

INCAP GROUP

BUSINESS REVIEW

JANUARY-MARCH 2024

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Incap Group's business review for January–March 2024 (unaudited)

January–March 2024 highlights

- Revenue for the first quarter 2024 amounted to EUR 51.4 million (1–3/2023: EUR 72.2 million). Year-on-year the revenue decreased 29.3%, as expected.
- Excluding the impact of the company's largest customer, revenue grew 38% year-on-year.
- Revenue increased 21.1% compared to the fourth quarter of 2023.
- Adjusted operating profit (EBIT) amounted to EUR 6.2 million (EUR 11.5 million) or 12.1% of revenue (15.8%).
- The adjusted operating profit (EBIT) increased 40.4% compared to the fourth quarter of 2023.
- Operating profit (EBIT) amounted to EUR 6.0 million (EUR 11.3 million) or 11.7% of revenue (15.5%).
- Operating profit (EBIT) increased 62.3% compared to the fourth quarter in 2023.
- Net profit for the period was EUR 4.9 million (EUR 8.4 million).
- Earnings per share were EUR 0.17 (EUR 0.29).

Unless otherwise stated, the comparison figures refer to the corresponding period in 2023. This business review is unaudited.

Key figures

EUR million	1–3/24	1–3/23	Change	10–12/23	Change	1–12/23
Revenue	51.4	72.7	-29.3%	42.4	21.1%	221.6
Non-recurring items	0.1	0.1	-33.1%	0.2	-61.7%	1.1
Operating profit (EBIT)	6.0	11.3	-47.0%	3.7	62.3%	28.2
EBIT, % of revenue	11.7%	15.5%		8.7%		12.7%
Adjusted operating profit (EBIT)*	6.2	11.5	-46.1%	4.4	40.4%	30.6
Adjusted EBIT*, % of revenue	12.1%	15.8%		10.4%		13.8%
Net profit for the period	4.9	8.4	-40.9%	1.3	268.9%	19.8
Equity Ratio	62.2%	58.3%		60.6%		
Net Gearing	-5.3%	14.8%		-7.7%		

*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 company's largest customer will impact the revenue and profitability in the first half of 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

Incap's year 2024 got off to a great start, as our revenue grew and profitability improved compared to the previous quarter. We are happy to see the continued growth and especially that the factory in India returned to growth as well. We continued to focus on customer acquisition, explored cross-selling possibilities, and participated actively in trade shows.

Our revenue for the first quarter grew 21% quarter on quarter and was EUR 51.4 million. Excluding sales to our largest customer, our revenue grew 38% year on year. With the sales growth, also our profitability started to grow. Our EBIT for the first quarter was EUR 6.0 million or 11.7% of revenue. The EBIT increased by 62.3% compared to the previous quarter.

To respond to the growth trend, we continued increasing the number of employees at our factories in India. However, the largest customer's destocking is still ongoing, and we expect it to continue at least to the end of the first half of the year.

In 2023, we expanded our operations to the US market, and we are very pleased with our acquisition there. The integration of Incap US' operations has continued as planned, the results are very good, and they have also had success in new customer acquisition.

To continue succeeding in the EMS industry, our philosophy is to continuously improve our operations and to keep investing in the latest technology in our factories. In the beginning of the year, we replaced the second SMT production line with advanced SMT machinery at our factory in Slovakia and made some investments at the UK factory as well.

In April, we published our first combined Annual and Sustainability Report and are preparing for reporting in accordance with the CSRD in 2025. We have started the required double materiality analysis and are developing our sustainability programme further. We take a positive view of the tightening legislation related to sustainability reporting, as we believe that uniform rules can develop our industry in an increasingly responsible direction.

Sustainability is an important part of our strategy, and I believe that this work will improve our ability to respond to future opportunities and challenges. We are also happy about being able to support sustainable development in practice. We have for instance in many ways supported young people learning through various technology-related events and donated local schools' equipment for learning physics and mechatronics.

During the remainder of the year, we will keep investing in our factories, focus on new customer acquisition and increasing sales to existing customers. We will also continue pursuing shareholder value creating M&A transactions, supported with our solid financials.

For 2024, we estimate that our revenue and operating profit will be lower than in 2023. The destocking exercise with our largest customer will impact the revenue and profitability first half of the 2024. However, we estimate our revenue will grow quarter to quarter and our results will improve over the year.

Year 2024 has started well for Incap, and I would like to thank our entire team for doing a great job.

