



Incap Corporation
Stock Exchange Release
Financial Statements Release 2020

24 February 2021 at 8:30 a.m. (EET)

Incap Group's Financial Statements Release for January–December 2020 (unaudited): Continued revenue growth and good profitability

October–December 2020 highlights

- Revenue for the fourth quarter 2020 amounted to EUR 31.5 million (10–12/2019: EUR 16.3 million), showing an increase of 94%.
- Excluding revenue from AWS Electronics Group acquired in January 2020, revenue increased organically 45%.
- Adjusted operating profit (EBIT) was EUR 5.6 million (EUR 2.7 million), corresponding to 17.7% of revenue (16.3%).
- AWS Electronics Group acquisition related purchase price allocation (PPA) amortisation amounted to EUR 0.4 million (EUR 0 million) and non-recurring costs were EUR 0 million (EUR 0.5 million).
- Operating profit (EBIT) was EUR 5.1 million (EUR 2.1 million), an increase of 139%, corresponding to 16.2% of revenue (13.0%).
- Net profit for the period was EUR 4.2 million (EUR 0.2 million).
- In November 2020, Incap's rights issue was completed successfully with gross proceeds of approximately EUR 10.9 million.

January–December 2020 highlights

- Acquisition of AWS Electronics Group with production facilities in the United Kingdom and Slovakia was completed in January 2020.
- The closure of the factory in India and other effects of the COVID-19 pandemic had a negative impact on the organic revenue growth and the profitability in April–June 2020.
- Incap Group's revenue amounted to EUR 106.5 million (January–December 2019: EUR 71.0 million), up 50%.
- Excluding revenue from AWS Electronics Group, revenue increased organically 0.5%.
- Adjusted operating profit (EBIT) was EUR 14.6 million (EUR 10.8 million), corresponding to 13.7% of revenue (15.2%).
- AWS Electronics Group acquisition related purchase price allocation (PPA) amortisation amounted to EUR 1.9 million (EUR 0 million) and non-recurring costs were EUR 0.1 million (EUR 0.7 million).

- Operating profit (EBIT) grew 25% and amounted to EUR 12.6 million (EUR 10.1 million) or 11.8% of revenue (14.2%).
- Net profit for the period amounted to EUR 9.2 million (EUR 6.3 million), up 47%.
- Dividend proposal: Due to the growth strategy of Incap, the Board of Directors will propose to the Annual General Meeting that no dividend will be paid from the 2019 and 2020 profits.

Unless otherwise stated, the comparison figures refer to the corresponding period in 2019. The figures are unaudited.

Key figures

EUR million	10–12/2020	10–12/2019	Change	1–12/2020	1–12/2019	Change
Revenue	31.5	16.3	94%	106.5	71.0	50%
Non-recurring items	0.0	0.5	-96%	0.1	0.7	-89%
Operating profit (EBIT)	5.1	2.1	139%	12.6	10.1	25%
EBIT, % of revenue	16.2%	13.0%		11.8%	14.2%	
Adjusted operating profit (EBIT)*	5.6	2.7	110%	14.6	10.8	35%
Adjusted EBIT*, % of revenue	17.7%	16.3%		13.7%	15.2%	
Net profit for the period	4.2	0.2		9.2	6.3	47%

*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 adjusted for acquisition-related expenses.

Outlook for 2021

Incap estimates that the revenue and the adjusted operating profit (EBIT) will be higher than in 2020.

The estimates are given provided that there are no major negative changes in the COVID-19 pandemic situation, currency exchange rates or in component availability and they are based both on Incap's customers' forecasts and the company's own assessments of the business development.

Otto Pukk, President and CEO of Incap Group:

“For all of us, as companies and individuals, 2020 was a challenging year marked by the breakout of the coronavirus pandemic. For Incap, the operating environment caused big uncertainties for a period of time. Our actions during the year focused on keeping our personnel safe and deliveries to customers running smoothly. The pandemic-related lockdowns and consequent factory closures were a challenge that might have held back our plans, but overall, I am happy to conclude that we were able to navigate through the crisis and stay on the path with our growth strategy.

Our revenue in 2020 increased 50 per cent compared to the previous year and our adjusted operating profit grew 35 per cent. The growth was largely driven by the AWS Electronics Group acquisition, but the second half of the year also showed good organic growth. The profitability improvement was based on good development primarily at the Indian factory but also on synergy effects from the successful integration of AWS. After the pandemic-related closure of the Indian factory, the backlog was quickly cleared, and the activity increased even more than previously estimated due to new demand from existing customers.

The main milestones of our growth strategy in 2020 were the acquisition and successful integration of AWS Electronics Group, an oversubscribed rights issue as well as strong organic growth and the announced new investments in capacity at our factories, foremost in India.

The key integration projects of AWS Electronics Group in the UK, which was acquired in January, has been completed according to plan.

In November, we successfully completed our rights issue of 10.9 million euros. With the rights issue we were able to strengthen our capital structure, balance sheet and financial position and thus create conditions for the implementation of our growth strategy. The oversubscribed offering indicates indeed a strong confidence in our strategy. The EMS sector remains highly fragmented and we want to be an active player in the sector.

