InCap

# ANNUAL REPORT

2020

# INCAP IN BRIEF

We are a trusted partner and a full-service provider in Electronics Manufacturing Services.

As a global EMS company, we support customers ranging from large multinationals and mid-sized companies to small start-ups in their complete manufacturing value chain.

We offer state-of-the-art technology backed up by our entrepreneurial culture and highly qualified personnel. Our services include material procurement, prototyping, production ramp-up, serial production, final assembly, testing and logistics.

We have operations in Finland, Estonia, India, the United Kingdom, Slovakia, and Hong Kong and we employ approximately 1,900 people.

Incap's share has been listed on Helsinki Stock Exchange since 1997.

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# 2020

## A YEAR OF MAJOR MILESTONES

**The acquisition and successful integration of AWS Electronics Group was the main event of the year.**

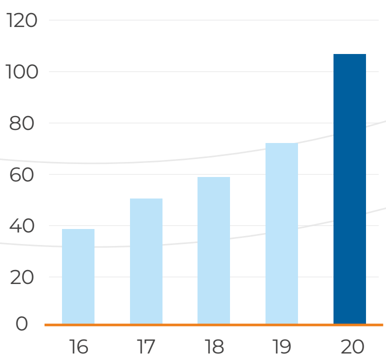
Incap's revenue grew 50% year on year and amounted to EUR 106.5 million (2019: EUR 71.0 million). The revenue growth was mainly related to the AWS Electronics acquisition, but towards the end of the year there was also strong organic growth.

Profitability remained solid. Adjusted operating profit (EBIT) was EUR 14.6 million (EUR 10.8 million) or 13.7% of revenue (15.2%). The strong profitability is a result of good development primarily at the Indian factory but also on synergy effects from the successful integration of AWS.

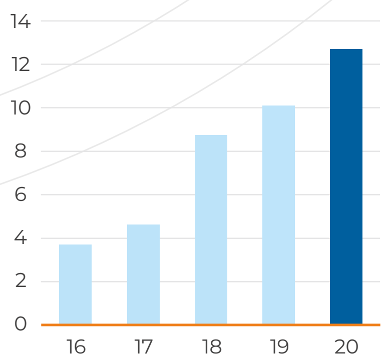
During 2020, Incap invested in a further expansion of its factory in India, new machinery in Slovakia and new assembly lines in Estonia.

In November 2020, Incap successfully implemented a rights issue that enabled strengthening the company's capital structure, balance sheet and financial position.

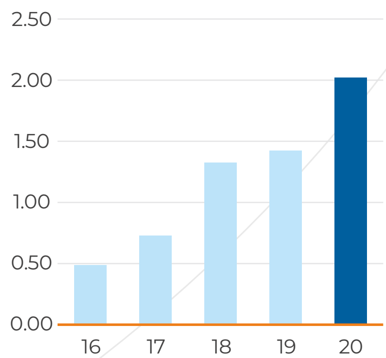
### REVENUE, EUR MILLION



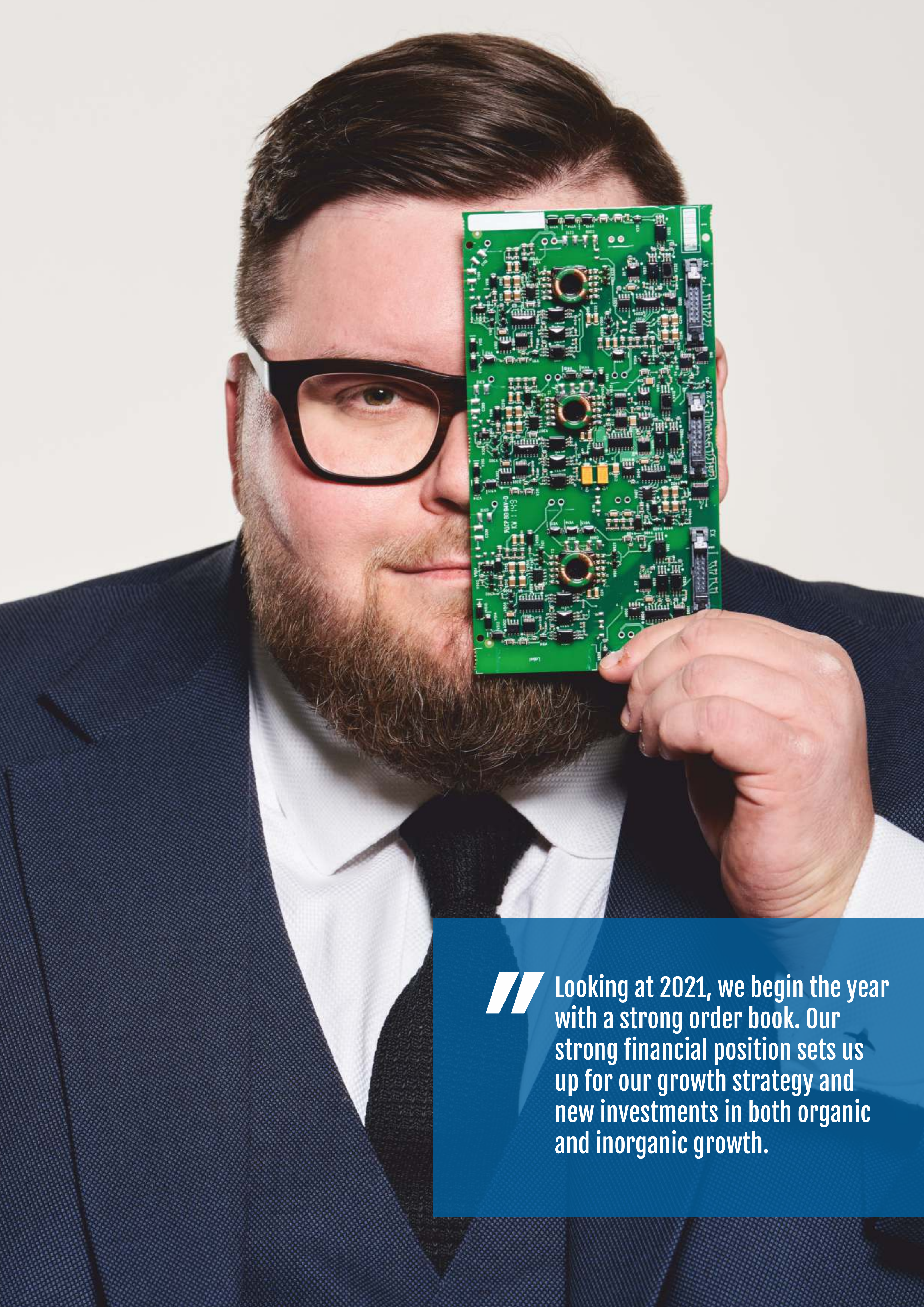

### OPERATING PROFIT (EBIT), EUR MILLION




### EARNINGS PER SHARE (EPS), EUR




| **Key Figures (IFRS)** | | **2020** | **2019** |
|---|---|---|---|
| Revenue | EUR million | 106.5 | 71.0 |
| Operating profit (EBIT) | EUR million | 12.6 | 10.1 |
| share of revenue | % | 11.8 | 14.2 |
| Operating profit before tax | EUR million | 11.5 | 9.7 |
| Profit for the period | EUR million | 9.2 | 6.3 |
| Earnings per share (EPS) | EUR | 2.02 | 1.44 |
| Return on investment (ROI) | % | 34.8 | 43.4 |
| Equity ratio | % | 50.5 | 60.0 |
| Investments | EUR million | 9.5 | 1.1 |
| Personnel at year end | | 1,902 | 834 |



> Looking at 2021, we begin the year with a strong order book. Our strong financial position sets us up for our growth strategy and new investments in both organic and inorganic growth.

# CEO'S REVIEW

## STRONG YEAR FOR INCAP

### OTTO PUKK

President and CEO

For all of us, as companies and individuals, 2020 was 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, have 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.

# OPERATING ENVIRONMENT

**In 2020, market activity continued on a good level despite the pandemic. 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 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 the aging population will also open up opportunities in for instance health care technology. The EMS industry is highly fragmented and offers potential for consolidation.

# BUSINESS REVIEW

## A year of growth

2020 was a year of several milestones for Incap: the acquisition and successful integration of AWS Electronics Group, an oversubscribed rights issue and new investments in capacity at the company's factories.

Revenue grew 50% year on year and amounted to EUR 106.5 million (2019: EUR 71.0 million). The revenue growth was mainly related to the AWS Electronics acquisition, but towards the end of the year there was also strong organic growth. Adjusted operating profit (EBIT) was EUR 14.6 million (EUR 10.8 million) or 13.7% of revenue (15.2%). The strong profitability is a result of good development primarily at the Indian factory but also on synergy effects from the successful integration of AWS.

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.

## ESTONIAN FACTORY

Incap's factory in Kuressaare, Estonia focuses on versatile, technologically advanced, cost-efficient production. The factory is located close to the European markets, serving the company's global customer base. Its geographical location enables quick deliveries to Scandinavian and Central European markets.

The factory specialises in prototypes and pre-series, printed circuit board (PCB) assembly, volume production, box-build final assembly, testing and logistics as well as after-sales services. The services include also controlled production ramp-ups and sourcing and purchasing.

Incap's Estonian factory has been operating since 2000 and covers 7,300 square metres. On 31 December 2020, the factory employed 97 persons.

## INDIAN FACTORY

Incap's Tumkur factory in India specialises in the manufacturing of electronics and box-build products. The focus is on industrial customers such as automation, power generation and telecom companies. Customers represent mainly globally operating electronic device manufacturers, who may be established in Europe but have production facilities in Asia. In addition to the international customers, Tumkur also serves the Indian market.

The factory produces inverters, UPS devices and PCBs for fuel and cash dispensers. Its services include PCB assembly and serial production, final assembly, design and production of prototypes, testing and magnetic assemblies.

Incap started EMS operations in India in 2007. On 31 December 2020, 1,355 people worked in the company's Indian factory. Incap has announced that it will invest in the expansion of its factory in Tumkur. Approximately by the end of 2021, the factory premises will be close to 16,000 square meters.

## FACTORY IN GREAT BRITAIN

Incap's factory in Newcastle-under-Lyme in Great Britain has been serving the defense, security and space industries for over 20 years. The customers include global companies operating in Europe, Asia and North America.

The factory's services include PCB assembly, electromechanical assembly as well as cable and wire harness assemblies. The offering includes also maintenance, repair and overhaul services. The factory has also a separate unit specialising on quick manufacturing of prototypes and pre-series.

The factory has been operational since 1974 and it covers 4,400 square metres. On 31 December 2020, the factory employed 205 people.

## SLOVAKIAN FACTORY

The customers of Incap's factory in Námestovo, Slovakia, are global companies operating in Europe.

The factory's services include special PCB assemblies, volume production and electromechanical assembly. The factory also has a dedicated hall for automotive business.

The Slovakian factory has experience of electronics manufacturing since 2008. The factory covers 5, 200 square meters, and on 31 December 2020, the factory employed 244 people.


"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.

# REPORT OF THE BOARD OF DIRECTORS FOR 2020

Incap Corporation is a trusted partner and full service provider in Electronics Manufacturing Services. As a global EMS company Incap supports customers ranging from large multinationals and mid-sized companies to small start-ups in their complete manufacturing value chain. Incap offers state-of-the-art technology backed up by an entrepreneurial culture and highly qualified personnel. At the end of 2020, Incap had operations in Finland, Estonia, India, the United Kingdom, Slovakia and Hong Kong. The company's revenue in 2020 was EUR 106.5 million, and at the end of 2020, the company employed 1,902 people.

## BUSINESS ENVIRONMENT

In 2020, the overall demand and market activity in the electronics manufacturing services (EMS) industry continued on a good level despite the coronavirus pandemic. Customers continue to be very price-conscious and expect that their manufacturing partners continuously increase their efficiency and stay competitive. In 2020, there were no major changes in the cost level of the components or price pressure. 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 the aging population will also open up opportunities in for instance health care technology. The EMS industry is highly fragmented and offers potential for consolidation.

## REVENUE AND EARNINGS

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, Incap's 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%).

Personnel expenses grew 176% year on year due to the AWS acquisition, amounting to EUR 14.3 million or 13.4% of revenue (EUR 5.2 million, 7.3% of revenue). Other business costs amounted to EUR 4.4 million (EUR 4.0 million). Material costs increased mainly due to increased business volumes caused by the AWS acquisition and amounted to EUR 73.6 million or 69.1% of revenue (EUR 51.0 million equalling 71.8% of revenue).

At the end of 2020, the value of inventories was EUR 24.2 million (end of 2019: EUR 10.8 million).

Net financial expenses amounted to EUR 1.1 million (EUR 0.4 million). Depreciation amounted to EUR 3.3 million (EUR 1.4 million) due to purchase price allocation amortisation relating to the AWS acquisition.

Net profit for the period totalled EUR 9.2 million (EUR 6.3 million). Earnings per share were EUR 2.02 (EUR 1.44).

## 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. The additional purchase price was EUR 0.6 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 was 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.

EUR 6.7 million (EUR 0.0 million) was paid for the acquisition of AWS Electronics Group.

## 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.

## 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).

## 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 Pukk; 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. Business units in Estonia, India, Slovakia and the United Kingdom 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 centrally coordinated by the corporate office in Finland.

## QUALITY ASSURANCE AND ENVIRONMENTAL ISSUES

All of 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 also have 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 issues, if the company has a weighty financial reason to do so, such as developing the company's equity structure, implementing mergers and acquisitions or other restructuring measures aimed at developing the company's business, financing of investments and operations or using the shares as a part of the company's remuneration and compensation system. The Board of Directors would decide upon terms and scope related to share issues.

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.

In 2020, the Board convened 23 times and all Board members attended in all of the meetings.

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 has released a report on the company's corporate governance in compliance with the Securities Market Act as a separate document. The report is also available on 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%).

## 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.

## RELATED-PARTY TRANSACTIONS

In 2020 there were no significant related-party transactions.

## 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.

## NON-FINANCIAL INFORMATION

This non-financial information section of the Report of the Board of Directors is based on Incap's corporate responsibility program, which is described in more details in Incap's Corporate Responsibility Report published in connection with its Annual Report 2020.

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.

As a basis for its corporate responsibility programme, the company has defined 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.

### Description of business operations

Incap provides contract manufacturing services for electronics through its factories and organisation. Incap's services include procurement of materials, prototyping, production ramp-up, serial production, final assembly, testing and logistics. The company's manufacturing expertise covers also the final assembly into a finished product.

Incap's business covers the markets of Europe, North America and the Asia-Pacific region. The company has factories in Estonia, India, the United Kingdom and Slovakia, as well as sourcing operations in Hong Kong. In addition to the actual "from order to delivery" process, Incap's factories are also responsible for making offers and pricing according to the group's instructions. Group management also coordinates sales and procurement. Incap's efficient operating model is based on a decentralised organisation, where the manufacturing units operate independently and in an entrepreneurial spirit. The operating model enables faster decision-making, taking responsibility and agile response to customer needs and shorter lead times for customer products.

### Respect for human rights and anti-corruption measures

Incap complies with the UN Universal Declaration of Human Rights, the UN Global Compact, the International Labour Organization's (ILO's) Declaration on Fundamental Principles and Rights at Work and OECD's Guidelines for Multinational Enterprises.

Incap does not use forced or child labour and the company promotes equal opportunities and diversity. Incap respects the freedom of engagement and the company does not tolerate any kind of harassment or bullying. Incap's business ethics focus on fair competition, zero-tolerance for corruption and bribery, and prevention of money-laundering.

As part of Incap's support and respect for human rights, the company has also implemented a Conflict Mineral Policy. Incap is committed to ensure that its products and processes do not contain Conflict Minerals as defined by EU's Conflict Minerals Regulation and Section 1502 of the US Dodd-Frank Act regarding Conflict Minerals.

In 2020, there were no reported incidents of violation of the above-mentioned laws, regulations or principles.

Respect for human and labour rights as well as anti-corruption principles are included in the Code of Conduct. The aim is that all Incap's employees will receive Code of Conduct training during 2021. Incap requires also its suppliers to adhere to the principles described in Incap's Supplier Code of Conduct.

**Social responsibility**

Incap's social responsibility emphasises the well-being of employees and fair and ethical behaviour towards all stakeholders. Incap provides its employees equal opportunities and possibilities for further development. Incap wants to actively contribute to the sustainable development of its local communities.

Incap's Code of Conduct defines the ethical practices as well as fundamentals for fair treatment and conditions both internally and towards external stakeholders. It outlines how Incap's employees are expected to behave in their daily work and sets out the principles that help them make ethically sound decisions.

Incap strives to provide a safe and healthy workplace for all employees and takes adequate steps to prevent accidents and injuries. Incap expects everyone to respect and follow health and safety laws and regulations and to report all incidents, near miss cases, or health and safety risks. The goal is zero hazards. In 2020, there were zero reported work-related injuries.

In 2020, 100% of our workers in Estonia and Slovakia were covered by Occupational Health and Safety management system certified according to the ISO 45001 Standard. The company's target is to certify also the Indian and UK factory operations during 2021.

Developing personnel, promoting career paths and providing training opportunities play an important role in ensuring motivation and wellbeing of Incap's employees. Incap arranges a broad range of training opportunites for its employees ranging from introductory training to process improvement and management related training. Due to COVID-19 pandemic, the opportunities for arranging and participating in training programs were limited in 2020 and the training hours per employee reduced from the previous year.

**Environmental responsibility**

Incap is committed to operating in an environmentally friendly and responsible manner. In its operations, Incap focuses on efficient and sustainable use of resources and materials, which is achieved through continuous improvements of recycling rates, waste management and energy intensity.

To meet this commitment, Incap has implemented an Environmental Management System (EMS) certified in accordance with ISO 14001 requirements. Incap also complies with all relevant legal requirements to prevent pollution and reduce consumption of natural resources and materials. Incap's aim is to continuously develop and improve its processes to protect and preserve the environment.

