

INCAP GROUP

# FINANCIAL STATEMENTS RELEASE

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JANUARY-DECEMBER 2022

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# Incap Group's financial statements release for January–December 2022 (unaudited): Year of strong growth

## October–December 2022 highlights

- Revenue for the fourth quarter 2022 amounted to EUR 78.7 million (10–12/2021: EUR 51.4 million), showing an increase of 52.9%.
- Adjusted operating profit (EBIT) increased 49.6%, amounting to EUR 12.9 million (EUR 8.6 million) or 16.4% of revenue (16.8%).
- Acquisition related purchase price allocation (PPA) amortisation amounted to EUR 0.1 million (EUR 0.1 million) and non-recurring costs were EUR 0.1 million (EUR 0.1 million).
- Operating profit (EBIT) increased 50.5%, amounting to EUR 12.7 million (EUR 8.4 million) or 16.1% of revenue (16.3%).
- Net profit for the period was EUR 8.7 million (EUR 6.9 million).

## January–December 2022 highlights

- Revenue increased 55.3% and amounted to EUR 263.8 million (1–12/2021: EUR 169.8 million).
- Adjusted operating profit (EBIT) increased 49.2%, amounting to EUR 40.0 million (EUR 26.8 million) or 15.1% of revenue (15.8%).
- Acquisition related purchase price allocation (PPA) amortisation amounted to EUR 0.4 million (EUR 0.5 million) and non-recurring costs were EUR 0.6 million (EUR 0.3 million).
- Operating profit (EBIT) increased 49.9%, amounting to EUR 38.9 million (EUR 26.0 million) or 14.8% of revenue (15.3%).
- Net profit for the period was EUR 27.6 million (EUR 21.1 million).
- Earnings per share were EUR 0.94 (EUR 0.72)
- Due to the growth strategy of Incap, the Board of Directors of Incap Corporation proposes to the Annual General Meeting that no dividend will be paid for the financial year 2022.

Unless otherwise stated, the comparison figures refer to the corresponding period in 2021. This financial statements release is unaudited.

## Key figures

EUR million	10-12/22	10-12/21	Change	1-12/22	1-12/21	Change
Revenue	78.7	51.4	52.9%	263.8	169.8	55.3%
Non-recurring items	0.1	0.1	33.8%	0.6	0.3	75.2%
Operating profit (EBIT)	12.7	8.4	50.5%	38.9	26.0	49.9%
EBIT, % of revenue	16.1%	16.3%		14.8%	15.3%	
Adjusted operating profit (EBIT)*	12.9	8.6	49.6%	40.0	26.8	49.2%
Adjusted EBIT*, % of revenue	16.4%	16.8%		15.1%	15.8%	
Net profit for the period	8.7	6.9	24.8%	27.6	21.1	31.0%

\*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 2023

Incap estimates that its revenue, operating profit (EBIT) and adjusted operating profit (EBIT) for 2023 will be higher than in 2022.

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

I want to extend my warmest thanks to our customers, partners, and shareholders for their trust in Incap. Incap achieved in year 2022 all-time high revenue and profitability. Considering that the material availability remained difficult throughout the year, team Incap's performance was particularly strong, and I want to thank our fantastic employees for their hard work.

We ended 2022 with another strong quarter with revenue of EUR 78.7 million, and our full year 2022 revenue reached EUR 263.8 million, which was 55% more than in 2021. Our profitability remained on a good level with a full year EBIT of 14.8 per cent of revenue.

Our strong growth was driven by the demand for electronics from existing and new customers, all-time-high orderbook and supported with our earlier investments in capacity in our factories. In particular, we saw growth in industrial electronics, green energy and green mobility. Relative profitability remained on a good level thanks to our efficient and cost-effective operational model and favourable product mix.

How companies operate has become increasingly important and we would like to see more and more companies aiming at sustainable operations. Therefore, we see the increasing ESG reporting requirements as positive developments and for our part, we are committed to continue developing our own operations in a sustainable way. In 2022, we further developed our corporate responsibility and reporting. Our goal is to start reporting the CO<sub>2</sub> emissions of our business.

In November, we held our first Capital Markets Day. It was great to meet so many current and potential

future shareholders in person. We will continue developing our investor relations by means of open and versatile communications.

The construction of our third factory in India is being finalised and the production ramp-up will begin at the end of the first quarter 2023 as planned.

