ANNUAL REPORT 2013

InCap

INCAP IN BRIEF

Incap is a globally operating contract manufacturer whose services cover besides actual manufacturing also design and value-added services related to industrial production.

Incap is a strategic manufacturing partner providing complete services. Our customers are leading suppliers of high-technology equipment in their own business segments.

Incap's services cover the entire product life-cycle from design, sourcing and procurement, manufacturing of prototypes, ramp-up of production, volume production, final assembly, testing, logistics to repair and maintenance services. The company's design and manufacturing know-how covers electronics and mechanics as well as the final assembly and product integration.

Incap has operations in India, China, Finland and Estonia. The Group's revenue in 2013 amounted to about EUR 36.8 million and the company currently employs approximately 470 people.

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

CONTENTS

YEAR 2013

Focus to customer service and actual core of business operations. Financing arrangement enhanced the financial position.

Incap Group's revenue decreased approximately 43% year-on-year. The uncertainty of general economy lowered the demand. Due to the previously weak cash position of the company the customers took responsibility for the purchase of materials and therefore, the materials used in the production were no more included in the revenue. Furthermore, several products were excluded from the manufacturing program when customers transferred the manufacture to other suppliers.

The revenue in India remained at the same level than year before. The Indian unit became the biggest one in the Group as measured by revenue and personnel number. The unit also showed a strong result.

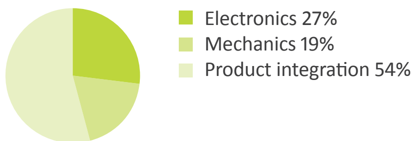
The Group's result continued to be negative and was clearly weaker than in 2012. The result was affected above all by the decrease in revenue and the high overhead costs in relation to revenue. Operations were adjusted strongly, but the effects did not yet reflect in profitability. The result was also weakened by write-offs of inventory and credit losses as well as by the non-recurring provisions for restructuring. Also the comprehensive financing arrangement caused extra costs.

The actions of the Turnaround program, which was launched in autumn, affected as expected and the effects are estimated to be seen in full during the latter half of 2014. The program's overall strategy was to focus on core business, i.e. manufacturing and deliveries to customers. The factories in Finland, Estonia and India are operating as self-sufficient profit centres while the corporate functions are kept as small as possible. Also the number of locations will be reduced.

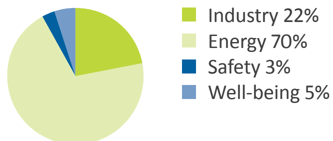
The financing arrangement enhanced the financial position of the company improving the equity ratio and liquidity. After the share issues in connection with the arrangement the number of the company's shares increased to 109,114,035 shares and Inission AB became the biggest shareholder of the company. The provisional merger of Incap and Inission was however not realised in 2013.

KEY FIGURES (IFRS)		2013	2012
Revenue	EUR million	36.8	64.1
Operating profit/loss (EBIT)	EUR million	-5.9	-0.7
share of revenue	%	-16.0	-1.1
Operating profit/loss before interest, taxes, depreciation and amortisation (EBITDA)	EUR million	-4.8	0.8
Profit/loss for the period	EUR million	-8.5	-4.9
Earnings per share (EPS)	EUR	-0.14	-0.25
Return on investment (ROI)	%	-30.2	-12.6
Equity ratio	%	4.3	-10.3
Investments	EUR million	0.3	0.1
Personnel at year end		469	614

REVENUE BY PRODUCT SEGMENT



REVENUE BY CUSTOMER INDUSTRY



BACK TO BASICS

Year 2013 was a turning point to Incap. The extensive financing package which was negotiated in summer secured the continuity of our operations. The actual core of our business, the contract manufacturing, was set to the focal point of our activities. The organisation structure was streamlined in the way that the factories gained more responsibility for the business and profitability while the group functions were reduced to the most essential tasks.

Our revenue in 2013 showed a clear decrease compared with previous year. This was partly due to the general uncertainty in the market, which weakened the demand for both consumer and investment products. The customers were timorous in their orders and postponed the introduction of new products to the market.

The main reason for the declined revenue was the challenges in our own operations. The long-lasting weak financing position of us hampered the availability of materials and thereby also the deliveries to customers. Irregular material flow impeded the production management, and for this reason variable expenses could not be adjusted to meet with the actual revenue with adequate efficiency. To secure the deliveries our customers started buying materials for the production, and this decreased the revenue volumes further.

For our Indian subsidiary the year was good and the unit became revenue-wise the biggest one in the Group. Even though the revenue was somewhat lower year-on-year, the operating result (EBIT) was on a good level.

REBIRTH ENABLED BY FINANCING ARRANGEMENT

Our financing position improved in the summer after we managed to negotiate an extensive financing arrangement. Both financiers and creditors cut their receivables and converted them to the news shares of the company. This decreased the debt burden of the company and improved the capital structure which was urgently needed. Out of the convertible loan issued in 2007 now only about EUR 0.5 million is left. The capital loan and the convertible loan issued in 2012 were converted to new shares. The number of the company's shares increased fivefold from about 22 million to about 109 million shares. Also the shareholder structure changed and the contract manufacturer Inission AB became the biggest shareholder of Incap.

BACK TO BASICS

After having solved the financing issues we started focusing our strengths on the basics, i.e. on securing the deliveries to customers and on maintaining customer relationships. With the special Turnaround program launched in October we examined and enhanced all our operations. Productivity and delivery accuracy showed a favourable trend and also other main objectives of the program were met.

Our customers and material suppliers have been satisfied with the development. However, for some customers the financing arrangement and the restructuring actions took place too late, as based on their sourcing strategy they already had decided to transfer the manufacture of their products to other suppliers. We were further not able to transfer the material purchases of all products back to us, and we are continuing respective discussions with both customers and suppliers.

RESTORING PROFITABILITY

Improving the profitability was our principal objective, on which we focused in every level. The cost structure of the company was heavy and the portion of overhead expenses was far too big. We implemented substantial structural changes, the most remarkable one being the streamlining of organisation and transferring the responsibility to the factories. The personnel number was decreased by 145 persons in the whole Group. In connection of the shrinking of corporate functions the contracts of 37 persons were terminated. We also renegotiated service contracts in order to cut costs. The influence of these actions will become visible gradually and only a part was reflected in the result for 2013.

We recognised in the financials for 2013 several items which weakened the result. Records made in the operating result amounted to about EUR 2.7 million, out of which EUR 1.1 million were write-offs for inventory and credit losses while EUR 1.0 million were provisions connected with the structural change. A loss of about EUR 0.4 million was recognised for the sale of the Vuokatti property. Further extraordinary costs emerged from the arrangements in connection with the financing package.

DIRECTION FOR THE BETTER

We are now over the hump and fully able to recreate Incap to be the best manufacturing partner. Our shareholders and investors can rely on our continuous efforts in regaining and ensuring the profitability. We expect that the actions of the Turnaround program will show full effects in profitability during the second half of 2014. All in all we are able to make a positive result in 2014 even with remarkably lower volumes than in 2013. In the near future our most important task is to regain and strengthen the confidence of our customers and to increase the business with them further.

I wish to thank our customers, financiers and shareholders for their patience. My sincere thanks go to the personnel for the adaptation and active implementation of the change. We all have the same direction: forward for the better.

Helsinki, March 2014

Fredrik Berghel
President and CEO

REPORT OF THE BOARD OF DIRECTORS FOR 2013

BUSINESS ENVIRONMENT

The business environment of Incap Group was challenging. The continued uncertainty of general economy decreased the demand, and the competition in declining markets was fierce. Due to the global recession in investment activities also the demand for energy efficiency products like rotor components and inverters decreased clearly.

There were no elementary changes in general cost level in countries where Incap has operations. The component market worldwide in 2013 was fairly steady. There has been some price pressure in materials and prices overall were slightly down over the year. Availability of materials was good in general with some exceptions from temporary shortages of certain components.

REVENUE AND EARNINGS IN 2013

Revenue for the financial year amounted to EUR 36.8 million, down approximately 43% year-on-year. Main reason for the decline was the decreased customer demand especially during the latter half of the year. Due to the previous difficult financial position of Incap some customers transferred the manufacture of their products to other suppliers in line with their supply chain risk management. This development affected especially the volumes of Incap's factory in Estonia.

The revenue was further decreased due to the transfer of material purchases to customers. Following the weak cash position of Incap the customers took the responsibility for the material purchase in the beginning of the year and accordingly, the materials were no more included in the Group's revenue. The situation continued unchanged until the end of the year, because the material responsibility could not be transferred back to Incap from all of the customers. In order to restore the normal practice Incap continues respective discussions with both customers and suppliers.

The weakening of the Indian rupee was also lowering the revenue volume calculated in euros.

The revenue from the operations in India amounted to approximately EUR 17 million and the Indian unit became revenue-wise the biggest one in the Group. Even though the revenue was approximately EUR 2 million lower than in 2012, the operating result (EBIT) was on a good level at approximately EUR 1.9 million.

Incap Group's full-year operating result (EBIT) was approximately EUR -5.9 million (EUR -0.7 million). The result was impaired first and foremost by the decline in revenue and by the overhead costs which were high in respect of revenue.

The result was also weakened by the write-offs and provisions amounting to approximately EUR 2.7 million. Write-off of inventory amounted to approximately EUR 0.7 million and the write-off of credit losses of sales receivable was approximately EUR 0.4 million. Provisions related to operational restructuring were recorded for personnel costs (EUR 0.5 million) and rental costs of the factory in Estonia (EUR 0.5 million).

The company sold its Vuokatti plant property in June 2013 to a price of EUR 1.7 million which equalled the book value of the property. Based on the impairment recorded for the property, a loss of approximately EUR 0.4 million was recognised for the sale.

The personnel expensed in the financial period decreased by approximately EUR 1.1 million year-on-year. The value of inventories decreased by approximately EUR 5 million from the end of the year 2012, out of which approximately EUR 1.5 million came from the write-off of inventories.

Net financial expenses amounted to EUR 2.1 million (EUR 0.8 million). As a consequence of the share issues arranged during the financial period, a financing expense amounting to EUR 3.2 million was recorded in other financing expenses in the consolidated income statement in line with the IAS 32 and 39 standards and IFRIC 19. Out of the financing income, EUR 2.5 million refers to the impairment of values of loans, interests and payables to suppliers in the composition arrangement in connection with the extensive financing solution in summer 2013. In the comparison period in 2012, net financing expenses included a non-recurring financing income item of approximately EUR 1.0 million due to the impairment of redemption value of a convertible loan.

Depreciation and impairment losses amounted to a total of EUR 1.1 million (EUR 1.5 million), out of which the depreciation counted for EUR 0.6 million and the impairment of the Vuokatti plant for EUR 0.4 million.

Net profit/loss for the financial period was EUR -8.5 million (EUR -4.9 million). Earnings per share amounted to EUR -0.14 (EUR -0.25).

TURNAROUND TO RESTORE PROFITABILITY

In the Turnaround program which was launched in October 2013 and concluded in January 2014 the overall strategy was to focus on core business, i.e. manufacturing and deliveries to customers. The customer relationships were strengthened by special attention to the improvement of delivery accuracy in terms of On-Time-Delivery and to the enhancement of efficiency both in production and supporting functions.

Target of the program was to restore the profitability of operations and to reach total annual savings of approximately EUR 2.9 million in overhead costs and of approximately EUR 1.8 million in factory costs. The respective actions were estimated to cause one-time costs of approximately EUR 1.6 million, and accordingly, the total net savings would be approximately EUR 3.1 million. The impact of the actions was evaluated at the end of January 2014, when they were noted to have affected as expected. Full effects of realised actions are estimated to become visible during the second half of the year.

The focus of Incap's business is on the manufacturing units that are producing value added to customers. The factories in Finland, Estonia and India operate as self-sufficient profit centres while the corporate functions are kept as small as possible. The number of the personnel in Finland and in Estonia was decreased by 145 during the financial year.

The target is to reduce the number of locations. The office in Bangalore moved to smaller premises at the end of 2013. To reduce the costs the company continues negotiations on the rental contracts both in Tallinn and in Kuressaare, Estonia.

CAPITAL EXPENDITURE

Capital expenditure in 2013 totalled EUR 0.3 million (EUR 0.1 million). Investments were replacements in connection with the development of production. Incap estimates that a remarkable increase of business is possible with the present production capacity, without any big new investments.

QUALITY ASSURANCE AND ENVIRONMENTAL ISSUES

All of Incap Group's plants have environmental management and quality assurance systems certified by Det Norske Veritas. The systems are used as tools for continuous improvement. Incap's environmental management system complies with ISO 14001:2004, and its quality assurance system complies with ISO 9001:2008. In addition, the Kuressaare plant has an ISO 13485:2003 quality certification for the manufacture of medical devices.

FINANCING ARRANGEMENT

Negotiations to solve the company's difficult financing situation were started during 2012 and continued soon in the beginning of the year 2013.

In January 2013 a part of the convertible loan which was launched in 2007, i.e. approx. EUR 0.4 million was converted to the company's new shares in a directed share issue. One holder of the convertible loan was given, as compensation for the holder's loan units, altogether 1,697,286 new shares in the company to an imputed subscription price of EUR 0.22 per share. Furthermore, a part of loan units were paid in cash (approximately EUR 1.0 million). In June 2013, further cash payment of approximately EUR 0.5 million was settled. At the end of financial year 2013, the remainder of the convertible loan amounted to approximately EUR 0.5 million, which is due for payment on 30 June 2014.

In July 2013 Incap completed financing negotiations resulting in a comprehensive arrangement that enhanced the company's financial position improving the equity ratio and liquidity. The arrangement included a directed share issue for raising additional capital and converting debt to the company's new shares. In addition, terms and conditions of the company's convertible loan issued in 2012 were amended and the loan units were converted to the company's new shares.

The financing arrangement included a directed share issue and the related conversion of debt. A total of 64,137,000 new shares were issued, and out of these 45,212,000 shares were subscribed against cash payment and 18,925,000 shares were subscribed in the conversion against loans. Furthermore, in the conversion of the convertible loan 2012, a total of 22,430,769 new shares were subscribed. After the registration of all the new shares, the company has a total of 109,114,035 shares, each having one vote.

Deviating from shareholders' pre-emptive subscription rights, the share issue was directed at the company's major shareholders, an industrial investor, the company's Finnish financiers and the company's other creditors and senior management. The subscription price per share was EUR 0.10, based on the agreement between the company and the subscribers. The subscription price in the conversion in connection with the convertible loan issued in 2012 was approximately EUR 0.13 per share.

The shares subscribed in the share issue and in loan conversions granted dividend rights and other shareholders' rights as of 29 July 2013, when the new shares were entered in the Trade Register. The trade with the new shares at NASDAQ OMX Helsinki Ltd's main list started on 18 October 2013 at equal value to the company's other shares, and for this purpose, the company published a prospectus on 16 October 2013.

The holders of the company's capital loan and the company's Finnish financiers converted their loan receivables to new shares in connection with the above mentioned directed share issue. At the same time, loan contracts and interest repayment schedules were renegotiated. In addition, the company's other creditors – suppliers of materials and services – supported the financing arrangement by participating in the composition arrangement, with a total effect of EUR 1.5 million.

For the financing arrangement, a financing expense amounting to EUR 3.2 million was recorded in line with the IAS 32 and 39 standards and IFRIC 19. The related financing income, EUR 2.5 million, refers to the impairment of values of loans, interests and payables to suppliers in the composition arrangement.

The immediate cash effect of the comprehensive arrangement was approximately EUR 6 million. The subscription price paid in cash, i.e. approximately EUR 4.5 million, was recorded in the reserve for invested unrestricted equity. Furthermore, the bank released the collateral arrangement connected with the sales price of the Vuokatti property transaction amounting to EUR 1.5 million.

The financing arrangement lowered the company's interest-bearing liabilities by approximately EUR 7.5 million. Out of this approximately EUR 1 million was capital loan, approximately EUR 2.9 million was convertible loan issued in 2012, approximately EUR 0.5 million was convertible loan issued in 2007 and approximately EUR 3 million was bank loans.

EVENTUAL MERGER OF INCAP AND INISSION

Following the financing arrangement and the directed share issue related to that arrangement in July, the Swedish contract manufacturer Inission AB became the company's largest shareholder. After registration of the new shares subscribed in the directed share issue, Inission AB holds 28,500,000 shares in Incap Corporation, corresponding to approximately 26% of the total share capital.

The comprehensive arrangement agreed between Inission AB and Incap Corporation included an option for Inission AB to combine and unite Inission AB's business operations with Incap Corporation. The use of this option was due to be notified by Inission AB by the end of the year 2013. If the option was used, the uniting of Incap and Inission would be carried out by Incap Corporation acquiring Inission AB's subsidiaries' shares and business operations. The purchase price was based on the actual result of Inission AB for the years 2011 and 2012 and for January-June 2013.