In 2020, no violations of environmental laws or regulations were identified in Incap's operations.

To ensure efficient use of resources and minimise waste, Incap optimises the use of all raw materials as part of its manufacturing. The focus is on improving recycling rates and waste management, which can be achieved by reducing waste of raw materials and line rejections. The recycling rate for hazarduous waste was 100% in 2020 and the recycling rate for non-hazarduous waste improved from the previous year.

Incap strives to improve its energy intensity by reducing its energy consumption. This can be achieved by using modern technology and data, energy-efficient equipment, and through smart material flow and logistics. In 2020, the energy intensity of Incap's operations decreased and was 62 MWh/MEUR (105 in 2020).

## 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. The 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 the 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). 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 the company´s judgment, the 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.

## OUTLOOK FOR 2021

Incap estimates that the revenue and the adjusted operating profit (EBIT) in 2021 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.

## 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

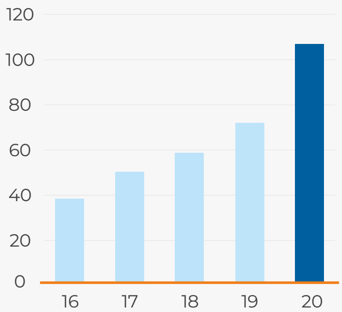
The Annual General Meeting of Incap Corporation is scheduled to be held on Tuesday, 27 April 2021 in Helsinki. The notice to the Annual General Meeting will be published at a later date.

In Helsinki, 24 March 2021

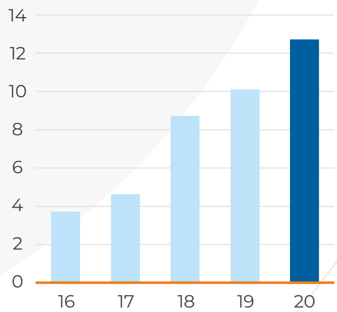
Incap Corporation
Board of Directors

# KEY FIGURES

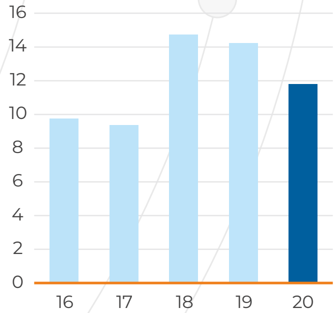
### REVENUE, EUR MILLION



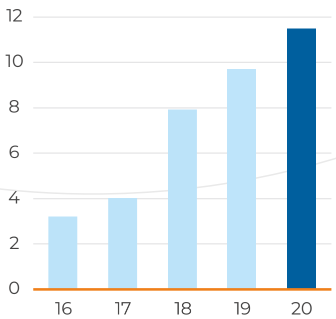

### OPERATING PROFIT (EBIT), EUR MILLION



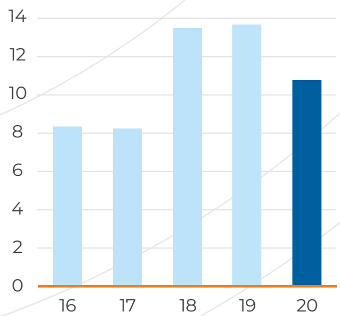

### OPERATING PROFIT (EBIT), % OF REVENUE



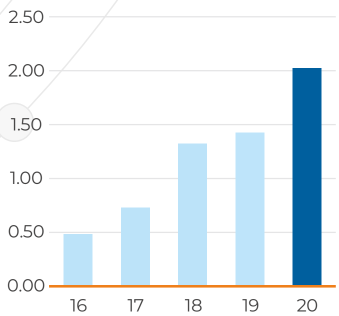

### PROFIT BEFORE TAX, EUR MILLION



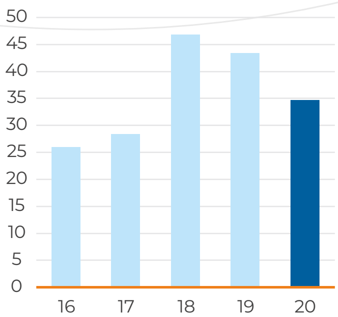

### PROFIT BEFORE TAX, % OF REVENUE



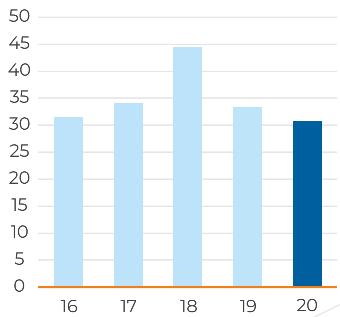

### EARNINGS PER SHARE (EPS), EUR



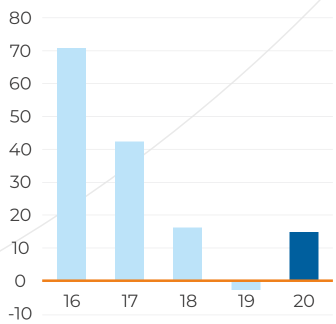

### RETURN ON INVESTMENT (ROI), %



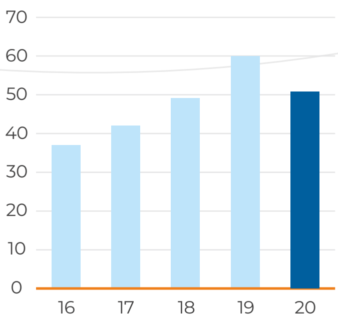

### RETURN ON EQUITY (ROE), %



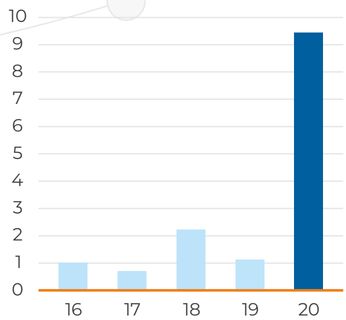

### NET GEARING, %



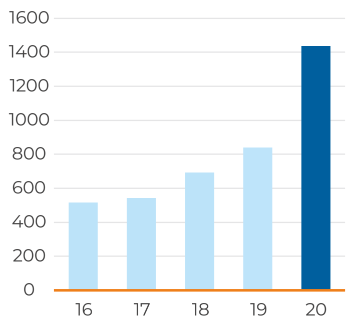

### EQUITY RATIO, %




### INVESTMENTS, EUR MILLION




### AVERAGE NUMBER OF PERSONNEL



> Incap's revenue grew 50% year on year and amounted to EUR 106.5 million in 2020.

# CONSOLIDATED INCOME STATEMENT

| 1 000 euros | Note | 1 Jan-31 Dec 2020 | 1 Jan-31 Dec 2019 |
|---|---|---|---|
| | | | |
| Revenue | 3 | 106,494 | 71,022 |
| Other operating income | 4 | 1,062 | 1,004 |
| Changes in inventories of finished goods and work in progress | 5 | 723 | -408 |
| Raw materials and consumables used | 5 | 73,617 | 50,987 |
| Personnel expenses | 8 | 14,315 | 5,178 |
| Depreciation and amortisation | 7 | 3,347 | 1,384 |
| Other operating expenses | 6 | 4,406 | 3,983 |
| **Operating profit** | | **12,594** | **10,086** |
| | | | |
| Financial income and expenses | 9 | -1,086 | -422 |
| **Profit before tax** | | **11,508** | **9,664** |
| | | | |
| Income tax | 10 | -2,290 | -3,390 |
| **Profit for the year** | | **9,218** | **6,274** |
| | | | |
| **Consolidated statement of comprehensive income** | | | |
| | | | |
| **Other comprehensive income:** | | | |
| Items that are not transferred to the statement of income | | | |
| Revaluation of employee benefits | | -14 | -34 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Translation differences from foreign units | | -2,965 | -95 |
| Other comprehensive income, net | | -2,980 | -128 |
| | | | |
| **Total comprehensive income** | | **6,239** | **6,146** |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the parent company | | 6,239 | 6,146 |
| | | | |
| **Earnings per share from profit for the year attributable to equity holders of the parent** | | | |
| | | | |
| Basic earnings per share | 11 | | |
| Earnings per share | | 2.02 | 1.44 |
| | | | |
| Diluted earnings per share | 11 | | |
| Earnings per share | | 2.02 | 1.44 |
| | | | |
| Average number of shares: | | | |
| basic | | 4,565,015 | 4,365,168 |
| diluted | | 4,570,745 | 4,365,168 |

# CONSOLIDATED BALANCE SHEET

| 1 000 euros | Note | 1 Jan-31 Dec 2020 | 1 Jan-31 Dec 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 6,825 | 4,853 |
| Right-of-use assets | 12 | 4,584 | 2,463 |
| Goodwill | 13 | 7,086 | 894 |
| Other intangible assets | 13 | 4,640 | 13 |
| Other financial assets | 14 | 4 | 4 |
| Deferred tax assets | 15 | 744 | 147 |
| Other receivables | 17 | 205 | 203 |
| **Total non-current assets** | | **24,087** | **8,576** |
| **Current assets** | | | |
| Inventories | 16 | 24,176 | 10,845 |
| Trade and other receivables | 17 | 24,202 | 10,891 |
| Cash and cash equivalents | 18 | 3,899 | 6,163 |
| **Total current assets** | | **52,278** | **27,899** |
| **Total assets** | | **76,365** | **36,475** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders of the parent** | 19 | | |
| Share capital | | 1,000 | 1,000 |
| Exchange differences | | -4,629 | -1,664 |
| Unrestricted equity reserve | | 21,491 | 11,028 |
| Retained earnings | | 20,719 | 11,519 |
| **Total equity** | | **38,580** | **21,883** |
| **Non-current liabilities** | | | |
| Non-Interest-bearing liabilities | 24 | 1,619 | 1,619 |
| Interest-bearing liabilities | 23 | 6,103 | 2,333 |
| Deferred tax liabilities | 15 | 881 | 0 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | 25,494 | 7,405 |
| Interest-bearing loans and borrowings | 23 | 3,687 | 3,234 |
| **Total liabilities** | | **37,785** | **14,592** |
| **Total equity and liabilities** | | **76,365** | **36,475** |

# CONSOLIDATED CASH FLOW STATEMENT

| 1 000 euros | Note | 1 Jan-31 Dec 2020 | 1 Jan-31 Dec 2019 |
|---|---|---|---|
| | | | |
| **Cash flow from operations** | | | |
| Operating profit, in total | | 12,594 | 10,086 |
| Adjustments to operating profit | 27 | 3,667 | 1,431 |
| Change in working capital | | -7,850 | -1,260 |
| Interest paid | | -954 | -407 |
| Interest received | | 5 | 2 |
| Tax paid and tax refund | | -2,752 | -2,537 |
| **Cash flow from operations** | | **4,709** | **7,315** |
| | | | |
| **Cash flow from investing activities** | | | |
| Capital expenditure on tangible and intangible assets | | -2,793 | -1,123 |
| Acquisitions | 2 | -6,679 | - |
| **Cash flow from investing activities** | | **-9,471** | **-1,123** |
| | | | |
| **Cash flow from financing activities** | | | |
| Share issue | 19 | 10,913 | - |
| Share issue transaction costs | 19 | -563 | - |
| Drawdown of loans | | 14,456 | 3,507 |
| Repayments of loans | | -20,693 | -5,895 |
| Right-of-use asset payments | 28 | -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 |
| Effects of changes in exchange rates | | -428 | 27 |
| **Cash and cash equivalents at end of period** | 18 | **3,899** | **6,163** |

# CONSOLIDATED STATEMENT IN CHANGES OF EQUITY

| 1 000 euros | Share capital | Unrestricted equity reserve | Translation differences | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Equity at 1 January 2020** | **1,000** | **11,028** | **-1,664** | **11,519** | **21,883** |
| Total comprehensive income | | | | 9,218 | 9,218 |
| Currency translation differences | | | -2,965 | | -2,965 |
| Transactions with the owners[1] | | 10,463 | | 32 | 10,494 |
| Other changes[2] | | | | -51 | -51 |
| **Equity at 31 December 2020** | **1,000** | **21,491** | **-4,629** | **20,719** | **38,580** |

| 1 000 euros | Share capital | Unrestricted equity reserve | Translation differences | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Equity at 1 January 2019** | **1,000** | **11,028** | **-1,569** | **5,279** | **15,738** |
| Total comprehensive income | | | | 6,274 | 6,274 |
| Currency translation differences | | | -95 | | -95 |
| Other changes[2] | | | | -34 | -34 |
| **Equity at 31 December 2019** | **1,000** | **11,028** | **-1,664** | **11,519** | **21,883** |

[1] Information on transactions with the owners is presented in Note 19
[2] Information on Other changes is presented in Note 19


In August 2020, we announced a further expansion of our factory in India.

> "A major milestone of our growth strategy in 2020 was the acquisition and successful integration of AWS Electronics Group.

# ACCOUNTING PRINCIPLES APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

## BASIS OF PREPARATION

These Incap Group financial statements have been prepared in accordance with International Financial Reporting Standards in conformity with the IAS and IFRS standards and SIC and IFRIC interpretations in force at the balance sheet date, 31 December 2020. The notes to the consolidated financial statements also comply with Finnish accounting and company legislation.

The financial statements in the official compiled version are presented in unabbreviated form to an accuracy of two decimals. In the Annual Report, the financial statement data is presented in thousands of euros.

The preparation of financial statements in accordance with IFRS calls for the making of certain estimates by Group management as well as for management's judgement in applying accounting policies. The estimates having the greatest effect on the financial statement figures are presented in the note "Accounting policies requiring management's judgement and key sources of estimation uncertainty."

## ACQUIRED BUSINESSES

Business combinations are accounted by applying the acquisition method. The acquisition costs are recognised as an aggregate of the consideration transferred measured at the acquisition-date fair value and the amount of any non-controlling interest in the acquiree. For each business combination the group elects, whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed in profit or loss in the periods in which they are incurred, and the services are received.

When the group acquires a business, it classifies and designates the liquid assets and liabilities assumed based on the contractual terms, economic conditions and other pertinent conditions as they exist at the acquisition date.

A potential contingent consideration is recognized at the acquisition-date fair value. The contingent consideration classified as an asset or a liability, meeting the criteria of a financial instrument in accordance with IFRS 9, is measured at fair value at each reporting date and changes are recognized in profit or loss. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with other applicable IFRS standard. A contingent consideration classified as an equity instrument is not to be remeasured and its subsequent measurement will be accounted for within equity.

The goodwill is initially measured at acquisition cost, which is proportionate to the amount, for which the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree exceed the proportionate share of the recognized identifiable net amount of the acquired assets and liabilities assumed. If the fair value of the acquired identifiable net assets exceeds the aggregate consideration transferred, the group reassesses whether it has correctly identified all of the acquired assets and liabilities assumed, and review the procedures used to measure the amounts to be recognised at the acquisition date. If the fair value of the net assets, even after reassessment, exceeds the aggregate consideration transferred, the profit is recognised in profit or loss.

After the initial recognition, the goodwill is measured at amortised cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

When goodwill is allocated to the cash-generating unit and a portion of the unit's business is disposed, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. In these situations, the goodwill is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

## TRANSLATION OF ITEMS DENOMINATED IN FOREIGN CURRENCY

### Separate companies

Transactions denominated in foreign currency are recorded in the functional currency using the exchange rate on the date of the transaction. Balance sheet items denominated in foreign currency are translated to the functional currency using the exchange rates at the balance sheet date.

Gains and losses resulting from transactions denominated in foreign currency and the translation of balance sheet items are recorded in the income statement. Exchange gains and losses resulting from operations are recorded under the corresponding items above operating profit. Exchange gains and losses resulting from loans denominated in foreign currency are recorded under financial income and expenses.

### Group

Figures relating to the profit and financial position of Group units are measured in the main functional currency of each unit. The Incap Group's financial statements are presented in euros, which is the functional and presentation currency of the Group's parent company.

The income and expense items in the income statements of foreign Group companies have been translated to euros using the average exchange rate during the year, and their balance sheets using the exchange rates at the balance sheet date. The translation of the profit for the financial year using different exchange rates in the income statement and the balance sheet results in an exchange difference, which is recorded as translation differences in the consolidated statement of comprehensive income. The exchange differences arising from the elimination of the acquisition cost of foreign subsidiaries and equity items accumulated after the acquisition are recorded as translation differences in the consolidated statement of comprehensive income.

**Currency rates used in consolidation 31 Dec 2020**

| 31 Dec 2020 | EUR/INR | USD/INR | EUR/GBP | EUR/HKD | EUR/USD |
|---|---|---|---|---|---|
| Average exchange rate during the year 2020 | 84.5684 | 74.0996 | 0.8892 | 8.8517 | 1.1413 |
| Exchange rate on 31 Dec 2020 | 89.7931 | 73.0536 | 0.8990 | 9.5142 | 1.2271 |

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at original cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated using the straight-line method over their estimated useful life. The estimated useful lives of assets are the following:

- Buildings 18–24 years
- Machinery and Equipment 3–10 years
- Motor Vehicles 3–5 years

According to the IFRS 16 Leases standard, right-of-use assets are depreciated on a case by case basis based on the length of each lease contract period.

The residual value of assets and their useful lives are reviewed at each balance sheet date and, if necessary, are adjusted to reflect changes that have occurred in the expectations for an asset's economic benefits.

Subsequent costs are included in the carrying amount of an item of property, plant and equipment only when it is probable that future economic benefits from the asset will flow to the Group. Other repair and maintenance expenses are recognised as an expense as they arise.

Depreciation of an item of property, plant and equipment ceases when the asset is classified as for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Non-current assets held for sale are measured at the lower by carrying amount or by the fair value less the selling expenses. Depreciations on assets held for sale have been ceased at the date of classification.

Capital gains and losses on the retirements and disposals of property, plant and equipment are recorded either in other operating income or expenses.

## BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred.

## GOVERNMENT GRANTS

Government grants are recognised, when there is reasonable assurance that the grant is received and that the Group will comply with the attached conditions. Government grants are recognised in profit or loss on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised in profit or loss on a straight-line basis over the useful life of the asset.