There is still some uncertainty in the market when entering 2023. As component availability and lead times keep improving, we expect that visibility will come down to more normal levels as customers don't need to place orders so much in advance. With components available equally for all on the market, we expect competition to increase in many segments.

The long-term perspective for EMS business remains positive. We expect our organic growth to continue in 2023 but with a more modest pace, improving our cashflow and giving us possibility to reduce our inventory levels.

Our financial position remains solid. We remain committed to actively invest in our operations and develop them. In line with our growth strategy, we focus even more on pursuing M&A.

Our estimate is that our revenue, operating profit and adjusted operating profit in 2023 will be higher than in 2022. We are convinced that our decentralised operational model and our committed team will help to maintain the good level of profitability also in the future.

**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 Russia's war against Ukraine and lockdowns in China which continued to affect global business environment. The rising general inflation and cost of manufacturing as well as constrained component availability continued. 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 2022

In October–December 2022, revenue grew 52.9% year on year and amounted to EUR 78.7 million (EUR 51.4 million). The strong growth was supported by high demand for electronics and an all-time-high order book.

Fourth quarter operating profit (EBIT) grew 50.5% year on year and amounted to EUR 12.7 million (EUR 8.4 million). Adjusted operating profit (EBIT) was EUR 12.9 million (EUR 8.6 million). Year-on-year growth was 49.6%. Adjusted operating profit margin was

16.4% (16.8%). Net profit for the period grew 24.8% year on year and totalled EUR 8.7 million (EUR 6.9 million) and was impacted by the parent company taxes totalling EUR -0.4 million (EUR 0.1 million) and unrealised foreign currency exchange losses of EUR -0.4 million (EUR -0.1 million). In October–December 2022, Incap recorded credit loss provisions amounting to EUR 0.6 million and provisions for inventory write-offs were reversed for EUR 0.8 million.

### January–December 2022

In January–December 2022, revenue grew 55.3% year on year and amounted to EUR 263.8 million (EUR 169.8 million). The strong growth was supported by high demand for electronics and an all-time-high order book.

January–December operating profit (EBIT) grew 49.9% year on year and amounted to EUR 38.9 million (EUR 26.0 million). Adjusted operating profit (EBIT) was EUR 40.0 million (EUR 26.8 million). Year-on-year growth was 49.2%. Adjusted operating profit margin was 15.1% (15.8%). In January–December 2022, Incap recorded credit loss provisions

amounting to EUR 0.9 million and provisions for inventory write-offs amounting to EUR 0.3 million.

In 2022, personnel expenses were EUR 16.4 million (EUR 14.5 million), other operating expenses were EUR 15.9 million (EUR 9.4 million) of which EUR 5.4 million (EUR 2.9 million) related to contract workers, and depreciation and amortisation were EUR 3.8 million (EUR 3.3 million).

Net profit for the period grew 31.0% year on year and totalled EUR 27.6 million (EUR 21.1 million). Net profit was impacted by the parent company taxes

totalling EUR -1.4 million (EUR 0.0 million) and unrealised foreign currency exchange losses of EUR

-1.4 million (EUR -0.4 million). Earnings per share were EUR 0.94 (EUR 0.72).

## Balance sheet, financing and cash flow

Total assets in the balance sheet on 31 December 2022 stood at EUR 168.3million (EUR 129.5 million). The Group's equity at the end of the financial period was EUR 87.4 million (EUR 62.9 million).

Liabilities increased from the comparison period to EUR 80.9 million (EUR 66.6 million). EUR 21.4 million thereof (EUR 11.3 million) were interest-bearing liabilities. Liabilities increased from the previous year due to payables related to material purchases and drawn downs of loans from financial institutions. Interest-bearing net debt was EUR 13.9 million (EUR 2.0 million).

The Group's non-current interest-bearing liabilities amounted to EUR 10.9 million (EUR 4.0 million) and non-current non-interest-bearing liabilities to EUR 2.2 million (EUR 2.5 million). Current interest-bearing liabilities were EUR 10.5 million (EUR 7.2 million). Out of the interest-bearing liabilities, EUR 4.8 million (EUR 4.6 million) are related to the Indian subsidiary. Other interest-bearing liabilities include EUR 9.2 million (EUR 2.9 million) of bank loans and limits granted by the company's Finnish bank.

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 2022, 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 0.5 and the equity ratio 53.6%.

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 2022, the company's financial position remained strong. Equity ratio increased to 53.6% (51.9%). Net gearing was 15.9% (3.2%).

