INTERIM REPORT Q2 / 2013

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INCAP GROUP INTERIM REPORT JANUARY–JUNE 2013

Decrease in revenue impaired profitability year-on-year. Operating result for the second quarter clearly improved compared with the first quarter of the year.

January–June 2013 in brief:

- the Group's revenue was EUR 20.5 million, down approximately 39% year-on-year (Jan–June 2012: EUR 33.9 million) due to temporary transfer of the purchase of materials to customers and due to the discontinuation of manufacturing of certain well-being technology products
- as a result of the decrease in revenue, the operating result (EBIT) declined year-on-year and was EUR -1.8 million (EUR -0.3 million)
- after the end of the review period, Incap Corporation negotiated a comprehensive financing arrangement that significantly enhances the company's financial position improving notably equity ratio and liquidity, among others
- the company adjusts its financial guidance and estimates that the Group's revenue in 2013 will be clearly lower than in 2012 and its full-year operating result (EBIT) will be positive.

April–June 2013 in brief:

- revenue for the second quarter amounted to EUR 9.9 million, down approximately 7% from the first quarter and approximately 46% year-on-year (April–June 2012: EUR 18.4 million)
- the operating result (EBIT) for the second quarter improved from the first quarter by approximately EUR 1.0 million and was EUR -0.4 million (April–June 2012: EUR 0.01 million).

The accounting principles for the interim report

This interim report has been prepared in accordance with international financial reporting standards (IFRS) – IAS 34 Interim Financial Reporting standard. When preparing the release, the same preparation principles have been used as in the 2012 financial statements. Unless otherwise stated, the comparison figures refer to the same period in the previous year. The information in this interim report is unaudited.

Sami Mykkänen, President and CEO of Incap Group:

"Revenue for the first half of the year was clearly lower than in the comparison period, although demand for energy efficiency products still remained good. Our delivery reliability suffered from the company's challenging cash position, which hampered the accrual of revenue. In order to ensure deliveries to customers, we temporarily transferred the responsibility for the purchase of materials to customers.

Negotiations aiming at the improvement of the company's financial situation were continued, and after the end of the review period, a comprehensive financing arrangement was achieved that will improve the company's cash position and decrease liabilities significantly. We can now resume normal operations, especially in materials management and production control. Inission AB as new Incap shareholder – and a potential merger with it – create entirely new opportunities for developing our operations.

My heartfelt thanks to all our customers who have supported us by purchasing materials needed in production. In addition, I would like to thank our suppliers and other partners for their flexibility, which they showed by cutting their receivables, thereby contributing remarkably to the achievement of the financing arrangement.

Now that the challenging financing situation that has hampered our operations for a long time has been fixed, we can focus our strength and energy to customer service and development of operations. Return to normal mode enables fluent and prompt deliveries, giving us means to expand the cooperation with customers further.”

Incap Group’s revenue and earnings in April–June 2013

Revenue for the second quarter amounted to EUR 9.9 million, down approximately 46% year-on-year. The decrease in revenue was due to the partial transfer of the responsibility for the purchase of materials to customers. Revenue for the comparison period includes products the manufacturing of which was discontinued in the second half of 2012. Demand for summer season products delivered to the energy efficiency sector remained good, although difficulties in deliveries arising from the poor availability of materials hampered the accrual of revenue.

The operating result of the second quarter improved in comparison with the first quarter thanks to the production capacity in the manufacture of mechanics being utilised more efficiently than in the first months of the year when there were more breaks in the availability of materials. In addition, electronics production costs could be adjusted to decreased revenue. Measures aimed at improving administration efficiency reduced costs, too. The operating result for the first quarter of the year included an impairment provision of EUR 0.4 million made for the Vuokatti property.

Quarterly comparison (EUR thousands)	**4–6/ 2013**	**1–3/ 2013**	**10–12/ 2012**	**7–9/ 2012**	**4–6/ 2012**	**1–3/ 2012**
Revenue	9,883	10,654	14,498	15,701	18,378	15,564
Operating profit/loss (EBIT)	-415	-1,432	-628	280	13	-345
Net profit/loss	-1,172	-1,885	-4,616	44	352	-711
Earnings per share, EUR	-0.05	-0.09	-0.23	0.00	0.02	-0.04

Incap Group’s revenue and earnings in January–June 2013

Revenue for the first half of 2013 amounted to EUR 20.5 million, down approximately 39% year-on-year. Revenue declined as materials purchased by customers were no longer included in revenue. Revenue for the comparison period includes well-being technology products manufactured at the Helsinki factory that were omitted from the production programme in autumn 2012. Demand for energy efficiency products remained good, but difficulties in deliveries and the prolonged recession in Europe hampered the accrual of revenue.

The operating result (EBIT) for January–June was approximately EUR -1.8 million (EUR -0.3 million). The result was impaired first and foremost by the decline in revenue.

Variable personnel expenses decreased by approximately 23% year-on-year. Fixed costs were reduced by approximately 11% from the comparison period. The value of inventories decreased year-on-year by EUR 4.6 million and from the end of 2012 by approximately EUR 2.7 million.