## INTANGIBLE ASSETS

Goodwill is the proportion of the acquisition cost which exceeds the Group's share of the fair value, at the date of acquisition, of the net asset value of a company acquired after 1 January 2004. Other costs directly attributable to an acquisition are also included in the acquisition cost.

Goodwill and other intangible assets with an indefinite useful life, such as the value of customer relationships, are not amortised but are tested annually for any impairment. The testing involves the allocation of goodwill to units generating cash flow and the measurement at cost less impairment losses. Research and development expenditure is recorded as an expense in the income statement.

An intangible asset is recorded in the balance sheet only if the cost of the asset can be determined reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity. Intangible assets are recorded in the balance sheet at cost and amortised in the income statement over their known or estimated useful life.

Incap Group's purchase price allocation related intangible assets are amortised following way, customer relationships over 12 years, orderbook in 1 year and inventory in 6 months.

## INVENTORIES

Inventories are measured at the lower of acquisition cost or net realisable value. Cost is determined using the weighted average cost method. The cost of finished and semi-finished products comprises raw materials, direct labour expenses, other direct expenses as well as fixed and variable production overheads, based on the normal capacity of the production facilities.

The net realisable value is the estimated selling price of the asset less the estimated costs incurred in bringing the product to its present condition and selling expenses. The company is evaluating annually the inventory realisable and usable value and is making write-downs if required.

## LEASES

### The Group as lessee

Incap is operating as a lessee. The Group leases e.g. office premises and production machinery. The lease contracts are mainly fixed-term agreements for which the lease-term ends within 5 years of the date of the initial application. For the lease agreements for which the lease-term can be terminated within 12 months of the date of the initial application, the group applies the exceptions in IFRS 16 -standard relating to short-term leases. Additionally, the group applies the exceptions in IFRS 16 relating to leases for which the underlying assets is of low value.

Many of the Group's lease contracts include extension and termination options. In assessing whether to exercise these options, the group applies judgements by considering all the factors, which have an impact on the economic benefit received by the group from extension or termination of a contract. Fixed-term contracts, which have an extension option to continue on current contract terms without separate notification from the lessee, are assessed to end at the end-date of the initial fixed lease term.

The Group recognises a right-of-use asset from the lease contracts and a lease liability from the lease payments. The group utilizes the short-term and low value lease exemptions for lease contracts and recognises these as expenses in other operating expense. The lease contracts as presented as depreciation and interest expense in profit or loss.

## IMPAIRMENT

At each balance sheet date, the Incap Group assesses whether there is any indication that the value of an asset item may be impaired. If any such indication exists, the asset item is tested for impairment to assess its recoverable amount. Impairment testing is done at the lowest possible unit level which is independent of other units and whose cash flows can be distinguished from the other cash flows of the entity.

An impairment loss is recorded when the carrying amount of an asset item is greater than its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. Value in use refers to the estimated discounted cash flows obtainable from referred asset item or cash-generating unit.

An impairment loss is recognised in profit or loss. If an impairment loss is allocated to a cash-generating unit, it is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and thereafter to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss is reversed if the recoverable amount of the asset has changed since the last impairment loss was recognised. An impairment loss is not, however, reversed to an extent greater than what the carrying amount of the asset would have been without the recording of the impairment loss.

Incap Group's goodwill is tested annually. An impairment loss recorded on goodwill is not reversed under any circumstances.

## EMPLOYEE BENEFITS

### Pension obligations

Incap Group's pension plans are classified as defined-benefit and defined-contribution plans. Payments made for defined contribution plans are recognised as an expense in the income statement for the period which the debit concerns. The obligations of defined-benefit plans concerning the Indian unit are calculated separately for each plan using the projected unit credit method. Pension costs are recorded as an expense for the duration of employees' period of service on the basis of actuarial calculations carried out by authorised actuaries.

## SHARE-BASED PAYMENT

Incap Group has applied IFRS 2 Share-based Payment to all share option plans. Warrants are measured at fair value at the time they are granted and entered as an expense in the income statement in even instalments during the vesting period. The expense determined at the moment of granting the options is based on the Incap Group's estimate of the number of options that will vest at the end of the vesting period. The fair value is determined on the basis of the Black-Scholes pricing model for share options.

The Incap Group updates the estimate of the final number of share options at each balance sheet date. Changes in the estimates are recorded in the income statement. When granted share options are exercised, the cash payments received on the basis of share subscriptions (adjusted for any transaction expenses) are recognised in equity and invested non-restricted equity reserve.

The expense from equity-settled share-based payment transactions is measured with a grant date fair value for rewards by using an appropriate model. The expense is recognised as an employee benefit expense and as a corresponding increase in the equity (other equity funds) within the period when the service is received, and if applicable, when the settlement conditions are fulfilled (within the vesting period). The cumulative expense of the equity-settled share-based payment transactions at each reporting date, within the vesting period, reflects the amount, that is based on Group's best estimate of the share-based payment arrangements that existed at any time during the reporting period and are expected to vest. The expense during the reporting period is recognised in profit or loss, and it reflects the amount of cumulative change during the beginning and the end of the period.

Service conditions or non-market performance conditions are not recognised in the grant date fair value but the probability of meeting the vesting conditions is assessed based on the best available estimate of the total number of equity instruments that will vest. Market conditions are taken into account in the grant date fair value. All other terms and conditions, which relate to the share-based payment, but which do not include a performance condition, are considered as non-vesting conditions. Non-vesting conditions are included the fair value of the share-based payment and are recognised immediately as expenses, unless they include an additional service or performance condition.

The expense is not recognised, if the share-based payment does not vest due to a failure to fulfill non-market vesting conditions. When the payment involves a market condition or non-vesting condition, the transactions and rights are considered to be vested regardless of the fact, whether the market conditions or no-vesting conditions are fulfilled irrespective of whether all other vesting conditions and/or performance conditions are satisfied.

If the terms of equity-settled share-based payments are modified, the minimum recognised expense comprises of grant date fair value based on unmodified terms, provided the specified vesting conditions of the original terms are met. An additional expense, that increases the total fair value of the share-based payment arrangement or are otherwise beneficial to the employee, is recorded at the date of the modification. If the share-based payment transaction is cancelled, the net fair value of the cancellation or settlement is recognised immediately

## PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that a payment obligation will be realised and the amount of the obligation can be estimated reliably. Provisions are measured at the present value of the obligation.

## INCOME TAXES

Income tax in the income statement comprises taxes on taxable income for the period and deferred taxes. Taxes on the profit for the financial year are calculated on taxable income on the basis of the tax rate in force in each country. Taxes are adjusted for taxes for previous periods.

Deferred taxes have been calculated by applying the tax rates in force by the balance sheet date.

A tax asset is recognised to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilised.

## REVENUE RECOGNITION

### Goods sold and services rendered

Revenue recognition from the sale of goods is recorded according to the IRFS 15 standard when customer obtains control of the goods in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. IFRS 15 standard requires comprehensive disclosures about the contracts with customers. Incap has adapted at required effective date using the Modified Approach. Incap performed a rather extensive analysis of customer contracts which are very similar and company has identified only one type of revenue flow. Revenue recognition occurs when customer obtains control of good at a given moment of time. IFRS 15 had no impact on revenue recognition or business practise. Compared to the earlier practise customers obtain control of goods with same manner and there are no changes revenue recognition practise. Existing customer contracts have no obligations of after marketing, installation, maintenance or any other performance obligations that customer could benefit on stand-alone basis.

### Discontinued operations

There were no discontinued operations in the financial years 2020 and 2019.

## FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Incap's financial assets are classified to financial assets at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss. The classification is based on the group's business model for holding the financial assets and on the contractual cash flows characteristics of the financial assets. Transaction costs are included to the initial recognition value of the financial assets, when the financial instrument is not classified to be measured at fair value through profit or loss. All transactions in relation to financial assets are recognised at trade date.

Financial asset is classified to be measured at amortised cost, if the business model of holding the financial asset is for collection of contractual cash flows, and the cash flows from financial asset occur on specific dates as specified by the contract terms and conditions, which are solely payments of principal and interest for remaining principal. Financial assets classified at amortised cost by the group include loan receivables, trade and other receivables, deposits and cash and cash equivalent. Trade receivables do not include significant financing components and they are measured at transaction cost in accordance with IFRS 15.

Financial assets are de-recognised, when the Group's rights to contractual cash flows expire or when it has transferred substantially all of the risks and rewards of the ownership of the financial asset outside the Group.

The Group does not have financial instruments classified to be measured at fair value.

The Group's financial liabilities are mainly relating to consideration payable for business acquisitions, trade and other payables, and bank loans. Financial liabilities are initially recognised at fair value, which is the amount of cash received less any directly attributable transaction costs. After initial recognition, the financial liabilities are subsequently measured at amortised cost. Financial liabilities are included to both long-term and short-term liabilities, and they can be interest-bearing or non-interest-bearing liabilities.

Financial liabilities are de-recognised, when the contractual obligation is discharged, cancelled or it expires.

Cash and cash equivalents consist of cash, bank deposits that can be drawn on demand and other short-term, highly liquid investments. Items classified as cash and cash equivalents have a maximum maturity of three months from the date of acquisition.

## IMPAIRMENT OF FINANCIAL ASSETS

The increase of credit risk is assessed at each reporting date for financial assets at amortised cost. The applied method is determined based on a potential increase in the credit risk. When credit risk has not notably increased, the credit loss provision is based on a 12-month expected credit losses.

The Group estimates on a case-by-case basis at each reporting date, whether there is any objective evidence that its financial asset or a class of financial asset is impaired. The factors causing impairment may include i.e. counterparty's economic difficulties.

The assessment of the Group's credit loss provision is based on a lifetime expected credit losses from trade receivables in accordance with IFRS 9. The Group has not previously recognised material credit losses. The recognition of expected credit losses from trade receivables is based on historical credit losses. The expected credit losses are measured by multiplying the balance of unpaid trade receivables by the expected credit loss rate for each ageing category.

## ACCOUNTING POLICIES REQUIRING MANAGEMENT'S JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When financial statements are prepared, future scenarios and assumptions have to be made, the outcomes of which may differ from the original scenarios and assumptions. Judgement is also used in applying the accounting policies. In the consolidation of business operations, the Group has used external consultants when assessing the fair values of property, plant and equipment and intangible assets. Concerning property, plant and equipment, Incap has made comparisons with the market prices of similar products and assessed any impairment resulting from the age and wear of the assets and other similar factors affecting them. The determination of the fair value of intangible assets is based on estimates of cash flows related to the assets. It is the view of the management that the estimates and assumptions used are sufficiently accurate as a basis for the determination of fair value. The Group furthermore examines any indications of impairment on property, plant and equipment and intangible assets at least at every balance sheet date.

Estimates made in connection with the preparation of the financial statements are based on management's best knowledge at the balance sheet date. The estimates take into account previous experiences and assumptions which concern the future, are considered the most probable at the balance sheet date and are related to the expected development of the Group's financial operating environment in terms of sales and cost levels. The management's judgement and estimates have been used when testing goodwill and deferred tax assets. Changes are monitored on a regular basis using internal and external information sources, and potential changes in estimates and assumptions are recorded during the financial year when they are revised, and during all financial years thereafter.

The Group continuously assesses and monitors the amount of financing required for business operations so that the Group would have sufficient liquid assets to finance its operations and repay loans that mature.  The aim is to guarantee the availability and flexibility of financing through overdraft facilities and other forms of financing.

In order to evaluate liquidity, Incap has prepared a 12-month cash flow estimate that is based on the Group's budget for 2021. Based on the cash flow estimate Incap does have sufficient working capital for the company's needs for the forthcoming 12 months.

Because the forecasts that form the basis of the cash flow calculation have previously deviated from the forecasts, there is an element of uncertainty associated with them.

### Impairment testing

Incap Group tests goodwill for impairment annually. The testing is based on a cash flow estimate prepared on the basis of the budget and the business plan for forthcoming four-year period ratified by the management. Discount rate after taxes, forecast operating profit before depreciation and change in working capital are used as the key factors. The discount rate is comprised of industry risk, interest on liabilities and country-specific risk. The discount rate factors are updated annually in connection with the testing using information received from the market. On the basis of the calculations, there are no indications of impairment of goodwill and other intangible assets with an indefinite useful life. This has been verified in calculations concerning recoverable amount.

The recoverable amounts used in the impairment test calculations are determined on the basis of value in use. The cash flow forecasts are based on the budget for the next financial period and four-year business plan prepared by the management and approved by the Board of Directors.

The impairment of other assets is evaluated annually as described above under Impairment. The recoverable amounts of cash-generating units have been determined by way of calculations based on the value in use. These calculations require the use of estimates.

### Deferred tax asset

Deferred tax assets and liabilities are recognized using the liability method for all temporary differences arising from the difference between the tax basis of assets and liabilities and their carrying values for IFRS reporting purposes. Deferred tax is not recognized for non-deductible goodwill and for differences in investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax assets have been recognized to the extent that is considered to be possible to utilize against future taxable income. The deferred tax asset is based on the Board of Directors' estimate of the company's future development during the next five years and the resulting imputed taxable profit.

### Segment information

The Incap Group does not have business or geographical segments which should be reported according to IFRS 8. The risks and profitability related to the Group's different business and geographical areas do not differ significantly from each other. The company's management regularly assesses future changes and, consequently, the possible formation of segments.

### Application of new or amended IFRS standards

The Group has taken into consideration the new standards and interpretations published during the period by the IASB and will introduce them in future accounting periods as they enter into force. The Group estimates that the new standards and interpretations will not have a material effect on the Group's financial statements in coming years.

> At the end of the year, 444 of Incap's personnel were women (141) and 1,458 were men (693).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. NON-CURRENT ASSETS HELD FOR SALE

There were no sales of business operations in the Group in 2020 and 2019.

## 2. ACQUIRED OPERATIONS

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. The company’s figures have been included in Incap Group’s reporting as of 23 January 2020.

AWS Electronics Group is a contract manufacturer of high complexity electronics and the company has production facilities in the UK and Slovakia. The headquarters is based in the U.K. and the company has been privately owned. The number of personnel was 436 In the financial year ended on June 30, 2019. The former owners of the company, Paul Deehan and Adrian Keane, are committed to support Incap over the transition period.

The acquisition balances Incap’s customer portfolio both in numbers and industrial segments. 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.

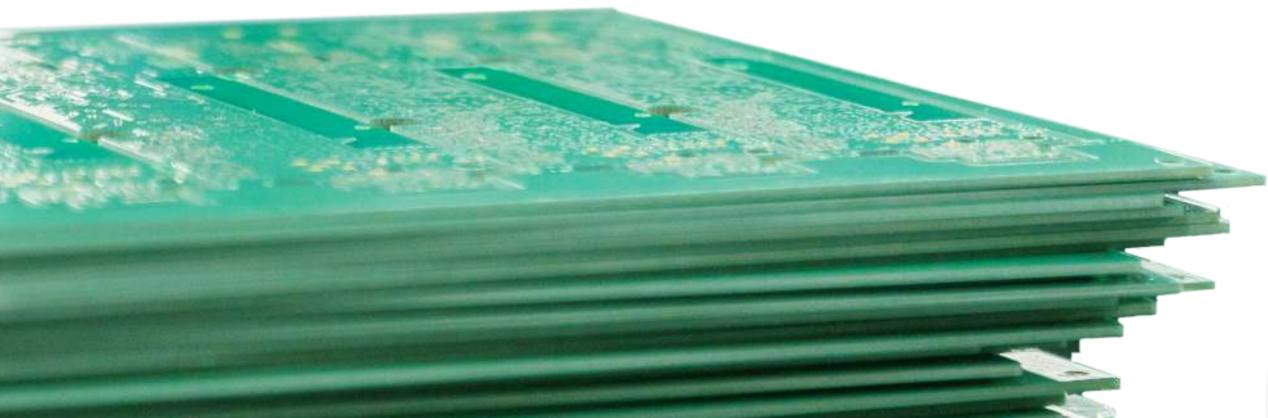
The debt-free purchase price was EUR 15.9 million, and the possible earn-out will not exceed EUR 1.5 million which is based on 2020 EBITDA of AWS. In connection with the acquisition, Incap paid AWS Electronics Group’s debts and a warrant. The acquisition was financed with a loan of EUR 13 million and paid in cash, with the exception of an instalment of EUR 0.7 million to be paid in Incap shares. The consideration paid for the transaction consists of a EUR 6.7 million cash consideration, the instalment paid in shares and realised earn-out of EUR 0.6 million. The earn-out and the instalment which will be paid in Incap shares, are booked in parent company´s balance sheet as current non-interest bearing loan.

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. In the initial calculations, earn-out was estimated to realize in EUR 0.6 million. 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 taxdeductible. 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. Incap has booked EUR 0.1 million transaction costs as non-recurring items.

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.

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.



## 2. ACQUIRED OPERATIONS

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

| | |
|---|---|
| Purchase price consideration (EUR thousands): | |
| Paid in cash | 6,679 |
| Instalment in shares | 711 |
| Earn-out | 643 |
| Total | **8,032** |

| **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 | 7,827 |
| Trade and other receivables | 7 809 |
| Total current assets | **15,635** |
| | |
| **Total assets** | **24,114** |

| **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 | 10,918 |
| Current interest-bearing loans and borrowings | 3,166 |
| Total current liabilities | **14,084** |
| | |
| **Total liabilities** | **22,656** |
| | |
| Total identifiable net assets | 1,459 |
| Goodwill | 6,643 |
| **Acquired net assets** | **8,102** |

Earn-out amount has been reduced on 31.12.2020 to a level which is in line with EBITDA based trigger. The effect was EUR 38,082.65 which is booked in financial income and expenses.

| **Analysis of acquistion cash flows** | |
|---|---|
| Cash payment (cashflow from investing activities) | 6,679 |
| Acquisition transaction costs in 2019 (cash flow from operations) | 690 |
| Acquisition transaction costs in 2020 (cash flow from operations) | 14 |
| Acquisition transaction costs (cash flow from financing activities) | 37 |

## 3. REVENUE

| | 1 Jan-31 Dec 2020 | 1 Jan-31 Dec 2019 |
|---|---|---|
| Revenue from the sale of goods | 106,494 | 71,022 |
| | **106,494** | **71,022** |

| **Geographic division of external customers' revenue** | **1.1.-31.12.2020** | **1.1.-31.12.2019** |
|---|---|---|
| Europe | 78,418 | 46,844 |
| North-America | 10,574 | 10,315 |
| South-America | 15 | 0 |
| Asia | 8,297 | 8,239 |
| Africa | 4,849 | 3,143 |
| Australia | 4,342 | 2,481 |
| | **106,494** | **71,022** |

The Group has one customer, whose revenue exceeds 10% of the Group's revenue. The combined share of the customer out of the Group's revenue is approximately 43%.

