INTERIM REPORT Q3 / 2013

Incap Corporation
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INCAP GROUP INTERIM REPORT JANUARY-SEPTEMBER 2013

Decreased revenue impaired profitability year-on-year. Extensive turnaround program has been initiated to restore profitability. Key financials improved due to financing arrangement.

January-September 2013 in brief:

- the Group’s revenue was EUR 28,7 million, down approximately 42% year-on-year (Jan–September 2012: EUR 49.6 million) due to the transfer of material purchases to customers and decreased manufacturing volumes especially in the factory in Estonia
- following the decrease in revenue, the operating result (EBIT) declined year-on-year and was EUR -2.2 million (EUR -0.05 million)
- comprehensive financing arrangement improved the financial position whereby the equity ratio rose to 23.9% and gearing improved to 159%
- extraordinary general meeting approved the conditional merger of Incap and Inission and elected two new members to the Board of Directors
- Fredrik Berghel was appointed acting CEO of the Group
- Incap specifies its financial guidance and estimates that the Group’s revenue in 2013 will be approximately EUR 36 million

July-September 2013 in brief:

- revenue for the third quarter amounted to EUR 8.2 million, down approximately 17% from the second quarter and approximately 48% year-on-year (July-September 2012: EUR 15.7 million)
- the operating result (EBIT) for the third quarter improved compared with the first and the second quarters but remained negative at EUR -0.3 million (July-September 2012: EUR 0.3 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.

Fredrik Berghel, President and CEO of Incap Group:

“Incap has been fighting head wind for quite some time now. The financial reconstruction achieved during the summer was the first step towards getting to a normalised situation. I wish to thank all our shareholders, financiers, material suppliers and other cooperation partners for their valuable support and contribution in the financing arrangement.

Due to the past bad times some of our customers have started up alternative sources to us, and this movement has especially hurt our operations in Kuressaare, Estonia. Therefore, our situation still is challenging and restoring the business is now our main task.

We are now focusing on the three C. I am asking all of my employees to really scrutinise how they spend their time. If the task cannot be found in either of the three C, then it should not be done.

Customer: To communicate that we have a new situation and that we are back on track is our most important task. That is of course our sales and marketing force that do most of that work, but all of our employees have to contribute. From when they clock in till they clock out. Confidence in us has weakened, and now we shall restore it with all means. With some of our customers this severe situation actually has strengthened our relation.

Cost: Our business has been shrinking. We therefore have to adapt cost accordingly. Most of the companies in the world are a lot smaller than Incap. There is nothing about the size that destines us for not being profitable. This is however a mental issue, we used to be a small "big company" now we shall be a big "small company". This change has started and is in full swing. It will be painful but nevertheless necessary.

Cash: The financial reconstruction has given us a second chance. We need to make sure that we bring in all cash that is ours everywhere. Parallel to our road show visiting customers we have also been around visiting almost all of our suppliers with the same purpose, to restore confidence. It is of outmost importance that we minimise our net working capital in all of operations in order to secure our liquidity.

Even though we are experiencing hard times now, the actions that we have initiated so far are already proving their effectiveness. We shall continue with the same determination until our business is healthy and back on profitable track. The turnaround is possible and we will carry it through. And after having won this battle, we are strong enough to win anything."

Incap Group's revenue and earnings in July-September 2013

Revenue for the third quarter amounted to EUR 8.2 million, down approximately 48% year-on-year. The decrease in revenue was due to the lower demand of several customers. Further, the responsibility for the purchase of materials was not transferred from all customers back to Incap in the desired schedule.

The operating result of the third quarter improved in comparison with the first and second quarters thanks to the efforts aimed at enhanced productivity and cost savings. The net result was weakened by non-recurring costs in connection with the financing arrangement.