In addition to inorganic growth opportunities, we continue to see good demand from existing and new customers especially in India. In August we announced a further expansion of our factory in India. The expansion is proceeding well, and we expect the original factory expansion to be finalised early 2021 and the further expansion to be completed by the end of 2021. By then we will have 16,000 square metres of capacity there. During 2020, we also invested in new machinery in Slovakia and new assembly lines in Estonia.

As a globally operating electronics manufacturing services company and a growing organisation, sustainable operations are a must in achieving our goals. That is why we initiated a Corporate

Responsibility program during 2020. We want to take the needs and expectations of our stakeholders even better into account and aim at maximising the positive impacts and minimising the negative economic, social and environmental impacts of our activities. As a result of the program, we also launched a renewal of Code of Conduct with plans to offer related training for all Incap's employees during 2021. The Corporate Responsibility program served also as a vessel for the integration of the newly acquired factories and provided a platform for creating common processes. I am sure the program will help us also in the future to foster our unique company culture. Taking responsibility is an essential part of our entrepreneurial culture and it forms the basis for daily operations.

As a result of the AWS Electronics Group acquisition and recruitment activities in India and Estonia, the number of personnel at Incap has increased from 834 to 1,902. I am pleased to see the Incap family growing and I welcome everyone on board. I also want to thank all our employees for their outstanding resilience and flexibility during this tough year and our customers and other stakeholders for the trust they have placed in Incap.

Looking at 2021, we begin the year with a strong order book which will support our growth targets. We also continue to look at M&A cases that would represent a strong cultural fit and offer potential for geographical expansion. After the rights issue and subsequent loan repayment, our financial position is strong, which sets us up for our growth strategy and new investments in both organic and inorganic growth."

Business environment

The overall demand and market activity in the electronics manufacturing services (EMS) industry continued on a good level despite the coronavirus pandemic and its negative impact on certain industries and customer segments, such as the automotive industry. Due to the pandemic and measures taken to contain it, there were some challenges in the operating environment. The lockdowns introduced resulted in the closure of the factory in India in the spring as well as a partial closure of the factory in the U.K. The lockdowns and travel restrictions have hit the global supply chains. However, InCap has not experienced major interruptions in component availability and logistics. The impact of the pandemic on InCap's operating environment started to decrease towards the end of the first half of the year, as the lockdowns were lifted and travel restrictions were relaxed.

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. Towards the end of the year 2020, the globally increasing demand started to cause some issues with the availability of electronic components and materials. The company believes 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 believes 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 transition to Industry 4.0 and 5G technologies and the growing environmental technology sector will offer new market opportunities for the EMS industry. Population growth and aging population will also open up opportunities in for instance health care technology. The EMS industry is highly fragmented and offers potential for consolidation.

Financial performance

October–December 2020

In October–December 2020, revenue grew 94 per cent year on year and amounted to EUR 31.5 million (EUR 16.3 million). The growth was driven by the AWS Electronics group acquisition but also due to good development among InCap's long-term customers.

Fourth quarter operating profit (EBIT) grew 139% year on year and amounted to EUR 5.1 million (EUR 2.1 million). October–December adjusted operating profit (EBIT) was EUR 5.6 million (EUR 2.7 million). Year-on-year growth was 110%. Adjusted operating profit margin increased from 16.3% to 17.7%. Net profit for the period increased significantly from the comparison period and totalled EUR 4.2 million (EUR 0.2 million).

In November 2020, Incap successfully completed a rights issue which raised gross proceeds of approximately EUR 10.9 million. In December 2020, Incap Board of Directors decided to amortise the loan related to the AWS Electronics Group acquisition by EUR 10.0 million.

January–December 2020

Incap's financial performance developed well in 2020, primarily due to the high activity level at the Indian factory. The revenue growth was mainly related to the AWS Electronics acquisition finalised in January 2020. Organically revenue remained stable.

In 2020, revenue increased 50% compared to 2019, amounting to EUR 106.5 million (EUR 71.0 million). At comparable exchange rates, revenue grew 55%.

Full year 2020 operating profit (EBIT) was EUR 12.6 million (EUR 10.1 million). Purchase price allocation amortisation relating to the AWS acquisition and the acquisition related non-recurring costs amounted to EUR 2.0 million (EUR 0.7 million).

Adjusted operating profit (EBIT) was EUR 14.6 million (EUR 10.8 million) or 13.7% of revenue (15.2%). Net profit for the period totalled EUR 9.2 million (EUR 6.3 million).

Balance sheet, financing and cash flow

Total assets in the balance sheet on 31 December 2020 stood at EUR 76.4 million (EUR 36.5 million). The Group's equity at the end of the financial period was EUR 38.6 million (EUR 21.9 million). The parent company's equity totalled EUR 28.1 million (EUR 14.7 million).

Liabilities grew to EUR 37.8 million from previous year (EUR 14.6 million). EUR 9.8 million (EUR 5.6 million) were interest-bearing liabilities. Liabilities grew from the previous year largely due to AWS Electronics acquisition. Interest-bearing net debt was EUR 5.9 million (EUR -0.6 million).