On 31 December 2022, no deferred tax assets relating to the parent company's confirmed losses were recognised (EUR 0.4 million on 31 December 2021). EUR 0.2 million (EUR 0.3 million) is related to the Indian subsidiary.

The Group's cash position during the reporting period was good despite the investments in factories and the increasing net working capital. On 31 December 2022, the Group's cash and cash equivalents totalled EUR 7.6 million (EUR 9.2 million) and the company had unutilized credit lines amounting to EUR 4.9 million (EUR 9.4 million).

The Group's quick ratio was 0.7 (0.8), and the current ratio was 2.0 (1.7).

Inventory at end of 2022 totalled EUR 91.8 million (EUR 59.5 million). The growth in inventory was mainly caused by growth in business. Inventory values were also affected by the challenges in global logistics chains, increased prices and availability problems.

Cash flow from operations was EUR -0.8 million (EUR 9.7 million). Cash flow was impacted by the changes in net working capital.

## Investments

In 2022, Incap's factory-related investment cash flow totalled EUR 5.5 million (EUR 4.5 million) and was mainly related to the construction of the third factory in India.

In May 2021, Incap announced that it had decided to invest in a third factory in Tumkur, Karnataka, India. The construction project started in the third quarter of 2021, and the Group estimates that production ramp-up will start at the end of the first quarter of 2023.

## 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 2022, the number of personnel in Incap Group was 2,817 of which 1,816 were contractors (2,523 of which 1,523 were contractors). Of the personnel 80.2% (78.7%) worked in India, 4.5% (4.3%) in Estonia, 6.2% (7.3%) in the United Kingdom, 9.1% (9.6%) in Slovakia and 0.1% (0.1%) in Finland.

At the end of the year, 607 of Incap's personnel were women (554) and 2,210 were men (1,969). The

average age of the personnel was 31 years (30). The average number of personnel during the year was 2,619 (2,165). The number of permanent personnel totalled 741 (709), and the number of fixed-term contracts was 2,076 (1,814).

## Management and organisation

Miroslav Michalik, Managing Director of Incap Electronics Slovakia, s.r.o., was appointed member of Incap Group's Management Team as of 1 April 2022.

Greg Grace, Incap's Director of Operations Estonia and Managing Director of Incap Estonia, left his position on 14 November 2022.

At the end of 2022, Incap's Management Team consisted of President & CEO, Otto Pukk; Director of Operations, India and Sales APAC, Murthy Munipalli; Director of Operations, U.K., Jamie Maughan; Director of Operations, Slovakia, Miroslav Michalik; and CFO Antti Pynnönen.

After the reporting period, Margus Jakobson, interim Managing Director of Incap Estonia, 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.

The Group has manufacturing operations in Estonia, India, Slovakia and the United Kingdom 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.

Incap will publish a separate Corporate Responsibility Report in connection with its Annual Report 2022.

## Certified management systems

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

the health and safety management system complies with ISO 45001:2018. All business units have also the ISO 13485/2016 quality certification for the manufacture of medical devices.

## Annual General Meeting 2022

The Annual General Meeting of Incap Corporation held on 29 April 2022 approved the annual accounts for the financial period 1 January 2021 – 31 December 2021 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 Board's proposal that in order to enhance the liquidity of the company's shares, new company shares shall be issued to the shareholders without payment in proportion to their holdings so that four new shares are issued for each share (share split). A total of 23,397,308 new shares were issued to the shareholders who were registered in the shareholders' register maintained by Euroclear Finland Ltd on the record day of the share issue of 3 May 2022.

The General Meeting authorised in accordance with the Board's proposal the Board of Directors to decide on a distribution of dividend from the profits in accordance with the adopted financial statements of the financial year 1 January 2021 to 31 December 2021, to be distributed in one or several instalments at a later stage based on the Board of Director's assessment. The total amount of dividend based on this authorisation will be divided between one current and four new shares, so that the total maximum amount of dividend is EUR 0.16 per share. The authorisation is valid until the commencement of the next Annual General Meeting. If the Board of Directors decides to exercise the authorisation, the company will publish the possible decision on the amount of the dividend to be distributed separately, and at the same time confirm the pertinent record and payment dates of the dividend payment. The

dividends to be distributed based on the authorisation will be paid to shareholders registered in the company's shareholders' register maintained by Euroclear Finland Ltd on the record date of such dividend payment.