QUARTERLY COMPARISON (EUR THOUSANDS)	7-9/ 2013	4–6/ 2013	1–3/ 2013	10–12/ 2012	7–9/ 2012	4–6/ 2012	1–3/ 2012
Revenue	8,206	9,883	10,654	14,498	15,701	18,378	15,564
Operating profit/loss (EBIT)	-331	-415	-1,432	-628	280	13	-345
Net profit/loss	-1,481	-1,172	-1,885	-4,616	44	352	-711
Earnings per share, EUR	-0.03	-0.05	-0.09	-0.23	0.00	0.02	-0.04

Incap Group's revenue and earnings in January-September 2013

Revenue for the review period amounted to EUR 28.7 million, down approximately 42% year-on-year. Main reason for the decline was that materials purchased by customers were not included in revenue. Material responsibility has been transferred back to Incap by most of the customers, but in some volume products the transfer has been postponed. The weakening of the Indian rupee is also lowering the revenue volume calculated in euros.

Because of the previous difficult financial situation some customers have also applied their dual supplier strategy and transferred part of their production to another supplier in line with their supply chain risk management. This has affected especially the volumes in Incap's factory in Estonia.

The operating result (EBIT) for January-September was approximately EUR -2.2 million (EUR -0.05 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 variable personnel expenses were decreased by approximately 46% year-on-year. Fixed costs were reduced by approximately 5% from the comparison period. The value of inventories decreased year-on-year by EUR 3.4 million and from the end of 2012 by approximately EUR 2.4 million.

Net financial expenses amounted to EUR 2.0 million (EUR 0.2 million) and depreciation to EUR 1.0 million (EUR 1.2 million). Major financing expenses were connected with the arrangement of convertible loans, while the financing income consisted of composition arrangement of loans, interests and payables to suppliers. In the comparison period in 2012, net financial expenses included a non-recurring financing income item of approximately EUR 1.0 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 -4.5 million (EUR -0.3 million). Earnings per share amounted to EUR -0.10 (EUR -0.02).

COMPARISON BY REVIEW PERIOD (EUR THOUSANDS)	**1–9/ 2013**	**1–9/ 2012**	**CHANGE, %**	**1–12/ 2012**
Revenue	28,743	49,643	-42	64,141
Operating profit/loss (EBIT)	-2,177	-52	4,052	-681
Net profit/loss	-4,537	-314	1,344	-4,930
Earnings per share, EUR	-0.10	-0.02	555	-0.25

Turnaround to restore profitability

In the turnaround program which was launched after the end of review period the overall strategy is to focus on core business, i.e. manufacturing and deliveries to customers. The customer relationships are 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.

In the first stage, the target is 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 are estimated to cause one-time costs of approximately EUR 1.6 million, and accordingly, the total net savings will be approximately EUR 3.1 million. The actions have already been started and their results are scheduled to be seen within a varying time span during 2013 and 2014. The impact of the actions will be evaluated by the end of January 2014. In case the targeted savings have not become evident in desired speed and intensity, the second stage of the program will be launched.

Incap continues to focus on the customer segments Energy efficiency and Well-being technologies. Efforts to build up in-house design services to a strategic competitive edge are replaced with the development of design services in cooperation with partnering R&D companies.

The factories shall operate as self-sufficient profit centres while the corporate functions' role is minimised. Supporting and coordinating duties are streamlined and as part of this, cooperative negotiations in the Group services in Finland are on-going and are estimated to be concluded on 11 November. Similar discussions are in progress also with the corporate personnel working in the Tallinn office.

The production capacity and organisation are adopted according to demand, especially in the Estonian subsidiary, where the termination of approximately 85 employment contracts is being considered. In the Vaasa factory in Finland, cooperative negotiations are on-going concerning the temporary layoff of 75 persons for a maximum of 90 days. Actions to increase the efficiency and productivity are implemented in all factories.

The need for office locations is reconsidered. The office in Bangalore will move to smaller premises by the end of the year. To reduce the costs, the company has initiated negotiations on the rental contracts both in Tallinn and in Kuressaare.

Capital expenditure
Capital expenditure for the period totalled EUR 0.2 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.

Financing arrangement
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 enabled 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 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 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.

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.

The company 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, 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 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.