The Group's non-current interest-bearing liabilities amounted to EUR 6.1 million (EUR 2.3 million) and non-interest-bearing liabilities to EUR 1.6 million (EUR 1.6 million). Current interest-bearing liabilities were EUR 3.7 million (EUR 3.2 million). Out of the interest-bearing liabilities EUR 1.8 million (EUR 1.9 million) are related to the Indian subsidiary and EUR 0.2 million invoice financing facility to U.K. and Slovakia subsidiaries. Other liabilities include EUR 3.0 million (EUR 0 million) of bank loans and limits

granted by the company's Finnish bank and EUR 0.0 million (EUR 1.2 million) of factoring financing used in Estonia.

The 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 2020, the level of interest-bearing debt in relation to EBITDA should be below 3.0 and the equity ratio more than 30%. The company met these covenants as the actual figure for interest-bearing debt/EBITDA on the review date was 0.6 and the equity ratio 50.5%.

As for the loans granted by the Indian bank, the company has committed to follow ordinary covenants and the bank's general loan conditions.

At the end of 2020, the company's financial position remained strong. Equity ratio decreased to 50.5% (60.0%). Net gearing was 15.3% (-2.7%). The decrease was mainly related to the AWS acquisition related increase in indebtedness.

The Group's cash position during the reporting period was good. On 31 December 2020, the Group's cash and cash equivalents totalled EUR 3.9 million (EUR 6.2 million). The Group's quick ratio was 1.0 (1.6), and the current ratio was 1.8 (2.6).

Deferred tax assets include EUR 0.3 million (EUR 0.0 million) which is related to the parent company's historical confirmed losses and EUR 0.1 million (EUR 0 million) related to the transaction costs of the rights issue.

Cash flow from operations was EUR 4.7 million (EUR 7.3 million).

AWS Electronics Group acquisition

On 23 January 2020, Incap announced that it had signed an agreement to acquire the entire share capital of AWS Electronics Group. AWS Electronics Group is a contract manufacturer of electronics with production facilities in the U.K. and Slovakia. The company's figures have been included in Incap Group's reporting as of 23 January 2020.

The debt-free purchase price was EUR 15.9 million, and the possible additional purchase price will not exceed EUR 1.5 million. The acquisition was financed with a loan of EUR 13 million and paid in cash, with the exception of an instalment of EUR 0.7 million, which will be paid in Incap shares.

Investments

Factory related investments in 2020 totalled EUR 2.8 million (EUR 1.1 million) and consisted of the ongoing expansion of the factory in India, investments in new machinery in Slovakia as well as investments in assembly lines in Estonia.

Investments in the shares in the subsidiaries totalled EUR 6.7 million (EUR 0.0 million) and were related to the AWS Electronics Group acquisition.

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 2020, the number of personnel in Incap Group was 1,902 (834). Of the personnel 71.2% (88.6%) worked in India, 5.1% (11.3%) in Estonia, 10.8% (0%) in the United Kingdom, 12.8% (0%) in Slovakia and 0.1% (0.1%) in Finland. At the end of the year, 444 of Incap's personnel were women (141) and 1,458 were men (693). The average age of the personnel was 32 years (29). The average number of personnel was 1,424 (830).

The number of permanent personnel totalled 667 (238), and the number of fixed-term contracts were 1,235 (596).

Management and organisation

Following the acquisition and integration of AWS Electronics Group, Jamie Maughan was on 22 December 2020 appointed member of Incap Group's management team. At the end of 2020, Incap's Management Team consisted of President & CEO, Otto Pukki; Director of Operations, India and Sales APAC, Murthy Munipalli; CFO Antti Pynnönen; Director of Operations, Estonia, Greg Grace; and Jamie Maughan, Director of Operations, U.K. & Slovakia.

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 renewed 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 2020.

Quality assurance and environmental issues

Incap Group's all business units have environmental management and quality assurance systems. Environmental management system in all business units complies with ISO 14001:2015, and the quality assurance system complies with ISO 9001:2015. All business units have also the ISO 13485/2016 quality certification for the manufacture of medical devices. The Estonian and Slovakian units also comply with the Occupational health and safety management system ISO 45001:2018.

Annual General Meeting 2020

The Annual General Meeting of Incap Corporation held in Helsinki on 20 April 2020 adopted the annual accounts for the financial period ending on 31 December 2019 and resolved to discharge the members of the Board of Directors and the President and CEO from liability. The Annual General Meeting resolved in accordance with the Board's proposal to authorise the Board of Directors to decide on a dividend payment of a maximum of EUR 0.35 per share from the profits of the financial year 1 January 2019 to 31 December 2019 to be distributed in one or several instalments at a later stage based on the Board of Directors' assessment. The authorisation is valid until the next Annual General Meeting. If the Board of Directors decides to exercise the authorisation, the company will publish the decision on dividend payment separately, and at the same time confirm the pertinent record and payment dates.

The Annual General Meeting resolved to authorise the Board of Directors to decide to issue new shares and other special rights entitling to new shares of the company in accordance with the proposal of the Board of Directors. The authorisation would entitle to a maximum quantity of 436,516 new shares and it was valid for one year from 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 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.

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

Extraordinary General Meeting 2020

The Extraordinary General Meeting of Incap Corporation held on 23 October 2020 authorised the Board of Directors to decide on a share issue in accordance with the pre-emption rights of shareholders in accordance with the proposal of the Board of Directors. Under the authorisation, a maximum of 1,455,056 new shares could be issued. The shares were to be offered to the company's shareholders for subscription in proportion to their shareholding on the record date of the share issue. The Board of Directors was entitled to decide on the offering of shares that potentially remained unsubscribed for pursuant to the shareholders primary subscription right for subscription to shareholders or other parties. The Board of Directors was authorised to resolve on all other terms and conditions of the share issue.

