INTERIM REPORT Q1 / 2013

Incap Corporation
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INCAP GROUP INTERIM REPORT JANUARY–MARCH 2013: THE ANTICIPATED DECREASE OF REVENUE IMPAIRED PROFITABILITY

January–March 2013 in brief:

- the Group's revenue was EUR 10.7 million, down by approximately 32% year-on-year (Jan–March 2012: EUR 16.0 million)
- the most significant reason behind the decrease in revenue from corresponding period was the omission of certain well-being technology products from the production programme
- as a result of the decrease in revenue, the operating result (EBIT) declined year-on-year and was EUR -1.4 million (EUR -0.3 million)
- an impairment of approximately EUR 0.4 million was recorded in the depreciation for the period for the Vuokatti property
- the most significant short-term risks of the company are related with the sufficiency of funding
- the company reiterates its financial guidance and estimates that the Group's revenue in 2013 will be lower than in 2012 and its full-year operating result (EBIT) will be clearly positive.

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 in the first months of this year was lower than in the same period last year and the preceding quarters in 2012. Demand and order intake especially in energy efficiency products exceeded our ability to deliver. The growth of revenue was hampered by the delays in deliveries due to our challenging cash position. In order to solve the situation and ensure the deliveries to customers, some of the responsibility for the purchase of materials was temporarily moved to customers, which decreased revenue.

Thanks to the positive development in the order intake we have cancelled the temporary lay-offs which were negotiated to take place among the entire personnel in the Vaasa factory by the end of June. At this moment we estimate that the factory will operate with full capacity at least towards the end of summer.

Revenue of the Indian operations grew year-on-year despite the fact that recession decreased slightly the demand for the products delivered to European market. Profitability also continued to improve in India.

Efficiency improvement measures are well under way in all functions, and their impact started to show towards the end of the review period. We adjusted our operations in Finland and in Estonia to meet the decreasing revenue through personnel reductions and the adoption of a shortened working week. In addition, we made structural changes in the Group administration and reduced the number of employees by 10 in January–March. Group functions are being centralised to the Estonian office and transferred to the factories.

As authorised by the Annual General Meeting, the Board of Directors is making preparations for a share issue in order to cover the deficit in the working capital and secure financing for the final EUR 1 million instalment of the convertible loan, due at the end of June.”

Revenue and earnings in January–March 2013

Revenue for the first quarter amounted to EUR 10.7 million, down approximately 32% year-on-year. The decrease in revenue compared with the corresponding period last year was mainly due to certain well-being technology products manufactured at the Helsinki factory being omitted from the production programme in autumn 2012. Demand for energy efficiency products remained good, but the difficulties in deliveries and the recession in Europe were hampering the accrual of revenue.

Revenue also decreased as the result of the temporary transfer of the responsibility for the purchase of materials needed in production to some customers. The company's challenging financial situation has complicated the availability of materials, and with the transfer of purchasing responsibility, the deliveries to customers can be secured. Due to difficulties in deliveries, some revenue moved from the previous period to the review period. As all of the backlog has not been delivered yet, some revenue will also move to the second quarter.

The operating result (EBIT) for January–March was approximately EUR -1.4 million (EUR -0.3 million). The result was impaired first and foremost by the decline in revenue. The temporary transfer of the purchasing responsibility to customers has no remarkable impact on the earnings trend.

Variable personnel expenses decreased by more than 20% year-on-year. Production costs increased slightly due to extraordinary maintenance and labour costs caused by breakdowns of machinery. Fixed costs were reduced by more than 10% from the comparison period. The impairment recorded for the Vuokatti property decreased the operating result by EUR 0.4 million.

Measures for improving inventory turnover were continued. The value of inventories decreased year-on-year by EUR 4.2 million and from the end of 2012 by nearly EUR 1.1 million.

Net financial expenses amounted to EUR 0.4 million (EUR 0.4 million) and depreciation to EUR 0.6 million (EUR 0.4 million). Of depreciation, EUR 0.4 million was due to the impairment provision made for the Vuokatti property.

Net profit/loss for the period was EUR -1.9 million (EUR -0.7 million). Earnings per share amounted to EUR -0.09 (EUR -0.04).