EFFECT OF THE FINANCING ARRANGEMENT ON THE COMPANY'S INTEREST-BEARING LIABILITIES (EUR THOUSANDS)	**30.6.2013**	**AFTER THE FINANCING ARRANGEMENT, 31 JULY 2013**
Capital loans	1,050	0
Convertible loan 2012	2,889 [1)]	0
Convertible loan 2007	960	480
Bank loans	11,377	8,391
Finance lease liabilities	61	55
Other loans	1,899	1,899
Total	**18,234**	**10,825**

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 become 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 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% 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 will be paid through a second directed share issue two weeks after Incap has published its financial statements for 2013.

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 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 decided to approve the transaction.

Balance sheet, financing and cash flow
The balance sheet total stood at EUR 19.8 million (EUR 35.2 million). The Group’s equity at the close of the review period was EUR 4.7 million (EUR 1.7 million). The parent company's equity strengthened to EUR 17.1 million, representing 83% of the share capital (EUR 11,6 million, 56%). The Group’s equity ratio improved to 23.9% (4.9%).

Liabilities decreased amounting to EUR 15.1 million (EUR 33.4 million), of which EUR 9.6 million (EUR 21.1 million) were interest-bearing liabilities.

Interest-bearing net liabilities decreased from the comparison period and were EUR 7.5 million (EUR 20.8 million), and the gearing ratio was 159% (1,205%).

INTEREST-BEARING LIABILITIES (EUR THOUSANDS)	**30 JUNE 2013**	**30 SEP 2013**
Non-current financial liabilities measured at amortised cost		
Capital loans	1 050	0
Convertible loan	1 890	0
Finance lease liabilities	0	0
Other liabilities	0	1 945
	2 940	**1 945**
Current financial liabilities measured at amortised cost		
Bank loans	11 377	7 134
Other liabilities	1 899	0
Convertible loans	1 959	479
Finance lease liabilities	61	44
	15 295	**7 657**
Interest-bearing liabilities, total	**18 234**	**9 602**

Approximately EUR 1.2 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 5.9 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 1.9 million was in use and EUR 7.6 million was unused on 30 September 2013. For operations in India and Estonia, the balances of bank loans and credit line totalled EUR 3.1 million, which includes Finnfund's EUR 1.9 million investment in Incap's operations in India. In the comprehensive financing arrangement in July 2013, the company's interest-bearing liabilities were reduced by approximately EUR 6.0 million.

The amount of the convertible loan of 2007 at the end of the period was EUR 0.5 million and it 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 in the financing arrangement.

On 30 September 2013, EUR 7.1 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, the bank released the collateral arrangement connected with the sales price of the Vuokatti plant property.

On 30 September 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. Based on the company's estimate on 25 September 2013 these covenants are not met in the forthcoming review on 31 December 2013. The company has agreed with the bank upon negotiations on the covenants and their target levels in November 2013, when the company's preliminary targets for operations in the year 2014 are known. In case the covenants are not met and the negotiations with the bank do not result in an agreement on new covenant levels so that the bank uses its right to terminate the loans, the company would most probably not be able to meet its commitments but should initiate negotiations for rearrangement of financing.

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 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 September 2013, the total amount of tax liabilities within the scope of this arrangement is EUR 0.7 million, and according to the agreement, the last payment will take place in August 2014. According to the provisions of the agreement, if an installment is late, the Finnish Tax Administration has the right to terminate the agreement with immediate effect.

During the review period, approximately EUR 0.3 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 30 September 2013, confirmed tax losses for which no deferred tax asset was recognised amounted to EUR 11.2 million.

The Group's quick ratio was 0.7 (0.5), and the current ratio was 1.2 (0.8).

Cash flow from operations was positive: EUR 0.4 million (EUR 1.6 million). On 30 September 2013, the Group's cash and cash equivalents totalled EUR 2.1 million (EUR 0.2 million). The change in cash and cash equivalents showed an increase of EUR 1.1 million (a decrease of EUR 0.1 million).

Management and personnel
The CEO of Incap was changed on 20 September 2013, when the former CEO Sami Mykkänen left his duties as CEO. Fredrik Berghel, M.Sc. (Eng.), born in 1967, was appointed new acting President and CEO. Berghel is one of Inission AB's two owners and he was elected to Incap

Corporation's Board of Directors on 21 August 2013. Berghel has a long experience in several technology companies and today, he is the CEO of Inission.