## 4. OTHER OPERATING INCOME

| | 1 Jan-31 Dec 2020 | 1 Jan-31 Dec 2019 |
|---|---|---|
| Export incentive from Indian government | 819 | 983 |
| Grants | 159 | 0 |
| Net gains on the disposal of property, plant and equipment | 6 | 15 |
| Unrealized unemployment security deductible | 51 | 0 |
| Other income | 27 | 7 |
| | **1,062** | **1,004** |

## 5. RAW MATERIALS AND SERVICES

| **Raw materials and consumables** | **1 Jan-31 Dec 2020** | **1 Jan-31 Dec 2019** |
|---|---|---|
| Purchases during the financial year | 79,129 | 50,332 |
| Change in inventories | -5,537 | 492 |
| | **73,592** | **50,824** |
| | | |
| External services | 26 | 164 |
| | **73,617** | **50,987** |

## 6. OTHER OPERATING EXPENSES

| | 1 Jan-31 Dec 2020 | 1 Jan-31 Dec 2020 |
|---|---|---|
| Lease expenses | 121 | 6 |
| Operating and maintenance expenses for property and machinery | 376 | 327 |
| Other expenses | 3,908 | 3,650 |
| | **4,406** | **3,983** |

| **Auditors' fees** | **1 Jan-31 Dec 2020** | **1 Jan-31 Dec 2020** |
|---|---|---|
| Auditing fees, EY | 123 | 114 |
| Auditing fees, non EY | 67 | 0 |
| Certificates and statements | 12 | 0 |
| Tax advice | 1 | 2 |
| Other services | 2 | 2 |
| | **330** | **118** |

## 7. DEPRECIATION AND AMORTISATION

| | 1 Jan-31 Dec 2020 | 1 Jan-31 Dec 2019 |
|---|---|---|
| **Depreciation and amortisation by assets class** | | |
| Intangible assets | | |
| Other capitalised expenditure | 6 | 7 |
| Other intangibles | 925 | 0 |
| | **931** | **7** |
| Tangible assets | | |
| Buildings | 122 | 104 |
| Right-of-use assets, building | 785 | 310 |
| Machinery and equipment | 933 | 682 |
| Right-of-use assets, machinery | 528 | 237 |
| Other tangible assets | 47 | 44 |
| | **2,415** | **1,377** |
| **Total depreciation, amortisation and write-downs** | **3,347** | **1,384** |

## 8. EMPLOYEE BENEFITS EXPENSE

| | 1 Jan-31 Dec 2020 | 1 Jan-31 Dec 2019 |
|---|---|---|
| Wages and salaries | 12,161 | 4,445 |
| Pension costs - defined contribution plans | 504 | 167 |
| Pension costs - defined-benefit plans | 81 | 98 |
| Re-measurements on defined benefit pensions, actuarial calculation profit (+), loss (-) | -14 | -34 |
| Stock options and share-based incentives | 32 | - |
| Other statutory employer expenses | 1,551 | 502 |
| | **14,315** | **5,178** |
| | | |
| Average number of Group's personnel during the period | 1,424 | 830 |

Information on stock options is presented in Note 20 Share-based payments. Information on management's emloymeee benefits is presented in Note 31 Related party transactions.

## 9. FINANCIAL INCOME AND EXPENSES

| **Financial income** | 1 Jan-31 Dec 2020 | 1 Jan-31 Dec 2019 |
|---|---|---|
| Foreign exchange gains on liabilities | 549 | 468 |
| Other financing income | 43 | 5 |
| | **592** | **473** |

| **Financial expenses** | 1 Jan-31 Dec 2020 | 1 Jan-31 Dec 2019 |
|---|---|---|
| Interest expenses from financial liabilities mea-sured at amortised cost | 397 | 270 |
| Right-of-use assets interests | 178 | 70 |
| Exchange rate losses | 718 | 493 |
| Other financial expenses | 385 | 63 |
| | **1,678** | **896** |
| | | |
| **Total financial income and expenses** | **-1,086** | **-422** |

## 10. INCOME TAX

| **Income tax in the income statement** | 1 Jan-31 Dec 2020 | 1 Jan-31 Dec 2019 |
|---|---|---|
| Income tax on profits for the year | -2,967 | -2,599 |
| Income tax on profits of previous periods | | -813 |
| **Income taxes for the financial period** | **-2,967** | **-3,412** |
| Changes in deferred tax assets created this year | 421 | 0 |
| Current year change in deferred tax liabilities | 280 | 0 |
| Previous years change in deferred tax liabilities | -25 | 22 |
| **Change in deferred taxes total** | **677** | **22** |
| **Income tax expense** | **-2,290** | **-3,390** |

| **Reconsillation of tax expenses in the income statement and taxes calculated on the basis of the 20% tax rate applicable in the Group's home country** | 1 Jan-31 Dec 2020 | 1 Jan-31 Dec 2019 |
|---|---|---|
| Profit before taxes | 11,508 | 9,664 |
| Tax at the applicable rate in the home country | -2,302 | -1,933 |
| Divergent tax rates of foreign subsidiaries | -365 | -288 |
| Tax provision for current year | 0 | -339 |
| Tax provision for previous years | 0 | -813 |
| Foreign with-holding tax | -195 | -225 |
| Tax free income and non-deductable expenses | -80 | 0 |
| Deferred tax assets for confirmed losses | 338 | 0 |
| Temporary differences booked in equity | 113 | 0 |
| Other temporary difference | 58 | 22 |
| Non-recorded deferred tax | 143 | 186 |
| Tax charge | **-2,290** | **-3,390** |

IFRIC 23 specifies how to reflect uncertainty in accounting for income taxes. Implementation of IFRIC 23 standard had an impact on how Group evaluated uncertainties in years 2016-2019 arising from tax audit per-formed by Indian tax authorities during 2018. In this case, the deductibil-ity of group costs are being investigated. The case is still under prelimi-nary investigation and if an agreement cannot be settled with a local tax authority, the company's point of view will be processed. The Group has recorded a provision of EUR 0.5 million in 2018 and based on a new evalation the Group has made in 2019, an additional EUR 1.2 million pro-vision was booked in accordance with IFRIC 23 (evaluation of uncertain tax positions). Therefore the total provision amounts to approximately EUR 1.6 million. Based on company´s judgment, current level of provi-sion covers possible tax risk.

## 11. EARNINGS PER SHARE

Undiluted earnings per share is calculated by dividing parent company´s profit for the year with the period´s weighted average number of shares outstanding.

| | 2020 | 2019 |
|---|---|---|
| Profit for the year attributable to equity holders of the parent | 9,218 | 6,274 |
| Weighted average number of shares during the period | 4,565,015 | 4,365,168 |
| Undiluted earnings per share, EUR/share | 2.02 | 1.44 |

When calculating diluted earnings per share, stock options and share-based incentive program bonds are taken into account in the weighted average number of shares. Stock options have dilutive effect when their subscription price is lower than the fair value of the share. Fair value of a share is calculated as the average price of the shares during the period.

| **Continuing operations** | 2020 | 2019 |
|---|---|---|
| Profit for the year attributable to equity holders of the parent, continuing operations | 9,218 | 6,274 |
| Weighted average number of shares during the period | 4,565,015 | 4,365,168 |
| Effect of incentive program | 5,730 | 0 |
| Weighted average number of shares used in calculating adjusted diluted earnings per share | 4,570,745 | 4,365,168 |
| Diluted earnings per share, EUR/share | 2.02 | 1.44 |

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings and advances | Machinery and Equipment | Other tangible assets | Total |
|---|---|---|---|---|---|
| **Acquisition cost 1 Jan 2020** | **375** | **2 063** | **5 356** | **522** | **8 316** |
| Increase | 0 | 12 | 269 | 0 | 281 |
| Combining businesses[1] | 0 | 472 | 3,220 | 735 | 4,427 |
| Decrease[2] | 0 | -87 | -142 | -429 | -659 |
| Reclassifications between items | 0 | 317 | 380 | 18 | 715 |
| Exchange differences | -41 | -228 | -547 | -58 | -874 |
| **Acquisition cost 31 Dec 2020** | **334** | **2,550** | **8,536** | **788** | **12,207** |
| | | | | | |
| **Accumulated depreciation and write-downs 1 Jan 2020** | 0 | **-666** | **-2,822** | **-435** | **-3,922** |
| Depreciation | 0 | -116 | -893 | -44 | -1,053 |
| Combining businesses[1] | 0 | -418 | -2,232 | -675 | -3,324 |
| Reclassifications between items | 0 | 0 | 43 | -2 | 41 |
| Cumulative depreciation on reclassifications and disposals | 0 | 87 | 142 | 429 | 659 |
| Exchange differences | 0 | 73 | 291 | 48 | 413 |
| **Accumulated depreciation and write-downs 31 Dec 2020** | 0 | **-1,037** | **-5,470** | **-679** | **-7,186** |
| | | | | | |
| **Book value 1 Jan 2020** | **375** | **1,398** | **2,535** | **87** | **4,394** |
| **Book value 31 Dec 2020** | **334** | **1,513** | **3,065** | **110** | **5,021** |
| | | | | | |
| **Acquisition cost 1 Jan 2019** | **375** | **2,016** | **4,906** | **481** | **7,778** |
| Increase | 0 | 0 | 169 | 0 | 169 |
| Decrease[2] | 0 | 0 | -200 | 0 | -200 |
| Reclassifications between items | 0 | 50 | 487 | 39 | 576 |
| Exchange differences | 0 | -3 | -6 | 2 | -7 |
| **Acquisition cost 31 Dec 2019** | **375** | **2,063** | **5,356** | **522** | **8,316** |
| | | | | | |
| **Accumulated depreciation and write-downs 1 Jan 2019** | 0 | **-563** | **-2,351** | **-390** | **-3,304** |
| Depreciation | 0 | -103 | -674 | -43 | -820 |
| Cumulative depreciation on reclassifications and disposals | 0 | 0 | 200 | 0 | 200 |
| Exchange differences | 0 | 1 | 3 | -2 | 2 |
| **Accumulated depreciation and write-downs 31 Dec 2019** | 0 | **-666** | **-2,822** | **-435** | **-3,922** |
| | | | | | |
| Book value 1 Jan 2019 | 375 | 1,453 | 2,555 | 91 | 4,474 |
| Book value 31 Dec 2019 | 375 | 1,398 | 2,535 | 87 | 4,394 |

[1] Information on combining businesses is presented in Note 2 Acquired operations.
[2] Decrease consist of fixed assets that have been disabled in the financial year or in previous years.

| Right-of-use assets | Buildings | Machinery and Equipment | Total |
|---|---|---|---|
| **Acquisition cost 1 Jan 2020** | **2,195** | **815** | **3,010** |
| Increase | 231 | 1,492 | 1,723 |
| Combining businesses[1] | 1,295 | 151 | 1,447 |
| Reclassifications between items | 46 | 193 | 240 |
| **Acquisition cost 31 Dec 2020** | **3,768** | **2,651** | **6,420** |
| | | | |
| **Accumulated depreciation and write-downs 1 Jan 2020** | **-310** | **-237** | **-547** |
| Depreciation | -781 | -529 | -1,310 |
| Combining businesses[1] | -28 | -67 | -95 |
| Cumulative depreciation on reclassifications and disposals | -20 | 136 | 117 |
| | | | |
| **Accumulated depreciation and write-downs 31 Dec 2020** | **-1,138** | **-697** | **-1,835** |
| | | | |
| Book value 1 Jan 2020 | 1,886 | 577 | 2,463 |
| Book value 31 Dec 2020 | 2,630 | 1,954 | 4,584 |
| | | | |
| **Acquisition cost 1 Jan 2019** | | | |
| Increase | 2,195 | 815 | 3,010 |
| **Acquisition cost 31 Dec 2019** | **2,195** | **815** | **3,010** |
| | | | |
| **Accumulated depreciation and write-downs 1 Jan 2019** | | | |
| Depreciation | -310 | -237 | -547 |
| **Accumulated depreciation and write-downs 31 Dec 2019** | **-310** | **-237** | **-547** |
| | | | |
| Book value 1 Jan 2019 | 0 | 0 | 0 |
| Book value 31 Dec 2019 | 1,886 | 577 | 2,463 |

## 13. INTANGIBLE ASSETS

| | Goodwill | Other intangible assets | Total |
|---|---|---|---|
| **Acquisition cost 1 Jan 2020** | **894** | **983** | **1,877** |
| Increase | 0 | 34 | 34 |
| Combining businesses[1] | 6,240 | 5,837 | 12,077 |
| Decrease[2] | 0 | -283 | -283 |
| Reclassifications between items | 0 | 4 | 4 |
| Exchange differences | -48 | -109 | -157 |
| **Acquisition cost 31 Dec 2020** | **7,086** | **6,466** | **13,552** |
| | | | |
| **Accumulated amortisation and write-downs 1 Jan 2020** | **0** | **-970** | **-970** |
| Amortisation | 0 | -921 | -921 |
| Combining businesses[1] | 0 | -326 | -326 |
| Cumulative depreciation on reclassifications and disposals | 0 | 284 | 284 |
| Exchange differences | 0 | 107 | 107 |
| **Accumulated amortisations and write-downs 31 Dec 2020** | **0** | **-1,826** | **-1,826** |
| | | | |
| Book value 1 Jan 2020 | 894 | 13 | 907 |
| Book value 31 Dec 2020 | 7,086 | 4,640 | 11,726 |
| | | | |
| **Acquisition cost 1 Jan 2019** | **895** | **980** | **1,874** |
| Reclassifications between items | 0 | 5 | 5 |
| Exchange differences | -1 | -1 | -2 |
| **Acquisition cost 31 Dec 2019** | **894** | **983** | **1,877** |
| | | | |
| **Accumulated amortisation and write-downs 1 Jan 2019** | **0** | **-964** | **-964** |
| Amortisation | 0 | -7 | -7 |
| Exchange differences | 0 | 1 | 1 |
| **Accumulated amortisations and write-downs 31 Dec 2019** | **0** | **-970** | **-970** |
| | | | |
| Book value 1 Jan 2019 | 895 | 15 | 910 |
| Book value 31 Dec 2019 | 894 | 13 | 907 |

[1] Information on combining businesses is presented in Note 2 Acquired operations.
[2] Decrease consist of fixed assets that have been disabled in the financial year or in previous years.

## IMPAIRMENT TEST

Recoverable amounts from cash generating units have been defined in calculations based on the value in use, and they involve the use of estimates.

Testing for impairment is based on a cash flow estimate prepared on the basis of the budget and the business plan for four forthcoming years approved by the management. According to the company's estimate there are no external or internal indications of the impairment of goodwill and other intangible assets with an indefinite useful life. This has been verified in calculations concerning recoverable amount.

The goodwill of approx. EUR 0.9 million in the consolidated balance sheet refers to the Indian subsidiary. In the cash flow estimates, the revenue in India is estimated to grow 8% annually and operating profit to be approximately 13%. Growth estimate of residual value is 2%. In the calculations of the financial year 2020 in India, a discount rate of 12.57% has been used (16.79% in 2019). Pre-tax discount rate is 17.89 %.

Should the operating profit used in the testing decrease by approximately 42.5% or should the discount rate increase by less than 23.9 percentage points, there would be no need for write-down. Revenue and profitability of the operations in India have developed favourably during the past few years and there is estimated to be no need or risk of any impairment.

In impairment testing of goodwill, the residual value of future cash flows is 65% of the cash flows in the calculations for value in use.

Testing of impairment is described also in the accounting principles applied in the Consolidated Financial Statements under Impairment of assets and Impairment testing.

The goodwill of approx. EUR 6.2 million in the consolidated balance sheet refers to the AWS Electronics Group Ltd which was acquired in january 2020. In the cash flow estimates, the revenue of AWS Electronics Group Ltd is estimated to grow 6% annually and operating profit to be approximately 5%. Growth estimate of residual value is 2%. In the calculations of the financial year 2020, a discount rate of 12.94% has been used. Pre-tax discount rate is 15.66%.

Should the operating profit used in the testing decrease by approximately 34% or should the discount rate increase by less than 5.5 percentage points, there would be no need for write-down. In impairment testing of goodwill, the residual value of future cash flows is 62% of the cash flows in the calculations for value in use.

Testing of impairment is described also in the accounting principles applied in the Consolidated Financial Statements under Impairment of assets and Impairment testing.

## 14. FINANCIAL ASSETS AVAILABLE-FOR-SALE

| | 2020 | 2019 |
|---|---|---|
| Shares | 4 | 4 |
| **Investments at the end of the year** | **4** | **4** |

The fair value of publicly quoted investments in shares does not differ materially from their carrying amount.