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

Action plan for improved profitability

One of the most important objectives of the company in 2013 is the improvement of profitability. The actions taken during 2011 have already resulted in a profitability improvement of approximately EUR 1 million in 2012. By enhanced material sourcing, closing down the Helsinki factory and centralising Group Services to Estonia the company estimates further savings of approximately EUR 2.3 million in 2013.

Furthermore, the company has launched at the beginning of 2013 an action plan which shall improve the operating result (EBIT) of 2013 by a total of approximately EUR 1.8 million. The respective actions are focused on the operations in Finland and in Estonia. Substantial actions for increased operational efficiency were carried out in the subsidiary in India last year, the effects of which can already be seen clearly in the earnings trend of the subsidiary.

The measures for improving the efficiency of production will be continued in Finland and in Estonia. Personnel number at the Vaasa factory has been reduced by decreasing the number of persons employed via a staffing agency. At the Kuressaare factory, it was decided that all factory personnel will work only on four days a week during April and May. A new production control model has been introduced at the Vaasa factory, and the rewarding system used at the factory is also being renewed to provide more efficiency.

In order to decrease overhead expenses, the Group’s organisational structure will be streamlined. The number of employees in corporate functions in Finland has already been decreased by half as functions are being centralised to the factories and tasks are being transferred to Estonia and India. These actions will result in improved efficiency in finance, sourcing and IT.

Capital expenditure

Capital expenditure for the period totalled EUR 0.04 million (EUR 0.03 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 was EUR 25.1 million (EUR 38.7 million). The Group’s equity at the close of the review period was negative, EUR -4.4 million (EUR 0.6 million). The parent company’s equity capital was EUR 7.5 million, or 36% of the share capital (EUR 11.6 million, 57%). The Group’s equity ratio was negative, -17.7% (1.6%).

Liabilities totalled EUR 29.5 million (EUR 38.1 million), of which EUR 18.3 million (EUR 25.0 million) were interest-bearing liabilities.

Interest-bearing net liabilities decreased from the comparison period and were EUR 17.5 million (EUR 24.6 million) and the gearing ratio was -393.5% (4,103.2%).

Interest-bearing liabilities:

Non-current financial liabilities measured at amortised cost	(EUR thousands)
Capital loans	1,050
Convertible loan	1,888
Finance lease liabilities	0
	2,938
Current financial liabilities measured at amortised cost	
Bank loans	11,394
Other liabilities	1,899
Convertible loans	1,989
Finance lease liabilities	80
	15,362
Interest-bearing liabilities, total	**18,300**

Approximately EUR 3.6 million of Incap Group's 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.

Loans from credit institutions and other loans:

Loans from credit institutions	**Balance on 31 March 2013** (EUR thousands)	**Review of covenants**
Bank loan in Finland	5,558	30 June 2013
Account with credit facility (< EUR 1 million)	576	30 June 2013
Factoring limit (< EUR 8.5 million)	3,559	30 June 2013
Account with credit facility in India	616	
Bank loan in India	1,084	
Finnfund's investment in Indian operations	1,899	
Bank loan in Estonia	1	
Total	13,293	
Other loans		
Convertible loan 2007	990	
Convertible loan 2012	2,887	
Capital loan in Finland	1,050	
Finance lease in Finland	63	
Finance lease in Estonia	17	
Total	5,007	
Total	**18,300**	

From the loans from credit institutions, EUR 9.7 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 4.1 million was in use and EUR 5.4 million was unused on 31 March 2013. For operations in India and Estonia, the balances of bank loans and credit line totalled EUR 3.6 million, which includes Finnfund's EUR 1.9 million investment in Incap's operations in India.

Of the capital loan granted by the company's largest shareholders, EUR 0.6 million was recorded in the financial statements for 2012 and the remaining EUR 0.45 million to January 2013. The interest rate of the loan is 10%, and the loan is due for repayment at the latest on 31 December 2015. The loan conditions include the right to set off the eventual subscription price of shares in a share issue arranged by the company.

The amount of the convertible loan of 2007 at the end of the period was EUR 1.0 million, which is due 30 June 2013. The convertible loan 2012 amounts to EUR 2.9 million and will mature on 25 May 2017.