At the end of September 2013, the Incap Group had a payroll of 570 employees (666). Some 57% (56%) of the personnel worked in India, 27% (30%) in Estonia and 16% (14%) in Finland.

Extraordinary General Meeting
The Extraordinary General Meeting of Incap Corporation was held on Wednesday, 21 August 2013 in Helsinki. A total of 22 shareholders participated in the meeting, representing a total of 81.3% of all shares and votes.

The Extraordinary General Meeting elected Fredrik Berghel and Olle Hulteberg as new members to the Board of Directors, and of the previous members of the Board of Directors Raimo Helasmäki, Susanna Miekk-oja and Lassi Noponen were re-elected to the Board of Directors. The members of the Board of Directors were elected for a period beginning in the Extraordinary General Meeting and ending in the first Annual General Meeting following the General Meeting, in which they were 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 will be carried out by Incap Corporation acquiring Inission AB's subsidiaries' shares and business operations. The realisation of the transaction is conditional to the exercising of the related option by Inission AB.

The Extraordinary General Meeting further resolved to approve 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.

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, out of which 22,546,266 were traded in the Stock Exchange. The new shares issued in connection with the share issue and conversion of loans came into trade after the end of the review period on 18 October 2013.

During the period, the share price varied between EUR 0.10 and 0.25 (EUR 0.27 and 0.65). The closing price for the period was EUR 0.17 (EUR 0.27). During the review period, the trading volume was 4,756,878 shares, or 4.4% of outstanding shares (1,499,294, or 7.2%).

At the end of the review period, Incap had 1,300 shareholders (1,101). Nominee-registered or foreign owners held 27.1% (0.5%) of all shares. The company's market capitalisation on 30 September 2013 was EUR 3.8 million (EUR 5.6 million). The company does not hold any of its own shares.

THE LARGEST SHAREHOLDERS ON 30 SEPTEMBER 2013 (INCLUDING THE SUBSCRIBERS OF NEW SHARES ISSUED IN JULY 2013):	NO. OF SHARES	SHARE OF OWNERSHIP, %
Inission AB (nominee-registered)	28,500,000	26.1
Oy Etra Invest Ab	16,934,547	15.5
Ingman Finance Oy Ab	8,780,769	8.1
Ilmarinen	8,307,692	7.6
Varma	7,684,615	7.0
Finnvera Oyj	6,238,600	5.7
Onvest Oy	5,197,286	4.8
Nordea Pankki Suomi Oyj	3,761,400	3.5
Laurila Kalevi	2,735,429	2.5
JMC Finance Oy	2,402,286	2.2

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 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

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.

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 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 1.5-2.5 million. The working capital is, however, sufficient for the forthcoming 12 months, if the following provisions are met:

- The action plan launched by the company is successful and the company reaches the targets set for efficiency improvement and cost savings
- The company reaches the estimated profitability targets in the way that the company has sufficient means to cover the debt installment of EUR 1.3 million by the end of September 2014
- 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 published on 15 October an action plan, which is aimed at ensuring the sufficiency of working capital. Major actions of the plan are the adaption of production capacity according to demand and the increase of efficiency by streamlining organisation structure, thinning administration and cutting costs.

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.

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 specifies its financial guidance given on 13 September 2013 and estimates that the Group's revenue in 2013 will be approximately EUR 36 million. The revenue is as previously announced significantly lower than in 2012 when it was EUR 64,1 million. The revenue for the second half of the year is estimated to be smaller than the one of the first half of the year, when the revenue amounted to EUR 20.5 million. The full-year operating result (EBIT) is estimated to be negative.

In its estimate given on 13 September 2013, the company said that the revenue for the latter part of the year will be approximately on the same level than for the first half of the year, when the revenue was EUR 20.5 million. Accordingly, the full-year revenue for 2013 was estimated to be significantly lower than in 2012. The Group's full-year operating result 2013 was estimated to be negative.