The General Meeting authorised the Board of Directors to decide to issue new shares either against payment or without payment. As the General Meeting approved the Board's proposal concerning a share issue without payment, the maximum number of shares to be issued totals a maximum of 2,924,660 shares, which represent approximately 10 per cent of the total number of shares in the company after the new shares to be issued in share issue without payment have been registered.

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 issue, 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 authorisations are valid for one year from the Annual General Meeting.

The resolutions of the AGM 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 29 April 2022 resolved that the number of members of the Board of Directors shall be four (4). The Annual General Meeting resolved that the present members of the Board, Carl-Gustaf von Troil, Päivi Jokinen, Ville Vuori and Kaisa Kokkonen be elected as members 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 Annual General Meeting 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

13/2023. 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.

Incap Corporation's Annual General Meeting on 29 April 2022 decided on a share issue without payment (so called share split). The new shares were entered in the trade register on 3 May 2022. The new shares were issued to the shareholders without payment in proportion to their holdings so that four new shares were issued for each share.

Incap's Board of Directors resolved on directed share issues without payment to the CEO on 26 May 2020 and 26 April 2022 based on the share issuance authorisations issued to the Board of Directors by the Company's Annual General Meeting on 20 April 2020 and 27 April 2021. The number of shares of the company increased to 29,284,835 shares after the above-mentioned shares became registered in the Trade Register on 23 May 2022.

The number of shares of the company on 31 December 2022 was 29,284,835 (31 December 2021: 5,849,327).

In 2022, the share price varied between EUR 10.68 and EUR 17.62 (EUR 3.44 and 16.12). The closing price on 30 December 2022 was EUR 17.10 (30 December 2021: EUR 15.70). The market capitalisation on 31 December 2022 was EUR 500.8 million (EUR 459.2 million).

At the end of 2022, the company had 4,705 shareholders (4,605). Nominee-registered owners held 32.3% (20.4%) and foreign owners 7.7% (8.2%) of all shares. The company does not hold any of its own shares.

At the end of 2022, the members of Incap Corporation's Board of Directors and the President and CEO and their interest parties owned a total of

317,890 shares or 1.1% of the company's shares outstanding (278,190 or 1.0%).

#### Largest shareholders on 31 December 2022

	Number of shares	Holding, %
Oy Etra Invest Ab	5,686,665	19.42
Nordea Henkivakuutus Suomi Oy	2,458,070	8.39
Joensuun Kauppa ja Kone Oy	1,533,160	5.24
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,391,540	4.75
Etola Erkki Olavi	500,000	1.71
Etola Group Oy	450,000	1.54
Kakkonen Kari Heikki Ilmari	390,525	1.33
Oy Pontia Invest Ab	386,465	1.32
K22 Finance Oy	237,271	0.81
OP Fin Small Cap	232,255	0.79
<b>10 largest shareholders in total</b>	<b>13,265,951</b>	<b>45.30</b>

Nominee-registered holding is not included in the list.

## Flagging notifications

In 2022, Incap Corporation received the following shareholder announcements in accordance with Section 10 of Chapter 9 of the Securities Market Act.

On 10 November 2022, the company received a notification, according to which the holdings of shares and votes of the entity controlled by Avanza Bank Holding AB in Incap Corporation had decreased below the level of 5% as a result of share transactions concluded on 9 November 2022.

On 28 October 2022, the company received a notification, according to which the holdings of shares and votes of the entity controlled by Avanza Bank Holding AB in Incap Corporation had increased above the level of 5% as a result of share transactions concluded on 27 October 2022.

On 14 October 2022, the company received a notification, according to which the holdings of

shares and votes of the entity controlled by Avanza Bank Holding AB in Incap Corporation had decreased below the level of 5% as a result of share transactions concluded on 13 October 2022.

On 14 January 2022, the company received a notification, according to which the holdings of the entity controlled by Avanza Bank Holding AB in Incap Corporation had risen above the level of 5% as a result of share transactions concluded on 13 January 2022.

On 14 January 2022, the company received a notification, according to which the total holdings of shares and votes of the entities controlled by Kyösti Kakkonen in Incap Corporation had decreased below the level of 10% as a result of share transactions concluded on 13 January 2022.

## Share-based incentives

#### CEO's incentive scheme

In May 2020, the Board of Directors of Incap Corporation resolved on the establishment of a share-based long-term incentive scheme for Otto Pukk, the CEO of the company, and in April 2022, on its amendment. The CEO may earn a reward based on the development of the company's net EBIT for

the period ended 31 December 2021, a total of 38,200 new shares of the company in share issues without payment, provided that the CEO is still in a service relationship with the company at the time of payment of the remuneration.

