



Incap Corporation  
Financial Statement Release 26 February 2020 at 8.30 a.m. (EET)

## INCAP CORPORATION FINANCIAL STATEMENT RELEASE FOR 2019 (UNAUDITED): STRONG REVENUE GROWTH CONTINUED, SOLID OPERATING PROFIT

### Key figures in 2019

- Incap's revenue amounted to EUR 71.0 million, up 20.5% year-on-year (1-12/2018: EUR 59.0 million).
- Operating profit (EBIT) amounted to EUR 10.1 million (EUR 8.6 million), corresponding to 14.2% of revenue (14.6%) and was affected by non-recurring costs of EUR 0.7 million related to the acquisition.
- Net profit for the financial year amounted to EUR 6.3 million (EUR 5.8 million) and was affected by a provision of EUR 1.2 million related to uncertain tax positions in India in years 2016-2019.
- Earnings per share was EUR 1.44 (EUR 1.34)
- After the reporting period on 23 January 2020, Incap announced an acquisition of AWS Electronics Group. AWS Electronics Group is an electronics manufacturing services company with production sites in the U.K. and Slovakia which reported net sales of GBP 35 million in their latest financial year ending 30<sup>th</sup> of June 2019.
- Guidance: Incap estimates that following the acquisition of AWS Electronics Group, Incap's revenue in 2020 will be significantly higher than in 2019 and operating profit (EBIT) slightly higher than in 2019 as there will be one-time integration and transaction costs. The estimates are given provided that there are no major changes in currency exchange rates or in component availability.
- Dividend proposal: The Board of Directors will propose to the Annual General Meeting a dividend of EUR 0.35 per share.

### Key figures in July-December 2019

- Revenue for July-December amounted to EUR 33.8 million (7-12/2018: EUR 32.0 million).
- Operating profit (EBIT) for July-December totalled EUR 4.3 million (EUR 5.6 million).

*Unless otherwise stated, the comparison figures refer to the corresponding period in the previous year.  
This financial statement release is unaudited.*

Key Figures (Unaudited) EUR million	1-12/ 2019	1-12/ 2018	Change, %	10-12/ 2019	10-12/ 2018	Change, %	7-9/ 2019	7-9/ 2018
Revenue	71.0	59.0	+20.5%	16.3	16.5	-1.5 %	17.6	15.5
Non-recurring items	0.7	-	-	0,5	-	-	0.2	-
Operating profit (EBIT)	10.1	8.6	+16.8%	2.1	3.1	-32.8%	2.2	2.4
EBIT, % of revenue	14.2%	14.6%		13.0%	19.0%		12.7%	15.6%
Profit for the period	6.3	5.8	+7.3%	0.2	1.8	-90.6%	1.8	1.8

**Otto Pukk, President and CEO of Incap Corporation:**

“I am happy to see another year of strong growth for Incap. Our revenue grew organically by 20.5 percent compared to the previous year. Revenue increased mainly thanks to the growing demand from our established customers as well as volume growth with new customers.

The important growth drivers for our electronics manufacturing services were, among others, manufacturing of light vehicles as well as various industrial applications such as measuring instruments. Further, there was also outsourcing of customers’ electronic manufacturing from prototyping to volume production. I am particularly delighted that our customers value our services and long-term partnerships. We continue to focus on functions and services which bring the highest added value to our customers. I would also like to thank our highly professional teams in all our units who are able to offer superior service to our customers.

Profitability remained at a double-digit level despite the non-recurring costs related to the recent acquisition. We continuously keep our operations lean and organization efficient, which together with the strict management of costs result in low overhead costs. Further, we work constantly on efficiency improvement projects in our business units, which combined with the increased volumes was key for maintaining our profitability level.

In general, prospects for contract manufacturing services in electronics look bright. The growth derives not only from increasing interest in the contract manufacturing business model but also from the growing market for IoT. Additionally, more and more new kinds of electronic devices and industrial applications are launched to markets.

We face this year with confidence. Following our acquisition of AWS Electronics Group, Incap is now not only a larger company but it also has a much more diverse customer portfolio than previously. Incap also gained a foothold in geographically new market areas such as the U.K. and Central Europe. I am happy to see the personnel of AWS Electronics Group stepping onboard with enthusiasm in building a stronger player in electronics manufacturing services. Together, we continue serving our customers in the best possible way.”

