INCAP GROUP

HALF-YEAR REPORT

JANUARY-JUNE 2023

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Incap Group's half-year report for January–June 2023 (unaudited): First half-year revenue increased despite the anticipated lower revenue in the second quarter – US acquisition opens up new opportunities

April–June 2023 highlights

- Revenue decreased 7.8% and amounted to EUR 56.4 million (4–6/2022: EUR 61.2 million).
- Adjusted operating profit (EBIT) decreased 6.0%, amounting to EUR 8.3 million (EUR 8.8 million) or 14.7% of revenue (14.4%). Non-recurring items were mainly related to the acquisition.
- Operating profit (EBIT) decreased 12.8%, amounting to EUR 7.5 million (EUR 8.6 million) or 13.3% of revenue (14.1%).
- Net profit for the period was EUR 5.7 million (EUR 5.7 million).
- After the end of the reporting period, Incap acquired Pennatronics Inc., an Electronics Manufacturing Services company based in Pennsylvania, USA.

January–June 2023 highlights

- Revenue increased 12.7% and amounted to EUR 129.1 million (1–6/2022: EUR 114.5 million).
- Adjusted operating profit (EBIT) increased 25.1%, amounting to EUR 19.8 million (EUR 15.8 million) or 15.3% of revenue (13.8%).
- Operating profit (EBIT) increased 22.4%, amounting to EUR 18.8 million (EUR 15.4 million) or 14.6% of revenue (13.4%).
- Net profit for the period was EUR 14.1 million (EUR 11.2 million).
- Earnings per share were EUR 0.48 (EUR 0.38).

Unless otherwise stated, the comparison figures refer to the corresponding period in 2022. This half-year report is unaudited.

Key figures

EUR million	4–6/23	4–6/22	Change	1–6/23	1–6/22	Change	1–12/22
Revenue	56.4	61.2	-7.8%	129.1	114.5	12.7%	263.8
Non-recurring items	0.7	0.1	553.6%	0.8	0.2	228.3%	0.6
Operating profit (EBIT)	7.5	8.6	-12.8%	18.8	15.4	22.4%	38.9
EBIT, % of revenue	13.3%	14.1%		14.6%	13.4%		14.8%
Adjusted operating profit (EBIT)*	8.3	8.8	-6.0%	19.8	15.8	25.1%	40.0
Adjusted EBIT*, % of revenue	14.7%	14.4%		15.3%	13.8%		15.1%
Net profit for the period	5.7	5.7	-0.9%	14.1	11.2	25.6%	27.6

*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

As communicated on 18 April 2023, Incap estimates that its revenue and operating profit (EBIT) for 2023 will be lower 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

Incap's first half 2023 was relatively strong. However, at the same time, our largest customer announced that it would have to temporarily reduce its orders due to overstocking. Our focus has been on new customer acquisition, increasing sales to existing ones and opening up new opportunities through an acquisition in the USA.

At the beginning of July, we announced an acquisition, which opens new opportunities for us and our customers and creates a foothold for further expansion in the United States. The acquired company Pennatronics is an experienced and profitable contract manufacturer of electronics and has created long-term customer relationships in its business in several different industries. Pennatronics has six customers with a revenue of more than one million euros, while the corresponding figure for Incap was 22 in the year 2022. With the acquisition, Incap's customer base will thus expand and diversify.

As demand grows, we have continued to invest in our factories at the beginning of the year. Apart from our largest customer, most of our customers have continued to increase their orders. We have started production in our sustainably designed third Indian factory, and as we have stated before, we expect to reach full utilisation a bit later than initially planned. In Estonia, we upgraded two existing production lines and commissioned a new production line, which increased the factory's total SMT production capacity by more than 50 per cent. In Slovakia, we completed the investment to increase the factory's production capacity in box build production and started also recruiting additional personnel to support expected growth.

In April, we announced that our largest customer had to postpone some of our orders until 2024 because their inventory levels became too high. For this reason, we have to adjust our production volume at Indian factories during the year and lower our estimate of business development for the current year. However, we see that our client's financial situation is strong, and their business outlook remains good. The effects of our customer's inventory reductions were only partially visible in the second quarter result, and most of the impacts this year will be visible in the second half.