Net financial expenses amounted to EUR 1.0 million (EUR 0.03 million) and depreciation to EUR 0.9 million (EUR 0.9 million). In the comparison period in 2012, net financial expenses included a non-recurring financing income item of approximately EUR 1.1 million. EUR 0.4 million of depreciation in the review period arose from to the impairment loss for the Vuokatti property.

Net profit/loss for the period was EUR -3.1 million (EUR -0.4 million). Earnings per share amounted to EUR -0.14 (EUR -0.02).

Comparison by review period (EUR thousands)	**1–6/ 2013**	**1–6/ 2012**	**Change, %**	**1–12/ 2012**
Revenue	20,537	33,942	-39	64,141
Operating profit/loss (EBIT)	-1,847	-332	456	-681
Net profit/loss	-3,056	-358	753	-4,930
Earnings per share, EUR	-0.14	-0.02	600	-0.25

Sales of the Vuokatti plant property

In June, Incap sold its plant property located in Vuokatti to Vuokatti Superpark Oy, a former tenant of the premises. The sales contract covered real estate of approximately 18,570 square metres and a parcel of land of 10,400 square metres as well as the industrial premises of approximately 8,700 square metres, built during 1987-2001. The sales price equalled the book value of the property in Incap's consolidated balance sheet on 31 March 2013. The sales had no substantial effect on the result. As a part of the financing negotiations, which were finalised after the review period the bank will release the collateral arrangement connected with the sales price of the property.

Action plan for improved profitability

One of the most important objectives of the company in 2013 is the improvement of profitability. Previously the company estimated that by enhanced material sourcing, closing down the Helsinki factory and centralising Group Services to Estonia the company could achieve savings of approximately EUR 2.3 million in 2013. The savings were realised during the first 6 months of the year as expected.

The action plan for improving the efficiency of production, launched at the beginning of the year, was continued in Finland and Estonia. The action plan will improve the operating result (EBIT) of 2013 by a total of approximately EUR 1.8 million, of which approximately EUR 0.8 million has already been achieved during the first half of the year. The number of employees at the Kuressaare plant has decreased by nearly 30 since the beginning of the year, in addition to which all factory personnel only worked a four-day week in April and May. At the Vaasa plant, the temporary lay-offs that had been agreed in the co-operation negotiations were cancelled as the situation improved, and more leased employees for the summer season were hired to the plant. The number of employees in group functions I Finland has been cut to approx. half.

Capital expenditure

Capital expenditure for the period totalled EUR 0.1 million (EUR 0.1 million).

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 ISO 13485:2003 quality certification for the manufacture of medical devices.

Balance sheet, financing and cash flow
The balance sheet total stood at EUR 22.8 million (EUR 38.9 million). The Group's equity at the close of the review period was negative, EUR -5.9 million (EUR 1.7 million). The parent company's equity totalled EUR 6.7 million, representing 33% of the share capital (EUR 12.5 million, 61%). The Group's equity ratio was negative, -25.8% (4.3%).

Liabilities totalled EUR 28.7 million (EUR 37.2 million), of which EUR 18.2 million (EUR 23.2 million) were interest-bearing liabilities.

Interest-bearing net liabilities decreased from the comparison period and were EUR 15.7 million (EUR 22.7 million), and the gearing ratio was -266% (1,373%).

Interest-bearing liabilities on 30 June 2013:

Non-current financial liabilities measured at amortised cost	**(EUR thousands)**
Capital loans	1,050
Convertible loan	1,890
Finance lease liabilities	0
	2,940
Current financial liabilities measured at amortised cost	
Bank loans	11,377
Other liabilities	1,899
Convertible loans	1,959
Finance lease liabilities	61
	15,295
Interest-bearing liabilities, total	**18,234**

Approximately EUR 3.5 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. Part of the 2012 convertible loan (EUR 1.9 million) and the capital loans are 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.

From the loans from credit institutions, EUR 9.8 million was 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 4.2 million was in use and EUR 5.3 million was unused on 30 June 2013. For operations in India and Estonia, the balances of bank loans and credit line totalled EUR 3.5 million, which includes Finnfund's EUR 1.9 million investment in Incap's operations in India. In the comprehensive financing arrangement implemented after the end of the review period, the company's debt was restructured and consequently, the company's interest-bearing liabilities was reduced by approximately EUR 6.0 million. The financing arrangement and its impact on the company’s financial situation are described in more detail in the section “Events after the end of the review period” of this interim report.

At the end of the review period, the company had EUR 1.05 million in capital loan granted by the company’s largest shareholders. The capital loan was converted to shares as part of the comprehensive financing arrangement implemented after the end of the review period.

The amount of the convertible loan of 2007 at the end of the period was EUR 1.0 million. After the end of the review period, half of the loan was redeemed. The remaining loan – totalling EUR 0.5 million – will mature on 30 June 2014. The convertible loan issued in 2012 (EUR 2.9 million in total) was converted in its entirety to the company’s shares after the end of the review period.

