	627,347	2.13
Sp-Fund Management Company	508,024	1.73
OP Asset Management	482,255	1.64
Elo Mutual Pension Insurance Company	405,000	1.38
Kari Kakkonen	390,525	1.33
<b>10 largest shareholders in total</b>	<b>15,089,431</b>	<b>51.26</b>

## Flagging notifications

In 2023, Incap Corporation did not receive any shareholder announcements in accordance with Section 10 of Chapter 9 of the Securities Market Act.

## Share-based incentives

The Board of Directors of Incap Corporation decided on 23rd March 2023 on the share-based incentive plan's new performance period 2023–2025, where the rewards are based on the group's cumulative operating profit (EBIT). During the performance period 2023–2025, the CEO and other Incap Management Team members form the target group of the incentive plan. The rewards to be paid on the basis of the performance period 2023–2025 correspond to the value of an approximate maximum total of 27,123 Incap Corporation shares, also including the proportion to be paid in cash.

The rewards will be paid partly in the company's shares and partly in cash. The cash proportion of the reward is intended to cover taxes and statutory social security contributions arising from the reward to a participant. In general, no reward is paid if the participant's employment or director contract terminates before the reward payment.

The Incap Management Team member is obliged to hold 50% of the received net reward shares, until the total value of the Management Team member's shareholding in Incap Corporation equals to 50% of their annual base salary of the preceding year.

Respectively, the CEO is obliged to hold 50% of the received net reward shares, until the CEO's shareholding in Incap Corporation equals to 100% of the CEO's annual base salary of the preceding year. Such number of Incap Corporation shares must be

held as long as the membership in the Management Team or the position as the CEO continues.

## Risk management

The Risk Management Policy approved by the Board of Incap Corporation classifies risks as risks connected to the operating environment, operational risks and damage and funding risks. The company's risk management is mainly focused on risks that threaten the company's business objectives and

continuity of operations. To improve its business opportunities, the company is willing to take on managed risks within the scope of the Group's risk management capabilities. The company regularly reviews its insurance policies as part of its risk management system.

## Short-term risks and uncertainties

Risks related to the company's business operations and sector include the development of customer demand, price competition in contract manufacturing and success in new customer acquisition. Other general risks impacting the operating environment

include the geopolitical situation as well as the availability and price development of raw materials and components. Financial risks are related to sufficiency of funding, liquidity and exchange rate fluctuations.

### Risks affecting the operating environment

Geopolitical tensions continued in Europe in 2023. Russia's war against Ukraine and the sanctions imposed on Russia in response are not expected to have a significant direct impact on the company. Cyber risks and disruptions in information systems can affect production.

Incap has no business operations and no direct or indirect customers or suppliers in Russia, Belarus or Ukraine. However, the changed operating environment may affect material availability and global logistics.

### Customer risks

Demand for Incap's services and the company's financial position are affected by global economic trends and the fluctuation among customer industries. The risks connected with the customer demand and the solvency of customers are monitored and evaluated separately for each customer. As components become more available, Incap expects that the competition on its customers' markets will be tougher. The management considers customer relationship management to be of utmost importance and is paying special attention to it.

The company's sales are spread over several customer segments balancing out the impact of the economic fluctuation in different industrial sectors. In 2023, four biggest customers contributed to 58.1% (74.3%) of revenue. Out of the total customer base in 2023, 26 customers (22) exceeded EUR 1 million revenue.

Electronics manufacturing services is a highly competitive industry with continuous pressure on cost level management. Incap has succeeded in increasing the efficiency of its operations and managing the costs.

## Financial risks

The financial position of the company is good and the sufficiency of financing and working capital does not pose a significant risk.

The value of the shares in subsidiaries in the parent company has a significant impact on the parent company's equity and therefore on, for example, equity ratio. Based on the impairment calculations in connection with the financial statements for 2023 and indicators as of 31 December 2023, there is no need for any write-down of the value of the shares in subsidiaries.

