InCap

INCAP GROUP

ANNUAL AND SUSTAINABILITY REPORT 2023

INCAPCORP.COM

CONTENTS

For the reader

This Annual and Sustainability Report of Incap Corporation presents an overview of Incap, key events in 2023 and the key aspects and impacts of the company's sustainability activities. The report also includes the audited financial statements and the report of the Board of Directors for the financial period 1 January–31 December 2023 as well as the Auditor's report.

Incap publishes its Annual and Sustainability report annually. The reported actions and results relate to calendar year 2023 and fiscal year 1 January–31 December 2023, unless otherwise stated.

The sustainability section of the report focuses on themes that are most material to Incap's economic, social and environmental responsibility. The material themes were identified in a materiality analysis in 2020. The materiality analysis was based on stakeholder surveys conducted among personnel, customers, suppliers and investors. Incap has also initiated the preparation of sustainability reporting and double materiality analysis required by the amendment to the Finnish Accounting Act.

The sustainability reporting is mainly based on the GRI standard, which Incap has partly supplemented to comply with the European Sustainability Reporting Standard (ESRS). Incap has adopted the latest version of the GRI standard. The information presented in the sustainability section does not fully cover the requirements of the GRI 2021 standard, so it has been used on an applied basis. In preparing this report, the company has considered the four GRI Reporting Principles, which are Stakeholder Inclusiveness, Sustainability context, Materiality, and Completeness.

This report, including the boundaries for reporting on material topics, focuses on areas within Incap's direct sphere of influence and control. The sustainability KPIs in this report in accordance with the GRI 2023 standard also cover Incap US's operations for the entire fiscal year 2023. Incap's Financial Statements 2023 include Incap US's financial figures for the period 1 July–31 December 2023. Incap's sustainability efforts are extended to the company's suppliers through Incap's Supplier Code of Conduct and supplier auditing. The sustainability reporting is not externally assured.

For feedback and further information, please contact Antti Pynnönen, CFO, Incap antti.pynnonen@incapcorp.com.

Incap in brief

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

We support our customers ranging from large multinationals and mid-sized companies to small start-ups in their complete manufacturing value chain.

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

We operate globally. Our factories are based in Estonia, India, Slovakia, the United Kingdom, and United States. Our procurement operations are based in Hong Kong, and our headquarters are in Finland.

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

> EBIT was 12.7% of revenue, which is an indication of our strong operating model and agility.

Revenue 2023
221.6 MEUR

EBIT 2023
28.2 MEUR

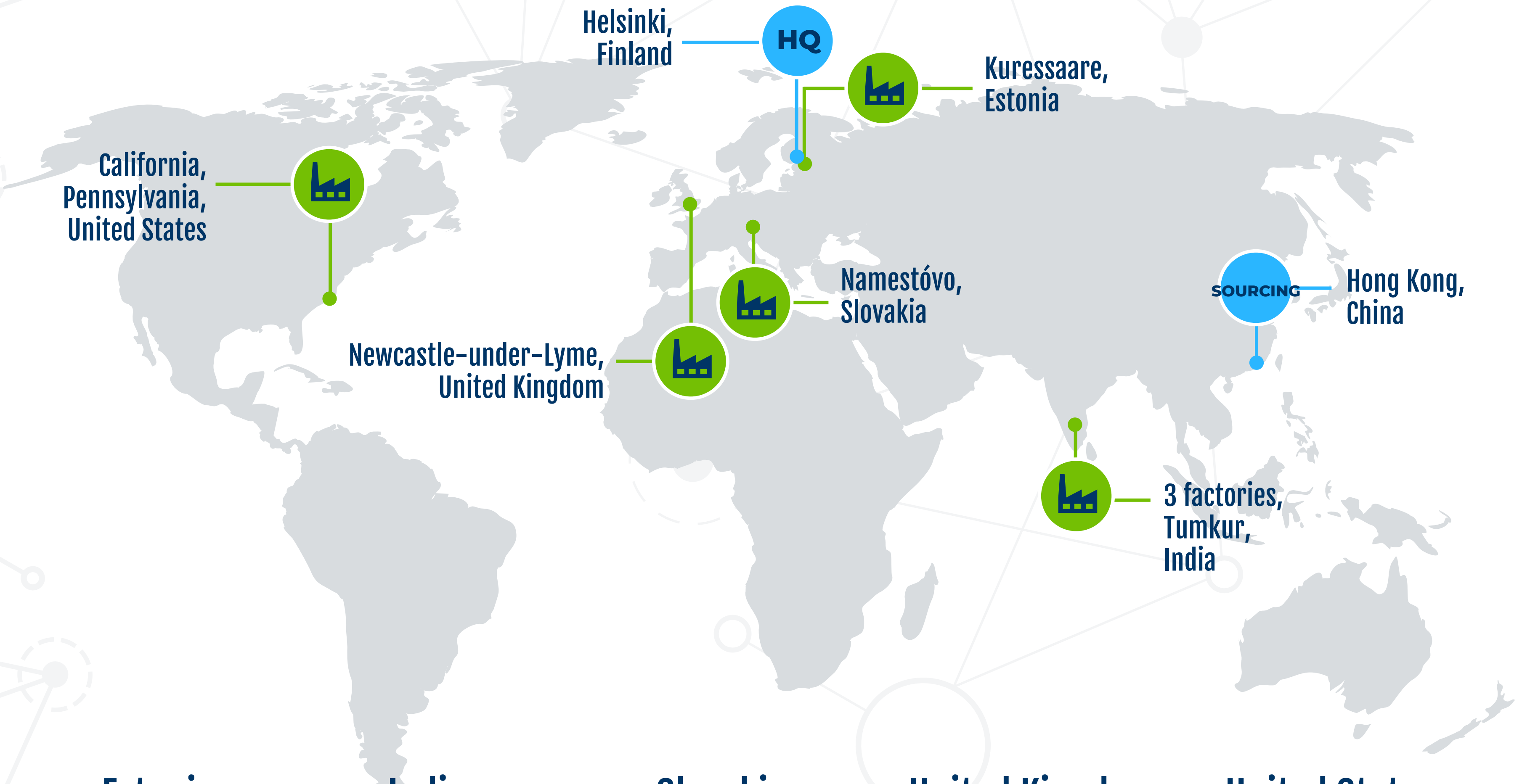
Market value 31 Dec 2023
228.1 MEUR

1,733
employees including contractors

We operate globally

7 factories

1,733 personnel



Factories:

Estonia
- Since 2000
- 7,300 sqm
- 132 employees

India
- 3 factories
- Since 2007
- 26,500 sqm
- 1,001 employees

Slovakia
- Since 2008
- 6,400 sqm
- 320 employees

United Kingdom
- Since 1974
- 4,400 sqm
- 172 employees

United States
- Since 1999
- 6,000 sqm
- 106 employees

Year in brief

2023

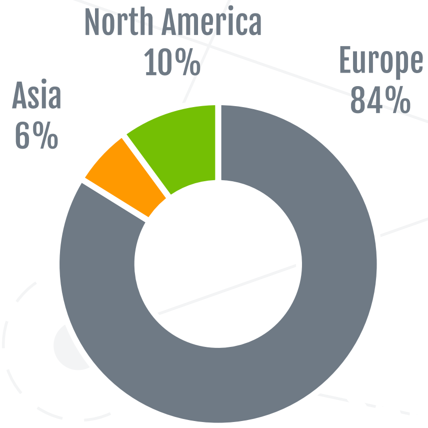
Incap Group's revenue decreased 16% year on year and amounted to EUR 221.6 million. The decrease was due to a decrease in the volume of the Indian factory, as the company's largest customer announced that they had to reduce their orders due to too high stock level. In other factories, production volumes increased. The factory in India reacted quickly to the decline in volumes, and operations were adjusted to a new level.

Incap's business stayed profitable. Adjusted operating profit (EBIT) was EUR 30.6 million or 13.8% of revenue.

On 5 July 2023, Incap acquired Pennatronics Inc., an Electronics Manufacturing Services company based in Pennsylvania, USA. The acquisition will establish Incap's presence in the U.S. market and create a foothold for further expansion there.

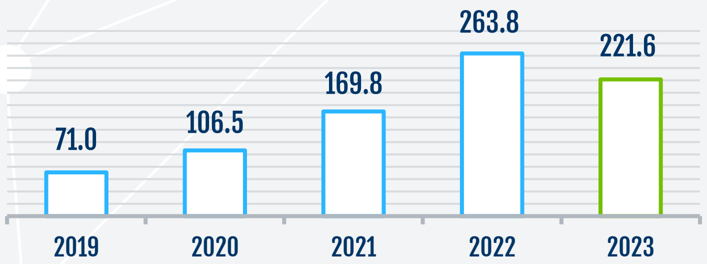
In 2023, Incap continued to invest in its factories. The company's third factory in India was completed in Tumkur, in the state of Karnataka, and ramp-up began in the second quarter of 2023.

Geographical distribution of revenue

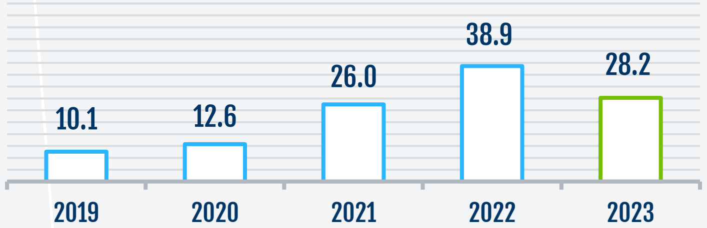


KEY FIGURES		2023	2022
Revenue	MEUR	221.6	263.8
Operating profit (EBIT)	MEUR	28.2	38.9
Share of revenue	%	12.7	14.8
Profit before tax	MEUR	26.4	36.6
Profit for the year	MEUR	19.8	27.6
Earnings per share (EPS)	EUR	0.68	0.94
Return on investment (ROI)	%	23.3	43.0
Equity ratio	%	60.6	53.6
Investments	MEUR	19.4	5.5
Number of employees at end of year including contractors		1,733	2,817

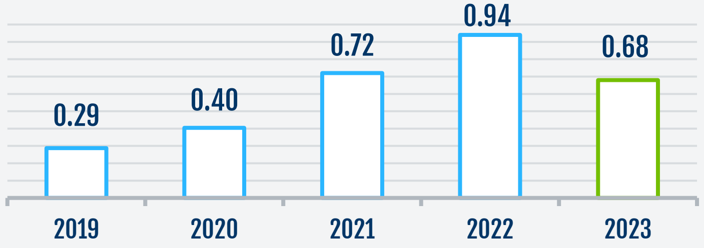
REVENUE, EUR MILLION

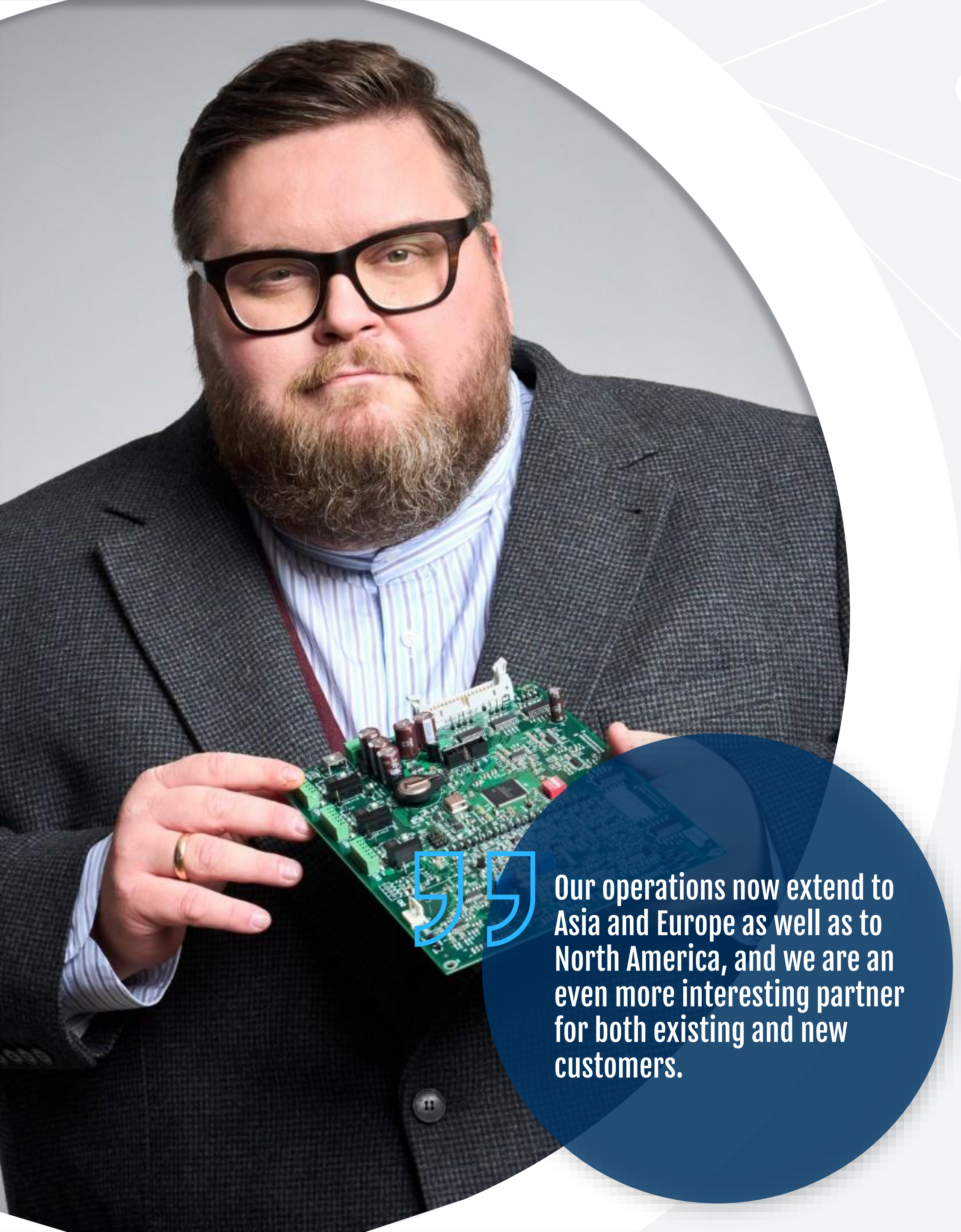


OPERATING PROFIT (EBIT), EUR MILLION



EARNINGS PER SHARE (EPS), EUR





> Our operations now extend to Asia and Europe as well as to North America, and we are an even more interesting partner for both existing and new customers.

CEO'S REVIEW

Quick reaction maintained profitability

Overall, 2023 was a good year for the electronics contract manufacturing market, although increased inventory levels were a common problem that maintained price pressure. In early 2023, also Incap's largest customer for the Indian factory announced that their stock level had become too high and that they had to reduce their orders. The full impact of the decreased volumes of the Indian factory was only visible in the last months of the year. At other factories, production volumes increased.

In 2023, our revenue decreased 16% year on year and amounted to EUR 221.6 million. Excluding sales to our largest customer, our revenue grew 35% year on year and also excluding the impact of the Pennatronics acquisition, the growth was 17%. The increase in revenue was boosted by all other Incap's units in Europe, effective sales work to existing and new customers, and the successful acquisition in the US.

Although our profitability was affected by the lower utilisation ratio of our factory in India, we were able to quickly adjust our cost level and to keep our own inventories on a healthy level. Our EBIT in 2023 was EUR 28.2 million or 12.7% of revenue, which we think is an indication of our strong operating model and agility.

Adjustment measures and investments

In order to adjust to the lower volume levels in India, we had to take hard measures and to significantly reduce the number of contractors at our factories in India. At the same time, the demand grew at our other units, and we made investments to support the growth. In Estonia, a new SMT line was commissioned, increasing the capacity by 50%. In Slovakia, the factory expansion project was finalised, and the plant now has 1,200 additional square metres for production. To support the growing demand, we also recruited more people at our factories in Europe.

When it comes to sustainability, we want to be a forerunner in the industry and invested in sustainable development at all our factories. We supplemented our corporate responsibility programme by defining more detailed targets for previously selected key figures. In the autumn, we conducted a Group-wide employee engagement survey for the first time and launched a double materiality assessment. We prepared for the new CSRD reporting requirements by, for instance, extending our CO2 reporting. We see that the standardised reporting requirements contribute to the positive development we are committed to.

Growth from Europe and America

We entered 2024 with a new starting point. Our dependence on a single customer has decreased, and our customer base is diversified through the expansion into the US market. The share of Incap's largest customers sales in the Group's revenue in the fourth quarter of 2023 was 23% (73%). Our operations now extend to Asia and Europe as well as to North America, and we are an even more interesting partner for both existing and new customers.

In 2024, we will continue to pursue M&A transactions that create shareholder value, invest in our factories, focus on new customer acquisition and on increasing sales to existing customers.

We estimate that our high growth rate will continue in Europe and America. In India, the destocking exercise of the largest customer will still affect the first half of 2024, but we estimate that our orders will slowly start to grow from here on, and we have already started to gradually increase the number of employees in our factory in India. Our double materiality assessment will be completed during the first half of the year, and we will update our corporate responsibility programme accordingly and integrate sustainability-related data even more closely into monitoring the implementation of our strategy.

The year 2023 has been busy and challenging. It has been especially tough for the team in India, whom I would like to thank for their meritorious efforts during a challenging moment. I would also like to thank our entire personnel, customers and owners for your commitment to Incap and its development.

OTTO PUKK
President and CEO

Our mission, strategy and values

Mission

As a trusted partner and full-service provider in electronics manufacturing services, we manage our customers' manufacturing while they grow their business. Our job is to ensure that our customers get the best possible support throughout the manufacturing value chain, from product and process design and manufacturing to sourcing and logistics.

Strategy

Our growth strategy is based on our entrepreneurial and customer-driven culture, flexible operational model and cost management as a deeply rooted mindset. We want to drive industry consolidation benefiting from the growth potential of the industry while maintaining our cost efficiency and long-term profitability. To continue our strong track record, we focus on three strategic cornerstones: growth, profitability and operational excellence.

Growth

Our growth is driven by the growing use of electronics and the global trend of outsourcing. We will continue to focus on the markets of Europe, North America and Asia-Pacific, where we will be agile and capitalise on cross-selling opportunities and expanding our service offering. We also seek growth through M&A activities targeting businesses with a good operational and cultural fit.

Profitability

Maintaining our unique and efficient business model is a key element of our strategy and will help us reach our profitability targets. With strong cost-awareness and entrepreneurial culture, we create value add and expand our service offering to our customers. To support our profitability, we will harvest potential synergies and economies of scale from M&A activities.

Operational excellence

Our investments in operational excellence include high-quality technology and the know-how of our people. We will continue to work in a decentralised way that motivates our personnel and brings value for our customers. On our growth path, it will be important to successfully integrate the acquired businesses while maintaining an operational and cultural fit.

Our growth strategy is based on our entrepreneurial culture

HONESTY

- In everything we do, we are authentic, we tell the truth, and we adhere to the facts.
- We comply with all applicable laws and regulations in the countries in which we do business.

TRUST

- The strongest contribution come from teams where there is a strong belief in each other's reliability and competence, teams that allow their members to be open and honest.
- It takes all of us working together to cultivate an atmosphere of mutual respect, inclusion, and collaboration.

TRANSPARENCY

- We run our business in a way that creates openness within the company.
- We make information is accessible and have no hidden agendas. We communicate clearly across the organisation and confront problems when they arise.
- Transparency also increases our accountability to our stakeholders, such as customers, shareholders and the general public.

QUALITY

- We have a long history and a strong reputation of high quality that we want to nurture and develop even further.
- We are committed to improving the quality of our products and services as well as the effectiveness of our management system to meet and exceed customer and regulatory requirements.

INTEGRITY

- We are committed to the highest standards of moral principles and ethical conduct.
- When faced with difficult decisions, we do the right thing, even in the face of adversity and when no one is watching.

Electronics manufacturing services market

The overall demand and market activity in the electronics manufacturing services (EMS) industry continued at a good level despite the geopolitical tensions. The general inflation and cost of manufacturing continued to increase, while the component availability has started to improve. Incap works closely with its suppliers and customers to keep adequate inventory levels to mitigate the risks.

In the electronics manufacturing services industry, customers continue to be very price-conscious and expect that their manufacturing partners continuously increase their efficiency and stay competitive. Incap sees that the ability to quickly adapt to changes is a key success factor in the electronics industry today and in the future. That ability is necessary in developing and implementing new products, production methods and ideas. The company estimates that long-term market development will be positive because electronics is increasingly used in new types of products such as light vehicles and other everyday items.

In the longer term, the growth in electronics manufacturing services is driven by the growing use of electronics supported with megatrends such as digitalisation. The increasing need for sustainable energy solutions, medical equipment, emerging 5G and IoT ecosystems and the proliferation of electric vehicles contribute to the demand growth. Population growth and aging population will also create opportunities in for instance health care technology. The EMS industry is highly fragmented and offers potential for consolidation.

> Overall demand and market activity in the electronics manufacturing services industry continued at a good level.


Sustainability

Sustainability at Incap

As a globally operating electronics manufacturing services company and a growing organisation, sustainable operations are a must in achieving our goals. Acting in a responsible and trustful way is an integral part of our mission, strategy and operations. We are committed to actively promoting sustainable development to ensure that we will continue to be the trusted partner in our industry and to meet the increasing expectations of all our stakeholders also in the future.

Our most important stakeholders are our personnel, customers, suppliers, our current owners and potential investors as well as local communities.

We support sustainable development and strive to increase the positive impact of our operations – our handprint – and reduce our negative footprint through systematic development work focused on the most material themes. Those economic, social and environmental themes are defined through a materiality analysis involving key stakeholders – employees, customers and investors. Based on the selected themes we have defined our sustainability targets and indicators for monitoring them. The development of sustainability will be promoted as defined in our sustainability programme.

Value creation model

INPUT

PERSONNEL

1,733 EMPLOYEES

- Blue collar 86%
- White collar 10%
- Management 4%
- 52% Temporary personnel
- 31% Female employees

MANUFACTURING

India	Estonia	Slovakia	UK	US
26,500 sqm	7,300 sqm	6,400 sqm	4,400 sqm	6,000 m²

- 1,200 Suppliers
- 439,232,00 Component placements, total
- 33,000 m² PCBs handled
- 11,836 MWh Energy consumption

ECONOMIC

- Equity ratio 61%
- Working capital 61 MEUR
- Inventory 71 MEUR
- Investments 19 MEUR

IMMATERIAL

- Long-term customer & supplier relationships
- 4/4 ISO 45001 certified units
- 4/4 ISO 14001 certified units
- ISO Other sector-specific certificates

INCAP'S BUSINESS

- DESIGN AND PROTOTYPING
- TESTER DEVELOPMENT AND ENGINEERING SERVICES
- PROCUREMENT
- NEW PRODUCT IMPLEMENTATION
- RAMP-UP
- SERIAL AND MASS PRODUCTION
- FINAL ASSEMBLY
- TESTING
- LOGISTICS
- AFTER MARKET SERVICES

OUTPUT & IMPACT

PRODUCTS & SERVICES

- 5,036,231 No of Items shipped
- 23% Share of box-built items
- 93% On-time delivery

ENVIRONMENTAL RESPONSIBILITY

- Share of taxonomy eligible net sales 67%
- Share of renewable energy 14%
- Recycling rate 89%
- Hazardous waste recycling rate 60%

53 MWh/MEUR Energy intensity

4,563 tonnes of CO_2e

SOCIAL RESPONSIBILITY

- 65% share of new employees under 30 years
- 27% share of women in management positions
- 93% ratio of salary of women to men

ECONOMIC RESPONSIBILITY

- 24.0 MEUR For wages and salaries
- 148.0 MEUR To suppliers
- 6.6 MEUR For taxes
- 0.68 EUR Earnings per share

Stakeholders

We systematically collect stakeholder feedback and utilise it to develop our operations accordingly. We carry out annual Customer and Employee satisfaction surveys in each of our factories. We arrange Supplier Days to our key suppliers and common Business Cluster Days to our customers and suppliers. We also regularly meet our investors. We engage with local societies by participating in local activities, volunteering work and networking with other companies. Keeping an open and continuous dialogue enables us to collaborate efficiently and ensure a predictable operating environment for all parties.