On 30 June 2013, EUR 11.4 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, a EUR 1.5 million pledge, and a EUR 0.6 million mortgage on the production facilities in India. According to the financing arrangement made after the end of the review period, one bank will release a collateral arrangement connected with the sales price of the Vuokatti plant property.

In January, Incap drew down one half of the loan of EUR 1.5 million granted to the company. The remaining loan instalment was planned to be drawn down by 29 July 2013 after a separate confirmation given by the bank. The financing arrangement achieved after the review period will replace this additional loan.

On 30 June 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. During the financing negotiations in June, the bank announced that it would test covenants as per 30 June 2013 after the results of the company’s financing negotiations are at hand. The bank has confirmed after the end of the review period, on 26 July 2013, that it will not use its right to terminate the loan based on the status per 30 June 2013.

In addition to the covenants mentioned above, the EUR 1 million additional loan drawn by Incap in July 2012 incorporated the bank’s right to terminate the loan in case the redemption of the 2007 convertible loan did not take place by the end of June 2013 as agreed.

The company will continue negotiations with the bank to revise loan conditions and covenants.

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. On 30 June 2013, the total amount of tax liabilities within the scope of this arrangement is EUR 0.9 million, and according to the agreement, the last payment will take place in 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 176,000 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 30 June 2013, confirmed tax losses for which no deferred tax asset was recognised amounted to EUR 11.2 million.

The Group’s quick ratio was 0.5 (0.5), and the current ratio was 0.7 (0.8).

Cash flow from operations was positive: EUR 2.3 million (EUR 0.1 million). On 30 June 2013, the Group's cash and cash equivalents totalled EUR 2.6 million (EUR 0.5 million). The change in cash and cash equivalents showed an increase of EUR 1.8 million (an increase of EUR 0.04 million).

In the comprehensive financing arrangement, implemented after the end of the review period, the company's financial situation underwent a significant change, which is described in more detail in the section "Events after the end of the review period".

Personnel

At the end of June 2013, the Incap Group had a payroll of 563 employees (714). Some 56% (50%) of the personnel worked in India, 29% (30%) in Estonia and 15% (20%) in Finland. The main personnel reductions took place in Finland due to the closure of the Helsinki plant and the streamlining of Group Services.

Annual General Meeting

Incap Corporation's Annual General Meeting (AGM) was held in Helsinki on Wednesday, 10 April 2013. A total of 16 shareholders participated in the meeting, representing a total of 50.0% of all shares and votes.

The Annual General Meeting adopted the annual accounts for the financial period that ended on 31 December 2012. In accordance with the proposal of the Board of Directors, the Annual General Meeting decided that no dividend be distributed for the financial period and that the loss for the financial period, a total of EUR 5,505,693.92, be recognised in equity.

The Annual General Meeting discharged the members of the Board of Directors and the President and CEO from liability. Of the previous members of the Board of Directors, Raimo Helasmäki, Matti Jaakola, Susanna Miekk-oja and Lassi Noponen were re-elected to the Board of Directors. Janne Laurila was elected as a new member of the Board of Directors. All the members of the Board of Directors are independent of the company and four members are independent of its major shareholders. The firm of independent accountants Ernst & Young Oy was re-elected as the company's auditor.

Following the write-down on deferred tax assets in the financial statements for 2012, the equity of Incap Group's parent company decreased to less than one half of the share capital, and because of this the Board of Directors proposed – according to the Companies Act, Chapter 20, Section 23, Paragraph 3 – that the Annual General Meeting consider the financial position of the company. An action plan to ensure the profitability of the company in 2013 was presented to the Annual General Meeting. The plan included an issuance of shares, withdrawal of additional financing that has been granted by the bank, a reorganisation of the company's operations, enhancement of the efficiency of production as well as the improvement of inventory turn.

The Annual General Meeting authorised the Board of Directors to decide within 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 did not exercise the authorisation during the review period. In the share issue arranged after the end of the review period, the Board of Directors exercised a total 64,137,000 shares of this authorisation for a directed share issue and 15,318,574 for the conversion of the convertible loan. Accordingly, at the publication of this interim report the Board of Directors has an authorisation covering a total of 220,544,426 shares.

At the first meeting of the Board of Directors held after the Annual General Meeting, Lassi Noponen was elected as the Chairman of the Board and Matti Jaakola as the Deputy Chairman of the Board.

Shares and shareholders

Incap Corporation has one series of shares, and the number of shares at the end of the period is 22,546,266. During the period, the share price varied between EUR 0.10 and 0.25 (EUR 0.28 and 0.65). The closing price for the period was EUR 0.16 (EUR 0.31). During the review period, the trading volume was 3,983,178 shares, or 17.7% of outstanding shares (1,357,732, or 6.7%).

On 30 January 2013, the Board of Directors of Incap Corporation arranged a private placement with which the company redeemed a part of the convertible loan issued in 2007. 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. The new shares were taken into trade at the NASDAQ OMX Helsinki Ltd. on 14 February 2013 together with the other shares of the company.