Main currencies used in Incap's operations are Euro, Indian rupee, British pound and US dollar. The changes in the exchange rates between the currencies and the Euro may have a negative impact

on Incap's revenue, equity ratio, result and financial position.

In a tax audit conducted by Indian tax authorities in 2018 regarding financial period 2015–2016, the deductibility of group costs is being investigated. Also the amounts of paid indirect taxes are being investigated in India. At the end of 2023, the Group had a total provision of EUR 1.6 million booked in accordance with IFRIC 23 (evaluation of uncertain tax positions). The cases are still under preliminary investigation, and if an agreement cannot be settled with a local tax authority, the company will take the matter to the next level of authority. Based on the company's judgment, the current level of provision covers possible tax risks.

## Significant events after the end of the period

Managing Director of Incap Electronics US, David Spehar, was appointed member of Incap Group's Management Team as of 21 February 2024.

## Strategy and targets

Incap's growth strategy is based on its entrepreneurial and customer-driven culture, flexible operational model and its deep-rooted cost management mindset. The company wants to drive industry consolidation, benefiting from the growth

potential of the industry while maintaining its cost efficiency and long-term profitability. To continue its strong track record, the company is focusing on three strategic cornerstones: growth, profitability and operational excellence.

## Board of Directors' proposal for measures related to profit

The parent company's profit for the financial period totals EUR 6,742,403.00. The parent company's distributable assets total EUR 49,017,707.51.

Incap is focusing on organic and inorganic growth with a robust M&A pipeline, thus the Board of Directors of Incap Corporation proposes to the

Annual General Meeting that no dividend be paid for the financial year 2023.



## Annual General Meeting 2024

The Annual General Meeting of Incap Corporation is scheduled to be held on 10 May 2024 in Helsinki. The

notice to the Annual General Meeting will be published at a later date.

## Publication of the Annual Report 2023

The Annual and Sustainability Report of Incap Corporation including the Report of the Board of Directors and Auditor's report for 2023 will be

published during week 14/2024 on the company's website at [www.incapcorp.com](http://www.incapcorp.com).

## Financial reporting in 2024

In 2024, Incap will publish the following financial reports:

- Business review for January–March 8 May 2024
- Half-year report for January–June 26 July 2024
- Business review for January–September 25 October 2024

In Helsinki, 22 February 2024

### **INCAP CORPORATION**

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[www.incapcorp.com](http://www.incapcorp.com)

## Accounting principles for the financial statements

This financial statements release has been prepared in accordance with international financial reporting standards (IFRS) - IAS 34 Interim Financial Reporting standard. When preparing the release, the same principles have been used as in the 2022 financial

statements. Unless otherwise stated, the comparison figures refer to the same period in the previous year. In this financial statements release, the figures for 2023 are unaudited.

## Consolidated statement of comprehensive income

(EUR thousands)	7–12/2023	7–12/2022	1–12/2023	1–12/2022
<b>REVENUE</b>	<b>92,476</b>	<b>149,234</b>	<b>221,591</b>	<b>263,763</b>
Other operating income	165	501	423	679
Change in inventories of finished goods	1,800	6,026	-5,148	4,897
Raw materials and consumables used	-62,585	-111,993	-148,029	-194,330
Personnel expenses	-14,469	-8,502	-24,029	-16,381
Depreciation and amortisation	-2,624	-2,006	-4,623	-3,827
Other operating expenses	-5,348	-9,676	-11,969	-15,859
<b>OPERATING PROFIT</b>	<b>9,415</b>	<b>23,583</b>	<b>28,216</b>	<b>38,942</b>
Financial income	142	145	944	385
Financial expenses	-1,425	-1,670	-2,738	-2,701
<b>PROFIT BEFORE TAX</b>	<b>8,133</b>	<b>22,058</b>	<b>26,422</b>	<b>36,627</b>
Income tax expenses	-2,372	-5,660	-6,602	-9,032
<b>PROFIT FOR THE PERIOD</b>	<b>5,761</b>	<b>16,398</b>	<b>19,820</b>	<b>27,595</b>
Earnings per share, EUR	0.20	0.56	0.68	0,94