The authorisation did not revoke any prior authorisations granted to the Board of Directors to decide on the issuance of shares or special rights entitling to shares.

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

Rights issue 2020

The Extraordinary General Meeting of Incap held on 23 October 2020 authorised the Board of Directors of the company to resolve on a rights issue in accordance with the shareholders' pre-emptive subscription right. Pursuant to the abovementioned authorisation, the Board of Directors of the Company resolved on 26 October 2020 to issue a maximum of 1,455,056 new shares in the company in accordance with the shareholders' pre-emptive subscription right.

On 19 November 2020, Incap announced the final result of the issue. A total of 2,487,694 new shares were subscribed for in the offering, corresponding to approximately 171 per cent of the 1,455,056 offer shares. As a result of the offering, the total number of shares in the company increased from 4,365,168 shares to 5,820,224 shares. The subscription price was EUR 7.50 per offer share, and the company raised gross proceeds of approximately EUR 10.9 million in the offering.

The purpose of the offering was, in accordance with the strategy of the company, to provide prerequisites for growth and the development of the business of the company. The aim was to strengthen the company's capital structure, balance sheet and financial position.

The proceeds to be raised in the offering were to be used to repay the company's loans, for possible future acquisitions and general corporate purposes. The proceeds were to be used primarily to amortise the company's loan of EUR 13 million by an amount to be later decided by the Board of Directors, and after that, for possible future acquisitions and general corporate purposes.

In December 2020, the Board of Directors decided to amortise the loan by EUR 10.0 million.

Board of Directors and Auditor

The Annual General Meeting held on 20 April 2020 resolved that the number of members of the Board of Directors is four (4). The Annual General Meeting re-elected Ville Vuori, Carl-Gustaf von Troil and Päivi Jokinen as members to the Board of Directors, and Kaisa Kokkonen was elected as a new member to the Board of Directors. In its constitutive meeting after the Annual General Meeting, the Board members selected Ville Vuori as the Chairman of the Board.

The firm of independent accountants Ernst & Young Oy was elected to continue to act as the company's auditor, with Bengt Nyholm, Authorised Public Accountant, as the principal auditor.

Corporate governance

Incap Corporation is complying 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 13/2020. The report will be available also 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.

Shares and shareholders

Incap Corporation has one series of shares, and the number of shares at the end of the period was 5,820,224 (31 December 2019: 4,365,168).

In 2020, the share price varied between EUR 8.51 and 19.20 (EUR 7.18 and 23.00). The closing price on 30 December 2020 was EUR 18.45 (16.90). The market capitalisation on 30 December 2020 was EUR 107.4 million (73.8). At the end of the year, the company had 3,931 shareholders (3,671). Nominee-registered owners held 9.0% (5.1%) and foreign owners 0.7% (0.4%) of all shares. The company does not hold any of its own shares.

At the end of 2020, the members of Incap Corporation's Board of Directors and the President and CEO and their interest parties owned a total of 55,638 shares or 0.96% of the company's shares outstanding (40,604 or 0.93%).

Largest shareholders 31 December 2020

	Number of shares	Shares % of total
Oy Etra Invest Ab	1,137,333	19.54%
Nordea Life Insurance Finland	581,810	10.00%
Joensuun Kauppa ja Kone Oy	541,245	9.30%
Laakkonen Mikko	291,009	5.00%
Danske Bank A/S Helsinki Branch	283,538	4.87%
Ilmarinen Mutual Pension Insurance Company	261,308	4.49%
Mandatum Life Insurance Company Limited	200,104	3.44%
K22 Finance Oy	157,094	2.70%
Kakkonen Kari	133,333	2.29%
Skandinaviska Enskilda Banken Ab (Publ) Helsinki Branch	129,433	2.22%
Ten largest shareholders total	3,716,207	63.85%

Flagging notifications

During 2020, the company received the following shareholder announcement in accordance with Section 10 of Chapter 9 of the Securities Market Act:

On 27 January 2020, Incap received an announcement in accordance with the Securities Market Act, according to which the total holdings of shares and votes of Ilmarinen Mutual Pension Company in Incap Corporation had fallen below the 5-percent threshold.

Share-based incentives

In May 2020, Incap's Board of Directors resolved to implement a long-term share-based incentive scheme for the company's CEO, Otto Pukk. The incentive scheme's purpose is to support Incap's strategy and incentivise the CEO in the effective implementation of the post-acquisition integration of AWS Electronics Group. The company has not previously had a share-based incentive scheme for CEO Otto Pukk. Any reward payable based on the incentive scheme is paid out entirely as Incap's new shares.

The earnings period for the CEO's incentive scheme included the then ongoing and next financial period of the company so that it will end on 31 December 2021. During the earnings period, the CEO may earn a performance-based reward amounting up to 5,730 new shares of the company based on the development of the company's EBIT provided that the CEO is still in a service relationship with the

company at the date of the reward's payment. Possible reward based on the incentive scheme shall be paid after the company's Annual General Meeting in 2022 has approved the company's annual accounts for the financial year 1 January 2021–31 December 2021. The shares paid as reward shall not be transferred during a 12-month lock-up period, which begins from the reward payment.