In accordance with the agreement conditions, Incap would pay the purchase price by directing a new share issue to Inission in two phases. In the first phase, the value of the new shares issued would correspond to 70% of the total purchase price with the new shares being issued in connection with the consummation of the agreement. The remaining 30% of the purchase price would be paid through a second directed share issue two weeks after Incap has published its financial statements for 2013.

As Inission AB's share of ownership in Incap Corporation would have exceed the limit set for the obligation to make a takeover bid in case the transaction is consummated, Inission applied the Financial Supervisory Authority for an exemption from the obligation to bid. The Financial Supervisory Authority granted the exemption on 6 August 2013.

Incap Corporation's Extraordinary General Meeting held on 21 August 2013 resolved to approve the transaction to combine the companies' operations.

Inission AB did not exercise its option to combine Inission AB's business operations with Incap Corporation by the end of the year 2013. It has, however, after the end of the financial year 2013 indicated its continued interest in the merger. For this reason the Board of Directors of Incap is currently evaluating the strategic alternatives to develop the company's business further.

BALANCE SHEET, FINANCING AND CASH FLOW

The balance sheet total stood at EUR 15.9 million (EUR 29.3 million). The Group's equity at the close of the financial period was EUR 0.7 million (EUR -3.0 million). The parent company's equity strengthened to EUR 10.8 million, representing 53% of the share capital (EUR 8.1 million, 39%). The Group's equity ratio improved to 4.3% (-10.3%).

For the value of the shares in the Estonian subsidiary, an impairment of EUR 4.0 million was recorded in the financial statements based on the cash flow forecasts prepared in the impairment testing of shares in subsidiaries.

Liabilities were halved from previous year and amounted to EUR 15.2 million (EUR 32.3 million), out of which EUR 9.7 million (EUR 20.5 million) were interest-bearing liabilities.

Interest-bearing net liabilities decreased from the comparison period and were EUR 8.2 million (EUR 19.8 million), and the gearing ratio was 1,215% (-659%).

Approximately EUR 2.9 million of current financial liabilities concerns the Indian subsidiary. Factoring financing used by the parent company in Finland and Estonia is part of current liabilities. Other bank loans are included in current financial liabilities on the basis of the loan period or due to the breach of covenants.

From the loans from credit institutions, EUR 6.3 million is granted by the Finnish bank as bank loans and lines of credit in use. Of the Finnish bank's credit line and factoring credit line, EUR 2.3 million was in use and EUR 7.2 million was unused on 31 December 2013. For operations in India and Estonia, the balances of bank loans and credit line totalled EUR 2.9 million, which includes Finnfund's investment of EUR 1.9 million in Incap's operations in India.

The amount of the convertible loan of 2007 at the end of the financial year was EUR 0.5 million and it will mature on 30 June 2014.

On 31 December 2013, EUR 7.3 million of the loans were guaranteed, and the rest were unguaranteed. The securities for these loans are the EUR 12.1 million mortgages on company assets and a EUR 0.6 million mortgage on the production facilities in India. According to the financing arrangement made in July 2013, the bank released the collateral arrangement connected with the sales price of the Vuokatti plant property.

On 31 December 2013, the loans, credit line and factoring credit line granted by Incap's Finnish bank involved the following covenants: equity ratio of at least 15% and net IBD/EBITDA up to 5. The covenants were not met on 31 December 2013, when the equity of the company was 4.3% and net IBD/EBITDA -1.41. The bank has the right to terminate the agreements to expire after 60 days if any covenant is not met on the testing date. On 10 February 2014, the company received a written confirmation from the bank that the bank will not exercise its right to terminate the loans even though the covenants were not met on 31 December 2013. The covenants will be tested next on 30 June 2014 and after that every six months.

According to the estimate prepared on 24 February 2014 the above covenants are not met in the next testing date on 30 June 2014. The company continues the negotiations with the bank, which were started in November 2013 for mitigation of covenants. In case the covenants are not met and the negotiations with the bank do not result in an agreement on new covenant levels, and if the bank would make use of its right to terminate the loans, the company would most probably not be able to meet its commitments but should initiate negotiations on the rearrangement of funding.

There are no covenants involved with the investment of Finnfund made in 2009 or with other foreign debt. However, a standby letter-of-credit as a guarantee of a foreign bank loan involves covenants.

Incap has agreed with the Finnish Tax Administration on the payment arrangement related to overdue value-added taxes, withholding taxes and social security contributions. On 31 December 2013, the total amount of tax liabilities within the scope of this arrangement was EUR 0.6 million, and according to the agreement, the last payment will take place on 22 August 2014. According to the provisions of the agreement, if an instalment is late, the Finnish Tax Administration has the right to terminate the agreement with immediate effect.

During the review period, approximately EUR 0.6 million of deferred tax assets have been utilised from the consolidated balance sheet on the basis of the taxable income accumulated by the Indian subsidiary. On 31 December 2013, confirmed tax losses for which no deferred tax asset was recognised amounted to EUR 8.5 million.

Incap was successful in decreasing the value of inventory and release capital from inventories. The inventory decreased during the financial year from EUR 9.4 million in the beginning of the year to EUR 4.3 million at the end of the period. EUR 1.5 million of the decrease came from the write-off of inventory book value.

The Group's quick ratio was 0.6 (0.5), and the current ratio was 0.9 (0.8).

Cash flow from operating activities was negative EUR 0.3 million (positive EUR 2.4 million). On 31 December 2013, the Group's cash and cash equivalents totalled EUR 1.5 million (EUR 0.6 million). The change in cash and cash equivalents showed an increase of EUR 0.7 million (an increase of EUR 0.2 million).

PERSONNEL

At the end of the year 2013, the Incap Group had a payroll of 469 employees (614). Some 66% (55%) of the personnel worked in India, 15% (28%) in Estonia and 19% (17%) in Finland. Number of personnel was decreased most in Estonia (by 103 persons).

At the end of the year, 105 of Incap's employees were women and 364 were men. Permanently employed staff totalled 279, and the number of fixed-term employees was 190. The company had one part-time employment contracts at the end of the year. The average age of the personnel was 33 years.

Incap was running negotiations according to the Co-operation Act during the financial period in Finland and in Estonia both with white-collars and blue-collars. As a result of the negotiations personnel in Vaasa and Kuressaare factories were laid off both permanently and temporarily. In connection with the adjustment of corporate services job contracts of 37 persons were terminated, and by 13 of them, the period of notice will continue until the spring of 2014.

MANAGEMENT AND ORGANISATION

Sami Mykkänen, B.Sc. (Eng.), acted as the CEO of Incap Group until 20 September 2013, when Fredrik Berghel, M.Sc. (Eng.), born 1967, was appointed to the new acting CEO. Berghel is one of the two shareholders of Inission AB and he was elected to the Board of Directors of Incap in the Extraordinary General Meeting on 21 August 2013. Berghel has long experience in different technology companies and today he acts as the CEO of Inission.

As a part of its Turnaround program Incap renewed the Group's management structure. The factories gained an increased role in business operations having full responsibility for plant-specific sales, sourcing, financial controlling and quality. At the same time, functions in corporate level were downsized to a minimum. The role of unit managers is emphasised in the new structure. Mr Murthy Munipalli continued to act as the head of the Tumkur factory and the operations in India. Mrs Siret Kegel, who had previously acted as Quality Director of the Group, took full responsibility for the Kuressaare factory. Mr Vesa Tammela continued as the head of the Vaasa factory. In the corporate level, Ms Kirsti Parvi continued to act as the CFO, Mrs Susanna Pyykkö as the HR Manager and Mr Priit Kadastik as the IT Manager. The Group's Management Team includes besides the above mentioned persons also the Group's CEO Fredrik Berghel, who is the Chairman of the Management Team.

ANNUAL GENERAL MEETING 2013

The Annual General Meeting of Incap Corporation was held on 10 April 2013 in Helsinki. The General Meeting adopted the financial statements for the financial period that ended on 31 December 2012. In accordance with the proposal of the Board of Directors, the General Meeting decided that no dividend be distributed for the financial period and that the loss for the financial period (EUR 5,505,693.92) be recognised in equity.

EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting of Incap Corporation was held on 21 August 2013 in Helsinki. The Extraordinary General Meeting elected Fredrik Berghel and Olle Hulteberg as new members to the Board of Directors. Of the previous members of the Board Raimo Helasmäki, Susanna Miekk-oja and Lassi Noponen were re-elected.

The Extraordinary General Meeting resolved to approve, in line with the Board's proposal, the conditional transaction between Incap Corporation and

Inission AB, in which the uniting of Incap and Inission would be carried out by Incap Corporation acquiring Inission AB's subsidiaries' shares and business operations. The realisation of the transaction was conditional to the exercising of the related option by Inission AB. The Extraordinary General Meeting further approved the consulting agreement arrangement between Incap Corporation and Inission AB and authorised the Board of Directors to negotiate and decide on further details of the agreement.

The new Board of Directors held a meeting after the Extraordinary General Meeting and elected Lassi Noponen as the Chairman of the Board.

AUTHORISATION OF THE BOARD OF DIRECTORS

The Annual General Meeting held on 10 April 2013 authorised the Board of Directors to decide during one year after the Annual General Meeting to issue a maximum of 300,000,000 new shares either against payment or without payment.

The Board of Directors exercised a total of 79,455,574 shares out of the authorisation during 2013. At the end of the financial period, the Board of Directors' unused authorisation covered a total of 220,544,426 shares.

BOARD OF DIRECTORS AND AUDITOR

The Annual General Meeting held on 10 April 2013 re-elected Raimo Helasmäki, Matti Jaakola, Susanna Miekk-oja and Lassi Noponen as members of the Board of Directors and elected Janne Laurila as a new member. From among its members, the Board elected Lassi Noponen to Chair and Matti Jaakola to Vice-Chair. The secretary of the Board was Anu Kaskinen, LL.M.

The Extraordinary General Meeting held on 21 August 2013 elected Fredrik Berghel and Olle Hulteberg as new Board members and re-elected Raimo Helasmäki, Susanna Miekk-oja and Lassi Noponen. The Board elected from among its members Lassi Noponen to act as the Chairman of the Board.

The Board convened 32 times in 2013 and the average attendance rate was 95.3%.

The auditor was auditing firm Ernst & Young Oy with Jari Karppinen, Authorised Public Accountant, as the principal auditor.

REPORT ON CORPORATE GOVERNANCE

Incap will release a report on the company's corporate governance in compliance with the Securities Market Act as a separate document, in connection with the publication of the report of the Board of Directors and the annual report during week 12.

SHARES AND SHAREHOLDERS

Incap Corporation has one series of shares, and the number of shares at the end of the period was 109,114,035 (20,848,980).

During the financial period, the share price varied between EUR 0.10 and 0.25 (EUR 0.15 and 0.65). The closing price for the period was EUR 0.11 (EUR 0.19). The trading volume was 7,065,282 shares, or 6.5% of outstanding shares (2,952,411, or 14.2%). The market capitalisation on 31 December 2013 was EUR 12.0 million (4.0). At the end of financial period, Incap had 1,409 shareholders (1,159). Nominee-registered or foreign owners held 27.3% (0.5%) of all shares. The company does not hold any of its own shares.

At the end of the financial period, the members of Incap Corporation's Board of Directors and the President and CEO and their interest parties owned a total of 29,344,858 shares or approximately 26.9% of the company's shares outstanding.

SHARE-BASED INCENTIVE SYSTEM 2009

The option scheme implemented in 2009 included a total of 600,000 stock options entitling their holders to subscribe for an equal number of Incap shares. The stock options were broken into three categories: 2009A, 2009B and 2009C. The subscription price for all stock options was EUR 1. The subscription period was from 1 April 2010 to 31 January 2014 for 2009A stock options and from 1 April 2011 to 31 January 2014 for 2009B and 2009C stock options.

The subscription period ended on 31 January 2014, after the close of the financial year, and the incentive system 2009 was closed at the same time. No options were used for the subscription of shares. Incap Group has no other share-based incentive systems.

ANNOUNCEMENTS IN ACCORDANCE WITH SECTION 10 OF CHAPTER 9 OF THE SECURITIES MARKET ACT ON A CHANGE IN HOLDINGS

Following the directed share issue arranged in January 2013, there were the following changes in holdings exceeding the announcement limit on 11 February 2013:

The number of shares held by Mandatum Life increased to 1,116,059 and their holding after the registration of the share issue is 4.95% of all shares of the company. The holding of Onvest Oy increased to 1,697,286 shares, or 7.53% of all shares. The holding of Finnish Industry Investment Ltd. decreased to 9.69%.

On 11 March 2013, Oy Ingman Finance Ab's holding in Incap shares decreased to 1,081,485 shares, or 4.80% of total number of shares and votes.

Following the directed share issue and conversion of loans as announced on 22 July 2013, the following changes in holdings exceeding the announcement limit took place:

- Inission AB: ownership increased to 28,500,000 shares, or to 26.12% of all shares
- Etra Invest Ab: ownership increased to 12,100,000 shares, or to 15.52% of all shares
- Ilmarinen: ownership increased to 8,305,692 shares, or to 7.61% of all shares
- Varma: ownership increased to 7,684,615 shares, or to 7.04% of all shares
- Finnvera: ownership increased to 6,238,600 shares, or to 5.72% of all shares
- Oy Ingman Finance: ownership increased to 8,780,769 shares, or to 8.05% of all shares
- Onvest Oy: ownership increased to 3,500,000 shares, or to 4.76% of all shares
- JMC Finance Oy: ownership decreased to 2.20% of all shares
- Finnish Industry Investment Ltd: ownership decreased to 2.00% of all shares

- Göran Sundholm: ownership decreased to 1.36% of all shares
- Kalevi Laurila: ownership decreased to 1,275,000 shares, i.e. to 2.51% of all shares

On 22 January 2014, after the end of the financial period, Oy Ingman Finance Oy's share out of all shares of Incap Corporation decreased to 4.99% or to 5,441,725 shares. Also the share of Finnvera Oy decreased to 4.98% or 5,434,045 shares after the end of the financial period on 24 January 2014.

RISK MANAGEMENT

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

SHORT-TERM RISKS AND FACTORS OF UNCERTAINTY CONCERNING OPERATIONS

The risks related to Incap's business operations changed on 21 July 2013 when the company realised the comprehensive financing arrangement that had long been negotiated. The arrangement stabilised the company's financial position.

General risks related to the company's business operations and sector include the development of customer demand, price competition in contract manufacturing, ability to acquire new customers, availability and price development of raw material and components, sufficiency of funding, liquidity and exchange rate fluctuations. Of these, the most significant risks at the moment are the development of revenue and the sufficiency of funding.

To assess its liquidity, Incap has prepared a 12-month cash flow projection for the Group, based on its performance forecast for 2014 and the actual turnover of its sales receivables, accounts payable and inventories. Since the profit levels used in the calculations do not reflect the actual past development, there is an element of uncertainty associated with them.

Based on the cash flow estimate Incap does not have sufficient working capital for the company's needs for the forthcoming 12 months. The company estimates that the additionally needed working capital amounts to approximately EUR 1–1.5 million. The working capital is, however, sufficient for the forthcoming 12 months if the following provisions are met:

- the company succeeds in regaining the present customers' trust and is successful in new customer acquisition, and/or
- the company reaches the estimated profitability targets in the way that the company has sufficient means to cover the debt instalment of EUR 1.8 million by the end of 2014, and/or
- the financing negotiations with the bank succeed as planned so that the debt instalments are postponed, and/or
- the business operations in India develop favourably so that the subsidiary in India is able to pay off its accounts payable to the parent company, and
- the covenants for the bank loans are met or in case the covenants are not met, the bank does not use its right to call in the loans.

Incap's management is confident that the negotiations with the bank succeed and the cash flow of operations develops in the way that the company is able to meet its commitments. The company has implemented towards the end of 2013 a comprehensive Turnaround program, which was completed successfully after the end of the financial period in January 2014. After the implementation of the actions of the Turnaround program Incap is able to operate profitably in 2014 even with remarkably smaller manufacturing volumes than in 2013. The actions of the program are estimated to reflect in full in the profitability during the latter part of 2014.

During the first half of the year 2013 the equity of the Group's parent company was less than half of the share capital. The equity structure of the Group was improved by the comprehensive financing arrangement in July 2013. The loss of the parent company and the Estonian subsidiary in 2013 affects the Group's equity, which at the end of the financial period is EUR 0.7 million. The equity of the parent company on 31 December 2013 was EUR 10.8 million, i.e. 53% of the share capital.