## 15. DEFERRED TAX ASSETS AND LIABILITIES

| Deferred tax assets | 2020 | 2019 |
|---|---|---|
| Tangible assets | 94 | 0 |
| Tax asset for losses | 338 | 0 |
| Employee benefits | 177 | 172 |
| Provisions | 91 | 0 |
| Impairment of fixed assets | 51 | 9 |
| Transaction costs of share issue | 113 | 0 |
| Other | 4 | 5 |
| Deferred tax assets total | 868 | 185 |
| Deduction according to netting principle | -124 | -39 |
| Net deferred tax assets | **744** | **147** |

| Changes | 2020 | 2019 |
|---|---|---|
| Accounted in Profit and Loss | | |
| Tangible assets | 12 | 0 |
| Tax asset for losses | 338 | 0 |
| Employee benefits | 25 | -29 |
| Impairment of fixed assets | 46 | 25 |
| Export incentive | -95 | 27 |
| Provisions | 71 | 0 |
| Other | 0 | -1 |
| Total | **397** | **22** |
| | | |
| Accounted in equity | | |
| Transaction costs of share issue | 113 | 0 |
| | **113** | **0** |

| Deferred tax liabilities | 2020 | 2019 |
|---|---|---|
| Intangibles | 777 | 0 |
| Investments in subsidiaries | 96 | 0 |
| Export incentive | 124 | 39 |
| Other | 9 | 0 |
| Net deferred tax liabilities | 1,006 | 39 |
| Deduction according to netting principle | -124 | -39 |
| Net deferred tax liabilities | **881** | **0** |

| Changes | 2020 | 2019 |
|---|---|---|
| Accounted in Profit and Loss | | |
| Intangibles | 289 | 0 |
| Other | -9 | 0 |
| Accounted in equity | | |
| Investments in subsidiaries | 96 | 0 |
| Acquisition related | | |
| Intangibles | 777 | 0 |

Deferred tax assets and liabilities are recognized for temporary differences between the taxable values of assets and liabilities and their book values according to the debt method.

Deferred tax is not recognized on non-deductible goodwill and retained earnings of subsidiaries to the extent that the tax will not materialize in the foreseeable future.

No deferred tax asset has been recognized for the accumulated loss in the financial year 2019. Due to the change in estimate in the financial year 2020 in parent company´s historical losses, total deferred tax assets of EUR 0.34 million has been recognized in the income statement. Deferred tax assets calculations are based on the parent company's 2021 budgeted taxable income. No other deferred tax assets for losses have been recognized in accordance with the precautionary principle.

The parent company has confirmed losses of EUR 9.0 million on December 31, 2020. Deferred tax assets of the parent company of remaining, approximately EUR 1.5 million has not been recognized in the consolidated balance sheet. Approximately EUR 2.8 million of the losses expired during the financial year. The remaining confirmed losses expire in 2021-2025.

The Group has recognized a deferred tax liability of EUR 0.1 million related to EUR 1.0 million internal dividend payment from India budgeted in 2021. In other respects, no deferred tax liabilities have been recognized from the subsidiaries' profits.

## 16. INVENTORIES

| | 2020 | 2019 |
|---|---|---|
| Raw materials and supplies | 16,823 | 8,208 |
| Work in progress | 4,768 | 1,039 |
| Finished goods | 1,211 | 999 |
| Advance payments | 1,375 | 599 |
| **Total** | **24,176** | **10,845** |

## 17. TRADE AND OTHER RECEIVABLES

| Trade and other receivables – non-current | 2020 | 2019 |
|---|---|---|
| Tax and other receivables from authorities in Indian subsidiary | 93 | 102 |
| Other non-current receivables | 112 | 101 |
| **Total** | **205** | **203** |

| Trade and other receivables – current | 2020 | 2019 |
|---|---|---|
| Trade receivables | 20,941 | 8,289 |
| Loan receivables | 23 | 15 |
| Prepaid expenses and accrued income | 2,907 | 2,409 |
| Other receivables | 331 | 178 |
| **Total** | **24,202** | **10,891** |

The fair value of receivables do not differ from their book value and the receivables do not involve significant credit risks.

| Aging structure of trade receivables and items recorded as credit losses | 2020 | 2019 |
|---|---|---|
| Not past due[1] | 17,041 | 6,984 |
| Past due | | |
| Less than 30 days | 496 | 833 |
| 30–60 days | 2,285 | 107 |
| 61–90 days | 707 | 324 |
| Over 90 days | 412 | 42 |
| **Total** | **20,941** | **8,289** |

[1] No significant credit loss provisions were booked in the Group in 2020. In 2019, a credit loss provision of EUR 168,032 was booked for overdue trade receivables.

| Distribution of current receivables by currency | 2020 | 2019 |
|---|---|---|
| GBP | 4,970 | 0 |
| USD | 11,672 | 5,400 |
| INR | 3,887 | 3,580 |
| EUR | 3,673 | 1,910 |
| **Total** | **24,202** | **10,891** |

## 18. CASH AND CASH EQUIVALENTS

| | 2020 | 2019 |
|---|---|---|
| Cash and bank accounts | 3,899 | 6,163 |
| **Total** | **3,899** | **6,163** |

The cash and cash equivalents according to the cash flow statement comprise same items.

## 19. NOTES TO THE STATEMENT OF CHANGES IN EQUITY

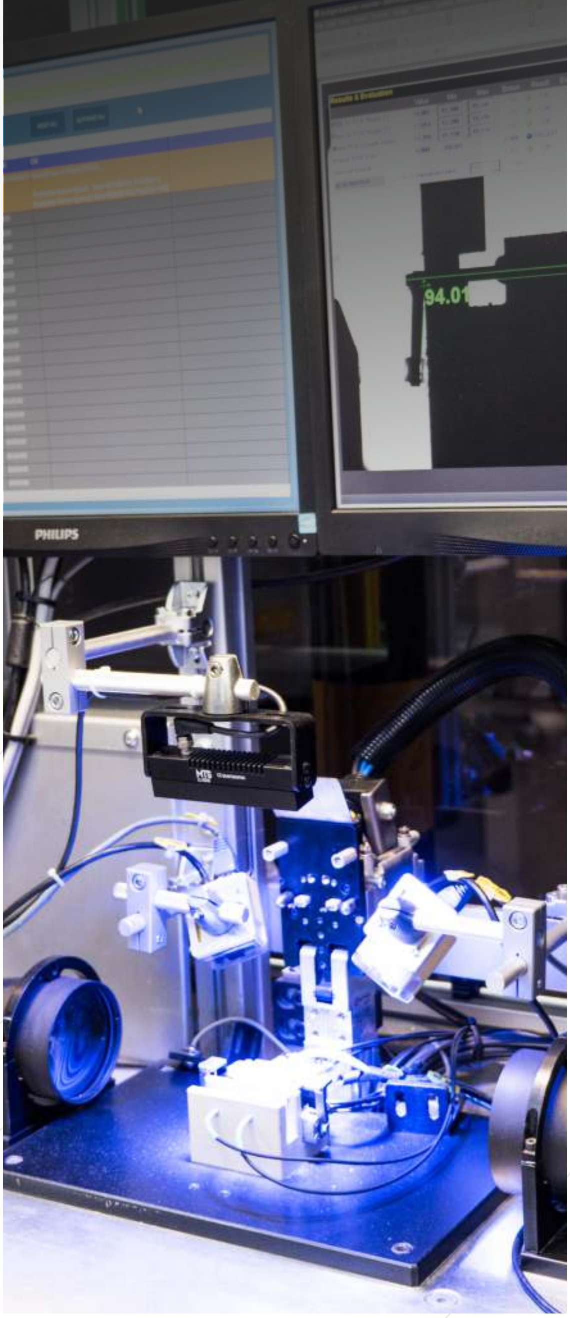
| | Number of shares | Equity | Total |
|---|---|---|---|
| 31 Dec 2020 | 5,820,224 | 1,000 | 1,000 |
| 31 Dec 2019 | 4,365,168 | 1,000 | 1,000 |

| Transactions with owners | Invested unrestricted equity fund | Retained earnings |
|---|---|---|
| Investment in equity | 10,913 | 0 |
| Transaction costs | -563 | 0 |
| Deferred tax | 113 | 0 |
| Personnel share-based incentive program-value of employee services | 0 | 32 |
| Total | **10,463** | **32** |

In November 2020, Incap Corporation carried out a rights issue offering 1,455,056 shares. Board of Directors approved on November 18, 2020 shareholders primary subscriptions made on the basis of the subscription rights and the secondary subscriptions in accordance with the terms of the share issue. The shares have been paid in full.

The company received gross income of EUR 10,912,920 from the share issue, which was booked in equity (invested unrestricted equity fund).

| Other changes: Retained earnings | 2020 | 2019 |
|---|---|---|
| Revaluation of employee benefits | -14 | -34 |
| Acquisition related | 59 | 0 |
| Deferred tax liability for internal dividend payment | -96 | 0 |
| **Total** | **-51** | **-34** |



## 20. SHARE-BASED PAYMENTS

### SHARE-BASED INCENTIVE PROGRAM 2020

Incap Corporation's Board of Directors has 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 incentivize 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 includes the 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 has 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.

Expenses from the share-based incentive plan are recognized during the earnings period and are presented as employee benefits expenses and retained earnings in equity. Expenses are based on the maximum number of shares, ie 5,730 and the market value of EUR 14.75 according to May 26, 2020 has been used as a multiple. 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.

The result for the financial year from 26 May to 31 December 2020 includes the above-mentioned expenses totaling EUR 31,784.36.

## 21. PENSION LIABILITIES

The Group has both defined-contribution and defined-benefit pension plans. Defined-benefit pension plans are only employed in the subsidiary in India.

In defined-benefit pension plans, the amount of the pension benefit at the time of retirement is determined on the basis of certain factors, such as salary and years of employment.

| Defined-benefit pension liability in the balance sheet is determined as follows | 2020 | 2019 |
|---|---|---|
| Present value of funded liabilities | 744 | 724 |
| Fair value of plan assets | -385 | -343 |
| Underfunding/overfunding | 359 | 381 |
| | | |
| Amounts in the balance sheet: | | |
| Liability | 359 | 381 |

| Defined-benefit pension expenses recognised in the income statement | 2020 | 2019 |
|---|---|---|
| Pension costs based on financial period's service | 39 | 36 |
| Benefit-related interest expense | 48 | 48 |
| Expected return on plan assets | -24 | -21 |
| Actuarial gains (+) and losses (-) | 13 | 33 |
| **Total** | **76** | **96** |

Actual return on plan assets was EUR 24 thousand in 2020 (EUR 21 thousand in 2019).

| Changes in the present value of the defined benefit obligation | 2020 | 2019 |
|---|---|---|
| Defined benefit obligation at 1 Jan | 644 | 608 |
| Current service cost | 39 | 36 |
| Interest cost | 48 | 48 |
| Actuarial gains (+) and losses (-) | 13 | 32 |
| **Defined benefit obligation at 31 Dec** | **744** | **724** |

| Changes in the fair value of plan assets | 2020 | 2019 |
|---|---|---|
| Fair value of plan assets at 1 Jan | 305 | 261 |
| Expected return on plan assets | 24 | 21 |
| Actuarial gains (+) and losses (-) | -1 | -1 |
| Contributions by employer | 56 | 63 |
| **Fair value of plan assets at 31 December** | **385** | **343** |

| Plan assets are comprised as follows: | 2020 | 2019 |
|---|---|---|
| Funds managed by insurer | 385 | 343 |

| The principal actuarial assumptions 31 Dec | 2020 | 2019 |
|---|---|---|
| **Asia** | | |
| Discount rate | 6.40% | 7.15% |
| Expected return on plan assets | 7.00% | 7.50% |
| Future salary increases | 10.0 % | 10.0 % |

| Amounts for the current and previous two periods | 2020 | 2019 |
|---|---|---|
| Change from previous year | **2.77%** | **18.96%** |
| Present value of defined benefit obligation | 744 | 724 |
| Fair value of plan assets | 385 | 343 |
| Surplus (+) / deficit (-) | 359 | 381 |
| Experience adjustments on plan liabilities | -30 | 6 |
| Experience adjustments on plan assets | -1 | -1 |

The Group expects to contribute the defined benefit plan pensions EUR 0,06 million in 2021.

## 22. RESTRUCTURING PROVISION AND OTHER PROVISIONS

| Expense provision | |
|---|---|
| **1 Jan 2020** | **51** |
| Used provisions | -51 |
| **31 Dec 2020** | **0** |
| | |
| **1 Jan 2019** | **51** |
| Used provisions | 0 |
| **31 Dec 2019** | **51** |

Reserves of 31 December 2019 consist of the own risk for unemployment insurance funding which has been recognized in Profit and Loss in 2020.

## 23. INTEREST-BEARING AND NON-INTEREST BEARING LIABILITIES

**Non-current financial liabilities measured at amortised cost**

| | 2020 | 2019 |
|---|---|---|
| Bank loans | 2,425 | 235 |
| Pension loans | 303 | 318 |
| Other liabilities | 3,375 | 1,780 |
| | **6,103** | **2,333** |

**Current financial liabilities measured at amortised cost**

| | 2020 | 2019 |
|---|---|---|
| Bank loans | 2,054 | 1,392 |
| Other loans | 214 | 1,174 |
| Other liabilities | 1,419 | 668 |
| | **3,687** | **3,234** |

**Forthcoming payable interest and instalments of loans**

| | 2020 | 2019 |
|---|---|---|
| Less than 6 months[1] | 2,340 | 2,904 |
| 6–12 months | 1,621 | 402 |
| 1–5 years | 6,231 | 2,541 |
| Over 5 years | 0 | 0 |
| | **10,192** | **5,847** |

The forthcoming instalments and interests have been calculated based on the present effective loan agreements.

[1] Includes India's current bank limit of EUR 1,173,859 and invoice financing of EUR 213,857 in Estonia and UK.

**Distribution of interest-bearing liabilities by currency, EUR**

| Non-current liabilities | 2020 | 2019 |
|---|---|---|
| GBP | 630 | 0 |
| INR | 429 | 553 |
| EUR | 5,044 | 1,780 |
| | **6,103** | **2,333** |

| Current liabilities | 2020 | 2019 |
|---|---|---|
| GBP | 423 | 0 |
| USD | 1,174 | 1,298 |
| INR | 180 | 94 |
| EUR | 1,910 | 1,842 |
| | **3,687** | **3,234** |

## 24. PROVISIONS, TRADE AND OTHER PAYABLES

| | 2020 | 2019 |
|---|---|---|
| **Non-current** | | |
| Other liabilities | 1,619 | 1,619 |
| | | |
| **Current** | | |
| Trade payables | 20,279 | 5,610 |
| Accrued liabilities | 3,204 | 1,281 |
| Short-term provisions | 541 | 238 |
| Other liabilities | 1,469 | 276 |
| | 25,494 | 7,405 |
| **Total** | **27,113** | **9,024** |

Material items of accrued liabilities relate to discounts, re-debits, tax and payroll expenses.

| Distribution of non-interest-bearing liabilities by currency, 1,000 EUR | 2020 | 2019 |
|---|---|---|
| USD | 7,191 | 2,133 |
| SEK | 18 | 4 |
| GBP | 6,182 | 22 |
| JPY | 5 | 2 |
| HKD | 2 | 4 |
| INR | 6,885 | 4,427 |
| EUR | 5,211 | 2,432 |
| | **25,494** | **9,024** |

## 25. MANAGEMENT OF FINANCIAL RISKS

The nature of the Incap Group's business exposes the company to currency, interest rate, credit and liquidity risks. The objective of the Group's financial risk management policy is to minimize the adverse effects of changes in financial markets on its result and cash flow.

The company's finance administration identifies and assesses the risks, obtains the necessary instruments for hedging the risks and reports to the President and CEO and the Board of Directors on these risks and any changes in them. Hedging transactions are carried out in accordance with the principles approved by the Group's Board of Directors. Currency forward contracts, currency loans and interest rate swaps are used in risk management, whenever necessary. The financial structure of subsidiaries is planned, assessed and controlled with a view to the management of financial risks.

### CURRENCY RISKS

Because the Incap Group operates in the euro zone and Asia, the company's business involves currency risk. In accordance with its risk management policy, the company aims to hedge itself from currency risks with currency options and currency forward contracts. In the Estonian company, a part of material purchases are made in USD. Significant proportion of the purchases India, UK and Slovakia are made in USD. The respective transaction position is taken into consideration when calculating the company-specific position and is hedged in accordance with the currency risk policy.

The short-term working capital financing liabilities of the Indian subsidiary are mainly USD-denominated, and the company additionally has an overdraft facility denominated in the Indian rupee. Incap uses the subsidiary's home currency (Indian rupee, INR) in invoicing between the parent company and the subsidiary. Therefore, exposure to transaction risk concerns almost completely the Group's parent company and the foreign subsidiary is not exposed to substantial transaction risk. The risk exposure of the parent company's balance sheet is hedged with forward exchange agreements and options when necessary.

In line with the Group's currency risk policy the euro-denominated investment made in the subsidiary in India has not been hedged. Parent company acquired in 2020 AWS Electronics Group and the transaction was completed in British pounds which has not been hedged. Therefore, fluctuations of British pound have an impact on parent company's balance sheet. The currency exchange differences arising from the investment are presented under exchange differences in the Group's non-restricted equity. Strengthening of INR exchange rate in relation to EUR by 15% increases the Group's equity by EUR 539,022 while weakening of INR exchange rate in relation to EUR by 15% decreases the Group's equity by EUR 729,265 compared with the exchange difference at 31 December 2020.

### INTEREST RATE RISK

At the balance sheet date, interest-bearing liabilities in the consolidated balance sheet totalled EUR 9.8 million (EUR 5.6 million). Out of the total interest-bearing liabilities, EUR 4.8 million is related to the IFRS 16 Leases standard. Total EUR 0.0 million of the interest-bearing liabilities have a fixed rate. The weighted average duration of the interest-bearing non-current loan at the balance sheet date is 1.6 years. Bank overdrafts and factoring limits have been treated as bullet loans. The Group has not carried out special hedging measures against interest rate risks during the financial year.

The Group analyses its interest rate exposure by preparing calculations of the defined interest rate change on the company's result, when needed. Calculations are made only for the loans that have the largest impact on the overall interest rate exposure. A change of +1%/-1% in the market interest rates of variable rate loans would change the Group's annual interest rate expenses by EUR +/- 50 thousand at 31 December 2020.