**INCAP IN BRIEF**

*Incap Corporation is an international contract manufacturer. Incap's customers are leading suppliers of high technology equipment in their own business segments, and Incap increases their competitiveness as a strategic partner. After the acquisition of AWS Electronics Group in January 2020, Incap has operations in Finland, Estonia, India, Slovakia, U.K and Hong Kong, and the company employs approximately 1300 people. Incap's share is listed on the Nasdaq Helsinki Ltd. as from 1997. Additional information: [www.incapcorp.com](http://www.incapcorp.com).*

**Business environment**

There were no significant changes in the business environment of Incap Group in 2019. During the year, because of the trade negotiations between the USA and China, the industry witnessed electronic manufacturing companies to transfer their operations to other Asian countries or Europe. In addition to this, a market consolidation through acquisitions has been a trend particularly in Europe.

The long-term prospects for electronic manufacturing services industry looks positive. General cost level remained stable in the countries where Incap has operations. The customers are very price-conscious and expect that their manufacturing partners increase efficiency continuously and stay competitive.

However, in the short run the electronics manufacturing services business may face problems in component availability due to companies moving production from China to other Asian countries and Europe. Due to the recent occurrence taken place in China there is also reduced mobility experienced within the industry in the short term that might impact on delivery times on some materials.

In the long run, Incap sees the market development positive as electronics is used more and more in industry also in new areas such as in light vehicles, telecommunications and other everyday items. Also, the growing environmental technology sector will offer market opportunities.

## **Revenue and earnings in 2019**

### **January-December**

Incap's revenue for 2019 amounted to EUR 71.0 million, up by 20.5% from 2018 (1-12/2018: EUR 59.0 million). The revenue increased organically due to the growing demand from the established customers and from the new customers.

The profitability remained solid. The full-year operating profit (EBIT) amounted to EUR 10.1 million (EUR 8.6 million), corresponding to 14.2% out of revenue (14.6%), which is considered to be a very good level in the industry. In the fourth quarter, EUR 0.5 million of non-recurring costs related to the acquisition of AWS Electronics and a tax provision related to uncertain tax positions in India for 2016-2019 of EUR 1.2 million were recorded. However, the continued good profitability level was achieved by keeping the organization structure lean and overhead costs low, thus increasing efficiency in operations.

Personnel expenses increased slightly together with the increase in volumes and amounted to EUR 5.2 million which is 7.3% from revenue (EUR 4.6 million, 7.7 % from revenue). Other business costs amounted to EUR 4.0 million (EUR 3.5 million). As a result of the growing business volumes the material costs increased from EUR 44.3 million (75.1 % from revenue) to EUR 51.0 million which was 71.8% from revenue. The value of inventories was EUR 10.8 million at the end of the year (EUR 11.6 million).

Net financial expenses amounted to EUR 0.4 million (EUR 0.7 million). Depreciation amounted to a total of EUR 1.4 million (EUR 0.5 million) due to implementation of IFRS 16 leases.

Profit for the period was EUR 6.3 million (EUR 5.8 million). Profit for the period was affected by a tax provision of EUR 1.2 million which was booked due to uncertainties in tax treatment of intra-group transactions during 2016-2019.

Earnings per share were EUR 1.44 (EUR 1.34).

### **July-December**

Revenue for the second half of the year amounted to EUR 33.8 million, showing an increase of 5.7% year-on-year (7-12/2018: EUR 32.0 million).

The operating profit (EBIT) for July-December amounted to EUR 4.3 million, which is 22% lower than in the corresponding period a year ago (7-12/2018: EUR 5.6 million). The profitability was affected by the non-recurring costs related to the recent acquisition as well as the tax provision related to the possible tax dispute in India of EUR 1.2 million. The net profit for the period was EUR 1.9 million, compared to EUR 3.8 million in the corresponding period last year.

