

INCAP GROUP

BUSINESS REVIEW

JANUARY-MARCH 2023

Content

Key figures	3
Outlook for 2023	3
CEO's comments	4
Financial performance.....	5
January–March 2023.....	5
Balance sheet and financing.....	5
Management and organisation	5
Share-based incentives	6
Significant events after the end of the reporting period	6
Financial reporting in 2023.....	6
Accounting principles for the business review.....	8
Consolidated statement of comprehensive income	8
Consolidated balance sheet	9

Incap Group's business review for January–March 2023 (unaudited): Solid first quarter

January–March 2023 highlights

- Revenue increased 36.2% and amounted to EUR 72.7 million (1–3/2022: EUR 53.3 million).
- Adjusted operating profit (EBIT) increased 64.4%, amounting to EUR 11.5 million (EUR 7.0 million) or 15.8 % of revenue (13.1%).
- Operating profit (EBIT) increased 67.3%, amounting to EUR 11.3 million (EUR 6.8 million) or 15.5% of revenue (12.7%).
- Net profit for the period was EUR 8.4 million (EUR 5.5 million).
- Earnings per share were EUR 0.29 (EUR 0.19)

Unless otherwise stated, the comparison figures refer to the corresponding period in 2022. This business review is unaudited.

Key figures

EUR million	1–3/23	1–3/22	Change	1–12/22
Revenue	72.7	53.3	36.2%	263.8
Non-recurring items	0.1	0.1	-22.8%	0.6
Operating profit (EBIT)	11.3	6.8	67.3%	38.9
EBIT, % of revenue	15.5%	12.7%		14.8%
Adjusted operating profit (EBIT)*	11.5	7.0	64.4%	40.0
Adjusted EBIT*, % of revenue	15.8%	13.1%		15.1%
Net profit for the period	8.4	5.5	53.4%	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

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

We started 2023 with a strong quarter both in terms of revenue and profitability, which I want to thank our excellent team for. Revenue in the first quarter amounted to EUR 72.7 million, which was 36% more than in the first quarter of 2022. The strong growth was driven by the demand for electronics and supported with earlier investments in additional capacity in our factories.

Our profitability remained on a good level with EBIT of 15.5 per cent of revenue due to our efficient and cost-effective operational model, a favourable product mix and solid revenue level.

The construction of our third factory in India is now finalised and the production ramp-up has started. The new modern factory adds approximately 8,500 square metres to the premises, and it was constructed in line with sustainable building principles, paying special attention to efficient use of energy and water.

We have also continued to invest in our other factories. In Estonia, we opened a new production line in Kuressaare, increasing the factory's overall SMT production capacity by more than 50%. In Slovakia, where our customer volumes have grown and our product portfolio has become wider, we increased the factory's production area by 1,200 square metres through turning a current warehouse space in the factory into a production area and building a new warehouse.

As component availability and lead times have improved, our customers don't need to place orders so much in advance as visibility is returning to more normal levels.

Earlier in April, our largest customer informed us that they had built up too high inventory levels, as growth is slower than they initially projected. They have decided to reduce their inventory levels and are therefore postponing some orders from 2023 to 2024. We are now working closely with them by adjusting our production volumes to help them reduce their inventory levels, which will naturally impact our revenue in 2023.

In the long term, EMS business outlook remains positive. We remain committed to actively invest in our operations and develop them. In line with our growth strategy and supported with our solid financial position, we continue to focus on pursuing M&A.

Our estimate is that our revenue and operating profit in 2023 will be lower than in 2022. We are nevertheless 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

Financial performance

January–March 2023

In January–March 2023, revenue grew 36.2% year on year and amounted to EUR 72.7 million (EUR 53.3 million). The growth was supported by high demand for electronics.

January–March operating profit (EBIT) grew 67.3% year on year and amounted to EUR 11.3 million (EUR 6.8 million). Adjusted operating profit (EBIT) was EUR 11.5 million (EUR 7.0 million). Year-on-year growth was 64.4%. Adjusted operating profit margin was 15.8% (13.1%). In January–March 2023, Incap did not

record credit loss provisions, and provisions for inventory write-offs were reversed for EUR 0.1 million.

Net profit for the period grew 53.4% year on year and totalled EUR 8.4 million (EUR 5.5 million). Earnings per share were EUR 0.29 (EUR 0.19).

Balance sheet and financing

Total assets in the balance sheet on 31 March 2023 stood at EUR 168.5 million (EUR 129.8 million). The Group's equity at the end of the financial period was EUR 95.1 million (EUR 68.3 million).

Liabilities increased from the comparison period to EUR 73.4 million (EUR 61.4 million). EUR 19.3 million thereof (EUR 13.4 million) were interest-bearing liabilities. Liabilities increased from the comparison period due to payables related to material purchases, drawn downs of loans from financial institutions and an increase in lease liabilities. Interest-bearing net debt was EUR 14.1 million (EUR 10.1 million).