<b>OTHER COMPREHENSIVE INCOME</b>	7–12/2023	7–12/2022	1–12/2023	1–12/2022
Items that will not be transferred to P&L (revaluation of employee benefits)	3	10	-23	54
Items that may be recognised in profit or loss at a later date:				
Translation differences from foreign units	-1,951	-4,210	-2,344	-3,328
Other comprehensive income, net	-1,949	-4,200	-2,367	-3,274
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3,812</b>	<b>12,198</b>	<b>17,453</b>	<b>24,321</b>
Attributable to:				
Shareholders of the parent company	3,812	12,198	17,453	24,321

# Consolidated balance sheet

(EUR thousands)	31 Dec 2023	31 Dec 2022
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	21,625	13,476
Right-of-use assets	8,089	6,893
Goodwill	8,237	7,178
Other intangible assets	5,503	4,026
Other financial assets	4	4
Deferred tax assets	1,012	362
Other receivables	443	614
<b>TOTAL NON-CURRENT ASSETS</b>	<b>44,914</b>	<b>32,553</b>
<b>CURRENT ASSETS</b>		
Inventories	71,022	91,798
Trade and other receivables	23,864	36,416
Cash and cash equivalents	42,550	7,559
<b>TOTAL CURRENT ASSETS</b>	<b>137,435</b>	<b>135,773</b>
<b>TOTAL ASSETS</b>	<b>182,349</b>	<b>168,326</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		
Share capital	1,000	1,000
Reserve for invested unrestricted equity	23,745	22,184
Exchange differences	-7,831	-5,487
Retained earnings	89,846	69,728
<b>TOTAL EQUITY</b>	<b>106,760</b>	<b>87,426</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	23,643	5,428
Lease liabilities	6,556	5,222
Deferred tax liabilities	1,302	624
Employee benefit obligations	261	280
Other liabilities	1,619	1,619
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>33,381</b>	<b>13,173</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	37,789	56,708
Borrowings	2,271	8,898
Lease liabilities	1,603	1,616
Employee benefit obligations	54	57

Other liabilities	491	449
<b>TOTAL CURRENT LIABILITIES</b>	<b>42,208</b>	<b>67,727</b>
<b>TOTAL LIABILITIES</b>	<b>75,589</b>	<b>80,900</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>182,349</b>	<b>168,326</b>

## Consolidated cash flow statement

(EUR thousands)	1–12/2023	1–12/2022
<b>Cash flow from operating activities</b>		
Operating profit	28,216	38,942
Adjustments to operating profit	5,107	4,539
Change in working capital		
Change in current receivables	17,928	-5,416
Change in inventories	25,911	-35,589
Change in current liabilities	-23,184	4,752
Interest and charges paid	-1,109	-857
Interest received	162	12
Paid tax and tax refund	-8,382	-7,192
<b>Cash flow from operating activities</b>	<b>44,650</b>	<b>-808</b>
<b>Cash flow from investing activities</b>		
Capital expenditure on tangible and intangible assets	-6,875	-5,465
Proceeds from sales of tangible and intangible assets	52	45
Acquisition of a subsidiary less cash acquired	-12,478	
<b>Cash flow from investing activities</b>	<b>-19,301</b>	<b>-5,420</b>
<b>Cash flow from financing activities</b>		
Drawdown of loans	27,445	16,288
Repayments of borrowings	-15,853	-9,843
Right-of-use asset payments	-1,506	-1,385
<b>Cash flow from financing activities</b>	<b>10,086</b>	<b>5,060</b>
<b>Change in cash and cash equivalents</b>	<b>35,435</b>	<b>-1,169</b>
Cash and cash equivalents at beginning of period	7,559	9,249
Effect of changes in exchange rates	-443	-522
<b>Cash and cash equivalents at end of period</b>	<b>42,550</b>	<b>7,559</b>