We collect stakeholder feedback to develop our operations.

Stakeholder	Key interests	Channels
Employees	• Occupational health and safety, employee well-being • Ethical practices and fair treatment • Training opportunities, investment in new technologies and competencies • Environmentally friendly operations	• Emails and newsletter • Staff and Staff Council meetings, H&S committees • Open house • Information whiteboards and screens • Employee engagement surveys • Social media
Customers	• High quality production • Financial performance and stability • Good reputation and ethical business practices • Environmental compliance and waste management	• Emails and newsletter • Websites and social media • Meetings • Business Cluster Days • Customer satisfaction surveys
Suppliers	• Ethical business practices • Equal and responsible treatment of suppliers • Accuracy of payments • Waste management	• Emails and newsletter • Meetings • Supplier Days • Business Cluster Days • Social media
Investors	• Financial performance • Responsible business and risk management • Environmental compliance • Carbon dioxide emissions	• Investor meetings • Investor website • Stock exchange releases and financial reporting • Social media
Local communities	• Environmental risk mitigation • Support for local projects and programmes • Stability in job opportunities	• Press releases • Social media • Local business councils • Participation in joint local activities

Incap's sustainability programme

	Key themes	GRI topics	KPIs	Targets
Social responsibility	• Ethical practices, fair treatment and equal opportunities • Health, safety and well-being of employees • Training and development opportunities, family-friendliness • Supporting local societies	• GRI 401: Employment • GRI 402: Labor/management relations • GRI 403: Occupational health and safety • GRI 404: Training and education • GRI 405: Diversity and equal opportunity • GRI 406: Non-discrimination • GRI 408: Child labour	• Employees covered by a certified OHS management system • Number of work-related injuries • New employee hires, employee turnover • Ratio of salary of women to men • Training days per employee	• Zero injuries 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
Environmental responsibility	• Management of waste and hazardous materials • Energy efficiency and carbon dioxide emissions	• GRI 302: Energy • GRI 305: Emissions • GRI 306: Waste • GRI 307: Environmental compliance	• Energy consumption • Energy intensity • Amount of waste • Recycling rate • Number of environmental non-compliance cases	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
Economic responsibility	• A growing business partner • Anti-competitive behaviour and anti-corruption	• GRI 201: Economic performance • GRI 205: Anti-corruption • GRI 206: Anti-competitive behaviour	• Revenue growth, profitability, earnings per share • Operating expenses, personnel expenses, taxes • Number of incidents of anti-competitive behaviour and incidents of corruption	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Managing sustainability

Sustainability and material themes and topics are managed at Incap with related policies, management systems, guidelines, processes, and practices. The managing directors of Incap's subsidiaries are responsible for the management of sustainability actions within their countries, and they work closely with the functions in charge of various sustainability related matters, such as the HR and Quality organisations. Incap's Management Team and ultimately the President and CEO of Incap are the highest governing bodies for sustainability matters and responsible for approving various Group-wide policies and processes.

Our Code of Conduct determines how we expect all Incap employees to behave. The Code embodies our core values – honesty, trust, integrity, quality and transparency – and gives guidance on how our values are put into action every day. The Code and the related training arranged for our employees ensure that we comply with applicable local and international laws and regulations, respect human rights and act with high level of integrity in accordance with our principles for social, economic and environmental responsibility.

At Incap, we are all committed to continuous improvement of the quality and safety of our products. We are committed to exceeding customer expectations and meeting regulatory requirements and quality specifications at every stage. We are also committed to providing our customers sustainably produced products and services.

To ensure the quality of our products and services, we comply with industry standards, maintain high level quality and process control, collect customer feedback and follow industry expectations, and provide our customers with accurate product information. To ensure the safety of our products, we follow the precautionary principle in all areas of our operations, including the design, manufacturing and assembly of the products.

To ensure high quality, health and safety of our employees, environmental compliance and to mitigate the related risks, we have implemented the following management systems. Through ISO certification we can monitor the effectiveness of these systems.

- International quality management system ISO 9001
- Occupational health and safety management system ISO 45001
- Environmental management system ISO 14001
- Automotive industry quality management system IATF 16949
- Medical devices management system ISO 13485

We are committed to exceeding customer expectations and meeting regulatory requirements and quality specifications.

In addition to certified management systems, Incap's sustainability programme is steered through the following main policies, guidelines as well as evaluation and feedback processes:

- Code of Conduct
- Corporate Operations and Quality Guidelines
- Quality Manual
- Risk Management Policy
- Standard Operating Procedure (SOP)
- Customer satisfaction surveys
- Employee satisfaction surveys
- Systematic employee induction and training processes
- Work councils
- Whistleblowing channel
- Supplier audit process
- Supplier Code of Conduct

Managing sustainability

Corporate governance

Incap's governance and management are based on the company's Articles of Association, the Finnish Companies Act and Securities Markets Act, and the rules of NASDAQ Helsinki Stock Exchange. Incap also complies with the Finnish Corporate Governance Code 2020 issued by the Finnish Securities Market Association. The Code is publicly available at www.cgfinland.fi. The company's operations are also guided by the company's own corporate policies, Code of Conduct and other rules. Incap publishes a separate Corporate Governance Statement in connection with this report.

Internal control and risk management

The objective of Incap Corporation's internal control and risk management is to ensure that the company operates efficiently and profitably, that the information is reliable and that the regulations and operating principles are observed. The objective is further to identify, evaluate and follow up the risks related to the company's business.

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

The Board of Directors at Incap Corporation is responsible for determining operating principles for internal control as well as for monitoring the efficiency of instructions and control. Internal control at Incap is implemented at different levels of the company by the Board of Directors, the management and Incap's personnel. Internal control related to the financial reporting process is a part of the Group's internal control system.

Supply chain management

As a global electronics manufacturing services (EMS) company, Incap manufactures electronics and end products based on its customers' specifications, which include the selection of suppliers or materials. As a result, the company does not control the selection of most of its suppliers.

Incap has approximately 1,200 suppliers worldwide, and many of the company’s suppliers are large globally operating companies based in Europe, Asia, North America or South America or companies located close to Incap's operations in Europe and India. In addition to the Approved Vendor List, Incap sources to a small extent some materials and components from suppliers that are directly chosen by the company. With this type of suppliers, Incap’s supply chain management consists of supplier evaluation, analysis and onsite audits, often with a customer representative alongside.

Incap’s goal is to act ethically throughout its supply chain, and the company requires its major suppliers to adhere to its Supplier Code of Conduct. The Code outlines the minimum standards of ethical business conduct including compliance with applicable local and international laws and regulations, respect for human rights and acting with high level of integrity. Despite the restrictions in supplier selection typical in Incap’s industry, the company’s aim is always to cooperate with authorised distributors, as these are global companies who follow ethical principles compliant with Incap’s Supplier Code of Conduct.

Membership of associations

Incap is a member of the IPC, a global association that helps OEMs, EMS, PCB manufacturers, cable and wire harness manufacturers and electronics industry suppliers build electronics better. IPC offers for instance certification, education and training for EMS industry professionals. Incap is also a member of the Technology Industries in Finland, and its Group companies are members of various associations in their home countries, including Electronics Industry Associations and Chambers of Commerce.

Commitments

Incap is a signatory of the United Nations Global Compact initiative which aims to end extreme poverty and achieve sustainable development. The initiative supports the idea that human activities must be adapted to the planet's resources and resilience.

Incap is committed to all 17 Sustainable Development Goals of the Global Compact and has selected 9 goals that promote human rights, labour, the environment and environmental protection as the most important for its own operations. SDGs 3 (Good health and well-being), 4 (Quality education), 5 (Gender equality) and 8 (Decent work and economic growth) support the development of Incap's social responsibility, SDGs 7 (Affordable and clean energy), 12 (Responsible consumption and production) and 13 (Climate action) the consideration of environmental aspects, and SDGs 9 (Industry, innovation and infrastructure) and 16 (Peace, justice and strong institutions) economic responsibility actions.

> Incap is committed to all 17 Sustainable Development Goals of the Global Compact.

> We invest in skills development, cooperation and well-being.

Social responsibility

An open and innovative working community

Social responsibility is at the heart of Incap's corporate culture and strategy. Our employees are our most important asset and by investing in them we ensure our competitiveness now and in the future. We invest in skills development, cooperation and well-being and expect fair and ethical behaviour towards all. We believe that providing equal opportunities is a prerequisite for success now and in the future. We also want to actively promote sustainable development in our local communities.

Cooperation, friendliness, openness and innovation are the cornerstones of Incap's corporate culture. Our employees form a highly professional and ambitious team that is a pleasure to work with. The high quality and efficiency of our operations is based on seamless teamwork throughout the production and supply chain. The way we serve our customers sets us apart from our competitors.

Permanent and temporary employees and contractors

In 2023, Incap employed an average of 2,261 (2,619) people including contractors, a decrease of 38% year on year. At the end of the year, there were 1,733 (2,817) employees, of which 57.8% (80.2%) in India, 7.6% (4.5%) in Estonia, 18.5% (9.1%) in Slovakia, 9.9% (6.2%) in the United Kingdom, 6.1% (0.0%) in the United States and 0.1% (0.1%) in Finland. The number of permanent employees was 833 (741) and the number of fixed-term contracts 900 (2 076). In addition to permanent and temporary employees, Incap employed 777 contract workers at the end of 2023, which are included in the amount of fixed-term contracts. At the end of the year, 31 (22) % of Incap's personnel were women and 69 (78) % men. The average age of the personnel was 36 years (31).

The availability of production workers was generally good, but there were fewer potential recruits for highly skilled jobs. Incap's employer reputation is good in all countries of operation, and in Estonia and India in particular, Incap is a highly sought-after employer. Incap is known as a stable company offering pleasant working conditions, competitive benefits and an international work community.

Diverse training

Incap supports employees' opportunities to develop their skills and advance in their careers to new positions. This supports both the promotion of our strategy and the maintenance of innovation and productivity in our work community. Diverse training opportunities range from induction training to process development and management training. Induction training includes ethics, health and safety training, and quality management system training. We company also offer product training, professional skills development and training required for various certification standards.

A significant part of the training takes place in the workplace, but employees are also encouraged to attend courses and seminars outside the company. Our training programme considers local requirements and opportunities. In 2023, the average number of training hours per employee was 14 (in 2022, 5).

Social responsibility

Employee engagement survey throughout the Group

Well-being at work increases employee satisfaction and adds value to business. Incap measures the motivation and well-being of its personnel at all its factories with regular satisfaction surveys. In 2023, the survey was conducted for the first time Group-wide, and more than half of permanent employees responded to it. The average rating was 7.35/10, which can be considered reasonably good. The eNPS (employee Net Promoter Score) was -1 on a scale from -100 to +100. The survey highlighted areas for development such as giving feedback, communicating common goals and clarifying reward practices.

Incap's work community and corporate culture support a good work-life balance and takes different life stages into account. Family-friendly practices are adapted to local customs and requirements. Family-friendly practices can include flexible working hours and parental leave. In some countries, our employees are offered extended health insurance to cover family members in addition to the full-time doctor and nurses available to employees at the factory. We also support the well-being of our employees and their families by organising events for our employees and their families.

Health and safety first

As an employer Incap is responsible for the health and safety of its employees. Safety at work is not compromised. Incap strives to provide a healthy and safe workplace for all employees and takes appropriate measures to prevent accidents and injuries. All accidents and near-misses are taken seriously, and efforts are made to prevent them from happening in the future. Employees in all Incap's countries of operation are covered by an ISO 45001 certified occupational health and safety management system.

All employees are also expected to take responsibility for their own and their colleagues' safety. They must understand the health and safety risks associated with their daily work and report any risks to their superior. incidents, near misses and health and safety risks. Employees must ensure that they are fit for work and comply with local health and safety laws and regulations and Incap's operational health and safety policy.

In 2023, the number of accidents at work increased to 15, while there were none in 2022.

Fair treatment for all

Incap is committed to full compliance with applicable national and international laws and regulations, including the UN's Universal Declaration of Human Rights, the UN Global Compact, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises.

Incap's ethical principles and practices are set out in its Code of Conduct. The Code ensures fair and equal treatment of everyone and guides personnel to behave correctly and take ethical principles into account in decision-making. The key themes of business ethics are avoidance of conflicts of interest, protection of intellectual property rights and intellectual property, confidentiality, protection of personal data and privacy, fair competition, zero tolerance of corruption and bribery, prevention of money laundering, and transparency and trust in communications.

Code of Conduct is part of the induction training for all new employees, and it is also highlighted in ongoing communications. Incap's key suppliers and partners also follow the principles of Incap's Code of Conduct. Incap's whistleblowing service provides a channel for employees and other stakeholders to raise ethical concerns about the company's activities.

During 2023, no reports of ethical concerns related to operations were received through the whistleblowing channel.

Incap supports freedom of association and respects local labour laws and practices in the countries where it operates. All Incap employees are represented by workers' or employees' councils in its countries of operation. In addition, all employees in Finland are covered by collective agreements.

Social responsibility in the supply chain

Incap is committed to ensuring that its products and processes do not contain conflict minerals, as defined in the EU Conflict Minerals Regulation and Section 1502 of the US Dodd-Frank Act on conflict minerals.

Supporting local communities

Incap wants to be a responsible and active partner in the communities where it operates. The goal is to be responsive to the needs of local stakeholders and actively contribute to sustainable development in society. Co-operation with local communities varies and is dependent on local conditions that are very different in Estonia and India, for example.

> Incap's corporate culture supports a good work-life balance and takes different life stages into account.

CASE

Incap’s Estonian factory recognised for promoting mental health

Maintaining mental well-being requires even greater attention in this challenging and hectic world. Incap's occupational health activities also place a strong emphasis on maintaining the mental health of employees, increasing awareness and proactive measures. In October 2023, Incap's activities in Estonia were rewarded with a silver award in a competition to assess companies' mental health awareness. The NGO that organised the competition also provided participants with mental health first aid training, which was attended by Incap’s HR Manager Kristi Steinberg and Project Manager Marit Nelis. The training provides the skills to identify mental health problems and provide support and information. An important factor in maintaining mental health is a workplace culture that encourages open dialogue and support, and the Estonian team wants to set a positive example for other units.

CASE

SOCIAL RESPONSIBILITY

Incap US trains women in the technology sector

The technology business is traditionally very male-dominated, thus women are desperately needed. Incap US has risen to the challenge by encouraging its female employees to develop their skills and pursue more challenging roles. In 2023, software engineer Alicia Kelley and manufacturing engineer Kayla Hussar started the Women in Leadership programme, which focuses on leadership skills. The programme is aimed at women working in the manufacturing industry and it consists of six group meetings and six one-on-one meetings. The one-on-one sessions focus on skill reinforcement, and in the group meetings, the participants share best practices, find mentors, and gain access to a peer network of female leaders.

Alicia's motivation is clear: she wants to learn new skills and apply them to her current role. For Kayla, this opportunity is a chance to develop new perspectives and gain insights from female colleagues in the manufacturing industry.

> We strive to minimise the environmental impacts of or operations.

Environmental responsibility

Incap contributes to sustainable development by improving the efficiency of its production and by considering all environmental impacts of its operations and striving to minimise them. The most important thing we can influence is the efficient use of resources and materials. The most significant environmental impacts of our activities are carbon dioxide emissions from energy consumption and waste from production. Continuous improvement is based on continuous identification, measurement and reporting of environmental impacts.

Incap is a contract manufacturer, so our customers choose the raw materials, materials and components used in our manufacturing processes. As a result, the environmental performance of our operations is strongly linked to our customers' environmental objectives.

Direct carbon dioxide emissions calculated

Energy efficiency and reducing carbon dioxide emissions are key factors in the global fight against climate change and the preservation of biodiversity. As part of our commitment to a proactive environmental policy, we want to contribute to the fight against climate change. The energy intensity of the electronics industry is relatively low compared to many other manufacturing sectors.

The majority of Incap's energy consumption goes into heating, cooling and lighting of production facilities and for the operation of production machinery. Efforts to reduce energy consumption include the use of modern technology and energy-efficient equipment, led lighting, intelligent material flows and logistics. In 2023, the energy consumption of Incap's operations was 11,836 MWh or 53 MWh/MEUR (36 MWh/MEUR in 2022). The figures are not directly comparable, as the reporting for 2023 is more accurate.

Incap's carbon dioxide emissions are generated by the energy consumption of its production facilities and by logistics, business travel, and purchased equipment and services. In early 2023, Incap carried out its first emissions calculation, mapping the direct and indirect (Scope 1 and 2) carbon dioxide emissions of the production sites. The carbon dioxide emissions calculated result from the use of electricity, energy and fuels at the factories. In 2023, Incap's total CO_2e emissions were 4,563 tonnes (in 2022, 5,703 tonnes).

Attention on recycling rate

Incap's production generates electronic waste, packaging waste and small amounts of chemical waste. We optimise the raw materials and materials we use in production and control their use to minimise waste. In our waste management, we focus on reducing waste and improving recycling rates. Our production sites are located in five different countries with varying levels of waste management. As we are highly dependent on local municipal waste treatment services and their recycling facilities, we work closely with local authorities. In 2023, the amount of non-hazardous waste was 795 (1,033) tonnes and the recycling rate of non-hazardous waste was 89 (91) %.

We are constantly striving to reduce the amount of hazardous substances in our production processes. To minimise the risks associated with hazardous materials and substances, we train our personnel and organise exercises to raise awareness and support their understanding of proper handling of hazardous materials, whether in day-to-day work or in the event of an accident. The recycling rate of hazardous waste was 60% in 2023, and 33% of hazardous waste was incinerated (in 2022, 45% was recycled and 55% incinerated). In 2023, there were no spills or accidents involving hazardous substances.

Environmental responsibility

High quality increases resource efficiency

Incap's high quality ensures material and resource efficiency while strengthening our customer satisfaction. As such, quality is a priority, and we manage it through quality standards, among other things. Our operations are certified to the international ISO 9001 quality management system, and our environmental management system is certified to ISO 14001 standards. These standards demonstrate our ability to consistently provide products and services that meet customer and regulatory requirements. By adhering to Incap's Code of Conduct and Quality Guidelines and our Quality Manual, we also strive to continuously develop our processes, from design and raw material sourcing to production and distribution, to meet the environmental requirements of the customers whose products we design and manufacture.

Environmental policy guides our actions

We are committed to a proactive environmental policy and to acting in an environmentally responsible manner. We comply with all relevant legal requirements to prevent pollution and reduce the consumption of natural resources and materials. We continuously develop and improve our processes to protect and preserve the environment. In 2023, no violations of environmental laws or regulations were detected in Incap's operations.

ACCREDITATIONS AND CERTIFICATES

- ISO 9001
- ISO 14001
- ISO 45001
- ISO 13485
- IATF 16949
- AS 9100D
- ABS MA -sertifikaatti

CASE

ENVIRONMENTAL RESPONSIBILITY

The green transition progressing one product at a time

Incap manufactures many of its customers' products that promote more sustainable technology solutions and the green transition. Incap is often bound by secrecy regarding its cooperation with its customers, so here are just a few examples of green transition products that Incap is involved in manufacturing.

In the UK, PCBAs are manufactured for high-performance electric and hybrid car engines and inverters, and PCBAs for controllers for more efficient and durable electric motors.

In Estonia, customers include Bolt, which offers a mobile application for various mobility and transport needs. Through Bolt, users can offer their own car for others to use, but also request a ride, rent a scooter or bicycle, or order food to take home.

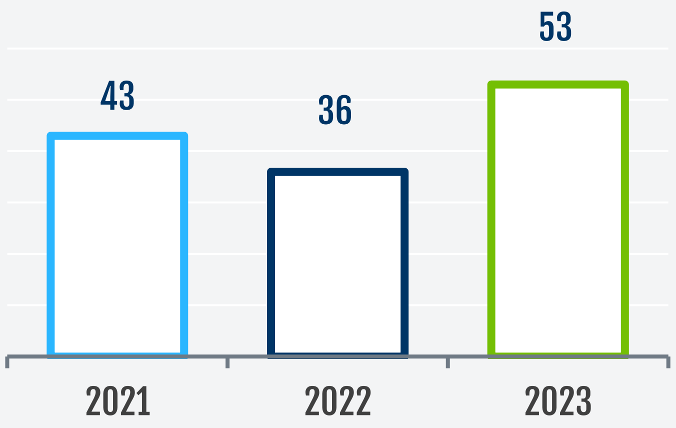
Bolt's goal is to reduce the use of private cars and at the same time facilitate more environmentally and humanely friendly mobility in cities. Today, Bolt's services are used by nearly 100 million people in more than 45 countries around the world.

Environmental responsibility

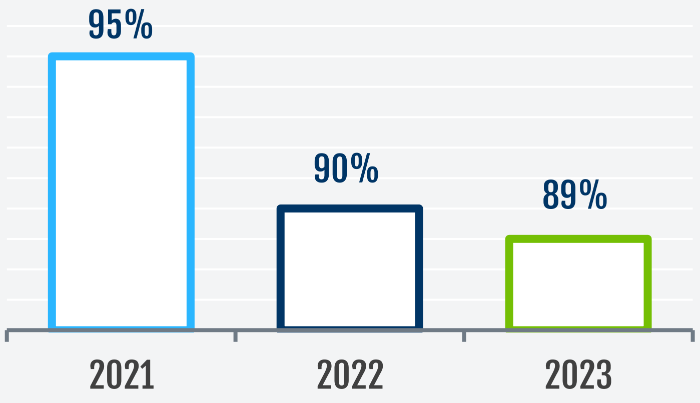
GHG emissions, tonnes CO_2e

Scope 1	Heating, cooling and fuels	906
Scope2	Electricity	3,657
Total		4,563

Total energy intensity within the organisation, MWh/MEUR



Total recycling rate, %



Economic responsibility

Incap's economic responsibility is based on solid growth ambitions and good financial performance. Our aim is to be a sustainable growing business partner for our customers and suppliers. With a sustainable financial performance, we aim to provide our personnel stable job opportunities and create value for our investors.

As a growing and profitable business, we are in a good position to meet the expectations of all our shareholders. As such, economic responsibility forms the basis for us to consider the environmental and social responsibility aspects of our operations.

