InCap

ANNUAL REPORT

2019

INCAP IN BRIEF

We are an Electronics Manufacturing Services (EMS) company with manufacturing operations in Estonia and India and a sourcing team in Hong Kong. After Incap's acquisition of AWS Electronics Group in January 2020, the production sites in the U.K. and Slovakia became part of Incap.

Our professional and competent team is especially focusing on customer service. With our flexible, agile and efficient operations we are able to provide the best solutions to meet our customers' needs.

In the EMS marketplace, Incap has a long history and reputation of high quality. Over the years we have learned that alongside with the core EMS market demand of on-time delivery, quality and cost efficiency, our customers expect their partners to be able to adjust for continuous change. That is how we develop and run our operations.

CONTENTS

YEAR 2019

STRONG GROWTH CONTINUED, VOLUMES INCREASED

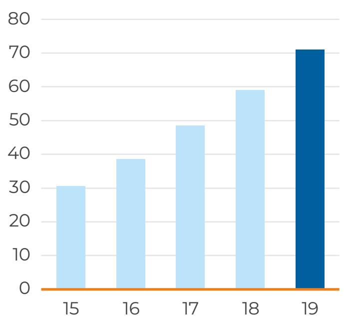
Incap continued its profitable growth in 2019. Revenues grew organically by 20.5 percent compared to the previous year. Profitability remained at a good level.

Incap's revenue for 2019 amounted to EUR 71.0 million, up by 20.5% (2018: EUR 59.0 million). The revenue increased organically due to the growing demand from the established customers and from the new customers. The important growth drivers for our electronics manufacturing services were, among others, manufacturing of light vehicles as well as various industrial applications such as measuring instruments.

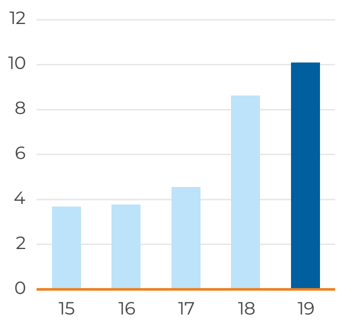
The profitability remained solid. The full-year operating profit (EBIT) amounted to EUR 10.1 million (EUR 8.6 million), corresponding to 14.2% out of revenue (14.6%). The continued good profitability level was achieved by keeping the organization structure lean and overhead costs low, thus increasing efficiency in operations.

During 2019, Incap decided on investments to expand its factory premises in India and to increase capabilities in its production lines in Estonia.

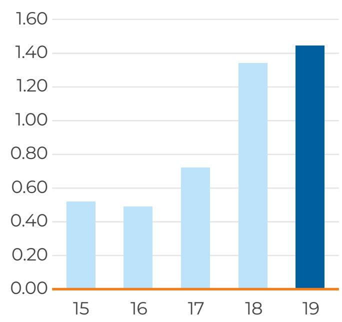
REVENUE, EUR MILLION



OPERATING PROFIT (EBIT), EUR MILLION



EARNINGS PER SHARE (EPS), EUR



Key Figures (IFRS)		2019	2018
Revenue	EUR million	71.0	59.0
Operating profit (EBIT)	EUR million	10.1	8.6
share of revenue	%	14.2	14.6
Operating profit before tax	EUR million	9.7	7.9
Profit for the period	EUR million	6.3	5.8
Earnings per share (EPS)	EUR	1.44	1.34
Return on investment (ROI)	%	43.4	46.8
Equity ratio	%	60.0	49.1
Investments	EUR million	1.1	2.2
Personnel at year-end		834	768

The prospects for electronics contract manufacturing services look bright in the long term, as the use of electronics in various appliances is increasing worldwide.

CEO'S REVIEW

YEAR OF GROWTH FOR INCAP

OTTO PUKK

President and CEO

2019 was another consecutive year of successful performance for Incap. We managed to perform strongly throughout the year and the annual revenue reached EUR 71 million. The revenue grew by 20.5 per cent compared to the previous year.

This was already the fifth consecutive year during which Incap's organic revenue growth exceeded 20 per cent.

Revenue increased mainly thanks to the growing demand from our established customers, and especially in the first half of 2019, the volumes increased for new customers. The revenue growth derived mainly from manufacturing of electronic appliances for e.g. light vehicles and for industrial applications such as measuring instruments.

Operating profit (EBIT) increased to EUR 10.1 million. Operating profit margin, 14.2 per cent, remained at the previous year's level (14.6%).

We continuously strive for keeping our operations lean and our organization efficient, which together with the strict management of costs result in relatively low overhead costs. Further, the improvements made in increasing the efficiency of our production lines are key elements for maintaining our profitability level.

In order to improve our production capability, we decided on the investment in extending our rental contracts for production lines in Kuressaare, Estonia. Further, we commenced the expansion of our production facility in Tumkur, India. In 2019, our Indian factory was awarded the Prestigious Exports Award for high growth in electronic hardware exports in Karnataka area for the third time. This is a great recognition for the extensive know-how of our personnel and high quality of our production.

In Estonia, production capabilities were upgraded allowing us to offer our customers more value in order to meet even the most specific needs of our customers who most often represent world-class companies in the field of industrial, consumer or medical electronics.

In our business, we value continuous improvement of the working environment and paying attention to environmental aspects. Our actions for responsible business were recognized and in May we received a bronze award at the Responsible Business Forum in Estonia.

Along with the improvements in production and customer service we have investigated possibilities to accelerate growth through mergers and acquisitions. This brought results in January 2020, when we announced the acquisition of the AWS Electronics Group, based in the U.K.

After the acquisition, we now have production sites also in the U.K. and Slovakia together with more than 400 newly joined professionals. With this strategic acquisition we are able to widen our service and product offering both to our existing and new potential customers.

Gaining a foothold in the U.K. and in Central Europe markets clearly expands our geographical presence, and the acquisition further strengthens our position in the USA and South-East Asian market. We also see commercial prospects between the U.K. and India.

The prospects for electronics contract manufacturing services look bright in the long term, as the use of electronics in various appliances is increasing worldwide. However, as an Electronic Manufacturing Service provider we need to be ready to quickly adjust to the possible market changes such as the latest Covid-19 pandemic occurrence.

To date, Incap is clearly a stronger player in the industry both in terms of company size and customer portfolio. In 2020, one of our key targets is to ensure that our teams are working together seamlessly in new Incap, as good results and satisfied customers can only be achieved with a highly professional and committed personnel.

I would like to thank our personnel, customers, suppliers, partners and shareholders for a strong year of 2019.

OPERATING ENVIRONMENT

Increasing number of electronic applications drive market growth

During 2019, an increasing number of electronic appliances were introduced to the market. This means that more electronics are used in consumer as well as in industrial applications.

In the Electronics Manufacturing Service business, customers expect that their manufacturing partners continuously increase their efficiency and stay competitive. In 2019, the general cost level remained stable in the countries where Incap has operations.

Incap trusts that the skill to adapt quickly is key to success in the electronics manufacturing industry, and this trend is expected to continue. In order to successfully launch new production methods and new products, companies have to be ready to quickly adapt to new situations which requires ambition as well as technological readiness. Today, mounting of components on boards, for example, in many cases would not even be possible without robotics, as details are often measured in fractions of millimeters.

Incap sees the market development positive as electronics are more and more used also in new areas such as in light vehicles and other everyday devices. Also, the global megatrends, with a growing and ageing population, will offer market opportunities in health care and environmental technology.

In 2019, a trend for bigger units resulted in consolidation particularly in Europe.

BUSINESS REVIEW

Strong performance in 2019

FLEXIBLE, AGILE AND EFFICIENT. THAT IS INCAP´S ORIENTATION.

Year 2019 was another successful year for Incap. Revenue amounted to EUR 71.0 million, up 20.5% year-on-year. Operating profit (EBIT) amounted to EUR 10.1 million, corresponding to 14.2 per cent of the revenue (14.6 per cent in 2018). At the end of 2019, the number of personnel in Incap Corporation was 834 (768). 88.6% of the personnel (90.5%) worked in India, 11.3% (9.2%) in Estonia and 0.1% (0.3%) in Finland.

The strong performance was a result derived by both increased demand from the established customers and new customers. Healthy profitability was achieved by keeping the organizational structure lean and overhead costs low, thus improving the efficiency of both factories.

Alongside the core Electronic Manufacturing Services (EMS) market demand – on-time delivery, quality and cost efficiency - customers expect their partners to be able to adapt for continuous change. With this in mind, Incap expands its factory premises in India as well as increases capability of its production lines in Estonia.

WORLD-CLASS TECHNOLOGY FROM ESTONIA

Incap's factory in Kuressaare, Estonia focuses on technologically advanced production. Its customers represent most often world-class companies in the field of industrial electronics, consumer electronics or medical electronics. The main market area is Europe particularly due to the factory's geographical location. In addition to Europe, the Kuressaare factory serves both established industrial customers as well as technology start-ups worldwide.

The Estonian services include sourcing and purchasing, logistic solutions, vendor management, inventory management, PCB-, box-build- and electromechanical assemblies and other customized solutions. Also new product introduction, prototypes and pre-series as well as controlled production ramp-ups are part of the day-to-day operations.

Incap sees that lease-based production lines are playing an increasing role in a constantly transforming industrial sector.

Incap Estonia is upgrading its SMT (surface mount technology) production lines by extending the leasing contract and adding a new line, which will replace an existing line in the Kuressaare factory. Increasing production capabilities and flexibility will allow Incap Estonia to offer customers more value as setting up the manufacturing will be always based on the specific needs of the customers.

Using a high-level automated production, the rate of defects has been reduced to a minimum. However, the new machinery has not reduced the need for specialists, who take care of the setup and operations that automation cannot yet perform independently.

At the end of 2019 Incap Electronics Estonia OÜ employed more than 90 professionals. In May 2019, Incap Electronics Estonia earned a bronze award for responsible business by the Responsible Business Forum in Estonia.

FOCUS ON INDUSTRIAL CUSTOMERS IN INDIA

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 and telecom companies. Customers represent mainly globally-operating electronic device manufacturers, who may be established in Europe but have production facilities in Asia. With the location near Bangalore, Incap is well situated to serve customers in the whole Asia-Pacific area. In addition to the international customers, Tumkur also serves the Indian market.

The factory produces inverters and UPS, PCBs for fuel and cash dispensers, power supply units, rescue devices, solar inverters, drives and medical devices as well as devices for other electronic industrial products.

In 2019, Incap decided to invest in the expansion of its production facility in Tumkur by adding 3,800 square meters to the existing 8,600 square meter factory premises. The investment is expected to be completed by spring 2020.

At the end of the year 2019 the number of personnel working in Incap Contract Manufacturing Services Pvt Ltd was over 730.

In 2019, Incap Contract Manufacturing Services Pvt Ltd was rewarded with the Prestigious Exports Award for the year 2018-2019. The award was granted by the STPI (Software Technology Parks of India) of Karnataka, and Incap was selected for the award "High Growth in Electronic Hardware Exports - Bengaluru" in its category.