Fair values of financial assets and liabilities:

Financial liabilities (EUR thousand)	Book values of balance sheet items	Fair value
Bank loans	11,395	11,395
Convertible loans	3,876	4,289
Capital loans	1,050	1,050
Other interest-bearing loans and borrowings	1,899	1,899
Finance lease liabilities	80	87
Trade and other non-interest-bearing payables	11,236	11,236

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

Instalments and interests of loans:

(EUR thousands)	Instalments	Interests	31 March 2013
Less than 6 months	15,319	462	15,781
6–12 months	42	1	43
1–5 years	2,938	849	3,787
More than 5 years			
	18,300	**1,312**	**19,611**

As the covenants of the Finnish bank loans are tested every six months, the interests of loans in the above table have been calculated over a rolling period of six months forward.

At the end of the review period, 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 mortgage on the production facilities in Vuokatti, Finland, and a EUR 0.7 million mortgage on the production facilities in India.

On 30 January 2013, Incap finalised the financing negotiations with a Finnish bank and drew down one half of the loan of EUR 1.5 million granted to the company. The remaining loan instalment can be drawn down by 29 July 2013 after a separate confirmation given by the bank.

During the review period, approximately EUR 14,000 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 31 March 2013, confirmed tax losses for which no deferred tax asset was recognised amounted to EUR 11.3 million.

The Group’s quick ratio was 0.4 (0.4), and the current ratio was 0.7 (0.7).

Cash flow from operations was positive: EUR 2.2 million (EUR -0.2 million). On 31 March 2013, the Group’s cash and cash equivalents totalled EUR 0.8 million (EUR 0.4 million). The change in cash and cash equivalents showed an increase of EUR 0.3 million (an increase of EUR 0.1 million).

Aspects related to the Group’s cash flow, financing and liquidity are also described in the section “Short-term risks and factors of uncertainty concerning operations”.

Personnel

At the end of March 2013, the Incap Group had a payroll of 585 employees (725). Some 54% (50%) of the personnel worked in India, 30% (28%) in Estonia and 16% (22%) in Finland. The main personnel reductions took place in Finland due to the closure of the Helsinki plant and the streamlining of Group Services.

The outcome of the co-operation negotiations at the Vaasa plant was that the personnel of the plant can be laid off temporarily for a maximum of 90 days by the end of June. Instead of immediate temporary lay-offs, the plant’s operations were adjusted to demand by continuing training and increasing the multi-skills of personnel. The need for temporary lay-offs has been evaluated weekly based on the order book. The eventual lay-offs were cancelled after the end of the review period in April based on the increased order intake.

At the co-operation negotiations with regard to the Finnish group functions, the company decided on the reorganisation of the Group administration. A part of the tasks carried out in Finland will be transferred to the company’s offices in Tallinn and Bangalore, the jobs of persons working in Helsinki will be combined and some tasks will be centralised to Incap’s units in Kuressaare and Vaasa. As a result of terminated employment contracts and natural turnover, the number of employees in group functions in Finland has already been decreased by half.

Annual General Meeting 2013

Incap Corporation’s Annual General Meeting (AGM) was held in Helsinki after the review period on 10 April 2013. 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 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.

From 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. From among its members, the Board elected Lassi Noponen as Chair and Matti Jaakola as Deputy Chair. The firm of independent accountants Ernst & Young Oy was re-elected as the company's auditor, with Jari Karppinen, Authorised Public Accountant, as the principal auditor.

The 2012 annual report and financial statements, remuneration statement and corporate governance statement
On 18 March 2013, Incap published its annual report and financial statements, which include the report of the Board of Directors and the auditor's report. The corporate governance statement, in compliance with the Securities Market Act, was published at the same time as a separate document.

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 0.40 and 0.65). The closing price for the period was EUR 0.11 (EUR 0.46). During the review period, the trading volume was 1,977,732 shares, or 8.8% of outstanding shares (456,135, or 2.4%).

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 imputed subscription price of the shares was EUR 0.22 per share. The new shares equal approximately 8.1% of the total number of shares of the company before the share issue. After the registration of the new shares, the total number of Incap Corporation's shares and votes was 22,546,266. 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 1,069 shareholders (1,053). Nominee-registered or foreign owners held 0.6% (0.5%) of all shares. The company's market capitalisation on 31 March 2013 was EUR 2.5 million (EUR 8.6 million). The company does not hold any of its own shares.