Otto Pukk subscribed a total of 38,200 new shares of the company offered to him. On 23 May 2022,

Incap's Board of Directors resolved to approve the share subscriptions made after the terms of the CEO's incentive plan were fulfilled. The new shares of the company subscribed for in the share issues may not be sold, otherwise transferred or pledged during one year from the time the new shares of the company subscribed acceptably for in the share issues have been entered in the Finnish Trade Register.

#### **Long-term key employee incentive plan**

On 27 April 2022, the Board of Directors of Incap Corporation decided to establish a new long-term incentive plan for the Group's key employees. The aim of the plan is to align the objectives of the shareholders and key employees for increasing the value of the company in the long term, to retain the key employees at the company, and to offer them a competitive reward plan based on acquiring, earning and accumulating the company's shares.

The long-term Performance Share Plan is based on a rolling 3-year performance period structure, with a new performance period starting at the beginning of each year if so decided by the Board.

In the plan, the target group is given an opportunity to earn Incap's shares based on performance. The

Board of Directors decides on the plan's performance criteria and targets to be set for each criterion at the beginning of each performance period. The potential rewards based on the plan will be paid after the end of each performance period.

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 the 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.

During the performance period 2022–2024, the rewards are based on the Group's cumulative operating profit (EBIT). During the performance period 2022–2024, 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 2022–2024 correspond to the value of an approximate maximum total of 30,191 Incap Corporation shares, including also the proportion to be paid in cash.

## **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 coronavirus pandemic-related risks, the geopolitical situation, 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**

Development of the coronavirus pandemic and measures taken to contain it may have a negative impact on Incap's performance in the short-term. The lockdowns in countries where Incap operates have

been lifted and Incap's factories are fully operational with strict safety measures followed to protect the safety and health of the personnel.

However, as the circumstances with the pandemic may change rapidly, this may still present a short-term risk on Incap's business activities through the general economic development and development in different industries the company's customers operate in, the supply chain and logistics as well as the health and availability of the personnel.

Geopolitical tensions increased in Europe in 2022. 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. Lockdowns in China may also have an impact on sourcing and logistics chains.

## 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 2022, four biggest customers contributed to 74.3% (69.1%) of revenue. Out of the total customer base in 2022, 22 customers (21) 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.

In 2022, the company recorded credit loss provisions amounting to EUR 0.9 million and provisions for inventory write-offs amounting to EUR 0.3 million.

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 2022 and indicators as of 31 December 2022, 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 2022, 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

After the reporting period, as of 1 February 2023, Margus Jakobson, interim Managing Director of Incap Estonia, was appointed member of Incap

Group's Management Team as well as Director of Operations Estonia and Managing Director of Incap Estonia.

## 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 7,576,634.51. The parent company's distributable assets total EUR 42,275,304,51.

Annual General Meeting that no dividend will be paid for the financial year 2022.

Due to the growth strategy of Incap, the Board of Directors of Incap Corporation proposes to the

## Annual General Meeting 2023

The Annual General Meeting of Incap Corporation is scheduled to be held on Thursday, 27 April 2023 in

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

## Publication of the Annual Report 2022

The annual report of Incap Corporation including Report of the Board of Directors and Auditor's report

for 2022 will be published during week 13/2023 on the company's website at [www.incapcorp.com](http://www.incapcorp.com).

## Financial reporting in 2023

In 2023, Incap will publish the following financial reports:

- Business review for January–March 26 April 2023
- Half-year report for January–June 28 July 2023
- Business review for January–September 25 October 2023

In Helsinki, 22 February 2023

**INCAP CORPORATION**

Board of Directors

**For additional information, please contact:**

Otto Pukk, President and CEO, tel. +372 508 0798

**Distribution:**

Nasdaq Helsinki Ltd.

Principal media

[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 2021 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 2022 are unaudited.