> In January 2020, Incap acquired AWS Electronics Group. AWS Electronics Group is an electronic manufacturing services provider with production facilities in Newcastle-under-Lyme, U.K. and Námestovo, Slovakia. Through the acquisition, Incap is able to improve service and product offering, widen customer base and enter into new market segments. Further, Incap gains a new foothold in the U.K. and Central Europe and strengthen company´s position in geographical areas such as the USA and South-East Asia. AWS Electronics Group has personnel of more than 400 and revenue of appr. GBP 35 million (appr. EUR 41 million) in the latest financial year that ended 30th of June 2019.

REPORT OF THE BOARD OF DIRECTORS FOR 2019

Incap Corporation is an international electronic contract manufacturer. Incap's customers are leading suppliers of high technology equipment in their own business segments, and Incap increases their competitiveness as a strategic partner. At the end of 2019 Incap had operations in Finland, Estonia, India and Hong Kong, and the company employed 834 people.

After the acquisition of AWS Electronics Group in January 2020, Incap has now operations also in U.K and Slovakia, and the company employs approximately 1300 people.

BUSINESS ENVIRONMENT

There were no significant changes in the business environment of Incap Group in 2019. During the year, because of the trade negotiations between the USA and China, the industry witnessed electronic manufacturing companies to transfer their operations to other Asian countries or Europe.

In addition to this, a market consolidation through acquisitions has been a trend particularly in Europe.

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

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

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

REVENUE AND EARNINGS

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

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

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

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

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

Earnings per share were EUR 1.44 (EUR 1.34).

INVESTMENTS

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

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.

IMPACTS OF THE ADOPTION OF IFRS 16

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

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

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

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

BALANCE SHEET, FINANCING AND CASH FLOW

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

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

Liabilities decreased slightly to EUR 14.6 million compared with previous year (EUR 16.3 million), of which EUR 5.6 million (EUR 5.5 million) were interest-bearing liabilities. Interest-bearing net debt was negative, EUR -0.6 million (EUR 2.6 million).

The Group's non-current interest-bearing liabilities amounted to EUR 2.3 million (EUR 1.0 million) and non-interest-bearing liabilities EUR 1.6 million (EUR 0.5 million). Current interest-bearing liabilities were EUR 3.2 million (EUR 4.5 million). Out of the interest-bearing liabilities EUR 1.9 million are related to the Indian subsidiary (EUR 3.1 million). Other liabilities include EUR 0 million (EUR 1.4 million) of bank loans and limits granted by the company's Finnish bank and EUR 1.2 million (EUR 1.0 million) of factoring financing used in Estonia.

The covenants of the Group's loans include equity ratio and the Group's interest-bearing debt in relation to EBITDA, and their status is reviewed every six months. In the review on 31 December 2019 the level of interest-bearing debt in relation to EBITDA should be below 2.5 and the equity ratio more than 25%. The company met these covenants as the actual figure for interest-bearing debt/EBITDA on the review date was 0.5 and the equity ratio 60.0%.

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

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

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

Due to the share capital reduction of Incap Oyj, carried out in 2016, there have been limitations for distribution of dividends. These limitations ended as of 1 September 2019.

PERSONNEL

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

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

MANAGEMENT AND ORGANISATION

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

On January 24, 2020 Greg Grace was appointed Director of Operations, Estonia and member of Management Team.

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

QUALITY ASSURANCE AND ENVIRONMENTAL ISSUES

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

ANNUAL GENERAL MEETING 2019

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

AUTHORISATIONS OF THE BOARD OF DIRECTORS

The Annual General Meeting held on 15 April 2019 authorized the Board of Directors to decide to issue a maximum of 436,516 new shares either against payment or without payment. The new shares may be issued to the company's shareholders in proportion to their current shareholdings in the company or deviating from the shareholders' pre-emptive right through one or more directed share issue, if the company has a weighty financial reason to do so, such as developing the company’s equity structure, implementing mergers and acquisitions or other restructuring measures aimed at developing the company’s business, financing of investments and operations or using the shares as a part of the company’s remuneration and compensation system, to the terms and scope decided by the Board of Directors.

Based on the authorisation, the Board of Directors can pursuant to chapter 10, section 1, of the Companies Act also decide on issuing other special rights entitling to new shares of the company. The subscription price of the new shares can be recorded partly or fully to the invested unrestricted equity reserves or to equity according to the decision of the Board of Directors. The Board of Directors is entitled to decide on conditions regarding the issuance of shares as well as the issuance of other special rights entitling to shares.

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

BOARD OF DIRECTORS AND AUDITOR

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

The Board convened 13 times in 2019 and all Board members attended in all of the meetings.

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

CORPORATE GOVERNANCE

Incap Corporation is complying with the Corporate Governance Code of Securities Market Association. The company will release a report on the company’s corporate governance in compliance with the Securities Market Act as a separate document in connection with the publication of the Report of the Board of Directors and the Annual Report in week 13/2020.

The report will be available also at the company’s website.

The Corporate Governance Code of Securities Market Association is publicly available at the website of Securities Market Association at www.cgfinland.fi.

SHARES AND SHAREHOLDERS

Incap Corporation has one series of shares, and the number of shares at the end of the period was 4,365,168 (31 December 2018: 4,365,168).

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

Incap's share is listed on the Nasdaq Helsinki Ltd. as from 1997.

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

In 2019, no major shareholder announcements in accordance with Section 10 of Chapter 9 of the Securities Market Act on a change in holdings were received.

RELATED-PARTY TRANSACTIONS

In 2019 there were no abnormal related-party transactions.

CORPORATE SOCIAL RESPONSIBILITY AND NON-FINANCIAL INFORMATION

The most relevant factors of corporate responsibility in Incap Group's business are social responsibility, environmental responsibility and responsibility to stakeholders.

Social responsibility at Incap means that the principles of sustainability are complied in the company's operations. Incap practices and develops its business operations in such a way that productivity and competitiveness are improved in harmony with the demands of the company's various stakeholders and environment.

Social responsibility

Incap complies with the local legislation of the countries, where it has operations and acts as a responsible member of the society. Incap respects and adheres to international agreements on human and children's rights as well as employees' rights. Incap's personnel policy is based on equality between the sexes, nationalities and different ethnic groups.

Incap fosters the well-being of its employees by developing occupational safety and by supporting activities that maintain working ability. The progress in safety is measured mainly by the number of injuries at work. In 2019 there was one minor work-related injury, as was also in 2018.

Employee competence is further developed by goal-oriented training and the promotion of work motivation is addressed in supervisor training, among others. In 2019, personnel turnover was 12 per cent in Estonia and one percent in India. In 2018 the figures were 22 per cent in Estonia and one per cent in India. The progress in human resources development is measured mainly by training hours. Training hours per employee increased from 6.5 to 8.3. In 2019 the focus in training was mainly in quality assurance.

The company's support for non-profit activity is directed to those promoting the well-being of children and youth. In India Incap has granted financial support for the local school in past years. The new school building was taken in use in 2018, and new project for the financial support has not yet been decided. In May 2019 Incap Electronics Estonia earned a bronze award at the Responsible Business Forum in Estonia. Of the four areas studied, market environment, governance and ethics, natural environment and good employer, Incap Estonia scored well as good employer and in governance, in particular. The factory in Estonia was also rewarded Employer of the Year 2019 in Saare County, and it has earlier been rewarded as Family-Friendly Company by the Estonian Ministry of Social Affairs.

Incap also has a Group Policy concerning Conflict Minerals.

Environment

In accordance with its quality and environmental policy, Incap is committed to protecting and conserving environment by preventing pollution and reducing the use of natural resources and raw materials. Incap strives after minimizing raw material waste in its production and uses in its manufacturing the processes methods and materials, which cause as little damage to the nature as possible.

Out of environmental metrics, the company is following the energy consumption, the amount of waste and the degree of recycling. In India, particularly, more attention has been paid to the recycling of carton and wood packings. In addition, less waste of raw materials and fewer line rejections has been achieved by continuous training. In 2019 the amount of waste increased slightly both in India and in Estonia due to growth in production. In India the energy consumption decreased in relation to production volumes. In Estonia the energy consumption decreased mainly because of less need of air conditioning due to lower outside temperature in the summer 2019 compared to 2018.

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

Stakeholders

Incap´s responsibility to stakeholders includes responsibility to customers, suppliers, service providers, personnel, owners and the community near Incap's production premises. The feedback from the company's customers is of major importance when developing the operations and services further. Incap supports its customers in improving product safety by, among other things, paying special attention to eliminating risk factors in its products. Quality inspections and testing carried out during the manufacturing process prevent faulty goods from reaching the market.

Incap monitors the operations of its suppliers and service providers as well as conducts regular supplier assessments, which are used to examine suppliers' social responsibility in addition to their quality and delivery reliability. Incap recognises its responsibility as part of the supply chain and strives to promote the success of all of its partners in co-operation. In the customer satisfaction surveys carried out in 2019 Incap received very good results, in particular, in product quality and customer relations. Since the customers satisfaction is in the core of Incap´s business strategy, the company will focus on improving it also in the future.

Incap does not tolerate corruption, bribery or attempt at such in any forms (for example facilitation payments, improper gifts, entertainment, gratuities, favors, donations or any other improper transfer of value). Incap has not been involved in claims concerning corruptive behavior in 2019.

Incap aims to maintain its good earnings trend, which also supports the implementation of its corporate social responsibility principles. The financial success ensures that operations and working conditions are constantly improved and increases job security for employees. The company aims to maximize the return on capital invested by shareholders in the company and to ensure that the company's value enhances steadily.

RISK MANAGEMENT

The Risk Management Policy approved by the Board of Incap Corporation classifies risks as risks connected to the operating environment, operational risks and damage and funding risks. The company's risk management is mainly focused on risks that threaten the company's business objectives and continuity of operations. In order to improve its business opportunities, the company is willing to take on managed risks within the scope of the Group's risk management capabilities. The company regularly reviews its insurance policies as part of its risk management system.

SHORT-TERM RISKS AND FACTORS OF UNCERTAINTY CONCERNING OPERATIONS

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

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

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

The value of the shares in subsidiaries in the parent group has a significant impact on the parent company's equity and therefore on, for example, equity ratio. Based on the impairment calculations in connection with the financial statements for 2019 there is no need for any write-down of the value of the shares in subsidiaries.

Demand for Incap's services and the company's financial position are affected by global economic trends and the fluctuation among customer industries. The risks connected with the customer demand and the solvency of customers are monitored and evaluated separately for each customer. The management considers the customer relationship management to be of utmost importance and is paying special attention to it.

The company's sales is spread over several customer sectors balancing out the impact of the economic fluctuation in different industrial sectors. Four biggest customers contributed to 81% (85%) of revenue in the first half of 2019 and 77% (78%) in second half of 2019. In 2019 Incap had eight (seven) customers of which each exceeded EUR 1 million revenue. Out of the total revenue in 2019, two (2) companies exceeded 10% each, and approximately 67% (68%) came from those two biggest customers. After the acquisition of AWS Electronics Group in January 2020, the number of biggest customers significantly increased.