The value of the shares of subsidiaries has an elementary impact on the parent company's equity and therefore also on the equity ratio. Based on the impairment testing carried out in connection with the financial statements the value of the Estonian subsidiary's shares in the parent company was decreased by EUR 4.0 million. Despite of the decrease in value, there is an element of uncertainty associated with the value of the subsidiary's shares due to its unprofitability in the past. The operations of the Indian subsidiary have developed favourably and there is no related risk involved in its value of shares.

Demand for Incap's services as well as the company's financial position are affected by global economic trends and economic trends among Incap's customer industries. In 2014, the business environment is estimated to develop steadily in the sectors where Incap and its customers operate, and the general economic development is not estimated to have any negative effect on the demand or the solvency of the company's customers.

The company's sales are spread over several customer sectors balancing out the impact of the economic fluctuation in different industrial sectors. In 2013, the biggest single customer's share of the Group revenue was 20%. The company's operating segment, contract manufacturing, is highly competitive, and there are major pressures on cost level management. In the challenging market situation the management of customer relationships is of special importance and management has paid special attention to this. The cost structure has been made more flexible by distributing production activities into several countries: Finland, Estonia and India. The focus of production activities is in countries where wage and general cost levels are competitive.

EVENTS AFTER THE END OF THE FINANCIAL PERIOD

Incap announced on 2 January 2014 that Inission AB did not exercise its option to combine the operations of Inission AB with Incap Corporation in line with the respective agreement. Therefore, the option is not valid anymore.

The Board of Directors of Incap Corporation evaluated on 24 January 2014 the efficiency of the actions in the Turnaround program, which was launched earlier in 2013. It was announced that the main objectives of the program were met: the delivery accuracy improved significantly, the operational efficiency was enhanced both in manufacturing units and in support functions, the group organisation was streamlined to cover only essential functions and the production capacity was adjusted to meet with the actual demand. The organisation structure was renewed and the manufacturing units now operate as self-sufficient profit centres having full responsibility of their own operations and sales.

According to the estimate of the Board of Directors, Incap is now after the implementation of the actions in the Turnaround program able to make a positive result in 2014 even with substantially lower manufacturing volumes than in 2013.

Even though Inission AB did not exercise its option to combine the operation of Incap and Inission by the end of 2013, it has indicated to the Board its continued interest on the merger. In this new situation the Board of Directors of Incap started evaluating strategic options for further development of the company's business. For the assessment of eventual strategic alliances the Board of Incap had decided to engage an investment bank.

STRATEGY AND OBJECTIVES

In 2014 Incap will continue focusing on its core business: producing products to its customer with world-class quality and shipping them on-time. Incap will continue moving from a centralised to a decentralised organisation. The improved financial position will be stabilised by ensuring positive result and positive cash flow for the full year.

Demand in the strategic customer segments is expected to grow even though no quick turn upwards is anticipated. In addition to the existing customer base Incap will focus on profitable growing customers with products that are in the forefront of their respective business segment. Incap provides the full scope of EMS services, everything from product development to end of life-cycle service.

The company believes that the focus segments energy efficiency and well-being will grow more rapidly than economy in general. Many new growth companies have adopted the strategy of focusing on their core competence and outsourcing all production activities. For these companies, Incap is able to offer the entire production process or comprehensive product integration.

Being in charge of the complete supply chain with direct connections from component producers in Asia will become an even more important competitive edge in the future. By turning to a decentralised organisation there will be a full focus on getting the best possible logistic set up for each and every project. According to Incap's way of thinking all of its customers are unique and therefore, Incap shall create a unique set-up for each and every customer. The target is not only to understand the customer but even the customers' customer as only then Incap can do a really good job.

The competition in Incap's industry is fierce and there are no low-hanging fruits. Incap will continue to enhance the efficiency of its operations. The organisation shall be smart and efficient in each and every step. Lean is the operational strategy. Big structural changes have been done, yet still everyday small improvements will make the difference over time.

In order to ensure the future growth of the company, Incap is also investigating business potential of eventual consolidation.

OUTLOOK FOR 2014

Incap's estimates for future business development are based both on its customers' forecasts and on the company's own assessments. The demand of present customers of the company is expected to increase moderately from the level of 2013 especially in Europe.

Thanks to the improved efficiency gained in the Turnaround program the company's profitability is expected to improve in 2014 and the actions of the program are estimated to reflect in the result in full in the latter part of the year.

The company estimates that the Group's revenue in 2014 will be significantly smaller than in 2013 when the revenue amounted to EUR 36.8 million. The company estimates that the full-year operating result (EBIT) is positive. In 2013, the result was negative amounting to EUR -5.9 million.

BOARD OF DIRECTORS' PROPOSAL ON MEASURES RELATED TO THE RESULT

The parent company's loss for the financial period totalled EUR 6,979,595.95. The Board will propose to the Annual General Meeting on 10 April 2014 that no dividend be paid and the result for the financial period be recognised in equity.

ANNUAL GENERAL MEETING 2014

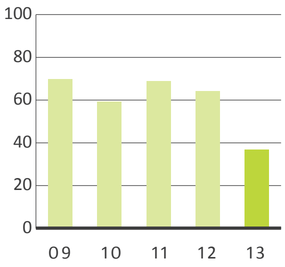
Incap Corporation's Annual General Meeting will take place on Thursday, 10 April 2014 at 3:00 p.m. at BANK, Unioninkatu 20, 00130 Helsinki. Notice to the Annual General Meeting will be given on 20 March 2014 at the latest.

Helsinki, 25 February 2014

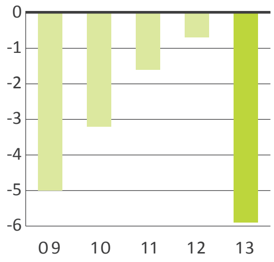
INCAP CORPORATION
Board of Directors

INCAP FINANCIAL STATEMENT 2013

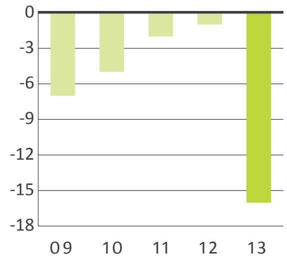
REVENUE, EUR MILLION



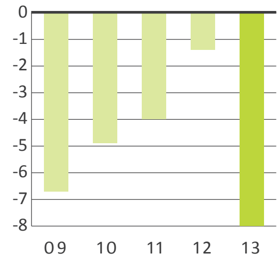
OPERATING PROFIT, EUR MILLION



OPERATING PROFIT, % OF REVENUE

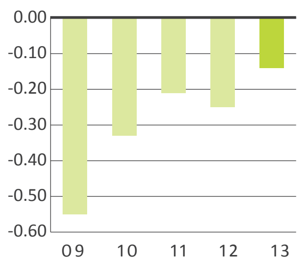


PROFIT/LOSS BEFORE TAX, EUR MILLION

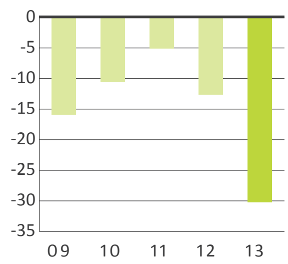


PROFIT/LOSS BEFORE TAX, % OF REVENUE

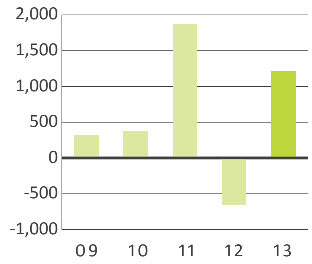
EARNINGS PER SHARE (EPS), EUR



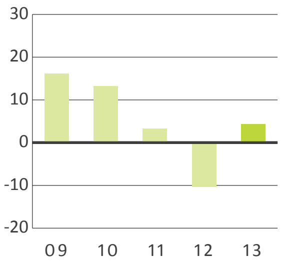
RETURN ON INVESTMENTS (ROI), %



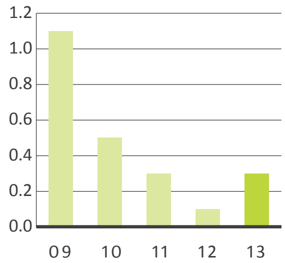
GEARING, %



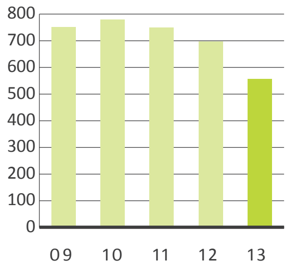
EQUITY RATIO, %



INVESTMENTS, EUR MILLION



AVERAGE NUMBER OF EMPLOYEES



Consolidated Income Statement

1,000 euros	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Revenue	3	36,757	64,141
Other operating income	4	63	404
Changes in inventories of finished goods and work in progress	5	-1,349	-643
Work performed by the enterprise and capitalised		0	0
Raw materials and consumables used	5	22,828	44,315
Personnel expenses	8	9,957	11,087
Depreciation and amortisation	7	1,065	1,460
Other operating expenses	6	7,479	7,721
Operating profit/loss		**-5,859**	**-681**
Financing income and expenses	10	-2,108	-751
Profit/loss before tax		**-7,966**	**-1,432**
Income tax expense	11	-560	-3,498
Profit/loss for the year		**-8,527**	**-4,930**
Attributable to			
Equity holders of the parent company		-8,527	-4,930
Non-controlling interests		0	0
		-8,527	-4,930
Earnings per share from profit for the year attributable to equity holders of the parent			
Basic earnings per share	12	-0.14	-0.25
Diluted earnings per share	12	-0.14	-0.25
Average number of shares:			
basic		60,117,106	20,067,042
diluted		60,117,106	20,067,042

1,000 euros	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Profit/loss for the year		**-8,527**	**-4,930**
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Translation differences from foreign units		-341	-118
Other comprehensive income, net		-341	-118
Total comprehensive income		**-8,867**	**-5,048**
Total comprehensive income attributable to:			
Equity holders of the parent company		-8,867	-5,048
Non-controlling interests			
		-8,867	**-5,048**

Consolidated Balance Sheet

1,000 euros	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,791	2,578
Goodwill	14	866	940
Other intangible assets	14	80	178
Other financial assets	15	311	311
Deferred tax assets	16	0	560
Other receivables	18	859	0
Total Non-current Assets		**3,906**	**4,568**
Current assets			
Inventories	17	4,304	9,352
Trade and other receivables	18	6,217	12,815
Cash and cash equivalents	19	1,507	613
Total Current Assets		**12,028**	**22,780**
Non-current assets held-for-sale	1	0	1,936
Total Assets		**15,934**	**29,283**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	20		
Share capital		20,487	20,487
Share premium account		44	44
Exchange differences		-1,258	-917
Reserve for invested unrestricted equity		17,471	4,818
Retained earnings		-36,057	-27,440
Total equity		**687**	**-3,008**
Non-current liabilities			
Deferred tax liabilities	16	0	0
Interest-bearing and non-interest-bearing liabilities	24	2,054	2,492
Current liabilities			
Trade and other payables	25	5,397	11,841
Interest-bearing loans and borrowings	24	7,797	17,959
Liabilities relating to non-current assets held-fore-sale	1	0	0
Total liabilities		**15,247**	**32,291**
Total equity and liabilities		**15,934**	**29,283**

Consolidated Cash Flow Statement

1,000 euros	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Cash flow from operating activities			
Operating profit/loss		-5,858	-681
Adjustments to operating profit	28	3,581	728
Change in working capital		3,157	4,188
Interest paid		-1,195	-1,814
Interest received		14	27
Cash flow from operating activities		**-301**	**2,448**
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets		-280	-124
Proceeds from sales of tangible and intangible assets		1,496	139
Other investments		0	-61
Loans granted		0	0
Sold shares of subsidiaries		0	0
Repayments of loan assets		0	3
Cash flow from investing activities		**1,216**	**-43**
Cash flow from financing activities			
Proceeds from share issue		4,282	734
Drawdown of loans		2,044	1,819
Repayments of borrowings		-6,438	-4,201
Repayments of obligations under finance leases		-70	-594
Cash flow from financing activities		**-182**	**-2,242**
Change in cash and cash equivalents		733	163
Cash and cash equivalents at beginning of period		613	369
Effects of changes in exchange rates		177	99
Changes in fair value (cash and cash equivalents)		-16	-18
Cash and cash equivalents at end of period		**1,507**	**613**

Consolidated Statement of Changes in Equity

1,000 euros	Share capital	Share premium account	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total equity
Equity at 1 January 2013	20,487	44	4,818	-917	-27,440	-3,008
Total comprehensive income					-8,527	-8,527
Currency translation differences				-341	0	-341
Transactions with shareholders						
Directed share issue			9,703			9,703
Imputed financing income of share issue (IAS 32 ja 39, IFRIC 19)			3,235			3,235
Transaction costs for equity			-286			-286
Other changes					-90	-90
Equity at 31 December 2013	**20,487**	**44**	**17,471**	**-1,258**	**-36,057**	**686**

1,000 euros	Share capital	Share premium account	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total equity
Equity at 1 January 2012	20,487	44	4,084	-799	-22,506	1,311
Total comprehensive income					-4,930	-4,930
Currency translation differences				-118		-118
Share issue			759			759
Transaction costs for equity			-25			-25
Options and share-based compensation					-5	-5
Equity at 31 December 2012	**20,487**	**44**	**4,818**	**-917**	**-27,440**	**-3,008**

Notes to the Consolidated Financial Statements

CORPORATE INFORMATION

Incap Corporation is a Finnish public listed company under Finnish law which is domiciled in Helsinki and whose registered address is Valuraudankuja 7, 00700 Helsinki. The company is an internationally operating contract manufacturer whose comprehensive services cover the entire life-cycle of electromechanical products, from design and manufacture to repair and maintenance services.

The Group comprises the parent company, Incap Corporation, and the parent company's wholly-owned subsidiaries: Incap Electronics Estonia OÜ, Kuressaare, Estonia; Euro-ketju Oy, Helsinki, Finland; Incap Hong Kong Ltd., Hong Kong and Incap Contract Manufacturing Services Pvt. Ltd., Bangalore, India, which is owned by the parent company by 77.5%. Incap CMS Pvt. Ltd. is however combined by 100% in the consolidated financial statements, because the control of the subsidiary stays in the parent company.

ACCOUNTING POLICIES APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

These Incap Group financial statements have been prepared in accordance with International Financial Reporting Standards in conformity with the IAS and IFRS standards and SIC and IFRIC interpretations in force at the balance sheet date, 31 December 2013. The notes to the consolidated financial statements also comply with Finnish accounting and company legislation.

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

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

SUBSIDIARIES

The consolidated financial statements include the parent company, Incap Corporation, and its subsidiaries Incap Electronics Estonia OÜ, Incap Hong Kong Ltd., Incap Contract Manufacturing Services Pvt. Ltd. and Euro-ketju Oy.

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

TRANSLATION OF ITEMS DENOMINATED IN FOREIGN CURRENCY

Separate companies

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

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

GROUP

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

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

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.

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.

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.

The loan interest of the capital loan is recognised as an expense on a time apportionment basis. In the consolidated IFRS financial statements, the accumulated interest of the capital loan is recognised as an expense for the financial period.

Transaction expenses directly attributable to the obtaining of convertible debt are included in the original cost of the debt and amortised over the debt period using the effective interest method.

GOVERNMENT GRANTS

Government grants are recorded on a net basis as a deduction from property, plant and equipment, whereby the grants are recognised as income in the form of smaller depreciation charges over the useful life of an asset.

INTANGIBLE ASSETS

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

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

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

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

INVENTORIES

Inventories are measured at the lower of cost or net realisable value. Cost is determined using the fifo method. The cost of finished and semi-finished products comprises raw materials, direct labour expenses, other direct expenses as well as fixed and variable production overheads, based on the normal capacity of the production facilities. The net realisable value is the estimated selling price of the asset less the estimated costs incurred in bringing the product to its present condition and selling expenses.

LEASES

The Group as lessee

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

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

IMPAIRMENT OF ASSETS

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

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

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

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

EMPLOYEE BENEFITS

Pension obligations

The Incap Group's pension plans are classified as defined-benefit and defined-contribution plans. Payments made for defined contribution plans are recognised as an expense in the income statement for the period which the debit concerns. The obligations of defined-benefit plans 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 calculations carried out by authorised actuaries.

SHARE-BASED PAYMENT

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

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

PROVISIONS

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

INCOME TAXES

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

Deferred taxes are calculated on all temporary differences between the carrying amount of an asset or liability and its tax base. In the Incap Group the largest temporary differences arise from finance leases, depreciation of buildings and other property, plant and equipment as well as unused tax losses.