At the end of the review period, Incap had 1,253 shareholders (1,091). Nominee-registered or foreign owners held 0.6% (0.5%) of all shares. The company's market capitalisation on 30 June 2013 was EUR 3.6 million (EUR 5.8 million). The company does not hold any of its own shares.

<u>The largest shareholders on 30 June 2013:</u>

	No. of shares	**Share of ownership, %**
Oy Etra Invest Ab	4,834,547	21.4
JMC Finance Oy	2,402,286	10.7
Suomen Teollisuussijoitus Oy	2,185,509	9.7
Onvest Oy	1,697,286	7.5
Sundholm Göran	1,481,113	6.6
Laurila Kalevi Henrik	1,460,429	6.5
Mandatum Life	1,116,059	5.0
Aaltonen Pekka Juhani	400,000	1.8
Lehtonen Jussi Tapio	400,000	1.8
Oksanen Markku	244,383	1.1

Following the directed share issue and conversion of the convertible loan implemented after the end of the review period, the number of the company's shares rose to 119,114,035.

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 Suomen Teollisuussijoitus Oy 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 after the end of the review period on 22 July 2013, the following changes in holdings exceeding the announcement limit took place:

Shareholder	Share of ownership and number of shares prior to the share issue		Number of new shares subscribed and converted	Share of ownership after the share issue and conversion
	%	shares	shares	%
Inission AB	0	0	28,500,000	26.12
Oy Etra Invest Ab	21.44	4,834,547	12,100,000	15.52
Ilmarinen	0	0	8,307,692	7.61
Varma	0	0	7,684,615	7.04
Finnvera	0	0	6,238,600	5.72
Oy Ingman Finance Ab	0	0	8,780,769	8.05
Onvest Oy	7.53	1,697,286	3,500,000	4.76
JMC Finance Oy	10.65	2,402,286	0	2.20
Suomen Teollisuussijoitus Oy	9.69	2,185,509	0	2.00
Göran Sundholm	6.57	1,481,113	0	1.36
Kalevi Laurila	6.48	1,460,429	1,275,000	2.51

Events after the end of the review period
On 21 July 2013, Incap Corporation completed financing negotiations that resulted in a comprehensive arrangement that substantially enhances the company’s financial position in both the short and the long term. The arrangement enables the return to normal mode in the company’s operations like in the purchase of materials. At the same time the equity ratio and liquidity of the company improved significantly. The arrangement involved a directed share issue for raising additional capital and converted debt to the company’s new shares. In addition, loan units of the company’s convertible loan issued in 2012 were converted to the company’s new shares.

In the directed share issue and the conversion of debt connected with it, a total of 64,137,000 new shares were issued, of which 45,212,000 shares were subscribed against cash payment and 18,925,000 shares were subscribed as 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 deviation from shareholders’ pre-emptive subscription rights was justified by a weighty financial reason in accordance with Chapter 9, Section 4, Paragraph 1 of the Finnish Limited Liability Companies Act, as the purpose of the directed share issue was to carry out a financing arrangement for the company. The subscription price per share was EUR 0.10, based on the agreement between the company and the subscriber.

The shares subscribed in the share issue and in loan conversions will grant dividend rights and other shareholders’ rights as of 29 July 2013, when the new shares were entered in the Trade

Register. The company applies to have the shares traded on the NASDAQ OMX Helsinki Ltd main list at equal value to the company's other shares, and for this purpose, the company will publish a prospectus.

Concerning the convertible loan issued in 2012, the contracts were renewed in the way that all holders of the convertible loan will – after the composition arrangement – convert the remaining loan to a total of 22,430,769 new shares in the company. The subscription price of these shares was calculated to be approximately EUR 0.13 per share. According to the provisions of the agreement, one subscriber of the 2012 convertible loan had the right to terminate the financing agreement in case the redemption of the 2007 convertible loan did not take place by 30 June 2013. The subscriber in question did not exercise this termination right.

The company has further reached an agreement with holders of the convertible loan issued in 2007 to have half of the loan paid immediately and the remaining EUR 0.5 million on 30 June 2014. Some of the loan units were already converted to the company's shares in the private placement arranged in January 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, a bank has agreed to release a collateral arrangement connected with the sales price of the company's property in Vuokatti. 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.

The immediate cash effect of the comprehensive arrangement is approximately EUR 6 million. The total subscription price paid in cash, i.e. approximately EUR 4.5 million, will be recorded in full in the reserve for invested unrestricted equity. Furthermore, the decline of the company's liabilities and the release of the collateral arrangement connected with the sales price of the Vuokatti property transaction have an impact of approximately EUR 9 million.