A good reputation ensures the continuity of our operations. We fully comply with all applicable national and international laws and regulations and act in accordance with the ethical business principles we have set. As a stock exchange listed company, Incap strictly complies with securities market regulations and guidelines for good corporate governance as well as transparent and open reporting and communication.

We closely monitor the environment in which we operate, considering the opportunities but also the risks. Careful risk management ensures the stability of our operations.

A reliable business partner

Good financial performance ensures that we can offer our employees fair and competitive compensation and benefits, as well as possibilities for further development and professional growth. Our customers value a stable, efficient and financially sound business partner, whom they can trust to manage their manufacturing while they manage their business.

We also have a responsibility to create value to all other stakeholders. Our suppliers and partners expect us to provide fair and increasing opportunities for making business. We create value to the societies where we operate through payment of taxes and voluntary participation in various local programmes and projects. It is important for us to be a responsible and good citizen in the countries and areas where we operate.

Incap is a growing company in a growing industry with good profitability creating economical value for its shareholders. We have a strong track record of sustainable growth and continue to create value for our investors in the long term.

Fighting anti-competitive behaviour and corruption

As a globally operating and responsible electronics manufacturing company, we are also committed to fighting anti-competitive behaviour and corruption. We support and strive for fair competition and free markets, and thus we do not enter discussions, agreements or business practices with competitors concerning pricing, market shares, or other similar activities. We are committed to winning business only on the merits of our services and people and comply with all legal requirements for giving and receiving gifts and entertainment. We do not offer or accept bribes.

Incap's Code of Conduct and Supplier Code of Conduct outline Incap's stance on anti-competitive behaviour and anti-corruptive practices, which suppliers are expected to adhere to and Incap screens them for.

In 2023, there were no reported incidents of corruption or legal actions taken for anti-competitive behaviour, anti-trust or monopoly practices.

Market capitalisation at the end of year

228.1 MEUR

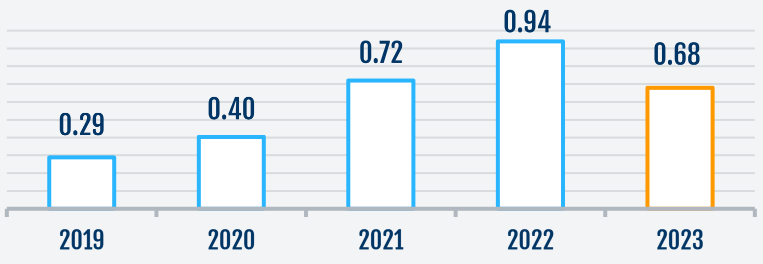
(500.8 MEUR)

Earnings per share

EUR 0.68

(EUR 0.94)

Earnings per share, EUR



Economic responsibility

GRI 201-1 Direct economic value generated and distributed

MEUR	2021	2022	2023
Customers: revenue	169.8	263.8	221.6
Suppliers: cost of materials and services	127.0	194.3	148.0
Personnel: wages, salaries, benefits	14.5*	16.4	24.0
Public sector: taxes	4.7	9.0	6.6
Creditors: interest expenses	0.2	0.5	1.2
Communities: donations	0.0	0.1	0.0
Other expenses	9.4*	15.9	12.0

*Restated contractors' wages, impact 2.9 MEUR.

CASE

ECONOMIC RESPONSIBILITY

Health centre and library in the village of Mydala, India

Incap is a responsible company and wants to give back to the societies it operates in. In September 2023, a new health centre and library were opened in the village of Mydala, located in Tumkur in the state of Karnataka, India, with financial support from Incap. Mydala was chosen because many of Incap's employees at Incap’s factory in Tumkur come from the village or surrounding areas. In addition to primary health care services, the centre provides a large community with a library service with over 6,000 books. It is therefore clear that these services will improve the overall quality of life for the community and foster a sense of belonging. The opening ceremony was attended by Incap's CEO Otto Pukk.

Report of the Board of Directors for 2023

Report of the Board of Directors for 2023

Incap Corporation is a trusted partner and full service provider in Electronics Manufacturing Services. As a global EMS company, Incap supports customers ranging from large multinationals and mid-sized companies to small start-ups in their complete manufacturing value chain. Incap offers state-of-the-art technology backed up by an entrepreneurial culture and highly qualified personnel. At the end of 2023, Incap had operations in Finland, Estonia, India, Slovakia, the United Kingdom, the United States, and Hong Kong. The company's revenue in 2023 was EUR 221.6 million, and at the end of 2023, the company employed 1,733 people.

Business environment

The overall demand and market activity in the electronics manufacturing services (EMS) industry continued at a good level despite the geopolitical tensions. The general inflation and cost of manufacturing continued to increase, while the component availability has started to improve. Incap works closely with its suppliers and customers to keep adequate inventory levels to mitigate the risks.

In the electronics manufacturing services industry, customers continue to be very price-conscious and expect that their manufacturing partners continuously increase their efficiency and stay competitive. Incap sees that the ability to quickly adapt to changes is a key success factor in the electronics industry today and in the future. That ability is necessary in developing and implementing new products, production methods and ideas. The company estimates that long-term market development will be positive because electronics is increasingly used in new types of products such as light vehicles and other everyday items.

In the longer term, the growth in electronics manufacturing services is driven by the growing use of electronics supported with megatrends such as digitalisation. The increasing need for sustainable energy solutions, medical equipment, emerging 5G and IoT ecosystems and the proliferation of electric vehicles contribute to the demand growth. Population growth and aging population will also create opportunities in for instance health care technology. The EMS industry is highly fragmented and offers potential for consolidation.

Revenue and earnings

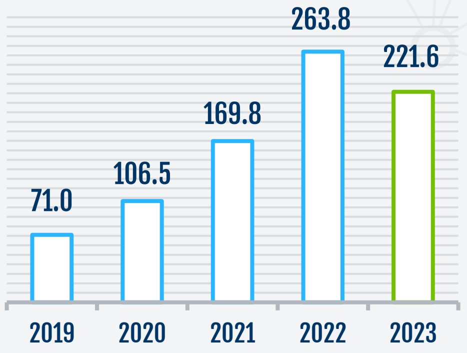
In 2023, Incap Corporation's revenue decreased 16.0% year on year and amounted to EUR 221.6 million (EUR 263.8 million). Revenue was positively impacted by Incap's units in Europe, effective sales work to existing and new customers, and the successful acquisition in the US and negatively by the largest customer's need to reduce its inventory levels. Comparable exchange rates impacted the revenue -4.6%.

Operating profit (EBIT) for 2023 decreased 27.5% year on year and amounted to EUR 28.2 million (EUR 38.9 million). Depreciation and amortisation related to purchase price allocation (PPA) amounted to EUR 1.3 million (EUR 0.4 million) and non-recurring expenses to EUR 1.1 million (EUR 0.6 million).

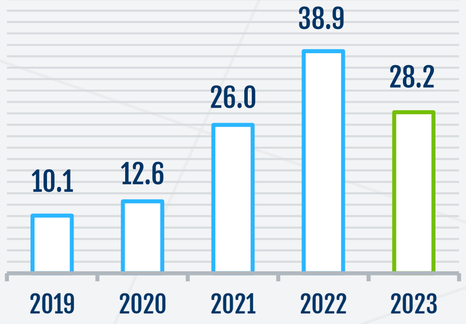
Adjusted operating profit (EBIT) was EUR 30.6 million (EUR 40.0 million) or 13.8% of revenue (15.1%). Personnel expenses grew 46.7% year on year, amounting to EUR 24.0 million or 10.8% of revenue (EUR 16.4 million, 6.2% of revenue). Increase in personnel costs were mainly due to Pennatronics Inc acquisition. Other operating expenses were EUR 12.0 million (EUR 15.9 million) of which EUR 2.8 million (EUR 5.4 million) related to contractors. Material expenses decreased due to decreased revenue and amounted to EUR 148.0 million or 66.8% of revenue (EUR 194.3 million or 73.7% of revenue).

Net financial expenses amounted to EUR 1.8 million (EUR 2.3 million). Depreciation and amortisation were EUR 4.6 million (EUR 3.8 million). Net profit for the period totalled EUR 19.8 million (EUR 27.6 million). Earnings per share were EUR 0.68 (EUR 0.94).

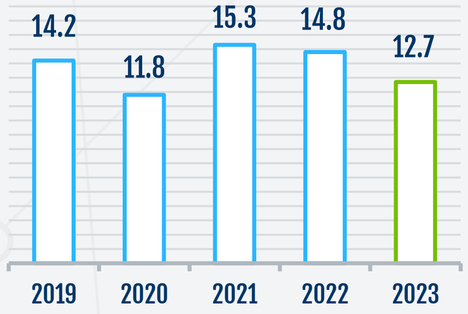
REVENUE, EUR MILLION



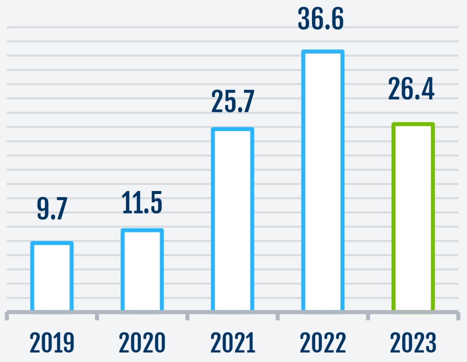
OPERATING PROFIT (EBIT), EUR MILLION



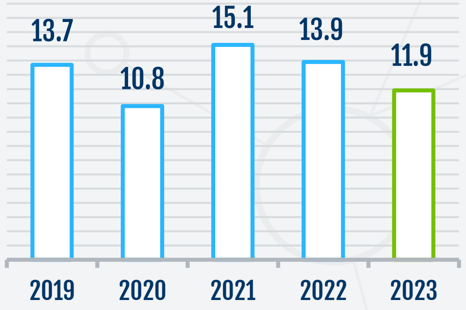
OPERATING PROFIT (EBIT), % OF REVENUE



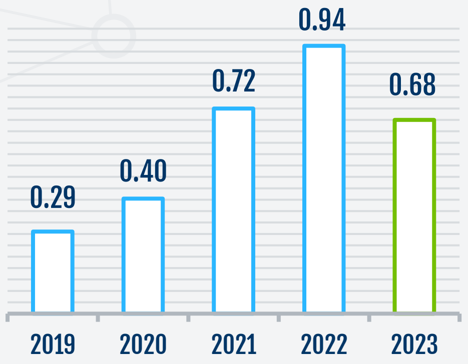
PROFIT BEFORE TAX, EUR MILLION



PROFIT BEFORE TAX, % OF REVENUE



EARNINGS PER SHARE (EPS), EUR



Balance sheet, financing and cash flow

Total assets in the balance sheet on 31 December 2023 stood at EUR 182.3 million (EUR 168.3 million). The Group's equity at the end of the financial period was EUR 106.8 million (EUR 87.4 million).

Liabilities decreased from the comparison period to EUR 75.6 million (EUR 80.9 million). EUR 34.3 million thereof (EUR 21.4 million) were interest-bearing liabilities. Interest-bearing liabilities increased from the previous year due to the loan related to the acquisition of Pennatronics Inc. Interest-bearing net debt was EUR -8.2 million (EUR 13.9 million).

The Group's non-current interest-bearing liabilities amounted to EUR 30.5 million (EUR 10.9 million) and non-current non-interest-bearing liabilities to EUR 2.9 million (EUR 2.2 million). Out of the non-current interest-bearing liabilities, a loan of EUR 23 million (EUR 2.0 million) granted by the company's Finnish bank is related to the acquisition. Current interest-bearing liabilities were EUR 3.9 million (EUR 10.5 million). Out of the interest-bearing liabilities, EUR 0.3 million (EUR 4.8 million) are related to the Indian subsidiary.

The main 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 2023, the target level of interest-bearing debt in relation to EBITDA was below 3.0 and that of the equity ratio over 30%. The company met these covenants as the actual figure for interest-bearing debt/EBITDA on the review date was 1.05 and the equity ratio 60.6%.

With regards to the loans granted by the Indian bank, the company is committed to follow ordinary covenants and the bank's general loan conditions.

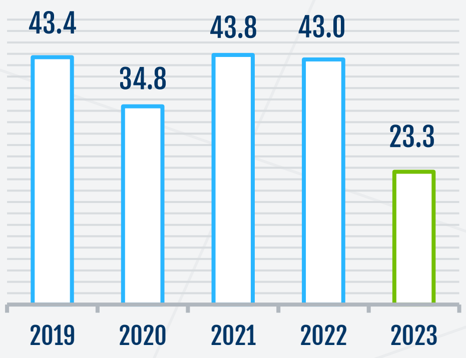
At the end of 2023, the company's financial position was strong. Equity ratio increased to 60.6% (53.6%). Net gearing was -7.7% (15.9%).

No deferred tax assets relating to the parent company's confirmed losses were recognised in 2023 (EUR 0 on 31 December 2022). EUR 0.2 million (EUR 0.2 million) is related to the Indian subsidiary.

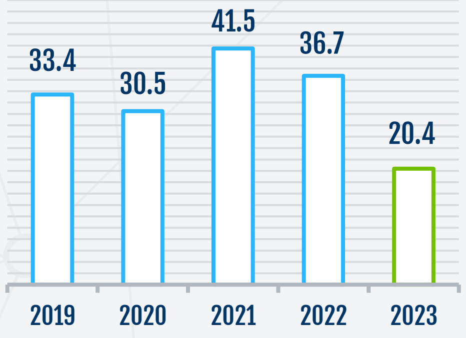
The Group's cash position during the reporting period was good. On 31 December 2023, the Group's cash and cash equivalents totalled EUR 42.6 million (EUR 7.6 million), and the company had unutilised credit lines amounting to EUR 8.0 million (EUR 4.9 million). The Group's quick ratio was 1.8 (0.7), and current ratio was 3.3 (2.0).

At end of 2023, inventory totalled EUR 71.0 million (EUR 91.8 million). Inventory decreased clearly during the year, which was mainly due to improved material availability and Incap´s largest customer´s decision to postpone orders due to overstocking. The value of the inventory was impacted by the acquisition in July 2023. The value of the inventory of the acquired company at the end of 2023 was EUR 8.8 million. Both trade receivables and payables decreased due to the destocking by Incap´s largest customer. Change in inventories had a positive impact on the cash position.

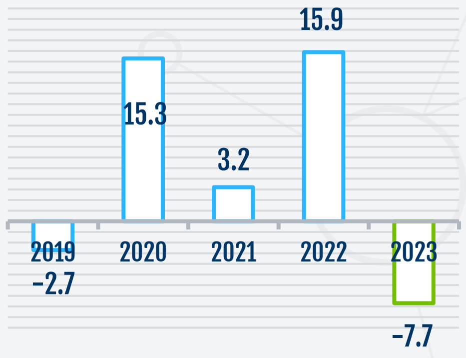
RETURN ON INVESTMENT (ROI), %



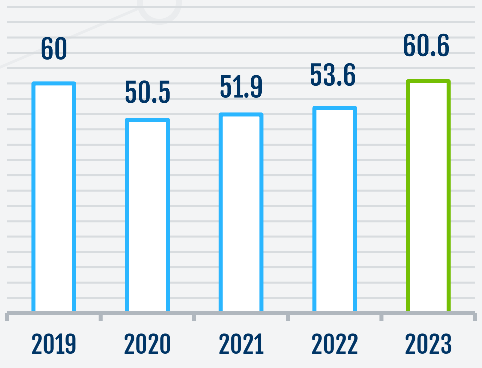
RETURN ON EQUITY (ROE), %



NET GEARING, %



EQUITY RATIO, %



Acquisitions

On 3 July 2023, Incap announced having signed an agreement to acquire 100% ownership of Pennatronics Inc., an Electronics Manufacturing Services company in Pennsylvania, USA. The acquisition was closed on 5 July 2023. Founded in 1999, Pennatronics is an experienced and well-performing Electronics Manufacturing Services company with a 6,000-sqm factory in Pennsylvania, USA. Pennatronics' revenue for the financial year that ended on 31 March 2023 was USD 30 million (EUR 28 million), and the company has 102 employees.

The acquisition will establish Incap's presence in the U.S. market and create a foothold for further expansion there. Pennatronics' U.S. production facility complements Incap's current production facilities located in Estonia, in India, in the U.K. and in Slovakia. Incap's customer base will be broadened through the acquisition, and Incap will be able to offer U.S. based services to existing and new customers, while Pennatronics' customers will benefit from opportunities to source services from Europe and India. In the long term, the acquisition is expected to bring cross-selling opportunities and synergy benefits in e.g., material purchasing.

The enterprise value of the acquired company was USD 18.6 million (EUR 17.1 million), and the agreement also includes a potential additional earn-out of a maximum of USD 3.0 million (EUR 2.8 million). The transaction was paid in cash except for the amount of approximately USD 1.6 million (EUR 1.5 million), which was paid in Incap's shares.

The acquisition was closed on 5 July 2023. Pennatronics Inc. was renamed Incap Electronics US, Inc. and the company is now a fully owned subsidiary of Incap Corporation. The company has been included in Incap Group's reporting as of July 2023.

Investments

In 2023, Incap's factory-related investment cash flow totalled EUR 6.9 million (EUR 5.5 million). The investments were mainly related to the construction of the third factory in India. In January 2023, Incap Estonia commissioned a new production line at the Kuressaare factory and in June, Incap Slovakia finalised expanding its production area and floor space in the Námestovo factory to 6,400 square metres. In addition, EUR 12.5 million was paid for the acquisition of Pennatronics Inc.

Research and development

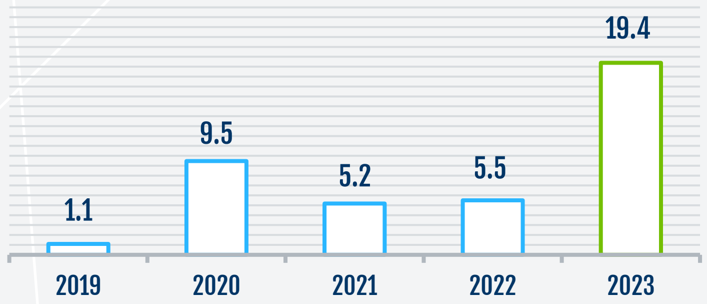
The development of services and products takes place during the ordinary course of business and is accounted for as an operating expense. As a contract manufacturer, Incap manufactures and develops its customers' products.

Personnel

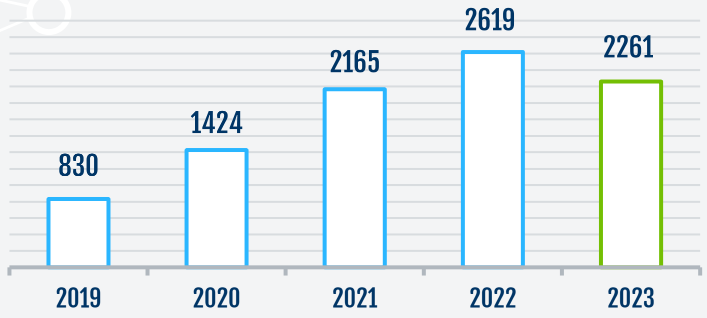
At the end of 2023, the number of personnel in Incap Group was 1,733 of which 777 were contractors (2,817 of which 1,816 were contractors). Of the personnel, 57.8% (80.2%) worked in India, 7.6% (4.5%) in Estonia, 18.5% (9.1%) in Slovakia, 9.9% (6.2%) in the United Kingdom, 6.1% (0.0%) in the United States and 0.1% (0.1%) in Finland.

At the end of the year, 541 of Incap's personnel were women (607) and 1,192 were men (2,210). The average age of the personnel was 36 years (31). The average number of personnel during the year was 2,261 (2,619). The number of permanent personnel totalled 833 (741), and the number of fixed-term contracts was 900 (2,076).

INVESTMENTS, EUR MILLION



AVERAGE NUMBER OF PERSONNEL



Management and organisation

Margus Jakobson was appointed member of Incap Group's Management Team as well as Director of Operations Estonia and Managing Director of Incap Estonia as of 1 February 2023.

David Spehar was appointed the Managing Director of Incap Electronics US as of 7 July 2023. After the financial period, he was appointed member of Incap Group's Management Team as of 21 February 2024.

As of 21 February 2024, Incap's Management Team consisted of President & CEO, Otto Pukk; Director of Operations, India and Sales APAC, Murthy Munipalli; Director of Operations, Estonia, Margus Jakobson; Director of Operations, Slovakia, Miroslav Michalik; Director of Operations, U.K., Jamie Maughan; Director of Operations, U.S., David Spehar and CFO Antti Pynnönen.

The Group has manufacturing operations in India, Estonia, Slovakia, the United Kingdom and United States, and sourcing operations in Hong Kong. Finance and administration, sourcing, sales, IT and communications are centrally coordinated by the corporate office in Finland.

Quality assurance and environmental issues

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

Sustainability report

Reporting principles

Incap's sustainability reporting is based on the Global Reporting Initiative (GRI) 2021 standard, and it complies with the reporting requirements of the Finnish Accounting Act for the reporting of non-financial information under the EU Directive (Non-Financial Reporting Directive, NFRD).

From 2024 onwards, EU companies meeting certain criteria will be obligated to disclose their environmental and social impact activities in accordance with the Corporate Sustainability Reporting Directive (CSRD). For the reporting, EU has adopted a set of European Sustainability Reporting Standards (ESRS). The requirements of the Directive have been incorporated into the Finnish Accounting Act, and the obligation to report on sustainable development will apply to Incap from the financial year 2024 onwards.

In anticipation of the CSRD, Incap has taken the first steps already in 2023 to prepare for the more demanding reporting obligation. Incap has combined the contents of the previously separate Annual Report and Corporate Responsibility Report and is now publishing its first integrated report. In addition, the company has initiated the Double Materiality Assessment (DMA) process and is already presenting some ESRS-compliant disclosures in this report.

Material impacts, risks and opportunities

At the end of 2023, Incap initiated a double materiality assessment (DMA) process to verify and utilise the results of the previous materiality assessment, which was conducted in accordance with the requirements of the GRI standards during 2020 and based on stakeholder surveys conducted among employees, customers and investors as well as the views of the management and internal experts.

Incap's DMA covers the list of topics and sub-topics in accordance with the guidelines of the EU Sustainability Reporting Standard. For each topic and sub-topic, the company considered the sustainability-related impacts, risks and opportunities but did not yet include the financial analysis. In addition, Incap considered other areas specific for the industry. The company intends to develop the DMA and complement it with financial analysis and further analysis of the value chain. To support the value chain analysis, the company intends to analyse its Scope 3 emissions as a next step towards full CSRD compliance.

In the DMA, Incap evaluated the probability and magnitude of impacts, risks and opportunities. The DMA process carried out so far has confirmed the results of the previous analysis, based on which Incap's material ESRS topics include Climate Change, Resource Use and Circular Economy, Own Workforce and Workers in the Value Chain as well as Business Conduct. These results may change once the analysis has fully covered the value chain and financial impacts.

Positive impacts

- Incap has identified potential positive impacts upstream of the value chain, as some of Incap's customers' businesses support sustainable development and the green transition, such as renewable energy production.
- Incap supports employees' rights, provides equal opportunities and safe working conditions for all employees, and supports local communities. The company has a positive impact on societies by offering high-quality work and development opportunities in the areas where it operates.