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

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

REVENUE RECOGNITION

Goods sold and services rendered

Revenue from the sale of goods is booked when significant risks and benefits connected with the ownership of the goods have been transferred from the seller to the purchaser. In calculating revenue, sales income has been adjusted for indirect taxes and discounts. Revenue from services is recorded when the service has been rendered.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Incap Group's financial assets have been classified in accordance with the IAS 39 standard in the following groups: financial assets at fair value through profit or loss, held-to-maturity investments, loans and other receivables and available-for-sale financial assets. The classification is made on the basis of the purpose for which the financial assets were acquired at the time they were originally acquired. Other financial assets presented in the financial statements are classified as available-for-sale financial assets. Available-for-sale financial assets consist mainly of unquoted shares and participations that are not entered in the balance sheet at fair value because their fair value cannot be determined reliably.

Cash and cash equivalents consist of cash on hand, demand deposits and other short-term, highly liquid investments. Items classified as cash and cash equivalents have a maximum of a three-month maturity from the time of acquisition.

Financial liabilities are originally entered in the accounts at fair value on the basis of the consideration received. The transaction expenses of convertible bonds are included in the original carrying amount of the bonds. The fair value of the debt component of convertible bonds has been determined using the market interest rate on similar debt at the time of issuance. The debt component is recorded at amortised cost until it is extinguished by converting the bonds to shares or by repayment of the bonds. Because the equity component of convertible bonds is not material, it has not been recorded separately in the invested non-restricted equity reserve.

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

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

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

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

In order to evaluate liquidity, Incap has prepared a monthly cash flow estimate that extends over the 2014 financial statements. The cash flow projection is based on the Group's performance forecast for 2014, which has been drawn up in connection with the financial statements and will be updated monthly, as well as on the actual turnover of sales receivables, accounts payable and inventories. The cash flow estimate is based on a calculation where accounts payable that have matured are paid and Incap's need for working capital is not increasing.

Based on the cash flow estimate Incap does not have sufficient working capital for the company's needs for the forthcoming 12 months. The company estimates that the additionally needed working capital amounts to approximately EUR 1–1.5 million. The working capital is, however, sufficient for the forthcoming 12 months if the following provisions are met:

- the company succeeds in regaining the present customers' trust and is successful in new customer acquisition, and/or
- the company reaches the estimated profitability targets in the way that the company has sufficient means to cover the debt instalment of EUR 1.8 million by the end of 2014, and/or
- the financing negotiations with the bank succeed as planned so that the debt instalments are postponed, and/or
- the business operations in India develop favourably so that the subsidiary in India is able to pay off its accounts payable to the parent company, and
- the covenants for the bank loans are met or in case the covenants are not met, the bank does not use its right to call in the loans.

Incap's management is confident that the negotiations with the bank succeed and the cash flow of operations develops in the way that the company is able to meet its commitments. The company has implemented towards the end of 2013 a comprehensive Turnaround program, which was completed successfully after the end of the financial period in January 2014. After the implementation of the actions of the Turnaround program Incap is able to operate profitably in 2014 even with remarkably smaller manufacturing volumes than in 2013. The actions of the program are estimated to reflect in full in the profitability during the latter part of 2014.

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

The value of shares in subsidiaries in the parent company is the acquisition cost plus subsequent investments to strengthen the equity of the subsidiaries. The value of the shares in subsidiaries has a significant impact on the equity capital and therefore on, for example, equity ratio. The impairment testing of shares in subsidiaries has been carried out on the basis of the situation at the end of the financial period. The recoverable amounts used in the impairment test calculations are determined on the basis of value in use. The cash flow forecasts are based on the budget for the next financial period and four-year business plan prepared by the management and ratified by the Board of Directors.

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

Since the levels of revenue and operating profit before depreciation used in the impairment test calculations do not reflect the actual development during the preceding years, there is an element of remarkable uncertainty associated with them.

Deferred tax asset

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

A deferred tax asset of EUR 0.6 million in the consolidated balance sheet on 31 December 2012 has been recognised in the Indian company and it has been utilised during the year 2013.

There are no deferred tax assets recorded in the balance sheet of the financial statements for 2013.

Segment information

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

APPLICATION OF NEW OR AMENDED IFRS STANDARDS

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

Standards that will take effect on 1 January 2013 or later:

- Amendment: IFRS 1 First-time Adoption of IFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendment: IFRS 7 Financial Instruments: Disclosures and IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements (revised)
- IFRS 11 Joint Arrangements and IAS 28 Associates and Joint Ventures (revised)
- IFRS 12 Disclosures of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- Revised: IAS 19 Employee Benefits

Proposals for annual improvements to IFRSs

- IFRS 1 First-time Adoption of IFRSs
- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 34 Interim Financial Reporting

Standards that will take effect in 2014 or later:

- IAS 32 Financial Instruments: Presentation – Classification of share issues, options and subscription rights (amendment). The amendment has no relevant impact on consolidated financial statements.
- IFRS 9 Financial Instruments: Classification and measurement. The amendment has no relevant impact on consolidated financial statements.
- IFRS 10, IFRS 12, IAS 27 and IAS 28 regarding consolidation of investments entities. The amendment has no relevant impact on consolidated financial statements.
- IFRIC 20 Stripping Cost in the Production Phase of a Surface Mine. The amendment has no relevant impact on consolidated financial statements.
- IAS 39 Novation of Derivates and Continuation of Hedge Accounting. The amendment has no relevant impact on consolidated financial statements.
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. The amendment has no relevant impact on consolidated financial statements.
- IFRS 1 Government loans. The amendment has no relevant impact on consolidated financial statements.
- IFRIC 21 Levies. New interpretation has no relevant impact on consolidated financial statements.

1. NON-CURRENT ASSETS HELD FOR SALE

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Assets of disposal group classified as held for sale		
Incap Corporation's Vuokatti plant property	0	1,936
Liabilities of disposals group classified as held for sale		
Other non-current liabilities to others, interest-bearing	0	0
Other current liabilities, interest-bearing	0	0
	0	**0**

The company sold its Vuokatti plant property in June 2013 to a price of EUR 1.7 million which equalled the book value of the property. Based on an impairment recorded for the plant, a loss of approx., EUR 0.4 million was recognised for the sale. Of the selling price, EUR 1.5 million was paid in cash and the rest (EUR 0.2 million) in five equal instalments annually so thast the last instalment takes place on 31 March 2018. Of this receivable, EUR 0.04 million is recorded in current and EUR 0.16 million in non-current receivables. The receivable is guaranteed by a mortgage on company assets.

There were no sales of business operations in the Group in 2012 and 2013.

2. ACQUIRED OPERATIONS

No business acquisitions were made during financial years 2013 and 2012. Of the decrease of goodwill in 2013, the exchange difference amounts to EUR 74,070.71.

3. REVENUE

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Revenue from the sale of goods	36,742	64,135
Revenue from the services	15	5
	36,757	**64,141**

Geographic division of external customers' revenue	**1 Jan–31 Dec 2013**	**1 Jan–31 Dec 2012**
Europe	29,672	58,910
North America	1,278	377
Asia	5,807	4,854
	36,757	**64,141**

Group has three customers, whose revenue exceeds 10% of the entire Group's revenue. Combined share of revenue of these customers is approximately 42%.

4. OTHER OPERATING INCOME

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Net gains on the disposal of property, plant and equipment	46	364
Lease income	0	22
Other income	17	18
	63	**404**

5. RAW MATERIALS AND SERVICES

Raw materials and consumables	**1 Jan–31 Dec 2013**	**1 Jan–31 Dec 2012**
Purchases during the financial year	19,647	42,205
Change in inventories	3,842	1,869
	23,489	**44,074**
External services	688	884
	24,177	**44,958**

6. OTHER OPERATING EXPENSES

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Lease expenses	2,026	1,820
Operating and maintenance expenses for property and machinery	1,078	1,868
Other expenses	4,374	4,033
	7,479	7,721

Auditors' fees	**1 Jan–31 Dec 2013**	**1 Jan–31 Dec 2012**
Auditing fees	78	56
Certificates and statements	0	0
Tax advice	2	1
Other services	161	54
	242	**111**

7. DEPRECIATION AND AMORTISATION

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Depreciation and amortisation by assets class		
Intangible assets		
Other capitalised expenditure	42	162
Other long-term expenditures	1	1
	43	**163**
Tangible assets		
Buildings	52	58
Machinery and equipment	431	1,174
Other tangible assets	91	65
	574	**1,297**
Impairment of the Vuokatti property	447	0
Total depreciation, amortisation and impairment losses	**1,065**	**1,460**

8. EMPLOYEE BENEFITS EXPENSE

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Wages and salaries	7,837	9,048
Pension costs – defined contribution plans	1,191	962
Pension costs – defined-benefit plans	46	46
Expense of share-based payments	0	5
Other statutory employer expenses	883	1,026
	9,957	**11,087**
Average number of Group's personnel during the period	**556**	**697**

Information on management's employee benefits is presented in Note 31 Related-party transactions. Information on share options granted is presented in Note 21 Share-based payment.

9. RESEARCH AND DEVELOPMENT COSTS

A total of EUR 0.1 million of research and development costs has been recorded as an annual expense in the income statement in 2013 (EUR 0.1 million in 2012).

10. FINANCIAL INCOME AND EXPENSES

Financial income	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Dividend income from available-for-sale financial assets	1	1
Interest income from investments held until due date	0	0
Interest income from other deposits	3	5
Interest income from trade receivables	10	20
Interest income from loan receivables	0	0
Foreign exchange gains on liabilities	559	370
Other financing income	2,542	1,031
	3,116	**1,429**

Financial expenses	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Interest expenses from financial liabilities measured at amortised cost	-447	-418
Interest expenses from convertible promissory notes	-40	-266
Other interest expenses	-246	-401
Exchange rate losses	-790	-552
Other financial expenses	-3,702	-542
	-5,224	**-2,180**
Total financial income and expenses	**-2,112**	**-751**

As a consequence of the share issues arranged during the financial period, a financing expense amounting to EUR 3.2 million was recorded in other financing expenses in the consolidated income statement in line with the IAS 32 and 39 standards and IFRIC 19.

Out of the financing income, EUR 2.5 million refers to the impairment of values of loans, interests and payables to suppliers in the composition arrangement in connection with the financing arrangement in summer 2013. In 2012, approximately EUR 1.0 million of financing income resulted from the impairment of redemption value of a convertible loan.

11. INCOME TAX

Income tax in the income statement	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Current tax on profits for the year	0	0
Tax for previous accounting periods	0	0
Total current tax based on income	**0**	**0**
Change in deferred tax assets on previous years	-560	-3,498
Change in deferred tax liabilities on previous years	0	0
Total deferred tax	**-560**	-3,498
Income tax expense	-560	-3,498

Reconciliation of tax expenses in the income statement and taxes calculated on the basis of the 24.5% tax rate applicable in the Group's home country	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Profit before taxes	-7,966	-1,432
Tax at the applicable rate in the home country	1,952	351
Divergent tax rates of foreign subsidiaries	-912	-442
Tax-free income	43	122
Expenses that are not deductible	-131	-128
Other temporary differences	151	88
Non-recorded deferred tax	-1,102	9
Tax charge	**0**	**0**
Deferred taxes in the balance sheet		
Deferred tax assets	0	560
Deferred tax liabilities	0	0
	0	**560**

Deferred tax assets and liabilities are presented in Note 16.

12. EARNINGS PER SHARE

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

	2013	2012
Profit for the year attributable to equity holders of the parent	-8,527	-4,930
Weighted average number of shares during the period	60,117,106	20,067,042
Undiluted earnings per share, EUR/share	-0,14	-0,25

When calculating diluted earnings per share, share options and convertible promissory notes are taken into account in the weighted average number of shares. Share options have a dilutive effect when their subscription price is lower than the fair value of the share. The fair value of the share is based on the average price of the shares during the period.

The convertible loan issued in 2012 included a right to subscribe a maximum total of 7,112,195 new shares of the company.The subscription price for each new share was EUR 0.41. The subscription period was due to commence when the option rights attached to the convertible loan have been entered into the trade register, and to end on 30 April 2017.

Options for the subscription of new shares related to the convertible promissory notes do not have a dilutive effect, because the shares' trading price was higher than the fair value of the share.

The contracts of the convertible loan issued in 2012 were renewed in July 2013, when all holders of the convertible loan agreed with the composition arrangement and converted the remaining loan to the new shares of the company. Convertible promissory notes are presented in Note 24 Interest-bearing liabilities.

	2013	2012
Profit for the year attributable to equity holders of the parent, continuing operations	-8,527	-4,930
Weighted average number of shares during the period	60,117,106	20,067,042
Dilution effect of issued share options	0	0
Share-weighted diluted average price used in calculating adjusted earnings per share	60,117,106	20,067,042
Diluted earnings per share, EUR/share	-0.14	-0.25

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and advances	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan 2013	**415**	**1,142**	**43,841**	**899**	**46,296**
Increase	35	81	40	33	189
Consolidation of operations	0	0	0	0	0
Disposals	-91	-4,653	-195	-1	-4,941
Reclassifications between items	0	-82	12	0	-70
Sale of assets in Group companies	0	0	0	0	0
Exchange differences	-64	-175	-310	-54	-603
Reclassification to non-current AFS assets	56	4,633	0	0	4,689
Acquisition cost, 31 Dec 2013	**351**	**945**	**43,387**	**876**	**45,559**
Accumulated depreciation and impairment losses, 1 Jan 2013	**0**	**-216**	**-42,681**	**-820**	**-43,717**
Depreciation	0	-52	-481	-42	-574
Increase	0	0	0	0	0
Decrease	0	0	0	0	0
Reclassifications between items	0	0	0	0	0
Cumulative depreciation on reclassifications and disposals	0	3,341	195	1	3,537
Exchange differences	0	-63	243	46	226
Reclassification to non-current AFS assets cum. amortisation		-3,240	0	0	-3,240
Accumulated depreciation and impairment losses, 31 Dec 2013	**0**	**-229**	**-42,724**	**-815**	**-43,768**
Carrying amount, 1 Jan 2013	415	926	1,160	78	2,578
Carrying amount, 31 Dec 2013	351	715	663	62	1,791

	Land	Buildings and advances	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan 2012	**435**	**1,159**	**44,282**	**907**	**46,782**
Increase	0	78	35	0	113
Consolidation of operations	0	0	0	0	0
Disposals	0	-1	-270	-5	-276
Reclassifications between items	0	-40	-108	13	-136
Sale of assets in Group companies	0	0	0	0	0
Exchange differences	-20	-54	-97	-17	-188
Reclassification to non-current AFS assets	0	0	0	0	0
Acquisition cost, 31 Dec 2012	**415**	**1,142**	**43,841**	**899**	**46,296**
Accumulated depreciation and impairment losses, 1 Jan 2012	**0**	**-168**	**-41,834**	**-773**	**-42,775**
Depreciation	0	-58	-1,174	-65	-1,297
Increase	0	0	0	0	0
Decrease	0	0	0	0	0
Reclassifications between items	0	0	0	0	0
Cumulative depreciation on reclassifications and disposals	0	0	254	4	258
Exchange differences	0	11	72	14	96
Reclassification to non-current AFS assets cum. amortisation	0	0	0	0	0
Accumulated depreciation and impairment losses, 31 Dec 2012	**0**	**-216**	**-42,681**	**-820**	**-43,717**
Carrying amount, 1 Jan 2012	435	990	2,448	134	4,007
Carrying amount, 31 Dec 2012	415	926	1,160	78	2,578

Finance leases

Property, plant and equipment includes assets obtained on finance leases as follows:

	Machinery and equipment
31 Dec 2013	
Acquisition cost	16,027
Accumulated depreciation	-15,979
Carrying amount	48
31 Dec 2012	
Acquisition cost	16,015
Accumulated depreciation	-15,829
Carrying amount	186

Increases on the acquisition cost of property, plant and equipment include assets leased on finances leases totalling EUR 0 in 2013 (EUR 0 in 2012).