Publication of the financials for full-year 2013 and the interim report for October-December 2013
Incap Group's interim report for the fourth quarter will be published on 25 February 2014 in connection with the announcement concerning financials for full year 2013.

Helsinki, 31 October 2013

INCAP CORPORATION
Board of Directors

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The company's home page www.incap.fi

NEWS CONFERENCE
Incap will arrange a conference for the press and financial analysts on 31 October 2013 at 10:00 a.m. at BANK (Unioninkatu 20, 00130 Helsinki). The results are presented by the Group's CEO Fredrik Berghel.

ANNEXES
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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
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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 570 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)	**7-9/ 2013**	4–6/ 2013	1–3/ 2013	10–12/ 2012	7–9/ 2012	4–6/ 2012	1–3/ 2012	**1-9/ 2013**	1-9/ 2012	Change, %	1–12/ 2012
REVENUE	**8,206**	9,883	10,654	14,498	15,701	18,378	15,564	**28,743**	49,643	-39	64,141
Work performed by the enterprise and capitalised	**0**	0	0	0	0	0	0	**0**	0	0	0
Change in inventories of finished goods and work in progress	**-256**	-97	-260	-323	-169	-327	176	**-613**	-320	138	-643
Other operating income	**8**	-12	51	49	136	134	85	**48**	355	-82	404
Raw materials and consumables used	**4,120**	5,617	7,112	9,968	10,978	12,568	10,801	**16,848**	34,347	-46	44,315
Personnel expenses	**2,067**	2,428	2,527	2,538	2,419	3,119	3,011	**7,022**	8,548	-19	11,087
Depreciation, amortisation and impairment losses	**115**	227	628	231	378	435	415	**970**	1,229	1	1,460
Other operating expenses	**1,987**	1,917	1,611	2,114	1,612	2,051	1,944	**5,515**	5,606	-12	7,721
OPERATING PROFIT/LOSS	**-331**	-415	-1,432	-628	280	13	-345	**-2,177**	**-52**	456	-681
Financing income and expenses	**-1,000**	-595	-439	-569	-156	339	-366	**-2,034**	-182	3,829	-751
PROFIT/LOSS BEFORE TAX	**-1,331**	-1,010	-1,871	-1,197	124	352	-711	**-4,211**	**-235**	703	-1,432
Income tax expense	**-150**	-162	-14	-3,418	-79	0	0	**-326**	-79		-3,498
PROFIT/LOSS FOR THE PERIOD	**-1,481**	-1,172	-1,885	-4,616	44	352	-711	**-4,537**	**-314**	753	-4,930
Earnings per share	**-0.03**	-0.05	-0.09	-0.23	0.00	0.02	-0.04	**-0.10**	**-0.02**	600	-0.25

Options have no dilutive effect in financial periods 2012 and 2013.

OTHER COMPREHENSIVE INCOME	**7-9/ 2013**	4–6/ 2013	1–3/ 2013	10–12/ 2012	7–9/ 2012	4–6/ 2012	1–3/ 2012	**1-9/ 2013**	1-9/ 2012	Change, %	1–12/ 2012
PROFIT/LOSS FOR THE PERIOD	**-1,481**	-1,172	-1,885	-4,616	44	352	-711	**-4,537**	**-314**	753	-4,930
OTHER COMPREHENSIVE INCOME:											
Items that may be recognised in profit or loss at a later date:											
Translation differences from foreign units	**-190**	-285	91	-129	63	-50	-2	**-384**	11	278	-118
Other comprehensive income, net	**-190**	-285	91	-129	63	-50	-2	**-384**	11	278	-118
TOTAL COMPREHENSIVE INCOME	**-1,671**	-1,457	-1,793	-4,745	107	302	-712	**-4,922**	-303	693	-5,048
Attributable to:											
Shareholders of the parent company	**-1,671**	-1,457	-1,793	-4,745	107	302	-712	**-4,922**	-303	693	-5,048
Non-controlling interest	**0**	0	0	0	0	0	0	**0**	0		0

Annex 2

CONSOLIDATED BALANCE SHEET (IFRS)