The largest shareholders on 31 March 2013:

	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
Oy Ingman Finance Ab	943,039	4.2
Lehtonen Jussi Tapio	300,000	1.3
Oksanen Markku	242,433	1.1

Announcements in accordance with Section 10 of Chapter 9 of the Securities Market Act on a change in holdings
Following the directed share issue of Incap Corporation in January 2013, the number of the company's shares increased and on 11 February 2013, there were the following changes in holdings exceeding the announcement limit:

The number of shares held by Mandatum Life is 1,116,059 and their holding after the registration of the share issue is 4.95% of all shares of the company (before: 5.35%). The holding of Onvest Oy is 1,697,286 shares, or 7.53% of all shares (before: 0%). Suomen Teollisuussijoitus Oy holds 2,185,509 shares, or 9.69% of all shares (before: 10.48%).

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

Short-term risks and factors of uncertainty concerning operations
General risks related to Incap'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.

The financial statements release and the report of the Board of Directors for the financial period 2012 contain a thorough description of Incap's risks and factors of uncertainty concerning operations. No essential changes have occurred in them after the publication of these documents.

The most significant short-term risks are associated with the continuity of operations and sufficiency of funding.

<u>Continuity of operations</u>
The most significant risks related to the continuity of operations are:

- the arrangement of financing for the redemption of the convertible loan maturing on 30 June 2013, either through a share issue or another arrangement
- the fulfilment of the conditions set by the bank for additional financing
- the fulfilment of the covenant levels set for the continuation of loans from credit institutions
- the sufficiency of the working capital
- the execution of the actions to improve profitability and inventories
- global economic development and its impact on the company's customers' market situation and demand.

<u>Financing needed for the redemption of the 2007 convertible loan</u>
In January 2013, Incap concluded its negotiations concerning the final redemption of the 2007 convertible loan and redeemed out of the remaining loan units a total of approximately EUR 1.0 million. 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. The final redemption of the 2007 convertible loan, EUR 1.0 million including interest, will be settled by the end of June 2013.

According to the provisions of the agreement, one subscriber of the 2012 convertible loan, whose loan unit in the convertible loan is EUR 999,000, has the right to terminate the financing agreement in case the redemption of the 2007 convertible loan has not taken place by the end of June 2013. This loan unit of the 2012 convertible loan has been recognised in short-term loans.

<u>Withdrawal of the second instalment of additional financing granted</u>
In the spring 2012, Incap negotiated a financing arrangement in which the company's Finnish financing banks renewed the maturing loans and granted altogether EUR 2.5 million in a new loan. Of this new loan, EUR 1 million was drawn down in July 2012 and EUR 0.75 million in

January 2013. The remaining loan instalment can be drawn down by 29 July 2013 after a separate confirmation given by the bank.

Loan financing and covenants

At the end of the review period, Incap's loans amounted to EUR 18.3 million.

Loans, credit line and factoring credit line granted by a Finnish bank totalled EUR 9.7 million on 31 March 2013. These loans involve the following covenants:

	Equity ratio	Net IBD/EBITDA
30 June 2013 onwards	at least 15%	up to 5

The covenants were not met on 31 March 2013. On this date, the company's equity ratio was -17.7% and net IBD/EBITDA was -146.3. The bank has the right to terminate the agreements to expire after 60 days if any covenant is not met on the testing date. The covenants will be tested next on 30 June 2013 and after that every six months.

In addition to the covenants mentioned above, the EUR 1 million additional loan withdrawn by Incap in July 2012 incorporates the bank's right to terminate the loan in case the redemption of the 2007 convertible loan has not taken place by the end of June 2013 as agreed.

On the basis of the forecast prepared by Incap on 19 April 2013, the covenants mentioned above will not be met on the next testing date, 30 June 2013. The company is continuing the negotiations with the bank in order to mitigate the covenants and to rearrange the financing.

Payment arrangement for tax liabilities

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 31 March 2013, the total amount of the tax liabilities within the scope of this arrangement is approximately EUR 1.0 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.

The sufficiency of the working capital

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 not cover the requirement for the next 12 months at the time of the publication of this interim report. According to the company's estimate, approximately EUR 4–6 million of additional working capital is needed.