Negative impacts

- The electricity and energy consumption of Incap's factories increases resource use and emissions, but in general, the electronics manufacturing industry is not particularly energy-intensive. It can also be estimated that the increasing use of electronic devices will increase electricity consumption. Incap's preliminary analysis is that material negative impacts on the environment and resource use occur upstream of the value chain. As increasing resource use and CO2 emissions from electricity use have very broad impacts on societies and thus on Incap's stakeholders, Incap considers climate change to be a material topic.

Opportunities

- Incap consumes both electricity and fossil fuels at its factories. Electricity consumption is largely dependent on business volumes, but Incap has identified increasing energy efficiency and the use of renewable energy as an opportunity to reduce the use of fossil fuels and emissions.
- Providing a safe working environment and supporting employees' rights is an opportunity for Incap, as it supports the company's goal of hiring motivated and committed personnel to support its business operations and targets. Promoting safe working conditions and human rights in the supply chain may lead to positive development in the contract manufacturing industry.

Risks

- Incap's employees are trained to comply with the company's Code of Conduct, which reduces the risk of possible violations of Incap's human rights, discrimination, corruption and bribery practices. The risks related to Incap's business operations and sustainability matters are mainly related to potential human rights issues upstream of the value chain. This risk can be mitigated to some extent by Incap's Supplier Code of Conduct, compliance with which is required of Incap's largest suppliers.
- In electronics manufacturing, the risk of serious injury is relatively small. To mitigate risks, Incap organises safety training and has strict procedures for handling hazardous waste.

Description of business operations

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

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

Sustainability management

At Incap, sustainability and the promotion of sustainable development are managed with related policies, management systems, instructions, processes and practices. Incap has drawn up a sustainability programme with the material themes, indicators and targets. In 2023, Incap established a working group to promote and supervise the implementation of the programme and plan further actions to develop business operations from the perspective of sustainable development. The working group consists of people with responsibilities related to quality, environmental impact, occupational health and safety, and human resources management. In addition, the CEOs of Incap's subsidiaries are responsible for sustainability management in their own countries. Incap's Management Team and ultimately the President and CEO are the highest management bodies in sustainability matters and are responsible for approving Group-wide policies and processes. The management reports on the development to the company's Board of Directors.

All Incap Group's business units have an environmental and quality system in place. The environmental management systems of all business units comply with the ISO 14001:2015 standard, the quality systems comply with ISO 9001:2015 and the occupational health and safety systems comply with the 45001:2018 standard. In addition, all factories have ISO 13485/2016 certification required for the manufacture of medical devices.

All Incap Group's business units have an environmental and quality system in place.

Social responsibility

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

In 2023, Incap conducted for the first time a Group-wide job satisfaction survey, to which more than half of permanent employees responded. The average rating was 7.35/10, which can be considered reasonably good. The eNPS indicator describing the promoter score was -1 on a scale from -100 to +100. The results varied significantly from factory to factory.

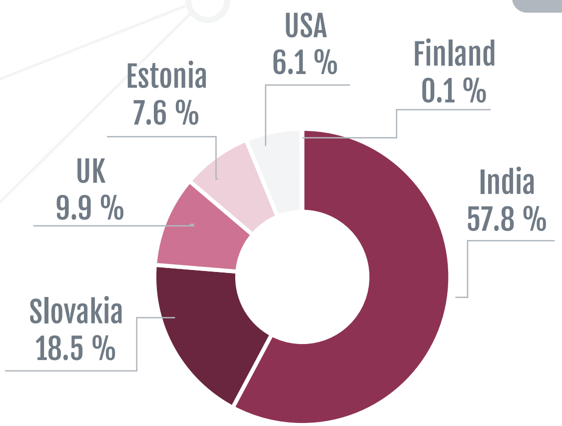
Incap's Code of Conduct defines the company's ethical practices, fair treatment and the grounds for the Code both internally and towards external stakeholders. The Code describes how Incap's employees are expected to behave in their daily work and sets out principles that help them make ethically sustainable decisions. All employees are familiarised with the Code of Conduct.

Incap strives to provide a safe and healthy workplace for all employees and to implement adequate measures to prevent accidents and injuries. Incap requires everyone to respect and comply with the Occupational Health and Safety Act and regulations and to report all actual and near misses as well as health and safety risks. The goal is zero accidents. In 2023, 15 accidents at work were reported, compared to 0 in 2022.

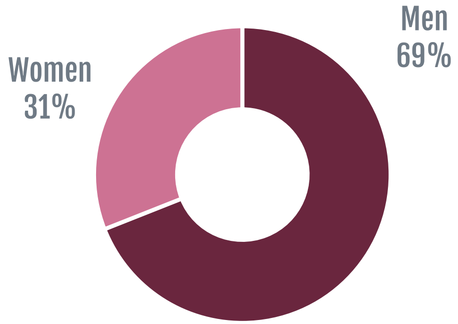
Personnel development, promotion of career paths and offering training opportunities play an important role in ensuring the motivation and well-being of Incap's employees. Incap offers its employees a wide range of training opportunities from induction to process improvement and leadership training. In 2023, there were 14 hours of training per employee (2022: 5).

> In 2023, there were 14 hours of training per employee.

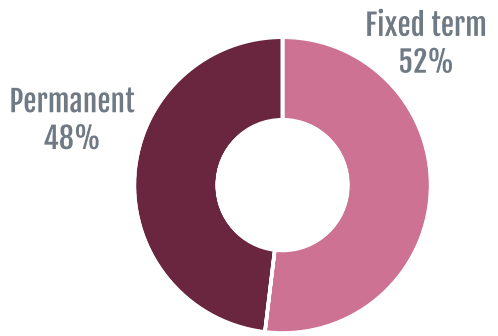
Personnel



Ratio of women to men



Type of contract



GRI 401-1 New employee hires and employee turnover

New employees	–30 years	30–50 years	50– years	Total
Female	87	57	33	**177**
Male	222	41	37	**300**
Total	**309**	**98**	**70**	**477**
Resigned	**–30 years**	**30–50 years**	**50– years**	**Total**
Female	211	18	11	**240**
Male	1,287	19	15	**1,321**
Total	**1,498**	**37**	**26**	**1,561**

403-9: Work-related injuries
403-10: Work-related ill health

	2021	2022	2023
Number of fatalities as a result of work-related injuries and work-related ill health			0
Number of recordable work-related accidents			11
Number of work-related injuries	1	0	15
Number of cases of recordable work-related ill health			1
Lost time incident rate*	0	0	0.36
Lost-days rate**	0	0	9.46

404-1: Average hours of training per year per employee

Training hours	2021	2022	2023
Male			
Managers and superiors	29	15	6
White-collar employees	33	16	5
Blue-collar employees	2	2	15
Female			
Managers and superiors	17	21	15
White-collar employees	62	13	9
Blue-collar employees	16	12	15
All employees	**8**	**5**	**14**

405-1: Diversity of governance bodies and employees

	–30 years	30–50 years	50– years	Total
Male				
BoD member			2	**2**
Managers and superiors	1	19	24	**44**
White-collar employees	7	72	29	**108**
Blue-collar employees	652	243	145	**1,040**
Female				
BoD member			2	**2**
Managers and superiors	0	11	5	**16**
White-collar employees	16	43	14	**73**
Blue-collar employees	156	151	145	**452**
Total	**832**	**539**	**366**	**1,737**

405-2: Ratio of basic salary and remuneration of women to men

	2021	2022	2023
Managers and superiors	75%	85%	84%
White-collar employees	78%	90%	85%
Blue-collar employees	96%	96%	94%
All employees on average	**94%**	**96%**	**93%**

[1] Number of lost-time incidents for every 200,000 person hours worked.
[2] Number of days lost due to incidents for every 200,000 person hours worked.

Environmental responsibility

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

To fulfil this commitment, Incap has implemented an environmental management system (EMS) certified in accordance with ISO 14001 requirements. Incap also complies with all relevant laws and requirements to prevent pollution and reduce the consumption of natural resources and materials. Incap's goal is to continuously develop and improve its processes to protect and preserve the environment. No violations of environmental laws or regulations were found in Incap's operations during 2023, nor in 2022.

To ensure efficient use of resources and minimise the amount of waste, Incap optimises the use of all raw materials in its production process. The focus is on improving recycling rates and waste management, which can be achieved by reducing waste of raw materials and line rejections. In 2023, the waste recycling rate was 89% (2022: 90%). The recycling rate of hazardous waste increased to 60% (2022: 40%), and the recycling rate of non-hazardous waste decreased to 89% from 91% in the previous year. The amount of non-hazardous waste from the factory in the US acquired in July 2023 is based on local management estimate.

Incap strives to reduce its energy intensity by using modern technology and data, energy-efficient equipment, smart material flow and logistics. In 2023, cooling and fuel consumption for energy production were also reported. As a result of the change in reporting, Incap's energy consumption increased to 11,836 MWh (2022: 9,573 MWh). At the same time, as net sales decreased from the previous year, the company's energy intensity increased to 53 MWh per million euros (2022: 36).

Incap reports its carbon dioxide emissions in accordance with Scope 1 and Scope 2, most of which are caused by the use of electricity and energy at the factories. In 2023, Incap's total CO_2e emissions were 4,563 tonnes (2022: 5,703).

Incap does not use water in its production. Water consumption is mainly caused by the use of sanitary facilities and cleaning.

GRI 302-1: Energy consumption within the organisation

MWh	2021	2022	2023
Electricity consumption	6,467	8,737	7,153
Of which electricity from renewable sources	949	1,252	1,133
District heating	911	836	1,862
Cooling			1,228
Fuel consumption			1,593
Total energy consumption	**7,379**	**9,573**	**11,836**

GRI 302-3: Energy intensity

MWh/MEUR	2021	2022	2023
Revenue, MEUR	169.8	263.8	221.6
Total energy intensity within the organisation	43	36	53

GRI 305-1 and 305-2: Direct and indirect GHG emissions

Direct (Scope 1) GHG emissions	2022	2023
CO_2 equivalents, metric tonnes	341	906
Indirect (Scope 2) GHG emissions	**2022**	**2023**
CO_2 equivalents, metric tonnes	5,362	3,657
Total GHG emissions in CO_2 equivalents	**5,703**	**4,563**

GRI 306-3: Waste

Waste generated in metric tonnes	2021	2022	2023
Non-hazardous waste			
Incineration	0	48	8
Landfilling	19	39	77
Biowaste	0	5	47
Recycling	611	941	618
Preparation for reuse			45
Other recovery operations			0
Non-hazardous waste total	**630**	**1,033**	**795**
Hazardous waste			
Incineration	17	13	4
Landfilling	0	0	1
Recycling	11	11	7
Hazardous waste total	**28**	**24**	**12**
Waste total	**658**	**1,058**	**807**

Respect for human rights and anti-corruption measures

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

Incap does not use forced or child labour, and the company promotes equal opportunities and diversity. Incap respects the freedom of engagement, and the company does not tolerate any kind of harassment or bullying. Incap's business ethics focus on fair competition, zero-tolerance for corruption and bribery and prevention of money-laundering. The compliance of operations is promoted by the Supplier Code of Conduct, signed with the most significant suppliers.

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

No violations of the above laws, regulations or principles were reported in 2023, nor in 2022.

Incap promotes equal opportunities and diversity.

Disclosure according to the EU taxonomy regulation

Reporting on the EU Taxonomy complies with Regulation (EU) 2020/852 of the European Parliament and of the Council (issued on June 18, 2020). The EU Taxonomy is a classification system for sustainable financing, designed to help companies and investors assess whether an economic activity can be considered environmentally sustainable. The Taxonomy defines a set of criteria for a business activity that enables companies to assess to what extent the company's activities support the attainment of environmental and climate objectives.

A phased-in EU Taxonomy Regulation partially entered into force in 2021. The first Delegated Act was taken into use in 2021, and it covered the first two of the six environmental objectives: climate change mitigation and adaptation. The criteria for the other four environmental objectives were published in June 2023, and they are water, pollution, circular economy and biodiversity.

The EU Taxonomy Regulation requires reporting for 2023 to assess taxonomy alignment so that taxonomy-eligible activities meet detailed technical assessment criteria, do not cause harm to other environmental objectives and comply with minimum social safeguards.

Taxonomy Eligible Activities

Incap has assessed the taxonomy eligibility of its business based on the descriptions in Annex I (climate change mitigation) and Annex II (climate change adaptation) of the Climate Delegated Act as well as NACE codes. The EU Taxonomy Regulation will enter into force in phases. Incap's assessment of the taxonomy-eligibility of its operations may change with the new guidelines and regulations entering into force.

Incap is a full-service provider in Electronics Manufacturing Services providing material procurement, prototyping, production ramp-up, serial production, final assembly, testing, designing, project management and logistics. Further Incap's services include printed circuit board (PCB) assembly, box-build final assembly, electromechanical assembly and cable and wire harness assembly, among other things. Taxonomy eligibility of Incap's activities is assessed based on the final product to which Incap has delivered a specific solution.

Incap has identified Taxonomy eligible activities contributing to climate change mitigation and climate change adaption as following:

- 3.1 Manufacture of renewable energy technologies
- 3.3 Manufacture of low carbon technologies for transport
- 4.9 Transmission and distribution of electricity
- 4.10 Storage of electricity
- 4.28 Electricity generation from nuclear energy in existing installations
- 5.1 Construction, extension and operation of water collection, treatment and supply systems
- 5.3 Construction, extension and operation of wastewater collection and treatment
- 6.14 Infrastructure for rail transport
- 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- 8.1 Data processing, hosting and related activities

Turnover, CapEx and OpEx

The Taxonomy states that undertakings should explain how they have avoided double counting in the allocation of the amounts of Taxonomy-eligible turnover, CapEx and OpEx in the numerator of the relevant KPIs. Incap has classified revenue into separate eligible activities once. Revenue allocation has also been used as a basis on calculating OpEx and CapEx.

The revenue KPI denominator includes the total external revenue of Incap Group companies. The revenue KPI numerator includes external sales of taxonomy eligible activities. The CapEx KPI denominator covers additions to tangible and intangible assets before depreciations, amortisations and re-measurements or impairments and excluding goodwill. The CapEx numerator is the Taxonomy-eligible additions included in the denominator and calculated based on external revenue, separately for each eligible activity.

The OpEx KPI denominator covers non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment that are necessary to ensure the continued and effective functioning on such assets. OpEx excludes overheads, raw materials, cost of employees operating the machine, cost of managing research and development projects, or electricity, fluids or reagents needed to operate property, plant and equipment. The numerator includes Taxonomy-eligible operating expenditure included in the denominator and maintenance material, cost of employees repairing the machine, cost of employees cleaning the machine and IT dedicated to maintenance. Taxonomy-eligible OpEx is calculated based on external revenue, separately for each eligible activity.

Proportion of turnover associated with taxonomy-aligned economic activities

Turnover	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm') (h)									
Economic activities (1)	Code (a) (2)	Turnover (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
EUR thousand		EUR	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)																			
Of which Enabling																		E	
Of which Transitional																			T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
Manufacture of renewable energy technologies	3.1	105,264	47.5 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								65.4 %		
Manufacture of low carbon technologies for transport	3.3	7,291	3.3 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.7 %		
Transmission and distribution of electricity	4.9	455	0.2 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.2 %		
Storage of electricity	4.10	7,057	3.2 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.9 %		
Electricity generation from nuclear energy in existing installations	4.28	508	0.2 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0 %		
Construction, extension and operation of water collection, treatment and supply systems	5.1	29	0.0 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0 %		
Construction, extension and operation of waste water collection and treatment	5.3	190	0.1 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0 %		
Infrastructure for rail transport	6.14	118	0.1 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1 %		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	22,875	10.3 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.1 %		
Data processing, hosting and related activities	8.1	3,484	1.6 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.3 %		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**147,271**	**66.5 %**	100%	0%	0%	0%	0%	0%										
A. Turnover of Taxonomy eligible activities (A.1+A.2)		**147,271**	**66.5 %**	100%	0%	0%	0%	0%	0%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**74,320**	**33.5 %**																
TOTAL		**221,591**	**100.0 %**																

EL = Taxonomy-eligible operation
N/EL = Non taxonomy-eligible operation

Proportion of CapEx associated with taxonomy-aligned economic activities

CapEx	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm') (h)									
Economic activities (1)	Code (a) (2)	CapEx (3)	Proportion of CapEx, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
EUR thousand		EUR	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)																			
Of which Enabling																		E	
Of which Transitional																			T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
Manufacture of renewable energy technologies	3.1	7,112	52.0 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								38.9 %		
Manufacture of low carbon technologies for transport	3.3	48	0.4 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3.4 %		
Storage of electricity	4.10	169	1.2 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								7.2 %		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	651	4.8 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								5.5 %		
Data processing, hosting and related activities	8.1	338	2.5 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.5 %		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**8,319**	**60.8 %**	100%	0%	0%	0%	0%	0%										
A. CapEx of Taxonomy eligible activities (A.1+A.2)		**8,319**	**60.8 %**	100%	0%	0%	0%	0%	0%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		**5,356**	**39.2 %**																
TOTAL		**13,675**	**100.0 %**																

EL = Taxonomy-eligible operation
N/EL = Non taxonomy-eligible operation

Proportion of OpEx associated with taxonomy-aligned economic activities

OpEx	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm') (h)									
Economic activities (1)	Code (a) (2)	OpEx (3)	Proportion of OpEx, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
EUR thousand		EUR	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)																			
Of which Enabling																		E	
Of which Transitional																			T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
Manufacture of renewable energy technologies	3.1	728	38.0 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								60.8 %		
Manufacture of low carbon technologies for transport	3.3	55	2.9 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.6 %		
Transmission and distribution of electricity	4.9	3	0.2 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1 %		
Storage of electricity	4.10	72	3.7 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3.1 %		
Electricity generation from nuclear energy in existing installations	4.28	11	0.6 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0 %		
Construction, extension and operation of water collection, treatment and supply systems	5.1	1	0.0 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0 %		
Construction, extension and operation of waste water collection and treatment	5.3	1	0.1 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0 %		
Infrastructure for rail transport	6.14	1	0.0 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1 %		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	337	17.6 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.3 %		
Data processing, hosting and related activities	8.1	29	1.5 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.3 %		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**1,238**	**64.7 %**	100%	0%	0%	0%	0%	0%										
A. OpEx of Taxonomy eligible activities (A.1+A.2)		**1,238**	**64.7 %**	100%	0%	0%	0%	0%	0%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**676**	**35.3 %**																
TOTAL		**1,914**	**100.0 %**																

EL = Taxonomy-eligible operation
N/EL = Non taxonomy-eligible operation

Annual General Meeting 2023

The Annual General Meeting of Incap Corporation held on 27 April 2023 approved the annual accounts for the financial period 1 January 2022– 31 December 2022 and resolved to discharge the members of the Board of Directors and the President and CEO from liability.

The General Meeting resolved in accordance with the proposal by the Board of Directors that no dividend will be paid for the financial year 2022

The General Meeting authorised the Board of Directors to decide to issue new shares either against payment or without payment. The authorisation was given to a maximum quantity of 2,928,483 new shares which represent approximately 10 per cent of the total number of shares in the company at the date of the notice to convene the Annual General Meeting.

The new shares may be issued to the company's shareholders in proportion to their current shareholdings in the company or deviating from the shareholders' pre-emptive right through one or more directed share issues, if the company has a weighty financial reason to do so, such as developing the company's equity structure, implementing mergers and acquisitions or other restructuring measures aimed at developing the company's business, financing of investments and operations or using the shares as a part of the company's remuneration and compensation system. The Board of Directors would decide upon terms and scope related to share issues.

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, either against payment or without payment, 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 further entitled to decide on conditions regarding the issuance of shares as well as the issuance of other special rights entitling to shares.

The authorisation is valid for one year from the Annual General Meeting.

The resolutions of the Annual General Meeting are available in full on the company's website at https://incapcorp.com/annual-general-meeting-2023/

Board of Directors and auditor

The Annual General Meeting held on 27 April 2023 resolved that the number of members of the Board of Directors shall be four (4). The General Meeting resolved that the present members of the Board, Carl-Gustaf von Troil, Ville Vuori and Kaisa Kokkonen be re-elected as members of the Board of Directors and that Julianna Borsos be elected as a new member of the Board of Directors. In its constitutive meeting after the Annual General Meeting, the Board of Directors elected Ville Vuori as the Chairman of the Board.

In 2023, the Board convened 17 times and the members' attendance percentage was 97%.

The General Meeting re-elected PricewaterhouseCoopers Oy, a company of Authorised Public Accountants, as the company's auditor, with Maria Grönroos, Authorised Public Accountant, as the principally responsible auditor.

Corporate governance

Incap Corporation complies with the Corporate Governance Code of Securities Market Association. The company has released a report on the company's corporate governance in compliance with the Securities Market Act as a separate document in connection with the publication of the Report of the Board of Directors and the Annual and Sustainability Report. The report is also available 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.

Related to the acquisition of Pennatronics Inc., on 3 July 2023, the Board of Directors of Incap Corporation resolved to issue 152,379 new shares in the company to the company itself without consideration. The new shares are of the same class as the company's other shares. The shares were issued based on the share issue authorisation granted by the Annual General Meeting held on 27 April 2023. The shares issued were used for the partial payment of the purchase price of the acquisition of Pennatronics Inc.

The number of shares of the company on 31 December 2023 was 29,437,214 (31 December 2022: 29,284,835).

In 2023, the share price varied between EUR 5.80 and EUR 22.05 (EUR 10.68 and 17.62). The closing price on 29 December 2023 was EUR 7.75 (30 December 2022: EUR 17.10). The company's market capitalisation on 31 December 2023 was EUR 228.1 million (EUR 500.8 million).

At the end of 2023, the company had 7,429 shareholders (4,705). Nominee-registered owners held 25.0% (32.3%) and foreign owners 7.1% (7.7%) of all shares. The company does not hold any treasury shares.

At the end of 2023, the members of Incap Corporation's Board of Directors and the President and CEO and their related parties owned a total of 2,123,031 shares or 7.2% of the company's shares outstanding (317,890 or 1.1%).

Flagging notifications

In 2023, Incap Corporation did not receive any shareholder announcements in accordance with Section 10 of Chapter 9 of the Securities Market Act.

Related-party transactions

In 2023, there were no significant related-party transactions.

Share-based incentives

The Board of Directors of Incap Corporation decided on 23rd March 2023 on the share-based incentive plan's new performance period 2023–2025, where the rewards are based on the group's cumulative operating profit (EBIT). During the performance period 2023—2025, the CEO and other Incap Management Team members form the target group of the incentive plan. The rewards to be paid on the basis of the performance period 2023–2025 correspond to the value of an approximate maximum total of 27,123 Incap Corporation shares, also including the proportion to be paid in cash.

The rewards will be paid partly in the company´s shares and partly in cash. The cash proportion of the reward is intended to cover taxes and statutory social security contributions arising from the reward to a participant. In general, no reward is paid if the participant´s employment or director contract terminates before the reward payment.

The Incap Management Team member is obliged to hold 50% of the received net reward shares, until the total value of the Management Team member's shareholding in Incap Corporation equals to 50% of their annual base salary of the preceding year. Respectively, the CEO is obliged to hold 50% of the received net reward shares, until the CEO´s shareholding in Incap Corporation equals to 100% of the CEO´s annual base salary of the preceding year. Such number of Incap Corporation shares must be held as long as the membership in the Management Team or the position as the CEO continues.