## Consolidated statement of changes in equity

(EUR thousands)	Share capital	Unrestricted equity reserve	Translation differences	Retained earnings	Total equity
<b>Equity on 1 January 2023</b>	<b>1,000</b>	<b>22,184</b>	<b>-5,487</b>	<b>69,728</b>	<b>87,426</b>
Profit for the period				19,820	19,820
Other comprehensive income			-2,344	-23	-2,367
<b>Total comprehensive income</b>			<b>-2,344</b>	<b>19,797</b>	<b>17,453</b>
Other changes				22	22
<b>Transactions with owners</b>					
Capital investments <sup>1)</sup>		1,560			1,560
Employee share schemes – value of employee services				299	299
<b>Equity on 31 December 2023</b>	<b>1,000</b>	<b>23,745</b>	<b>-7,831</b>	<b>89,846</b>	<b>106,760</b>
<b>Equity on 1 January 2022</b>	<b>1,000</b>	<b>22,185</b>	<b>-2,159</b>	<b>41,867</b>	<b>62,893</b>
Profit for the period				27,595	27,595
Other comprehensive income			-3,328	54	-3,274
<b>Total comprehensive income</b>			<b>-3,328</b>	<b>27,649</b>	<b>24,321</b>
Other changes		-1		101	101
<b>Transactions with owners</b>					
Employee share schemes – value of employee services				111	111
<b>Equity on 31 December 2022</b>	<b>1,000</b>	<b>22,184</b>	<b>-5,487</b>	<b>69,728</b>	<b>87,426</b>

<sup>1)</sup> Related to fixed share payment as part of the acquisition of Pennatronics Inc.



## Group key figures and contingent liabilities

	1–12/2023	1–12/2022
Revenue, EUR million	221.6	263.8
Operating profit/loss, EUR million	28.2	38.9
% of revenue	12.7	14.8
Profit/loss before taxes, EUR million	26.4	36.6
% of revenue	11.9	13.9
Return on investment (ROI), %	23.3	43.0
Return on equity (ROE), %	20.4	36.7
Equity ratio, %	60.6	53.6
Net gearing, %	-7.7	15.9
Interest-bearing net debt, EUR million	-8.2	13.9
Quick ratio	1.8	0.7
Current ratio	3.3	2.0
Average number of shares during the report period, adjusted for share issues* <sup>1)</sup>	29,361,025	29,269,843
Earnings per share (EPS), EUR <sup>1)</sup>	0.68	0.94
Equity per share, EUR <sup>1)</sup>	3.63	2.99
Dividend per share, EUR <sup>1)</sup>	0.00	0.00
Dividend out of profit, %	0.00	0.00
P/E ratio	11.5	18.1
Trend in share price		
Minimum price during the period, EUR <sup>1)</sup>	5.80	10.68
Maximum price during the period, EUR <sup>1)</sup>	22.05	17.62
Mean price during the period, EUR <sup>1)</sup>	11.43	14.08
Closing price at the end of the period, EUR <sup>1)</sup>	7.75	17.10
Total market capitalisation, EUR million	228.1	500.8
Trade volume, number of shares <sup>1)</sup>	20,833,267	8,047,017
Trade volume, %	70.8	27.5
Investments, EUR million	19.4	5.5
% of revenue	8.7	2.1
Average number of employees including contractors	2,261	2,619
Personnel at the end of period including contractors	1,733	2,817
CONTINGENT LIABILITIES, EUR million		
FOR OWN LIABILITIES		
Mortgages and pledges	24.4	24.6
Off-balance sheet liabilities	0.1	0.7
Transactions with related parties		

The company has no transactions with related parties.

\*<sup>1)</sup> Number of shares grew due to the payment of Pennatronics Inc. in Incap's shares, the share split in March 2022 and due to the subscription of new shares from the share-based incentive scheme.

<sup>1)</sup> Comparison period adjusted by the share split in March 2022.