<b>COMPARISON BY REPORTING PERIOD</b> <b>(1,000 euros)</b> (Unaudited)	<b>1-12/2019</b>	<b>1-12/2018</b>
Revenue	71,022	58,961
Operating profit (EBIT)	10,086	8,633
Profit for the period	6,274	5,846
Earnings per share, EUR	1.44	1.34

<b>COMPARISON BY HALF YEAR</b> <b>(1,000 euros)</b> (Unaudited)	<b>7-12/2019</b>	<b>1-6/2019</b>	<b>7-12/2018</b>	<b>1-6/2018</b>
Revenue	33,826	37,196	31,996	26,965
Operating profit (EBIT)	4,337	5,749	5,560	3,073
Profit for the period	1,948	4,325	3,757	2,090
Earnings per share, EUR	0.45	0.99	0.86	0.48

## Investments

Investments in 2019 totalled EUR 1.1 million (EUR 2.2 million) and were mainly related to investments in production lines. In India, it was decided to make a EUR 2 million investment in order to expand factory premises and building. The project has started and it is expected to be completed in 2020. In Estonia, the production capability was increased by upgrading SMT (surface-mount technology) production lines.

## Impacts of the adoption of IFRS 16

The Group adopted IFRS 16 on 1 January 2019 using the modified retrospective method where comparative information will not be restated.

The adoption of IFRS 16 has no material impact on group's EBIT even though the interest component on the lease payments is recognized in financial income and expenses. The impact of IFRS 16 adoption on the level of total equity is not material.

The amendment increases the volumes of rental contracts and liabilities recorded in the consolidated balance sheet by EUR 2.5 million in 2019. This is reported in non-current interest-bearing liabilities (EUR 1.8 million) and in current interest-bearing liabilities (EUR 0.7 million). The increase in depreciations due to this change was EUR 0.5 million and in interests EUR 0.1 million.

Incap will not adapt IFRS 16 to leasing agreements with rental period 12 months or less or when the contracts notice period is less than 12 months without sanctions. Most of Incap's leasing commitments are short term or low value agreements, which are handled as operating lease contracts. Incap has, at the moment, no activities as a lessor.

## Balance sheet, financing and cash flow

The total assets in the balance sheet on 31 December 2019 stood at EUR 36.5 million (EUR 32.1 million). The Group's equity at the end of the financial period was EUR 21.9 million (EUR 15.7 million). The parent company's equity totalled EUR 14.7 million (EUR 12.1 million).

The Group's equity ratio improved further to 60.0% (49.1%). Net gearing was negative at -2.7% (16.6%).

Liabilities decreased slightly to EUR 14.6 million compared with previous year (EUR 16.3 million), of which EUR 5.6 million (EUR 5.5 million) were interest-bearing liabilities.

Interest-bearing net debt was negative, EUR -0.6 million (EUR 2.6 million).

The Group's non-current interest-bearing liabilities amounted to EUR 2.3 million (EUR 1.0 million) and non-interest-bearing liabilities EUR 1.6 million (EUR 0.5 million). Current interest-bearing liabilities were EUR 3.2 million (EUR 4.5 million). Out of the interest-bearing liabilities EUR 1.9 million are related to the Indian subsidiary (EUR 3.1 million). Other liabilities include EUR 0 million (EUR 1.4 million) of bank loans and limits granted by the company's Finnish bank and EUR 1.2 million (EUR 1.0 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 2019 the level of interest-bearing debt in relation to EBITDA should be below 2.5 and the equity ratio more than 25%. The company met these covenants as the actual figure for interest-bearing debt/EBITDA on the review date was 0.5 and the equity ratio 60.0%.

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

The Group's cash position during the report period was good. The Group's quick ratio was 1.4 (1.0), and the current ratio was 2.3 (1.7).

Cash flow from operations was EUR 7.3 million (EUR 4.1 million). On 31 December 2019, the Group's cash and cash equivalents totalled EUR 6.2 million (EUR 2.9 million). The cash and cash equivalents increased significantly compared to previous year.

## Personnel

At the end of 2019, the number of personnel in Incap Group was of 834 (768). Of the personnel 88.6% (90.5%) worked in India, 11.3% (9.2%) in Estonia and 0.1% (0.3%) in Finland. At the end of the year, 141 of Incap's personnel were women (126) and 693 were men (642). The average age of the personnel was 29 years (33). The average number of personnel was 830 (684).

The number of permanent personnel totalled 238 (215), and the number of fixed-term contracts were 596 (553).