(EUR thousands, unaudited)	30 September 2013	30 September 2012	Change, %	31 December 2012
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	1,867	2,863	-35	2,578
Goodwill	869	969	-10	940
Other intangible assets	80	194	-59	178
Other financial assets	471	311	51	311
Deferred tax assets	187	4,014	-95	560
TOTAL NON-CURRENT ASSETS	**3,474**	**8,351**	-58	**4,568**
CURRENT ASSETS				
Inventories	6,929	10,339	-33	9,352
Trade and other receivables	7,304	14,295	-49	12,815
Cash and cash equivalents	2,087	231	804	613
TOTAL CURRENT ASSETS	**16,320**	**24,864**	-34	**22,780**
Non-current assets held-for-sale	0	1,936	-100	1,936
TOTAL ASSETS	**19,794**	**35,151**	-44	**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	17,471	4,809	263	4,818
Exchange differences	-1,301	-788	65	-917
Retained earnings	-31,978	-22,825	40	-27,440
TOTAL EQUITY	**4,723**	**1,728**	173	**-3,008**
NON-CURRENT LIABILITIES				
Deferred tax liabilities	0	0		0
Interest-bearing loans and borrowings	1,945	1,915	2	2,492
NON-CURRENT LIABILITIES				**2,492**
CURRENT LIABILITIES				
Trade and other payables	5,469	12,369	-56	11,841
Current interest-bearing loans and borrowings	7,657	19,097	-60	17,959
CURRENT LIABILITIES	**13,126**	**31,466**	-58	**29,800**
Liabilities relating to non-current assets held-for-sale	0	**43**	-100	**0**
TOTAL EQUITY AND LIABILITIES	**19,794**	**35,151**	-44	**29,283**

Annex 3

CONSOLIDATED CASH FLOW STATEMENT

(EUR thousands, unaudited)	1-9/2013	1-9/2012	1–12/2012
Cash flow from operating activities			
Operating profit/loss	-2,177	-52	-681
Adjustments to operating profit	1,122	867	728
Change in working capital	2,375	2,354	4,188
Interest paid and payments made	-954	-1,580	-1,814
Interest received	10	19	27
Cash flow from operating activities	**376**	**1,608**	**2,448**
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets	-182	-69	-124
Proceeds from sale of tangible and intangible assets	1,488	134	139
Other investments	0	-61	-61
Loans granted	-2	-4	0
Sold shares of subsidiary	0	0	0
Repayments of loan assets	0	3	3
Cash flow from investing activities	**1,304**	**3**	**-43**
Cash flow from financing activities			
Proceeds from share issue	4,282	725	734
Drawdown of loans	1,246	1,309	1,819
Repayments of borrowings	-6,051	-3,158	-4,201
Repayments of obligations under finance leases	-51	-566	-594
Cash flow from financing activities	**-574**	**-1,690**	**-2,242**
Change in cash and cash equivalents	1,106	-79	163
Cash and cash equivalents at beginning of period	613	369	369
Effect of changes in exchange rates	212	-28	99
Changes in fair value (cash and cash equivalents)	156	-31	-18
Cash and cash equivalents at end of period	**2,087**	**231**	**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	-34	0	0	-34
Change in exchange differences	0	0	0	11	0	11
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	725	11	-5	731
Net profit/loss	0	0	0	0	-314	-314
	0	0	725	11	-319	417
Equity at 30 September 2012	20,487	44	4,809	-788	-22,825	1,728
Equity at 1 January 2013	20,487	44	4,818	-917	-27,440	-3,008
Share issue	0	0	12,938	0	0	12,938
Transaction costs for equity	0	0	-286	0	0	-286
Change in exchange differences	0	0	0	-384	0	-384
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	12,653	-384	0	12,268
Net profit/loss	0	0	0	0	-4,537	-4,537
Total income and losses	0	0	12,653	-384	-4,537	7,731
Equity at 30 September 2013	20,487	44	17,471	-1,301	-31,978	4,723