Otto Pukk, President and CEO of Incap Corporation

Financial performance

January–March 2024

In January–March 2024, revenue decreased 29.3% year on year and amounted to EUR 51.4 million (EUR 72.7 million). Revenue was positively impacted by Incap's units in Europe and USA and effective sales work to existing and new customers and negatively by the largest customer's need to reduce their inventory levels.

January–March operating profit (EBIT) decreased 47.0% year on year and amounted to EUR 6.0 million (EUR 11.3 million). Adjusted operating profit (EBIT) was EUR 6.2 million (EUR 11.5 million). Year-on-year

decrease was 46.1%. Adjusted operating profit margin was 12.1% (15.8%) of revenue.

In January–March 2024, Incap did not record credit loss provisions. Provisions for inventory write-offs amounting to EUR 0.2 million were recorded (in January–March 2023, provisions were cancelled for EUR 0.1 million).

Net profit for the period decreased 40.9% year on year and totalled EUR 4.9 million (EUR 8.4 million). Earnings per share were EUR 0.17 (EUR 0.29).

Balance sheet and financing

Total assets in the Group's balance sheet on 31 March 2024 stood at EUR 187.8 million (EUR 168.5 million). The Group's equity at the end of the financial period was EUR 113.2 million (EUR 95.1 million).

Liabilities increased from the comparison period to EUR 74.6 million (EUR 73.4 million). EUR 33.5 million thereof (EUR 19.3 million) were interest-bearing liabilities. Liabilities increased from the comparison period due to the loan related to the acquisition of Pennatronics, Inc. Interest-bearing net debt was EUR -6.0 million (EUR 14.1 million).

The Group's non-current interest-bearing liabilities amounted to EUR 30.0 million (EUR 11.2 million) and non-current non-interest-bearing liabilities to EUR 2.9 million (EUR 2.2 million). Current interest-bearing liabilities were EUR 3.5 million (EUR 8.1 million). Out of the interest-bearing liabilities, EUR 0.3 million (EUR 3.2 million) are related to the Indian subsidiary. Out of the non-current interest-bearing liabilities, a loan of EUR 22.5 million (EUR 4.9 million) granted by the company's Finnish bank is related to the acquisition.

At the end of March 2024, the company's financial position remained strong. Equity ratio increased to 62.2% (58.3%), and net gearing was -5.3% (14.8%).

The Group's cash position during the reporting period was good. On 31 March 2024, the Group's cash and cash equivalents totalled EUR 39.5 million (EUR 5.2 million) and the company had unutilised credit lines amounting to EUR 8.0 million (EUR 5.5 million). Change in inventories had a positive impact in cash position.

The Group's quick ratio was 2.0 (0.9), and current ratio was 3.4 (2.2).

Inventory at end of March 2024 totalled EUR 70.2 million (EUR 83.5 million). Inventory decreased clearly during the first three months of the year compared to March 2023, 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, where the value of the inventory at the end of March 2024 was EUR 8.5 million. Both trade receivables and payables decreased due to the destocking by Incap's largest customer.

Management and organisation

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

At the end of March 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.

Financial reporting in 2024

In 2024, Incap will publish the following financial reports:

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

In Helsinki, 8 May 2024

INCAP CORPORATION

Board of Directors

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Accounting principles for the business review

This business review has been prepared in accordance with IFRS recognition and measurement principles, although not all requirements of the IAS 34 Interim Financial Reporting standard have been followed. When preparing the review, the same

principles have been used as in the 2023 financial statements. Unless otherwise stated, the comparison figures refer to the same period in the previous year. This business review is unaudited.

Consolidated statement of comprehensive income

(EUR thousands)	1-3/2024	1-3/2023	1-12/2023
REVENUE	51,364	72,674	221,591
Other operating income	162	68	423
Change in inventories of finished goods and work in progress	-1,617	-2,923	-5,148
Raw materials and consumables used	-32,228	-49,748	-148,029
Personnel expenses	-7,599	-4,602	-24,029
Depreciation and amortisation	-1,355	-990	-4,623
Other operating expenses	-2,739	-3,183	-11,969
OPERATING PROFIT	5,988	11,297	28,216
Financial income	889	205	944
Financial expenses	-548	-561	-2,738
PROFIT BEFORE TAX	6,329	10,940	26,422
Income tax	-1,382	-2,576	-6,602
PROFIT FOR THE PERIOD	4,947	8,365	19,820
Earnings per share, EUR	0.17	0.29	0.68

OTHER COMPREHENSIVE INCOME	1-3/2024	1-3/2023	1-12/2023
Items that will not be transferred to P&L (revaluation of employee benefits)	0	0	-23
Items that may be recognised in profit or loss at a later date:			
Translation differences from foreign units	1,373	-740	-2,344
Other comprehensive income, net	1,373	-740	-2,367
TOTAL COMPREHENSIVE INCOME	6,320	7,625	17,453
Attributable to:			
Shareholders of the parent company	6,320	7,625	17,453