Our net sales decreased by 7.8 per cent in the second quarter and our profitability remained good thanks to our flexible operating model. Excluding acquisition-related and other non-recurring items, our profitability was 14.7 per cent. We also focused on cutting costs and reduced the temporary workforce at our factories in India. A big thank you goes to our personnel for their flexibility and hard work in a challenging situation.

I am very happy to welcome Pennatronics' team of 102 professionals to Incap and to appoint David Spehar, long-time Head of operations at Pennatronics, to lead Incap's US business. In accordance with our operating model, Incap Electronics US will continue its operations within the Group as a very independent unit under the Incap brand. I am convinced that together with our team in the USA, we can create added value for our customers and owners. The acquisition opens up new opportunities to find synergies in our operations and expand in line with our growth strategy.

Our focus on responsible business operations has received recognition in both Estonia and India. In India, we were honoured with two gold awards in the HSE Excellence and Sustainability Awards. The recognition highlights Incap India's commitment to sustainable practices in the manufacturing industry, and its focus on implementing best practices in health, safety, and the environment. This year, the Responsible Business Forum in Estonia awarded a golden label to Incap in recognition of the organisation's social, economic, and environmental responsibility. As a result of the acquisition, we have already started to align our activities in the USA with Incap's sustainability programme, including Code of Conduct training.

The acquisition of Pennatronics is estimated to have a positive impact on Incap Corporation's net sales and a slightly positive impact on profitability. We continue to estimate that our revenue and operating profit in 2023 will be lower than in 2022. In the long term, EMS business outlook remains positive, and we continue to focus on sales efforts and pursue M&A activities. I am also convinced that with our highly decentralised operating model and committed team, we can maintain a good level of profitability 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 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

April–June 2023

In April–June 2023, revenue decreased 7.8% year on year and amounted to EUR 56.4 million (EUR 61.2 million). The decrease was due to lower revenue from the largest customer, which had to reduce its inventory levels.

April–June operating profit (EBIT) decreased 12.8% year on year and amounted to EUR 7.5 million (EUR 8.6 million). Adjusted operating profit (EBIT) was EUR 8.3 million (EUR 8.8 million), 6.0% lower year on year. Adjusted operating profit margin was 14.7% (14.4%). In April–June 2023, Incap recorded credit loss provisions amounting to EUR 0.1 million (EUR 0.1 million) and provisions for inventory write-offs amounting to EUR 0.1 million (EUR 0.6 million).

Net profit for the period decreased 0.9% year on year and totalled EUR 5.7 million (EUR 5.7 million).

January–June 2023

In January–June 2023, revenue increased 12.7% year on year and amounted to EUR 129.1 million (EUR 114.5 million). Revenue was positively impacted by strong demand of electronics and negatively by the lower revenue from the largest customer, which had to reduce its inventory levels.

January–June operating profit (EBIT) increased 22.4 % year on year and amounted to EUR 18.8 million (EUR 15.4 million). Adjusted operating profit (EBIT) was EUR 19.8 million (EUR 15.8 million). Year-on-year increase was 25.1%. Adjusted operating profit margin was 15.3% (13.8%).

In January–June 2023, Incap recorded credit loss provisions amounting to EUR 0.1 million, and provisions for inventory write-offs amounting to EUR 0.0 million.

Personnel expenses were EUR 9.6 million (EUR 7.9 million). Personnel expenses were mainly impacted by an increase in headcount and general salary increases in the European units, where salary levels are generally higher. Other operating expenses were EUR 6.6 million (EUR 6.2 million) of which EUR 1.6 million (EUR 1.9 million) related to contract workers.

Depreciation and amortisation were 2.0 million (EUR 1.8 million).

Net profit for the period increased 25.6% year-on-year and totalled EUR 14.1 million (EUR 11.2 million). Earnings per share were EUR 0.48 (EUR 0.38).