Annex 5

GROUP KEY FIGURES AND CONTINGENT LIABILITIES	30 Sep 2013	30 Sep 2012	31 Dec 2012
Revenue, EUR million	28.7	49.6	64.1
Operating profit, EUR million	-2.2	-0.1	-0.7
% of revenue	-7.6	-0.1	-1.1
Profit before taxes, EUR million	-4.2	-0.2	-1.4
% of revenue	-14.7	-0.5	-2.2
Return on investment (ROI), %	4.7	6.8	-12.6
Return on equity (ROE), % ²	-705.8	-27.6	580.8
Equity ratio, %	23.9	4.9	-10.3
Gearing, %	159.1	1205.2	-659.4
Net debt, EUR million	5.7	18.9	18.9
Net interest-bearing debt, EUR million	7.5	20.8	19.8
Quick ratio	0.7	0.5	0.5
Current ratio	1.2	0.8	0.8
Average number of shares during the review period, adjusted for share issues	43,605,321	19,804,494	20,067,042.3
Earnings per share (EPS), EUR	-0.10	-0.02	-0.25
Equity per share, EUR	0.04	0.08	-0.14
P/E ratio	-1.6	-17	-0.8
Trend in share price			
Minimum price during the period, EUR	0.10	0.27	0.15
Maximum price during the period, EUR	0.25	0.65	0.65
Mean price during the period, EUR	0.15	0.39	0.3
Closing price at the end of the period, EUR	0,17	0.27	0.19
Total market capitalisation, EUR million	4	6	4
Trade volume, no. of shares	4,756,878	1,499,294	2,952,411
Trade volume, %	4.4	7.2	14.2
Investments, EUR million	0.2	0.1	0.1
% of revenue	0.6	0.1	0.2
Average number of employees	569	713	697
CONTINGENT LIABILITIES, EUR million			
FOR OWN LIABILITIES			
Mortgages¹ and pledges	12.7	14.4	14.3
Off-balance sheet liabilities	3.5	7.7²	7.1
Nominal value of currency options, EUR thousand	0	0	0
Fair values of currency options, EUR thousand	0	0	0

¹ In the calculation of return on equity, the numerator and the denominator are negative.
² The repurchase obligation of invoiced receivables has been added to off-balance sheet liabilities on 30 September 2012.

Annex 6

QUARTERLY KEY FIGURES (IFRS)

	7-9/ 2013	4–6/ 2013	1–3/ 2013	10–12/ 2012	7–9/ 2012	4–6/ 2012	1–3/ 2012
Revenue, EUR million	8.2	9.9	10.7	14.5	15.7	18.4	15.6
Operating profit, EUR million	-0.3	-0.4	-1.4	-0.6	0.3	0.0	-0.3
% of revenue	-4.0	-4.2	-13.4	-4.3	1.8	0.1	-2.2
Profit before taxes, EUR million	-1.3	-1.0	-1.9	-1.2	0.1	0.4	-0.7
% of revenue	-16.2	-10.2	-17.6	-8.3	0.8	1.9	-4.6
Return on investment (ROI), %	56.2	-12.1	-31.2	-73.2	3.3	17.8	-1.5
Return on equity (ROE), %²	-691.1	105.3	202.5	2,175.3	11.7	95	-297.7
Equity ratio, %	23.9	-25.8	-17.7	-10.3	4.9	4.3	1.6
Gearing, %	159.1	-266.1	-393.5	-659.4	1,205.2	1,372.9	4,103.2
Net debt, EUR million	5.7	16.5	18.7	18.9	18.9	20.3	23.2
Net interest-bearing debt, EUR million	7.5	15.7	17.5	19.8	20.8	22.7	24.6
Average number of shares during the review period, adjusted for share issues	43,605,321	22,264,948	21,980,504	20,067,042	19,804,494	19,276,512	18,680,880
Earnings per share (EPS), EUR	-0.03	-0.05	-0.09	-0.23	0.00	0.02	-0.04
Equity per share, EUR	0.04	-0.26	-0.20	-0.14	0.08	0.08	0.03
Investments, EUR million	0.05	0.1	0	0.1	0.0	0.1	0.0
% of revenue	0.59	0.9	0.4	0.3	-0.1	0.3	0.2
Average number of employees	563	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