## Management and organisation

At the end of 2019, the Management Team of Incap consisted of President & CEO, Director of Operations, Estonia Otto Pukk, CFO Antti Pynnönen (from 21 January 2019 onwards) and Director of Operations, India and Sales Asia, Murthy Munipalli. On January 24, 2020 Greg Grace was appointed Director of Operations, Estonia and member of Management Team.

The Group has business units in Estonia and in India and sourcing operations in Hong Kong. Business units in Estonia and in India operate as business units and are responsible besides for the actual order-delivery process also for the quotations and pricing in accordance with the corporate guidelines. Finance and administration, sourcing, sales, IT and communications are coordinated by the corporate office.

### **Quality assurance and environmental issues**

Incap Group's both business units have environmental management and quality assurance systems certified by Bureau Veritas. The systems are used as tools for continuous improvement. Environmental management system in both business units complies with ISO 14001:2015, and the quality assurance system complies with ISO 9001:2015. In addition, the Estonian unit has the ISO 13485/2016 quality certification for the manufacture of medical devices. The Estonian unit also complies with the Occupational health and safety management system ISO 45001:2018.

### **Annual General Meeting 2019**

The Annual General Meeting of Incap Corporation was held in Helsinki on 15 April 2019. The Annual General Meeting adopted the financial statements for the financial period ended 31 December 2018 and decided, in accordance with the proposal of the Board of Directors, that no dividend be distributed for the financial period and that the profit for the financial period (EUR 1,330,795.88) be recognized in equity.

### **Authorisations of the Board of Directors**

The Annual General Meeting held on 15 April 2019 authorized the Board of Directors to decide to issue a maximum of 436,516 new shares either against payment or without payment. 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, to the terms and scope decided by the Board of Directors.

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 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 entitled to decide on conditions regarding the issuance of shares as well as the issuance of other special rights entitling to shares.

The Board has not exercised the authorization. The authorization is valid for one year from the annual general meeting.

### **Board of Directors and Auditor**

The Annual General Meeting held on 15 April 2019 resolved that the number of members of the Board of Directors is three (3). The AGM re-elected Carl-Gustaf von Troil, Päivi Jokinen and Ville Vuori as members to the Board of Directors. All members are independent of the company's major shareholders. Carl-Gustaf von Troil and Päivi Jokinen are also independent of the company. In its organizing meeting after the Annual General Meeting board members selected Ville Vuori as the Chairman of the Board.

The firm of independent accountants Ernst & Young Oy continued 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](http://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 4,365,168 (31 December 2018: 4,365,168).

During the year, the share price varied between EUR 7.18 and 23.00 (EUR 8.22 and 5.60). The closing price on 30 December 2019 was EUR 16.90 (EUR 7.26). The market capitalization on 30 December 2019 was EUR 73.8 million (EUR 31.7 million). At the end of the year, the company had 3,671 shareholders (2,437). Nominee-registered or foreign owners held 5.1% (4.2%) of all shares. The company does not hold any of its own shares.

At the end of 2019, the members of Incap Corporation's Board of Directors and the President and CEO and their interest parties owned a total of 40,604 shares or 0.93% of the company's shares outstanding (40,604: 0.93%).

<b>LARGEST SHAREHOLDERS on 31 December 2019</b>	<b>Shares, pcs</b>	<b>Holding, %</b>
Oy Etra Invest Ab	853,000	19.54
Nordea Life Insurance Finland	611,000	14.00
Joensuun Kauppa ja Kone	375,513	8.60
Ilmarinen Mutual Pension Insurance Company	230,199	5.27
Laakkonen Mikko	218,257	5.00
Mandatum Life Insurance Company Limited	150,000	3.44
Danske Bank a/s Helsinki branch	140,699	3.22
K22 Finance Oy	134,100	3.07
Kakkonen Kari	100,000	2.29
Penan Raudoitus Oy	66,332	1.52
<b>10 largest in total</b>	<b>2,879,100</b>	<b>65.96</b>

## **Announcements in accordance with Section 10 of Chapter 9 of the Securities Market Act on a change in holdings**

In 2019, there were no major shareholder announcements received.

### **Corporate social responsibility**

Incap Corporation reports non-financial information as a part of the report of the Board of Directors and Annual Report. The most relevant items of the company's corporate social responsibility are social responsibility, environmental responsibility and responsibility to stakeholders.