The company's business segment, electronics manufacturing services, is highly competitive and there are major pressures on cost level management. The company has succeeded in increasing the efficiency of its operations and in decreasing the costs. Furthermore, the company's production is located in countries with competitive levels of wage and general costs.

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

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

In tax audit conducted by Indian tax authorities in 2018 regarding financial period 2015-2016, the deductibility of group costs are being investigated. The Group has recorded a provision of EUR 0.5 million in 2018 and based on a new evaluation the Group has made in 2019, an additional EUR 1.2 million provision was booked in accordance with IFRIC 23 (evaluation of uncertain tax positions). The case is still under preliminary investigation and if an agreement cannot be settled with a local tax authority, the company's point of view will be processed.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

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

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

The enterprise value of the transaction was GBP 13.5 million (EUR 15.9 million) and an additional earn-out of a maximum of GBP 1.3 million (EUR 1.5 million). The transaction was paid in cash except for the amount of GBP 0.6 million (EUR 0.7 million), which will be paid in Incap shares.

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

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

On 24 January 2020 Incap announced that Greg Grace was appointed Director, Operations Estonia, and Managing Director of Incap Electronics Estonia, and member of Incap Group's Management Team. Greg Grace (b. 1971, BA) joined Incap in 2018 and previously held a position of Director of Business Development at Incap Electronics Estonia.

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

After the reporting period, the globally emerged Covid-19 pandemic may have an impact on production and supply chains of the electronics industry and on availability of components. Changes in the operating environment, travel restrictions and diminishing overall activity may have an effect also on Incap's business. To date, it is too early to estimate the possible impacts on Incap's business and financial performance. The company continues to monitor the situation and authorities' instructions carefully.

STRATEGY AND TARGETS

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

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

OUTLOOK FOR 2020

As a result of current uncertainty relating to the COVID-19 pandemic, Incap withdraws its earlier guidance for 2020. General uncertainty about overall economic development has weakened the predictability and it is currently too early to quantify the impact on Incap's financial performance.

Incap's outlook, issued in the Financial Statement Release on 26 February 2020, was:

Incap estimates that following the acquisition of AWS Electronics Group Incap's revenue will be significantly higher than in 2019 and operating profit (EBIT) slightly higher than in 2019 as there will be one-time integration and transaction costs (for example purchase price allocation amortization). The estimates are given provided that there are no major changes in currency exchange rates or in component availability. Incap's estimates for future business development are based both on its customers' forecasts and on the company's own assessments.

BOARD OF DIRECTORS' PROPOSAL FOR MEASURES RELATED TO PROFIT

The Board of Directors proposes that the Annual General Meeting would authorize 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 January 1, 2019 to December 31, 2019, to be distributed in one or several instalments at a later stage based on the Board of Director's assessment. The authorization would be valid until the next Annual General Meeting.

If the Board of Directors decides to exercise the authorization, the company will publish the possible decision on dividend payment separately, and at the same time confirm the pertinent record and payment dates.

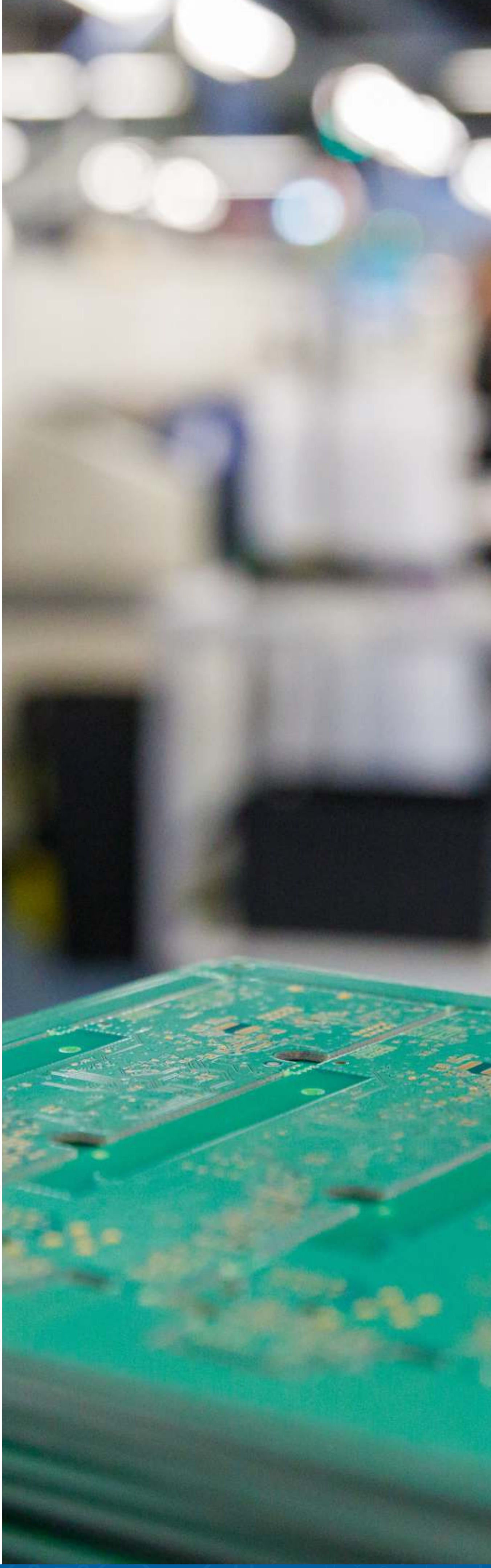
ANNUAL GENERAL MEETING 2020

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

Helsinki, March 25 2020

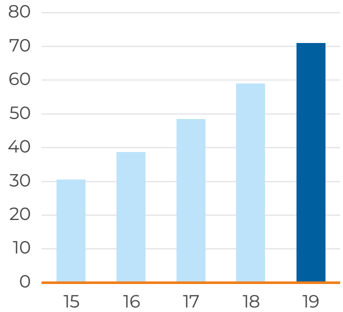
Incap Corporation

Board of Directors

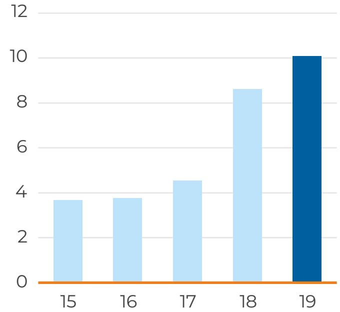


KEY FIGURES

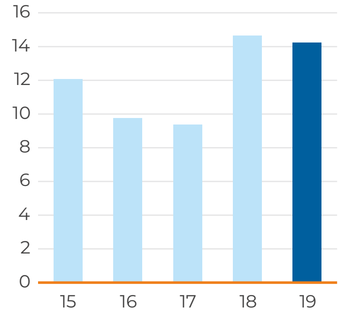
REVENUE, EUR MILLION



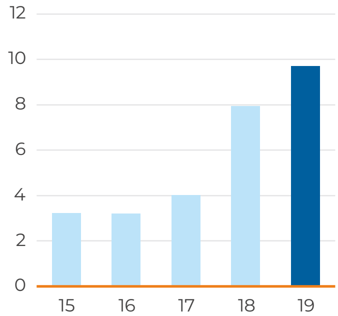
OPERATING PROFIT (EBIT), EUR MILLION



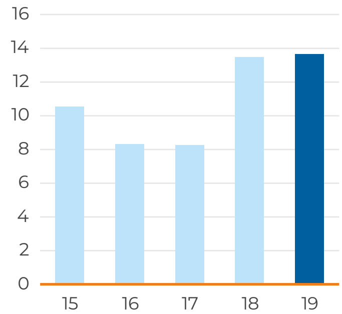
OPERATING PROFIT (EBIT), % OF REVENUE



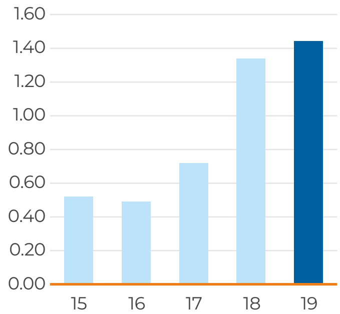
PROFIT BEFORE TAX, EUR MILLION



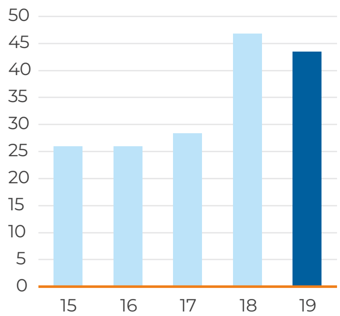
PROFIT BEFORE TAX, % OF REVENUE



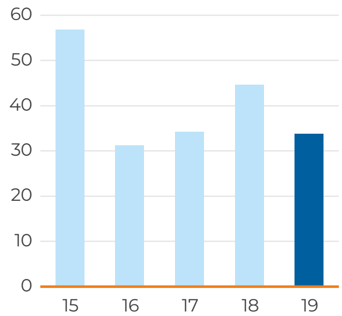
EARNINGS PER SHARE (EPS), EUR



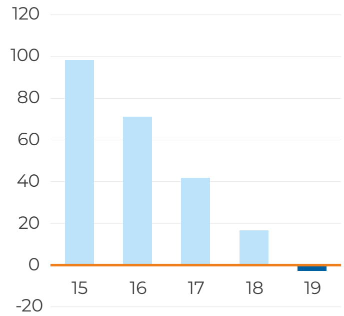
RETURN ON INVESTMENT (ROI), %



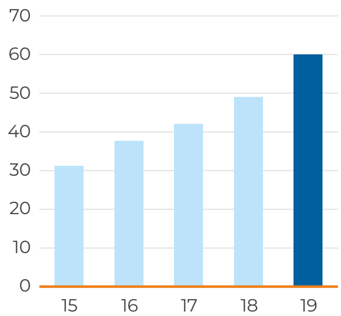
RETURN ON EQUITY (ROE), %



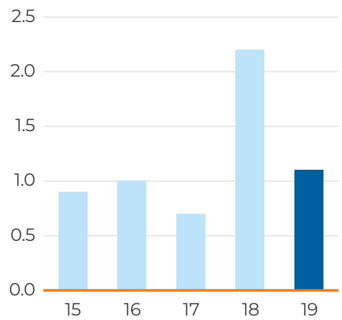
NET GEARING, %



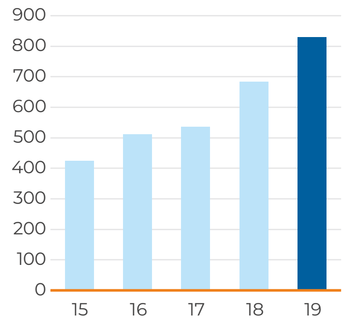
EQUITY RATIO, %



INVESTMENTS, EUR MILLION



AVERAGE NUMBER OF PERSONNEL



CONSOLIDATED INCOME STATEMENT

1 000 euros	Note	1.1.-31.12.2019	1.1.-31.12.2018
Revenue	3	71,022	58,961
Other operating income	4	1,004	1,063
Changes in inventories of finished goods and work in progress	5	-408	1,428
Raw materials and consumables used	5	50,987	44,277
Personnel expenses	8	5,178	4,560
Depreciation and amortisation	7	1,384	509
Other operating expenses	6	3,983	3,472
Operating profit		**10,086**	**8,633**
Financial income and expenses	9	-422	-692
Profit before tax		**9,664**	**7,941**
Income tax	10	-3,390	-2,094
Profit for the year		**6,274**	**5,847**
Consolidated statement of comprehensive income			
Other comprehensive income:			
Items that are not transferred to the statement of income			
Revaluation of employee benefits		-34	-100
Items that may be reclassified subsequently to profit or loss			
Translation differences from foreign units		-95	-424
Other comprehensive income, net		-128	-524
Total comprehensive income attributable to:		**6,146**	**5,323**
Profit for the year, attributable to:			
Equity holders of the parent company		6,274	5,847
		6,274	**5,847**
Total comprehensive income attributable to:			
Equity holders of the parent company		6,146	5,323
		6,146	**5,323**
Earnings per share from profit for the year attributable to equity holders of the parent			
Basic earnings per share	11	1.44	1.34
Earnings per share			
Diluted earnings per share	11		
Earnings per share		1.44	1.34
Average number of shares:			
basic		4,365,168	4,365,168
diluted		4,365,168	4,365,168