## Key figures by half-year period

	1-12/2023	1-12/2022	7-12/2023	7-12/2022	1-6/2023	1-6/2022
Revenue, EUR million	221.6	263.8	92.5	149.2	129.1	114.5
Operating profit, EUR million	28.2	38.9	9.4	23.6	18.8	15.4
Share of revenue, %	12.7	14.8	10.2	15.8	14.6	13.4
Profit before tax, EUR million	26.4	36.6	8.1	22.1	18.3	14.6
Share of revenue, %	11.9	13.9	8.8	14.8	14.2	12.7
Return on investment (ROI), %	23.3	43.0	15.3	51.9	35.0	38.0
Return on equity (ROE), %	20.4	36.7	11.9	43.6	29.8	32.5
Equity ratio, %	60.6	53.6	60.6	53.6	65.1	55.7
Net gearing, %	-7.7	15.9	-7.7	15.9	-1.6	12.0
Interest-bearing net debt, EUR million	-8.2	13.9	-8.2	13.9	-1.6	9.0
Average number of shares in period	29,361,025	29,269,843	29,437,214	29,284,835	29,284,835	29,254,850
Earnings per share, EUR <sup>1)</sup>	0.68	0.94	0.20	0.56	0.48	0.38
Equity per share, EUR <sup>1)</sup>	3.63	2.99	3.63	2.99	3.46	2.57
Investments, EUR million	19.4	5.5	14.3	3.1	5.1	2.4
Share of revenue, %	8.7	2.1	15.5	2.0	3.9	2.1
Average number of employees including contractors	2,261	2,619	1,971	2,756	2,552	2,483

<sup>1)</sup> Comparison period adjusted by the share split in March 2022.

## Reconciliation of alternative performance measures

### Return on investment, %

EUR thousand	1–12/2023	1–12/2022
Net profit/loss for the period	19,820	27,595
Financial expenses	2,738	2,701
Income taxes	6,602	9,032
Comparable income taxes		
<b>Profit/loss for the period</b>	<b>29,160</b>	<b>39,327</b>
Equity	106,760	87,426
Non-current interest-bearing financing loans	30,460	10,929
Current interest-bearing financing loans	3,874	10,513
<b>Capital employed</b>	<b>141,094</b>	<b>108,868</b>
<b>Capital employed average at the end of the reporting period and the end of previous financial year</b>	<b>124,981</b>	<b>91,512</b>
<b>Return on investment, %</b>	<b>23.3</b>	<b>43.0</b>

### Return on equity, %

EUR thousand	1–12/2023	1–12/2022
Net profit/loss for the period	19,820	27,595
Equity	106,760	87,426
Equity average at the end of the reporting period and the end of previous financial year	97,093	75,160
<b>Return on equity, %</b>	<b>20.4</b>	<b>36.7</b>

### Equity ratio, %

EUR thousand	1–12/2023	1–12/2022
Equity	106,760	87,426
Balance sheet total	182,349	168,326
Advances received	-6,188	-5,195
<b>Equity ratio, %</b>	<b>60.6</b>	<b>53.6</b>

### Net gearing, %

EUR thousand	1–12/2023	1–12/2022
Interest-bearing net debt	-8,216	13,883
Equity	106,760	87,426
<b>Net gearing, %</b>	<b>-7,7</b>	<b>15.9</b>

### Interest-bearing net debt

EUR thousand	1-12/2023	1-12/2022
Non-current interest-bearing debt	30,460	10,929
Current interest-bearing debt	3,874	10,513
<b>Interest-bearing debt</b>	<b>34,334</b>	<b>21,442</b>
Cash and bank accounts	-42,550	-7,559
<b>Interest-bearing net debt</b>	<b>-8,216</b>	<b>13,883</b>

### Current assets

EUR thousand	1-12/2023	1-12/2022
Current receivables	23,864	36,416
Cash and bank accounts	42,550	7,559
<b>Current assets</b>	<b>66,414</b>	<b>43,975</b>