### **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 factors of uncertainty concerning operations**

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

At the moment the financing position of the company is good and the sufficiency of financing and working capital is posing no significant risk.

In the definition of the volumes of internal transactions the actual value added and the so-called "arm's length" principle are considered. After the cumulative losses in India were covered during the latter half of 2015, it is possible to repatriate profits also through dividends.

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 2019 there is no need for any write-down of the value of the shares in subsidiaries.

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

The company's sales are spread over several customer sectors balancing out the impact of the economic fluctuation in different industrial sectors. Four biggest customers contributed to 76.6% (77.9%) of revenue in July-December 2019. Out of the total revenue in second half of 2019, 8 customers (7) exceeded EUR 1 million revenue. After the acquisition of AWS Electronics Group in January 2020, the number of biggest customers significantly increased.

The company's business segment, electronics manufacturing services, is highly competitive and there are major pressures on cost level management. The company has succeeded in increasing



the efficiency of its operations and in lowering the costs. Furthermore, the company's production is located in countries with competitive levels of wage and general costs.

The most significant exchange rate risk of the company is related to the Indian subsidiary. A large part of the Group's operations is located in India, and the fluctuation in the exchange rates between Indian Rupee and Euro may have a big effect on revenue and results.

The Indian subsidiary of the company had a tax audit in 2016, and based on the audit, the tax authorities do not approve the depreciations made on the capitalized customer contracts during accounting periods 2008/2009-2012/2013 and the transfer costs during the accounting period 2011/2012. The estimated effect with eventual interest is amounting to a maximum of EUR 0.6 million. The company's complaint has now been handled and the decision was in Incap's favor. In the previous years, the item has been disclosed in contingent liabilities, and it didn't have effect/monetary outcome in the 2019 financials.

In tax audit conducted by Indian tax authorities in 2018 regarding financial period 2015-2016, the deductibility of group costs are 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). The case is still under preliminary investigation and if an agreement cannot be settled with a local tax authority, the company's point of view will be processed.

### **Significant events after the end of the period**

On 23 January 2020 Incap Corporation announced that it had signed an agreement to acquire 100% ownership of AWS Electronics Group. AWS Electronics Group is an electronics manufacturing services provider specialized in high complexity services with production facilities in the U.K. and Slovakia.

Through this acquisition, Incap will widen its portfolio into U.K and Central Europe and strengthen its position in geographical areas such as USA and South-East Asia. The enterprise value of the transaction was GBP 13.5 million (EUR 15.9 million) and an additional earn-out of a maximum of GBP 1.3 million (EUR 1.5 million). The transaction was paid in cash except for the amount of GBP 0.6 million (EUR 0.7 million), which will be paid in Incap shares.

The transaction was initially financed by a loan of EUR 13 million. Incap may at a later stage, subject to market conditions, explore the option of equity financing to optimize its capital structure.

Through the acquisition, Incap will be able to improve service and product offering to its existing customers, widen its customer base, enter into new market segments and increase its geographic presence. New strategic foothold is gained especially in the U.K. markets and Central Europe and position strengthened further in the USA and South-East Asia. In particular, this will open the opportunity to widen the commercial prospects between the U.K. and India. The acquisition also balances Incap's customer portfolio both in numbers and industrial segments. In the long-term, the acquisition is expected to bring synergy benefits in e.g. material purchasing and cross-selling opportunities.

The transaction is estimated to have a significant impact on revenue and a slightly positive impact on operating profit (EBIT) of Incap group in 2020 as there will be one-time integration and transaction costs (for example purchase price allocation amortization). The amount of integration costs incurring will be specified in more detail during the financial year.

On 24 January 2020 Incap announced that Greg Grace was appointed Director, Operations Estonia, and Managing Director of Incap Electronics Estonia, and member of Incap Group's Management

Team. Greg Grace (b. 1971, BA) joined Incap in 2018 and previously held a position of Director of Business Development at Incap Electronics Estonia.

On 27 January 2020 Incap announced in accordance with the Securities Market that the total holdings of shares and votes of Ilmarinen Mutual Pension Company in Incap Corporation had fallen below 5 percent threshold, corresponding to 195,981 shares i.e. 4.49% of all shares and votes.