Balance sheet and financing

Total assets in the balance sheet on 30 June 2023 stood at EUR 160.4 million (EUR 139.2 million). The Group's equity at the end of the financial period was EUR 101.2 million (EUR 75.0 million).

Liabilities decreased from the comparison period to EUR 59.2 million (EUR 64.2 million). EUR 14.1 million thereof (EUR 15.1 million) were interest-bearing liabilities. Liabilities decreased from the comparison period mainly due to payables related to material purchases and repayments of loans from financial institutions. Interest-bearing net debt was EUR -1.6 million (EUR 9.0 million).

The Group's non-current interest-bearing liabilities amounted to EUR 10.8 million (EUR 4.8 million) and non-current non-interest-bearing liabilities to EUR 2.2 million (EUR 1.6 million). Current interest-bearing liabilities were EUR 3.3 million (EUR 10.3 million). Out of the current interest-bearing liabilities, EUR 0.0 million (EUR 4.6 million) are related to the Indian subsidiary. Other interest-bearing liabilities include EUR 6.2 million (EUR 6.6 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 30 June 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 0.3 and the equity ratio 65.1%.

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 June 2023, the company's financial position remained strong. Equity ratio increased to 65.1% (55.7%). Net gearing was -1.6% (12.0%).

The Group's cash position during the reporting period was good. On 30 June 2023, the Group's cash and cash equivalents totalled EUR 15.7 million (EUR 6.0 million) and the company had unutilised credit lines amounting to EUR 7.3 million (EUR 8.0 million). Change in inventories had a positive impact in operating cash flow.

The Group's quick ratio was 1.2 (0.7), and the current ratio was 2.7 (2.0).

Inventory at end of June 2023 totalled EUR 73.5 million (EUR 72.5 million). Since 31 December 2022, inventory decreased clearly during the first half-year mainly due to improved material availability and Incap´s largest customer´s decision to postpone orders due to overstocking.

Investments

In January–June 2023, Incap's factory-related investment cash flow totalled EUR 5.1 million (EUR 2.5 million) and was mainly related to the construction of the third factory in India. In January, 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 by adding 1,200 square metres to the existing production area of 5,200 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 June 2023, the number of personnel in Incap Group was 2,224 of which 1,177 were contractors (2,498 of which 1,487 were contractors). Of the personnel 73.1% (78.5%) worked in India, 5.5% (4.7%) in Estonia, 7.9% (9.8%) in the United Kingdom, 13.4% (9.8%) in Slovakia and 0.1% (0.1%) in Finland.

At the end of June, 577 of Incap's personnel were women (535) and 1,647 were men (1,963). The average number of personnel in January–June was 2,552 (2,483).

Management and organisation

At the end of June 2023, 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, U.K., Jamie Maughan; Director of Operations, Slovakia, Miroslav Michalik; and CFO Antti Pynnönen.

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 considers 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 has published a separate Corporate Responsibility Report in connection with its Annual Report 2022.

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 are elected as members of the Board of Directors and that Julianna Borsos is 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.

Shares and shareholders

Incap Corporation has one series of shares. The number of shares of the company on 30 June 2023 was 29,284,835 (31 December 2022: 29,284,835).

In January–June 2023, the share price varied between EUR 9.28 and EUR 22.05 (EUR 11.16 and 16.34). The closing price on 30 June 2023 was EUR 10.08 (30 December 2022: EUR 17.10). The market capitalisation on 30 June 2023 was EUR 295.2 million (EUR 335.6 million).

At the end of June 2023, the company had 7,292 shareholders (4,521). Nominee-registered owners held 29,9% (28.1%) and foreign owners 7,7% (8.1%) of all shares. The company did not hold any of its own shares as of June 2023

At the end of June 2023, the members of Incap Corporation's Board of Directors and the President and CEO and their interest parties owned a total of 2,116,621 shares or 7.2% of the company's shares outstanding (317,890 or 1.1%).