Effect of the financing arrangement on the company's interest-bearing liabilities:

(EUR 1,000)	**30 June 2013**	**After the financing arrangement**
Capital loans	1,050	0
Convertible loan 2012	2,889[1)]	0
Convertible loan 2007	960	480
Bank loans	11,377	9,827
Finance lease liabilities	61	80
Other loans	1,899	1,899
Total	**18,234**	**12,286**

1) In the consolidated financial statements (IFRS), convertible loan costs of EUR 27,000 have been deducted from the EUR 2.9 million capital of the convertible loan and amortised as financial expenses and liabilities.

Following the financing arrangement and the directed share issue related to that arrangement, the Swedish contract manufacturer Inission AB becomes the company's largest shareholder. After registration of the new shares subscribed in the directed share issue, Inission AB will hold

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 on 21 July 2013 includes an option for Inission AB to combine and unite Inission AB's business operations with Incap Corporation. The use of this option shall be notified by Inission AB by the end of the year 2013. If the option is used, the uniting of Incap and Inission will be carried out by Incap Corporation acquiring Inission AB's subsidiaries' shares and business operations. The purchase price is based on the actual result of Inission AB for the years 2011 and 2012 and for January-June 2013.

If the transaction is consummated in accordance with the agreement conditions, Incap will 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 will correspond to 70 per cent of the total purchase price with the new shares being issued in connection with the consummation of the agreement. The remaining 30 per cent of the purchase price will be paid through a second directed share issue two weeks after Incap has published its financial statements for 2013.

Incap will convene an extraordinary general meeting to decide on the transaction regarding the two companies. As Inission AB's share ownership in Incap Corporation will exceed the limit set for the obligation to make a takeover bid in case the transaction is consummated, Inission will apply the Financial Supervisory Authority for an exemption from the obligation to bid.

Short-term risks and factors of uncertainty concerning operations

A substantial change took place in the risks related to Incap's business operations 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 and consequently, there are no longer any significant risks associated with the continuity of operations and sufficiency of funding.

General risks related to the company's business operations and sector include the development of customer demand, price competition in contract manufacturing, successful acquisition of 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 execution of the actions to improve profitability and inventories as well as global economic development and its impact on the company's customers' market situation and demand.

To assess its liquidity, Incap has prepared a 12-month cash flow projection for the Group, based on its performance forecast for 2013 and the actual turnover of its 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 remarkable uncertainty associated with them. On the basis of this cash flow projection, Incap's working capital will cover the requirement for the next 12 months at the time of the publication of this interim report.

Demand for Incap's services as well as the company's financial position are affected by international economic trends and economic trends among Incap's customer industries. In 2013, the business environment is estimated to develop steadily in the sectors where Incap and its customers operate, and the general economic uncertainty has not had – at least not yet – a particularly negative effect on demand from or the solvency of the company's customers.

The company’s sales are spread over several customer sectors, which balances out the impact of the economic trends in different industrial sectors. In 2012, the biggest single customer’s share of the Group revenue was 17%. The company’s sector, 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. 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.

Strategic development of the company
During the past few years, Incap has implemented its strategy by becoming more international and by streamlining its operations. Production has been centralised in low-cost regions, and the number of business locations has been reduced. In Europe, electronics production has been centralised in Kuressaare and mechanical production in Vaasa. In India, production capacity has been developed and operations have been returned to profitability. Materials management is coordinated from Hong Kong, near the sources of components in Asia.

At the same time, the company’s financial situation was weakened by earlier investments and structural changes that have burdened operations as well as by market situation. In order to remedy the situation, the company has negotiated financing and carried out directed share issues and other arrangements, but they have been able to improve the situation in the short term only.

In spring 2013, the company carried out extensive negotiations in order to build a solid foundation of financing in the long term, too. A large group of the company’s financiers, creditors and other stakeholders took part in the negotiations. At the same time, the Board of Directors charted besides financing also opportunities for mergers and acquisitions that would ensure the company’s future growth and development of competitiveness after the remedy in the financial position.

After the end of the review period, on 22 July 2013, the company published the outcome of the negotiations: a very important and comprehensive financing arrangement that significantly improves the company’s financial position and enables the return to normal mode of operations. Thanks to the arrangement, the company’s cash position improved and the liabilities decreased remarkably. After a long unstable period the company can again focus on the actual business, customer service and the realisation of future growth.

An essential part of the arrangement is the agreement signed with Inission AB. Following the directed share issue, Inission AB becomes Incap’s largest single shareholder. The agreement includes an option for combining Inission’s and Incap’s business operations by Incap Corporation acquiring Inission AB’s subsidiaries’ shares and business operations.

The financing restructuring will ensure the continuity of Incap’s industrial structure and the alliance with Inission AB will enable future growth. The eventual combination of Incap and Inission would create a strong Nordic company with excellent capabilities for serving their customers globally. Incap’s strengths in this alliance would include long-term strategic customer relationships, competitive and efficient production in India, its own sourcing unit in Asia, and mechanical production founded on special expertise. Inission’s contributions to the co-operation would feature its comprehensive sales network and effective operating model that ensures profitability of operations. The post-merger Incap-Inission would have a strong competitive position in the global market and could be a significant and active player in the consolidation of the northern European EMS industry.