### **Strategy and targets**

Incap's good profitability trend has enabled the strong operations development, which ensures the stable organic growth. The efficient operational model of the company embraces fast decision-making and high operational flexibility.

In Electronics manufacturing services marketplace, Incap has a long history and reputation of high quality. This we want to nurture and take even further. Smart utilization of our existing capacity is the main source to cost efficiency and profitability. This also allows us to produce higher volumes without any significant new investment. Today, based on the efficient operational model and the strong financial position, the company is able to consider also M&A as a way to expand the business.

### **Outlook for 2020**

Incap estimates that following the acquisition of AWS Electronics Group Incap's revenue will be significantly higher than in 2019 and operating profit (EBIT) slightly higher than in 2019 as there will be one-time integration and transaction costs (for example purchase price allocation amortization).

The estimates are given provided that there are no major changes in currency exchange rates or in component availability.

Incap's estimates for future business development are based both on its customers' forecasts and on the company's own assessments.

### **Board of Directors' proposal for measures related to profit**

The parent company's profit for the financial period totals EUR 2,659,458.37. The Board of Directors will propose to the Annual General Meeting to be held on 20 April 2020 that a dividend of EUR 0.35 be paid from the profits of the financial year 2019 and the remaining part of EUR 1,131,649.57 of the profit for the financial period be recognized in equity.

Limitations regarding dividend distribution ended on 1 September 2019.

### **Annual General Meeting 2020**

The Annual General Meeting is scheduled to be held on Monday, 20 April 2020 in Helsinki. The notice to the Annual General Meeting will be published at a later date.

### **Publication of the Annual Report 2019**

The annual report of Incap Corporation including Report of the Board of Directors and Auditor's report for 2019 will be published during week 13/2020 at the company's website [www.incapcorp.com](http://www.incapcorp.com).

**Financial reporting in 2020**

Incap will publish the business review for January-March on 12 May, half-year report for January-June on 26 August and business review for January-September on 25 November.

In Helsinki, 25 February 2020

INCAP CORPORATION  
Board of Directors

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**The accounting principles for the financial statements**

This financial statement 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 2018 financial statement except for the new standards applied in 2019. Unless otherwise stated, the comparison figures refer to the same period in the previous year. The information in this financial statement report is unaudited.

## Annex 1

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS), CONTINUING OPERATIONS**

(EUR thousands, unaudited)	1-12/2019	Change, %	1-12/2018	7-12/2019	7-12/2018
REVENUE	71,022	20%	58,961	33,826	31,996
Change in inventories of finished goods	-407	-129%	1,428	-94	1,039
Other operating income	1,004	-6%	1,063	611	872
Raw materials and consumables used	50,987	15%	44,277	24,487	24,118
Personnel expenses	5,178	14%	4,560	2,521	2,200
Depreciation, amortisation and impairment losses	1,384	172%	509	709	289
Other operating expenses	3,983	15%	3,427	2,289	1,739
OPERATING PROFIT/LOSS	10,086	17%	8,633	4,337	5,560
Financing income and expenses	-422	-39%	-693	-151	-423
PROFIT/LOSS BEFORE TAX	9,664	22%	7,940	4,186	5,128
Income tax expenses	-3,390	62%	-2,094	-2,238	-1,371
PROFIT/LOSS FOR THE PERIOD	6,274	7%	5,846	1,948	3,757
Earnings per share, euro	1.44	7%	1.34	0.45	0.86
<b>OTHER COMPREHENSIVE INCOME</b>	<b>1-12/2019</b>	<b>Change, %</b>	<b>1-12/2018</b>	<b>7-12/2019</b>	<b>7-12/2018</b>
Items that will not be reclassified to statement of income					
Remeasurements of employee benefits	-34	-66%	-100	2	-100
Items that may be recognised in profit or loss at a later date:					
Translation differences from foreign units	-95	-78%	-424	-393	57
Other comprehensive income, net	-128	-76%	-524	-391	-43
TOTAL COMPREHENSIVE INCOME	6,146	15%	5,323	1,557	3,714
Attributable to:					
Shareholders of the parent company	6,146	15%	5,323	1,557	3,714