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. To improve its business opportunities, the company is willing to take on managed risks within the scope of the Group's risk management capabilities. The company regularly reviews its insurance policies as part of its risk management system.

Short-term risks and uncertainties

Risks related to the company's business operations and sector include the development of customer demand, price competition in contract manufacturing and success in new customer acquisition Other general risks impacting the operating environment include the geopolitical situation as well as the availability and price development of raw materials and components. Financial risks are related to sufficiency of funding, liquidity and exchange rate fluctuations.

Risks affecting the operating environment

Geopolitical tensions continued in Europe in 2023. Russia's war against Ukraine and the sanctions imposed on Russia in response are not expected to have a significant direct impact on the company. Cyber risks and disruptions in information systems can affect production.

Incap has no business operations and no direct or indirect customers or suppliers in Russia, Belarus or Ukraine. However, the changed operating environment may affect material availability and global logistics.

The company procures a significant portion of the materials and components used in the supply chain from external suppliers and subcontractors. This exposes the company to risks related to the availability and costs of materials and components. The availability of materials has improved during the year 2023. Obsolete materials and components may create limited financial risk for the group limited to their book value. Material responsibilities are agreed upon in customer contracts.

Customer risks

Demand for Incap's services and the company's financial position are affected by global economic trends and the fluctuation among customer industries. The risks connected with the customer demand and the solvency of customers are monitored and evaluated separately for each customer. As components become more available, Incap expects that the competition on its customers' markets will be tougher. The management considers customer relationship management to be of utmost importance and is paying special attention to it.

The company's sales are spread over several customer segments balancing out the impact of the economic fluctuation in different industrial sectors. In 2023, four biggest customers contributed to 58.1% (74.3%) of revenue. Out of the total customer base in 2023, 26 customers (22) exceeded EUR 1 million revenue.

Electronics manufacturing services is a highly competitive industry with continuous pressure on cost level management. Incap has succeeded in increasing the efficiency of its operations and managing the costs.

Financial risks

The financial position of the company is good and the sufficiency of financing and working capital does not pose a significant risk.

The value of the shares in subsidiaries in the parent company 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 2023 and indicators as of 31 December 2023, there is no need for any write-down of the value of the shares in subsidiaries.

Main currencies used in Incap's operations are Euro, Indian rupee, British pound and US dollar. The changes in the exchange rates between the currencies and the Euro may have a negative impact on Incap's revenue, equity ratio, result and financial position.

In a tax audit conducted by Indian tax authorities in 2018 regarding financial period 2015–2016, the deductibility of group costs is being investigated. Also the amounts of paid indirect taxes are being investigated in India. At the end of 2023, the Group had a total provision of EUR 1.6 million booked in accordance with IFRIC 23 (evaluation of uncertain tax positions). The cases are still under preliminary investigation, and if an agreement cannot be settled with a local tax authority, the company will take the matter to the next level of authority. Based on the company´s judgment, the current level of provision covers possible tax risks.

Cyber security risks

Incap has recognized cyber security risk as a growing risk and is continuously developing ITC environment to reduce these risks.

Significant events after the end of the period

Managing Director of Incap Electronics US, David Spehar, was appointed member of Incap Group's Management Team as of 21 February 2024.

Strategy and targets

Incap's growth strategy is based on its entrepreneurial and customer-driven culture, flexible operational model and its deep-rooted cost management mindset. The company wants to drive industry consolidation, benefiting from the growth potential of the industry while maintaining its cost efficiency and long-term profitability. To continue its strong track record, the company is focusing on three strategic cornerstones: growth, profitability and operational excellence.

Outlook for 2024

Incap estimates that the company's revenue and operating profit (EBIT) in 2024 will be lower than in 2023.

The destocking exercise with the largest customer will impact the revenue and profitability first half of the 2024. However, Incap's revenue is estimated to grow quarter to quarter starting first quarter of 2024 improving results over the year.

The estimates are given provided that unexpected events impacting Incap's business environment do not occur, for example, in the availability of components.

Board of Directors' proposal for measures related to profit

The parent company's profit for the financial period totals EUR 6,742,403.00. The parent company's distributable assets total EUR 49,017,707.51.

Incap is focusing on organic and inorganic growth with a robust M&A pipeline, thus the Board of Directors of Incap Corporation proposes to the Annual General Meeting that no dividend be paid for the financial year 2023.

Annual General Meeting 2024

The Annual General Meeting of Incap Corporation is scheduled to be held on 10 May 2024 in Helsinki. The notice to the Annual General Meeting will be published at a later date.

In Helsinki, 27 March 2024

Incap Corporation
Board of Directors

Financial statements

FINANCIAL STATEMENTS

Consolidated financial statements

Consolidated statement of comprehensive income

1,000 euros	Note	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Revenue	3	221,591	263,763
Other operating income	4	423	679
Changes in inventories of finished goods and work in progress		-5,148	4,897
Raw materials and consumables used	5	148,029	194,330
Personnel expenses*)	8	24,029	16,381
Depreciation and amortisation	7	4,623	3,827
Other operating expenses*)	6	11,969	15,859
Operating profit		**28,216**	**38,942**
Financial income	9	944	385
Financial expenses	9	-2,738	-2,701
Profit before tax		**26,422**	**36,627**
Income tax	10	-6,602	-9,032
Profit for the year		**19,820**	**27,595**
Consolidated statement of comprehensive income			
Other comprehensive income:			
Items that are not transferred to the statement of income			
Revaluation of employee benefits		-23	54
Items that may be reclassified subsequently to profit or loss			
Translation differences from foreign units		-2,344	-3,328
Other comprehensive income, net		-2,367	-3,274
Total comprehensive income		**17,453**	**24,321**
Total comprehensive income attributable to:			
Equity holders of the parent company		17,453	24,321
Earnings per share from profit for the year attributable to equity holders of the parent			
Basic earnings per share	11		
Earnings per share		0.68	0.94
Diluted earnings per share	11		
Earnings per share		0.67	0.94
Average number of shares, adjusted for share issues:			
basic		29,361,025	29,269,843
diluted		29,415,821	29,297,517

Consolidated balance sheet

1,000 euros	Note	31 Dec 23	31 Dec 22
ASSETS			
Non-current assets			
Property, plant and equipment	12	21,625	13,476
Right-of-use assets	12	8,089	6,893
Goodwill	13	8,237	7,178
Other intangible assets	13	5,503	4,026
Other financial assets	14	4	4
Deferred tax assets	15	1,012	362
Other receivables	17	443	614
Total non-current assets		**44,914**	**32,553**
Current assets			
Inventories	16	71,022	91,798
Trade and other receivables	17	23,864	36,416
Cash and cash equivalents	18	42,550	7,559
Total current assets		**137,435**	**135,773**
Total assets		**182,349**	**168,326**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	19		
Share capital		1,000	1,000
Exchange differences		-7,831	-5,487
Unrestricted equity reserve		23,745	22,184
Retained earnings		89,846	69,728
Total equity		**106,760**	**87,426**

1,000 euros	Note	31 Dec 23	31 Dec 22
Non-current liabilities			
Borrowings	22	23,643	5,428
Lease liabilities	22	6,556	5,222
Deferred tax liabilities	15	1,302	624
Employee benefit obligations	22	261	280
Other liabilities	23	1,619	1,619
Total non-current liabilities		**33,381**	**13,173**
Current liabilities			
Trade and other payables	23	37,789	56,708
Borrowings	22	2,271	8,898
Lease liabilities	22	1,603	1,616
Employee benefit obligations	23	54	57
Other liabilities	23	491	449
Total current liabilities		**42,208**	**67,727**
Total liabilities		**75,589**	**80,900**
Total equity and liabilities		**182,349**	**168,326**

Consolidated cash flow statement

1,000 euros	Note	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Cash flow from operations			
Operating profit, in total		28,216	38,942
Adjustmets to operating profit	26	5,107	4,539
Change in working capital			
Change in current receivables		17,928	-5,416
Change in inventories		25,911	-35,589
Change in current liabilities		-23,184	4,752
Interest paid		-1,109	-857
Interest received		162	12
Tax paid and tax refund		-8,382	-7,192
Cash flow from operations		**44,650**	**-808**
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets		-6,875	-5,465
Proceeds from sales of tangible and intangible assets		52	45
Acquisition of subsidiary less cash at the date of acquisition		-12,478	
Cash flow from investing activities		**-19,301**	**-5,420**
Cash flow from financing activities			
Drawdown of loans		27,445	16,288
Repayments of loans		-15,853	-9,843
Right-of-use asset payments	28	-1,506	-1,385
Cash flow from financing activities		**10,086**	**5,060**
Change in cash and cash equivalents		**35,435**	**-1,169**
Cash and cash equivalents at beginning of period		7,559	9,249
Effects of changes in exchange rates		-443	-522
Cash and cash equivalents at end of period	18	**42,550**	**7,559**

Consolidated statement in changes of equity

1,000 euros	Share capital	Unrestricted equity reserve	Translation differences	Retained earnings	Total equity
Equity at 1 January 2023	**1,000**	**22,184**	**-5,487**	**69,728**	**87,426**
Profit for the period				19,820	**19,820**
Other comprehensive income			-2,344	-23	**-2,367**
Total comprehensive income			**-2,344**	**19,797**	**17,453**
Other changes[1]				22	22
Transactions with the owners[2]					
Contributions of equity		1,560			**1,560**
Employee share schemes – value of employee services				299	**299**
Equity at 31 December 2023	**1,000**	**23,745**	**-7,831**	**89,846**	**106,760**

1,000 euros	Share capital	Unrestricted equity reserve	Translation differences	Retained earnings	Total equity
Equity at 1 January 2022	**1,000**	**22,185**	**-2,159**	**41,867**	**62,893**
Profit for the period				27,595	**27,595**
Other comprehensive income			-3,328	54	**-3,274**
Total comprehensive income			**-3,328**	**27,649**	**24,321**
Other changes[1]		-1		101	**101**
Transactions with the owners[2]					
Employee share schemes – value of employee services				111	**111**
Equity at 31 December 2022	**1,000**	**22,184**	**-5,487**	**69,728**	**87,426**

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

Accounting principles applied in the consolidated financial statements

Basis of preparation

Incap Group's 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 2023. The notes to the consolidated financial statements also comply with Finnish accounting and company legislation. The information in the consolidated financial statements in the ESEF (European Single Electronic Format) format has not been verified by the auditor.

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

The preparation of financial statements in accordance with IFRS standards requires certain estimates by Group management as well as management's judgement in applying accounting policies. Estimates with greatest impact on the financial statements figures are presented in the note "Accounting policies requiring management's judgement and key sources of estimation uncertainty."

Acquired businesses

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

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

A potential contingent consideration is recognised at the acquisition date fair value. A contingent consideration classified as an asset or a liability, meeting the criteria of a financial instrument in accordance with IFRS 9 (Financial instruments), is measured at fair value at each reporting date and changes are recognised in profit or loss. If the contingent consideration is not within the scope of IFRS 3, it is measured in accordance with an applicable IFRS standard. A contingent consideration classified as an equity instrument is not remeasured and its subsequent measurement will be accounted for within equity.

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

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

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

Translation of items denominated in foreign currency

Separate companies

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

Gains and losses resulting from transactions denominated in foreign currency and from the translation of balance sheet items are recorded in the income statement. Exchange rate gains and losses resulting from operations are recorded under the corresponding items above operating profit. Exchange rate 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. Incap Group's financial statements are presented in euros, which is the functional and presentation currency of the Group's parent company.

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

Currency rates used in financial statements 2023:

	EUR/INR	USD/INR	EUR/HKD	EUR/USD	EUR/GBP
Average rate	89.3249	82.5993	8.4675	1.0816	0.8699
Year-end rate	91.9045	83.1164	8.6314	1.1050	0.8691

Accounting principles

Property, plant and equipment

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

- Buildings 18–24 years
- Machinery and equipment 3–10 years
- Motor vehicles 3–5 years

According to the IFRS16 Leases standard, right-of-use assets are depreciated on a case-by-case basis based on the length of each lease contract period.

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

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

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

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

Borrowing costs

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

Government grants

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

Intangible assets

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

Goodwill and other intangible assets with an indefinite useful life are not amortised but are tested annually for any impairment. In goodwill testing, goodwill has been allocated to cash-generating units and measured at original acquisition cost less impairment. 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 attributable to the asset will flow to the entity. Intangible assets are recorded in the balance sheet at original acquisition cost and amortised in the income statement over their known or estimated useful life.

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

Inventories

Inventories are measured at the lower of acquisition cost or net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress 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 evaluates annually the inventory realisable and usable value and makes write-downs if required.

Leases

The Group as lessee

Incap is operating as a lessee. The Group leases e.g. office premises and production machinery. The lease contracts are mainly fixed-term agreements for which the lease-term ends within five years of the date of the initial application.

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

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

Accounting principles

Impairment

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

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

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

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

Employee benefits

Pension obligations

Incap Group's pension plans are classified as defined-benefit and defined-contribution plans. Payments made for defined-contribution plans are recognised as an expense in the income statement for the period which the debit concerns. The obligations of defined-benefit plans concerning the Indian unit are calculated separately for each plan using the projected unit credit method. Pension costs are recorded as an expense for the duration of employees' period of service on the basis of actuarial calculations carried out by authorised actuaries. A discount rate of 7.40% has been used in discounting the obligation and the interest has been recognised in pension costs. The costs arising from revaluation of defined-benefit plan obligations are recognised in the items of other comprehensive income.

Share-based payments

Incap Group has applied the IFRS 2 Share-based payments standard to all share-based payments. Share-based payments 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 share-based payments is based on Incap Group's estimate of the number of shares that will vest at the end of the vesting period.

Incap Group updates the estimate of the final share-based payment at each balance sheet date. Changes in the estimates are recorded in the income statement. When share-based payments are paid, the cash payments received on the basis of share subscriptions (adjusted for any transaction expenses) are recognised in share capital and reserve for invested unrestricted equity.

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

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

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

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

Provisions

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

Accounting principles

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

With its factories and organisation, Incap offers electronics manufacturing services. Incap's services include material procurement, prototyping, ramp-up of production, serial production, final assembly, testing and logistics. In addition to electronics, the company's manufacturing expertise covers final assembly into a fully finished product.

When Incap has a binding agreement with a customer, performance obligations and transaction price pursuant to this agreement are identified. An agreement that is binding is normally reached when a customer places an order that is confirmed by Incap. Orders are often based on master agreements, but these are non-binding in terms of quantities. Transaction prices are measured as the fair value of what will be received, and correspond to the amount received for sold goods after deducting for discounts, returns and VAT.

Revenue recognition from the sale of goods is recorded according to IFRS 15. Incap's performance obligation is to manufacture and deliver the assets in accordance with the customer's order. Sales are recognised when a performance obligation is satisfied. The company typically fulfils the performance obligation when control is transferred to the customer, usually when goods are delivered to customer in compliance with the terms of the delivery.

The company's revenue stream consists of sale of goods and one product forms one performance obligation. Existing customer contracts have no obligations of after marketing, installation, maintenance, financing or any other performance obligations that customer could benefit on stand-alone basis.

Assets for sale and discontinued operations

There were no discontinued operations in the financial years 2023 and 2022.

Financial assets and financial liabilities

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

Accounting principles

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. 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 the management's best knowledge at the balance sheet date. The estimates consider 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 has 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 2024. 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 potential impairment annually. The testing is based on a cash flow estimate prepared on the basis of a budget and the business plan for the forthcoming four-year period approved by the management. Discount rate before 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. The company estimates that there are no indications of impairment of goodwill and other intangible assets with an indefinite useful life. This has been verified with calculations concerning recoverable amounts.

The recoverable amounts used in the impairment testing 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.

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

Deferred tax asset

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

Deferred tax assets have been recognised to the extent that is considered to be possible to utilise against future taxable income.

Segment information

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 reporting 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.

Notes to the consolidated financial statements

Notes to the consolidated financial statements

Subsidiaries

The consolidated financial statements include the parent company Incap Corporation and its subsidiaries:

- Incap Electronics Estonia OÜ, Kuressaari, Estonia
- Incap Contract Manufacturing Services Pvt. Ltd., Bangalore, India
- Incap Holdings UK Ltd, Newcastle-under-Lyme, Great Britain
- Incap Electronics UK Ltd, Newcastle-under-Lyme, Great Britain
- Incap Electronics Slovakia, Namestovo, Slovakia
- Incap Electronics US, Inc., Pennsylvania, United States
- Incap North America, Inc., Delaware, United States
- Euro-ketju Oy, Helsinki, Finland (no activity)
- Incap Hong Kong Limited, Hong Kong

Incap Group's mutual shareholding has been eliminated using the acquisition cost method. Acquired subsidiaries are consolidated from the moment the Group acquires control and the divested subsidiaries until control ceases. All intra-group transactions, receivables, liabilities and unrealised profits as well as internal profit distribution are eliminated in preparing the consolidated financial statements.

1. DIVESTED BUSINESSES

The Group had no divested businesses in 2023 and 2022.

2. BUSINESS COMBINATIONS

On 1 July 2023, Incap Corporation signed an agreement to acquire 100% ownership of Pennatronics Inc., an experienced and well-performing Electronics Manufacturing Services company with a top-of-the-line factory in Pennsylvania, USA.

The enterprise value of the acquired company was USD 18.6 million (EUR 17.1 million) and the agreement also included a potential additional earn-out of a maximum of USD 3.0 million (EUR 2.8 million). The transaction was paid in cash except for the amount of approximately USD 1.6 million (EUR 1.5 million), which was paid in Incap's shares.

Overview of Pennatronics Inc.

Founded in 1999, Pennatronics has a production facility of approximately 6,000 square metres in a town called California near Pittsburgh, Pennsylvania. The company offers complete electronics manufacturing services including PCB assembly, box-build assembly as well as engineering and sourcing services. In its business, Pennatronics has established strong long-term customer relationships, and its customers come from many different industry sectors.

Pennatronics' revenue for the financial year that ended on 31 March 2023 was USD 30 million, (EUR 28 million), and EBITDA was USD 2.9 million (EUR 2.7 million), or 10 per cent of net sales. The result for the financial year was USD 1.6 million (EUR 1.5 million). In the financial year that ended on 31 March 2022, Pennatronics' revenue was USD 24.6 million (EUR 22.9 million) and EBITDA USD 0.9 million (EUR 0.8 million), or 4 per cent of net sales. The result for the financial year 2022 was USD 0.3 million (EUR 0.2 million). Pennatronics has 102 employees.

Strategic rationale of the acquisition

The acquisition is in line with Incap's growth strategy, and it will establish Incap's presence in the U.S. market and create a foothold for further expansion in the U.S. market. Pennatronics' U.S. production facility complements Incap's current production facilities located in Estonia, India, in the U.K. and in Slovakia. Incap's customer base will be broadened through the acquisition, and Incap will be able to offer U.S. based services to existing and new customers, while Pennatronics' customers will benefit from opportunities to source services from Europe and India. In the long term, the acquisition is expected to bring cross-selling opportunities and synergy benefits in e.g., material purchasing.

Key terms and financial impacts of the acquisition

The enterprise value of the acquired company was USD 18.6 million (EUR 17.1 million). The acquisition was initially financed by a loan of EUR 19.5 million. Incap may at a later stage, subject to market conditions, explore the option of equity financing to optimise its capital structure. In addition to this, approximately USD 1.6 million (EUR 1.5 million) was paid with Incap's shares to the owners of the acquired company. The acquisition agreement includes an additional payment in the form of a potential earn-out that will be paid in 2024 depending on Pennatronics' business performance during the financial year ending in March 2024. Its maximum amount is USD 3.0 million (EUR 2.8 million) based on Pennatronics' EBITDA during the financial year ending in March 2024.

The acquisition was closed on 5 July 2023. Pennatronics has been reported as part of the Incap Group as of July 2023. The former owners of Pennatronics, Ralph B. Andy and Keith D. James, are committed to support Incap over the transition period

Assets aqcuired and liabilities assumed at fair value on the acquisition date, acquisition calculation

Purchase price consideration	
Paid in cash	16,415
Instalment in shares	1,585
Earn-Out	2,453
Other consideration	32
Total	**20,484**
ASSETS	
Non-current assets	
Property, plant and equipment	3,963
Other intangible assets: customer relationships	1,897
Deferred tax assets	638
Total Non-current assets	**6,498**
Current assets	
Inventories	8,461
Trade and other receivables	9,247
Total current assets	**17,708**
Total assets	**24,206**
Non-current liabilities	
Deferred tax liabilities	1,001
Total Non-current liabilities	**1,001**
Current liabilities	
Trade and other payables	3,681
Total current assets	**3,681**
Total liabilities	**4,682**
Total identifiable net assets	19,523
Goodwill	961
Aqcuired net assets	**20,484**

Partial payment of the purchase price

Incap Corporation's share issue without consideration to the company itself

Based on the share issue authorisation granted by the Annual General Meeting held on 27 April 2023, the Board of Directors of Incap Corporation decided on an issue of 152,379 new shares in the company to the company itself without consideration. The new shares are of the same class as the company's other shares. The shares issued were used for the partial payment of the purchase price of the acquisition of Pennatronics Inc. which was announced by the company y on 3 July 2023. After the registration of the new shares, the total number of shares in the company was 29,437,214. The new shares grant shareholder rights in the company from the moment of their registration. The new shares were registered in the trade register and the book-entry system managed by Euroclear Finland Oy on 6 July 2023. The new shares were admitted to public trading on 7 July 2023.

The total subscription price of the directed share issue without payment has been recorded in full in the reserve for invested unrestricted equity.

3. REVENUE

	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Revenue from the sale of goods	221,591	263,763
	221,591	**263,763**

Geographic division of external customers' revenue	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Europe	184,739	187,204
North-America	23,000	36,314
Asia	13,852	10,928
Africa		18,340
Australia		10,977
	221,591	**263,763**

Contract liabilities (advances received) are presented in other current non-interest-bearing liabilities (note 23).
The Group has one customer, whose revenue exceeds 10% of the Group's revenue. The combined share of the customer out of the Group's revenue is approximately 47% (67% in 2022).

Major customers	1 Jan-31 Dec 2023	% of revenue	1 Jan-31 Dec 2022	% of revenue
Customer 1	103,227	46.6 %	176,379	66.9 %
Customer 2	9,980	4.5 %	7,931	3.0 %
Customer 3	8,289	3.7 %	6,044	2.3 %
Customer 4	7,150	3.2 %	5,738	2.2 %
Total	**128,646**	**58.1 %**	**196,092**	**74.3 %**

Assets by geographical areas	2023	2022
Europe	20,854	19,186
Yhdysvallat	7,162	
Asia	16,898	13,368
	44,914	**32,553**

Assets consist of goodwill and other non-current assets.