### Quick ratio

EUR thousand	1-12/2023	1-12/2022
<b>Current assets</b>	<b>66,414</b>	<b>43,975</b>
Short term liabilities	42,208	67,727
Advances received	-6,188	-5,195
<b>Current liabilities</b>	<b>36,020</b>	<b>62,532</b>
<b>Quick ratio</b>	<b>1.8</b>	<b>0.7</b>

### Current ratio

EUR thousand	1-12/2023	1-12/2022
<b>Current assets</b>	<b>66,414</b>	<b>43,975</b>
<b>Inventories</b>	<b>71,022</b>	<b>91,798</b>
Short term liabilities	42,208	67,727
<b>Current liabilities</b>	<b>42,208</b>	<b>67,727</b>
<b>Current ratio</b>	<b>3.3</b>	<b>2.0</b>

### Investments

EUR thousand	1-12/2023	1-12/2022
Capital expenditure on tangible and intangible assets	6,875	5,465
<b>Investments</b>	<b>6,875</b>	<b>5,465</b>

## Adjusted operating profit

EUR thousand	1–12/2023	1–12/2022
Operating profit	28,216	38,942
Non-recurring costs	1,068	580
Purchase price allocation (PPA) amortisation	1,298	430
<b>Adjusted operating profit</b>	<b>30,582</b>	<b>39,953</b>

## Calculation of key figures

Alternative performance measure	Calculation	Purpose
Comparable net profit/loss for the period	Half-year net profit/loss x 2	The measure is used for providing comparability to full-year figures.
Comparable financial expenses	Half-year financial expenses x 2	The measure is used for providing comparability to full-year figures.
Comparable income taxes	Half-year income taxes x 2	The measure is used for providing comparability to full-year figures.
Return on investment, %	$100 \times (\text{Net profit/loss} + \text{financial expenses} + \text{taxes}) / (\text{Equity} + \text{interest-bearing debt (average at the end of the reporting period and the end of previous financial year)})$	The measure provides information on return on investment.
Return on equity, %	$100 \times \text{Net profit/loss} / \text{Equity (average at the end of the reporting period and the end of previous financial year)}$	The measure provides information on return on equity.
Equity ratio, %	$100 \times \text{Equity} / (\text{Balance sheet total} - \text{advances received})$	The measure indicates how much of the Group's assets have been financed with debt.
Net gearing, %	$100 \times \text{Interest-bearing net debt} / \text{Equity}$	The measure indicates the Group's indebtedness.
Interest-bearing net debt	Interest-bearing debt - cash and bank accounts	The measure indicates the total amount of the Group's external debt funding.
Current assets	Current receivables + cash and bank accounts	The component used for calculating Quick ratio illustrates the assets required for covering the Group's current expenses.
Quick ratio	$\text{Current assets} / (\text{Short-term liabilities} - \text{short-term advances received})$	The measure provides information on the company's liquidity.
Current ratio	$\text{Current assets} + \text{inventories} / \text{Short-term liabilities}$	The measure provides information on the company's liquidity.
Investments	Cash flow from VAT-exclusive working capital acquisitions without deduction of investment subsidies. Additions of right-of-use assets in consolidated	The measure provides information on cash flow from investments.



balance sheet are not included in investments.

Adjusted operating profit

Operating profit before non-recurring costs and purchase price allocation (PPA) amortisation

The measure indicates operating profit less expenses related to the acquisition.