Outlook for 2013

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

The company adjusts its financial guidance published on 3 May 2013. Due to the partial transfer of the purchase of materials to customers, the Group's revenue in 2013 is estimated to be clearly lower than in 2012, when it amounted to EUR 64.1 million. The full-year operating result (EBIT) is estimated to be positive. The operating result in 2012 was negative EUR -0.7 million.

Previously, on 3 May 2013, the company estimated that the Group's revenue in 2013 would be lower than in 2012. At that time, the full-year operating result (EBIT) was anticipated to be clearly positive.

Publication of the interim report for January–September 2013

Incap Group's interim report for the third quarter will be published on 31 October 2013.

Helsinki, 31 July 2013

INCAP CORPORATION
Board of Directors

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DISTRIBUTION
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The company's home page www.incap.fi

PRESS CONFERENCE
Incap will arrange a conference for the press and financial analysts on 31 July 2013 at 10:00 a.m. at the World Trade Center, Helsinki, at Aleksanterinkatu 17, FI-00100 Helsinki.

ANNEXES
1 Consolidated Statement of Comprehensive Income
2 Consolidated Balance Sheet
3 Consolidated Cash Flow Statement
4 Consolidated Statement of Changes in Equity
5 Group Key Figures and Contingent Liabilities
6 Quarterly Key Figures
7 Calculation of Key Figures

INCAP IN BRIEF

Incap Corporation is an international contract manufacturer whose comprehensive services cover the entire life cycle of electromechanical products from design and manufacture to maintenance services. Incap's customers include leading equipment suppliers in energy-efficiency and well-being technologies, for which the company produces competitiveness as a strategic partner. Incap has operations in Finland, Estonia, India and China. The Group's revenue in 2012 amounted to approximately EUR 64.1 million, and the company currently employs approximately 600 people. Incap's share has been listed on the NASDAQ OMX Helsinki Ltd since 1997. Additional information: www.incap.fi.

Annex 1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR thousands, unaudited)	**4–6/ 2013**	1–3/ 2013	10–12/ 2012	7–9/ 2012	4–6/ 2012	1–3/ 2012	**1–6/2013**	1–6/ 2012	Change, %	1–12/ 2012
REVENUE	**9,883**	10,654	14,498	15,701	18,378	15,564	**20,537**	33,942	-39	64,141
Work performed by the enterprise and capitalised	**0**	0	0	0	0	0	**0**	0	0	0
Change in inventories of finished goods and work in progress	**-97**	-260	-323	-169	-327	176	**-357**	-150	138	-643
Other operating income	**-12**	51	49	136	134	85	**40**	219	-82	404
Raw materials and consumables used	**5,617**	7,112	9,968	10,978	12,568	10,801	**12,728**	23,369	-46	44,315
Personnel expenses	**2,428**	2,527	2,538	2,419	3,119	3,011	**4,955**	6,130	-19	11,087
Depreciation, amortisation and impairment losses	**227**	628	231	378	435	415	**855**	850	1	1,460
Other operating expenses	**1,917**	1,611	2,114	1,612	2,051	1,944	**3,528**	3,994	-12	7,721
OPERATING PROFIT/LOSS	**-415**	-1,432	-628	280	13	-345	**-1,847**	**-332**	456	-681
Financing income and expenses	**-595**	-439	-569	-156	339	-366	**-1,034**	-26	3,829	-751
PROFIT/LOSS BEFORE TAX	**-1,010**	-1,871	-1,197	124	352	-711	**-2,880**	**-358**	703	-1,432
Income tax expense	**-162**	-14	-3,418	-79	0	0	**-176**	0		-3,498
PROFIT/LOSS FOR THE PERIOD	**-1,172**	-1,885	-4,616	44	352	-711	**-3,056**	**-358**	753	-4,930
Earnings per share	**-0.05**	-0.09	-0.23	0.00	0.02	-0.04	**-0.14**	**-0.02**	600	-0.25
Options have no dilutive effect in financial periods 2012 and 2013.										

OTHER COMPREHENSIVE INCOME	**4–6/ 2013**	1–3/ 2013	10–12/ 2012	7–9/ 2012	4–6/ 2012	1–3/ 2012	**1–6/ 2013**	1–6/ 2012	Change, %	1–12/ 2012
PROFIT/LOSS FOR THE PERIOD	**-1,172**	-1,885	-4,616	44	352	-711	**-3,056**	-358	753	-4,930
OTHER COMPREHENSIVE INCOME:										
Items that may be recognised in profit or loss at a later date:										
Translation differences from foreign units	**-285**	91	-129	63	-50	-2	**-194**	-51	278	-118
Other comprehensive income, net	**-285**	91	-129	63	-50	-2	**-194**	-51	278	-118
TOTAL COMPREHENSIVE INCOME	**-1,457**	-1,793	-4,745	107	302	-712	**-3,250**	-410	693	-5,048
Attributable to:										
Shareholders of the parent company	**-1,457**	-1,793	-4,745	107	302	-712	**-3,250**	-410	693	-5,048
Non-controlling interest	**0**	0	0	0	0	0	**0**	0		0