Largest shareholders on 30 June 2023

	Number of shares	Holding, %
Oy Etra Invest Ab	5,686,665	19.42
Nordea Henkivakuutus Suomi Oy	1,860,577	6.35
Joensuun Kauppa ja Kone Oy	1,554,160	5.31
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,391,540	4.75
Etola Erkki Olavi	500,000	1.71
Etola Group Oy	450,000	1.54
Danske Invest Finnish Equity Fund	441,176	1.51
Kakkonen Kari Heikki Ilmari	390,525	1.33
Oy Pontia Invest Ab	386,465	1.32
OP Fin Small Cap	317,255	1.08
10 largest shareholders in total	**12,978,363**	**44.32**

Nominee-registered holding is not included in the list.

Flagging notifications

During January–June 2023, the company has not received any notifications of change of ownership in accordance with Chapter 9, Section 10, Article 10 of the Securities Markets 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, including also 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 per cent of the received net reward shares, until the total value of the Management Team member's shareholding in Incap Corporation equals to 50 per cent of their annual base salary of the preceding year. Respectively, the CEO is obliged to hold 50 per cent of the received net reward shares, until CEO´s shareholding in Incap Corporation equals to 100 per cent 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.

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, 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 the first half 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 the first half of 2023, four biggest customers contributed to 68.0% (71.3%) of revenue. Out of the total customer base in the first half of 2023, 16 customers (12) 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 2022 and indicators as of 30 June 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 June 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 reporting period

After the end of the reporting period on 5 July 2023, Incap closed an agreement to acquire 100% ownership of Pennatronics Inc., an Electronics Manufacturing Services company in Pennsylvania, USA.

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 will be paid in cash except for the amount of approximately USD 1.6 million (EUR 1.5 million), which will be paid in Incap's shares.

Founded in 1999, Pennatronics has a production facility of approximately 6,000 square metres in a town called California near Pittsburgh, Pennsylvania. The company offers complete electronics manufacturing services including PCB assembly, box-build assembly as well as engineering and sourcing services. In its business, Pennatronics has established strong long-term customer relationships, and its customers come from many different industry sectors.

Pennatronics' revenue for the financial year that ended on 31 March 2023 was USD 30 million, (EUR 28 million), and EBITDA was USD 2.9 million (EUR 2.7 million), or 10 per cent of net sales. The result for the financial year was USD 1.6 million (EUR 1.5 million). In the financial year that ended on 31 March 2022, Pennatronics' revenue was USD 24.6 million (EUR 22.9 million) and EBITDA USD 0.9 million (EUR 0.8 million), or 4 per cent of net sales. The result for the financial year 2022 was USD 0.3 million (EUR 0.2 million). Pennatronics has 102 employees.

The acquisition is in line with Incap's growth strategy, and it will establish Incap's presence in the U.S. market and create a foothold for further expansion in the U.S. market. Pennatronics' U.S. production facility complements Incap's current production facilities located in Estonia, 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). The acquisition is initially financed by a loan of EUR 19.5 million. Incap may at a later stage, subject to market conditions, explore the option of equity financing to optimise its capital structure. In addition to this, approximately USD 1.6 million (EUR 1.5 million) was paid with Incap's shares to the owners of the acquired company. The acquisition agreement includes an additional payment in the form of a potential earn-out that will be paid in 2024 depending on Pennatronics' business performance during the financial year ending in March 2024. Its maximum amount is USD 3.0 million (EUR 2.8 million) based on Pennatronics' EBITDA during the financial year ending in March 2024.

Pennatronics' figures will be included in Incap Group's reporting as of July 2023. The transaction is estimated to have a positive impact on Incap Corporation's revenue in 2023. Additionally, the transaction is expected to have a slightly positive impact on operating profit (EBIT) due to one-time integration and transaction costs as well as the purchase price allocation amortisation. The amount of integration costs incurring will be specified in more detail during the financial year 2023.

Related to the acquisition, on 3 July 2023, the Board of Directors of Incap Corporation resolved to issue of 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.

After the registration of the new shares, the total number of shares in the company is 29 437 214. The new shares were admitted to public trading on 7 July 2023.

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.