However, the company's working capital will be sufficient for the next 12 months if the following criteria are met:

- the share issue planned by the company and financing arrangements succeed as planned, so that the company obtains funds for working capital funding and the final redemption of the 2007 convertible loan in June 2013; and
- the bank accepts the terms and conditions for the drawing down of the additional loan; and
- the goals for the company's result and inventory turnover rate are achieved; and

- the covenants for the company’s loans from credit institutions are met, or, should the covenants not be met, the bank decides not to exercise its right to terminate the loan agreements.

Incap’s management trusts that the share issue planned by the company will succeed and the company will be able to redeem the convertible loan as agreed. The strategic restructuring has been carried out as planned; the company closed down the Helsinki plant in the summer 2012 and transferred its production to other units. In addition, in January 2013 the company started an action plan with the aim of achieving savings amounting to approximately EUR 1.8 million by reorganising the company’s administration and improving the efficiency of operations significantly, among other measures. These measures and other development projects are expected to improve profitability. In addition, the company will continue to take measures to ensure that the goals for the company’s result and inventory turnover are achieved.

Thus, the company estimates that it will be able to cover any possible 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.

<u>Assets held for sale</u>
The company owns a plant property in Vuokatti, Finland, built in 1978–2001 and with an approximate area of 8,700 m². The property and the related loans have been recognised as available for sale since the financial statements for 2010. In August 2012, Incap signed a five-year lease for the property and continues with measures aimed at selling the property. Based on the information received in the sales negotiations the company has recorded in the depreciation for the review period an impairment of EUR 0.4 million on the plant property in Vuokatti.

<u>Development of customer accounts, market situation and demand</u>
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.

Strategy and objectives of the company 2013
In 2013, Incap's principal objectives are to improve profitability of business operations by enhanced operational efficiency and to improve the company's financial situation through a share issue.

Incap's goal is to expand deliveries to existing customers to cover more comprehensive solutions and a broader range of end products. Customer acquisition will focus especially on design and manufacture of equipment that improve energy efficiency, the demand of which is expected to increase strongly.

The company will strengthen the role of product design and the cooperation networks launched with design companies will be continued. The company develops preparedness for comprehensive design cooperation with selected customers. In its own product design, the company will focus on equipment related to energy production, storage and supply – an area in which the company already has a great deal of expertise. A long-term aim is to introduce own products on the market and into volume production and to sell them under the customer's own brand.

The company will continue to enhance the efficiency of its operations and aims to make use of global opportunities. Materials management is a particular development area in future, too, as procurement function and management of material flows are very significant for the company's profitability. By reorganising Group Services, the efficiency of group functions will be improved while the role of the Tallinn office in corporate control will be strengthened.

There is no need for major investments as the company estimates that, with its present production structure, it will be able to achieve an annual revenue of up to EUR 100 million by 2015. With the company's target customer base and product range, it is realistic to expect an operating margin of approximately 5 to 8 percent (EBIT).

In order to ensure future growth of its business operations, the company is actively investigating also the opportunities for business restructuring.

Outlook for 2013
Incap's estimates for future business development are based both on its customers' forecasts and on the company's own assessments.

Incap reiterates its financial guidance given on 10 April 2013 and estimates that the Group's revenue in 2013 will be lower than in 2012, when it amounted to EUR 64.1 million. The company repeats its guidance for profitability in 2013 and estimates that the full-year operating result (EBIT) will be clearly positive. The operating result in 2012 was negative EUR -0.7 million.

The company estimated on 19 March 2013 that the Group's revenue in 2013 is the same or somewhat lower than in 2012. The estimate for profitability was the same than it is today.

Publication of the interim report for January–June 2013
Incap Group's interim report for the first half of the year will be published on 31 July 2013.

Helsinki, 3 May 2013

INCAP CORPORATION

Board of Directors

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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 3 May 2013 at 10:00 a.m. at the World Trade Center, Helsinki, in Meeting Room 4 on the 2nd floor at Aleksanterinkatu 17, FI-00100 Helsinki.