For the execution of the incentive scheme, the company's Board of Directors resolved on the directed share issue to the CEO of the company without consideration based on the authorization granted to the company's Board of Directors on the issuance of shares by the Annual General Meeting of the company on 20 April 2020. The shares are issued subject to meeting the conditions of the incentive scheme.

If the Company decides after the beginning of the Performance Period and before paying the reward on issue of Company's shares or on issue option rights or other special rights entitled to Company's shares so that the shareholders have a pre-emptive subscription right, the amount of the reward shall be increased by multiplying the number of Earned Shares by the share issue multiplier, or in a way resolved by the Board.

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. In order 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

General risks related to the company's business operations and sector include the development of customer demand, price competition in contract manufacturing, success in new customer acquisition, availability and price development of raw materials and components, sufficiency of funding, liquidity and exchange rate fluctuations.

COVID-19 risks

Development of the COVID-19 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 may change rapidly with the pandemic, there 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.

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. The management considers customer relationship management to be of utmost importance and is paying special attention to it.

The company's sales is spread over several customer segments balancing out the impact of the economic fluctuation in different industrial sectors. Four biggest customers contributed to 56.3% (77.1%) of revenue in 2020. Out of the total revenue in 2020, 18 customers (10) 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 company did not record any credit losses in 2020.

The value of the shares in subsidiaries in the parent group 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 2020 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, 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. The Group has recorded a provision of EUR 0.5 million in 2018, and based on a new evaluation the Group has made in 2019, an additional EUR 1.2 million provision was booked in accordance with IFRIC 23 (evaluation of uncertain tax positions). Therefore total provision amounts to EUR 1.6 million. The case is 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 company's judgment, current level of provision covers possible tax risk.

Significant events after the end of the period

There have been no significant events after the reporting period.

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 2,502,977.11. The Board of Directors will propose to the Annual General Meeting to be held on Tuesday, 27 April 2021 that no dividend will be paid from the profits of the financial year 2020 and that the profit for the financial period be recognised in equity.

Annual General Meeting 2021

The Annual General Meeting of Incap Corporation is scheduled to be held on Tuesday, 27 April 2021 in Helsinki. The notice to the Annual General Meeting will be published at a later date.

Publication of the Annual Report 2020

The annual report of Incap Corporation including Report of the Board of Directors and Auditor's report for 2020 will be published during week 13/2021 on the company's website at www.incapcorp.com.

Financial reporting in 2021

In 2021, Incap will publish the business review for January-March on 27 April, the half-year report for January-June on 28 July and the business review for January-September on 27 October.



In Helsinki, 24 February 2021

INCAP CORPORATION

Board of Directors

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Principal media

The company's home page www.incapcorp.com

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Accounting principles for the financial statements release

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 2019 financial statements. Unless otherwise stated, the comparison figures refer to the same period in the previous year. The information in this financial statements release is unaudited.

ANNEX 1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR thousands, unaudited)	1–12/2020	Change, %	1–12/2019	7–12/2020	7–12/2019
REVENUE	106,494	50%	71,022	59,636	33,826
Change in inventories of finished goods	723		-408	754	-94
Other operating income	1,062	6%	1,004	894	611
Raw materials and consumables used	73,617	44%	50,987	41,501	24,487
Personnel expenses	14,315	176%	5,178	7,608	2,521
Depreciation, amortisation and impairment losses	3,347	142%	1,384	1,771	709
Other operating expenses	4,406	11%	3,983	2,062	2,289
OPERATING PROFIT/LOSS	12,594	25%	10,086	8,341	4,337
Financing income and expenses	-1,086	157%	-422	-482	-151
PROFIT/LOSS BEFORE TAX	11,508	19%	9,664	7,859	4,186
Income tax expenses	-2,290	-32%	-3,390	-1,355	-2,238
PROFIT/LOSS FOR THE PERIOD	9,218	47%	6,274	6,504	1,948
Earnings per share, EUR	2,02	40%	1,44	1,37	0,45
OTHER COMPREHENSIVE INCOME	1–12/2020	Change, %	1–12/2019	7–12/2020	7–12/2019
Items that will not be transferred to P&L (revaluation of employee benefits)	-14	-58%	-34	26	3
OTHER COMPREHENSIVE INCOME:					
Items that may be recognized in profit or loss at a later date:					
Translation differences from foreign units	-2,965		-95	-1,165	-393
Other comprehensive income, net	-2,980		-128	-1,139	-390
TOTAL COMPREHENSIVE INCOME	6,239	2%	6,146	5,365	1,558
Attributable to:					
Shareholders of the parent company	6,239	2%	6,146	5,365	1,558
Non-controlling interest	0		0	0	0