Financial reporting in 2023

In 2023, Incap will publish the following financial reports:

- Business review for January–September 25 October 2023

In Helsinki, 28 July 2023

INCAP CORPORATION
Board of Directors

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Accounting principles for the half-year report

This half-year report 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 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. This half-year report is unaudited.

Consolidated statement of comprehensive income

(EUR thousands)	1–6/2023	1–6/2022	1–12/2022
REVENUE	**129,114**	**114,529**	**263,763**
Other operating income	258	178	679
Change in inventories of finished goods and work in progress	-6,948	-1,129	4,897
Raw materials and consumables used	-85,443	-82,337	-194,330
Personnel expenses	-9,560	-7,879	-16,381
Depreciation and amortisation	-1,999	-1,821	-3,827
Other operating expenses	-6,621	-6,182	-15,859
OPERATING PROFIT	**18,801**	**15,359**	**38,942**
Financial income	802	240	385
Financial expenses	-1,313	-1 030	-2,701
PROFIT BEFORE TAX	**18,290**	**14,569**	**36,627**
Income tax	-4,231	-3,372	-9,032
PROFIT FOR THE PERIOD	**14,059**	**11,197**	**27,595**
Earnings per share, EUR	0.48	0.38	0.94

OTHER COMPREHENSIVE INCOME	**1–6/2023**	**1–6/2022**	**1–12/2022**
Items that will not be transferred to P&L (revaluation of employee benefits)	-26	44	54
Items that may be recognised in profit or loss at a later date:			
Translation differences from foreign units	-393	882	-3,328
Other comprehensive income, net	-419	926	-3,274
TOTAL COMPREHENSIVE INCOME	**13,641**	**12,123**	**24,321**
Attributable to:			
Shareholders of the parent company	13,641	12,123	24,321

Consolidated balance sheet

(EUR thousands)	30 Jun 2023	30 Jun 2022	31 Dec 2022
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17,331	11,878	13,476
Right-of-use assets	6,774	3,305	6,893
Goodwill	7,384	7,419	7,178
Other intangible assets	3,981	4,264	4,026
Other financial assets	4	4	4
Deferred tax assets	345	453	362
Other receivables	779	465	614
TOTAL NON-CURRENT ASSETS	**36,598**	**27,788**	**32,553**
CURRENT ASSETS			
Inventories	73,491	72,511	91,798
Trade and other receivables	34,614	32,900	36,416
Cash and cash equivalents	15,732	6,037	7,559
TOTAL CURRENT ASSETS	**123,836**	**111,447**	**135,773**
TOTAL ASSETS	**160,434**	**139,235**	**168,326**
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	22,184	22,184	22,184
Exchange differences	-5,880	-1,277	-5,487
Retained earnings	83,913	53,139	69,728
TOTAL EQUITY	**101,218**	**75,046**	**87,426**
NON-CURRENT LIABILITIES			
Borrowings	4,926	2,174	5,428
Lease liabilities	5,654	2,281	5,222
Deferred tax liabilities	605	788	624
Employee benefit obligations	251	333	280
Other liabilities	1,619	1,619	1,619
TOTAL NON-CURRENT LIABILITIES	**13,054**	**7,195**	**13,173**
CURRENT LIABILITIES			
Trade and other payables	42,410	46,296	56,708
Borrowings	2,159	9,238	8,898
Lease liabilities	1,132	1,049	1,616
Employee benefit obligations	56	61	57

Other liabilities	405	350	449
TOTAL CURRENT LIABILITIES	**46,163**	**56,994**	**67,727**
TOTAL LIABILITIES	**59,216**	**64,189**	**80,900**
TOTAL EQUITY AND LIABILITIES	**160,434**	**139,235**	**168,326**