The Group's non-current interest-bearing liabilities amounted to EUR 11.2 million (EUR 4.0 million) and non-current non-interest-bearing liabilities to EUR 2.2 million (EUR 2.4 million). Current interest-bearing liabilities were EUR 8.1 million (EUR 9.4 million). Out of the interest-bearing liabilities, EUR 3.2 million (EUR 5.1 million) are related to the Indian subsidiary. Other interest-bearing liabilities include EUR 8.6 million (EUR 4.7 million) of bank loans and limits granted by the company's Finnish bank.

At the end of March 2023, the company's financial position remained strong. Equity ratio increased to 58.3% (55.4%). Net gearing was 14.8% (14.7%).

The Group's cash position during the reporting period was good despite the investments in factories and the increasing net working capital. On 31 March 2023, the Group's cash and cash equivalents totalled EUR 5.2 million (EUR 3.3 million) and the company had unutilised credit lines amounting to EUR 5.5 million (EUR 2.6 million).

The Group's quick ratio was 0.9 (0.8), and the current ratio was 2.2 (1.9).

Inventory at end of March 2023 totalled EUR 83.5 million (EUR 62.9 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.

Management and organisation

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.

As of 1 February 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.

Share-based incentives

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. On 23 March 2023, the Board of Directors of Incap Corporation decided on a new performance period 2023–2025.

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 periods 2022–2024 and 2023–2025, the rewards are based on the Group's cumulative operating profit (EBIT). During the performance periods 2022–2024 and 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 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. 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.

Significant events after the end of the reporting period

On 18 April 2023, Incap Corporation announced that it decreases its revenue and operating profit estimate for 2023. Incap estimates that its revenue and operating profit (EBIT) for 2023 will be lower than in 2022. The decrease in the revenue and

operating profit estimate is related to Incap's largest customer, who has decided to reduce inventory levels and is therefore postponing some orders from 2023 to 2024.

Financial reporting in 2023

In 2023, Incap will publish the following financial reports:

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

In Helsinki, 26 April 2023

INCAP CORPORATION

Board of Directors

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Distribution:

Nasdaq Helsinki Ltd.

Principal media

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Accounting principles for the business review

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

Consolidated statement of comprehensive income

(EUR thousands)	1-3/2023	1-3/2022	1-12/2022
REVENUE	72,674	53,343	263,763
Other operating income	68	145	679
Change in inventories of finished goods and work in progress	-2,923	-2,005	4,897
Raw materials and consumables used	-49,748	-36,977	-194,330
Personnel expenses	-4,602	-3,867	-16,381
Depreciation and amortisation	-990	-881	-3,827
Other operating expenses	-3,183	-3,005	-15,859
OPERATING PROFIT	11,297	6,753	38,942
Financial income	205	104	385
Financial expenses	-561	-342	-2,701
PROFIT BEFORE TAX	10,940	6,515	36,627
Income tax	-2,576	-1,063	-9,032
PROFIT FOR THE PERIOD	8,365	5,452	27,595
Earnings per share, EUR	0.29	0.19	0.94

OTHER COMPREHENSIVE INCOME	1-3/2023	1-3/2022	1-12/2022
Items that will not be transferred to P&L (revaluation of employee benefits)	0	0	54
Items that may be recognised in profit or loss at a later date:			
Translation differences from foreign units	-740	-4	-3,328
Other comprehensive income, net	-740	-4	-3,274
TOTAL COMPREHENSIVE INCOME	7,625	5,448	24,321
Attributable to:			
Shareholders of the parent company	7,625	5,448	24,321

Consolidated balance sheet

(EUR thousands)	31 Mar 2023	31 Mar 2022	31 Dec 2022
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15,811	10,857	13,476
Right-of-use assets	6,749	3,541	6,893
Goodwill	7,228	7,503	7,178
Other intangible assets	3,994	4,390	4,026
Other financial assets	4	4	4
Deferred tax assets	341	852	362
Other receivables	675	396	614
TOTAL NON-CURRENT ASSETS	34,800	27,543	32,553
CURRENT ASSETS			
Inventories	83,527	62,895	91,798
Trade and other receivables	44,953	35,981	36,416
Cash and cash equivalents	5,200	3,346	7,559
TOTAL CURRENT ASSETS	133,681	102,222	135,773
TOTAL ASSETS	168,481	129,765	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	22,185	22,184
Exchange differences	-6,227	-2,163	-5,487
Retained earnings	78,160	47,318	69,728
TOTAL EQUITY	95,118	68,339	87,426
NON-CURRENT LIABILITIES			
Borrowings	5,509	1,320	5,428
Lease liabilities	5,419	2,362	5,222
Deferred tax liabilities	610	819	624
Employee benefit obligations	227	296	280
Other liabilities	1,619	1,619	1,619
TOTAL NON-CURRENT LIABILITIES	13,385	6,416	13,173
CURRENT LIABILITIES			
Trade and other payables	51,414	45,205	56,708
Borrowings	6,825	8,176	8,898
Lease liabilities	1,310	1,256	1,616
Employee benefit obligations	56	59	57

Other liabilities	374	313	449
TOTAL CURRENT LIABILITIES	59,978	55,009	67,727
TOTAL LIABILITIES	73,363	61,426	80,900
TOTAL EQUITY AND LIABILITIES	168,481	129,765	168,326

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