CONSOLIDATED BALANCE SHEET

1 000 euros	Note	1.1.-31.12.2019	1.1.-31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment	12	4,853	4,545
Right-of-use assets	12	2,463	-
Goodwill	13	894	895
Other intangible assets	13	13	15
Other financial assets	14	4	4
Deferred tax assets	15	147	141
Other receivables	17	203	183
Total non-current assets		**8,576**	**5,782**
Current assets			
Inventories	16	10,845	11,647
Trade and other receivables	17	10,891	11,757
Cash and cash equivalents	18	6,163	2,894
Total current assets		**27,899**	**26,297**
Total assets		**36,475**	**32,080**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	19		
Share capital		1,000	1,000
Exchange differences		-1,664	-1,569
Unrestricted equity reserve		11,028	11,028
Retained earnings		11,519	5,279
Total equity		**21,883**	**15,738**
Non-current liabilities			
Non-Interest-bearing liabilities	23	1,619	468
Interest-bearing liabilities	22	2,333	1,000
Current liabilities			
Trade and other payables	23	7,405	10,370
Interest-bearing loans and borrowings	22	3,234	4,503
Total liabilities		**14,592**	**16,342**
Total equity and liabilities		**36,475**	**32,080**

CONSOLIDATED CASH FLOW STATEMENT

1 000 euros	Note	1.1.-31.12.2019	1.1.-31.12.2018
Cash flow from operations			
Operating profit, in total		10,086	8,633
Adjustmets to operating profit	26	1,431	621
Change in working capital		-1,260	-2,995
Interest paid		-407	-439
Interest received		2	3
Tax paid and tax refund		-2,537	-1,686
Cash flow from operating activities		**7,315**	**4,137**
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets		-1,123	-2,199
Cash flow from investing activities		**-1,123**	**-2,199**
Cash flow from financing activities			
Drawdown of loans		3,507	3,389
Repayments of loans		-5,895	-5,279
Right-of-use asset payments		-561	-
Cash flow from financing activities		**-2,949**	**-1,889**
Change in cash and cash equivalents		**3,243**	**48**
Cash and cash equivalents at beginning of period		2,894	2,862
Effects of changes in exchange rates		27	-17
Cash and cash equivalents at end of period		**6,163**	**2,894**

CONSOLIDATED STATEMENT IN CHANGES OF EQUITY

1 000 euroa	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[1]				-34	-34
Equity at 31 December 2019	**1,000**	**11,028**	**-1,663**	**11,519**	**21,883**

1 000 euroa	Share capital	Unrestricted equity reserve	Translation differences	Retained earnings	Total equity
Equity at 1 January 2018	**1,000**	**11,028**	**-1,147**	**-467**	**10,414**
Total comprehensive income				5,847	5,847
Currency translation differences			-422		-422
Other changes[1]				-100	-100
Equity at 31 December 2018	**1,000**	**11,028**	**-1,569**	**5,279**	**15,738**

[1] Re-measurements of employee benefits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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 2018. 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."

SUBSIDIARIES

The consolidated financial statements include the parent company Incap Corporation and its subsidiaries Incap Electronics Estonia OÜ, Incap Hong Kong Ltd., Incap Contract Manufacturing Services Pvt. Ltd. and Euro-ketju Oy, which has no operations.

Intra-Group share ownership has been eliminated by means of the purchase method. Acquired subsidiaries are included in the consolidated financial statements from the time when the Group has obtained control, and divested subsidiaries up to the time when control ceases. All intra-Group transactions, receivables, liabilities, unrealised gains and internal distribution of profits are eliminated when preparing the consolidated financial statements.

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 in other 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 in other comprehensive income.

Currency rates used in consolidation 31 Dec 2019

31.12.2019	EUR/INR	USD/INR	EUR/HKD	EUR/USD
Average exchange rate during the year 2019	78,8439	70,4184	8,7724	1,1196
Exchange rate on 31 Dec 2019	79,8830	71,2740	8,7473	1,1234

PROPERTY, PLANT AND EQUIPMENT

According to IFRS16 Leases – standard, right-of-use assets are depreciated on a case by case basis based on the length of each lease contract period. Due to implementation of IFRS 16, depreciations in 2019 financial statement increased by million 0.5 EUR and interests by million 0.1 EUR.

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

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 recorded on a net basis as a deduction from property, plant and equipment, whereby the grants are recognised as income in the form of smaller depreciation charges over the useful life of an 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. Other costs directly attributable to an acquisition are also included in the acquisition cost. Transactions costs like advisory fees are recorded in income statement.

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.

The Incap Group's intangible assets are amortised over 3–5 years.

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. Leases of property, plant and equipment where the lessee bears the risks and rewards of ownership are classified as finance leases. An asset obtained on a finance lease is recorded in the lessee's balance sheet at the start of the lease period at the lower of the fair value of the leased property and the present value of the minimum lease payment. An asset obtained on a finance lease is depreciated over the shorter of the useful life of the asset and the lease term. Lease payments for items of property, plant and equipment are split between financial expenses and a reduction in lease liabilities for the period of the lease finance agreement. Finance lease liabilities are included in the Incap Group's interest-bearing liabilities.

When the lessor retains the risks and rewards of ownership, the agreement is treated as an operating lease. Lease payments paid on operating leases are recorded as an expense in the income statement.

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

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

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

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

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.

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

EMPLOYEE BENEFITS

Pension obligations. The 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

The 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.

During the report period 2019 Incap Corporation has had no share options.

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 IFRS 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. Contracts 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. 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 2018 and 2019.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Incap applies the simplified approach to record expected credit losses on its trade receivables. The Group estimates credit losses in the future by using a provision matrix where overdue accounts receivables are grouped by each customer and different historical realised loss patterns.

Incap's financial assets are as measured at amortized cost, at fair value through other comprehensive income and at fair value through statement of income.

Under IFRS 9, all shares and non-current financial assets are measured at fair value through other comprehensive income. Investments in interest rate funds are classified at fair value through statement of income

Cash and cash equivalents consist of cash on hand, demand deposits and other short-term, highly liquid investments.

Items classified as cash and cash equivalents have a maximum of a three-month maturity from the time of acquisition.

Financial liabilities are originally entered in the accounts at fair value on the basis of the consideration received. Transaction costs of the convertible loan are included in the original book value of the loan. The fair value of the debt of the convertible loan is determined by using the market rate of interest for a corresponding loan at the date of origination. The debt is recorded at amortized cost until it is annulled by exchanging the loan to shares or by paying the debt back.

Incap had no convertible loans in the financial years 2018 and 2019.

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 2020. 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. These calculations require the use of estimates.

Deferred tax asset

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.

There are no deferred tax assets recorded in the balance sheet of the Group.

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.

Standards that will take effect in 2019 or later:

- Amendments to standards IFRS 10, IFRS 12 and IAS 28 concerning investment entities. The amendment has no impact on consolidated statements.
- Amendments to standards IAS 27 Separate Financial Statements. The amendment has no impact on consolidated financial statements.
- IFRS 16 Leases and it amendments to standard IAS 17 concerning rental contracts. Under IAS 17, lessees recognized leases either as operating leases or finance leases. IFRS 16 was published in January 2016 and sets out the requirements for the recognition, measurement, presentation and disclosure of leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize right-of-use assets and lease liabilities for substantially all leases in the consolidated statement of financial position excluding short term or low value contracts. The Group adopted IFRS 16 on 1 January 2019 using the modified retrospective method where comparative information will not be restated. Incap has analyzed the effect of the standard to its consolidated financial statements. The analysis contained Analysis include: reviewing current lease contracts, determining incremental borrowing rates and calculation of preliminary accounting impacts. Additional information on the impact on financial statement was provided in business review of the first quarter 2019. On adoption, all right-of-use assets will be recorded with an equivalent value recorded for the related lease liabilities. Key judgments and estimates used under IFRS 16 primarily relate to the evaluation of lease period and the use of discount rates. In the consolidated financial statements for 31 December, 2018 Incap disclosed non-cancellable operating lease commitments of EUR 1,1 million, of which the majority relates to real estate and machinery operating lease commitments. Group expects that the adoption of IFRS 16 will slightly increase EBIT as the interest component on the lease payments will be recognized in financial income and expenses. In the consolidated statement of cash flows, cash flow from operating activities is expected to increase as the principal component of lease payments will now be recorded within cash flows from financing activities. The impact of IFRS 16 adoption on total equity is not expected to be material.

Incap has at the moment no activities as a lessor.

Incap will not adapt IFRS 16 to leasing agreements which are not material or with rental period 12 months or less or when the contracts notice period is less than 12 months without sanctions.

The amendments are estimated to increase the volumes of rental contracts to be recorded in the consolidated balance sheet. Most of Incap's leasing commitments are either short term or low value agreements which will be handled as operating lease contracts.

- IFRIC 23 Uncertain tax positions: 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 performed by Indian tax authorities during 2018. In this case, the deductibility of group costs are being investigated. The case is still under preliminary investigation and if an agreement cannot be settled with a local tax authority, the company's point of view will be processed. 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).


ACCEPTABILITY OF
ELECTRONIC ASSEMBLIES
R12
D1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NON-CURRENT ASSETS HELD FOR SALE

There were no sales of business operations in the Group in 2018 and 2019.

2. ACQUIRED OPERATIONS

No business acquisitions were made during financial years 2018 and 2019. The change in goodwill comes from the exchange difference, decrease of 0 thousand euros in 2019 (decrease of 19 thousand euros in 2018).