Consolidated cash flow statement

(EUR thousands)	**1–6/2023**	**1–6/2022**	**1–12/2022**
Cash flow from operating activities			
Operating profit	18,801	15,359	38,942
Adjustments to operating profit	2,245	2,091	4,539
Change in working capital			
Change in current receivables	2,035	1,317	-5,416
Change in inventories	18,102	-12,734	-35,589
Change in current liabilities	-14,259	-7,493	4,752
Interest and charges paid	-539	-291	-857
Interest received	4	0	12
Paid tax and tax refund	-4,600	-2,474	-7,192
Cash flow from operating activities	**21,790**	**-4,225**	**-808**
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets	-5,069	-2,508	-5,465
Proceeds from sales of tangible and intangible assets	44	105	45
Cash flow from investing activities	**-5,024**	**-2,404**	**-5,420**
Cash flow from financing activities			
Drawdown of loans	1,557	8,781	16,288
Repayments of borrowings	-8,896	-4,778	-9,843
Right-of-use asset payments	-736	-868	-1,385
Cash flow from financing activities	**-8,075**	**3,135**	**5,060**
Change in cash and cash equivalents	**8,691**	**-3,494**	**-1,169**
Cash and cash equivalents at beginning of period	7,559	9,249	9,249
Effect of changes in exchange rates	-518	281	-522
Cash and cash equivalents at end of period	**15,732**	**6,037**	**7,559**

Consolidated statement of changes in equity

(EUR thousands)	Share capital	Unrestricted equity reserve	Translation differences	Retained earnings	Total equity
Equity on 1 January 2023	**1,000**	**22,184**	**-5,487**	**69,728**	**87,426**
Profit for the period				14,059	**14,059**
Other comprehensive income			-393	-26	**-419**
Total comprehensive income			**-393**	**14,033**	**13,641**
Other changes[1)]				23	**23**
Transactions with the owners					
Employee share schemes – value of employee services				129	**129**
Equity on 30 June 2023	**1,000**	**22,184**	**-5,880**	**83,913**	**101,218**
Equity on 1 January 2022	**1,000**	**22,185**	**-2,159**	**41,867**	**62,893**
Profit for the period				11,197	11,197
Other comprehensive income			882	44	926
Total comprehensive income			882	11,241	12,123
Other changes[1)]		-1		-1	-2
Transactions with the owners					
Employee share schemes – value of employee services				32	32
Equity on 30 June 2022	**1,000**	**22,184**	**-1,277**	**53,139**	**75,046**

[1)] Adjustment of retained earnings in subsidiary

Group key figures and contingent liabilities

	1–6/2023	1–6/2022	1–12/2022
Revenue, EUR million	129.1	114.5	263.8
Operating profit/loss, EUR million	18.8	15.4	38.9
% of revenue	14.6	13.4	14.8
Profit/loss before taxes, EUR million	18.3	14.6	36.6
% of revenue	14.2	12.7	13.9
Return on investment (ROI), %	35.0	38.0	43.0
Return on equity (ROE), %	29.8	32.5	36.7
Equity ratio, %	65.1	55.7	53.6
Net gearing, %	-1.6	12.0	15.9
Interest-bearing net debt, EUR million	-1.6	9.0	13.9
Quick ratio	1.2	0.7	0.7
Current ratio	2.7	2.0	2.0
Average number of shares during the report period, adjusted for share issues* 1)	29,284,835	29,254,850	29,269,843
Earnings per share (EPS), EUR 1)	0.48	0.38	0.94
Equity per share, EUR 1)	3.46	2.56	2.99
Dividend per share, EUR 1)	0.00	0.00	0.00
Dividend out of profit, %	0.0	0.0	0.00
P/E ratio	21.0	29.9	18.1
Trend in share price			
Minimum price during the period, EUR 1)	9.28	11.16	10.68
Maximum price during the period, EUR 1)	22.05	16.34	17.62
Mean price during the period, EUR 1)	14.45	13.83	14.08
Closing price at the end of the period, EUR 1)	10.08	11.46	17.10
Total market capitalisation, EUR million	295.2	335.6	500.8
Trade volume, number of shares 1)	11,425,790	3,298,735	8,047,017
Trade volume, %	39.02	11.3	27.5
Investments, EUR million	5.1	2.4	5.5
% of revenue	3.9	2.1	2.1
Average number of employees including contractors	2,552	2,483	2,619
Personnel at the end of period including contractors	2,224	2,498	2,817
CONTINGENT LIABILITIES, EUR million			
FOR OWN LIABILITIES			
Mortgages and pledges	16.1	24.6	20.4
Off-balance sheet liabilities	0.1	0.7	0.1
Transactions with closely related parties			

The company has no transactions with closely related parties.