ANNEX 2

CONSOLIDATED BALANCE SHEET

(EUR thousands, unaudited)	31 Dec 2020	31 Dec 2019	Change, %
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6,825	4,853	41%
Right-of-use assets	4,584	2,463	86%
Goodwill	7,086	894	693%
Other intangible assets	4,640	13	
Other financial assets	4	4	0%
Deferred tax assets	744	147	407%
Other receivables	205	203	1%
TOTAL NON-CURRENT ASSETS	24,087	8,576	181%
CURRENT ASSETS			
Inventories	24,176	10,845	123%
Trade and other receivables	24,202	10,891	122%
Cash and cash equivalents	3,899	6,163	-37%
TOTAL CURRENT ASSETS	52,278	27,899	87%
TOTAL ASSETS	76,365	36,475	109%
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	1,000	1,000	0%
Reserve for invested unrestricted equity	21,491	11,028	95%
Exchange differences	-4,629	-1,664	178%
Retained earnings	20,719	11,519	80%
TOTAL EQUITY	38,580	21,883	76%
NON-CURRENT LIABILITIES			
Non-interest-bearing loans and borrowings	1,619	1,619	0%
Interest-bearing loans and borrowings	6,103	2,333	162%
Deferred tax liabilities	881	0	0
TOTAL NON-CURRENT LIABILITIES	8,604	3,952	118%
CURRENT LIABILITIES			
Trade and other payables	25,494	7,405	244%
Current interest-bearing loans and borrowings	3,687	3,234	14%
TOTAL CURRENT LIABILITIES	29,181	10,639	174%
TOTAL LIABILITIES	37,785	14,592	159%
TOTAL EQUITY AND LIABILITIES	76,365	36,475	109%

ANNEX 3

CONSOLIDATED CASH FLOW STATEMENT

(EUR thousands, unaudited)	1-12/2020	1-12/2019
Cash flow from operating activities		
Operating profit	12,594	10,086
Adjustments to operating profit	3,667	1,431
Change in working capital	-7,850	-1,260
Interest and charges paid	-954	-407
Interest received	5	2
Paid tax and tax refund	-2,752	-2,537
Cash flow from operating activities	4,709	7,315
Cash flow from investing activities		
Capital expenditure on tangible and intangible assets	-2,793	-1,123
Acquisition of subsidiary less cash at the date of acquisition	-6,679	0
Cash flow from investing activities	-9,471	-1,123
Cash flow from financing activities		
Share issue	10,913	0
Transaction costs related to share issues	-563	0
Drawdown of loans	14,456	3,507
Repayments of borrowings	-20,693	-5,895
Right-of-use asset payments	-1,188	-561
Cash flow from financing activities	2,926	-2,949
Change in cash and cash equivalents	-1,836	3,243
Cash and cash equivalents at beginning of period	6,163	2,894
Effect of changes in exchange rates	-428	27
Cash and cash equivalents at end of period	3,899	6,163

ANNEX 4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR thousands, unaudited)	Share capital	Share premium account	Reserve for invested unrestricted equity	Exchange differences	Retained earnings	Total
Equity at 1 January 2020	1,000	0	11,028	-1,664	11,519	21,883
Total comprehensive income					9,218	9,218
Currency translation differences				-2,965		-2,965
Transactions with owners ¹⁾			10,463		32	10,494
Other changes ²⁾					-51	-51
Equity at 31 December 2020	1,000	0	21,491	-4,629	20,719	38,580
Equity at 1 January 2019	1,000	0	11,028	-1,569	5,279	15,738
Total comprehensive income					6,274	6,274
Currency translation differences				-95		-95
Other changes					-34	-34
Equity at 31 December 2019	1,000	0	11,028	-1,664	11,519	21,883

1) Rights issue

2) Re-measurement of employee benefits, adjustment in subsidiary purchase price and deferred tax related to India 2021 internal dividend

ANNEX 5 GROUP KEY FIGURES AND CONTINGENT LIABILITIES

(unaudited)	1–12/2020	1–12/2019
Revenue, EUR million	106.5	71.0
Operating profit/loss, EUR million	12.6	10.1
% of revenue	11.8	14.2
Profit/loss before taxes, EUR million	11.5	9.7
% of revenue	10.8	13.6
Return on investment (ROI), %	34.8	43.4
Return on equity (ROE), %	30.5	33.4
Equity ratio, %	50.5	60.0
Net gearing, %	15.3	-2.7
Interest-bearing net debt, EUR million	5.9	-0.6
Quick ratio	1.0	1.6
Current ratio	1.8	2.6
Average number of shares during the report period, adjusted for share issues*	4,565,015	4,365,168
Earnings per share (EPS), EUR	2.02	1.44
Equity per share, EUR	6.59	5.01
Dividend per share, EUR	0	0
Dividend out of profit, %	0	0
P/E ratio	9.1	11.8
Trend in share price		
Minimum price during the period, EUR	8.51	7.18
Maximum price during the period, EUR	19.20	23.00
Mean price during the period, EUR	13.92	14.83
Closing price at the end of the period, EUR	18.45	16.90
Total market capitalisation, EUR million	107.4	73.8
Trade volume, number of shares	1,911,231	1,564,055
Trade volume, %	32.8	35.8
Investments, EUR million	9.5	1.1
% of revenue	8.9	1.6
Average number of employees	1,424	830
Personnel at the end of period	1,902	834
CONTINGENT LIABILITIES, EUR million		
FOR OWN LIABILITIES		
Mortgages and pledges	21.5	13.7
Surrender liability of trade receivables sold to finance company	0.2	1.2
Off-balance sheet liabilities	0.6	0.7
Transactions with closely related parties		
The company has no transactions with closely related parties.		