14. INTANGIBLE ASSETS

	Goodwill	Other intangible assets	Total
Acquisition cost, 1 Jan 2013	**2,429**	**4,361**	**6,790**
Increase	0	68	68
Decrease	0	-123	-123
Reclassifications between items	0	0	0
Exchange difference	-74	-149	-223
Acquisition cost, 31 Dec 2013	**2,355**	**4,158**	**6,513**
Accumulated amortisation and impairment losses, 1 Jan 2013	**-1,489**	**-4,183**	**-5,672**
Amortisation	0	-44	-44
Cumulative depreciation on sales of assets in Group companies	0	0	0
Exchange difference	0	149	149
Accumulated amortisation and impairment losses, 31 Dec 2013	**-1,489**	**-4,078**	**-5,567**
Carrying amount, 1 Jan 2013	940	178	1,118
Carrying amount, 31 Dec 2013	866	80	946
Acquisition cost, 1 Jan 2012	**2,452**	**4,408**	**6,861**
Increase	0	0	0
Decrease	0	0	0
Reclassifications between items	0	0	0
Exchange difference	-24	-47	-71
Acquisition cost, 31 Dec 2012	**2,429**	**4,361**	**6,790**
Accumulated amortisation and impairment losses, 1 Jan 2012	**-1,489**	**-4,067**	**-5,556**
Amortisation	0	-163	-163
Cumulative depreciation on sales of assets in Group companies	0	0	0
Exchange difference	0	47	47
Accumulated amortisation and impairment losses, 31 Dec 2012	**-1,489**	**-4,183**	**-5,672**
Carrying amount, 1 Jan 2012	964	341	1,304
Carrying amount, 31 Dec 2012	940	178	1,118

Testing for impairment is based on a cash flow estimate prepared on the basis of the budget and four-year business plan ratified 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. In the cash flow estimate, the revenue in India in 2014 declines 20% from previous year. During the years 2015–2017 the revenue increases 3% annually. The operating profit before depreciation varies between 16 and 17% during the years 2014–2017. In the calculations of the financial year 2013, a discount rate of 14.7% has been used in India (2012: 16.0%). The goodwill of approx. EUR 0.9 million in the consolidated balance sheet refers to the Indian subsidiary. According to the sensitivity analysis of goodwill calculations, the revenue in India can decrease by max. 13.7% and the average cost of capital can increase by max. 21.9% without any need for the impairment of goodwill. The profitability of the Indian subsidiary has improved during the past few years and there is no need or risk of any impairment.

In impairment testing of goodwill, the residual value of future cash flows is 52% of the cash flows in calculations for value in use. Recoverable amounts from cash generating units have been defined in calculations based on the value in use, and they involve use of estimates.Testing of impairment is described also in the Notes to the Consolidated Financial Statements under Impairment of assets and Impairment testing.

15. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2013	2012
Publicly quoted shares	4	4
Unquoted shares	307	7
Capital investment fund	0	300
Total available-for-sale investments at the end of the year	**311**	**311**

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

16. DEFERRED TAX ASSETS AND LIABILITIES

	1 Jan 2013	Recorded in income statement	Exchange differences	31 Dec 2013
Deferred tax assets				
Tax losses carried forward	560	-520	-41	0
Deferred tax liabilities				
Accumulated depreciation difference	0	0	0	0

	1 Jan 2012	Recorded in income statement	Exchange differences	31 Dec 2012
Deferred tax assets				
Tax losses carried forward	4,085	-3,498	-27	560
Deferred tax liabilities				
Accumulated depreciation difference	0	0	0	0

Parent company's deferred tax assets of EUR 3.3 million have been recorded as an expense in the financial statements for 2012, as there no longer were prerequisites based on IAS 12 standard to keep deferred tax assets in the balance sheet. A deferred tax asset of EUR 0.6 million in the consolidated balance sheet on 31 December 2012 has been recognised in the Indian company and it has been utilised during the year 2013. There are no deferred tax assets recorded in the balance sheet of the financial statements for 2013.

Loss from the taxation year 2003 (EUR 9.8 million) expired in 2013. On 31 December 2013, confirmed tax losses for which no deferred tax asset was recognised amounted to EUR 8.5 million Tax losses expire in years 2014–2023.

17. INVENTORIES

	2013	2012
Raw materials and supplies	2,904	6,602
Work in progress	327	1,140
Finished goods	960	1,426
Advance payments	114	184
	4,304	**9,352**

EUR 0.7 million was recorded as an expense for the financial year, and the carrying amount of inventories was lowered by this amount to align it with the net realisable value (EUR 0.5 million in 2012).

18. TRADE AND OTHER RECEIVABLES

Trade and other receivables – non-current	**2013**	**2012**
Receivable from Superpark Oy (Vuokatti property)	160	0
Personnel loan in Indian subsidiary	6	0
Tax and other receivables from authorities in Indian subsidiary	692	0
	859	**0**

Trade and other receivables – current	**2013**	**2012**
Trade receivables	5,659	10,853
Loan receivables	18	31
Prepaid expenses and accrued income	389	1,438
Other receivables	150	492
	6,217	**12,815**

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

Aging structure of trade receivables and items recorded as credit losses	**2013**	**2012**
Not past due	4,973	9,108
Past due		
Less than 30 days	522	1,119
30–60 days	27	217
61–90 days	23	32
More than 90 days	114	376
	5,659	**10,853**
Items recorded as credit losses	351	6

Distribution of current receivables by currency, EUR	**2013**	**2012**
USD	1,537	1,669
HKD	0	10
INR	1,418	2,511
EUR	3,262	8,624
	6,217	**12,815**

19. CASH AND CASH EQUIVALENTS

	2013	2012
Cash and bank accounts	1,507	570
Short-term investments	0	43
	1,507	**613**

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

20. NOTES TO THE STATEMENT OF CHANGES IN EQUITY

	Number of shares	Share capital	Share premium account	Total
31 Dec 2013	109,114,035	20,487	44	20,531
31 Dec 2012	20,848,980	20,487	44	20,531

The share's accounting countervalue at the balance sheet date is EUR 0.19. The shares are fully paid in. After the balance sheet date, the Board of Directors has proposed that no dividend be paid out.

21. SHARE-BASED PAYMENT

At the balance sheet date, the Group had one share option plan. The option scheme implemented in February 2009 includes a total of 600,000 stock options entitling their holders to subscribe for an equal number of Incap shares. The stock options are broken into three categories: 2009A, 2009B and 2009C. There are 100,000 A options, 100,000 B options and 400,000 C options. The subscription price for all stock options is EUR 1. The subscription period is from 1 April 2010 to 31 January 2014 for 2009A stock options and from 1 April 2011 to 31 January 2014 for 2009B and 2009C stock options. The CEO Sami Mykkänen has received 100,000 A stock options and 100,000 B stock options.

The company's key employees have received a total of 129,000 C stock options. The proportion of shares to be subscribed on the basis of stock options is up to 1.6% of the company's shares and votes after a possible increase in share capital. Undistributed and returned stock options will be given to Euro-ketju Oy, a subsidiary fully owned by Incap, and the Board of Directors will make a separate decision on distributing these. The option scheme ended after the close of the financial period on 31 January 2014. No options were used for the subscription of shares.

The main terms governing the determination of the fair value of equity instruments that were granted and accepted earlier	**2013**	**2012**	**2011**	**All share options**
Number of instruments granted, pcs	0	201,000	125,000	426,000
Average (weighted) subscription price, euros	1.00	1.00	1.00	1.00
Average (weighted) maturity, years	4.0	4.0	4.4	4.4
Expected average (weighted) volatility, %	48.0	48.0	48.0	48.0
Average (weighted) risk-free interest rate, %	2.4	2.4	2.4	2.4
Expected personnel reductions (at grant date), %	23.0	23.0	23.0	23.0
Total fair value at grant date, euros	0	34,307	20,375	71,026
Valuation model	Black-Scholes			
Actual	In shares			

Because dividend payouts were not expected, dividends were not taken into account when calculating the fair value of share options.

	2013		**2012**	
Changes during the share option period and weighted average strike prices	**Average weighted strike price, euros/share**	**Number of options**	**Average weighted strike price, euros/share**	**Number of options**
Beginning of the year	1.00	329,000	1.00	369,000
New options granted	0	0	0	0
Share options forfeited	1.00	0	1.00	-40,000
Expired options	0	0	0	0
Share options outstanding at end of year	1.00	**329,000**	**1.00**	**329,000**

Strike prices and expiry times of share options outstanding at end of period

Year of expiry	**Strike price, euros**	**Number of shares 2013**	**Number of shares 2012**	**Number of shares 2011**	**Number of shares 2010**
2014	1.00	329,000	329,000	369,000	225,000

22. PENSION OBLIGATIONS

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:	**2013**	**2012**
Present value of unfunded obligations	0	0
Present value of funded obligations	220	213
Fair value of plan assets	-88	-94
Underfunding/overfunding	132	119
Effect of the required minimum funding/maximum quantity of asset		
Unrecognised actuarial gains (+) and losses (–)	0	0
Unrecognised past service expenses	0	0
Net liability	**132**	**119**
Amounts in the balance sheet:		
Liability	132	119
Receivable	0	0
Net liability	**132**	**119**

Defined-benefit pension expenses recognised in the income statement	**2013**	**2012**
Pension costs based on current period's service	12	13
Benefit-related interest expense	14	16
Expected return on plan assets	-8	-6
Actuarial gains (+) and losses (–)	1	24
Pension costs based on prior periods' service	0	0
Gains/losses on plan curtailment	0	0
Total	**19**	**46**

Actual return on plan assets was EUR 8,211 in 2013 (EUR 9,271 in 2012).

Changes in the present value of the defined benefit obligation	**2013**	**2012**
Defined benefit obligation at 1 January	180	185
Current service cost	12	12
Interest cost	15	15
Actuarial losses/(gains) on obligation	23	25
Gains (+) and losses (–) based on curtailment	0	0
Business combination	0	0
Exchange difference	0	0
Benefits paid	-10	-24
Defined benefit obligation at 31 December	**220**	**213**

Changes in the fair value of plan assets	**2013**	**2012**
Fair value of plan assets at 1 January	80	94
Expected return on plan assets	6	6
Actuarial gains (+) and losses (–)	1	3
Contributions by employer	11	15
Contributions by plan participants	0	0
Business combination	0	0
Exchange difference	0	0
Benefits paid	-10	-24
Fair value of plan assets at 31 December	**88**	**94**

Plan assets are comprised as follows:	**2013**	**2012**
Funds managed by insurer	88	94

The principal actuarial assumptions used on 31 December	**2013**	**2012**
Asia		
Discount rate	8.95%	8.15%
Expected return on plan assets	7.50%	7.50%
Future salary increases	8.00–10.00%	7.00%

Amounts for the current and previous two periods	**2013**	**2012**	**2011**
Present value of defined benefit obligation	220	213	194
Fair value of plan assets	88	94	99
Surplus (+) / deficit (–)	132	119	95
Experience adjustments on plan liabilities	8	18	7
Experience adjustments on plan assets	1	3	-1

The Group expects to contribute EUR 0.01 million to its defined benefit pension plans in 2014.

23. RESTRUCTURING PROVISION AND OTHER PROVISIONS

Expense reserve	
31 December 2012	103
Increase in restructuring provision	1 006
Used provisions	-103
31 December 2013	**1 006**

31 December 2011	677
Increase in restructuring provision	0
Used provisions	-574
31 December 2012	**103**

In the beginning of the financial period, the remaining provisions of the closure of the factories in Vuokatti and Helsinki amounted to EUR 103,068. These provisions were used during the year 2013. At the end of the year 2013, new provisions were recorded as follows: EUR 414,717 for the termination of corporate personnel's employment contracts, EUR 472,177 for the rental costs of the Kuressaare factory and EUR 119,451 for the own risk for unemployment insurance funding.

24. INTEREST-BEARING AND NON-INTEREST-BEARING LIABILITIES

Non-current financial liabilities measured at amortised cost

	2013	**2012**
Capital loan	0	600
Convertible loan	0	1,886
Pension loans (non-interest-bearing)	109	0
Other loans	1,945	0
Finance lease liabilities	0	6
	2,054	**2,492**

Current financial liabilities measured at amortised cost

	2013	**2012**
Bank loans	7,290	12,558
Other loans	0	1,899
Convertible loans	479	3,405
Pension loans	0	0
Other loans, held-for-sale	0	0
Finance lease liabilities	28	97
	7,797	**17,959**

The fair values of liabilities are presented in note 27 Fair values of financial assets and liabilities.

The non-current bank loans amounting to EUR 3.3 million have been transferred to current financial liabilities due to the breach of covenants (EUR 3.5 million in 2012). Further information is given in the report of the Board of Directors in chapter Short-term risks and factors of uncertainty concerning operations as well as in Note 26 Management of financial risks, liquidity risk.

Of non-current financial liabilities, EUR 0 million are due to be paid off in more than five years (EUR 0 million in 2012). The Group's bank loans have both variable and fixed interest rates. At the balance sheet date, the Group's average interest rate is 6.37% (6.34% in 2012).

Forthcoming payable interest and instalments of loans

	2013	**2012**
Less than 6 months	4,080	18,430
6–12 months	712	54
1–5 years	5,678	3,263
More than 5 years	0	0
	10,470	**21,747**

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

Because of the covenants, the non-current bank loan has in the balance sheet been described under current loans.

Distribution of interest-bearing liabilities by currency, EUR

Non-current liabilities	2013	2012
USD	0	0
INR	109	0
EUR	1,945	2,492
	2,054	**2,492**

Current liabilities	2013	2012
USD	973	1,555
INR	28	668
EUR	6,795	15,736
	7,797	**17,959**

Convertible loan 2007

The remaining amount of the convertible loan issued in 2007, i.e. EUR 2.4 million, was due to be paid on 31 December 2012.

The company negotiated in January 2013 on the redemption of the due amount. As a result of the negotiatons, approx. EUR 1.0 million was redeemed in January and EUR 0.5 million in June. Furthermore, a part of the loan with respective interest, i.e. a total of EUR 0.4 million, was converted to Incap's shares by means of a private placement to one holder of the convertible loan. At the end of the financial period 2013 the remaining amount of the 2007 convertible loan was EUR 0.5 million and it shall be settled by 30 June 2014.

Convertible loan 2012

A part of the holders of the convertible loan 2007 converted their loan units to a new convertible loan in the year 2012. The issue rate of the convertible loan was 100% and an annual fixed interest of 7% was due to be paid on the loan after each 12-month period. The subscription price of the new loan was paid in the way that one loan unit in the 2007 convertible loan was converted into one loan unit in the 2012 convertible loan. The loan amount was EUR 2,916,000 and a total of 540 loan units with the nominal value of EUR 5,400 were granted out of the loan. The convertible loan was due to expire on 25 May 2017. The convertible loan included a right to subscribe a maximum total of 7,112,195 new shares of the company. The subscription price for each new share was EUR 0.41. The subscription period commenced when the option rights attached to the convertible loan had been entered into the trade register, and it was due to end on 30 April 2017.

The contracts of the convertible loan were renewed in connection with the financing arrangement, which was announced on 22 July 2013. All holders of the convertible loan agreed with the composition arrangement and converted the remaiming loan units to a total of 22,430,769 new shares.

The subscription price in the conversion was EUR 0.13 per share.

Capital loan

In connection with the negotiations concerning the redemption of the convertible loan 2007, three of Incap Corporation's major shareholders granted the company a capital loan of EUR 1.05 million, with a loan period of three years and at an annual interest rate of 10%. Of the capital loan, EUR 0.6 million was recorded in the financial statements for 2012 and EUR 0.45 million in the financial statements for 2013. The loan was due for repayment at the latest on 31 December 2015.

In connection with the financing arrangement in July 2013 the holders of the capital loan participated in the composition arrangement cutting the loan by EUR 157,500 and converted the remaining loan to the company's new shares in the directed share issue.

Due dates of finance lease liabilities	2013	2012
Finance lease liabilities – Minimum lease payments		
Less than 1 year	28	100
1–5 years	0	6
Later than 5 years	0	0
	28	**105**
Finance lease liabilities – Present value of minimum lease payments		
Less than 1 year	27	97
1–5 years	0	6
Later than 5 years	0	0
	27	**103**
Future finance charges	1	2
Total finance lease liabilities	**28**	**105**

25. PROVISIONS, TRADE AND OTHER PAYABLES

Current	2013	2012
Trade payables	2,005	8,006
Cash proceeds	77	0
Accrued liabilities	2,179	1,529
Short-term provisions	124	0
Other liabilities	1,012	2,305
	5,397	**11,841**

Material items in accrued liabilities are related to salary expenses.

Distribution of non-interest-bearing liabilities by currency, EUR	2013	2012
USD	386	850
SEK	0	16
CHF	0	133
GBP	1	1
SGD	0	5
NOK	0	1
JPY	0	4
HKD	41	149
INR	1,473	1,847
EUR	3,495	8,834
	5,397	**11,841**

Incap has reached an agreement with the Finnish Tax Administration on the payment arrangement related to overdue value-added taxes, withholding taxes and social security contributions. The total amount of the tax liabilities within the scope of this arrangement is approximately EUR 0.6 million at the date of the financial statements. Each instalment amounts to EUR 57,700.00 and is paid monthly until 22 July 2014. The last instalment is due on 22 August 2014. Eventual sanction for delay (penalty interest and additional tax) is a reference rate for the preceding 6 months in accordance with the Tax Law 12 § plus 7 percentage unit. In 2014 the interest percentage is 7.5. According to the provisions of the agreement, if an instalment is late, the Finnish Tax Administration has the right to terminate the agreement with immediate effect.