*) 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.

1) Comparison period adjusted by the share split in March 2022.

Reconciliation of alternative performance measures

Return on investment, %

EUR thousand	1–6/2023	1–6/2022	1–12/2022
Net profit/loss for the period	14,059	11,197	27,595
Comparable net profit/loss for the period	28,118	22,394	
Financial expenses	1,313	1,030	2,701
Comparable financial expenses	2,627	2,061	
Income taxes	4,231	3,372	9,032
Comparable income taxes	8,461	6,744	
Profit/loss for the period	**39,206**	**31,199**	**39,327**
Equity	101,218	75,046	87,426
Non-current interest-bearing financing loans	10,830	4,788	10,929
Current interest-bearing financing loans	3,292	10,287	10,513
Capital employed	**115,340**	**90,121**	**108,868**
Capital employed average at the end of the reporting period and the end of previous financial year	**112,104**	**82,139**	**91,512**
Return on investment, %	**35.0**	**38.0**	**43.0**

Return on equity, %

EUR thousand	1–6/2023	1–6/2022	1–12/2022
Net profit/loss for the period	14.059	11,197	27,595
Comparable net profit/loss for the period	28.118	22.394	
Equity	101,218	75,046	87,426
Equity average at the end of the reporting period and the end of previous financial year	94,322	68,970	75,160
Return on equity, %	**29.8**	**32.5**	**36.7**

Equity ratio, %

EUR thousand	1–6/2023	1–6/2022	1–12/2022
Equity	101,218	75,046	87,426
Balance sheet total	160,434	139,235	168,326
Advances received	-4,907	-4,569	-5,195
Equity ratio, %	**65.1**	**55.7**	**53.6**

Net gearing, %

EUR thousand	1–6/2023	1–6/2022	1–12/2022
Interest-bearing net debt	-1,610	9,038	13,883
Equity	101,218	75,046	87,426
Net gearing, %	**-1.6**	**12.0**	**15.9**

Interest-bearing net debt

EUR thousand	1–6/2023	1–6/2022	1–12/2022
Non-current interest-bearing debt	10,830	4,788	10,929
Current interest-bearing debt	3,292	10,287	10,513
Interest-bearing debt	**14,122**	**15,075**	**21,442**
Cash and bank accounts	-15,732	-6,037	-7,559
Interest-bearing net debt	**-1,610**	**9,038**	**13,883**

Current assets

EUR thousand	1–6/2023	1–6/2022	1–12/2022
Current receivables	34,614	32,900	36,416
Cash and bank accounts	15,732	6,037	7,559
Current assets	**50,346**	**38,936**	**43,975**

Quick ratio

EUR thousand	1–6/2023	1–6/2022	1–12/2022
Current assets	50,346	38,936	43,975
Short term liabilities	46,163	56,994	67,727
Advances received	-4,907	-4,569	-5,195
Current liabilities	**41,256**	**52,425**	**62,532**
Quick ratio	**1.2**	**0.7**	**0.7**

Current ratio

EUR thousand	1–6/2023	1–6/2022	1–12/2022
Current assets	**50,346**	**38,936**	**43,975**
Inventories	**73,491**	**72,511**	**91,798**
Short term liabilities	46,163	56,994	67,727
Current liabilities	**46,163**	**56,994**	**67,727**
Current ratio	**2.7**	**2.0**	**2.0**

Investments

EUR thousand	1–6/2023	1–6/2022	1–12/2022
Capital expenditure on tangible and intangible assets	5,069	2,404	5,465
Investments	**5,069**	**2,404**	**5,465**

Adjusted operating profit

EUR thousand	1–6/2023	1–6/2022	1–12/2022
Operating profit	18,801	15,359	38,942
Non-recurring costs	778	237	580
Purchase price allocation (PPA) amortisation	209	218	430
Adjusted operating profit	**19,789**	**15,814**	**39,953**

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.

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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