## Consolidated statement of comprehensive income

(EUR thousands)	7-12/2022	7-12/2021	1-12/2022	1-12/2021
<b>REVENUE</b>	<b>149,234</b>	<b>98,481</b>	<b>263,763</b>	<b>169,787</b>
Other operating income	501	53	679	200
Change in inventories of finished goods	6,026	7,253	4,897	10,232
Raw materials and consumables used	-111,993	-75,010	-194,330	-127,032
Personnel expenses	-8,502	-7,539	-16,381	-14,509
Depreciation, amortisation and impairment losses	-2,006	-1,721	-3,827	-3,286
Other operating expenses	-9,676	-5,311	-15,859	-9,419
<b>OPERATING PROFIT/LOSS</b>	<b>23,583</b>	<b>16,206</b>	<b>38,942</b>	<b>25,974</b>
Financial income	145	288	385	844
Financial expenses	-1,670	-444	-2,701	-1,098
<b>PROFIT/LOSS BEFORE TAX</b>	<b>22,058</b>	<b>16,051</b>	<b>36,627</b>	<b>25,721</b>
Income tax expenses	-5,660	-2,747	-9,032	-4,662
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>16,398</b>	<b>13,303</b>	<b>27,595</b>	<b>21,059</b>
Earnings per share, EUR	0.56	0.45	0.94	0.72

<b>OTHER COMPREHENSIVE INCOME</b>	<b>7-12/2022</b>	<b>7-12/2021</b>	<b>1-12/2022</b>	<b>1-12/2021</b>
Items that will not be transferred to P&L (revaluation of employee benefits)	10	-7	54	15
Items that may be recognised in profit or loss at a later date:				
Translation differences from foreign units	-4,210	1,807	-3,328	2,470
Other comprehensive income, net	-4,200	1,800	-3,274	2,485
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>12,198</b>	<b>15,104</b>	<b>24,321</b>	<b>23,544</b>
Attributable to:				
Shareholders of the parent company	12,198	15,104	24,321	23,544

# Consolidated balance sheet

(EUR thousands)	31 Dec 2022	31 Dec 2021
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	13,476	10,115
Right-of-use assets	6,893	3,736
Goodwill	7,178	7,547
Other intangible assets	4,026	4,517
Other financial assets	4	4
Deferred tax assets	362	852
Other receivables	614	346
<b>TOTAL NON-CURRENT ASSETS</b>	<b>32,553</b>	<b>27,117</b>
<b>CURRENT ASSETS</b>		
Inventories	91,798	59,467
Trade and other receivables	36,416	33,654
Cash and cash equivalents	7,559	9,249
<b>TOTAL CURRENT ASSETS</b>	<b>135,773</b>	<b>102,371</b>
<b>TOTAL ASSETS</b>	<b>168,326</b>	<b>129,488</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	22,184	22,185
Exchange differences	-5,487	-2,159
Retained earnings	69,728	41,867
<b>TOTAL EQUITY</b>	<b>87,426</b>	<b>62,893</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	5,428	1,363
Lease liabilities	5,222	2,351
Deferred tax liabilities	624	851
Employee benefit obligations	280	312
Provisions	1,619	1,619
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>13,173</b>	<b>6,496</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	56,708	52,435
Borrowings	8,898	5,754
Lease liabilities	1,616	1,484
Employee benefit obligations	57	59

Provisions	449	368
<b>TOTAL CURRENT LIABILITIES</b>	<b>67,727</b>	<b>60,099</b>
<b>TOTAL LIABILITIES</b>	<b>80,900</b>	<b>66,595</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>168,326</b>	<b>129,488</b>

## Consolidated cash flow statement

(EUR thousands)	1-12/2022	1-12/2021
<b>Cash flow from operating activities</b>		
Operating profit	38,942	25,974
Adjustments to operating profit	4,539	4,530
Change in working capital		
Change in current receivables	-5,416	-7,775
Change in inventories	-35,589	-34,615
Change in current liabilities	4,752	26,634
Interest and charges paid	-857	-557
Interest received	12	9
Paid tax and tax refund	-7,192	-4,530
<b>Cash flow from operating activities</b>	<b>-808</b>	<b>9,669</b>
<b>Cash flow from investing activities</b>		
Capital expenditure on tangible and intangible assets	-5,465	-4,520
Proceeds from sales of tangible and intangible assets	45	
Acquisition of subsidiary less cash at the date of acquisition		-650
<b>Cash flow from investing activities</b>	<b>-5,420</b>	<b>-5,170</b>
<b>Cash flow from financing activities</b>		
Drawdown of loans	16,288	6,886
Repayments of borrowings	-9,843	-4,725
Right-of-use asset payments	-1,385	-1,356
<b>Cash flow from financing activities</b>	<b>5,060</b>	<b>805</b>
<b>Change in cash and cash equivalents</b>	<b>-1,169</b>	<b>5,304</b>
Cash and cash equivalents at beginning of period	9,249	3,899
Effect of changes in exchange rates	-522	46
<b>Cash and cash equivalents at end of period</b>	<b>7,559</b>	<b>9,249</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 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
Currency translation differences			-3,328		-3,328
Transactions with owners <sup>1)</sup>				111	111
Other changes <sup>2)</sup>		-1		155	155
<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>
<b>Equity on 1 January 2021</b>	<b>1,000</b>	<b>21,491</b>	<b>-4,629</b>	<b>20,719</b>	<b>38,580</b>
Profit for the period				21,059	21,059
Currency translation differences			2,470		2,470
Transactions with owners <sup>1)</sup>		694		81	775
Other changes <sup>2)</sup>				9	9
<b>Equity on 31 December 2021</b>	<b>1,000</b>	<b>22,185</b>	<b>-2,159</b>	<b>41,867</b>	<b>62,893</b>