**Other performance measure**

**Calculation**

Earnings per share

Net profit/loss for the period / Average number of shares during the period, adjusted for share issues

Equity per share

Equity / Number of shares at the end of the period, adjusted for share issues

Dividend per share

Dividend for the accounting period / Number of shares on the balance sheet date, adjusted for share issues

Dividend out of profit

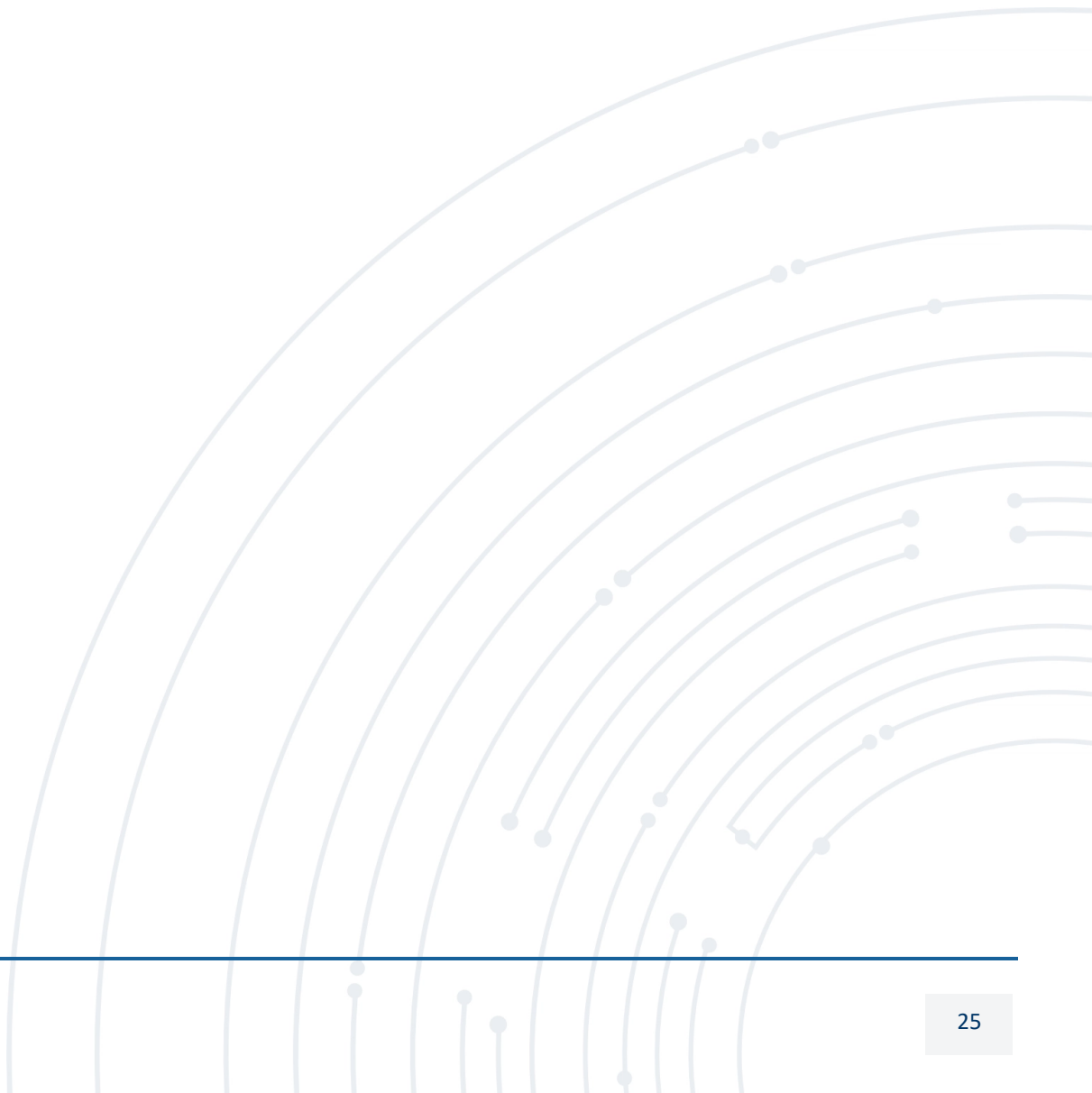
100 x dividend per share / Earnings per share

Total market capitalisation

Closing price for the period x number of shares available for public trading

Average number of employees

Average of personnel numbers calculated at the end of each month



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