3. REVENUE

	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Revenue from the sale of goods	71,022	58,961
	71,022	**58,961**

Geographic division of external customers' revenue	**1 Jan-31 Dec 2019**	**1 Jan-31 Dec 2018**
Europe	46,844	41,791
North-America	10,315	6,372
Asia	8,239	8,750
Africa	3,143	0
Australia	2,481	2,048
	71,022	**58,961**

The Group has two customers, whose revenue exceeds 10% of the Group's revenue. The combined share of these customers out of the Group's revenue is approximately 67%.

4. OTHER OPERATING INCOME

	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Export incentive from Indian government	983	1,059
Net gains on the disposal of property, plant and equipment	15	1
Other income	7	3
	1,004	**1,063**

5. RAW MATERIALS AND SERVICES

Raw materials and consumables	**1 Jan-31 Dec 2019**	**1 Jan-31 Dec 2018**
Purchases during the financial year	50,332	46,643
Change in inventories	492	-2,481
	50,824	**44,162**
External services	164	115
	50,987	**44,277**

6. OTHER OPERATING EXPENSES

	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Lease expenses	6	575
Operating and maintenance expenses for property and machinery	327	468
Other expenses	3,650	2,430
	3,983	**3,472**

Auditors' fees	**1 Jan-31 Dec 2019**	**1 Jan-31 Dec 2018**
Auditing fees	114	85
Tax advice	2	2
Other services	2	2
	118,170	**89,575**

7. DEPRECIATION AND AMORTISATION

	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Depreciation and amortisation by assets class		
Intangible assets		
Other capitalised expenditure	7	10
	7	**10**
Tangible assets		
Buildings	104	89
Right-of-use assets, building	310	-
Machinery and equipment	682	371
Right-of-use assets, machinery	237	-
Other tangible assets	44	39
	1,377	**499**
Total depreciation, amortisation and write-downs	**1,384**	**509**

8. EMPLOYEE BENEFITS EXPENSE

	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Wages and salaries	4,445	3,967
Pension costs - defined contribution plans	167	208
Pension costs - defined-benefit plans	98	146
Re-measurements on defined benefit pensions, actuarial calculation profit (+), loss (-)	-34	-100
Other statutory employer expenses	502	339
	5,178	**4,560**
Average number of Group's personnel during the period	830	684

Information on management's employee benefits is presented in Note 30 Related-party transactions.

9. FINANCIAL INCOME AND EXPENSES

Financial income	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Foreign exchange gains on liabilities	468	449
Other financing income	5	18
	473	**467**

Financial expenses	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Interest expenses from financial liabilities mea-sured at amortised cost	270	518
Right-of-use assets interests	70	-
Exchange rate losses	493	564
Other financial expenses	63	79
	896	**1,160**
Total financial income and expenses	**-422**	**-692**

10. INCOME TAX

Income tax in the income statement	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Income tax on profits for the year	-2,599	-1,804
Income tax on profits of previous periods	-813	-301
Income taxes for the financial period	**-3,412**	**-2,105**
Changes in deferred tax assets created this year	22	11
Change in deferred taxes total	**22**	**11**
Income tax expense	**-3,390**	**-2,094**

Reconciliation 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 2019	1 Jan-31 Dec 2018
Profit before taxes	9,630	7,841
Tax at the applicable rate in the home country	-1,926	-1,568
Divergent tax rates of foreign subsidiaries	-288	-400
Tax provision for current year	-339	0
Tax provision for previous years	-813	-301
Foreign with-holding tax	-225	0
Other temporary difference	22	11
Non-recorded deferred tax	179	164
Tax charge	**-4,007**	**-2,094**

The Group has no material deferred tax liabilities. See Note 15 for further information.

11. EARNINGS PER SHARE

Undiluted earnings per share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the period.

	2019	2018
Profit for the year attributable to equity holders of the parent	6,274	5,847
Weighted average number of shares during the period	4,365,168	4,365,168
Undiluted earnings per share, EUR/share	1.44	1.34
Continuing operations	**2019**	**2018**
Profit for the year attributable to equity holders of the parent, continuing operations	5,326	5,847
Weighted average number of shares during the period	4,365,168	4,365,168
Weighted average number of shares used in calculating adjusted diluted earnings per share	4,365,168	4,365,168
Diluted earnings per share, EUR/share	1.44	1.34

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and advances	Machinery and Equipment	Other tangible assets	Total
Acquisition cost 1 Jan 2019	**375**	**2,016**	**4,906**	**481**	**7,778**
Increase	0	0	169	0	169
Decrease [1]	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**
Acquisition cost 1 Jan 2018	**392**	**1,798**	**3,179**	**477**	**5,846**
Increase	0	0	56	0	56
Decrease	0	0	0	-2	-2
Reclassifications between items	0	294	1,799	29	2,121
Exchange differences	-17	-76	-128	-23	-244
Acquisition cost 31 Dec 2018	**375**	**2,016**	**4,906**	**481**	**7,778**
Accumulated depreciation and write-downs 1 Jan 2018	0	**-494**	**-2,061**	**-371**	**-2,926**
Depreciation	0	-90	-375	-37	-502
Exchange differences	0	21	84	18	124
Accumulated depreciation and write-downs 31 Dec 2018	0	**-563**	**-2,351**	**-390**	**-3,304**
Book value 1 Jan 2018	392	1,304	1,118	106	2,920
Book value 31 Dec 2018	375	1,453	2,555	91	4,474

[1] Decrease consists 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 2019	0	0	0
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 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	895	13	907
Acquisition cost 1 Jan 2018	**914**	**1,015**	**1,928**
Reclassifications between items	0	8	8
Exchange differences	-19	-43	-63
Acquisition cost 31 Dec 2018	**895**	**980**	**1,874**
Accumulated amortisation and write-downs 1 Jan 2018	**0**	**-997**	**-997**
Depreciation	0	-10	-10
Exchange differences	0	42	42
Accumulated amortisation and write-downs 31 Dec 2018	**0**	**-964**	**-964**
Book value 1 Jan 2018	914	18	932
Book value 31 Dec 2018	895	15	910

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 7% annually and operating profit to be approximately 13%. Growth estimate of residual value is 2%. In the calculations of the financial year 2019 in India, a discount rate of 16.79% has been used (14.66% in 2018).

Should the operating profit used in the testing decrease by approximately 53.5% or should the discount rate increase by less than 28.6 percentage points, there would be no need for write-down of shares. 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 57% of the cash flows in the calculations for value in use.

Testing of impairment is described also in the Notes to the Consolidated Financial Statements under Impairment of assets and Impairment testing.

14. OTHER FINANCIAL ASSETS

	2019	2018
Shares	4	4
Other financial assets 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

During the financial year 2019, deferred assets of EUR 22,273 have been recorded in the Indian subsidiary (EUR 11,444 for the 2018 financial year). No deferred tax assets against accumulated losses have been recorded in the Group in the financial periods 2019 or 2018.

The parent company's confirmed tax losses amount to EUR 12.6 million on 31 December 2019. The parent company's deferred tax assets amount to approximately EUR 2.5 million and none of it has been recorded in the consolidated balance sheet.

Out of the confirmed tax losses, EUR 0.78 million expired. Remaining confirmed tax losses will expire in years 2020–2025.

16. INVENTORIES

	2019	2018
Raw materials and supplies	8,208	8,665
Work in progress	1,039	1,497
Finished goods	999	819
Advance payments	599	666
Total	**10,845**	**11,647**

17. TRADE AND OTHER RECEIVABLES

Trade and other receivables – non-current	**2019**	**2018**
Tax and other receivables from authorities in Indian subsidiary	102	167
Other non-current receivables	101	157
Total	**203**	**324**

Trade and other receivables – current	**2019**	**2018**
Trade receivables	8,289	9,275
Loan receivables	15	20
Prepaid expenses and accrued income	2,409	2,378
Other receivables	178	83
Total	**10,891**	**11,757**

The fair values of receivables do not differ from their book value. Receivables are not exposed to any significant credit risks.

Aging structure of trade receivables and items recorded as credit losses	**2019**	**2018**
Not past due[1]	6,984	7,076
Past due		
Less than 30 days	833	1,969
30–60 days	107	200
61–90 days	324	14
Over 90 days	42	17
Total	**8,289**	**9,275**

[1] The Group has booked a credit loss provision of EUR 168,032 for not due or due trade receivables.

Distribution of current receivables by currency	**2019**	**2018**
USD	5,400	5,198
INR	3,580	2,281
EUR	1,910	1,796
Total	**10,891**	**9,275**

18. CASH AND CASH EQUIVALENTS

	2019	2018
Cash and bank accounts	6,163	2,894
Total	**6,163**	**2,894**

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
31.12.2019	4,365,168	1,000	1,000
31.12.2018	4,365,168	1,000	1,000

20. 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	**2019**	**2018**
Present value of funded liabilities	724	608
Fair value of plan assets	-343	-261
Underfunding/overfunding	381	347
Amounts in the balance sheet:		
Liability	381	347

Defined-benefit pension expenses recognised in the income statement	**2019**	**2018**
Pension costs based on financial period's service	36	25
Benefit-related interest expense	48	36
Expected return on plan assets (comprehensive income)	-21	-15
Actuarial gains (+) and losses (-) (comprehensive income)	33	101
Total	**96**	**148**

Actual return on plan assets was EUR 21 thousand in 2019 (EUR 15 thousand in 2018).

Changes in the present value of the defined benefit obligation	**2019**	**2018**
Defined benefit obligation at 1 Jan	608	462
Current service cost	36	25
Interest cost	48	36
Actuarial gains (+) and losses (-)	32	100
Benefits paid	0	-15
Defined benefit obligation at 31 Dec	**724**	**608**

Changes in the fair value of plan assets	**2019**	**2018**
Fair value of plan assets at 1 Jan	261	187
Expected return on plan assets	21	15
Actuarial gains (+) and losses (-)	-1	-1
Contributions by employer	63	75
Benefits paid	0	-15
Fair value of plan assets at 31 December	**343**	**261**

Plan assets are comprised as follows:	**2019**	**2018**
Funds managed by insurer	343	261

The principal actuarial assumptions 31 Dec	**2019**	**2018**
Asia		
Discount rate	7.15%	7.55%
Expected return on plan assets	7.50%	7.50%
Future salary increases	10.0 %	10.0 %

Amounts for the current and previous two periods	**2019**	**2018**
Change from previous year	**18.96%**	**26.04%**
Present value of defined benefit obliga	724	608
Fair value of plan assets	343	261
Surplus (+) / deficit (-)	381	347
Experience adjustments on plan liabilities	6	5
Experience adjustments on plan assets	-1	-1

The Group expects to contribute the defined benefit plan pensions EUR 0.06 million in 2020.

21. RESTRUCTURING PROVISION AND OTHER PROVISIONS

Expense provision	
1 Jan 2019	**51**
31 Dec 2019	**51**

Expense provision	
1 Jan 2018	**51**
31 Dec 2018	**51**

Reserves of 31 December 2019 and 31 December 2018 consist of the own risk for unemployment insurance funding.