Consolidated balance sheet

(EUR thousands)	31 Mar 2024	31 Mar 2023	31 Dec 2023
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	21,853	15,811	21,625
Right-of-use assets	7,779	6,749	8,089
Goodwill	8,371	7,228	8,237
Other intangible assets	5,554	3,994	5,503
Other financial assets	4	4	4
Deferred tax assets	1,018	341	1,012
Other receivables	455	675	443
TOTAL NON-CURRENT ASSETS	45,033	34,800	44,914
CURRENT ASSETS			
Inventories	70,211	83,527	71,022
Trade and other receivables	33,054	44,953	23,864
Cash and cash equivalents	39,455	5,200	42,550
TOTAL CURRENT ASSETS	142,720	133,681	137,435
TOTAL ASSETS	187,753	168,481	182,349
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	1,000	1,000	1,000
Reserve for invested unrestricted equity	23,779	22,184	23,745
Exchange differences	-6,458	-6,227	-7,831
Retained earnings	94,877	78,160	89,846
TOTAL EQUITY	113,198	95,118	106,760
NON-CURRENT LIABILITIES			
Borrowings	23,110	5,509	23,643
Lease liabilities	6,670	5,419	6,556
Deferred tax liabilities	1,292	610	1,302
Employee benefit obligations	266	227	261
Other liabilities	1,619	1,619	1,619
TOTAL NON-CURRENT LIABILITIES	32,957	13,385	33,381
CURRENT LIABILITIES			
Trade and other payables	37,652	51,414	37,789
Borrowings	2,261	6,825	2,271
Lease liabilities	1,198	1,310	1,603
Employee benefit obligations	55	56	54

Other liabilities	432	374	491
TOTAL CURRENT LIABILITIES	41,598	59,978	42,208
TOTAL LIABILITIES	74,556	73,363	75,589
TOTAL EQUITY AND LIABILITIES	187,753	168,481	182,349

Consolidated cash flow statement

(EUR thousands)	1-3/2024	1-3/2023	1-12/2023
Cash flow from operating activities			
Operating profit	5,988	11,297	28,216
Adjustments to operating profit	1,512	1,270	5,107
Change in working capital			
Change in current receivables	-8,504	-8,877	17,928
Change in inventories	2,136	7,607	25,911
Change in current liabilities	-722	-4,085	-23,184
Interest and charges paid	-880	-232	-1,109
Interest received	161	0	162
Paid tax and tax refund	-1,601	-3,639	-8,382
Cash flow from operating activities	-1,910	3,340	44,650
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets	-794	-3,063	-6,875
Proceeds from sales of tangible and intangible assets	0	44	52
Acquisition of a subsidiary less cash acquired	0	0	-12,478
Cash flow from investing activities	-794	-3,018	-19,301
Cash flow from financing activities			
Drawdown of loans	0	867	27,445
Repayments of borrowings	-559	-2,922	-15,853
Right-of-use asset payments	-407	-353	-1,506
Cash flow from financing activities	-965	-2,408	10,086
Change in cash and cash equivalents	-3,669	-2,086	35,435
Cash and cash equivalents at beginning of reporting period	42,550	7,559	7,559
Effect of changes in exchange rates	575	-272	-443
Cash and cash equivalents at end of reporting period	39,455	5,200	42,550

Consolidated statement of changes in equity

(EUR thousands)	Share capital	Unrestricted equity reserve	Translation differences	Retained earnings	Total equity
Equity on 1 January 2024	1,000	23,745	-7,831	89,846	106,760
Profit for the reporting period				4,947	4,947
Other comprehensive income			1,373		1,373
Total comprehensive income			1,373	4,947	6,320
Other changes					
Transactions with the owners					
Capital investments ¹⁾		34			34
Employee share schemes – value of employee services				83	83
Equity on 31 March 2024	1,000	23,779	-6,458	94,877	113,198
Equity on 1 January 2023	1,000	22,184	-5,487	69,728	87,426
Profit for the reporting period				8,365	8,365
Other comprehensive income			-740		-740
Total comprehensive income			-740	8,365	7,625
Other changes					
			23		23
Transactions with the owners					
Employee share schemes – value of employee services			44		44
Equity on 31 March 2023	1,000	22,184	-6,227	78,160	95,118

¹⁾ Related to fixed share payment as part of the acquisition of Pennatronics Inc.

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