26. MANAGEMENT OF FINANCIAL RISKS

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

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

CURRENCY RISKS

Because the Incap Group operates in the euro zone and Asia, the company's business involves currency risk. In accordance with its risk management policy, the company aims to hedge itself from currency risks with currency options and currency forward contracts. In the Finnish and Estonian companies, a part of material purchases is made in USD. The respective transaction position is taken into consideration when calculating the company-specific position and is hedged in accordance with the currency risk policy. The company does not apply hedge accounting in accordance with IAS 39.

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. The operations of the Indian company are also financed with a euro-denominated loan for which Incap Corporation has made a non-current investment in the Indian subsidiary at the same amount.

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.

In line with the Group's currency risk policy the euro-denominated investment made in the subsidiary in India was not hedged during the financial year. The currency exchange differences arising from the investment are presented under exchange differences in the Group's non-restricted equity. A change of +15%/-15% in the EUR/INR exchange rate results in a decrease of EUR 221,937.17 or an increase of EUR 164,040.52 compared with the exchange difference at 31 December 2013.

INTEREST RATE RISK

At the balance sheet date, interest-bearing liabilities in the consolidated balance sheet totalled EUR 9.8 million. Less than half of the interest-bearing liabilities have a fixed rate. The weighted average duration of the interest-bearing loan at the balance sheet date is 2.5 years. The calculation includes all loans, for which it is possible to define the payback period. 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 +/- 72,412.00 at 31 December 2013.

CREDIT RISK

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

A total of EUR 350,637 of credit losses were recorded during the financial year 2013. During 2013 the Group renegotiated payment terms for receivables that would otherwise have been due or that would have decreased in value. No credit insurance has been used to hedge trade receivables.

The aging structure of trade receivables is presented in Note 18.

LIQUIDITY RISK

The Group continuously evaluates and monitors the amount of financing required by business operations, so that it has sufficient liquid funds to finance operations and repay due loans. The company strives to ensure the availability and flexibility of financing by using credit facilities and other forms of financing.

Incap's main sources of financing are cash flow from operations, loans raised from financial institutions and share issues. Cash flow from operations has not been sufficient to loan repayments and investments. In order to secure the financing, the company has during 2010–2012 organised three private placements, in which equity financing of EUR 4.9 million has been collected from investors and major shareholders. Furthermore, in an extensive financing arrangement, which was carried out in 2013, a directed share issue and a conversion of loans into the company's new shares was arranged. The subscription price paid in cash, i.e. approximately EUR 4.5 million, has been recorded in the reserve for invested unrestricted equity.

The company's current interest-bearing liabilities on 31 December 2013 amounted to EUR 7.8 million. EUR 7.3 million of this is bank loan and EUR 2.9 million out of it concerns the Indian subsidiary. The parent company uses in Finland and in Estonia factoring financing, which is part of current liabilities. The amount of unused credit line and liquid assets was EUR 8.7 million on 31 December 2013.

DEBT FINANCING OF THE COMPANY ON 31 DECEMBER 2013

Loans from credit institutions	Balance on 31 Dec 2013 (EUR)	Review of covenants	Expiry date
1. Factoring limit (< EUR 8.5 million)	1,457,471	30 Jun 2014	for the present
2. Account with credit facility (< EUR 1 million)	822,510	30 Jun 2014	for the present
3. Bank loan in Finland	135,000	30 Jun 2014	29 Oct 2014
4. Bank loan in Finland	2,059,091	30 Jun 2014	29 Oct 2017
5. Bank loan in Finland	898,735	30 Jun 2014	6 May 2017
6. Bank loan in Finland	510,852	30 Jun 2014	16 Jul 2018
7. Bank loan in Finland	404,430	30 Jun 2014	29 Oct 2016
8. Account with credit facility in India	28,156		13 Apr 2014
9. Bank loan in India	973,399		15 Jan 2014
10. Finnfund's investment in Indian operations	1,898,615		22 Jul 2015
11. Bank loan in Estonia	83		20 Jan 2014
Total	9,188,340		
Other loans			
Convertible loan 2007	478,805		30 June 2014
Finance lease in Finland	8,311		1 Apr 2014
Finance lease in Finland	11,525		1 Jan 2015
Finance lease in Finland	8,177		1 Jan 2015
Other loans	46,338		1 Sep 2018
Other loans	108,661		
Total	661,817		
Total	**9,850,157**		

Instalments and interests of loans

	Instalments	Interests	31 Dec 2013
Less than 6 months	3,769	311	4,080
6–12 months	711	1	712
1–5 years	5,370	308	5,678
More than 5 years	0	0	0
	9,850	620	10,470

Of the company's loans, Finnfund's investment in Indian operations is classified as non-current. Other bank loans are included in current financial liabilities on the basis of the loan period or due to the breach of covenants.

Loans, credit line and factoring credit line granted by a Finnish bank totalled EUR 6.3 million on 31 December 2013. These loans (Nos. 1–7 in the above table) involve the following covenants:

	Equity ratio	net IBD/EBITDA
31 December 2013 and onwards	at least 15%	up to 5

Net IBD equals interest-bearing liabilities without factoring lease according to IFRS principles less cash and cash equivalents. EBITDA is calculated for rolling 12 months.

The covenants were not met on 31 December 2013. On this date, the company's equity ratio was 4.3% and net IBD/EBITDA was -1.41. The bank has the right to terminate the agreements to expire after 60 days if any covenant is not met on the testing date. On 10 February 2014, the company received a written confirmation from the bank that the bank will not exercise its right to terminate the loans, even though the covenants were not met on 31 December 2013. The covenants will be tested next on 30 June 2014 and after that every six months.

On the basis of the forecast prepared by Incap on 24 February 2014, the covenants mentioned above will not be met on the next testing date, 30 June 2014. The company is continuing the negotiations with the bank in order to mitigate the covenants.

Finnfund's investment made in 2009 or any other foreign loans do not include any covenants. However, a standby letter-of-credit which serves as a security of a foreign bank's loan is including covenants.

The remainder of the convertible loan issued by Incap in 2007, i.e. EUR 478,805 will mature on 30 June 2014. Forthcoming instalments and interests are described in the Note 24.

To assess its liquidity, Incap has prepared a monthly cash flow projection for the Group covering a period that includes the financial statements for 2014. The cash flow projection is based on the performance forecast than has been prepared in connection with the financial statements and will be updated monthly, as well as on the actual turnover of sales receivables, accounts payable and inventories. Since the profit levels used in calculations do not reflect the actual past development, there is an element of uncertainty associated with them.

Based on the cash flow estimate Incap does not have sufficient working capital for the company's needs for the forthcoming 12 months. The company estimates that the additionally needed working capital amounts to approximately EUR 1–1.5 million. The working capital is, however, sufficient for the forthcoming 12 months if the following provisions are met:

- the company succeeds in regaining the present customers' trust and is successful in new customer acquisition, and/or
- the company reaches the estimated profitability targets in the way that the company has sufficient means to cover the debt instalment of EUR 1.8 million by the end of 2014, and/or
- the financing negotiations with the bank succeed as planned so that the debt instalments are postponed, and/or
- the business operations in India develop favourably so that the subsidiary in India is able to pay off its accounts payable to the parent company, and
- the covenants for the bank loans are met or in case the covenants are not met, the bank does not use its right to call in the loans.

Incap's management is confident that the negotiations with the bank succeed and the cash flow of operations develops in the way that the company is able to meet its commitments. The company has implemented towards the end of 2013 a comprehensive Turnaround program, which was completed successfully after the end of the financial period in January 2014. After the implementation of the actions of the Turnaround program Incap is able to operate profitably in 2014 even with remarkably smaller manufacturing volumes than in 2013. The actions of the program are estimated to reflect in full in the profitability during the latter part of 2014.

Thus, the company estimates that it will be able to cover any eventual working capital deficit and ensure that the covenants related to the financing agreements are met. Should the covenants not be met and the financiers inform the company that they will make use of the covenants to terminate the agreements the company would need to initiate negotiations on the rearrangement of funding and on gaining new equity or debt financing.

CAPITAL MANAGEMENT

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

The trend in the Group's capital structure is constantly tracked with gearing. On 31 December 2013, the Group's interest-bearing net liabilities totalled EUR 8.2 million (EUR 19.8 at 31 Dec 2012) and its gearing was 1,215% (-659% at 31 Dec 2012). Gearing is calculated by dividing interest-bearing net liabilities by equity. Net liabilities equal interest-bearing liabilities less interest-bearing receivables and cash and cash equivalents. On 31 December 2013, the equity ratio was 4.3% (-10.3% at 31 Dec 2012).

27. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial assets do not differ from their carrying amount.

Financial liabilities	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Bank loans	7,290	7,290	12,558	12,558
Pension loans	109	109	0	0
Convertible loan	479	495	5,291	5,926
Capital loan	0	0	600	600
Other interest-bearing loans	1,945	2,155	1,899	1,899
Finance lease liabilities	28	28	103	103
Trade and other payables	5,397	5,397	11,841	11,841

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

Discount rates applied in determining fair value	2013	2012
Bank and other loans	2.83–10.00%	1.84–10.00%

On the date of the financial statements, the company has no financial assets and liabilities at fair value through profit and loss.

28. ADJUSTMENTS TO CASH FLOWS FROM OPERATIONS

	2013	2012
Non-cash transactions	2,633	-574
Depreciation and impairment losses	1,065	1,460
Change in finance lease agreements due to IFRS adjustments	72	0
Lease payments in cash flow from financing activities	0	0
Employee benefits expense	-5	-5
Transfer of capital gains on tangible assets to cash flow from investments	0	0
Gains (–) and losses (+) of disposals of fixed assets and other non-current assets	-184	-153
	3,581	**728**

29. OPERATING LEASES

The Group has leased the production and office space it uses. Part of these agreements are in force until further notice and their termination periods vary from one to eighteen months. The length of other contracts is up to a maximum of five years. Lease agreements ending on a fixed date include an option of continuing the agreement after the original expiry date. The index, renewal and other terms of the agreements differ from each other.

Non-cancellable operating leases also include equipment leases, which are not classified as finance leases under IFRS.

The Group as lessee

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

	2013	2012
Less than 1 year	1,023	1,233
1–5 years	648	566
	1,671	**1,798**

The income statement for 2013 includes EUR 1.9 million of lease expenses paid for operating leases (EUR 1.8 million in 2012).

30. COLLATERAL AND CONTINGENT AND RELATED LIABILITIES

Collateral given on behalf of own commitments	2013	2012
Mortgages	586	2,196
Business mortgages	12,113	12,113
Repurchase liability for trade receivables sold to finance companies	1,457	5,265
Other collaterals	50	0

31. RELATED-PARTY TRANSACTIONS

Management's employee benefits	2013	2012
Salaries and other current employee benefits	680	912
Benefits in connection with termination of employment	0	39
Benefits after end of employment	0	0
Other long-term employee benefits	0	0
Share-based payment	0	0
	680	**951**

Fredrik Berghel, the acting CEO as from 20 September 2013, is working in his position based on a consulting agreement and he has no period of termination. The pension benefits of other members of the Group Management Team are determined in accordance with the Employment Pensions Act (TEL).

Wages and salaries	2013	2012
President and CEO	198	267
Board members		
Kalevi Laurila	3	48
Lassi Noponen	51	36
Susanna Miekk-oja	27	24
Raimo Helasmäki	27	24
Matti Jaakola	41	24
Janne Laurila	27	
Fredrik Berghel	-	
Olle Hulteberg	-	

The wages and salaries for the Board of Dirctors cover the full term of office for Board members including the annual fee until the Annual General Meeting in 2014 and the meeting fees paid during the year 2013.

The members of the Board and the President and the CEO and their interest parties and controlled corporations owned a total of 29,344,858 shares, or 26.9%, of the company's shares outstanding. The Board members Fredrik Berghel and Olle Hulteberg are holding their position based on a consulting agreement approved by the General Meeting, and they are not paid any other fee. Berghel and Hulteberg own together Inission AB, which is the biggest shareholder of Incap Corporation holding 26.1% of all shares of the company.

Incap has made an investment of EUR 0.3 million in the venture capital fund Cleantech Future Fund, which is investing in cleantech business and technologies. The investment was converted into a total of 329,342 new B-shares of Cleantech Future Fund Ky, and the respective agreement was signed in June 2013. The subscription price was EUR 0.80 per share. A member of the Board, Lassi Noponen, is a partner and Chairman of the Board at Cleantech Invest Ltd., which is managing the fund. Sami Mykkänen, who was acting as the President and CEO of Incap Group until 20 September 2013, is a Board member at Cleantech Invest Ltd.

32. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Incap announced on 2 January 2014 that Inission AB did not exercise its option to combine the operations of Inission AB with Incap Corporation in line with the respective agreement. Therefore, the option is not valid anymore.

The Board of Directors of Incap Corporation evaluated on 24 January 2014 the efficiency of the actions in the Turnaround program, which was launched earlier in 2013. It was announced that the main objectives of the program were met: the delivery accuracy improved significantly, the operational efficiency was enhanced both in manufacturing units and in support functions, the group organisation was streamlined to cover only essential functions and the production capacity was adjusted to meet with the actual demand. The organisation structure was renewed and the manufacturing units now operate as self-sufficient profit centres having full responsibility of their own operations and sales. According to the estimate of the Board of Directors, Incap is now after the implementation of the actions in the Turnaround program able to make a positive result in 2014 even with substantially lower manufacturing volumes than in 2013.

At the same time, the Board announced that even though Inission AB did not exercise its option to combine the operations of Incap and Inission by the end of 2013, it has indicated to the Board its continued interest on the merger. In this new situation the Board of Directors of Incap started evaluating strategic options for further development of the company's business. For the assessment of eventual strategic alliances the Board of Incap has decided to engage an investment bank.

On 22 January 2014, after the close of the financial period, Oy Ingman Finance announced that its share of all the shares and votes of Incap Corporation decreased to 4.99% or to 5,441,725 shares. The share of Finnvera Ltd. out of the shares and votes of Incap Corporation decreased to 4.98% or to 5,434,045 shares after the close of the financial period on 24 January 2014.

Parent Company Income Statement

1,000 euros	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Revenue	1	19,457	44,746
Changes in inventories of finished goods and work in progress	3	-303	-359
Other operating income	2	186	386
Raw materials and services	3	13,580	35,328
Personnel expenses	4	5,745	6,549
Depreciaton, amortisation and impairment losses	5	217	431
Other operating expenses	6	3,353	4,273
Operating profit/loss		**-3,555**	**-1,808**
Financial income and expenses	7	-3,425	-456
Profit/loss before extraordinary items		**-6,980**	**-2,264**
Extraordinary items		0	0
Profit/loss before appropriations and taxes		**-6,980**	**-2,264**
Appropriations	8	0	25
Income taxes	9	0	-3,267
Profit/loss for the financial year		**-6,980**	**-5,506**

Parent Company Balance Sheet

1,000 euros	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
Intangible assets	10	21	208
Tangible assets	10	295	1,796
Investments	11		
Holdings in Group companies		12,940	13,940
Other investments		311	311
Total non-current assets		**13,568**	**16,255**
Current assets			
Inventories	12	827	1,963
Deferred tax assets	13		
Non-current receivables	13	3,737	9,846
Current receivables	13	2,896	7,772
Cash in hand and at bank		4	47
Total current assets		**7,464**	**19,628**
Total assets		**21,032**	**35,884**
LIABILITIES			
Equity	14		
Share capital		20,487	20,487
Share premium account		44	44
Reserve for invested unrestricted equity		14,622	4,919
Retained earnings		-17,386	-11,880
Profit for the financial year		-6,980	-5,506
Total equity		**10,787**	**8,064**
Appropriations		0	0
Liabilities			
Non-current liabilities	15	46	2,517
Current liabilities	16	10,199	25,303
Total liabilities		**10,245**	**27,820**
Total equity and liabilities		**21,032**	**35,884**

Parent Company's Cash Flow Statement

1,000 euros	**1 Jan–31 Dec 2013**	**1 Jan–31 Dec 2012**
Cash flow from operating activities		
Operating profit/loss	-3,555	-1,808
Adjustments to operating profit/loss	717	-227
Change in working capital	2,681	5,315
Interest paid	-940	-1,567
Interest received	11	132
Cash flow from operating activities	**-1,086**	**1,845**
Cash flows from investing activities		
Investments in tangible and intangible assets	-56	-44
Investment in subsidiary	0	-58
Capital investment fund	0	-61
Proceeds from sales of tangible and intangible assets	1,496	110
Repayments of loan receivables	0	0
Cash flow from investing activities	**1,440**	**-53**
Cash flows from financing activities		
Proceeds from share issue	4,282	759
Drawdown of loans	450	1,600
Loan repayments	-5,129	-4,120
Cash flow from financing activities	**-397**	**-1,761**
Change in cash and cash equivalents	**-43**	**31**
Cash and cash equivalents at the beginning of the financial year	47	16
Cash and cash equivalents at the end of the financial year	**4**	**47**
Change in working capital		
Increase in current trade receivables	-2,441	2,795
Increase in inventories	1,011	1,325
Increase in current liabilities	4,311	1,195
	2,881	**5,315**

Notes to the Parent Company Financial Statements

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 corresponding asset item. Depreciation according to plan has been calculated according to the straight-line method on the basis of the useful life of the property, plant and equipment.