4. OTHER OPERATING INCOME

	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Export incentive from Indian government	64	56
Wage subsidies (India)	30	112
Rental income	78	
Net gains on the disposal of property, plant and equipment	17	2
Currency exchange gains	211	472
Other income	24	38
	423	**679**

5. RAW MATERIALS AND SERVICES

Raw materials and consumables	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Purchases during the financial year	128,289	226,024
Change in inventories	19,694	-31,926
	147,983	**194,098**
External services	45	232
	148,029	**194,330**

6. OTHER OPERATING EXPENSES

	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Operating and maintenance expenses for property and machinery	1,362	1,436
External services	4,673	6,761
Credit loss provisions	-363	915
Office expenses	2,043	2,215
Other expenses	4,254	4,531
	11,969	**15,859**

Auditors' fees	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Auditing fees PWC	283	158
Auditing fees, non PWC	26	102
Certificates and statements	25	30
Other services		
	334	290

Research and development
In 2023, EUR 0.3 million of research and development costs have been accounted for as an operating expense (EUR 0.3 million in 2022).

7. DEPRECIATION AND AMORTISATION

Depreciation and amortisation by asset class	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Intangible assets		
Other capitalised expenditure	8	8
Other intangibles	564	479
	572	**487**
Tangible assets		
Buildings	436	260
Right-of-use assets, building	979	866
Machinery and equipment	1,857	1,566
Right-of-use assets, machinery	644	547
Other tangible assets	135	100
	4,051	**3,340**
Total depreciation, amortisation and write-downs	**4,623**	**3,827**

8. EMPLOYEE BENEFITS EXPENSE

	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Wages and salaries	19,351	13,381
Pension costs - defined contribution plans	1,841	1,487
Pension costs - defined-benefit plans	83	88
Stock options and share-based incentives	299	111
Other statutory employer expenses	2,455	1,314
	24,029	**16,381**
Konsernin henkilökunta keskimäärin tilikaudella	2,261	2,619

Information on share-based payments is presented in Note 20 Share-based payments. 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 2023	1 Jan-31 Dec 2022
Dividends	0	0
Interest income from other receivables	127	0
Foreign exchange gains on liabilities	789	379
Other financing income	29	6
	944	**385**

Financial expenses	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Interest expenses from financial liabilities mea-sured at amortised cost	1,228	518
Right-of-use assets interests	353	145
Exchange rate losses	956	1,836
Other financial expenses	200	202
	2,738	**2,701**
Financial income and expenses total	**-1,794**	**-2,315**

10. INCOME TAX

Income tax in the income statement	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Income tax on profits for the year	-6,666	-8,666
Income tax on profits of previous periods	-184	19
Income taxes for the financial period	**-6,850**	**-8,647**
Changes in deferred tax assets created this year	-43	-474
Current year change in deferred tax liabilities	292	88
Change in deferred taxes total	**248**	**-385**
Income tax expense	**-6,602**	**-9,032**

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 2023	1 Jan-31 Dec 2022
Profit before taxes	26,422	36,627
Tax at the applicable rate in the home country	-5,284	-7,325
Divergent tax rates of foreign subsidiaries	-901	-1,624
Tax from previous years	-184	19
Tax free income and non-deductable expenses	-158	-52
Deferred tax assets for confirmed losses		-434
Other temporary difference	-79	-39
Non-recorded deferred tax	5	423
Tax charge	**-6,602**	**-9,032**

Information on deferred taxes is presented in Note 15 Deferred tax assets and liabilities.

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 2007-2019 arising from tax audit performed by Indian tax authorities during 2018. The deductibility of group costs are being investigated, among other things. 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). Therefore the total provision amounts to approximately EUR 1.6 million. Based on company´s judgment, current level of provision covers possible tax risk.

11. EARNINGS PER SHARE

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

	2023	2022
Profit for the year attributable to equity holders of the parent	19,820	27,595
Weighted average number of shares during the period	29,361,025	29,269,843
Undiluted earnings per share, EUR/share	0.68	0.94

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

Continuing operations	2023	2022
Profit for the year attributable to equity holders of the parent, continuing operations	19,820	27,595
Weighted average number of shares during the period	29,361,025	29,269,843
Share-based payments	54,796	27,674
Weighted average number of shares used in calculating adjusted diluted earnings per share	29,415,821	29,297,517
Diluted earnings per share, EUR/share	0.67	0.94

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Other tangible assets	Total
Acquisition cost 1 Jan 2023	**1,049**	**5,996**	**13,320**	**1,175**	**21,540**
Increase		145	1,494	18	1,657
Combining businesses[1]	134	4,546	6,217	728	11,625
Decrease[2]		-217	-484	-416	-1,116
Reclassifications between items		4,578	3,278	273	8,129
Exchange differences	-43	-215	-237	-31	-527
Acquisition cost 31 Dec 2023	**1,141**	**14,832**	**23,588**	**1,747**	**41,308**
Accumulated depreciation and write-downs 1 Jan 2023		**-1,425**	**-8,564**	**-834**	**-10,823**
Depreciation		-425	-1,821	-132	-2,378
Combining businesses[1]		-2,032	-5,038	-654	-7,723
Cumulative depreciation on reclassifications and disposals		217	483	271	971
Exchange differences		35	121	18	174
Accumulated depreciation and write-downs 31 Dec 2023		**-3,629**	**-14,819**	**-1,331**	**-19,778**
Book value 1 Jan 2023	1,049	4,571	4,757	341	10,717
Book value 31 Dec 2023	1,141	11,203	8,769	416	21,530
Acquisition cost 1 Jan 2022	**486**	**2,944**	**11,408**	**1,090**	**15,928**
Increase	585	5	563	5	1,158
Decrease[2]			-65		-65
Reclassifications between items		3,183	1,916	130	5,229
Exchange differences	-22	-135	-502	-51	-710
Acquisition cost 31 Dec 2022	**1,049**	**5,996**	**13,320**	**1,175**	**21,540**
Accumulated depreciation and write-downs 1 Jan 2022		**-1,239**	**-6,993**	**-777**	**-9,009**
Depreciation		-245	-1,487	-94	-1,826
Cumulative depreciation on reclassifications and disposals			-401		-401
Exchange differences		58	317	37	413
Accumulated depreciation and write-downs 31 Dec 2022		**-1,425**	**-8,564**	**-834**	**-10,823**
Book value 1 Jan 2022	486	1,705	4,415	313	6,920
Book value 31 Dec 2022	1,049	4,571	4,757	341	10,717

[1] Information on combining businesses is presented in Notes 2 Busines combinations
[2] Decrease consist of fixed assets that have been disabled in the financial year or in previous years

Right-of-use assets	Buildings	Machinery and Equipment	Total
Acquisition cost 1 Jan 2023	**6,220**	**3,838**	**10,057**
Increase	3,684	111	3,795
Decrease[2]		-24	-24
Reclassifications between items	-1,558		-1,558
Exchange differences	51	17	68
Acquisition cost 31 Dec 2023	**8,397**	**3,941**	**12,338**
Accumulated depreciation and write-downs 1 Jan 2022	**-2,775**	**-388**	**-3,164**
Depreciation	-980	-644	-1,624
Cumulative depreciation on reclassifications and disposals	540	24	564
Exchange differences	-25	-1	-25
Accumulated depreciation and write-downs 31 Dec 2023	**-3,240**	**-1,008**	**-4,249**
Book value 1 Jan 2023	3,444	3,449	6,893
Book value 31 Dec 2023	5,157	2,933	8,089
Acquisition cost 1 Jan 2022	**3,872**	**3,185**	**7,057**
Increase	2,431	3,889	6,320
Decrease[2]		-2,239	-2,239
Reclassifications between items		-944	-944
Exchange differences	-84	-54	-138
Acquisition cost 31 Dec 2022	**6,220**	**3,838**	**10,057**
Accumulated depreciation and write-downs 1 Jan 2022	**-1,970**	**-1,352**	**-3,322**
Depreciation	-850	-543	-1,393
Cumulatve depreciation on reclassifications and disposals		1,485	1,485
Exchange differences	45	22	66
Accumulated depreciation and write-downs 31 Dec 2022	**-2,775**	**-388**	**-3,164**
Book value 1 Jan 2022	1,902	1,833	3,736
Book value 31 Dec 2022	3,444	3,449	6,893

13. INTANGIBLE ASSETS

	Goodwill	Other intangible assets	Total
Acquisition cost 1 Jan 2023	**7,178**	**6,292**	**13,470**
Increase		101	101
Combining businesses[1]	946	1,867	2,813
Exchange differences	113	71	184
Acquisition cost 31 Dec 2023	**8,237**	**8,331**	**16,569**
Accumulated amortisation and write-downs 1 Jan 2023		**-2,267**	**-2,267**
Amortisation		-508	-508
Combining businesses[1]		-62	-62
Exchange differences		8	8
Accumulated amortisations and write-downs 31 Dec 2023		**-2,829**	**-2,829**
Book value 1 Jan 2023	7,178	4,026	11,204
Book value 31 Dec 2023	8,237	5,503	13,740
Acquisition cost 1 Jan 2022	**7,547**	**6,992**	**14,540**
Increase		193	193
Decrease[2]		-584	-584
Reclassifications between items		20	20
Exchange differences	-369	-329	-699
Acquisition cost 31 Dec 2022	**7,178**	**6,292**	**13,470**
Accumulated amortisation and write-downs 1 Jan 2022		**-2,475**	**-2,475**
Amortisation		-468	-468
Cumulative depreciation on reclassifications and disposals		584	584
Exchange differences		92	92
Accumulated amortisations and write-downs 31 Dec 2022		**-2,267**	**-2,267**
Book value 1 Jan 2022	7,547	4,517	12,065
Book value 31 Dec 2022	7,178	4,026	11,204

[1] Information on combining businesses is presented in Notes 2 Busines combinations
[2] Decrease consist of fixed assets that have been disabled in the financial year or in previous years

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 combined revenue growth (CAGR) for the years 2023-2028 in India is estimated to be -5% and the operating profit to be approximately 9%. Growth estimate of residual value is 2%. In the calculations of the financial year 2023 in India, a discount rate of 19.17% (22.98% in 2022) has been used. Should the operating profit used in the testing decrease by approximately 48.2% or should the discount rate increase by less than 11.6% percentage points, there would be no need for write down. Revenue and profitability of the operations in India have developed favourably during the past few years and there is estimated to be no need or risk of any impairment. In impairment testing of goodwill, the residual value of future cash flows is 66% of the cash flows in the calculations for value in use.

The goodwill of approx EUR 3.1 million in the consolidated balance sheet refers to the UK subsidiary. The revenue in the UK subsidiary is estimated to grow 3% annually and the operating profit to be approximately 5%. Growth estimate of residual value is 2%. In the calculations of the financial year 2023 in the UK, a discount rate of 15.75% (19.21% in 2022) has been used. Should the operating profit used in the testing decrease by approximately 58.1% or should the discount rate increase by less than 7.5 percentage points, there would be no need for write down. In impairment testing of goodwill, the residual value of future cash flows is 69% of the cash flows in the calculations for value in use.

The goodwill of approx. EUR 3.2 million in the consolidated balance sheet refers to the Slovakian subsidiary. The revenue in Slovakia is estimated to grow 8% annually and the operating profit to be approximately 6%. Growth estimate of residual value is 2%. In the calculations of the financial year 2023 in Slovakia, a discount rate of 16.2% (17.45% in 2022) has been used. Should the operating profit used in the testing decrease by approximately 49.1% or should the discount rate increase by less than 8.2% percentage points, there would be no need for write down. In impairment testing of goodwill, the residual value of future cash flows is 70% of the cash flows in the calculations for value in use.

The goodwill of approx. EUR 1.0 million in the consolidated balance sheet refers to the USA subsidiary. The revenue in USA is estimated to grow 3.2% annually and the operating profit to be approximately 8%. Growth estimate of residual value is 2%. In the calculations of the financial year 2023 in USA, a discount rate of 16.9% (N/A in 2022) has been used. Should the operating profit used in the testing decrease by approximately 24.5% or should the discount rate increase by less than 5.0% percentage points, there would be no need for write down. In impairment testing of goodwill, the residual value of future cash flows is 63% of the cash flows in the calculations for value in use.

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

14. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2023	2022
Shares	4	4
Total investments available for sale at the end of the financial year	4	4

15. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	2023	2022
Tangible assets	7	
Tax asset for losses	635	
Employee benefits	229	223
Provisions	100	174
Others	77	
Deferred tax assets total	1,047	397
Deduction according to netting principle	-35	-35
Net deferred tax assets	**1,012**	**362**

Changes	2023	2022
Accounted in Profit and Loss		
Tangible assets	42	-163
Tax asset for losses	-102	-434
Employee benefits	15	22
Export incentive		11
Provisions	-77	92
Other	79	
Total	**-43**	**-474**

Deferred tax liabilities	2023	2022
Intangibles	1,273	624
Tangible assets		35
Provisions	64	
Net deferred tax liabilities	1,337	659
Deduction according to netting principle	-35	-35
Net deferred tax liabilities	**1,302**	**624**

Changes	2023	2022
Accounted in Profit and Loss		
Tangible assets	29	
Intangibles	327	88
Provisions	-64	
Total	**292**	**88**
Accounted in equity		
Investments in subsidiaries		-102
Acquisition related		
Intangibles	383	-124

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

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

No deferred tax liability has been recognised from the subsidiaries' profits as per precautionary principles.

16. INVENTORIES

	2023	2022
Raw materials and supplies	51,289	71,078
Work in progress	14,264	13,741
Finished goods	4,651	3,307
Advance payments	818	3,673
Total	**71,022**	**91,798**

In 2023 the Group has recognized inventory write-off provisions amounting to EUR 0.03 million (EUR 0.3 million in 2022).

17. TRADE AND OTHER RECEIVABLES

Trade and other receivables – non-current	2023	2022
Withholding tax receivable		310
Other non-current receivables	443	304
Total	**443**	**614**

Trade and other receivables – current	2023	2022
Trade receivables	20,626	29,798
Credit loss provision	-351	-919
Trade receivables total	20,274	28,879
Loan receivables	45	23
Prepaid expenses and accrued income	2,402	6,468
Other receivables	1,142	1,046
Total	**23,864**	**36,416**

The fair value of the receivables do not differ from their book value and there are no significant credit risks associated with the receivables.

Aging structure of trade receivables and items recorded as credit losses	2023	2022
Not past due	16,740	24,203
Past due		
Less than 30 days	2,570	2,610
30–60 days	410	787
61–90 days	133	109
Over 90 days	422	1,168
Total	**20,274**	**28,879**

In 2023 the Group has released credit loss provisions in other operating expenses amounting to EUR 0.6 million.
In 2022 the Group has recognised credit loss provisions in other operating expenses amounting to EUR 0.9 million.

Distribution of current receivables by currency	2023	2022
GBP	7,149	6,409
USD	8,201	17,496
INR	3,460	7,523
EUR	5,054	4,988
Total	**23,864**	**36,416**

18. CASH AND CASH EQUIVALENTS

	2023	2022
Cash and bank accounts	33,826	7,559
Short-term investments	8,724	
Total	**42,550**	**7,559**

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

19. CHANGES IN EQUITY

	Equity
31 Dec 2023	1,000,000.00
31 Dec 2022	1,000,000.00

	Number of shares
31 Dec 2023	29,437,214
Direct share issue	152,379
31 Dec 2022	29,284,835

Transactions with owners

Invested unrestricted equity fund	2023	2022
1 Jan	**22,184**	**22,185**
Investment in equity	1,560	
Transfer of retained earnings		-1
31 Dec	**23,745**	**22,184**
Retained earnings		
Personnel share-based incentive program-value of employee services	299	111

Based on the share issue authorisation granted by the Annual General Meeting held on 27 April 2023, the Board of Directors of Incap Corporation has resolved on an issue of 152 379 new shares in the Company to the Company itself without consideration. The new shares are of the same class as the Company's other shares. The shares issued were used for the partial payment of the purchase price of the acquisition of Pennatronics Inc.

Information of the subscription is presented in Note 20 Share-based payments

Other changes: Retained earnings	2023	2022
Deferred tax liability for internal dividend payment		102
Other changes	22	-1
Total	22	101

20. SHARE-BASED PAYMENTS

Expenses from the share-based incentive plan are recognized during the earnings period and presente d as employee benefits expenses and retained earning in equity.

Long-term key employee incentive plan 2022 -2024

On 27 April 2022, the Board of Directors of Incap Corporation decided to establish a new long-term incentive plan for the Group's key employees. The aim of the plan is to align the objectives of the shareholders and key employees for increasing the value of the company in the long term, to retain the key employees of the company, and to offer them a competitive reward plan based on acquiring, earning and accumulating the company's shares. The long-term Performance Share Plan is based on a rolling 3-year performance period structure, with a new performance period starting at the beginning of each year if so decided by the Board. In the plan, the target group is given an opportunity to earn Incap's shares based on criteria and targets to be set for each criterion at the beginning of each performance period. The potential rewards based on the plan will be paid in the company's shares and partly in cash. The cash proportion of the reward is intended to cover the taxes and statutory social security contributions arising from the reward to a participant. In general, no reward is paid if the participant's employment or director contract terminates before the reward payment. During the performance period 2022-2024, the CEO and other Incap Management Team members form the target group of the incentive plan. The rewards to be paid on the basis of the performance period 2022-2024 correspond to the value of an approximate maximum total of 30,191 Incap Corporation shares, including also the proportion to be paid in cash.

Expenses are based on the maximum number of shares adjusted by share issue, i.e. 27,674 and the market value of EUR 15.74 according to April 26, 2022 has been used as a multiple. Expenses for the period 27 April 2022 – 31 December 2024 amount to EUR 435,591 of which EUR 162,400 relate to 2023.

Long-term key employee incentive plan 2023 –2025

The Board of Directors of Incap Corporation decided on the share-based incentive plan's new performance period 2023–2025, where the rewards are based on the group's cumulative operating profit (EBIT). During the performance period 2023—2025, the CEO and other Incap Management Team members form the target group of the incentive plan. The rewards to be paid on the basis of the performance period 2023–2025 correspond to the value of an approximate maximum total of 27,123 Incap Corporation shares, also including the proportion to be paid in cash. The rewards will be paid partly in the company´s shares and partly in cash. The cash proportion of the reward is intended to cover taxes and statutory social security contributions arising from the reward to a participant. In general, no reward is paid if the participant´s employment or director contract terminates before the reward payment. The Incap Management Team member is obliged to hold 50% of the received net reward shares, until the total value of the Management Team member's shareholding in Incap Corporation equals to 50% of their annual base salary of the preceding year. Respectively, the CEO is obliged to hold 50% of the received net reward shares, until the CEO´s shareholding in Incap Corporation equals to 100% of the CEO´s annual base salary of the preceding year. Such number of Incap Corporation shares must be held as long as the membership in the Management Team or the position as the CEO continues.

Expenses are based on the maximum number of shares adjusted by share issue, i.e. 27,123 and the market value of EUR 17.94 according to March 22, 2023 has been used as a multiple. Expense s for the period 23 March 2023 – 31 December 2025 amount to EUR 486,587 of which EUR 136,283 relate to 2023.

21. PENSION LIABILITIES

The Group has both defined-contribution and defined-benefit pension plans. Defined-benefit pension plans are only employed in the subsidiary in India. In defined-benefit pension plans, the amount of the pension benefit at the time of retirement is determined on the basis of certain factors, such as salary and years of employment.

Defined-benefit pension liability in the balance sheet is determined as follows	2023	2022
Present value of funded liabilities	874	796
Fair value of plan assets	-559	-459
Underfunding/overfunding	315	337
Amounts in the balance sheet:		
Liability	315	337
Liability, net	315	337

Defined-benefit pension expenses recognised in the income statement	2023	2022
Current service cost	59	55
Interest cost	54	56
Expected return on plan assets	-31	-28
Actuarial gains (+) and losses (-)	22	-51
Total	**104**	**32**

Actual return on plan assets was EUR 31 thousand in 2023 (EUR 28 thousand in 2022).

Changes in the present value of the defined benefit obliga	2023	2022
Defined benefit obligation at 1 Jan	796	787
Current service cost	59	55
Interest cost	54	56
Actuarial gains (+) and losses (-)	24	-52
Exchange differences	-32	-35
Benefits paid	-26	-15
Defined benefit obligation at 31 Dec	**874**	**796**

Changes in the fair value of plan assets	2023	2022
Fair value of plan assets at 1 Jan	459	415
Expected return on plan assets	31	28
Actuarial gains (+) and losses (-)	1	-1
Contributions by employer	111	50
Exchange differences	-19	-19
Benefits paid	-26	-15
Fair value of plan assets at 31 December	**559**	**459**

Plan assets are comprised as follows:	2023	2022
Funds managed by insurer	559	459

	2023	2022
The principal actuarial assumptions 31 Dec		
Asia	7.40%	7.55%
Discount rate		7.00%
Expected return on plan assets	10.0 %	10.0 %

Amounts for the current and previous two periods	2023	2022
Change from previous year	**9.80%**	**1.16%**
Present value of defined benefit obligation	874	796
Fair value of plan assets	559	459
Surplus (+) / deficit (-)	315	337
Experience adjustments on plan liabilities	16	-4
Experience adjustments on plan assets	1	-1

The Group expects to contribute the defined benefit plan pensions EUR 0.05 million in 2024.

Assumptiond for pension plan Impact on defined benefit obligation	2023	2022
Discount rate		
0.50% increase	848	771
0.50% decrease	901	822
Future salary increases		
0.50% increase	900	821
0.50% decrease	849	771

22. FINANCIAL LIABILITIES

Non-current financial liabilities

	2023	2022
Loans from credit institutions	23,643	5,428
Lease liabilities	6,556	5,222
Employee benefit obligations	261	280
	30,460	**10,929**

Current financial liabilities

	2023	2022
Loans from credit institutions	2,271	8,898
Other liabilities	1,603	1,616
	3,874	**10,513**

Forthcoming payable interest and instalments of loans

	2023	2022
Less than 6 months[1]	2,902	5,321
6–12 months [2]	2,853	5,579
1–5 years	33,900	11,492
Over 5 years	3	9
	39,658	**22,401**

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

[1] Includes India's current bank limit of EUR 0 (EUR 4,238,514 in 2022)

2 Includes Incap Corporation current bank limit of EUR 0 (EUR 3,114,774 in 2022)

Distribution of interest-bearing liabilities by currency, 1,000 euros

Non-current liabilities	2023	2022
GBP	2,067	117
INR	261	401
EUR	28,133	10,411
	30,460	**10,929**

Current liabilities	2023	2022
GBP	247	288
USD		4,239
INR		186
EUR	3,627	5,800
	3,874	**10,513**

23. TRADE PAYABLES AND OTHER PAYABLES

	2023	2022
Non-current		
Other liabilities – Indian tax provision	1,619	1,619
	1,619	1,619
Current		
Trade payables	21,916	42,582
Accrued liabilities	6,498	8,325
Short-term provisions	545	506
Advances received	6,188	5,195
Acquisition deferred purchase price	2,415	
Other liabilities	773	607
	38,335	57,214
Total	**39,954**	**58,833**

Accrued liabilities are mainly related to interest, taxes and personnel expenses.

Distribution of non-interest-bearing liabilities by currency, 1,000 EUR	**2023**	**2022**
USD	12,634	22,473
SEK	2	1
GBP	13,072	12,064
JPY	6	7
HKD	2	3
INR	5,004	14,103
EUR	7,615	8,563
	38,335	**57,214**

24. MANAGEMENT OF FINANCIAL RISKS

The nature of 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. No hedging transactions were used in 2023 and 2022. The financial structure of subsidiaries is planned, assessed and controlled with a view to the management of financial risks.