<sup>1)</sup> Directed share issue to former AWS Electronics Group owners as part of the purchase price and value of the personnel's service related to the share option scheme.

<sup>2)</sup> Re-measurement of employee benefits.

## Group key figures and contingent liabilities

	1–12/2022	1–12/2021
Revenue, EUR million	263.8	169.8
Operating profit/loss, EUR million	38.9	26.0
% of revenue	14.8	15.3
Profit/loss before taxes, EUR million	36.6	25.7
% of revenue	13.9	15.1
Return on investment (ROI), %	43.0	43.8
Return on equity (ROE), %	36.7	41.5
Equity ratio, %	53.6	51.9
Net gearing, %	15.9	3.2
Interest-bearing net debt, EUR million	13.9	2.0
Quick ratio	0.7	0.8
Current ratio	2.0	1.7
Average nr of shares during the report period, adjusted for share issues* <sup>1)</sup>	29,269,843	29,254,048
Earnings per share (EPS), EUR <sup>1)</sup>	0.94	0.72
Equity per share, EUR <sup>1)</sup>	2.99	2.15
Dividend per share, EUR <sup>1)</sup>	0.00	0.00
Dividend out of profit, %	0.00	0.00
P/E ratio	18.1	21.8
Trend in share price		
Minimum price during the period, EUR <sup>1)</sup>	10.68	3.44
Maximum price during the period, EUR <sup>1)</sup>	17.62	16.12
Mean price during the period, EUR <sup>1)</sup>	14.08	8.46
Closing price at the end of the period, EUR <sup>1)</sup>	17.10	15.70
Total market capitalisation, EUR million	500.8	459.2
Trade volume, number of shares <sup>1)</sup>	8,047,017	13,703,585
Trade volume, %	27.5	46.9
Investments, EUR million	5.5	5.2
% of revenue	2.1	3.1
Average number of employees including contractors	2,619	2,165
Personnel at the end of period including contractors	2,817	2,523
CONTINGENT LIABILITIES, EUR million		
FOR OWN LIABILITIES		
Mortgages and pledges	24.6	23.9
Off-balance sheet liabilities	0.7	0.7
Transactions with closely related parties		

The company has no transactions with closely related parties.

\*<sup>1)</sup> Number of shares grew due to the share split in March 2022 and due to 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

	1-12/2022	1-12/2021	7-12/2022	7-12/2021	1-6/2022	1-6/2021
Revenue, EUR million	263.8	169.8	149.2	98.5	114.5	71.3
Operating profit, EUR million	38.9	26.0	23.6	16.2	15.4	9.8
Share of revenue, %	14.8	15.3	15.8	16.5	13.4	13.7
Profit before tax, EUR million	36.6	25.7	22.1	16.1	14.6	9.7
Share of revenue, %	13.9	15.1	14.8	16.3	12.7	13.6
Return on investment (ROI), %	43.0	43.8	51.9	53.8	38.0	39.0
Return on equity (ROE), %	36.7	41.5	43.6	52.4	32.5	35.9
Equity ratio, %	53.6	51.9	53.6	51.9	55.7	55.3
Net gearing, %	15.9	3.2	15.9	3.2	12.0	12.0
Interest-bearing net debt, EUR million	13.9	2.0	13.9	2.0	9.0	5.7
Average number of shares in period	29,269,843	29,254,048	29,284,835	29,246,635	29,254,850	29,261,462
Earnings per share, EUR <sup>1)</sup>	0.94	0.72	0.56	0.45	0.38	0.27
Equity per share, EUR <sup>1)</sup>	2.99	2.15	2.99	2.15	2.57	1.6
Investments, EUR million	5.5	5.2	3.1	1.9	2.4	3.3
Share of revenue, %	2.1	3.1	2.0	1.9	2.1	4.6
Average number of employees incl. contractors	2,619	2,165	2,756	2,425	2,483	1,905