## Annex 2

**CONSOLIDATED BALANCE SHEET (IFRS), CONTINUING OPERATIONS**

(EUR thousands, unaudited)	31 December 2019	Change, %	31 December 2018
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4,853	7%	4,545
Right-of-use assets	2,463	-	0
Goodwill	894	0%	895
Other intangible assets	13	-13%	15
Other financial assets	4	0%	4
Other receivables	350	8%	324
<b>TOTAL NON-CURRENT ASSETS</b>	<b>8,576</b>	<b>48%</b>	<b>5,782</b>
<b>CURRENT ASSETS</b>			
Inventories	10,845	-7%	11,647
Trade and other receivables	10,891	-7%	11,757
Cash and cash equivalents	6,163	113%	2,894
<b>TOTAL CURRENT ASSETS</b>	<b>27,899</b>	<b>6%</b>	<b>26,297</b>
<b>TOTAL ASSETS</b>	<b>36,475</b>	<b>14%</b>	<b>32,080</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent company</b>			
Share capital	1,000	0%	1,000
Reserve for invested unrestricted equity	11,028	0%	11,028
Exchange differences	-1,664	6%	-1,569
Retained earnings	11,519	118%	5,279
<b>TOTAL EQUITY</b>	<b>21,883</b>	<b>39%</b>	<b>15,738</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-interest-bearing liabilities, interest-bearing loans and borrowings	3,952	169%	1,468
<b>NON-CURRENT LIABILITIES</b>	<b>3,952</b>	<b>169%</b>	<b>1,468</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7,405	-29%	10,370
Current interest-bearing loans and borrowings	3,235	-28%	4,503
<b>CURRENT LIABILITIES</b>	<b>10,639</b>	<b>-28%</b>	<b>14,874</b>
<b>TOTAL LIABILITIES</b>	<b>14,592</b>	<b>-11%</b>	<b>16,342</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>36,475</b>	<b>14%</b>	<b>32,080</b>

## Annex 3

**CONSOLIDATED CASH FLOW STATEMENT (IFRS), CONTINUING OPERATIONS**

(EUR thousands, unaudited)	1-12/2019	1-12/2018
<b>Cash flow from operating activities</b>		
Operating profit	10,086	8,633
Adjustments to operating profit	1,431	621
Change in working capital	-1,260	-2,995
Interest paid and payments made	-407	-439
Interest received	2	3
Paid tax and tax refund	-2,537	-1,686
<b>Cash flow from operating activities</b>	<b>7,315</b>	<b>4,137</b>
<b>Cash flow from investing activities</b>		
Capital expenditure on tangible and intangible assets	-1,123	-2,199
<b>Cash flow from investing activities</b>	<b>-1,123</b>	<b>-2,199</b>
<b>Cash flow from financing activities</b>		
Drawdown of loans	3,507	3,389
Repayments of borrowings	-5,895	-5,279
Right-of-use depreciations	-561	0
<b>Cash flow from financing activities</b>	<b>-2,949</b>	<b>-1,889</b>
Change in cash and cash equivalents	3,243	48
Cash and cash equivalents at beginning of period	2,894	2,862
Effect of changes in exchange rates	27	-17
<b>Cash and cash equivalents at end of period</b>	<b>6,163</b>	<b>2,894</b>

## Annex 4

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS), CONTINUING OPERATIONS**

(EUR thousands, unaudited)	Share capital	Share premium account	Reserve for invested unrestricted equity	Exchange differences	Retained earnings	Total
<b>Equity at 1 January 2019</b>	<b>1,000</b>	<b>0</b>	<b>11,028</b>	<b>-1,569</b>	<b>5,279</b>	<b>15,738</b>
Total comprehensive income					6,274	6,274
Currency translation differences				-95		-95
Other changes 1)					-34	-34
<b>Equity at 31 December 2019</b>	<b>1,000</b>	<b>0</b>	<b>11,028</b>	<b>-1,663</b>	<b>11,519</b>	<b>21,883</b>
<b>Equity at 1 January 2018</b>	<b>1,000</b>	<b>0</b>	<b>11,028</b>	<b>-1 147</b>	<b>-467</b>	<b>10,414</b>
Total comprehensive income					5,847	5,847
Currency translation differences				-422		-422
Other changes 1)					-100	-100
<b>Equity at 31 December 2018</b>	<b>1,000</b>	<b>0</b>	<b>11,028</b>	<b>-1,569</b>	<b>5,279</b>	<b>15,738</b>