### CREDIT RISK

The principles and responsibilities of credit control are defined in the Group's documented operating methods. The Group has significant receivables from several large Finnish and global customers. These customers are well-established, long-standing and creditworthy. When a new customer relationship is established, the company assesses the annual volume generated by the new business, its share in revenue and the customer's creditworthiness.

No credit losses were recorded during the financial year (Yr 2019 EUR 0 thousand). Incap has not booked any material credit loss provisions. During financial period the Group has not renegotiated payment terms for receivables that would otherwise have been due or that would have decreased in value. The aging structure of trade receivables is presented in Note 17.

### LIQUIDITY RISK

The Group continuously evaluates and monitors the amount of financing required by business operations, so that it has sufficient liquid funds to finance operations and repay due loans. The company strives to ensure the availability and flexibility of financing by using credit facilities and other forms of financing. Incap's main sources of financing are cash flow from operations, loans from financial institutions and share issues.

The company's interest-bearing liabilities on 31 December 2020 amounted to EUR 9.8 million (5.6 million on 31 December 2019). Of this amount, EUR 3.0 million is parent company´s bank loan and EUR 1.8 million out of it concerns the Indian subsidiary.

| Status of the company's financing on 31 December 2020 | | |
|---|---|---|
| **Loans from credit institutions** | **Balance on 31 Dec 2020** | **Balance on 31 Dec 2019** |
| 1. Factoring limit | 214 | 1,174 |
| 3. Bank loan/account with credit facility in Finland | 3,000 | 0 |
| 4. Bank loan/account with credit facility in India | 1,479 | 1,627 |
| **Total** | **4,693** | **2,801** |
| | | |
| **Other loans** | | |
| Other loans (tax provision) | 1,619 | 1,619 |
| Right-of-use asset liabilities | 4,794 | 2,449 |
| Pension loans (India) | 359 | 381 |
| **Total** | **6,772** | **4,448** |
| **All in total** | **11,465** | **7,249** |

In connection with the new loan in 2020 the company has agreed with the bank that the covenants related to the loans, credit line and factoring credit line include equity ratio (more than 30.0%) and the Group's interest-bearing debt in relation to EBITDA (less than 3.0), which are reviewed every six months. Bank has the right to terminate the agreement if the covenant terms are not satisfied. EBITDA is calculated for the rolling 12 months.

The company met the covenant on both dates 30.6.2020 and on 31 December 2020:

| | 31 Dec 2020 | 30 Jun 2020 |
|---|---|---|
| Interest bearing debt/EBITDA (<3,0) | 0,6 | 1,85 |
| Equity ratio (>30%) | 50,5 | 33,2 |

Forthcoming instalments and interests are described in the Note 23.

Based on the cash flow estimate prepared in connection with the financial statements, the company estimates that the company's working capital will cover the requirement for the next 12 months.

## CAPITAL MANAGEMENT

The aim of the Group's capital management activities is to support business operations with an optimal capital structure by ensuring normal resources for operations and increasing shareholder value with the goal of generating the best possible return. An optimal capital structure also guarantees smaller costs of capital.

The trend in the Group's capital structure is constantly tracked with net gearing. On 31 December 2020 the Group's interest-bearing net debt was EUR 5.9 million (EUR -0,6 million at 31 Dec 2019) and the net gearing was 15.3% (-2.7% at 31 Dec 2019). Net gearing is calculated by dividing net debt by equity. Net debt equals liabilities less interest-bearing receivables and cash and bank accounts. On 31 December 2020, the equity ratio was 50.5% (60.0% at 31 Dec 2019).

## 26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

**The fair value of current liabilities does not differ from their book value.**

| Financial liabili | Book value 2020 | Fair value 2020 | Book value 2019 | Fair value 2019 |
|---|---|---|---|---|
| Bank loans | 4,693 | 4,693 | 2,801 | 2,801 |
| Pension loans | 359 | 359 | 381 | 381 |
| Lease liabilities | 4,794 | 4,794 | 2,449 | 2,449 |

The fair value of current liabilities do not differ materially from their book value.

| Discount rates used in fair value calculations | 2020 | 2019 | 2018 |
|---|---|---|---|
| | - | - | 2.80 -10.50% |

At the balance sheet date, the company has no financial assets and liabilities at fair value through profit or loss.

## 27. ADJUSTMENTS TO CASH FLOWS FROM OPERATIONS

| | 2020 | 2019 |
|---|---|---|
| Non-cash transactions | -541 | -97 |
| Depreciation and write-downs | 4,109 | 1,374 |
| Employee benefits | 18 | -34 |
| Gains (-) and losses (+) of disposals of fixed assets and other non-current assets | -6 | -15 |
| Write-down of inventory | 0 | 38 |
| Write-down of trade receivables | 0 | 168 |
| Other items recognized in equity | 89 | -4 |
| | **3,667** | **1,431** |

## 28. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | 1 Jan 2020 | Cash flow | Reclassified | Foreign exchange movements | New lease liabilities | Other | 31 Dec 2020 |
|---|---|---|---|---|---|---|---|
| Current interest-bearing loans and borrowings | 2,629 | -2,659 | 2 | -91 | 0 | 2,444 | 2,324 |
| Lease liabilities | 2,449 | -1,188 | 0 | 0 | 1,645 | 1,888 | 4,794 |
| Non-current interest-bearing loans and borrowings | 553 | 2,162 | -2 | -61 | 0 | 76 | 2,729 |
| **Total** | **5,630** | **-1,685** | 0 | **-152** | **1,645** | **4,408** | **9,846** |

| | 1 Jan 2019 | Cash flow | Reclassified | Foreign exchange movements | New lease liabilities | Other | 31 Dec 2019 |
|---|---|---|---|---|---|---|---|
| Current interest-bearing loans and borrowings | 4,553 | -2,087 | 106 | 56 | 0 | 0 | 2,629 |
| Lease liabilities | 0 | -561 | 0 | 0 | 2,145 | 865 | 2,449 |
| Non-current interest-bearing loans and borrowings | 1,000 | -437 | -106 | -1 | 0 | 96 | 553 |
| **Total** | **5,554** | **-3,085** | 0 | **55** | **2,145** | **962** | **5,630** |

## 29. OPERATING LEASES

The Group has leased production facilities in Estonia, the United Kingdom and Slovakia, as well as office space in Helsinki, Tallinn, Bangalore, Namestovo and Newcastle Under Lyme. Some leases that expire on the due date include the option to extend the lease beyond the original expiration date. The index, renewal and other terms of the agreements differ from each other.

Other non-cancellable leases also include equipment leases that are not classified The Group has leased production facilities in use in Estonia, the United Kingdom and Slovakia, as well as in Helsinki, Tallinn, Office space in Bangalore, Namestovo and Newcastle Under Lyme. Some leases that expire on the due date include the option to extend the lease beyond the original expiration date. The index, renewal and other terms of the agreements differ.

Other non-cancellable leases also include equipment leases that are not classified under IFRS finance leases.

**The Group as lessee**

Minimum lease payments under non-cancellable operating leases, excluding value added tax.

| | 2020 | 2019 |
|---|---|---|
| Less than one year | 11 | 13 |
| | **11** | **13** |

The income statement for 2020 includes EUR 0.0 million of lease expenses paid for operating leases (EUR 0.0 million in 2019).

| **Expiration of lease liabilities** | **2020** | **2019** |
|---|---|---|
| Lease liabilities – total of minimum leasing costs | | |
| Less than one year | 1,494 | 707 |
| 1-5 years | 3,604 | 1,968 |
| | **5,099** | **2,675** |
| **Present value of minimum lease liabilities** | | |
| Less than one year | 1,384 | 668 |
| 1-5 years | 3,431 | 1,780 |
| | **4,814** | **2,449** |
| Internal interests expenses in the future | 284 | 226 |
| **Total of lease liabilities** | **5,099** | **2,675** |

## 30. CONTINGENT LIABILITY, ASSETS AND RESPONSIBILITIES

| | 2020 | 2019 |
|---|---|---|
| **Bank loans with collaterals given** | 4,384 | 1,627 |
| **Collateral given on behalf of own commitments** | | |
| Mortgages | 1,384 | 1,627 |
| Business mortgages | 20,113 | 12,113 |

In addition, OP Corporate Bank Plc's credit line (max. EUR 3.0 million), which is not in use as of 31 December 2020, secured by a corporate mortgage.

| | | |
|---|---|---|
| Trade receivables with recourse right sold to finance companies | 214 | 1,174 |
| Rent security deposit for Group office | 3 | 0 |
| **Other liability** | | |
| Other off balance sheet items | 582 | 727 |

## 31. RELATED-PARTY TRANSACTIONS

| **Management's employee benefits** | **2020** | **2019** |
|---|---|---|
| Salaries and other current employee benefits | 614 | 459 |
| Post-employment benefit | 27 | 24 |
| Share-based payments | 32 | 0 |
| **Total** | **673** | **483** |

During the year, as the company's President & CEO acted Otto Pukk. The pension benefits of the CEO and other members of the management team are determined in accordance with the Employment Pensions Act (TyEL).

| **Wages and salaries** | **2020** | **2019** |
|---|---|---|
| President and CEO | 199 | 181 |
| Members of the Board | | |
| Carl-Gustaf von Troil | 20 | 23 |
| Päivi Jokinen | 20 | 18 |
| Ville Vuori | 40 | 32 |
| Kaisa Kokkonen | 13 | 0 |

At the end of the financial period of 2020, the members of the Board and the President and CEO and their related parties held a total of 55 638 shares, i.e. 1.0% of all shares and votes.

In October 2020, the company organised a rights issue and the lead manager was United Bankers Plc. Carl-Gustaf von Troil, a member of the company's Board of Directors, is a major shareholder in United Bankers Plc. Carl-Gustaf von Troil did not participate in the lead manager decision making.

## 32. SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

There have been no significant events after the reporting period.

# PARENT COMPANY INCOME STATEMENT

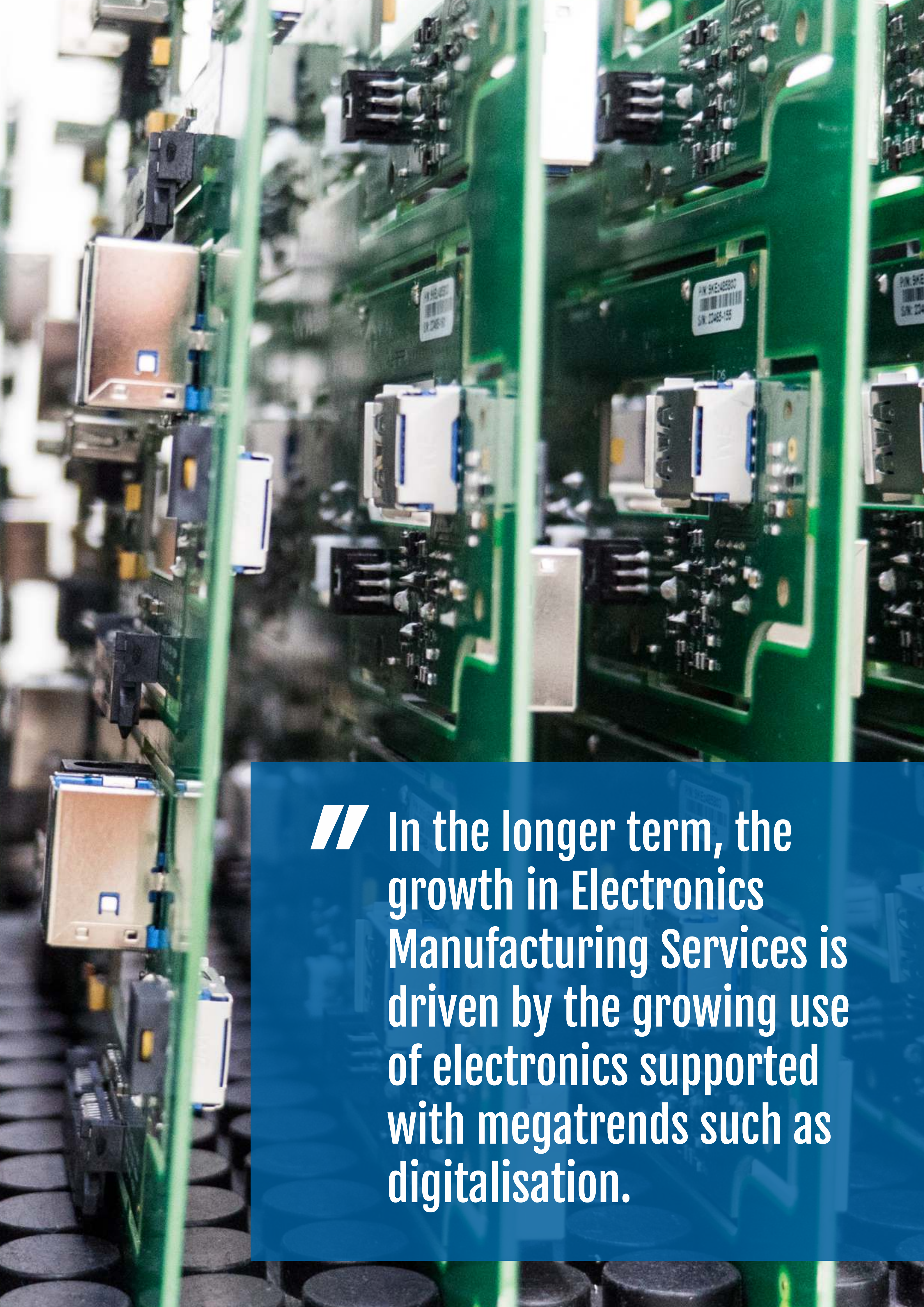
| 1 000 euros | Note | 1 Jan-31 Dec 2020 | 1 Jan-31 Dec 2019 |
|---|---|---|---|
| Revenue | 1 | 2,959 | 2,517 |
| Other operating income | 2 | 51 | |
| Personnel expenses | 3 | 238 | 265 |
| Other operating expenses | 4 | 1,056 | 691 |
| | | | |
| **Operating profit/loss** | | **1,715** | **1,562** |
| | | | |
| Financial income and expenses | 5 | 982 | 1,097 |
| | | | |
| **Profit/loss before extraordinary items** | | **2,698** | **2,659** |
| | | | |
| Income taxes | 6 | -195 | |
| **Profit/loss for the financial year** | | **2,503** | **2,659** |

# PARENT COMPANY BALANCE SHEET

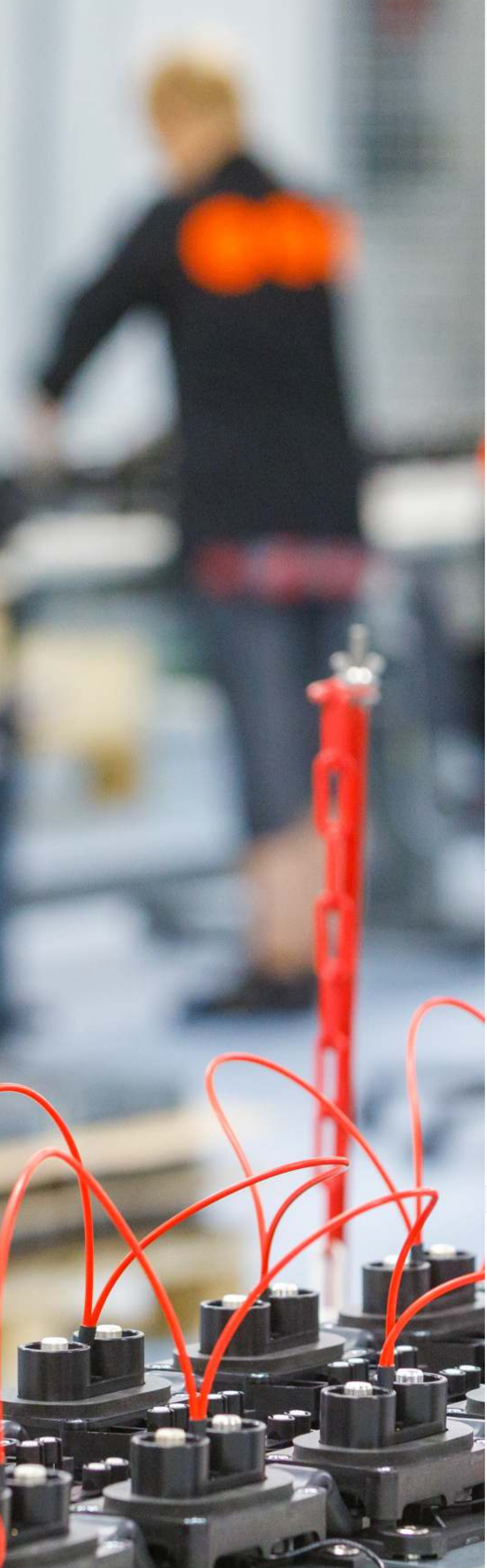
| 1 000 euros | Note | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Tangible assets | 7 | | |
| Advance payments and work in process | | 0 | 690 |
| Investments | 8 | | |
| Holdings in Group companies | | 21,059 | 12,300 |
| Other investments | | 4 | 4 |
| **Total non-current assets** | | **21,063** | **12,994** |
| | | | |
| **Current assets** | | | |
| Non-current receivables | 9 | 5,840 | |
| Current receivables | 9 | 3,929 | 1,523 |
| Cash in hand and at bank | | 1,839 | 844 |
| **Total current assets** | | **11,608** | **2,367** |
| | | | |
| **Total assets** | | **32,671** | **15,361** |
| | | | |
| **LIABILITIES** | | | |
| **Equity** | 10 | | |
| Share capital | | 1,000 | 1,000 |
| Unrestricted equity reserve | | 19,281 | 8,368 |
| Retained earnings | | 5,343 | 2,684 |
| Profit for the financial year | | 2,503 | 2,659 |
| **Total equity** | | **28,127** | **14,711** |
| | | | |
| **Liabilities** | | | |
| Non-current liabilities | 11 | 2,300 | 0 |
| Current liabilities | 12 | 2,244 | 650 |
| **Total liabilities** | | **4,544** | **650** |
| | | | |
| **Total equity and liabilities** | | **32,671** | **15,361** |

# PARENT COMPANY CASH FLOW STATEMENT

| 1 000 euros | 1 Jan-31 Dec 2020 | 1 Jan-31 Dec 2019 |
|---|---|---|
| **Cash flow from operations** | | |
| Operating profit | 1,715 | 1,562 |
| Adjustments to operating profit | -36 | 1 |
| Change in working capital | -1,225 | 343 |
| Interest paid | -418 | -24 |
| Dividends received | 989 | 1,075 |
| Interests | 158 | 0 |
| Taxes | -99 | 0 |
| **Cash flow from operations** | **1,084** | **2,958** |
| | | |
| **Cash flows from investing activities** | | |
| Acquisitions | -6,729 | -690 |
| **Cash flows from investing activities** | **-6,729** | **-690** |
| | | |
| **Cash flows from financing activities** | | |
| Share issue | 10,913 | 0 |
| Share issue transaction costs | -563 | 0 |
| Granted loans | -7,408 | 0 |
| Repayment of loan receivables | 700 | 0 |
| Withdrawal of long term loan | 13,000 | 0 |
| Repayment of non-current loans | -10,000 | -1,436 |
| **Cash flows from financing activities** | **6,642** | **-1,436** |
| | | |
| Exchange rate change in cash and cash equivalents | -1 | 0 |
| | | |
| **Change in cash and cash equivalents** | **996** | **833** |
| Cash and cash equivalents at the beginning of the financial year | 844 | 11 |
| **Cash and cash equivalents at the end of the financial year** | **1,839** | **844** |
| | | |
| **Change in working capital** | | |
| Change in current trade receivables | -834 | -60 |
| Change in current liabilities | -391 | 404 |
| | **-1,225** | **343** |



> In the longer term, the growth in Electronics Manufacturing Services is driven by the growing use of electronics supported with megatrends such as digitalisation.