Annex 2

CONSOLIDATED BALANCE SHEET (IFRS)				
(EUR thousands, unaudited)	30 June 2013	30 June 2012	Change, %	31 December 2012
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	2,093	3,160	-34	2,578
Goodwill	905	949	-5	940
Other intangible assets	64	212	-70	178
Other financial assets	471	311	51	311
Deferred tax assets	356	4,061	-91	560
TOTAL NON-CURRENT ASSETS	**3,888**	**8,693**	-55	**4,568**
CURRENT ASSETS				
Inventories	6,695	11,338	-41	9,352
Trade and other receivables	9,705	16,444	-41	12,815
Cash and cash equivalents	2,551	460	455	613
TOTAL CURRENT ASSETS	**18,951**	**28,242**	-33	**22,780**
Non-current assets held-for-sale	0	**1,936**	-100	1,936
TOTAL ASSETS	**22,838**	**38,871**	-41	**29,283**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF				
THE PARENT COMPANY				
Share capital	20,487	20,487	0	20,487
Share premium account	44	44	0	44
Reserve for invested unrestricted equity	5,182	4,843	7	4,818
Exchange differences	-1,111	-850	31	-917
Retained earnings	-30,497	-22,869	33	-27,440
TOTAL EQUITY	**-5,895**	**1,655**	-456	**-3,008**
NON-CURRENT LIABILITIES				
Deferred tax liabilities	0	0		0
Interest-bearing loans and borrowings	2,940	2,978	-1	2,492
NON-CURRENT LIABILITIES	**2,940**	**2,978**	-1	**2,492**
CURRENT LIABILITIES				
Trade and other payables	10,499	14,037	-25	11,841
Current interest-bearing loans and borrowings	15,295	20,030	-24	17,959
CURRENT LIABILITIES	**25,794**	**34,067**	-24	**29,800**
Liabilities relating to non-current assets held-for-sale	0	**171**	-100	**0**
TOTAL EQUITY AND LIABILITIES	**22,838**	**38,871**	-41	**29,283**

Annex 3

CONSOLIDATED CASH FLOW STATEMENT

(EUR thousands, unaudited)	1–6/2013	1–6/2012	1–12/2012
Cash flow from operating activities			
Operating profit/loss	-1,847	-332	-681
Adjustments to operating profit	931	584	728
Change in working capital	3,719	1,058	4,188
Interest paid and payments made	-520	-1,189	-1,814
Interest received	6	18	27
Cash flow from operating activities	**2,289**	**139**	**2,448**
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets	-134	-86	-124
Proceeds from sale of tangible and intangible assets	1,487	100	139
Other investments	0	0	-61
Loans granted	-4	-1	0
Sold shares of subsidiary	0	0	0
Repayments of loan assets	0	3	3
Cash flow from investing activities	**1,349**	**16**	**-43**
Cash flow from financing activities			
Proceeds from share issue	0	288	734
Drawdown of loans	1,648	1,224	1,819
Repayments of borrowings	-3,474	-1,258	-4,201
Repayments of obligations under finance leases	-38	-370	-594
Cash flow from financing activities	**-1,864**	**-116**	**-2,242**
Change in cash and cash equivalents	1,774	39	163
Cash and cash equivalents at beginning of period	613	369	369
Effect of changes in exchange rates	96	67	99
Changes in fair value (cash and cash equivalents)	68	-15	-18
Cash and cash equivalents at end of period	**2,551**	**460**	**613**

Annex 4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR thousands, unaudited)

	Share capital	Share premium account	Reserve for invested unrestricted equity	Exchange differences	Retained earnings	Total
Equity at 1 January 2012	20,487	44	4,084	-799	-22,506	1,311
Issue premium	0	0	759	0	0	759
Transaction costs for equity	0	0	0	0	0	0
Change in exchange differences	0	0	0	-51	0	-51
Options and share-based compensation	0	0	0	0	-5	-5
Other changes	0	0	0	0	0	0
Net income and losses recognised directly in equity	0	0	759	-51	-5	703
Net profit/loss	0	0	0	0	-358	-358
	0	0	759	-51	-363	344
Equity at 30 June 2012	20,487	44	4,843	-850	-22,869	1,655
Equity at 1 January 2013	20,487	44	4,818	-917	-27,440	-3,008
Share issue	0	0	373	0	0	373
Transaction costs for equity	0	0	-10	0	0	-10
Change in exchange differences	0	0	0	-194	0	-194
Options and share-based compensation	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
Net income and losses recognised directly in equity	0	0	364	-194	0	170
Net profit/loss	0	0	0	0	-3,056	-3,056
Total income and losses	0	0	364	-194	-3,056	-2,887
Equity at 30 June 2013	20,487	44	5,182	-1,111	-30,497	-5,895