Currency risk

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

The short-term working capital financing liabilities of the Indian subsidiary are mainly USD-denominated, and the company additionally has an overdraft facility denominated in the Indian rupee.

Incap uses the subsidiary's home currency (Indian rupee, INR) in invoicing between the parent company and the subsidiary. Therefore, exposure to transaction risk concerns almost completely the Group's parent company and the foreign subsidiary is not exposed to substantial transaction risk. The risk exposure of the parent company's balance sheet is hedged with forward exchange agreements and options when necessary.

In line with the Group's currency risk policy the euro-denominated investment made in the subsidiary in India has not been hedged. Parent company acquired in 2020 AWS Electronics Group and the transaction was completed in British pounds which has not been hedged. Therefore, fluctuations of British pound have an impact on parent company's balance sheet. The currency exchange differences arising from the investment are presented under exchange differences in the Group's non-restricted equity. Strengthening of INR exchange rate in relation to EUR by 15% increases the Group's equity by EUR 1,008,255 (EUR 663,577 on 31 December 2022) while weakening of INR exchange rate in relation to EUR by 15% decreases the Group's equity by EUR 1,364,069 compared with the exchange difference on 31 December 2023 (EUR 897,780 on 31 December 2022).

The impact on the group's result of a change of 10% in the exchange rate of a foreign currency excluding tax consequences (EUR thousand)

Foreign currency	**USD**	**GBP**	**INR**
Reporting currency	**EUR**	**EUR**	**EUR**
2023	+/- 5 500	+/- 1 223	+/- 2 145
2022	+/- 8 403	+/- 1 132	+/- 3 781

Interest rate risk

At the balance sheet date, interest-bearing liabilities in the consolidated balance sheet amounted to EUR 34.3 million (EUR 21.4 million). Out of the total interest-bearing liabilities, EUR 8.2 million (EUR 6.8 million) is related to IFRS 16 Leases-standard. The weighted average duration of the interest-bearing non-current loan at the balance sheet date is 2.5 years (1.1 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 +/- 250 thousand on 31 December 2023 (138 thousand on 31 December 2022).

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 domestic 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.

Incap has cancelled credit loss provisions amounting to EUR 0.4 million as of 31 December 2023. The Group analyses constantly the creditworthiness of current and new customers. During the financial period the Group has renegotiated payment terms for receivables that would otherwise have been due according to payment terms. Due and renegotiated receivables have no material effect on the Group's financial position. The aging structure of trade receivables is presented in Note 17.

24. MANAGEMENT OF FINANCIAL RISKS

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. Information on credit facilities is presented in Note 29.

Incap's main sources of financing are cash flow from operations, loans from financial institutions and share issues.

The company's non-current interest-bearing liabilities on 31 December 2023 amounted to EUR 30.5 million (10.9 million on 31 December 2022) and non-current non-interest-bearing liabilities to EUR 2.9 million (EUR 2.2million). Current interest-bearing liabilities amounted to EUR 3.9 million (EUR 10.5 million). Of this amount, EUR 0.3 million (EUR 4.8 million) were related to the Indian subsidiary. Other interest-bearing liabilities amounted to EUR 25.0 million (EUR 9.2 million) and was loan for the parent company.

Loans from credit institutions	Balance on 31 Dec 2023	Balance on 31 Dec 2022
1. Instalment debt	915	564
2. Bank loan/account with credit facility in Finland	25,000	9,215
3. Bank loan/account with credit facility in India		4,546
Total	**25,915**	**14,325**
Other loans		
Right-of-use asset liabilities	8,158	6,838
Pension loans (India)	315	337
Total	**8,473**	**7,174**
All in total	**34,388**	**21,499**

In connection with the loan in 2020 the company has agreed with the bank that the covenants related to the loans, credit line and factoring credit line include equity ratio (more than 30 .0%) and the Group's interest-bearing debt in relationrelationto EBITDA (less thanthan 3.0), which are reviewed every six months.Bank has the right to terminate the agreement if the covenant terms are not satisfied. EBITDA is calculated for the rolling 12 months.

The company met the covenant on both dates 30 June 2023 and on 31 December 2023

	31 Dec 2023	30 Jun 2023	31 Dec 2022	30 Jun 2022
Interest bearing debt/EBITDA (<3,0)	1.0	0.3	0.5	0.4
Equity ratio (>30%)	60.6 %	65.1 %	53.6 %	55.7 %

Forthcoming instalments and interest are described in Note 22.

Ash flow estimate prepared in connection with the financial statements, the company estimates that the company's working capital will cover the requirements 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 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 2023 the Group's interest-bearing net debt was EUR –8.2 million (EUR 13.9 million at 31 December 2022) and the net gearing was –7.7% (15.9% at 31 Dec 2022). Net gearing is calculated by dividing net debt by equity. Interest-bearing net debt equals liabilities less interest-bearing receivables and cash and bank accounts. On 31 December 2023, the equity ratio was 60.6% (53.6% at 31 December 2022).

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 2023	Fair value 2023	Book value 2022	Fair value 2022
Loans from credit institutions	25,915	25,915	14,325	14,325
Lease liabilities	8,158		6,838	
Employee benefit obligations	315	315	337	337

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

	2023	2022
Non-cash transactions	-201	-542
Depreciation and write-downs	5,386	3,704
Employee benefits	276	165
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	-16	-2
Write-down of inventory	25	298
Write-down of trade receivables	-363	915
	5,107	**4,539**

27. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 Jan 2023	Cash flow	Reclassified	Foreign exchange movements	New lease liabilities	Other	31 Dec 2023
Current interest-bearing loans and borrowings	8,954	-6,510		-119			2,326
Lease liabilities	6,838	-1,506		41	2,786		8,158
Non-current interest-bearing loans and borrowings	5,708	18,101		-8		104	23,904
Total	**21,499**	**10,086**		**-86**	**2,786**	**104**	**34,388**

	1 Jan 2022	Cash flow	Reclassified	Foreign exchange movements	New lease liabilities	Other	31 Dec 2022
Current interest-bearing loans and borrowings	5,813	2,752	184	204			8,954
Lease liabilities	3,834	-1,385	-537	-43	4,969		6,838
Non-current interest-bearing loans and borrowings	1,675	3,693	352	-44		32	5,708
Total	**11,323**	**5,060**		**117**	**4,969**	**32**	**21,499**

28. OPERATING LEASES

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

The Group as lessee
Minimum lease payments under non-cancellable operating leases, excluding value added tax.

	2023	2022
Less than one year	38	37
More than one year and maximum of five years	61	47
	99	**83**

Expiration of lease liabilities	2023	2022
Lease liabilities – total of minimum leasing costs		
Less than 3 months	476	427
3 - 12 months	1,431	1,281
1–5 years	7,918	6,031
Over 5 years		1
	9,825	**7,740**

Present value of minimum lease liabilities	2023	2022
Less than 3 months	610	344
3 - 12 months	933	1,054
1–5 years	6,615	5,438
Over 5 years		1
	8,158	**6,838**
Internal interests expenses in the future	1,666	903
Total of lease liabilities	**9,825**	**7,740**
Recognized through Profit and loss:		
Depreciations on right-of-use assets	1,623	1,413
Interest expense on right-of-use liabilities	353	145
Expenses relating to short-term leases	51	63
Expenses relating to lease contracts of low value	25	14
	2,053	**1,635**

29. CONTINGENT LIABILITY, ASSETS AND RESPONSIBILITIES

	2023	2022
Bank loans with collaterals given	25,000	13,496
Collateral given on behalf of own commitments		
Mortgages	0	4,281
Business mortgages	20,113	16,113

OP Yrityspankki Oyj credit facility (max. EUR 5.0 million) of which EUR 0.0 was utilized at 31 December 2023 (EUR 3,114,744.06 at 31 December 2022) and Nordea credit facility (max. EUR 3.0 million) of which EUR 0.0 was utilized at 31 December 2023 (EUR 0.0 at 31 December 2022) had business mortage as collaterals.

	2023	2022
Rent security deposit for Group office	3	3
Other liabilities		
Other off balance sheet items	366	148

30. RELATED-PARTY TRANSACTIONS

Management's employee benefits	2023	2022
Salaries and other current employee benefits	1,401	1,246
Post-employment benefit	233	223
Share-based payments	299	111
Total	**1,933**	**1,580**

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.

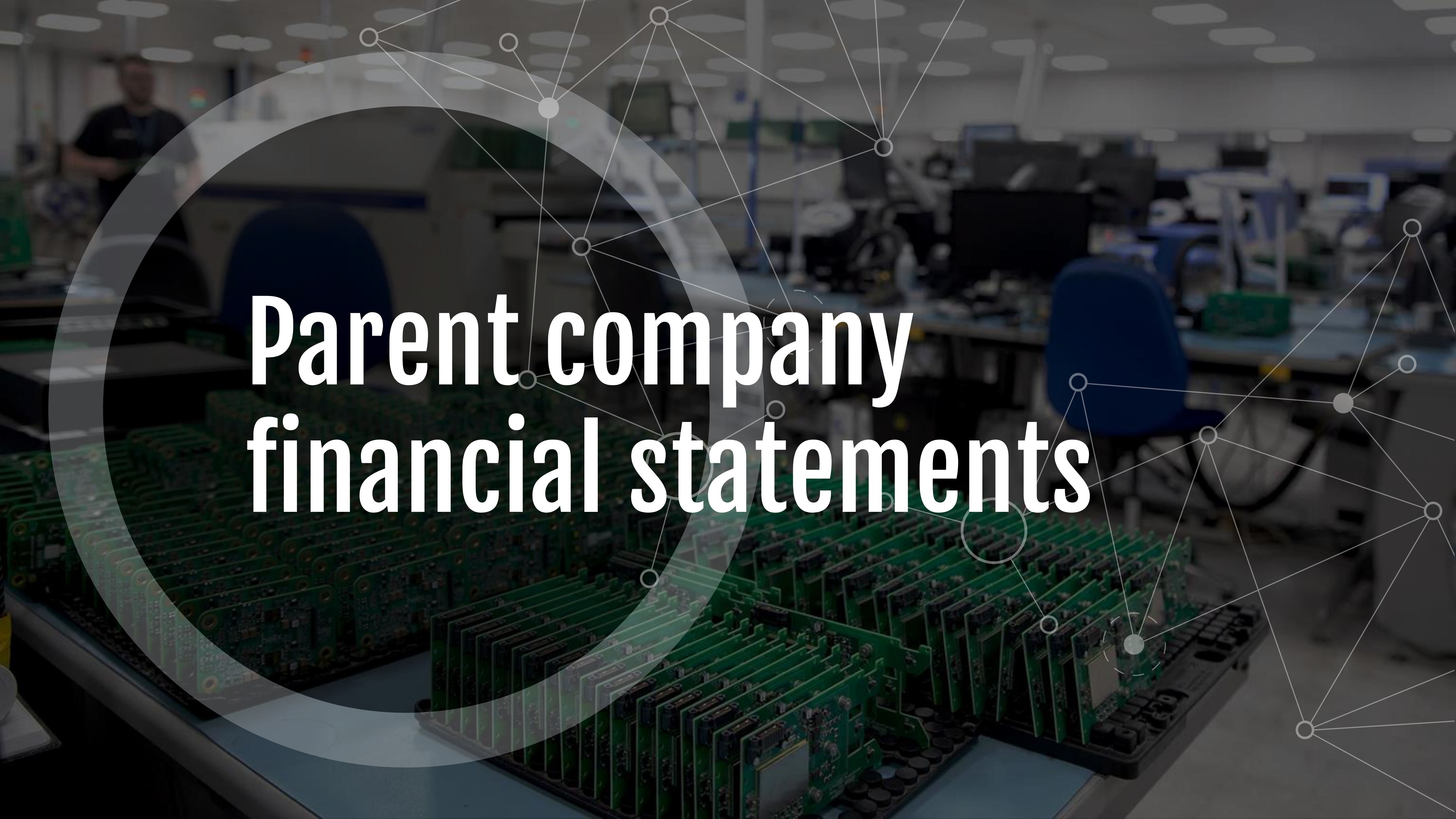
Wages and salaries	2023	2022
President and CEO	415	301
Government		
Carl-Gustaf von Troil	37	28
Päivi Jokinen	10	28
Ville Vuori	66	53
Kaisa Kokkonen	37	28
Julianna Borsos	26	

At the end of the financial period 2023, the members of the Board and the President and CEO and their related parties held a total of 2,123,031 shares, i.e. 7.2% of all shares and votes.

31. SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

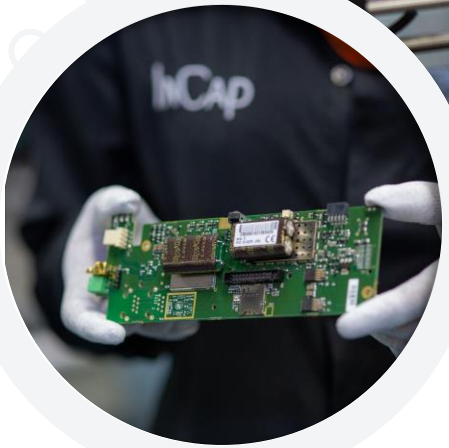
Managing Director of Incap Electronics US, David Spehar, was appointed member of Incap Group's Management Team as of 21 February 2024.

Parent company financial statements



Parent company income statement

1,000 euros	Note	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Revenue	1	10,199	12,362
Other operating income	2	6	4
Personnel expenses	3	494	526
Other operating expenses	4	2,251	2,249
Operating profit/loss		**7,459**	**9,591**
Financial income	5	2,284	491
Financial expenses	5	-1,315	-1,153
Profit/loss before extraordinary items		**8,428**	**8,929**
Income taxes	6	-1,686	-1,353
Profit/loss for the financial year		**6,742**	**7,577**

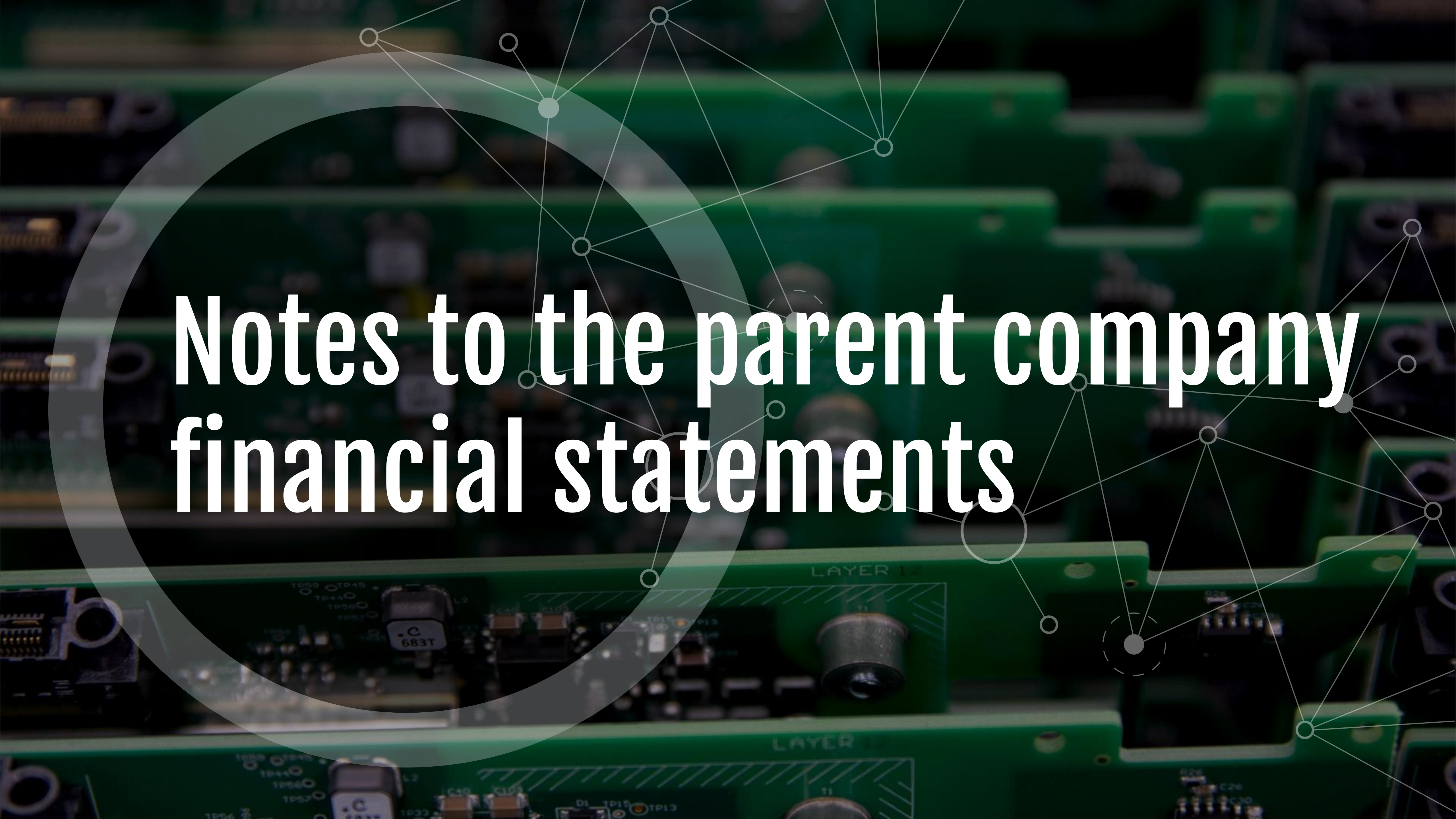


Parent company balance sheet

1,000 euros	Note	31 Dec 23	31 Dec 22
ASSETS			
Non-current assets			
Investments	7		
Holdings in Group companies		21,133	21,133
Other investments		4	4
Total non-current assets		**21,137**	**21,137**
Current assets			
Non-current receivables	8	30,174	14,378
Current receivables	8	8,470	18,803
Cash in hand and at bank		16,465	146
Total current assets		**55,109**	**33,327**
Total assets		**76,246**	**54,463**
LIABILITIES			
Equity	9		
Share capital		1,000	1,000
Unrestricted equity reserve		19,975	19,975
Retained earnings		22,300	14,724
Profit for the financial year		6,742	7,577
Total equity		**50,018**	**43,275**
Liabilities			
Non-current liabilities	10	23,000	4,900
Current liabilities	11	3,228	6,288
Total liabilities		**26,228**	**11,188**
Total equity and liabilities		**76,246**	**54,463**

Parent company cash flow statement

1,000 euros	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Cash flow from operations		
Operating profit	7,459	9,591
Adjustments to operating profit	-899	756
Change in working capital	11,763	-7,584
Change in short-term interest-free trade receivables	11,934	-7,891
Change in short-term interest-free liabilities	-171	307
Interest paid	-308	-196
Dividends received		
Interests	275	3
Taxes	-2,809	
Cash flow from operations	**15,481**	**2,570**
Cash flows from financing activities		
Share issue		
Share issue transaction costs		-17
Granted loans	-18,777	-9,616
Repayment of loan receivables	3,591	600
Withdrawal of loans	26,887	7,536
Repayment of non-current loans	-11,102	-1,200
Cash flows from financing activities	**599**	**-2,696**
Exchange rate change in cash and cash equivalents	239	-23
Change in cash and cash equivalents	**16,319**	**-149**
Cash and cash equivalents at the beginning of the financial year	146	295
Cash and cash equivalents at the end of the financial year	**16,465**	**146**
Change in working capital		
Change in current trade receivables	11,934	-7,891
Change in current liabilities	-171	307
	11,763	**-7,584**



Notes to the parent company financial statements

Parent company accounting policies

Principles of measurement and periodisation

Non-current assets

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

Intangible assets:

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

Impairment testing of shares in subsidiaries

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

The impairment testing of shares in subsidiaries has been carried out on the basis of the situation at the end of December 2023. The recoverable amounts are determined in calculations on the basis of the value in use, and the preparation of these calculations requires the use of judgement.

Financial assets and management of financial risks

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

Foreign currency transactions

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

Leases

In the parent company's financial statements, lease payments for property, plant and equipment obtained on a finance lease are included as lease expenses in other operating expenses. Parent company lease contracts are either of low value or short-term.

Periodisation of pension expenses

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

The financial statements have been compiled in accordance with Chapter 2 of the Accounting Act

1. REVENUE

Revenue by market area	2023	2022
Finland		
Europe	1,616	1,291
Other	8,583	11,071
	10,199	**12,362**

2. OTHER OPERATING INCOME

	2023	2022
Received employment compensations	6	4
	6	**4**

3. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

	2023	2022
Average number of employees	**2**	**2**
Personnel expenses		
Wages and salaries	471	492
Pension expenses	15	25
Other social security expenses	8	9
	494	**526**
Salaries and bonus of the management		
CEO and the Board	175	137
	175	**137**

4. OTHER OPERATING EXPENSES

	2023	2022
Lease payments	38	31
Maintenance expenses for machinery and properties	25	13
Other expenses	2,188	2,206
	2,251	**2,249**
Auditors fees		
Authorised Public Accountant Firm Ernst & Young Oy		60
Authorized Public Accountant Firm PwC	99	42
	99	**102**

5. FINANCIAL INCOME AND EXPENSES

	2023	2022
Other interest and financial income		
From Group companies	1,550	438
From other companies	733	53
Interest paid and other financial expenses		
To other companies	1,315	1,153
	969	**-662**

6. INCOME TAX

	2023	2022
Taxes for the financial year	1,686	1,353

7. SHARES

	Shares in subsidiaries	Other investments	Total
Acquisition cost, 1 Jan	21,133	4	21,137
Acquisition cost, 31 Dec	**21,133**	**4**	**21,137**
Book value, 31 Dec 2023	21,133	4	21,137
Book value, 31 Dec 2022	21,133	4	21,137

The Group's equity at the close of the financial period was EUR 106.8 million (EUR 87.4 million in 2022) and the parent company's equity was EUR 50.0 million (EUR 43.3 million in 2022).

The value of shares in subsidiaries in the parent company is the acquisition cost plus subsequent investments to strengthen the equity of the subsidiaries. In the financial statements of the parent company, the value of the Indian subsidiary's shares in the balance sheet is approximately EUR 8.2 million, the value of the Estonian subsidiary is approximately EUR 4.1 million, the value of the UK subsidiary is approximately EUR 4.7 million and the value of the Slovakian subsidiary is approximately EUR 3.4 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 2023. 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 the business plan prepared for the four forthcoming years by the management and approved by the board. In cash flow estimates, the combined revenue growth (CAGR) for the years 2023-2028 in India is estimated to be -5% annually and the operating profit is approximately 9%. In cash flow estimates, the revenue in Estonia is estimated to grow by 4% annually and the operating profit is approximately 5%. In cash flow estimates, the revenue in the UK is estimated to grow by 3% annually and the operating profit is approximately 5%. In cash flow estimates, the revenue in Slovakia is estimated to grow by 8% annually and the operating profit is approximately 6%. 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 2023, the discount rate of 15.30% has been used in India, 14.07% in Estonia, 14.05% in the UK and 13.77% in Slovakia.

Should the EBIT used in the testing decrease by approximately 143% in India, 105% in Estonia, 53% in the UK and 29% in Slovakia or should the discount rate increase by less than 17% in Estonia, 123 579% in India, 5% in the UK or 4% in Slovakia, there would be no need for write-downs in shares.