1) Remeasurements of employee benefits

## Annex 5

**GROUP KEY FIGURES AND CONTINGENT LIABILITIES (IFRS), CONTINUING OPERATIONS**

(Unaudited)	31 Dec 2019	31 Dec 2018
Revenue, EUR million	71.0	59.0
Operating profit/loss, EUR million	10.1	8.6
% of revenue	14.2	14.6
Profit/loss before taxes, EUR million	9.7	7.9
% of revenue	13.6	13.5
Return on investment (ROI), %	43.4	46.8
Return on equity (ROE), %	33.4	44.7
Equity ratio, %	60.0	49.1
Net Gearing, %	-2.7	16.6
Net debt, EUR million	-1.5	1.6
Interest-bearing net debt, EUR million	-0.6	2.6
Quick ratio	1.4	1.0
Current ratio	2.3	1.7
Average number of shares during the review period, adjusted for share issues	4,365,168	4,365,168
Earnings per share (EPS), EUR	1.44	1.34
Equity per share, EUR	5.01	3.61
Dividend per share, EUR	0	0
Dividend out of profit, %	0	0
P/E ratio	11.8	5.4
Trend in share price		
Minimum price during the period, EUR	7.18	5.60
Maximum price during the period, EUR	23.00	8.22
Mean price during the period, EUR	14.83	6.02
Closing price at the end of the period, EUR	16.90	7.26
Total market capitalization, EUR million	73.8	31.7
Trade volume, no. of shares	1,564,055	2,891,606
Trade volume, %	35.8	66.2
Investments, EUR million	1.1	2.2
% of revenue	1.6	3.7
Average number of employees	830	684
CONTINGENT LIABILITIES, EUR million		
FOR OWN LIABILITIES		
Mortgages and pledges	13.7	14.6
Off-balance sheet liabilities	0.7	1.9



## Annex 6

**KEY FIGURES BY REPORT PERIOD (IFRS), CONTINUING OPERATIONS**

	<b>1-12/ 2019</b>	<b>1-12/ 2018</b>	<b>7-12/ 2019</b>	<b>7-12/ 2018</b>	<b>1-6/ 2019</b>	<b>1-6/ 2018</b>
Revenue, EUR million	71.0	59.0	33.8	32.0	37.2	27.0
Operating profit, EUR million	10.1	8.6	4.3	5.6	5.7	3.1
% of revenue	14.2	14.6	12.8	17.4	15.5	11.4
Profit before taxes, EUR million	9.7	7.9	4.2	5.1	5.5	2.8
% of revenue	13.6	13.5	12.4	16.0	14.7	10.4
Return on investment (ROI), %	43.4	46.8	19.0	59.7	46.1	36.3
Return on equity (ROE), %	33.4	44.7	10.4	61.8	53.5	37.3
Equity ratio, %	60.0	49.1	60.0	49.1	57.1	43.4
Net Gearing, %	-2.7	16.6	-2.7	27.5	4.2	27.4
Net debt, EUR million	-2.5	1.7	-2.5	1.5	-1.0	2.0
Interest-bearing net debt, EUR million	-0.6	2.6	-0.6	4.3	0.8	3.3
Average number of shares during the review period, adjusted for share issues	4,365,168	4,365,168	4,365,168	4,365,168	4,365,168	4,365,168
Earnings per share (EPS), EUR	1.44	1.34	0.45	0.84	0.99	0.48
Equity per share, EUR	5.01	3.61	5.01	3.61	4.66	2.75
Investments, EUR million	1.1	2.2	0.6	1.7	0.5	0.5
% of revenue	1.6	3.7	1.8	5.3	1.4	1.8
Average number of employees	834	684	844	741	815	628

Annex 7  
**CALCULATION OF KEY FIGURES**

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Return on investment, %	$\frac{100 \times (\text{profit/loss for the period} + \text{financial expenses})}{\text{equity} + \text{interest-bearing financing loans}}$
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, %	$\frac{100 \times \text{net debt}}{\text{equity}}$
Net debt	Interest-bearing debt - cash and bank accounts
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	$\frac{\text{equity}}{\text{number of shares at the end of the period, adjusted for share issues}}$
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

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