# PARENT COMPANY ACCOUNTING POLICIES

## PRINCIPLES OF MEASUREMENT AND PERIODISATION

### NON-CURRENT ASSETS

Non-current tangible and intangible assets are recorded in the balance sheet at historical cost less depreciation according to plan and amortisation. Investment grants received have been entered as a credit to the respective asset item. Depreciation according to plan has been calculated according to the straight-line method on the basis of the useful life of the assets.

**Intangible assets**

- Goodwill 5–6 years
- Other intangible rights 3–5 years

### IMPAIRMENT TESTING OF SHARES IN SUBSIDIARIES

The value of subsidiaries in the parent group is the acquisition cost plus subsequent investments to strengthen the equity of the subsidiaries. The value of the shares has a significant impact on the parent company's equity and therefore for example on equity ratio.

The impairment testing of shares in subsidiaries has been carried out on the basis of the situation at the end of December 2020. The recoverable amounts are determined in calculations on the basis of the value in use, and the preparation of these calculations requires the use of judgement.

### FINANCIAL ASSETS AND MANAGEMENT OF FINANCIAL RISKS

Trade receivables and payables are not exposed to significant interest rate or foreign currency risks.

### FOREIGN CURRENCY TRANSACTIONS

Items denominated in foreign currency have been translated at the average rate stated by the European Central Bank at the balance sheet date. Exchange differences between sales and purchases have been allocated as a credit or debit to respective items.

### LEASES

In the parent company's financial statements, lease payments for property, plant and equipment obtained on a finance lease are included as lease expenses in other operating expenses.

### PERIODISATION OF PENSION EXPENSES

Employees' pension security including supplementary benefits has been insured with pension insurance companies. Pension expenses are recognised as an expense during their year of accrual.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

**Notes to the parent company financial statements. The financial statements have been compiled in accordance with Chapter 2 of the Accounting Act.**

## 1. REVENUE

| Revenue by market area | 2020 | 2019 |
|---|---|---|
| Finland | 0 | 0 |
| Europe | 398 | 263 |
| Other | 2,561 | 2,254 |
| | **2,959** | **2,517** |

## 2. OTHER OPERATING INCOME

| | 2020 | 2019 |
|---|---|---|
| Unrealized unemployment security deductible | 51 | 0 |
| | **51** | **0** |

## 3. PERSONNELL EXPENSES AND NUMBER OF PERSONNEL

| | 2020 | 2019 |
|---|---|---|
| **Average number of employees** | **1** | **2** |
| | | |
| **Personnel expenses** | | |
| Wages and salaries | 247 | 263 |
| Pension expenses | -13 | -2 |
| Other social security expenses | 5 | 3 |
| | **238** | **265** |
| **Salaries and bonus of the management** | | |
| CEO and the Board | 93 | 99 |
| | **93** | **99** |

## 4. OTHER OPERATING EXPENSES

| | 2020 | 2019 |
|---|---|---|
| Lease payments | 29 | 31 |
| Maintenance expenses for machinery and properties | 22 | 18 |
| Other expenses | 1,006 | 642 |
| | **1,056** | **691** |
| **Auditors fees** | | |
| Authorised Public Accountant Firm EY | 69 | 52 |
| Tax advice | | 1 |
| Other services | 88 | 2 |
| | **157** | **55** |

## 5. FINANCIAL INCOME AND EXPENSES

| | 2020 | 2019 |
|---|---|---|
| Dividend income | | |
| From Group companies | 1,948 | 1,075 |
| From other companies | 0 | 0 |
| Other interest and financial income | | |
| From Group companies | 204 | 40 |
| From other companies | 129 | 1 |
| Interest paid and other financial expenses | | |
| To other companies | 1,299 | 19 |
| | **982** | **1,097** |

## 6. INCOME TAX

| | 2020 | 2019 |
|---|---|---|
| Withholding tax | 195 | 0 |

The parent company's confirmed tax losses amount to EUR 9.0 million on 31 December 2020. The parent company's deferred tax assets amount to approximately EUR 1.8 million and none of it has been recorded in the parent company´s consolidated balance sheet. Out of the confirmed tax losses, EUR 2.8 million expired during the financial period.

Remaining confirmed tax losses will expire in years 2021–2025.

## 7. INTANGIBLE AND TANGIBLE ASSETS

| Tangible assets | Advanced payments and work in process | Total |
|---|---|---|
| **Acquisition cost 1 Jan 2020** | 690 | 690 |
| Reclassifications between items | -690 | -690 |
| **Acquisition cost 31 Dec 2020** | **0** | **0** |
| | | |
| Book value 31 Dec 2020 | 690 | 690 |
| Book value 31 Dec 2020 | 0 | 0 |

| Tangible assets | Advanced payments and work in process | Total |
|---|---|---|
| **Acquisition cost 1 Jan 2019** | 0 | 0 |
| Additions | 690 | 690 |
| **Acquisition cost 31 Dec 2019** | **690** | **690** |
| | | |
| Book value 1 Jan 2019 | 0 | 0 |
| Book value 31 Dec 2019 | 690 | 690 |

## 8. SHARES

| | Shares in subsidiaries | Receivables from Group companies | Total |
|---|---|---|---|
| **Acquisition cost, 1 Jan** | 12,300 | 4 | 12,304 |
| Additions | 8,069 | 0 | 8,069 |
| Reclassification between items | 690 | 0 | 690 |
| **Acquisition cost, 31 Dec** | **21,059** | **4** | **21,063** |
| | | | |
| Book value, 31 Dec 2020 | 21,059 | 4 | 21,063 |
| Book value, 31 Dec 2019 | 12,300 | 4 | 12,304 |

## FINANCIAL STATEMENTS 31 DECEMBER 2020

The Group's equity at the close of the financial period was EUR 38.6 million (EUR 21.9 million in 2019) and the parent company's equity was EUR 28.1 million (EUR 14.7 million in 2019).

The value of shares in subsidiaries in the parent company is the acquisition cost plus subsequent investments to strengthen the equity of the subsidiaries. In the financial statements of the parent company, the value of the Indian subsidiary's shares in the balance sheet is approximately EUR 8.2 million, the value of the Estonian subsidiary approximately EUR 4.1 million and the value of the UK subsidiary approximately EUR 8.8 million. The value of the shares in subsidiaries has a significant impact on the parent company's equity and accordingly on equity ratio, among others. The impairment testing of subsidiaries has been carried out based on the situation at the close of the financial period 2020. The recoverable amounts used in the impairment test calculations are determined on the basis of use value.

The cash flow forecasts are based on the budget for next financial period and the business plan prepared for the four forthcoming years by the management and approved by the Board. In cash flow estimates, the revenue in India is estimated to grow by 8% annually and EBIT is approximately 13%. In cash flow estimates, the revenue in Estonia is estimated to grow by 3.5% annually and EBIT is 5%. In cash flow estimates, the revenue in AWS Electronics Group which was acquired in January 2020 is estimated to grow by 6% annually and EBIT is 5%. The residual value is estimated to grow by 2%.

The discount rate is comprised of industry risk, interest on liabilities and country-specific risk. The discount rate factors are updated annually in connection with the testing using information received from the market. In the calculations for the financial period 2020, the discount rate of 12.57% has been used in India, 9.28% in Estonia and 12.94% in AWS Electronics Group.

Should the EBIT used in the testing decrease by approximately 55% in India, 36% in Estonia or 12% in AWS Electronics Group , or should the discount rate increase by less than 3.9 percentage points in Estonia, 89 percentage points in India or 1.5% in AWS Electronics Group, there would be no need for write-down of shares.

The profitability of the Indian subsidiary is at a good level, thus there is no need for write-down of shares nor the risk. 62% of the Estonian subsidiary valuation consists of residual value.

## GROUP COMPANIES

- Incap Electronics Estonia OÜ, Kuressaare, Estonia
- Incap Contract Manufacturing Services Pvt. Ltd., Bangalore, India
- Incap Holdings UK Ltd, Newcastle-under-Lyme, UK
- Incap Electronics Group Ltd, Newcastle-under-Lyme, UK
- Incap Electronics UK Ltd, Newcastle-under-Lyme, UK
- Incap Electronics Slovakia, Namestovo, Slovakia
- Euro-ketju Oy, Helsinki, Finland (dormant)
- Incap Hong Kong Limited, Hong Kong

Incap Corporation owns 100% of group companies and all companies are combined in the parent company consolidated financial statements.

## 9. RECEIVABLES

| | 2020 | 2019 |
|---|---|---|
| **Current** | | |
| Amount owed by Group companies | | |
| Loan receivables | 5,840 | 0 |
| | | |
| **Non-current** | | |
| Amount owed by Group companies | | |
| Trade receivables | 1,110 | 571 |
| Interest receivables | 195 | 145 |
| Other receivables | 2,569 | 745 |
| | **3,874** | **1,460** |
| | | |
| Other receivables | 40 | 52 |
| Prepaid expenses and accrued income | 15 | 12 |
| **Total receivables** | **9,768** | **1,523** |

## 10. EQUITY

| | 2020 | 2019 |
|---|---|---|
| Share capital, 1 Jan | 1,000 | 1,000 |
| Share capital, 31 Dec | 1,000 | 1,000 |
| **Total restricted equity** | **1,000** | **1,000** |
| | | |
| Unrestricted equity reserve 1 Jan | 8,368 | 8,368 |
| Share issue | 10,913 | |
| Unrestricted equity reserve 31 Dec | 19,281 | 8,368 |
| Retained earnings, 1 Jan | 5,343 | 2,684 |
| Retained earnings, 31 Dec | 5,343 | 2,684 |
| Profit for the financial year | 2,503 | 2,659 |
| **Total non-restricted equity** | **27,127** | **13,711** |
| | | |
| **Total equity** | **28,127** | **14,711** |
| | | |
| **Distributable funds according to the Companies Act, Chapter 13, § 5** | | |
| Unrestricted equity reserve | 19,281 | 8,368 |
| Retained earnings | 5,343 | 2,684 |
| Profit/loss for the financial year | 2,503 | 2,659 |
| **Total distributable funds** | **27,127** | **13,711** |

## 11. NON-CURRENT LIABILITIES

| | 2020 | 2019 |
|---|---|---|
| Loans from credit institutions | 2,300 | 0 |
| | **2,300** | **0** |

All liabilities are falling due within five years.

## 12. CURRENT LIABILITIES

| | 2020 | 2019 |
|---|---|---|
| Loans from credit institutions | 700 | 0 |
| Trade payables | 67 | 91 |
| | | |
| Amount owed to Group companies | | |
| Trade payables | 43 | 22 |
| | **43** | **22** |
| | | |
| Other liabilities | 1,246 | 8 |
| Accruals and deferred income | 188 | 529 |
| **Total liabilities** | **2,244** | **650** |
| | | |
| Total interest-bearing liabilities | 3,000 | 0 |
| | | |
| Material items in accruals and deferred income | | |
| Wages and salaries, incl. social costs | 50 | 33 |
| Interest | 6 | 0 |
| Expense reserve | 0 | 463 |
| Withholding tax | 96 | 0 |
| Other | 36 | 33 |
| | **188** | **529** |
| Other current liabilities | | |
| Earn-out payment related to AWS Electronics Group acquisition | 567 | 0 |
| AWS Electronics Group purchase price paid in shares | 667 | 0 |
| Others | 12 | 8 |
| | **1,246** | **8** |

## 13. OTHER NOTES TO THE ACCOUNTS

| **Collateral** | **2020** | **2019** |
|---|---|---|
| Loans for which real-estate has been mortgaged as collateral | | |
| Loans from credit institutions | 3,000 | 0 |
| Mortgages | 20,113 | 12,113 |

In addition, OP Corporate Bank Plc's credit line (max. EUR 3.0 million), which is not in use as of 31 December 2020, secured by a corporate mortgage.

| | 2020 | 2019 |
|---|---|---|
| Loans for which business mortgages have been given as collateral | | |
| Rental guarantee | 2,637 | 2,606 |
| Guarantee on recourse right of trade receivables | 10 | 1,174 |
| | | |
| **Contingent and other liabilities** | | |
| Lease liabilities, net of VAT | | |
| Liabilities falling due next financial year | 11 | 11 |


# BOARD OF DIRECTORS' PROPOSAL ON MEASURES RELATED TO THE RESULT

The parent company's profit for the financial period totalled eur 2,502,977.11.

The Board will propose to the Annual General Meeting on 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.

Helsinki, 24 March 2021

**Ville Vuori**
Chairman of the Board

**Carl-Gustaf von Troil**
Board Member

**Päivi Jokinen**
Board Member

**Kaisa Kokkonen**
Board Member

**Otto Pukk**
President and CEO

> Incap offers state-of-the-art technology backed up by an entrepreneurial culture and highly qualified personnel.

# AUDITOR'S REPORT

To the Annual General Meeting of Incap Oyj

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

We have audited the financial statements of Incap Oyj (business identity code 0608849-6) for the year ended 31 December, 2020. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

### BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 6 to the consolidated financial statements and in note 4 to the parent company's financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Revenue recognition**<br><br>We refer to the Group's accounting policies and the note 3<br><br>The Group's business consists of contract manufacturing of electronics in the Group's factories. Revenues from the sale of goods is recognized when the customer obtains control of goods at a point in time.<br><br>Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10 (2) due to the risk associated with the timely and accurate recognition of the revenue. | Our audit procedures to address the risk of material misstatement in respect of correct timing of revenue recognition included among others the review of the Group's accounting policies over revenue recognition and comparison to IFRS standards. We tested Group's internal controls, where applicable, over proper timing and amount of revenue recognized. We examined Group's sales contracts throughout the financial year and in connection with the year-end audit. We tested the proper timing of revenue recognition at year-end.<br><br>We evaluated the disclosures in respect of revenue. |
| **Inventory valuation**<br><br>*We refer to the Group's accounting policies and the note 16*<br><br>The value of inventories at 31 December 2020 was 24 million euros comprising 32 % of total assets. Inventory valuation was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2) because the valuation of inventory involves the use of management judgement related to the risk of obsolescence inventory and because the value of inventories is significant to the financial statements. | Our audit procedures to address the risk of material misstatement in respect of inventory valuation included evaluation of the processes related to valuation of inventories. We compared the inventory valuation principles to IFRS standards. We tested the valuation of inventories on a sample basis at year-end. In our audit procedures to address the risk of obsolete inventory, we evaluated and tested management's assumptions and calculations related to valuation. We evaluated the disclosures in respect of inventory. |
| **Acquisition of AWS Electronics Group and valuation of goodwill arising from the acquisition**<br><br>We refer to the *Group's* accounting policies and notes 2 and 13 to the consolidated financial statements.<br><br>In January 2020, the company acquired AWS Electronics Group for a debt-free purchase price of 15.9 million euros, and an additional purchase price of 0.6 million euros was recorded. The acquisition was a key audit matter due to the valuation processes and methods related to the acquisition and the assessments made by the management. Management's estimates focused in particular on determining the fair values of acquired assets and liabilities and allocating the purchase price to inventories and separately identifiable intangible assets such as customer relationships.<br><br>At the balance sheet date, 31 December 2020, the amount of goodwill arising from the acquisition of AWS Electronics Group was 6.2 million euros comprising 8 % of total assets and 16 % of equity. The valuation of goodwill was a key audit matter because<br>• goodwill impairment testing is complex and involves judgements,<br>• impairment testing is based on future market and economic growth assumptions; and<br>• the goodwill is material to the financial statements.<br><br>The recoverable amount of the Group's cash-generating units has been determined based on value in use calculations, the result of which may vary significantly as the assumptions included in the calculations change. The determination of value in use is affected by several assumptions, such as revenue growth, EBITDA and the discount rate used in discounting cash flows.<br><br>Changes in these assumptions may result in impairment of goodwill. | In connection with the allocation of the purchase price and in the reporting of the acquisition, we performed the following audit procedures among others:<br>• we evaluated the company's accounting principles in relation to the business combination accounting standard;<br>• with the assistance of our valuation experts, we evaluated the company's valuation processes and methods by which the company identified the acquired assets and liabilities and determined their fair values;<br>• we evaluated the notes related to acquisitions.<br><br>As part of our audit procedures related goodwill, we utilized our valuation experts to assist us in assessing the appropriateness of the assumptions and methods used by management.<br><br>Our procedures included particularly a comparison of the assumptions used by management with information obtained from external data sources and our own expectations regarding the average cost of capital used in discounting cash flows.<br><br>In addition, we tested the appropriateness of the calculations made by management and the future projections with the budget approved by the Board. We also compared the results of goodwill impairment tests with the company's market value.<br><br>In addition, we assessed the adequacy of the disclosures presented in note 13, such as the sensitivity analysis, and whether somewhat possible change in the key assumption could result in impairment of goodwill. |

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## OTHER REPORTING REQUIREMENTS

### INFORMATION ON OUR AUDIT ENGAGEMENT

We were first appointed as auditors by the Annual General Meeting on 21 March 2002 and our appointment represents a total period of uninterrupted engagement of 19 years.

## OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In Helsinki 25th of March, 2021

Ernst & Young Oy
Authorized Public Accountant Firm

Bengt Nyholm
Authorized Public Accountant

" In 2020, market activity continued on a good level despite the pandemic.

# FIVE-YEAR KEY FIGURES

| IFRS | | 2020 | 2019 | 2018 | 2017 | 2016* |
|---|---|---|---|---|---|---|
| Revenue | EUR million | 106.5 | 71.0 | 59.0 | 48.5 | 38.6 |
| Growth/change | % | 50 | 20 | 21 | 26 | 26 |
| Operating profit/loss | EUR million | 12.6 | 10.1 | 8.6 | 4.5 | 3.8 |
| Share of revenue | % | 11.8 | 14.2 | 14.6 | 9.4 | 9.8 |
| Profit/loss before tax | EUR million | 11.5 | 9.7 | 7.9 | 4.0 | 3.2 |
| Share of revenue | % | 10.8 | 13.6 | 13.5 | 8.2 | 8.3 |
| | | | | | | |
| Return on equity (ROE) | % | 30.5 | 33.4 | 44.7 | 34.2 | 31.3 |
| Return on investment (ROI) | % | 34.8 | 43.4 | 46.8 | 28.4 | 26.0 |
| Total assets | EUR million | 76.4 | 36.5 | 32.1 | 24.8 | 21.1 |
| | | | | | | |
| Equity ratio | % | 50.5 | 60.0 | 49.1 | 42.0 | 37.6 |
| Net gearing | % | 15.3 | -2.7 | 16.6 | 41.9 | 71.0 |
| Interest-bearing net debt | EUR million | 5.9 | -0.6 | 2.6 | 4.4 | 5.6 |
| Quick ratio | | 1.0 | 1.6 | 1.0 | 1.0 | 1.1 |
| Current ratio | | 1.8 | 2.6 | 1.8 | 1.6 | 1.7 |
| | | | | | | |
| Investments | EUR million | 9.5 | 1.1 | 2.2 | 0.7 | 1.0 |
| Share of revenue | % | 8.9 | 1.6 | 3.7 | 1.4 | 2.5 |
| R&D expenditure | EUR million | 0 | 0 | 0 | 0 | 0 |
| Share of revenue | % | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |
| Average number of employees | | 1,424 | 830 | 684 | 535 | 511 |
| Dividends | EUR million[1] | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |
| Per-share data | | | | | | |
| Earnings per share | EUR[2] | 2.02 | 1.44 | 1.34 | 0.72 | 0.49 |
| Equity per share | EUR[2] | 6.59 | 5.01 | 3.61 | 2.39 | 1.82 |
| Dividend per share | EUR[2] | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividend out of profit | %[1] | 0 | 0 | 0 | 0 | 0 |
| Effective dividend yield | %[1] | 0 | 0 | 0 | 0 | 0 |
| P/E ratio | | 9.1 | 11.8 | 5.4 | 8.6 | 11.2 |
| | | | | | | |
| Trend in share price | | | | | | |
| Minimum price during year | EUR | 8.51 | 7.18 | 5.60 | 5.25 | 4.95 |
| Maximum price during year | EUR | 19.20 | 23.00 | 8.22 | 7.20 | 8.65 |
| Average price during year | EUR | 13.92 | 14.83 | 6.02 | 5.93 | 6.43 |
| Closing price at end of year | EUR | 18.45 | 16.90 | 7.26 | 6.19 | 5.46 |
| | | | | | | |
| Total market capitalisation at 31 Dec | EUR million | 107.4 | 73.8 | 31.7 | 27.0 | 23.8 |
| Trade volume | no. of shares | 1,911,231 | 1,564,055 | 2,891,606 | 2,009,629 | 40,565,856 |
| Trade volume | % | 33 | 36 | 66 | 46 | 929 |
| | | | | | | |
| Average during the financial period[3] | | 4,565,015 | 4,365,168 | 4,365,168 | 4,365,168 | 4,365,168 |
| In the end of financial period[3] | | 5,856,398 | 4,365,168 | 4,365,168 | 4,365,168 | 4,365,168 |

[1] The Board of Directors proposes to the Annual General Meeting that no dividend be paid out.

[2] In 2020, the number of shares increased due to the purchase price to be paid in shares related to the acquisition of AWS and the rights issue in November. In accordance with the resolution of the Annual General Meeting, the quantity of the company´s shares was reduced during the financial period 2016 so that each of previous 50 shares correspond to one share of the company. In practic, the number of shares was divided by 50. Comparison periods have adjusted accordingly.

[3] Share issue-adjusted number of shares, each of previous 50 shares correspond to one share from 2016. In 2020, adjusted number of shares takes into account the purchase price to be paid in shares in connection with the acquisition of AWS and the rights issue completed in November.

* The 2016 key figures have been adjusted to reflect the adjusted result and the corresponding balance sheet.

" All of Incap Group's business units have environmental management and quality assurance systems.

# DEFINITIONS OF KEY FIGURES

| | | |
|---|---|---|
| Return on equity, % | = | 100 x profit/loss for the period / average equity during the financial period |
| Return on investment, % | = | 100 x (profit/loss + financial expenses + taxes) / equity + interest-bearing financing loans |
| Equity ratio, % | = | 100 x equity / balance sheet total - advances received |
| Net gearing, % | = | 100 x net debt / equity |
| Net debt | = | Interest-bearing debt - cash and bank accounts |
| Quick ratio | = | current assets / short-term liabilities - short-term advances received |
| Current ratio | = | current assets + inventories / short-term liabilities |
| Investments | = | VAT-exclusive working capital acquisitions, without deduction of investment subsidies |
| Average number of employees | = | average of personnel numbers at the end of each month |

## PER-SHARE DATA

| | | |
|---|---|---|
| Earnings per share | = | net profit/loss for the period / average number of shares during the period, adjusted for share issues |
| Equity per share | = | equity / number of shares at the end of the period, adjusted for share issues |
| Dividend per share | = | dividend during financial year / number of dividend-earning shares at end of period, adjusted for share issue |
| Dividend out of profit, % | = | 100 x dividend per share / earnings per share |
| Effective dividend yield, % | = | 100 x dividend per share / closing price at balance sheet date |
| Price per earnings (P/E) ratio | = | closing price at balance sheet date / earnings per share |
| Total market capitalisation | = | closing price for the period x number of shares available for public trading |

# RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

**Return on investment, %**

| (EUR thousands) | 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 thousands) | 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 thousands) | 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 thousands) | 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 thousands) | 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 thousands) | 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 thousands) | 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 thousands) | 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 thousands) | 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 thousands) | 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** |

# CALCULATION OF ALTERNATIVE PERFORMANCE MEASURES

| Alternative performance measure | | Calculation | Purpose |
|---|---|---|---|
| **Return on investment, %** | = | 100 x (Net profit/loss + financial expenses + taxes) / (Equity + interest-bearing debt (average at the end of the reporting period and the end of previous financial year)) | The measure provides information on return on investment. |
| **Return on equity, %** | = | 100 x Net profit/loss / Equity (average at the end of the reporting period and the end of previous financial year) | The measure provides information on return on equity. |
| **Equity ratio, %** | = | 100 x Equity / Balance sheet total - advances received | The measure indicates how much of the Group's assets have been financed with debt. |
| **Net gearing, %** | = | 100 x Net debt / Equity | The measure indicates the Group's indebtedness. |
| **Interest-bearing net debt** | = | Interest-bearing debt – cash and bank accounts | The measure indicates the total amount of the Group's external debt funding. |
| **Current assets** | = | Current receivables + cash and bank accounts | The component used for calculating Quick ratio illustrates the assets required for covering the Group's current expenses. |
| **Quick ratio** | = | Current assets / Short-term liabilities – short-term advances received | The measure provides information on the company's liquidity |
| **Current ratio** | = | Current assets + inventories / Short-term liabilities | The measure provides information on the company's liquidity |
| **Investments** | = | VAT-exclusive working capital aqcuisitions 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. |

# BOARD OF DIRECTORS

## VILLE VUORI

Chairman of the Board as from 15 April 2019

B.Sc. (Eng.), eMBA, born 1973

A non-executive director, who is independent of the company's major shareholders.

CEO of Kemppi Oy. Ville Vuori has acted as President and CEO of Incap Group during 2014-2017. Before that he worked at Kumera Drives Oy and Skyhow Ltd. as Managing Director and at ABB Group in several managerial positions.

Board member as from 17 April 2018.

Incap shares (direct ownership and holding of interest parties): –

Options: –

## PÄIVI JOKINEN

Board member

M. Sc. (Econ), born 1968

A non-executive director, who is independent of the company and its major shareholders.

Päivi Jokinen has worked in various leadership positions in international business. Prior to assuming the position as Chairwoman of the Board at European Women on Boards, she worked as Vice President at Stora Enso Consumer Board Division. Before that she has worked as member of the Management team at Kemira and International Paper Europe, among others. Päivi has solid experience in innovation leadership, strategic planning, sales, marketing and communications. She is also member of the board at Board professionals Finland ry and member of the Advisory Council of the private equity company Bocap.

Board member as from 17 April 2018.

Incap shares (direct ownership and holding of interest parties): –

Options: –

## CARL-GUSTAF VON TROIL

Board member

B.Sc. (Eng.), born 1954

A non-executive director, who is independent of the company and its major shareholders.

Carl-Gustaf von Troil is a member of the Board at United Bankers and acts as a partner and asset manager at UB Wealth management. He has acted as Managing Director and Board member in several companies in banking, investment and property businesses. He is a member of the board at Oy Kontino Ab and in several companies in the United Bankers Group.

Board member as from 31 March 2015. Chairman of the Board 17 April 2018 – 15 April 2019. Board member since 15 April 2019.

Incap shares (direct ownership and holding of interest pares): 54,138 pcs

## KAISA KOKKONEN

Board member

M. Sc. (Econ.), HT-auditor, CBM, born 1962

A non-executive director, who is independent of the company and its major shareholders.

Kaisa Kokkonen is a finance professional and founder of Akeba Oy established in 2011. Earlier, she has worked as e.g. CFO at Talentum Oyj and Director of Finance at Hackman Oyj. She has extensive experience in financial management, corporate governance as well as mergers and acquisitions. She was also a member of the Board of The Finnish Business School Graduates 2015-2020.

Board member since 20 April 2020.

Incap shares (direct ownership and holding of interest parties): 1,500 pcs

Options: –

# MANAGEMENT TEAM

## OTTO PUKK

President and CEO of the Group

M.Sc.B.E., born 1978

With the company as from 2015, first as the director for Incap operations in Estonia. CEO of the Group as of 18 September 2018. He has served previously at Eesti Energia Technology Industries and ETAL Group, among others.

## MURTHY MUNIPALLI

Director, Operations India & Sales Asia

M.Sc. (Eng.), MBA, born 1964

Joined the company in 2008, serving first as Sales Director and as Managing Director of the Indian subsidiary. He has worked previously at Spike Technologies Ltd (presently Qualcomm) and Tata Elxsi Ltd.

## ANTTI PYNNÖNEN

CFO

M.Sc. (Econ.), born 1982

Joined the company in 2019. He has previously worked at ABB and at Wärtsilä.

## GREG GRACE

Director, Operations Estonia

BA, born 1971

Joined the company 2018 serving as Director of Business Development of Incap Estonia. His previous work experience includes management positions in Skano Group, Coca-Cola HBC Baltics and NSB Kaubanduse AS.

## JAMIE MAUGHAN

Director of Operations UK & Slovakia and
Managing Director of Incap Electronics UK Limited

HND, born 1972

Jamie joined Incap in January 2020 through the acquisition of AWS Electronics Group. Jamie started his career at Motorola. He has had various roles in electronic manufacturing and has run several sites.

Management team members hold neither Incap shares nor stock options.


# SHARES AND SHAREHOLDERS

Incap Corporation has on 31 December 2020 one series of shares and a total of 5,820,224 shares. Company's share capital registered in the trade registry was EUR 1,000,000 on 31 December 2020. The company does not own any of its own shares.

Incap Corporation's shares are listed on the NASDAQ OMX Helsinki since 5 May 1997. In the Nordic OMX List Incap belongs to the Small Cap segment and the industry sector of Incap is Industrials/Industrial Goods & Services. The company code is ICP and the book entry type code is ICP1V.

The price of Incap Corporation's share varied in the range of EUR 8.51 to EUR 19.20 during the financial year. The last quotation in trading at the end of the year 2020 was EUR 18.45. The company's market capitalisation on 31 December 2020 was EUR 107.4 million. In the end of the financial year 2020 the company had 3,931 shareholders and 9.0% of the shares were nominee-registered.

## SHAREHOLDER AGREEMENTS

The Board of Directors is not aware of any shareholder agreements concerning the ownership and voting rights of the company's shares.

## SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND THE PRESIDENT

The members of the company's Board of Directors, the President and their interest parties owned a total of 55,638 shares, or 1.0% of the company's shares and votes. Changes in the holdings of the Board of Directors, the President and the Group management team are announced in stock exchange releases, which are available on the company's website at www.incapcorp.com, section Investors/News and Releases.

| **Development of share capital**<br>Date | | **Change**<br>**1,000 euros** | **Registered on** | **Share capital,**<br>**1,000 euros** |
|---|---|---|---|---|
| 31 January 1991 | Merger | 5,760 | 26 February 1992 | 7,862 |
| 28 April 1992 | Increase | 424 | 25 November 1992 | 8,286 |
| 30 September 1992 | Decrease | 4,972 | 02 December 1992 | 3,314 |
| 15 January 1993 | Increase | 32 | 11 August 1993 | 3,347 |
| 16 March 1994 | Increase | 563 | 21 December 1994 | 3,910 |
| 10 March 1997 | Increase | 978 | 21 March 1997 | 4,889 |
| 05 May 1997 | Increase | 975 | 05 May 1997 | 5,864 |
| 04 May 1998 | Increase | 40 | 04 May 1998 | 5,904 |
| 21 March 2002 | Increase | 14,583 | 24 April 2002 | 20,487 |
| 06 April 2016 | Decrease | 19,487 | 31 August 2016 | 1,000 |
| 26 October 2020 | Increase | 1,455,056 | 20 November 2020 | 1,000 |

| **Largest shareholders on 31 December 2020** | **Shares, pcs** | **Percentage of shares and votes, %** |
|---|---|---|
| OY ETRA INVEST AB | 1,137,333 | 19.54 |
| NORDEA LIFE INSURANCE FINLAND | 581,810 | 9.99 |
| JOENSUUN KAUPPA JA KONE OY | 541,245 | 9.30 |
| LAAKKONEN MIKKO KALERVO | 291,009 | 4.99 |
| DANSKE BANK A/S HELSINKI BRANCH | 283,538 | 4.87 |
| MUTUAL INSURANCE COMPANY ILMARINEN | 261,308 | 4.49 |
| MANDATUM LIFE UNIT-LINKED | 200,104 | 3.44 |
| K22 FINANCE OY | 157,094 | 2.70 |
| KAKKONEN KARI HEIKKI ILMARI | 133,333 | 2.29 |
| SKANDINAVISKA ENSKILDA BANKEN AB | 129,433 | 2.22 |
| 10 largest total | 3,716,207 | 63.85 |

| **Holding by sector on 31 December 2020** | **Shareholders, pcs** | **%** | **Shares and votes, pcs** | **%** |
|---|---|---|---|---|
| Private enterprises | 150 | 3.8 | 1,146,510 | 19.7 |
| Financial institutions | 10 | 0.3 | 2,495,405 | 42.9 |
| Public sector entities | 1 | 0.0 | 261,308 | 4.5 |
| Households | 3,754 | 95.5 | 1,868,799 | 32.1 |
| Non-profit organizations | 4 | 0.1 | 5,919 | 0.1 |
| Foreign ownership | 12 | 0.3 | 42,283 | 0.7 |
| TOTAL | 3,931 | 100.0 | 5,820,224 | 100.00 |
| Nominee-registered | 10 | | 521,989 | 9.0 |

| **Holding by number of shares on 31 December 2020**<br>**Shares, pcs** | **Shareholders, pcs** | **%** | **Shares and votes, pcs** | **%** |
|---|---|---|---|---|
| 1 – 100 | 2,048 | 52.1 | 75,852 | 1.3 |
| 101 – 500 | 1,301 | 33.1 | 308,800 | 5.3 |
| 501 – 1000 | 282 | 7.2 | 196,409 | 3.4 |
| 1,001 – 5,000 | 232 | 5.9 | 452,637 | 7.8 |
| 5,001 – 10,000 | 32 | 0.8 | 214,806 | 3.7 |
| 10,001 – 50,000 | 20 | 0.5 | 404,589 | 7.0 |
| 50,001 – 100,000 | 6 | 0.2 | 450,924 | 7.7 |
| 100,001 – 500,000 | 7 | 0.2 | 1,455,819 | 25.0 |
| 500,001 – | 3 | 0.1 | 2,260,388 | 38.8 |
| TOTAL | 3,931 | 100.0 | 5,820,224 | 100.00 |
| Nominee-registered | 10 | | 521,989 | 9.0 |

" In November 2020, we successfully completed our rights issue of 10.9 million euros.

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