ANNEXES
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2 Consolidated Balance Sheet
3 Consolidated Cash Flow Statement
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5 Group Key Figures and Contingent Liabilities
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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)	**1-3/ 2013**	10–12/ 2012	7–9/ 2012	4–6/ 2012	**1-3/ 2012**	Change , %	1–12/ 2012
REVENUE	**10,654**	14,498	15,701	18,378	**15,564**	-32	64,141
Work performed by the enterprise and capitalised	**0**	0	0	0	**0**		0
Change in inventories of finished goods and work in progress	**-260**	-323	-169	-327	**176**	-247	-643
Other operating income	**51**	49	136	134	**85**	-39	404
Raw materials and consumables used	**7,112**	9,968	10,978	12,568	**10,801**	-34	44,315
Personnel expenses	**2,527**	2,538	2,419	3,119	**3,011**	-16	11,087
Depreciation, amortisation and impairment losses	**628**	231	378	435	**415**	51	1,460
Other operating expenses	**1,611**	2,114	1,612	2,051	**1,944**	-17	7,721
OPERATING PROFIT/LOSS	**-1,432**	-628	280	13	**-345**	315	-681
Financing income and expenses	**-439**	-569	-156	339	**-366**	20	-751
PROFIT/LOSS BEFORE TAX	**-1,871**	-1,197	124	352	**-711**	163	-1,432
Income tax expense	**-14**	-3,418	-79	0	**0**		-3,498
PROFIT/LOSS FOR THE PERIOD	**-1,885**	-4,616	44	352	**-711**	165	-4,930
Earnings per share	**-0.09**	-0.23	0.00	0.02	**-0.04**	125	-0.25
Options have no dilutive effect in financial periods 2011 and 2012							

OTHER COMPREHENSIVE INCOME	**1-3/ 2013**	10–12/ 2012	7–9/ 2012	4–6/ 2012	**1-3/ 2012**	Change , %	1–12/ 2012
PROFIT/LOSS FOR THE PERIOD	**-1,885**	-4,616	44	352	**-711**	165	-4,930
OTHER COMPREHENSIVE INCOME:							
Items that may be recognised in profit or loss at a later date:							
Translation differences from foreign units	**91**	-129	63	-50	**-2**	6,163	-118
Other comprehensive income, net	**91**	-129	63	-50	**-2**	6,163	-118
TOTAL COMPREHENSIVE INCOME	**-1,793**	-4,745	107	302	**-712**	152	-5,048
Attributable to:							
Shareholders of the parent company	**-1,793**	-4,745	107	302	**-712**	152	-4,313
Non-controlling interest	**0**	0	0	0	**0**		0

Annex 2

CONSOLIDATED BALANCE SHEET (IFRS)

(EUR thousands, unaudited)	31 March 2013	31 March 2012	Change, %
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2,453	3,698	-34
Goodwill	959	968	-1
Other intangible assets	204	268	-24
Other financial assets	311	311	0
Deferred tax assets	568	4,091	-86
TOTAL NON-CURRENT ASSETS	**4,495**	**9,336**	-52
CURRENT ASSETS			
Inventories	8,280	12,512	-34
Trade and other receivables	9,961	14,530	-31
Cash and cash equivalents	840	431	95
TOTAL CURRENT ASSETS	**19,081**	**27,473**	-31
Non-current assets held-for-sale	1,522	1,936	-21
TOTAL ASSETS	**25,098**	**38,744**	-35
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	20,487	20,487	0
Share premium account	44	44	0
Reserve for invested unrestricted equity	5,182	4,084	27
Exchange differences	-826	-800	3
Retained earnings	-29,325	-23,216	26
TOTAL EQUITY	**-4,437**	**599**	-841
NON-CURRENT LIABILITIES			
Deferred tax liabilities	0	0	0
Interest-bearing loans and borrowings	2,938	168	1,645
NON-CURRENT LIABILITIES	**2,938**	**168**	1,645
CURRENT LIABILITIES			
Trade and other payables	11,236	13,147	-15
Current interest-bearing loans and borrowings	15,362	24,573	-37
CURRENT LIABILITIES	**26,598**	**37,721**	-29
Liabilities relating to non-current assets held-for-sale	0	256	-100
TOTAL EQUITY AND LIABILITIES	**25,098**	**38,744**	-35