22. INTEREST-BEARING AND NON-INTEREST BEARING LIABILITIES

Non-current financial liabilities measured at amortised cost

	2019	2018
Bank loans	235	669
Pension loans	318	297
Other liabilities	0	34
Lease liabilities	1,780	-
	2,333	**1,000**

Current financial liabilities measured at amortised cost

	2019	2018
Bank loans	1,392	3,397
Other loans	1,174	1,106
Lease liabilities	668	-
	3,234	**4,503**

Forthcoming payable interest and instalments of loans

	2019	2018
Less than 6 months[1]	2,904	1,705
6–12 months	402	615
1–5 years	2,541	3,184
Over 5 years	0	0
	5,847	**5,503**

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

[1] Includes an open-ended account with credit facility (EUR 1,298,174) in India and an open-ended factoring limit EUR 1,174,073 in Estonia.

Distribution of interest-bearing liabilities by currency, EUR

Non-current liabilities	2019	2018
USD	0	34
INR	553	568
EUR	1,780	398
	2,333	**1,000**

Current liabilities	2019	2018
USD	1,298	2,193
INR	94	268
EUR	1,842	2,042
	3,234	**4,503**

Subordinated debt
There are no capital notes in the balance sheets for 2019 or in 2018.

23. PROVISIONS, TRADE AND OTHER PAYABLES

	2019	2018
Non-current		
Other liabilities	1,619	468
	1,619	**468**
Current		
Trade payables	5,610	8,823
Accrued liabilities	1,281	852
Short-term provisions	238	536
Other liabilities	276	159
	7,405	10,370
Total	**9,024**	**10,838**

Material items in accrued liabilities are related to interest, rent and salary expenses.

Distribution of non-interest-bearing liabilities by currency, 1,000 EUR

	2019	2018
USD	2,133	4,471
SEK	4	117
GBP	22	54
JPY	2	6
HKD	4	1
INR	4,427	3,889
EUR	2,432	2,299
	9,024	**10,838**

24. 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 is 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. 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 215,515 while weakening of INR exchange rate in relation to EUR by 15% decreases the Group's equity by EUR 291,579 compared with the Exchange difference at 31 December 2019.

INTEREST RATE RISK

At the balance sheet date, interest-bearing liabilities in the consolidated balance sheet totalled EUR 5.6 million (EUR 5.5 million). Out of the total interest bearing liabilities, EUR 2.4 million is related to IFRS 16 Leases-standard. Total EUR 0.3 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 3.6 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 +/- 28 thousand at 31 December 2019.

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 2018 EUR 0). 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 2019 amounted to EUR 5.6 million (5.5 million on 31 December 2018). Of this amount, EUR 2.8 million is bank loan and EUR 1.6 million out of it concerns the Indian subsidiary. Out of the separate factoring credit line for the Estonian subsidiary in an Estonian bank, EUR 1.2 million was in use at the end of the financial period.

Status of the company's financing on 31 December 2019

Loans from credit institutions	**Balance on 31 Dec 2019**	**Balance on 31 Dec 2018**
1. Factoring limit (< EUR 2.5 million)	1,174	1,004
2. Account with credit facility (< EUR 1.0 million)	0	398
3. Bank loan in Finland	0	1,038
4. Account with credit facility in India	1,627	2,630
Total	**2,801**	**5,070**
Other loans		
Other loans	1,619	604
Right-of-use asset liabilities	2,449	-
Pension loans (India)	381	347
Total	**4,448**	**951**
All in total	**7,249**	**6,021**

In connection with the rearrangement of loans in 2016 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 25.0%) and the Group's interest-bearing debt in relation to EBITDA (less than 2.5), which are reviewed every six months until 30 June 2018. EBITDA is calculated for the rolling 12 months except in the first review for the preceding 6 months. One condition for the new instalment schedule was that the company will have a share issue strengthening the equity. The bank has the right to terminate the contracts within a notice period of 45 days should the covenants not be met. The company met the covenant levels in both review dates on 30 June 2019 and on 31 December 2019.

	31 Dec 2019	**30 June 2019**	**31 Dec 2018**
Interest bearing debt/EBITDA (<2.5)	0.5	0.5	0.6
Equity ratio (>25%)	60.0	57.1	49.1

Forthcoming instalments and interests are described in the Note 22. 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 2019 the Group's interest-bearing net debt totalled EUR -0.6 million (EUR 2.6 at 31 Dec 2018) and the net gearing was -2.7% (16.6% at 31 Dec 2018). 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 2019, the equity ratio was 60.0% (49.1% at 31 Dec 2018).

25. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Financial liabilities	**Book value 2019**	**Fair value 2019**	**Book value 2018**	**Fair value 2018**
Bank loans	2,801	2,801	5,070	5,070
Pension loans	381	381	347	347
Other interest-bearing loans	0	0	136	136
Lease liabilities	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	**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.

26. ADJUSTMENTS TO CASH FLOWS FROM OPERATIONS

	2019	2018
Non-cash transactions	-97	131
Depreciation and write-downs	1,374	514
Employee benefits	-34	-100
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	-15	0
Write-down of inventory	38	75
Write-down of trade receivables	168	0
Other items recognized in equity	-4	0
	1,431	**621**

27. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	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**

	1 Jan 2018	Cash flow	Reclassified	Foreign exchange movements	New lease liabilities	Other	31 Dec 2018
Current interest-bearing loans and borrowings	4,967	-1,340	1,038	-112	0	0	4,553
Non-current interest-bearing loans and borrowings	2,311	-253	-1,038	-20	0	0	1,000
Total	**7,278**	**-1,593**	0	**-131**	**0**	**0**	**5,554**

28. OPERATING LEASES

The Group has leased the production and office space in Estonia as well as the office space in Bangalore, Tallinn and Helsinki. Part of the lease agreements ending on a fixed date include an option of continuing the agreement after the original expiry date. The index, renewal and other terms of the agreements differ from each other.

Incap didn´t have other material non-cancellable leasing liabilities.

The Group as lessee

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

	2019	2018
Less than one year	13	579
1-5 years	0	474
	13	**1,053**

The income statement for 2019 includes EUR 0.0 million of lease expenses paid for operating leases (EUR 0.6 million in 2018).

Expiration of lease liabilities	**2019**	**2018**
Lease liabilities - total of minimum leasing costs		
Less than one year	707	0
1-5 years	1,968	0
	2,675	**0**
Present value of minimum lease liabilities		
Less than one year	668	0
1-5 years	1,780	0
	2,449	**0**
Internal interests expenses in the future	226	0
Total of lease liabilities	**2,675**	**0**

29. CONTINGENT LIABILITY, ASSETS AND RESPONSIBILITIES

	2019	2018
Bank loans with collaterals given	1,627	3,950
Collateral given on behalf of own commitments		
Mortgages	1,627	2,515
Business mortgages	12,113	12,113

Furthermore, the credit line of Nordea amounting to EUR 1.0 million has been guaranteed by the shares of the Indian subsidiary.

Trade receivables with recourse right sold to finance companies	1,174	1,004
Rent security deposit for Group office	0	3
Other liability		
Other off-balance sheet items	727	1,894

30. RELATED-PARTY TRANSACTIONS

Management's employee benefits	**2019**	**2018**
Salaries and other current employee benefits	459	464
Benefits related to the termination of employment	0	86
Post-employment benefit	0	115
Total	**459**	**664**

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 (Tel).

Wages and salaries	**2019**	**2018**
President and CEO	181	299
Board of Directors		
Carl-Gustav von Troil	23	23
Päivi Jokinen	18	10
Ville Vuori	32	10
Johan Ålander	0	5
Per Kristiansson	0	3
Vesa Mäkelä	0	3

At the end of the financial period of 2019, the members of the Board and the President and CEO and their related parties held a total of 40,604 shares, i.e. 0.9% of all shares and votes.

31. KEY EVENTS AFTER THE REPORTING PERIOD

The Group announced after the reporting period on 23 January that it has signed an agreement to acquire 100% ownership of British electronics manufacturing services provider AWS Electronics Group. AWS Electronics Group is specialized in offering high complexity electronic manufacturing services for example industrial controls, medical, automotive, aerospace, scientific instrumentation and controls among others.

In the financial year ended on June 30, 2019, AWS Electronics Group had a revenue of GBP 35 million (EUR 41 million*), EBITDA of GBP 2.1 million (EUR 2.5 million) and operating profit (EBIT) of GBP 1.5 million (EUR 1.8 million). The number of personnel was 436. The AWS Electronics Group has its own production facilities in U.K. and in Slovakia. The signing and closing of the agreement were completed simultaneously.

After the acquisition, the AWS Electronics business units will continue to run their operations as highly independent units within Incap Corporation as per Incap`s current business model. The former owners of the company are committed to support Incap over the transition period.

The enterprise value of the transaction is GBP 13.5 million (EUR 15.9 million) and an additional earn-out of a maximum of GBP 1.3 million (EUR 1.5 million) based on the business performance over 2020. The transaction will be paid in cash except for the amount of GBP 0.6 million (EUR 0.7 million), which will be paid in Incap shares.

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

Through the acquisition, Incap will be able to improve service and product offering to its existing customers, widen its customer base, enter into new market segments and increase its geographic presence.

New strategic foothold is gained especially in the U.K. markets and Central Europe and position strengthened further in the USA and South-East Asia. The production facilities in the U.K. and Slovakia complement Incap's current production facilities located in Estonia and India. In particular, this will open the opportunity to widen the commercial prospects between the U.K. and India.

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

In the long-term, the acquisition is expected to bring synergy benefits in e.g. material purchasing and cross-selling opportunities.

After the reporting period, the globally emerged Covid-19 pandemic may have an impact on production and supply chains of the electronics industry and on availability of components. Changes in the operating environment, travel restrictions and diminishing overall activity may have an effect also on Incap's business. To date, it is too early to estimate the possible impacts on Incap's business and financial performance. The company continues to monitor the situation and authorities' instructions carefully.