Group companies

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

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

8. RECEIVABLES

	2023	2022
Current		
Amount owed by Group companies		
Loan receivables	30,174	14,067
	30,174	**14,067**
Prepaid expenses and accrued income		310
Non-current		
Amount owed by Group companies		
Trade receivables	2,195	13,120
Interest receivables	2,306	928
Other receivables	3,838	4,643
	8,338	**18,691**
Other receivables	56	46
Prepaid expenses and accrued income	74	66
Total receivables	**38,644**	**33,181**

9. EQUITY

	2023	2022
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	19,975	19,975
Unrestricted equity reserve 31 Dec	19,975	19,975
Retained earnings, 1 Jan	22,300	14,724
Retained earnings, 31 Dec	22,300	14,724
Profit for the financial year	6,742	7,577
Total non-restricted equity	**49,018**	**42,275**
Total equity	**50,018**	**43,275**
Distributable funds according to the Companies Act, Chapter 13, § 5		
Unrestricted equity reserve	19,975	19,975
Retained earnings	22,300	14,724
Profit/loss for the financial year	6,742	7,577
Total distributable funds	**49,018**	**42,275**

10. NON-CURRENT LIABILITIES

	2023	2022
Loans from credit institutions	23 000	4 900
	23 000	**4 900**
All liabilities are falling due within five years.		

11. CURRENT LIABILITIES

	2023	2022
Loans from credit institutions	2,000	4,315
Trade payables	93	145
Amount owed to Group companies		
Trade payables	72	73
	72	**73**
Other liabilities	26	20
Accruals and deferred income	1,037	1,736
Total liabilities	**3,228**	**6,288**
Total interest-bearing liabilities	25,000	9,215
Material items in accruals and deferred income		
Wages and salaries, incl. social costs	120	119
Interest	684	11
Income tax accrual	106	1,353
Income advances	46	41
Other	82	212
	1,037	**1,736**
Other current liabilities		
Others	26	20
	26	**20**

12. OTHER NOTES TO THE ACCOUNTS

Collateral	**2023**	**2022**
Loans for which real-estate has been mortgaged as collateral		
Loans from credit institutions	25,000	9,215
Mortgages	20,113	16,113

OP Yrityspankki Oyj credit facility (max. EUR 5.0 million) of which EUR 0.00 was utilised on 31 December 2023 (EUR 3,114,744.06 on 31 December 2022) and Nordea credit facility (max. EUR 3.0 million) of which EUR 0.0 was utilized on 31 December 2023 (EUR 0.0 at 31.12.2022) had business EUR 4.0 million mortgage as collaterals. The utilised amount is included in loans from credit institutions.

	2023	2022
Loans for which business mortgages have been given as collateral		
Rental guarantee	2,206	2,389
Contingent and other liabilities		
Lease liabilities, net of VAT		
Liabilities falling due next financial year	25	22
Liabilities falling due later	15	13

Board of Directors’ proposal for measures related to profit

The parent company’s profit for the financial period totals EUR 6,742,403.00. The parent company’s distributable assets total EUR 49,017,707.51.

Incap is focusing on organic and inorganic growth with a robust M&A pipeline, thus the Board of Directors of Incap Corporation proposes to the Annual General Meeting that no dividend be paid for the financial year 2023.

Helsinki, 27 March 2024

Ville Vuori
Chairman of the Board

Julianna Borsos
Board member

Carl-Gustaf von Troil
Board member

Kaisa Kokkonen
Board member

Otto Pukk
CEO

Auditor's Report

To the Annual General Meeting of Incap Oyj

Report on the audit of the financial statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards 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 to the Board of Directors.

What we have audited

We have audited the financial statements of Incap Oyj (business identity code 0608849-6) for the year ended 31 December 2023. 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, which include material accounting policy information and other explanatory information
- the parent company's balance sheet, income statement, cash flow statement and notes.

Basis for opinion

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

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

Independence

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.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. No non-audit services have been provided and audit fees are disclosed in note 6 to the Financial Statements.

Our audit approach

Overview

Overall group materiality: € 1 320 000, which represents 5% of profit before tax

The following companies were in scope for group audit under full scope reporting:
- Incap Oyj;
- Incap Contract Manufacturing Services Pvt. Ltd.;
- Incap Electronics Estonia OU;
- Incap Holdings UK Ltd; and
- Incap Electronics UK Ltd.

For Incap Electronics Slovakia, Incap North America Inc. and Incap Electronics US, Inc. specified procedures have been carried out.

For other group companies analytical procedures were carried out centrally.

The key audit matters were:
- Timing of revenue recognition
- Valuation of inventories

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 1 320 000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	Rationale for the materiality benchmark applied We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

All operating companies in the group were audited except for the companies in Slovakia and United States. Specified or analytical procedures were carried out for companies that were not in group audit scope.

By performing the procedures above at reporting subsidiaries, combined with additional procedures at the group level, we have obtained sufficient and appropriate evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

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.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Revenue recognition timing *Referring to the accounting principles and note 3.* The Group is in the electronics contract manufacturing business. Revenues from the sale of goods is recognised when the customer obtains control of goods at a point in me. Revenue is a key audit matter due to the risk relating to correct revenue recognition timing (cut-off).	In our audit we performed the following procedures: • Obtained an understanding of the revenue process and controls as well as of accounting principles applied that we compared to IFRS requirements • Performed test of details on the revenue transactions during the year on a sample basis • Conducted procedures to test the correctness of revenue timing on a sample basis • Assessed correctness and adequacy of notes information
Valuation of inventories *Referring to the accounting principles and note 16.* The value of inventories as at 31.12.2023 is € 71,0 million comprising 38,9% of total balance sheet assets (2022 - € 91,8 million; 54.5%). Valuation of inventories is a key audit matter as inventories are significant to the financial statements and as management judgment is used when assessing the inventory obsolescence risk.	In our audit we performed the following procedures: • Obtained an understanding of the inventory process and controls as well as of accounting principles applied that we compared to IFRS requirements • Observed selected physical stock counts conducted by the entities and assessed the inspection controls • Performed test of details on the cost of inventories and assessed the adequacy of allowance for inventory obsolescence • Assessed correctness and adequacy of notes information

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

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 IFRS Accounting Standards 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 a 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 to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 to 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

Appointment

We were first appointed as auditors by the annual general meeting on 27 April 2023.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information that we have obtained prior to the date of this auditor's report is the report of the Board of Directors.

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 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 the 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.

Helsinki

PricewaterhouseCoopers Oy
Authorised Public Accountants

Maria Grönroos
Authorised Public Accountant (KHT)

Five-year key figures

IFRS		2023	2022	2021	2020	2019
Revenue	EUR million	221.6	263.8	169.8	106.5	71.0
Growth/change	%	-16	55	59	50	20
Operating profit/loss	EUR million	28.2	38.9	26.0	12.6	10.1
Share of revenue	%	12.7	14.8	15.3	11.8	14.2
Profit/loss before tax	EUR million	26.4	36.6	25.7	11.5	9.7
Share of revenue	%	11.9	13.9	15.1	10.8	13.6
Return on equity (ROE)	%	20.4	36.7	41.5	30.5	33.4
Return on investment (ROI)	%	23.3	43.0	43.8	34.8	43.4
Total assets	EUR million	182.3	168.3	129.5	76.4	36.5
Equity ratio	%	60.6	53.6	51.9	50.5	60.0
Net gearing	%	-7.7	15.9	3.2	15.3	-2.7
Interest-bearing net debt	EUR million	-8.2	13.9	2.0	5.9	-0.6
Quick ratio		1.8	0.7	0.8	1.0	1.6
Current ratio		3.3	2.0	1.7	1.8	2.6
Investments	EUR million	19.4	5.5	5.2	9.5	1.1
Share of revenue	%	8.73	2.1	3.1	8.9	1.6
R&D expenditure	EUR million	0.3	0.3	0	0	0
Share of revenue	%	0.1	0.1	0	0	0
Average number of employees, incl. contract workers		2,261	2,619	2,165	1,424	830
Dividends	EUR million[1]	0	0	0	0	0

[1] The parent company's profit for the financial period totals EUR 6,742,403.00. Due to the growth strategy of Incap, the Board of Directors of Incap Corporation proposes to the Annual General Meeting that no dividend be paid for the financial year 2023.

* Comparison periods have been adjusted by the share split in 2022

IFRS		2023	2022	2021	2020	2019
Per-share data						
Earnings per share	EUR*	0.68	0.94	0.72	0.40	0.29
Equity per share	EUR*	3.63	2.99	2.15	1.32	1.00
Dividend per share	EUR*	0	0	0	0	0
Dividend out of profit	%[1]	0	0	0	0	0
Effective dividend yield	%[1]	0	0	0	0	0
P/E ratio		11.5	18.10	21.81	9.14	11.76
Trend in share price						
Minimum price during year	EUR*	5.80	10.68	3.44	1.70	1.44
Maximum price during year	EUR*	22.05	17.62	16.12	3.84	4.60
Average price during year	EUR*	11.43	14.08	8.46	2.78	2.97
Closing price at end of year	EUR*	7.75	17.10	15.70	3.69	3.38
Total market capitalisation at 31 Dec	EUR million	228.1	500.8	459.2	107.4	73.8
Trade volume	no. of shares	20,833,267	8,047,017	13,703,585	9,556,155	7,820,275
Trade volume	%	70.8	27.5	46.9	32.8	35.8
Average during the financial period*		29,361,025	29,269,843	29,254,048	22,825,073	21,825,840
In the end of financial period*		29,437,214	29,284,835	29,246,635	29,281,990	21,825,840

Board of Directors

Ville Vuori

Chairman of the Board
B.Sc. (Eng.), eMBA, born 1973

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

Ville Vuori was CEO of Kemppi Oy until 10/2023. He 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 since 17 April 2018. Chairman of the Board since 15 April 2019.

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.

Member of the Board at United Bankers Oyj, Member of the Board and asset manager at UB Wealth Management, Member of the Board at Oy Pontia Funds Ab.

Member of the Board since 31 March 2015, Chairman of the Board from 17 April 2018 to 15 April 2019.

Incap shares (direct ownership and holding of interest parties): 270,690 pcs

Options: –

Julianna Borsos

Board member
D. Sc. (Econ), born 1971

Dependent of significant shareholders of the company and independent of the company.

Founder and the Chair of Bocap, the oldest Finnish growth private equity fund.

Borsos has vast and solid experience in financing, international M&As, IPOs, corporate governance, and technology companies.

She has previously been Board member in several listed companies, including the electronic industry PCB manufacturer Aspocomp Oyj, EAB group (now part of EVLI) and Administer Oyj. Other board memberships also include Younite-AI Oy and MediVida Oy.

Board member since 27 April 2023.

Incap shares (direct ownership and holding of interest parties): 1,803,341 pcs

Options: –

Kaisa Kokkonen

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

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

Kaisa Kokkonen is a finance professional and founder of Akeba Oy established in 2011. Earlier, she has worked as e.g., CFO at Talentum Oyj and Director of Finance at Hackman Oyj.

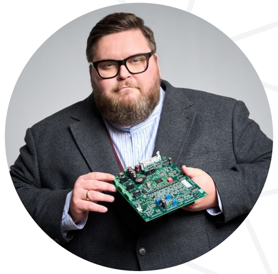
She has extensive experience in financial management, corporate governance as well as mergers and acquisitions.

Board member since 20 April 2020.

Incap shares (direct ownership and holding of interest parties): 7,500 pcs

Options: –

Management Team



Otto Pukk

President and CEO of the Incap Group

M.Sc.B.E., born 1978

CEO of the Group as of 18 September 2018. With the company since 2015, first as the director for Incap's operations in Estonia. Previously with Eesti Energia Technology Industries and ETAL Group, among others.

Incap shares (direct ownership and holding of interest parties): 40,000 pcs

Options: –

Murthy Munipalli

Director of Operations India and Sales APAC

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

Managing Director of Incap India. With the company since 2008, serving first as Sales Director and as Managing Director of the Indian subsidiary. Previously with Spike Technologies Ltd (presently Qualcomm) and Tata Elxsi Ltd.

Incap shares (direct ownership and holding of interest parties): 0 pcs

Options: –

Antti Pynnönen

CFO

M.Sc. (Econ.), born 1982

With Incap since 2019. Previously with ABB and at Wärtsilä.

Incap shares (direct ownership and holding of interest parties): 0 pcs

Options: –

Jamie Maughan

Director of Operations, UK

HND Manufacturing and Mechanical Engineering, born 1972

Director of Operations, UK at Incap Group and Managing Director of Incap Electronics UK Limited. With the company since 2020. Started his career at Motorola, since then various roles in electronic manufacturing, running the operations of several sites.

Incap shares (direct ownership and holding of interest parties): 0 pcs

Options: –

Miroslav Michalik

Director of Operations, Slovakia

MBA, born 1976

Director of Operations, Slovakia at Incap Group and Managing Director of Incap Electronics Slovakia s.r.o. With the company since 2020. Previously several roles from process engineer to plant manager and managing director in companies within the electronics sector at AWS Group, Giesecke+Devrient Slovakia, Visteon and Celestica.

Incap shares (direct ownership and holding of interest parties): 0 pcs

Options: –

Margus Jakobson

Director of Operations, Estonia

Civ.Eng., born 1979

Director of Operations, Estonia at Incap Group and Managing Director of Incap Electronics Estonia OÜ. With the company since 2016, previously Member of Incap Estonia's Management responsible for QHSE, process and strategy development. Prior to that several managerial positions at electronics and technology companies such as ETAL Group, Nordic Houses and Pharmadule.

Incap shares (direct ownership and holding of interest parties): 0 pcs

Options: –

David Spehar

Director of Operations, U.S.

B.S. Industrial Engineering, MBA, s. 1967

Director of Operations, U.S. at Incap Group and Managing Director of Incap Electronics US, Inc. With the company since 2023. Previously with Pennatronics Inc. as General Manager and at several managerial positions with Sony Electronics.

Incap shares (direct ownership and holding of interest parties): 6,762 pcs

Options: –

Member of the Management Team since 21 February 2024.

Shares and shareholders

Incap Corporation has one series of shares.

Related to the acquisition of Pennatronics Inc., on 3 July 2023, the Board of Directors of Incap Corporation resolved to issue 152,379 new shares in the company to the company itself without consideration. The new shares are of the same class as the company's other shares. The shares were issued based on the share issue authorisation granted by the Annual General Meeting held on 27 April 2023. The shares issued were used for the partial payment of the purchase price of the acquisition of Pennatronics Inc.

The number of shares of the company on 31 December 2023 was 29,437,214 (31 December 2022: 29,284,835).

In 2023, the share price varied between EUR 5.80 and EUR 22.05 (EUR 10.68 and 17.62). The closing price on 29 December 2023 was EUR 7.75 (30 December 2022: EUR 17.10). The company's market capitalisation on 31 December 2023 was EUR 228.1 million (EUR 500.8 million).

At the end of 2023, the company had 7,429 shareholders (4,705). Nominee-registered owners held 25.0% (32.3%) and foreign owners 7.1% (7.7%) of all shares. The company does not hold any treasury shares.

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 CEO

At the end of 2023, the members of Incap Corporation's Board of Directors and the President and CEO and their related parties owned a total of 2,123,031 shares or 7.2% of the company's shares outstanding (317,890 or 1.1%). The shareholdings of the Board of Directors, the President and CEO and the Group Management Team and the changes in them are available on the company's website at https://incapcorp.com/managers-shareholdings/.

Number of shares

29,437,214

Shareholders

7,429

Foreign and nominee-registered owners

32.1 %

Shares and shareholders

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

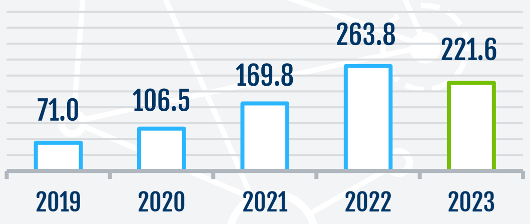
Largest shareholders on 31 December 2023	Number of shares	Holding, %
Erkki Etola and controlled entities	6,636,665	22.55
Nordea Life Assurance Finland Ltd	1,880,877	6.39
Kyösti Kakkonen and controlled entities	1,799,341	6.11
Ilmarinen Mutual Pension Insurance Company	1,391,540	4.73
Handelsbanken Fonder	967,857	3.29
Danske Invest	627,347	2.13
Sp-Fund Management Company	508,024	1.73
OP Asset Management	482,255	1.64
Elo Mutual Pension Insurance Company	405,000	1.38
Kari Kakkonen	390,525	1.33
10 suurinta osakkeenomistajaa yhteensä	**15,089,431**	**51.26**

Holding by sector on 31 December 2023	Shareholders		Shares and votes	
	Pcs	%	Pcs	%
Private enterprises	301	4.1	4,256,360	14.5
Financial institutions	18	0.2	14,423,170	49.0
Public sector entities	2	0.0	1,796,540	6.1
Households	7,087	95.4	6,856,185	23.3
Non-profit organisations	2	0.0	2,005	0.0
Foreign ownership	19	0.3	2,102,954	7.1
TOTAL	**7,429**	**100.0**	**29,437,214**	**100.0**
Nominee-registered	9		7,372,764	25.0

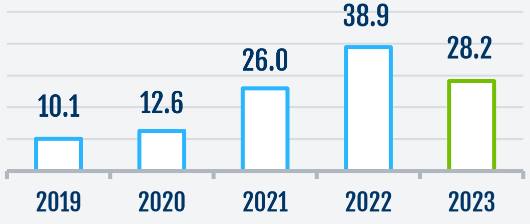
Holding by number of shares on 31 December 2023	Shareholders		Shares and votes	
Shares, pcs	Pcs	%	Pcs	%
1 – 100	2,855	38.4	131,545	0.4
101 – 500	2,633	35.4	699,212	2.4
501 -1,000	785	10.6	596,938	2.0
1,001 – 5,000	920	12.4	1,958,811	6.7
5,001 – 10,000	124	1.7	888,591	3.0
10,001 – 50,000	75	1.0	1,674,061	5.7
50,001 – 100,000	13	0.2	943,237	3.2
100,001 – 500,000	14	0.2	4,211,961	14.3
500,001 -	10	0.1	18,332,858	62.3
TOTAL	**7,429**	**100.0**	**29,437,214**	**100.0**
of which nominee-registered	9		7,372,764	25.0

KEY FIGURES

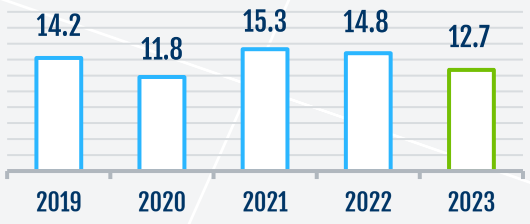
REVENUE, EUR MILLION



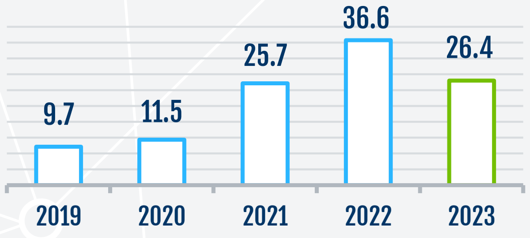
OPERATING PROFIT (EBIT), EUR MILLION



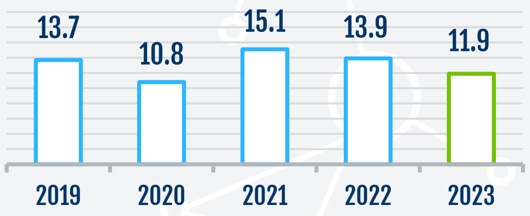
OPERATING PROFIT (EBIT), % OF REVENUE



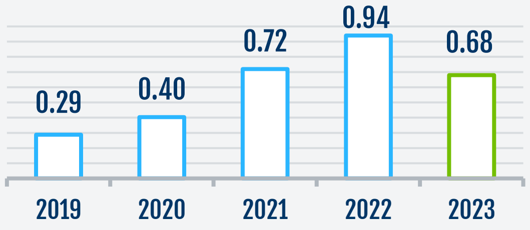
PROFIT BEFORE TAX, EUR MILLION



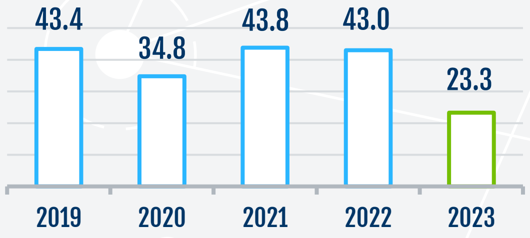
PROFIT BEFORE TAX, % OF REVENUE



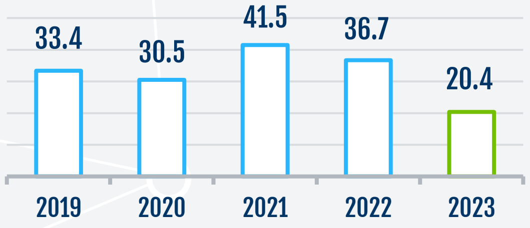
EARNINGS PER SHARE (EPS), EUR



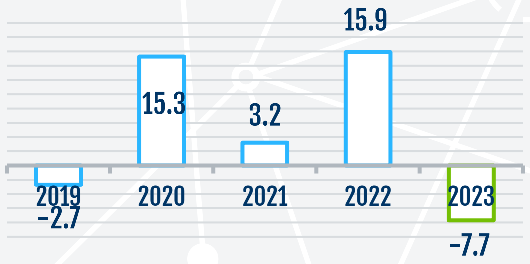
RETURN ON INVESTMENT (ROI), %



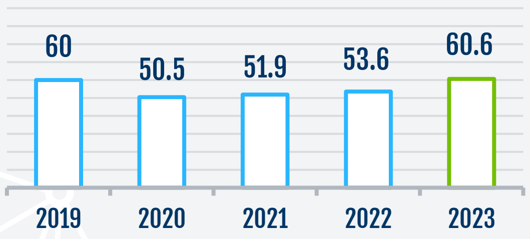
RETURN ON EQUITY (ROE), %



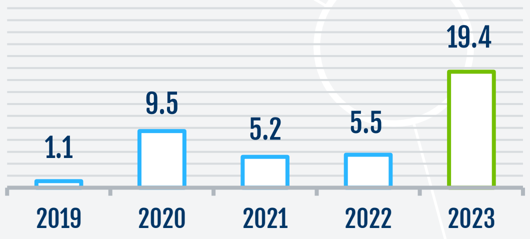
NET GEARING, %



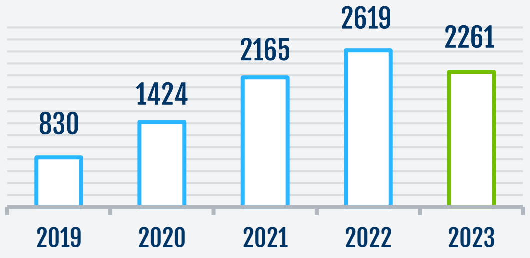
EQUITY RATIO, %



INVESTMENTS, EUR MILLION



AVERAGE NUMBER OF PERSONNEL



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