INTANGIBLE ASSETS

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

TANGIBLE ASSETS

- Buildings and structures 18–24 years
- Machinery and equipment 3–10 years
- Vehicle fleet 3–5 years

Inventories

Inventories are measured at the lower of historical cost under FIFO or the repurchase value or selling price. The value of inventories includes variable expenses and their share in the fixed expenses of procurements and manufacturing.

Financial assets and management of financial risks

Trade receivables and payables are not exposed to significant interest rate or foreign currency risks. The company has however carried out hedging measures against exchange rate fluctuations during the financial year according to the company's protection policy.

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 said 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.

Research and development expenditure

Research and development expenditure in 2013 has been treated as annual expenses within other operating expenses. There were no research and development expenditures in the parent company in 2013.

Periodisation of pension expenses

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

Income taxes

Incap Corporation has, for taxation purposes, unused losses which have been approved and can be utilised in the years 2014–2023. Parent company's deferred tax assets of EUR 3.3 million have been recorded as an expense in the financial statements for 2012, as there were no longer prerequisites based on IAS 12 standard to keep deferred tax assets in the balance sheet.

The deferred tax asset of EUR 0.6 million in the consolidated balance sheet on 31 December 2012 has been recognised in the Indian company and it has been utilised during the year 2013. There are no deferred tax assets recorded in the balance sheet of the financial statements for 2013.

Deferred tax assets are described in more detail in Note 16, Deferred tax assets and liabilities, to the consolidated financial statements.

Impairment testing of shares in subsidiaries

The value of shares in 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 on, for example, equity ratio. The impairment testing of shares in subsidiaries has been carried out on the basis of the situation at the end of December 2013.

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

Based on the calculations, the value of the shares of the Estonian subsidiary has been decreased in the financial statements by approximately EUR 4.0 million. Since the levels of revenue and operating profit before depreciation used in the calculations do not reflect the actual development during the preceding years, there is an element of uncertainty associated with them.

The business development of the Indian subsidiary has been favourable and there are no indications of impairment of its shares.

1. REVENUE

Revenue by market area	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Finland	12,249	36,649
Europe	7,064	7,770
Other	144	327
	19,457	**44,746**

2. OTHER OPERATING INCOME

	2013	2012
Capital gains on the sale of property, plant and equipment	184	365
Other income	2	22
	186	**386**

3. RAW MATERIALS AND SERVICES

	2013	2012
Raw materials and consumables		
Purchases during the financial year	3,620	14,287
Change in inventories	1,132	1,127
	4,752	**15,413**
External services	9,131	20,274
	13,883	**35,687**

4. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

	2013	2012
Average number of employees		
White-collar	31	44
Blue-collar	60	91
	91	**135**
Personnel expenses		
Wages and salaries	4,419	5,363
Pension expenses	1,119	894
Other social security expenses	207	291
	5,745	**6,549**
Salaries and bonus of the management		
President and the Board	373	423
	373	**423**

5. DEPRECIATION AND AMORTISATION

Depreciation according to plan in 2013 totalled EUR 0.2 million (EUR 0.4 million in 2012). The specification of depreciation and amortisation for individual balance sheet items is included in the item 10. Property, plant and equipment. The depreciation and amortisation periods are presented in the accounting policies.

6. OTHER OPERATING EXPENSE

	2013	2012
Lease payments	600	1,227
Maintenance expenses for machinery and properties	758	1,200
Other expenses	1,995	1,846
	3,353	**4,273**
Auditors fees		
KHT-Group Ernst & Young Oy Auditing fees	44	23
Certificates and statements	0	0
Tax advice	2	0
Other services	161	54
	208	**77**

7. FINANCIAL INCOME AND EXPENSES

	2013	2012
Dividend income		
From other companies	1	1
Other interest and financial income		
From Group companies	0	0
From other companies	1,943	1,141
Interest paid and other financial expenses		
To other companies	-5,369	-1,599
	-3,425	**-456**

In connection with the financing arrangement, which was negotiated in summer 2013, a composition arrangement was implemented. Due to the composition arrangement, approximately EUR 1.8 million of financing income was recorded for the impairment of values of the capital loan, bank loans, loan interests and accounts payable. The financing income in 2012 includes an impairment of the redemption value of the convertible loan by approximately EUR 1.0 million. The financing expenses in 2013 include the impairment of the values of the Estonian subsidiary's shares by EUR 4.0 million and the receivables from the subsidiary in Hong Kong by EUR 0.345 million.

8. APPROPRIATIONS

	2013	2012
Difference between depreciation according to plan and depreciation for taxation purposes.	0	25

9. INCOME TAXES

	2013	2012
Change in deferred tax asset	0	-3,267

The change in deferred tax asset has been described more in detail in the Consolidated Financial Statements' Note 16 Deferred tax asset.

10. PROPERTY, PLANT AND EQUIPMENT

Intangible assets

	Intangible rights	Goodwill	Other long-term expenditure	Total
Acquisition cost, 1 Jan 2013	1,721	16,337	1,724	19,782
Increase	0	0	0	0
Decrease	-123	0	0	-123
Acquisition cost, 31 Dec 2013	**1,599**	**16,337**	**1,724**	**19,660**
Accumulated amortisation and impairment losses, 1 Jan 2013	-1,550	-16,337	-1,688	-19,575
Cumulative depreciation of decreases and reclassifications	0	0	0	0
Amortisation during the year	-31	0	-32	-64
Accumulated amortisation, 31 Dec 2013	**-1,581**	**-16,337**	**-1,720**	**-19,638**
Carrying amount, 31 Dec 2013	18	0	4	21
Carrying amount, 31 Dec 2012	172	0	36	208

Part of the issuing expenses resulting from the issue of convertible loan 2012 was recognised as other long-term expenditure. Of this amount, 0 EUR remained at the close of the financial year.

Tangible assets

	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost, 1 Jan 2013	**56**	**4,633**	**24,469**	**544**	**0**	**29,702**
Increase	35	20	0	0	0	56
Decrease	-91	-4,653	-154	0	0	-4,899
Reclassifications between items	0	0	0	0	0	
Acquisition cost, 31 Dec 2013	**0**	**0**	**24,315**	**544**	**0**	**24,858**
Accumulated depreciation and impairment losses, 1 Jan 2013	**0**	**-3,240**	**-24,124**	**-542**	**0**	**-27,905**
Cumulative depreciation on reclassifications and disposals	0	3,341	154	0	0	3,495
Depreciation during the year	0	-101	-50	-2	0	-153
Accumulated depreciation, 31 Dec 2013	**0**	**0**	**-24,020**	**-544**	**0**	**-24,563**
Carrying amount, 31 Dec 2013	0	0	295	0	0	295
Carrying amount, 31 Dec 2012	56	1,393	345	2	0	1,796

11. INVESTMENTS

	Holdings in Group companies	Receivables from Group companies	Other shares	Total
Acquisition cost, 1 Jan 2013	**10,164**	**3,776**	**311**	**14,251**
Increase	3,000	0	0	3,000
Impairment in shares	-4,000	0	0	-4,000
Acquisition cost, 31 Dec 2013	**9,164**	**3,776**	**311**	**13,251**
Carrying amount, 31 Dec 2013	9,164	3,776	311	13,251
Carrying amount, 31 Dec 2012	10,164	3,776	311	14,251

The Group's equity at the close of the financial period was EUR 0.687 million (EUR -3.0 million in 2012) while the parent company's equity was EUR 10.8 million (EUR 8.1 million in 2012). The equity of the Group is weakened by the loss of the parent company and the Estonian subsidiary.

The value of shares in subsidiaries in the parent group 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 approx. EUR 8.8 million and the value of the Estonian subsidiary approx. EUR 4.1 million. The value of the shares in subsidiaries has a significant impact on the parent company's equity and therefore on, for example, equity ratio. The impairment testing of shares in subsidiaries has been carried out based on the situation at the end of the financial period 2013.The recoverable amounts used in the impairment test calculations are determined on the basis of use value.

The cash flow forecasts are based on the budget for the next financial period and the four-year business plan prepared by the management and ratified by the Board of Directors. In cash flow estimates, the growth of revenue varies during the years 2014–2017 as follows: In India, the revenue is decreasing 20% in 2014 and increasing in 2015–2017 3% annually. In Estonia, the revenue is decreasing 74% in 2014 and increasing in 2015 by 76% and in 2016–2017 18% annually. In the calculations, the operating profit before depreciation varies in India between 16–17%. In Estonia the operating profit before depreciation varies between -17% to 11% in 2014–2015. 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 2013, the discount rate of 15.4% has been used in India and 9.8% in Estonia.

Should the revenue used in the testing decrease by 7% in India or by 6% in Estonia, or should the discount rate increase by a maximum of 0.03% in Estonia and a maximum of 6.2% in India, there would be no need for write-down of shares. The profitability of the Indian subsidiary has improved during the past few years and there is no need or risk of any impairment.

As to the Estonian subsidiary, the levels of revenue and operating profit before depreciation used in the impairment test calculations do not reflect the actual development during preceding years, and therefore there is an element of significant uncertainty associated with them. The percentage of operating margin out of the terminal value has been normalised in the test calculations. 56% of the business value of the Estonian subsidiary consists of a so called residual value. Based on the uncertainty the value of the shares in the parent company has been decreased by EUR 4.0 million. The revenue in the Estonian operations has decreased clearly during 2013, and therefore the operations have been adjusted and the number of personnel has decreased by 103 persons during the financial year.

GROUP COMPANIES

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

Incap Corporation owns 100% of Incap Electronics Estonia OÜ and Incap Hong Kong Ltd and 77.5% of Incap Contract Manufacturing Services Pvt. Ltd. Share capital investment of Finnfund is 22.5% of the share capital of Incap Contract Manufacturing Services Pvt. Ltd. All companies are combined in the parent company consolidated financial statements.

12. INVENTORIES

	2013	2012
Raw materials and consumables	391	1,220
Work in progress	100	196
Finished goods	336	542
Advance payments for inventory	1	5
	827	**1,963**

13. ASSETS

	2013	2012
Non-current		
Trade receivables	160	0
Amount owed by Group companies		
Trade receivables	3,577	9,846
	3,737	9,846

Trade receivables from other Group companies, which are not supposed to be realised during the next 12 months after the end of the financial period, have been transferred from current to non-current receivables. The subsidiary Incap Electronics Estonia OÜ has not been able to settle the trade payables to the parent company during the year 2013 due to its weak profitability. The parent company has non-current trade receivables amounting to EUR 1.9 milion from its subsidiary Incap Electronics Estonia OÜ and current trade payables amounting to EUR 0.9 million to Incap Electronics Estonia OÜ.

The corporate services which are today produced by the parent company will be transferred to the subsidiaries, whereby their liquidity improves and they are able to settle their trade payables. However, there is an element of uncertainty associated with the liquidity.

	2013	2012
Deferred tax asset	0	0
Current		
Trade receivables	2,742	7,107
Amount owed by Group companies		
Trade receivables	0	235
Interest receivables	0	0
Other receivables	0	0
	0	**235**
Other receivables	0	5
Prepaid expenses and accrued income	153	425
Total receivables	**6,633**	**17,619**
Material items in accrued income		
Personnel expenses	11	203
Salaries for the Board of Directors	39	39
Expenses of the share issue in 2013	0	45
Rents	8	37
Other	94	101
Total	**153**	**425**

14. EQUITY

	2013	2012
Subscribed capital, 1 Jan	20,487	20,487
Subscribed capital, 31 Dec	20,487	20,487
Share premium account, 1 Jan	44	44
Share premium account, 31 Dec	44	44
Total restricted equity	**20,531**	**20,531**
Reserve for invested unrestricted equity 1 Jan	4,919	4,160
Share issue	9,703	759
Reserve for invested unrestricted equity 31 Dec	14,622	4,919
Retained earnings, 1 Jan	-17,386	-11,880
Recording of previous years' depreciation differences	0	0
Retained earnings, 31 Dec	-17,386	-11,880
Profit for the financial year	-6,980	-5,506
Total non-restricted equity	**-9,744**	**-12,467**
Total equity	**10,787**	**8,064**
Distributable funds		
Reserve for invested unrestricted equity	14,622	4,919
Retained earnings	-17,386	-11,880
Profit for the financial year	-6,980	-5,506
	-9,744	**-12,467**

The parent company's equity is less than half of the share capital.

Equity capital on 31 December 2013	10,787
Capital loan	0
Equity according to the Companies Act, Chapter 20, § 23	10,787
Half of the share capital	10,243
	544

Because the equity of Incap Group's parent company decreased to less than a half of the share capital in the financial statement for 2012, the Board of Directors of Incap Corporation presented to the Annual General Meeting on 10 April 2013 an action plan on measures to turn the company's operations profitable in 2013. The extensive financing arrangement which was reached in July 2013 enhanced the parent company's equity.

15. NON-CURRENT LIABILITIES

	2013	2012
Capital loan	0	600
Loans from credit institutions	0	0
Pension loans	0	0
Convertible loans	0	1,917
Other liabilities	46	0
	46	**2,517**

All liabilities are falling due within five years. Non-current bank loans amounting to EUR 3.3 million have been transferred to current financing liabilities due to the breach of covenants.

Capital loan

Major shareholders of Incap Corporation granted the company a capital loan of EUR 1.05 million. Out of the loan, EUR 0.6 million was drawn in 2012 and EUR 0.5 million in the financial period 2013. In connection with the financing arrangement in summer 2013, the entire capital loan was converted to the new shares of the company.

16. CURRENT LIABILITIES

	2013	2012
Loans from credit institutions	6,288	10,333
Pension loans	0	0
Convertible loan	479	3,405
Trade payables	358	3,272
Amount owed to Group companies:		
Trade payables	868	5,051
Other liabilities	0	0
Advances received	0	0
Other liabilities	811	1,887
Accruals and deferred income	1,395	1,355
	10,199	**25,303**
Total interest-bearing liabilities	6,767	13,738
Material items in accruals and deferred income		
Wages and salaries, incl. social costs	689	800
Lease payment liabilities	0	0
Interest	106	403
Expense reserve	534	55
Other	66	97
	1,395	**1,355**
Other current liabilities		
Reserves	0	48
Tax account	569	1,192
Others	242	647
	811	**1,887**

Incap has in 2012 reached an agreement with the Finnish Tax Administration on the payment arrangement related to overdue value-added taxes, withholding taxes and social security contributions. The total amount of the tax liabilities within the scope of this arrangement is approximately EUR 0.6 million at the date of the financial statements. Each instalment amounts to EUR 57,700.00 and is paid monthly until 22 July 2014. Last instalment of the tax liabilities will be paid on 22 August 2014. Eventual sanction for delay (penalty interest and additional tax) is a reference rate for the preceding 6 months in accordance with the Tax Law 12 § plus 7 percentage unit. In 2014 the interest percentage is 7.5. According to the provisions of the agreement, if an instalment is late, the Finnish Tax Administration has the right to terminate the agreement with immediate effect.

17. OTHER NOTES TO THE ACCOUNTS

Collateral	**2013**	**2012**
Loans for which real-estate has been mortgaged as collateral		
Loans from credit institutions	0	1,504
Mortgages	0	1,504
Loans for which business mortgages have been given as collateral		
Loans from credit institutions	4,831	5,068
Mortgages	12,113	12,113
Collateral given on behalf of the Group companies		
Finance loans	5,832	7,291
Mortgages	12,698	14,309
Guarantees on behalf of Group companies		
Rental and loan guarantee	1,721	1,795
Contingent and other liabilities		
Lease liabilities, net of VAT		
Liabilities falling due next year	49	142
Liabilities falling due after one year	0	102

Finance leases include the option to buy acquired fixed assets at fair value at the end of the lease period.

Repurchase liability for trade receivables sold to finance companies	1,457	5,265
Lease liabilities for the Group's premises	162	251

Board of Directors' proposal on measures related to the operating result

The parent company's loss for the financial period totalled EUR 6,979,595.95. The Board will propose to the Annual General Meeting on 10 April 2014 that no dividend be paid and the loss for the financial period be recognised in equity.