PARENT COMPANY INCOME STATEMENT

1 000 euros	Note	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Revenue	1	2,517	2,595
Other operating income	2	0	0.1
Personnel expenses	3	265	648
Other operating expenses	4	691	517
Operating profit/loss		**1,562**	**1,430**
Financial income and expenses	5	1,097	-100
Profit/loss before extraordinary items		**2,659**	**1,331**
Profit/loss for the financial year		**2,659**	**1,331**

PARENT COMPANY BALANCE SHEET

1 000 euros	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Tangible assets	8		
Advance payments and work in process		690	0
Investments	9		
Holdings in Group companies		12,300	12,300
Other investments		4	4
Total non-current assets		**12,994**	**12,304**
Current assets			
Current receivables	10	1,523	1,423
Cash in hand and at bank		844	11
Total current assets		**2,367**	**1,434**
Total assets		**15,361**	**13,738**
LIABILITIES			
Equity	11		
Share capital		1,000	1,000
Unrestricted equity reserve		8,368	8,368
Retained earnings		2,684	1,353
Profit for the financial year		2,659	1,331
Total equity		**14,711**	**12,052**
Liabilities			
Non-current liabilities	12	0	398
Current liabilities	13	650	1,288
Total liabilities		**650**	**1,686**
Total equity and liabilities		**15,361**	**13,738**

PARENT COMPANY CASH FLOW STATEMENT

1 000 euros	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Cash flow from operations		
Operating profit	1,562	1,430
Adjustments to operating profit	1	2
Change in working capital	343	120
Interest paid	-24	-139
Dividends received	1,075	0
Cash flow from operations	**2,958**	**1,414**
Cash flows from investing activities		
Capital expenditure on tangible and intangible assets	-690	0
Cash flows from investing activities	**-690**	**0**
Cash flows from financing activities		
Repayment of non-current loans	-1,436	-1,414
Cash flows from financing activities	**-1,436**	**-1,414**
Exchange rate change in cash and cash equivalents	0.2	0.5
Change in cash and cash equivalents	**833**	0.5
Cash and cash equivalents at the beginning of the financial year	11	10
Cash and cash equivalents at the end of the financial year	**844**	**11**
Change in working capital		
Change in current trade receivables	-60	-18
Change in current liabilities	404	138
	343	**120**


AGILE
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FLEXIBLE
EFFICIENT
MYDATA

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 property, plant and equipment.

Intangible assets

Goodwill	5–6 years
Consolidated goodwill	5 years
Other intangible assets	3–5 years

Tangible assets

Buildings and structures	18–24 years
Machinery and equipment	3–10 years
Motor Vehicles	3–5 years

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.

INCOME TAXES

The parent company's confirmed tax losses amount to EUR 12.6 million on 31 December 2019. Remaining confirmed tax losses will expire in years 2020–2025. Out of the confirmed tax losses, EUR 0.78 million expired during the financial period. The parent company's deferred tax assets amount to approximately EUR 2.5 million and none of it has been recorded in the consolidated balance sheet.

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 2019. 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.

The value of subsidiaries in the parent group is approximately EUR 12.3 million.

In cash flow estimates, the revenue in India is estimated to grow on average by 7% annually and the EBIT to be approximately 13%. The residual value is estimated to grow by 2%. In the calculations for the financial period 2019, the discount rate of 16.79% has been used in India (14.66% in financial period 2018). Should the EBIT used in the testing decrease by approximately 53.5% or should the discount rate increase less than 28.6 percentage points, there would be no need for write-down of shares. Should the estimated residual value growth be 0%, there would be no need for write-down of shares.

In cash flow estimates, the revenue in Estonia is estimated to increase by approximately 2.5% annually and the EBIT is estimated to be approximately 5%. The residual value is estimated to grow by 2%. In the calculations for the financial period 2019, the discount rate of 8.56% has been used in Estonia (8.06% in financial periood 2018). Should the operating profit used in the testing decrease by approximately 50% or should the discount rate increase less than 5.8 percentage points, there would be no need for write-down of shares. Should the estimated residual value growth be 0%, there would be no need for write-down of shares.

Based on the impairment calculations in connection with the financial statements for 2019 there is no need for any write-down of the value of the shares in subsidiaries.

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	2019	2018
Europe	263	248
Other	2,254	2,348
	2,517	**2,595**

2. OTHER OPERATING INCOME

	2019	2018
Dividend returned from estate	0	0.1
	0	**0.1**

3. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

	2019	2018
Average number of employees	**2**	**3**
Personnel expenses		
Wages and salaries	263	599
Pension expenses	-2	37
Other social security expenses	3	12
	265	**648**
Salaries and bonus of the management		
CEO and the Board	99	308
	99	**308**

4. OTHER OPERATING EXPENSES

	2019	2018
Lease payments	31	30
Maintenance expenses for machinery and properties	18	31
Other expenses	642	456
	691	**517**
Auditors fees		
Authorised Public Accountant Firm Ernst & Young Oy	52	42
Tax advice	1	1
Other services	2	2
	55	**45**

5. FINANCIAL INCOME AND EXPENSES

	2019	2018
Dividend income		
From Group companies	1,075	0
Other interest and financial income		
From Group companies	40	30
From other companies	1	1
Interest paid and other financial expenses		
To other companies	19	130
	1,097	**-100**

6. INTANGIBLE AND TANGIBLE ASSETS

Tangible assets

	Advanced payments and work in process	Total
Acquisition cost 1.1		
Additions	690	690
Acquisition cost 31.12	**690**	**690**
Book value 31.12.2019	690	690
Book value 31.12.2018		

Additions during the reporting period are related to transaction costs of AWS Electronics Group.

7. SHARES

	Shares in subsidiaries	Receivables from Group companies	Total
Acquisition cost, 1 Jan	12,300	4	12,304
Acquisition cost, 31 Dec	**12,300**	**4**	**12,304**
Book value, 31 Dec 2019	12,300	4	12,304
Book value, 31 Dec 2018	12,300	4	12,304

FINANCIAL STATEMENTS 31 DECEMBER 2019

The Group's equity at the close of the financial period was EUR 23.0 million (EUR 15.7 million in 2018) and the parent company's equity was EUR 14.7 million (EUR 12.1 million in 2018). The equity of the Group is increased by the profit of the parent company.

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 and the value of the Estonian subsidiary approximately EUR 4.1 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 2019. 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 7% annually and EBIT is approximately 13%. In cash flow estimates, the revenue in Estonia is estimated to grow by 2.5% 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 2019, the discount rate of 16.79% has been used in India and 8.56% in Estonia.

Should the EBIT used in the testing decrease by approximately 54% in India or 50% in Estonia, or should the discount rate increase by less than 5.8 percentage points in Estonia and 28.6 percentage points in India, there would be no need for write-down of shares.

GROUP COMPANIES

- Incap Electronics Estonia OÜ, Kuressaare, Estonia
- Incap Contract Manufacturing Services Pvt. Ltd., Bangalore, India
- Euro-ketju Oy, Helsinki, Finland (dormant)
- Incap Hong Kong Limited, Hong Kong

Incap Corporation owns 100% of Incap Electronics Estonia OÜ, Incap Hong Kong Ltd and Incap Contract Manufacturing Services Pvt. Ltd. All companies are combined in the parent company consolidated financial statements.

8. RECEIVABLES

	2019	2018
Non-current		
Amount owed by Group companies		
Trade receivables	571	558
Interest receivables	145	105
Other receivables	745	744
	1,460	**1,407**
Other receivables	52	12
Prepaid expenses and accrued income	12	3
Total receivables	**1,523**	**1,423**

9. EQUITY

	2019	2018
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
Unrestricted equity reserve 31 Dec	8,368	8,368
Retained earnings, 1 Jan	2,684	1,353
Retained earnings, 31 Dec	2,684	1,353
Profit for the financial year	2,659	1,331
Total non-restricted equity	**13,711**	**11,052**
Total equity	**14,711**	**12,052**
Distributable funds according to the Companies Act, Chapter 13, § 5		
Unrestricted equity reserve	8,368	8,368
Retained earnings	2,684	1,353
Profit/loss for the financial year	2,659	1,331
Total distributable funds	**13,711**	**11,052**

10. NON-CURRENT LIABILITIES

	2019	2018
Loans from credit institutions	0	398
	0	**398**

All liabilities are falling due within five years.

11. CURRENT LIABILITIES

	2019	2018
Loans from credit institutions	0	1,038
Trade payables	91	51
Amount owed to Group companies:		
Trade payables	22	23
Advances received		
Other liabilities	8	13
Accruals and deferred income	529	164
	650	**1,288**
Total interest-bearing liabilities	0	1,038
Material items in accruals and deferred income		
Wages and salaries, incl. social costs	33	106
Interest	0	4
Expense reserve	463	51
Other	33	3
	529	**164**
Other current liabilities		
Others	8	13
	8	**13**

12. OTHER NOTES TO THE ACCOUNTS

Collateral	2019	2018
Loans for which real-estate has been mortgaged as collateral		
Loans from credit institutions	0	1,038
Mortgages	12,113	12,113

Furthermore, the credit line of Nordea amounting to EUR 1.0 million has been guaranteed by the shares of the Indian subsidiary.

	2019	2018
Loans for which business mortgages have been given as collateral		
Rental guarantee	2,606	985
Guarantee on recourse right of trade receivables	1,174	1,004
Contingent and other liabilities		
Lease liabilities, net of VAT		
Liabilities falling due next financial year	11	1

BOARD OF DIRECTORS' PROPOSAL ON MEASURES RELATED TO THE RESULT

The parent company's profit for the financial period totalled EUR 2,659,458.37.

The Board of Directors proposes that the Annual General Meeting would authorize 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 January 1, 2019 to December 31, 2019, to be distributed in one or several instalments at a later stage based on the Board of Director's assessment. The authorization would be valid until the next Annual General Meeting.

If the Board of Directors decides to exercise the authorization, the company will publish the possible decision on dividend payment separately, and at the same time confirm the pertinent record and payment dates.