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

## Reconciliation of alternative performance measures

### Return on investment, %

EUR thousand	1-12/2022	1-12/2021
Net profit/loss for the period	27,595	21,059
Financial expenses	2,701	1,098
Income taxes	9,032	4,662
<b>Profit/loss for the period</b>	<b>39,327</b>	<b>26,819</b>
Equity	87,426	62,893
Non-current interest-bearing financing loans	10,929	4,026
Current interest-bearing financing loans	10,513	7,238
<b>Capital employed</b>	<b>108,868</b>	<b>74,157</b>
<b>Capital employed average at the end of the reporting period and the end of previous financial year</b>	<b>91,512</b>	<b>61,264</b>
<b>Return on investment, %</b>	<b>43.0</b>	<b>43.8</b>

### Return on equity, %

EUR thousand	1-12/2022	1-12/2021
Net profit/loss for the period	27,595	21,059
Equity	87,426	62,893
Equity average at the end of the reporting period and the end of previous financial year	75,160	50,737
<b>Return on equity, %</b>	<b>36.7</b>	<b>41.5</b>

### Equity ratio, %

EUR thousand	1-12/2022	1-12/2021
Equity	87,426	62,893
Balance sheet total	168,326	129,488
Advances received	-5,195	-8,225
<b>Equity ratio, %</b>	<b>53.6</b>	<b>51.9</b>

### Net gearing, %

EUR thousand	1-12/2022	1-12/2021
Interest-bearing net debt	13,883	2,014
Equity	87,426	62,893
<b>Net gearing, %</b>	<b>15.9</b>	<b>3.2</b>

**Interest-bearing net debt**

EUR thousand	1-12/2022	1-12/2021
Non-current interest-bearing debt	10,929	4,026
Current interest-bearing debt	10,513	7,238
<b>Interest-bearing debt</b>	<b>21,442</b>	<b>11,264</b>
Cash and bank accounts	-7,559	-9,249
<b>Interest-bearing net debt</b>	<b>13,883</b>	<b>2,014</b>

**Current assets**

EUR thousand	1-12/2022	1-12/2021
Current receivables	36,416	33,654
Cash and bank accounts	7,559	9,249
<b>Current assets</b>	<b>43,975</b>	<b>42,904</b>

**Quick ratio**

EUR thousand	1-12/2022	1-12/2021
Current assets	43,975	42,904
Short term liabilities	67,727	60,099
Advances received	-5,195	-8,225
<b>Current liabilities</b>	<b>62,532</b>	<b>51,874</b>
<b>Quick ratio</b>	<b>0.7</b>	<b>0.8</b>

**Current ratio**

EUR thousand	1-12/2022	1-12/2021
<b>Current assets</b>	<b>43,975</b>	<b>42,904</b>
<b>Inventories</b>	<b>91,798</b>	<b>59,467</b>
Short term liabilities	67,727	60,099
<b>Current liabilities</b>	<b>67,727</b>	<b>60,099</b>
<b>Current ratio</b>	<b>2.0</b>	<b>1.7</b>

**Investments**

EUR thousand	1-12/2022	1-12/2021
Capital expenditure on tangible and intangible assets	5,465	5,170
<b>Investments</b>	<b>5,465</b>	<b>5,170</b>



**Adjusted operating profit**

EUR thousand	1-12/2022	1-12/2021
Operating profit	38,942	25,974
Non-recurring costs	580	331
Purchase price allocation (PPA) amortisation	430	474
<b>Adjusted operating profit</b>	<b>39,953</b>	<b>26,780</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 x (Net profit/loss + financial expenses + taxes) / (Equity + 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 x Net profit/loss / 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 x Equity / (Balance sheet total - advances received)	The measure indicates how much of the Group's assets have been financed with debt.
Net gearing, %	100 x Interest-bearing net debt / 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	Current assets / (Short-term liabilities – short-term advances received)	The measure provides information on the company's liquidity.
Current ratio	Current assets + inventories / 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 balance sheet are not included in investments.	The measure provides information on cash flow from 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.
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**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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