* The adjustment is related to the acquisition price of AWS Electronics Group acquired at the end of January 2020, of which approximately EUR 0.7 million will be paid in Incap's shares on or before 28 February 2021. Based on the share price of the company on 30 December 2020 (18.45 euros), the number of shares to be issued is 36,174. In rights issue completed in November 2020, number of shares increased by 1,455,046.

ANNEX 6

KEY FIGURES BY REPORT PERIOD (unaudited)

	1-12/2020	1-12/2019	7-12/2020	7-12/2019	1-6/2020	1-6/2019
Revenue, EUR million	106.5	71.0	59.6	33.8	46.9	37.2
Operating profit, EUR million	12.6	10.1	8.3	4.3	4.3	5.7
Share of revenue, %	11.8	14.2	14.0	12.8	9.1	15.5
Profit before tax, EUR million	11.5	9.7	7.9	4.2	3.6	5.5
Share of revenue, %	10.8	13.6	13.2	12.4	7.8	14.7
Return on investment (ROI), %	34.8	43.4	44.5	38.0	26.1	42.5
Return on equity (ROE), %	30.5	33.4	43.0	20.7	24.3	48.0
Equity ratio, %	50.5	60.0	50.5	60.0	33.2	57.1
Net gearing, %	15.3	-2.7	15.3	-2.7	61.2	4.2
Net debt, EUR million	9.7	-2.5	9.7	-2.5	17.6	-1.0
Interest-bearing net debt, EUR million	5.9	-0.6	5.9	-0.6	14.0	0.8
Average number of shares in period	4,565,015	4,365,168	4,732,772	4,365,168	4,403,172	4,365,168
Earnings per share, EUR	2.0	1.4	1.4	0.5	0.6	1.0
Equity per share, EUR	6.6	5.0	6.6	5.0	5.2	4.7
Investments, EUR million	9.5	1.1	1.9	0.6	7.5	0.5
Share of revenue, %	8.9	1.6	3.2	1.8	16.1	1.4
Average number of employees	1,424	830	1,554	844	1,293	815

ANNEX 7

AWS ELECTRONICS GROUP ACQUISITION

In releases published on 23 January 2020, Incap announced that it had signed an agreement to acquire the entire share capital of AWS Electronics Group. AWS Electronics Group is a contract manufacturer of electronics with production facilities in the UK and Slovakia. The company’s figures have been included in Incap Group’s reporting as of 23 January 2020.

The debt-free purchase price was EUR 15.9 million, and the possible additional purchase price will not exceed EUR 1.5 million. The acquisition was financed with a loan of EUR 13 million and paid in cash, with the exception of an instalment of EUR 0.7 million to be paid in Incap shares.

In 2020, the business has been developing well at the acquired AWS Electronics Group's units in UK and Slovakia and the integration has been completed according to plan.

The consideration paid for the transaction consists of a EUR 6.7 million cash consideration, the instalment paid in shares and realised additional purchase price of EUR 0.6 million. In connection with the acquisition, Incap paid AWS Electronics Group's debts and a warrant.

AWS Electronics Group generated EUR 35.2 million in net sales and a net profit of EUR 0.8 million from 23 January to 31 December 2020. AWS Electronics Group’s pre-acquisition, unconsolidated net sales for 1–22 January 2020 amounted to EUR 2.6 million, and AWS Electronics Group would have posted a loss of EUR 0.4 million in the same period, taking into account the planned amortization of recognized items for the period. The number of personnel in the acquired company at the end of the financial year ended on 31 December 2020 was 449.

The purchase price has been allocated to identified net assets that include customer relationships, the order book and the estimated share of work not included in the balance sheet value of inventories, based on AWS Electronics Group's EBITDA. Acquired customer relationships will be amortised over 12 years, the order book over 12 months and inventories over 6 months. The residual value of EUR 6.6 million remaining from the preliminary acquisition calculation has been recognised as goodwill. The goodwill is generated by expected synergies in, for example, opportunities related to materials purchases and cross-selling. None of the items recognised as goodwill are expected to be tax-deductible. Leases were taken into account in accordance with IFRS 16 in the calculation of acquired assets and liabilities, and the discounted lease payments remaining at the time of acquisition were recognised in interest-bearing loans, while corresponding assets were recognised in right-of-use assets.

AWS Electronics Group's financial reporting is based on The Financial Reporting standard applicable in the UK and Republic of Ireland (FRS 102). Based on the estimate made in connection with the acquisition, with the exception of the accounting of leases, there are no such differences between the applied accounting standard and IFRS standards that would cause significant discrepancies in the financial information reported.