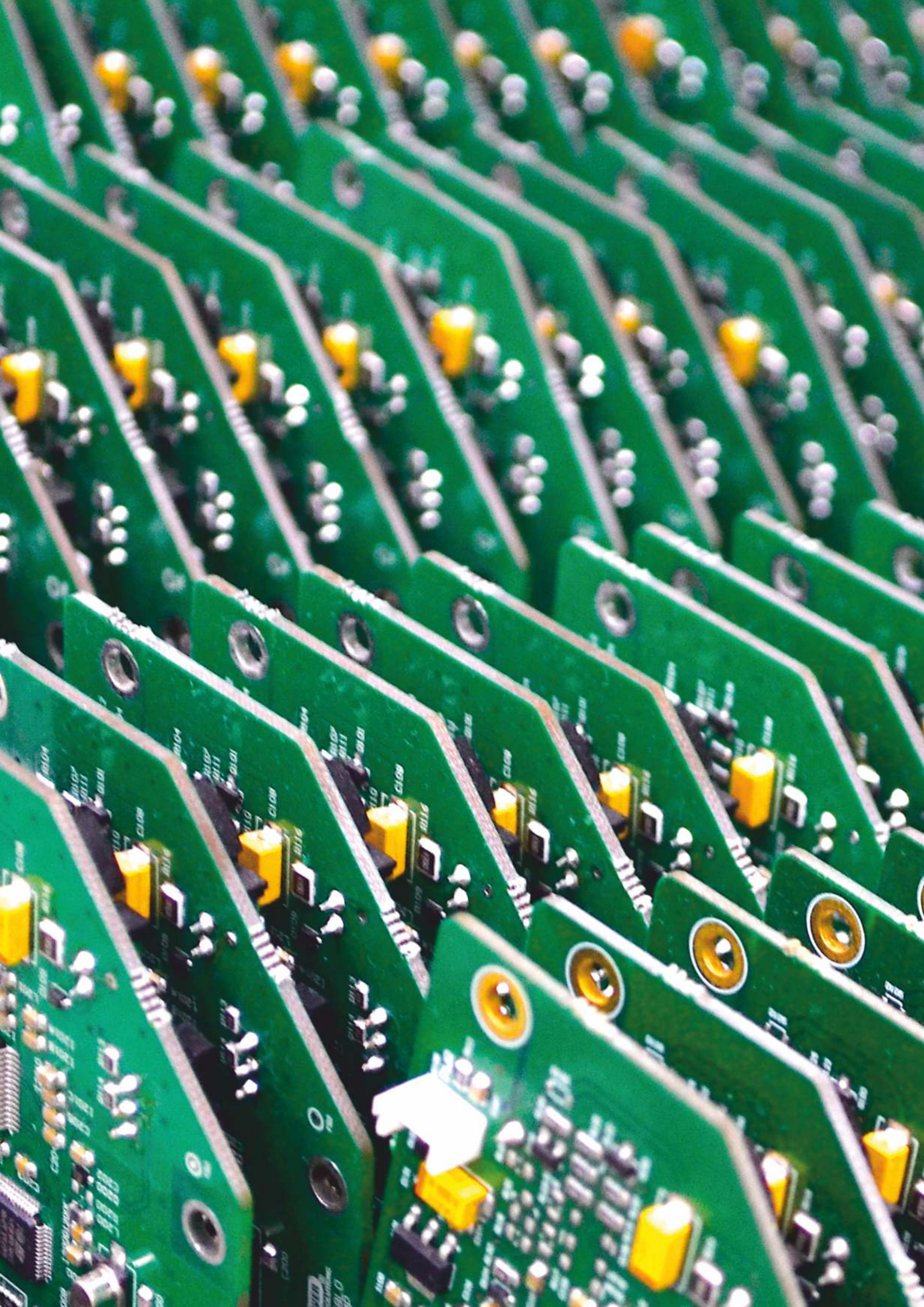
Helsinki, March 25 2020

Ville Vuori
Chairman of the Board

Päivi Jokinen
Board Member

Carl-Gustaf von Troil
Board Member

Otto Pukk
President and CEO



AUDITOR'S REPORT

To the Annual General Meeting of Incap Oyj

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Incap Oyj (business identity code 0608849-6) for the year ended 31 December, 2019. 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 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.

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 We refer to the Group's accounting policies and the note 3 The Group's business consists of contract manufacturing of electronics in Group's factories located in India and Estonia. Revenues from the sale of goods is recognized when the customer obtains control of goods at a point in time. 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 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 as at end of financial year. We evaluated the disclosures in respect of revenue.
Inventory valuation *We refer to the Group's accounting policies and the note 16* The value of inventories at 31 December 2019 was 10.8 million euros comprising 30 % 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 the processes related to cut-off and valuation of inventories. As part of the audit we compared the inventory valuation principles to IFRS standards. As at the end of the financial year we tested the valuation of inventories based on a testing sample. In our audit procedures to address the risk of inventory obsolescence, we evaluated and tested management's assumptions and calculations related to valuation. We evaluated the disclosures in respect of inventory.

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 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 18 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 13 March 2019

Ernst & Young Oy
Authorized Public Accountant Firm

Bengt Nyholm
Authorized Public Accountant


RoHS
DELL

FIVE-YEAR KEY FIGURES

IFRS		2019	2018	2017	2016*	2015
Revenue	EUR million	71.0	59.0	48.5	38.6	30.6
Growth/change	%	20	21	26	26	65
Operating profit/loss	EUR million	10.1	8.6	4.5	3.8	3.7
Share of revenue	%	14.2	14.6	9.4	9.8	12.1
Profit/loss before tax	EUR million	9.7	7.9	4.0	3.2	3.2
Share of revenue	%	13.6	13.5	8.2	8.3	11.0
Return on equity (ROE)	%	33.4	44.7	34.2	31.3	56.9
Return on investment (ROI)	%	43.4	46.8	28.4	26.0	26.0
Total assets	EUR million	36.5	32.1	24.8	21.1	18.1
Equity ratio	%	60.0	49.1	42.0	37.6	31.2
Net gearing	%	-2.7	16.6	41.9	71.0	98.3
Interest-bearing net debt	EUR million	-0.6	2.6	4.4	5.6	5.6
Quick ratio		1.4	1.0	1.0	1.1	1.1
Current ratio		2.3	1.7	1.6	1.7	1.8
Investments	EUR million	1.1	2.2	0.7	1.0	0.9
Share of revenue	%	1.6	3.7	1.4	2.5	3.0
R&D expenditure	EUR million	0	0	0	0	0
Share of revenue	%	0	0	0	0	0
Average number of employees		830	684	535	511	425
Dividends	EUR million	0	0	0	0	0
Per-share data						
Earnings per share	EUR[1]	1.44	1.34	0.72	0.49	0.52
Equity per share	EUR[1]	5.01	3.61	2.39	1.82	1.29
Dividend per share	EUR[1]	0.00	0.00	0.00	0.00	0.00
Dividend out of profit	%	0	0	0	0	0
Effective dividend yield	%	0	0	0	0	0
P/E ratio		11.8	5.4	8.6	11.2	15.3
Trend in share price						
Minimum price during year	EUR	7.18	5.60	5.25	4.95	0.03
Maximum price during year	EUR	23.00	8.22	7.20	8.65	0.20
Average price during year	EUR	14.83	6.02	5.93	6.43	0.12
Closing price at end of year	EUR	16.90	7.26	6.19	5.46	0.16
Total market capitalisation at 31 Dec	EUR million	73.8	31.7	27.0	23.8	34.3
Trade volume	no. of shares	1,564,055	2,891,606	2,009,629	40,565,856	123,997,394
Trade volume	%	36	66	46	929	57
Average number during year[2]		4,365,168	4,365,168	4,365,168	4,365,168	3,835,433
Number at end of year[2]		4,365,168	4,365,168	4,365,168	4,365,168	4,365,168

[1] 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 practice, the number of shares was divided by 50.
Comparison periods have been adjusted accordingly.

[2] Share issue-adjusted number of shares, each of previous 50 shares correspond to one share from 2016.

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


EPA

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

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: –

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, additionally he is a member of the Board in several companies in the United Bankers Group.

Board member as from 31 March 2015.

Incap shares (direct ownership and holding of interest parties): 40,604 pcs

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 Chairman 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: –

MANAGEMENT TEAM

OTTO PUKK

President and CEO of the Group

M.Sc.B.E., born 1978

CEO of the Group as from 18 September 2018. With the company as from 2015, first as the director for Incap operations in Estonia. Otto 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

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

ANTTI PYNNÖNEN

CFO

M.Sc. (Econ.), born 1982

With the company as from 21 January 2019. He has worked in different managerial finance and business development positions at ABB during 2007-2011 and in Wärtsilä during 2011-2019.

GREG GRACE

Director, Operations Estonia

BA, born 1971

With the Company as from 2018 serving as Director of Business Development of Incap Estonia. His previous work experience include management positions in Skano Group, Coca-Cola HBC Baltics and NSB Kaubanduse AS. Greg Grace was appointed to member of the Management Team as of 24 January 2020 onwards.

Management team members hold neither Incap shares nor stock options.

SHARES AND SHAREHOLDERS

Incap Corporation has on 31 December 2019 one series of shares and a total of 4,365,168 shares. Company's share capital registered in the trade registry was EUR 1,000,000 on 31 December 2019. The company does not own any of its own shares.

Incap Corporation's shares are listed on the NASDAQ 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 7.18 to EUR 23 during the financial year. The last quotation in trading at the end of the year 2019 was EUR 16.9. The company's market capitalisation on 31 December 2019 was EUR 73.8 million. In the end of the financial year 2019 the company had 3,671 shareholders and 5.1% 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 40,604 shares, or 0.9% 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 Date		Change 1,000 euros	Registered on	Share capital, 1,000 euros
31.01.1991	Decrease	5,760	26.02.1992	7,862
28.04.1992	Increase	424	25.11.1992	8,286
30.09.1992	Merger	4,972	02.12.1992	3,314
15.01.1993	Increase	32	11.08.1993	3,347
16.03.1994	Increase	563	21.12.1994	3,910
10.03.1997	Increase	978	21.03.1997	4,889
05.05.1997	Increase	975	05.05.1997	5,864
04.05.1998	Increase	40	04.05.1998	5,904
21.03.2002	Increase	14,583	24.04.2002	20,487
06.04.2016	Decrease	19,487	31.08.2016	1,000

Largest shareholders on 31 December 2019	Shares, pcs	Percentage of shares and votes, %
OY ETRA INVEST AB	853,000	19.54
NORDEA LIFE INSURANCE FINLAND	611,000	13.99
JOENSUUN KAUPPA JA KONE OY	375,513	8.60
MUTUAL INSURANCE COMPANY ILMARINEN	230,199	5.27
LAAKKONEN MIKKO KALERVO	218,257	4.99
MANDATUM LIFE UNIT-LINKED	150,000	3.43
DANSKE BANK A/S HELSINKI BRANCH	140,699	3.22
K22 FINANCE OY	134,100	3.07
KAKKONEN KARI	100,000	2.29
PENAN RAUDOITUS OY	66,332	1.51
10 largest total	2,879,100	65.96

Holding by sector on 31 December 2019	Shareholders, pcs	%	Shares and votes, pcs	%
Private enterprises	138	3.8	791,314	18.1
Financial institutions	12	0.3	1,879,385	43.1
Public sector entities	1	0.0	230,199	5.3
Households	3,506	95.5	1,440,875	33.0
Non-profit organizations	4	0.1	4,491	0.1
Foreign ownership	10	0.3	18,904	0.4
TOTAL	3,671	100.0	4,365,168	100.00
Nominee-registered	9		224,201	5.1

Holding by number of shares on 31 December 2019 Shares, pcs	Shareholders, pcs	%	Shares and votes, pcs	%
1 - 100	2,066	56.3	79,377	1.8
101 - 500	1,114	30.4	271,317	6.2
501 -1000	260	7.1	195,907	4.5
1,001 – 5,000	180	4.9	388,987	8.9
5,001 – 10,000	22	0.6	153,033	3.5
10,001 – 50,000	18	0.5	341,007	7.8
50,001 – 100,000	3	0.2	222,772	5.1
100,001 – 500,000	6	0.2	1,248,768	28.6
500,001 -	2	0.1	1,464,000	33.5
TOTAL	3,671	100.0	4,365,168	100.00
Nominee-registered	9		224,201	5.1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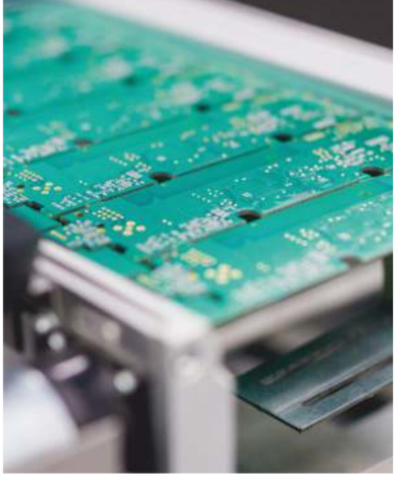
NOTES

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