Annex 3

CONSOLIDATED CASH FLOW STATEMENT

(EUR thousand, unaudited)	1–3/2013	1–3/2012	1–12/2012
Cash flow from operating activities			
Operating profit/loss	-1,432	-345	-681
Adjustments to operating profit	624	334	728
Change in working capital	3,407	234	4,188
Interest paid and payments made	-393	-380	-1,814
Interest received	10	3	27
Cash flow from operating activities	**2,216**	**-154**	**2,448**
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets	-44	-32	-124
Proceeds from sale of tangible and intangible assets	7	38	139
Other investments	0	0	-61
Loans granted	0	-5	0
Sold shares of subsidiary	0	0	0
Repayments of loan assets	2	3	3
Cash flow from investing activities	**-35**	**4**	**-43**
Cash flow from financing activities			
Proceeds from share issue	0	0	734
Drawdown of loans	1,751	937	1,819
Repayments of borrowings	-3,603	-521	-4,201
Repayments of obligations under finance leases	-19	-159	-594
Cash flow from financing activities	**-1,871**	**257**	**-2,242**
Change in cash and cash equivalents	311	107	163
Cash and cash equivalents at beginning of period	613	369	369
Effect of changes in exchange rates	-76	-34	99
Changes in fair value (cash and cash equivalents)	-8	-11	-18
Cash and cash equivalents at end of period	**840**	**431**	**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	0	0	0	0
Transaction costs for equity	0	0	0	0	0	0
Change in exchange differences	0	0	0	-2	0	-2
Options and share-based compensation	0	0	0	0	2	0
Other changes	0	0	0	0	0	0
Net income and losses recognised directly in equity	0	0	0	-2	2	-2
Net profit/loss	0	0	0	0	-711	-711
	0	0	0	-2	-711	-712
Equity at 31 March 2012	20,487	44	4,084	-800	-23,216	599
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	-9	0	0	-9
Change in exchange differences	0	0	0	91	0	91
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	91	0	455
Net profit/loss	0	0	0	0	-1,885	-1,885
Total income and losses	0	0	364	91	-1,885	-1,429
Equity at 31 March 2013	20,487	44	5,182	-826	-29,325	-4,437

Annex 5

GROUP KEY FIGURES AND CONTINGENT LIABILITIES	31 March 2013	31 March 2012	31 December 2012
Revenue, EUR million	10.7	15.6	64.1
Operating profit, EUR million	1.4	-0.3	-0.7
% of revenue	-13.4	-2.2	-998.5
Profit before taxes, EUR million	-1.9	-0.7	-1.4
% of revenue	-17.6	-4.6	-517.5
Return on investment (ROI), %	-31.2	-1.5	-12.6
Return on equity (ROE), % [2]	202.5	-297.7	580.8
Equity ratio, %	-17.7	1.6	-10.3
Gearing, %	-393.5	4,103.2	-659.4
Net debt, EUR million	18.7	23.2	18.9
Net interest-bearing debt, EUR million	17.5	24.6	19.8
Quick ratio	0.4	0.4	0.5
Current ratio	0.7	0.7	0.8
Average number of shares during the report period, adjusted for share issues	21,980,504	18,680,880	20,067,042.3
Earnings per share (EPS), EUR	-0.09	-0.04	-0.25
Equity per share, EUR	-0.20	0.03	-0.14
P/E ratio	-1	-12	-1
Trend in share price			
Minimum price during the period, EUR	0.10	0.40	0.15
Maximum price during the period, EUR	0.25	0.65	0.65
Mean price during the period, EUR	0.17	0.51	0.3
Closing price at the end of the period, EUR	0.11	0.46	0.19
Total market capitalisation, EUR million	2	9	4
Trade volume, no. of shares	1,977,732	456,135	2,952,411
Trade volume, %	8.8	2.4	14.2
Investments, EUR million	0.0	0.0	0.1
% of revenue	0.4	0.2	0.2
Average number of employees	590	728	697
CONTINGENT LIABILITIES, EUR million			
FOR OWN LIABILITIES			
Mortgages[1]	14.3	12.3	14.3
Off-balance sheet liabilities	5.3	9.2	7.1
Nominal value of currency options, EUR thousand	0	0	0
Fair values of currency options, EUR thousand	0	0	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-March 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)

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