Assets acquired and liabilities assumed at fair value on the acquisition date, preliminary acquisition calculation:

(EUR thousands)

Assets

Non-current assets

Property, plant and equipment	1,174
Right-of-use assets	1,439
Other intangible assets: customer relationships	5,214
Other intangible assets: orderbook	581
Other intangible assets: other	71

Total non-current assets	8,479
Current assets	
Inventories	7,607
Trade and other receivables	7,809
Total current assets	15,416
Total assets	23,895
Liabilities	
Non-current liabilities	
Interest-bearing loans and borrowings	1,330
Interest-bearing loans and borrowings, group	6,110
Deferred tax liabilities	1,131
Total non-current liabilities	8,572
Current liabilities	
Trade and other payables	10,672
Current interest-bearing loans and borrowings	3,166
Total current liabilities	13,838
Total liabilities	22,410
Total identifiable net assets	1,485
Goodwill	6,617
Acquired net assets	8,102

**ANNEX 8
CALCULATION OF KEY FIGURES**

Return on investment, %	$\frac{100 \times (\text{profit/loss for the period} + \text{financial expenses} + \text{taxes})}{\text{Equity} + \text{interest-bearing financing loans}}$
Return on equity, %	$\frac{100 \times \text{profit/loss for the period}}{\text{Average equity during the financial period}}$
Equity ratio, %	$\frac{100 \times \text{equity}}{\text{Balance sheet total} - \text{advances received}}$
Net gearing, %	$\frac{100 \times \text{net debt}}{\text{Equity}}$
Interest-bearing net debt	Interest-bearing debt - cash and cash equivalents
Quick ratio	$\frac{\text{Current assets}}{\text{Short-term liabilities} - \text{short-term advances received}}$
Current ratio	$\frac{\text{Current assets} + \text{inventories}}{\text{Short-term liabilities}}$
Earnings per share	$\frac{\text{Net profit/loss for the period}}{\text{Average number of shares during the period, adjusted for share issues}}$
Equity per share	$\frac{\text{Equity}}{\text{Number of shares at the end of the period, adjusted for share issues}}$
Dividend per share	$\frac{\text{Dividend for the accounting period}}{\text{Number of shares on the balance sheet date, adjusted for share issues}}$
Dividend out of profit	$\frac{100 \times \text{dividend per share}}{\text{Earnings per share}}$
Capital expenditure	VAT-exclusive working capital acquisitions without deduction of investment subsidies
Average number of employees	Average of personnel numbers calculated at the end of each month
Total market capitalisation	Closing price for the period x number of shares available for public trading
Adjusted EBIT	EBIT excluding non-recurring items and purchase price allocation amortisation

ANNEX 9

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

Return on investment, %

(EUR thousands, unaudited)	2020	2019	2018
Net profit/loss for the period	9,218	6,274	5,847
Financial expenses	1,678	896	1,160
Income taxes	2,290	3,390	2,094
Profit/loss for the period	13,187	10,559	9,101
Equity	38,580	21,883	15,738
Non-current interest-bearing financing loans	6,103	2,333	1,000
Current interest-bearing financing loans	3,687	3,234	4,503
Capital invested	48,371	27,451	21,241
Capital employed average at the end of the reporting period and the end of previous financial year	37,911	24,346	19,441
Return on investment, %	34.8	43.4	46.8

Return on equity, %

(EUR thousand, unaudited)	2020	2019	2018
Net profit/loss for the period	9,218	6,274	5,847
Equity	38,580	21,883	15,738
Equity average at the end of the reporting period and the end of previous financial year	30,232	18,811	13,076
Return on equity, %	30.5	33.4	44.7

Equity ratio, %

(EUR thousand, unaudited)	2020	2019	2018
Equity	38,580	21,883	15,738
Balance sheet total	76,365	36,475	32,080
Equity ratio, %	50.5	60.0	49.1

Net gearing, %

(EUR thousand, unaudited)	2020	2019	2018
Interest-bearing net debt	5,891	-596	2,610
Equity	38,580	21,883	15,738
Net gearing, %	15.3	-2.7	16.6

Interest-bearing net debt

(EUR thousand, unaudited)	2020	2019	2018
Non-current interest-bearing financing loans	6,103	2,333	1,000
Current interest-bearing financing loans	3,687	3,234	4,503

Interest-bearing debt	9,791	5,567	5,503
Cash and bank accounts	-3,899	-6,163	-2,894
Interest-bearing net debt	5,891	-596	2,610

Current assets

(EUR thousand, unaudited)	2020	2019	2018
Current receivables	24,202	10,891	11,757
Cash and bank accounts	3,899	6,163	2,894
Current assets	28,101	17,054	14,650

Quick ratio

(EUR thousand, unaudited)	2020	2019	2018
Current assets	28,101	17,054	14,650
Trade and other payables	29,181	10,639	14,874
Current liabilities	29,181	10,639	14,874
Quick ratio	1.0	1.6	1.0

Current ratio

(EUR thousand, unaudited)	2020	2019	2018
Current assets	28,101	17,054	14,650
Inventories	24,176	10,845	11,647
Trade and other payables	29,181	10,639	14,874
Current liabilities	29,181	10,639	14,874
Current ratio	1.8	2.6	1.8

Investments

(EUR thousand, unaudited)	2020	2019	2018
Capital expenditure on tangible and intangible assets	9,471	1,123	2,199
Investments	9,471	1,123	2,199

Adjusted operating profit

(EUR thousand, unaudited)	2020	2019	2018
Operating profit	12,594	10,086	8,633
Non-recurring costs	74	690	0
Purchase price allocation (PPA) amortisation	1,906	0	0
Adjusted operating profit	14,573	10,776	8,633

ANNEX 10

CALCULATION OF ALTERNATIVE PERFORMANCE MEASURES

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