Helsinki, 25 February 2014

Lassi Noponen Chairman of the Board	Fredrik Berghel President and CEO
Raimo Helasmäki	Olle Hulteberg
Susanna Miekk-oja	

Auditor's report

TO THE ANNUAL GENERAL MEETING OF INCAP OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Incap Oyj for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

AN ADDITIONAL INFORMATION RELATING TO EMPHASIZING OF CERTAIN ISSUES

Without qualifying our opinion, we draw attention to the issues described in report of the Board of Directors and notes to financial statements of the company's financing and sufficiency of working capital. According to the cash flow forecast, the company's working capital is not sufficient for the needs of next 12 months. According to the company's estimate the additional working capital requirement is about EUR 1–1,5 million. The factors in the report of the Board of Directors and in the notes to the financial statements indicate essential uncertainty which may give a significant reason to doubt the company's ability to continue operations.

In addition, without qualifying our opinion, we draw attention to the valuation of Estonian subsidiary shares described in the report of the Board of Directors and in section 11 in notes to the financial statements of the parent company. According to the company, significant uncertainty may be included in the valuation of Estonian subsidiary shares and the value of the shares has a significant impact on the parent company's equity ratio and the equity.

Oulu, March 18, 2014

Ernst & Young Oy
Authorized Public Accountant Firm

Jari Karppinen
Authorized Public Accountant

Five-year Key Figures

		2013	2012	2011	2010	2009
		IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	EUR million	36.8	64.1	68.9	59.2	69.8
Growth	%	-43	-7	16	-15	-26
Operating profit	EUR million	-5.9	-0.7	-1.6	-3.2	-5.0
Share of revenue	%	-16	-1	-2	-5	-7
Profit before taxes	EUR million	-8.0	-1.4	-4.0	-4.9	-6.7
Share of revenue	%	-22	-2	-6	-8	-10
Return on equity (ROE)	% [1) 3)]	734.7	580.8	-115.3	-81.0	-68.5
Return on investment (ROI)	% [4)]	-30.2	-12.6	-5.1	-10.6	-15.9
Total assets	EUR million	15.9	29.3	39.3	42.6	39.7
Equity ratio	% [1)]	4.3	-10.3	3.3	13.2	16.2
Gearing	% [1)]	1,215.3	-659.4	1,867.7	383.0	319.8
Net debt	EUR million	7.5	18.9	21.8	21.7	21.3
Quick ratio		0.6	0.5	0.4	0.6	0.5
Current ratio		0.9	0.8	0.7	1.0	1.1
Investments	EUR million	0.3	0.1	0.3	0.5	1.1
Share of revenue	%	0	0	0	1	2
R&D expenditure	EUR million	0.1	0.1	0.1	0.05	0.1
Share of revenue	%	0	0	0	0	0
Average number of employees		556	697	749	780	751
Dividends	EUR million [2)]	0	0	0	0	0

1) Key figures have been calculated in accordance with the standard 5.1 of Financial Supervision Authority.
2) The Board of Directors proposes to the Annual General Meeting that no dividend be paid out.
3) In the calculation of return on equity, the numerator and the denominator are negative.
4) In the calculations of the Return on Investment, the financing expenses of the Group include a total of EUR 3.2 million of financing expenses in connection with the conversion of loans in accordance with the IFRIC19 and IAS 39/32 standards.

		2013	2012	2011	2010	2009
		IFRS	IFRS	IFRS	IFRS	IFRS
Per-share data						
Earnings per share	EUR	-0.14	-0.25	-0.21	-0.33	-0.55
Equity per share	EUR	0.01	-0.14	0.07	0.30	0.53
Dividend per share	EUR 1)	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		-0.8	-0.8	-2.0	-1.7	-1.2
Trend in share price						
Minimum price during year	EUR	0.10	0.15	0.37	0.49	0.43
Maximum price during year	EUR	0.25	0.65	0.64	0.75	0.99
Mean price during year	EUR	0.14	0.30	0.52	0.63	0.63
Closing price at end of year	EUR	0.11	0.19	0.42	0.57	0.67
Total market capitalisation at 31 Dec	EUR million	12.0	4.0	7.8	10.6	8.2
Trade volume	no. of shares	7,065,282	2,952,411	746,382	5,211,956	2,986,054
Trade volume	%	7	14	4	39	25
Share issue-adjusted number of shares						
Mean number during year		60,117,106	20,067,042	18,680,880	14,682,250	12,180,880
Number at end of year		109,114,035	20,848,980	18,680,880	18,680,880	12,180,880

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

Definitions of Key Figures

Return on equity, %	=	$\frac{\text{100 x profit/loss}}{\text{equity (mean for financial year)}}$
Return on investment, %	=	$\frac{\text{100 x (profit/loss + financial expenses)}}{\text{equity + interest-bearing loans (mean for financial year)}}$
Equity ratio, %	=	$\frac{\text{100 x equity}}{\text{total assets less advance payments received}}$
Gearing, %	=	$\frac{\text{100 x (interest-bearing liabilities less cash and cash equivalents)}}{\text{equity}}$
Net debt	=	liabilities less financial assets
Quick ratio	=	$\frac{\text{financial assets}}{\text{short-term liabilities – current advance payments received}}$
Current ratio	=	$\frac{\text{financial assets + inventories}}{\text{current liabilities}}$
Investments	=	purchases of property, plant and equipment net of VAT and including investment subsidies
Average number of employees	=	average number of employees at end of month

Per-share data

Earnings per share	=	$\frac{\text{net profit}}{\text{share issue-adjusted mean number of shares during financial year}}$
Equity per share	=	$\frac{\text{equity}}{\text{share issue-adjusted number of shares at end of financial year}}$
Dividend per share	=	$\frac{\text{dividend during financial year}}{\text{share issue-adjusted number of dividend-earning shares at end of financial year}}$
Dividend out of profit, %	=	$\frac{\text{100 x dividend per share}}{\text{earnings per share}}$
Effective dividend yield, %	=	$\frac{\text{100 x dividend per share}}{\text{last price at balance sheet date}}$
Price per earnings (P/E) ratio	=	$\frac{\text{last price at balance sheet date}}{\text{earnings per share}}$
Total market capitalisation	=	last price at balance sheet date x number of shares in issue

BOARD OF DIRECTORS

LASSI NOPONEN
Chairman of the Board
LL.M., MBA, born 1963
A non-executive director, who is independent of the company and its major shareholders.

Lassi Noponen was elected into Incap Corporation's Board of Directors in 2009. He is Chairman of the Board and a partner at Cleantech Invest Oy. He has previously acted as the Chairman of the Board of Winwind Ltd. He has also served as the CEO of Proventia Group and as a partner in Evli Corporate Finance and held different tasks in Neste Corporation.

Incap shares (direct ownership and holding of interest parties): 521,893

FREDRIK BERGHEL
M.Sc. (Eng.), born 1967

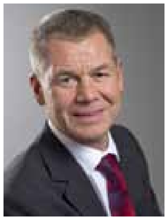
Fredrik Berghel has been a member of the Board of Directors of Incap Corporation since August 2013. He is the acting President and CEO of Incap as from 20 September 2013. He also is the CEO of Inission AB. He has previously acted among others as Production Director at Constructor group, Production Manager at Hydro Aluminum and as Managing Director at Robust Ståldörrar AB. Fredrik Berghel holds 50.1% of the shares of Inission AB, which holds 28,500,000 Incap's shares.

Incap shares (direct ownership and holding of interest parties): 28,500,000

RAIMO HELASMÄKI
M.Sc. (Mechanical Engineering), born 1963
A non-executive director, who is independent of the company and its major shareholders.

Raimo Helasmäki has been a member of the Board of Directors of Incap Corporation since 2010. He works as Executive Vice President of Small Caliber Division at the Scandinavian Nammo Group and as President of Nammo Lapua Oy. Previously he has worked as the Managing Director of Esmi Oy, part of Schneider Electric Group, and as Marketing Director of TAC Finland Oy.

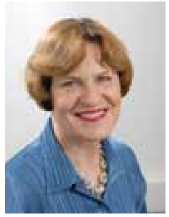
Incap shares: 89,944



OLLE HULTEBERG
M.Sc. (Eng.), born 1962
A non-executive director

Olle Hulteberg was appointed to Incap's Board of Directors in August 2013. He is the Managing Director of Inission AB. In his career as entrepreneur he has several successful start-ups as track record, and he has also held various positions within Ericsson and Tieto. Olle Hulteberg holds 49.9% of Inission AB, which holds 28,500,000 Incap's shares.

Incap shares (direct ownership and holding of interest parties): 28,500,000



SUSANNA MIEKK-OJA
M.Sc., born 1950
A non-executive director, who is independent of the company and its major shareholders.

Susanna Miekk-oja has been a member of the Board of Directors of Incap Corporation since 2007. She serves as Director at Danske Bank Plc Wealth Management. She has previously been running capital markets operations and starting asset management activities. She has also acted as Managing Director of a fund management company. Susanna Miekk-oja is a board member at the Research Foundation of the University of Helsinki and a member of the committee for property and stock investment of the University of Helsinki.

Incap shares: 233,021

None of the Directors is holding stock options.

MANAGEMENT TEAM AS FROM 25 NOVEMBER 2013

FREDRIK BERGHEL
President and CEO
M.Sc. (Eng.), born 1967

With the company as acting President and CEO as from 20 September 2013. Member of the Board of Incap as from 21 August 2013.
Fredrik Berghel acts as the CEO of Inission AB. He has previously worked among others in the Constructor Group, Hydro Aluminium and Robust Ståldörrar AB.

Incap shares: 28,500,000
(the shares owned by Inission AB)
Stock options: -

PRIIT KADASTIK
IT Manager
BBA, born 1977

With the company since 2013. He has previously worked at Stoneridge Electronics AS and at Baltic Computer Systems AS.

Incap shares: -
Stock options: -

SIRET KEGEL
Manager, Kuressaare factory
M.Sc. (Eng.), born 1970

With the company since 2012 acting first as the Quality Director and as from October 2013 as Manager for the Kuressaare factory. She has previously worked at Elcoteq in several managerial duties.

Incap shares: -
Stock options: -

MURTHY MUNIPALLI
Manager, Operations India & Sales Asia
M.Sc. (Eng.), MBA, born 1964

With the company as from 2008. He acted first as Sales Director and then as Managing Director of the Indian subsidiary with responsibility for all the operations in India. He has worked previously at Spike Technologies Ltd (present Qualcomm) and Tata Elxsi Ltd.

Incap shares: -
Stock options: -

KIRSTI PARVI
CFO
BAA, EMBA, born 1958

With the company since 2007, first as Business Controller and CFO for the Indian subsidiary. Since 2011 she has acted as the Group CFO and a member of the management team.
Previous positions among others with Kemira.

Incap shares: 150,000
Stock options: -

SUSANNA PYYKKÖ
Group HR Manager
BBA, born 1980
With the company since 2012. She has worked previously at Thermo Fisher Scientific Oy, Lyreco Finland Oy and Intrum Justitia Oy.

Incap shares: -
Stock options: -

VESA TAMMELA
Manager, Vaasa factory
B.Sc. (Eng.), born 1963

With the company since 2012. He has worked previously at Maaseudun Kone Oy, Mecanova Oy ja Wärtsilä NSD.

Incap shares: -
Stock options: -

SHARES AND SHAREHOLDERS

Incap Corporation has one series of shares and a total of 109,114,035 shares at the end of the financial period 2013. Company's share capital registered in the trade registry was EUR 20,486,769.50 on 31 December 2013. The company does not own any of its own shares.

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

The price of Incap Corporation's share varied in the range of EUR 0.10 to EUR 0.25 during the financial year. The last quotation in trading at the end of the year was EUR 0.11. The total trading of the share during the financial year was 6.5%. The company's market capitalisation on 31 December 2013 was EUR 12,005,544. At the close of the financial year, the company had 1,409 shareholders, and 27.3% of the shares were nominee-registered or abroad.

AUTHORISATION FOR THE BOARD OF DIRECTORS

The Annual General Meeting authorised on 10 April 2013 the Board of Directors to decide, during one year after the Annual General Meeting, to issue a maximum of 300,000,000 new shares either against payment or without payment.

The Board of Directors used the authorisation on 17 July 2013 in a directed share issue of a total of 64,137,000 new shares. The share issue was directed in connection with the company's comprehensive financing arrangement to the company's major shareholders, an industrial investor, the company's Finnish financiers and the company's other creditors and senior management. A total of 45,212,000 shares were subscribed against cash payment and 18,925,000 shares were subscribed in the conversion against loans. Furthermore, the Board used 15,318,574 shares from the authorisation in connection with the conversion of the convertible loan issued in 2012.

At the end of the financial year 2013 the Board of Directors had a remaining authorisation to issue a total of 220,544,426 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.

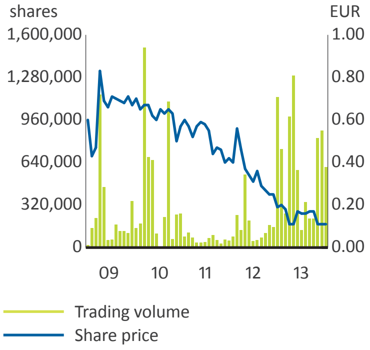
STOCK OPTION SCHEME 2009

The stock option scheme launched in 2009 consists of a total of 600,000 option rights entitling to a subscription of 600,000 of Incap Corporation's share. Stock options are divided into stock options 2009A, 2009B and 2009C. The subscription price of shares with all option warrants is one euro. The subscription period for all options ended after the end of the financial period on 31 January 2014. No options were used for the subscription of shares.

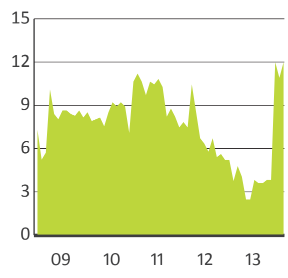
SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND THE PRESIDENT

The members of the company's Board of Directors, the President and their interest parties owned a total of 29,344,858 shares, or 26.9% of the company's shares and votes. Details on the holdings of the Board of Directors, the President and the Group management team are available on the company's website at www.incap.fi/Investors/Insiders.

TRADING VOLUME AND SHARE PRICE



MARKET CAPITALISATION, EUR MILLION



Development of share capital		Changes, 1,000 euros	Registered on	Share capital, 1,000 euros
31.1.1991	Merger	5,760	26.2.1992	7,862
28.4.1992	Increase	424	25.11.1992	8,286
30.9.1992	Decrease	4,972	2.12.1992	3,314
15.1.1993	Increase	32	11.8.1993	3,347
16.3.1994	Increase	563	21.12.1994	3,910
10.3.1997	Increase	978	21.3.1997	4,889
5.5.1997	Increase	975	5.5.1997	5,864
4.5.1998	Increase	40	4.5.1998	5,904
21.3.2002	Increase	14,583	24.4.2002	20,487

Breakdown of shareholdings by sector on 31 December 2013	Shareholders		Shares and votes	
	pcs	%	pcs	%
Private enterprises	63	4.5	38,049,205	34.9
Financial institutions	11	0.8	41,409,855	38.0
Public sector entities	3	0.2	16,008,307	14.7
Households	1,325	94.0	12,496,990	11.5
Non-profit organisations	2	0.1	2,001	0
Foreign ownership	5	0.4	1,147,677	1.1
Total	**1,409**	**100.0**	**109,114,035**	**100.0**
Nominee-registered shares	7		28,644,652	26.5

Breakdown of shareholdings by number of shares on 31 December 2013	Shareholders		Shares and votes	
Shares, pcs	pcs	%	pcs	%
1–100	198	14.1	11,733	0.0
101–500	361	25.6	115,936	0.1
501–1,000	259	18.4	228,559	0.2
1,001–5,000	349	24.8	931,794	0.9
5,001–10,000	97	6.9	749,124	0.7
10,001–50,000	95	6.7	2,207,920	2.0
50,001–100,000	20	1.4	1,449,948	1.3
100,001–500,000	13	0.9	3,344,282	3.1
500,001–	17	1.2	100,074,739	91.7
Total	**1,409**	**100.0**	**109,114,035**	**100.0**

Largest shareholders on 31 December 2013	Shares, pcs	Percentage of shares and votes, %
Inission AB (nominee-registered)	28,500,000	26.1
Oy Etra Invest Ab	16,934,547	15.5
Ingman Finance Oy Ab	8,662,425	7.9
Ilmarinen Mutual Pension Insurance Company	8,307,692	7.6
Varma Mutual Pension Insurance Company	7,684,615	7.0
Finnvera Plc	6,238,600	5.7
Onvest Oy	5,197,286	4.8
Nordea Bank Finland Plc	3,761,400	3.4
Laurila Kalevi Henrik	2,735,429	2.5
JMC Finance Oy	2,402,286	2.2
10 largest in total	**90,424,280**	**82.9**

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