Annex 5

GROUP KEY FIGURES AND CONTINGENT LIABILITIES	30 June 2013	30 June 2012	31 December 2012
Revenue, EUR million	20.5	33.9	64.1
Operating profit, EUR million	-1.8	-0.3	-0.7
% of revenue	-9.0	-1.0	-1.1
Profit before taxes, EUR million	-2.9	-0.4	-1.4
% of revenue	-14.0	-1.1	-2.2
Return on investment (ROI), %	-22.4	8.2	-12.6
Return on equity (ROE), % [2]	137.3	-48.3	580.8
Equity ratio, %	-25.8	4.3	-10.3
Gearing, %	-266.1	1,372.9	-659.4
Net debt, EUR million	16.5	20.3	18.9
Net interest-bearing debt, EUR million	15.7	22.7	19.8
Quick ratio	0.5	0.5	0.5
Current ratio	0.7	0.8	0.8
Average number of shares during the review period, adjusted for share issues	22,264,948	19,276,512	20,067,042.3
Earnings per share (EPS), EUR	-0.14	-0.02	-0.25
Equity per share, EUR	-0.26	0.08	-0.14
P/E ratio	-1.2	-16.7	-0.8
Trend in share price			
Minimum price during the period, EUR	0.10	0.28	0.15
Maximum price during the period, EUR	0.25	0.65	0.65
Mean price during the period, EUR	0.14	0.41	0.3
Closing price at the end of the period, EUR	0.16	0.31	0.19
Total market capitalisation, EUR million	4	6	4
Trade volume, no. of shares	3,983,178	1,257,732	2,952,411
Trade volume, %	17.7	6.7	14.2
Investments, EUR million	0.1	0.1	0.1
% of revenue	0.7	0.3	0.2
Average number of employees	573	719	697
CONTINGENT LIABILITIES, EUR million			
FOR OWN LIABILITIES			
Mortgages[1] and pledges	14.2	12.3	14.3
Off-balance sheet liabilities	5.4	10.4	7.1
Nominal value of currency options, EUR thousand	0	3,242.2	0
Fair values of currency options, EUR thousand	0	18.9	0

[1] In September 2012, the bank confirmed that EUR 1 million of the company's mortgages was released on 6 May 2011. The incorrect mortgage amount stated in the interim report for January–June 2012 has been corrected in this table.
[2] In the calculation of return on equity, the numerator and the denominator are negative.

Annex 6

QUARTERLY KEY FIGURES (IFRS)

	4–6/ 2013	1–3/ 2013	10–12/ 2012	7–9/ 2012	4–6/ 2012	1–3/ 2012
Revenue, EUR million	9.9	10.7	14.5	15.7	18.4	15.6
Operating profit, EUR million	-0.4	-1.4	-0.6	0.3	0.0	-0.3
% of revenue	-4.2	-13.4	-4.3	1.8	0.1	-2.2
Profit before taxes, EUR million	-1.0	-1.9	-1.2	0.1	0.4	-0.7
% of revenue	-10.2	-17.6	-8.3	0.8	1.9	-4.6
Return on investment (ROI), %	-12.1	-31.2	-73.2	3.3	17.8	-1.5
Return on equity (ROE), %²	105.3	202.5	2,175.3	11.7	95	-297.7
Equity ratio, %	-25.8	-17.7	-10.3	4.9	4.3	1.6
Gearing, %	-266.1	-393.5	-659.4	1,205.2	1,372.9	4,103.2
Net debt, EUR million	16.5	18.7	18.9	18.9	20.3	23.2
Net interest-bearing debt, EUR million	15.7	17.5	19.8	20.8	22.7	24.6
Average number of shares during the review period, adjusted for share issues	22,264,948	21,980,504	20,067,042	19,804,494	19,276,512	18,680,880
Earnings per share (EPS), EUR	-0.05	-0.09	-0.23	0.00	0.02	-0.04
Equity per share, EUR	-0.26	-0.20	-0.14	0.08	0.08	0.03
Investments, EUR million	0.1	0	0.1	0.0	0.1	0.0
% of revenue	0.9	0.4	0.3	-0.1	0.3	0.2
Average number of employees	556	590	652	698	710	727

Annex 7

CALCULATION OF KEY FIGURES

Return on investment, %	100 x (profit/loss for the period + financial expenses) / equity + interest-bearing financing loans
Return on equity, %	100 x profit/loss for the period / average equity during the financial period
Equity ratio, %	100 x equity / balance sheet total - advances received
Gearing, %	100 x interest-bearing net financing loans / equity
Net liabilities	liabilities - current assets
Quick ratio	current assets / short-term liabilities - short-term advances received
Current ratio	current assets + inventories / short-term liabilities
Earnings per share	net profit/loss for the period / average number of shares during the period, adjusted for share issues
Equity per share	equity / number of shares at the end of the period, adjusted for share issues
Capital expenditure	VAT-exclusive working capital acquisitions, without deduction of investment subsidies
Average number of employees	average of personnel numbers calculated at the end of each month
Total market capitalisation	closing price for the period x number of shares available for public trading